Delta Insurance
دلتا للتأمين

هيئة الأوراق المالية
الدائرة الإدارية / الديوان
٢٩ آذار ٢٠١٨
الرقم المتسلسل ...
الجهة المختصة ...

للاطلاع
* د. [illegible]
* السيد صالح
السيد عمر
السيدة روان
السيد عبدالله

١٨/٦٣٨

التاريخ : ٢٩ /٣/ ٢٠١٨

٢٩/٣

السادة هيئة الأوراق المالية المحترمين
عمان - الأردن

تحية طيبة وبعد ،

نرفق لكم بطيه القوائم المالية للشركة للسنة المنتهية في ٢٠١٧/١٢/٣١ المراجعة من قبل مدقق حسابات الشركة السادة ديلويت أند توش باللغة الانجليزية .

واقبلوا فائق الإحترام ،،،،

**هيام هريش**

**مساعد المدير العام للشؤون المالية والإدارية**

دلتا للتأمين
Delta Insurance


شركة دلتا للتأمين م.ع.م.
Delta Insurance Company plc
+962 6 4640008 +962 6 4654631
P.O.Box 3055 Amman 11181, Jordan
www.delta-ins.com info@delta-ins.com

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

FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2017
TOGETHER WITH THE
INDEPENDENT AUDITOR'S REPORT

DELTA INSURANCE COMPANY
(A PUBLIC SHAREHOLDING LIMITED COMPANY)
AMMAN – JORDAN
DECEMBER 31, 2017

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# Deloitte.

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<u>Independent Auditor's Report</u>

AM/ 32930

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

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

**Opinion**

We have audited the financial statements of Delta Insurance Company (A Public Shareholding Company), which comprise the statement of financial position as of December 31, 2017, and the statements of income, comprehensive income, changes in shareholders' equity and cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information.

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the Company as of December 31, 2017, and its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards.

**Basis for Opinion**

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

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

**Technical Provisions**
Technical provisions are key audit matters. Moreover, technical provisions amounted to JD 10,891,109, representing 74% of total liabilities as of December 31, 2017. In addition, the Company assesses technical provisions according to International Financial Reporting Standards and the requirements of regulatory bodies. As such, technical provisions are calculated based on the adopted accounting policies, the Company's estimates, and historical data on claims. The reinsurers' share from the technical provisions is re-calculated according to the related signed agreements. Furthermore, Executive Management appoints a certified actuary and a loss adjuster to periodically review the adequacy of the technical provisions.

**Scope of Audit to Address the Risk**
The followed audit procedures include understanding the nature of the technical provisions, testing the adopted system of internal control, assessing the reasonableness of the estimates and assumptions, and the adequacy of the provisions prepared by management. This is carried out through studying a sample of the technical provisions and reinsurers' share and its calculation, obtaining the support of the loss adjuster and the Company's lawyer, and comparing the sample with its related provisions. In addition, the certified actuary's reports were reviewed in regards of the adequacy of the technical provisions. Moreover, we assessed the adequacy of disclosures on the technical provisions.

**Provision for Accounts Receivable**
The provision for accounts receivable is a key audit matters. It requires the Company's management to use assumptions to assess the collectability of accounts receivable based on the customers' financial conditions and related credit risks. The balance of net accounts receivable amounted to JD 2,506,741, representing 10% of total assets as of December 31, 2017.

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

**Scope of Audit to Address the Risk**
The followed audit procedures included understanding accounts receivable and testing the adopted internal control system in following up on receivables and monitoring credit risks. The procedures also included reviewing the internal control procedures related to calculating the impairment provision for accounts receivable. As such, we have evaluated the factors affecting the calculation, as well as discussing those factors with Executive Management. Furthermore, we recalculated the provisions to be taken and reviewed the aging of receivables.

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**Other Matter**
The accompanying financial statements are a translation of the statutory financial statements in the Arabic to which reference is made.

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

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

**Responsibilities of Management and Those Charged with Governance for the Financial Statements**
Management is responsible for the preparation and fair presentation of the financial statements in accordance with IFRS, as well as monitoring the internal control which the management determines necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

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

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

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

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

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

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for expressing an opinion on the effectiveness of internal control.

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- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.

- Conclude on the appropriateness of management's use of the going concern basis of accounting, and based on the audit evidences obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidences obtained up to the date of our auditor's report. However, future events or conditions may cause the Company to cease to continue as a going concern.

- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the transactions and relevant events in a manner that achieves fair presentation.

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

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

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

**Report on Other Legal and Regulatory Requirements**
The Company maintains proper accounting records, duly organized and in line with the accompanying financial statements, and we recommend that they be approved by the General Assembly of shareholders.

Deloitte & Touche (M.E.) – Jordan
Amman – Jordan
February 28, 2018

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

| ASSETS | Note | December 31, 2017 | December 31, 2016 |
|---|---|---|---|
| | | JD | JD |
| Deposits at banks | 4 | 9,652,275 | 10,706,852 |
| Financial assets at fair value through other comprehensive income | 5 | 773,297 | 1,311,137 |
| Financial assets at amortized cost | 6 | 3,556,152 | 2,056,152 |
| Investment property | 7 | 2,623,803 | 2,623,803 |
| Total Investments | | 16,605,527 | 16,697,944 |
| | | | |
| Cash on hand and at banks | 8 | 578,231 | 730,419 |
| Cheques under collection | 9 | 434,323 | 627,716 |
| Receivables - net | 10 | 2,424,724 | 2,574,126 |
| Re-insurers' receivables - net | 11 | 441,034 | 958,551 |
| Deferred tax assets | 19.b | 351,433 | 333,613 |
| Property and equipment - net | 12 | 3,060,579 | 3,122,416 |
| Intangible assets - net | 13 | 10,454 | 7,793 |
| Other assets | 14 | 355,220 | 359,740 |
| TOTAL ASSETS | | 24,261,525 | 25,412,318 |
| | | | |
| LIABILITIES AND SHAREHOLDERS' EQUITY | | | |
| LIABILITIES | | | |
| Unearned premiums reserve - net | | 4,159,823 | 4,623,598 |
| Outstanding claims reserve - net | | 6,638,811 | 6,266,919 |
| Mathematical reserve - net | 15 | 92,475 | 97,139 |
| Total Insurance Contracts Liabilities | | 10,891,109 | 10,987,656 |
| | | | |
| Payables | 16 | 1,130,049 | 730,537 |
| Re-insurer's payables | 17 | 956,823 | 1,074,749 |
| Sundry provisions | 18 | 312,160 | 293,831 |
| Provision for income tax | 19.a | - | 88,709 |
| Other liabilities | 20 | 1,485,000 | 1,616,741 |
| TOTAL LIABILITIES | | 14,775,141 | 14,792,223 |
| | | | |
| SHAREHOLDERS' EQUITY | | | |
| Authorized and paid-up capital | 21 | 8,000,000 | 8,000,000 |
| Statutory reserve | 22 | 1,569,090 | 1,569,090 |
| Voluntary reserve | 22 | 15,948 | 15,948 |
| Financial assets valuation reserve | 23 | (327,433) | (73,005) |
| Retained earnings | 24 | 228,779 | 1,108,062 |
| Total Shareholders' Equity | | 9,486,384 | 10,620,095 |
| TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY | | 24,261,525 | 25,412,318 |

Chairman of the Board of Directors — General Manager

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

DELTA INSURANCE COMPANY

(A PUBLIC SHAREHOLDING LIMITED COMPANY)

AMMAN - JORDAN

STATEMENT OF INCOME

| | Note | For the Year Ended December 31, 2017 JD | 2016 JD |
|---|---|---|---|
| **Revenue:** | | | |
| Gross written premiums - general insurance | | 12,709,422 | 14,059,812 |
| Gross written premiums - life insurance | | 168,644 | 70,740 |
| Less: Re-insurers' share-general insurance | | 4,121,788 | 4,755,333 |
| Less: Re-insurers' share-life insurance | | 34,952 | 28,151 |
| Net Written Premiums | | 8,721,326 | 9,347,068 |
| Net change in unearned premiums reserve | | 463,775 | (217,478) |
| Net Change in premiums deficiency reserve | | - | 50,000 |
| Net change in mathematical reserve | 15 | 4,664 | 21,665 |
| Net Earned Written Premiums | | 9,189,765 | 9,201,255 |
| Commissions' revenue | | 959,943 | 1,086,311 |
| Insurance policies issuance fees | | 288,789 | 300,858 |
| Interest revenue | 25 | 641,308 | 504,274 |
| Cash dividends from financial assets at fair value through other comprehensive income | 26 | 18,407 | 15,934 |
| Other revenues | 27 | 123,376 | 169,203 |
| Total Revenues | | 11,221,588 | 11,277,835 |
| **Claims, Losses and Expenses:** | | | |
| Paid claims | | 11,729,005 | 11,321,918 |
| Less: Recoveries | | 1,827,861 | 1,671,672 |
| Re-insurers' share | | 1,874,462 | 2,354,224 |
| Net Paid Claims | | 8,026,682 | 7,296,022 |
| Net change in claims reserve | | 371,892 | 40,517 |
| Allocated employees' expenses | 28 | 1,060,885 | 1,040,471 |
| Allocated general and administrative expenses | 29 | 439,103 | 376,219 |
| Excess of loss premiums | | 232,912 | 323,757 |
| Policies acquisition cost | | 464,727 | 505,850 |
| Other expenses related to underwriting | | 271,660 | 305,370 |
| Net Claims Costs | | 10,867,861 | 9,888,206 |
| Unallocated employees' expenses | 28 | 265,221 | 260,118 |
| Unallocated general and administrative expenses | 29 | 109,776 | 94,055 |
| Life insurance administrative expenses | 30 | 142,021 | - |
| Depreciation and amortization | 12 & 13 | 130,503 | 140,541 |
| Other expenses | 31 | 23,717 | 16,819 |
| Provision for doubtful debt | 11 | - | 15,817 |
| Total Expenses | | 671,238 | 527,350 |
| (Loss) / Income for the Year before Tax | | (317,511) | 862,279 |
| Reversed from / income tax expense | 19 | 17,820 | (165,619) |
| (Loss) / Income for the Year | | (299,691) | 696,660 |
| Earnings per Share for (Loss) / Profit for the Year | 32 | (0.037) | 0.087 |

Chairman of the Board of Directors

General Manager

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

DELTA INSURANCE COMPANY

(A PUBLIC SHAREHOLDING LIMITED COMPANY)

AMMAN - JORDAN

STATEMENT OF COMPREHENSIVE INCOME

| | For the Year Ended December 31, | |
|---|---|---|
| | 2017 | 2016 |
| | JD | JD |
| (Loss) / income for the year | (299,691) | 696,660 |
| Other Comprehensive Income Items: | | |
| Items that will not be reclassified subsequently to the statement of income: | | |
| Net change in financial assets valuation reserve | (254,428) | (94,926) |
| Gain from sale of financial assets through other comprehensive income | 60,408 | 41,134 |
| Total Other Comprehensive Income Items | (194,020) | (53,792) |
| Total Comprehensive (Loss) / Income for the Year | (493,711) | 642,868 |

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

DELTA INSURANCE COMPANY
(A PUBLIC SHAREHOLDING LIMITED COMPANY)
AMMAN - JORDAN
STATEMENT OF CHANGES IN SHAREHOLDERS' EQUITY

| | Paid-up Capital | Statutory Reserve | Voluntary Reserve | Financial Assets Valuation Reserve *** | Retained Earnings | | Total |
|---|---|---|---|---|---|---|---|
| | | | | | Realized | Unrealized ** | |
| | JD | JD | JD | JD | JD | JD | JD |
| For the Year Ended December 31, 2017 | | | | | | | |
| Balance - beginning of the year | 8,000,000 | 1,569,090 | 15,948 | (73,005) | 774,449 | 333,613 | 10,620,095 |
| (Loss) for the year | - | - | - | - | (317,511) | 17,820 | (299,691) |
| Gain from sale of financial assets at fair value through other comprehensive income | - | - | - | - | 52,156 | - | 52,156 |
| Effect of gain from sale of financial assets at fair value through other comprehensive income | - | - | - | (8,252) | 8,252 | - | - |
| Net change in financial assets valuation reserve | - | - | - | (246,176) | - | - | (246,176) |
| Total Comprehensive (Loss) | - | - | - | (254,428) | (257,103) | 17,820 | (493,711) |
| Distributed cash dividends* | - | - | - | | (640,000) | - | (640,000) |
| Balance - End of the Year | 8,000,000 | 1,569,090 | 15,948 | (327,433) | (122,654) | 351,433 | 9,486,384 |
| For the Year Ended December 31, 2016 | | | | | | | |
| Balance - beginning of the year | 8,000,000 | 1,478,362 | 15,948 | 21,921 | 735,594 | 365,402 | 10,617,227 |
| Income for the year | - | - | - | - | 728,449 | (31,789) | 696,660 |
| Gain from sale of financial assets at fair value through other comprehensive income | - | - | - | - | 41,134 | - | 41,134 |
| Net change in financial assets valuation reserve | - | - | - | (94,926) | - | - | (94,926) |
| Total Comprehensive Income | - | - | - | (94,926) | 769,583 | (31,789) | 642,868 |
| Distributed cash dividends* | - | - | - | - | (640,000) | - | (640,000) |
| Transferred to statutory reserve | - | 90,728 | - | - | (90,728) | - | - |
| Balance - End of the Year | 8,000,000 | 1,569,090 | 15,948 | (73,005) | 774,449 | 333,613 | 10,620,095 |

* The General assembly approved in its meeting held on April 25, 2017 on distributing cash dividends in an amount of JD 640,000 which is equivalent to 8% of the paid-up capital.

** Retained earnings include an amount of JD 351,433 as of December 31, 2017 restricted against deferred tax assets according to the Jordan Securities Commission instructions.

*** An amount equivalent to the negative financial assets valuation reserve, which amounted to JD 327,433, is restricted to deal with from the retained earnings according to Jordan Securities commission instructions.

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

DELTA INSURANCE COMPANY

(A PUBLIC SHAREHOLDING LIMITED COMPANY)

AMMAN - JORDAN

STATEMENT OF CASH FLOWS

| | Note | For the Year Ended December 31, 2017 | 2016 |
|---|---|---|---|
| CASH FLOWS FROM OPERATING ACTIVITIES: | | JD | JD |
| (Loss) / Income for the year before tax | | (317,511) | 862,279 |
| Adjustments for Non Cash Items: | | | |
| Depreciation and amortization | 12&13 | 130,503 | 140,540 |
| (Gain) from sale of property and equipment | 27 | (6,250) | (690) |
| Interest revenue | 25 | (641,308) | (504,274) |
| Provision for end-of-service indemnity | 18 | 23,717 | 21,819 |
| Provision for doubtful debt | 11 | - | 15,817 |
| Provision for litigation | | - | (50,000) |
| Premium deficiency reserve | | - | (50,000) |
| Net change in unearned premiums reserve | | (463,775) | 217,478 |
| Net change in outstanding claims reserve | | 371,892 | 40,517 |
| Net change in mathematical reserve | 15 | (4,664) | (21,665) |
| Cash Flows (used in) from Operating Activities before Changes in Working Capital | | (907,396) | 671,821 |
| Decrease (increase) in cheques under collection | | 193,393 | (153,479) |
| Decrease in receivables | | 149,402 | 97,249 |
| Decrease (increase) in re-insurers' receivables | | 517,517 | (424,453) |
| Increase in other assets | | 4,520 | 112,760 |
| Increase in accounts payable | | 399,512 | 90,059 |
| (Decrease) increase in re-insurance payable | | (117,926) | 96,498 |
| (Decrease) in other liabilities | | (131,993) | (325,445) |
| Net Cash Flows from Operating Activities before Income Tax and End of Service-Indemnity Provision | | 107,029 | 165,010 |
| End of service-indemnity provision paid | 18 | (5,388) | - |
| Income tax paid | 19 | (119,855) | (81,490) |
| Net Cash Flows (used in) from Operating Activities | | (18,214) | 83,520 |
| CASH FLOWS FROM INVESTING ACTIVITIES: | | | |
| Deposits at banks | | (4,559,057) | - |
| Interest income received | | 641,308 | 504,274 |
| (Purchase) of financial assets at fair value through other comprehensive income | | (30,483) | (530,869) |
| Proceeds from sale of financial assets at fair value through other comprehensive income | | 405,449 | 242,349 |
| (Purchase) of financial assets at amortized cost | | (1,500,000) | (1,275,152) |
| (Purchase) of property and equipment | 12 | (63,627) | (148,531) |
| Proceeds from sale of property and equipment | | 6,250 | 786 |
| (Purchase) of intangible assets | 13 | (7,700) | (2,680) |
| Net Cash Flows (used in) Investing Activities | | (5,107,860) | (1,209,823) |
| CASH FLOWS FROM FINANCING ACTIVITIES: | | | |
| Distributed dividends | | (639,748) | (638,194) |
| Net Cash Flows (used in) Financing Activities | | (639,748) | (638,194) |
| Net (Decrease) in Cash | | (5,765,822) | (1,764,497) |
| Cash and cash equivalent - beginning of the Year | | 11,112,271 | 12,876,768 |
| Cash and Cash Equivalent - End of the Year | 33 | 5,346,449 | 11,112,271 |

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

DELTA INSURANCE COMPANY

(A PUBLIC SHAREHOLDING LIMITED COMPANY)

AMMAN - JORDAN

STATEMENT OF UNDERWRITING REVENUE FOR THE GENERAL INSURANCE ACTIVITIES

FOR THE YEAR ENDED DECEMBER 31

| | Motor | | Marine and Transportation | | Fire and Other Damages to Properties | | Medical | | Liability | | Others | | Credit | | Total | |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| | 2017 | 2016 | 2017 | 2016 | 2017 | 2016 | 2017 | 2016 | 2017 | 2016 | 2017 | 2016 | 2017 | 2016 | 2017 | 2016 |
| | JD | JD | JD | JD | JD | JD | JD | JD | JD | JD | JD | JD | JD | JD | JD | JD |
| Written premiums: | | | | | | | | | | | | | | | | |
| Direct business | 7,447,274 | 8,169,344 | 427,523 | 451,833 | 1,390,006 | 1,591,643 | 1,457,802 | 1,740,645 | 200,706 | 263,065 | 82,427 | 105,058 | 100,502 | 104,558 | 11,106,240 | 12,426,146 |
| Voluntary inward re-insurance | 910,887 | 1,036,285 | 705 | 705 | 690,828 | 595,162 | - | - | 762 | 1,514 | - | - | - | - | 1,603,182 | 1,633,666 |
| Gross Premiums | 8,358,161 | 9,205,629 | 428,228 | 452,538 | 2,080,834 | 2,186,805 | 1,457,802 | 1,740,645 | 201,468 | 264,579 | 82,427 | 105,058 | 100,502 | 104,558 | 12,709,422 | 14,059,812 |
| Less: | | | | | | | | | | | | | | | | |
| Local re-insurers' premiums | 767,094 | 902,241 | - | - | 94,202 | 87,294 | - | - | 2,650 | - | ( 1,679 ) | 31,195 | - | - | 862,267 | 1,020,730 |
| Foreign re-insurers' premiums | 7,880 | - | 294,667 | 304,735 | 1,898,922 | 1,991,306 | 775,505 | 1,133,497 | 127,716 | 152,066 | 76,942 | 69,396 | 77,889 | 83,603 | 3,259,521 | 3,734,603 |
| Net Earned Premiums | 7,583,187 | 8,303,388 | 133,561 | 147,803 | 87,710 | 108,205 | 682,297 | 607,148 | 71,102 | 112,513 | 7,164 | 4,467 | 22,613 | 20,955 | 8,587,634 | 9,304,479 |
| Add: | | | | | | | | | | | | | | | | |
| Beginning of the year | | | | | | | | | | | | | | | | |
| Unearned premiums reserve | 4,533,751 | 4,316,148 | 129,832 | 180,705 | 1,251,233 | 1,233,370 | 256,025 | 330,245 | 66,675 | 62,338 | 43,036 | 29,571 | 365,579 | 459,421 | 6,646,131 | 6,611,798 |
| Less: Re-insurers' share | 237,351 | 238,827 | 83,832 | 141,162 | 1,209,110 | 1,195,219 | 125,192 | 214,659 | 34,420 | 26,423 | 41,300 | 24,591 | 291,328 | 364,797 | 2,022,533 | 2,205,678 |
| Net Unearned Premiums Reserve | 4,296,400 | 4,077,321 | 46,000 | 39,543 | 42,123 | 38,151 | 130,833 | 115,586 | 32,255 | 35,915 | 1,736 | 4,980 | 74,251 | 94,624 | 4,623,598 | 4,406,120 |
| Less: | | | | | | | | | | | | | | | | |
| End of the year | | | | | | | | | | | | | | | | |
| Unearned premiums reserve | 4,005,901 | 4,533,751 | 148,196 | 129,832 | 1,214,782 | 1,251,233 | 214,046 | 256,025 | 74,029 | 66,675 | 39,514 | 43,036 | 305,478 | 365,579 | 6,001,946 | 6,646,131 |
| Less: Re-insurers' share | 172,250 | 237,351 | 93,395 | 83,832 | 1,173,553 | 1,209,110 | 79,705 | 125,192 | 43,514 | 34,420 | 37,861 | 41,300 | 241,845 | 291,328 | 1,842,123 | 2,022,533 |
| Net Unearned Premiums Reserve | 3,833,651 | 4,296,400 | 54,801 | 46,000 | 41,229 | 42,123 | 134,341 | 130,833 | 30,515 | 32,255 | 1,653 | 1,736 | 63,633 | 74,251 | 4,159,823 | 4,623,598 |
| Net change in premiums deficiency reserve | - | (50,000) | - | - | - | - | - | - | - | - | - | - | - | - | - | (50,000) |
| Net Revenue from the Underwritten Premiums | 8,045,936 | 8,134,309 | 124,760 | 141,346 | 88,604 | 104,233 | 678,789 | 591,901 | 72,842 | 116,173 | 7,247 | 7,711 | 33,231 | 41,328 | 9,051,409 | 9,137,001 |

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

DELTA INSURANCE COMPANY

(A PUBLIC SHAREHOLDING LIMITED COMPANY)

AMMAN - JORDAN

STATEMENT OF CLAIMS COST FOR THE GENERAL INSURANCE ACTIVITIES

FOR THE YEAR ENDED DECEMBER 31

| | Motor | | Marine and Transportation | | Fire and Other Damages to Properties | | Medical | | Liability | | Others | | Credit | | Total | |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| | 2017 | 2016 | 2017 | 2016 | 2017 | 2016 | 2017 | 2016 | 2017 | 2016 | 2017 | 2016 | 2017 | 2016 | 2017 | 2016 |
| | JD | JD | JD | JD | JD | JD | JD | JD | JD | JD | JD | JD | JD | JD | JD | JD |
| Paid claims | 8,360,618 | 7,707,636 | 352,060 | 381,847 | 188,853 | 501,662 | 1,603,296 | 1,843,655 | 21,729 | 86,642 | 13,456 | 12,309 | 1,178,603 | 773,816 | 11,718,615 | 11,307,567 |
| Less: Recoveries | 1,200,918 | 1,284,611 | 27,924 | 121,820 | 28.924 | 20,612 | - | - | 2,550 | 3.394 | 2.500 | 1.740 | 585,045 | 239.495 | 1,827,861 | 1,671,672 |
| Local re-insurers' share | 10,922 | 11,853 | - | - | 234 | 25,353 | - | - | - | - | - | - | - | - | 11,156 | 37,206 |
| Foreign re-insurers' share | 44,386 | 1,444 | 253,931 | 207,710 | 136,483 | 376,980 | 930,707 | 1,222,039 | 5,034 | 71,849 | 9,854 | 9,512 | 474,226 | 416,003 | 1,854,621 | 2,305,537 |
| Net Paid Claims | 7,104,392 | 6,409,728 | 70,205 | 52,317 | 23,212 | 78,717 | 672,589 | 621,616 | 14,145 | 11,399 | 1,102 | 1,057 | 139,332 | 118,318 | 8,024,977 | 7,293,152 |
| Add: Outstanding Claims Reserve - End of the Year | | | | | | | | | | | | | | | | |
| Reported | 6,832,904 | 6,444,378 | 73,052 | 297,459 | 413,768 | 451,760 | 142,942 | 155,313 | 234,857 | 234,330 | - | 3,600 | 1,118,278 | 1,242,101 | 8,815,801 | 8,828,941 |
| Un-reported | 1,000,000 | 945,896 | 3,000 | 3,000 | 1,500 | 1,500 | 18,042 | 20,318 | 7,000 | 7,000 | 200 | 200 | 5,000 | 5,000 | 1,034,742 | 982,914 |
| Less: Re-insurers share -Reported | 1,166,854 | 1,121,736 | 58,194 | 233,280 | 359,111 | 399,503 | 71.834 | 100,953 | 120,705 | 120,509 | - | 3.240 | 874,433 | 970,889 | 2,651,131 | 2,950,110 |
| Re-insurers share -Unreported | - | - | - | - | - | - | 9,115 | 13,207 | - | - | 180 | 180 | 4,000 | 4,000 | 13,295 | 17,387 |
| Expected recoveries | 432,685 | 456,959 | 7,305 | - | - | - | - | - | - | - | - | - | 118,151 | 132,171 | 558,141 | 589,130 |
| | 6,233,365 | 5,811,579 | 10,553 | 67,179 | 56,157 | 53,757 | 80,035 | 61,471 | 121,152 | 120,821 | 20 | 380 | 126,694 | 140,041 | 6,627,976 | 6,255,228 |
| Outstanding Claims Reserve - Ending of the Year | | | | | | | | | | | | | | | | |
| Reported | 5,666,050 | 5,322,642 | 7,553 | 64,179 | 54,657 | 52,257 | 71,108 | 54,360 | 114,152 | 113,821 | - | 360 | 125,694 | 139,041 | 6,039,214 | 5,746,660 |
| Un-reported | 567,315 | 488,937 | 3,000 | 3,000 | 1,500 | 1,500 | 8,927 | 7,111 | 7,000 | 7,000 | 20 | 20 | 1,000 | 1,000 | 588,762 | 508,568 |
| Outstanding Claims Reserve -beginning of the Year | | | | | | | | | | | | | | | | |
| Reported | 6,444,378 | 6,134,149 | 297,459 | 94,411 | 451,760 | 922,157 | 155,313 | 82,251 | 234,330 | 183,381 | 3,800 | - | 1,242,101 | 696,364 | 8,828,941 | 8,092,713 |
| Unreported | 945,896 | 945,896 | 3,000 | 3,000 | 1,500 | 1,500 | 20,318 | 220,568 | 7,000 | 7,000 | 200 | 200 | 5,000 | 5,000 | 982,914 | 1,183,164 |
| Less: Re-insurers' share - Reported | 1.121,736 | 944.172 | 233,280 | 71,105 | 399,503 | 835,294 | 100,953 | 40,463 | 120,509 | 60.780 | 3,240 | - | 970,889 | 550,560 | 2,950,110 | 2.502,374 |
| Re-insurers' share - Unreported | - | - | - | - | - | - | 13,207 | 143,370 | - | - | 180 | 180 | 4,000 | 4,000 | 17,387 | 147,550 |
| Expected recoveries | 456,959 | 333,018 | - | - | - | - | - | - | - | - | - | - | 132,171 | 76,160 | 589,130 | 409,178 |
| Net Outstanding Claims Reserve - Beginning of the Year | | | | | | | | | | | | | | | | |
| Reported | 5,322,642 | 5,189,977 | 64,179 | 23,306 | 52,257 | 86,863 | 54,360 | 21,788 | 113,821 | 122,601 | 360 | - | 139,041 | 69,644 | 5,746,660 | 5,514,179 |
| Unreported | 488,937 | 612,878 | 3,000 | 3,000 | 1,500 | 1,500 | 7,111 | 77,198 | 7,000 | 7,000 | 20 | 20 | 1,000 | 1,000 | 508,568 | 702,596 |
| | 5,811,579 | 5,802,855 | 67,179 | 26,306 | 53,757 | 88,363 | 61,471 | 98,986 | 120,821 | 129,601 | 380 | 20 | 140,041 | 70,644 | 6,255,228 | 6,216,775 |
| Net Paid Claims Cost | 7,526,178 | 6,418,452 | 13,579 | 93,190 | 25,612 | 44,111 | 691,153 | 504,101 | 14,476 | 2,619 | 742 | 1,417 | 125,985 | 187,715 | 8,397,725 | 7,331,605 |

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

DELTA INSURANCE COMPANY

(A PUBLIC SHAREHOLDING LIMITED COMPANY)

AMMAN - JORDAN

STATEMENT OF UNDERWRITING PROFIT FOR THE GENERAL INSURANCE ACTIVITIES

FOR THE YEAR ENDED DECEMBER 31

| | Motor | | Marine and Transportation | | Fire and Other Damages to Properties | | Medical | | Liability | | Others | | Credit | | Total | |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| | 2017 | 2016 | 2017 | 2016 | 2017 | 2016 | 2017 | 2016 | 2017 | 2016 | 2017 | 2016 | 2017 | 2016 | 2017 | 2016 |
| | JD | JD | JD | JD | JD | JD | JD | JD | JD | JD | JD | JD | JD | JD | JD | JD |
| Net earned revenue from the written premiums | 8,045,936 | 8,134,309 | 124,760 | 141,346 | 88,604 | 104,233 | 678,789 | 591,901 | 72,842 | 116,173 | 7,247 | 7,711 | 33,231 | 41,328 | 9,051,409 | 9,137,001 |
| (Less): Net paid claims cost | 7,526,178 | 6,418,452 | 13,579 | 93,190 | 25,612 | 44,111 | 691,153 | 584,101 | 14,476 | 2,619 | 742 | 1,417 | 125,985 | 187,715 | 8,397,725 | 7,331,605 |
| | 519,758 | 1,715,857 | 111,181 | 48,156 | 62,992 | 60,122 | (12,364) | 7,800 | 58,366 | 113,554 | 6,505 | 6,294 | (92,754) | (146,387) | 653,684 | 1,805,396 |
| Add: | | | | | | | | | | | | | | | | |
| Received commissions | 1,846 | 2,350 | 96,131 | 99,018 | 445,912 | 504,542 | 387,896 | 442,091 | 15,203 | 20,724 | 5,164 | 5,995 | 7,789 | 8,360 | 959,941 | 1,083,080 |
| Insurance policies issuance fees | 172,911 | 188,263 | 7,699 | 7,993 | 14,379 | 15,143 | 41,211 | 44,969 | 2,009 | 3,422 | 32,481 | 25,725 | 13,827 | 12,021 | 284,517 | 297,536 |
| Profit from reinsurance agreements | - | - | 30,298 | 28,135 | 85,629 | 140,245 | 1,164 | - | - | - | 35 | 133 | - | - | 117,126 | 168,513 |
| Total Other Revenue | 174,757 | 190,613 | 134,128 | 135,146 | 545,920 | 659,930 | 430,271 | 487,060 | 17,212 | 24,146 | 37,680 | 31,853 | 21,616 | 20,381 | 1,361,584 | 1,549,129 |
| Less: | | | | | | | | | | | | | | | | |
| Policy acquisition fees | 280,298 | 305,049 | 9,951 | 14,421 | 89,760 | 92,346 | 66,118 | 73,038 | 4,192 | 13,056 | 3,257 | 2,199 | - | - | 453,576 | 500,109 |
| Excess of loss premiums | 174,256 | 266,807 | 18,250 | 9,250 | 40,406 | 47,700 | - | - | - | - | - | - | - | - | 232,912 | 323,757 |
| Administrative expenses related to underwriting accounts | 973,527 | 922,931 | 49,878 | 45,370 | 242,368 | 219,243 | 169,799 | 174,512 | 23,466 | 26,526 | 9,601 | 10,533 | 11,706 | 10,483 | 1,480,345 | 1,409,598 |
| Other expenses related to underwriting accounts | 156,737 | 153,770 | - | - | - | - | 95,912 | 130,476 | - | - | - | - | - | - | 252,649 | 284,246 |
| Mandatory reserves interest | - | - | 1,945 | 2,969 | 9,450 | 8,155 | 7,169 | 9,566 | - | - | 447 | 434 | - | - | 19,011 | 21,124 |
| Total Expenses | 1,584,818 | 1,648,557 | 80,024 | 72,010 | 381,984 | 367,444 | 338,998 | 387,592 | 27,658 | 39,582 | 13,305 | 13,166 | 11,706 | 10,483 | 2,438,593 | 2,538,834 |
| Net Written (Loss) Profit | (890,303) | 257,913 | 165,285 | 111,292 | 226,928 | 352,608 | 78,909 | 107,268 | 47,920 | 98,118 | 30,880 | 24,981 | (82,844) | (136,489) | (423,325) | 815,691 |

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

DELTA INSURANCE COMPANY

(A PUBLIC SHAREHOLDING LIMITED COMPANY)

AMMAN - JORDAN

STATEMENT OF UNDERWRITING REVENUES FOR THE LIFE INSURANCE ACTIVITIES

| | For the Year Ended December 31, | |
|---|---|---|
| | 2017 | 2016 |
| | JD | JD |
| Written Premiums: | | |
| Direct business | 168,644 | 70,740 |
| Gross Premiums | 168,644 | 70,740 |
| Less: Foreign re-insurers' share | 34,952 | 28,151 |
| Net Premiums | 133,692 | 42,589 |
| Add: Balance - beginning of the year | | |
| Mathematical reserve | 156,927 | 176,792 |
| Less: Re-insurers' share | 59,788 | 57,988 |
| Net Mathematical Reserve | 97,139 | 118,804 |
| Add: Balance - end of the year | | |
| Mathematical reserve | 192,178 | 156,927 |
| Less: Re-insurers' share | 99,703 | 59,788 |
| Net Mathematical Reserve | 92,475 | 97,139 |
| Net Revenue Earned from Written Premiums | 138,356 | 64,254 |

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

DELTA INSURANCE COMPANY

(A PUBLIC SHAREHOLDING LIMITED COMPANY)

AMMAN - JORDAN

## STATEMENT OF CLAIMS COST FOR THE LIFE INSURANCE ACTIVITIES

| | For the Year Ended December 31, | |
|---|---|---|
| | 2017 | 2016 |
| | JD | JD |
| Paid claims | 10,390 | 14,351 |
| Less: | | |
| Foreign re-insurers' share | 8,685 | 11,481 |
| Net Paid Claims | 1,705 | 2,870 |
| Add: | | |
| Outstanding claims reserve - end of the year | | |
| Reported | 31,884 | 33,454 |
| Unreported | 5,000 | 5,000 |
| Less: Re-insurers' share | 26,049 | 26,763 |
| Net outstanding claims reserve - end of the year | 10,835 | 11,691 |
| Reported | 5,835 | 6,691 |
| Unreported | 5,000 | 5,000 |
| Less: | | |
| Outstanding claims reserve - beginning of the year | | |
| Reported | 33,454 | 23,138 |
| Unreported | 5,000 | 5,000 |
| Less: Re-insurers' share | 26,763 | 18,511 |
| Net outstanding claims reserve - beginning of the year | 11,691 | 9,627 |
| Reported | 6,691 | 4,627 |
| Unreported | 5,000 | 5,000 |
| Net Paid Claims Cost | 849 | 4,934 |

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

DELTA INSURANCE COMPANY

(A PUBLIC SHAREHOLDING LIMITED COMPANY)

AMMAN - JORDAN

## STATEMENT OF UNDERWRITING PROFIT FOR THE LIFE INSURANCE ACTIVITIES

| | For the Year Ended December 31, | |
|---|---|---|
| | 2017 | 2016 |
| | JD | JD |
| Net earned revenue from written premiums | 138,356 | 64,254 |
| Less: | | |
| Net paid claims cost | 849 | 4,934 |
| | 137,507 | 59,320 |
| Add: | | |
| Commissions received | 2 | 3,231 |
| Insurance policies issuance fees | 4,272 | 3,322 |
| Investment revenue related to underwriting accounts | 22,161 | 17,269 |
| Total Revenues | 26,435 | 23,822 |
| Less: | | |
| Policy acquisition fees | 11,151 | 5,741 |
| Administrative expenses related to underwriting accounts | 161,665 | 7,092 |
| Total Expenses | 172,816 | 12,833 |
| Underwriting (Loss) Profit | (8,874) | 70,309 |

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

DELTA INSURANCE COMPANY

(A PUBLIC SHAREHOLDING LIMITED COMPANY)

AMMAN - JORDAN

STATEMENT OF FINANCIAL POSITION FOR THE LIFE INSURANCE BRANCH

| | December 31, | |
|---|---|---|
| ASSETS | 2017 | 2016 |
| | JD | JD |
| Deposits at banks | 498,599 | 433,716 |
| | 498,599 | 433,716 |
| | | |
| Cash on hand and balances at banks | 40,968 | 42,164 |
| Accounts receivable | 91,211 | 19,298 |
| Other assets | 6,082 | 18,791 |
| Total Assets | 636,860 | 513,969 |
| | | |
| LIABILITIES AND OWNERS' EQUITY | | |
| LIABILITIES | | |
| Accounts payable | 5,048 | 4,256 |
| Re-insurers' payables | 17,564 | 10,633 |
| Other liabilities | 5,756 | 84 |
| | | |
| TECHNICAL RESERVES | | |
| Net mathematical reserve | 92,475 | 97,139 |
| Net unreported outstanding claims reserve | 10,835 | 11,691 |
| Total technical reserves | 103,310 | 108,830 |
| TOTAL LIABILITIES | 131,678 | 123,803 |
| | | |
| HEAD OFFICE'S EQUITY | | |
| Head Office current account | 514,056 | 319,857 |
| Net underwriting (loss) income | (8,874) | 70,309 |
| Total Head Office's Equity | 505,182 | 390,166 |
| TOTAL LIABILITIES AND HEAD OFFICE'S EQUITY | 636,860 | 513,969 |

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

1. General

a. Delta insurance company was registered during the year 1976 as a Jordanian Public Shareholding Company in accordance to the companies law No. (22) for the year 1997 with a registration number of (109) with a paid-up capital of JD 200,000 divided into 200,000 shares at par value of one Jordanian Dinar per share. The Company's capital increased gradually to reach JD 8 million divided into 8 million shares at par value of one Jordanian Dinar per share during the year 2008.

   The Company is located in Amman – Jordan, Jabal Amman, third circle, P.O. Box 3055 Amman – 11181 Jordan.

   The Company's main activity is engaging in all insurance business streams, including vehicles, marine and transportation, fire and other damages, liability, medical, credit, other insurance streams and life insurance sector.

b. The accompanying financial statements were approved by the Board of Directors in their meeting held on February 13th, 2018 and are subject to the approval of the General Assembly of Shareholders.

2. Accounting Policies

Basis of Preparation

- The financial statements have been prepared according to the standards issued by the International Accounting Standards Board, and in accordance to the local laws and regulations in force, as well as the forms prescribed by the Insurance Management.

- The financial statements have been prepared according to the historical cost convention except for the financial assets and liabilities that appear at fair value at the date of the financial statements.

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

- The accounting policies adopted for the current year are consistent with those applied in the year ended December 31, 2016, except to what is mentioned in Note (42.a).

The following are the significant accounting policies:

Sector Information

- The business sector represents a set of assets and operations that jointly provide products and services subject to risks and returns, different from those of other business sectors, measured according to the reports used by the chief executive officer and the main decision maker of the company.

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

Date of Financial Assets Recognition
Acquisition and sale of financial assets and financial liabilities are recognized on the trading date (the date that the Company commits itself to purchase or sell the financial assets).

Fair Value
The closing market prices (acquisition of assets/ sale of liabilities) on the date of the financial statements in active markets represent the fair value of financial instruments that have a market value.

In case some financial assets are not actively traded, do not have any available market prices, or if the market is inactive, their fair values are estimated by one of several methods including the following:

- Comparison with the current market value of another financial instrument with similar terms and conditions.
- Analysis of the future cash flows and discounting the expected future cash flows used in similar instruments.
- Option pricing models.

The evaluation methods aim at providing a fair value reflecting the expectations of the market, market factors, expected risks and expected benefits when evaluating the value of financial instruments and in case there are financial instruments, the fair value of which cannot be reliably measured, are stated at cost less any impairment.

Financial Assets at Fair Value through Other Comprehensive Income
- Financial assets at fair value through other comprehensive income represent strategic investments in the companies' shares for the purpose of holding them for long term and not for trading.

- Financial assets at fair value through other comprehensive income are initially stated at fair value plus any acquisition expenses at the acquisition date and are subsequently re-measured at fair value. Moreover, the change in fair value are recorded in the statement of other comprehensive income and in owner's equity including the change in fair value resulting from foreign currencies exchange translation of non- monetary assets. Gains or losses resulting from the sale of these financial assets or part of them are taken to the other comprehensive income and in owner's equity, the investment valuation reserve related to the sold property tools is classified to the retained earnings or losses and not through statement of income.

- Dividends are recorded in the statement of income.

Financial Assets at Amortized Cost
- Financial assets at amortized costs are those who have met the following conditions:

  - Are held for the intent of collecting contractual cash flows according to the Company's business model.
  - The contractual cash flows for these assets arise in specific dates, solely representing payments of principal and interest on the principal amount.

- Financial assets at amortized cost are recorded at cost upon purchase plus acquisition expenses. Moreover, the issue premium / discount is amortized using the effective interest rate method, and recorded to interest or in its account. Any provisions resulting from the decline in value of these investments leads to the inability to recover the investment or part thereof are recorded, and any impairment is taken to the statement of income and is subsequently recorded at amortized cost after deducting the impairment.

- Impairment in financial assets at amortized cost is determined on the basis of the difference between the book value and the present value of the expected cash flows discounted at the effective interest rate.

- Financial assets should not be reclassified from / to this category unless for specified cases mentioned in the International Financial Reporting Standards (and in case these assets were sold before its maturity date, the result of this action will be recorded in the income statement in a separate item and disclosed in accordance with the requirements of the International Financial Reporting Standards).

Reclassification

- Re-classification of financial assets at amortized cost to financial assets at fair value through the income statement, and the opposite is permitted when an entity changes the business model which it used to classify these assets as mentioned above, taking into consideration the following factors:

- Any recognized gain or loss or interest that has been recognized cannot be recovered.

- When re-classifying financial assets so that they are measured at fair value. The fair value is determined at the date of reclassification, any profit or loss arising from differences between the previous book value and fair value are recorded in the income statement.

- When re-classifying financial assets so that they are measured at amortized cost, the assets are recognized at their fair value at the date of reclassification.

Impairment of Financial Assets

The Company reviews the amount stated in of financial assets books on the date of the statement of financial position in order to determine if there are any indications of impairment in their value individually or in the form of a portfolio. In case such indications exist, the recoverable value is estimated to determine the impairment loss.

Impairment losses are determined as follows:

- Impairment of financial assets stated in amortized cost: represents the difference between the amount stated in the books and the present value for the estimated cash inflows less the effective interest rate.

- Impairment of financial assets through other comprehensive income statement that is stated at its fair value: represents the difference between the stated amount and its fair value.

- Impairment of financial assets stated in cost: represents the difference between the amount stated in the books and the present value of the estimated cash inflows less the effective interest rate on similar financial assets.

- Impairment losses, and any other excess in subsequent period resulting from previous impairments, are taken to the income statement. Impairment in shares of companies that are available for sale are returned through the accumulated change in fair value through other comprehensive income.

Cash and Cash Equivalents

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

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

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

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

2. The event has a reliable and clear measurable effect on the amounts that the Company will recover from re-insurer.

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

Property and Equipment
- Property and equipment are stated at the cost net of accumulated depreciation or any accumulated impairment and the property and equipment are depreciated (except for lands) when ready to be used, and these investments are depreciated according to the straight-line method over their estimated useful lives. Moreover, the depreciation expenses are recorded in the statement of income using the following percentages.

| Category | % |
|---|---|
| Machinery and equipment | 15 |
| Vehicles | 15 |
| Furniture and fixtures | 10 |
| Computers | 20 |
| Buildings | 2 |

- Property and equipment are depreciated when they are ready for their intended use. (Depreciation expense amount for the year should be shown in the specified item in the statement of income).

- Property and equipment are stated at cost less any impairments.

- When the recoverable amount of any property and equipment is less than its net book value, the value should be reduced to the recoverable amount, and the impairment effect should be taken to the income statement.

- The useful lives of Property and Equipment are reviewed at the end of each year, in case the expected useful life is different from what was determined before, the change in estimate is recorded in the following years as it's change in estimates.

- The gain or loss resulting from the disposal or omission of property and equipment, representing the difference between the property and equipment proceeds from sale and its book value, are recorded in the statement of income.

- Property and Equipment are derecognized when disposed or when there is no expected future benefits from their use or from their disposal.

Mortgaged financial assets

Mortgaged financials assets are those financial assets pledged in favour of other parties where they hold the right to act with the assets (sale or re-mortgage of the assets). These assets remain to be valuated according to the accounting policies of their original classifications.

Investments Property

- Investments property stated at cost (excluding land) less accumulated depreciation, and these investments are depreciated over the useful lives at 2%. Any impairment in value is recorded in the income statement. Moreover, any revenue or operating expenses of these investments are recorded in the income statement.

- If the fair value of investments property increase where an impairment in the prior years were taken, the impairment amount is recovered, the recoverable amount not more than the cost or the recorded fair value, whichever is less.

- Investments property are evaluated in accordance with the decisions of the Insurance management and its fair value are disclosed in the investment property note.

Intangible Assets

- Intangible assets include computers softwares and are recorded at their cost in a separate line item in the financial statements.

- Intangible assets are classified according to their estimated useful lives for a specific period. Intangible assets with definite useful lives are amortized over the life of the asset and recorded in the statement of income. Intangible assets with indefinite lives are reviewed for impairment at the date of the financial statements, and the impairment is recorded in the statement of income.

- No capitalization of intangible assets resulting from the company's operations is made; they are recorded in the statement of income in the current year.

- Impairment testing for the intangible assets is done on the date of the financial statements. Intangible assets are reduced if the test indicates that there is impairment in its value, and that the estimated recoverable value of the cash generating unit(s) relating to intangible assets is less than the book value of the cash generating unit(s). Impairment is recognized in the statement of income.

- The intangible assets' lives are reassessed and adjustments are recorded in the subsequent periods.

- Computer softwares and systems are stated at cost upon acquisition and amortized at an annual rate of 20%.

Income Tax

Income tax expenses represent accrued taxes and deferred taxes.

1. Accrued Taxes
Accrued tax expenses are accounted for on the basis of taxable income. Moreover, taxable income differs from income declared in the statement of income since the declared dividends include non-taxable revenue or expenses that are not deductible in the fiscal year but deductible in subsequent years, or accumulated losses acceptable by the tax authorities, as well as unallowable and non-taxable items.

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

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

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

The balances of deferred tax assets in the financial statements are reviewed and reduced in case they are expected not to be utilized or are no longer needed, wholly or partially or by setting the tax obligation or no need for it.

Provisions

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

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

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

1. Technical Reserves
Technical reserves are taken and maintained according to the Insurance Commission instruction as follows:

- The reserve for unearned premiums for general insurance activities is calculated according to the remaining days up to the expiry date of the insurance policy on the basis of a 365-day per year, except for marine and land transport insurance for which the provision is calculated on the basis of written premiums of the effective policies and in accordance with its related laws and regulations on the date of the financial statements.

- The reserve for reported claims is computed by determining the maximum total expected costs for each claim on an individual basis.

- Additional reserves for incurred but not reported claims are calculated based on the Company's experience and estimates.

- The reserve for unearned premiums for life insurance activities is calculated based on the Company's experience and estimates.

- The mathematical reserve for life insurance policies is calculated based on the regulations and decisions issued by the Insurance commission.

- Actuary Expert

2. Provision for Doubtful Debts

   A provision for doubtful debts is taken when there is objective evidence that whole or part of these debts has become irrecoverable. The provision is calculated based on the difference between the book value and the recoverable value and the Company discloses the used method for the calculation of the provision for doubtful debts.

3. End-of-Service Indemnity Provision

   End-of-service indemnity provision is calculated based on the Company's internal policies and in accordance with the Jordanian Labor Law.

   Annual compensations paid to the employees who leave work are charged to the end-of-service indemnity provision when paid. Moreover, an allowance for the liabilities due from the Company in connection with end-of-service compensations is taken in the statement of income.

Liability Adequacy Test

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

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

Offsetting

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

Revenue Recognition

1. Insurance Contracts

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

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

2. Dividends and Interest Revenue

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

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

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

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

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

General and Administrative Expenses
All distributable general and administrative expenses are loaded on insurance branches separately; moreover, 80% of the general and administrative unallocated expenses have been allocated to the various insurance departments on the basis of the earned premiums of each department in proportion to total premiums.

Employees Expenses
All distributable employees expenses are loaded on insurance branches separates moreover, 80% of employees' unallocated expenses have been allocated to the various insurance departments on the basis of the earned premiums of each department in proportion to total premiums.

Administrative Expenses Related to Life Insurance
All employees' expenses for the life insurance branch are loaded on the basis of earned premiums for the department in proportion to total premiums.

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

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

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

Exchange gain or losses resulting there from are taken to the statement of income.

Resulting differences from non-monetary assets and non-monetary liabilities are taken in the change in fair value.

Issuance or purchasing shares of the company costs
Any cost that arise as an outcome of issuing or purchasing the company's shares is recorded on the retained earnings (Net after considering the tax effect for this cost If applicable. And if the issuance or purchasing of shares process is not completed then an expense is recorded and it will be shown on the Income statement.

## 3. Use of Estimates

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

We believe that the estimates within the financial statements are reasonable. The details are as follows:

- A provision for accounts receivable is made according to the various assumptions and basis adopted by management to evaluate the required provision as per International Financial Reporting Standards.

- The financial year is charged with its share from income tax according to the prevailing laws and regulations in Jordan.

- Management periodically revaluates the productive lives of tangible for the purpose of calculating annual depreciation based on the general condition of those assets and the estimates of their expected productive lives in the future. Any impairment loss is taken to the statement of income.

- The outstanding claims provision and technical provisions are taken based on technical studies and according to the Insurance Commission instructions. Moreover, the mathematical reserve is taken based on actuarial studies.

- A provision for lawsuits against the Company is based on a legal study conducted by the Company's lawyer according to whom probable future risks are determined. A review of such studies is performed periodically.

- Management reviews the financial assets, shown at cost, to evaluate any impairment in their value. Such impairment is taken to the statement of income.

- Management estimates the expected recoverable amounts from insurance companies and which are related to motor accidents based on a study prepared from the Company's management based on the available information and documents.

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

## 4. Deposits at Banks

This item consists of the following:

| | December 31, 2017 | | | | December 31, 2016 |
|---|---|---|---|---|---|
| | Deposits maturing within one month | Deposits maturing within one to three months | Deposits maturing within three months to one year | Total | Total |
| | JD | JD | JD | JD | JD |
| **Inside Jordan:** | | | | | |
| Capital Bank of Jordan | - | 325,000 | 2,225,012 | 2,550,012 | 2,432,464 |
| BLOM Bank | - | - | 2,334,045 | 2,334,045 | 2,997,902 |
| Societe Generale Bank * | 200,000 | 1,926,218 | - | 2,126,218 | 2,042,168 |
| Bank al Etihad | 2,642,000 | - | - | 2,642,000 | 3,234,318 |
| | 2,842,000 | 2,251,218 | 4,559,057 | 9,652,275 | 10,706,852 |

- Interest rates on deposits in Jordanian Dinar ranged from 4.25% to 5.65% during the year 2017 (3.25% to 4% during year 2016)

- Deposits collateralized to the order of the General Director of the Insurance Management, in addition to his position, amounted to JD 325,000 as of December 31, 2017 and 2016 and are held at Capital Bank of Jordan. The deposit will mature within 3 months.

* This amount represents the deposits maturing within one month of an amount of JD 200,000 cash margin against credit insurance.

## 5. Financial Assets at Fair Value through Other Comprehensive Income

This item consists of the financial assets at fair value through other comprehensive income categorized based on IFRS (9) as follows:

| | December 31, | |
|---|---|---|
| | 2017 | 2016 |
| Inside Jordan | JD | JD |
| Quoted shares | 276,680 | 309,264 |
| Investment Fund* | - | 340,414 |
| | 276,680 | 649,678 |
| | | |
| Outside Jordan | | |
| Quoted shares | 230,091 | 343,814 |
| Investment Fund ** | 266,526 | 317,645 |
| | 496,617 | 661,459 |
| | 773,297 | 1,311,137 |

* On April 17th, 2017, the company has sold its investment in the investment fund held at the Capital Bank of Jordan for an amount of JD 348,293, resulting in a gain of JD 78,347.

** This item represents the net amount of investment in the investment fund which is managed by Gulf Capital which was established in the Cayman Islands. The company signed an agreement during the year 2015 with Gulf Capital to invest in one of its funds in an amount of $ 1,4 million which is equivalent to JD 994,000. The amount JD 266,526 represents the fair value of the investment at the date of the financial statements.

## 6. Financial Assets at Amortized Cost

This item consists of the financial assets at amortized cost categorized based on IFRS (9) as follows:

| | December 31 | |
|---|---|---|
| | 2017 | 2016 |
| | JD | JD |
| Inside Jordan | | |
| The Jordanian Government treasury bonds* | 1,275,152 | 1,275,152 |
| Capital Bank of Jordan bonds** | 781,000 | 781,000 |
| Arab International Hotels bonds*** | 1,000,000 | - |
| Jordan Ahli Bank bonds**** | 500,000 | - |
| | 3,556,152 | 2,056,152 |

* The Jordanian Government treasury bonds are U.S Dollar bonds that mature on January 29, 2026 with a fixed return rate of 6.125%, and are paid on two instalments; on January 29 and July 29, during the life of the Bond, and mature on January 31, 2027 and are in US Dollar with fixed return rate of 5.75% and are paid on two instatement; on January 31 and July 31, during the life of the bond.

** The Capital Bank of Jordan bonds mature on March 1, 2020 and are in U.S dollar with a fixed return rate of 6.85%, and are paid on two instalments; on March 1 and September 1, during the bond life, and are listed on Amman Stock Exchange.

*** The Arab International Hotels bonds mature on January 29, 2022 with a fixed return of 5.5% and are paid on two instalments; on January 29 and July 29, during the life of the bond, and are in Jordanian Dinar and listed on Amman Stock Exchange.

**** Jordan Ahli Bank bonds mature on October 12, 2023 with a fixed return rate of 6.75%, and are paid on two instalments; on October 12 and April 12, during the bond life, and are in Jordanian Dinar and listed on Amman Stock Exchange.

## 7. Investment Property

This item represents the cost of a plot of land that was bought during the year 2011, for JD 1,340,863 in addition to the cost of plot of land that was bought during the year 2016 for JD 1,282,940. The plots were evaluated during January 2018 by three certified appraisers in accordance to the laws and regulations of the Insurance Management (previously Jordan Insurance commission), and their average estimate market value amounted to JD 1,431,629 and JD 1,367,330 respectively.

## 8. Cash on Hand and Balances at Banks

This item consists of the following:

| | December 31, | |
|---|---|---|
| | 2017 | 2016 |
| | JD | JD |
| Cash on hand | 4,210 | 2,024 |
| Current accounts at banks | 574,021 | 728,395 |
| | 578,231 | 730,419 |

## 9. Cheques under Collection

This item consists of the following:

| | December 31, | |
|---|---|---|
| | 2017 | 2016 |
| | JD | JD |
| Cheques under collection* | 434,323 | 627,716 |
| | 434,323 | 627,716 |

* Due date of cheques under collection extends to November 23, 2018.

## 10. Receivables - Net

This item consists of the following:

| | December 31, 2017 | December 31, 2016 |
|---|---|---|
| | JD | JD |
| Policyholders receivable | 1,789,791 | 2,036,021 |
| Agents receivable | 674,733 | 583,687 |
| Employees receivable | 8,639 | 6,891 |
| Others receivable | 33,578 | 29,544 |
| | 2,506,741 | 2,656,143 |
| Less: Provision for doubtful debts* | (82,017) | (82,017) |
| Net Receivables | 2,424,724 | 2,574,126 |

The ageing of receivables is as follows:

| | December 31, 2017 | December 31, 2016 |
|---|---|---|
| | JD | JD |
| Less than 90 days | 1,912,318 | 1,867,428 |
| From 91 to 180 days | 217,193 | 282,086 |
| From 181 to 360 days | 296,838 | 428,331 |
| More than 361 days | 80,392 | 78,298 |
| | 2,506,741 | 2,656,143 |

A provision for doubtful debts are taken for the debts which have past due more than a year and there is no repayment and according to the management estimates.

* Movement on the provision for doubtful debts was as follows:

| | 2017 | 2016 |
|---|---|---|
| | JD | JD |
| Balance - beginning of the year | 82,017 | 82,017 |
| Balance - End of Year | 82,017 | 82,017 |

## 11. Re-insurers' Receivables - Net

This item consists of the following:

| | December 31, 2017 | December 31, 2016 |
|---|---|---|
| | JD | JD |
| Local insurance companies | 257,443 | 595,389 |
| Foreign re-insurance companies | 227,272 | 406,843 |
| | 484,715 | 1,002,232 |
| Less: Provision for doubtful re-insurance receivables | (43,681) | (43,681) |
| | 441,034 | 958,551 |

Movement on the provision for doubtful debts during the year was as follows:

| | 2017 | 2016 |
|---|---|---|
| | JD | JD |
| Balance - beginning of the year | 43,681 | 27,864 |
| Provision booked during the year | - | 15,817 |
| Balance - End of Year | 43,681 | 43,681 |

## 12. Property and Equipment - Net

These item consists of the following:

| | Land | Tools and Equipment | Vehicles | Furniture and Fixtures | Computers | Buildings | Total |
|---|---|---|---|---|---|---|---|
| **December 31, 2017** | JD | JD | JD | JD | JD | JD | JD |
| **Cost:** | | | | | | | |
| Balance at the beginning of the year | 240,125 | 60,533 | 74,650 | 353,012 | 94,689 | 3,003,212 | 3,826,221 |
| Additions | - | 4,280 | 22,600 | 33,554 | 3,193 | - | 63,627 |
| Disposals | - | - | (12,150) | - | - | - | (12,150) |
| Balance at the End of Year | 240,125 | 64,813 | 85,100 | 386,566 | 97,882 | 3,003,212 | 3,877,698 |
| **Accumulated Depreciation:** | | | | | | | |
| Accumulated depreciation at the beginning of the year | - | 44,801 | 35,588 | 199,001 | 68,789 | 355,626 | 703,805 |
| Depreciation for the year | - | 7,454 | 12,765 | 36,530 | 8,651 | 60,064 | 125,464 |
| Disposals | - | - | (12,150) | - | - | - | (12,150) |
| Accumulated Depreciation at the End of Year | - | 52,255 | 36,203 | 235,531 | 77,440 | 415,690 | 817,119 |
| Net Book Value of Property and Equipment at the End of the Year | 240,125 | 12,558 | 48,897 | 151,035 | 20,442 | 2,587,522 | 3,060,579 |
| **December 31, 2016** | | | | | | | |
| **Cost:** | | | | | | | |
| Balance at the beginning of the year | 240,125 | 61,318 | 74,650 | 353,425 | 86,643 | 2,864,926 | 3,681,087 |
| Additions | - | 811 | - | 1,388 | 8,046 | 138,286 | 148,531 |
| Disposals | - | (1,596) | - | (1,801) | - | - | (3,397) |
| Balance at the End of Year | 240,125 | 60,533 | 74,650 | 353,012 | 94,689 | 3,003,212 | 3,826,221 |
| **Accumulated Depreciation:** | | | | | | | |
| Accumulated depreciation at the beginning of the year | - | 38,326 | 24,998 | 167,152 | 60,004 | 281,733 | 572,213 |
| Depreciation for the year | - | 8,071 | 10,590 | 33,554 | 8,785 | 73,893 | 134,893 |
| Disposals | - | (1,596) | - | (1,705) | - | - | (3,301) |
| Accumulated Depreciation at the End of Year | - | 44,801 | 35,588 | 199,001 | 68,789 | 355,626 | 703,805 |
| Net Book Value of Property and Equipment at the End of the Year | 240,125 | 15,732 | 39,062 | 154,011 | 25,900 | 2,647,586 | 3,122,416 |

## 13. Intangible Assets - Net

This item consists of Computer Softwares; the details are as follows:

| | For the Year Ended December 31, | |
|---|---|---|
| | 2017 | 2016 |
| Cost: | JD | JD |
| Balance at the beginning of the year | 102,721 | 100,041 |
| Additions | 7,700 | 2,680 |
| Balance at the End of Year | 110,421 | 102,721 |
| Accumulated amortization: | | |
| Accumulated amortization at the beginning of the year | 94,928 | 89,280 |
| Amortization for the year | 5,039 | 5,648 |
| Accumulated amortization at the end of the year | 99,967 | 94,928 |
| Net book Value for Intangible Assets | 10,454 | 7,793 |

## 14. Other Assets

This item consists of the following:

| | December 31, | |
|---|---|---|
| | 2017 | 2016 |
| | JD | JD |
| Prepaid expenses | 22,043 | 13,865 |
| Refundable deposits | 2,543 | 1,535 |
| Accrued revenues | 299,488 | 344,340 |
| Income tax deposits (Note 19) | 31,146 | - |
| | 355,220 | 359,740 |

## 15. Mathematical Reserve - Net

This item consists of the following:

| | December 31, | |
|---|---|---|
| | 2017 | 2016 |
| | JD | JD |
| Balance at the beginning of the year | 97,139 | 118,804 |
| Additional reserve during the year | (4,664) | (21,665) |
| Balance at the End of the Year | 92,475 | 97,139 |

## 16. Payables

This item consists of the following:

| | December 31, | |
|---|---|---|
| | 2017 | 2016 |
| | JD | JD |
| Agents payable | 691,083 | 516,887 |
| Garages and parts payable | 122,094 | 56,711 |
| Policyholders payable | 314,094 | 156,863 |
| Employee and other payables | 2,778 | 76 |
| | 1,130,049 | 730,537 |

## 17. Re-insurers' Payables

This item consists of the following:

| | December 31, | |
|---|---|---|
| | 2017 | 2016 |
| | JD | JD |
| Local insurance companies | 390,511 | 288,335 |
| Foreign re-insurance companies | 566,312 | 786,414 |
| | 956,823 | 1,074,749 |

## 18. Sundry Provisions

This item consists of the following:

| | December 31, 2017 | December 31, 2016 |
|---|---|---|
| | JD | JD |
| End-of-service indemnity provision | 312,160 | 293,831 |
| | 312,160 | 293,831 |

The table below shows the movement on the following provisions:

| | Beginning Balance | Booked during the Year | Released during the Year | Ending Balance |
|---|---|---|---|---|
| 2017 | JD | JD | JD | JD |
| End of service indemnity provision | 293,831 | 23,717 | 5,388 | 312,160 |
| | 293,831 | 23,717 | 5,388 | 312,160 |
| 2016 | | | | |
| End of service indemnity provision | 272,012 | 21,819 | - | 293,831 |
| Litigation provision | 50,000 | - | 50,000 | - |
| | 322,012 | 21,819 | 50,000 | 293,831 |

## 19. Income Tax

### a. Income tax provision

- Movement on the income tax provision was as follows:

| | For the Year Ended December 31, 2017 | For the Year Ended December 31, 2016 |
|---|---|---|
| | JD | JD |
| Balance at the beginning of the year | 88,709 | 25,071 |
| Income tax paid | (88,602) | (24,919) |
| Income tax expense for the year | - | 145,128 |
| Prepaid income tax | (26,897) | (50,909) |
| Paid income tax for prior years | (4,356) | (5,662) |
| Transferred to income tax deposits (Note 14) | 31,146 | - |
| Balance at the End of the Year | - | 88,709 |

- Summary of the income tax in the statement of income:

| | For the Year Ended December 31, 2017 | For the Year Ended December 31, 2016 |
|---|---|---|
| | JD | JD |
| Income tax for the profit of the year | - | 139,466 |
| Income tax for prior year | - | 5,662 |
| Deferred tax assets | 17,820 | (9,032) |
| Amortization of deferred tax assets | - | 40,821 |
| Deferred tax liabilities | - | (11,298) |
| | 17,820 | 165,619 |

- Summary of the reconciliation between accounting income and taxable income:

| | For the Year Ended December 31, 2017 | For the Year Ended December 31, 2016 |
|---|---|---|
| | JD | JD |
| Accounting (loss) / income | (317,511) | 862,279 |
| Non-taxable expenses | 1,756,001 | 1,490,883 |
| Non-taxable income | (1,612,645) | (1,771,869) |
| Taxable (Loss) / Income | (174,155) | 581,293 |
| Income Tax Rate | 24% | 24% |

- The Company reached a final settlement with the Income and Sales Tax Department up to the end of year 2015, and has submitted its income tax returns for the year 2016 and paid the accrued income taxes, however, the tax returns have not been reviewed yet by the Income and Sales Tax Department.

- Income tax provision has been booked for the year 2017 in accordance with the prevailing Income Tax Law number (34) for the year 2014, the management of the Company and its tax advisor believe that the booked provisions in the financial statements are sufficient to cover any potential tax liabilities that may arise.

B. Deferred Tax Assets:

The details are as follows:

| | December 31, 2017 | | | | | December 31, 2016 |
|---|---|---|---|---|---|---|
| Accounts included | Balance at the Beginning of the Year | Amounts Released | Amounts Booked | Balance at Year-End | Deferred Tax | Deferred Tax |
| Deferred tax assets | JD | JD | JD | JD | JD | JD |
| Provision for doubtful debts | 125,698 | - | - | 125,698 | 30,168 | 30,168 |
| End of service indemnity provision | 293,831 | 5,388 | 23,717 | 312,160 | 74,918 | 70,519 |
| Unreported outstanding claims reserve | 970,527 | - | 55,920 | 1,026,447 | 246,347 | 232,926 |
| | 1,390,056 | 5,388 | 79,637 | 1,464,305 | 351,433 | 333,613 |

- Below is the movement on the deferred tax assets:

| | For the Year Ended December 31, 2017 | 2016 |
|---|---|---|
| | JD | JD |
| Beginning balance of the year | 333,613 | 365,402 |
| Additions during the year | 19,113 | 9,033 |
| Disposals during the year | (1,293) | (40,822) |
| Ending Balance of the Year | 351,433 | 333,613 |

- According to the prevailing Income Tax Law number (34) for the year 2014. An effective tax rate of 24% has been used to calculate the deferred taxes as of December 31, 2017 and December 31, 2016.

- According to the management and the tax consultant the booked provisions in the financial statements are sufficient to cover any tax liabilities that may arise.

20. Other Liabilities

This item consists of the following:

| | December 31, 2017 | 2016 |
|---|---|---|
| | JD | JD |
| Accrued expenses | 43,165 | 34,623 |
| Outstanding premiums | 590,888 | 626,446 |
| Board of directors' remuneration | - | 45,000 |
| Reinsurers' deposits | 688,598 | 835,232 |
| Others | 162,349 | 75,440 |
| | 1,485,000 | 1,616,741 |

21. Authorized and Paid – up Capital

Authorized and paid – up capital amounted to JD 8,000,000 distributed over 8,000,000 shares with a par value of JD 1 per share as of December 31, 2017 and 2016.

## 22. Reserves

Statutory Reserve

The amounts accumulated in this account represent what has been transferred from the annual income before tax at 10%, according to the Companies Law, this reserve cannot be distributed to shareholders.

Voluntary Reserve

The amounts accumulated in this account represent what has been transferred from the annual income before tax at a rate not exceeding 20%. The voluntary reserve is used for the purposes decided by the Board of Directors, moreover, the General Assembly of Shareholders has the right to fully or partially distribute this amount as profits to shareholders.

## 23. Financial Assets Valuation Reserve

This item consists of the following:

| | 2017 | 2016 |
|---|---|---|
| | JD | JD |
| Balance at the beginning of the year | (73,005) | 21,921 |
| Gains from sale of financial assets through other Comprehensive Income | (8,252) | - |
| Net change in financial assets valuation reserve | (246,176) | (94,926) |
| Balance at the End of Year | (327,433) | (73,005) |

## 24. Retained Earnings

This item consists of the following:

| | 2017 | 2016 |
|---|---|---|
| | JD | JD |
| Balance at the beginning of the year | 1,108,062 | 1,100,996 |
| Add: (Loss) profit for the year | (299,691) | 696,660 |
| Less: Deducted to Statutory reserve | - | (90,728) |
| Add: Gain from sale of financial assets through other comprehensive income | 60,408 | 41,134 |
| Less: Distributed dividends | (640,000) | (640,000) |
| Balance at the End of Year | 228,779 | 1,108,062 |

## 25. Interest Revenue

This item consists of the following:

| | 2017 | 2016 |
|---|---|---|
| | JD | JD |
| Earned bank interest | 463,183 | 419,306 |
| Interest on investments held to maturity | 178,125 | 84,968 |
| | 641,308 | 504,274 |

## 26. Cash Dividends Income from Financial Assets at Fair Value through Other Comprehensive Income

This item consists of the following:

| | 2017 | 2016 |
|---|---|---|
| | JD | JD |
| Cash dividends income | 18,407 | 15,934 |
| | 18,407 | 15,934 |

## 27. Other Revenue

This item consists of the following:

| | 2017 | 2016 |
|---|---|---|
| | JD | JD |
| Re-insurance agreements revenue | 117,126 | 168,513 |
| Gain from sale of property and equipment | 6,250 | 690 |
| | 123,376 | 169,203 |

## 28. Employees Expenses

This item consists of the following:

| | 2017 | 2016 |
|---|---|---|
| | JD | JD |
| Salaries and bonuses | 1,128,386 | 1,111,182 |
| End of service remuneration | 191 | - |
| Company's social security contribution | 108,954 | 107,211 |
| Employees' medical insurance | 61,484 | 60,849 |
| Training expenses | 6,114 | 3,498 |
| Travel and transportation | 20,977 | 17,849 |
| Total | 1,326,106 | 1,300,589 |
| Allocated employees expenses to underwriting accounts | 1,060,885 | 1,040,471 |
| Unallocated employees expense to underwriting accounts | 265,221 | 260,118 |

## 29. General and Administrative Expenses

This item consists of the following:

| | 2017 | 2016 |
|---|---|---|
| | JD | JD |
| Rent | 22,486 | 22,486 |
| Stationery and printing | 41,836 | 31,112 |
| Advertising and marketing | 66,135 | 19,323 |
| Bank charges | 4,775 | 2,330 |
| Water, electricity and heating | 32,548 | 29,955 |
| Maintenance | 91,267 | 59,428 |
| Postage and communications | 20,704 | 22,418 |
| Professional fees | 61,223 | 34,950 |
| Hospitality | 16,462 | 14,464 |
| Legal fees and expenses | 9,375 | 16,000 |
| Government and other fees | 39,905 | 76,657 |
| Insurance commission fees | 75,050 | 83,023 |
| Board of Directors' transportation expenses | 23,600 | 24,000 |
| Donations | 5,900 | 3,400 |
| Security expenses | 14,940 | 12,565 |
| Written off Debt | - | 695 |
| Other expenses | 22,673 | 17,468 |
| | 548,879 | 470,274 |
| Allocated General and Administrative Expenses to Underwriting Accounts | 439,103 | 376,219 |
| Unallocated General and Administrative Expenses to Underwriting Accounts | 109,776 | 94,055 |

30. Administrative Expenses for Life Insurance Department:

This item consists of the following:

| | 2017 | 2016 |
|---|---|---|
| | JD | JD |
| Salaries and benefits | 109,316 | - |
| Company's share of social security contribution | 14,229 | - |
| Health insurance for employees | 5,686 | - |
| Printing and stationery | 447 | - |
| Advertising and marketing | 445 | - |
| Professional fees | 10,807 | - |
| Bank charges | 39 | - |
| Hospitality | 230 | - |
| Other expenses | 822 | - |
| | 142,021 | - |

31. Other Expenses

This item consists of the following:

| | 2017 | 2016 |
|---|---|---|
| | JD | JD |
| Board of Directors remunerations | - | 45,000 |
| Provision for end-of-service indemnity | 23,717 | 21,819 |
| Released from litigations' provision | - | (50,000) |
| | 23,717 | 16,819 |

32. Earnings per Share for (Loss) / Profit for the Year

Earnings per share are computed by dividing the (loss) profit for the year by the average number of outstanding shares during the year; the details are as follows:

| | For the Year Ended December 31, | |
|---|---|---|
| | 2017 | 2016 |
| Item | JD | JD |
| (Loss) profit for the year | (299,691) | 696,660 |
| Average number of outstanding shares | 8,000,000 | 8,000,000 |
| Basic and Diluted Earnings per Share for the Net (Loss) / Profit for the Year | (.037) | 0.087 |

33. Cash and Cash Equivalent

The details of this item are as follows:

| | December 31, | |
|---|---|---|
| | 2017 | 2016 |
| | JD | JD |
| Deposits maturing within three months | 5,093,218 | 10,706,852 |
| Cash on hand and balances at banks | 578,231 | 730,419 |
| Less: Collateralized deposits to the order of the General Director of the Insurance Management | (325,000) | (325,000) |
| | 5,346,449 | 11,112,271 |

34. Risk Management

The Company manages risks through various methods such as using a comprehensive strategy to restrict and mitigate risks, as well as implementing appropriate controls and monitoring the effectiveness of those controls, in a manner that helps achieve the risk return balance.

Management of risks is done through constantly identifying, measuring, managing and monitoring the financial and non-financial risks that may negatively affect the company's performance or reputation, as well as assuring the proper allocation of Capital to help achieve the optimal rate of return on risks. The Company is exposed to the following risks: market risks, liquidity risks, insurance risks, interest rate risks, and foreign currencies risks.

a. Insurance Risk

1. Insurance risks

Insurance risks are those that arise from the uncertainty of the occurrence, timing, and value of insurance claims. These risks can be managed through monitoring the issuance of new insurance policies, ensuring proper pricing strategies are being implemented, and monitoring actual outstanding claims versus expected claims.

The risk of any insurance policy is the possibility of occurrence of an incident that has been insured and any other associated claims with uncertain values due to the nature of the policy; these accidents occur suddenly and thus cannot be expected.

The primary risk that insurance companies face with their issued insurance policies is the possibility that actual claims exceed the economic benefits arising from those contracts. In addition to that, there is a possibility that risks are mispriced, or substandard risks that should not be insured are being insured. And for that, the frequent claims and their severity are exceeding the amounts that were expected. Also, insured accidents are unexpected and the expected amounts differ from year to year from the actual amounts of the claims.

Moreover, the more an insurance portfolio is diversified, the less it is affected by the changes that might occur on any of its formations. The company has developed an insurance policy issuance strategy that diversifies the insurance risks that are acceptable, within each category, to expand its risk base in order to reduce the percentage of change in their expected outcomes.

The company manages its risks through sound insurance policy issuance strategies, best rated reinsurance contracts, and through effective handling of accidents. The company has set policy issuance foundations that provides risk selection criteria principles.

2. Claims Development

The schedules below show the actual claims (based on management's estimates at year-end) compared to the expectations for the past four years based on the year in which the vehicles insurance claims were reported and on the year in which underwriting of the other general insurance types and life insurance was executed as follows:

**Gross - Motor Insurance:**

| Accident Year | 2013 & Before | 2014 | 2015 | 2016 | 2017 | TOTAL |
|---|---|---|---|---|---|---|
| | JD | JD | JD | JD | JD | JD |
| As of year-end | 1,608,998 | 2,040,388 | 2,692,398 | 2,232,798 | 2,495,028 | 11,069,610 |
| After one year | 1,573,064 | 5,795,404 | 6,695,564 | 5,429,724 | - | 19,493,756 |
| After two years | 4,304,788 | 6,039,407 | 6,992,871 | - | - | 17,267,066 |
| After three years | 4,555,165 | 6,156,761 | - | - | - | 10,711,926 |
| After Four years | 4,711,639 | - | - | - | - | 4,711,639 |
| Current Expectations of Cumulative Claims | 4,711,639 | 6,156,761 | 6,922,871 | 5,429,724 | 2,495,028 | 25,716,023 |
| Cumulative payments | 3,642,799 | 4,498,218 | 4,737,674 | 4,266,017 | 1,738,411 | 18,883,119 |
| Liabilities as Stated in the Statement of Financial Position | 1,068,840 | 1,658,543 | 2,185,197 | 1,163,707 | 756,617 | 6,832,904 |
| (Deficit) in the Preliminary Assessment of the Provision | (3,102,641) | (4,116,373) | (4,230,473) | (3,196,926) | - | (14,646,413) |

**Gross - Marine and Transportation Insurance:**

| Accident Year | 2013 & Before | 2014 | 2015 | 2016 | 2017 | TOTAL |
|---|---|---|---|---|---|---|
| | JD | JD | JD | JD | JD | JD |
| As of year-end | 543,493 | 105,477 | 96,077 | 595,330 | 52,511 | 1,392,888 |
| After one year | 569,449 | 144,552 | 131,827 | 288,563 | - | 1,134,391 |
| After two years | 657,633 | 149,313 | 131,827 | - | - | 938,773 |
| After three years | 657,633 | 149,313 | - | - | - | 806,946 |
| After Four years | 657,633 | - | - | - | - | 657,633 |
| Current Expectations of Cumulative Claims | 657,633 | 149,313 | 131,827 | 288,563 | 52,511 | 1,279,847 |
| Cumulative payments | 630,625 | 119,527 | 125,079 | 288,563 | 43,001 | 1,206,795 |
| Liabilities as Stated in the Statement of Financial Position | 27,008 | 29,786 | 6,748 | - | 9,510 | 73,052 |
| (Deficit) in the Preliminary Estimate of the Provision | (114,140) | (43,836) | (35,750) | 306,767 | - | 113,041 |

**Gross - Fire and Other Damages to Properties Insurance:**

| Accident Year | 2013 & Before | 2014 | 2015 | 2016 | 2017 | TOTAL |
|---|---|---|---|---|---|---|
| | JD | JD | JD | JD | JD | JD |
| As of year-end | 107,843 | 17,724 | 25,589 | 73,395 | 41,429 | 265,980 |
| After one year | 137,884 | 255,550 | 67,016 | 220,409 | - | 680,859 |
| After two years | 242,988 | 259,153 | 67,136 | - | - | 569,277 |
| After three years | 243,327 | 262,773 | - | - | - | 506,100 |
| After four years | 250,569 | - | - | - | - | 250,569 |
| Current Expectations of Cumulative Claims | 250,569 | 262,773 | 67,136 | 220,409 | 41,429 | 842,316 |
| Cumulative payments | 68,131 | 155,746 | 59,259 | 136,475 | 8,937 | 428,548 |
| Liabilities as Stated in the Statement of Financial Position | 182,438 | 107,027 | 7,877 | 83,934 | 32,492 | 413,768 |
| (Deficit) in the Preliminary Estimate of the Provision | (142,726) | (245,049) | (41,547) | (147,014) | - | (576,336) |

**Gross - Liability**

| Accident Year | 2013 & Before | 2014 | 2015 | 2016 | 2017 | TOTAL |
|---|---|---|---|---|---|---|
| | JD | JD | JD | JD | JD | JD |
| As of year-end | 148,391 | 3,626 | 15,889 | 18,036 | 11,273 | 197,215 |
| After one year | 155,800 | 5,395 | 151,392 | 31,228 | - | 343,815 |
| After two years | 167,353 | 6,047 | 152,996 | - | - | 326,396 |
| After three years | 167,353 | 7,687 | - | - | - | 175,040 |
| After Four years | 167,353 | - | - | - | - | 167,353 |
| Current Expectations of Cumulative Claims | 167,353 | 7,687 | 152,996 | 31,228 | 11,273 | 370,537 |
| Cumulative payments | 11,553 | 7,687 | 91,751 | 19,628 | 5,061 | 135,680 |
| Liabilities as Stated in the Statement of Financial Position | 155,800 | - | 61,245 | 11,600 | 6,212 | 234,857 |
| (Deficit) in the Preliminary Estimate of the Provision | (18,962) | (4,061) | (137,107) | (13,192) | - | (173,322) |

**Gross - Other General Insurance:**

| Accident Year | 2013 & Before | 2014 | 2015 | 2016 | 2017 | Total |
|---|---|---|---|---|---|---|
| | JD | JD | JD | JD | JD | JD |
| As of year-end | - | 1,758 | 569 | - | - | 2,327 |
| After one year | 1,005 | 10,666 | 12,878 | 8,944 | - | 33,493 |
| After two years | 7,831 | 10,666 | 12,878 | - | - | 31,375 |
| After three years | 7,831 | 10,666 | - | - | - | 18,497 |
| After four years | 7,831 | - | - | - | - | 7,831 |
| Current Expectations of Cumulative Claims | 7,831 | 10,666 | 12,878 | 8,944 | - | 40,319 |
| Cumulative payments | 7,831 | 10,666 | 12,878 | 8,944 | - | 40,319 |
| Liabilities as Stated in the Statement of Financial Position | - | - | - | - | - | - |
| (Deficit) in the Preliminary Estimate of the Provision | (7,831) | (8,908) | (12,309) | (8,944) | - | (37,992) |

**Gross - Credit Insurance:**

| Accident Year | 2013 & Before | 2014 | 2015 | 2016 | 2017 | Total |
|---|---|---|---|---|---|---|
| | JD | JD | JD | JD | JD | JD |
| As of year-end | 134,941 | 63,208 | 41,170 | 25,060 | 17,206 | 281,585 |
| After one year | 397,831 | 234,485 | 451,179 | 166,905 | - | 1,250,400 |
| After two years | 355,191 | 748,411 | 501,414 | - | - | 1,605,016 |
| After three years | 466,931 | 1,043,846 | - | - | - | 1,510,777 |
| After four years | 449,345 | - | - | - | - | 449,345 |
| Current Expectations of Cumulative Claims | 449,345 | 1,043,846 | 501,414 | 166,905 | 17,206 | 2,178,716 |
| Cumulative payments | 296,121 | 441,532 | 278,110 | 41,794 | 2,881 | 1,060,438 |
| Liabilities as Stated in the Statement of Financial Position | 153,224 | 602,314 | 223,304 | 125,111 | 14,325 | 1,118,278 |
| (Deficit) in the Preliminary Estimate of the Provision | 314,404 | 980,638 | 460,244 | 141,845 | - | 1,897,131 |

3. Insurance risk concentration

Insurance policies liabilities are concentrated according to the relative types of insurance and are represented by unearned premiums and outstanding claims, as follows:

| | For the Year Ended December 31, | | | |
|---|---|---|---|---|
| | 2017 | | 2016 | |
| Insurance type | Gross | Net | Gross | Net |
| | JD | JD | JD | JD |
| Motor | 11,838,805 | 10,067,016 | 11,924,025 | 10,107,979 |
| Marine and transportation | 224,248 | 65,354 | 430,291 | 113,179 |
| Fire and other damages | 1,630,050 | 97,386 | 1,704,493 | 95,880 |
| Medical | 375,030 | 214,376 | 431,656 | 192,034 |
| Liability | 315,886 | 151,667 | 308,005 | 153,076 |
| Other Insurance | 39,714 | 1,673 | 46,836 | 2,116 |
| Credit insurance | 1,428,756 | 190,327 | 1,612,680 | 214,292 |
| Life insurance | 229,062 | 103,310 | 195,381 | 108,830 |
| Total | 16,081,551 | 10,891,109 | 16,653,367 | 10,987,656 |

Concentration of assets and liabilities according to the geographical distribution is as follows:

| | For the Year Ended December 31, | | | |
|---|---|---|---|---|
| | 2017 | | 2016 | |
| | Assets | Liabilities & Equity | Assets | Liabilities & Equity |
| | JD | JD | JD | JD |
| Inside Jordan | 22,862,932 | 22,463,721 | 23,764,097 | 23,406,756 |
| Outside Jordan | 1,398,593 | 1,797,804 | 1,648,221 | 2,005,562 |
| Total | 24,261,525 | 24,261,525 | 25,412,318 | 25,412,318 |

Concentration of assets and liabilities related to the accounts receivable and the accounts payable according to the sectors is as follows:

| | For the Year Ended December 31, | | | |
|---|---|---|---|---|
| | 2017 | | 2016 | |
| | Assets | Liabilities | Assets | Liabilities |
| Sector | JD | JD | JD | JD |
| Private sector | 2,424,724 | 1,130,049 | 2,574,126 | 730,537 |
| Total | 2,424,724 | 1,130,049 | 2,574,126 | 730,537 |

4. Re-insurance Risks

The Company signed re-insurance contracts with other companies to mitigate the risks arising from large claims. Moreover, the Company evaluated the financial position of the contracted re-insurance company. Its concern hinges on credit risks resulting from the geographical distribution and nature of work and activities of the re-insurance companies. In addition, the Company entered into re-insurance contracts that enable it to face risks with competitive pricing and to maintain the optimal level of risks, taking into consideration financial resources such as capital, reserves, volume of securities portfolio, and ready assets.

The size of retained risks is in line with scientific criteria and the general comparison index, and the more important for the Company is keeping a high liquidity ratio.

The re-insurance premiums do not replace the Company's liabilities toward others. Instead, the Company remains liable to others in terms of the reinsured share even if the Company does not fulfill its insurance obligations.

5. Sensitivity of Insurance Risks
Sensitivity analysis for the year ended December 31, 2017

| Item | Effect of Increasing 5% on Income Statement | Effect of Increasing 5% on Shareholders' Equity | Effect of Decreasing 5% on Income Statement | Effect of Decreasing 5% on Shareholders' Equity |
|---|---|---|---|---|
| | JD | JD | JD | JD |
| Premiums | 436,066 | 436,066 | (436,066) | (436,066) |
| Paid claims | (401,334) | (401,334) | 401,334 | 401,334 |

Sensitivity analysis for the year ended December 31, 2016

| Item | Effect of Increasing 5% on Income Statement | Effect of Increasing 5% on Shareholders' Equity | Effect of Decreasing 5% on Income Statement | Effect of Decreasing 5% on Shareholders' Equity |
|---|---|---|---|---|
| | JD | JD | JD | JD |
| Premiums | 467,353 | 467,353 | (467,353) | (467,353) |
| Paid claims | (364,801) | (364,801) | 364,801 | 364,801 |

b. Financial Risk

The Company adopts financial policies for managing the different risks within a specified strategy. Moreover, the Company's management monitors and controls risks and performs the optimal strategic distribution for both financial assets and financial liabilities. Risks include interest rate risks, credit risks, foreign currency risks, and market risks.

The Company adopts a financial hedging policy for financial assets and financial liabilities, when necessary. This hedging relates to the expected future risks.

1. Market risks

Market risks are the risks arising from the fluctuation in fair value or cash flows of financial instruments as a result of the change in market prices. Moreover, market risks arise from open positions related to interest rates, currencies, and investments in shares. These risks are monitored according to certain policies and procedures through competent committees and the concerned work centres. Additionally, market risks include interest rates, exchange rates risks, and equity instrument risks. Measuring and monitoring the market risks are done through several methods such as sensitivity analysis and value at Risk (VAR) as well as the Stop loss limits reports and controlling trading limits.

2. Liquidity Risks

Liquidity risks represent the Company's inability to provide the necessary financing to meet its obligations on their maturity dates. Furthermore, management of risks include the following:

- Keeping highly marketable assets that can be easily liquidated as a safeguard against unforeseeable shortfall in liquidity.

- Monitoring liquidity indicators according to the internal requirements and regulatory authorities' requirements.

- Managing concentrations and debts maturity dates.

- The following table summarizes the maturities of financial liabilities (on the basis of the remaining period of the maturity from the date of the financial statements):

| December 31, 2017 | Less than month | From one to three Months | From three to six months | From six months to one year | From one to three years | Total |
|---|---|---|---|---|---|---|
| **Liabilities :** | JD | JD | JD | JD | JD | JD |
| Insurance contracts Liabilities | - | - | - | 10,891,109 | - | 10,891,109 |
| Payables | - | 565,024 | 565,025 | - | - | 1,130,049 |
| Re-insurers accounts payable | - | 478,411 | 478,412 | - | - | 956,823 |
| Sundry provisions | - | - | - | - | 312,160 | 312,160 |
| Income tax provision | - | - | - | - | - | 0 |
| Other liabilities | 371,250 | 371,250 | 371,250 | 371,250 | - | 1,485,000 |
| Total | 371,250 | 1,414,685 | 1,414,687 | 11,262,359 | 312,160 | 14,775,141 |
| Total Assets (According to its Estimated Maturities) | 3,420,231 | 2,685,541 | 5,198,857 | 2,581,178 | 10,375,718 | 24,261,525 |

| December 31, 2016 | Less than month | From one to three Months | From three to six months | From six months to one year | From one to three years | Total |
|---|---|---|---|---|---|---|
| **Liabilities :** | JD | JD | JD | JD | JD | JD |
| Insurance contracts Liabilities | - | - | - | 10,987,656 | - | 10,987,656 |
| Payables | - | 730,537 | - | - | - | 730,537 |
| Re-Insurers accounts payable | - | 1,074,749 | - | - | - | 1,074,749 |
| Sundry provision | - | - | - | - | 293,831 | 293,831 |
| Income tax provision | - | 88,709 | - | - | - | 88,709 |
| Other liabilities | 110,061 | 410,420 | 365,420 | 365,420 | 365,420 | 1,616,741 |
| Total | 110,061 | 2,304,415 | 365,420 | 11,353,076 | 659,251 | 14,792,223 |
| Total Assets (According to its Estimated Maturities) | 7,162,638 | 4,902,349 | 2,472,874 | 1,419,543 | 9,454,914 | 25,412,318 |

3. Foreign Currencies Risks

The foreign currencies risk is the risk that resulted from the fluctuations in the value of financial instrument due to changes in exchange rates of foreign currencies. Mainly the Company's assets and liabilities are financial using the Jordanian Dinar or US Dollar. The management of the Company believes that foreign currency risk related to US Dollar, transactions is immaterial, due to the fact that the Jordanian Dinar (the Company's functional currency) is pegged with the US Dollar accordingly the company does not have to take precautions against the foreign currency risks, in addition to the following reasons:

- The companies deals with all other parties, including the reinsurers, with either the Jordanian Dinar or the U.S Dollar.

- There are no accounts in foreign currencies, however, the company monitors the exchange rates of foreign currencies on an ongoing basis.

- Below are the main concentrated foreign currencies for the company:

| | Foreign Currencies | | Equivalent to JD | |
|---|---|---|---|---|
| | December 31, | | | |
| | 2017 | 2016 | 2017 | 2016 |
| Currency | | | | |
| U.S Dollar | 3,375,496 | 3,360,340 | 2,396,602 | 2,385,841 |
| British Pound | 240,567 | 359,074 | 231,334 | 412,042 |

Management believes that the foreign currency risks and their impact on the financial statements are immaterial.

4. Interest Rate Risks

Interest rate risk is the risk that resulted from the changes in market interest rates prevailing in the market. Moreover, the Company manages interest rate risks through applying the sensitivity analysis of the instruments subject to interest rates in a manner that does not negatively affect net interest income. (A sensitivity analysis of +/- 1% is used on the return).

Sensitivity analysis for the year ended December 31, 2017:

| Item | Effect of Increasing Interest Rate by 1% on the Income Statement | Effect of Decreasing Interest Rate by 1% on the Income Statement |
|---|---|---|
| | JD | JD |
| Interest income on deposits at banks | 96,523 | (96,523) |
| Interest income on financial assets at amortized cost | 35,562 | (35,562) |

Sensitivity analysis for the year ended December 31, 2016:

| Item | Effect of Increasing Interest Rate by 1% on the Income Statement | Effect of Decreasing Interest Rate by 1% on the Income Statement |
|---|---|---|
| | JD | JD |
| Interest income on deposits at banks | 107,069 | (107,069) |
| Interest income on financial assets at amortized cost | 20,562 | (20,562) |

5. Credit Risks

Credit risks relate to the other party's inability to meet its contractual obligations leading to the losses for the Company. Moreover, the Company adopts a policy of dealing with creditworthy parties in order to mitigate the financial losses arising from the Company's default on its liabilities.

The Company's financial assets consist primarily of holders of documents and financial investments available for sale, cash and cash equivalents, and other debit accounts. Moreover, holders of documents represent debts due from the locally insured parties, governmental bodies, large projects, and external customers. Moreover, the Company's management believes that the ratio of the debts owed to the Company is high. However, the probability of no collection of all or part of these debts is very low. Moreover, these debts represent significant concentration of credit risks in the customers' geographical areas, and credit control is strictly monitored in which each client's accounts are monitored separately continuously.

35. Main Segments Analysis

a. Information on the Company's Operating Segments

For managerial purposes, the Company was organized into two segments; the general insurance sector which includes motors insurance, marine and transportation insurance, fire and other damages on properties insurance, liability, medical insurance, credit insurance and other insurance, and life insurance sector. These two sectors represent the main sectors that the Company uses to demonstrate the information related to the main sectors. The above mentioned sectors also include investments and the management of cash for the Company's own account. Moreover, transactions among the operational sectors are based on the estimated market prices at the same terms that are dealt with others.

b. Information on Geographical Distribution

This note represents the geographical distribution of the Company's operations. Moreover, the Company conducts its operations mainly in the Kingdom, representing local operations.

The following is the distribution of the Company's revenue and assets and capital expenditures according to geographical sector:

| | Inside Jordan | | Outside Jordan | |
|---|---|---|---|---|
| | December 31 | | December 31 | |
| | 2017 | 2016 | 2017 | 2016 |
| Item | JD | JD | JD | JD |
| Total Revenue from Premiums | 12,865,247 | 14,103,905 | 12,819 | 26,647 |

| | December 31, | | | |
|---|---|---|---|---|
| | 2017 | 2016 | 2017 | 2016 |
| | JD | JD | JD | JD |
| Total Assets | 22,862,932 | 23,764,097 | 1,398,593 | 1,648,221 |

36. Capital Management

- Achieving Capital Management Objectives:

The management aims to achieve capital management objectives through growing the Company's operations; achieving surplus in operating profits and revenues; and optimal employment of available financial resources. This is to achieve the targeted growth in shareholders' equity through growing the statutory reserve at 10% of realized profits and retained earnings. The Board of Directors believes that the organizational capital for the Company is sufficient.

The Company takes into consideration that the size of capital should be compatible with the size and nature of risks that the Company is exposed to. This is carried out in a manner that does not contradict with the regulations and instructions in force, and is reflected in the Company's strategies and estimated budgets. Moreover, the effect on capital adequacy ratio is considered upon acquiring investments. Additionally, capital and its adequacy are monitored periodically.

- The solvency margin as of December 31, 2017 and 2016 is as follows:

| | December 31, | |
|---|---|---|
| | 2017 | 2016 |
| Item | JD | JD |
| Available capital * | 9,661,540 | 10,906,322 |
| Second: Required capital | | |
| Capital required against assets risks | 2,284,664 | 2,464,384 |
| Capital required against underwriting liabilities | 1,682,373 | 1,640,835 |
| Capital required against reinsurers' risks | 212,723 | 273,287 |
| Capital required against life insurance risks | 30,883 | 20,618 |
| Total Required Capital | 4,210,643 | 4,399,124 |
| Third: Solvency margin ratio (available capital / required capital) | 229% | 248% |

* Available capital consists of the following:

| | December 31, | |
|---|---|---|
| | 2017 | 2016 |
| | JD | JD |
| Primary Capital: | | |
| Paid-up capital | 8,000,000 | 8,000,000 |
| Statutory reserve | 1,569,090 | 1,569,072 |
| Voluntary reserve | 15,948 | 15,948 |
| Retained earnings | 228,779 | 1,108,062 |
| | 9,813,817 | 10,693,082 |
| Add: Supplementary Capital: | | |
| Increase in investment properties fair value | 175,156 | 286,255 |
| Financial assets valuation reserve | (327,433) | (73,005) |
| Total Supplementary Capital | (152,277) | 213,250 |
| | 9,661,540 | 10,906,332 |

37. Analysis of Assets and Liabilities Maturities

This table consists of the analysis of assets and liabilities according to the expected period to be returned or settled:

| December 31, 2017 | Up to one year | More than one year | Total |
|---|---|---|---|
| Assets: | JD | JD | JD |
| Deposits at banks | 9,652,275 | - | 9,652,275 |
| Financial assets at fair value through other comprehensive income | - | 773,297 | 773,297 |
| Financial assets at amortized cost | - | 3,556,152 | 3,556,152 |
| Investments property | - | 2,623,803 | 2,623,803 |
| Cash on hand and at banks | 578,231 | - | 578,231 |
| Cheques under collection | 434,323 | - | 434,323 |
| Receivables-Net | 2,424,724 | - | 2,424,724 |
| Re-insurers receivables-Net | 441,034 | - | 441,034 |
| Deferred tax assets | - | 351,433 | 351,433 |
| Property and equipment-Net | - | 3,060,579 | 3,060,579 |
| Intangible assets-Net | - | 10,454 | 10,454 |
| Other Assets | 355,220 | - | 355,220 |
| Total Assets | 13,885,807 | 10,375,718 | 24,261,525 |
| | | | |
| Liabilities: | | | |
| Unearned Premium Provision- Net | 4,159,823 | - | 4,159,823 |
| Claims Provision - Net | 6,638,811 | - | 6,638,811 |
| Mathematical Provision - Net | 92,475 | - | 92,475 |
| Payables | 1,130,049 | - | 1,130,049 |
| Re-insurers payables | 956,823 | - | 956,823 |
| Sundry Provisions | - | 312,160 | 312,160 |
| Income Tax Provision | - | - | - |
| Other Liabilities | 1,485,000 | - | 1,485,000 |
| Total Liabilities | 14,462,981 | 312,160 | 14,775,141 |
| Net | (577,174) | 10,063,558 | 9,486,384 |

| December 31, 2016 | Up to one year | More than one year | Total |
|---|---|---|---|
| Assets: | JD | JD | JD |
| Deposits at banks | 10,706,852 | - | 10,706,852 |
| Financial assets at fair value through other comprehensive income | - | 1,311,137 | 1,311,137 |
| Financial assets at amortized cost | - | 2,056,152 | 2,056,152 |
| Investments property | - | 2,623,803 | 2,623,803 |
| Cash on hand and at banks | 730,419 | - | 730,419 |
| Cheques under collection | 627,716 | - | 627,716 |
| Receivables-Net | 2,574,126 | - | 2,574,126 |
| Re-insurers receivables-Net | 958,551 | - | 958,551 |
| Deferred tax assets | - | 333,613 | 333,613 |
| Property and equipment-Net | - | 3,122,416 | 3,122,416 |
| Intangible assets-Net | - | 7,793 | 7,793 |
| Other assets | 359,740 | - | 359,740 |
| Total Assets | 15,957,404 | 9,454,914 | 25,412,318 |
| | | | |
| Liabilities: | | | |
| Unearned Premium Provisions - Net | 4,623,598 | - | 4,623,598 |
| Claim provision - Net | 6,266,919 | - | 6,266,919 |
| Mathematical provision - Net | 97,139 | - | 97,139 |
| Payables | 730,537 | - | 730,537 |
| Re-insurers payables | 1,074,749 | - | 1,074,749 |
| Sundry Provisions | - | 293,831 | 293,831 |
| Income tax provision | 88,709 | - | 88,709 |
| Other liabilities | 1,251,321 | 365,420 | 1,616,741 |
| Total Liabilities | 14,132,972 | 659,251 | 14,792,223 |
| Net | 1,824,432 | 8,795,663 | 10,620,095 |

38. Lawsuits against the Company

There are lawsuits against the Company claiming compensation on various accidents and the lawsuits at courts with determined amounts of JD 2,048,347 as of December 31, 2017 (JD 1,638,251 as of December 31, 2016). In the opinion of the Company's management and its lawyer, no liabilities in excess of the provisions within the claims provision shall arise.

The cases raised by the Company amounted to JD 1,181,297 as of December 31, 2017.

39. Transactions with Related Parties

The Company engaged in transactions with the major shareholders, members of the Board of Directors and the executive management within the course of its normal activities, all related parties accounts granted to related parties are operating and no provisions were taken.

- Below is a summary of transactions with related parties during the year:

| | December 31, | |
|---|---|---|
| | 2017 | 2016 |
| Statement of Financial Positions Items: | JD | JD |
| Accounts receivable | 632,205 | 802,326 |
| Accounts payable | 63,736 | 13,179 |

| | For the year ended December 31, | |
|---|---|---|
| | 2017 | 2016 |
| Statement of Income Items: | JD | JD |
| Underwriting premium revenues | 1,096,695 | 1,222,437 |
| Paid claims | 193,167 | 178,747 |
| Board of directors transportation and the board secretary fees | 23,600 | 24,000 |
| Legal fees | 8,000 | 16,000 |

- Below is a summary of the Company's top managements benefits (salaries, bonuses, and other benefits):

| | For the Year Ended December 31, | |
|---|---|---|
| | 2017 | 2016 |
| Item | JD | JD |
| Board of Directors salaries and other benefits | 714,636 | 624,683 |

40. Contingent Liabilities

- As of the date of the statement of financial position, the Company was contingently liable for bank guarantees with an amount of JD 2,000 against cash margin of JD 1,200.

- There are contingent liabilities for an investment in funds in Gulf Capital Investment Funds that amounted to JD 676,356.

41. Fair Value Hierarchy

**A. Fair Value of Financial Assets and Financial Liabilities that are Measured at Fair Value on a Recurring Basis:**

Some of the financial assets and financial liabilities are measured at fair value at the end of each fiscal period. The following table gives information about how the fair value of these financial as and financial liabilities are determined (valuation techniques and key inputs).

| Financial Assets/Financial Liabilities | Fair Value December 31, 2017 | Fair Value December 31, 2016 | Fair Value Hierarchy | luation technique and key inputs | Significant unobservable | Relationship of Unobservable Inputs to fair value |
|---|---|---|---|---|---|---|
| | JD | JD | | | | |
| **Financial Assets at Fair Value:** | | | | | | |
| **Financial Assets at Fair Value through Other Comprehensive Income** | | | | | | |
| Shares with available market values - inside and outside Jordan | 506,771 | 653,079 | level 1 | Quoted rates in financial markets | Not Applicable | Not Applicable |
| Investment Fund-Inside Jordan | - | 340,414 | level 1 | Declared market value by the investment fund's manager | Not Applicable | Not Applicable |
| Investment Fund-outside Jordan | 266,526 | 317,645 | level 1 | Investment fund's manager | | |
| **Total** | 773,297 | 1,311,137 | | | | |

There were no transfers between Level (1) and Level (2) during 2017 and 2016.

**B. Fair Value of Financial Assets and Financial Liabilities that are not Measured at Fair Value on a Recurring Basis**

Except for what is mentioned in the table below, we believe that the book values of the financial assets and financial liabilities recognized in the Company's financial statements approximate their fair values, as the company's management believes that the reason why the following item's book value are approximately equal to fair value is due to either their short term maturity or that their interest rates are repriced during the year.

| | December 31, 2017 | | December 31, 2016 | | |
|---|---|---|---|---|---|
| | Book value | Fair value | Book value | Fair value | Fair value Hierarchy |
| **Financial Assets not measured at Fair Value** | JD | JD | JD | JD | |
| Deposits at banks | 9,652,275 | 9,871,027 | 10,706,852 | 11,008,884 | Level 2 |
| Investments property | 2,623,803 | 2,798,959 | 2,623,803 | 2,910,058 | Level 2 |
| Financial assets at amortized cost | 3,556,152 | 3,636,888 | 2,056,152 | 2,098,461 | Level 2 |
| **Total Financial Assets with not measured at Fair Value** | 15,832,230 | 16,306,874 | 15,386,807 | 16,017,403 | |

The fair values of the financial assets and liabilities included in level 2 and 3 categories above have been determined in accordance with the generally accepted pricing models which reflects the credit risks of counterparties.

42. Application of new and revised International Financial Reporting Standards (IFRS)

a. New and revised IFRSs applied with no material effect on the financial statements

The following new and revised IFRSs, which became effective for annual periods beginning on or after January 1, 2017, have been adopted in these financial statements.

**Amendments to IAS 12 *Income Taxes* Recognition of Deferred Tax Assets for Unrealised Losses**

The Company has applied these amendments for the first time in the current year. The amendments clarify how an entity should evaluate whether there will be sufficient future taxable profits against which it can utilise a deductible temporary difference.

The application of these amendments has had no impact on the Company's financial statements.

**Amendments to IAS 7 *Disclosure Initiative***

The Company has applied these amendments for the first time in the current year. The amendments require an entity to provide disclosures that enable users of the financial statements to evaluate changes in liabilities arising from financing activities, including both cash and non-cash changes.

**Annual Improvements to IFRS Standards 2014–2016 Cycle – Amendments to IFRS 12**

The Company has applied the amendments to IFRS 12 included in the Annual Improvements to IFRSs 2014-2016 Cycle for the first time in the current year. The other amendments included in this package are not yet mandatorily effective and they have not been early adopted by the Company (see note 42 - b).

IFRS 12 states that an entity need not provide summarised financial information for interests in subsidiaries, associates or joint ventures that are classified (or included in a disposal group that is classified) as held for sale. The amendments clarify that this is the only concession from the disclosure requirements of IFRS 12 for such interests.

The application of these amendments has had no effect on the Company's financial statements as none of the Group's interests in these entities are classified, or included in a disposal group that is classified, as held for sale.

b. New and revised IFRS in issue but not yet effective

The Company has not yet applied the following new and revised IFRSs that have been issued but are not yet effective:

**Annual Improvements to IFRS Standards 2014 – 2016 Cycle amending IFRS 1 and IAS 28**

The improvements include the amendments on IFRS 1 and IAS 28 and they are effective for annual periods beginning on or after January 1, 2018.

**Annual Improvements to IFRS Standards 2015–2017**

The improvements include the amendments on IFRS 3, IFRS 11, IAS 12 and IAS 23 and they are effective for annual periods beginning on or after January 1, 2019.

**IFRIC 22 *Foreign Currency Transactions and Advance Consideration***
The interpretation addresses foreign currency transactions or parts of transactions where:

- there is consideration that is denominated or priced in a foreign currency;
- the entity recognises a prepayment asset or a deferred income liability in respect of that consideration, in advance of the recognition of the related asset, expense or income; and
- the prepayment asset or deferred income liability is non-monetary.

The interpretation is effective for annual periods beginning on or after January 1, 2019.

**IFRIC 23 *Uncertainty over Income Tax Treatments***
The interpretation addresses the determination of taxable profit (tax loss), tax bases, unused tax losses, unused tax credits and tax rates, when there is uncertainty over income tax treatments under IAS 12. It specifically considers:

- Whether tax treatments should be considered collectively;
- Assumptions for taxation authorities' examinations;
- The determination of taxable profit (tax loss), tax bases, unused tax losses, unused tax credits and tax rates; and
- The effect of changes in facts and circumstances.

The interpretation is effective for annual periods beginning on or after January 1, 2019.

**Amendments to IFRS 2 *Share Based Payment***
The amendments are related to classification and measurement of share based payment transactions and they are effective for annual periods beginning on or after January 1, 2018.

**Amendments to IFRS 4 Insurance Contracts**
The amendments relating to the different effective dates of IFRS 9 and the forthcoming new insurance contracts standard and they are effective for annual periods beginning on or after January 1, 2018.

**Amendments to IAS 40 *Investment Property***
Paragraph 57 has been amended to state that an entity shall transfer a property to, or from, investment property when, and only when, there is evidence of a change in use. A change of use occurs if property meets, or ceases to meet, the definition of investment property. A change in management's intentions for the use of a property by itself does not constitute evidence of a change in use. The paragraph has been amended to state that the list of examples therein is non-exhaustive.

The Amendments are effective for annual periods beginning on or after January 1, 2018.

**Amendments to IAS 28 Investment in Associates and Joint Ventures**
The amendments are related to long-term interests in associates and joint ventures. These amendments clarify that an entity applies IFRS 9 Financial Instruments to long-term interests in an associate or joint venture that form part of the net investment in the associate or joint venture but to which the equity method is not applied.

The Amendments are effective for annual periods beginning on or after January 1, 2019.

**IFRS 16** ***Leases***
IFRS 16 specifies how an IFRS reporter will recognise, measure, present and disclose leases. The standard provides a single lessee accounting model, requiring lessees to recognise assets and liabilities for all leases unless the lease term is 12 months or less or the underlying asset has a low value. Lessors continue to classify leases as operating or finance, with IFRS 16's approach to lessor accounting substantially unchanged from its predecessor, IAS 17.

The Company will apply IFRS 16 in the effective date which is the annual periods beginning on or after January 1, 2019 The Company is in the process of evaluating the impact of IFRS 16 on the Company's financial statements.

**Amendments to IFRS 9** ***Financial Instruments***
The amendments are related to prepayment features with negative compensation. This amends the existing requirements in IFRS 9 regarding termination rights in order to allow measurement at amortised cost (or, depending on the business model, at fair value through other comprehensive income) even in the case of negative compensation payments.

The Amendments are effective for annual periods beginning on or after January 1, 2019.

**IFRS 9** ***Financial Instruments*** **(revised versions in 2009, 2010, 2013 and 2014)**
IFRS 9 issued in November 2009 introduced new requirements for the classification and measurement of financial assets. IFRS 9 was subsequently amended in October 2010 to include requirements for the classification and measurement of financial liabilities and for derecognition, and in November 2013 to include the new requirements for general hedge accounting. Another revised version of IFRS 9 was issued in July 2014 mainly to include a) impairment requirements for financial assets and b) limited amendments to the classification and measurement requirements by introducing a 'fair value through other comprehensive income' (FVTOCI) measurement category for certain simple debt instruments.

A finalised version of IFRS 9 which contains accounting requirements for financial instruments, replacing IAS 39 *Financial Instruments: Recognition and Measurement*. The standard contains requirements in the following areas:

- **Classification and measurement**: Financial assets are classified by reference to the business model within which they are held and their contractual cash flow characteristics. The 2014 version of IFRS 9 introduces a 'fair value through other comprehensive income' category for certain debt instruments. Financial liabilities are classified in a similar manner to under IAS 39, however there are differences in the requirements applying to the measurement of an entity's own credit risk.

- **Impairment**: The 2014 version of IFRS 9 introduces an 'expected credit loss' model for the measurement of the impairment of financial assets, so it is no longer necessary for a credit event to have occurred before a credit loss is recognised

- **Hedge accounting**: Introduces a new hedge accounting model that is designed to be more closely aligned with how entities undertake risk management activities when hedging financial and non-financial risk exposures.

- **Derecognition:** The requirements for the derecognition of financial assets and liabilities are carried forward from IAS 39.

The Company adopted IFRS 9 (phase 1) that was issued in 2009 related to classification and measurement financial assets, the company will adopt the finalised version of IFRS 9 from the effective date of January 1, 2018; apply it retrospectively and recognize the cumulative effect of initially applying this standard as an adjustment to the opening balance of retained earnings as of January 1, 2018.

The Company is continuing to analyze the impact of the changes and currently does not consider it likely to have a major impact on its adoption. This assessment is based on currently available information and is subject to changes that may arise when the Company presents its first financial statements as on December31, 2018 that includes the effects of it application from the effective date.

**IFRS 15 *Revenue from Contracts with Customers***
In May 2014, IFRS 15 was issued which established a single comprehensive model for entities to use in accounting for revenue arising from contracts with customers. IFRS 15 will supersede the current revenue recognition guidance including IAS 18 *Revenue*, IAS 11 *Construction Contracts* and the related interpretations when it becomes effective.

The core principle of IFRS 15 is that an entity should recognize revenue to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services. Specifically, the standard introduces a 5-step approach to revenue recognition:

Step 1: Identify the contract(s) with a customer.
Step 2: Identify the performance obligations in the contract.
Step 3: Determine the transaction price.
Step 4: Allocate the transaction price to the performance obligations in the contract.
Step 5: Recognise revenue when (or as) the entity satisfies a performance obligation.

Under IFRS 15, an entity recognises when (or as) a performance obligation is satisfied, i.e. when 'control' of the goods or services underlying the particular performance obligation is transferred to the customer. Far more prescriptive guidance has been added in IFRS 15 to deal with specific scenarios. Furthermore, extensive disclosures are required by IFRS 15.

IFRS 15 may be adopted retrospectively, by restating comparatives and adjusting retained earnings at the beginning of the earliest comparative period. Alternatively, IFRS 15 may be adopted as of the application date on January 1, 2018, by adjusting retained earnings at the beginning of the first reporting year (the cumulative effect approach).

The Company intends to adopt the standard using the cumulative effect approach, which means that the Company will recognize the cumulative effect of initially applying this standard as an adjustment to the opening balance of retained earnings of the annual reporting period that includes the date of initial application. The Company is continuing to analyze the impact of the changes and its impact will be disclosed in the first financial statements as of December 31, 2018 that includes the effects of it application from the effective date.

**Amendments to IFRS 15 *Revenue from Contracts* with Customers**
The amendments are to clarify three aspects of the standard (identifying performance obligations, principal versus agent considerations, and licensing) and to provide some transition relief for modified contracts and completed contracts.

The Amendments are effective for annual periods beginning on or after January 1, 2018.

**Amendments to IFRS 7 *Financial Instruments: Disclosures***
The amendments are related to disclosures about the initial application of IFRS 9. The Amendments are effective when IFRS 9 is first applied

**IFRS 7 Financial Instruments: Disclosures**
The amendments are related to the additional hedge accounting disclosures (and consequential amendments) resulting from the introduction of the hedge accounting chapter in IFRS 9. The Amendments are effective when IFRS 9 is first applied

**IFRS 17 *Insurance Contracts***
IFRS 17 requires insurance liabilities to be measured at a current fulfillment value and provides a more uniform measurement and presentation approach for all insurance contracts. These requirements are designed to achieve the goal of a consistent, principle-based accounting for insurance contracts. IFRS 17 supersedes IFRS 4 *Insurance Contracts* as of January 1, 2021.

**Amendments to IFRS 10 Consolidated Financial Statements and IAS 28 Investments in Associates and Joint Ventures (2011)**
The amendments are related to the treatment of the sale or contribution of assets from and investor to its associate or joint venture.

The Amendments effective date deferred indefinitely and the adoption is still permitted.

Management anticipates that these new standards, interpretations and amendments will be adopted in the Company's financial statements as and when they are applicable and adoption of these new standards, interpretations and amendments, except for IFRS 9, IFRS 15 and IFRS 16 as highlighted in previous paragraphs, may have no material impact on the financial statements of the Company in the period of initial application.

Management anticipates that IFRS 15 and IFRS 9 will be adopted in the Company's financial statements for the annual period beginning January 1, 2018 and that IFRS 16 will be adopted in the Company's financial statements for the annual period beginning January 1, 2019.