NATIONAL INSURANCE
COMPANY, PUBLIC SHAREHOLDING COMPANY

SEPARATE FINANCIAL STATEMENTS
For the Year Ended December 31, 2017
AND INDEPENDENT AUDITOR'S REPORT

(Translated from the Original Arabic Version)

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Independent Auditor's Report to the Shareholders of National Insurance Company - Public Shareholding Company

Opinion

In our opinion, the financial statements present fairly, in all material respects the financial position of National Insurance Company - Public Shareholding Company. (hereinafter the "Company") as at December 31, 2017, and its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards.

What we have audited

The Company's financial statements comprise:

- the statement of financial position as at December 31, 2017;
- the statement of income for the year then ended;
- the statement of comprehensive income for the year then ended;
- the statement of changes in equity for the year then ended;
- the statement of cash flows for the year then ended;
- the notes to the financial statements, which include a summary of significant accounting policies.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (ISAs). Our responsibilities under those standards are further described in the *Auditor's responsibilities for the audit of the financial statements section of our report.*

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Independence

We are independent of the Company in accordance with the International Ethics Standards Board for Accountants' Code of Ethics for Professional Accountants (IESBA Code). We have fulfilled our other ethical responsibilities in accordance with these requirements.

Our audit approach

Overview

Key Audit Matters	Insurance contract liabilities

Independent auditor's report to the Shareholders of National Insurance Company - Public Shareholding Company *(continued)*

Our audit approach *(continued)*

As part of designing our audit, we determined materiality and assessed the risks of material misstatements in the financial statements. In particular, we considered where management made subjective judgments; for example, in respect of significant accounting estimates that involved making assumptions and considering future events that are inherently uncertain. As in all of our audits, we also addressed the risk of management's override of internal controls, including among other matters, consideration of whether there was evidence of bias that represented a risk of material misstatements due to fraud.

We tailored the scope of our audit to perform sufficient procedures to enable us to provide an opinion on the financial statements as a whole, taking into account the structure of the Company, the accounting processes and controls, and the industry in which the Company operates.

Key Audit Matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the financial statements of the current period. These matters were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Key Audit Matter	**How our audit addressed the Key Audit Matter**
Insurance Contract Liabilities The Company's insurance contract liabilities, which include outstanding claim reserves and incurred but not reported reserve (IBNR), represent 55% of the total liabilities. Due to the magnitude of the balances and the estimation uncertainty and subjectivity involved in the assessment of these liabilities we have considered the valuation of the insurance contract liabilities as a key audit matter. The estimation of insurance contract liabilities, in particular the outstanding claims reserve and the IBNR reserve, involves significant degree of judgment. These liabilities are based on the best-estimate of the ultimate cost of all claims incurred but not settled at a given date, whether reported or not. We draw attention to Note 12 to the accompanying financial statements, which states that management recognized a total amount of USD 33,753,761 as outstanding claim reserve and IBNR as of December 31, 2017.	Our audit involved the following procedures in testing the insurance contract liabilities: • Tested a sample of controls over the initiation, review and approval of the claim process across the different insurance segments including the claim settlement process. • Tested a sample of outstanding claims recorded by management by reviewing loss adjusters' reports, internal policies for reserves and assumptions that could be implicit or explicit and relates to expected settlement amount and settlement patterns of claims. • Evaluated the objectivity, independence and expertise of the actuarial valuator appointed by management. • Tested the accuracy and completeness of the underlying data used as inputs for the valuation. • Involved our internal specialist to evaluate the methodology and assumptions used by the external actuary appointed by management.

Independent auditor's report to the Shareholders of National Insurance Company - Public Shareholding Company *(continued)*

Management's responsibility and those charged with governance for the financial statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with IFRS, applicable laws in the State of Palestine and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

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

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

Auditor's responsibilities for the audit of the financial statements

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

As part of an audit in accordance with ISAs, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

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

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

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

Independent auditor's report to the Shareholders of National Insurance Company - Public Shareholding Company *(continued)*

Auditor's responsibilities for the audit of the financial statements *(continued)*

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

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

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

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

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

For and on behalf of PricewaterhouseCoopers Palestine

Hratch Shahrikian
License number 111/2012
Ramallah, Palestine

March 21, 2018

STATEMENT OF FINANCIAL POSITION
(All amounts in US Dollars)

	Note	December 31, 2017	December 31, 2016
ASSETS			
Non-current assets			
Property and equipment	(5)	3,587,914	3,552,363
Investment in subsidiaries	(6)	11,936,542	13,194,520
Deferred tax assets	(7)	1,421,028	1,532,382
Available-for-sale financial assets	(8)	2,325,874	2,321,896
Held to maturity investments	(9)	11,813,159	5,904,158
Checks under collection due after one year		178,406	99,219
		31,262,923	**26,604,538**
Current assets			
Financial assets at fair value through profit or loss	(10)	9,377,277	12,414,265
Accounts receivable	(11)	8,514,783	6,739,652
Reinsurance contracts assets	(12)	5,925,267	7,912,668
Insurance and reinsurance companies receivable	(13)	1,243,802	1,210,352
Tax provisions	(22)	695,443	-
Other current assets	(14)	802,557	690,538
Checks under collection due within a year		11,716,350	8,712,830
Deposits at banks	(15)	20,182,155	15,873,145
Cash and cash equivalents	(16)	1,929,517	1,643,257
		60,387,151	**55,196,707**
Total assets		**91,650,074**	**81,801,245**
EQUITY AND LIABILITIES			
Equity			
Paid-in share capital	(1)	12,000,000	12,000,000
Statutory reserve	(18)	6,281,729	5,735,443
Voluntary reserve	(18)	3,000,000	3,000,000
Fair value adjustment reserve	(8)	170,403	85,689
Retained earnings		8,955,030	6,438,453
Total equity		**30,407,162**	**27,259,585**
Liabilities			
Non-current liabilities			
Provision for employees' indemnity	(19)	3,603,467	3,347,077
Current liabilities			
Insurance contracts liabilities	(12)	49,971,056	41,459,004
Insurance and reinsurance companies payable	(20)	2,400,169	2,635,463
Accounts payable	(21)	3,210,063	3,161,531
Tax provisions	(22)	-	1,097,675
Palestinian road accident victims compensation fund	(23)	148,862	257,171
Other current liabilities	(24)	1,909,295	2,583,739
		57,639,445	**51,194,583**
Total liabilities		**61,242,912**	**54,541,660**
Total equity and liabilities		**91,650,074**	**81,801,245**

- The above financial statements should be read in conjunction with accompanying notes 1 to 33.
- The financial statements on page 6 to 43 were authorized for issuance by the Board of Directors on February 12, 2018 and were signed on its behalf by:

Mr. Mohammad Masrouji	Mr. Alaa Safi	Mr. Ahmad Mushasha
Chairman of the Board	**Deputy General Manager for Finance and Logistics**	**General Manager**

STATEMENT OF INCOME
(All amounts in US Dollars)

		For the year ended	
	Note	**December 31, 2017**	**December 31, 2016**
Gross premiums	(25)	50,698,904	42,810,929
Change in unearned premiums	(25)	(1,871,581)	(2,789,681)
		48,827,323	**40,021,248**
Gross premiums ceded to reinsurers	(25)	(7,635,038)	(10,667,369)
Reinsurers share of change in unearned premiums	(25)	(1,273,422)	1,830,646
		(8,908,460)	**(8,836,723)**
Net Premiums retained		**39,918,863**	**31,184,525**
Gain resulting from translating unearned premiums	(25)	803,599	104,237
Net premium revenues before commissions		**40,722,462**	**31,288,762**
Commissions income from reinsurers	(25)	1,255,233	1,262,067
Commissions paid	(25)	(1,940,344)	(1,514,063)
Net premium revenues after commissions		**40,037,351**	**31,036,766**
Claims paid	(25)	28,710,851	21,902,262
Claims ceded to reinsurers	(25)	(5,125,048)	(3,160,439)
Net claims paid		**23,585,803**	**18,741,823**
Change in outstanding claims provision	(25)	6,640,471	3,626,425
Change in outstanding claims provision ceded to reinsurers	(25)	713,979	(2,057,270)
Gain resulting from translating outstanding provision	(25)	(1,474,333)	(170,651)
Net claims incurred		**29,465,920**	**20,140,327**
Net insurance profit before general and administrative expenses		**10,571,431**	**10,896,439**
Allocated expenses to insurance segments:			
General and administrative expenses allocated to insurance segments	(26)	(6,665,233)	(6,321,213)
Net insurance profit after general and administrative expenses		**3,906,198**	**4,575,226**
Unallocated expenses and income to insurance segments:			
Investment income	(28)	1,935,853	1,483,627
(Loss) Gain on disposal of property and equipment		(24,146)	84,215
Currency exchange losses		(564,407)	(523,220)
Unallocated general and administrative expenses to insurance segments	(26)	(525,892)	(476,231)
Allowance for doubtful accounts		(100,000)	-
Gain from disposal of investment in subsidiaries	(27)	1,708,145	-
Unrealized (loss) gain from investment in subsidiaries	(6)	(578)	269,527
Net profit before tax		**6,335,173**	**5,413,144**
Tax expense	(22)	(872,310)	(1,440,449)
Net profit after tax		**5,462,863**	**3,972,695**
Earnings per share attributable to the Company's shareholders	(29)	**0.455**	**0.331**

- The above financial statements should be read in conjunction with accompanying notes 1 to 33.

STATEMENT OF COMPREHENSIVE INCOME
(All amounts in US Dollars)

		For the year ended	
	Note	**December 31, 2017**	**December 31, 2016**
Net profit after tax		**5,462,863**	**3,972,695**
Items of other comprehensive income:			
Items that may be subsequently reclassified to the statement of income			
Changes in fair value of available-for-sale financial assets	(8)	84,714	125,043
Total other comprehensive income for the year		**84,714**	**125,043**
Total comprehensive income for the year		**5,547,577**	**4,097,738**

- The above financial statements should be read in conjunction with accompanying notes 1 to 33.

NATIONAL INSURANCE COMPANY, Public Shareholding Company
Separate financial statements for the year ended December 31, 2017

STATEMENT OF CHANGES IN EQUITY
(All amounts in US Dollars)

	Paid-in share capital	Statutory reserve	Voluntary reserve	Fair value adjustment reserve	Retained earnings	Total equity
At January 1, 2017	**12,000,000**	**5,735,443**	**3,000,000**	**85,689**	**6,438,453**	**27,259,585**
Net profit after Tax	-	-	-	-	5,462,863	5,462,863
Other comprehensive income	-	-	-	84,714	-	84,714
Total comprehensive income for the year	**-**	**-**	**-**	**84,714**	**5,462,863**	**5,547,577**
Cash dividends (note 17)	-	-	-	-	(2,400,000)	(2,400,000)
Transferred to reserves (note 18)	-	546,286	-	-	(546,286)	-
At December 31, 2017	**12,000,000**	**6,281,729**	**3,000,000**	**170,403**	**8,955,030**	**30,407,162**
At January 1, 2016	**12,000,000**	**5,338,173**	**3,000,000**	**(39,354)**	**4,363,028**	**24,661,847**
Net profit after Tax	-	-	-	-	3,972,695	3,972,695
Other comprehensive income	-	-	-	125,043	-	125,043
Total comprehensive income for the year	**-**	**-**	**-**	**125,043**	**3,972,695**	**4,097,738**
Cash dividends (note 17)	-	-	-	-	(1,500,000)	(1,500,000)
Transferred to reserves (note 18)	-	397,270	-	-	(397,270)	-
At December 31, 2016	**12,000,000**	**5,735,443**	**3,000,000**	**85,689**	**6,438,453**	**27,259,585**

- The above financial statements should be read in conjunction with accompanying notes 1 to 33.

STATEMENT OF CASH FLOWS
(All amounts in US Dollars)

	Note	For the year ended December 31, 2017	December 31, 2016
Operating activities			
Net profit before tax		6,335,173	5,413,144
Adjustments:			
Depreciation of property and equipment	(5)	377,442	367,539
Loss (Gain) from disposal of property and equipment		24,146	(84,215)
Loss on sales of financial assets at fair value through profit or loss	(28)	827,302	241,022
Loss on sale of available-for-sale financial assets	(28)	83,498	31,757
Allowance for doubtful accounts	(11)	100,000	-
Unrealized loss (gain) from investment in subsidiaries	(6)	578	(269,527)
Gain from disposal of investment in subsidiaries	(6)	(1,708,145)	-
Change in fair value of financial assets at fair value through profit or loss	(10)	(1,455,338)	(561,309)
Unrealized loss from available-for-sale financial assets	(8)	205,256	418,981
Investments proceeds		1,596,571	1,614,078
Provision for employees' indemnity	(19)	421,121	178,000
		6,807,604	**7,349,470**
Changes in operational assets and liabilities:			
Checks under collection		(3,082,707)	(2,033,845)
Accounts receivable		(1,875,131)	489,311
Insurance and reinsurance companies receivable		(33,450)	(140,374)
Reinsurance contracts assets		1,987,401	(3,887,916)
Other current assets		(112,019)	(36,939)
Insurance contracts liabilities		8,512,052	6,416,106
Accounts payable		40,442	74,472
Insurance and reinsurance companies payable		(235,294)	640,565
Palestinian Road Accident Victims Compensation Fund		(108,309)	56,539
Purchase of financial assets at fair value through profit or loss		(2,278,924)	(3,460,363)
Sale of financial assets at fair value through profit or loss		5,943,948	4,615,698
Tax paid		(2,554,074)	(1,793,923)
Employees' indemnity paid	(19)	(164,731)	(120,908)
Other current liabilities		(674,444)	714,491
Net cash flows provided by operating activities		**12,172,364**	**8,882,384**
Investing activities			
Purchase of property and equipment	(5)	(636,800)	(607,938)
Disposal of property and equipment	(5)	199,661	146,299
Purchase of investment in subsidiaries	(6)	(34,455)	(149,528)
Disposal of investment in subsidiaries	(6)	3,000,000	-
Purchase of available-for-sale financial assets	(8)	(303,232)	(1,066,305)
Sale of available-for-sale financial assets	(8)	95,214	79,414
Held to maturity investments		(5,909,001)	(4,026,566)
Investments proceeds		(1,596,571)	(1,614,078)
Net cash flows (used in) provided by investing activities		**(5,185,184)**	**(7,238,702)**
Financing activities			
Cash dividends paid		(2,391,910)	(1,438,380)
Net cash flows (used in) Financing activities		**(2,391,910)**	**(1,438,380)**
Change in cash and cash equivalents		**4,595,270**	**205,302**
Cash and cash equivalents, beginning of the year		17,016,402	16,811,100
Cash and cash equivalents, end of the year	(16)	**21,611,672**	**17,016,402**

- The above financial statements should be read in conjunction with accompanying notes 1 to 33.

NOTES TO THE FINANCIAL STATEMENTS
(All amounts in US Dollars)

NOTE (1) – GENERAL
National Insurance Company Ltd. (hereinafter "the Company") was established in 1992 as a public shareholding Company registered and incorporated in Ramallah on March 15, 1992 under registration no. 562600353 with a capital of JD 3,500,000 distributed over 3,500,000 shares of JD 1 par value each. In 2008, the Company's capital currency was converted from Jordanian Dinar to US Dollar. During the period from 1994 to December 2017, the Company increased its capital to be USD 12,000,000 distributed over 12,000,000 shares of USD 1 par value each.
The main objective of the Company is to carry out all types of insurance, reinsurance and investing the Company's capital and its movable and immovable assets.
The Company operates through its head office in Al-Bireh and its 9 branches located in the West Bank and Gaza. In addition, the Company has 16 offices, 29 agents and 196 employees, as of December 31, 2017.

NOTE (2) – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES
The principal accounting policies applied in the preparation of these financial statements are set out below. These policies have been consistently applied to all the years presented, unless otherwise stated.

Basis of Preparation
The financial statements of National Insurance Company have been prepared in accordance with International Financial Reporting Standards (IFRS) and IFRS Interpretations Committee (IFRS IC) applicable to companies reporting under IFRS.
The financial statements are presented in US Dollars.
The financial statements have been prepared under the historical cost convention, except for the available-for-sale financial assets, investment in subsidiaries, and financial assets at fair value through profit or loss which were evaluated at fair value.

Those financial statements are separate financial statements for the Company. Consolidated financial statements for the Company and its subsidiaries are issued on the basis of consolidating all assets, liabilities, and the Company net results with the subsidiaries' assets, liabilities, and net results after eliminating all balances and transactions between the Company and its subsidiaries.

The preparation of financial statements in conformity with IFRS requires the use of certain critical accounting estimates that affect the amounts of assets and liabilities and disclosure of contingent liabilities. All these estimates and judgments affect the income, expenses, and allowances as well as changes in available-for-sale financial assets, which appear under equity. It also requires management to exercise its judgement in the process of applying the Company's accounting policies. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the financial statements are disclosed in Note (4). The assumptions and estimates may differ from the actual results because of changes in circumstances and situations in the future.

The accounting policies used in the preparation of the financial statements of the Company are consistent with those used in the previous year except for the implementation of new standards and amendments on existing standards as mentioned below.

(a) New and amended standards and interpretations issued and adopted by the Company for the first time that are effective for the financial year beginning January 1, 2017 and have no material impact on the financial statements of the Company:

- Recognition of deferred tax assets for unrealised losses - Amendments to IAS 12 "Income tax".
- Improvement of disclosures - Amendments to IAS 7 'Statement of cash flows'.
- Transfers of investment properties - Amendments to IAS 40 "Investment properties".
- Annual improvements to International Financial Reporting Standards 2012-2014 Cycle.

NOTES TO THE FINANCIAL STATEMENTS
(All amounts in US Dollars)

(b) New standards and interpretations that are not mandatory for the financial year beginning on January 1, 2017 but have not been early adopted by the Company:

- IFRS 15, 'Revenue from contracts with customers' (for the financial years beginning on or after January 1, 2018)

Nature of change:
The IASB has issued new standards for the recognition of revenue. This will replace IAS 18 which covers contracts for goods and services and IAS 11 which covers construction contracts. Based on the new standard, the revenue is recognised when the control of a good or service is transferred to the customer. The standard permits a full retrospective approach or a modified retrospective approach for the adoption.

Impact:
The management believes that the adoption of the standard is not expected to have an impact on the financial statements since majority of the Company's revenues are derived from sources not subject to the scope of the standard.

Mandatory date of adoption:
Mandatory for the financial years beginning on or after January 1, 2018.

- IFRS 16, 'Leases'

Nature of change:
IFRS 16 was issued on January 2016. This standard will result in recognising all leases in the statement of financial position as distinction between finance leases and operating leases is removed. The standard requires the recognition of the asset (the right to use the leased item) and the financial liability for corresponding rental payments, except for short-term and low-value leases. For accounting by lessors, there is no significant change.

Impact:
The standard will mainly impact the accounting for the operating leases of the Company. As at the reporting date, most leases relate to short-term and low-value lease payments and accordingly they are subject to the exemption permitted by the standard.

Mandatory date of adoption:
Mandatory for the financial years beginning on or after January 1, 2019. In this stage, the Company does not intend to adopt the standard before the effective date.

- IFRS 17, 'Insurance contracts'

IFRS 17 will fundamentally change the accounting by all entities that issue insurance contracts and investment contracts with discretionary participation features.
IFRS 17 requires a current measurement model, where estimates are remeasured in each reporting period. The measurement is based on the building blocks of discounted, probability-weighted cash flows, a risk adjustment and a contractual service margin ("CSM") representing the unearned profit of the contract. A simplified premium allocation approach is permitted for the liability for the remaining coverage if it provides a measurement that is not materially different from the general model or if the coverage period is one year or less. However, claims incurred will need to be measured based on the building blocks of discounted, risk-adjusted, probability weighted cash flows.
For presentation and measurement, entities are required at initial recognition to disaggregate a portfolio (that is, contracts that are subject to similar risks and managed together as a single pool) into three groups of contracts: onerous; no significant risk of becoming onerous; and remaining contracts. Contracts that are issued more than one year apart should not be in the same group.

Management of the Company currently plans assessment of the impact of IFRS 17 on its financial statements. Mandatory for the financial years beginning on or after January 1, 2021 with earlier application permitted if

NOTES TO THE FINANCIAL STATEMENTS
(All amounts in US Dollars)

IFRS 15, 'Revenue from contracts with customers' and IFRS 9, 'Financial instruments' are also applied. In this stage, the Company does not intend to adopt the standard before the effective date.

- Amendments to IFRS 4, 'Insurance contracts'

On 12 September 2016, the IASB published Amendments to IFRS 4, 'Insurance contracts' regarding the implementation of IFRS 9, 'Financial instruments'. These amendments address the concerns that have been expressed about the different effective dates of IFRS 9 (annual periods beginning on or after 1 January 2018) and the new insurance contracts standard, IFRS 17 (annual periods beginning on or after 1 January 2021).

These amendments offer insurers two possible solutions: a temporary exemption from IFRS 9 for annual periods beginning before 1 January 2021 and the 'overlay approach'.
Both of these approaches are optional. Under the 'overlay approach' an insurer reclassifies from profit or loss to other comprehensive income any changes in the fair value of financial assets held in respect of an activity that is connected with contracts within the scope of IFRS 4, if these changes are recognised in profit or loss under IFRS 9, but not under IAS 39.
Under the 'temporary exemption' entities are allowed to continue to apply IAS 39, 'Financial Instruments: Recognition and Measurement', instead of adopting IFRS 9, 'Financial Instruments'.

Management of the Company performed an assessment of the amendments and reached the conclusion that its activities are predominantly connected with insurance. Management intends to apply the temporary exemption in its reporting period starting on 1 January 2018.

- IFRS 9, 'Financial instruments'

The complete version of IFRS 9 replaces most of the guidance in IAS 39. IFRS 9 retains but simplifies the mixed measurement model and establishes three primary measurement categories for financial assets: amortised cost, fair value through other comprehensive income and fair value through P&L. The basis of classification depends on the entity's business model and the contractual cash flow characteristics of the financial asset. Investments in equity instruments are required to be measured at fair value through profit or loss with the irrevocable option at inception to present changes in fair value in OCI. There is now a new expected credit losses model that replaces the incurred loss impairment model used in IAS 39. For financial liabilities, there were no changes to classification and measurement except for the recognition of changes in own credit risk in other comprehensive income, for liabilities designated at fair value, through profit or loss. IFRS 9 relaxes the requirements for hedge effectiveness by replacing the bright line hedge effectiveness tests. It requires an economic relationship between the hedged item and hedging instrument and for the 'hedged ratio' to be the same as the one management actually uses for risk management purposes. Contemporaneous documentation is still required but is different to that currently prepared under IAS 39.

Management of the Company plans to defer the application of IFRS 9 until the effective date of the new insurance contracts standard "IFRS 17" being on 1 January 2021 by applying the temporary exemption from applying IFRS 9 as introduced by the Amendments to IFRS 4. Refer below for further details.

There are no other standards that are not yet effective and that would be expected to have a material impact on the Company in the current or future reporting periods and on foreseeable future transactions.

Revenue recognition
Insurance contracts
Premiums are taken into income over the terms of the policies to which they relate on a pro-rata basis. Unearned premiums represent the portion of premiums written relating to the unexpired period of coverage. Unearned premiums as of the financial statements date are classified as insurance contracts liabilities.
Claims, comprising amounts payable to policyholders and third parties and related loss adjustment expenses, net of salvage and other recoveries, are charged to the statement of income as incurred.

NOTES TO THE FINANCIAL STATEMENTS
(All amounts in US Dollars)

Insurance fee income
Insurance fee income and other costs incurred to acquire a new or renewed insurance contract is recognized in the statement of income in the year of occurrence.

Interest income
Revenue is recognized as interest accrues using the effective interest method, under which the rate used exactly discount estimated future cash receipts through the expected life of the financial asset to the net carrying amount of the financial asset.

Investments income and gains from securities
Gains or losses on sale of investments in securities are recognized at the date of sale. Dividend income is recognized when the right to receive the dividends is established.

Investment income
The investment income is proportionally allocated to each insurance segment based on gross insurance contract premium as follows:
- 10% is allocated to investment income in the statement of income.
- 90% is allocated to each insurance segment proportionally based on gross insurance contracts premium.

Expenses recognition
Commissions paid to intermediaries and other direct costs incurred in relation to the acquisition and renewals of insurance contracts are amortised in the statement of income when incurred. All other expenses are recognized when incurred based on the accrual basis of accounting.

Insurance claims
Claims comprise amounts paid during the year to policyholders whether related to current or prior years. Insurance claims represent claims paid during the year and change in the outstanding claims provision.

Gross outstanding claims comprise the highest gross estimate cost of claims incurred but not settled at the reporting date. Claims also comprise of provision for claims incurred but not reported (IBNR) and it is calculated based on best data available as of the financial statements date.

General and administrative expenses
The general and administrative expense is proportionally allocated to each insurance segment based on gross insurance contracts premium as follows:
- 7% is allocated to statement of income under unallocated general and administrative expenses item.
- 93% is allocated to each insurance segment proportionally based on gross insurance contracts premium. With respect to the health insurance segment, an amount equivalent to 8% of the allocated expenses is redistributed to all the other insurance segments. This 8% represents the paid administrative fees to the third party administration Company (Nat-Health) that manages the Company's health and medical claims.

Financial assets

Classification
The Company classifies its financial assets in the following categories: at fair value through profit or loss, loans and receivables, available- for- sale and held to maturity investments. The classification depends on the purpose for which the financial assets were acquired. Management determines the classification of its financial assets at initial recognition.

Available-for-sale financial assets
Available-for-sale financial assets are non-derivative financial assets that are either designated in this category or not classified in any of the other categories. Unrealised gains and losses arising from changes in the fair value of financial assets classified as available- for- sale are recognized in equity. Fair value is determined by quoted prices in an active market. For available- for- sale financial assets that do not have an active market, the Company calculates their fair value using the latest audited financial statements of these financial assets.

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Financial assets at fair value through profit or loss
A financial asset is classified into the "financial assets at fair value through profit or loss" category if acquired principally for the purpose of selling in the short term, if it forms part of a portfolio of financial assets in which there is evidence of short term profit-taking, or if so designated by management. Realised and recognized gains and losses arising from changes in the fair value of the 'financial assets at fair value through profit or loss' category are included in the statement of income in the period in which they arise. Fair value is determined by quoted prices in an active market.

Held to maturity investments
Held to maturity investments are the financial assets which the Company's management intends according to its business model to hold for the purpose of collecting the contractual cash flows which comprise the sole payments of principal and interest on the principal outstanding balance.
Financial assets are recorded at cost upon purchase plus acquisition expenses. Moreover, the issue premium \ discount is amortized using the effective interest rate method, and recorded to interest account. Provisions associated with the decline in value of these investments leading to the inability to recover the investment or parts thereof are deducted. Any impairment is registered in the statement of income and should be presented subsequently at amortized cost less any impairment losses.

The amount of the impairment loss recognized is the difference between the asset's carrying amount and the present value of estimated future cash flows discounted at the original effective interest rate.

It is not allowed to reclassify any financial assets from / to this category except for certain cases specified at the International Financial Reporting Standards (and in the case of selling those assets before its maturity date, the results should be recorded in a separate account in the statement of income, disclosures should be made in accordance to the requirements of International Financial Reporting Standards).

Loans and receivables
Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. They are included in current assets, except for maturities greater than 12 months after the end of the reporting period. These are classified as non-current assets. The Company's loans and receivables comprise "trade and other receivables" and "cash and cash equivalents" in the statement of financial position.

Impairment of financial assets
(a) Assets carried at amortised cost
The Company assesses at the end of each reporting period whether there is objective evidence that a financial asset or group of financial assets is impaired. A financial asset or a group of financial assets is impaired and impairment losses are incurred only if there is objective evidence of impairment as a result of one or more events that occurred after the initial recognition of the asset (a 'loss event') and that loss event (or events) has an impact on the estimated future cash flows of the financial asset or group of financial assets that can be reliably estimated.

Evidence of impairment may include indications that the debtors or a group of debtors is experiencing significant financial difficulty, default or delinquency in interest or principal payments, the probability that they will enter bankruptcy or other financial reorganisation, and where observable data indicate that there is a measurable decrease in the estimated future cash flows, such as changes in arrears or economic conditions that correlate with defaults.
For loans and receivables category, the amount of the loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows (excluding future credit losses that have not been incurred) discounted at the financial asset's original effective interest rate.

The carrying amount of the asset is reduced and the amount of the loss is recognised in the statement of income. If a loan or held-to-maturity investments has a variable interest rate, the discount rate for measuring any impairment loss is the current effective interest rate determined under the contract. As a practical expedient, the Company may measure impairment on the basis of an instrument's fair value using an observable market price.

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If, in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognised (such as an improvement in the debtor's credit rating), the reversal of the previously recognised impairment loss is recognised in the statement of income.

(b) Assets classified as available- for- sale The Company assesses at the end of each reporting period whether there is objective evidence that a financial asset or a group of financial assets is impaired. For debt securities, the Company uses the criteria referred to in (a) above. In the case of equity investments classified as available- for- sale, a significant or prolonged decline in the fair value of the security below its cost is also evidence that the assets are impaired. If any such evidence exists for available-for-sale financial assets, the cumulative loss – measured as the difference between the acquisition cost and the current fair value, less any impairment loss on that financial asset previously recognised in profit or loss– is removed from equity and recognised in the statement of income. Impairment losses recognised in the statement of income on equity instruments are not reversed through the statement of income. If, in a subsequent period, the fair value of a debt instrument classified as available- for- sale increases and the increase can be objectively related to an event occurring after the impairment loss was recognised in profit or loss, the impairment loss is reversed through the statement of income.

Recognition and measurement
Regular purchases and sales of financial assets are recognised on the trade-date – the date on which the Company commits to purchase or sell the asset. Investments are initially recognised at fair value plus transaction costs for all financial assets not carried at fair value through profit or loss. Financial assets carried at fair value through profit or loss are initially recognised at fair value, and transaction costs are expensed in the statement of income. Financial assets are derecognised when the rights to receive cash flows from the investments have expired or have been transferred and the Company has transferred substantially all risks and rewards of ownership. Available-for-sale financial assets and financial assets at fair value through profit or loss are subsequently carried at fair value. Loans and receivables are subsequently carried at amortised cost using the effective interest method.

Gains or losses arising from changes in the fair value of the 'financial assets at fair value through profit or loss' category are presented in the statement of income in the period in which they arise. Dividend income from financial assets at fair value through profit or loss is recognised in the statement of income as part of investment income when the Company's right to receive payments is established. Changes in the fair value of monetary and non-monetary securities classified as available- for- sale are recognised in other comprehensive income.

When securities classified as available- for- sale are sold or impaired, the accumulated fair value adjustments recognised in equity are included in the statement of income as 'Gains and losses from investment securities'.

Interest on available-for-sale securities calculated using the effective interest method is recognised in the statement of income as part of other income. Dividends on available-for-sale equity instruments are recognised in the statement of income as part of investment income when the Company's right to receive payments is established.

Property and equipment
Property and equipment are stated at cost less accumulated depreciation and any impairment in value. Depreciation is calculated on a straight line basis over the estimated useful lives of the assets (except for land) as follows:

Asset category	Useful lives
Furniture and equipment	5-17
Motor vehicles	6-10
Buildings	50
Decorations	10
Computer software	5

The carrying values of property and equipment are reviewed for impairment when events or changes in circumstances indicate the carrying value may not be recoverable. If any such indication exists and where the carrying values exceed the estimated recoverable amount, the assets are written down to their recoverable amount, being the higher of their fair value less cost to sell and their value in use.

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Expenditure incurred to replace a component of an item of property and equipment that is accounted for separately is capitalized and the carrying amount of the component replaced is written off. Other subsequent expenditures are capitalized only when they increase future economic benefits of the related item of property and equipment. All other expenditures are recognized in the statement of income as the expense is incurred.

Investment in subsidiaries
The Company values its investment in subsidiaries at fair value through profit or loss as defined by IAS 39. Dividends received from subsidiary are recognized in the statement of income. Any gains or losses arising from the change in fair value are recognized in the statement of income when the change in fair value has occurred.

Reinsurance
The Company cedes insurance risk in the normal course of business by making treaties and agreements with the reinsurers. Reinsurance contracts assets represent balances due from reinsurance companies. Recoverable amounts are calculated in a manner consistent with the outstanding claims provision and are in accordance with the reinsurance contract and the reinsurer share from the unearned premiums.

An impairment review of reinsurance contracts assets is performed at each reporting date or when an indication of impairment arises during the reporting year. Impairment occurs when objective evidence indicates that the Company may not recover outstanding amounts under the terms of the contract and when the impact on the amounts that the Company will receive from the reinsurer can be measured reliably. The impairment loss is recorded in the statement of income.

Ceded reinsurance arrangements do not relieve the Company from its obligations to policyholders.

Premiums and claims are presented on a gross basis for both retained and ceded insurance obligations.

Insurance receivables
Insurance receivables are recognised when due and measured on initial recognition at the fair value of the consideration received or receivable. The carrying value of insurance receivables is reviewed for impairment when events or circumstances indicate that the carrying amount may not be recoverable, with the impairment loss recorded in the statement of income. Bad debts are written off when they are identified.

Cash and cash equivalents
For the purpose of preparing the statement of cash flows, cash and cash equivalents consist of cash on hand, Company's balances at banks, and short-term deposits with an original maturity of three months or less after deducting any restricted deposits.

Insurance contracts liabilities
Insurance contracts liabilities are recognized when contracts are signed and premiums are charged. The reserve for unearned premiums represents the portion of premiums written relating to the unexpired period of coverage and recorded as liabilities and computed based on the number of days remaining in insurance coverage subsequent to the date of financial statements. Outstanding claims comprise the estimated amounts payable to insurance contract holders, third parties, and related loss adjustment expenses, net of salvage and other recoveries, whether claims reported to the Company or those not reported at the statement of financial position date.

Unsettled reported claims are computed at the statement of financial position date on an individual basis for each case based on independent loss adjusters, attorneys and the Company’s prior experience.

Estimates of claims incurred but not reported (IBNR) is recorded based on prior experience and assessment of amount required to settle unreported accidents at the statement of financial position date, and based on actuarial reports issued by independent actuary.

Liability adequacy test
At each reporting date, the Company assesses whether its recognised insurance liabilities are adequate using current estimates of future cash flows under its insurance contracts. If that assessment shows that the carrying amount of its

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insurance liabilities is inadequate in the light of estimated future cash flows, the entire deficiency is immediately recognised in the statement of income.

Accounts payable and accrual
Liabilities are recognized for amounts to be paid in the future for goods or services received, whether billed by the supplier or not.

Offsetting financial instruments
Financial assets and liabilities are offset and the net amount reported in the statement of financial position when there is a legally enforceable right to offset the recognised amounts and there is an intention to settle on a net basis or realise the asset and settle the liability simultaneously.

Tax provisions
The Company provides for income tax in accordance with Income Tax Law and IAS (12) which requires recognizing the temporary differences, at the statement of financial position date, as deferred taxes. Income tax expense represents the accrued income tax which is calculated based on the Company's taxable income. Taxable income may differ from accounting income as the later includes non-taxable revenues or non-deductible expenses. Such income or expense might be taxable or deductible in the following years. Taxes are computed based on the tax percentage of the applicable laws and regulations.

Segment reporting
A business segment consists of assets and operations providing goods or services that are exposed to risks and returns different from those of other business segments.
A geographic segment relates to goods or services within an economic environment exposed to risks and returns different from those of other segments working in other economic environments.

Provision for end of service benefits
Benefits payable to the employees at the end of their services are provided for in accordance with the guidelines set by the Palestinian labour law number 7 for the year 2000.

Provident fund
The Company contributes 5% of employees' salaries to a saving fund in the name of the employees in the first five years of the employees' subscription in the fund after which the Company increases its contribution to 7.5%. This contribution is charged to the statement of income.

Foreign currency translation
(a) Functional and presentation currency
Items included in the financial statements are measured using the currency of the primary economic environment in which the Company operates which is the US Dollar (USD).The financial statements are presented in USD, which is the Company's presentation currency.

(b) Transactions and balances
Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the dates of the transactions or valuation where items are re-measured. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at year-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in the statement of income.

Following are the major currencies that the Company transacts with and their exchange rates against USD as of the date of the financial statements:

	Against the USD	
	2017	**2016**
New Israeli Shekels	0.2874	0.2597
Jordanian Dinar	1.4109	1.4104
European Euro	1.1998	1.0458

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Chinese Yuan Renminbi	0.1537	0.1439
Saudi Riyal	0.2667	0.2665
Qatari Riyal	0.2746	0.2746
United Arab Emirates Dirham	0.2723	0.2723
Egyptian Pound	0.0563	0.0533

Earnings per share
Basic earnings per share are calculated by dividing the profit attributable to equity holders of the Company by the weighted average number of outstanding shares.

NOTE (3) Financial risk management

Financial risk factors
The Company manages various risks through a strategy that addresses those risks and the procedures to mitigate them by applying reporting systems aiming to review and adopt appropriate risk mitigating procedures. In addition, the business units are responsible for identifying risks associated with their operations and to apply and monitor appropriate control procedures. The overall responsibility of managing and monitoring risks rests with the Board of Directors.

Risk measurement and reporting systems
Managing risks is established by monitoring limits for each type of risk. The limits reflect the Company's strategy and market condition. The information is gathered from each business unit and analysed to identify expected risk. Information is presented and analysed to the Board of Directors.
The Company is exposed to insurance risks and financial risks such as market, liquidity and credit risks. Following is a summary of the Company's risks and the mitigating procedures applied:

Insurance risk
The principal risk the Company faces under insurance contracts is that the actual claims and benefit payments or the timing thereof, differ from expectations. This is influenced by the frequency of claims, severity of claims, actual benefits paid and subsequent development of long-term claims. Therefore, the objective of the Company is to ensure that sufficient reserves are available to cover these claims.
The above risk exposure is mitigated by diversification across a large portfolio of insurance contracts. In addition, the variability of risks is also improved by careful selection and implementation of underwriting strategy guidelines, as well as the use of reinsurance arrangements.
The Company underwrites motor, fire, workmen, third party personal liability, engineering, marine, medical, life insurance and other general accidents. Those are considered short-term insurance contracts as claims are normally settled within one year from the insured accident date, and that helps to mitigate insurance risk.
Risks are accepted based on an evaluation of pricing and prior underwriting experience in accordance with underwriting guidelines that have been laid out for each line of business. Underwriting guidelines are constantly reviewed and updated to take into account market developments, performance and opportunities. Accumulation limits are set to control exposures to natural hazards and catastrophes. Various underwriting and approval limits are specified for accepting risks.

The reinsurance strategy of the Company is designed to protect exposures to individual and event risks based on current risk exposures through cost effective reinsurance arrangements. The recoverable amounts from reinsurers are estimated in a manner consistent with the outstanding claims provision and are in accordance with the reinsurance contracts.

Even though the Company has reinsurance arrangements, the direct obligation to its policy holders is shown as a liability and thus to the extent the reinsurer is not able to meet its obligations under the reinsurance arrangement, a credit exposure exists. The management ensures that the Company's reinsurance placement is diversified within a range of reinsurers and is not concentrated or dependent on any single reinsurer.

Frequency and severity of claims
The frequency and severity of claims can be determined after consideration of several factors as follows:

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- Past experience of the claims;
- Economic level;
- Laws and regulations; and
- Public awareness

Sources of uncertainty in the estimation of future claim payments

Claims on general insurance contracts are payable on a claims-occurrence basis. The Company is liable for all insured events that occurred during the term of the contract, even if the loss is discovered after the end of the contract term. As a result, a larger element of the claims provision relates to incurred but not reported claims (IBNR) which are settled over a short to medium term period.

There are several variables that affect the amount and timing of cash flows from these contracts. These mainly relate to the inherent risks of the business activities carried out by individual contract holders and the risk of the management procedures adopted. The compensation paid on these contracts is the monetary awards granted for the loss suffered by the policy holders or third parties (for third party liability covers).

The estimated cost of claims includes direct expenses to be incurred in settling claims, net of the expected subrogation values and other recoveries. The Company takes all reasonable steps to ensure that it has appropriate information regarding its claims exposures. However, given the uncertainty in establishing claims provisions, it is likely that the final outcome will prove to be different from the original liability established. The liability for these contracts comprise a provision for IBNR, a provision for reported claims not yet paid and a provision for unexpired risks as at the statement of financial position date.

In calculating the estimated cost of unpaid claims (both reported and not), the Company's estimation techniques are a combination of loss-ratio-based estimates (where the loss ratio is defined as the ratio between the ultimate cost of insurance claims and insurance premiums earned in a particular financial year in relation to such claims) and an estimate based upon actual claims experience using predetermined formula where greater weight is given to actual claims experience as time passes. An actuarial valuation is done every subsequent year to ensure the adequacy of the reserves.

Claims development

The Company maintains strong reserves in respect of its insurance business in order to protect against adverse future claims experience and developments. The uncertainties about the amount and timing of claim payments are generally resolved within one year.

Process used to decide on assumptions

The risks associated with the insurance contracts are complex and subject to a number of variables that complicate quantitative sensitivity analysis. The exposure of the Company to claims associated with general insurance is material. This exposure is concentrated in Palestine where significant transactions take place.

The Company uses assumptions based on a mixture of internal and actuarial reports to measure its general insurance related claims liabilities. Internal data is derived mostly from the Company's monthly claims reports and screening of the actual insurance contracts carried out at year-end to derive data for the contracts held.

The Company has reviewed the individual contracts and their actual exposure to claims. This information is used to develop scenarios related to the latency of claims that are used for the projections of the ultimate number of claims.

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Reinsurance risk

In order to minimize financial exposure arising from large claims, the Company, in the normal course of business, enters into agreements with other parties for reinsurance purposes. Such reinsurance arrangements provide for greater diversification of business, allow management to control exposure to potential losses arising from large risks, and provide additional capacity for growth. A significant portion of the reinsurance is accomplished by treaty, facultative and excess of–loss reinsurance contracts. Reinsurance ceded contracts do not relieve the Company from its obligations to policyholders and as a result the Company remains liable for the portion of outstanding claims reinsured to the extent that the reinsurer fails to meet the obligations under the reinsurance agreements. To minimize its exposure to significant losses from reinsurer insolvencies, the Company evaluates the financial condition of its reinsurers and monitors concentrations of credit risk.

Insurance risks sensitivity

The following schedule shows the effect of the reasonable and possible change in the underwriting premium pricing on the net insurance revenue with all other variables held constant. The effect of the decline of the underwriting premium pricing is equal and opposite of the increase shown below:

		2017		2016	
Insurance segment	**Change**	**Gross premium and fees earned**	**Effect on net insurance revenue**	**Gross premium and fees earned**	**Effect on net insurance revenue**
Motors	10%	2,636,889	2,236,718	1,993,052	1,719,808
Fire	10%	369,087	139,729	352,750	124,621
Workmen	10%	423,508	379,729	362,053	314,760
Third party-Personal liability	10%	101,800	67,324	90,051	55,530
Engineering	10%	128,699	75,952	112,040	63,613
Marine	10%	49,420	28,097	40,168	24,945
Medical	10%	1,126,160	979,699	1,083,878	684,498
Life	10%	6,903	5,268	5,861	7,815
Other general insurance	10%	227,426	91,217	241,240	108,087
		5,069,892	**4,003,733**	**4,281,093**	**3,103,677**

The following schedule shows the effect of the reasonable and possible change in the claims cost on the net claims incurred with all other variables held constant. The effect of the decline of the claims cost is equal and opposite of the increase shown below:

		2017		2016	
Insurance segment	**Change**	**Claims Paid for the year**	**Effect on net claims incurred**	**Claims Paid for the year**	**Effect on net claims incurred**
Motors	10%	(1,317,145)	(1,731,444)	(1,064,811)	(1,209,967)
Fire	10%	(80,577)	(17,054)	(36,098)	(3,856)
Workmen	10%	(166,255)	(220,535)	(189,147)	(186,596)
Third party-Personal liability	10%	(8,639)	(25,921)	(12,298)	(9,625)
Engineering	10%	(40,772)	(13,855)	(39,435)	(5,321)
Marine	10%	(3,329)	(451)	(32,057)	(8,752)
Medical	10%	(1,198,317)	(927,037)	(673,358)	(556,589)
Life	10%	-	800	(470)	3,173
Other general insurance	10%	(56,050)	(11,096)	(142,552)	(36,500)
		(2,871,084)	**(2,946,593)**	**(2,190,226)**	**(2,014,033)**

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Concentration of insurance risks
The table below sets out the concentration of insurance contract liabilities by type of insurance segment:

	2017			2016		
Insurance segment	**Insurance contracts liabilities**	**Reinsured contracts**	**Net**	**Insurance contracts liabilities**	**Reinsured contracts**	**Net**
Motors	32,864,898	900,947	31,963,951	24,603,183	480,760	24,122,423
Fire	2,650,364	2,398,195	252,169	2,123,397	1,928,632	194,765
Workmen	6,483,833	209,352	6,274,481	5,230,400	227,942	5,002,458
Third party-Personal liability	1,522,895	451,326	1,071,569	1,258,706	423,368	835,338
Engineering	752,329	580,798	171,531	707,113	561,378	145,735
Marine	187,622	154,550	33,072	195,603	158,160	37,443
Medical	4,455,416	533,700	3,921,716	6,036,268	3,198,122	2,838,146
Life	102,136	73,324	28,812	109,124	74,066	35,058
Other general insurance	951,563	623,075	328,488	1,195,210	860,240	334,970
	49,971,056	**5,925,267**	**44,045,789**	**41,459,004**	**7,912,668**	**33,546,336**

Regulatory framework risk
Regulators are primarily interested in protecting the rights of the policyholders and monitor them closely to ensure that the Company is satisfactorily managing affairs for their benefit. At the same time, the regulators are also interested in ensuring that the Company maintains an appropriate solvency position to meet unforeseen liabilities. Such regulations not only prescribe approval and monitoring of activities, but also impose certain restrictive provisions (e.g. Solvency Margin) to minimize the risk of default and insolvency on the part of the insurance companies to meet unforeseen liabilities as these arise.

Financial risk
The Company follows financial policies in managing risks as a part of certain strategies. Management manages and controls risks and ensures strategic and optimal allocation of assets and liabilities. These risks include market risk (interest rate risk, equity price risk and foreign currency risk), liquidity risk and credit risk.

a. Market risk

Market risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market prices. Market risk comprises three types of risk: interest rate risk, equity price risk and currency risk.

- Interest rate risk

The Company's exposure to the risk of changes in interest rates relates primarily to interest bearing assets and liabilities. The following table demonstrates the sensitivity of the Company's statement of income for the year ended December 31, 2017 to a reasonably possible change in interest rates, with all other variables held constant, this risk is computed for financial assets and liabilities with changing interest rates as of December 31, 2017 and 2016. The effect of the decrease in interest rates is expected to be equal and opposite to the effect of the increase shown below:

	Change in interest rate	**Effect on net profit before tax**
Year		**USD**
2017	10%	87,425
2016	10%	72,338

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- Equity price risk

The following table demonstrates the sensitivity of the changes in equity prices, with all other variables held constant. The effect of decreases in equity prices is expected to be equal and opposite to the effect of the increase shown below:

2017	**Change in equity price**	**Effect on equity**	**Effect on statement of income**
		USD	**USD**
Listed shares in Palestine Securities Exchange	10%	37,641	205,292
Listed shares in foreign markets	10%	-	732,436

2016	**Change in equity price**	**Effect on equity**	**Effect on statement of income**
		USD	**USD**
Listed shares in Palestine Securities Exchange	10%	34,046	320,301
Listed shares in foreign markets	10%	-	921,126

- Foreign Currency Risk

The following table demonstrates the sensitivity to a reasonably possible change in the USD exchange rate, with all other variables held constant, on the Company's net profit before tax. The effect of the increase in exchange rates is expected to be equal and opposite to the effect of the decrease shown below:

2017	**Increase in currency rate to USD**	**Effect on net profit before tax**
		USD
New Israeli Shekels	10%	1,687,026
Chinese Yuan Renminbi	10%	1,375
EURO	10%	532
United Arab Dirhams	10%	49
Qatari Riyal	10%	858
Egyptian Pound	10%	715

2016	**Increase in currency rate to USD**	**Effect on net profit before tax**
		USD
New Israeli Shekels	10%	1,103,241
Chinese Yuan Renminbi	10%	1,503
EURO	10%	13,848
United Arab Dirhams	10%	194
Qatari Riyal	10%	31
Egyptian Pound	10%	419

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b. Liquidity risk

Liquidity risk is the risk that the Company will not be able to meet its commitments associated with insurance contracts and financial liabilities as they fall due. To mitigate this risk, management diversifies financing resources and manages assets and liabilities and keeps enough cash and cash equivalents. Liquidity requirements are monitored on a monthly basis and management ensures that sufficient liquid funds from cash and cash equivalents are available to meet any commitments as they arise. The Company's deposits held at banks are mostly short term in nature with maturity not more than three months.

The table below summarizes the maturity profile of the Company's financial instruments based on contractual undiscounted payments; the Company monitors the maturity dates of these instruments in order to ensure that the Company is liquid.

	Subject to liquidity risk			
2017	**Within one year**	**More than one year**	**Without maturity**	**Total**
Investment in subsidiaries	-	-	11,936,542	11,936,542
Available-for-sale financial assets	-	-	2,325,874	2,325,874
Financial assets at fair value through profit or loss	636,401	1,391,273	7,349,603	9,377,277
Held to maturity investments	-	11,813,159	-	11,813,159
Accounts receivable	8,514,783	-	-	8,514,783
Reinsurance contracts assets	5,925,267	-	-	5,925,267
Insurance and reinsurance companies receivable	1,243,802	-	-	1,243,802
Other current assets	48,627	-	-	48,627
Checks under collection	11,716,350	178,406	-	11,894,756
Deposit at banks	20,182,155	-	-	20,182,155
Cash and cash equivalents	1,929,517	-	-	1,929,517
Total financial assets	**50,196,902**	**13,382,838**	**21,612,019**	**85,191,759**
Insurance contracts liabilities	49,971,056	-	-	49,971,056
Insurance and reinsurance companies payable	2,400,169	-	-	2,400,169
Accounts payable	3,210,063	-	-	3,210,063
Other current liabilities	1,590,350	-	-	1,590,350
Total financial liabilities	**57,171,638**	**-**	**-**	**57,171,638**
Maturity gap	**(6,974,736)**	**13,382,838**	**21,612,019**	**28,020,121**
Cumulative gap	**(6,974,736)**	**6,408,102**	**28,020,121**	

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(All amounts in US Dollars)

	Subject to liquidity risk			
2016	**Within one year**	**More than one year**	**Without maturity**	**Total**
Investment in subsidiaries	-	-	13,194,520	13,194,520
Available-for-sale financial assets	-	-	2,321,896	2,321,896
Financial assets at fair value through profit or loss	1,936,301	3,903,941	6,574,023	12,414,265
Held to maturity investments	-	5,904,158	-	5,904,158
Accounts receivable	6,739,652	-	-	6,739,652
Reinsurance contracts assets	7,912,668	-	-	7,912,668
Insurance and reinsurance companies receivable	1,210,352	-	-	1,210,352
Other current assets	23,884	-	-	23,884
Checks under collection	8,712,830	99,219	-	8,812,049
Deposit at banks	15,873,145	-	-	15,873,145
Cash and cash equivalents	1,643,257	-	-	1,643,257
Total financial assets	**44,052,089**	**9,907,318**	**22,090,439**	**76,049,846**
Insurance contracts liabilities	41,459,004	-	-	41,459,004
Insurance and reinsurance companies payable	2,635,463	-	-	2,635,463
Accounts payable	3,161,531	-	-	3,161,531
Other current liabilities	1,769,897	-	-	1,769,897
Total financial liabilities	**49,025,895**	**-**	**-**	**49,025,895**
Maturity gap	**(4,973,806)**	**9,907,318**	**22,090,439**	**27,023,951**
Cumulative gap	**(4,973,806)**	**4,933,512**	**27,023,951**	

c. Credit risk

Credit risk is the risk that one party to a financial instrument will fail to discharge an obligation and cause the other party to incur a financial loss. For all categories of financial assets held by the Company, the maximum exposure to credit risk is the carrying value as disclosed in the statement of financial position.

The following table details the financial assets held with the Company:

Financial asset	**2017**	**2016**	**Collateral held**	**Credit quality**
Cash and cash equivalents including deposits	22,111,672	17,516,402	-	High
Checks under collection due within one year	11,716,350	8,712,830	-	High
Accounts receivable	8,514,783	6,739,652	-	High
Insurance and reinsurance companies receivable	1,243,802	1,210,352	Withholdings 25% and 40% of premiums	High
Held to maturity investments	11,813,159	5,904,158	-	High
Reinsurance contracts assets	5,925,267	7,912,668	-	High
Financial assets at fair value through profit or loss - Bonds	4,242,514	5,840,242	-	High

NOTES TO THE FINANCIAL STATEMENTS
(All amounts in US Dollars)

The Company manages credit risk for the above shown assets in the following manner:

- **Cash and cash equivalents including deposits at banks and financial institutions**
  The Company maintains its deposits for short and medium maturities in highly reputable local and international banks with different currencies.

- **Checks under collection and accounts receivable**
  The Company deals with highly reputable institutions and individuals whose credit risk is low by maintaining a black list of customers who represent a possible credit risk. Checks collected from customers are deposited in reputable banks. Further, the Company uses its legal department to follow up on receivables from customers.

- **Reinsurance companies receivable and reinsurance contracts assets**
  The Company reinsures its policies, with top rated re-insurance companies to help the Company compensate losses of insurance contracts.The Company remains committed to compensate losses on insurance contracts whether the reinsurers were able or not able to fulfill their commitments. To ensure reinsurers commitments are fulfilled, The Company withholds 40% of the reinsured premiums on all kinds of insurances except for marine, where the withholding percentage is 25% for a period of one year.

- **Financial assets at fair value through profit or loss, available- for- sale and Held to maturity investments**
  The Company invests in top rated debt securities with high credit ratings not less than (BB-) to ensure high returns and collectability. These investments include popular and regional investees.

Capital management
The primary objective of the Company's capital management is to ensure that it maintains healthy capital ratios in order to support its business and maximize shareholders' value.

The Company manages its capital structure and makes adjustments to it in light of changes in business conditions. No changes were made on the objectives, policies or processes during the year. Capital structure includes paid-in share capital, retained earnings, statutory and voluntary reserves, and fair value adjustment reserve amounting to USD 30,407,162 and USD 27,259,585 as of December 31, 2017 and December 31, 2016, respectively.

The Company's operation is subject to the regulations and requirements of Insurance General Directorate in Palestine. These regulations and requirements set approval procedures and control over insurance companies and also set requirements for capital adequacy and solvency limits for the purpose of mitigating insolvency risks.

NOTES TO THE FINANCIAL STATEMENTS
(All amounts in US Dollars)

Fair value of financial instruments

The table below presents a comparison between the book values and the fair values of the financial instruments as classified on December 31, 2017 and 2016:

	Book value		Fair value	
Financial Assets	**2017**	**2016**	**2017**	**2016**
Investment in subsidiaries	11,936,542	13,194,520	11,936,542	13,194,520
Available-for-sale financial assets	2,325,874	2,321,896	2,325,874	2,321,896
Financial assets at fair value through profit or loss	9,377,277	12,414,265	9,377,277	12,414,265
Held to maturity investments	11,813,159	5,904,158	11,813,159	5,904,158
Accounts receivable	8,514,783	6,739,652	8,514,783	6,739,652
Reinsurance contracts assets	5,925,267	7,912,668	5,925,267	7,912,668
Insurance and reinsurance companies receivable	1,243,802	1,210,352	1,243,802	1,210,352
Other current assets	48,627	23,884	48,627	23,884
Checks under collection	11,894,756	8,812,049	11,894,756	8,812,049
Deposits at banks	20,182,155	15,873,145	20,182,155	15,873,145
Cash and Cash equivalents	1,929,517	1,643,257	1,929,517	1,643,257
	85,191,759	**76,049,846**	**85,191,759**	**76,049,846**
Financial Liabilities				
Insurance contracts liabilities	49,971,056	41,459,004	49,971,056	41,459,004
Insurance and reinsurance companies payable	2,400,169	2,635,463	2,400,169	2,635,463
Accounts payable	3,210,063	3,161,531	3,210,063	3,161,531
Other current liabilities	1,590,350	1,769,897	1,590,350	1,769,897
	57,171,638	**49,025,895**	**57,171,638**	**49,025,895**

The fair value of the financial assets and liabilities are included at the amount at which the instrument could be exchanged in a current transaction between willing parties, other than in a forced or liquidation sale.

- The fair values of accounts receivable, other financial assets, cash and cash equivalents, checks under collection, reinsurance contracts assets, insurance and reinsurance companies receivable, accounts payable, insurance and reinsurance companies payable, insurance contracts liabilities, and other financial liabilities largely approximate their carrying amounts due to the short-term maturities of these instruments.

- The fair values of investment in quoted available-for-sale financial assets and financial assets at fair value through profit or loss were based on their price quotations at the reporting date.

- Unquoted available-for-sale financial assets are stated at cost as their fair values cannot be reliably determined.

Fair value hierarchy
The Company uses the following hierarchy for determining and disclosing the fair value of its financial instruments:

- Quoted prices (unadjusted) in active markets for identical assets or liabilities (Level 1).
- Inputs other than quoted prices included within level 1 that are observable for the asset or liability, either directly (that is, as prices) or indirectly (that is, derived from prices) (Level 2).
- Inputs for the asset or liability that are not based on observable market data (that is, unobservable inputs) (Level 3).

NOTES TO THE FINANCIAL STATEMENTS
(All amounts in US Dollars)

2017	Total	Level 1	Level 2	Level 3
Investment in subsidiaries				
Quoted	11,936,542	11,936,542	-	-
Available-for-sale financial assets				
Quoted	585,939	585,939	-	-
Un-quoted	1,739,935	-	-	1,739,935
	2,325,874	**585,939**	**-**	**1,739,935**
Financial assets at fair value through profit or loss				
Investments in local shares	2,052,921	2,052,921	-	-
Investments in foreign shares	3,081,842	3,081,842	-	-
Foreign bonds	4,242,514	4,242,514	-	-
	9,377,277	**9,377,277**	**-**	**-**
	23,639,693	**21,899,758**	**-**	**1,739,935**

2016	Total	Level 1	Level 2	Level 3
Investment in subsidiaries				
Quoted	11,902,665	11,902,665	-	-
Un-quoted	1,291,855	-	-	1,291,855
	13,194,520	**11,902,665**	**-**	**1,291,855**
Available-for-sale financial assets				
Quoted	437,655	437,655	-	-
Un-quoted	1,884,241	-	-	1,884,241
	2,321,896	**437,655**	**-**	**1,884,241**
Financial assets at fair value through profit or loss				
Investments in local shares	3,203,007	3,203,007	-	-
Investments in foreign shares	3,371,016	3,371,016	-	-
Foreign bonds	5,840,242	5,840,242	-	-
	12,414,265	**12,414,265**	**-**	**-**
	27,930,681	**24,754,585**	**-**	**3,176,096**

During the year, there was no transfer for financial instruments between level 1, level 2 or level 3.

NOTE (4) – CRITICAL ACCOUNTING ESTIMATES AND JUDGMENTS

Estimates and judgments are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances.
Management believes that estimates are reasonable and are as follows:

Fair value of financial instruments
Where the fair value of financial assets and financial liabilities recorded in the statement of financial position cannot be derived from active markets, they are determined using valuation techniques including the discounted cash flows model.
The inputs to these models are taken from observable markets where possible, but where this is not feasible, a degree of judgment is required in establishing fair values. The judgments include considerations of inputs such as liquidity risk, credit risk and volatility. Changes in assumptions about these factors could affect the reported fair value of financial instruments.

NOTES TO THE FINANCIAL STATEMENTS
(All amounts in US Dollars)

Impairment of investments
The Company treats available-for-sale financial assets as impaired when there has been a significant or prolonged decline in the fair value below its cost or where other objective evidence of impairment exists.

Impairment of financial assets stated at cost
Management reviews, on a regular basis, the financial assets that are stated at cost to estimate impairments, if any. Impairment losses are reflected in the statement of income.

Useful lives of tangible assets
The Company's management reviews, on a regular basis, the useful lives of the tangible assets in order to assess the depreciation for the year based on the assets' condition, useful life and future economic benefits. Any impairment is recognized in the statement of income.

Provision for doubtful debts
The Company provides services to a broad base of clients using certain credit terms. Estimates, based on past experience, are used in determining the level of debts that the Company believes will be collected.

Provision of outstanding claims
Considerable judgment by management is required in the estimation of amounts due to insurance contract holders and third parties arising from claims made under insurance contracts.
Claims requiring court or arbitration decisions are estimated individually by the Company's lawyer. Independent loss adjustors normally estimate property claims. Management reviews its provisions for claims incurred, and claims incurred but not reported, on a periodic basis.
In particular, estimates have to be made both for the expected ultimate cost of claims reported at the statement of financial position date and for the expected ultimate cost of claims incurred but not yet reported (IBNR) at the statement of financial position date. The primary technique adopted by management in estimating the cost of reported and IBNR claims, is that of using past claim settlement experience to predict future claims settlement trends, and by depending on actuarial reports issued by independent actuary.

Tax provisions
Tax provisions are calculated based on prevailing tax laws and regulations and the accounting standards.

NOTES TO THE FINANCIAL STATEMENTS
(All amounts in US Dollars)

NOTE (5) – PROPERTY AND EQUIPMENT

Details:

	Furniture and equipment	Motor vehicles	Buildings and decorations	Computer software	Total
Cost:					
As of January 1, 2017	**2,305,038**	**858,767**	**3,445,696**	**140,825**	**6,750,326**
Additions	119,777	141,320	322,224	53,479	636,800
Disposals	-	(238,977)	(121,626)	-	(360,603)
As of December 31, 2017	**2,424,815**	**761,110**	**3,646,294**	**194,304**	**7,026,523**
Accumulated depreciation:					
As of January 1, 2017	**1,861,230**	**251,890**	**971,506**	**113,337**	**3,197,963**
Additions	99,868	75,111	182,151	20,312	377,442
Disposals	-	(57,925)	(78,871)	-	(136,796)
As of December 31, 2017	**1,961,098**	**269,076**	**1,074,786**	**133,649**	**3,438,609**
Net book value:					
As of December 31, 2017	**463,717**	**492,034**	**2,571,508**	**60,655**	**3,587,914**

	Furniture and equipment	Motor vehicles	Buildings and decorations	Computer software	Total
Cost:					
As of January 1, 2016	**2,260,882**	**695,806**	**3,407,994**	**134,561**	**6,499,243**
Additions	44,156	519,816	37,702	6,264	607,938
Disposals	-	(356,855)	-	-	(356,855)
As of December 31, 2016	**2,305,038**	**858,767**	**3,445,696**	**140,825**	**6,750,326**
Accumulated depreciation:					
As of January 1, 2016	**1,758,867**	**460,951**	**806,527**	**98,850**	**3,125,195**
Additions	102,363	85,710	164,979	14,487	367,539
Disposals	-	(294,771)	-	-	(294,771)
As of December 31, 2016	**1,861,230**	**251,890**	**971,506**	**113,337**	**3,197,963**
Net book value:					
As of December 31, 2016	**443,808**	**606,877**	**2,474,190**	**27,488**	**3,552,363**

Property and equipment include USD 1,741,069 and USD 1,673,485 of fully depreciated assets that are still operational as of December 31, 2017, and 2016, respectively.

NOTE (6) – INVESTMENT IN SUBSIDIARIES

Details:

	Country of Incorporation	Ownership Percentage	2017	2016
National Towers Company	Palestine	92.75%	11,936,542	11,902,665
Elite Medical Consultancy Company	Palestine	75.00%	-	1,291,855
			11,936,542	**13,194,520**

NOTES TO THE FINANCIAL STATEMENTS
(All amounts in US Dollars)

Movement on investment in subsidiaries was as follows:

	2017	2016
Balance, beginning of the year	**13,194,520**	**12,775,465**
Purchase of investment in subsidiaries	34,455	149,528
Sale of investment in subsidiaries (*)	(1,291,855)	-
Unrealized (loss) gain from investment in subsidiaries	(578)	269,527
Balance, end of the year	**11,936,542**	**13,194,520**

(*) During the year, the Company sold its investment in the subsidiary the Elite Medical Consultancy Company which amounted to 75% of the stocks to a third party for an amount of USD 3 million. The sale was finalised on December 29, 2017 with the control over the subsidiary was transferred to the buyer.

NOTE (7) – DEFERRED TAX ASSETS

Details:

	2017	2016
Balance, beginning of the year	**1,532,382**	**1,533,286**
Amortizations	(111,354)	(904)
Balance, end of the year	**1,421,028**	**1,532,382**

NOTE (8) AVAILABLE-FOR-SALE FINANCIAL ASSETS

Details:

	2017	2016
Quoted shares	585,939	437,655
Unquoted shares (*)	1,739,935	1,884,241
	2,325,874	**2,321,896**

(*) Unquoted shares are stated at cost as their fair values after deducting the accumulated impairment, cannot be reliably measured due to the unpredictable nature of future cash flows. The Company's management believes that the fair values of such investments are not materially different from their carrying amounts.

The movement on available-for-sale financial assets during the year was as follows:

	2017	2016
Balance, beginning of the year	**2,321,896**	**1,660,700**
Purchase of available-for-sale financial assets	303,232	1,066,305
Sale of available-for-sale financial assets	(95,214)	(79,414)
Loss on sale of available-for-sale financial assets	(83,498)	(31,757)
Unrealized loss from available-for-sale financial assets	(205,256)	(418,981)
Change in fair value of available-for-sale financial assets	84,714	125,043
Balance, end of the year	**2,325,874**	**2,321,896**

The movement on the change of the available-for-sale financial assets was as follows:

	2017	2016
Balance, beginning of the year	**85,689**	**(39,354)**
Change in fair value	84,714	125,043
Balance, end of the year	**170,403**	**85,689**

NOTE (9) – HELD TO MATURITY INVESTMENTS

Details:

	2017	2016
Foreign bonds	11,813,159	5,904,158

Interest rate on these financial assets range in between 4% to 8%, and they mature within 2 to 9 years.

NOTES TO THE FINANCIAL STATEMENTS
(All amounts in US Dollars)

NOTE (10) – FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS

Details:

	2017	2016
Investments in local shares	2,052,921	3,203,007
Investments in foreign shares	3,081,842	3,371,016
Foreign bonds	4,242,514	5,840,242
	9,377,277	**12,414,265**

The movement on financial assets at fair value through profit or loss during the year was as follows:

	2017	2016
Balance, beginning of the year	**12,414,265**	**13,249,313**
Purchase of financial assets at fair value through profit or loss	2,278,924	3,460,363
Sale of financial assets at fair value through profit or loss	(6,771,250)	(4,856,720)
Change in fair value of financial assets at fair value through profit or loss	1,455,338	561,309
Balance, end of the year	**9,377,277**	**12,414,265**

NOTE (11) – ACCOUNTS RECEIVABLE

Details:

	2017	2016
Due from customers	9,176,653	7,322,979
Governmental receivables	287,402	310,637
	9,464,055	**7,633,616**
Provision for doubtful accounts	(949,272)	(893,964)
	8,514,783	**6,739,652**

The accounts receivable are reported net of any impairment provision. The total impaired account receivables amounted to USD 1,744,164 and USD 1,588,826 as of December 31, 2017 and 2016 respectively.

Following is a summary of the movement on the provision for doubtful accounts:

	2017	2016
Balance, beginning of the year	**893,964**	**897,054**
Allowance for doubtful accounts	100,000	-
Written off	(44,692)	(3,090)
Balance, end of the year	**949,272**	**893,964**

Following is the aging analysis of the not impaired insurance receivables as of December 31, 2017 and 2016:

	Past due but not impaired					
	Less than 90 days	**91-180 days**	**181-270 days**	**271-360 days**	**More than 361 days**	**Total**
2017	5,704,732	1,627,959	190,366	196,834	-	**7,719,891**
2016	4,031,867	1,549,352	232,967	230,604	-	**6,044,790**

The Company does not obtain any guarantees against these receivables. Nonetheless, management believes that the value of the unimpaired receivable is recoverable.

NOTES TO THE FINANCIAL STATEMENTS
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NOTE (12) – INSURANCE CONTRACTS LIABILITIES AND REINSURANCE CONTRACTS ASSETS

Details:

	2017	2016
A- Insurance contracts liabilities		
Outstanding claims provision	32,990,952	25,543,495
Incurred but not reported claims provision	677,809	1,479,795
Outstanding claims provision for life insurance	85,000	90,000
Life insurance actuarial provision	17,136	19,124
Unearned premiums	16,200,159	14,326,590
	49,971,056	**41,459,004**
B- Reinsurance contracts assets		
Outstanding claims provision	3,208,035	3,717,197
Incurred but not reported claims provision	320,595	528,412
Outstanding claims provision for life insurance	68,000	65,000
Life insurance actuarial provision	5,324	9,066
Unearned premiums	2,323,313	3,592,993
	5,925,267	**7,912,668**
C- Net insurance contracts liabilities		
Outstanding claims provision	29,782,917	21,826,298
Incurred but not reported claims provision	357,214	951,383
Outstanding claims provision for life insurance	17,000	25,000
Life insurance actuarial provision	11,812	10,058
Unearned premiums	13,876,846	10,733,597
	44,045,789	**33,546,336**

NOTES TO THE FINANCIAL STATEMENTS
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- **Outstanding claims provision**

The Company and reinsurers' share from outstanding claims provision per insurance segment were as follows:

	The Company		Reinsurers		Total	
	2017	2016	2017	2016	2017	2016
Motors	21,740,294	16,564,265	900,947	480,760	22,641,241	17,045,025
Workmen	5,215,937	4,152,686	191,619	184,184	5,407,556	4,336,870
Third party-personal liability	888,512	691,287	279,364	256,467	1,167,876	947,754
Other general insurance	241,302	242,082	304,424	582,621	545,726	824,703
Engineering	84,392	67,084	302,280	330,726	386,672	397,810
Fire	164,448	113,721	991,617	563,035	1,156,065	676,756
Marine	15,101	22,815	35,046	52,902	50,147	75,717
Medical	1,790,145	923,741	523,333	1,794,914	2,313,478	2,718,655
Life	17,000	25,000	68,000	65,000	85,000	90,000
	30,157,131	**22,802,681**	**3,596,630**	**4,310,609**	**33,753,761**	**27,113,290**

- **Unearned premiums (provision for un-expired risk)**

The Company and reinsures' share from unearned premiums (provision for un-expired risk) per insurance segment were as follows:

	The Company		Reinsurers		Total	
	2017	2016	2017	2016	2017	2016
Motors	10,223,657	7,558,158	-	-	10,223,657	7,558,158
Workmen	1,058,544	849,772	17,733	43,758	1,076,277	893,530
Third party-personal liability	183,057	144,051	171,962	166,901	355,019	310,952
Other general insurance	87,186	92,888	318,651	277,619	405,837	370,507
Engineering	87,139	78,651	278,518	230,652	365,657	309,303
Fire	87,721	81,044	1,406,578	1,365,597	1,494,299	1,446,641
Marine	17,971	14,628	119,504	105,258	137,475	119,886
Medical	2,131,571	1,914,405	10,367	1,403,208	2,141,938	3,317,613
Life	11,812	10,058	5,324	9,066	17,136	19,124
	13,888,658	**10,743,655**	**2,328,637**	**3,602,059**	**16,217,295**	**14,345,714**

NOTES TO THE FINANCIAL STATEMENTS
(All amounts in US Dollars)

NOTE (13) – INSURANCE AND REINSURANCE COMPANIES RECEIVABLE

Details:

	2017	2016
Local insurance companies	1,090,203	716,253
Due from reinsurers	153,599	494,099
	1,243,802	**1,210,352**

NOTE (14) – OTHER CURRENT ASSETS

Details:

	2017	2016
Accrued revenues	338,170	299,585
Prepaid expenses	415,760	367,069
Refundable deposits	48,627	23,884
	802,557	**690,538**

NOTE (15) – DEPOSITS AT BANKS

Details:

	2017	2016
Deposits at local banks	18,753,161	15,873,145
Deposits at foreign banks	1,428,994	-
	20,182,155	**15,873,145**

The average interest rate on bank deposits is 4.21% and 3.97% on ILS deposits, 3.77% and 3.38% on US Dollar deposits, 5.21% and 4.87% on Jordanian Dinar deposits, for the financial year ended December 31, 2017 and 2016 respectively.

NOTE (16) – CASH AND CASH EQUIVALENTS

Details:

	2017	2016
Cash on hand	313,902	127,413
Cash at banks	1,615,615	1,515,844
	1,929,517	**1,643,257**

For the purpose of the statement of cash flows, cash and cash equivalents consist of:

	2017	2016
Cash on hand	313,902	127,413
Cash at banks	1,615,615	1,515,844
Deposits at banks maturing within three months	20,182,155	15,873,145
Less: A deposit restricted to the order of the PCMA (*)	(500,000)	(500,000)
	21,611,672	**17,016,402**

(*) Deposits at banks include a statuary deposit of USD 500,000 restricted to the order of the PCMA (Palestine Capital Market Authority) No. (2/ T), for the year of 2007, which is under the Insurance Law No. (20) for the year of 2005. PCMA prior approval is required before liquidating this deposit.

NOTES TO THE FINANCIAL STATEMENTS
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NOTE (17) –CASH DIVIDENDS

The Board of Director will propose to the General Assembly in its annual meeting that will be held on March 29, 2018, the approval of cash dividend of 25% from paid in capital totaling USD 3,000,000 and stock dividends of 25% from paid in capital totaling USD 3,000,000 in respect of the financial year 2017. Further, the General Assembly approved in its meeting held on March 30, 2017, the distribution of cash dividends of 20% from paid-in-capital totaling USD 2,400,000 in respect of the financial year 2016.

NOTE (18) – RESERVES

Statutory reserve
According to the Companies' Law (12) of the year 1964, a deduction of 10% of the net annual profit is transferred to the statutory reserve and will continue until the total reserve equals 25% of the paid-in-share capital. The statutory reserve is not available for distribution to shareholders.
According to the Company's bylaws, a deduction of 10% of the net profit is transferred to the statutory reserve and will continue until the total reserve equals 50% of the capital. The Company's board of directors approved increasing the statutory reserve to be more than 50% of the capital for the year ended 31 December 2017.

Voluntary reserve
The General Assembly decided in its meeting that was held on March 27, 2014 to transfer an amount of USD 1,750,000 to the voluntary reserve account for which the balance will become USD 3,000,000, knowing that a total of USD 1,250,000 was transferred to this account based on the General Assembly decision on March 24, 2012.
This reserve may be used for purposes as deemed appropriate by the Board of Directors and is available for distribution in full or in parts to shareholders based on General Assembly's resolution.

NOTE (19) – PROVISION FOR EMPLOYEES' INDEMNITY

Details:

	2017	2016
Balance, beginning of the year	**3,347,077**	**3,289,985**
Additions during the year	421,121	178,000
Payments during the year	(164,731)	(120,908)
Balance, end of the year	**3,603,467**	**3,347,077**

NOTE (20) – INSURANCE AND REINSURANCE COMPANIES PAYABLE

Details:

	2017	2016
Due to reinsurers	1,263,214	1,669,105
Excess of loss reserve (*)	70,604	41,358
Unexpired risk reinsurance reserve (**)	982,436	900,676
Local insurance companies (***)	83,915	24,324
	2,400,169	**2,635,463**

(*) This item represents reinsurers' share of premiums ceded to reinsurers (excess of loss reserve) that is related to excess of loss treaties for motor vehicles, workmen compensation and professional indemnity.
(**) This item represents 40% of premiums ceded for all insurance types, except for marine insurance, where the Company keeps 25% of the premiums ceded for one year, and then releases it to reinsurers with interest of 0.5%.
(***) This item represents the amounts due to local insurance companies resulted from facultative reinsurance arrangements.

NOTES TO THE FINANCIAL STATEMENTS
(All amounts in US Dollars)

NOTE (21) – ACCOUNTS PAYABLE

Details:

	2017	2016
Accounts payable	2,617,454	2,577,012
Dividends payable	592,609	584,519
	3,210,063	**3,161,531**

NOTE (22) – TAX PROVISIONS

Following is the movement on the tax provisions during the year ended December 31, 2017 and 2016, respectively:

	2017	2016
Balance, beginning of the year	**1,097,675**	**1,452,053**
Payments during the year	(2,554,074)	(1,793,923)
Additions during the year	760,956	1,439,545
Balance, end of the year	**(695,443)**	**1,097,675**

Tax expense appears in the statement of income as follows:

	2017	2016
(Amortizations) deferred tax assets	(111,354)	(904)
Provision for the year	(760,956)	(1,439,545)
Tax expense for the year	**(872,310)**	**(1,440,449)**

Reconciliation between accounting income and taxable income is as follows:

	2017	2016
Accounting profit before tax	6,335,173	5,413,144
Non-taxable income	(3,710,645)	(407,176)
Non-deductible expenses	374,467	592,898
Taxable income for VAT	**2,998,995**	**5,598,866**
VAT	(413,654)	(772,257)
Payroll VAT	(523,665)	(487,484)
Income not subject to VAT	(107,069)	(204,193)
Taxable income	**1,954,607**	**4,134,932**
Income tax	(293,191)	(620,240)
Income tax- life insurance	(7,014)	(5,925)
Income tax deductions	(139,565)	(101,729)
Income tax discounts	92,468	60,606
Tax expense	**(760,956)**	**(1,439,545)**
Effective tax rate	**12.01%**	**26.59%**

The Company reached a final settlement with the Income Tax Department and Value Added Tax Department for their operations until 2016.

NOTES TO THE FINANCIAL STATEMENTS
(All amounts in US Dollars)

NOTE (23) – PALESTINIAN ROAD ACCIDENT VICTIMS FUND

This represents the balance due to the Palestinian Road Accident Victims Compensation Fund (Hereinafter "the Fund") which comprises the fees due to the Fund for compulsory insurance policies as at 31 December 2018. The Company reserves the right to pay part of this due balance for the insurance policies issued by the Company in Gaza because of legal differences with the Fund to date**.**

NOTE (24) – OTHER CURRENT LIABILITIES

Details:

	2017	**2016**
Accrued expenses	1,132,346	986,050
Board of Directors' remunerations	150,000	105,000
Accrued commissions	5,752	76,576
Due to policyholders	286,736	522,214
Accrued employees' vacation and bonus	259,064	299,529
Saving fund	(4,166)	53,226
Due to agents	18,262	18,255
Others	1,420	8,576
VAT on payroll	59,881	514,313
	1,909,295	**2,583,739**

NOTE (25) – SEGMENTS INFORMATION

For management purposes, the Company is organized to consist of insurance segments, which are motors, fire, workmen, third party personal liability, engineering, marine, medical, life insurance and other general insurance. In addition to the management of investment segments, which are investment in subsidiaries, available-for-sale financial assets, financial assets at fair value through profit or loss, held-to-maturity investments, and deposits at banks.

NOTES TO THE FINANCIAL STATEMENTS
(All amounts in US Dollars)

The following schedule is a summary of the revenues and operating results for the Company operating segments for the year ended December 31, 2017:

	Motors	Fire	Marine	Engineering	Other general insurance	Workmen	Third party personal liability	Medical	Life	Investments	Total
Insurance premiums	20,207,648	3,063,907	386,573	899,652	1,885,094	2,921,396	797,274	9,158,121	67,686	-	39,387,351
Earned Insurance fees	6,161,242	626,963	107,624	387,335	389,159	1,313,681	220,725	2,103,481	1,343	-	11,311,553
Gross premiums	**26,368,890**	**3,690,870**	**494,197**	**1,286,987**	**2,274,253**	**4,235,077**	**1,017,999**	**11,261,602**	**69,029**	**-**	**50,698,904**
Change in unearned premiums	(2,665,499)	(47,658)	(17,589)	(56,354)	(35,330)	(182,747)	(44,067)	1,175,675	1,988	-	(1,871,581)
	23,703,391	**3,643,212**	**476,608**	**1,230,633**	**2,238,923**	**4,052,330**	**973,932**	**12,437,277**	**71,017**	**-**	**48,827,323**
Gross premiums ceded to reinsures	(509,950)	(2,878,064)	(336,215)	(701,517)	(1,517,551)	(99,010)	(338,512)	(1,240,288)	(13,931)	-	(7,635,038)
Reinsurers share of change in unearned premiums	-	40,981	14,246	47,866	41,032	(26,025)	5,061	(1,392,841)	(3,742)	-	(1,273,422)
	(509,950)	**(2,837,083)**	**(321,969)**	**(653,651)**	**(1,476,519)**	**(125,035)**	**(333,451)**	**(2,633,129)**	**(17,673)**	-	**(8,908,460)**
Net premiums retained	**23,193,441**	**806,129**	**154,639**	**576,982**	**762,404**	**3,927,295**	**640,481**	**9,804,148**	**53,344**	**-**	**39,918,863**
Gain resulting from translating unearned premiums	803,599	-	-	-	-	-	-	-	-	-	803,599
Net premiums revenues before commissions	**23,997,040**	**806,129**	**154,639**	**576,982**	**762,404**	**3,927,295**	**640,481**	**9,804,148**	**53,344**	**-**	**40,722,462**
Commissions income from reinsurers	-	661,291	132,709	221,720	177,238	-	62,079	-	196	-	1,255,233
Commissions paid	(1,629,861)	(70,133)	(6,375)	(39,178)	(27,458)	(130,001)	(29,320)	(7,156)	(862)	-	(1,940,344)
Net premiums revenues after commissions	**22,367,179**	**1,397,287**	**280,973**	**759,524**	**912,184**	**3,797,294**	**673,240**	**9,796,992**	**52,678**	**-**	**40,037,351**
Claims paid	13,171,449	805,768	33,294	407,722	560,511	1,662,546	86,390	11,983,171	-	-	28,710,851
Claims ceded to reinsurers	(27,778)	(685,954)	(21,075)	(286,476)	(448,780)	(51,375)	(24,403)	(3,579,207)	-	-	(5,125,048)
Net claims paid	**13,143,671**	**119,814**	**12,219**	**121,246**	**111,731**	**1,611,171**	**61,987**	**8,403,964**	**-**	**-**	**23,585,803**
Change in outstanding claims provision	5,596,216	479,309	(25,570)	(11,138)	(278,977)	1,070,686	220,122	(405,177)	(5,000)	-	6,640,471
Change in outstanding claims provision ceded to reinsurers	(420,187)	(428,582)	17,856	28,446	278,197	(7,435)	(22,897)	1,271,581	(3,000)	-	713,979
Gain from translating outstanding claims provision	(1,005,259)	-	-	-	-	(469,074)	-	-	-	-	(1,474,333)
Net claims incurred	**17,314,441**	**170,541**	**4,505**	**138,554**	**110,951**	**2,205,348**	**259,212**	**9,270,368**	**(8,000)**	**-**	**29,465,920**
Net insurance profit before general and administrative expenses	5,052,738	1,226,746	276,468	620,970	801,233	1,591,946	414,028	526,624	60,678	-	**10,571,431**
General and administrative expenses allocated to insurance segments	(4,108,865)	(452,397)	(57,463)	(200,042)	(345,093)	(640,753)	(151,054)	(697,413)	(12,153)	-	(6,665,233)
Net insurance profit after general and administrative expenses	**943,873**	**774,349**	**219,005**	**420,928**	**456,140**	**951,193**	**262,974**	**(170,789)**	**48,525**	**-**	**3,906,198**
unallocated expenses and revenues											
Investment income	-	-	-	-	-	-	-	-	-	1,935,853	1,935,853
Loss on disposal of property and equipment	-	-	-	-	-	-	-	-	-	(24,146)	(24,146)
Currency Exchange Loss	-	-	-	-	-	-	-	-	-	(564,407)	(564,407)
Unallocated general and administrative expenses	-	-	-	-	-	-	-	-	-	(525,892)	(525,892)
Allowance for doubtful accounts	-	-	-	-	-	-	-	-	-	(100,000)	(100,000)
Gain on sale of investment in subsidiaries	-	-	-	-	-	-	-	-	-	1,708,145	1,708,145
Unrealized loss from investment in subsidiaries	-	-	-	-	-	-	-	-	-	(578)	(578)
Net profit before tax	**943,873**	**774,349**	**219,005**	**420,928**	**456,140**	**951,193**	**262,974**	**(170,789)**	**48,525**	**2,428,975**	**6,335,173**

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The following schedule is a summary of the revenues and operating results for the Company operating segments for the year ended December 31, 2016:

	Motors	Fire	Marine	Engineering	Other general insurance	Workmen	Third party personal liability	Medical	Life	Investments	Total
Insurance premiums	14,982,924	2,964,188	313,477	771,658	1,942,525	2,487,835	714,970	9,787,315	57,159	-	34,022,051
Earned Insurance fees	4,947,597	563,316	88,204	348,745	469,869	1,132,692	185,540	1,051,467	1,448	-	8,788,878
Gross premiums	**19,930,521**	**3,527,504**	**401,681**	**1,120,403**	**2,412,394**	**3,620,527**	**900,510**	**10,838,782**	**58,607**	**-**	**42,810,929**
Change in unearned premiums	(869,696)	(417,244)	8,064	(67,793)	(96,417)	(235,725)	(13,625)	(1,186,060)	88,815	-	(2,789,681)
	19,060,825	**3,110,260**	**409,745**	**1,052,610**	**2,315,977**	**3,384,802**	**886,885**	**9,652,722**	**147,422**	**-**	**40,021,248**
Gross premiums ceded to reinsures	(724,662)	(2,811,298)	(270,797)	(600,087)	(1,537,360)	(151,096)	(352,332)	(4,205,067)	(14,670)	-	(10,667,369)
Reinsurers share of change in unearned premiums	-	414,395	(5,143)	49,300	67,685	25,026	1,562	1,334,236	(56,415)	-	1,830,646
	(724,662)	**(2,396,903)**	**(275,940)**	**(550,787)**	**(1,469,675)**	**(126,070)**	**(350,770)**	**(2,870,831)**	**(71,085)**	**-**	**(8,836,723)**
Net premiums retained	**18,336,163**	**713,357**	**133,805**	**501,823**	**846,302**	**3,258,732**	**536,115**	**6,781,891**	**76,337**	**-**	**31,184,525**
Gain resulting from translating unearned premiums	104,237	-	-	-	-	-	-	-	-	-	104,237
Net premiums revenues before commissions	**18,440,400**	**713,357**	**133,805**	**501,823**	**846,302**	**3,258,732**	**536,115**	**6,781,891**	**76,337**	**-**	**31,288,762**
Commissions income from reinsurers	(74,393)	605,778	123,542	194,212	270,293	-	47,138	93,681	1,816	-	1,262,067
Commissions paid	(1,167,932)	(72,930)	(7,902)	(59,910)	(35,715)	(111,128)	(27,954)	(30,592)	-	-	(1,514,063)
Net premiums revenues after commissions	**17,198,075**	**1,246,205**	**249,445**	**636,125**	**1,080,880**	**3,147,604**	**555,299**	**6,844,980**	**78,153**	**-**	**31,036,766**
Claims paid	10,648,109	360,976	320,568	394,348	1,425,531	1,891,473	122,975	6,733,582	4,700	-	21,902,262
Claims ceded to reinsurers	(101,670)	(310,915)	(244,608)	(311,298)	(1,157,760)	(96,799)	(14,547)	(922,842)	-	-	(3,160,439)
Net claims paid	**10,546,439**	**50,061**	**75,960**	**83,050**	**267,771**	**1,794,674**	**108,428**	**5,810,740**	**4,700**	**-**	**18,741,823**
Change in outstanding claims provision	1,875,865	(153,371)	(27,817)	(114,273)	462,823	156,959	49,150	1,550,064	(172,975)	-	3,626,425
Change in outstanding claims provision ceded to reinsurers	(206,110)	141,870	39,381	84,435	(365,605)	(31,546)	(61,326)	(1,794,914)	136,545	-	(2,057,270)
Gain from translating outstanding claims provision	(116,521)	-	-	-	-	(54,130)	-	-	-	-	(170,651)
Net claims incurred	**12,099,673**	**38,560**	**87,524**	**53,212**	**364,989**	**1,865,957**	**96,252**	**5,565,890**	**(31,730)**	**-**	**20,140,327**
Net insurance profit before general and administrative expenses	**5,098,402**	**1,207,645**	**161,921**	**582,913**	**715,891**	**1,281,647**	**459,047**	**1,279,090**	**109,883**	**-**	**10,896,439**
General and administrative expenses allocated to insurance segments	(3,601,531)	(493,163)	(57,631)	(205,670)	(442,910)	(653,834)	(154,674)	(700,162)	(11,638)	-	(6,321,213)
Net insurance profit after general and administrative expenses	**1,496,871**	**714,482**	**104,290**	**377,243**	**272,981**	**627,813**	**304,373**	**578,928**	**98,245**	**-**	**4,575,226**
unallocated expenses and revenues											
investment income	-	-	-	-	-	-	-	-	-	1,483,627	1,483,627
Gain on disposal of property and equipment	-	-	-	-	-	-	-	-	-	84,215	84,215
Currency Exchange Loss	-	-	-	-	-	-	-	-	-	(523,220)	(523,220)
Unallocated general and administrative expenses	-	-	-	-	-	-	-	-	-	(476,231)	(476,231)
Unrealized gain from investment in subsidiaries	-	-	-	-	-	-	-	-	-	269,527	269,527
Net profit before tax	**1,496,871**	**714,482**	**104,290**	**377,243**	**272,981**	**627,813**	**304,373**	**578,928**	**98,245**	**837,918**	**5,413,144**

NOTES TO THE FINANCIAL STATEMENTS
(All amounts in US Dollars)

NOTE (26) – GENERAL AND ADMINISTRATIVE EXPENSES

Details:

	2017	2016
Salaries and related benefits	4,030,629	3,720,270
VAT on payroll	523,665	487,484
Rent	426,522	375,335
Depreciation of property and equipment	377,442	367,539
Marketing and promotion	184,112	217,897
Bank interest and charges	38,194	30,612
Water, electricity and fuel	122,590	127,935
Maintenance	83,863	62,488
Telecommunications	243,837	229,233
Transportation	158,579	146,698
Vehicles expenses	74,939	81,985
Hospitality and cleaning	209,197	164,690
Professional fees	69,801	62,617
Training expenses	39,654	77,666
Property tax	3,069	3,072
Subscription and license fees	91,135	106,900
Printings and stationery	143,364	149,360
Insurance expenses	190,690	193,703
Donations	23,746	80,780
Board of Directors' remunerations	150,000	105,000
Miscellaneous	6,097	6,180
	7,191,125	**6,797,444**

General and administrative expenses were allocated to insurance segments as follows:

	2017	2016
Motors	4,108,865	3,601,531
Fire	452,397	493,163
Workmen	640,753	653,834
Third party-personal liability	151,054	154,674
Other general insurance	345,093	442,910
Engineering	200,042	205,670
Marine	57,463	57,631
Medical	697,413	700,162
Life	12,153	11,638
Total for Insurance segments	**6,665,233**	**6,321,213**
Expenses not allocated to insurance segments	525,892	476,231
Total general and administrative expenses	**7,191,125**	**6,797,444**

NOTE (27) – GAIN FROM DISPOSAL OF INVESTMNET IN SUBSIDIARIES

During the year, the Company sold its investment in the subsidiary the Elite Medical Consultancy Company which amounted to 75% of the stocks to a third party for an amount of USD 3 million. The sale was finalised on December 29, 2017 with the control over the subsidiary was transferred to the buyer and this transaction resulted in a gain totalling USD 1,708,145.

NOTES TO THE FINANCIAL STATEMENTS
(All amounts in US Dollars)

NOTE (28) – INVESTMENT INCOME

Details:

	2017	2016
Loss from sale of financial assets at fair value through profit or loss	(827,302)	(241,022)
Loss on sale of available- for- sale financial assets	(83,498)	(31,757)
Dividends income	291,402	349,198
Change in financial assets at fair value through profit or loss	1,455,338	561,309
Unrealized loss from available- for- sale financial assets	(205,256)	(418,981)
Deposits income	662,502	622,869
Bonds yields	642,667	642,011
	1,935,853	**1,483,627**

NOTE (29) - EARNINGS PER SHARE ATTRIBUTABLE TO THE COMPANY'S SHAREHOLDERS

Earnings per share attributable to the Company's shareholders were calculated based on the weighted average as follows:

	2017	2016
Income for the year attributable to the shareholders	5,462,863	3,972,695
The weighted average of subscribed stocks	12,000,000	12,000,000
Basic earnings per share from the yearly profit attributable to the Company's shareholders	**0.455**	**0.331**

NOTE (30) – RELATED PARTY TRANSACTIONS

Related parties represent subsidiaries companies, associated companies, major shareholders, directors and key management personnel of the Company, and entities controlled, jointly controlled or significantly influenced by such parties. Pricing policies and terms of the transactions between the Company and the related parties are approved by the Company's Board of Directors.

A – Sales of Insurance Contracts:

	Nature of relationship	2017	2016
Jerusalem Pharmaceuticals Company	Sister Company	181,290	125,643
National Towers Company	Subsidiary Company	16,850	16,841
Elite Medical Consultancy Company	Board of Directors	58,298	48,694
United Company for Securities	Sister Company	15,881	17,150
The National Company for Managing Health Expenditures	Sister Company	41,952	26,790
Masrouji Company	Sister Company	131,223	148,550
Others	Board of Directors	3,508	3,525
		449,002	**387,193**

NOTES TO THE FINANCIAL STATEMENTS
(All amounts in US Dollars)

B – Service contracts:

	Nature of relationship	2017	2016
National Towers Company	Subsidiary Company	226,533	210,828
The National Company for Managing Health Expenditures	Sister Company	668,201	471,276

C – Accounts receivables:

	Nature of relationship	2017	2016
Jerusalem Pharmaceuticals Company	Sister Company	4,566	7,137
Elite Medical Consultancy Company	Board of Directors	12,029	8,862
United Company for Securities	Sister Company	1,377	1,482
Masrouji Company	Sister Company	15,715	-
Others	Board of Directors	8,794	8,453
		42,481	**25,934**

D – Accounts Payable:

	Nature of relationship	2017	2016
Masrouji Company	Sister Company	-	215,136
National Towers Company	Subsidiary Company	4,142	2,002
The National Company for Managing Health Expenditures	Sister Company	150,944	518,713
		155,086	**735,851**

E – Loans to related parties:

	Nature of relationship	2017	2016
Al-Dar Contracting Company	Associate Company	148,960	148,960
		148,960	**148,960**

F – Salaries and benefits for senior management:

	Nature of relationship	2017	2016
Short-term benefits	Senior management	799,213	999,219
Upper Management's Provision for employees indemnity	Senior management	68,511	83,715
Remunerations and expenses of the Board of Directors members	Board of Directors	150,000	105,000

NOTE (31) – CONTINGENT LIABILITY

There are contingent liabilities as bank guarantees issued locally by the Company, such as the ones issued to enter bids. These liabilities amounted to USD 529,198 and USD 313,323 as of December 31, 2017 and 2016, respectively.

NOTE (32) – LITIGATIONS AGAINST THE COMPANY

There are numerous of outstanding litigations against the Company as part of its normal course of business. Management believes (as supported by the company legal consultants) that the amounts expected to be paid in return for these litigations and the results that may have had, would not materially affect the financial position of the company and the results of its operations.

NOTE (33) – GEOGRAPHICAL RISK

The Company operates its activities in Palestine. The instability of the political and economic situation in the region increases the risk of the Company to exercise its activities and adversely affect its performance.