



نموذج رقم (2-1)

شركة الإتحاد العربي للتأمين  
Arab Union International Insurance Co.

Form No. (1-2)

To: Jordan Securities Commission  
Amman Stock Exchange

2019/03/ 28 Date:-

Ref. : 293/2019

Subject: Audited Financial Statements for the fiscal year  
ended 31/12/2018

السادة هيئة الأوراق المالية

السادة بورصة عمان

التاريخ: 2019/03/ 28

رقم الكتاب : 2019/293

الموضوع: البيانات المالية السنوية المدققة للسنة  
المنتهية في 31/12/2018

Attached the Audited Financial Statements of -1  
(Arab Union International Insurance Co.) for the fiscal  
year  
in Arabic and English Language ended 31/12/2018

Company Financial Statements for the CD) containing -2  
fiscal year ended 31/12/2018.

1- مرفق طيه نسخة من البيانات المالية المدققة لشركة  
( الاتحاد العربي الدولي للتأمين ( م.ع.م. ) عن  
السنة المالية المنتهية في 31/12/2018 باللغتين  
العربية والإنجليزية

2- قرص مدمج (CD) يحتوي على البيانات المالية  
السنوية للشركة للسنة المنتهية في 31/12/2018 .

Kindly accept our high appreciation and respect

.Arab Union International Insurance Co  
General Manager  
Mohammad Yousef Arrabi

وتفضلوا بقبول فائق الاحترام...

شركة الاتحاد العربي الدولي للتأمين

المدير العام

محمد يوسف عرابي



بورصة عمان  
الدائرة الإدارية والمالية  
الديوان

٢٨ آذار ٢٠١٩

الرقم التسلسلي: ١٥٥٦

رقم الملف: ٢١٠٩١

الجهة المختصة: المدير الاداري

**Arab Union International Insurance**

**"Public Shareholding Company"**

**Amman- Hashemite Kingdom of Jordan**

**Consolidated Final Financial Statements and**

**Independent Auditor's Report**

**As at 31 December 2018**

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

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## Independent Auditor's Report

**M/s. General Assembly**

**M/s. Arab Union International Insurance**

**"Public Shareholding Company"**

**Amman- Hashemite Kingdom of Jordan**

### Opinion

We have audited the consolidated financial statements of the "Arab Union International Insurance "PLC" which consists of the consolidated statement of financial position as on 31 December 2018 and the consolidated statement of compressive income, consolidated statement of changes in shareholder equities and consolidated statement of cash flows as on that date, and the notes on consolidated financial statements, including summary of the accounting policies.

In our opinion, the attached consolidated financial statements fairly show in all essential aspects the company's consolidated financial position as on 31 December 2018 and its financial performance and consolidated cash flows as on that date in accordance with the international financial reporting standards.

### Basis of opinion

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

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

### Independence

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

### The key audit matters

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



### 1- Technical provisions of insurance :

Description of the important auditing matter	How the important auditing matter was treated in our auditing
<p>The company shall recognize the technical provisions of insurance works in accordance with the insurance management instructions when the company has liabilities on the date of financial statements arising out of previous occurrences and that payment of those liabilities is likely and their value can be reliably measured.</p> <p>The value of those provisions by the end of 2018 was JOD 7,516,377 versus JOD 7,811,542 by the end of 2017. These provisions include the provision of unearned premiums , provision of outstanding claims, provision of deficit of premiums and provision of recovery.</p> <p>The company's management engages actuarial expert on annual basis to examine all calculated technical provisions.</p>	<p>Auditing procedures that we applied included engagement of the persons in charge of follow up of those provisions and the external actuarial expert's opinion to evaluate the sufficiency of those technical provisions and the company management's compliance with the insurance department's instructions thereon.</p> <p>The applicable auditing procedures include understanding of the nature of provisions, in addition to examination of the applicable internal control regulation. We studied and understood the company's policies on calculation of technical provisions and evaluation of the factors that affect their calculation in accordance with the respective instructions of the Insurance Authority.</p> <p>We have evaluated the completeness and validity of disclosures and evaluated compliance with the disclosure requirements contained in the international financial reporting standards.</p>

### 2- Receivables:

Description of the important auditing matter	How the important auditing matter was treated in our auditing
<p>In reference to note (10) and note (11) the value of those items by the end of 2018 was "JOD 3,234,161" versus "JOD 3,242,043" by the end of 2017. The company's management assessed the value of doubtful debt provision to "JOD 529,872".</p> <p>According to the foregoing, we believe that receivables are key matters of auditing because of their size and importance.</p>	<p>Auditing procedures included study of the control applied by the company's management in the collection of receivables and our auditing of the receivables lives and accruals in the subsequent period and guarantees related to those receivables, and study of sufficiency of the provision of impairment of doubtful receivables through evaluation of management assumptions.</p> <p>We have audited the sufficiency of the company's disclosures on the key estimations to find the provision of impairment of doubtful receivables. We evaluated the completeness and validity of disclosures and evaluated compliance with the disclosure requirements contained in the international financial reporting standards.</p>

### 3- Financial assets of fair value through income statement :

Description of the important auditing matter	How the important auditing matter was treated in our auditing
In reference to note (4), financial assets of fair value through the statement of income provided in the consolidated financial statements of the company, the value of those assets by the end of 2018 was "JOD 684,047" versus "JOD 719,494 " by the end of 2017. The company maintained those investments for the purposes of trading and making profit through short-term market price fluctuations. Accordingly, we believe that the item of financial assets of fair value through the statement of income and the results of trading and keeping of them from accrued profits and differences of revaluation by the end of this year are key auditing matters because of their size and importance.	During our auditing of the item of financial assets of fair value through the statement of income, we: <ul style="list-style-type: none"> <li>- Verified the company's ownership of those assets by review of the sale and purchase invoices and getting ownership certificate from the securities deposit center.</li> <li>- Verified any attachments or mortgages that would impede the company's ability to dispose those assets.</li> <li>- Assured that the company registered those assets at their fair value on the date of purchase and assure validity of the subsequent evaluation and showing all those differences in the statement of income.</li> <li>- We have evaluated the completeness and validity of the disclosures related to the financial assets at fair value through the statement of income and evaluation of compliance with the disclosure requirements contained in the international financial reporting standards.</li> </ul>

### 4- Income tax:

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

### Other Information:

Management is responsible for the other information. The other information includes all information contained in the company's annual report of 2018, except for the consolidated financial statements and auditor's report. We weren't provided with other information up to the date of our report, as we expected to be provided therewith after that date.

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

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

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

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

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

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

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

### Auditor's responsibility for auditing of the consolidated financial statements

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

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

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

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

- Determination and evaluation of the risks of material errors of consolidated financial statements, whether arising out of fraud or error, and design and implementation of the audit procedures that respond to those risks, and to get sufficient and suitable auditing evidence to provide basis of our opinion. The risk of failure to detect any material errors that arise out of fraud is higher than the material mistakes that arise out of error. Fraud may include complicit, counterfeit, intentional deletion, deviations or infringement of the internal control regulations.
- Understand the internal control regulations related to the audit works to design suitable auditing procedures in the circumstances, not to express opinion on the effectiveness of the company's internal control regulations.
- Evaluate the suitability of applicable accounting policies and reasonableness of the accounting estimates and related notes prepared by management.

- Reach conclusion on the suitability of management's use of the accounting continuity basis. Based on the auditing evidence obtained, whether there is material uncertainty related to evidences or circumstances that may give rise to considerable doubts on the company's ability to survive as going concern. If we concluded that there is no material uncertainty, we are required to disregard in our auditing report the related notes contained in the consolidated financial statements, or if disclosure is insufficient, we will amend our opinion. Our conclusions depend on the audit evidence that were obtained up to the date of our auditing report. However, future occurrences or circumstances can result in the company's inability to continue as going concern.
- Evaluation of the overall presentation, form and content of consolidated financial statements and notes and whether the consolidated financial statements represent the transactions and occurrences in the manner that fulfills fair presentation.
- Get sufficient and suitable evidence of auditing on the financial information of the facilities and business activities within the company to express our opinion on the consolidated financial statements. We are responsible for direction, supervision and completion of the company's auditing. We remain fully responsible for the auditing report.
- We contacted the officials of governance by permission on our compliance with the requirements of professional conduct related to independence, and informed them about all relations and other matters that can affect our independence and the protection measures, if any.
- We provided some persons in charge of governance by permission on our compliance with the requirements of professional conduct related to independence, and informed them about all relations and other matters that can affect our independence and the protection measures, if any.
- Among those matters that were communicated to the persons in charge of governance, we determined the most important matters in auditing of the consolidated financial statements in our report unless there is law or legislation to prevent disclosure of this matter or in very rare cases in which we decide not to disclose that matter in our report, because of negative effects that may exceed the general benefit of those disclosures.

#### Report on the legal requirements

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

Amman, Hashemite Kingdom of Jordan  
19/03/2019

The Scientific Office for Auditing,  
Accounting and Consulting  
Jamal M. Falah  
License No. "285"



**Arab Union International Insurance Co.**  
**"Public Shareholding Limited"**  
**Amman – the Hashemite Kingdom of Jordan**  
**The Consolidated Statement of Financial Position as at December 31, 2018**

		<u>2018</u> <u>JOD</u>	<u>2017</u> <u>JOD</u>
<b><u>Assets</u></b>			
Deposits at banks	3	1,860,837	1,308,343
Financial assets at fair value through the income statement	4	684,047	719,494
Financial assets a fair value through the other comprehensive income	5	50,243	244,503
Investment at an associate company	6	1	15,000
Real estate investments	7	6,785,529	6,775,506
<b>Total investments</b>		<b>9,380,657</b>	<b>9,062,846</b>
Cash on hand and at banks	8	422,424	808,155
Notes receivable and cheques under collection	9	213,838	244,155
Accounts receivable – Net	10	1,808,800	1,610,895
Accounts receivable of reinsurance	11	895,489	1,139,684
Accounts receivable of associate company	30	36,347	36,347
Deferred tax assets	12	1,334,956	1,464,350
Properties and equipment – Net	13	1,854,865	1,945,673
Intangible assets - Net	14	416	549
Other assets	15	29,415	26,631
<b>Total assets</b>		<b><u>15,977,207</u></b>	<b><u>16,339,285</u></b>

The enclosed explanatory notes constitute an integral part hereof.

**Arab Union International Insurance Co.**  
**"Public Shareholding Limited"**  
**Amman – the Hashemite Kingdom of Jordan**  
**The Consolidated Statement of Financial Position as at December 31, 2018**

		<u>2018</u> <u>JOD</u>	<u>2017</u> <u>JOD</u>
<b><u>Liabilities and shareholder's equity</u></b>			
<b><u>Liabilities</u></b>			
Unearned premiums provision – Net		3,661,500	3,129,985
Outstanding claims provision – Net		3,854,877	4,656,678
Provision of deficit of premiums – Net		-	24,879
<b>Total liabilities of insurance contracts</b>		<b>7,516,377</b>	<b>7,811,542</b>
Accounts payable	16	749,905	1,427,358
Accrued expenses		4,928	6,615
Accounts payable of reinsurance	17	522,947	572,796
Other liabilities	18	564,814	584,290
<b>Total liabilities</b>		<b>9,358,971</b>	<b>10,402,601</b>
<b><u>Shareholder's equity</u></b>			
Declared capital		6,000,000	6,000,000
Paid capital	19	6,000,000	6,000,000
Statutory reserve	20	69,351	1,304,330
Fair value reserve		(11,957)	-
Retained earning ( losses )	21	560,842	(1,367,646)
<b>Net shareholder's equity</b>		<b>6,618,236</b>	<b>5,936,684</b>
<b>Total liabilities and shareholder's equity</b>		<b>15,977,207</b>	<b>16,339,285</b>

The enclosed explanatory notes constitute an integral part hereof.

**Arab Union International Insurance Co.**  
**"Public Shareholding Limited"**  
**Amman – the Hashemite Kingdom of Jordan**  
**The Consolidated Income Statement for the year**  
**ended on 31 December 2018**

<u>Description</u>		<u>2018</u> <u>JOD</u>	<u>2017</u> <u>JOD</u>
<b><u>Revenues</u></b>			
Total underwritten premiums		8,477,522	7,502,852
Less: reinsurance share		(212,269)	(173,868)
<b>Net underwritten premiums</b>		<b>8,265,253</b>	<b>7,328,984</b>
Net change in unearned premiums provision		(531,515)	(935,128)
Net change in the allowance of deficit of premiums		-	6,431
<b>Net earned premiums</b>		<b>7,733,738</b>	<b>6,400,287</b>
Commissions revenue		45,210	77,838
Issuance fees		264,822	242,685
Other revenues from underwriting		45,340	193,411
Interests revenues	22	80,158	37,917
Gain from investments and financial assets	23	202,888	99,721
Other revenues (expenses)	24	494,466	16,167
<b>Total revenues</b>		<b>8,866,622</b>	<b>7,068,026</b>
<b><u>Claims, loss, and expenses</u></b>			
Paid claims		7,529,855	7,522,327
Less: recoveries		(946,444)	(1,386,424)
Less: reinsurance share		(122,070)	(573,765)
<b>Net paid claims</b>		<b>6,461,341</b>	<b>5,562,138</b>
Net change in claims provision		(801,801)	(1,345,835)
Allocated employee expenditure	25	776,067	696,622
Allocated administrative and general expenses	26	442,892	548,534
Excess of Loss premiums		205,536	199,569
Document acquisition costs		387,012	292,073
<b>Net claims</b>		<b>7,471,047</b>	<b>(5,953,101)</b>
Unallocated employee expenditure	25	136,243	94,214
Depreciation and amortization		235,947	443,282
Unallocated administrative and general expenses	26	89,045	24,008
Provision for legal issues		58,000	-
Provision for impairment of investments in an associate		14,999	-
Allowance of doubtful debts expenses		38,408	44,746
Expenses of the subsidiary		30	1,311
<b>Total expenses</b>		<b>572,672</b>	<b>(607,561)</b>
<b>Profit of the year before tax</b>		<b>822,903</b>	<b>507,364</b>
Tax expense for the year	12	(129,394)	(100,110)
<b>Profit of the year after tax</b>		<b>693,509</b>	<b>407,254</b>
		<u>Dinar/Share</u>	<u>Dinar/Share</u>
Earnings per share of the year	27	<u>0.116</u>	<u>0.068</u>

The enclosed explanatory notes constitute an integral part hereof.

Arab Union International Insurance Co.  
"Public Shareholding Limited"  
Amman – the Hashemite Kingdom of Jordan  
The Consolidated statement of Comprehensive for the year  
ended on 31 December 2018

<u>Description</u>	<u>2018</u> <u>JOD</u>	<u>2017</u> <u>JOD</u>
Profit of the year	693,509	407,254
<u>Add: other comprehensive income items</u>		
Change at fair value	(11,957)	-
Total comprehensive income of the year	<u>681,552</u>	<u>407,254</u>

The enclosed explanatory notes constitute an integral part hereof.

Arab Union International Insurance Co.

"Public Shareholding Limited"

Amman – the Hashemite Kingdom of Jordan

Consolidated Statement of Changes in Shareholder's Equity for the Year Ended on December 31, 2018

<u>Description</u>	<u>Profits (losses) accumulated</u>						<u>Total</u>
	<u>Paid Capital</u>	<u>Statutory reserve</u>	<u>Change at fair value</u>	<u>Realized</u>	<u>Un realized</u>	<u>Total Profits (losses) accumulated</u>	
	<u>JOD.</u>	<u>JOD</u>	<u>JOD</u>	<u>JOD</u>	<u>JOD</u>	<u>JOD</u>	<u>JOD</u>
<u>For the year ended on December 31, 2018</u>							
Balance at the beginning of the year	6,000,000	1,304,330	-	(1,367,646)	-	(1,367,646)	5,936,634
Amortization	-	(1,304,330)	-	1,304,330	-	1,304,330	-
Profit of the year	-	-	-	728,956	(35,447)	693,509	693,509
Statutory reserve	-	69,351	-	(69,351)	-	(69,351)	-
Change at fair value	-	-	(11,957)	-	-	-	(11,957)
Balance at the end of the year	6,000,000	69,351	(11,957)	596,289	(35,447)	560,842	6,618,236
<u>For the year ended on December 31, 2017</u>							
Balance at the beginning of the year	4,000,000	1,263,605	-	(1,734,175)	-	(1,734,175)	3,529,430
Increase in Capital	2,000,000	-	-	-	-	-	2,000,000
Profit of the year	-	-	-	454,650	(47,396)	407,254	407,254
Statutory reserve	-	40,725	-	(40,725)	-	(40,725)	-
Balance at the end of the year	6,000,000	1,304,330	-	(1,320,250)	(47,396)	(1,367,646)	5,936,684

The enclosed explanatory notes constitute an integral part hereof.

**Arab Union International Insurance Co.**  
**"Public Shareholding Limited"**  
**Amman – the Hashemite Kingdom of Jordan**  
**Consolidated Statement of Cash Flows for the Year Ended on December 31, 2018**

<u>Description</u>	<u>2018</u> <u>JOD</u>	<u>2017</u> <u>JOD</u>
<b><u>Cash flow from operational activities</u></b>		
Profit of the year before tax	822,903	507,364
<b><u>Items that do not require cash money expenditures:</u></b>		
Depreciation and amortization	235,947	443,282
Change at fair value of financial assets at fair value through the statement of income	35,447	47,396
Unearned premiums provision	531,515	935,128
Outstanding claims provision	(801,801)	(1,345,837)
Provision for legal issues	58,000	-
Doubtful debts expenses	38,408	44,746
Provision for impairment of investments in an associate	14,999	-
Net change in the provision of deficit of premiums	(24,879)	(6,431)
<b>Cash flow from operational activities before the change in the working capital</b>	<b>910,539</b>	<b>625,648</b>
Financial assets at fair value through other comprehensive income	182,303	32,512
Notes receivable and cheques under collection	30,317	705,066
Accounts receivable	(197,905)	974,414
Accounts receivable of reinsurance	205,787	(110,258)
Other assets	(2,784)	124,281
Accounts payable	(677,453)	(1,882,061)
Accrual expenses	(1,687)	1,814
Accounts payable of reinsurance	(49,849)	(227,780)
Other liabilities	(77,476)	(409,059)
<b>Net cash from operational activities</b>	<b>321,792</b>	<b>(165,423)</b>
<b><u>Cash flow from investment activities</u></b>		
Properties and equipment	(11,539)	(41,905)
Investment property	(143,930)	-
Intangible assets	-	(300)
Properties and equipment sale	440	-
<b>Net cash from investment activities</b>	<b>(155,029)</b>	<b>(42,205)</b>
<b><u>Cash flow from financing activities</u></b>		
Increase in capital	-	2,000,000
<b>Net cash from investment activities</b>	<b>-</b>	<b>2,000,000</b>
<b>Cash flow from activities</b>	<b>166,763</b>	<b>1,792,372</b>
Cash and cash equivalent at the beginning of the year	1,891,498	99,126
<b>Cash and cash equivalent at the end of the year</b>	<b>2,058,261</b>	<b>1,891,498</b>

The enclosed explanatory notes constitute an integral part hereof.

**Arab Union International Insurance Co.**  
**"Public Shareholding Limited"**

**Amman – the Hashemite Kingdom of Jordan**

**Consolidated Statement of Underwriting Revenues of General Insurance for the Year Ended on December 31, 2018**

	<u>Vehicles</u>		<u>Marine and Transport</u>		<u>Fire and Other Damages</u>		<u>Other Branches</u>		<u>Medical</u>	<u>Total</u>	
	<u>2018</u>	<u>2017</u>	<u>2018</u>	<u>2017</u>	<u>2018</u>	<u>2017</u>	<u>2018</u>	<u>2017</u>	<u>2018</u>	<u>2017</u>	<u>2017</u>
	<u>JOD</u>	<u>JOD</u>	<u>JOD</u>	<u>JOD</u>	<u>JOD</u>	<u>JOD</u>	<u>JOD</u>	<u>JOD</u>	<u>JOD</u>	<u>JOD</u>	<u>JOD</u>
Written premiums											
Direct Insurance	7,524,225	7,019,116	13,414	42,243	58,930	42,908	99,964	84,575	582,333	165,838	8,278,866
Inward Optional reinsurance	180,708	148,172	-	-	-	-	17,948	-	-	-	198,656
Total premiums	7,704,933	7,167,288	13,414	42,243	58,930	42,908	117,912	84,575	582,333	165,838	8,477,522
Less											
Local reinsurance premiums	43,944	35,723	1,639	548	7,933	2,710	-	80	-	-	53,516
External reinsurance premiums	-	-	10,282	36,165	46,044	35,308	35,616	71,729	66,811	(8,395)	158,753
Net written premiums	7,660,989	7,131,565	1,493	5,530	4,953	4,890	82,296	12,766	515,522	174,233	8,265,253
Add											
Opening balance											
Unearned premiums provision	3,083,484	2,022,609	4,637	13,215	14,796	36,684	62,224	5,175	55,397	496,673	3,220,538
Less: reinsurers share	(23,915)	(25,349)	(3,726)	(11,006)	(12,672)	(33,370)	(50,240)	(4,599)	-	(305,175)	(90,553)
Net unearned premiums provision	3,059,569	1,997,260	911	2,209	2,124	3,314	11,984	576	55,397	191,498	3,129,985
Less											
Closing balance											
Unearned premiums provision	3,423,430	3,083,484	229	4,637	26,880	14,796	47,180	62,224	219,456	55,397	3,717,175
Less: reinsurers share	(23,522)	(23,915)	(152)	(3,726)	(24,463)	(12,672)	(7,538)	50,240	-	-	(55,675)
Net unearned premiums provision	3,399,908	3,059,569	77	911	2,417	2,124	39,642	11,984	219,456	55,397	3,661,500
Net change in provision of deficit premiums	-	-	-	-	-	-	-	-	-	(6,431)	(6,431)
Net earned revenues of written premiums	7,320,650	6,069,256	2,327	6,828	4,660	6,080	54,638	1,358	351,463	316,765	7,733,738
											6,400,207

The enclosed explanatory notes constitute an integral part hereof.

**Arab Union International Insurance Co.**  
**"Public Shareholding Limited"**

Amman – the Hashemite Kingdom of Jordan

**The Consolidated statement of claim Cost of General Insurance for the year ended on 31 December 2018**

	<u>Vehicles</u>		<u>Marine and Transport</u>		<u>Fire and Other Damages</u>		<u>Other Branches</u>		<u>Medical</u>		<u>Total</u>	
	<u>2018</u>	<u>2017</u>	<u>2018</u>	<u>2017</u>	<u>2018</u>	<u>2017</u>	<u>2018</u>	<u>2017</u>	<u>2018</u>	<u>2017</u>	<u>2018</u>	<u>2017</u>
	<u>JOD</u>	<u>JOD</u>	<u>JOD</u>	<u>JOD</u>	<u>JOD</u>	<u>JOD</u>	<u>JOD</u>	<u>JOD</u>	<u>JOD</u>	<u>JOD</u>	<u>JOD</u>	<u>JOD</u>
<b>Paid claims</b>												
Less:												
Recoveries	(939,921)	(1,373,726)	-	-	-	-	-	-	(6,523)	(12,698)	(946,444)	(1,386,424)
Local reinsurance share	(1,375)	-	-	-	-	-	-	-	-	-	(1,375)	-
Foreign reinsurance share	(71,469)	(96,698)	(2,641)	-	(3,668)	(1,640)	(142)	(3,135)	(42,775)	(472,292)	(120,695)	(573,765)
Net paid claims	6,144,451	5,265,152	497	1,474	233	170	2,739	-	313,421	295,342	6,461,341	5,562,138
<b>Add:</b>												
Outstanding claims of the end of the year												
Reported	5,300,561	6,077,107	53,293	50,402	36,966	46,387	8,366	366	7,850	8,083	5,407,036	6,182,345
IBNR	481,775	485,695	4,600	1,000	563	2,332	1,000	1,000	42,110	90,986	530,048	581,013
Deficit of claims provision	759,823	740,552	-	-	-	-	-	-	-	-	759,823	740,552
Less:												
Reinsurers share	(332,275)	(227,872)	(5,829)	(3,514)	(34,170)	(42,686)	(7,127)	(327)	(25,695)	(41,581)	(405,096)	(315,980)
Recoveries	(2,390,668)	(2,484,986)	(46,266)	(46,266)	-	-	-	-	-	-	(2,436,934)	(2,531,252)
Net outstanding claims of the end of the year	3,819,216	4,590,496	5,798	1,622	3,359	6,033	2,239	1,039	24,265	57,488	3,854,877	4,658,678
<b>Reported</b>	2,577,618	3,364,249	1,198	622	2,796	3,701	1,239	39	(17,845)	(33,498)	2,565,006	3,335,112
IBNR	481,775	485,695	4,600	1,000	563	2,332	1,000	1,000	42,110	90,986	530,048	581,013
Deficit of claims provision	759,823	740,552	-	-	-	-	-	-	-	-	759,823	740,552
<b>Less:</b>												
Outstanding claims of the beginning of the year	6,077,107	7,040,732	50,402	52,537	46,387	381,432	366	5,912	8,083	76,153	6,182,345	7,556,766
Reported	485,695	585,695	1,000	1,000	2,332	2,332	1,000	1,000	90,986	56,184	581,013	646,211
IBNR	740,552	870,043	-	-	-	-	-	-	-	-	740,552	870,043
Deficit of claims provision	(227,872)	(953,143)	(3,514)	(47,074)	(42,686)	(345,974)	(327)	(5,508)	(41,581)	(62,828)	(315,980)	(1,414,527)
Share of reinsurers	(2,484,986)	(1,655,980)	(46,266)	-	-	-	-	-	-	-	(2,531,252)	(1,655,980)
recoveries	4,590,496	5,887,347	1,622	6,463	6,033	37,790	1,039	1,404	57,488	69,509	4,656,678	6,102,513
Net outstanding claims of the beginning of the year	5,373,171	3,968,301	4,673	(3,367)	(2,441)	(31,587)	3,939	(365)	280,198	283,321	5,659,540	4,716,303

The enclosed explanatory notes constitute an integral part hereof.



**Arab Union International Insurance Co.**  
**"Public Shareholding Limited"**

**Amman – the Hashemite Kingdom of Jordan**

**The Consolidated Statement underwriting Profit (Loss) of General Insurance for the Year Ended on December 31, 2018**

	<u>Vehicles</u>		<u>Marine and Transport</u>		<u>Fire and Other Damages</u>		<u>Other Branches</u>		<u>Medical</u>		<u>Total</u>	
	<u>2018</u>	<u>2017</u>	<u>2018</u>	<u>2017</u>	<u>2018</u>	<u>2017</u>	<u>2018</u>	<u>2017</u>	<u>2018</u>	<u>2017</u>	<u>2018</u>	<u>2017</u>
	<u>JOD</u>	<u>JOD</u>	<u>JOD</u>	<u>JOD</u>	<u>JOD</u>	<u>JOD</u>	<u>JOD</u>	<u>JOD</u>	<u>JOD</u>	<u>JOD</u>	<u>JOD</u>	<u>JOD</u>
Net earned revenues from written premiums	7,320,650	6,069,256	2,327	6,828	4,660	6,080	54,638	1,358	351,463	316,765	7,733,738	6,400,287
Less:												
Net claims cost	(5,373,171)	(3,968,301)	(4,673)	3,367	2,441	31,587	(3,939)	365	(280,198)	(283,321)	(5,659,540)	(4,216,303)
Add:												
Commissions received	9,983	7,600	8,594	37,643	23,534	13,051	3,099	19,544	-	-	45,210	77,838
Fees for issuance of insurance policies fees	198,364	154,803	609	1,105	2,759	2,079	38,262	78,302	24,828	6,396	264,822	242,685
Other revenues	17,317	193,411	130	-	174	-	2,840	-	24,879	-	45,340	193,411
Total revenues	2,173,143	2,456,769	6,987	48,943	33,568	52,797	94,900	99,569	120,972	39,840	2,429,570	2,697,910
Less:												
Policies acquisition costs	340,815	249,194	452	560	1,616	1,196	27,030	11,301	17,099	29,822	387,012	292,073
Surplus loss premiums	180,336	174,309	7,200	7,200	18,000	18,060	-	-	-	-	205,536	199,569
Allocated administrative expenses	1,033,084	1,089,177	25,425	42,896	52,272	34,930	10,881	8,649	97,297	69,504	1,218,959	1,245,156
Total expenses	(1,554,235)	(1,512,680)	(33,077)	(50,656)	(71,888)	(54,186)	(37,911)	(19,950)	(114,396)	(99,326)	(1,811,507)	(1,736,798)
Underwriting profit (loss)	618,908	944,089	(26,090)	(1,713)	(38,320)	(1,389)	56,989	79,619	6,576	(59,486)	618,063	961,120

The enclosed explanatory notes constitute an integral part hereof.

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

**1- General:**

The Arab Union International Insurance Company, a public Shareholding Limited Company, was established on January 1, 1976, and was registered with the Companies Controller of the Ministry of Industry and Trade under No. 105.

- The company is engaged in the insurance business (vehicles, maritime, transport, fire, other damages to property, medical and personal accidents, liability and aviation).
- The attached consolidated financial statements have been approved by the Company's Board of Directors at its meeting held on 26/2/2019. Such financial statements require the approval of the General Assembly of Shareholders.
- The attached consolidated financial statements have been approved by the Company's Board of Directors at its meeting held on 19/3/2019. Based on the amendment of the value of the provision of recoveries by raising the value of "57,600" JD as requested by the Insurance Commotion Authority.
- The Board of Directors recommended to the General Assembly the approval of these financial statements and the proposal to distribute 9% as dividends to the shareholders, 540,000 JD. The distribution of profits requires the approval of the General Assembly of Shareholders at its meeting on 19/3/2019.

**2- Accounting Policies**

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

- The accompanying consolidated financial statements have been prepared in accordance with the standards issued by the International Accounting Standards Board (IASB), pursuant to local laws in force, and under the models set by the Insurance Commission.
  - The consolidated financial statements have been prepared under the historical cost basis except for financial assets at fair value through statement of income, and financial assets at fair value through statement of other comprehensive income that are stated at fair value on the date of financial statements.
  - The Jordanian Dinar is the presentation currency of the financial statements, which represents the Company's functional currency.
- The accounting policies used for the period are consistent with the policies adopted in the previous year.

**Basis of consolidation of financial statements**

- The consolidated financial statements represent the financial statements of the Company, its subsidiaries and those which are controlled by it. Control is accomplished when the Company has the ability to control the financial and operating policies of its subsidiaries in order to obtain benefits from its activities, mutual transactions, balances, income and expenses are eliminated in full between the Company and its subsidiaries.
- The consolidated financial statements include the financial statements of the parent company (The Arab Union International Insurance Co. - PJSC) and the following subsidiary controlled by it:

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

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Accounting policies

Changes in accounting policies

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

IFRS 9 Financial Instruments

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

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

IFRS 9 requires the company to record an allowance for ECLs for all debt instruments measured at amortization cost.

Impairment

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

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

The company debt instruments at FVOCI comprised solely of quoted bonds that are graded in the top investment category by Credit Rating Agencies and, therefore, are considered to be low credit risk investments. It is the company

This standard do not have any material impact on the company interim condensed consolidated financial statements .

Arab Union International Insurance Co.  
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IFRS 15 Revenue from Contracts with Customers

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

The standard requires entities to exercise judgment, taking into consideration all of the relevant facts and circumstances when applying each step of the model to contracts with their customers.

The standard also specifies the accounting for the incremental costs of obtaining a contract and the costs directly related to fulfilling a contract.

This standard do not have any material impact on the company interim condensed consolidated financial statements.

IFRIC Interpretation 22 Foreign Currency Transactions and Advance Considerations

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

This Interpretation does not have any impact on the company interim condensed consolidated financial statements.

Amendments to IAS 40 Transfers of Investment Property

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

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

These amendments do not have any impact on the company interim condensed consolidated financial statements

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

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

These amendments do not have any impact on the company interim condensed consolidated financial statements.

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

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

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

These amendments do not have any impact on the company interim condensed consolidated financial statements.

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**Accounting policies**

**Sector information**

- The business sector represents a group of assets and operations that jointly offer products or services that are subject to risks and rewards that differ from those of other sectors and which can be measured according to reports used by the chief executive officer and the chief decision maker of the company.
- A geographical sector is associated with the provision of products or services in a specific economic environment that is subject to risks and rewards that differ from those of business segments in economic environments.
- The results of operations of a subsidiary are consolidated in the consolidated statement of income from the date of possession and which is the date of the parent company's control of the subsidiary, the results of the disposal operations of the subsidiary are consolidated in the consolidated income statement until the date of disposal which is the date on which the company loses control of the subsidiary.
- The financial statements of the subsidiary are prepared for the same reporting year of the insurance company using the same accounting policies as the insurance company, If the company follows accounting policies that differ from those of the insurance company, the necessary adjustments are made to the financial statements of the subsidiary to conform to the accounting policies used by the insurance company.

**- Financial assets**

**Financial assets at fair value through income statement**

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

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

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

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**Accounting policies**

**Impairment of financial assets**

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

**Shares quoted officially**

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

**Recognition date of financial assets**

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

**Fair value**

- The closing prices in the financial statements dates in active markets represent the fair value of financial instruments which has market prices.
- In the absence of declared prices or the absence of active trading of some financial instruments or non-activity of the market, fair value is estimated in a number of ways, including:
  - Compare them to the current market value of a financial instrument very similar to them
  - Analysis of future cash flows and discounting of expected cash flows using a similar financial instrument
  - Options pricing models

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

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**Mortgaged Financial Assets**

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

**Investment in the associate company**

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

**Cash and cash equivalents**

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

**Accounts receivables of reinsurance**

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

**Real Estate Investments**

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



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Properties and Equipment

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

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

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

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**Intangible assets**

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

**Allowances**

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

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**Technical allowances:**

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

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

Actuarial expert

**Allowance of impaired receivables**

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

**Compliance adequacy test**

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

**Income tax**

Tax expenses represent amounts of taxes due and deferred taxes.

Arab Union International Insurance Co.  
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Taxes due

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

Deferred taxes

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

Realization of Revenues

Insurance contracts

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

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**- Revenues of dividends and interests**

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

**- Rental income**

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

**- Recognition of expenses**

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

**- Insurance indemnity**

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

**- Derelict and transfer indemnity**

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

**Administrative and general expenses**

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

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Employee expenses

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

Costs of acquisition of insurance documents

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

Foreign currency

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

Use estimates

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

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

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

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**3- Bank Deposits:**

<u>Description</u>	<u>Deposits due within one month (JOD)</u>	<u>Deposits due after more than one month up to one year</u>	<u>2018 Total</u>	<u>2017 Total</u>
In Jordan	1,860,837	-	1,860,837	1,308,343

The interest rates on bank deposit balances in Jordanian Dinar vary from 5% - 5.5 % as on 31 December 2018.

The deposits mortgaged to the order of general manager of Insurance commission in addition to his job were JOD 225,000, and these deposits are deposited in the trading bank .

**4- Financial assets at fair value through the income statement:**

<u>Description</u>	<u>2018 JOD</u>	<u>2017 JOD</u>
<u>In Jordan</u>		
Listed shares*	684,047	719,207
<u>Out of Jordan</u>		
Listed shares	-	287
<b>Total</b>	<b>684,047</b>	<b>719,494</b>

<u>Description</u>	<u>Number of shares JOD</u>	<u>2018 JOD</u>	<u>Number of shares JOD</u>	<u>2017 JOD</u>
Jordanian Mutual Funds Management Company	184,249	652,309	184,249	685,405
Shareco Brokerage Company *	25,000	14,000	25,000	13,000
Rum Financial Brokerage **	12,149	17,738	12,149	19,925
United Group Holding Company	-	-	20,000	200
Arab Engineering Industries Company	-	-	376	677
<b>Total</b>		<b>684,047</b>		<b>719,207</b>

\* 25,000 shares reserved for borde member

\*\* 10,000 shares reserved for borde member

**5- Financial assets at fair value through the other income statement :**

<u>Description</u>	<u>2018 JOD</u>	<u>2017 JOD</u>
<u>In Jordan</u>		
Listed shares*	62,200	62,200
<u>Out of Jordan</u>		
Share in unlisted shares	-	182,303
Change at fair value	(11,957)	-
<b>Total</b>	<b>50,243</b>	<b>244,503</b>

Financial assets of fair value through the other income include financial assets for which no market prices are available with an amount of "JOD 50,243 " as at 31 December 2018 and are recognized at fair value estimated by the company's management. Based on audited financial statement . Management doesn't know any indicators of impairment of those investments



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**6- Investment in associate Company:**

<u>Description</u>	<u>Country of incorporation</u>	<u>Shareholding</u>	<u>Nature of business</u>	<u>2018</u>	<u>2017</u>
Al Murug Al-Khadraa Housing Company	Jordan	50%	Real estate investments	1	15,000

the share of the associated results has not been recorded due to non issuance of its financial statements until the dated of these financial statements.

**7- Real estate investments:**

<u>Description</u>	<u>Buildings</u>	<u>Lands</u>	<u>Total</u>
	<u>JOD</u>	<u>JOD</u>	<u>JOD</u>
<b><u>2018</u></b>			
<b><u>Cost</u></b>			
Balance at the beginning of the year	6,249,445	2,461,861	8,711,306
Additions	143,930	-	143,930
Reclassification	-	12,801	12,801
Balance at the end of the year	<u>6,393,375</u>	<u>2,474,662</u>	<u>8,868,037</u>
<b><u>Accumulated depreciation</u></b>			
Balance at the beginning of the year	1,935,800	-	1,935,800
Depreciation of the year	146,708	-	146,708
Balance at the end of the year	<u>2,082,508</u>	<u>-</u>	<u>2,082,508</u>
Net	<u>4,310,867</u>	<u>2,474,662</u>	<u>6,785,529</u>
<b><u>2017</u></b>			
<b><u>Cost</u></b>			
Balance at the beginning of the year	6,249,445	2,461,861	8,711,306
Additions	-	-	-
Balance at the end of the year	<u>6,249,445</u>	<u>2,461,861</u>	<u>8,711,306</u>
<b><u>Accumulated depreciation</u></b>			
Balance at the beginning of the year	1,635,711	-	1,635,711
Depreciation of the year	300,089	-	300,089
Balance at the end of the year	<u>1,935,800</u>	<u>-</u>	<u>1,935,800</u>
Net	<u>4,313,645</u>	<u>2,461,861</u>	<u>6,775,506</u>

- Fair value of building on the plot No ( 1603 ) , basin ( 11 ) was estimated to JD 12,094,460 .

- The fair value of other lands was estimated to JOD 1,737,321 according to the average estimation of real estate experts. These are the estimates as on 31 December 2018 in accordance with the insurance commotion instructions and decisions , where a revaluation is made for every two years .

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**8- Cash on hand and at banks:**

<u>Description</u>	<u>2018</u> <u>JOD</u>	<u>2017</u> <u>JOD</u>
Bank accounts	415,721	795,072
Cash on hand	6,703	13,083
<b>Total</b>	<b>422,424</b>	<b>808,155</b>

**9- Note receivable and cheques under collection:**

<u>Description</u>	<u>2018</u> <u>JOD</u>	<u>2017</u> <u>JOD</u>
Note receivable	15,184	15,184
Cheques under collection	213,703	244,020
<b>Total</b>	<b>228,887</b>	<b>259,204</b>
Less: provision of impairment of note receivable	(15,049)	(15,049)
<b>Total</b>	<b>213,838</b>	<b>244,155</b>

Accrual of cheques under collection extends to December 2018.

**10- Account receivable - net :**

<u>Description</u>	<u>2018</u> <u>JOD</u>	<u>2017</u> <u>JOD</u>
Receivables of policy holders	1,337,306	1,101,532
Receivables of brokers	639,447	687,720
Receivables of agents	91,920	108,997
Other receivables	196,333	150,914
Employees' Accounts	34,761	52,699
Medical networks receivable	497	497
<b>Total</b>	<b>2,300,264</b>	<b>2,102,359</b>
Less: debtors' impairment provision (*)	(491,464)	(491,464)
<b>Total</b>	<b>1,808,800</b>	<b>1,610,895</b>

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

<u>Description</u>	<u>2018</u> <u>JOD</u>	<u>2017</u> <u>JOD</u>
Balance and the beginning of the year	491,464	446,718
Addition	-	44,746
Balance at the end of the year	<u>491,464</u>	<u>491,464</u>

The following lives of non-doubtful receivables:

<u>Description</u>	<u>2018</u> <u>JOD</u>	<u>2017</u> <u>JOD</u>
1-90 days	459,917	452,200
91-180 days	839,663	120,626
181-360 days	509,220	1,038,069
Total	<u>1,808,800</u>	<u>1,610,895</u>

**11- Reinsurance receivables:**

<u>Description</u>	<u>2018</u> <u>JOD</u>	<u>2017</u> <u>JOD</u>
Local insurance companies	555,368	372,018
Foreign reinsurance companies	378,529	767,666
Total	<u>933,897</u>	<u>1,139,684</u>
Less provision for impairment of reinsurers	(38,408)	-
Total	<u>895,489</u>	<u>1,139,684</u>

Following the lives of non-doubtful receivables:

<u>Description</u>	<u>2018</u> <u>JOD</u>	<u>2017</u> <u>JOD</u>
1-90 days	306,133	179,011
91-180 days	18,188	274,515
181-360 days	571,168	686,158
Total	<u>895,489</u>	<u>1,139,684</u>

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**12- Income tax:**

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

<u>Description</u>	<u>2018</u> <u>JOD</u>	<u>2017</u> <u>JOD</u>
Income tax due for the profits of the year	822,903	517,179
Deferred tax assets	(129,394)	(100,110)
Net	<u>693,509</u>	<u>417,069</u>

- The movement on deferred tax assets is as follows:

<u>Description</u>	<u>2018</u> <u>JOD</u>	<u>2017</u> <u>JOD</u>
Opening balance	1,464,350	1,564,460
Additions	-	-
Reduction	(129,394)	(100,110)
Closing balance	<u>1,334,956</u>	<u>1,464,350</u>

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

- Following the summary of adjustment of the accounting profit with the tax profit:

<u>Description</u>	<u>2018</u> <u>JOD</u>	<u>2017</u> <u>JOD</u>
Accounting profit	822,903	507,364
Non-taxable profits	(283,762)	(90,239)
Tax ( loss ) profit	<u>539,141</u>	<u>417,125</u>
Percentage of income tax	24%	24%
Due income tax	<u>129,394</u>	<u>100,110</u>

**Parent company:**

In the opinion of management and tax consultant, the deferred tax assets will be recovered during the subsequent years, as final adjustment was reached with the income tax department up to 2015.

**Subsidiary companies:**

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

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**13- Properties and Equipment:**

	<u>Lands</u>	<u>Buildings</u>	<u>Devices and Equipment</u>	<u>Computers</u>	<u>Cars</u>	<u>Furnishing and Furniture</u>	<u>Power Systems</u>	<u>Total</u>
<b>2018</b>								
<u>Cost</u>	<u>JOD</u>	<u>JOD</u>	<u>JOD</u>	<u>JOD</u>	<u>JOD</u>	<u>JOD</u>	<u>JOD</u>	<u>JOD</u>
Balance at the beginning of the year	354,870	2,076,702	80,974	131,625	55,300	296,788	900	2,996,259
Additions	-	-	4,611	3,216	969	1,843	-	11,539
Reclassification	(12,801)	-	-	-	-	-	-	(12,801)
Exclusions	-	-	-	-	-	(2,080)	-	(2,080)
Balance at the end of the year	342,069	2,076,702	85,585	134,841	56,269	296,551	900	2,992,917
<u>Accumulated depreciation</u>								
Balance at the beginning of the year	-	643,852	65,021	125,229	28,010	188,474	-	1,050,586
Depreciation of the year	-	47,058	5,896	1,952	4,534	29,588	78	89,106
Exclusions	-	-	-	-	-	(1,640)	-	(1,640)
Balance at the end of the year	-	690,910	70,917	127,181	32,544	216,422	78	1,138,052
Net	342,069	1,385,792	14,668	7,660	23,725	80,129	822	1,854,865
<b>2017</b>								
<u>Cost</u>	<u>JOD</u>	<u>JOD</u>	<u>JOD</u>	<u>JOD</u>	<u>JOD</u>	<u>JOD</u>	<u>JOD</u>	<u>JOD</u>
Balance at the beginning of the year	354,870	2,076,702	74,309	126,296	25,800	296,377	-	2,954,354
Additions	-	-	6,605	5,329	29,500	411	-	41,905
Balance at the end of the year	354,870	2,076,702	80,974	131,625	55,300	296,788	-	2,996,259
<u>Accumulated depreciation</u>								
Balance at the beginning of the year	-	544,294	53,989	124,493	25,798	158,987	-	907,561
Depreciation of the year	-	99,558	11,032	736	2,212	29,487	-	143,025
Balance at the end of the year	-	643,852	65,021	125,229	28,010	188,474	-	1,050,586
Net	354,870	1,432,850	15,953	6,396	27,290	108,314	-	1,945,673

The enclosed explanatory notes constitute an integral part hereof.

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**14- Intangible assets:**

<u>Description</u>	<u>Computer systems and software</u>	
	<u>2018</u> <u>JOD</u>	<u>2017</u> <u>JOD</u>
Balance at the beginning of the year	231,492	231,192
Additions	-	300
Balance at the end of the year	<u>231,492</u>	<u>231,492</u>
Accumulated amortization		
Balance at the beginning of the year	230,942	230,775
amortize of the year	134	168
Balance at the end of the year	<u>231,076</u>	<u>230,943</u>
Net	<u>416</u>	<u>549</u>

**15- Other assets:**

<u>Description</u>	<u>2018</u> <u>JOD</u>	<u>2017</u> <u>JOD</u>
Refunded deposit	13,914	12,124
Prepaid expenses	15,501	14,018
Other	-	489
Total	<u>29,415</u>	<u>26,631</u>

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16- Accounts payable

<u>Description</u>	<u>2018</u>	<u>2017</u>
	<u>JOD</u>	<u>JOD</u>
Policyholders' insurance	554,983	852,457
Medical networks	20,877	398,154
Employees' accounts	5,647	8,974
Brokers' accounts	126,359	113,896
Other payable	24,302	29,678
Agents' payable	17,737	24,199
Total	<u>749,905</u>	<u>1,427,358</u>

17- Reinsurance payables

<u>Description</u>	<u>2018</u>	<u>2017</u>
	<u>JOD</u>	<u>JOD</u>
Local insurance companies	352,280	254,913
Foreign reinsurance companies	170,667	317,883
Total	<u>522,947</u>	<u>572,796</u>

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**18- Other liabilities**

<u>Description</u>	<u>2018</u>	<u>2017</u>
	<u>JOD</u>	<u>JOD</u>
Reinsurers' deposits	28,685	117,741
Deferred revenues	191,418	170,725
Unpaid shareholders' profits	182,245	182,245
Deposits of shareholders' offering right	41,958	41,983
Deposits of sales tax	17,985	48,540
Other deposits	36,711	23,056
Provision for end of service	16,875	-
Provision of legal issues	48,937	-
<b>Total</b>	<b>564,814</b>	<b>584,290</b>

**19- Authorized capital and paid up capital:**

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

**20- Statutory reserve:**

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

Based on the approval of the Minister of Industry, Trade and Supply on 13/05/2018 Book No. SM / 1/105 regarding the extraordinary general assembly decision held on 29/04/2018 to close the balance of the compulsory reserve amounting to " 1,304,330 " JD in 31/12/2017 According to the provisions of Article 186 paragraph C of the Jordanian Companies Law in effect in the accumulated losses amounting to 31/12/2017 " 1,367,646 " JD



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**21- Accumulated profit ( losses ) :**

<u>Description</u>	<u>2018</u> <u>JOD</u>	<u>2017</u> <u>JOD</u>
Opening balance	(1,367,646)	(1,734,175)
Amortize of part of retained losses	1,304,330	-
Profit of the year	693,509	407,254
Statutory Reserve	(69,351)	(40,725)
Closing balance	<u>560,842</u>	<u>(1,367,646)</u>

B The value of distributable profits at the end of 2018 was 560,842 JD . The Board of Directors of the Company decided in its meeting held on 2019/03/19 to recommend to the General Assembly to approve the distribution of cash dividends to shareholders of 9% of the capital, Which is amount "540,000" JD .

**22- Interests revenue:**

<u>Description</u>	<u>2018</u> <u>JOD</u>	<u>2017</u> <u>JOD</u>
Acquired bank interests	80,158	37,917
Total	<u>80,158</u>	<u>37,917</u>

**23- Net profits of financial assets and investments:**

<u>Description</u>	<u>2018</u> <u>JOD</u>	<u>2017</u> <u>JOD</u>
Net change of fair value of assets at the fair value through the income statement	(35,447)	(47,396)
Net profits (losses) of the Union building	206,143	110,206
Net profits of financial assets at fair value through the statement of income (shares)	32,192	36,911
Total	<u>202,888</u>	<u>99,721</u>

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**24- Other revenues (expenses):**

<u>Description</u>	<u>2018</u> <u>JOD</u>	<u>2017</u> <u>JOD</u>
Other revenues	493,366	15,252
Rent a traning hall revenue	1,100	915
<b>Total</b>	<b>494,466</b>	<b>16,167</b>

**25- Employees' expenses**

<u>Description</u>	<u>2018</u> <u>JOD</u>	<u>2017</u> <u>JOD</u>
Salaries and benefits	700,996	639,178
Social security expenses	89,745	78,870
Medical expenses	38,913	44,887
Incentives and benefits expenses	16,400	8,195
Paid leave allowance	11,636	6,867
Collection commision costs	6,461	1,028
Other	8,935	10,200
Travel and transfers	3,051	1,611
End of service benefit	36,173	-
<b>Total</b>	<b>912,310</b>	<b>790,836</b>
Allocated employees expenditure	776,067	696,622
Unallocated employees expenditure	136,243	94,214

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**26- General and Administrative Expenses**

<u>Description</u>	<u>2018</u> <u>JOD</u>	<u>2017</u> <u>JOD</u>
Insurance authority fees	112,623	102,458
Maintenance	41,466	32,118
Other	35,920	41,443
Governmental and other fees	73,055	142,149
Water, electricity	50,789	52,669
Attorney fees	96,355	86,436
Board members' transfers exp	46,814	46,665
Stationery	18,980	23,440
Professional fees	28,777	18,854
Post and communications	12,243	6,945
Entertainment	6,491	9,179
Advertising	3,198	6,389
Bank expenses	3,991	3,722
Tender expenses	1235	75
<b>Total</b>	<b>531,937</b>	<b>572,542</b>
Total general and administrative expenses allocated to underwriting accounts	442,892	548,534
Total general and administrative expenses unallocated to underwriting accounts	89,045	24,008

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**27- Earnings per share :**

**First: Basic earnings ( losses ) per share :**

<u>Description</u>	<u>2018</u> <u>JOD</u>	<u>2017</u> <u>JOD</u>
Net ( loss ) profit of the year	693,509	407,254
	<u>Share</u>	<u>Share</u>
Weighted average of the number of shares	6,000,000	6,000,000
	<u>Dinar/share</u>	<u>Dinar/share</u>
<b>Total</b>	<b>0.116</b>	<b>0.068</b>

**Second: Diluted earnings per share :**

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

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

<u>Description</u>	<u>2018</u> <u>JOD</u>	<u>2017</u> <u>JOD</u>
Net profit of the year	693,509	407,254
	<u>Share</u>	<u>Share</u>
Weighted average of the number of shares	6,000,000	5,682,191
	<u>Dinar/share</u>	<u>Dinar/share</u>
<b>Total</b>	<b>0.116</b>	<b>0.072</b>

**28- Cash and cash equivalents:**

<u>Description</u>	<u>2018</u> <u>JOD</u>	<u>2017</u> <u>JOD</u>
Cash on hand and in banks	422,424	808,155
Plus: deposits in banks to be accrued within one month	1,860,837	1,308,343
Less: deposits mortgaged to the order of general manager of insurance committee	(225,000)	(225,000)
<b>Total</b>	<b>2,058,261</b>	<b>1,891,498</b>

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**29 - Related parties:**

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

Following is a summary of the transactions with related parties:

	<u>Associate company</u>	<u>Board and senior management</u>	<u>2018</u>	<u>2017</u>
<b><u>Items of the statement of financial position</u></b>				
Receivables	36,347	471	36,347	58,062
Payables	-	16,671	16,671	29,573
<b><u>Items in the statement of income</u></b>				
Under Witten premiums	-	3,595	3,595	7,884
Paid claims	-	-	-	4,719

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

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

<u>Description</u>	<u>2018 JOD</u>	<u>2017 JOD</u>
Salaries and benefits of senior management	218,865	159,025
Benefits and transfers of board members	46,814	45,600

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**30- Fair value of assets and liabilities:**

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

**31- Fair value of financial instruments:**

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

<u>31 December 2018</u>	<u>Levels</u>			<u>Total</u>
<u>Financial assets</u>	<u>1</u>	<u>2</u>	<u>3</u>	
Financial assets of fair value through income statement	684,047	-	-	684,047
Financial assets of fair value through the other income statement	-	-	50,243	50,243
	<u>684,047</u>	<u>-</u>	<u>50,243</u>	<u>734,290</u>

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**32- Risk Management**

**- Insurance Risk**

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

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

**- Fire and other damage to property**

The main risks real estate insurance contracts are fire and business interruption .

The conclusion of insurance contracts on the basis of the replacement for value of real estates and its content insured, cost of reconstruction of the real estate and providing alternatives to the content and the time required to restart the discontinued operations is considered as the main factors. That affect the size of the claims for the company's cover from reinsurance companies to limit the damage whether at the level of the low and great values and ratios that provide the required protection and its clients .

**- Vehicles**

As for vehicles the main risks are claims for death and personal injuries and the replacement or repair of automobiles . The company has cover from reinsurers to cover losses both at the level of the low and large values and ratios provide the required protection for businesses and their customers notification. The amounts to be paid in compensation for deaths and to injured and replacement costs of cars are the main factors affecting the level of claims.

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- **Marine and transportation insurance**

As for marine and transportation insurance that are considered the main risk in the loss or damage of the marine and land units and accidents resulting in total or partial loss of goods.

The strategy followed for the marine and transportation insurance sector is to ensure that policies are varied regarding shipping, land and roads covered by insurance . the company has cover from reinsurers to cover losses both at the level of the low and great values an provided ratios that require protection for businesses and their clients.

- **Medical**

Includes the insured losses when damage is caused by illness or disability and is followed by providing fixed financial benefits or benefits in the form of compensation or combination of both benefits that the company has the intention of providing cover from reinsurance companies to reduce this risks



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<u>Vehicles</u> <u>Accident Year</u>	<u>2014 and</u> <u>before</u>	<u>2015</u>	<u>2016</u>	<u>2017</u>	<u>2018</u>	<u>Total</u>
	<u>Dinar</u>	<u>Dinar</u>	<u>Dinar</u>	<u>Dinar</u>	<u>Dinar</u>	<u>Dinar</u>
As at the end of the year	33,757,519	10,979,315	8,600,650	4,082,826	7,157,216	64,577,526
After a year	41,491,055	9,156,145	9,328,204	4,082,826	-	64,058,230
After two years	42,215,881	9,256,145	10,247,026	-	-	61,719,052
After three years	39,458,556	9,361,220	-	-	-	48,819,776
After four years	31,061,008	-	-	-	-	31,061,008
Current expectations of accumulated claims	31,061,008	9,361,220	10,247,026	4,082,826	7,157,216	61,909,296
Accumulated payments	29,597,595	8,663,044	8,519,472	2,671,408	7,157,216	56,608,735
Liability as stated in the financial position statement						
Reported claims	1,463,413	698,176	1,727,554	1,411,418	-	5,300,561
IBNR	-	-	-	-	481,775	481,775
Deficit of claims provision	-	-	-	-	759,823	759,823
Deficit / Surplus	2,696,511	1,618,095	(1,646,376)	-	-	2,668,230

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<u>Marine</u> <u>Accident year</u>	<u>2014 and</u>	<u>2015</u>	<u>2016</u>	<u>2017</u>	<u>2018</u>	<u>Total</u>
	<u>Dinar</u>	<u>Dinar</u>	<u>Dinar</u>	<u>Dinar</u>	<u>Dinar</u>	<u>Dinar</u>
As at the end of the year	230,034	58,191	50,430	61,575	3,138	403,368
After a year	296,580	58,191	50,430	61,575	-	466,776
After two years	288,883	58,191	50,430	-	-	397,504
After three years	230,820	58,191	-	-	-	289,011
After four years	177,497	-	-	-	-	177,497
Current expectations of accumulated claims	177,497	58,191	50,430	61,575	3,138	350,831
Accumulated payments	127,099	58,190	50,426	58,684	3,138	297,537
Liability as stated in the financial position statement						
Reported claims	50,398	1	4	2,891	-	53,294
IBNR	-	-	-	-	4,600	4,600
Deficit / Surplus	52,537	-	-	-	-	52,537

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<u>Fire</u> <u>Accident year</u>	<u>2014 and</u> <u>before</u>	<u>2015</u>	<u>2016</u>	<u>2017</u>	<u>2018</u>	<u>Total</u>
	<u>Dinar</u>	<u>Dinar</u>	<u>Dinar</u>	<u>Dinar</u>	<u>Dinar</u>	<u>Dinar</u>
As at the end of the year	118,508	9,345	857,684	3,901	-	989,438
After a year	118,552	9,345	857,684	3,901	-	989,482
After two years	119,134	9,790	857,684	-	-	986,608
After three years	120,523	9,790	-	-	-	130,313
After four years	120,523	-	-	-	-	120,523
Current expectations of accumulated claims	120,523	9,790	857,684	3,901	-	991,898
<u>Accumulated payments</u>	<u>108,407</u>	<u>1,810</u>	<u>840,814</u>	<u>3,901</u>	<u>-</u>	<u>954,932</u>
<u>Liability as stated in the financial position statement</u>						
Reported claims	12,116	7,980	16,870	-	-	36,996
IBNR	-	-	-	-	563	563
<u>Deficit / Surplus</u>	<u>(2,015)</u>	<u>(445)</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(2,460)</u>

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<u>Other Insurances</u> <u>Accident year</u>	<u>2014 and</u> <u>before</u>	<u>2015</u>	<u>2016</u>	<u>2017</u>	<u>2018</u>	<u>Total</u>
	<u>Dinar</u>	<u>Dinar</u>	<u>Dinar</u>	<u>Dinar</u>	<u>Dinar</u>	<u>Dinar</u>
As at the end of the year						
After a year	15,667	27,549	7,320	10,881	-	61,417
After two years	19,453	27,549	7,320	10,881	-	65,203
After three years	7,865	27,549	13,590	-	-	49,004
After four years	7,515	27,549	-	-	-	35,064
Current expectations of accumulated claims	3,485	-	-	-	-	3,485
<u>Accumulated payments</u>	<u>3,485</u>	<u>27,549</u>	<u>13,590</u>	<u>10,881</u>	<u>-</u>	<u>55,505</u>
	<u>3,285</u>	<u>27,383</u>	<u>13,590</u>	<u>2,881</u>	<u>-</u>	<u>47,139</u>
<u>Liability as stated in the financial position statement</u>						
Reported claims	200	166	-	8,000	-	8,366
IBNR	1,000	-	-	-	-	1,000
<u>Deficit / Surplus</u>	<u>12,182</u>	<u>-</u>	<u>(6,270)</u>	<u>-</u>	<u>-</u>	<u>5,912</u>

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<u>Medical Insurances</u>	<u>2014 and before</u>	<u>2015</u>	<u>2016</u>	<u>2017</u>	<u>2018</u>	<u>Total</u>
	<u>Dinar</u>	<u>Dinar</u>	<u>Dinar</u>	<u>Dinar</u>	<u>Dinar</u>	<u>Dinar</u>
As at the end of the year	5,087,552	129,289	87,534	684,174	370,569	6,359,118
After a year	6,891,295	129,289	87,534	684,174	-	7,792,292
After two years	5,869,636	129,289	68,180	-	-	6,067,105
After three years	1,737,388	157,268	-	-	-	1,894,656
After four years	4,046,209	-	-	-	-	4,046,209
Current expectations of accumulated claims	4,046,209	157,268	68,180	684,174	370,569	5,326,400
<u>Accumulated payments</u>	<u>4,046,209</u>	<u>157,268</u>	<u>68,180</u>	<u>684,174</u>	<u>362,719</u>	<u>5,318,550</u>
Liability as stated in the financial position statement						
Reported claims	-	-	-	-	7,850	7,850
IBNR	-	-	-	-	42,110	42,110
Deficit / Surplus	<u>1,041,343</u>	<u>(27,979)</u>	<u>19,354</u>	<u>-</u>	<u>-</u>	<u>1,032,718</u>

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**Concentration of Insurance Risks:**

The below table represents concentration of assets and liabilities, and off-financial position statement items as per insurance type:

	<u>2018</u>		<u>2017</u>	
	<u>Assets</u>	<u>Liabilities</u>	<u>Assets</u>	<u>Liabilities</u>
	<u>Dinar</u>	<u>Dinar</u>	<u>Dinar</u>	<u>Dinar</u>
Vehicles	2,746,465	9,965,589	2,736,773	10,386,838
Transport and marine	5,981	58,122	7,240	56,039
Fire and other damages to properties	58,633	64,409	55,358	63,515
Medical	25,695	269,416	41,581	154,466
Other branches	14,665	56,546	50,567	63,590
<b>Total</b>	<b>2,851,439</b>	<b>10,414,082</b>	<b>2,891,519</b>	<b>10,724,448</b>

Concentration of total and net insurance contracts as per insurance type is as follows:

	<u>2018</u>		<u>2017</u>	
	<u>Total</u>	<u>Net</u>	<u>Total</u>	<u>Net</u>
	<u>Dinar</u>	<u>Dinar</u>	<u>Dinar</u>	<u>Dinar</u>
Vehicles	9,965,589	7,219,124	10,386,838	7,650,065
Transport and marine	58,122	52,141	56,039	48,799
Fire and other damages to properties	64,409	5,776	63,515	8,157
Medical	269,416	243,721	154,466	112,885
Other branches	56,546	41,881	63,590	13,023
<b>Total</b>	<b>10,414,082</b>	<b>7,562,643</b>	<b>10,724,448</b>	<b>7,832,929</b>

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Concentration of assets and liabilities as per geographical distribution is as follows:

	<u>2018</u>		<u>2017</u>	
	<u>Assets</u>	<u>Liabilities</u>	<u>Assets</u>	<u>Liabilities</u>
	<u>Dinar</u>	<u>Dinar</u>	<u>Dinar</u>	<u>Dinar</u>
Within the Kingdom	2,132,340	10,414,082	2,123,854	10,724,448
Asia (*)	360,856	-	157,840	-
Europe	126,525	-	215,361	-
Middle East Countries	219,872	-	386,769	-
Africa	11,846	-	7,695	-
<b>Total</b>	<b>2,851,439</b>	<b>10,414,082</b>	<b>2,891,519</b>	<b>10,724,448</b>

(\*) Asia except Middle East Countries

The below table represents the distribution of total accounts receivable and accounts payable as per sector:

	<u>2018</u>		<u>2017</u>	
	<u>Receivables</u>	<u>Pavables</u>	<u>Receivables</u>	<u>Pavables</u>
	<u>Dinar</u>	<u>Dinar</u>	<u>Dinar</u>	<u>Dinar</u>
<b><u>Private sector</u></b>				
Companies and establishments	2,415,141	1,247,512	2,438,861	1,944,293
Individuals	289,148	25,340	311,718	55,861
<b>Total</b>	<b>2,704,289</b>	<b>1,272,852</b>	<b>2,750,579</b>	<b>2,000,154</b>

The above assets represent net accounts receivable, and the above liabilities represent net accounts payable.

The company has not separated technical allowances and reinsurers share as per sector because that is not allowed by the system.

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**Reinsurance Risks**

As usual with the other insurance companies, and for reduction of exposure to financial losses that may arise out of the huge insurance claims, the company, within its ordinary works, enters into reinsurance agreements with other parties.

To reduce huge losses as a result of insolvency of insurance companies, the company evaluates the financial position of the reinsurance companies with which it deals, and reports the concentrations of credit risks that result from the geographic regions or corresponding economic components of those companies. The reinsurance contracts do not relieve the company of its liabilities to the insurance policyholders. As a result, the company remains committed to the balance of reinsured claims in case the reinsurers fail to secure fulfillment of their obligations in accordance with the contracts.

**Insurance Risks Sensitivity:**

Analysis of insurance risks sensitivity was done on the following assumption:

- Increase of claim by 10% and stability of the accounts of income statement that resulted in lowering reinsurance net profit from JOD " 681,552 " to JOD " 71,434 " losses and decrease of equities from JOD " 6,618,236 " to JOD " 5,865,250 ".
- Decrease of premiums by 10% and stability of the accounts of statement of income that resulted in increase of net losses from JOD "681,552" to JOD "166,200" and decrease of equities from JOD "6,618,236" to JOD "5,770,484".

**Financial Risks**

The company adopts financial policies for management of the various risks within specific strategy. The company's management assigns control of risks and carries out optimum strategic distribution of all financial assets and liabilities. Risks include the interest rates, credit risks, foreign currency risks and market risks.



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**Market Risks Sensitivity**

Analysis of market risks was done on the following assumptions:

- Decrease of current prices of financial assets at the fair value through the statement of income and financial liabilities at the fair value through the other income by 10% with stability of the accounts of statement of income, which results decrease of reinsurance net from JOD "681,552" to JOD "608,123" and decrease of equities from JOD "6,618,236" to JOD "6,544,807".
- Rate of interests received by the company on its bank deposits decreased by 1% with stability of the accounts of statement of income that resulted in increase of net reinsurance from "JOD 681,552" to "JOD 662,944" and decrease of equities from JOD "6,618,236" to JOD " 6,599,628 ".

**Market Risks include:**

- **Interest Rate Risks**
- Interest rate risks are defined as fluctuation of fair value or future cash flows of financial instrument due to the changes of interest rates in the market.
- Risks of interest rate are related to the rates of interest on bank deposits. The interest rates on deposit balances in US dollar are 1% per year. Interest rates on the balances of deposits in Jordanian dinar 5% - 5.5 % as on 31 December 2018.
- Risks are managed by keeping a combination of the fluctuating and fixed interest rate balances at the beginning of the fiscal year properly.

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- The following is net concentration of key foreign currencies with the company:

<u>Currency type</u>	<u>Foreign Currencies</u>		<u>Jordanian Dinar</u>	
	<u>2018</u>	<u>2017</u>	<u>2018</u>	<u>2017</u>
	<u>Dinar</u>	<u>Dinar</u>	<u>Dinar</u>	<u>Dinar</u>
USD	-	-	-	-
GBP	-	-	-	-

- **Foreign Currency Risks**

Foreign currency risks are the risks of change of value of financial instruments due to change of the foreign currency rates. Jordanian dinar is the basic currency of the company. The board sets limits of the financial position of every currency of the company. Position of foreign currencies is controlled on daily basis, and strategies are followed to make sure that the position of foreign currencies is kept within the approved limits.

- **Liquidity Risks**

Liquidity risks mean the company's failure to provide the necessary finance for fulfillment of its obligations on the due dates. To avoid such risks, the management diversifies the sources of finance and management of assets and liabilities and suitability of their terms, and keeps sufficient balance of cash and cash equivalents and negotiable securities.

- The company controls its needs of liquidity on monthly basis, and the management assures availability of sufficient capital to meet any liabilities as they arise. Important amounts of the company's capital are invested in local negotiable shares.

Most term deposits of the company on the date of financial position shall be due during original periods of no more than three months.

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The below table summarizes the maturity of financial obligations:

<u>For the year ending on December 31, 2018</u>									
<u>Liabilities</u>	<u>Less than a</u>	<u>From</u>	<u>From</u>	<u>From</u>	<u>From 1-3</u>	<u>More than 3</u>	<u>With no</u>	<u>Total</u>	
	<u>month</u>	<u>1-3 months</u>	<u>3-6 months</u>	<u>6-12 months</u>	<u>years</u>	<u>years</u>	<u>maturity</u>	<u>Dinar</u>	<u>Dinar</u>
Accounts payable	-	-	749,905	-	-	-	-	-	749,905
Accrued expenses	4,928	-	-	-	-	-	-	-	4,928
Reinsurance accounts	-	-	522,947	-	-	-	-	-	522,947
Other liabilities	-	-	564,814	-	-	-	-	-	564,814
Total liabilities	4,928	-	1,837,666	-	-	-	-	-	1,842,594
Total assets as per expected maturity	422,424	684,047	243,253	2,704,289	1,334,956	50,244	10,537,994	-	15,977,207

<u>For the year ending on December 31, 2017</u>									
<u>Liabilities</u>	<u>Less than a</u>	<u>From</u>	<u>From</u>	<u>From</u>	<u>From 1-3</u>	<u>More than 3</u>	<u>With no</u>	<u>Total</u>	
	<u>month</u>	<u>1-3 months</u>	<u>3-6 months</u>	<u>6-12 months</u>	<u>years</u>	<u>years</u>	<u>maturity</u>	<u>Dinar</u>	<u>Dinar</u>
Accounts payable	-	-	1,427,358	-	-	-	-	-	1,427,358
Accrued expenses	6,615	-	-	-	-	-	-	-	6,615
Reinsurance accounts	-	-	572,796	-	-	-	-	-	572,796
Other liabilities	-	-	584,290	-	-	-	-	-	584,290
Total liabilities	6,615	-	2,584,444	-	-	-	-	-	2,591,059
Total assets as per expected maturity	808,155	719,494	270,786	2,750,579	1,464,350	259,503	10,066,416	-	16,339,283

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**Credit Risks:**

- This is the risk that may result from failure of a party to the financial instrument to fulfill certain obligation and cause financial loss to the other party.
- Credit rates are regularly controlled for the debit entities and the volume of those transactions with those entities during the year.
- Credit is continuously evaluated in terms of the economical state and conditions of the credit party.
- The values of the financial assets in the financial statements show the maximum percentages of

exposure to credit risks, without taking into account the value of any guarantees obtained.

**33- Sector Analysis:**

**A- Information of Company's Sectors:**

For administrative purposes, the company is organized to include two business sectors; namely the sector of general insurance that includes (vehicles, maritime and transport, fire and other damages to properties, liability, medical and personal accidents, liability and aviation). This sector is the basis used by the company to show the information related to the main sectors. The above sector also includes investments and cash management for the company's own account. Transactions among the business sectors are conducted based on the estimated market prices on the same conditions of dealing with third parties.

**B- Information of Geographic Distribution**

This note represents the geographic distribution of the company's works. The company mainly practices the activities thereof in the kingdom that represents the local business. The following is the distribution of the company's assets, revenues and capital expenses as per geographic sector:

<u>Description</u>	<u>Inside the Kingdom</u>		<u>Outside the Kingdom</u>	
	<u>2018</u>	<u>2017</u>	<u>2018</u>	<u>2017</u>
	<u>Dinar</u>	<u>Dinar</u>	<u>Dinar</u>	<u>Dinar</u>
Total revenues	8,833,689	7,024,534	32,933	43,492
Capital expenses	155,469	42,205	-	-

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Concentration of assets and liabilities, and off-financial position statement as per geographical distribution is as follows:

	<u>2018</u>		<u>2017</u>	
	<u>Assets</u>	<u>Liabilities</u>	<u>Assets</u>	<u>Liabilities</u>
	<u>Dinar</u>	<u>Dinar</u>	<u>Dinar</u>	<u>Dinar</u>
Within the Kingdom	15,598,882	9,291,866	15,571,620	10,167,644
Middle east countries	333,470	44,491	386,769	75,488
Europe	33,903	22,614	215,361	23,623
Asia ( * )	7,394	-	157,840	126,067
Africa	3,558	-	7,695	9,779
<b>Total</b>	<b>15,977,207</b>	<b>9,358,971</b>	<b>16,339,285</b>	<b>10,402,601</b>

(\*) Asia except Middle East Countries

**34- Cases Initiated against the Company:**

The company appears as defendant in many cases with value of JOD "1,815,135" in accordance with the legal consultant's letter. The company's management made technical allowances to meet any liabilities for those cases.

**35- Potential Liabilities:**

As on December 31, 2018, there were no potential liabilities on the company.

**36- Subsequent events:**

As on December 31, 2018, there were no subsequent events on the company.

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**37- Capital Management:**

- The company's main purpose of capital management is to assure that the company has high credit rating and that the percentages of its capital are good, to reinforce its operations and increase value for investor.
- The company manages capital structure and amends it based on changes of the economic condition. The company amends shareholders' dividends and issues new shares to be able to amend or retain the capital structure. The company did not make any amendments of its objectives, plans or programs during the year.
- Capital consists of the issued and paid up capital, mandatory reserve, and accumulated profit totaling (JOD 560,842) as on 31 December 2018.
- The following is an analysis of the solvency margin as on 31 December:

<u>Description</u>	<u>2018</u> <u>Dinar</u>	<u>2017</u> <u>Dinar</u>
<u>Initial capital items</u>		
Paid up capital	6,000,000	6,000,000
Stationary reserve	69,351	1,304,330
Accumulated losses	560,842	(1,367,646)
Fair value	(11,957)	-
	<u>6,618,236</u>	<u>5,936,684</u>
<u>Additional capital items</u>		
Change of fair value	3,315,097	2,968,342
Closing balance	<u>3,315,097</u>	<u>2,968,342</u>
Total regulatory capital	<u>9,933,333</u>	<u>8,905,026</u>
 Total required capital	 <u>5,511,916</u>	 <u>5,847,590</u>
Solvency margin percentage	<u>180%</u>	<u>152%</u>

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**38- Analysis of Maturity of Assets and Liabilities:**

The following table illustrates the analysis of assets and liabilities as per the period when it is expected to be recovered or settled:

	<u>For one year</u>	<u>More than one year</u>	<u>Total</u>
For the year ending on December 31, 2018	<u>Dinar</u>	<u>Dinar</u>	<u>Dinar</u>
<b>Assets</b>			
Deposits at banks	1,860,837	-	1,860,837
Financial assets at fair value through the income statement	684,047	-	684,047
Financial assets at fair value through the other comprehensive income statement	-	50,243	50,243
Investment at an associate company	-	1	1
Real estate investments	-	6,785,529	6,785,529
Cash in hand and at banks	422,424	-	422,424
Notes receivable and cheques under collection	213,838	-	213,838
Accounts receivable – Net	1,808,800	-	1,808,800
Reinsurance receivable	895,489	-	895,489
Associate company Accounts	-	36,347	36,347
Deferred tax assets	-	1,334,956	1,334,956
Properties and equipment	-	1,854,865	1,854,865
Intangible assets	-	416	416
Other assets	29,415	-	29,415
<b>Total assets</b>	<b>5,914,850</b>	<b>10,062,357</b>	<b>15,977,207</b>
<b>Liabilities</b>			
Unearned premiums provision – Net	3,661,500	-	3,661,500
Outstanding Claims provision – Net	3,854,877	-	3,854,877
Accounts payable	749,905	-	749,905
Accrued expenses	4,928	-	4,928
Reinsurance payable accounts	522,947	-	522,947
Other liabilities	564,814	-	564,814
<b>Total liabilities</b>	<b>9,358,971</b>	<b>-</b>	<b>9,358,971</b>
<b>Net</b>	<b>(3,444,121)</b>	<b>10,062,357</b>	<b>6,618,236</b>

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**38- Analysis of Maturity of Assets and Liabilities:**

The following table illustrates the analysis of assets and liabilities as per the period when it is expected to be recovered or settled:

	<u>For one year</u>	<u>More than one year</u>	<u>Total</u>
<b>For the year ending on December 31, 2017</b>	<b><u>Dinar</u></b>	<b><u>Dinar</u></b>	<b><u>Dinar</u></b>
<b>Assets</b>			
Deposits at banks	1,308,343	-	1,308,343
Financial assets at fair value through the income statement	719,494	-	719,494
Financial assets at fair value through the other comprehensive income statement	-	244,503	244,503
Investment at an associate company	-	15,000	15,000
Real estate investments	-	6,775,506	6,775,506
Cash in hand and at banks	808,155	-	808,155
Notes receivable and cheques under collection	244,155	-	244,155
Accounts receivable – Net	1,610,895	-	1,610,895
Reinsurance receivable	1,139,684	-	1,139,684
Associate company Accounts	-	36,347	36,347
Deferred tax assets	-	1,464,350	1,464,350
Properties and equipment	-	1,945,673	1,945,673
Intangible assets	-	549	549
Other assets	26,631	-	26,631
<b>Total assets</b>	<b><u>5,857,357</u></b>	<b><u>10,481,928</u></b>	<b><u>16,339,285</u></b>
<b>Liabilities</b>			
Unearned premiums provision – Net	3,129,985	-	3,129,985
Outstanding Claims provision – Net	4,656,678	-	4,656,678
Deficit of premiums provision – Net	24,879	-	24,879
Accounts payable	1,427,358	-	1,427,358
Accrued expenses	6,615	-	6,615
Reinsurance payable accounts	572,796	-	572,796
Other liabilities	584,290	-	584,290
<b>Total liabilities</b>	<b><u>10,402,601</u></b>	<b><u>-</u></b>	<b><u>10,402,601</u></b>
<b>Net</b>	<b><u>(4,545,244)</u></b>	<b><u>10,481,928</u></b>	<b><u>5,936,684</u></b>