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الرقم: 2017/955  
التاريخ: 2017/7/31

السادة/ هيئة الأوراق المالية المحترمين  
عمان - الأردن

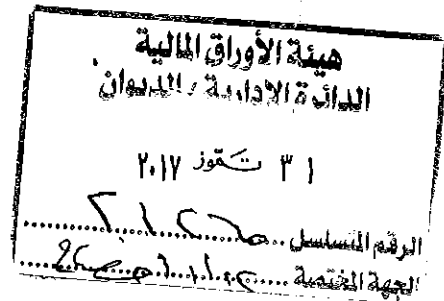
الموضوع: البيانات المالية الموحدة كما في 2017/6/30

تحية طيبة وبعد،،،

نرفق لكم طيه البيانات المالية الموحدة (نصف السنوية) لعام 2017 لشركة المنارة للتأمين باللغتين العربية والإنجليزية مصادق عليها من المدقق الخارجي حسب الأصول بالإضافة الى قرص مدمج (CD) يحتوي على المادة المطلوبة .

كما نرفق لكم البيانات المالية باللغة الإنجليزية لعام 2016، بالإضافة الى البيانات المالية باللغة الإنجليزية أيضاً كما هي في 2017/3/31.

واقبلوا فائق الاحترام،،



**Al-Manara Insurance Company**  
**Public Shareholding Company**

**Consolidated Financial Statements as at 31 December 2016**  
**Together With**  
**Independent Auditor's Report**

**Arab Professionals**  
**(Member Firm within Grant Thornton International Ltd.)**

**Al-Manara Insurance Company  
Public Shareholding Company**

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## INDEPENDENT AUDITOR'S REPORT

To The Shareholders of  
**Al-Manara Insurance Company**  
**Public Shareholding Company**  
**Amman - Jordan**

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

#### **Opinion**

We have audited the consolidated financial statements of **Al-Manara Insurance Company (PSC)**, which comprise the consolidated statement of financial position as at 31 December 2016, and the consolidated statement of profit or loss, consolidated statement of comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the year then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies.

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

#### **Basis for Opinion**

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

#### **Other Matter**

The consolidated financial statements of **Al-Manara Insurance Company (PSC)** as at 31 December 2015 have been audited by another auditor who expressed a qualified opinion on deferred tax assets on 25 February 2016.

#### **Key Audit Matters**

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the consolidated financial statements of the current year. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters. We have determined the matters described below to be the key audit matters to be communicated in our report.

##### **(1) Deferred Tax Assets**

Included in the accompanying consolidated financial statements at the end of the year 2016 deferred tax assets totalling JOD (1,139,723), as the expected benefits of these assets is primarily dependent on the Company's ability to generate adequate future profits, and since forecasting future profits is based on the Company's assumptions and estimates, determining the future benefits of the deferred tax assets is considered a key audit matter. The audit procedures performed by us to address this key audit matter included discussing the recoverability of the deferred tax assets with the Company's tax advisors and testing of the Company's budgeting procedures upon which the forecasts are based. We have also considered the appropriateness of its calculation and disclosure in the consolidated financial statements.

##### **(2) Claims Reserve**

Included in the accompanying consolidated financial statements at the end of the year 2016 claims reserve totalling JOD (6,150,562), as the calculation of this reserve is dependent on several assumptions and estimates, the assessment of its adequacy is considered a key audit matter. The audit procedures performed by us to address this key audit matter included challenging the appropriateness of the estimates and assumptions used by management to determine this reserve. Our challenge was based on the assessment of the historical accuracy of the Company's estimates on previous periods, identification and analysis of changes in assumptions from prior periods and an assessment of the consistency of assumptions. We have also obtained formal confirmation from the Company's external Actuary regarding the adequacy of this reserve.



**Other Information**

Management is responsible for the other information. The other information comprises the information included in the annual report, but does not include the consolidated financial statements and our auditor's report thereon.

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

In connection with our audit of the consolidated financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the consolidated financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

**Responsibilities of Management for the Consolidated Financial Statements**

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

In preparing the consolidated 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.

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

Our objectives are to obtain reasonable assurance about whether the consolidated 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 consolidated financial statements.

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

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated 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 consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

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

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

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

**Report on Other Legal and Regulatory Requirements**

The Company maintains proper accounting records and the accompanying consolidated financial statements are in agreement therewith and with the financial data presented in the Board of Director's report.

23 February 2017  
Amman – Jordan



**Amin Samara**  
(License No. 481)  
Arab Professionals



**Al-Manara Insurance Company**  
**Public Shareholding Company**  
**Consolidated Statement of Financial Position as at 31 December 2016**

(In Jordanian Dinar)

	Notes	2016	2015
<b>Assets</b>			
<b>Investments</b>			
Bank deposits	3	8,285,691	9,120,930
Financial assets at fair value through other comprehensive income	4	573,092	580,762
Financial assets at amortized cost	5	311,872	768,202
Investment property	6	1,231,586	1,231,586
<b>Total Investments</b>		<b>10,402,241</b>	<b>11,701,480</b>
Cash on hand and at banks	7	63,184	511,537
Checks under collection	8	441,240	278,807
Accounts receivable	9	1,240,565	1,140,782
Reinsurers receivables	10	484,333	93,939
Deferred tax assets	11	1,139,723	1,362,495
Property and equipment	12	2,060,128	2,076,246
Other assets	13	296,246	515,736
<b>Total Assets</b>		<b>16,127,660</b>	<b>17,681,022</b>
<b>Liabilities and Equity</b>			
<b>Liabilities</b>			
Unearned premiums reserve - net		2,491,729	2,266,909
Outstanding claims reserve - net		6,150,562	8,096,866
<b>Total Technical Reserves</b>		<b>8,642,291</b>	<b>10,363,775</b>
Accounts payable	14	413,887	301,381
Reinsurers payables	15	1,387,512	1,336,502
Other provisions		176,967	184,625
Other liabilities	16	489,172	469,866
<b>Total Liabilities</b>		<b>11,109,829</b>	<b>12,656,149</b>
<b>Equity</b>			
Paid - in capital	17	7,000,000	7,000,000
Treasury stocks	18	( 1,172,559)	( 1,172,559)
Statutory reserve	19	530,874	508,534
Voluntary reserve		17,684	-
Cumulative change in fair value	20	( 530,727)	( 523,056)
Accumulated losses	21	( 827,441)	( 788,046)
<b>Net Equity</b>		<b>5,017,831</b>	<b>5,024,873</b>
<b>Total Liabilities and Equity</b>		<b>16,127,660</b>	<b>17,681,022</b>

"The attached notes from (1) to (38) are an integral part of these consolidated financial statements"

**Al-Manara Insurance Company**  
**Public Shareholding Company**  
**Consolidated Statement of Profit or Loss For the Year Ended 31 December 2016**  
**(In Jordanian Dinar)**

	Notes	2016	2015
<b>Revenues</b>			
Gross written premiums		8,291,065	8,338,423
Less: Reinsurers' share		( 2,094,674)	( 2,115,798)
Net written premiums		6,196,391	6,222,625
Net change in unearned premiums reserve		( 224,820)	1,587,028
Net earned premiums		5,971,571	7,809,653
Commissions revenues		209,679	216,604
Insurance policies issuance fees		276,875	252,441
Other underwriting revenues		184,468	241,188
Interest income	22	326,696	426,955
Gains from financial assets and investments, net	23	45,457	91,384
Other revenues (expenses)	24	4,677	( 19,335)
<b>Total Revenues</b>		<b>7,019,423</b>	<b>9,018,890</b>
<b>Claims, losses and expenses</b>			
Paid claims		10,339,606	9,214,315
Less: Recoveries		( 542,559)	( 501,478)
Less: Reinsurers' share		( 3,811,056)	( 1,594,682)
Net paid claims		5,985,991	7,118,155
Net change in claims reserve		( 1,946,304)	( 650,419)
Allocated employees expenses	25	1,038,959	937,059
Allocated administrative expenses	26	408,176	366,979
Excess of loss premiums		197,058	257,561
Policies acquisition costs		338,374	456,202
Other underwriting expenses		170,305	204,083
<b>Net Claims</b>		<b>6,192,559</b>	<b>8,689,620</b>
Unallocated employees expenses	25	259,740	234,264
Depreciation	12	84,617	87,350
Unallocated administrative expenses	26	102,044	91,745
Provision for doubtful debts	9,10	142,700	95,431
Other expenses		14,362	35,375
<b>Total Expenses</b>		<b>603,463</b>	<b>544,165</b>
<b>Profit (loss) for the year before tax</b>		<b>223,401</b>	<b>( 214,895)</b>
Income tax expense	11	( 222,772)	-
<b>Profit (loss) for the year</b>		<b>629</b>	<b>( 214,895)</b>
<b>Basic and diluted earnings (loss) per share</b>	27	<b>0.0001</b>	<b>( 0.0317)</b>

"The attached notes from (1) to (38) are an integral part of these consolidated financial statements"



**Al-Manara Insurance Company**  
**Public Shareholding Company**  
**Consolidated Statement of Comprehensive Income For the Year Ended 31 December 2016**  
**(In Jordanian Dinar)**

	<u>Notes</u>	<u>2016</u>	<u>2015</u>
Profit (loss) for the year		629	( 214,895)
<b>Other comprehensive income items:</b>			
Change in fair value of financial assets through other comprehensive income	20	( 7,671)	( 8,128)
Loss from sale of financial assets through other comprehensive income	21	<u>-</u>	<u>( 14,024)</u>
<b>Total comprehensive income for the year</b>		<b><u>( 7,042)</u></b>	<b><u>( 237,047)</u></b>

“The attached notes from (1) to (38) are an integral part of these consolidated financial statements”

**Al-Manara Insurance Company**  
**Public Shareholding Company**  
**Consolidated Statement of Changes in Equity For the Year Ended 31 December 2016**  
**(In Jordanian Dinar)**

	<u>Paid - In Capital</u>	<u>Treasury Stocks</u>	<u>Statutory Reserve</u>	<u>Voluntary Reserve</u>	<u>Cumulative Change in Fair Value</u>	<u>Accumulated Losses</u>	<u>Total Equity</u>
<b>Balance at 1 January 2016</b>	7,000,000	( 1,172,559)	508,534	-	( 523,056)	( 788,046)	5,024,873
Profit for the year	-	-	-	-	-	629	629
Change in fair value of financial assets at fair value through other comprehensive income	-	-	-	-	( 7,671)	-	( 7,671)
Reserves	-	-	22,340	17,684	-	( 40,024)	-
<b>Balance at 31 December 2016</b>	<u>7,000,000</u>	<u>( 1,172,559)</u>	<u>530,874</u>	<u>17,684</u>	<u>( 530,727)</u>	<u>( 827,441)</u>	<u>5,017,831</u>
<b>Balance at 1 January 2015</b>	7,000,000	( 1,188,480)	508,534	-	( 514,928)	( 544,429)	5,260,697
Loss for the year	-	-	-	-	-	( 214,895)	( 214,895)
Change in fair value of financial assets at fair value through other comprehensive income	-	-	-	-	( 8,128)	-	( 8,128)
Loss from the sale of financial assets at fair value through other comprehensive income	-	-	-	-	-	( 14,024)	( 14,024)
Sale of treasury stocks	-	15,921	-	-	-	( 14,698)	1,223
<b>Balance at 31 December 2015</b>	<u>7,000,000</u>	<u>( 1,172,559)</u>	<u>508,534</u>	<u>-</u>	<u>( 523,056)</u>	<u>( 788,046)</u>	<u>5,024,873</u>

“The attached notes from (1) to (38) are an integral part of these consolidated financial statements”

**Al-Manara Insurance Company**  
**Public Shareholding Company**  
**Consolidated Statement of Cash Flows For the Year Ended 31 December 2016**  
**(In Jordanian Dinar)**

	Notes	2016	2015
<b>Cash Flows From Operating Activities</b>			
Profit (Loss) before tax		223,401	( 214,895)
Depreciation	12	84,617	87,350
Interest income		( 326,696)	( 426,955)
Provision for doubtful debts	9,10	142,700	95,431
Gain from sale of property and equipment		( 3,405)	-
Net Change in unearned premiums reserve		224,820	( 1,587,028)
Net Change in claims reserve		( 1,946,304)	( 650,419)
<b>Changes in working capital</b>			
Checks under collection		( 162,433)	15,100
Accounts receivable		( 142,483)	141,244
Reinsurers receivables		( 490,394)	116,011
Other assets		219,490	29,114
Accounts payable		112,506	( 60,337)
Reinsurers payables		51,010	240,470
Other provisions		( 7,658)	12,135
Other liabilities		19,305	( 146,577)
Paid income tax		-	( 6,532)
<b>Net cash flows used in operating activities</b>		<u>( 2,001,524)</u>	<u>( 2,355,888)</u>
<b>Investing Activities</b>			
Interest received		326,696	426,955
Financial assets at amortized cost		456,330	181,798
Deposits mature after three months		( 4,523,650)	( 127,318)
Treasury stocks		-	1,223
Property and equipment		( 65,094)	( 42,932)
Financial assets at fair value through other comprehensive income		-	7,493
Investment property		-	( 912)
<b>Net cash flows (used in) from investing activities</b>		<u>( 3,805,718)</u>	<u>446,307</u>
<b>Net change in cash and cash equivalents</b>		( 5,807,242)	( 1,909,581)
Cash and cash equivalents, beginning of year		6,445,299	8,354,880
<b>Cash and cash equivalents, end of year</b>	28	<u><u>638,057</u></u>	<u><u>6,445,299</u></u>

“The attached notes from (1) to (38) are an integral part of these consolidated financial statements”

**Al-Manara Insurance Company**  
**Public Shareholding Company**  
**Statement of Underwriting Revenues For the General Insurance For the Year Ended 31 December 2016**  
**(In Jordanian Dinar)**

	Motors		Marine		Aviation		Fire and other property damage		Liability		Medical		Others		Total	
	2016	2015	2016	2015	2016	2015	2016	2015	2016	2015	2016	2015	2016	2015	2016	2015
<b>Written Premiums:</b>																
Direct insurance	5,617,387	5,637,917	103,772	90,534	-	-	718,941	712,339	139,321	124,292	545,199	614,254	71,080	58,469	7,195,700	7,237,805
Facultative inward reinsurance	456,691	455,503	19,372	36,259	7,100	1,514	300,061	306,032	278,856	251,947	-	-	33,285	49,363	1,095,365	1,100,618
<b>Total premiums</b>	<b>6,074,078</b>	<b>6,093,420</b>	<b>123,144</b>	<b>126,793</b>	<b>7,100</b>	<b>1,514</b>	<b>1,019,002</b>	<b>1,018,371</b>	<b>418,177</b>	<b>376,239</b>	<b>545,199</b>	<b>614,254</b>	<b>104,365</b>	<b>107,832</b>	<b>8,291,065</b>	<b>8,338,423</b>
Less:																
Local reinsurance share	188,686	175,783	-	-	-	-	10,966	22,190	-	-	-	-	2,880	2,446	202,532	200,419
Foreign reinsurance share	-	-	100,270	104,695	-	-	969,130	962,684	390,639	351,297	372,025	429,622	60,078	67,081	1,892,142	1,915,379
<b>Net written premiums</b>	<b>5,885,392</b>	<b>5,917,637</b>	<b>22,874</b>	<b>22,098</b>	<b>7,100</b>	<b>1,514</b>	<b>38,906</b>	<b>33,497</b>	<b>27,538</b>	<b>24,942</b>	<b>173,174</b>	<b>184,632</b>	<b>41,407</b>	<b>38,305</b>	<b>6,196,391</b>	<b>6,222,625</b>
Add:																
Balance at beginning of the year																
Unearned premiums reserve	2,258,508	3,891,444	32,549	34,039	447	793	537,190	568,945	163,911	65,641	68,461	61,972	38,862	35,423	3,099,928	4,658,257
Less: Reinsurers' share	62,687	122,624	26,364	31,426	-	-	522,921	518,467	154,506	61,714	49,291	44,620	17,250	25,469	833,019	804,320
<b>Net beginning unearned premiums</b>	<b>2,195,821</b>	<b>3,768,820</b>	<b>6,185</b>	<b>2,613</b>	<b>447</b>	<b>793</b>	<b>14,269</b>	<b>50,478</b>	<b>9,405</b>	<b>3,927</b>	<b>19,170</b>	<b>17,352</b>	<b>21,612</b>	<b>9,954</b>	<b>2,266,909</b>	<b>3,853,937</b>
Less:																
Balance at end of the year																
Unearned premiums reserve	2,450,188	2,258,508	33,304	32,549	4,332	447	596,414	537,190	173,902	163,911	81,076	68,461	45,055	38,862	3,384,271	3,099,928
Less: Reinsurers' share	70,069	62,687	27,241	26,364	-	-	577,516	522,921	161,327	154,506	37,485	49,291	18,904	17,250	892,542	833,019
<b>Net ending unearned premiums</b>	<b>2,380,119</b>	<b>2,195,821</b>	<b>6,063</b>	<b>6,185</b>	<b>4,332</b>	<b>447</b>	<b>18,898</b>	<b>14,269</b>	<b>12,575</b>	<b>9,405</b>	<b>43,591</b>	<b>19,170</b>	<b>26,151</b>	<b>21,612</b>	<b>2,491,729</b>	<b>2,266,909</b>
<b>Net earned revenues from written premiums</b>	<b>5,701,094</b>	<b>7,490,636</b>	<b>22,996</b>	<b>18,526</b>	<b>3,215</b>	<b>1,860</b>	<b>34,277</b>	<b>69,706</b>	<b>24,368</b>	<b>19,464</b>	<b>148,753</b>	<b>182,814</b>	<b>36,868</b>	<b>26,647</b>	<b>5,971,571</b>	<b>7,809,653</b>

“The attached notes from (1) to (38) are an integral part of these consolidated financial statements”

**Al-Manara Insurance Company**  
**Public Shareholding Company**  
**Statement of Cost of Claims For the General Insurance For the Year Ended 31 December 2016**  
**(In Jordanian Dinar)**

	Motors		Marine		Aviation		Fire and other property damage		Liability		Medical		Others		Total	
	2016	2015	2016	2015	2016	2015	2016	2015	2016	2015	2016	2015	2016	2015	2016	2015
<b>Paid claims</b>	6,972,674	8,266,322	21,020	305,937	-	-	2,880,834	72,754	1,335	5,258	462,574	563,449	1,169	595	10,339,606	9,214,315
Less:																
Recoveries	523,612	483,795	-	10,992	-	-	-	-	732	-	18,215	6,191	-	500	542,559	501,478
Local reinsurers' share	484,577	610,936	-	-	-	-	688	400	-	-	-	-	-	-	485,265	611,336
Foreign reinsurers' share	102,401	273,377	16,808	245,455	-	-	2,845,568	62,833	-	4,045	361,014	397,609	-	27	3,325,791	983,346
<b>Net Paid Claims</b>	<b>5,862,084</b>	<b>6,898,214</b>	<b>4,212</b>	<b>49,490</b>	<b>-</b>	<b>-</b>	<b>34,578</b>	<b>9,521</b>	<b>603</b>	<b>1,213</b>	<b>83,345</b>	<b>159,649</b>	<b>1,169</b>	<b>68</b>	<b>5,985,991</b>	<b>7,118,155</b>
Add:																
Outstanding claims reserve at year end																
Reported claims	5,635,441	7,281,345	129,085	176,345	-	-	1,986,441	4,455,175	843,600	844,987	34,787	38,944	64,802	198,787	8,694,156	12,995,583
Incurred but not reported claims	1,100,000	1,450,000	6,500	6,500	-	-	10,000	118,000	2,000	2,000	43,059	48,733	13,000	13,000	1,174,559	1,638,233
Less: Reinsurers' share	832,148	957,012	121,794	156,793	-	-	1,896,964	4,344,046	790,500	790,500	40,848	70,141	22,699	165,458	3,704,953	6,483,950
Less: Recoveries	13,200	53,000	-	-	-	-	-	-	-	-	-	-	-	-	13,200	53,000
<b>Netoutstanding claims reserve at year end</b>	<b>5,890,093</b>	<b>7,721,333</b>	<b>13,791</b>	<b>26,052</b>	<b>-</b>	<b>-</b>	<b>99,477</b>	<b>229,129</b>	<b>55,100</b>	<b>56,487</b>	<b>36,998</b>	<b>17,536</b>	<b>55,103</b>	<b>46,329</b>	<b>6,150,562</b>	<b>8,096,866</b>
Reported claims	4,790,093	6,271,333	7,291	19,552	-	-	89,477	111,129	53,100	54,487	24,785	7,789	42,103	33,329	5,006,849	6,497,619
Incurred but not reported claims	1,100,000	1,450,000	6,500	6,500	-	-	10,000	118,000	2,000	2,000	12,213	9,747	13,000	13,000	1,143,713	1,599,247
Less:																
Outstanding claims reserve at beginning of the year																
Reported claims	7,281,345	8,142,046	176,345	162,557	-	-	4,455,175	1,828,401	844,987	1,489,979	38,944	32,604	198,787	218,619	12,995,583	11,874,206
Incurred but not reported claims	1,450,000	1,540,000	6,500	6,500	-	-	118,000	22,000	2,000	2,000	48,733	83,180	13,000	13,000	1,638,233	1,666,680
Less: Reinsurers' share	957,012	1,193,718	156,793	145,317	-	-	4,344,046	1,730,948	790,500	1,435,492	70,141	88,046	165,458	165,830	6,483,950	4,759,351
Less: Recoveries	53,000	34,250	-	-	-	-	-	-	-	-	-	-	-	-	53,000	34,250
<b>Net outstanding claims reserve at beginning of the year</b>	<b>7,721,333</b>	<b>8,454,078</b>	<b>26,052</b>	<b>23,740</b>	<b>-</b>	<b>-</b>	<b>229,129</b>	<b>119,453</b>	<b>56,487</b>	<b>56,487</b>	<b>17,536</b>	<b>27,738</b>	<b>46,329</b>	<b>65,789</b>	<b>8,096,866</b>	<b>8,747,285</b>
<b>Net claims cost</b>	<b>4,030,844</b>	<b>6,165,469</b>	<b>( 8,049)</b>	<b>51,802</b>	<b>-</b>	<b>-</b>	<b>( 95,074)</b>	<b>119,197</b>	<b>( 784)</b>	<b>1,213</b>	<b>102,807</b>	<b>149,447</b>	<b>9,943</b>	<b>(19,392)</b>	<b>4,039,687</b>	<b>6,467,736</b>

“The attached notes from (1) to (38) are an integral part of these consolidated financial statements”



**Al-Manara Insurance Company**  
**Public Shareholding Company**  
**Statement of Underwriting Profit (Loss) For the General Insurance For the Year Ended 31 December 2016**  
**(In Jordanian Dinar)**

	Motors		Marine		Aviation		Fire and other property damage		Liability		Medical		Others		Total	
	2016	2015	2016	2015	2016	2015	2016	2015	2016	2015	2016	2015	2016	2015	2016	2015
<b>Net earned revenues from written premiums</b>	5,701,094	7,490,636	22,996	18,526	3,215	1,860	34,277	69,706	24,368	19,464	148,753	182,814	36,868	26,647	5,971,571	7,809,653
Less:																
<b>Net claims cost</b>	4,030,844	6,165,469	(8,049)	51,802	-	-	( 95,074)	119,197	( 784)	1,213	102,807	149,447	9,943	(19,392)	4,039,687	6,467,736
Add:																
Commissions revenues	-	155	28,742	27,381	-	-	142,859	152,570	29,186	26,841	-	-	8,892	9,657	209,679	216,604
Insurance policies issuance fees	157,053	143,031	8,350	6,435	568	757	62,500	59,911	16,998	22,276	25,136	13,340	6,270	6,691	276,875	252,441
Other revenues	179,814	241,188	4,654	-	-	-	-	-	-	-	-	-	-	-	184,468	241,188
<b>Total revenues</b>	<b>2,007,117</b>	<b>1,709,541</b>	<b>72,791</b>	<b>540</b>	<b>3,783</b>	<b>2,617</b>	<b>334,710</b>	<b>162,990</b>	<b>71,336</b>	<b>67,368</b>	<b>71,082</b>	<b>46,707</b>	<b>42,087</b>	<b>62,387</b>	<b>2,602,906</b>	<b>2,052,150</b>
Less:																
Policies acquisition costs	263,959	359,605	10,626	12,545	-	-	51,397	62,325	3,023	2,388	5,311	13,475	4,058	5,864	338,374	456,202
Excess of loss premiums	178,795	246,873	-	-	-	-	18,263	10,688	-	-	-	-	-	-	197,058	257,561
Allocated administrative expenses	1,060,179	952,944	21,494	19,829	1,239	237	177,858	159,262	72,989	58,840	95,160	96,063	18,216	16,863	1,447,135	1,304,038
Other expenses	94,973	112,684	1,550	1,707	-	5	10,804	21,530	927	-	61,410	67,273	641	884	170,305	204,083
<b>Total expenses</b>	<b>1,597,906</b>	<b>1,672,106</b>	<b>33,670</b>	<b>34,081</b>	<b>1,239</b>	<b>242</b>	<b>258,322</b>	<b>253,805</b>	<b>76,939</b>	<b>61,228</b>	<b>161,881</b>	<b>176,811</b>	<b>22,915</b>	<b>23,611</b>	<b>2,152,872</b>	<b>2,221,884</b>
<b>Underwriting profit (loss)</b>	<b>409,211</b>	<b>37,435</b>	<b>39,121</b>	<b>(33,541)</b>	<b>2,544</b>	<b>2,375</b>	<b>76,388</b>	<b>(90,815)</b>	<b>( 5,603)</b>	<b>6,140</b>	<b>(90,799)</b>	<b>(130,104)</b>	<b>19,172</b>	<b>38,776</b>	<b>450,034</b>	<b>(169,734)</b>

“The attached notes from (1) to (38) are an integral part of these consolidated financial statements”

**Al-Manara Insurance Company**  
**Public Shareholding Company**  
**Notes to the Consolidated Financial Statements**  
**31 December 2016**

**(In Jordanian Dinars)**

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**1. General**

Al-Manara Insurance Company (-Previously- Al Bihar Al Arabia for Insurance Company) was incorporated as a public shareholding company during the year 1974 under the number (82) with paid-in capital of JOD (150,000) divided equally into (150,000) shares with par value JOD (1) per share. Many adjustments on the Company's capital, the latest was during the year 2006 to reach an authorized and paid-in capital of JOD (21) Million/share. The General Assembly has resolved in its extraordinary meeting held on 15 June 2014 to decrease the paid - in capital by JOD (14) Million to extinguish accumulated losses as at 31 December 2014 with the same amount, accordingly the authorized and paid-in capital of the Company became JOD (7) Million/share. Jimbal Holding Company owns 76.7% of the Company's capital. The Company is engaged in the insurance activities including motors, fire and other property damages, personal accidents, marine, transportation, aviation, liability, and medical. The Company's head office is in the Hashemite Kingdom of Jordan.

Company's shares are listed in Amman Stock Exchange.

The accompanying consolidated financial statements were authorized for issue by the Company's Board of Directors in their meeting held on 23 February 2017 and it is subject to the General Assembly approval.

**2. Summary of Significant Accounting Policies**

**Basis of Preparation**

The consolidated financial statements of the Company and all its subsidiaries have been prepared in accordance with International Financial Reporting Standards.

The consolidated financial statements have been prepared on a historical cost basis except for financial assets at fair value.

The financial statements are presented in Jordanian Dinar which is the functional currency of the Company.

The accounting policies are consistent with those used in the previous year.

**Principles of Consolidation**

The consolidated financial statements comprise of the financial statements of the Company and its subsidiary where the Company has the power to govern the financial and operating policies of the subsidiary so as to obtain benefits from their activities. The financial statements of the subsidiary are prepared for the same reporting year as the Company using consistent accounting policies. All balances, transactions, income, and expenses between the Company and its subsidiary are eliminated.

Subsidiary are fully consolidated from the date of acquisition, being the date on which the Company obtains control, and continue to be consolidated until the date that such control ceases.

**Al-Manara Insurance Company**  
**Notes to the Consolidated Financial Statements (Continued)**  
**31 December 2016**

The results of operations of the subsidiary are consolidated in the statement of comprehensive income from the acquisition date which is the date on which control over subsidiary is transferred to the Company. The results of operation of the disposed subsidiary are consolidated in the comprehensive income to the disposal date which is the date on which the Company loses control over the subsidiary.

The following subsidiaries have been consolidated:

Company	Capital	Ownership	Establishment Country
Al Bihar Investment and Trading Company	1,600,000	100%	Jordan
Overseas for Investment in Real Estates Company	50,000	100%	Jordan
Abar for Investment and Real Estate Development Company	1,500	100%	Jordan

### **Adoption of new and revised IFRS standards**

The following standards have been published that are mandatory for accounting periods after 31 December 2016. Management anticipates that the adoption of new and revised Standards will have no material impact on the consolidated financial statements of the Company.

Standard No.	Title of Standards	Effective Date
IFRS 2	Classification and Measurement of Share-based Payment Transactions (Amendments)	1 January 2017
IFRS 15	Revenue from Contracts with Customers	1 January 2018
IFRS 16	Leases	1 January 2019

### **Business Sector**

The business sector represents a set of assets and operations that jointly provide products and service subject to risks and returns different from those of other business sector which in measured based on the reports used by the top management of the Company.

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

### **Use of Estimates**

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

Management believes that the estimates are reasonable and are as follows:

- A provision of doubtful debts is estimated by the management based on their principles and assumptions according to International Financial Reporting Standards.
- The financial year is charged with its related income tax in accordance with regulations.
- Management reviews periodically the tangible assets in order to assess the depreciation for the year based on the useful life and future economic benefits. Any impairment is taken to the consolidated statement of profit or loss.
- The outstanding claim reserve and technical reserve are estimated based on technical studies and according to insurance administrations regulation and filed actuarial studies.
- A provision on lawsuits against the Company is made based on the Company's lawyers' studies in which contingent risk is determined; review of such study is performed periodically.
- The management periodically reviews whether a financial asset or group of financial assets is impaired, if so this impairment is taken to the statement of profit or loss.

### **Recognition of financial assets**

Financial assets and financial liabilities are recognized on the trading date which is the date that the entity commits itself to purchase or sell the financial assets.

**Fair value**

For fair value of investments, which are traded in organized financial markets, is determined by reference to the quoted market bid price at the close of the business on the statement of financial position date

Financial assets and financial liabilities measured at fair value in the statement of financial position are grouped into three levels of a fair value hierarchy. The three levels are defined based on the observability of significant inputs to the measurement, as follows:

Level 1: quoted prices (unadjusted) in active markets for identical assets or liabilities.

Level 2: inputs other than quoted prices included within level 1 that are observable for the asset or liability, either directly or indirectly.

Level 3: unobservable inputs for the asset or liability

**Financial assets at amortized cost**

They are the financial assets which the Company's management intends according to its business model to hold for the purpose of collecting contractual cash flows which comprise the contractual cash flows that are solely payments of principal and interest on the outstanding principal.

Those financial assets are stated at cost upon purchase plus acquisition expenses. Moreover, the issue premium / discount are amortized using the effective interest rate method, and recorded to the interest account. Provisions associated with the decline in value of these investments leading to the inability to recover the investment or part therefore are deducted, and any impairment loss in its value is recorded in the statement of profit or loss.

The amount of the impairment loss recognized is the difference between the asset's carrying amount and the present value of estimated future cash flows discounted at the original effective interest rate.

It is not allowed to reclassify any financial assets from / to this category except for certain cases specified in the International Financial Reporting Standards (in the case of selling any of these assets before its maturity date, the result should be recorded in a separate line item in the statement of profit or loss, disclosures should be made in accordance to the requirements of International Financial Reporting Standards).

**Financial assets at fair value through other comprehensive income**

Under IFRS (9), financial assets at initial recognition are measured at its fair value plus, in the case of a financial asset not at fair value through profit or loss, transaction costs that are directly attributable to the acquisition of the financial asset. Transaction costs of financial assets carried at fair value through profit or loss is expensed in the statement of profit or loss.

Debt investments are measured at amortized cost only if both of the following criteria are met: the objective of the Company's business model is to hold the asset to collect the contractual cash flows; and the contractual terms give rise on specified dates to cash flows that are solely payments of principal and interest on the principal outstanding.

If either of the two criteria above is not met, debt investments are measured at fair value through profit or loss.

All equity investments are measured at fair value. Equity investments that are held for trading are measured at fair value through profit or loss. For all other equity investments, the Company can make an irrevocable election at initial recognition to recognize changes in fair value through other comprehensive income rather than profit or loss. If this election is made, all fair value changes, excluding dividends that are a return on investment, will be reported in other comprehensive income. There is no recycling of amounts from other comprehensive income to profit and loss on sale of investments – or are there any impairment requirements. However, the Company may transfer the cumulative gain or loss within equity.

**Impairment in financial assets value**

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

**Investment property**

Property held to earn rentals or for capital appreciation purposes as well as those held for undetermined future use are classified as investment property. Investment property is measured at cost less any accumulated depreciation and any accumulated impairment losses. The cost of constructed property includes the cost of material and any other costs directly attributed to bringing the property to a working condition for its intended use.

Investment property is valued in accordance with Insurance Administration regulations, and its fair value is disclosed in the investment property note.

**Cash and cash equivalents**

Cash and cash equivalents are carried in the consolidated financial statement at cost. For the purposes of the consolidated statement of cash flow, cash and cash equivalents comprise cash on hand and at banks, deposits with maturities less than three months, less restricted funds.

**Reinsurers' accounts**

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

**Impairment in reinsurance assets**

In case there is any indication as to the impairment of the reinsurance assets of the Company, which possesses the reinsured contract, the Company has to reduce the present value of the contracts and record the impairment in the statement of income.

The impairment is recognized in the following cases only:

There is objective evidence resulting from an event that took place after the recording of the reinsurance assets confirming the Company's inability to recover all the amounts under the contracts terms.

The event has a reliably and clearly measurable effect on the amounts that the Company will recover from reinsurers.

**Property and equipment**

Property and equipment are stated at cost less accumulated depreciation and accumulated impairment loss. When assets are sold or retired, their cost and accumulated depreciation are eliminated from the accounts and any gain or loss resulting from their disposal is included in the statement of profit or loss.

The initial cost of property and equipment comprises its purchase price, including import duties and non-refundable purchase taxes and any directly attributable costs of bringing the asset to its working condition and location for its intended use. Expenditures incurred after the fixed assets have been put into operation, such as repairs and maintenance and overhaul costs, are normally charged to income in the period the costs are incurred. In situations where it can be clearly demonstrated that the expenditures have resulted in an increase in the future economic benefits expected to be obtained from the use of an item of property and equipment beyond its originally assessed standard of performance, the expenditures are capitalized as an additional cost of property and equipment.

Depreciation is computed on a straight-line basis at annual depreciation rates:

Buildings	2%
Fixture & Furniture	10%
Computers	20%
Vehicles	15%
Machines and Equipment	15-20%

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



### **Reinsurance**

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

### **Treasury stock**

Treasury stock is presented at cost, and these stocks don not have any right in the distribution of the dividends to shareholders and do not have the right to participate or vote at the Company's General Assembly meetings. Profit and loss resulting from sale of treasury stock is recognized in the shareholders' equity as premium or discount issue stock.

### **Provisions**

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

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

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

#### **A. Technical reserves**

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

1. Unearned premiums reserve is measured for general insurance business based on remaining days of the insurance policy of expiration, considering a period of 365 days except marine and transport insurance which is calculated based on written premiums for existing policies at the date of the financial statements in accordance with Laws, regulations and instructions issued pursuant there to.
2. Outstanding claims (Reported) provision is measured at the maximum value of the total expected loss for each claim separately.
3. Provision for the ultimate cost of claims incurred but not yet reported (IBNR) and unexpired risk is measured based on the estimates and the experience of the Company.

#### **B. Receivables impairment**

The receivables impairment is provided when there is objective evidence that the Company will not be able to collect all or part of the due amounts, and this allowance is calculated based on the difference between book value and recoverable amount. The allowance is measured after monitoring the receivables in details and all receivables aging one year and above is provided for provision.

#### **C. End of service indemnity reserve**

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

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

### **Liability adequacy test**

At each statement of financial position date the Company assesses whether its recognized insurance liabilities are adequate using current estimates of future cash flows under its insurance contracts. If assessment shows that the carrying amount of its insurance liabilities (less related deferred policy acquisition costs) is inadequate in the light of estimated future cash flows, the deficiency is immediately recognized in the statement of income.

### **Income tax**

Income tax represents current and deferred income tax.

#### **A. Accrued income tax**

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

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

#### **B. Deferred tax**

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

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

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

### **Offsetting**

Financial assets and financial liabilities are offset and the net amount reported in the consolidated financial statement when there is a legally enforceable right to offset the recognized amounts and the company intends to either settle them on a net basis, or to realize the asset and settle the liability simultaneously.

### **Revenue recognition**

#### **A. Insurance policies**

Insurance premiums are recorded as revenues (earned premiums) based on the accrual periods and policy covering period. Unearned premiums are recorded according to insurance policy periods at the date of financial statements claims expenses are recognized in the statement of income based on the expected claim value to compensate other parties.

#### **B. Dividend and interest revenue**

The Dividends revenues are realized when the shareholder has the right to receive the payment once declared by the General Assembly of Shareholders.

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

### **Expenditures recognition**

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

### **Insurance compensations**

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

Insurance compensations include all payments paid during the year whether it's related to the current year or prior years. Outstanding claims represent the highest estimated amount settle the claims resulting from events occurring before the date of financial statements but not settled yet.

Outstanding claim reserve is recorded based on the best available information at the date of financial statements and includes the IBNR.

### **Recoverable scraped value**

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

### **Administrative expenses**

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

### **Employees' expenses**

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

### **Insurance policy acquisition cost**

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

### **Foreign currency**

Assets and liabilities denominated in foreign currencies are translated to Jordanian Dinar using the prevailing exchange rates at year end. Foreign currency transactions during the year are recorded using exchange rates that were in effect at the dates of the transactions. Foreign exchange gains or losses are reflected in the consolidated statement of comprehensive income.

## **3. Bank Deposits**

	2016			2015	
	Deposits mature within (1) month	Deposits mature after (1) month till (3) months	Deposits mature after (3) months till (1) year	Total	Total
<u>Inside Jordan</u>	<u>349,873</u>	<u>225,000</u>	<u>7,710,818</u>	<u>8,285,691</u>	<u>9,120,930</u>

- The annual interest rates on the deposits ranged between (2.5%) to (4.1%) during the year 2016, (1% to 4.25%: 2015).
- Deposits pledged to the favor of the General Secretary of the Ministry of Industry, Trade and Supply amounted to JOD (225,000) as at 31 December 2016 and 2015.

**4. Financial Assets at Fair Value Through Other Comprehensive Income**

	2016	2015
<b><u>Inside Jordan:</u></b>		
Investments in listed shares	240,676	248,346
Investments in unlisted shares	128,366	128,366
<b>Total</b>	<b>369,042</b>	<b>376,712</b>
<b><u>Outside Jordan:</u></b>		
Investments in unlisted shares	204,050	204,050
<b>Total</b>	<b>573,092</b>	<b>580,762</b>

**5. Financial Assets at Amortized Cost**

	2016	2015
<b><u>Inside Jordan:</u></b>		
Jordan Trade Facilities Company bonds *	-	450,000
Arab Real Estate Development Company bonds - net **	-	-
	-	450,000
	2016	2015
<b><u>Outside Jordan:</u></b>		
NCH.NAC (-previously-Global Kuwait bonds)***	311,872	318,202
AL Dar Investment bonds / Kuwait - net ****	-	-
<b>Total</b>	<b>311,872</b>	<b>318,202</b>
<b>Grand total</b>	<b>311,872</b>	<b>768,202</b>

\* The Company purchased bonds with an amount of JOD (500,000) during the year 2013 with an annual fixed interest rate of 10% for the first two years and become variable for the remaining years, the interest rate accrued semiannually and the principal mature on 19 May 2018, the bond issuer redeemed 10% of the bonds during the year 2015 and redeemed the rest outstanding bonds during the year 2016.

\*\* Arab Real Estate Development Company bonds matured during the year 2011 but not yet collected, an impairment provision has been recorded for the full value of the bonds which amounted to JOD (500,000).

\*\*\* This item represents investment in bonds issued by Global Investment House - Kuwait (the main shareholder) with an amount of JOD (1) million, these bonds matured on 24 November 2013, the general assembly of bonds holders has resolved in its meeting held on 22 November 2012 to reschedule these bonds and they became to the favor of NAC company with an amount of JOD (750,000) and JOD (250,000) to the favor of NCH company, an impairment provision amounted to JOD (550,000) has been recorded against these bonds, NAC company has redeemed JOD (131,798) during the year 2015 and JOD (6,330) during the year 2016.

	<b>Bond's value</b>	<b>Redemption</b>	<b>Impairment provision</b>	<b>Total</b>
<b>2016</b>				
NAC	750,000	( 138,128)	( 412,500)	<b>199,372</b>
NCH	250,000	-	( 137,500)	<b>112,500</b>
	<b>1,000,000</b>	<b>( 138,128)</b>	<b>( 550,000)</b>	<b>311,872</b>
<b>2015</b>				
NAC	750,000	( 131,798)	( 412,500)	<b>205,702</b>
NCH	250,000	-	( 137,500)	<b>112,500</b>
	<b>1,000,000</b>	<b>( 131,798)</b>	<b>( 550,000)</b>	<b>318,202</b>

\*\*\*\* This item represents investment in bonds issued by AL Dar Investment Company - Kuwait with an amount of KWD (500,000) which represents JOD (1,333,250) with murabaha rate of 7.5% annually, these bonds matured during the year 2009 and haven't been redeemed, as a result a full impairment provision has been recorded. During the year 2013 the bonds have been rescheduled and JOD (72,717) was received and the related impairment provision has been reversed.

## **6. Investment Property**

	<b>2016</b>	<b>2015</b>
Lands	<b>1,231,586</b>	<b>1,231,586</b>

The investment property's fair value was valued by real estate experts at an amount of JOD (2,280,546) as at 31 December 2016 (2015: JOD 2,095,767).

## **7. Cash on Hand and at Banks**

	<b>2016</b>	<b>2015</b>
Cash on hand	1,169	2,336
Current accounts at banks	62,015	509,201
	<b>63,184</b>	<b>511,537</b>

## **8. Checks Under Collection**

	<b>2016</b>	<b>2015</b>
Checks under collection*	<b>441,240</b>	<b>278,807</b>

\* Checks under collection maturity extend to 30 December 2017.



**9. Accounts Receivable**

	<u>2016</u>	<u>2015</u>
Policy holders	2,183,451	2,037,625
Agents receivable	117,855	116,391
Brokers receivable	66,268	65,757
Employees receivable	55,868	32,662
Others	<u>20,833</u>	<u>49,524</u>
<b>Total</b>	2,444,275	2,301,959
Less: Provision for doubtful debts*	<u>( 1,203,710)</u>	<u>( 1,161,177)</u>
<b>Net Accounts Receivable</b>	<b><u>1,240,565</u></b>	<b><u>1,140,782</u></b>

\* Movements on provision for doubtful debts were as follows:

	<u>2016</u>	<u>2015</u>
Balance at beginning of the year	1,161,177	1,148,311
Provision for the year	42,700	12,866
Write off	<u>( 167)</u>	<u>-</u>
<b>Balance at end of the year</b>	<b><u>1,203,710</u></b>	<b><u>1,161,177</u></b>

**10. Reinsurers Receivables**

	<u>2016</u>	<u>2015</u>
Local insurance companies	345,464	312,501
Foreign reinsurance companies	562,608	105,177
Provision for doubtful debts*	<u>( 423,739)</u>	<u>( 323,739)</u>
<b>Net reinsurers receivables</b>	<b><u>484,333</u></b>	<b><u>93,939</u></b>

\* Movements on provision for doubtful debts were as follows:

	<u>2016</u>	<u>2015</u>
Balance at beginning of the year	323,739	241,174
Provision for the year	<u>100,000</u>	<u>82,565</u>
<b>Balance at end of the year</b>	<b><u>423,739</u></b>	<b><u>323,739</u></b>

## **11. Income Tax**

### **A- Income tax provision**

	2016	2015
Balance at beginning of the year	-	6,532
Paid income tax	-	( 6,532)
<b>Balance at end of the year</b>	<b>-</b>	<b>-</b>

The income tax expense which appears in the statement of profit or loss represents the following:

	2016	2015
Income tax for the year	-	-
Deferred tax assets	222,772	-
	<b>222,772</b>	<b>-</b>

The following is the reconciliation between declared profit (loss) and taxable profit (loss):

	2016	2015
Declared profit (loss)	223,401	( 214,895)
Non-taxable income	( 502,625)	( 96,323)
Non-deductible expenses	234,425	274,294
<b>Taxable loss</b>	<b>( 44,799)</b>	<b>( 36,924)</b>
Statutory tax rate	<b>24%</b>	<b>24%</b>

- The Company has settled its tax liabilities with the Income Tax Department up to the year ended 2014.
- The income tax return for the year 2015 has been filed with the Income Tax Department but the Department has not reviewed the company's records till the date of this report.
- No income tax provision has been taken on the company's results of operations for the year 2016 as the company's expenses exceeded its taxable revenues.
- In the opinion of management and the tax consultant the Company will benefit from deferred tax assets in the future according to the future business plan.

### **B - Deferred tax assets**

This item consists of the following:

	2016	2015
Tax accepted accumulated losses	(4,748,846)	(5,677,057)
Statutory tax rate	24%	24%
<b>Deferred tax assets at year end</b>	<b>1,139,723</b>	<b>1,362,495</b>

\* Movements on deferred tax asset were as follows:

	2016	2015
Beginning balance	1,362,495	1,362,495
Utilized deferred tax asset	( 222,772)	-
<b>Ending balance</b>	<b>1,139,723</b>	<b>1,362,495</b>

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**12. Property and Equipment**

	<u>Lands</u>	<u>Buildings</u>	<u>Fixture &amp; Furniture</u>	<u>Computers</u>	<u>Vehicles</u>	<u>Machines &amp; Equipment</u>	<u>Total</u>
<b>Cost</b>							
Balance at 1/1/2016	1,019,311	1,998,169	163,459	244,460	79,697	149,486	3,654,582
Additions	-	-	10,610	23,057	42,000	6,215	81,882
Transfers	-	-	( 4,089)	1,154	-	2,935	-
Disposals	-	-	( 4,089)	-	( 31,569)	-	( 35,658)
Balance at 31/12/2016	<u>1,019,311</u>	<u>1,998,169</u>	<u>165,891</u>	<u>268,671</u>	<u>90,128</u>	<u>158,636</u>	<u>3,700,806</u>
<b>Accumulated depreciation</b>							
Balance at 1/1/2016	-	1,087,857	72,637	234,027	64,719	119,096	1,578,336
Depreciation	-	39,963	22,109	3,756	5,137	13,652	84,617
Transfers	-	-	( 4,039)	1,154	-	2,885	-
Disposals	-	-	-	-	( 22,275)	-	( 22,275)
Balance at 31/12/2016	<u>-</u>	<u>1,127,820</u>	<u>90,707</u>	<u>238,937</u>	<u>47,581</u>	<u>135,633</u>	<u>1,640,678</u>
<b>Net book value at 31/12/2016</b>	<u><b>1,019,311</b></u>	<u><b>870,349</b></u>	<u><b>75,184</b></u>	<u><b>29,734</b></u>	<u><b>42,547</b></u>	<u><b>23,003</b></u>	<u><b>2,060,128</b></u>
<b>Cost</b>							
Balance at 1/1/2015	1,019,311	1,998,169	133,172	233,824	79,697	147,477	3,611,650
Additions	-	-	30,287	10,636	-	2,009	42,932
Balance at 31/12/2015	<u>1,019,311</u>	<u>1,998,169</u>	<u>163,459</u>	<u>244,460</u>	<u>79,697</u>	<u>149,486</u>	<u>3,654,582</u>
<b>Accumulated depreciation</b>							
Balance at 1/1/2015	-	159,852	57,132	230,574	59,467	95,919	602,944
Depreciation	-	39,963	15,505	3,453	5,252	23,177	87,350
Impairment in buildings	-	888,042	-	-	-	-	888,042
Balance at 31/12/2015	<u>-</u>	<u>1,087,857</u>	<u>72,637</u>	<u>234,027</u>	<u>64,719</u>	<u>119,096</u>	<u>1,578,336</u>
<b>Net book value at 31/12/2015</b>	<u><b>1,019,311</b></u>	<u><b>910,312</b></u>	<u><b>90,822</b></u>	<u><b>10,433</b></u>	<u><b>14,978</b></u>	<u><b>30390</b></u>	<u><b>2,076,246</b></u>

**13. Other Assets**

	<u>2016</u>	<u>2015</u>
Accrued revenues	79,540	28,769
Prepaid expenses	29,478	36,421
Refundable deposits	90,760	365,859
Income tax deposits	96,468	84,687
	<u><b>296,246</b></u>	<u><b>515,736</b></u>

**14. Accounts Payable**

	<u>2016</u>	<u>2015</u>
Policy holders	109,210	81,138
Agents payable	83,814	49,722
Brokers payable	70,770	53,023
Employees payables	2,272	2,631
Other	147,821	114,867
	<u><b>413,887</b></u>	<u><b>301,381</b></u>

**15. Reinsurers Payables**

	2016	2015
Local insurance companies	283,261	308,333
Foreign reinsurance companies	1,104,251	1,028,169
	<u>1,387,512</u>	<u>1,336,502</u>

**16. Other Liabilities**

	2016	2015
Reinsurers' withholdings	291,295	307,541
Accrued expenses	120,826	90,273
Sundry withholdings	40,864	36,176
Shareholders' withholdings	17,710	17,710
Sales tax withholdings	13,665	13,569
Income tax withholdings	4,812	4,597
	<u>489,172</u>	<u>469,866</u>

**17. Paid-in Capital**

The Company's authorized, subscribed and paid-in capital is JOD (7) Million divided equally into (7) Million shares with par value of JOD (1) each as at 31 December 2016 and 2015.

**18. Treasury Stocks**

This item represents the cost of (220,964) treasury stocks amounted to JOD (1,172,559) as at 31 December 2016 and 2015.

**19. Statutory Reserve**

The accumulated amounts in this account represent 10% of the Company's net income before income tax according to the Companies Law. The statutory reserve is not available for distribution to shareholders.

**20. Cumulative Change in Fair Value**

	2016	2015
Balance at beginning of the year	( 523,056)	( 514,928)
Change in fair value of financial assets through other comprehensive income	( 7,671)	( 8,128)
<b>Balance at end of the year</b>	<u>( 530,727)</u>	<u>( 523,056)</u>

**21. Accumulated Losses**

	2016	2015
Balance at beginning of the year	( 788,046)	( 544,429)
Profit (loss) for the year	629	( 214,895)
Statutory reserve	( 22,340)	-
Voluntary reserve	( 17,684)	-
Loss from sale of financial assets at fair value through other comprehensive income	-	( 14,024)
Loss from sale of treasury stocks	-	( 14,698)
<b>Balance at end of the year</b>	<u>( 827,441)</u>	<u>( 788,046)</u>

**22. Interest Income**

	2016	2015
Interest on time deposits	291,436	380,634
Interest from financial assets at amortized cost	35,260	46,321
	<b>326,696</b>	<b>426,955</b>

**23. Gains From Financial Assets and Investments, net**

	2016	2015
Cash dividends received	6,902	3,458
Income from investment in financial assets at amortized cost	38,555	87,926
	<b>45,457</b>	<b>91,384</b>

**24. Other Revenues (Expenses)**

	2016	2015
Currency exchange differences	( 8,442)	( 20,500)
Others	13,119	1,165
	<b>4,677</b>	<b>( 19,335)</b>

**25. Employees Expenses**

	2016	2015
Salaries and bonuses	1,007,291	955,551
Company's contribution in social security	120,984	108,419
Medical expenses	71,990	71,259
Employees' bonus provision	70,000	-
Travel and transportation	15,750	18,365
Training	11,983	3,810
Employees' vacation provision	192	7,985
End of service indemnity provision	509	5,934
	<b>1,298,699</b>	<b>1,171,323</b>
Allocated employees expenses to underwriting accounts	1,038,959	937,059
Unallocated employees expense to underwriting accounts	259,740	234,264
	<b>1,298,699</b>	<b>1,171,323</b>

**26. Administrative Expenses**

	2016	2015
Board of directors expenses	149,703	148,805
Security	48,000	-
Water, electricity and heating	38,172	37,968
Stationery and printing	33,508	18,567
Professional fees	33,100	67,690
Advertisements	26,559	17,915
Maintenance	26,402	26,399
Subscriptions	18,160	17,422
Postage and telecommunications	17,930	16,263
Insurance	14,826	9,659
Lawsuits expenses & lawyers' fees	12,186	13,262
Governmental fees	11,163	10,075
Rent	9,180	9,090
Bank charges	6,883	8,611
Tenders fees	2,751	8,690
Others	61,697	48,308
<b>Total</b>	<b>510,220</b>	<b>458,724</b>
Allocated administrative expenses to underwriting accounts	408,176	366,979
Unallocated administrative expense to underwriting accounts	102,044	91,745
	<b>510,220</b>	<b>458,724</b>

**27. Basic and Diluted Earnings (loss) Per Share**

	2016	2015
Profit (loss) for the year	629	( 214,895)
Weighted average number of shares	7,000,000	7,000,000
Less : Weighted average number of treasury shares	( 220,964)	( 220,964)
	6,779,036	6,779,036
<b>Basic and diluted earnings (loss) per share</b>	<b>0.0001</b>	<b>( 0.0317)</b>

**28. Cash and Cash Equivalents**

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

	2016	2015
Cash on hand and at banks (Note 7)	63,184	511,537
Deposits at banks mature within three months (Note 3)	574,873	5,933,762
	<b>638,057</b>	<b>6,445,299</b>

**29. Related Party Transactions**

- The Company has engaged into transactions with major shareholders, sister companies, board members and directors in the Company within the normal activities of the Company using insurance prices and commercial commissions.
- Below is a summary of related parties' transactions during the year:

	2016	2015
<b><u>Items of consolidated statement of financial position:</u></b>		
Financial assets at amortized cost	311,872	768,202
<b><u>Items of consolidated statement of comprehensive income:</u></b>		
Income from financial assets at amortized cost	38,555	134,247

- The remunerations of members of key management (salaries, bonuses, and other benefits) are as follows:

	2016	2015
Salaries and bonuses of key management	532,237	469,965
Board of directors' remunerations and transportations	149,703	148,805
	<b>681,940</b>	<b>618,770</b>

**30. Fair Value of Financial Instruments Not Presented at Fair Value**

This item includes receivables, payables and other financial assets and liabilities.

There are no significant differences between the book value and fair value of the financial assets and financial liabilities not presented at fair value.

**31. Fair Value**

Financial instruments comprise financial assets and financial liabilities. Financial assets of the Company include cash on hand and at banks, bank deposits, accounts receivable, reinsurers' receivables, checks under collection, financial assets at fair value through other comprehensive income and financial assets at amortized cost. Financial liabilities of the Company include accounts payable and reinsurers' payables.

There are no significant differences between the book value and fair value of the financial assets and financial liabilities.

Financial assets and financial liabilities measured at fair value in the statement of financial position are grouped into three levels of a fair value hierarchy. The three levels are defined based on the observability of significant inputs to the measurement, as follows:

- Level 1: quoted prices (unadjusted) in active markets for identical assets or liabilities.
- Level 2: inputs other than quoted prices included within level 1 that are observable for the asset or liability, either directly or indirectly.
- Level 3: unobservable inputs for the asset or liability.

2016	Level 1	Level 2	Level 3	Total
Financial assets at fair value through other comprehensive income	240,676	-	332,416	573,092
2015	Level 1	Level 2	Level 3	Total
Financial assets at fair value through other comprehensive income	248,346	-	332,416	580,762

## **32. Risk Management**

### **First: Descriptive Disclosures**

The risk management policy considered one of the most important policies which the company had set for mitigating risk surrounded around its activities in order to safeguard the company's assets, shareholders equity and its financial position.

#### **Risk management process**

The risk management process and its policy are mainly concerned with risk control by reducing the frequency of its occurrence and reducing the expected losses on the other hand at the lowest possible cost. Therefore, the risk management responsibility is to discover the potential risks first and then analyze and classify these risks for the purpose of calculating the probability of the risks and the magnitude of the expected losses in the event of danger are examined in order to quantify the risks. Based on the above, the best and most effective means of coping with these risks were selected and their effects were reduced with a focus on the concept of reducing the costs associated with the risk.

### **Second: Quantitative Disclosures**

#### **A. Insurance Risk**

##### **1- Insurance risk**

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

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

The Company has developed its insurance placement plan to ensure that insurance risks are diversified and distributed to different types of insurance, thus reducing the losses that may result from insurance claims if a particular insurance category is focused.

#### **Following are the major insurance types and their risks:**

##### **Fire and other property damages insurance**

Property insurance is designed to compensate policy holders for damages suffered to properties assets or for the value of property loss, also the policy holders may be compensated for the forfeited profit form disability to use his insured property.

The main risks for property insurance contracts are fire and business interruption, in recent years the Company has only insured highly classified properties containing fire detection and fighting equipment.

These contracts are written by reference to the replacement value of the properties and obtaining replacement contents and the time taken to restart operations which leads to business interruptions. These represent the main factors that influence the level of claims.

The Company has reinsurance cover for such damages amounting to JOD (4,500,000) for any individual claim during the years 2016 & 2015.



### **Motors insurance**

Motors insurance is designed to compensate policy holders for damages suffered to their vehicles or liability to third parties arising from accidents, in addition policy holders may be compensated for vehicle burning and theft.

The main risks of motors insurance are compensation for death, injuries and replacement vehicles parts. In recent years the Company has issued comprehensive insurance policies only for vehicle manufactured on the year 2000 and above.

The amounts paid for compensation for death, injuries and cost of replacement vehicles parts are the main factors affecting the claims volume.

The Company has reinsurance cover for such damages for any losses above JOD (50,000) during the years 2016 & 2015.

### **Marine insurance**

Marine insurance is designed to compensate policy holders for damages and liability arising from loss or damage to marine and land units, or exposure to accidents, resulting in the total or partial loss of cargos.

The followed strategy for the marine class of business is to ensure that policies are well diversified in terms of used shipping methods and shipping routes covered.

The Company has reinsurance cover for such damages amounting to JOD (4,000,000) for any individual claim during the years 2016 & 2015.

### **Medical insurance**

Medical insurance is designed to compensate policy holders for medical costs arising from illness or inability as a one time or regular compensations. The Company has reinsurance cover of (80%) for any individual claim during the years 2016 & 2015.

## **2 - Claims Development**

The schedules below show the actual claims (based on management's estimates at year-end) compared to the expectations for the past four years based on the year in which the accident occurred

<b>Motors The accident year</b>	<b>2012 &amp; Before JOD</b>	<b>2013 JOD</b>	<b>2014 JOD</b>	<b>2015 JOD</b>	<b>2016 JOD</b>	<b>Total JOD</b>
At the end of the year	39,277,361	9,038,788	7,292,320	7,643,567	6,077,298	69,329,334
After one year	39,410,100	9,334,505	7,555,148	7,742,887	-	64,042,640
After two years	40,037,800	9,269,576	7,448,472	-	-	56,755,848
After three years	39,601,956	9,070,417	-	-	-	48,672,373
After four years	39,057,941	-	-	-	-	39,057,941
Present expectation for the accumulated claims	39,057,941	9,070,417	7,448,472	7,742,887	6,077,298	69,397,015
Accumulated payments	37,920,244	8,576,984	6,774,539	6,633,082	3,856,725	63,761,574
Liability as in the statement of financial position						
Reported claims	1,137,697	493,433	673,933	1,109,805	2,220,573	5,635,441
Incurred but not reported claims	-	-	-	-	1,100,000	1,100,000
Surplus (Deficit) in the preliminary estimate for reserve	219,420	( 31,629)	( 156,152)	( 99,320)	-	( 67,681)

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<b>Marine The accident year</b>	2012 & Before JOD	2013 JOD	2014 JOD	2015 JOD	2016 JOD	Total JOD
At the end of the year	749,952	3,919	7,507	30,738	1,776	793,892
After one year	750,085	4,411	301,752	37,237	-	1,093,485
After two years	750,256	4,411	301,752	-	-	1,056,419
After three years	744,997	4,324	-	-	-	749,321
After four years	710,569	-	-	-	-	710,569
Present expectation for the accumulated claims	710,569	4,324	301,752	37,237	1,776	1,055,658
Accumulated payments	590,284	4,324	301,752	28,937	1,276	926,573
Liability as in the statement of financial position						
Reported claims	120,285	-	-	8,300	500	129,085
Incurred but not reported claims	-	-	-	-	6,500	6,500
Surplus (Deficit) in the preliminary estimate for reserve	<u>39,383</u>	<u>( 405)</u>	<u>( 294,245)</u>	<u>( 6,499)</u>	<u>-</u>	<u>( 261,766)</u>
<b>Aviation The accident year</b>	2012 & Before JOD	2013 JOD	2014 JOD	2015 JOD	2016 JOD	Total JOD
At the end of the year	409,114	-	-	-	-	409,114
After one year	409,114	-	-	-	-	409,114
After two years	409,114	-	-	-	-	409,114
After three years	409,114	-	-	-	-	409,114
After four years	409,114	-	-	-	-	409,114
Present expectation for the accumulated claims	409,114	-	-	-	-	409,114
Accumulated payments	409,114	-	-	-	-	409,114
Liability as in the statement of financial position						
Reported claims	-	-	-	-	-	-
Incurred but not reported claims	-	-	-	-	-	-
Surplus in the preliminary estimate for reserve	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
<b>Fire and other property damage The accident year</b>	2012 & Before JOD	2013 JOD	2014 JOD	2015 JOD	2016 JOD	Total JOD
At the end of the year	2,733,560	467,590	119,494	2,614,781	79,738	6,015,163
After one year	9,225,622	350,785	230,609	2,759,832	-	12,566,848
After two years	8,822,328	315,216	313,928	-	-	9,451,472
After three years	8,831,528	303,831	-	-	-	9,135,359
After four years	8,946,905	-	-	-	-	8,946,905
Present expectation for the accumulated claims	8,946,905	303,831	313,928	2,759,832	79,738	12,404,234
Accumulated payments	7,179,749	274,199	190,531	2,727,526	45,788	10,417,793
Liability as in the statement of financial position						
Reported claims	1,767,156	29,632	123,397	32,306	33,950	1,986,441
Incurred but not reported claims	-	-	-	-	10,000	10,000
(Deficit) surplus in the preliminary estimate for reserve	<u>(6,213,345)</u>	<u>163,759</u>	<u>(194,434)</u>	<u>(145,051)</u>	<u>-</u>	<u>(6,389,071)</u>
<b>Liability The accident year</b>	2012 & Before JOD	2013 JOD	2014 JOD	2015 JOD	2016 JOD	Total JOD
At the end of the year	860,130	8,135	683,492	1,100	1,335	1,554,192
After one year	908,152	8,235	38,500	1,000	-	955,887
After two years	1,283,044	8,135	38,500	-	-	1,329,679
After three years	1,287,302	8,135	-	-	-	1,295,437
After four years	1,286,015	-	-	-	-	1,286,015
Present expectation for the accumulated claims	1,286,015	8,135	38,500	1,000	1,335	1,334,985
Accumulated payments	480,915	8,135	-	1,000	1,335	491,385
Liability as in the statement of financial position						
Reported claims	805,100	-	38,500	-	-	843,600
Incurred but not reported claims	-	-	-	-	2,000	2,000
(Deficit) surplus in the preliminary estimate for reserve	<u>( 425,885)</u>	<u>-</u>	<u>644,992</u>	<u>100</u>	<u>-</u>	<u>219,207</u>

**Al-Manara Insurance Company**  
**Notes to the Consolidated Financial Statements (Continued)**  
**31 December 2016**

<b>Medical</b> <b>The accident year</b>	2012 & Before JOD	2013 JOD	2014 JOD	2015 JOD	2016 JOD	<b>Total</b> <b>JOD</b>
At the end of the year	1,326,985	311,611	724,927	803,010	497,361	3,663,894
After one year	1,326,985	311,611	724,927	803,010	-	3,166,533
After two years	1,326,985	311,611	724,927	-	-	2,363,523
After three years	1,326,985	311,611	-	-	-	1,638,596
After four years	1,326,985	-	-	-	-	1,326,985
Present expectation for the accumulated claims	1,326,985	311,611	724,927	803,010	497,361	3,663,894
Accumulated payments	1,326,985	311,611	724,927	803,010	462,574	3,629,107
Liability as in the statement of financial position						
Reported claims	-	-	-	-	34,787	34,787
Incurred but not reported claims	-	-	-	-	43,059	43,059
Surplus in the preliminary estimate for reserve	-	-	-	-	-	-
<b>Others</b> <b>The accident year</b>	2012 & Before JOD	2013 JOD	2014 JOD	2015 JOD	2016 JOD	<b>Total</b> <b>JOD</b>
At the end of the year	738,171	-	765	706	7,000	746,642
After one year	938,363	2,625	1,465	10,183	-	952,636
After two years	961,639	2,775	4,215	-	-	968,629
After three years	940,847	2,750	-	-	-	943,597
After four years	788,829	-	-	-	-	788,829
Present expectation for the accumulated claims	788,829	2,750	4,215	10,183	7,000	812,977
Accumulated payments	746,135	-	1,057	983	-	748,175
Liability as in the statement of financial position						
Reported claims	42,694	2,750	3,158	9,200	7,000	64,802
Incurred but not reported claims	-	-	-	-	13,000	13,000
Deficit in the preliminary estimate for reserve	( 50,658)	( 2,750)	( 3,450)	( 9,477)	-	( 66,335)

### 3 - Insurance Risk Concentrations

Below are schedules demonstrate gross and net risk concentration based on insurance type:

At year ended 31 December 2016								
<b>Insurance types</b>	<b>Motors</b>	<b>Marine</b>	<b>Aviation</b>	<b>Fire</b>	<b>Liability</b>	<b>Medical</b>	<b>Others</b>	<b>Total</b>
Gross	9,185,629	168,889	4,332	2,592,855	1,019,502	158,922	122,857	13,252,986
Net	8,270,212	19,854	4,332	118,375	67,675	80,589	81,254	8,642,291
At year ended 31 December 2015								
<b>Insurance types</b>	<b>Motors</b>	<b>Marine</b>	<b>Aviation</b>	<b>Fire</b>	<b>Liability</b>	<b>Medical</b>	<b>Others</b>	<b>Total</b>
Gross	10,989,853	215,394	447	5,110,365	1,010,898	156,138	250,649	17,733,744
Net	9,917,154	32,237	447	243,398	65,892	36,706	67,941	10,363,775

Below are schedules demonstrate the distribution of the insurance contracts assets and liabilities based on geographical area and sector:

	2016		2015	
	<b>Assets</b>	<b>Liabilities</b>	<b>Assets</b>	<b>Liabilities</b>
<b>A- According to geographical area:</b>				
Inside Jordan	4,597,495	13,252,986	7,316,969	17,733,744
	2016		2015	
	<b>Assets</b>	<b>Liabilities</b>	<b>Assets</b>	<b>Liabilities</b>
<b>B- According to sector:</b>				
Public sector	15,178	452	100,046	485
Companies and corporations	1,056,007	391,798	895,261	241,656
Individuals	169,380	21,637	145,475	59,240
	<b>1,240,565</b>	<b>413,887</b>	<b>1,140,782</b>	<b>301,381</b>

#### **4 - Reinsurance Risk**

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

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

#### **5 - Insurance Risk Sensitivity**

The table below shows the possible reasonable effect of the change in earned revenues from written premiums on the statement of profit or loss and equity keeping all other affecting variables fixed:

<u>Insurance type</u>	<u>Change</u>	<u>Effects on the earned revenues from written premiums</u>	<u>Effects on the current year underwriting profit before tax</u>	<u>Effects on the equity*</u>
Motor	10%	570,109	979,320	744,283
Marine	10%	2,300	41,421	31,480
Aviation	10%	322	2,866	2,178
Fire & Property	10%	3,428	79,816	60,660
Liability	10%	2,437	( 3,166)	( 2,406)
Medical	10%	14,875	( 75,924)	( 57,702)
Others	10%	3,689	22,861	17,374
		<u>597,160</u>	<u>1,047,194</u>	<u>795,867</u>

\* Net after deducting income tax effect.

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

The table below shows the possible reasonable effects of the change in claims cost on the statement of profit or loss and equity keeping all other affecting variables fixed:

<u>Insurance type</u>	<u>Change</u>	<u>Effects on the claims cost</u>	<u>Effects on the current year underwriting profit before tax</u>	<u>Effects on the equity*</u>
Motor	10%	403,084	6,127	4,657
Marine	10%	( 805)	39,926	30,344
Aviation	10%	-	-	-
Fire & Property	10%	( 9,507)	85,895	65,280
Liability	10%	( 78)	( 5,525)	( 4,199)
Medical	10%	10,281	( 101,080)	( 76,821)
Others	10%	994	18,178	13,815
		<u>403,969</u>	<u>43,521</u>	<u>33,076</u>

\* Net after deducting income tax effect.

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

## **B- Financial Risks**

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

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

### **1. Market Risks**

Market risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate as a result of changes in market prices such as interest rates, currency prices and stock prices. Market risks arise as a result of having opened positions in interest rates, currencies and investment in stocks. These risks are monitored according to specific policies and procedures and through specialized committees and business units.

Market risks and its monitoring are measured using sensitivity analysis.

#### **Interest rate risk**

Interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate as a result of changes in interest rates.

The annual interest rates on the deposits ranged between (2.5%) to (4.1%) during the year 2016, (1% to 4.25%: 2015), the Company always aims to mitigate this risk through monitoring the changes in interest rates in the market, suitability of maturities between assets and liabilities and interest rate re-pricing gap, if interest rates had increased or decreased by 1% annually the net results for the year would have been reduced / increased by JOD (85,976) during 2016 (2015: JOD 95,764)

#### **Foreign currencies risk**

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

Most of the Company's assets and liabilities are funded in Jordanian Dinar or US Dollar. The exchange rate of the US Dollar to Jordanian Dinar is fixed and the probability of this risk is very minimal

#### **Equity price risk**

Equity price risk result from the change in the fair value of equity securities. The Company manages these risks through the diversification of investments in several geographical areas and economic sectors. If the quoted market price of listed equity securities had increased or decreased by 10%, the comprehensive income for the year would be increased / reduced by JOD (24,068) during 2016 (2015: JOD 24,835).

## 2- Credit Risk

Credit risks are those risks resulting from the default of counterparties to the financial instrument to repay their commitment to the Company. The Company limits its credit risk by only dealing with reputable banks and by setting credit limits for individual customers and monitoring outstanding receivables. The maximum exposure to credit risk is represented by the carrying value of each financial asset.

The balance of the largest client represent (13%) of accounts receivable balance as at 31 December 2016 (8.5%: 2015).

## 3- Liquidity Risk

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

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

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

2016							
	Less than month	1 month to 3 months	3 months to 6 months	6 months to 1 year	1 year to 3 years	More than 3 years	Total
Accounts payable	50,000	75,000	90,000	110,000	88,887	-	413,887
Reinsurers payables	150,000	260,000	450,000	420,000	107,512	-	1,387,512
Other provisions	16,000	10,000	20,000	25,000	105,967	-	176,967
Other liabilities	65,000	90,000	130,000	140,000	64,172	-	489,172
<b>Total</b>	<b>281,000</b>	<b>435,000</b>	<b>690,000</b>	<b>695,000</b>	<b>366,538</b>	<b>-</b>	<b>2,467,538</b>
<b>Total Assets (According to its expected maturity)</b>	<b>1,200,000</b>	<b>1,350,000</b>	<b>1,500,000</b>	<b>7,152,658</b>	<b>2,047,342</b>	<b>2,877,660</b>	<b>16,127,660</b>

2015							
	Less than month	1 month to 3 months	3 months to 6 months	6 months to 1 year	1 year to 3 years	More than 3 years	Total
Accounts payable	65,000	70,000	80,000	45,000	41,381	-	301,381
Reinsurers payables	260,000	280,000	345,000	375,000	76,502	-	1,336,502
Other provisions	15,000	20,000	35,000	65,000	49,625	-	184,625
Other liabilities	127,942	85,000	115,000	105,000	36,924	-	469,866
<b>Total</b>	<b>467,942</b>	<b>455,000</b>	<b>575,000</b>	<b>590,000</b>	<b>204,432</b>	<b>-</b>	<b>2,292,374</b>
<b>Total Assets (According to its expected maturity)</b>	<b>7,000,000</b>	<b>2,400,000</b>	<b>1,450,000</b>	<b>1,447,859</b>	<b>1,800,000</b>	<b>3,583,163</b>	<b>17,681,022</b>

## 33. Analysis of Main Sectors

### A- Background information on the Company's business segments

For management purposes, the Company measures its insurance segments in accordance with the reports used by executive manager and the company's primary decision maker to include General insurance sector which comprised fire, accidents, marine, medical, and motor insurance. This sector is the base used by the Company to disclose information related to key sectors, the mentioned sector also includes the Company's investments and cash management. The activities between the business sectors are performed based on commercial basis.

## **B – Geographical distribution**

The following disclosure demonstrates geographical distribution of the Company's operations; the Company mainly conducts its operations in Jordan.

The following table depicts the distribution of total revenues and capital expenditures based on their pertaining geographical distribution:

	<b>Inside Jordan</b>		<b>Outside Jordan</b>		<b>Total</b>	
	<b>2016</b>	<b>2015</b>	<b>2016</b>	<b>2015</b>	<b>2016</b>	<b>2015</b>
Total revenues	6,980,868	8,930,964	38,555	87,926	<b>7,019,423</b>	<b>9,018,890</b>
Capital expenditures	81,882	42,932	-	-	<b>81,882</b>	<b>42,932</b>

## **34. Capital Management**

- The Company manages its capital in line with the regulations of the Ministry of Industry, Trade and Supply-Insurance Administration. These requirements were designed to ensure a suitable margin. Additional targets have been assigned by the Company to maintain strong credit rating and high capital margin in order to support its business and maximize shareholders value.
- The Company manages its capital structure and makes necessary adjustments in light of changes in business conditions. No changes were made in the objectives, policy or processes during the current and previous years.
- The Company's solvency margin as at 31 December 2016 has increased relative to the previous year and became higher than the minimum margin determined by Insurance Administration.

	<b>2016</b>	<b>2015</b>
<b>Available capital (A)</b>	<b>6,052,653</b>	<b>5,793,413</b>
<b>Capital requirements to meet</b>		
Assets risks	2,185,584	2,520,862
Underwriting liabilities	1,467,139	1,843,465
Reinsurers' credit risk	359,087	805,564
<b>Total capital requirements (B)</b>	<b>4,011,810</b>	<b>5,169,891</b>
<b>Solvency margin (A) / (B)</b>	<b>151%</b>	<b>112%</b>

**35. Maturity Analysis of Assets and Liabilities:**

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

	<b>2016</b>	<b>Up to one year</b>	<b>More than one year</b>	<b>Total</b>
<b>Assets</b>				
Bank deposits		8,285,691	-	8,285,691
Financial assets at fair value through other comprehensive income		240,676	332,416	573,092
Financial assets at amortized cost		20,000	291,872	311,872
Investment property		-	1,231,586	1,231,586
Cash on hand and at banks		63,184	-	63,184
Checks under collection		441,240	-	441,240
Accounts receivable		1,240,565	-	1,240,565
Reinsurers receivables		484,333	-	484,333
Deferred tax assets		139,723	1,000,000	1,139,723
Property and equipment		87,000	1,973,128	2,060,128
Other assets		200,246	96,000	296,246
<b>Total Assets</b>		<b>11,202,658</b>	<b>4,925,002</b>	<b>16,127,660</b>
<b>Liabilities</b>				
Unearned premiums reserve		2,491,729	-	2,491,729
Outstanding claims reserve		5,000,000	1,150,562	6,150,562
Accounts payable		325,000	88,887	413,887
Other provisions		71,000	105,967	176,967
Reinsurers payables		1,280,000	107,512	1,387,512
Other liabilities		425,000	64,172	489,172
<b>Total Liabilities</b>		<b>9,592,729</b>	<b>1,517,100</b>	<b>11,109,829</b>
<b>Net Assets</b>		<b>1,609,929</b>	<b>3,407,902</b>	<b>5,017,831</b>



<b>2015</b>	<b>Up to one year</b>	<b>More than one year</b>	<b>Total</b>
<b>Assets</b>			
Bank deposits	9,120,930	-	9,120,930
Financial assets at fair value through other comprehensive income	248,346	332,416	580,762
Financial assets at amortized cost	318,202	450,000	768,202
Investment property	-	1,231,586	1,231,586
Cash on hand and at banks	511,537	-	511,537
Checks under collection	278,807	-	278,807
Accounts receivable	1,140,782	-	1,140,782
Reinsurers receivables	93,939	-	93,939
Deferred tax assets	100,316	1,262,179	1,362,495
Property and equipment	90,000	1,986,246	2,076,246
Other assets	395,000	120,736	515,736
<b>Total Assets</b>	<b>12,297,859</b>	<b>5,383,163</b>	<b>17,681,022</b>
<b>Liabilities</b>			
Unearned premiums reserve	2,266,909	-	2,266,909
Outstanding claims reserve	5,600,000	2,496,866	8,096,866
Accounts payable	260,000	41,381	301,381
Other provisions	135,000	49,625	184,625
Reinsurers payables	1,260,000	76,502	1,336,502
Other liabilities	432,941	36,925	469,866
<b>Total Liabilities</b>	<b>9,954,850</b>	<b>2,701,299</b>	<b>12,656,149</b>
<b>Net Assets</b>	<b>2,343,009</b>	<b>2,681,864</b>	<b>5,024,873</b>

### **36. Lawsuits Against the Company**

There are lawsuits filed against the Company amounting to JOD (5,046,394) as at 31 December 2016, (2015: JOD 5,432,128).

In the opinion of the Company's management and its lawyer, no obligations shall arise that exceeds the allocated amounts within the net claims reserve.

### **37. Contingent Liabilities**

The Company has bank guarantees of JOD (88,595) as at 31 December 2016.

### **38. Subsequent Events**

No subsequent events have a material impact on the consolidated financial statement as at 31 December 2016.