

ARAB ORIENT INSURANCE

PUBLIC SHAREHOLDING COMPANY

INTERIM CONDENSED FINANCIAL STATEMENTS (UNAUDITED)

30 SEPTEMBER 2017



Building a better
working world

Ernst & Young Jordan
P.O.Box 1140
Amman 11118
Jordan

Tel: 00 962 6580 0777/00 962 6552 6111
Fax: 00 962 6553 8300
www.ey.com/me

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

Introduction

We have reviewed the accompanying interim condensed financial statements of ARAB ORIENT INSURANCE COMPANY (a public shareholding company) as of 30 September 2017, comprising of interim statement of financial position as of 30 September 2017 and the related interim statement of comprehensive income, interim statement of changes in equity, and interim statement of cash flows for the nine month period then ended and explanatory notes. The Board of Directors is responsible for the preparation and presentation of these interim condensed financial statements in accordance with International Financial Reporting Standard IAS 34, Interim Financial Reporting ("IAS 34"). Our responsibility is to express a conclusion on these interim condensed financial statements based on our review.

Scope of review

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

Conclusion

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

Other Matters

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

Amman – Jordan
31 October 2017

**ARAB ORIENT INSURANCE
PUBLIC SHAREHOLDING COMPANY
INTERIM CONDENSED STATEMENT OF FINANCIAL POSITION
AS AT 30 SEPTEMBER 2017**

	<u>Notes</u>	<u>30 September 2017</u>	<u>31 December 2016</u>
		<u>JD</u> (Unaudited)	<u>JD</u> (Audited)
<u>Assets</u>			
Bank deposits	3	31,624,265	34,766,739
Financial assets at fair value through comprehensive income	4	6,823,556	6,573,693
Financial assets at amortized cost	5	2,482,099	1,001,719
Total Investments		<u>40,929,920</u>	<u>42,342,151</u>
Cash on hands and at banks	11	62,606	1,425,299
Checks under collection		5,331,104	6,038,339
Accounts receivable, net	6	35,411,821	45,105,374
Reinsurers' receivable, net	7	6,250,934	5,694,692
Deferred income tax assets	8	6,059,102	3,192,956
Property and equipment, net		5,098,281	5,102,732
Intangible assets		856,018	493,224
Other assets		1,415,758	1,118,674
Total Assets		<u>101,415,544</u>	<u>110,513,441</u>
<u>Liabilities and Equity</u>			
<u>Liabilities –</u>			
Unearned premium reserve, net		20,366,162	16,651,359
Premium deficiency reserve, net		1,069,000	600,000
Outstanding claims reserve, net		21,091,237	19,574,833
Total Technical Reserves		<u>42,526,399</u>	<u>36,826,192</u>
<u>Other liabilities</u>			
Accounts payable		10,623,195	14,172,217
Accrued expenses		223,590	224,484
Reinsurers' payables		21,777,269	24,002,398
Other provisions		1,097,416	974,343
Income tax provision	8	-	76,545
Other liabilities		363,138	426,492
Deferred tax liabilities	8	50,013	-
Total Liabilities		<u>76,661,020</u>	<u>76,702,671</u>
<u>Equity</u>			
Paid in capital	9	21,438,252	21,438,252
Statutory reserve		4,683,051	4,683,051
Retained earnings		7,689,467	7,689,467
Loss for the period		(9,056,246)	-
Total Shareholders' Equity		<u>24,754,524</u>	<u>33,810,770</u>
Total Liabilities and Shareholders' Equity		<u>101,415,544</u>	<u>110,513,441</u>

The attached notes 1 to 15 form part of these interim financial statements

**ARAB ORIENT INSURANCE
PUBLIC SHAREHOLDING COMPANY
INTERIM STATEMENT OF COMPREHENSIVE INCOME
FOR THE THREE MONTHS AND NINE MONTHS ENDED 30 SEPTEMBER 2017 (UNAUDITED)**

	For the three months ended 30 September 2017		For the nine months ended 30 September 2017	
	30 September 2017	30 September 2016	30 September 2017	30 September 2016
	JD	JD	JD	JD
Revenue –				
Gross written premium	13,441,330	16,658,526	75,985,981	78,679,284
Less: reinsurance share	6,820,987	11,122,461	46,472,464	45,946,926
Net written premium	6,620,343	5,536,065	29,513,517	32,732,358
Net change in premium deficiency reserve	(469,000)	-	(469,000)	-
Net change in unearned premiums provision	4,798,442	3,853,959	(3,714,803)	1,030,446
Net earned premium	10,949,785	9,390,024	25,329,714	33,762,804
Commissions income	975,804	1,559,659	7,032,331	6,851,882
Insurance policies issuance fees	872,400	678,021	3,325,349	2,748,438
Interest income	350,800	305,419	981,456	893,354
Net gain (loss) from financial assets and investments	52,288	(21,682)	318,782	206,785
Total revenues	13,201,077	11,911,441	36,987,632	44,463,263
Claims and related expenses				
Paid claims	21,735,556	21,064,598	71,472,713	63,331,839
Less: Recoveries	768,545	943,432	2,440,489	2,715,948
Less: Reinsurance share	10,178,197	11,495,484	34,384,840	34,326,213
Paid claims, net	10,788,814	8,625,682	34,647,384	26,289,678
Net change in claims reserve	335,788	(161,176)	1,516,404	233,059
Allocated employees' expenses	1,365,647	1,147,312	4,802,809	4,057,607
Allocated general and administrative expenses	704,239	657,987	2,389,706	2,961,751
Excess of loss premium	258,905	257,659	685,100	598,049
Policies acquisition costs	380,928	374,276	1,799,209	1,862,502
Other expenses	52,421	90,719	175,985	199,636
Net Claims	13,886,742	10,992,459	46,016,597	36,202,282
Unallocated employees' expenses	341,412	286,828	1,200,702	1,014,402
Depreciation and amortization	179,669	155,511	515,809	494,895
Unallocated general and administrative expenses	176,059	164,497	597,426	740,438
Allowance for doubtful debts	100,000	250,000	450,000	1,100,000
Loss (Gain) from selling property and equipment	33,539	-	33,523	(51)
Total expenses	830,679	856,836	2,797,460	3,349,684
(Loss) Profit for the period before tax	(1,516,344)	62,146	(11,826,425)	4,911,297
Income tax	8 365,843	(28,297)	2,770,179	(1,108,740)
Total comprehensive income for the period	(1,150,501)	33,849	(9,056,246)	3,802,557
	JD/Fils	JD/Fils	JD/Fils	JD/Fils
Basic and diluted earnings (loss) profit per share for the period	10 (0/054)	0/002	(0/422)	0/177

The attached notes 1 to 15 form part of these interim financial statements

**ARAB ORIENT INSURANCE
PUBLIC SHAREHOLDING COMPANY
INTERIM CONDENSED STATEMENT OF CHANGES IN EQUITY
FOR THE NINE MONTHS ENDED 30 SEPTEMBER 2017 (UNAUDITED)**

	Paid in capital	Statutory reserve	Retained earnings*	(Loss) or Profit for the period	Total
	JD	JD	JD	JD	JD
2017					
Balance at 1 January 2017	21,438,252	4,683,051	7,689,467	-	33,810,770
Total comprehensive income for the period	-	-	-	(9,056,246)	(9,056,246)
Balance at 30 September 2017	<u>21,438,252</u>	<u>4,683,051</u>	<u>7,689,467</u>	<u>(9,056,246)</u>	<u>24,754,524</u>
2016					
Balance at 1 January 2016	21,438,252	4,538,423	8,237,404	-	34,214,079
Dividends *	-	-	(1,607,869)	-	(1,607,869)
Total comprehensive income for the period	-	-	-	3,802,557	3,802,557
Balance at 30 September 2016	<u>21,438,252</u>	<u>4,538,423</u>	<u>6,629,535</u>	<u>3,802,557</u>	<u>36,408,767</u>

* Retained earnings include an amount of JD 6,059,102 as of 30 September 2017, (3,192,956: 31 December 2016) representing deferred tax assets that cannot be distributed according to the Securities Commission instructions.

The attached notes 1 to 15 form part of these interim financial statements

**ARAB ORIENT INSURANCE
PUBLIC SHAREHOLDING COMPANY
INTERIM STATEMENT OF CASH FLOWS
FOR THE NINE MONTHS ENDED 30 SEPTEMBER 2017 (UNAUDITED)**

	Notes	30 September 2017 JD	30 September 2016 JD
<u>CASH FLOWS FROM OPERATING ACTIVITIES</u>			
(Loss) profit for the period before tax		(11,826,425)	4,911,297
Adjustment for non-cash items			
Depreciation and amortization		515,809	494,895
Loss (Gain) from sale of property and equipment		33,523	(51)
Outstanding claims provision, net		1,516,404	233,059
Unearned premium provision, net		3,714,803	(1,030,446)
Net change in premium deficiency reserve		469,000	-
End of service indemnity provision		224,807	102,509
Provision for doubtful debts		450,000	1,100,000
Gain on sale of financial assets at fair value through comprehensive income		-	(9,853)
Change in financial assets at fair value through comprehensive income		208,388	215,845
Cash flows (Used in) from operating activities before changes in working capital		(4,693,691)	6,017,255
Checks under collection		707,235	194,532
Accounts receivable		9,090,231	(4,973,375)
Reinsurers' receivable		(402,920)	(1,197,871)
Other assets		(297,084)	(26,222)
Accounts payable		(3,549,022)	2,688,815
Accrued expenses		(894)	(69,095)
Reinsurers' payable		(2,225,129)	(2,029,251)
Other liabilities		(63,354)	(113,880)
Net cash flows (used in) from operating activities before tax		(1,434,628)	490,908
Paid from end of service provision		(101,734)	(110,000)
Income tax paid		(122,499)	(1,840,948)
Net cash flows used in operating activities		(1,658,861)	(1,460,040)
<u>CASH FLOWS FROM INVESTING ACTIVITIES</u>			
Deposits at banks maturing after three months		3,142,474	909,167
(Purchase) of intangible assets		(524,257)	(44,738)
(Purchase) of property and equipment		(386,578)	(291,574)
Proceeds from sale of property and equipment		3,160	906
Proceeds from sale of financial assets at fair value through comprehensive income		-	364,730
Received interest revenue from government bond (Kingdom of Bahrain)		5,352	-
(Purchase) of financial assets at fair value through comprehensive income		(458,251)	(487,438)
(Purchase) of financial assets at amortized cost held to maturity		(1,485,732)	(496,868)
Net cash flows from (used in) investing activities		296,168	(45,815)
<u>CASH FLOWS FROM FINANCING ACTIVITIES</u>			
Distribution of cash dividends		-	(1,607,869)
Net cash flows from financing activities		-	(1,607,869)
Net decrease in cash and cash equivalent		(1,362,693)	(3,113,724)
Cash and cash equivalents at beginning of the period	11	1,425,299	3,413,632
Cash and cash equivalents at the end of the period	11	62,606	299,908

The attached notes 1 to 15 form part of these interim financial statements

**ARAB ORIENT INSURANCE
PUBLIC SHAREHOLDING COMPANY
INTERIM STATEMENT OF UNDER WRITING REVENUES FOR THE GENERAL INSURANCE
FOR THE NINE MONTHS PERIOD ENDED 30 SEPTEMBER 2017 (UNAUDITED)**

	Motor		Marine		Aviation		Fire and property		Liability		Medical		Others		Total	
	2017 JD	2016 JD	2017 JD	2016 JD	2017 JD	2016 JD	2017 JD	2016 JD	2017 JD	2016 JD	2017 JD	2016 JD	2017 JD	2016 JD	2017 JD	2016 JD
Direct Insurance	19,222,662	17,362,235	561,450	1,683,372	4,047	4,948	3,223,537	3,439,814	596,205	590,494	46,658,700	49,585,631	3,771,656	3,089,708	74,038,257	75,756,202
Optional reinsurers	787,591	894,222	(1,561)	25,697	-	45,609	1,119,629	1,777,547	1,857	645	-	-	40,208	179,362	1,947,724	2,923,082
Total written Premiums	20,010,253	18,256,457	559,889	1,709,069	4,047	50,557	4,343,166	5,217,361	598,062	591,139	46,658,700	49,585,631	3,811,864	3,269,070	75,985,981	78,679,284
Less:																
Local reinsurers' share	847,771	976,696	9,646	27,817	-	45,609	1,220,261	1,737,779	-	-	-	-	116,902	395,350	2,194,580	3,183,251
Foreign reinsurers' share	382,949	175,157	315,790	1,357,911	4,047	4,948	2,226,046	2,524,934	427,926	444,886	38,074,490	35,934,817	2,846,636	2,321,022	44,277,884	42,763,676
Net Written Premiums	18,779,533	17,104,604	234,453	323,341	-	-	896,859	954,648	170,136	146,253	8,584,210	13,650,814	848,326	552,698	29,513,517	32,732,358
Add:																
Balance at the beginning of the period																
Unearned premium provision	10,578,885	11,000,914	1,048,368	902,307	11,495	10,212	6,453,742	5,695,233	478,225	656,425	28,679,181	24,815,132	1,556,356	2,288,407	46,806,202	45,368,630
Less: reinsurers' share	824,107	716,399	962,102	762,945	11,495	10,212	6,039,154	5,235,337	409,182	570,795	20,645,653	17,333,756	1,263,150	1,936,311	30,154,843	28,565,755
Net Unearned Premiums Provision	9,754,778	10,284,515	86,266	139,362	-	-	414,588	459,896	69,043	85,630	6,033,478	7,481,376	293,206	352,096	16,651,359	16,802,875
Premium deficiency reserve	-	-	-	-	-	-	-	-	-	-	600,000	-	-	-	600,000	-
Less: reinsurers' share	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Net premium deficiency reserve	-	-	-	-	-	-	-	-	-	-	600,000	-	-	-	600,000	-
Less:																
Balance at the ending of the period																
Unearned premium provision	11,979,449	10,688,672	191,079	192,276	3,714	21,339	3,055,284	3,596,136	323,700	243,149	22,649,066	27,223,978	1,801,177	1,733,283	40,003,469	43,698,833
Less : Reinsurers' share	577,526	569,700	112,039	115,378	3,714	21,339	2,516,141	3,079,638	228,727	152,246	14,757,682	20,632,400	1,441,498	1,355,703	19,637,307	25,926,404
Unearned Premiums provision - net	11,401,923	10,118,972	79,040	76,898	-	-	539,143	516,498	94,973	90,903	7,891,404	6,591,578	359,679	377,580	20,366,162	17,772,429
Premium deficiency reserve	-	-	-	-	-	-	-	-	-	-	1,069,000	-	-	-	1,069,000	-
Less: reinsurers' share	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Net premium deficiency reserve	-	-	-	-	-	-	-	-	-	-	1,069,000	-	-	-	1,069,000	-
Net Earned revenue from written Premium	17,132,388	17,270,147	241,679	385,805	-	-	772,304	898,046	144,206	140,980	6,257,284	14,540,612	781,853	527,214	25,329,714	33,762,804

The attached notes 1 to 15 form part of these interim financial statements

ARAB ORIENT INSURANCE
PUBLIC SHAREHOLDING COMPANY
INTERIM STATEMENT OF CLAIMS COST FOR THE GENERAL INSURANCE
FOR THE NINE MONTHS PERIOD 30 SEPTEMBER 2017 (UNAUDITED)

	Motor		Marine		Aviation		Fire and property		Liability		Medical		Others		Total	
	2017	2016	2017	2016	2017	2016	2017	2016	2017	2016	2017	2016	2017	2016	2017	2016
	JD	JD	JD	JD	JD	JD	JD	JD	JD	JD	JD	JD	JD	JD	JD	JD
Paid claims	15,100,720	14,323,346	223,100	216,217	-	-	6,251,028	2,014,754	46,696	50,846	49,240,194	46,174,764	610,975	551,912	71,472,713	63,331,839
Less:																
Recoveries	2,331,222	2,559,395	-	-	-	-	99,733	116,138	4,470	9,370	-	-	5,064	31,045	2,440,489	2,715,948
Local reinsurers' share	41,873	97,178	-	-	-	-	251,666	213,484	-	448	-	-	18,597	48,587	312,136	359,697
Foreign reinsurers' share	2,372	66,274	134,932	126,803	-	-	5,491,468	1,453,444	5,521	9,558	28,137,509	32,039,260	300,904	271,177	34,072,704	33,966,516
Net Paid Claims	12,725,253	11,600,499	88,168	89,414	-	-	408,163	231,688	36,705	31,470	21,102,685	14,135,504	286,410	201,103	34,647,384	26,289,678
Add:																
Outstanding Claims provision																
at the end of the period																
Reported	15,113,806	13,364,266	262,438	108,731	-	-	4,103,772	1,916,902	245,749	209,293	5,348,185	6,995,130	1,715,861	3,251,613	26,769,811	25,805,855
Unreported	2,600,000	3,000,000	20,000	20,000	-	-	200,000	200,000	30,000	30,000	4,800,010	5,049,951	170,000	170,000	7,820,010	8,469,951
Less:																
Reinsurers' share from reported claims	795,640	1,007,292	156,198	79,382	-	-	3,776,303	1,503,696	108,680	99,320	3,268,147	5,261,000	1,372,343	2,864,337	9,447,311	10,815,027
Reinsurers' share from IBNR	-	-	-	-	-	-	-	-	-	-	3,011,193	3,830,901	-	-	3,011,193	3,830,901
Recoveries	1,060,080	596,163	-	-	-	-	-	-	-	-	-	-	-	-	1,060,080	596,163
Net Outstanding Claims provision																
at the end of the period	15,858,086	14,760,831	126,240	49,349	-	-	527,469	613,206	167,069	139,973	3,848,855	2,893,180	563,518	557,276	21,091,237	19,033,815
Less:																
Outstanding Claims provision at the beginning of the period																
Reported	13,634,307	12,363,377	161,363	199,723	-	-	9,716,371	2,214,841	227,533	184,274	8,580,203	6,187,356	1,995,696	3,147,513	34,315,673	24,297,084
Unreported	3,000,000	3,200,000	20,000	20,000	-	-	200,000	200,000	30,000	30,000	4,707,987	4,271,098	170,000	170,000	8,127,987	7,891,098
Less:																
Reinsurers' share from reported	958,800	880,198	111,573	112,522	-	-	9,168,983	1,784,169	109,820	173,460	6,510,537	4,148,360	1,553,524	2,561,406	18,413,237	9,760,115
Reinsurers' share from IBNR	-	-	-	-	-	-	-	-	-	-	3,572,354	2,863,591	-	-	3,572,354	2,863,591
Recoveries	883,236	763,720	-	-	-	-	-	-	-	-	-	-	-	-	883,236	763,720
Net Outstanding Claims provision																
at the beginning of the period	14,792,271	13,919,459	69,790	107,201	-	-	747,388	630,672	147,713	40,814	3,205,299	3,446,503	612,372	656,107	19,574,833	18,800,756
Net Claims Cost	13,791,058	12,461,871	144,518	31,562	-	-	188,244	214,222	56,061	130,629	21,746,241	13,582,181	237,556	102,272	36,163,788	26,522,737

The attached notes 1 to 15 form part of these interim financial statements

ARAB ORIENT INSURANCE
PUBLIC SHAREHOLDING COMPANY
INTERIM STATEMENT OF UNDERWRITING PROFITS FOR THE GENERAL INSURANCE
FOR THE NINE MONTHS ENDED 30 SEPTEMBER 2017 (UNAUDITED)

	Motor		Marine		Aviation		Fire and property		Liability		Medical		Others		Total	
	2017	2016	2017	2016	2017	2016	2017	2016	2017	2016	2017	2016	2017	2016	2017	2016
	JD	JD	JD	JD	JD	JD	JD	JD	JD	JD	JD	JD	JD	JD	JD	JD
Net earned revenue from																
written premiums	17,132,388	17,270,147	241,679	385,895	-	-	772,304	898,046	144,206	140,980	6,257,284	14,540,612	781,853	527,214	25,329,714	33,762,804
Less:																
Net claims cost	13,791,068	12,461,871	144,618	31,562	-	-	188,244	214,222	56,061	130,629	21,746,241	13,582,181	237,556	102,272	36,163,768	26,522,737
Add:																
Commissions received	90,585	51,816	147,653	293,258	656	607	575,608	707,190	80,184	75,187	5,467,978	5,145,380	689,669	578,444	7,032,331	6,851,982
Insurance policies issuance fees	631,942	338,508	37,466	44,997	1,030	657	208,299	168,151	17,763	23,970	2,312,700	2,068,193	118,149	105,962	3,325,349	2,748,438
Total revenue	4,063,847	5,198,600	282,180	692,498	1,686	1,264	1,365,967	1,559,165	186,092	109,508	(7,708,281)	8,170,004	1,332,115	1,109,348	(476,394)	16,840,387
Less:																
Paid commissions	695,046	649,160	(529)	173,163	-	-	102,325	148,389	18,792	17,203	808,598	698,987	174,977	175,600	1,799,209	1,862,502
Excess of loss premiums	161,229	233,846	74,931	62,501	-	-	295,398	207,782	-	-	-	-	153,542	93,920	685,100	598,049
Allocated general and administrative expenses	1,894,087	1,628,746	52,997	152,474	383	4,510	411,106	465,466	58,610	52,738	4,416,517	4,423,773	360,814	291,651	7,192,514	7,019,358
Interest paid on retained insurers share	-	-	2,796	3,411	-	-	8,887	10,126	-	-	160,960	181,915	3,342	4,184	175,985	199,636
Total Expenses	2,750,362	2,511,752	130,195	391,549	383	4,510	817,716	831,763	75,402	69,941	5,386,075	5,304,675	692,675	565,355	9,852,808	9,679,545
Underwriting (loss) profit	1,313,485	2,686,848	151,985	300,949	1,303	(3,246)	548,251	727,402	110,690	39,567	(13,094,356)	2,865,329	639,440	543,993	(10,328,207)	7,160,842

The attached notes 1 to 15 form part of these interim financial statements

(1) GENERAL

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

The Company is engaged in insurance business against fire, marine and transportation, and motor insurance, public liability, aviation and medical insurance through its main branch located at Jabal Amman 3rd circle in Amman, and other branches at Dier Gubar, Tla'a Al Ali, Biader Wadi Elseer, Abdali and Abdali- Boulevard in Amman, a branch in Aqaba and a branch in Irbid.

The Company is 90.45% owned by Gulf Insurance Company as of 30 September 2017.

The financial statements were approved by the Board of Directors in its meeting 29 October 2017

(2) BASIS OF PREPARATION

The interim financial statements as of 30 September 2017 have been prepared in accordance with International Accounting Standard 34 "Interim Financial Reporting".

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

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

The interim condensed financial statements do not contain all information and disclosures required for full financial statements prepared in accordance with International Financial Reporting Standards, and should be read in conjunction with the Company's annual report as at 31 December 2016. In addition, the results for the nine months ended 30 September 2017 are not necessarily indicative of the results that may be expected for the financial year ending 31 December 2017.

Changes in accounting policies

The accounting policies adopted in the preparation of the interim condensed financial statements are consistent with those followed in the preparation of the Company's annual financial statements for the year ended 31 December 2016, except for the adoption of new amendments effective as of 1 January 2017:

Amendments to IAS 7 Statement of Cash Flows: Disclosure Initiative

Limited amendments which require entities to provide disclosures about changes in their liabilities arising from financing activities, including both changes arising from cash flows and non-cash changes (such as foreign exchange gains or losses). However, the adoption of these amendments have no impact on the Company's interim condensed consolidated financial statements.

Amendments to IAS 12 Income Taxes: Recognition of Deferred Tax Assets for Un-recognized Losses

Limited amendments to clarify that an entity needs to consider whether tax law restricts the sources of taxable profits against which it may make deductions on the reversal of that deductible temporary difference and some other limited amendments, the adoption of these amendments have no impact on the Company's interim condensed financial statements.

Business Segment

The business segment represents a set of assets and operations that jointly provide products and service subject to risks and returns different from those of other business sector which is measured based on the reports used by the chief operating decision maker.

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

Estimation uncertainty

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

The details of significant estimates made by management are as follows:

- A provision of doubtful debt is estimated by the management based on their principles and assumptions according to Insurance Commission Regulation.
- The financial year is charged with its related income tax in accordance with laws and regulations.
- The management periodically reviews tangible and intangible assets useful lives in order to calculate the depreciation and amortization amount depending on the status of these assets and future benefit. The impairment loss (if any) appears on the statement of comprehensive income.
- The outstanding claim reserve and technical reserve are estimated based on technical studies and according to Insurance Commission Regulation and actuarial studies.
- A provision for lawsuit against the Company is made based on the Company's lawyers' studies in which contingent risk is determined, review of such study is performed periodically.
- The management periodically reviews whether a financial asset or group of financial assets is impaired, if so this impairment is taken to the statement of comprehensive income.

(3) BANK DEPOSITS

This item represents the following:

	30 September 2017	30 September 2017	31 December 2016
Deposits matured between 6 months to 1 Year			Total
	JD	JD	JD
	(Unaudited)	(Unaudited)	(Audited)
Inside Jordan	31,624,265	31,624,265	34,766,739

Interest rates on bank deposit balances in Jordanian Dinar range from 3.9% to 5% during the nine month period.

Deposits pledged to the favor of the General Manager of the Insurance Regulatory Commission deposited in Jordan Kuwait Bank amounted to JD 225,000 as of 30 September 2017 and 31 December 2016.

ARAB ORIENT INSURANCE
NOTES TO THE INTERIM CONDENSED FINANCIAL STATEMENTS
30 SEPTEMBER 2017

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

Below are the distribution of deposits at banks:

	30 September 2017	31 December 2016
	JD	JD
	(Unaudited)	(Audited)
Jordan Kuwait Bank	5,557,873	5,822,562
Capital Bank	2,082,196	2,044,441
Audi Bank	2,139,169	2,064,991
Societe General Bank	-	2,916,759
Blom Bank	2,611,537	2,515,598
Al Etihad Bank	2,942,987	2,845,615
Jordan Commercial Bank	5,138,509	2,135,476
Arab Banking Corporation	6,203,108	6,203,107
Ahli Bank	4,948,886	8,218,190
	<u>31,624,265</u>	<u>34,766,739</u>

(4) FINANCIAL ASSETS AT FAIR VALUE THROUGH COMPREHENSIVE INCOME

This item consists of the following:

	Number of shares	30 September 2017	31 December 2016
		JD	JD
		(Unaudited)	(Audited)
Listed shares :			
Cairo Amman Bank	553,581	841,443	1,024,125
Afaq for Energy Company	1,140,147	2,633,740	2,622,338
Afaq for Investment and Real Estate Development	1,541,500	2,512,645	2,497,230
Dar Al Dawa Development and Investment	419,964	835,728	430,000
Total financial assets at fair value through comprehensive income inside Jordan		<u>6,823,556</u>	<u>6,573,693</u>

(5) FINANCIAL ASSETS AT AMORTIZED COST

This item consists of the following:

	Number of bonds	30 September 2017 JD (Unaudited)	31 December 2016 JD (Audited)
Inside Jordan-			
Unlisted Bonds:			
Arab Real Estate Development Company*	120	1,200,000	1,200,000
Total financial assets at amortized cost – inside Jordan		1,200,000	1,200,000
Less: Impairment in financial assets at amortized cost		(1,199,000)	(1,199,000)
Financial assets at amortized cost - net		1,000	1,000
The maturity of the bonds are as follows:			
		Less than a year JD	More than a year JD
Arab Real Estate Development Company*		1,000	-
Outside of Jordan:			
Treasury bonds/ Hashemite Kingdom of Jordan**	1,330	952,327	-
Treasury bonds/ Kingdom of Bahrain ***	715	532,339	-
Treasury bonds/ Kingdom of Bahrain ****	1,315	996,433	1,000,719
Net financial assets at amortized cost		2,481,099	1,000,719
Total financial assets at amortized cost		2,482,099	1,001,719

* These bonds matured on April 1, 2011 at fixed annual interest rate of 10%. Interest is paid every six months on October 1st and April 1st of each year, the first payment was on October 1st 2008. The Board of Directors approved in its meeting number (2) held on March 24, 2011 the published amended draft prospectus that was approved by the General Assembly of the bonds owners on March 28, 2011. The prospectus includes extending the maturity date of these bonds to April 1, 2014 and amending the interest rate to become a fixed annual interest rate of 11%, to be paid semiannually on October 1st, and April 1st of each year starting from October 1st 2011. The Company did not collect or record any interest from these bonds after the prospectus was modified.

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

Arab Real Estate Development Company bonds are stated at cost less impairment loss for an amount of JD 1,199,000 as of 30 September 2017.

ARAB ORIENT INSURANCE
NOTES TO THE INTERIM CONDENSED FINANCIAL STATEMENTS
30 SEPTEMBER 2017

- ** Treasury bonds/ Hashemite Kingdom of Jordan are due on the 31 January 2027 with an interest rate of 5.75% and paid on two equal installments on the 30th of April and 30th of September, until the maturity date of the bond.
- *** Treasury bonds/ Kingdom of Bahrain are due on the 12th of October 2028 with an interest rate of 7% and paid on two equal installments on the 12th of October and 12th of April, until the maturity date of the bond.
- **** Treasury bonds/ Kingdom of Bahrain are due on the 26 of January 2026 with an interest rate of 7% and paid on two equal installments on the 26th of January and 26th of July, until the maturity date of the bond.

(6) ACCOUNTS RECEIVABLE, NET

This item consists of the following:

	30 September 2017	31 December 2016
	JD	JD
	(Unaudited)	(Audited)
Policy holders *	38,391,634	47,945,633
Brokers receivables	2,178,181	1,633,200
Employees' receivables	130,602	122,693
Other	752,657	841,779
	41,453,074	50,543,305
Less: Provision for doubtful debts**	(6,041,253)	(5,437,931)
	35,411,821	45,105,374

* Includes scheduled payment amounted to JD 22,600,437 as of 30 September 2017 (JD 27,188,018 as of 31 December 2016).

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

	30 September 2017	31 December 2016
	JD	JD
	(Unaudited)	(Audited)
Balance at the beginning of the period/ year	5,437,931	3,887,931
Additions	450,000	1,550,000
Transferred from reinsurers' provision	153,322	-
Balance at the end of the period / year	6,041,253	5,437,931

ARAB ORIENT INSURANCE
NOTES TO THE INTERIM CONDENSED FINANCIAL STATEMENTS
30 SEPTEMBER 2017

(7) REINSURERS' RECEIVABLES, NET

This item consists of the following:

	30 September 2017	31 December 2016
	JD (Unaudited)	JD (Audited)
Local insurance companies	1,765,540	2,251,228
Foreign reinsurers' companies	4,869,141	3,980,533
	6,634,681	6,231,761
Less: Provision for doubtful debt for reinsurers' receivables *	(383,747)	(537,069)
Net reinsurers' receivables	6,250,934	5,694,692

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

	30 September 2017	31 December 2016
	JD (Unaudited)	JD (Audited)
Balance at the beginning of the period/year	537,069	537,069
Transferred to provision for doubtful debts	(153,322)	-
Balance at end of the period/year	383,747	537,069

(8) INCOME TAX

Income tax provision

The movement on the income tax provision is as follows:

	30 September 2017	31 December 2016
	JD (Unaudited)	JD (Audited)
Balance at beginning of the period/ year	76,545	1,357,805
Income tax paid	(122,499)	(1,864,420)
Prior year income tax	45,954	-
Income tax paid in advance	-	(61,409)
Income tax expense for the period/year	-	644,569
Balance at the end of the period/year	-	76,545

ARAB ORIENT INSURANCE
NOTES TO THE INTERIM CONDENSED FINANCIAL STATEMENTS
30 SEPTEMBER 2017

The income tax expense represents the following:

	30 September 2017	30 September 2016
	JD	JD
	(Unaudited)	(Unaudited)
Income tax for the period	-	1,284,595
Deferred tax assets	(2,866,146)	(168,972)
Deferred tax liabilities	50,013	(6,883)
Prior year income tax	45,954	-
	<u>(2,770,179)</u>	<u>1,108,740</u>

Final settlement for income tax between the Company and Income and Sales Tax Department was reached until 31 December 2014.

Income tax return was submitted for the years 2015 and it is still not reviewed by Income and Sales Tax Department until the date of financial statements.

In the opinion of the management and the tax consultant the income tax provision is adequate for all tax obligations.

(9) PAID IN CAPITAL

Authorized and paid in capital amounted to JD 21,438,252 divided into 21,438,252 shares the par value of each is JD 1 as of 30 September 2017 (JD 21,438,252 shares of JD 1 each as of 31 December 2016).

(10) BASIC AND DILUTED (LOSS) EARNINGS PER SHARE

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

	For the three months ended 30 September		For the nine months ended 30 September	
	2017	2016	2017	2016
	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)
(Loss) profit for the period (JD)	(1,150,501)	33,849	(9,056,246)	3,802,557
Weighted average number of shares (Shares)	21,438,252	21,438,252	21,438,252	21,438,252
	JD/Fils	JD/Fils	JD/Fils	JD/Fils
Basic and diluted (loss) earnings per share from the period	(0/054)	0/002	(0/422)	0/177

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

(11) CASH AND CASH EQUIVALENTS

This item consists of the following:

	30 September 2017	31 December 2016
	JD	JD
	(Unaudited)	(Audited)
Cash on hand and bank balances	62,606	1,425,299
Add: deposits at bank	31,624,265	34,766,739
Less: deposits at banks mature within the period of more than three months	(31,399,265)	(34,541,739)
Less: restricted deposits to the general manager of the insurance, commission (note 3)	(225,000)	(225,000)
Net Cash and cash equivalent	62,606	1,425,299

(12) RELATED PARTY TRANSACTIONS

During the year, the Company entered into transactions with major shareholders, board members and directors in the Company within the normal activities of the company using insurance premium and commercial commission. All debts provided to related parties are considered working and no provision has been taken for them as of 30 September 2017

During 2011 it was agreed with Gulf Insurance Company (Major Shareholder and member of the Board of Directors) to settle all treaty reinsurers' accounts through Gulf Insurance Company, where to company's credit balance amounted to JD 1,546,002 as of 30 September 2017.

ARAB ORIENT INSURANCE
NOTES TO THE INTERIM CONDENSED FINANCIAL STATEMENTS
30 SEPTEMBER 2017

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

	Related party	Total
	Top Executive Management	
	30 September 2017	31 December 2016
	JD	JD
	(Unaudited)	(Audited)
Statement of Financial Position Items:		
Time deposits	-	5,822,562
Overdraft account - credit balance	-	354,383
Term deposits	-	934,699
Deposits on letters of guarantee	-	449,441
Accounts receivable	15,918	9,740

Off-statement of Financial Position Items:

Letters of guarantee	-	4,410,361	4,494,410
----------------------	---	-----------	-----------

	Top Executive Management	30 September 2017	30 September 2016
	JD	JD	JD
		(Unaudited)	(Audited)
Statement of Income Items :			
Bank interest income	-	-	155,897
Insurance premiums	12,396	12,396	1,692,617
Bank expenses and commissions	-	-	111,373
Salaries	693,734	693,734	557,630
Bonuses	200,327	200,327	253,565
Transportation expenses for members of the Board of Directors	37,800	37,800	37,800

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

	30 September 2017	30 September 2016
	JD	JD
	(Unaudited)	(Audited)
Salaries and bonuses	894,061	811,195

(13) ANALYSIS OF MAIN SECTORS

Background for the company business sectors

General insurance sector includes insurance on motor marine, fire and property, liability, medical and others. The sectors above also include investments and cash management for the company account. The activities between the business sectors are performed based on commercial basis.

(14) LAWSUITS AGAINST THE COMPANY

There are several lawsuits filed against the Company.

The Company has recognized a provision of JD 3,201,261 which the Company's legal advisor believes is sufficient against these lawsuits.

(15) CONTINGENT LIABILITIES

The Company has letter of guarantee of JD 4,410,361 as of 30 September 2017 against which cash margins of JD 441,036 are held.