



شركة الاتحاد العربي للتأمين
Arab Union International Insurance Co.

التاريخ : 2017/05/15

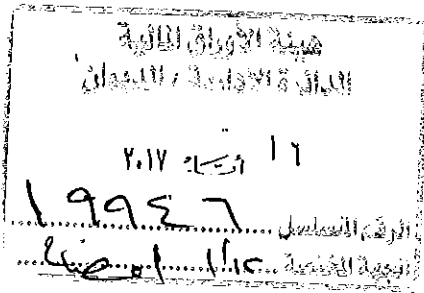
الرقم : ٢٠١٧/١١٤٩

السادة: هئية الاوراق المالية المحترمين.

٢٠١٧/٥/١٥

٢٠١٧

الموضوع: ميزانية مترجمة



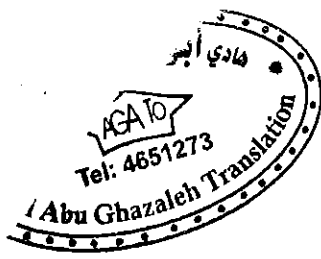
تحية طيبة وبعد،،،

نرفق لكم ميزانية شركة الاتحاد العربي الدولي للتأمين للسنة المنتهية كما في ٣١ كانون اول ٢٠١٦ مترجمة باللغة الانجليزية .

نرفق لكم ميزانية شركة الاتحاد العربي الدولي للتأمين للربع الاول لعام ٢٠١٧ مترجمة باللغة الانجليزية.

وتفضلوا بقبول فائق الاحترام،،،





Arab Union International Insurance

"Public Limited Company"

Amman- Hashemite Kingdom of Jordan

Consolidated Final Financial Statements and

Independent Auditor's Report

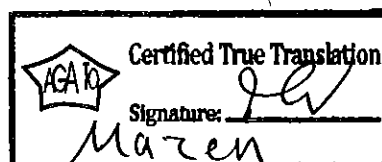
As on 31 December 2016

Scientific Office

Auditing, Accounting and Consults

Chartered Accountants

31 Annual Report - Thirty First 2016



Arab Union International Insurance
"Public Limited Company"
Amman- Hashemite Kingdom of Jordan

Contents	Page
Independent Auditor's Report	3-8
Consolidated Statement of Financial Position as on 31 December 2016	9-10
Consolidated Statement of Income as on 31 December 2016	11
Comprehensive statement of income as on 31 December 2016	12
Consolidated statement of changes of equities as on 31 December 2016	13
Consolidated statement of cash flows as on 31 December 2016	14
Account of consolidated subscription revenues of general insurance as on 31 December 2016	15
Calculation of compensation cost for the consolidated insurance works as on 31 December 2016	16
Subscription profit (loss) account for the consolidated insurance works as on 31 December 2016	17
Applicable accounting policies	18-28
Notes on the consolidated financial statements	29-61



In the Name of Allah, the Most Gracious, the Most Merciful

Ref: 140/2017/60005

Independent Auditor's Report

M/s. General Assembly

M/s. Arab Union International Insurance
"Public Limited Company"

Amman- Hashemite Kingdom of Jordan

Opinion

We have audited the consolidated financial statements of the "Arab Union International Insurance "PLC" which consists of the consolidated statement of financial position as on 31 December 2016 and the consolidated statement of income, consolidated statement of changes in equities and consolidated statement of cash flows as on that date, and the notes on consolidated financial statements, including summary of the key accounting policies.

In our opinion, the attached financial statements fairly show in all essential aspects the company's financial position as on 31 December 2016 and its financial performance and consolidated cash flows as on that date in accordance with the international financial reporting standards.

Basis of opinion

We conducted our auditing in accordance with the international auditing standards. Our responsibilities in accordance with those standards are indicated later in our report under the title "auditor's responsibility for auditing of the consolidated financial statements" in this report.

We think that the auditing evidence we obtained is sufficient and suitable to constitute basis of our opinion.

Independence

We are independent from the company in accordance with the International Ethics Standards Board of Accountants (IESBA) "Guide of ethical behavior rules for professional accountants" and the ethical requirements related to our auditing of the consolidated financial statements, and that we have fulfilled our other ethical liabilities in accordance with those requirements.

Important auditing matters

The important auditing matters are the matters that, in our judgment, are of considerable interest in our auditing of the financial statements of this year. These matters were taken into account in the context of our auditing of the financial statements as a whole and to form our opinion about them, not to express separate opinion about these matters. These matters include:

33 Annual Report - Thirty First 2016

- Seal of the Scientific Office for Auditing, Accounting, and Consulting



1- Technical provisions to meet the liabilities of insurance contracts:

Description of the important auditing matter	How the important auditing matter was treated in our auditing
<p>The company shall recognize the technical provisions of insurance works in accordance with the insurance management instructions when the company has liabilities on the date of financial statements arising out of previous occurrences and that payment of those liabilities is likely and their value can be reliably measured.</p> <p>The value of those provisions by the end of 2016 was JOD 8,228,682 versus JOD 9,805,009 by the end of 2015. These provisions include the provision of non-acquired installments, provision of claims, provision of deficit of installments and provision of recovery.</p> <p>The company's management engages actuarial expert on annual basis to examine all calculated technical provisions.</p>	<p>Auditing procedures that we applied included engagement of the persons in charge of follow up of those provisions and the external actuarial expert's opinion to evaluate the sufficiency of those technical provisions and the company management's compliance with the insurance department's instructions thereon.</p> <p>The applicable auditing procedures include understanding of the nature of provisions, in addition to examination of the applicable internal control regulation. We studied and understood the company's policies on calculation of technical provisions and evaluation of the factors that affect their calculation in accordance with the respective instructions of the Insurance Authority.</p> <p>We have evaluated the completeness and validity of disclosures and evaluated compliance with the disclosure requirements contained in the international financial reporting standards.</p>

2- Receivables:

Description of the important auditing matter	How the important auditing matter was treated in our auditing
<p>In reference to note (11) and note (12) the value of those items by the end of 2016 was "JOD 4,106,199" versus "JOD 3,547,608" by the end of 2015. The company's management assessed the value of doubtful debt provision to "JOD 446,718".</p> <p>According to the foregoing, we believe that receivables are key matters of auditing because of their size and importance.</p>	<p>Auditing procedures included study of the control applied by the company's management in the collection of receivables and our auditing of the receivables lives and accruals in the subsequent period and guarantees related to those receivables, and study of sufficiency of the provision of impairment of doubtful receivables through evaluation of management assumptions.</p> <p>We have audited the sufficiency of the company's disclosures on the key estimations to find the provision of impairment of doubtful receivables. We evaluated the completeness and validity of disclosures and evaluated compliance with the disclosure requirements contained in the international financial reporting standards.</p>



3- Financial assets of fair value through the statement of comprehensive income:

Description of the important auditing matter	How the important auditing matter was treated in our auditing
<p>In reference to note (4), financial assets of fair value through the statement of income provided in the consolidated financial statements of the company, the value of those assets by the end of 2016 was "JOD 766,892" versus "JOD 749,837" by the end of 2015.</p> <p>The company maintained those investments for the purposes of trading and making profit through short-term market price fluctuations. Accordingly, we believe that the item of financial assets of fair value through the statement of income and the results of trading and keeping of them from accrued profits and differences of revaluation by the end of this year are key auditing matters because of their size and importance.</p>	<p>During our auditing of the item of financial assets of fair value through the statement of income, we:</p> <ul style="list-style-type: none"> - Verified the company's ownership of those assets by review of the sale and purchase invoices and getting ownership certificate from the securities deposit center. - Verified any attachments or mortgages that would impede the company's ability to dispose those assets. - Assured that the company registered those assets at their fair value on the date of purchase and assure validity of the subsequent evaluation and showing all those differences in the statement of income. - We have evaluated the completeness and validity of the disclosures related to the financial assets at fair value through the statement of income and evaluation of compliance with the disclosure requirements contained in the international financial reporting standards.

4- Company's Capital:

Description of the important auditing matter	How the important auditing matter was treated in our auditing
<p>According to the general note, the company's general assembly in its extraordinary general meeting agreed on restructuring of the company's capital by decreasing it to recover part of the accumulated losses of (JOD 4) million/ share, after increase of the company's capital by "2 million dinar/ share".</p> <p>Capital was decreased to become (4 million dinar/share) and to recover part of the rotated losses of (4) million dinar. Procedures of subscribed and paid up capital increase were completed to become (6) million dinar/ share on 28/02/2017. According to the foregoing, we believe that the item of (capital) is one of the key auditing matters due to its size and importance.</p>	<p>We have audited the management procedures in relation to restructuring of the company's capital and validity of accounting direction for reduction of capital and recovery of part of rotated losses and to review the management procedures in relation to increase of the company's capital.</p> <p>We evaluated the completeness and validity of disclosures related to the company's capital restructures and evaluated compliance with the disclosure requirements contained in the international financial reporting standards.</p>



5- Income tax:

Description of the important auditing matter	How the important auditing matter was treated in our auditing
Deferred tax provisions and tax assets require management to set assumptions and estimates in relation to the income tax issues. Accordingly, we think that the income tax and deferred tax assets are key matters of auditing because of their size and importance.	<p>The auditing procedures include evaluation of the company's tax situations and correspondences with the tax authorities and tax consultant and analysis of the assumptions used for determination of the tax judgments. According to our knowledge and experience with application of tax legislation by the appropriate authorities, and that this evaluation includes consideration of justifications for sufficiency of provisions and valid calculation of the deferred tax assets.</p> <p>According to the applicable auditing procedures, we concluded that the company's estimation of the amount of deferred tax assets that were recognized is suitable.</p> <p>We have evaluated the completeness and validity of disclosures and compliance with the disclosure requirements contained in the international financial reporting standards.</p>

Other Information:

Management is responsible for the other information. The other information includes all information contained in the company's annual report of 2016, except for the consolidated financial statements and auditor's report. We weren't provided with other information up to the date of our report, as we expected to be provided therewith after that date.

We believe that the consolidated financial statements don't cover the other information, and we will not give any confirming conclusion on them.

In the context of our auditing of the consolidated financial statements, our responsibility lies in reading the other information and, through them, to determine whether the other information is not essentially consistent with the consolidated financial statements or with the knowledge we obtained in auditing or that appear to contain material errors.

When we access the other information that is not provided to us yet, and in case we conclude material mistakes, we shall report this to those responsible for governance.

Responsibility of management and persons in charge of governance for the consolidated financial statements

Management is responsible for preparation and fair presentation of the consolidated financial statements in accordance with the international financial reporting standards, and for the internal control that it deems necessary to enable it to prepare consolidated financial statements free of material errors, whether due to fraud or error.

In addition, management's responsibility on preparation of the consolidated financial statements include evaluation of the company's ability to survive and disclosure, as the case may be, of the matters related to survival of the company, and use of the accounting basis of continuity unless management intends to liquidate or suspend the company's operations or if there is no logical alternative of this.

The persons in charge of governance are responsibility for supervision of preparation of the company's financial reports.



Auditor's responsibility for auditing of the consolidated financial statements

Our purpose is to get reasonable assurance of whether the consolidated financial statements as a whole are free of material errors, whether arising out of fraud or error, and to issue the auditing report that contains our opinion on financial statements.

The reasonable assurance is high level of assurance, but it is not guarantee that auditing done in accordance with the international auditing standards will always show material error, if any.

Errors may arise out of fraud or mistake, and they are considered material if they would jointly or severally reasonably affect the decisions of users of consolidated financial statements.

As part of auditing in accordance with the international auditing standards, we practice the professional judgment and maintain application of the principle of professional doubt in all sides of auditing, in addition to:

- Determination and evaluation of the risks of material errors of consolidated financial statements, whether arising out of fraud or error, and design and implementation of the audit procedures that respond to those risks, and to get sufficient and suitable auditing evidence to provide basis of our opinion. The risk of failure to detect any material errors that arise out of fraud is higher than the material mistakes that arise out of error. Fraud may include complicit, counterfeit, intentional deletion, deviations or infringement of the internal control regulations.
- Understand the internal control regulations related to the audit works to design suitable auditing procedures in the circumstances, not to express opinion on the effectiveness of the company's internal control regulations.
- Evaluate the suitability of applicable accounting policies and reasonableness of the accounting estimates and related notes prepared by management.
- Reach conclusion on the suitability of management's use of the accounting continuity basis. Based on the auditing evidence obtained, whether there is material uncertainty related to evidences or circumstances that may give rise to considerable doubts on the company's ability to survive as going concern. If we concluded that there is no material uncertainty, we are required to disregard in our auditing report the related notes contained in the consolidated financial statements, or if disclosure is insufficient, we will amend our opinion. Our conclusions depend on the audit evidence that were obtained up to the date of our auditing report. However, future occurrences or circumstances can result in the company's inability to continue as going concern.
- Evaluation of the overall presentation, form and content of consolidated financial statements and notes and whether the consolidated financial statements represent the transactions and occurrences in the manner that fulfills fair presentation.
- Get sufficient and suitable evidence of auditing on the financial information of the facilities and business activities within the company to express our opinion on the consolidated financial statements. We are responsible for direction, supervision and completion of the company's auditing. We remain fully responsible for the auditing report.
- We contacted the officials of governance by permission on our compliance with the requirements of professional conduct related to independence, and informed them about all relations and other matters that can affect our independence and the protection measures, if any.
- We provided some persons in charge of governance by permission on our compliance with the requirements of professional conduct related to independence, and informed them about all relations and other matters that can affect our independence and the protection measures, if any.
- Among those matters that were communicated to the persons in charge of governance, we determined the most important matters in auditing of the consolidated financial statements in our report unless there is law or legislation to prevent disclosure of this matter or in very rare cases in which we decide not to disclose that matter in our report, because of negative effects that may exceed the general benefit of those disclosures.



Report on the legal requirements

The company duly keeps regular accounting entries and records, and the consolidated financial statements are consistent with them in all material sides. We recommend attestation of these financial statements.

Amman, Hashemite Kingdom of Jordan
01/03/2017

Scientific Office
Auditing, Accounting and Consults
Gamal Mohamed Fallah
License No "285"
//Signed//

38 Annual Report - Thirty First 2016

- Seal of the Scientific Office for Auditing, Accounting, and Consulting



Arab Union International Insurance Co.
"Public Shareholding Limited"
Amman – the Hashemite Kingdom of Jordan

Consolidated Statement of Financial Position as at December 31, 2016

		<u>2016</u>	<u>2015</u>
		<u>JOD</u>	<u>JOD</u>
<u>Assets</u>			
Deposits at banks	3	2227,623	566,784
Financial assets at fair value through the statement of income	4	766,892	749,837
Financial assets a fair value through the other comprehensive income	5	277,015	277,015
Investment at an associate company	6	15,000	15,000
Real estate investments	7	7,075,595	7,375,684
Total investments		8,362,125	8,984,320
Cash in hand and at banks	8	96,503	237,521
Notes receivable and cheques for collection	9	949,221	1,266,170
Accounts receivable – Net	10	2,630,055	2,253,595
Accounts receivable of reinsurers	11	1,029,426	847,106
Accounts receivable of associate company	30	36,347	36,347
Deferred tax assets	12	1,564,460	1,318,240
Properties and equipment – Net	13	2,046,790	2,300,141
Intangible assets	14	417	11,681
Other assets	15	150,912	101,308
Total assets		16,866,256	17,356,429

The enclosed explanatory notes constitute an integral part hereof.

39 Annual Report - Thirty First 2016

- Seal of the Scientific Office for Auditing, Accounting, and Consulting



Arab Union International Insurance Co.
"Public Shareholding Limited"
Amman – the Hashemite Kingdom of Jordan

Consolidated Statement of Financial Position as at December 31, 2016

		<u>2016</u>	<u>2015</u>
		<u>JOD</u>	<u>JOD</u>
<u>Liabilities and shareholder's equity</u>			
<u>Liabilities</u>			
Allowance of unearned premiums – Net		2,194,857	3,430,187
Allowance of claims – Net		6,002,515	6,374,822
Allowance of deficit of premiums – Net		31,310	-
Total liabilities of insurance contracts		8,228,682	9,805,009
Accounts payable	16	3,309,419	2,339,945
Expenses payable		4,800	8,650
Accounts payable of reinsurers	17	800,576	520,958
Other liabilities	18	993,349	757,461
Total liabilities		13,336,826	13,432,023
<u>Shareholder's equity</u>			
Authorized capital		60,000,000	8,000,000
Paid capital	19	4,000,000	8,000,000
Statutory reserve	20	1,263,605	1,263,605
Accumulated loss	21	(1,734,175)	(5,339,199)
Net shareholder's equity		3,529,430	3,924,406
Total liabilities and shareholder's equity		16,866,256	17,356,429

The enclosed explanatory notes constitute an integral part hereof.

40 Annual Report - Thirty First 2016

- Seal of the Scientific Office for Auditing, Accounting, and Consulting



Arab Union International Insurance Co.
"Public Shareholding Limited"
Amman – the Hashemite Kingdom of Jordan

Consolidated Statement of Income for the Year Ended on December 31, 2016

<u>Description</u>		<u>2016</u> <u>JOD</u>	<u>2015</u> <u>JOD</u>
<u>Revenues</u>			
Total subscribed premiums		7,560,272	8,741,962
Less: share of reinsurers		(824,611)	(762,228)
Net subscribed premiums		6,735,661	7,979,734
Net change in the allowance of unearned premiums		1,235,331	(1,416,562)
Net change in the allowance of deficit of premiums		(31,310)	-
Net revenues of earned premiums		7,939,682	6,563,172
Collected commissions		128,625	243,554
Fees for issuance of insurance policies service		216,174	247,496
Other revenues related to subscription accounts		1,450	37,310
Credit interests	22	5,391	10,062
Net profit of investments and financial assets	23	322,716	96,459
Other revenues (expenses)	24	(10,261)	24,121
Total revenues		8,603,777	7,222,174
<u>Indemnity, loss, and expenses</u>			
Paid indemnity		8,219,649	6,562,924
Less: refunds		(389,780)	(132,284)
Less: share of reinsurers		(1,185,154)	(556,147)
Net paid indemnity		6,644,715	5,874,493
Net change in the allowance of claims		(372,307)	(662,049)
Distributed employee expenses	25	818,362	708,618
Distributed administrative and general expenses	26	408,559	388,311
Loss surplus premiums		567,083	202,772
Document acquisition costs		533,448	547,786
Net indemnity burden		8,559,860	7,059,931
Undistributed employee expenses	25	112,599	96,505
Depreciation and amortization		475,313	490,321
Undistributed administrative and general expenses	26	57,201	63,213
Allowance of doubtful debts expenses		-	233,135
Total expenses		645,113	883,174
Loss of the year before tax		(641,196)	(720,931)
Income Tax	12	246,220	-
Loss of the year after tax		(394,976)	(720,931)
Portion of each share of the loss of the year	27	Dinar/Share (0,059)	Dinar/Share (0,090)

The enclosed explanatory notes constitute an integral part hereof.

41 Annual Report - Thirty First 2016

- Seal of the Scientific Office for Auditing, Accounting, and Consulting



Arab Union International Insurance Co.
"Public Shareholding Limited"
Amman – the Hashemite Kingdom of Jordan

Consolidated Statement of Income for the Year Ended on December 31, 2016

<u>Description</u>	<u>2016</u> <u>JOD</u>	<u>2015</u> <u>JOD</u>
Loss of the year	(394,976)	(720,931)
<u>Add: other comprehensive income items</u>		
Change at fair value	-	-
Total comprehensive income of the year	<u>(394,976)</u>	<u>(720,931)</u>

The enclosed explanatory notes constitute an integral part hereof.

42 Annual Report - Thirty First 2016

- Seal of the Scientific Office for Auditing, Accounting, and Consulting



Arab Union International Insurance Co.

"Public Shareholding Limited"

Amman – the Hashemite Kingdom of Jordan

Consolidated Statement of Changes in Shareholder's Equity for the Year Ended on December 31, 2016

<u>Description</u>	<u>Paid Capital</u>	<u>Statutory Reserve</u>	<u>Accumulated Change at Fair Value of Investments</u>	<u>Accumulated Loss</u>	<u>Total</u>
	<u>JOD</u>	<u>JOD</u>	<u>JOD</u>	<u>JOD</u>	<u>JOD</u>
<u>For the year ended on December 31, 2016</u>					
Balance at the beginning of the year	8,000,000	1,263,605	-	(5,339,199)	3,924,406
Capital reduction	(4,000,000)	-	-	4,000,000	-
Loss of the year	-	-	-	(394,976)	(394,976)
Balance at the end of the year	4,000,000	1,263,605	-	(1,734,175)	3,529,4630
<u>For the year ended on December 31, 2015</u>					
Balance at the beginning of the year	8,000,000	1,263,605	(6,7200)	(4,618,268)	4,638,617
Loss of the year	-	-	-	(720,931)	(720,931)
Change at fair value	-	-	6,720	-	6,720
Balance at the end of the year	8,000,000	1,263,605	-	(5,339,199)	3,924,406

The enclosed explanatory notes constitute an integral part hereof.

43 Annual Report – Thirty First 2016



- Seal of the Scientific Office for Auditing, Accounting, and Consulting

Arab Union International Insurance Co.
"Public Shareholding Limited"
Amman – the Hashemite Kingdom of Jordan
Consolidated Statement of Cash Flows for the Year Ended on December 31, 2016

<u>Description</u>	<u>2016</u> <u>JOD</u>	<u>2015</u> <u>JOD</u>
<u>Cash flow from operational activities</u>		
Loss of the year before tax	(641,196)	(720,931)
<u>Items that do not require cash money expenditures:</u>		
Depreciation and amortization	475,313	490,321
Change at fair value of financial assets at fair value through the statement of income	(195,656)	16,769
Net change in the allowance of unearned premiums	(1,235,330)	1,416,562
Net change in the allowance of claims	(372,307)	(662,049)
Doubtful debts expenses	-	233,135
Net change in the allowance of deficit of premiums	31,310	-
Cash flow from operational activities before the change in the operating capital items	(1,937,866)	773,807
Financial assets at fair value through the statement of income	178,601	(126,507)
Notes receivable and cheques for collection	316,949	(636,339)
Accounts receivable	(376,460)	(1,329,302)
Accounts receivable of reinsurers	(182,320)	(126,270)
Other assets	(49,604)	(3,566)
Accounts payable	969,474	982,759
Expenses payable	(3,850)	(4,520)
Accounts payable of reinsurers	279,618	5,746
Other liabilities	235,888	208,223
Net cash from operational activities	(569,570)	(255,969)
<u>Cash flow from investment activities</u>		
Purchase of properties and equipment	(3,761)	(117,903)
Proceeds from exclusion of properties and equipment	93,152	26,000
Receivables of an associate company	-	297,001
Real estate investments	-	(47,524)
Proceeds from exclusion of real estate investments	-	443,057
Net cash from Investment activities	89,391	600,631
<u>Cash flow from activities</u>	(480,179)	344,662
Cash and cash equivalent at the beginning of the year	579,305	234,643
Cash and cash equivalent at the end of the year	99,126	579,305

The enclosed explanatory notes constitute an integral part hereof.

44 Annual Report - Thirty First 2016

- Seal of the Scientific Office for Auditing, Accounting, and Consulting



Arab Union International Insurance Co.

"Public Shareholding"

Amman – the Hashemite Kingdom of Jordan

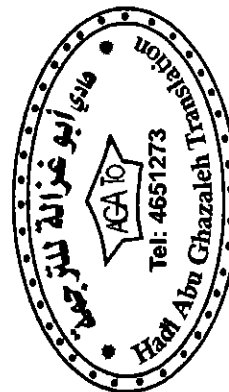
Consolidated Calculation of Subscription Revenues of General Insurance Activities for the Year Ended on December 31, 2016

	<u>Vehicles</u>		<u>Maritime and Transport</u>		<u>Fire and Other Damages</u>		<u>Other Branches</u>		<u>Medical</u>		<u>Total</u>
	<u>2016</u>	<u>2015</u>	<u>2016</u>	<u>2015</u>	<u>2016</u>	<u>2015</u>	<u>2016</u>	<u>2015</u>	<u>2016</u>	<u>2015</u>	
	<u>JOD</u>	<u>JOD</u>	<u>JOD</u>	<u>JOD</u>	<u>JOD</u>	<u>JOD</u>	<u>JOD</u>	<u>JOD</u>	<u>JOD</u>	<u>JOD</u>	
Subscribed premiums											
Direct business	6,119,659	7,463,270	83,862	118,110	139,396	14,897	8,410	59,520	963,818	610,937	7,315,145
Inward Optional reinsurance	240,111	334,886	-	1,081	3,161	5,233	1,855	2,028	-	-	245,127
Total premiums	6,359,770	7,798,156	83,862	119,191	142,557	142,130	10,265	61,548	963,818	610,937	7,560,272
Less											
Local reinsurance premiums	(40,297)	(204,570)	-	-	(7,094)	(1,906)	(80)	(17,224)	-	-	(47,471)
External reinsurance premiums	-	-	(61,429)	(84,849)	(125,427)	(140,051)	(4,800)	(39,795)	(585,484)	(273,833)	(777,140)
Net premiums	6,319,473	7,593,586	22,433	34,342	10,036	10,173	5,385	4,529	378,334	337,104	6,735,661
Add											
Opening balance											
Allowance of unearned premiums	3,309,257	1,894,013	18,989	73,810	82,577	53,10	28,317	16,295	361,665	363,439	3,800,805
Less: share of reinsurers	(71,823)	(74,838)	(15,256)	(65,786)	(77,560)	(49,675)	(25,145)	(15,023)	(180,833)	(181,720)	(370,617)
Net allowance of unearned premiums	3,237,434	1,819,175	3,733	8,024	5,017	3,435	3,172	1,272	180,832	181,719	3,430,188
Less											
Closing balance											
Allowance of unearned premiums	2,022,609	3,309,257	13,215	18,988	36,684	82,577	5,175	28,317	496,673	361,665	2,574,356
Less: share of reinsurers	(25,349)	(71,823)	(11,006)	(15,256)	(33,370)	(77,560)	(4,599)	(25,145)	(305,175)	(180,833)	(379,499)
Net allowance of unearned premiums	1,997,260	3,237,434	2,209	3,732	3,314	5,017	576	3,172	191,498	180,832	2,194,857
Net change in the allowance of deficit of premiums	-	-	-	-	-	-	-	-	31,310	-	31,310
Net earned revenues of subscribed premiums	7,559,647	6,175,327	23,957	38,634	11,739	8,591	7,981	2,629	336,358	337,991	7,939,682
											6,563,172

The enclosed explanatory notes constitute an integral part hereof.

45 Annual Report - Thirty First 2015

- Seal of the Scientific Office for Auditing, Accounting, and Consulting



Arab Union International Insurance Co.

"Public Shareholding"

Amman – the Hashemite Kingdom of Jordan

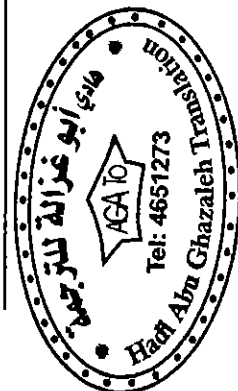
Consolidated Calculation of Indemnity Cost of General Insurance Activities for the Year Ended on December 31, 2016

	Vehicles			Maritime and Transport			Fire and Other Damages			Other Branches			Medical			Total
	2016	2015		2016	2015		2016	2015		2016	2015		2016	2015		
	JO	JO		JO	JO		JO	JO		JO	JO		JO	JO		JO
Paid indemnity	6,752,260	5,925,467		15,971	63,774		472,068	6,480		35,618	1,061		943,732	566,142		8,219,649
Less:																
Refunds	(389,780)	(116,914)		-	(15,130)		-	(29)		-	-		-	(211)		(389,780)
Share of local reinsurers	(37,106)	(57,077)		-	-		(3,279)	(208)		-	(502)		-	-		(40,385)
Share of foreign reinsurers	(119,374)	(320,219)		(12,385)	(47,448)		(459,589)	(6,066)		(25,151)	(337)		(528,270)	(124,290)		(1,144,769)
Net paid indemnity	6,206,000	5,431,257		3,586	1,196		9,200	177		10,467	222		415,462	441,641		6,644,715
Add:																
Allowance of claims of the end of the period																
Reported	7,040,734	6,105,948		52,537	68,508		381,432	119,602		5,912	37,310		76,153	15,573		7,556,768
Unreported	585,695	1,075,574		1,000	1,000		2,332	2,332		1,000	1,000		56,184	48,195		646,211
Allowance of deficit of claims	870,043	891,543		-	-		-	-		-	-		-	-		870,043
Less:																
Share of reinsurers	(953,143)	(1,004,056)		(47,074)	(47,074)		(345,974)	(115,943)		(5,508)	(26,694)		(62,828)	(7,786)		(1,414,527)
Refunds	(1,655,980)	(790,210)		-	-		-	-		-	-		-	-		(1,655,980)
Allowance of refunds																
Net allowance of claims of the end of the period	5,887,349	6,278,799		6,463	22,434		37,790	5,991		1,404	11,616		69,509	55,982		6,002,515
Reported	4,431,611	4,311,682		5,463	21,434		35,458	3,659		404	10,616		13,325	7,787		4,486,261
Unreported	585,695	1,075,574		1,000	1,000		2,332	2,332		1,000	1,000		56,184	48,195		646,211
Allowance of deficit of claims	870,043	891,543		-	-		-	-		-	-		-	-		870,043
Less:																
Allowance of claims of the beginning of the period																
Reported	6,105,948	7,126,413		68,508	74,302		119,602	20,903		37,310	15,022		15,573	264,976		6,346,941
Unreported	1,075,574	724,800		1,000	1,000		2,332	1,000		1,000	1,000		48,195	2,379		1,128,101
Allowance of deficit of claims	891,543	1,216,733		-	-		-	-		-	-		-	-		891,543
Less:																
Share of reinsurers	(1,004,056)	(1,520,171)		(47,074)	(68,138)		(15,943)	(19,875)		(26,694)	(14,518)		(7,786)	(57,169)		(1,201,553)
Refunds	(790,210)	(731,516)		-	-		-	-		-	-		-	-		(790,210)
Net allowance of claims of the beginning of the period	6,278,799	6,816,259		22,434	6,894		5,991	2,028		11,616	1,504		55,982	210,186		6,374,822
Net indemnity cost	5,814,550	4,893,797		(12,385)	16,736		40,999	4,140		255	10,334		428,989	287,437		6,272,408

The enclosed explanatory notes constitute an integral part hereof.

45 Annual Report - Thirty First 2016

- Seal of the Scientific Office for Auditing, Accounting, and Consulting



Arab Union International Insurance Co.

"Public Shareholding"

Amman – the Hashemite Kingdom of Jordan

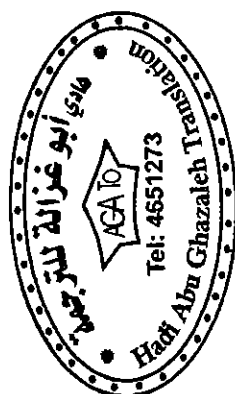
Consolidated Calculation of Subscription Profit (Loss) of General Insurance Activities for the Year Ended on December 31, 2016

	<u>Vehicles</u>		<u>Maritime and Transport</u>		<u>Fire and Other Damages</u>		<u>Other Branches</u>		<u>Medical</u>		<u>Total</u>
	2016	2015	2016	2015	2016	2015	2016	2015	2016	2015	
	JOD	JOD	JOD	JOD	JOD	JOD	JOD	JOD	JOD	JOD	
Net earned revenues of subscribed premiums	7,559,647	6,175,327	23,957	38,634	11,739	8,591	7,981	2,629	336,358	337,991	7,939,682
Less:											6,563,172
Net indemnity cost	(5,814,550)	(4,893,797)	12,385	(16,736)	(40,999)	(4,140)	(255)	(10,334)	(428,989)	(287,437)	(6,272,408)
Added:											(5,212,444)
Collected commissions	4,970	32,295	64,473	67,840	51,148	44,423	4,738	12,356	3,296	86,640	128,625
Fees for issuance of insurance policies service	137,161	154,070	1,556	2,448	6,831	7,373	32,437	44,437	38,189	39,168	216,174
Other revenues	-	31,710	1,450	5,600	-	-	-	-	-	-	1,450
Total revenues	1,887,228	1,499,605	103,821	97,786	28,719	56,247	44,901	49,088	(51,146)	176,362	2,013,523
Less:											1,879,088
Policies acquisition costs	477,338	479,551	1,735	3,023	5,400	5,848	375	477	48,600	58,887	533,448
Surplus loss premiums	541,883	177,272	7,200	8,000	18,000	17,500	-	-	-	-	567,083
Administrative expenses related to subscription accounts	1,008,374	922,080	37,271	38,362	41,920	34,488	1,198	5,176	138,158	96,823	1,226,921
Total expenses	(2,027,595)	(1,578,903)	(46,206)	(49,385)	(65,320)	(57,836)	(1,573)	(5,653)	(186,758)	(155,710)	(2,327,452)
Subscription profit (loss)	(140,367)	(79,298)	57,615	48,401	(36,601)	(1,589)	43,328	43,435	(237,904)	20,652	(313,929)
											31,601

The enclosed explanatory notes constitute an integral part hereof.

47 Annual Report – Thirty First 2016

- Seal of the Scientific Office for Auditing, Accounting, and Consulting



Arab Union International Insurance Co.
"Public Shareholding Limited"
Amman- - the Hashemite Kingdom of Jordan

Clarification of Consolidated Financial Statements

1- General explanation:

The Arab Union International Insurance Company, a public Shareholding Limited Company, was established on September 2, 1976, and was registered with the Companies Controller of the Ministry of Industry and Trade under No. 105. Under a decision by the Minister of Industry and Trade dated August 3, 1985, it was decided to merge the Arab International Insurance Company with the Arab Union Insurance Company; the merger company thereby became Arab Union International Insurance Company.

- The company is engaged in the insurance business (vehicles, maritime, transport, fire, other damages to property, medical and personal accidents, liability and aviation).

- The Extraordinary General Assembly approved on 28/4/2016 the restructuring of the authorized and paid up capital of the Company by reducing its capital by JD4 million / share, and amortization of this reduction from accumulated losses, and then increasing the Company's capital by JD2 million by offering the shares for private subscription to the shareholders of the company.

Note that the capital reduction procedures and the amortization of losses and capital increase of 2 million Dinars / share were completed on 28/2/2017.

- The attached consolidated financial statements have been approved by the Company's Board of Directors at its meeting held on 28/2/2017. Such financial statements require the approval of the General Assembly of Shareholders.

2- Accounting Policies

- Basis of preparation of financial statements and significant accounting policies:

- The accompanying consolidated financial statements have been prepared in accordance with the standards issued by the International Accounting Standards Board (IASB), pursuant to local laws in force, and under the models set by the Insurance Commission.

- The consolidated financial statements have been prepared under the historical cost basis except for financial assets at fair value through statement of income, and financial assets at fair value through statement of other comprehensive income that are stated at fair value on the date of financial statements.

- The Jordanian Dinar is the presentation currency of the financial statements, which represents the Company's functional currency.

- The accounting policies used for the period are consistent with the policies adopted in the previous year.

Basis of consolidation of financial statements

- The consolidated financial statements represent the financial statements of the Company, its subsidiaries and those which are controlled by it. Control is accomplished when the Company has the ability to control the financial and operating policies of its subsidiaries in order to obtain benefits from its activities, mutual transactions, balances, income and expenses are eliminated in full between the Company and its subsidiaries.

- The consolidated financial statements include the financial statements of the parent company (The Arab Union International Insurance Co. - PJSC) and the following subsidiary controlled by it:

% of shareholders	Paid capital	Legal status	Name of the company
%100	10,000	LLC	Arab Union International Commercial complexes

48 Annual Report - Thirty First 2016

- Seal of the Scientific Office for Auditing, Accounting, and Consulting



Arab Union International Insurance Co.
"Public Shareholding Limited"
Amman - the Hashemite Kingdom of Jordan
Consolidated Financial Policies

- The results of operations of a subsidiary are consolidated in the consolidated statement of income from the date of possession and which is the date of the parent company's control of the subsidiary, the results of the disposal operations of the subsidiary are consolidated in the consolidated statement of income until the date of disposal which is the date on which the company loses control of the subsidiary.
- The financial statements of the subsidiary are prepared for the same reporting year of the insurance company using the same accounting policies as the insurance company, If the company follows accounting policies that differ from those of the insurance company, the necessary adjustments are made to the financial statements of the subsidiary to conform to the accounting policies used by the insurance company.

- Financial assets

Financial assets at fair value through statement of income

- Other financial assets that do not meet the conditions of financial assets at amortized cost are measured as assets at fair value.
- Assets stated at fair value through income statement are Investments in equity and debt instruments for trading purposes and the purpose of the retention is to generate profits from fluctuations in short-term market prices or to generate profits from margin of trading profits.
- Financial assets are recorded at fair value in the statement of income upon procurement (acquisition costs are recorded in the statement of income upon purchase) and are re-evaluated in the financial statements at their fair value, Subsequent changes at fair value are recorded in the statement of income in the same period in which the change at fair value arises from the differences of non cash assets exchange in foreign currencies.
- Dividends or revenues are recorded in the statement of income when realized (approved by the General Assembly of Shareholders).

Financial assets at fair value through other comprehensive income

- It is permitted to adopt an irrevocable option on initial recognition of investments in owner's equity instruments that are not held for trading to present all changes in the fair value of these investments on an individual basis (each share separately) under the other comprehensive income, and It cannot be by any means and at any time later on reclassify the amounts of these recognized differences in the other income as profit or loss, while the tax on dividends from these investments are recognized within net investment income, unless such investments represent a partial recovery of all investments.
- In the event of the sale of these assets or any part thereof, profits or losses resulting from the sale are transferred from the balance of accumulated net change at fair value through the other comprehensive income to profit and loose re- cycling and not through the income list.



Arab Union International Insurance Co.
"Public Shareholding Limited"
Amman - the Hashemite Kingdom of Jordan
Consolidated Financial Policies

Impairment of financial assets

- The Company reviews the financial assets value fixed in the financial statements date to determine whether there is any indication of impairment in their value either individually or in groups, if such indicators exist, the recoverable amount is estimated to determine the impairment loss.

Shares quoted officially

- Clearance is made between the financial assets and liabilities and the net amount is shown in the statement of financial position only when the legally binding rights are available and when settled through clearance or when assets are materialised and liabilities are settled.

Sector information

- The business setor represents a group of assets and operations that jointly offer products or services that are subject to risks and rewards that differ from those of other sectors and which can be measured according to reports used by the chief executive officer and the chief decision maker of the company.
- A geographical sector is associated with the provision of products or services in a specific economic environment that is subject to risks and rewards that differ from those of business segments in economic environments.

Recognition date of financial assets

- The purchase and sale of financial assets are recognized on the trade date (The date of the Company's obligation to sell or purchase financial assets).

Fair value

- The closing prices in the financial statements dates in active markets represent the fair value of financial instruments which has market prices.

In the absence of declared prices or the absence of active trading of some financial instruments or non-activity of the market, fair value is estimated in a number of ways, including:

- Compare them to the current market value of a financial instrument very similar to them
- Analysis of future cash flows and discounting of expected cash flows using a similar financial instrument
- Options pricing models

The valuation methods are intended to obtain a fair value that reflects market expectations and takes into consideration market factors and any anticipated risks or rewards when estimating the value of financial instruments, where there are financial instruments whose fair value cannot be measured reliably, it is shown at cost after impairment.



Arab Union International Insurance Co.
"Public Shareholding Limited"
Amman - the Hashemite Kingdom of Jordan
Consolidated Financial Policies

Mortgaged Financial Assets

Are those financial assets mortgaged to the favor of other parties with the right of the other party to dispose of them (selling or re-mortgaging). These assets are continually evaluated in accordance with the accounting policies used to assess each of them according to their original classification.

Investment in the associate company

- The associate company is the company which exercises effective influence over financial and operating policy decisions (which are not controlled by the company). The company has between 20% to 50% of the voting rights and the investment in the associated company is done through owner's rights.
- Income and expenses resulting from transactions between the Company and its associates are eliminated and according to the Company's contribution.
- If separate financial statements are prepared for the Company as an independent entity, investments in associated company are stated at cost.

Cash and cash equivalents

Cash and cash equivalents comprises of cash in hand, balances at banks, deposits at banks with maturities of up to three months after the deduction of accounts of creditor banks and restricted balances.

Accounts receivables of reinsurer

Reinsurer's shares shall be calculated from premiums, compensation paid, technical allowance and all rights and obligations arising from reinsurance based on the contracts concluded between the Company and the reinsurers according to the basis of entitlement.

Real Estate Investments

Real estate investments are shown at cost, less accumulated depreciation except for lands. These investments are amortized over their production lives by 2% -15%. Any impairment is registered in the statement of comprehensive income. The operating income or operating expenses of these investments are registered in the statement of comprehensive income.



Arab Union International Insurance Co.
"Public Shareholding Limited"
Amman - the Hashemite Kingdom of Jordan
Consolidated Financial Policies

Properties and Equipment

Properties and equipment are stated at cost less accumulated depreciation and any accumulated impairment losses. Property and equipment are depreciated when they are ready to be used on fixed installment over the expected useful life using the following annual rates. Depreciation expenses are recorded in the income statement:

<u>Category</u>	<u>Depreciation Percentage</u>
Buildings	2%
Devices and Equipment	15%
Computers	20%
Cars	15%
Furnishing and Furniture	10%

- Depreciation of properties and equipment is calculated when it is ready to be used for the intended purpose.
- Properties and equipment under construction for the use of the Company are stated at cost less any impairment losses.
- When the refundable amount of any property and equipment is less than its net carrying amount, its value is reduced to its refundable amount and the amount of impairment is recognized in the statement of income.
- The useful life of the properties and equipment is reviewed at the end of each year. If the life expectancy is different from the previously estimated estimates, the change in estimate for subsequent years is recorded as a change in the estimate.
- Profits and losses resulting from the exclusion or deletion of any property and equipment, which represent the difference between the selling amount and the carrying amount of the asset, are recognized in the statement of income.
- Properties and equipment are excluded when disposed of or when there are no future benefits expected from its use or disposal.



Arab Union International Insurance Co.
"Public Shareholding Limited"
Amman - the Hashemite Kingdom of Jordan
Consolidated Financial Policies

Intangible assets

- Intangible assets acquired through consolidation are recorded at fair value at the date of acquisition. Intangible assets acquired through a method other than consolidation are recorded at cost.
- Other intangible assets are classified on the basis of their estimating their lives for a specified or indefinite period. Intangible assets with a finite useful life are amortized over that lifetime; and the amortization is recognized in the statement of income. Intangible assets with an indefinite life time are reviewed for impairment at the financial statements date and any impairment loss is recognized in the income statement.
- Intangible assets that are internally generated are not capitalized and are registered in the income statement of the same period.
- Any indications of impairment of intangible assets at the financial statement are reviewed. The estimated useful lives of these assets are reviewed and any adjustments to subsequent periods will be made.
- Computer software is amortized over its five-year useful life using fixed installment.

Allowances

- Allowances are recognized when the Company has liabilities on the date of the financial statements arising from past events, and the payment of liabilities is probable and its value can be reliably estimated.
- Amounts recognized as allowances represent the best estimate of the amounts required to settle at the financial statements date, taking into account the risks and uncertainties associated with the obligation. When the value of the allowances is determined based on estimated cash flows to settle the present obligation, then the carrying amount represents the present value of such cash flows.
- When it is expected that some or all of the economic benefits required from other parties will be recovered to settle the allowance, at that time, the receivable is recognized in the asset if the receipt of the allowances is confirmed and their value can be measured reliably.



Arab Union International Insurance Co.
"Public Shareholding Limited"
Amman - the Hashemite Kingdom of Jordan
Consolidated Financial Policies

Technical allowances:

The technical allowance are monitored and retained in accordance with the instructions of the Insurance Commission as follows:-

- The allowance of unearned premiums for general insurance activities shall be calculated on the basis of the days remaining to the expiry of the term of the insurance policy; considering that the year days are (365), not inclusive license of transport and marine insurance, which is calculated based on the basis of subscribed premiums of the documents valid at the date of preparation of the provided financial statements in accordance with the provisions of the law, regulations and instructions issued thereunder.
- The allowance of claims (reported) under settlement is calculated by determining the total expected cost of each claim.
- The allowance of claims (unreported) is calculated based on the Company's experience and estimates
- The allowance of unearned premiums for life insurance is calculated based on the company's experience and estimates.
- The calculation of life insurance policies is calculated in accordance with the provisions of the instructions and decisions issued by the commission in this regard.
- Allowance of deficit in installments based on the company's experience and estimates and estimates of the actuary.

Actuarial expert

Allowance of impaired receivables

Impairment of receivables is made when there is objective evidence that the Company will not be able to collect all or part of the amounts required. This allowance is calculated on the basis of the difference between carrying amount and refundable amount, where the Company discloses the method used to calculate the allowance of impairment of receivables.

Compliance adequacy test

- The adequacy and suitability of the insurance liabilities are determined at the date of the statement of financial position by calculating the present value of the future cash flows of the existing insurance contracts.
- If the valuation shows that the present value of the insurance liabilities (different procurements costs less favorable and related intangible assets) is not sufficient compared to the expected future cash flows, the full amount of the deficiency is recognized in the statement of income.

Income tax

Tax expenses represent amounts of taxes due and deferred taxes.



Arab Union International Insurance Co.
"Public Shareholding Limited"
Amman - the Hashemite Kingdom of Jordan
Consolidated Financial Policies

Taxes due

- Expenses of due taxes are calculated on the basis of taxable profits. The taxable profits differ from the reported profits in the income statement because the reported profits include non-taxable income or non-recording expenses in the fiscal year but in subsequent years or cumulative accepted losses or terms not subject or not acceptable for recording for tax purposes.
- Taxes are calculated according to the prescribed tax rates under the laws, regulations and instructions in the countries in which the company operates.

Deferred taxes

- Deferred taxes are those taxes expected to be paid or recovered as a result of temporary time differences between the value of assets or liabilities in the financial statements for which the tax is calculated.
- Taxes are calculated by using the financial statements adherence method. Deferred taxes are calculated in accordance with the tax rates expected to be applied when the tax liability is settled or the deferred tax asset is realized.
- The balance of deferred tax is reviewed at the financial statements date and is reduced in the event that it is not possible to benefit from such tax assets in part or in full or by paying the tax liability or the absence of a need.

Realization of Revenues

Insurance contracts

- Insurance premiums resulting from insurance contracts are recorded as income for the year (premiums earned) on the basis of due periods and commensurate with the period of coverage. Unearned premiums through insurance contracts are recorded as liabilities at the financial statements date as unearned insurance premiums.
- The claims and the adjustment of the losses incurred are recognized in the statement of income on the basis of the expected value of the liability to the insurance policyholder or other affected parties.



Arab Union International Insurance Co.
"Public Shareholding Limited"
Amman - the Hashemite Kingdom of Jordan
Consolidated Financial Policies

- Revenues of dividends and interests

- Revenues of dividends arising from investments are recognized when the shareholders have the right to receive payments for dividends upon approving the same by the General Assembly of Shareholders.
- Interest revenues are calculated on an accrual basis, based on the due dates and principals and earned interest rate .

- Rental income

Rental income from real estate investments by operational lease contracts is recognized on fixed basis over the period of the contract. Other expenses are recognized on an accrual basis.

- Recognition of expenses

All commissions and other costs for obtaining new or renewed insurance policies are amortized in the statement of income in the year in which they occur. Other expenses are recognized on an accrual basis.

- Insurance indemnity

- Insurance indemnity represents claims paid during the year and the change in the allowance of claims.
- Insurance indemnity includes all amounts paid during the year, whether for the current year or previous years. Claims under settlement represent the highest estimated value of settlement of all claims arising out of events that occurred prior to the financial statements date but have not been settled yet. Claims under settlement are calculated on the basis of the best information available at the closing date of the financial statements which includes allowance of unreported claims.

- Derelict and transfer indemnity

The expected proceeds from derelict and transfer indemnity are taken into account when measuring the obligation to meet the claims.

Administrative and general expenses

All distributable administrative and general expenses will be borne by each branch of insurance separately. 80% of the non-distributable administrative expenses are distributed over the various insurance departments on the basis of the earned premiums for each department, attributed to the total premiums.



Arab Union International Insurance Co.
"Public Shareholding Limited"
Amman - the Hashemite Kingdom of Jordan
Consolidated Financial Policies

Employee expenses

All employee distributable expenses are borne by each insurance branch separately. 80% of non-distributable employee expenses are distributed to various insurance departments on the basis of earned premiums for each department attributed to the total premium.

Costs of acquisition of insurance documents

Acquisition costs consist of the costs incurred by the company through sale, subscription or commencement of new insurance contracts. Acquisition costs are recognized in the statement of income

Foreign currency

- Foreign currency transactions are recorded during the year at the exchange rates prevailing at the dates of the transactions.
- The balances of financial assets and financial liabilities are converted at the foreign exchange rates prevailing at the reporting date and declared by the Central Bank of Jordan.
- Non-monetary assets and liabilities denominated in foreign currencies are converted at fair value at the date of determining their fair value.
- Profits and losses resulting from foreign currency conversion are recognized in the statement of income
- Conversion differences on non-monetary assets items and liabilities denominated in foreign currencies are recorded as part of the change at fair value.

Use estimates

The preparation of the financial statements and the application of accounting policies require management to make estimates and judgments that affect the amounts of financial assets and liabilities and disclose potential liabilities. These estimates and judgments also affect the income, expenses and allowance as well as changes at fair value that arise in equity. In particular, the Company's management is required to issue significant judgments to estimate the amounts and timing of future cash flows. These estimates are necessarily based on multiple hypotheses and factors with varying degrees of estimation and uncertainty and actual results may differ from estimates as a result of changes resulting from the conditions and circumstances of those estimates in the future.



Arab Union International Insurance
"Public Limited Company"
Amman- Hashemite Kingdom of Jordan
Consolidated Financial Policies

The estimates in the financial statements are reasonable and detailed as follows:

- Debtors impairment provision was made based on the assumptions and bases approved by the company's management for estimation of the provision to be made in accordance with the requirements of the international financial reporting standards.
- The fiscal year and its income tax charge were recognized in accordance with laws and regulations.
- Management re-estimates the useful life of tangible assets on periodic basis for calculation of annual depreciation based on the general condition of those assets and the estimates of their expected useful life in the future. The impairment loss (if any) in the statement of income shall be taken.
- The provision of technical claims and provisions shall be estimated based on technical studies in accordance with the instructions of Insurance Authority, and the calculation provision shall be calculated in accordance with actuarial studies.
- Provision is made for the cases instituted against the company based on legal study prepared by the company's attorney whereby the potential risks that may happen in the future were determined, and those studies shall be periodically reconsidered.
- Management regularly reviews the financial assets that appear in cost to estimate any impairment and this impairment is taken in the statement of income of the year.



Arab Union International Insurance
"Public Limited Company"
Amman- Hashemite Kingdom of Jordan
Notes on the Consolidated Financial Statements

Bank Deposits				
<u>Particulars</u>	<u>Deposits due within one month (JOD)</u>	<u>Deposits due after more than one month up to one year</u>	<u>2016 Total</u>	<u>2015 Total</u>
In Jordan	227,623	-	227,623	566,784

The interest rates on bank deposit balances in Jordanian Dinar vary from 3% to 4% as on 31 December 2016.

The deposits mortgaged to the order of general manager of Insurance Authority in addition to his job were JOD 225,000, and these deposits are deposited in the Arab Banking Corporation.

Financial assets of fair value through the statement of income:			
<u>Particulars</u>	<u>2016 JOD</u>	<u>2015 JOD</u>	
In Jordan			
Listed shares*	766,605	749,550	
Out of Jordan			
Listed shares	287	287	
Total	766,892	749,837	

<u>Particulars</u>	<u>Number of shares</u>	<u>2016 JOD</u>	<u>2015 JOD</u>
Arab United Holding Group Company	20,000	400	1,600
Arab Air Transport Investment	184,249	724,099	77,480
Al-Asr Investment Group	-	-	408,823
Ram Brokerage	12,149	28,429	247,970
Sherko Securities Company	25,000	13,000	13,000
Arab Engineering Industries Company	376	677	677
Total		766,605	749,550

Financial assets of fair value through the other income:			
<u>Particulars</u>	<u>2016 JOD</u>	<u>2015 JOD</u>	
In Jordan			
Listed shares*	94,712	94,712	
Out of Jordan			
Interests in unlisted shares	182,303	182,303	
Units in investment funds	-	-	
Total	182,303	182,303	
Grand total	277,015	277,015	

Financial assets of fair value through the other income include financial assets for which no market prices are available with an amount of "JOD 277,015" as on 31 December 2016 and are recognized at fair value estimated by the company's management, and approximately equal to the carrying cost as on the date of statement of financial position. Management doesn't know any indicators of impairment of those investments.



Arab Union International Insurance
"Public Limited Company"
Amman- Hashemite Kingdom of Jordan
Notes on the Consolidated Financial Statements

6- Investment in associate Company:

<u>Particulars</u>	<u>Country of Incorporati on</u>	<u>Shareholdi ng</u>	<u>Nature of business</u>	<u>2016</u>	<u>2017</u>
Al Murug Al-Khadraa Housing Company	Jordan	50%	Real estate investment s	15,000	15,000

7- Real estate investments:

<u>Particulars</u> <u>2016</u>	<u>Buildings</u> <u>JOD</u>	<u>Lands</u> <u>JOD</u>	<u>Total</u> <u>JOD</u>
Cost			
Balance at the beginning of the year	6,249,445	2,461,861	8,711,306
Additions	-	-	-
Exclusions	-	-	-
Balance at the end of the year	6,249,445	2,461,861	8,711,306
Accumulated depreciation			
Balance at the beginning of the year	1,335,622	-	1,335,622
Depreciation of the year	300,089	-	300,089
Balance at the end of the year	1,635,711	-	1,635,711
Net	4,613,734	2,461,861	7,075,595
2015			
Cost			
Balance at the beginning of the year	6,230,104	2,902,736	
Additions	19,341	28,183	
Exclusions	-	(469,058)	(469,058)
Balance at the end of the year	6,249,445	2,461,861	8,711,306
Accumulated depreciation			
Balance at the beginning of the year	1,035,533	-	1,035,533
Depreciation of the year	300,089	-	300,089
Balance at the end of the year	1,335,622	-	1,335,622
Net	4,913,823	2,461,861	7,375,684

- Fair value of the building on the plot No (1603), basin (11) was estimated to JOD 154,485.

The fair value of other lands was estimated to JOD 1,737,321 according to the average estimation of real estate experts. These are the estimates as on 31 December 2016 in accordance with the Insurance department Instructions and decisions.



Arab Union International Insurance
"Public Limited Company"
Amman- Hashemite Kingdom of Jordan
Notes on the Consolidated Financial Statements

8- Cash in hand and in banks:

<u>Particulars</u>	<u>2016</u> <u>JOD</u>	<u>2015</u> <u>JOD</u>
Current bank accounts	77,527	222,601
Cash in hand	18,976	14,920
Total	<u>96,503</u>	<u>237,521</u>

9- Payables and cheques with collection charges:

<u>Particulars</u>	<u>2016</u> <u>JOD</u>	<u>2015</u> <u>JOD</u>
Payables	15,184	15,184
Cheques with collection charges	949,086	1,266,035
Total	<u>964,270</u>	<u>1,281,219</u>
Less: Allocation of impairment of payables	<u>(15,049)</u>	<u>(15,049)</u>
Total	<u>949,221</u>	<u>1,266,170</u>

Accrual of cheques with collection charge extends to December 2017.

10- Debtors- net

<u>Particulars</u>	<u>2016</u> <u>JOD</u>	<u>2015</u> <u>JOD</u>
Receivables of policy holders	1,673,067	1,679,067
Receivables of brokers	1,058,240	732,148
Receivables of agents	<u>197,722</u>	<u>183,552</u>
Other receivables	<u>105,530</u>	<u>86,614</u>
Employees' receivables	<u>41,705</u>	<u>18,624</u>
Medical networks	<u>497</u>	<u>497</u>
Total	<u>3,076,773</u>	<u>2,700,502</u>
Less: debtors' impairment provision (*)	<u>(446,718)</u>	<u>(446,907)</u>
Total	<u>2,630,055</u>	<u>2,253,595</u>



Arab Union International Insurance
"Public Limited Company"
Amman- Hashemite Kingdom of Jordan
Notes on the Consolidated Financial Statements

(*) Movement on the debtors' impairment provision is as follows:

<u>Particulars</u>	<u>2016</u>	<u>2015</u>
	<u>JOD</u>	<u>JOD</u>
Balance and the beginning of the year	446,907	213,772
Created during the year	(189)	233,135
Balance at the end of the year	<u>446,718</u>	<u>446,907</u>

Here are the lives of non-doubtful receivables:

<u>Particulars</u>	<u>2016</u>	<u>2015</u>
	<u>JOD</u>	<u>JOD</u>
1-90 days	613,094	1,023,771
91-180 days	1,026,708	746,089
181-360 days	990,253	483,735
Total	<u>2,630,055</u>	<u>2,253,595</u>

11- **Reinsurers' receivables:**

<u>Particulars</u>	<u>2016</u>	<u>2015</u>
	<u>JOD</u>	<u>JOD</u>
Local insurance companies	448,506	372,885
Foreign reinsurance companies	580,920	474,221
Net	<u>847,106</u>	<u>1,029,426</u>

Here are the lives of non-doubtful receivables:

<u>Particulars</u>	<u>2016</u>	<u>2015</u>
	<u>JOD</u>	<u>JOD</u>
1-90 days	125,322	200,934
91-180 days	308,291	220,272
181-360 days	595,813	425,900
Total	<u>1,029,426</u>	<u>847,106</u>



Arab Union International Insurance
"Public Limited Company"
Amman- Hashemite Kingdom of Jordan
Notes on the Consolidated Financial Statements

12- Income tax:

- The income tax in the statement of income includes the following:

<u>Particulars</u>	<u>2016</u> <u>JOD</u>	<u>2015</u> <u>JOD</u>
Income tax due for the profits of the year	-	-
Deferred tax assets	246,220	-
Net	246,220	-

- The movement on deferred tax assets is as follows:

<u>Particulars</u>	<u>2016</u> <u>JOD</u>	<u>2015</u> <u>JOD</u>
Opening balance	1,318,240	1,318,240
Additions	246,220	-
Closing balance	1,564,460	1,318,240

The deferred tax assets result from accumulated losses for the previous years.

- Here is summary of adjustment of the accounting profit with the tax profit:

<u>Particulars</u>	<u>2016</u> <u>JOD</u>	<u>2015</u> <u>JOD</u>
Accounting profit (loss)	(394,976)	(720,931)
Non-taxable profits	-	-
Unacceptable expenses in terms of tax	-	-
Tax loss	(394,976)	(720,931)
Percentage of income tax	24%	24%
Due income tax	-	-

Parent company:

In the opinion of management and tax consultant, the deferred tax assets will be recovered during the subsequent years, as final adjustment was reached with the income tax department up to 2014.

Affiliate companies:

We didn't reach final adjustment with the income and sales tax department from the date of establishment of the company to date.



Arab Union International Insurance Co.
"Public Shareholding Limited"
Amman – the Hashemite Kingdom of Jordan
Clarification of the Consolidated Financial Statements

13- Properties and Equipment:

2016

Cost

Balance at the beginning of the year	Lands	Buildings	Devices and Equipment	Computers	Cars	Furnishing and Furniture	Total
	JOD	JOD	JOD	JOD	JOD	JOD	JOD
	354,870	2,076,702	72,347	124,496	133,801	296,377	3,058,593
Additions	-	-	1,961	1,800	-	-	3,761
Exclusions	-	-	-	-	(108,000)	-	(108,000)
Balance at the end of the year	354,870	2,076,702	74,308	126,296	25,801	296,377	3,954,354
Accumulated depreciation							
Balance at the beginning of the year	-	444,736	43,379	112,358	24,498	129,481	758,452
Depreciation of the year	-	99,558	10,610	12,134	12,152	29,507	163,961
Exclusions	-	-	-	-	(14,849)	-	(14,849)
Balance at the end of the year	-	544,294	53,989	124,492	25,801	158,988	907,564
Net	354,870	1,532,408	20,319	1,804	-	137,389	2,046,790
2015							

Cost

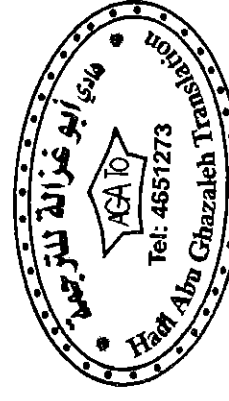
Balance at the beginning of the year	Lands	Buildings	Devices and Equipment	Computers	Cars	Furnishing and Furniture	Total
	JOD	JOD	JOD	JOD	JOD	JOD	JOD
	354,870	2,076,702	71,612	124,061	77,400	288,335	2,992,980
Additions	-	-	735	435	108,000	8,042	117,212
Exclusions	-	-	-	-	(51,599)	-	(51,599)
Balance at the end of the year	354,870	2,076,702	72,347	124,496	133,801	296,377	3,058,593
Accumulated depreciation							
Balance at the beginning of the year	-	345,178	32,752	89,295	75,179	99,375	642,379
Depreciation of the year	-	99,558	10,627	23,063	4,918	29,506	167,672
Exclusions	-	-	-	-	(51,599)	-	(51,599)
Balance at the end of the year	-	444,736	43,379	112,358	28,498	129,481	758,452
Net	354,870	1,631,966	28,968	12,138	105,303	166,896	2,300,141

- Seal of the Scientific Office for Auditing, Accounting, and Consulting

The enclosed explanatory notes constitute an Integral part hereof.

64 Annual Report - Thirty First 2016

- Seal of the Scientific Office for Auditing, Accounting, and Consulting



Arab Union International Insurance
"Public Limited Company"
Amman- Hashemite Kingdom of Jordan
Notes on the Consolidated Financial Statements

14- Intangible assets:

<u>Particulars</u>	<u>Computer systems and software</u>	
	<u>2016</u> <u>JOD</u>	<u>2015</u> <u>JOD</u>
Balance at the beginning of the year	231,192	230,502
Additions	-	690
Balance at the end of the year	231,192	231,192
Accumulated impairment		
Balance at the beginning of the year	219,512	196,953
Impairment of the year	11,263	22,558
Balance at the end of the year	230,775	219,511
Net	417	11,681

15- Other assets:

<u>Particulars</u>	<u>2016</u> <u>JOD</u>	<u>2015</u> <u>JOD</u>
Refunded insurance	12,124	50,527
Prepaid expenses	28,623	29,116
Guarantee securities	416	21,316
Other	349	349
Revenues	109,400	-
Total	150,912	101,308



Arab Union International Insurance
"Public Limited Company"
Amman- Hashemite Kingdom of Jordan
Notes on the Consolidated Financial Statements

16- Creditors

Particulars	2016	2015
	JOD	JOD
Policyholders' receivables	2,474,480	1,585,502
Medical networks	466,477	448,529
Employees' receivables	11,052	51,867
Brokers' receivables	302,640	196,801
Other receivables	28,530	40,635
Agents' receivables	26,240	16,611
Total	<u>3,309,419</u>	<u>2,339,945</u>

17- Reinsurers' payables

Particulars	2016	2015
	JOD	JOD
Local insurance companies	304,500	406,247
	397,076	114,711
	<u>520,958</u>	<u>800,576</u>

18- Other liabilities

Particulars	2016	2015
	JOD	JOD
Reinsurers' deposits	317,301	189,007
Deferred revenues	213,496	162,083
Unpaid shareholders' profits	174,924	126,620
Deposits of shareholders' offering right	37,952	37,952
Deposits of sales tax	902	126,111
Various deposits	106,763	115,688
Postdated cheques	142,011	-
Total	<u>993,349</u>	<u>757,461</u>



Arab Union International Insurance
"Public Limited Company"
Amman- Hashemite Kingdom of Jordan
Notes on the Consolidated Financial Statements

19- Authorized capital and paid up capital:

The company's authorized and paid up capital was decreased by "4" million dinar/ share instead of "8" million dinar/ share, and the company's authorized capital was increased to become "6" million dinar/ share. The company's management completed all legal procedures thereof on 28/02/2017.

20- Mandatory reserve:

The amounts in this account and transferred annual profits before taxes represented 10% during the year and recent years in accordance with the companies' laws, and it can't be distributed to shareholders.

21- Accumulated losses:

Particulars	2016	2015
	JOD	JOD
Opening balance	(5,339,199)	(4,618,268)
Recovery of part of accumulated losses	4,000,000	-
Loss of the year	(394,976)	(720,931)
Closing balance	<u>(1,734,175)</u>	<u>(5,339,199)</u>



Arab Union International Insurance
"Public Limited Company"
Amman- Hashemite Kingdom of Jordan
Notes on the Consolidated Financial Statements

22- Payable interests:

<u>Particulars</u>	<u>2016</u> <u>JOD</u>	<u>2015</u> <u>JOD</u>
Acquired bank interests	5,391	10,062
Total	5,391	10,062

23- Net profits of assets and investments:

<u>Particulars</u>	<u>2016</u> <u>JOD</u>	<u>2015</u> <u>JOD</u>
Net change of fair value of assets at the fair value through the statement of income	195,656	(16,769)
Profits from the sale of real estate investments	-	98,125
Net profits (losses) of the Union building	42,717	(57,071)
Losses of investments- Fund of the Arab Bank	-	(10,016)
Returns from cash dividends of financial assets at fair value through the statement of income	26,310	5,500
Net profits of financial assets at fair value through the statement of income (shares)	58,033	76,690
Total	322,716	96,459



Arab Union International Insurance
"Public Limited Company"
Amman- Hashemite Kingdom of Jordan
Notes on the Consolidated Financial Statements

24- Other revenues (expenses):

<u>Particulars</u>	<u>2016</u> <u>JOD</u>	<u>2015</u> <u>JOD</u>
Profits (losses) from the sale of properties and other equipment	(12,651)	26,000
Other revenues	2,690	-
Currency differences	(300)	(1,879)
Total	322,716	96,459

25- Employees' expenses

<u>Particulars</u>	<u>2016</u> <u>JOD</u>	<u>2015</u> <u>JOD</u>
Salaries and benefits	697,442	610,151
End of service benefit	2,134	51,079
Group share from social security	80,284	65,664
Medical expenses	75,612	49,317
Incentives and benefits expenses	14,925	-
Consulting fees	24,417	-
Paid leave allowance	17,215	12,058
Collection commission costs	3,194	-
Travel and transfers	15,138	16,529
Treasurer benefit	600	325
Total	930,961	805,123
Amount transferred to subscription accounts	818,362	708,618
Amount transferred to the statement of income	112,599	96,505



Arab Union International Insurance
"Public Limited Company"
Amman- Hashemite Kingdom of Jordan
Notes on the Consolidated Financial Statements

26- General and Administrative Expenses

<u>Particulars</u>	<u>2016</u> <u>JOD</u>	<u>2015</u> <u>JOD</u>
Insurance authority fees	59,933	104,146
Maintenance	51,119	48,546
Rents	2,000	2,000
Other	46,914	42,257
Governmental and other fees	105,114	40,636
Water, electricity and ventilation	54,310	39,915
Attorney fees and costs	51,063	33,847
Allowance of board members' transfers	25,394	25,500
Management consulting fees	10,500	39,000
Stationery and brochures	15,043	20,209
Auditing fees	13,133	12,316
Post and communications	11,046	11,491
Entertainment	8,643	9,926
Consulting fees	3,450	7,050
Advertising	3,925	6,531
Bank expenses	3,563	4,824
Bid expenses	340	2,750
Donations	270	580
Total	465,760	451,524
Amount transferred to subscription accounts	408,559	388,311
Amount transferred to the statement of income	57,201	63,213



Arab Union International Insurance
"Public Limited Company"
Amman- Hashemite Kingdom of Jordan
Notes on the Consolidated Financial Statements

27- Share Profit:

First: Main profit of share:

<u>Particulars</u>	<u>2016</u>	<u>2015</u>
	<u>JOD</u>	<u>JOD</u>
Net loss of the year	(394,976)	(720,931)
	<u>Share</u>	<u>Share</u>
Weighted average of the number of shares	6,717,807	8,000,000
	<u>Dinar/share</u>	<u>Dinar/share</u>
Total	(0,059)	(0,090)

Second: Diluted Profit of share:

Upon the General Assembly decision, the company has decreased its authorized capital by (4) million dinars to recover the accumulated losses of authorized capital increase by (2) million dinar. These procedures were completed in the Ministry of Industry and Commerce on 12/09/2016 as the authorized capital has become (6) million dinars. Procedures were completed on 28/02/2017.

Accordingly, decreased profit per share shall be calculated as follows:

<u>Particulars</u>	<u>2016</u>
	<u>JOD</u>
Net loss of the year	(394,976)
	<u>Share</u>
Weighted average of the number of shares	7,238,356
	<u>Dinar/share</u>
Total	(0,055)

28- Cash and cash equivalents:

<u>Particulars</u>	<u>2016</u>	<u>2015</u>
	<u>JOD</u>	<u>JOD</u>
Cash in in hand and in banks	96,503	237,521
Plus: deposits in banks to be accrued within one month	227,623	566,784
Less: deposits mortgaged to the order of general manager of insurance authority	(225,000)	(225,000)
Total	99,126	579,305

71 Annual Report - Thirty First 2016

- Seal of the Scientific Office for Auditing, Accounting, and Consulting



Arab Union International Insurance
"Public Limited Company"
Amman- Hashemite Kingdom of Jordan
Notes on the Consolidated Financial Statements

29 - Tansactions with related parties:

Related parties represent the main shareholders, board members of the company and senior management. The company's management approves the prices and terms of payment related to those transactions. Transactions with related parties were among the ordinary activities of the company using commercial commissions.

Here is a summary of the transactions with related parties:

	Associate company	Board and senior managem ent	2016	2015
<u>Items of the statement of financial position</u>				
Receivables	36,347	19,952	56,299	58,489
Payables	-	28,448	28,448	37,660
<u>Items in the statement of income</u>				
Subscription installments	-	4,059	4,059	9,568
Compensations	-	814	814	3,251

There are no other transactions with related parties with senior shareholders and board members than those mentioned above.

Here is a summary of the benefits of the company's senior executive management:

<u>Particulars</u>	<u>2016</u> <u>JOD</u>	<u>2015</u> <u>JOD</u>
Salaries and benefits of senior management	56,651	171,675
Benefits and transfers of board members	43,394	25,500



Arab Union International Insurance
"Public Limited Company"
Amman- Hashemite Kingdom of Jordan
Notes on the Consolidated Financial Statements

30- Fair value of assets and liabilities:

- The carrying value of assets and liabilities is approximately equal to their fair value.
- The notes attached to the financial statements refer to the fair value of those financial instruments. Some accounting policies in note (2) present the methods used in evaluation of those tools.

31- Fair value of financial instruments:

- The establishment classifies the methods of measurement of fair value using the hierarchy of fair value that reflects the importance of inputs used in making the methods of measurement. Here is the hierarchy of fair value of the financial instruments that were evaluated:
- Level (1): Declared (unmodified) prices of similar assets and liabilities in active markets.
- Level (2): Inputs other than the prices announced within level (1) and notable prices of asset or liability, either directly (such as prices) or indirectly (such as price derivative).
- Level (3): Inputs of asset or liability not based on notable market information.

<u>31 December 2016</u>				<u>Levels</u>
<u>Financial assets</u>	1	2	3	Total
Financial assets of fair value through profit or loss	766,892	-	-	766,892
Financial assets of fair value through the other income	-	-	227,015	277,015
	766,892	-	277,015	1,043,907

