

Date : 30-10-2018

Ref : 91/AD/ 2018

To : Amman Stock Exchange

Aoic

Interim Condensed Financial Statements for the Period
Ended 30/9/2018

Attached are the English financial statements of Arab Orient Insurance Co. for the period ended 30/9/2018 after being reviewed by our external auditors.

Kindly accept our highly appreciation and respect

Deputy Director/ Accounting Department

Wail Shehadeh

CFO

Saad Farah



بورصة عمان
الدائرة الإدارية والمالية
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الرقم المتسلسل:
رقم الملف:
الجهة المختصة:

التاريخ: 2018/10/30
الإشارة: 2018/د/92

ARAB ORIENT INSURANCE

PUBLIC SHAREHOLDING COMPANY

INTERIM CONDENSED FINANCIAL STATEMENTS (UNAUDITED)

30 SEPTEMBER 2018

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

Introduction

We have reviewed the accompanying interim condensed financial statements of **ARAB ORIENT INSURANCE COMPANY** (a public shareholding company) as of 30 September 2018, comprising of interim statement of financial position as of 30 September 2018 and the related interim statement of income, interim statement of comprehensive income, interim statement of changes in equity, and interim statement of cash flows for nine months period then ended and explanatory notes. The Board of Directors is responsible for the preparation and presentation of these interim condensed financial statements in accordance with International Financial Reporting Standard IAS 34, Interim Financial Reporting ("IAS 34"). Our responsibility is to express a conclusion on these interim condensed financial statements based on our review.

Scope of review

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

Conclusion

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

Explanatory paragraph

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

Amman – Jordan
25 October 2018



**ARAB ORIENT INSURANCE
PUBLIC SHAREHOLDING COMPANY
INTERIM CONDENSED STATEMENT OF FINANCIAL POSITION
AS AT 30 SEPTEMBER 2018**

	<u>Notes</u>	30 September 2018 JD (Unaudited)	31 December 2017 JD (Audited)
Assets			
Bank deposits	3	45,426,184	42,693,311
Financial assets at fair value through profit or loss	4	-	7,387,685
Financial assets at fair value through other comprehensive income	5	5,486,043	-
Financial assets at amortized cost	6	2,473,547	2,480,008
Total Investments		<u>53,385,774</u>	<u>52,561,004</u>
Cash and cash equivalents	16	2,534,426	1,242,338
Checks under collection		4,866,761	5,035,226
Accounts receivable, net	7	29,229,638	31,166,615
Reinsurance receivable, net	8	1,290,142	2,117,281
Property and equipment, net		4,817,943	5,071,019
Intangible assets, net		634,720	797,415
Deferred tax assets	9	6,015,924	6,690,252
Other assets		1,619,983	1,317,926
Total Assets		<u>104,395,311</u>	<u>105,999,076</u>
Liabilities and Equity			
Liabilities –			
Insurance contract liabilities			
Unearned premium reserve, net		17,904,575	15,635,902
Premium deficiency reserve, net		884,000	884,000
Outstanding claims reserve, net		19,916,750	20,407,783
Total Insurance contract liabilities		<u>38,705,325</u>	<u>36,927,685</u>
Accounts payable	10	5,347,797	12,474,165
Accrued expenses		274,981	341,226
Reinsurance payables	11	23,868,348	20,640,504
Other provisions		1,035,926	1,016,768
Deferred tax liabilities	9	55,451	55,451
Other liabilities		319,093	215,491
Total Liabilities		<u>69,606,921</u>	<u>71,671,290</u>
Equity			
Authorized and paid-in capital	12	21,438,252	21,438,252
Statutory reserve		4,683,051	4,683,051
Fair value reserve		(1,964,379)	-
Accumulated losses		(3,330,780)	(3,393,517)
Profit for the period		2,362,246	-
Total Equity		<u>23,188,390</u>	<u>22,727,786</u>
Subordinated loan	13	11,600,000	11,600,000
Total Liabilities and Equity		<u>104,395,311</u>	<u>105,999,076</u>

The attached notes 1 to 20 form part of these interim financial statements

**ARAB ORIENT INSURANCE
PUBLIC SHAREHOLDING COMPANY
INTERIM CONDENSED STATEMENT OF INCOME
FOR THE THREE AND NINE MONTHS ENDED 30 SEPTEMBER 2018 (UNAUDITED)**

	Notes	For the three months ended 30 September		For the nine months ended 30 September	
		2018	2017	2018	2017
		JD	JD	JD	JD
Revenue –					
Gross written premium		17,996,374	13,441,330	69,269,882	75,985,981
Less: reinsurance share		10,354,200	6,820,987	36,816,625	46,472,464
Net written premium		7,642,174	6,620,343	32,453,257	29,513,517
Net change in unearned premiums reserve		1,615,685	4,798,442	(2,268,673)	(3,714,803)
Net change in premium deficiency reserve		-	(469,000)	-	(469,000)
Net earned premium		9,257,859	10,949,785	30,184,584	25,329,714
Commissions income		1,373,846	975,804	5,184,305	7,032,331
Insurance policies issuance fees		677,024	872,400	3,395,714	3,325,349
Interest income		585,248	350,800	1,634,932	981,456
Net gain from financial assets and investments	14	36,557	52,288	412,269	318,782
Total revenues		11,930,534	13,201,077	40,811,804	36,987,632
Claims ,losses and expenses					
Paid claims		14,889,055	21,735,556	52,736,442	71,472,713
Less: Recoveries		1,018,435	768,545	3,264,011	2,440,489
Less: Reinsurance share		6,436,567	10,178,197	24,031,064	34,384,840
Net Paid claims		7,434,053	10,788,814	25,441,367	34,647,384
Net change in outstanding claims reserve		450,462	335,788	(491,033)	1,516,404
Allocated employees' expenses		1,328,855	1,365,647	4,437,114	4,802,809
Allocated general and administrative expenses		645,981	704,239	2,190,727	2,389,706
Excess of loss premium		208,983	258,905	658,661	685,100
Policies acquisition costs		467,201	380,928	1,624,800	1,799,209
Other expenses		36,228	52,421	216,266	175,985
Net claims costs		10,571,763	13,886,742	34,077,902	46,016,597
Unallocated employees' expenses		332,213	341,412	1,109,278	1,200,702
Unallocated general and administrative expenses		169,643	176,059	547,683	597,426
Depreciation and amortization		161,497	179,669	509,983	515,809
Allowance for doubtful debts and reinsurance receivable		-	100,000	1,507,000	450,000
Loss from sale of property and equipment		-	33,539	23,384	33,523
Total expenses		663,353	830,679	3,697,328	2,797,460
Profit (loss) for the period before tax		695,418	(1,516,344)	3,036,574	(11,826,425)
Income tax (expenses) benefit	9	(166,901)	365,843	(674,328)	2,770,179
Profit (loss) for the period		528,517	(1,150,501)	2,362,246	(9,056,246)
		JD/Fils	JD/Fils	JD/Fils	JD/Fils
Basic and diluted earnings (loss) per share for the period	15	0/025	(0/054)	0/11	(0/422)

The attached notes 1 to 20 form part of these interim financial statements

**ARAB ORIENT INSURANCE
PUBLIC SHAREHOLDING COMPANY
INTERIM CONDENSED STATEMENT OF COMPREHENSIVE INCOME
FOR THE THREE AND NINE MONTHS ENDED 30 SEPTEMBER 2018 (UNAUDITED)**

	For the three months ended 30 September		For the nine months ended 30 September	
	2018	2017	2018	2017
	JD	JD	JD	JD
Profit (loss) for the period	528,517	(1,150,501)	2,362,246	(9,056,246)
Add: Other comprehensive income not be reclassified to profit and loss in subsequent periods				
Changes in fair value of financial assets at fair value through other comprehensive income	(586,108)	-	(1,901,642)	-
Total comprehensive income for the period	(57,591)	(1,150,501)	460,604	(9,056,246)

The attached notes 1 to 20 form part of these interim financial statements

**ARAB ORIENT INSURANCE
PUBLIC SHAREHOLDING COMPANY
INTERIM CONDENSED STATEMENT OF CHANGES IN EQUITY
FOR THE NINE MONTHS ENDED 30 SEPTEMBER 2018 (UNAUDITED)**

	Authorized and paid-in capital	Statutory reserve	Fair value reserve	(Accumulated losses) Retained earnings	Profit (Loss) for the period	Total
	JD	JD	JD	JD	JD	JD
30 September 2018 -						
Balance as at 1 January 2018	21,438,252	4,683,051	-	(3,393,517)	-	22,727,786
IFRS (9) implementation effect	-	-	(62,737)	62,737	-	-
Net change in financial assets at fair value through other comprehensive income	-	-	(1,901,642)	-	-	(1,901,642)
Profit for the period	-	-	-	-	2,362,246	2,362,246
Balance as at 30 September 2018	<u>21,438,252</u>	<u>4,683,051</u>	<u>(1,964,379)</u>	<u>(3,330,780)</u>	<u>2,362,246</u>	<u>23,188,390</u>
30 September 2017 -						
Balance as at 1 January 2017	21,438,252	4,683,051	-	7,689,467	-	33,810,770
Loss for the period	-	-	-	-	(9,056,246)	(9,056,246)
Balance as at 30 September 2017	<u>21,438,252</u>	<u>4,683,051</u>	<u>-</u>	<u>7,689,467</u>	<u>(9,056,246)</u>	<u>24,754,524</u>

The attached notes 1 to 20 form part of these interim financial statements

**ARAB ORIENT INSURANCE
PUBLIC SHAREHOLDING COMPANY
INTERIM STATEMENT OF CASH FLOWS
FOR THE NINE MONTHS ENDED 30 SEPTEMBER 2018 (UNAUDITED)**

	Note	30 September 2018 JD	30 September 2017 JD
<u>OPERATING ACTIVITIES</u>			
Profit (loss) for the period before tax		3,036,574	(11,826,425)
Adjustment for non-cash items			
Depreciation and amortization		509,983	515,809
Loss from sale of property and equipment		23,384	33,523
Outstanding claims reserve, net		(491,033)	1,516,404
Unearned premium reserve, net		2,268,673	3,714,803
Premium deficiency reserve, net		-	469,000
End of service indemnity provision		320,898	224,807
Provision for doubtful debts and reinsurance receivable		1,507,000	450,000
Change in financial assets at fair value through profit or loss		-	208,388
Cash flows from (used in) operating activities before changes in working capital		7,175,479	(4,693,691)
Checks under collection		168,465	707,235
Accounts receivable		549,662	9,090,231
reinsurance receivable		707,454	(402,920)
Other assets		(302,057)	(297,084)
Accounts payable		(7,126,368)	(3,549,022)
Accrued expenses		(66,245)	(894)
reinsurance payable		3,227,844	(2,225,129)
Other liabilities		103,602	(63,354)
Net cash flows from (used in) operating activities before paid tax and end of services provision		4,437,836	(1,434,628)
Income tax paid		-	(122,499)
Paid from end of service provision		(301,740)	(101,734)
Net cash flows from (used in) operating activities		4,136,096	(1,658,861)
<u>INVESTING ACTIVITIES</u>			
Deposits at banks maturing after three months		(2,732,873)	3,142,474
Purchase of property and equipment		(103,259)	(386,578)
Proceeds from sale of property and equipment		4,362	3,160
Purchase of intangible assets		(18,699)	(524,257)
Interest revenue from government bond (Kingdom of Bahrain)		6,461	5,352
Purchase of financial assets at amortized cost held to maturity		-	(1,485,732)
Purchase of financial assets at fair value through profit or loss		-	(458,251)
Net cash flows (used in) from investing activities		(2,844,008)	296,168
Net increase in cash and cash equivalent		1,292,088	(1,362,693)
Cash and cash equivalents at the beginning of the period	16	1,242,338	1,425,299
Cash and cash equivalents at the end of the period	16	2,534,426	62,606

The attached notes 1 to 20 form part of these interim financial statements

**ARAB ORIENT INSURANCE
PUBLIC SHAREHOLDING COMPANY
INTERIM STATEMENT OF UNDER WRITING REVENUES FOR THE GENERAL INSURANCE
FOR THE NINE MONTHS ENDED 30 SEPTEMBER 2018 (UNAUDITED)**

	Motor		Marine		Aviation		Fire and property		Liability		Medical		Others		Total	
	2018 JD	2017 JD	2018 JD	2017 JD	2018 JD	2017 JD	2018 JD	2017 JD	2018 JD	2017 JD	2018 JD	2017 JD	2018 JD	2017 JD	2018 JD	2017 JD
Written Premiums:																
Direct inward insurance	14,826,577	19,222,662	746,846	561,450	107,793	4,047	3,023,646	3,223,537	502,262	596,205	45,427,754	46,658,700	3,581,688	3,771,656	68,216,566	74,038,257
Facultative inward insurance business	780,432	787,591	-	(1,561)	-	-	247,453	1,119,629	2,095	1,857	-	-	23,336	40,208	1,053,316	1,947,724
Total Premiums	15,607,009	20,010,253	746,846	559,889	107,793	4,047	3,271,099	4,343,166	504,357	598,062	45,427,754	46,658,700	3,605,024	3,811,864	69,269,882	75,985,981
Less:																
Local reinsurance share	492,236	847,771	100	9,646	-	-	265,235	1,220,261	-	-	-	-	92,036	116,902	849,607	2,194,580
Foreign reinsurance share	241,724	382,949	544,034	315,790	86,084	4,047	2,195,660	2,226,046	344,384	427,926	29,794,187	38,074,490	2,760,945	2,846,636	35,967,018	44,277,884
Net Written Premiums	14,873,049	18,779,533	202,712	234,453	21,709	-	810,204	896,859	159,973	170,136	15,633,567	8,584,210	752,043	848,326	32,453,257	29,513,517
Add:																
Balance at the beginning of the period																
Unearned premium reserve	10,441,001	10,578,885	171,415	1,048,368	6,990	11,495	5,370,037	6,453,742	364,925	478,225	16,692,507	26,679,131	1,538,037	1,556,356	34,584,912	46,806,202
Less: reinsurance share	766,354	824,107	91,329	962,102	6,990	11,495	4,892,854	6,039,154	299,056	409,182	11,610,763	20,645,653	1,281,664	1,263,150	18,949,010	30,154,843
Net Unearned Premiums reserve	9,674,647	9,754,778	80,086	86,266	-	-	477,183	414,588	65,869	69,043	5,081,744	6,033,478	256,373	293,206	15,635,902	16,651,359
Premiums deficiency reserve	-	-	-	-	-	-	-	-	-	-	884,000	600,000	-	-	884,000	600,000
Less: reinsurance share	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Premiums deficiency reserve net	-	-	-	-	-	-	-	-	-	-	884,000	600,000	-	-	884,000	600,000
Less:																
Balance at the ending of the period																
Unearned premium reserve	9,708,881	11,979,449	199,177	191,079	56,911	3,714	2,762,690	3,055,284	307,479	323,700	23,018,040	22,649,066	2,118,128	1,801,177	38,171,306	40,003,469
Less: reinsurance share	597,776	577,526	129,933	112,039	39,381	3,714	2,269,417	2,516,141	217,191	228,727	15,199,751	14,757,662	1,813,282	1,441,498	20,266,731	19,637,307
Unearned Premiums reserve – net	9,111,105	11,401,923	69,244	79,040	17,530	-	493,273	539,143	90,288	94,973	7,818,289	7,891,404	304,846	359,679	17,904,575	20,366,162
Premiums deficiency reserve	-	-	-	-	-	-	-	-	-	-	884,000	1,069,000	-	-	884,000	1,069,000
Less: reinsurance share	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Premiums deficiency reserve net	-	-	-	-	-	-	-	-	-	-	884,000	1,069,000	-	-	884,000	1,069,000
Net earned revenue from written Premium	15,436,591	17,132,388	213,554	241,679	4,179	-	794,114	772,304	135,554	144,206	12,897,022	6,257,284	703,570	781,853	30,184,584	25,329,714

The attached notes 1 to 20 form part of these interim financial statements

ARAB ORIENT INSURANCE
PUBLIC SHAREHOLDING COMPANY
INTERIM STATEMENT OF CLAIMS COST FOR THE GENERAL INSURANCE
FOR THE NINE MONTHS ENDED 30 SEPTEMBER 2018 (UNAUDITED)

	Motor		Marine		Aviation		Fire and property		Liability		Medical		Others		Total	
	2018	2017	2018	2017	2018	2017	2018	2017	2018	2017	2018	2017	2018	2017	2018	2017
	JD	JD	JD	JD	JD	JD	JD	JD	JD	JD	JD	JD	JD	JD	JD	JD
Paid claims	15,670,218	15,100,720	278,752	223,100	-	-	2,180,272	6,251,028	99,868	46,696	33,694,833	49,240,194	812,499	610,975	52,736,442	71,472,713
Less:																
Recoveries	3,122,359	2,331,222	-	-	-	-	112,271	99,733	26,933	4,470	-	-	2,448	5,064	3,264,011	2,440,489
Local reinsurance share	16,133	41,873	-	-	-	-	92,046	251,666	-	-	-	-	13,717	18,597	121,896	312,136
Foreign reinsurance share	22,821	2,372	154,301	134,932	-	-	1,682,025	5,491,466	48,722	5,521	21,439,838	28,137,509	561,461	300,904	23,909,168	34,072,704
Net Paid Claims	12,508,905	12,725,253	124,451	88,168	-	-	293,930	408,163	24,213	36,705	12,254,995	21,102,685	234,873	286,410	25,441,367	34,647,384
Add:																
Outstanding Claims reserve																
at the end of the period	16,747,048	15,113,806	96,580	262,438	-	-	2,274,762	4,103,772	397,663	245,749	3,707,128	5,348,185	2,683,741	1,715,861	25,906,922	26,789,811
Reported	2,619,800	2,600,000	20,000	20,000	-	-	200,000	200,000	30,000	30,000	2,633,258	4,800,010	170,000	170,000	5,673,058	7,820,010
Unreported																
Less:																
reinsurance share	938,208	795,640	72,319	156,198	-	-	1,942,736	3,776,303	125,187	108,680	2,578,966	3,288,147	2,335,704	1,322,343	7,993,120	9,447,311
reported											1,699,166	3,011,193	-	-	1,699,166	3,011,193
Not reported															1,970,944	1,060,080
Recoveries	1,970,944	1,060,080	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Net Outstanding Claims reserve	18,457,696	15,858,086	44,261	126,240	-	-	532,026	527,469	302,476	167,069	2,062,254	3,848,855	518,037	563,518	19,916,750	21,091,237
at the end of the period																
Less:																
Outstanding Claims reserve at the																
beginning of the period	15,346,137	13,634,307	279,437	161,363	-	-	2,643,446	9,716,371	328,361	227,533	4,731,485	8,580,203	1,759,884	1,995,896	25,088,750	34,315,673
Reported	2,600,000	3,000,000	20,000	20,000	-	-	200,000	200,000	30,000	30,000	4,513,125	4,707,987	170,000	170,000	7,533,125	8,127,987
Unreported																
Less:																
reinsurance share	1,188,029	958,800	164,697	111,573	-	-	2,228,545	9,168,983	163,780	109,820	3,006,288	6,510,537	1,360,744	1,553,524	8,112,083	18,413,237
reported											2,867,547	3,572,354	-	-	2,867,547	3,572,354
Not reported															1,234,462	883,236
Recoveries	1,234,462	883,236	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Net Outstanding Claims reserve	15,523,646	14,792,271	134,740	69,790	-	-	614,901	747,388	194,581	147,713	3,370,775	3,205,299	569,140	612,372	20,407,793	19,574,833
at the beginning of the period	13,442,955	13,791,068	33,972	144,618	-	-	211,055	188,244	132,108	56,061	10,946,474	21,746,241	183,770	237,556	24,950,334	36,163,786
Net Claims Cost																

The attached notes 1 to 20 form part of these interim financial statements

**ARAB ORIENT INSURANCE
PUBLIC SHAREHOLDING COMPANY
INTERIM STATEMENT OF UNDERWRITING PROFITS (LOSS) FOR THE GENERAL INSURANCE
FOR THE NINE MONTHS ENDED 30 SEPTEMBER 2018 (UNAUDITED)**

	Motor		Marine		Aviation		Fire and property		Liability		Medical		Others		Total	
	2018	2017	2018	2017	2018	2017	2018	2017	2018	2017	2018	2017	2018	2017	2018	2017
	JD	JD	JD	JD	JD	JD	JD	JD	JD	JD	JD	JD	JD	JD	JD	JD
Net earned revenue from written premiums	15,436,591	17,132,388	213,554	241,679	4,179	-	794,114	772,304	135,554	144,206	12,897,022	6,257,284	703,570	781,853	30,184,584	25,329,714
Less:																
Net claims cost	13,442,955	13,791,068	33,972	144,618	-	-	211,055	188,244	132,108	56,061	10,946,474	21,746,241	183,770	237,556	24,950,334	36,163,788
	1,993,636	3,341,320	179,582	97,061	4,179	-	583,059	584,060	3,446	88,145	1,950,548	(15,488,957)	519,800	544,297	5,234,250	(10,834,074)
Add:																
Commissions received	52,055	90,585	123,133	147,853	4,690	656	604,204	575,608	61,120	80,184	3,541,252	5,467,976	797,851	669,669	5,184,305	7,032,331
Insurance policies issuance fees	422,893	631,942	31,848	37,466	1,436	1,030	519,514	206,299	16,316	17,763	2,236,006	2,312,700	167,701	118,149	3,395,714	3,325,349
Total revenue	2,468,584	4,063,847	334,563	282,180	10,305	1,686	1,706,777	1,365,967	80,882	186,052	7,727,806	(7,708,281)	1,485,352	1,332,115	13,814,269	(476,394)
Less:																
Insurance policies acquisition costs	602,205	695,046	31,207	(529)	-	-	104,194	102,325	12,968	18,792	668,213	808,598	206,013	174,977	1,624,800	1,799,209
Excess of loss premiums	197,290	161,229	57,197	74,931	-	-	307,091	295,398	-	-	-	-	97,083	153,542	658,661	685,100
General and administrative expenses related to underwriting accounts	1,493,301	1,894,087	71,459	52,997	10,314	383	312,983	411,106	48,258	56,610	4,346,592	4,416,517	344,934	360,815	6,627,841	7,192,515
Other expenses	-	-	1,940	2,796	-	-	8,884	8,887	-	-	202,365	160,960	3,077	3,342	216,266	175,985
Total Expenses	2,292,796	2,750,362	161,803	130,195	10,314	383	733,152	817,716	61,226	75,402	5,217,170	5,386,075	651,107	692,676	9,127,568	9,852,809
Underwriting profit (loss)	175,788	1,313,485	172,760	151,985	(9)	1,303	973,625	548,251	19,656	110,650	2,510,636	(13,094,356)	834,245	639,439	4,686,701	(10,329,203)

The attached notes 1 to 20 form part of these interim financial statements

**ARAB ORIENT INSURANCE
PUBLIC SHAREHOLDING COMPANY
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(1) GENERAL

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

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

The Company is 90.45% owned by Gulf Insurance Company as at 30 September 2018.

The interim financial statements were approved by the Board of Directors in its meeting on 25 October 2018.

(2) Basis of preparation

The interim financial statements as of 30 September 2018 have been prepared in accordance with International Accounting Standard 34 "Interim Financial Reporting".

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

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

The interim condensed financial statements do not contain all information and disclosures required for full financial statements prepared in accordance with International Financial Reporting Standards, and should be read in conjunction with the Company's annual report as at 31 December 2017. In addition, the results for the nine months ended 30 September 2018 are not necessarily indicative of the results that may be expected for the financial year ending 31 December 2018.

Changes in accounting policies

The accounting policies adopted in the preparation of the interim condensed financial statements are consistent with those followed in the preparation of the Company's annual financial statements for the year ended 31 December 2017, except for the adoption of new standards effective as of 1 January 2018:

IFRS 9 Financial Instruments

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

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

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

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

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

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

Impairment

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

For all debt instruments, the Company has applied the standard's simplified approach and has calculated ECLs based on lifetime expected credit losses. The Company has established a provision matrix that is based on the Company's historical credit loss experience, adjusted for forward-looking factors specific to the debtors and the economic environment.

The Company's debt instruments at FVOCI comprised solely of quoted bonds that are graded in the top investment category by Credit Rating Agencies and, therefore, are considered to be low credit risk investments. It is the Company's policy to measure such instruments on a 12-month ECL basis.

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

IFRS 15 Revenue from Contracts with Customers

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

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

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

IFRIC Interpretation 22 Foreign Currency Transactions and Advance Considerations

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

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

Amendments to IAS 40 Transfers of Investment Property

The amendments clarify when an entity should transfer property, including property under construction or development into or out of investment property.

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

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

Amendments to IFRS 2 Classification and Measurement of Share-based Payment Transactions

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

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

Amendments to IAS 28 Investments in Associates and Joint Ventures - Clarification that measuring investees at fair value through profit or loss is an investment-by-investment choice

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

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

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

(3) BANK DEPOSITS

This item represents the following:

	30 September 2018		31 December 2017
	Deposits matured between 6 months to 1 Year	Total	Total
	JD	JD	JD
		(Unaudited)	(Audited)
Inside Jordan	45,426,184	45,426,184	42,693,311
	45,426,184	45,426,184	42,693,311

Interest rates on bank deposit balances in Jordanian Dinar range from 4.5% to 5.9% during the period of the year 2018.

Deposits pledged to the favor of the General Manager of the Insurance Regulatory Commission deposited in Jordan Kuwait Bank amounted to JD 225,000 as at 30 September 2018 and 31 December 2017.

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

Below are the distribution of deposits at banks:

	30 September 2018	31 December 2017
	JD	JD
	(Unaudited)	(Audited)
Jordan Kuwait Bank	16,913,572	16,167,622
Capital Bank	2,268,223	2,132,567
Audi Bank	2,244,565	2,139,169
Invest Bank	3,581,949	-
Blom Bank	2,746,616	2,611,537
Al Etihad Bank	3,086,544	2,942,987
Jordan Commercial Bank	4,888,536	5,275,408
Arab Banking Corporation Bank	3,432,933	3,432,933
Bank of Jordan	1,071,591	3,000,000
Ahli Bank	5,191,655	4,991,088
	<u>45,426,184</u>	<u>42,693,311</u>

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

This item consists of the following:

	Number of shares	30 September 2018	31 December 2017
		JD	JD
		(Unaudited)	(Audited)
Listed shares			
Cairo Amman Bank	553,581	-	830,371
Afaq for Energy Company	1,140,147	-	2,667,944
Afaq for Investment and Real Estate Development	1,541,500	-	2,589,720
Dar Al Dawa Development and Investment	695,000	-	1,299,650
Total financial assets at fair value through profit or loss		<u>-</u>	<u>7,387,685</u>

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

This item consists of the following:

	Number of shares	30 September 2018 JD (Unaudited)	31 December 2017 JD (Audited)
Listed Shares:			
Cairo Amman Bank	553,581	808,228	-
Afaq for energy Company	1,140,147	2,246,090	-
Afaq for investment and real estate development	1,541,500	1,618,575	-
Dar Al Dawa development and investment	695,000	813,150	-
Total financial assets at fair value through other comprehensive income		5,486,043	-

(6) FINANCIAL ASSETS AT AMORTIZED COST

This item consists of the following:

	Number of bonds	30 September 2018 JD (Unaudited)	31 December 2017 JD (Audited)
Inside Jordan:-			
Unlisted Bonds in financial markets:			
Arab Real Estate Development Company*	120	1,200,000	1,200,000
Less: Impairment in financial assets at amortized cost		(1,199,000)	(1,199,000)
Financial assets at amortized cost - net		1,000	1,000
 Bonds listed in financial markets			
Treasury bonds/ Hashemite Kingdom of Jordan**	1,330	951,542	952,134
Total financial assets at amortized cost inside Jordan		952,542	953,134

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	Number of bonds	30 September 2018 JD (Unaudited)	31 December 2017 JD (Audited)
Outside Jordan:			
Treasury bonds/ Kingdom of Bahrain Government***	715	530,698	531,939
Treasury bonds/ Kingdom of Bahrain Government****	1,315	990,307	994,935
Net financial assets at amortized cost outside Jordan		1,521,005	1,526,874
Total financial assets at amortized cost		2,473,547	2,480,008

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

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

Arab Real Estate Development Company bonds are stated at cost less impairment loss for an amount of JD 1,199,000 as of 30 September 2018.

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

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(7) ACCOUNTS RECEIVABLE, NET

	30 September 2018	31 December 2017
	JD	JD
	(Unaudited)	(Audited)
Policy holders *	34,745,562	35,261,120
Brokers receivables	2,122,303	2,147,649
Employees' receivables	82,954	97,585
Other receivables	607,087	601,214
	<u>37,557,906</u>	<u>38,107,568</u>
Less: Provision for doubtful debts**	<u>(8,328,268)</u>	<u>(6,940,953)</u>
Accounts receivable, net	<u>29,229,638</u>	<u>31,166,615</u>

* Includes scheduled payment amounted to JD 17,030,047 after 30 September 2018 (JD 20,416,209 as of 31 December 2017).

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

	30 September 2018	31 December 2017
	JD	JD
	(Unaudited)	(Audited)
Balance at the beginning of the period/ year	6,940,953	5,437,931
Additions	1,425,984	1,350,000
Transferred (to) from reinsurance provision	<u>(38,669)</u>	<u>153,022</u>
Balance at the end of the period / year	<u>8,328,268</u>	<u>6,940,953</u>

(8) REINSURANCE RECEIVABLES, NET

This item consists of the following:

	30 September 2018	31 December 2017
	JD	JD
	(Unaudited)	(Audited)
Local insurance companies	1,516,819	1,613,968
Foreign reinsurance companies	<u>277,055</u>	<u>887,360</u>
	<u>1,793,874</u>	<u>2,501,328</u>
Less: Provision for doubtful debt for reinsurance receivables *	<u>(503,732)</u>	<u>(384,047)</u>
Reinsurance receivables, net	<u>1,290,142</u>	<u>2,117,281</u>

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

	30 September 2018 JD (Unaudited)	31 December 2017 JD (Audited)
Balance at the beginning of the period/year	384,047	537,069
Additions	81,016	-
Transferred from (to) provision for doubtful debts	38,669	(153,022)
Balance at the end of the period/year	503,732	384,047

(9) INCOME TAX

A- Income tax provision

The movement on the income tax provision is as follows:

	30 September 2018 JD (Unaudited)	31 December 2017 JD (Audited)
Balance at the beginning of the period/ year	-	76,545
Income tax paid	-	(122,499)
Prior year income tax	-	45,954
Balance at the end of the period/year	-	-

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

	30 September 2018 JD (Unaudited)	30 September 2017 JD (Unaudited)
Income tax of profit (loss) for the period	817,437	-
Prior year income tax	-	45,954
Deferred tax liabilities	-	50,013
Deferred tax assets	(143,109)	(2,866,146)
	674,328	(2,770,179)

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Summary of reconciliation of the accounting profit to taxable profit:

	30 September 2018 JD (Unaudited)	30 September 2017 JD (Unaudited)
Accounting profit (loss)	3,036,574	(11,826,425)
Non-taxable profits	(1,458,485)	(377,237)
Non-deductible expenses	1,827,898	1,556,645
Taxable profit (loss)	3,405,987	(10,647,017)
Effective income tax rate	20%	-
Statutory income tax rate	24%	24%

Final settlement for income tax between the Company and the company's Income and Sales Tax Department has reached and been settled until 31 December 2015. Income tax return was submitted for the years 2017 and 2016 and it is still not reviewed by Income and Sales Tax Department until the date of financial statements, and sales tax until 31 December 2014. In the opinion of the management and the tax consultant the provision taken is sufficient to meet any tax obligations.

B- Deferred tax asset

This item consists of the following:

	30 September 2018					31 December 2017
	Beginning Balance JD	Released Amounts JD	Additions JD	Ending Balance JD	Deferred Tax JD (Unaudited)	Deferred Tax JD (Audited)
Deferred tax asset:						
Provision for doubtful debt receivables and reinsurance	7,325,000	-	1,507,000	8,832,000	2,119,680	1,758,000
Impairment loss on financial asset	1,199,000	-	-	1,199,000	278,760	287,760
Provision for incurred but not reported claims, net	4,903,760	929,868	-	3,973,892	953,735	1,176,903
Provision for end of service indemnity	1,016,768	301,740	320,898	1,035,926	248,622	244,025
Profit for the period	12,547,515	3,405,987	-	9,141,528	2,193,967	3,011,404
Premium deficiency reserve	884,000	-	-	884,000	212,160	212,160
	27,876,043	4,637,595	1,827,898	25,066,346	6,015,924	6,690,252

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

	Deferred tax assets		Deferred tax liabilities	
	30 September 2018	31 December 2017	30 September 2018	31 December 2017
	JD (Unaudited)	JD (Audited)	JD (Unaudited)	JD (Audited)
Balance at the beginning of the period/ year	6,690,252	3,192,956	55,451	-
Additions	(674,328)	3,497,296	-	55,451
Balance at the end of the period/year	<u>6,015,924</u>	<u>6,690,252</u>	<u>55,451</u>	<u>55,451</u>

(10) ACCOUNTS PAYABLE

	30 September 2018	31 December 2017
	JD (Unaudited)	JD (Audited)
Agent's payables	758,742	1,043,245
Employees payables	13,273	17,398
Garages payables and vehicles parts	490,159	1,221,251
Medical network payables	1,962,611	5,689,563
Trade and companies payable	2,123,012	4,502,708
	<u>5,347,797</u>	<u>12,474,165</u>

(11) REINSURANCE PAYABLE

	30 September 2018	31 December 2017
	JD (Unaudited)	JD (Audited)
Local insurance companies	99,876	223,062
Foreign reinsurance companies	23,768,472	20,417,442
	<u>23,868,348</u>	<u>20,640,504</u>

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(12) AUTHORIZED AND PAID-IN CAPITAL

Authorized and paid in capital amounted to JD 21,438,252 divided into 21,438,252 shares the par value of each is JD 1 as of 30 September 2018.

(13) SUBORDINATED LOAN

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

(14) NET GAIN FROM FINANCIAL ASSETS AND INVESTMENTS

	30 September 2018 JD (Unaudited)	30 September 2017 JD (Unaudited)
Cash dividends (financial assets at fair value through other comprehensive income / profit and loss)	302,503	432,317
Unrealized loss on financial assets at fair value through profit and loss	-	(208,388)
Interest on financial assets at amortized costs	109,766	94,852
	<u>412,269</u>	<u>318,782</u>

(15) BASIC AND DILUTED EARNINGS (LOSS) PER SHARE FOR THE PERIOD

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

	For the three months ended 30 September		For the nine months ended 30 September	
	2018 (Unaudited)	2017 (Unaudited)	2018 (Unaudited)	2017 (Unaudited)
Profit (loss) for the period (JD)	528,517	(1,150,501)	2,362,246	(9,056,246)
Weighted average number of shares (Share)	21,438,252	21,438,252	21,438,252	21,438,252
	<u>JD/Fils</u>	<u>JD/Fils</u>	<u>JD/Fils</u>	<u>JD/Fils</u>
Basic and diluted earnings (loss) per share from the period	<u>0/025</u>	<u>(0/054)</u>	<u>0/11</u>	<u>(0/422)</u>

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

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(16) CASH AND CASH EQUIVALENTS

This item consists of the following:

	30 September 2018	31 December 2017
	JD	JD
	(Unaudited)	(Audited)
Cash in hand and bank balances	2,534,426	1,242,338
Add: deposits at bank	45,426,184	42,693,311
Less: deposits at banks mature within the period of more than three months	(45,201,184)	(42,468,311)
Less: restricted deposits to the favor of general manager of the insurance regulatory commission (note 3)	(225,000)	(225,000)
Net Cash and cash equivalent at the end of the period/ year	2,534,426	1,242,338

(17) RELATED PARTY TRANSACTIONS

During the year, the Company entered into transactions with major shareholders, board members and directors in the Company within the normal activities of the company using insurance premium and commercial commission. All debts provided to related parties are considered working and no provision has been taken for them as at 30 September 2018

During 2011 it was agreed with Gulf Insurance Company (Major Shareholder and member of the Board of Directors) to settle all treaty reinsurers' accounts through Gulf Insurance Company, where the company's credit balance as at 30 September 2018 amounted to JD 542,392 for reinsurance.

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

	Related party		Total
	Jordan Kuwait	Top Executive Management	
	Bank	30 September 2018	31 December 2017
	JD	JD	JD
<u>Statement of Financial Position Items:</u>		(Unaudited)	(Audited)
Time deposits	16,913,572	-	16,913,572
Overdraft account - credit balance	838,889	-	838,889
Current accounts under demand	1,373,999	-	1,373,999
Deposits on letters of guarantee	385,441	-	385,441
Accounts receivable	111,287	1,346	112,633
<u>Off-statement of Financial Position Items:</u>			
Letters of guarantee	3,854,414	-	3,854,414

	Related party		Total
	Jordan Kuwait	Top Executive Management	
	Bank	30 September 2018	30 September 2017
	JD	JD	JD
<u>Statement of Income Items :</u>		(Unaudited)	(Unaudited)
Bank interest income	540,540	-	540,540
Insurance premiums	2,102,184	11,609	2,113,793
Bank expenses and commissions	147,944	-	147,944
Salaries	-	760,321	760,321
Bonuses	-	2,550	2,550
Transportation expenses for members of the Board of Directors	-	37,800	37,800

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

	30 September 2018	30 September 2017
	JD	JD
	(Unaudited)	(Unaudited)
Salaries and bonuses	762,871	894,061

(18) ANALYSIS OF MAIN SECTORS

Information on the Company's business sectors.

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

(19) LAWSUITS BY AND AGAINST THE COMPANY

The company appears as defendant in a number of lawsuits, the company booked a sufficient provision to meet any obligations towards these lawsuits. In the opinion of the company's legal consultant, the provision for a total amount of JD 3,939,421 is sufficient to meet any obligations towards these lawsuits. Total amount of the cases raised by the company within its activity is JD 2,744,774 as at 30 September 2018.

(20) CONTINGENT LIABILITIES

At 30 September 2018, the Company had letters of guarantee amounting JD 3,854,414 against which cash margins of JD 385,441 are held.