

للإصدار
كل يوم صحت عمان
كل شهر
كشور



Date: 29/10/2019

Ref: 03/GJ/2019

To: Jordan Securities Commission



Interim Condensed Financial Statement for the Period Ended 30/9/2019

Attached are the English financial statements of Arab Orient Insurance Co. For the Period ended 30/9/2019 after being reviewed by our external auditors.

Kindly accept our highly appreciation and respect

CFO

Sa'ad Farah

Deputy Director /Accounting Dept.

Wail Shehadeh



ARAB ORIENT INSURANCE

PUBLIC SHAREHOLDING COMPANY

INTERIM CONDENSED FINANCIAL STATEMENTS (UNAUDITED)

30 SEPTEMBER 2019



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

Introduction

We have reviewed the accompanying interim condensed financial statements of **ARAB ORIENT INSURANCE COMPANY** a public shareholding company as at 30 September 2019, comprising of the interim condensed statement of financial position as at 30 September 2019 and the related interim condensed statements of income, comprehensive income, changes in equity, and cash flows for 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). Our responsibility is to express a conclusion on these interim condensed financial statements based on our review.

Scope of review

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

Conclusion

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

Amman – Jordan
28 October 2019

ARAB ORIENT INSURANCE PUBLIC SHAREHOLDING COMPANY
INTERIM CONDENSED STATEMENT OF FINANCIAL POSITION
AS AT 30 SEPTEMBER 2019

	Notes	30 September 2019	31 December 2018
		JD (Unaudited)	JD (Audited)
Assets			
Bank deposits	3	52,855,369	47,070,424
Financial assets at fair value through other comprehensive income	4	3,517,135	5,051,191
Financial assets at amortized cost	5	2,464,468	2,471,328
Total Investments		58,836,972	54,592,943
Cash and cash equivalents	15	1,974,192	2,494,466
Checks under collection		6,107,968	4,251,884
Accounts receivable	6	30,651,804	24,881,284
Reinsurance receivable	7	1,663,095	1,322,370
Property and equipment		4,700,225	4,808,393
Intangible assets		540,874	645,220
Deferred tax assets	8	4,394,193	5,722,030
Right of use assets		529,306	-
Other assets		1,722,904	1,427,919
Total Assets		111,121,533	100,146,509
Liabilities and Equity			
Liabilities –			
Insurance contracts liabilities:			
Unearned premium reserve		20,859,556	14,838,093
Premium deficiency reserve		884,000	884,000
Outstanding claims reserve		19,971,819	18,777,823
Total Insurance contract liabilities		41,715,375	34,499,916
Accounts payable	9	5,330,653	6,186,513
Reinsurance payable	10	24,346,264	22,253,293
Lease contracts liabilities		457,445	-
Accrued expenses		490,462	635,184
Other provisions		1,287,910	1,084,242
Deferred tax liabilities	8	-	55,451
Other liabilities		1,034,442	227,718
Total Liabilities		74,662,551	64,942,317
Equity -			
Authorized and paid-in capital	11	21,438,252	21,438,252
Statutory reserve		5,107,646	5,107,646
Fair value reserve		(2,400,812)	(2,399,231)
Accumulated losses		(1,305,004)	(542,475)
Profit for the period		4,618,900	-
Net Equity		27,458,982	23,604,192
Subordinated loan	12	9,000,000	11,600,000
		36,458,982	35,204,192
Total Liabilities and Equity		111,121,533	100,146,509

The attached notes from 1 to 19 form part of these interim condensed financial statements

ARAB ORIENT INSURANCE PUBLIC SHAREHOLDING COMPANY
INTERIM CONDENSED STATEMENT OF INCOME
FOR THE THREE MONTHS AND NINE MONTHS ENDED 30 SEPTEMBER 2019 (UNAUDITED)

	Notes	For the three months ended 30 September		For the nine months ended 30 September	
		2019	2018	2019	2018
		JD	JD	JD	JD
Revenues –					
Gross written premium		19,082,668	17,996,374	68,663,337	69,269,882
Less: reinsurance share		8,005,983	10,354,200	34,739,812	36,816,625
Net written premium		11,076,685	7,642,174	33,923,525	32,453,257
Net change in unearned premium reserve		(1,495,307)	1,615,685	(6,021,463)	(2,268,673)
Net earned premium		9,581,378	9,257,859	27,902,062	30,184,584
Commissions income		1,352,385	1,373,846	5,638,790	5,184,305
Insurance policies issuance fees		667,699	677,024	2,986,056	3,395,714
Interest income		759,221	585,248	2,075,427	1,634,932
Gain from financial assets and investments	13	36,421	36,557	244,700	412,269
Total revenues		12,397,104	11,930,534	38,847,035	40,811,804
Claims, losses and expenses					
Paid claims		14,006,755	14,631,298	44,279,822	52,478,685
Less: Recoveries		861,177	1,018,435	2,843,538	3,264,011
Less: Reinsurance share		6,486,560	6,436,567	21,396,232	24,031,064
Net paid claims		6,659,018	7,176,296	20,040,052	25,183,610
Net change in outstanding claims reserve		539,533	450,462	1,193,996	(491,033)
Allocated employees' expenses		1,536,593	1,535,061	4,808,344	4,643,320
Allocated general and administrative expenses		700,803	645,981	2,111,976	2,190,727
Excess of loss premium		147,254	208,983	457,454	658,661
Policies acquisition costs		440,222	467,201	1,584,239	1,624,800
Other expenses		36,922	36,228	158,212	216,266
Net claims costs		10,060,345	10,520,212	30,354,273	34,026,351
Unallocated employees' expenses		384,148	383,764	1,202,086	1,160,829
Unallocated general and administrative expenses		175,199	169,643	527,992	547,683
Depreciation and amortization		164,525	161,497	485,145	509,983
Provision for expected credit losses of accounts receivable and provision for doubtful debts of reinsurance receivable		-	-	381,217	1,507,000
Provision for expected credit losses on checks under collection		-	-	4,610	-
Loss from sale of property and equipment		2,271	-	426	23,384
Total expenses		726,143	714,904	2,601,476	3,748,879
Profit for the period before tax		1,610,616	695,418	5,891,286	3,036,574
Income tax expense	8	(358,983)	(166,901)	(1,272,386)	(674,328)
Profit for the period		1,251,633	528,517	4,618,900	2,362,246
		JD/Fils	JD/Fils	JD/Fils	JD/Fils
Basic and diluted earnings per share for the period	14	0/058	0/025	0/215	0/110

The attached notes from 1 to 19 form part of these interim condensed financial statements

ARAB ORIENT INSURANCE PUBLIC SHAREHOLDING COMPANY
INTERIM CONDENSED STATEMENT OF COMPREHENSIVE INCOME
FOR THE THREE MONTHS AND NINE MONTHS ENDED 30 SEPTEMBER 2019 (UNAUDITED)

	For the three months ended 30 September		For the nine months ended 30 September	
	2019	2018	2019	2018
	JD	JD	JD	JD
Profit for the period	1,251,633	528,517	4,618,900	2,362,246
Add: Other comprehensive income not be reclassified to profit and loss in subsequent periods				
Changes in fair value of financial assets through other comprehensive income	<u>(272,713)</u>	<u>(586,108)</u>	<u>(764,110)</u>	<u>(1,901,642)</u>
Total comprehensive income for the period	<u>978,920</u>	<u>(57,591)</u>	<u>3,854,790</u>	<u>460,604</u>

The attached notes from 1 to 19 form part of these interim condensed financial statements

ARAB ORIENT INSURANCE PUBLIC SHAREHOLDING COMPANY
INTERIM CONDENSED STATEMENT OF CHANGES IN EQUITY
FOR THE NINE MONTHS ENDED 30 SEPTEMBER 2019 (UNAUDITED)

	Authorized and paid-in capital	Statutory reserve	Fair value reserve	Accumulated losses*	Profit for the period	Net equity
	JD	JD	JD	JD	JD	JD
30 September 2019 -						
Balance as at 1 January 2019	21,438,252	5,107,646	(2,399,231)	(542,475)	-	23,604,192
Total comprehensive income for the period	-	-	(764,110)	-	4,618,900	3,854,790
Realized losses on sale of financial assets through other comprehensive income	-	-	762,529	(762,529)	-	-
Balance as at 30 September 2019	21,438,252	5,107,646	(2,400,812)	(1,305,004)	4,618,900	27,458,982
30 September 2018 -						
Balance as at 1 January 2018	21,438,252	4,683,051	-	(3,393,517)	-	22,727,786
IFRS (9) implementation effect	-	-	(62,737)	62,737	-	-
Adjusted balance as at 1 January 2018	21,438,252	4,683,051	(62,737)	(3,330,780)	-	22,727,786
Total comprehensive income for the period	-	-	(1,901,642)	-	2,362,246	460,604
Balance as at 30 September 2018	21,438,252	4,683,051	(1,964,379)	(3,330,780)	2,362,246	23,188,390

* Accumulated losses include an amount of JD 4,394,193 as at 30 September 2019 (31 December 2018: JD 5,722,030) representing deferred tax assets that cannot be distributed according to the securities commission instructions.

ARAB ORIENT INSURANCE PUBLIC SHAREHOLDING COMPANY
INTERIM STATEMENT OF CASH FLOWS
FOR THE NINE MONTHS ENDED 30 SEPTEMBER 2019 (UNAUDITED)

	30 September 2019 JD	30 September 2018 JD
<u>CASH FLOW FROM OPERATING ACTIVITIES</u>		
Profit for the period before tax	5,891,286	3,036,574
Adjustments-		
Interest income	(2,075,427)	(1,634,932)
Depreciation and amortization	485,145	509,983
Interest on lease contracts liabilities	30,662	-
Depreciation on right of use assets	208,142	-
Loss from sale of property and equipment	426	23,384
Net change in outstanding claims reserve	1,193,996	(491,033)
Net change in unearned premium reserve	6,021,463	2,268,673
End of service indemnity provision	272,905	320,898
Provision for expected credit losses on accounts receivable and provision for doubtful debts on reinsurance receivable	381,217	1,507,000
Provision for expected credit losses on checks under collection	4,610	-
Amortization of financial assets at amortized cost	6,860	6,461
Receivables written off	18,072	-
Cash flows from operating activities before changes in working capital	12,439,357	5,547,008
Checks under collection	(1,860,694)	168,465
Accounts receivable	(6,238,280)	549,662
Reinsurance receivable	(272,254)	707,454
Other assets	(397,256)	(302,057)
Accounts payable	(855,860)	(7,126,368)
Accrued expenses	(144,722)	(66,245)
Reinsurance payable	2,092,971	3,227,844
Other liabilities	806,724	103,602
Paid from end of service provision	(69,237)	(301,740)
Net cash flows from operating activities	5,500,749	2,507,625
<u>CASH FLOW FROM INVESTING ACTIVITIES</u>		
Deposits at banks maturing after three months	(5,784,945)	(2,732,873)
Interest received	2,075,427	1,634,932
Purchase of property and equipment	(215,091)	(103,259)
Proceeds from sale of property and equipment	29,643	4,362
Purchase of intangible assets	(87,609)	(18,699)
Lease payments	(208,394)	-
Financial assets at fair value through other comprehensive income	769,946	-
Net cash flows used in investing activities	(3,421,023)	(1,215,537)
<u>CASH FLOW FROM FINANCING ACTIVITIES</u>		
Subordinated loan	(2,600,000)	-
Net cash flows used in financing activities	(2,600,000)	-
Net (decrease) increase in cash and cash equivalent	(520,274)	1,292,088
Cash and cash equivalents at the beginning of the period	15 2,494,466	1,242,338
Cash and cash equivalents at the end of the period	15 1,974,192	2,534,426

The attached notes from 1 to 19 form part of these interim condensed financial statements

**ARAB ORIENT INSURANCE PUBLIC SHAREHOLDING COMPANY
UNDER WRITING REVENUES FOR THE GENERAL INSURANCE
FOR THE NINE MONTHS ENDED 30 SEPTEMBER 2019 (UNAUDITED)**

	Motor		Marine		Aviation		Fire and property		Liability		Medical		Others		Total	
	2019	2018	2019	2018	2019	2018	2019	2018	2019	2018	2019	2018	2019	2018	2019	2018
	JD	JD	JD	JD	JD	JD	JD	JD	JD	JD	JD	JD	JD	JD	JD	JD
Written Premiums																
Direct inward insurance	17,633,602	14,826,577	912,823	746,846	43,156	107,793	3,075,705	3,023,646	648,621	502,262	41,634,028	45,427,754	3,484,240	3,581,688	67,436,175	68,216,566
Facultative inward insurance business	806,672	780,432	-	-	-	-	400,002	247,453	1,018	2,095	-	-	19,470	23,336	1,227,162	1,053,316
Total written premiums	18,440,274	15,607,009	912,823	746,846	43,156	107,793	3,479,707	3,271,099	649,639	504,357	41,634,028	45,427,754	3,503,710	3,605,024	68,663,337	69,269,882
Less:																
Local reinsurance share	827,602	492,236	19,950	100	-	-	290,915	265,235	-	-	-	-	61,185	92,036	1,199,652	849,607
Foreign reinsurance share	275,784	241,724	705,083	544,034	43,156	86,084	2,192,881	2,195,660	493,957	344,384	27,309,393	29,794,187	2,519,906	2,760,945	33,540,160	35,967,018
Net Written Premiums	17,336,888	14,873,049	187,790	202,712	-	21,709	995,911	810,204	155,682	159,973	14,324,635	15,633,567	922,619	752,043	33,923,525	32,453,257
Add:																
Balance at the beginning of the period																
Unearned premium reserve	9,160,063	10,441,001	188,020	171,415	26,378	6,990	5,442,393	5,370,037	394,077	364,925	15,534,285	16,692,507	1,872,001	1,538,037	32,617,217	34,584,912
Less: reinsurance share	544,680	766,354	120,969	91,329	26,378	6,990	5,039,991	4,892,854	328,565	299,056	10,090,911	11,610,763	1,627,630	1,281,664	17,779,124	18,949,010
Net Unearned Premiums reserve	8,615,383	9,674,647	67,051	80,086	-	-	402,402	477,183	65,512	65,869	5,443,374	5,081,744	244,371	256,373	14,838,093	15,635,902
Add:																
Premiums deficiency reserve	-	-	-	-	-	-	-	-	-	-	884,000	884,000	-	-	884,000	884,000
Less: reinsurance share	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Premiums deficiency reserve net	-	-	-	-	-	-	-	-	-	-	884,000	884,000	-	-	884,000	884,000
Less:																
Balance at the ending of the period																
Unearned premium reserve	13,057,983	9,708,881	218,819	199,177	20,765	56,911	2,954,642	2,762,690	298,638	307,479	20,782,938	23,018,040	2,107,572	2,118,128	39,441,357	38,171,306
Less: reinsurance share	585,557	597,776	157,079	129,933	20,765	39,381	2,462,748	2,269,417	213,670	217,191	13,442,046	15,199,751	1,699,942	1,813,282	18,581,801	20,286,731
Net unearned Premiums reserve	12,472,426	9,111,105	61,740	69,244	-	17,530	491,894	493,273	84,968	90,288	7,340,892	7,818,289	407,630	304,846	20,859,556	17,904,575
Less:																
Premiums deficiency reserve	-	-	-	-	-	-	-	-	-	-	884,000	884,000	-	-	884,000	884,000
Less: reinsurance share	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Premiums deficiency reserve net	-	-	-	-	-	-	-	-	-	-	884,000	884,000	-	-	884,000	884,000
Net earned written premium	13,479,839	15,436,591	193,101	213,554	-	4,179	906,419	794,114	136,226	135,554	12,427,117	12,897,022	759,360	703,570	27,902,062	30,184,584

The attached notes from 1 to 19 form part of these interim condensed financial statements

**ARAB ORIENT INSURANCE PUBLIC SHAREHOLDING COMPANY
CLAIMS COST FOR THE GENERAL INSURANCE
FOR THE NINE MONTHS ENDED 30 SEPTEMBER 2019 (UNAUDITED)**

	Motor		Marine		Aviation		Fire and property		Liability		Medical		Others		Total	
	2019	2018	2019	2018	2019	2018	2019	2018	2019	2018	2019	2018	2019	2018	2019	2018
	JD	JD	JD	JD	JD	JD	JD	JD	JD	JD	JD	JD	JD	JD	JD	JD
Paid claims	12,811,184	15,670,218	52,667	278,752	-	-	838,375	2,180,272	50,358	99,868	29,178,364	33,437,076	1,348,874	812,499	44,279,822	52,478,685
Less:																
Recoveries	2,580,028	3,122,359	6,897	-	-	-	232,927	112,271	-	26,933	-	-	23,686	2,448	2,843,538	3,264,011
Local reinsurance share	14,962	16,133	950	-	-	-	57,581	92,046	-	-	-	-	71,438	13,717	144,931	121,896
Foreign reinsurance share	54,157	22,821	95,138	154,301	-	-	565,244	1,682,025	-	48,722	19,493,853	21,439,838	1,042,909	561,461	21,251,301	23,909,168
Net Paid Claims	10,162,037	12,508,905	(50,318)	124,451	-	-	(17,377)	293,930	50,358	24,213	9,684,511	11,997,238	210,841	234,873	20,040,052	25,183,610
Add:																
Outstanding Claims reserve at the end of the period																
Reported	16,626,451	16,747,048	1,528,944	96,580	-	-	4,139,720	2,274,762	427,722	397,663	3,323,633	3,707,128	2,662,615	2,683,741	28,708,985	25,906,922
Not reported	2,837,000	2,619,800	20,000	20,000	-	-	200,000	200,000	30,000	30,000	2,546,611	2,633,258	170,000	170,000	5,803,611	5,673,058
Less:																
Reinsurance share at end of the period																
Reported	806,157	938,208	1,389,221	72,319	-	-	3,828,076	1,942,736	185,702	125,187	2,223,623	2,578,966	2,373,071	2,335,704	10,805,850	7,993,120
Not reported	-	-	-	-	-	-	-	-	-	-	1,591,253	1,699,166	-	-	1,591,253	1,699,166
Recoveries	2,143,674	1,970,944	-	-	-	-	-	-	-	-	-	-	-	-	2,143,674	1,970,944
Net Outstanding Claims reserve at the end of the period	16,513,620	16,457,696	159,623	44,261	-	-	511,644	532,026	272,020	302,476	2,055,368	2,062,254	459,544	518,037	19,971,819	19,916,750
Less:																
Outstanding Claims reserve at the beginning of the period																
Reported	15,932,658	15,346,137	105,763	279,437	-	-	1,915,364	2,643,446	394,163	328,361	2,978,028	4,731,485	1,759,884	24,054,828	25,088,750	
Not reported	2,694,200	2,600,000	20,000	20,000	-	-	200,000	200,000	30,000	30,000	2,376,865	4,513,125	170,000	170,000	5,491,065	7,533,125
Less:																
Reinsurance share at the beginning of the period																
Reported	861,749	1,188,029	74,721	164,697	-	-	1,640,935	2,228,545	125,687	163,780	2,117,675	3,005,288	2,393,290	1,360,744	7,214,057	8,112,083
Not reported	-	-	-	-	-	-	-	-	-	-	1,544,825	2,867,547	-	-	1,544,825	2,867,547
Recoveries	2,009,188	1,234,462	-	-	-	-	-	-	-	-	-	-	-	-	2,009,188	1,234,462
Net Outstanding Claims reserve at the beginning of the period	15,755,921	15,523,646	51,042	134,740	-	-	474,429	614,901	298,476	194,581	1,692,393	3,370,775	505,562	569,140	18,777,823	20,407,783
Net Claims Cost	10,919,736	13,442,955	58,263	33,972	-	-	19,838	211,055	23,902	132,108	10,047,486	10,888,717	164,823	183,770	21,234,048	24,682,577

The attached notes from 1 to 19 form part of these interim condensed financial statements

ARAB ORIENT INSURANCE PUBLIC SHAREHOLDING COMPANY
UNDERWRITING PROFITS FOR THE GENERAL INSURANCE
FOR THE NINE MONTHS ENDED 30 SEPTEMBER 2019 (UNAUDITED)

	Motor		Marine		Aviation		Fire and property		Liability		Medical		Others		Total	
	2019	2018	2019	2018	2019	2018	2019	2018	2019	2018	2019	2018	2019	2018	2019	2018
Net earned written premiums	13,479,839	15,436,591	193,101	213,554	-	4,179	906,419	794,114	136,226	135,554	12,427,117	12,897,022	759,360	703,570	27,902,062	30,184,564
Less:																
Net claims cost	10,919,736	13,442,965	58,263	33,972	-	-	19,838	211,055	23,902	132,108	10,047,486	10,688,717	164,823	183,770	21,234,048	24,692,577
	2,560,103	1,993,636	134,838	179,582	-	4,179	886,581	583,059	112,324	3,446	2,379,631	2,208,305	594,537	519,800	6,668,014	5,492,007
Add:																
Commissions received	60,229	52,055	299,707	123,133	1,539	4,690	570,080	604,204	175,576	61,120	3,851,776	3,541,252	679,883	797,851	5,638,790	5,184,305
Insurance policies issuance fees	304,774	422,893	29,275	31,848	432	1,436	481,917	519,514	19,426	16,316	1,972,337	2,236,006	177,895	167,701	2,986,056	3,395,714
Total revenues	2,925,106	2,468,584	463,820	334,563	1,971	10,305	1,938,578	1,706,777	307,326	80,882	8,203,744	7,985,563	1,452,315	1,485,352	15,292,860	14,072,026
Less:																
Insurance policies acquisition costs	408,904	602,205	47,922	31,207	-	-	196,092	104,194	16,943	12,968	669,041	668,213	245,337	206,013	1,584,239	1,624,800
Excess of loss premium	93,918	197,290	34,683	57,197	-	-	247,499	307,091	-	-	-	-	81,354	97,083	457,454	658,661
Administrative expenses related to underwriting accounts	1,858,526	1,539,761	92,000	73,683	4,350	10,635	350,707	322,721	65,475	49,759	4,196,137	4,481,824	353,125	355,664	6,920,320	6,834,047
Other expenses	-	-	1,483	1,940	-	-	7,711	8,884	-	-	146,490	202,365	2,528	3,077	158,212	216,266
Total Expenses	2,361,348	2,339,256	176,088	164,027	4,350	10,635	802,009	742,890	82,418	62,727	5,011,668	5,352,402	662,344	661,837	9,120,225	9,333,774
Underwriting profit	563,758	129,328	287,732	170,536	(2,379)	(330)	1,136,569	963,887	224,908	18,155	3,192,076	2,633,161	769,971	823,515	6,172,635	4,738,252

The attached notes from 1 to 19 form part of these interim condensed financial statements

ARAB ORIENT INSURANCE PUBLIC SHAREHOLDING COMPANY
NOTES TO THE INTERIM CONDENSED FINANCIAL STATEMENTS
30 SEPTEMBER 2019

(1) GENERAL

Arab Orient Insurance 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 to reach JD 21,438,252 divided into 21,438,252 shares at par value of JD 1 each.

The Company is engaged in insurance business against fire, accidents, 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 Marka "Licensing Services Center", Mecca Street, 8th Circle, Abdali and Abdali- Boulevard in Amman, Aqaba branch and Irbid branch.

The Company is 90.45% owned by Gulf Insurance Company as at 30 September 2019.

The interim financial statements were approved by the Board of Directors in its meeting held on 28 October 2019.

(2) Basis of preparation

The interim condensed financial statements for the nine-month period ended 30 September 2019 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 which 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 2018. In addition, the results for the nine-month period ended 30 September 2019 are not necessarily indicative of the results that may be expected for the financial year ended 31 December 2019.

Changes in accounting policies

The accounting policies used in the preparation of the interim condensed financial statements are consistent with those used in the preparation of the annual financial statements for the year ended 31 December 2018 except for the adoption of new standards effective as at 1 January 2019 shown below:

IFRS 16 Leases

IFRS 16 supersedes IAS 17 Leases, IFRIC 4 Determining whether an Arrangement contains a Lease, SIC-15 Operating Leases-Incentives and SIC-27 Evaluating the Substance of Transactions Involving the Legal Form of a Lease. The standard sets out the principles for the recognition, measurement, presentation and disclosure of leases and requires lessees to account for most leases under a single on-balance sheet model.

Lessor accounting under IFRS 16 is substantially unchanged from IAS 17. Lessors will continue to classify leases as either operating or finance leases using similar principles as in IAS 17. Therefore, IFRS 16 did not have an impact for leases where the Company is the lessor.

The Company adopted IFRS 16 using the modified retrospective approach with the date of initial application of 1 January 2019 accordingly, prior year financial statements were not restated. The Company elected to use the transition practical expedient allowing the standard to be applied only to contracts that were previously identified as leases applying IAS 17 and IFRIC 4 at the date of initial application. The Company also elected to use the recognition exemptions for lease contracts that, at the commencement date, have a lease term of 12 months or less and do not contain a purchase option ('short-term leases'), and lease contracts for which the underlying asset is of low value ('low-value assets').

The effect of adoption IFRS 16 is as follows:

Impact on the statement of financial position (increase/(decrease)) as at 1 January 2019:

	2019
	JD
	(Unaudited)
Assets	
Right of use assets	730,337
Prepaid expenses	(102,271)
Liabilities	
Lease contracts liabilities	628,066
Equity	-

ARAB ORIENT INSURANCE PUBLIC SHAREHOLDING COMPANY
NOTES TO THE INTERIM CONDENSED FINANCIAL STATEMENTS
30 SEPTEMBER 2019

a) Nature of the effect of adoption of IFRS 16

The Company has lease contracts for various items of property and equipment. Before the adoption of IFRS 16, the Company classified each of its leases (as lessee) at the inception date as either a finance lease or an operating lease. A lease was classified as a finance lease if it transferred substantially all of the risks and rewards incidental to ownership of the leased asset to the Company; otherwise it was classified as an operating lease. In an operating lease, the leased property was not capitalised and the lease payments were recognised as rent expense in profit or loss on a straight-line basis over the lease term. Any prepaid rent and accrued rent were recognised under other debit and credit, respectively.

Upon adoption of IFRS 16, the Company applied a single recognition and measurement approach for all leases, except for short-term leases and leases of low-value assets. The standard provides specific transition requirements and practical expedients, which has been applied by the Company.

• *Leases previously accounted for as operating leases*

The Company recognised right-of-use assets and operating lease liabilities for those leases previously classified as operating leases, except for short-term leases and leases of low-value assets. The right-of-use assets were recognised based on the amount equal to the lease liabilities, adjusted for any related prepaid and accrued lease payments previously recognised. Lease liabilities were recognised based on the present value of the remaining lease payments, discounted using the incremental borrowing rate at the date of initial application.

Set out below, are the carrying amounts of the Company's right-of-use assets and lease liabilities and the movement for the period ended at 30 September 2019:

	Right of use assets	Lease contracts liabilities
	JD	JD
At 1 January 2019	730,337	628,066
Additions	18,679	27,720
Depreciation	(208,142)	-
Finance costs	-	30,662
Lease payments	-	(229,003)
At 30 September 2019 (Unaudited)	540,874	457,445

The rent expense of low-value assets recognized in the interim condensed statement of income for the period ended 30 September 2019 amounted to JD 10,165.

IFRIC Interpretation 23 Uncertainty over Income Tax Treatment

The Interpretation addresses the accounting for income taxes when tax treatments involve uncertainty that affects the application of IAS 12 and does not apply to taxes or levies outside the scope of IAS 12, nor does it specifically include requirements relating to interest and penalties associated with uncertain tax treatments. An entity must determine whether to consider each uncertain tax treatment separately or together with one or more other uncertain tax treatments. The interpretation is effective for annual reporting periods beginning on or after 1 January 2019, but certain transition reliefs are available.

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

Amendments to IFRS 9: Prepayment Features with Negative Compensation

Under IFRS 9, a debt instrument can be measured at amortised cost or at fair value through other comprehensive income, provided that the contractual cash flows are 'solely payments of principal and interest on the principal amount outstanding' (the SPPI criterion) and the instrument is held within the appropriate business model for that classification. The amendments to IFRS 9 clarify that a financial asset passes the SPPI criterion regardless of the event or circumstance that causes the early termination of the contract and irrespective of which party pays or receives reasonable compensation for the early termination of the contract.

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

Amendments to IFRS 10 and IAS 28: Sale or Contribution of Assets between an Investor and Its Associate or Joint Venture

The amendments address the conflict between IFRS 10 and IAS 28 in dealing with the loss of control of a subsidiary that is sold or contributed to an associate or joint venture. The amendments clarify that the gain or loss resulting from the sale or contribution of assets that constitute a business, as defined in IFRS 3, between an investor and its associate or joint venture, is recognised in full. Any gain or loss resulting from the sale or contribution of assets that do not constitute a business, however, is recognised only to the extent of unrelated investors' interests in the associate or joint venture. The IASB has deferred the effective date of these amendments indefinitely, but an entity that early adopts the amendments must apply them prospectively.

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

Amendments to IAS 28: Long-term interests in associates and joint ventures

The amendments clarify that an entity applies IFRS 9 to long-term interests in an associate or joint venture to which the equity method is not applied but that, in substance, form part of the net investment in the associate or joint venture (long-term interests). This clarification is relevant because it implies that the expected credit loss model in IFRS 9 applies to such long-term interests.

The amendments also clarified that, in applying IFRS 9, an entity does not take account of any losses of the associate or joint venture, or any impairment losses on the net investment, recognised as adjustments to the net investment in the associate or joint venture that arise from applying IAS 28 Investments in Associates and Joint Ventures.

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

(3) BANK DEPOSITS

	30 September 2019		31 December 2018
	Deposits maturing between 6 months to 1 Year		Total
	JD	Total JD (Unaudited)	Total JD (Audited)
Inside Jordan	52,855,369	52,855,369	47,070,424
	<u>52,855,369</u>	<u>52,855,369</u>	<u>47,070,424</u>

Interest rates on bank deposit balances in Jordanian Dinar range from 4.5% to 6,25% during the year 2019. (31 December 2018: 4.5% to 6.5%).

Deposits pledged to the favor of the General Manager of the Insurance Regulatory Commission deposited in Jordan Kuwait Bank amount to JD 225,000 as at 30 September 2019 and 31 December 2018.

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

ARAB ORIENT INSURANCE PUBLIC SHAREHOLDING COMPANY
NOTES TO THE INTERIM CONDENSED FINANCIAL STATEMENTS
30 SEPTEMBER 2019

Below are the distribution of the Company's banks deposits:

	30 September 2019	31 December 2018
	JD	JD
	(Unaudited)	(Audited)
Jordan Kuwait Bank	16,558,406	17,065,542
Capital Bank	3,764,149	2,304,283
Audi Bank	3,484,975	2,244,565
Invest Bank	4,296,663	3,723,304
Blom Bank	-	2,746,616
Etihad Bank	3,254,079	3,086,544
Jordan Commercial Bank	3,708,806	3,514,761
Arab Banking Corporation Bank	3,766,009	3,604,579
Bank of Jordan	1,122,551	1,097,186
Egyptian Arab Land Bank	3,938,633	2,349,713
Cairo Amman Bank	2,560,628	2,000,000
Jordan Ahli Bank	1,500,000	3,333,331
The housing bank for trade and finance	2,000,004	-
Societe General Bank	2,900,466	-
	<u>52,855,369</u>	<u>47,070,424</u>

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

	30 September 2019	31 December 2018	30 September 2019	31 December 2018
	Number of shares	Number of shares	JD	JD
	(Unaudited)	(Audited)	(Unaudited)	(Audited)
Listed Shares:				
Cairo Amman Bank	553,581	553,581	559,117	736,263
Afaq for Energy	1,140,147	1,140,147	1,493,593	2,154,878
Afaq for Investment and Real Estate Development	1,541,500	1,541,500	1,464,425	1,541,500
Dar Al Dawa Development and Investment	-	695,000	-	618,550
			<u>3,517,135</u>	<u>5,051,191</u>

ARAB ORIENT INSURANCE PUBLIC SHAREHOLDING COMPANY
NOTES TO THE INTERIM CONDENSED FINANCIAL STATEMENTS
30 SEPTEMBER 2019

(5) FINANCIAL ASSETS AT AMORTIZED COST

	30 September 2019	31 December 2018	30 September 2019	31 December 2018
	Number of bonds (Unaudited)	Number of bonds (Audited)	JD (Unaudited)	JD (Audited)
Inside Jordan:				
Unlisted Bonds in financial markets:				
Arab Real Estate Development Company	120	120	1,200,000	1,200,000
Less: Impairment in financial assets at amortized cost			(1,199,000)	(1,199,000)
			<u>1,000</u>	<u>1,000</u>
Listed bonds in financial markets				
Treasury Bonds/ Hashemite Kingdom of Jordan	1,330	1,330	950,711	951,338
Total financial assets at amortized cost inside Jordan			<u>951,711</u>	<u>952,338</u>
Outside Jordan:				
Treasury Bonds/ Kingdom of Bahrain Government	715	715	528,950	530,272
Treasury Bonds/ Kingdom of Bahrain Government	1,315	1,315	983,807	988,718
Total financial assets at amortized cost outside Jordan			<u>1,512,757</u>	<u>1,518,990</u>
Total financial assets at amortized cost			<u>2,464,468</u>	<u>2,471,328</u>

(6) ACCOUNTS RECEIVABLE

	30 September 2019	31 December 2018
	JD (Unaudited)	JD (Audited)
Policy holders receivables*	36,370,543	30,560,159
Brokers receivables	2,136,718	2,116,559
Employees' receivables	112,644	65,832
Other receivables	877,893	553,112
	<u>39,497,798</u>	<u>33,295,662</u>
Less: Provision for expected credit losses**	(8,845,994)	(8,414,378)
	<u>30,651,804</u>	<u>24,881,284</u>

* Policy holders receivables include scheduled payments with the total amount of JD 18,828,914 after 30 September 2019 (JD 14,883,127 as at 31 December 2018).

ARAB ORIENT INSURANCE PUBLIC SHAREHOLDING COMPANY
NOTES TO THE INTERIM CONDENSED FINANCIAL STATEMENTS
30 SEPTEMBER 2019

** Movements on the provision for expected credit losses were as follows:

	30 September 2019	31 December 2018
	JD (Unaudited)	JD (Audited)
Balance at the beginning of the period/ year	8,414,378	6,940,953
Additions	381,217	1,473,425
Transferred from allowance for doubtful debts for reinsurance receivables	68,471	-
Receivables written off	(18,072)	-
Balance at the end of the period / year	8,845,994	8,414,378

(7) REINSURANCE RECEIVABLES

	30 September 2019	31 December 2018
	JD (Unaudited)	JD (Audited)
Local insurance companies	1,668,280	1,488,033
Foreign reinsurance companies	398,966	306,959
	2,067,246	1,794,992
Less: Provision for doubtful debt for reinsurance receivables *	(404,151)	(472,622)
	1,663,095	1,322,370

* Movements on the provision for doubtful debts were as follows:

	30 September 2019	31 December 2018
	JD (Unaudited)	JD (Audited)
Balance at the beginning of the period/year	472,622	384,047
Additions	-	88,575
Transferred to provision for expected credit losses on accounts receivable	(68,471)	-
Balance at the end of the period/ year	404,151	472,622

ARAB ORIENT INSURANCE PUBLIC SHAREHOLDING COMPANY
 NOTES TO THE INTERIM CONDENSED FINANCIAL STATEMENTS
 30 SEPTEMBER 2019

(8) INCOME TAX

A. Income tax provision

Movements on the income tax provision were as follows:

	30 September 2019	31 December 2018
	JD (Unaudited)	JD (Audited)
Provision for the period/ year	-	64,830
Income tax paid during the period/ year	-	(64,830)
Balance at the end of the period/ year	-	-

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

	30 September 2019	30 September 2018
	JD (Unaudited)	JD (Unaudited)
Amortization of deferred tax assets	1,327,837	674,328
Amortization of deferred tax liabilities	(55,451)	-
	1,272,386	674,328

Summary of reconciliation of the accounting profit to taxable profit:

	30 September 2019	30 September 2018
	JD (Unaudited)	JD (Unaudited)
Accounting profit	5,891,286	3,036,574
Non-taxable profits	(831,766)	(1,458,485)
Non-deductible expenses	924,850	1,827,898
Taxable income	5,984,370	3,405,987
Effective income tax rate	21%	20%
Statutory income tax rate	26%	24%

Final settlement between the Company and Income and Sales Tax Department was reached until the end of the year 2016. Income tax return was submitted for the years 2018 and 2017 and it has not been reviewed by Income and Sales Tax Department until the date of these interim condensed financial statements. In the opinion of the management and the tax consultant the provision taken is sufficient to meet any tax obligations.

ARAB ORIENT INSURANCE PUBLIC SHAREHOLDING COMPANY
NOTES TO THE INTERIM CONDENSED FINANCIAL STATEMENTS
30 SEPTEMBER 2019

B. Deferred tax asset

	30 September 2019					31 December 2018
	Beginning	Released		Ending	Deferred	
	Balance	Amounts	Additions	Balance	Tax	Deferred Tax
	JD	JD	JD	JD	JD	JD
					(Unaudited)	(Audited)
Deferred tax asset:						
Provision for expected credit losses of accounts receivable and provision for doubtful debts of reinsurance receivables	8,887,000	18,072	-	8,868,928	2,128,543	2,132,880
Provision for expected credit losses on checks under collection	52,317	-	-	52,317	12,556	12,556
Impairment loss on financial asset	1,199,000	-	-	1,199,000	287,760	287,760
Reserve for incurred but not reported claims	3,946,240	-	266,118	4,212,358	1,010,966	947,098
Provision for end of service	1,084,242	69,237	272,905	1,287,910	309,098	260,218
Premium deficiency reserve	884,000	-	-	884,000	212,160	212,160
Accumulated losses from previous years	7,788,987	5,984,370	-	1,804,617	433,110	1,869,358
	<u>23,841,786</u>	<u>6,071,679</u>	<u>539,023</u>	<u>18,309,130</u>	<u>4,394,193</u>	<u>5,722,030</u>

The movements on deferred tax assets and deferred tax liabilities were as follows:

	Deferred tax assets		Deferred tax liabilities	
	30 September 2019	31 December 2018	30 September 2019	31 December 2018
	JD	JD	JD	JD
	(Unaudited)	(Audited)	(Unaudited)	(Audited)
Balance at the beginning of the Period / year	5,722,030	6,690,252	55,451	55,451
Additions / (deductions)	(1,327,837)	(968,222)	(55,451)	-
Balance at the end of the period / year	<u>4,394,193</u>	<u>5,722,030</u>	<u>-</u>	<u>55,451</u>

ARAB ORIENT INSURANCE PUBLIC SHAREHOLDING COMPANY
NOTES TO THE INTERIM CONDENSED FINANCIAL STATEMENTS
30 SEPTEMBER 2019

(9) ACCOUNTS PAYABLE

	30 September 2019	31 December 2018
	JD (Unaudited)	JD (Audited)
Agent's payables	901,911	682,170
Employees payables	18,782	13,130
Garages payables and vehicles parts	368,461	441,288
Medical network payables	1,739,379	2,236,406
Trade and companies payables	2,302,120	2,813,519
	5,330,653	6,186,513

(10) REINSURANCE PAYABLE

	30 September 2019	31 December 2018
	JD (Unaudited)	JD (Audited)
Local insurance companies	77,583	95,783
Foreign reinsurance companies	24,268,681	22,157,510
	24,346,264	22,253,293

(11) AUTHORIZED AND PAID IN CAPITAL

The authorized and paid in capital is JD 21,438,252 divided into 21,438,252 shares at par value of JD 1 each as at 30 September 2019 and 31 December 2018.

(12) SUBORDINATED LOAN

On November 15, 2018, the Company has borrowed from Gulf Insurance Group an amount of USD 16,361,071 (equivalent to JD 11,600,000) as a subordinated loan to raise the Company solvency margin in line with the Insurance Administration Instruction No.3 of 2002 and the decisions issued there under. This loan bears no interest payable and no maturity or repayment schedule. The Company paid an amount of USD 3,667,137 (equivalent to JD 2,600,000) during 2019. The subordinated loan as at 30 September 2019 is USD 12,693,934 (equivalent to JD 9,000,000) (31 December 2018: JOD 11,600,000).

ARAB ORIENT INSURANCE PUBLIC SHAREHOLDING COMPANY
NOTES TO THE INTERIM CONDENSED FINANCIAL STATEMENTS
30 SEPTEMBER 2019

(13) GAIN FROM FINANCIAL ASSETS AND INVESTMENTS

	30 September 2019	30 September 2018
	JD	JD
	(Unaudited)	(Unaudited)
Dividends income on financial assets at fair value through other comprehensive income	135,333	302,503
Interest on financial assets at amortized costs	109,367	109,766
	<u>244,700</u>	<u>412,269</u>

(14) BASIC AND DILUTED EARNINGS PER SHARE FOR THE PERIOD

	For the three months ended 30 September		For the nine months ended 30 September	
	2019	2018	2019	2018
	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)
Profit for the period (JD)	1,251,633	528,517	4,618,900	2,362,246
Weighted average number of shares (Share)	21,438,252	21,438,252	21,438,252	21,438,252
	<u>JD/Fils</u>	<u>JD/Fils</u>	<u>JD/Fils</u>	<u>JD/Fils</u>
Basic and diluted earnings per share from the profit for the period	<u>0/058</u>	<u>0/025</u>	<u>0/215</u>	<u>0/110</u>

(15) CASH AND CASH EQUIVALENTS

	30 September 2019	31 December 2018
	JD	JD
	(Unaudited)	(Audited)
Cash on hand and banks balances	1,974,192	2,494,466
Add: banks deposits	52,855,369	47,070,424
Less: deposits at banks mature within the period of more than three months	(52,630,369)	(46,845,424)
Less: restricted deposits to the favor of General Manager of the Insurance Regulatory Commission	(225,000)	(225,000)
	<u>1,974,192</u>	<u>2,494,466</u>

ARAB ORIENT INSURANCE PUBLIC SHAREHOLDING COMPANY
NOTES TO THE INTERIM CONDENSED FINANCIAL STATEMENTS
30 SEPTEMBER 2019

(16) RELATED PARTY TRANSACTIONS

The Company entered into transactions with major shareholders, board members and directors in the Company within the normal activities of the company using insurance premium and commercial commission. All debts provided to related parties are considered working and no provision has been taken for them as at 30 September 2019.

During 2011, it was agreed with Gulf Insurance Company (Major Shareholder and member of the Board of Directors) to settle all treaty reinsurers' accounts through Gulf Insurance Company, where the Company's credit balance as at 30 September 2019 amounted to JD 184,619 for reinsurers (31 December 2018: JOD 27,834).

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

	Related party		Total	
	Jordan Kuwait Bank JD	Top Executive Management JD	30 September 2019 JD (Unaudited)	31 December 2018 JD (Audited)
<u>Interim condensed Statement of Financial</u>				
<u>Position Items:</u>				
Time deposits	16,558,406	-	16,558,406	17,065,542
Overdraft account - credit balance	767,990	-	767,990	1,781,049
Current accounts under demand	805,966	-	805,966	212,190
Deposits on letters of guarantee	294,441	-	294,441	299,749
Accounts receivable/(payable)	140,429	3,267	143,696	(19,695)
<u>Off-statement of interim condensed Financial</u>				
<u>Position Items:</u>				
Letters of guarantee	-	-	2,944,410	2,997,490
	Related party		Total	
	Jordan Kuwait Bank JD	Top Executive Management JD	30 September 2019 JD (Unaudited)	30 September 2018 JD (Unaudited)
<u>Interim condensed statement of income Items:</u>				
Bank interest income	645,509	-	645,509	540,540
Written premiums	2,261,355	17,761	2,279,116	2,113,793
Bank expenses and commissions	99,245	-	99,245	147,944
Salaries	-	774,284	774,284	760,321
Bonuses	-	138,076	137,076	2,550
Transportation expenses for members of the Board of Directors	-	37,800	38,800	37,800

ARAB ORIENT INSURANCE PUBLIC SHAREHOLDING COMPANY
NOTES TO THE INTERIM CONDENSED FINANCIAL STATEMENTS
30 SEPTEMBER 2019

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

	30 September 2019	30 September 2018
	JD	JD
	(Unaudited)	(Unaudited)
Salaries and bonuses	911,360	762,871

(17) ANALYSIS OF MAIN SECTORS

Information on the Company's business segments.

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

(18) LAWSUITS BY AND AGAINST THE COMPANY

The company appears as defendant in a number of lawsuits, the Company booked a sufficient provision to meet any obligations towards these lawsuits. In the opinion of the Company's management and its legal consultant, the provision for a total amount of JD 3,112,030 as at 30 September 2019 (31 December 2018: JOD 3,745,704) is sufficient to meet any obligations towards these lawsuits. Total amount of the cases raised by the Company against others is JD 3,451,485 as at 30 September 2019 (31 December 2018: JOD 2,679,319).

(19) CONTINGENT LIABILITIES

At 30 September 2019, the Company has letters of guarantee amounting to JD 2,944,410 (31 December 2018: JOD 2,997,490) against which cash margins of JD 294,441 are held (31 December 2018: JOD 299,742).