NATIONAL INSURANCE COMPANY, PUBLIC SHAREHOLDING COMPANY

SEPARATE FINANCIAL STATEMENTS
For the Year Ended December 31, 2015
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

We have audited the accompanying financial statements of National Insurance Company (the Company), which comprise the statement of financial position as of December 31, 2015 and the statement of income, statement of comprehensive income, statement of changes in equity and statement of cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information.

Board of Directors' Responsibility for the Financial Statements

The Board of Directors is responsible for the preparation and fair presentation of these financial statements in accordance with International Financial Reporting Standards, and for such internal control as directors determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with International Standards on Auditing. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.
An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditors' judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements 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 entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

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

Opinion

In our opinion, the financial statements present fairly, in all material respects, the financial position of the Company as of December 31, 2015 and its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards.

Hratch shahrikian
License number 111/2012
PricewaterhouseCoopers Palestine limited
Ramallah: March 14, 2016

STATEMENT OF FINANCIAL POSITION
(All amounts in US Dollars)

	Note	December 31, 2015	December 31,2014
<u>**ASSETS**</u>			
Non-current assets			
Property and equipment	(5)	3,374,048	3,523,155
Investment in subsidiaries	(6)	12,775,465	11,474,671
Deferred tax assets	(7)	1,533,286	1,960,790
Investment in associates	(8)	-	218,279
Available-for-sale financial assets	(9)	1,660,700	1,399,877
Held to maturity investment	(10)	1,877,592	-
Checks under collection due after one year		158,868	35,864
		21,379,959	**18,612,636**
Current assets			
Loans to related parties	(8)	-	1,797,461
Financial assets at fair value through profit or loss	(11)	13,249,313	17,579,825
Accounts receivable	(12)	7,228,963	8,144,880
Reinsurance contracts assets	(13)	4,024,752	3,107,031
Insurance and reinsurance companies receivable	(14)	1,069,978	1,626,408
Other current assets	(15)	653,599	635,476
Checks under collection due within a year		6,619,336	5,303,108
Deposits at banks	(16)	16,631,922	12,076,272
Cash and Cash Equivalents	(17)	679,178	605,349
		50,157,041	**50,875,810**
Total assets		**71,537,000**	**69,488,446**
EQUITY AND LIABILITIES			
Equity			
Paid-in share capital	(1)	12,000,000	12,000,000
Statutory reserve	(19)	5,369,090	5,112,140
Voluntary reserve	(19)	3,000,000	3,000,000
Fair value adjustment reserve	(9)	(39,354)	(51,491)
Retained earnings		5,458,817	4,946,268
Total equity		**25,788,553**	**25,006,917**
Liabilities			
Non-current liabilities			
Provision for employees' indemnity	(20)	3,289,985	2,968,955
Current liabilities			
Insurance contracts liabilities	(13)	35,042,898	33,257,717
Insurance and reinsurance companies payable	(21)	1,994,898	1,409,282
Accounts payable	(22)	3,025,439	3,102,178
Tax provisions	(23)	325,347	1,767,858
Other current liabilities	(24)	2,069,880	1,975,539
		42,458,462	41,512,574
Total liabilities		**45,748,447**	**44,481,529**
Total equity and liabilities		**71,537,000**	**69,488,446**

- The above financial statements should be read in conjunction with accompanying notes on pages 8 to 42.
- The financial statements on page 3 to 42 were authorized for issuance by the Board of Directors on January 31, 2016 and were signed on its behalf by:

Mr. Mohammad Masrouji Chairman of the Board	Mr. Ahmad Mushashe General Manager

STATEMENT OF INCOME
(All amounts in US Dollars)

	Note	For the year ended December 31, 2015	December 31, 2014
Gross premiums	(25)	28,061,494	26,842,752
Change in unearned premiums	(25)	(780,734)	1,084,645
		27,280,760	27,927,397
Gross premiums ceded to reinsurers	(25)	(5,930,690)	(5,205,433)
Reinsurers share of change in unearned premiums	(25)	392,661	(626,650)
		(5,538,029)	**(5,832,083)**
Net Premiums retained		**21,742,731**	**22,095,314**
Earned insurance fees	(25)	6,526,766	7,736,933
Loss resulting from translating unearned premiums provision	(25)	(16,424)	(739,737)
Net premium revenues before commissions		**28,253,073**	**29,092,510**
Commissions income from reinsurers	(25)	1,028,952	1,283,454
Commissions paid	(25)	(1,349,447)	(1,531,214)
Net premium revenues after commissions		**27,932,578**	**28,844,750**
Claims paid	(25)	21,172,461	24,122,064
Claims ceded to reinsurers	(25)	(1,150,186)	(4,440,543)
Net claims paid		**20,022,275**	**19,681,521**
Change in outstanding claims provision	(25)	1,004,447	(4,644,232)
Change in outstanding claims provision ceded to reinsurers	(25)	(525,060)	2,300,796
Loss resulting from translating outstanding provision	(25)	23,437	906,874
Net claims incurred		**20,525,099**	**18,244,959**
Net insurance profit before investment income and general and administrative expenses		**7,407,479**	**10,599,791**
Allocated expenses and income to insurance segments:			
Investment income allocated to insurance segments	(27)	818,015	835,030
General and administrative expenses allocated to insurance segments	(26)	(6,326,282)	(6,418,148)
Net insurance profit after investment income and general and administrative expenses		**1,899,212**	**5,016,673**
Unallocated expenses and income to insurance segments:			
Unallocated investment income (loss)	(27)	1,182,483	(223,290)
Loss on disposal of property and equipment		(5,785)	(2,369)
Currency exchange losses		(404,716)	(1,251,882)
Unallocated general and administrative expenses to insurance segments	(26)	(476,551)	(482,572)
Unrealized gain (loss) from subsidiaries	(6)	1,269,452	(2,555)
Recovery of accounts receivable		25,000	10,000
Net profit before tax		**3,489,095**	**3,064,005**
Tax expense	(23)	(919,596)	(777,807)
Net profit after tax		**2,569,499**	**2,286,198**
Earnings per share	(28)	**0.214**	**0.191**

- The above financial statements should be read in conjunction with accompanying notes on pages 8 to 42.

STATEMENT OF COMPREHENSIVE INCOME
(All amounts in US Dollars)

		For the year ended	
	Note	**December 31, 2015**	**December 31, 2014**
Net profit after tax		2,569,499	2,286,198
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	(9)	12,137	(5,185)
Total other comprehensive income for the year		**12,137**	**(5,185)**
Total comprehensive income for the year		**2,581,636**	**2,281,013**

- The above financial statements should be read in conjunction with accompanying notes on pages 8 to 42.

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, 2015	**12,000,000**	**5,112,140**	**3,000,000**	**(51,491)**	**4,946,268**	**25,006,917**
Net Profit after Tax	-	-	-	-	2,569,499	2,569,499
Other comprehensive income	-	-	-	12,137	-	12,137
Total comprehensive income for the year	**-**	**-**	**-**	**12,137**	**2,569,499**	**2,581,636**
Cash dividends (note 18)	-	-	-	-	(1,800,000)	(1,800,000)
Transferred to reserves (note 19)	-	256,950	-	-	(256,950)	-
At December 31, 2015	**12,000,000**	**5,369,090**	**3,000,000**	**(39,354)**	**5,458,817**	**25,788,553**
At January 1, 2014	**12,000,000**	**4,883,520**	**3,000,000**	**(46,306)**	**5,288,690**	**25,125,904**
Net Profit after Tax	-	-	-	-	2,286,198	**2,286,198**
Other comprehensive income	-	-	-	(5,185)	-	**(5,185)**
Total comprehensive income for the year				**(5,185)**	**2,286,198**	**2,281,013**
Cash dividends (note 18)	-	-	-	-	(2,400,000)	**(2,400,000)**
Transferred to reserves (note 19)	-	228,620	-	-	(228,620)	**-**
At December 31, 2014	**12,000,000**	**5,112,140**	**3,000,000**	**(51,491)**	**4,946,268**	**25,006,917**

- The above financial statements should be read in conjunction with accompanying notes on pages 8 to 42.

STATEMENT OF CASH FLOWS
(All amounts in US Dollars)

	Note	For the year ended December 31, 2015	December 31, 2014
Operating activities			
Net profit before tax		3,489,095	3,064,005
Adjustments:			
Depreciation of property and equipment	(5)	375,909	371,941
Loss from disposal of property and equipment		5,785	2,369
Gains on sales of investments	(27)	(1,028,358)	(318,695)
Provision for employees' indemnity	(20)	382,682	441,091
Unrealized (gain) / loss from subsidiaries	(6)	(1,269,452)	2,555
Change in fair value of financial assets at fair value through profit or loss	(27)	420,539	1,108,620
Recovery on accounts receivable	(12)	(25,000)	(10,000)
Investments proceeds	(27)	(1,392,679)	(1,401,665)
Other non-cash items		-	103
		958,521	**3,260,324**
Changes in operational assets and liabilities:			
Checks under collection		(1,439,232)	(148,413)
Accounts receivable		940,917	872,364
Insurance and reinsurance companies receivable		556,430	(382,608)
Reinsurance contracts assets		(917,721)	2,927,446
Other current assets		(18,123)	148,828
Insurance contracts liabilities		1,785,181	(5,728,877)
Accounts payable		(82,440)	428,109
Insurance and reinsurance companies payable		585,616	(1,526,488)
Other current liabilities		94,341	(685,420)
Purchase of trading investments		(2,910,323)	(5,636,135)
Sale of trading investments		7,848,654	3,859,101
Employees' indemnity paid	(20)	(61,652)	(113,876)
Paid tax	(23)	(1,934,603)	(1,541,030)
Net cash flows provided by (used in) operating activities		**5,405,566**	**(4,266,675)**
Investing activities			
Deposits due after three months		-	131,885
Loans to related parties		1,797,461	311,089
Purchase of property and equipment	(5)	(242,587)	(294,574)
Disposal of property and equipment	(5)	10,000	
Purchase of available-for-sale financial assets		(248,686)	(137,821)
Sale of available-for-sale financial assets		-	452,885
Purchase of investments in subsidiaries		(31,342)	(65,636)
Disposal of investments in associates		218,279	-
Held to maturity investment		(1,877,592)	-
Investments proceeds	(27)	1,392,679	1,401,665
Net cash flows provided by investing activities		**1,018,212**	**1,799,493**
Financing activities			
Cash dividends paid		(1,794,299)	(2,276,317)
Net cash flows used in financing activities		**(1,794,299)**	**(2,276,317)**
Change in cash and cash equivalents		**4,629,479**	**(4,743,499)**
Cash and cash equivalents, beginning of the year		12,181,621	16,925,120
Cash and cash equivalents, end of the year	(17)	**16,811,100**	**12,181,621**

- The above financial statements should be read in conjunction with accompanying notes on pages 8 to 42.

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

NOTE (1) – GENERAL
National Insurance Company Ltd. (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 2015, 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 8 branches located in the West Bank and Gaza. In addition, the Company has 12 offices, 28 agents and 200 employees, as of December 31, 2015.

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, investments in associates, investments 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.

Changes in accounting policies and disclosures
The accounting policies adopted in the preparation of the financial statements are consistent with those used in the preparation of the Company's annual financial statements for the year ended 31 December 2014, except for the adoption of new standards and interpretations effective as of 1 January, 2015.

a. The Company has applied the following standards and amendments for the first time for their annual reporting period commencing 1 January 2015:
    - Annual Improvements to IFRSs – 2010-2012 Cycle and 2011 – 2013 Cycle
    - Defined Benefit Plans: Employee Contributions – Amendments to IAS 19
    - Annual Improvements to IFRSs 2012-2014 Cycle, and
    - Disclosure Initiative: Amendments to IAS 1.

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

As these amendments and improvements merely clarify the existing requirements, they do not affect the Company's accounting policies or any of the disclosures.

b. New standards and interpretations not yet adopted

Certain new accounting standards and interpretations have been published that are not mandatory for 31 December 2015 reporting periods and have not been early adopted by the Company. The Company's assessment of the impact of these new standards and interpretations is set out below.

IFRS 9 *Financial Instruments*: IFRS 9 addresses the classification, measurement and derecognition of financial assets and financial liabilities and introduces new rules for hedge accounting. In June 2014, the IASB made further changes to the classification and measurement rules and also introduced a new impairment model. These latest amendments now complete the new financial instruments standard, and must be applied for financial years commencing on or after 1 January 2018.

IFRS 15 *Revenue from Contracts with Customers:* The IASB has issued a new standard for the recognition of revenue. This will replace IAS 18 which covers contracts for goods and services and IAS 11 which covers construction contracts. The new standard is based on the principle that revenue is recognized when control of a good or service transfers to a customer – so the notion of control replaces the existing notion of risks and rewards. The standard permits a modified retrospective approach for the adoption. The standard should be adopted mandatory for financial years commencing on or after 1 January 2018.

There are no other standards that are not yet effective and that would be expected to have a material impact on the entity 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.

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.

NOTES TO THE FINANCIAL STATEMENTS

(All amounts in US Dollars)

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. These 8% represents the paid administrative fees to the third party administration Company (NatHealth) 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.

<u>Financial assets at fair value through profit or loss (trading investment)</u>

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. For financial assets that do not have an active market, the Company calculates fair value using the latest audited financial statements of these financial assets.

<u>Loans and receivables</u>

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.

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

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.

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).

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 investment 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.

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

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.

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

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	6-7
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.

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.

Investment in associates
The Company values its investment in associates at fair value through profit or loss as defined by IAS 39. Dividends received from associates are recognized in the income statement. Any gains or losses arising from the change in fair value are recognized in the income statement when the change in fair value has occurred. Associated companies are companies on which the Company exercises significant influence. The reporting dates of the Company and its associated companies are identical.

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.

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

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. 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.

Reported claims unsettled is 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 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 balance sheet 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.

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

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	
	2015	**2014**
New Israeli Shekels	0.2558	0.2564
Jordanian Dinar	1.4092	1.4103
European Euro	1.0931	1.2156
Swiss Franc	1.0113	1.0107
Chinese Yuan Renminbi	0.1541	0.1612
Saudi Riyal	0.2665	0.2664
Qatari Riyal	0.2746	0.2746
United Arab Emirates Dirham	0.2722	0.2723
Egyptian Pound	0.1277	0.1397

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.

NOTES TO THE FINANCIAL STATEMENTS

(All amounts in US Dollars)

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.

NOTES TO THE FINANCIAL STATEMENTS
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Frequency and severity of claims
The frequency and severity of claims can be determined after consideration of several factors as follows:

• 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.

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

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:

		2015		2014	
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%	1,583,463	1,410,077	1,652,176	1,448,960
Fire	10%	302,529	112,078	243,132	106,950
Workmen	10%	283,465	274,937	320,857	310,462
Third party-Personal liability	10%	87,651	52,468	87,519	51,632
Engineering	10%	93,745	49,027	89,137	51,515
Marine	10%	53,676	29,859	94,940	50,213
Medical	10%	779,085	740,753	796,295	775,551
Life	10%	141,474	54,835	38,617	22,416
Other general insurance	10%	133,738	69,224	135,295	66,777
		3,458,826	**2,793,258**	**3,457,968**	**2,884,476**

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:

		2015		2014	
Insurance segment	**Change**	**Claims for the year**	**Effect on net claims incurred**	**Claims for the year**	**Effect on net claims incurred**
Motors	10%	878,400	(845,906)	987,312	(783,818)
Fire	10%	50,675	(10,751)	259,870	(4,353)
Workmen	10%	141,720	(189,600)	163,031	(237,227)
Third party-Personal liability	10%	9,644	(14,864)	35,893	(15,485)
Engineering	10%	35,717	(8,572)	86,397	(754)
Marine	10%	4,941	(2,271)	2,130	(704)
Medical	10%	959,438	(967,719)	782,705	(777,460)
Life	10%	28,539	(9,322)	25,556	(5,342)
Other general insurance	10%	8,172	(3,505)	69,313	646
		2,117,246	**(2,052,510)**	**2,412,207**	**(1,824,497)**

NOTES TO THE FINANCIAL STATEMENTS
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Concentration of insurance risks

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

	2015			2014		
Insurance segment	Insurance contracts liabilities	Reinsured contracts	Net	Insurance contracts liabilities	Reinsured contracts	Net
Motors	21,857,622	274,650	21,582,972	21,898,596	248,260	21,650,336
Fire	1,859,524	1,656,107	203,417	1,193,001	1,067,926	125,075
Workmen	4,837,716	171,370	4,666,346	4,378,088	154,110	4,223,978
Third party- Personal liability	1,195,931	360,480	835,451	1,113,569	345,222	768,347
Engineering	753,593	596,513	157,080	750,372	642,464	107,908
Marine	231,484	202,684	28,800	253,337	228,794	24,543
Medical	3,300,144	68,972	3,231,172	3,028,731	30,730	2,998,001
Life	370,914	267,026	103,888	143,410	91,911	51,499
Other general insurance	635,970	426,950	209,020	498,613	297,614	200,999
	35,042,898	**4,024,752**	**31,018,146**	**33,257,717**	**3,107,031**	**30,150,686**

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, 2015 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, 2015 and 2014. The effect of the decrease in interest rates is expected to be equal and opposite to the effect of the increase shown below:

Year	Change in interest rate	Effect on profit before tax
		USD
2015	%10	72,418
2014	%10	55,274

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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:

	Change in equity price	Effect on equity	Effect on statement of income
2015		USD	USD
Listed shares in Palestine Securities Exchange	10%	45,163	263,567
Listed shares in foreign markets	10%	-	1,061,364

	Change in equity price	Effect on equity	Effect on statement of income
2014		USD	USD
Listed shares in Palestine Securities Exchange	10%	45,163	381,961
Listed shares in foreign markets	10%	-	1,376,021

- 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 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:

2015	Increase in currency rate to USD	Effect on profit before tax
		USD
New Israeli Shekels	10%	995,582
Swiss Franc	10%	-
Chinese Yuan Renminbi	10%	1,596
EURO	10%	51,402
United Arab Dirhams	10%	209
Qatari Riyal	10%	171
Egyptian Pound	10%	540

2014	Increase in currency rate to USD	Effect on profit before tax
		USD
New Israeli Shekels	10%	961,329
Swiss Franc	10%	-
Chinese Yuan Renminbi	10%	4,764
EURO	10%	59,048
United Arab Dirhams	10%	408
Qatari Riyal	10%	258
Egyptian Pound	10%	4,238

NOTES TO THE FINANCIAL STATEMENTS
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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 equivalent. 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			
2015	**Within one year**	**More than one year**	**Without maturity**	**Total**
Available-for-sale financial assets	-	-	1,660,700	1,660,700
Financial assets at fair value through profit or loss	1,848,901	6,890,681	4,509,731	13,249,313
Held to maturity investment	-	1,877,592	-	1,877,592
Accounts receivable	7,228,963	-	-	7,228,963
Reinsurance contracts assets	4,024,752	-	-	4,024,752
Insurance and reinsurance companies receivable	1,069,978	-	-	1,069,978
Other current assets	62,214	-	-	62,214
Checks under collection	6,619,336	158,868	-	6,778,204
Deposit at banks	16,631,922	-	-	16,631,922
Cash and cash equivalents	679,178	-	-	679,178
Total financial assets	**38,165,244**	**8,927,141**	**6,170,431**	**53,262,816**
Insurance contracts liabilities	35,042,898	-	-	35,042,898
Insurance and reinsurance companies payable	1,994,898	-	-	1,994,898
Accounts payable	3,025,439	-	-	3,025,439
Other current liabilities	1,244,335	-	-	1,244,335
Total financial liabilities	**41,307,570**	**-**	**-**	**41,307,570**
Maturity gap	**(3,142,326)**	**8,927,141**	**6,170,431**	**11,955,246**
Cumulative gap	**(3,142,326)**	**5,784,815**	**11,955,246**	

NOTES TO THE FINANCIAL STATEMENTS
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2014	Subject to liquidity risk: Within one year	More than one year	Without maturity	Total
Loans to related parties	1,797,461	-	-	1,797,461
Available-for-sale financial assets	-	-	1,399,877	1,399,877
Financial assets at fair value through profit or loss	-	11,271,153	6,308,672	17,579,825
Accounts receivable	8,144,880	-	-	8,144,880
Reinsurance contracts assets	3,107,031	-	-	3,107,031
Insurance and reinsurance companies receivable	1,626,408	-	-	1,626,408
Other current assets	64,656	-	-	64,656
Checks under collection	5,303,108	35,864	-	5,338,972
Deposit at banks	12,076,272	-	-	12,076,272
Cash and cash equivalents	605,349	-	-	605,349
Total financial assets	**32,725,165**	**11,307,017**	**7,708,549**	**51,740,731**
Insurance contracts liabilities	33,257,717	-	-	33,257,717
Insurance and reinsurance companies payable	1,409,282	-	-	1,409,282
Accounts payable	3,102,178	-	-	3,102,178
Other current liabilities	1,722,644	-	-	1,722,644
Total financial liabilities	**39,491,821**	**-**	**-**	**39,491,821**
Maturity gap	**(6,766,656)**	**11,307,017**	**7,708,549**	**12,248,910**
Cumulative gap	**(6,766,656)**	**4,540,361**	**12,248,910**	

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	2015	2014	Collateral held	Credit quality
Cash and cash equivalents including deposits	17,311,100	12,681,621	-	High
Checks under collection due within one year	6,619,336	5,303,108	-	High
Accounts receivable	7,228,963	8,144,880	-	High
Insurance and reinsurance companies receivable	1,069,978	1,626,408	Withholdings 25% and 40% of premiums	High
Held to maturity investment	1,877,592	-		High
Reinsurance contracts assets	4,024,752	3,107,031	-	High
Financial assets at fair value through profit or loss investments	13,249,313	17,579,825	-	High
available- for- sale Financial assets	1,660,700	1,399,877	-	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 through profit or loss and** available- for- sale **and Held to maturity investments**
  The Company invests in top rated debt securities with high credit ratings not less than (BBB) 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 25,788,553 and USD 25,006,917 as of December 31, 2015 and December 31, 2014, 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, 2015 and 2014:

	Book value		Fair value	
Financial Assets	**2015**	**2014**	**2015**	**2014**
Available-for-sale financial assets	1,660,700	1,399,877	1,660,700	1,399,877
Financial assets through profit or loss	13,249,313	17,579,825	13,249,313	17,579,825
Held to maturity investment	1,877,592	-	1,877,592	-
Accounts receivable	7,228,963	8,144,880	7,228,963	8,144,880
Reinsurance contracts assets	4,024,752	3,107,031	4,024,752	3,107,031
Insurance and reinsurance companies receivable	1,069,978	1,626,408	1,069,978	1,626,408
Other current assets	62,214	64,656	62,214	64,656
Checks under collection	6,778,204	5,338,972	6,778,204	5,338,972
Deposits at banks	16,631,922	12,076,272	16,631,922	12,076,272
Cash and Cash equivalents	679,178	605,349	679,178	605,349
	53,262,816	**49,943,270**	**53,262,816**	**49,943,270**
Financial Liabilities				
Insurance contracts liabilities	35,042,898	33,257,717	35,042,898	33,257,717
Insurance and reinsurance companies payable	1,994,898	1,409,282	1,994,898	1,409,282
Accounts payable	3,025,439	3,102,178	3,025,439	3,102,178
Other current liabilities	1,244,335	1,722,644	1,244,335	1,722,644
	41,307,570	**39,491,821**	**41,307,570**	**39,491,821**

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 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).

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2015	**Total**	**Level 1**	**Level 2**	**Level 3**
Available-for-sale				
Quoted	423,783	423,783	-	-
Un-quoted	1,236,917	-		1,236,917
	1,660,700	**423,783**	**-**	**1,236,917**
Financial assets through profit or loss				
Investments in local shares	2,635,673	2,635,673	-	-
Investments in foreign shares	1,874,058	1,874,058	-	-
Foreign bonds	8,739,582	8,739,582	-	-
	13,249,313	**13,249,313**	**-**	**-**
	14,910,013	**13,673,096**	**-**	**1,236,917**

2014	**Total**	**Level 1**	**Level 2**	**Level 3**
Available-for-sale				
Quoted	412,959	412,959	-	-
Un-quoted	986,918	-	-	986,918
	1,399,877	**412,959**	**-**	**986,918**
Financial assets through profit or loss				
Investments in local shares	3,819,612	3,819,612	-	-
Investments in foreign shares	2,489,060	2,489,060	-	-
Foreign bonds	11,271,153	11,271,153	-	-
	17,579,825	**17,579,825**	**-**	**-**
	18,979,702	**17,992,784**	**-**	**986,918**

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

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

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.

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, 2015	**2,175,958**	**594,655**	**3,389,918**	**125,331**	**6,285,862**
Additions	84,924	101,151	47,282	9,230	242,587
Disposals	-	-	(29,206)	-	(29,206)
As of December 31, 2015	**2,260,882**	**695,806**	**3,407,994**	**134,561**	**6,499,243**
Accumulated depreciation:					
As of January 1, 2015	**1,636,220**	**383,033**	**658,285**	**85,169**	**2,762,707**
Additions	122,647	77,918	161,663	13,681	375,909
Disposals	-	-	(13,421)	-	(13,421)
As of December 31, 2015	**1,758,867**	**460,951**	**806,527**	**98,850**	**3,125,195**
Net book value:					
As of December 31, 2015	**502,015**	**234,855**	**2,601,467**	**35,711**	**3,374,048**

	Furniture and equipment	Motor vehicles	Buildings and decorations	Computer software	Total
Cost:					
As of January 1, 2014	**2,018,611**	**563,798**	**3,286,464**	**128,415**	**5,997,288**
Additions	157,347	30,857	103,454	2,916	294,574
Disposals	-	-	-	(6,000)	(6,000)
As of December 31, 2014	**2,175,958**	**594,655**	**3,389,918**	**125,331**	**6,285,862**
Accumulated depreciation:					
As of January 1, 2014	**1,511,335**	**309,945**	**498,979**	**74,138**	**2,394,397**
Additions	124,885	73,088	159,306	14,662	371,941
Disposals	-	-	-	(3,631)	(3,631)
As of December 31, 2014	**1,636,220**	**383,033**	**658,285**	**85,169**	**2,762,707**
Net book value:					
As of December 31, 2014	**539,738**	**211,622**	**2,731,633**	**40,162**	**3,523,155**

Property and equipment include USD 1,601,987 and USD 1,173,867 of fully depreciated assets that are still operational as of December 31, 2015, and 2014, respectively.

NOTE (6) – INVESTMENT IN SUBSIDIARIES

Details:

	Country of Incorporation	Ownership Percentage	2015	2014
National Towers Company	Palestine	91.30%	11,549,665	10,213,336
Elite Medical Consultancy Company	Palestine	75.00%	1,225,800	1,261,335
			12,775,465	**11,474,671**

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

Movement on investment in subsidiaries was as follows:

	2015	2014
Balance, beginning of the year	**11,474,671**	**11,411,590**
Purchase of investment in subsidiaries	31,342	65,636
Change in fair value	1,269,452	(2,555)
Balance, end of the year	**12,775,465**	**11,474,671**

NOTE (7) – DEFERRED TAX ASSETS

Details:

	2015	2014
Balance, beginning of the year	**1,960,790**	**1,396,279**
Additions	-	564,511
Amortizations	(427,504)	-
Balance, end of the year	**1,533,286**	**1,960,790**

NOTE (8) – INVESTMENT IN ASSOCIATES

Details:

	Country of Incorporation	Ownership Percentage	2015	2014
Al Mostaqbal Company for Educational Development (*)	Palestine	25.00%	-	218,279
Al-Dar Contracting Company (**)	Palestine	31.00%	430,790	430,790
			430,790	**649,069**
Provision for impairment			(430,790)	(430,790)
			-	**218,279**

(*)The Company signed a settlement agreement dated October 8, 2015 to resolve all litigations with Al Mostaqbal Company for Educational Development and drop all filed cases. In exchange, Al Mostaqbal Company for Educational Development agreed to both buy the Company's shares in the schools and to settle the outstanding loan balance for the amount of 2 million Jordanian dinars (equivalent to USD 2,822,622). This settlement transaction took place during the year 2015.

(**) The Company has fully provided for its investment in Al-Dar Contracting Co. as it is no longer in business and the investment is impaired.

Movement on investment in associates account was as follows:

	2015	2014
Balance, beginning of the year	218,279	218,382
Foreign currency translation	-	(103)
Disposal of investment in associates	(218,279)	-
Balance, end of the year	**-**	**218,279**

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

-Loans granted to associates and subsidiaries are as follows:

	2015	2014
Al Mostaqbal Company for Educational Development (*)	-	1,856,771
Al-Dar Contracting Company	148,960	148,960
National Towers Company	-	190,690
	148,960	**2,196,421**
Provision for impairment	(148,960)	(398,960)
	-	**1,797,461**

(*)The Company signed a settlement agreement dated October 8, 2015 to resolve all litigations with Al Mostaqbal Company for Educational Development and drop all filed cases. In exchange, Al Mostaqbal Company for Educational Development agreed to both buy the Company's shares in the schools and to settle the outstanding loan balance for the amount of 2 million Jordanian dinars (equivalent to USD 2,822,622). This settlement transaction took place during the year 2015.

NOTE (9) – AVAILABLE-FOR-SALE FINANCIAL ASSETS

Details:

	2015	2014
Quoted shares	423,783	412,959
Unquoted shares (*)	1,236,917	986,918
	1,660,700	**1,399,877**

(*) 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:

	2015	2014
Balance, beginning of the year	1,399,877	1,720,126
Purchase of available-for-sale financial assets	248,686	137,821
Sale of available-for-sale financial assets	-	(452,885)
Change in fair value	12,137	(5,185)
Balance, end of the year	**1,660,700**	**1,399,877**

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

	2015	2014
Balance, beginning of the year	(51,491)	**(46,306)**
Change in fair value	12,137	(5,185)
Balance, end of the year	**(39,354)**	**(51,491)**

NOTE (10) – HELD TO MATURITY INVESTMENT

Details:

	2015	2014
Foreign bonds	1,877,592	-
	1,877,592	**-**

Interest rate on financial assets range in between 5.0 % to 7.9 %. These financial assets mature within 4 to 7 years.

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

NOTE (11) – FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS (TRADING INVESTMENTS)

Details:

	2015	2014
Investments in local shares	2,635,673	3,819,612
Investments in foreign shares	1,874,058	2,489,060
Foreign bonds	8,739,582	11,271,153
	13,249,313	**17,579,825**

The movement on trading investment during the year was as follows:

	2015	2014
Balance, beginning of the year	**17,579,825**	**16,592,716**
Purchase of trading investments	2,910,323	5,636,135
Sale of trading investments	(6,820,296)	(3,540,406)
Change in fair value	(420,539)	(1,108,620)
Balance, end of the year	**13,249,313**	**17,579,825**

NOTE (12) – ACCOUNTS RECEIVABLE

Details:

	2015	2014
Due from customers	7,878,800	8,737,884
Governmental receivables	247,217	337,859
	8,126,017	**9,075,743**
Provision for doubtful accounts	(897,054)	(930,863)
	7,228,963	**8,144,880**

The accounts receivable are reported net of any impairment provision. The total impaired account receivables amounted to USD 2,002,429 and USD 1,377,127 as of December 31, 2015 and 2014 respectively.

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

	2015	2014
Balance, beginning of the year	**930,863**	**945,503**
Recovery of provision	(25,000)	(10,000)
Written off	(8,809)	(4,640)
Balance, end of the year	**897,054**	**930,863**

Following is the aging analysis of the not impaired insurance receivables as of December 31, 2015 and 2014:

	Past due but not impaired					
	Less than 90 days	**91-180 days**	**181-270 days**	**271-360 days**	**More than 361 days**	**Total**
2015	4,310,970	1,175,327	420,325	216,966	-	**6,123,588**
2014	4,221,442	2,520,359	462,276	494,539	-	**7,698,616**

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
(All amounts in US Dollars)

NOTE (13) – INSURANCE CONTRACTS LIABILITIES AND REINSURANCE CONTRACTS ASSETS

Details:

	2015	2014
A- Insurance contracts liabilities		
Outstanding claims provision	22,188,575	21,601,082
Incurred but not reported claims provision	1,035,315	795,401
Outstanding claims provision for life insurance	262,975	85,935
Life insurance actuarial provision	107,939	57,475
Unearned premium	11,448,094	10,717,824
	35,042,898	**33,257,717**
B- Reinsurance contracts assets		
Outstanding claims provision	2,051,794	1,661,306
Outstanding claims provision for life insurance	201,545	66,973
Life insurance actuarial provision	65,481	24,938
Unearned premium	1,705,932	1,353,814
	4,024,752	**3,107,031**
C- Net insurance contracts liabilities		
Outstanding claims provision	20,136,781	19,939,776
Incurred but not reported claims provision	1,035,315	795,401
Outstanding claims provision for life insurance	61,430	18,962
Life insurance actuarial provision	42,458	32,537
Unearned premium	9,742,162	9,364,010
	31,018,146	**30,150,686**

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

- **Outstanding claims provision**

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

	The Company		Reinsurers		Total	
	2015	**2014**	**2015**	**2014**	**2015**	**2014**
Motors	14,894,510	15,228,578	274,650	248,260	**15,169,160**	**15,476,838**
Workmen	4,027,273	3,506,426	152,638	115,582	**4,179,911**	**3,622,008**
Third party-personal liability	703,463	645,294	195,141	176,571	**898,604**	**821,865**
Other general insurance	144,864	139,372	217,016	103,364	**361,880**	**242,736**
Engineering	96,922	64,670	415,161	489,936	**512,083**	**554,606**
Fire	125,222	63,174	704,905	521,744	**830,127**	**584,918**
Marine	11,251	1,885	92,283	5,849	**103,534**	**7,734**
Medical	1,168,591	1,085,778	-	-	**1,168,591**	**1,085,778**
Life	61,430	18,962	201,545	66,973	**262,975**	**85,935**
	21,233,526	**20,754,139**	**2,253,339**	**1,728,279**	**23,486,865**	**22,482,418**

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

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

	The Company		Reinsurers		Total	
	2015	**2014**	**2015**	**2014**	**2015**	**2014**
Motors	6,688,462	6,421,758	-	-	**6,688,462**	**6,421,758**
Workmen	639,073	717,552	18,732	38,528	**657,805**	**756,080**
Third party-personal liability	131,988	123,053	165,339	168,651	**297,327**	**291,704**
Other general insurance	64,156	61,627	209,934	194,250	**274,090**	**255,877**
Engineering	60,158	43,238	181,352	152,528	**241,510**	**195,766**
Fire	78,195	61,901	951,202	546,182	**1,029,397**	**608,083**
Marine	17,549	22,658	110,401	222,945	**127,950**	**245,603**
Medical	2,062,581	1,912,223	68,972	30,730	**2,131,553**	**1,942,953**
Life	42,458	32,537	65,481	24,938	**107,939**	**57,475**
	9,784,620	**9,396,547**	**1,771,413**	**1,378,752**	**11,556,033**	**10,775,299**

NOTES TO THE FINANCIAL STATEMENTS

(All amounts in US Dollars)

NOTE (14) – INSURANCE AND REINSURANCE COMPANIES RECEIVABLE

Details:

	2015	2014
Local insurance companies	885,833	815,858
Due from reinsurers	184,145	810,550
	1,069,978	**1,626,408**

NOTE (15) – OTHER CURRENT ASSETS

Details:

	2015	2014
Accrued revenues	233,806	201,462
Prepaid expenses	357,579	369,358
Refundable deposits	26,706	28,999
Tax advances	35,508	35,657
	653,599	**635,476**

NOTE (16) – DEPOSITS AT BANKS

Details:

	2015	2014
Deposits at local banks	16,631,922	11,975,846
Deposits at foreign banks	-	100,426
	16,631,922	**12,076,272**

The average interest rate on bank deposits is 1.94 % on ILS deposits, 2.90% on US Dollar deposits, 4.85% on Jordanian Dinar deposits, for the financial year ended December 31, 2015.

NOTE (17) – CASH AND CASH EQUIVALENTS

Details:

	2015	2014
Cash on hand	61,876	38,939
Cash at banks	617,302	566,410
	679,178	**605,349**

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

	2015	2014
Cash on hand	61,876	38,939
Cash at banks	617,302	566,410
Deposits at banks maturing within three months	16,631,922	12,076,272
Less: Deposits restricted to the order of the PCMA (*)	(500,000)	(500,000)
	16,811,100	**12,181,621**

(*) Deposit at local banks includes a statuary deposit of USD 500,000 restricted to the order of the Palestine Capital Market Authority (PCMA) 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 the deposit.

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

NOTE (18) –CASH DIVIDENDS

The Board of Director will propose to the General Assembly in its annual meeting that will be held on March 31, 2016, the approval of cash dividend of 12.5% from paid in capital totaling USD 1,500,000 in respect of the financial year 2015. Further, the General Assembly approved in its meeting held on March 26, 2015, the distribution of cash dividends of 15% from paid-in-capital totaling USD 1,800,000 in respect of the financial year 2014.

NOTE (19) 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.

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 (20) – PROVISION FOR EMPLOYEES' INDEMNITY

Details:

	2015	2014
Balance, beginning of the year	**2,968,955**	**2,641,740**
Additions during the year	382,682	441,091
Payments during the year	(61,652)	(113,876)
Balance, end of the year	**3,289,985**	**2,968,955**

NOTE (21) – INSURANCE AND REINSURANCE COMPANIES PAYABLE

Details:

	2015	2014
Due to reinsurers	1,037,000	487,912
Excess of loss reserve (*)	23,034	25,643
Unexpired risk reinsurance reserve (**)	934,552	895,727
Local insurance companies (***)	312	-
	1,994,898	**1,409,282**

(*) 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 (22) – ACCOUNTS PAYABLE

Details:

	2015	2014
Accounts payable	2,502,540	2,584,980
Dividends payable	522,899	517,198
	3,025,439	**3,102,178**

NOTE (23) – TAX PROVISIONS

Following is the movement on the tax provisions during the year ended December 31, 2015 and 2014, respectively:

	2015	2014
Balance, beginning of the year	**1,767,858**	**1,966,570**
Payments during the year	(1,934,603)	(1,541,030)
Additions during the year	492,092	1,342,318
Balance, end of the year	**325,347**	**1,767,858**

Tax expense appears in the statement of income as follows:

	2015	2014
(Amortizations) Additions deferred tax assets	(427,504)	564,511
Provision for the year	(492,092)	(1,342,318)
Tax expense for the year	**(919,596)**	**(777,807)**

Reconciliation between accounting income and taxable income is as follows:

	2015	2014
Accounting profit before tax	3,489,095	3,064,005
Non-taxable income	(2,871,354)	(423,534)
Non-deductible expenses	1,482,982	2,253,156
Taxable income for VAT	2,100,723	4,893,627
VAT	**(289,755)**	**(674,983)**
Payroll VAT	(434,642)	(439,482)
Taxable income	1,376,326	3,779,162
Income tax	**(206,449)**	**(754,229)**
Income tax- life insurance	**(56,802)**	**(15,405)**
Income tax discounts	60,914	102,299
Tax expense	**(492,092)**	**(1,342,318)**
Effective tax rate	**14.10%**	**43.81%**

To the date of these financial statements, The Company did not reach a final settlement with the Income Tax Department and Value Added Tax Department from 2011 until 2015.

NOTES TO THE FINANCIAL STATEMENTS

(All amounts in US Dollars)

NOTE (24) – OTHER CURRENT LIABILITIES

Details:

	2015	2014
Accrued expenses	229,875	685,414
Board of Directors' remunerations	153,500	154,500
Accrued commissions	184,261	129,675
Due to policyholders	564,875	562,573
Accrued employees' vacation and bonus	315,628	252,895
Palestinian Road Accident Victims Compensation Fund (*)	69,780	65,069
Saving fund	752	70,859
Due to agents	25,059	45,527
Others	16,233	9,027
VAT on payroll	509,917	-
	2,069,880	**1,975,539**

(*) The movement on the balance due to Palestinian Road Accident Victims Compensation Fund during the year was as follows:

	2015	2014
Balance, beginning of the year	**65,069**	**151,530**
Additions	803,379	790,178
Payments	(798,668)	(876,639)
Balance, end of the year	**69,780**	**65,069**

To the date of these financial statements, the Company did not reach a final settlement with the Palestinian Road Accident Victims Compensation Fund for the balance due to the Fund.

NOTE (25) – SEGMENT 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, investment in associates, available-for-sale financial assets, trading investments, 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, 2015:

	Motors	Fire	Workmen	Third party liability	Engineering	Marine	Medical	Life	Other general insurance	Investments	Total
Gross premiums	13,374,698	2,491,681	1,961,925	711,098	650,242	420,739	6,336,404	1,136,034	978,673	-	28,061,494
Change in unearned premiums	(266,704)	(421,314)	98,275	(5,623)	(45,744)	117,653	(188,600)	(50,464)	(18,213)	-	(780,734)
	13,107,994	**2,070,367**	**2,060,200**	**705,475**	**604,498**	**538,392**	**6,147,804**	**1,085,570**	**960,460**	**-**	**27,280,760**
Gross premiums ceded to reinsures	(454,852)	(2,322,989)	(88,952)	(366,593)	(509,390)	(365,201)	(170,577)	(849,262)	(802,874)	-	(5,930,690)
Reinsurers share of change in unearned premiums	-	405,020	(19,796)	(3,312)	28,824	(112,544)	38,242	40,543	15,684	-	392,661
	(454,852)	**(1,917,969)**	**(108,748)**	**(369,905)**	**(480,566)**	**(477,745)**	**(132,335)**	**(808,719)**	**(787,190)**	**-**	**(5,538,029)**
Net premiums retained	**12,653,142**	**152,398**	**1,951,452**	**335,570**	**123,932**	**60,647**	**6,015,469**	**276,851**	**173,270**	**-**	**21,742,731**
Earned Insurance fees	2,459,945	533,606	872,722	165,408	287,208	116,018	1,454,453	278,701	358,705	-	6,526,766
Loss resulting from translating unearned premiums provision	(16,424)	-	-	-	-	-	-	-	-	-	(16,424)
Net premiums revenues before commissions	**15,096,663**	**686,004**	**2,824,174**	**500,978**	**411,140**	**176,665**	**7,469,922**	**555,552**	**531,975**	**-**	**28,253,073**
Commissions income from reinsurers	-	505,801	-	49,585	152,722	133,727	-	(6,118)	193,235	-	1,028,952
Commissions paid	(995,884)	(71,024)	(74,800)	(25,888)	(73,594)	(11,803)	(62,396)	(1,085)	(32,973)	-	(1,349,447)
Net premiums revenues after commissions	**14,100,779**	**1,120,781**	**2,749,374**	**524,675**	**490,268**	**298,589**	**7,407,526**	**548,349**	**692,237**	**-**	**27,932,578**
Claims paid	8,784,000	506,751	1,417,203	96,438	357,170	49,409	9,594,380	285,390	81,720	-	21,172,461
Claims ceded to reinsurers	(6,287)	(461,294)	(50,065)	(5,969)	(303,706)	(36,067)	-	(234,639)	(52,159)	-	(1,150,186)
Net claims paid	**8,777,713**	**45,457**	**1,367,138**	**90,469**	**53,464**	**13,342**	**9,594,380**	**50,751**	**29,561**	**-**	**20,022,275**
Change in outstanding claims provision	(307,678)	245,209	557,903	76,739	(42,523)	95,800	82,813	177,040	119,144	-	1,004,447
Change in outstanding claims provision ceded to reinsurers	(26,390)	(183,161)	(37,056)	(18,570)	74,775	(86,434)		(134,572)	(113,652)	-	(525,060)
Loss from translating outstanding claims provision	15,423	-	8,014	-	-	-	-	-	-	-	23,437
Net claims incurred	**8,459,068**	**107,505**	**1,895,999**	**148,638**	**85,716**	**22,708**	**9,677,193**	**93,219**	**35,053**	**-**	**20,525,099**
Net insurance profit before investment income and general and administrative expenses	5,641,711	1,013,276	853,375	376,037	404,552	275,881	(2,269,667)	455,130	657,184	-	**7,407,479**
Investment income allocated to insurance segments	386,273	58,639	68,998	19,710	22,819	10,144	189,637	34,436	27,359	-	818,015
General and administrative expenses allocated to insurance segments	(3,375,598)	(520,541)	(608,215)	(175,314)	(202,422)	(89,235)	(830,949)	(279,085)	(244,923)	-	(6,326,282)
Net insurance profit after investment income and general and administrative expenses	**2,652,386**	**551,374**	**314,158**	**220,433**	**224,949**	**196,790**	**(2,910,979)**	**210,481**	**439,620**	**-**	**1,899,212**
unallocated expenses and revenues											
unallocated investment income	-	-	-	-	-	-	-	-	-	1,182,483	1,182,483
Loss on disposal of property and equipment	-	-	-	-	-	-	-	-	-	(5,785)	(5,785)
Currency Exchange Loss	-	-	-	-	-	-	-	-	-	(404,716)	(404,716)
Unallocated general and administrative expenses	-	-	-	-	-	-	-	-	-	(476,551)	(476,551)
Recovery of accounts receivable	-	-	-	-	-	-	-	-	-	25,000	25,000
Unrealized gain from subsidiaries	-	-	-	-	-	-	-	-	-	1,269,452	1,269,452
Net profit before taxes	**2,652,386**	**551,374**	**314,158**	**220,433**	**224,949**	**196,790**	**(2,910,979)**	**210,481**	**439,620**	**1,589,883**	**3,489,095**

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, 2014:

	Motors	Fire	Workmen	Third party liability	Engineering	Marine	Medical	Life	Other general insurance	Investments	Total
Gross premiums	13,803,623	1,862,684	2,217,995	712,578	620,924	788,881	5,503,570	308,111	1,024,386	-	26,842,752
Change in unearned premiums	447,224	610,224	108,207	(26,256)	86,247	(2,242)	(113,727)	(3,270)	(21,762)	-	1,084,645
	14,250,847	2,472,908	2,326,202	686,322	707,171	786,639	5,389,843	304,841	1,002,624	-	27,927,397
Gross premiums ceded to reinsures	(590,805)	(1,741,006)	(130,445)	(376,676)	(507,022)	(704,761)	(81,172)	(206,450)	(867,096)	-	(5,205,433)
Reinsurers share of change in unearned premiums	-	(620,850)	15,163	21,742	(85,834)	(1,576)	30,730	(1,413)	15,388	-	(626,650)
	(590,805)	(2,361,856)	(115,282)	(354,934)	(592,856)	(706,337)	(50,442)	(207,863)	(851,708)	-	(5,832,083)
Net premiums retained	**13,660,042**	**111,052**	**2,210,920**	**331,388**	**114,315**	**80,302**	**5,339,401**	**96,978**	**150,916**	**-**	**22,095,314**
Earned Insurance fees	2,718,135	568,631	990,578	162,616	270,448	160,518	2,459,381	78,058	328,568	-	7,736,933
loss resulting from translating unearned premiums provision	(739,737)	-	-	-	-	-	-	-	-	-	(739,737)
Net premium revenues before commissions	**15,638,440**	**679,683**	**3,201,498**	**494,004**	**384,763**	**240,820**	**7,798,782**	**175,036**	**479,484**	**-**	**29,092,510**
Commissions income from reinsurers	-	483,378	-	48,116	184,337	282,081	-	51,740	233,802	-	1,283,454
Commissions paid	(1,148,836)	(93,566)	(96,878)	(25,805)	(53,949)	(20,774)	(43,272)	(2,616)	(45,518)	-	(1,531,214)
Net premium revenues after commissions	**14,489,604**	**1,069,495**	**3,104,620**	**516,315**	**515,151**	**502,127**	**7,755,510**	**224,160**	**667,768**	**-**	**28,844,750**
Claims paid	9,873,119	2,598,695	1,630,314	358,931	863,974	21,296	7,827,047	255,555	693,133	-	24,122,064
Claims ceded to reinsurers	(160,695)	(2,513,449)	(51,764)	(89,513)	(847,253)	(33,059)	-	(187,484)	(557,326)	-	(4,440,543)
Net claims paid	**9,712,424**	**85,246**	**1,578,550**	**269,418**	**16,721**	**(11,763)**	**7,827,047**	**68,071**	**135,807**	**-**	**19,681,521**
Change in outstanding claims provision	(2,277,227)	(1,445,328)	490,916	(229,018)	(479,332)	29,819	(52,444)	(35,104)	(646,514)	-	(4,644,232)
Change in outstanding claims provision ceded to reinsurers	(204,260)	1,403,608	3,170	114,446	470,147	(11,013)	-	20,448	504,250	-	2,300,796
Loss resulting from translating outstanding claims provision	607,238	-	299,636	-	-	-	-	-	-	-	906,874
Net claims incurred	**7,838,175**	**43,526**	**2,372,272**	**154,846**	**7,536**	**7,043**	**7,774,603**	**53,415**	**(6,457)**	**-**	**18,244,959**
Net insurance profit before investment income and general and administrative expenses	**6,651,429**	**1,025,969**	**732,348**	**361,469**	**507,615**	**495,084**	**(19,093)**	**170,745**	**674,225**	**-**	**10,599,791**
Investment income allocated to insurance segments	406,427	59,842	78,973	21,541	21,939	17,999	195,992	9,505	22,812	-	835,030
General and administrative expenses allocated to insurance segments	(3,524,277)	(495,013)	(653,263)	(178,190)	(181,483)	(148,886)	(962,881)	(85,461)	(188,694)	-	(6,418,148)
Net insurance profit after investment income and general and administrative expenses	**3,533,579**	**590,798**	**158,058**	**204,820**	**348,071**	**364,197**	**(785,982)**	**94,789**	**508,343**	**-**	**5,016,673**
unallocated expenses and revenues											
unallocated investment Loss	-	-	-	-	-	-	-	-	-	(223,290)	(223,290)
Loss on disposal of property and equipment	-	-	-	-	-	-	-	-	-	(2,369)	(2,369)
Currency Exchange Loss	-	-	-	-	-	-	-	-	-	(1,251,882)	(1,251,882)
Unallocated general and administrative expenses	-	-	-	-	-	-	-	-	-	(482,572)	(482,572)
Unrealized loss from subsidiaries	-	-	-	-	-	-	-	-	-	(2,555)	(2,555)
Recovery of accounts receivable	-	-	-	-	-	-	-	-	-	10,000	10,000
Net profit before taxes	**3,533,579**	**590,798**	**158,058**	**204,820**	**348,071**	**364,197**	**(785,982)**	**94,789**	**508,343**	**(1,952,668)**	**3,064,005**

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

NOTE (26) – GENERAL AND ADMINISTRATIVE EXPENSES

Details:

General and Administrative expenses	**2015**	**2014**
Salaries and related benefits	3,772,405	3,846,014
VAT on payroll	434,642	439,482
Rent	349,666	349,537
Depreciation of property and equipment	375,909	371,941
Marketing and promotion	257,381	209,921
Bank interest and charges	16,544	33,929
Water, electricity and fuel	110,449	130,684
Maintenance	58,684	37,079
Telecommunications	199,337	223,926
Transportation	64,436	50,529
Vehicles expenses	210,165	224,734
Hospitality and cleaning	101,421	107,483
Professional fees	81,157	135,272
Training expenses	51,262	72,429
Property tax	3,260	2,231
Subscription and license fees	106,833	75,559
Printings and stationery	157,552	134,497
Insurance expenses	180,774	188,020
Donations	93,582	76,940
Board of Directors' remunerations	153,500	154,500
Conference and meeting	1,256	9,880
Miscellaneous	22,618	26,133
	6,802,833	**6,900,720**

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

	2015	**2014**
Motors	3,375,598	3,524,277
Fire	520,541	495,013
Workmen	608,215	653,263
Third party-personal liability	175,314	178,190
Other general insurance	244,923	188,694
Engineering	202,422	181,483
Marine	89,235	148,886
Medical	830,949	962,881
Life	279,085	85,461
Total for Insurance segments	**6,326,282**	**6,418,148**
Expenses not allocated to insurance segments	**476,551**	**482,572**
Total general and administrative expenses	**6,802,833**	**6,900,720**

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

NOTE (27) – INVESTMENT INCOME

Details:

	2015	2014
Income from sale of available- for- sale financial assets and financial assets at fair value through profit or loss	1,028,358	318,695
Dividends income	483,918	473,854
Change in financial assets at fair value through profit or loss	(420,539)	(1,108,620)
Deposits	515,155	515,356
Bonds yields	393,606	412,455
	2,000,498	**611,740**
Investment income allocated to insurance segments	**(818,015)**	**(835,030)**
	1,182,483	**(223,290)**

NOTE (28) - 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:

	2015	2014
Income for the year attributable to the shareholders	**2,569,499**	**2,286,198**
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	**0.214**	**0.191**

NOTE (29) – 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	2015	2014
Jerusalem Pharmaceuticals Company	Sister Company	148,237	133,522
National Towers Company	Subsidiary Company	15,656	14,924
Elite Medical Consultancy Company	Subsidiary Company	39,135	37,275
Golden Wheat Mills	Sister Company	-	42
United Company for Securities	Sister Company	11,902	10,782
The National Company for Managing Health Expenditures	Sister Company	21,996	18,054
Masrouji Company	Sister Company	139,271	132,687
Others	Board of Directors	3,311	3,298
		379,508	**350,584**

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

B – Service contracts

	Nature of relationship	2015	2014
National Towers Company	Subsidiary Company	232,722	232,722
The National Company for Managing Health Expenditures	Sister Company	639,150	391,551

C – Accounts receivables

	Nature of relationship	2015	2014
Jerusalem Pharmaceuticals Company	Sister Company	6,623	8,560
National Towers Company	Subsidiary Company	1,495	–
Elite Medical Consultancy Company	Subsidiary Company	11,146	10,943
Al Mostaqbal Company for Educational Development	Associate Company	968	967
Golden Wheat Mills	Sister Company	–	1,285
United Company for Securities	Sister Company	1,697	1,821
The National Company for Managing Health Expenditures	Sister Company	–	1,306
Masrouji Company	Sister Company	7,355	3,841
Others	Board of Directors	6,606	5,167
		35,890	**33,890**

D – Accounts Payable:

	Nature of relationship	2015	2014
National Towers Company	Subsidiary Company	-	4,760
The National Company for Managing Health Expenditures	Sister Company	258,541	-
Elite Medical Consultancy Company	Subsidiary Company	383,632	358,974
		642,173	**363,734**

E – Loans to related parties:

	Nature of relationship	2015	2014
Al Mostaqbal Company for Educational Development	Associate Company	-	1,856,771
National Towers Company	Subsidiary Company	-	190,690
Al-Dar Contracting Company	Associate Company	148,960	148,960
		148,960	**2,196,421**

F – Salaries and benefits for senior management:

	Nature of relationship	2015	2014
Short-term benefits	Senior management	927,644	933,705
Upper Management's Provision for employees indemnity	Senior management	104,147	298,053
Remunerations and expenses of the Board of Directors members	Board of Directors	153,500	154,500

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

NOTE (30) – CONTINGENT LIABILITY

There are lawsuits filed against the Company as part of its normal activity. According to management's point of view and the opinion of the legal adviser of the Company, the amounts expected to be paid for these lawsuits and the results may not have a material impact on the Company's financial position and results of operations.

NOTE (31) – LITIGATIONS AGAINST THE COMPANY

There are numerous of outstanding litigations against the companys 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 (32) – 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.