

THE ISLAMIC INSURANCE COMPANY

Plc.



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Date : 14/03/2019

To : Amman Stock Exchange

Amman – Jordan

Dear Sirs ,

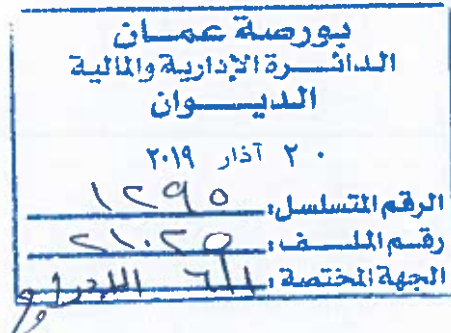
Subject : Audited Financial Statements for the fiscal year ended
31/12/2018

Attached the Audited Financial Statements of The Islamic Insurance Co.
for the fiscal year ended 31/12/2018 .

Kindly accept our high appreciation and respect .

The Islamic Insurance Co.

Ahmed M. Sabbagh
General Manager



The Islamic Insurance Co.

Amman - Jordan

Financial Position Statement

AS AT Year Ended 31 December 2018

**The Islamic Insurance Co.
Amman - Jordan**

INDEX

Independent Auditors' Report	1
Financial Position Statement as at 31 Decdember 2018	2 - 3
Policyholders Revenues & Expenses Statement for the Year Ended 31 December 2018	4
Income Statement for the Year Ended 31 December 2018	5
Comprehensive Income Statement - Shareholders for the Year Ended 31 December 2018	6
Statement of Changes of Shareholders equity for Year Ended 31 December 2018	7
Statement of Changes of Policyholders equity for Year Ended 31 December 2018	8
Cash Flows Statement for Year Ended 31 December 2018	9
Underwriting Revenues Account for Family Takaful Bunsiness (Life) for the Year Ended 31 December 2018	10
Claims Expenses Account for Family Takaful Business (Life) for the Year Ended 31 December 2018	11
Underwriting Profit (Loss) Account for Family Takaful Business (Life) for the Year Ended 31 December 2018	12
Underwriting Revenues Account for General Takaful Bunsiness for the Year Ended 31 December 2018	13
Claims Expenses Account for General Takaful Business for the Year Ended 31 December 2018	14
Underwriting Profit (Loss) Account of General Takaful Business for the Year Ended 31 December 2018	15
Notes To The Financial Statements As Year Ended 31 December 2018	

Independent Auditors' Report

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The Shareholders,

The Islamic Insurance Co. (P.S.C.)

Amman - Jordan

Report on the Audit of the Financial Statements

Opinion

We have audited the financial statements of The Islamic Insurance Co. (P.S.C.), which comprise the statement of financial position as at 31 December 2018, the statements of profit or loss and other comprehensive income, changes in equity and cash flows for the year then ended, and notes, comprising significant accounting policies and other explanatory information.

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the Company as at 31 December 2018, and its financial performance and its cash flows for the year then ended in accordance with Sharia Islamic Principles as approved by the Sharia Supervisory Board and with Accounting and Auditing Standards issued by Accounting and Auditing Organization for Islamic Financial Institutions (AAOIFI).

Basis for Opinion

We conducted our audit in accordance with Sharia Islamic Principles as approved by the Sharia Supervisory Board and with Accounting and Auditing Standards issued by Accounting and Auditing Organization for Islamic Financial Institutions (AAOIFI). Our responsibilities under those standards are further described in the *Auditors' Responsibilities for the Audit of the Financial Statements* section of our report. We are independent of the Company in accordance with the ethical requirements that are relevant to our audit of the financial statements in the Ethical Rules for professional accountants, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Key Audit Matters

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

1. Impairment of receivables:

Given the nature of estimation in the calculation of the impairment provision for the receivables Note no. (9), the management estimate the impairment using the estimation and the assumptions, and if there is an objective evidence that the firm unable to collect all or a part of receivables, the provision amount is calculated on the basis of the difference between the carrying amount and the recoverable amount and according to the receivables aging, and in view of their importance, they considered, more important audit procedures, and an impairment provision has been recognized for receivables.

The firm's lawyer opinion has been taken into consideration when we evaluate the reasonableness of the management evaluation of the impairment calculation for the account receivables.

The auditing procedures for this item described as follow:

The auditing procedures included a study of the control procedures used from the Company for receivables collection, and study the adequacy of the impairment provision through evaluation the management assumptions with take into account the available external information about the account receivables risks and the extent of the application of the regulatory commissions instructions, also we evaluated the adequacy of disclosures about the important estimations used to calculate the provision.

2. Technical Provisions:

The Technical Provisions are considered as liabilities on the Company and right for the Policyholders to enable the Company to meet its obligations toward the Policyholders, in addition to the Technical Provisions maintained in accordance with Accounting Principles and Insurance Management requirements, and the Technical Provisions consist of the outstanding claims Provisions, the unearned contributions, and the mathematical reserve which is calculated in accordance with the basis adopted from the Insurance Management as mentioned in note Provisions/ Technical Provisions (1).

Given the nature of estimation in the calculation the Technical Provisions to meet its obligations toward the Policyholders, the reserves are sufficient, because the management calculate the Provisions using the assumptions and the estimations based on its experience, and the availability of information from many resources included (lawyers, loss adjusters, and the received documents from polices holders) as well as the application of the principles adopted from the insurance management as mentioned in note (2-1) Basis of Preparation of Financial Statements.

And accordance to the management opinion that the amounts recognized as provisions presents the best evaluation of the amounts required to settle the obligations as at Dec 31, 2018 with take into consideration the risks and the uncertainty associated to the obligations.

And the actual results may vary based on the estimates of the management which leads to future change in estimated obligations, and in view of their importance, they considered, more important audit procedures.

The auditing procedures for this item described as follow:

The auditing procedures included a study of the control procedures used from the Company for the estimation of Technical Provisions from Technical People, and study the reasonableness estimation for a sample of outstanding claims Provisions (Reported & Not Reported) with take into consideration the firm's lawyer opinion and loss adjusters reports (if available).

Study the calculation for a sample of unearned contributions for general insurance operations in accordance with Insurance Management instructions.

Study the extent of the application of the Insurance Management instructions related to the Basis of Calculating the Technical Provisions.

The actuary report has been taken into consideration which includes neutral opinion about the adequacy of technical Provisions to meet its obligations toward the Policyholders and the beneficiaries of insurance policies which was its results consistent with the management estimates.

Other Information

Management is responsible for the other information. The other information comprises the *[information included in the Annual report for the year 2018, but does not include the financial statements and our auditors' report thereon.]*

Our opinion on the financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated. If, based on the work we have performed, we conclude that there is a material misstatement of this other information; we are required to report that fact. We have nothing to report in this regard.

Responsibilities of Management and Those Charged with Governance for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with Sharia Islamic Principles as approved by the Sharia Supervisory Board and with Accounting and Auditing Standards issued by Accounting and Auditing Organization for Islamic Financial Institutions (AAOIFI), and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

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

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

Auditors' Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with Sharia Islamic Principles as approved by the Sharia Supervisory Board and with Accounting and Auditing Standards issued by Accounting and Auditing Organization for Islamic Financial Institutions (AAOIFI) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit in accordance with Sharia Islamic Principles as approved by the Sharia Supervisory Board and with Accounting and Auditing Standards issued by Accounting and Auditing Organization for Islamic Financial Institutions (AAOIFI), we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditors' report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditors' report. However, future events or conditions may cause the Company to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Company to express an opinion on the financial statements. We are

responsible for the direction, supervision and performance of the Company audit. We remain solely responsible for our audit opinion.

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

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

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

Report on Other Legal and Regulatory Requirements

The Company maintains proper accounting books of accounts and the accompanying Financial Statements agree with the Financial Statements incorporated, and we recommend the General Assembly to approve the Accompanying Financial Statements.

For Al- Abbasi & Partners Co.



Ahmad M. Abbasi

License No. 710

12 February 2019

7 Jumada 2, 1440



**The Islamic Insurance Co.
Amman - Jordan
Financial Position Statement
as at 31 December 2018**

Assets	31-Dec-2018	31-Dec-2017
Investment Deposits	18,734,810	20,076,290
Fair Value Assets through Profit or Loss - FVTPL	4,000,000	4,000,000
Fair Value Assets through other Comprehensive Income - FVTOCI	8,974,025	8,893,926
Amortized Cost Assets	747,000	0
Total Investment	32,455,835	32,970,216
Cash on Hand and at Banks	789,048	1,355,106
Receipt Papers and Cheques under Collection	1,404,941	1,191,545
Accounts Receivable - net	3,425,313	2,905,891
Receivable from Reinsurance Companies	643,929	201,112
Property Plant & Equipment - net	779,047	833,825
Intangible Assets	18,621	11,468
Other Assets	822,583	520,497
Total Assets	40,339,317	39,989,660

**The Islamic Insurance Co.
Amman - Jordan
Financial Position Statement
as at 31 December 2018**

Liabilites, Shareholder & Policyholders Equity's	31-Dec-2018	31-Dec-2017
<u>Liabilites</u>		
Unearned Contributions - Net	5,012,686	4,842,657
Outstanding Claims Reserve - Net	9,485,863	8,311,306
Mathematical Reserve - Net	45,157	45,473
Total of Insurance Contract Liabilities	14,543,706	13,199,436
Accounts Payable	286,517	244,677
Payable to Reinsurance Companies	2,807,917	2,420,807
Other Provisions	1,298,542	1,231,097
Income Tax Provisions	155,563	442,113
Other Liabilites	543,287	539,566
Total Liabilites	19,635,532	18,077,696
<u>Policyholders Equity</u>		
Deficiency Cover Reserve (Emergency Allowance)	1,086,385	863,779
Accumulative Changes in Fair Value of Securities	378,082-	224,082-
Non Demanded Surplus	91,064	301,881
Accumulated Surplus (Deficiency)	0	285,444
Intrest Free Loan Offered By Shareholders to Cover Policyholder	0	0
Defficiency		
Total Policyholders' Equity	799,367	1,227,022
<u>Shareholder's Equity</u>		
Paid in Capital	15,000,000	15,000,000
Compulsory Reserve	2,772,434	2,626,032
Voluntary Reserve	736,674	736,674
Accumulative Changes in Fair Value of Securities	1,592,791-	1,005,825-
Retained Earnings	2,988,101	3,328,061
Total Shareholder's Equity	19,904,418	20,684,942
Total Shareholder & Policyholders Equity's	20,703,785	21,911,964
Total Liabilites, Shareholder & Policyholders Equity's	40,339,317	39,989,660

The Islamic Insurance Co.
Amman - Jordan
Policyholders Revenues & Expenses Statement
for the Year Ended 31 December 2018

	31-Dec-2018	31-Dec-2017
<u>Revenues</u>		
Total Underwriting Contributions	24,611,242	23,475,644
Less: Reinsurance's Share	7,924,267-	6,704,742-
Net Underwriting Contributions	16,686,975	16,770,902
Net Change in Unearned contributions Reserve	170,029-	293,443
Net Change in Mathematical Reserve	316	6,738-
Net Earned contributions	16,517,262	17,057,607
Policy and Survey Fees	459,191	436,225
Policyholder's Share in the Investment Returns	308,687	285,577
Policyholder's Share in the Financial Assets Profit	87,867	91,033
Shareholder's Share against Investment Portfolio Management	99,139-	94,152-
Total Revenues	17,273,868	17,776,290
<u>Expenses</u>		
Paid Claims	18,595,111	17,902,531
Less : Recoveries	2,115,258-	1,466,564-
Less : Reinsurance's Share	6,110,103-	5,558,934-
Net Paid Claims	10,369,750	10,877,033
Net Change in Outstanding Claims Reserve	1,174,557	151,193
Shareholder's Share against Takaful Operation Management	4,430,024	5,164,642
Excess of Loss Contributions	436,000	436,000
Policies Acquisition Cost	360,592	316,136
Other Underwriting Expenses	487,014	409,353
Net Claims	17,257,937	17,354,357
Less: Unexpected Credit Loss Allowance	447-	0
Policyholders Surplus Befor Tax	15,484	421,933
Income Tax Provision	0	52,103-
Policyholders Surplus	15,484	369,830

The Islamic Insurance Co. plc
Amman - Jordan
Income Statement
for the Year Ended 31 December 2018

	31-Dec-2018	31-Dec-2017
Shareholder's Share against Takaful Operation Management	4,430,024	5,164,642
Shareholder's Share against Investment Portfolio Management	99,139	94,152
Shareholder's Share in the Investment Returns	426,643	552,792
Shareholder's Share in the Financial Assets Profit	264,184	275,143
Total Revenues	5,219,990	6,086,729
Employees Expenditures	2,929,507	2,628,547
Interest Free Loan Offered By Shareholders to Cover Policyholder Deficiency	0	0
General & Administrative Expenses	707,435	685,587
Other Expenses	55,000	55,000
Depreciation and Amortization	117,498	125,354
Unexpected Credit Loss Allowance	1,526	0
Total Expenses	3,810,966	3,494,488
Net Profit before Tax	1,409,024	2,592,241
Less :		
Income Tax Provision	294,597	589,995
Net Profit	1,114,427	2,002,246
Earnings Per Share	0.074	0.144

The Islamic Insurance Co.
Amman - Jordan
Comprehensive Income Statement - Shareholders
for the year Ended 31 December 2018

	31-Dec-2018	31-Dec-2017
<u>Profit for the year</u>	1,114,427	2,002,246
<u>Add : Other Comprehensive Income Items</u>		
Shareholders' share from Change in fair Value	586,966-	203,703
Shareholders' share from Loss sale of Financial Assets through	51,280-	0
Other Comprehensive Income		
Total of Other Comprehensive income items	638,246-	203,703
Total of Comprehensive Income for the year	476,181	2,205,949

The Islamic Insurance Co.
Amman - Jordan
Statement of changes of Shareholders equity
for the year Ended 31 December 2018

	Paid in Capital	Compulsory Reserve	Voluntary Reserve	Accumulative changes in Fair value	Retained Earning	Total Shareholders Equity
2017						
Balance at Beginning of the year 1/1/2017	12,000,000	2,361,308	736,674	1,209,528-	4,590,539	18,478,993
Profit for the year	0	0	0	0	2,002,246	2,002,246
Shareholders Share from Net Change in fair Value	0	0	0	203,703	0	203,703
Shareholders share from Loss sale of financial	0	0	0	0	0	0
assets through other comprehensive income	0	0	0	0	0	0
Total of Comprehensive income for the year	0	0	0	203,703	2,002,246	2,205,949
Transferred to reserves	0	264,724	0	0	264,724-	0
Transferred from retained earning - Increase of Capital	3,000,000	0	0	0	3,000,000-	0
Balance at the ending of the year 31/12/2017	15,000,000	2,626,032	736,674	1,005,825-	3,328,061	20,684,942
2018						
Balance at Beginning of the year 1/1/2018	15,000,000	2,626,032	736,674	-1,005,825	3,328,061	20,684,942
Effect of Application of IFRS (9)	0	0	0	0	-56,705	56,705-
Profit for the year	0	0	0	0	1,114,427	1,114,427
Shareholders Share from Net Change in fair Value	0	0	0	586,966-	0	586,966-
Shareholders share from profit sale of financial	0	0	0	0	51,280-	51,280-
assets through other comprehensive income	0	0	0	0	0	0
Total of Comprehensive income for the year	0	0	0	-586,966	1,063,147	476,181
Transferred to reserves	0	146,402	0	0	146,402-	0
Cash dividends	0	0	0	0	1,200,000-	1,200,000-
Balance at the ending of the period 31/12/2018	15,000,000	2,772,434	736,674	-1,592,791	2,988,101	19,904,418

The Islamic Insurance Co.
Amman - Jordan
Statement of changes of policyholders equity
for the year Ended 31 December 2018

	Deficiency coverage reserve (Emergency Allowance)	Accumulative changes in fair Value	Non Demand Surplus	Accumulated Surplus	Total Policyholders Equity
2017					
Balance at the beginning of the year 1/1/2017	529,393	237,804-	507,515	316,423	1,115,527
Distribution to policy holders (from Accumulated Surplus)	0	0	0	220,388-	220,388-
Distribution to charity acts (from non Demand Surplus)	0	0	51,669-	0	51,669-
policy holders surplus for the current year	0	0	0	369,830	369,830
Transferred from Deficiency Coverage Reserve to cover the deficit	0	0	0	0	0
Transferred from non - profitable loan to cover the deficit		0		0	0
transferred to Deficiency coverage reserve from non Demand Surplus	250,000		250,000-	0	0
policy holders share from net change of fair value	0	13,722	0	0	13,722
policy holders share from Loss sale of financial assets through other comprehensive income	0	0	0	0	0
transferred to Deficiency coverage reserve	84,386	0	0	84,386-	0
transferred to No Demand Surplus	0	0	96,035	96,035-	0
Balance at the ending of the year 31/12/2017	863,779	-224,082	301,881	285,444	1,227,022
2018					
Balance at the beginning of the year 1/1/2018	863,779	-224,082	301,881	285,444	1,227,022
Effect of Application of IFRS (9)				-25,785	25,785-
Distribution to policy holders (from Accumulated Surplus)	0	0	0	203,967-	203,967-
Distribution to charity acts (from non Demand Surplus)	0	0	42,294-	0	42,294-
policy holders surplus for the current year\	0	0	0	15,484	15,484
Transferred from Deficiency Coverage Reserve to cover the deficit	-27,394	0	0	27,394	0
Transferred from non - profitable loan to cover the deficit	0	0	0	0	0
policy holders share from net change of fair value	0	154,000-	0	0	154,000-
policy holders share from loss sale of financial assets through other comprehensive income	0	0	0	17,093-	17,093-
transferred to Deficiency coverage reserve from non Demand Surplus	250,000	0	250,000-	0	0
transferred to Deficiency coverage reserve	0	0	0	0	0
transferred to No Demand Surplus	0	0	81,477	81,477-	0
Balance at the ending of the year 31/12/2018	1,086,385	378,082-	91,064	0	799,367

The Deficiency coverage reserve is calculated as 20% from policyholder surplus for the period and policyholders share from profit sale of financial assets through other comprehensive income.

The Islamic Insurance Co.
Amman - Jordan
Cash Flow Statements
for the Year Ended 31 December 2018

	31-Dec-2018	31-Dec-2017
<u>Cash Flows From Operating Activities</u>		
Net Profit Before Tax	1,424,508	3,014,174
(Gains) on Fixed Assets	0	0
<u>Adjustments for non-cash Items</u>		
Depreciation & Amortization	117,498	125,354
Changes in Unearned Contributions Reserve	170,029	293,443-
Changes in Mathematical Reserve	316-	6,738
Changes in Outstanding Claims Reserve	1,174,557	151,193
Provision for end of service indemnity	59,865	54,280
Unexpected Credit Loss-Deposits	1,526	0
Unexpected Credit Loss-Cheques under Collection	447	0
Previous Years Amendments IFRS (9)	82,490-	0
Net Cash Flows from Operating Activities before The Changes in Working Capital Items	2,865,624	3,058,296
Decrease (Increase) in Cheques Under Collection	213,843-	183,900
Decrease (Increase) in Accounts Receivable	519,422-	218,915-
Decrease (Increase) in Receivable from Insurance Companies	442,817-	608,236
Decrease (Increase) in Other Assets	302,086-	40,992
Increase (Decrease) in Accounts Payable	41,840	207
Increase (Decrease) in Other Provisions	7,580	16,617
Increase (Decrease) in Payable To Reinsurance Companies	387,110	160,652-
Increase (Decrease) in Other Liabilities	3,721	81,925
Increase (Decrease) in non-demanded Surplus	39,183	44,366
Net Cash Flows from Operating Activities before Tax	1,866,890	3,654,972
Income Tax Paid	581,147-	644,586-
Net Cash Flows from Operating Activities	1,285,743	3,010,386
<u>Cash Flows From Investing Activities</u>		
Decrease(Increase) in Investment Deposits	2,597,585	1,894,044-
(Purchase) Fair Value Assets through other Comprehensive Income - FVTOCI	1,000,135-	0
Sale Fair Value Assets through other Comprehensive Income - FVTOCI	110,697	0
Decrease of Fair Value Assets through other Comprehensive Income - FVTOCI	0	0
(Purchase) Fair Value Assets through Profit or Loss - FVTPL	0	500,000-
Sale Fair Value Assets through Profit or Loss - FVTPL	0	0
Purchases of Property, Plant & Equipment	55,443-	124,646-
Sale of Property, Plant & Equipment	0	0
(Purchase) of Intangible Assets	14,430-	13,379-
(Purchase) of Amortized Cost Assets	747,000-	
Net Cash Flows used in Investing Activities	891,274	2,532,069-
<u>Cash Flows used in Financing Activities</u>		
Cash Dividened Paid	1,200,000-	0
Surplus distributed to policyholders	203,967-	220,388-
Surplus distributed to non demand surplus	81,477-	96,035-
Cash Flows used in Financing Activities	1,485,444-	316,423-
Net increase (Decrease) in Cash	691,573	161,894
Cash on Hand and at Bank - at the Beginning of the Year	1,973,540	1,814,388
Cash on Hand and at Bank - at the End of the Year	2,665,113	1,976,282

The Islamic Insurance Co.
Amman - Jordan
Underwriting Revenue Account for Family Takaful Business (Life)
for the Year Ended 31 December 2018

	Current Year	Prior Year
Written Contributions		
Direct Contributions	5,825,484	5,323,930
Gross Written Contributions	5,825,484	5,323,930
Less:		
Foreign Reinsurance Contributions	2,130,012-	1,321,379-
Net Written Contributions	3,695,472	4,002,551
Add:		
Beg Balance		
Unearned Contributions Reserve	165,265	160,384
Less: Reinsurance's Share	73,928-	67,820-
Unearned Contributions Reserve - Net	91,337	92,564
Mathematical Reserve	53,238	48,230
Less: Reinsurance's Share	7,765-	9,495-
Mathematical Reserve - Net	45,473	38,735
Less:		
End Balance		
Unearned Contributions Reserve	167,123	165,265
Less: Reinsurance's Share	73,778-	73,928-
Unearned Contributions Reserve - Net	93,345	91,337
Mathematical Reserve	51,706	53,238
Less: Reinsurance's Share	6,549-	7,765-
Mathematical Reserve - Net	45,157	45,473
Net Earned revenues from underwriting Contributions	3,693,780	3,997,040

The Islamic Insurance Co.
Amman - Jordan
Claim Expenses Account for Family Takaful Business (Life)
for the Year Ended 31 December 2018

	Current Year	Prior Year
Gross Paid Claims	2,892,971	2,188,069
<u>Less:</u>		
Foreign Reinsurance Share	1,844,263-	1,286,803-
Net Paid Claims	1,048,708	901,266
<u>Add:</u>		
Outstanding Claims Reserve - End		
Reported	1,003,935	908,462
Not Reported	150,000	50,000
Less: Reinsurance's Share	598,390-	546,263-
Net Outstanding Claims Reserve - End	555,545	412,199
<u>Less:</u>		
Outstanding Claims Reserve - Beg		
Reported	908,462	767,246
Not Reported	50,000	150,000
Less: Reinsurance's Share	546,263-	408,287-
Net Outstanding Claims Reserve - Beg	412,199	508,959
Net Cost of Claims	1,192,054	804,506

The Islamic Insurance Co.
Amman - Jordan
Underwriting Profit (Loss) Account for Family Takaful Business (Life)
for the Year Ended 31 December 2018

	Current Year	Prior Year
Net Earned revenues from underwriting Contributions	3,693,780	3,997,040
<u>Less:</u>		
Net Cost of Claims	1,192,054-	804,506-
<u>Add:</u>		
Policy and Survey Fees	59,035	53,375
Total Revenues	59,035	53,375
Less:		
Excess of Loss Contributions	12,500	12,500
Shareholder's Share Against Takaful Operation Management	1,048,587	1,171,265
Other Expenses	73,446	58,852
Total Expenses	1,134,533	1,242,617
Underwriting Profit	1,426,228	2,003,292

The Islamic Insurance Co.
Amman - Jordan
Underwriting Revenue Account for General Takaful Business
for the Year Ended 31 December 2018

	Motor		Marine & Transportation		Fire & Engineering		Medical		Others		Total	
	Current Year	Prior Year	Current Year	Prior Year	Current Year	Prior Year	Current Year	Prior Year	Current Year	Prior Year	Current Year	Prior Year
Gross Written Contributions												
Direct Contributions	8,747,068	8,438,876	780,019	785,296	1,654,219	1,629,141	6,072,147	5,787,989	724,045	703,175	17,977,498	17,344,477
Facultative Incoming Reinsurance	748,724	735,129	0	0	57,950	70,371	0	0	1,586	1,737	808,260	807,237
Gross Contributions	9,495,792	9,174,005	780,019	785,296	1,712,169	1,699,512	6,072,147	5,787,989	725,631	704,912	18,785,758	18,151,714
Less:												
Domestic Reinsurance Contributions	583,156-	460,054-	837-	2,113-	71,760-	86,084-	0	0	6,730-	6,670-	662,483-	554,921-
Foreign Reinsurance Contributions	179,781-	179,223-	220,657-	240,119-	947,066-	925,279-	3,441,904-	3,148,381-	342,364-	335,440-	5,131,772-	4,828,442-
Net Contributions	8,732,855	8,534,728	558,525	543,064	693,343	688,149	2,630,243	2,639,608	376,537	362,802	12,991,503	12,768,351
Add:												
Beg. Balance												
Unearned Contributions Reserve	4,417,305	4,682,417	193,251	162,569	646,041	707,298	1,303,567	1,308,864	130,980	78,838	6,691,144	6,939,986
Less: Reinsurance's Share	425,046-	394,267-	156,980-	124,968-	546,712-	618,825-	733,441-	727,485-	77,645-	30,905-	1,939,824-	1,896,450-
Unearned Contributions - Net	3,992,259	4,288,150	36,271	37,601	99,329	88,473	570,126	581,379	53,335	47,933	4,751,320	5,043,536
Less:												
End. Balance												
Unearned Contributions Reserve	4,553,245	4,417,305	190,317	193,251	678,289	646,041	1,388,923	1,303,567	132,437	130,980	6,943,211	6,691,144
Less: Reinsurance's Share	439,972-	425,046-	153,634-	156,980-	551,559-	546,712-	800,289-	733,441-	78,416-	77,645-	2,023,870-	1,939,824-
Unearned Contributions - Net	4,113,273	3,992,259	36,683	36,271	126,730	99,329	588,634	570,126	54,021	53,335	4,919,341	4,751,320
Net Earned revenues from Und. Cont.	8,611,841	8,830,619	558,113	544,394	665,942	677,233	2,611,735	2,650,861	375,851	357,400	12,823,482	13,060,567

The Islamic Insurance Co.
Amman - Jordan
Claim Expenses Account for General Takaful Business
for the Year Ended 31 December 2018

	Motor		Marine & Transportation		Fire & Engineering		Medical		Others		Total	
	Current Year	Prior Year	Current Year	Prior Year	Current Year	Prior Year	Current Year	Prior Year	Current Year	Prior Year	Current Year	Prior Year
Gross Paid Claims	9,572,681	9,082,420	39,061	118,138	541,266	408,210	5,444,345	5,997,796	104,787	107,898	15,702,140	15,714,462
Less:												
Recoveries	2,104,845-	1,435,030-	0	10,454-	7,835-	15,899-	0	0	2,578-	5,181-	2,115,258-	1,466,564-
Domestic Reinsurance's Share	0	0	122-	6,028-	10,070-	70-	0	0	0	0	10,192-	6,098-
Foreign Reinsurance's Share	443,785-	270,367-	30,062-	63,339-	489,347-	318,042-	3,258,870-	3,586,230-	33,584-	28,055-	4,255,648-	4,266,033-
Net Paid Claims	7,024,051	7,377,023	8,877	38,317	34,014	74,199	2,185,475	2,411,566	68,625	74,662	9,321,042	9,975,767
Add:												
Outstanding Claims Reserve - End.												
Reported	8,475,498	7,871,290	163,675	69,152	840,142	272,816	274,508	442,297	147,391	155,020	9,901,214	8,810,575
Not Reported	1,782,000	1,665,000	5,000	2,000	14,061	9,490	677,448	652,138	9,000	10,000	2,487,509	2,338,628
Less:												
Reinsurance's Share	1,773,496-	1,835,935-	116,773-	58,143-	801,283-	259,470-	571,174-	656,661-	65,679-	64,887-	3,328,405-	2,875,096-
Recoveries	130,000-	375,000-	0	0	0	0	0	0	0	0	130,000-	375,000-
Outstanding Claims Reserve - Net												
Reported	6,572,002	5,660,355	46,902	11,009	38,859	13,346	109,803	176,919	81,712	90,133	6,849,278	5,951,762
Not Reported	1,782,000	1,665,000	5,000	2,000	14,061	9,490	270,979	260,855	9,000	10,000	2,081,040	1,947,345
Add:												
Outstanding Claims Reserve - Beg.												
Reported	7,871,290	7,389,592	69,152	73,413	272,816	441,366	442,297	693,806	155,020	180,778	8,810,575	8,778,955
Not Reported	1,665,000	1,689,372	2,000	2,000	9,490	16,000	652,138	393,614	10,000	11,000	2,338,628	2,111,986
Less:												
Reinsurance's Share	1,835,935-	1,795,062-	58,143-	60,684-	259,470-	433,721-	656,661-	652,452-	64,887-	77,868-	2,875,096-	3,019,787-
Recoveries	375,000-	220,000-	0	0	0	0	0	0	0	0	375,000-	220,000-
Outstanding Claims Reserve - Net	7,325,355	7,063,902	13,009	14,729	22,836	23,645	437,774	434,968	100,133	113,910	7,899,107	7,651,154
Net Cost of Claims	8,052,698	7,638,476	47,770	36,597	64,098	73,390	2,128,483	2,414,372	59,204	60,885	10,352,253	10,223,720

The Islamic Insurance Co.
Amman - Jordan
Underwriting Profit (Loss) Account of General Takaful Business
for the Year Ended 31 December 2018

Motor	Marine & Transportation		Fire & Engineering		Medical		Others		Total	
	Prior Year	Current Year	Prior Year	Current Year	Prior Year	Current Year	Prior Year	Current Year	Prior Year	Current Year

Net Earned revenues from underwriting Cont. 8,611,841 8,830,619 558,113 544,394 665,942 677,293 2,611,735 2,650,861 375,851 357,400 12,823,482 13,060,567

Less: Net Cost Of Claims -8,052,698 -7,638,476 -47,770 -36,597 -64,098 -73,390 -2,128,483 -2,414,372 -59,204 -60,885 -10,352,253 -10,223,720

Add: Policy and Survey Fees 179,934 181,427 20,574 20,563 43,960 39,862 133,235 120,876 22,453 20,122 400,156 382,850

Total Revenues 179,934 181,427 20,574 20,563 43,960 39,862 133,235 120,876 22,453 20,122 400,156 382,850

Less:

Policies Acquisition Cost -300,647 -249,974 -9,343 -6,896 -30,625 -40,148 -13,187 -15,075 -6,790 -4,043 -360,592 -316,136

Excess of Loss Contributions -340,000 -340,000 -16,500 -16,500 -67,000 -67,000 0 0 0 0 -423,500 -423,500

Shareholder's Share Against Takaful Operation Man -1,709,243 -2,018,281 -140,403 -172,765 -308,190 -373,893 -1,092,987 -1,273,357 -130,614 -155,081 -3,381,437 -3,993,377

Other Expenses -325,126 -264,084 -5,620 -7,242 -20,667 -8,557 -54,390 -62,857 -7,765 -7,761 -413,568 -350,501

Total Expenses -2,675,016 -2,872,339 -171,866 -203,403 -426,482 -489,598 -1,160,564 -1,351,289 -145,169 -166,885 -4,579,097 -5,083,514

Underwriting Profit (Loss) -1,935,939 -1,498,769 359,051 324,957 219,322 154,167 -544,077 -993,924 193,931 149,752 -1,707,712 -1,863,817

**THE ISLAMIC INSURANCE COMPANY
PUBLIC SHAREHOLDING COMPANY**

Amman - Jordan

NOTES TO THE FINANCIAL STATEMENTS AS AT 31 DECEMBER 2018

1- GENERAL

- The Islamic Insurance Company (the "Company") was established on 1996 and registered as a public shareholding company under license No. (306) with an authorized paid in capital of JD 15,000,000 divided into 15,000,000 shares at JD 1 per share.
- the Company engages in several Insurance activities that complies with Islamic regulation including, motor, marine transportation hazard, fire insurance, comprehensive household insurance, engineering and contractor's plant and equipment insurance, miscellaneous insurance, workers compensation insurance, liability insurance, glass plate insurance, personal accidents, medical, and social takaful insurance (Life), and all Investment business with means free of usury any illegitimate, and with accordance with Shari'ah Islamic principles and Jordan Insurance Commission Instructions,
- The financial statements were approved by the Board of Directors during their meeting on 12 February 2019 and are subject to the approval of the Shareholders General

2- BASIS OF PREPARATION OF FINANCIAL STATEMENTS

- The financial statements were prepared in accordance with Accounting and auditing standards issued by accounting and auditing organization for Islamic Financial Institutions (AAOIFI) and according to International Financial Reporting Standards (IFRSs) as issued by the International Accounting Standards Board and in conformity with applicable local laws.
- The financial statements have been prepared according to the historical cost convention except for the financial assets at fair value through profit or loss and the financial assets at fair value through other comprehensive income which are stated at fair value at the date of the financial statements.
- The financial statement have been presented in Jordanian Dinar (JD) which is the functional currency of the company.
- The accounting policies used in the preparation of the financial statements are consistent with those used in the preparation of the annual financial statements for the year ended 31 December 2017.

**THE ISLAMIC INSURANCE COMPANY
PUBLIC SHAREHOLDING COMPANY**

Amman - Jordan

NOTES TO THE FINANCIAL STATEMENTS AS AT 31 DECEMBER 2018

The application of New & Revised IFRS

The company applying during the year New & Revised IFRS, as Follow:

- 1 The standard Issued by International Accounting Standards Board.
- 2 International Financial Reporting standards that follow to the International accounting standard board that effective from first of January 2005
- 3 IFRS (9): Financial Instruments

- The company have applied IFRS (9) that focus on impairment measure of value at 1 Jan. 2018 without amending comparable figures.
- The Effect of Application of IFRS (9) on Financial statements is as follows:

	Total	Effect of Application of IFRS (9)	Total
Shareholders & Policy holders Equity's			
Retained Earnings	3328061	-56705	3271356
Accumulated Surplus	285444	-25785	259659
Deposits	20076290	-80000	19996290
Cheques Under Collection	1191545	-2490	1189055

- The Application of New and Revised IFRS didn't result in a substantial impact on the financial amounts for the current and prior periods except the above.
- **New International Financial Reporting Standards**
- The company have applied the new effective International Financial Reporting Standards

**THE ISLAMIC INSURANCE COMPANY
PUBLIC SHAREHOLDING COMPANY**

Amman - Jordan

NOTES TO THE FINANCIAL STATEMENTS AS AT 31 DECEMBER 2018

Accounting policies:

Segments information

Business sectors represent group of assets and activities which cooperate together in providing products and services subject to risks and returns different from those related to other sectors which are measured based on the reports used by the chief executive officer and the decision maker in the company.

Geographical sector is associated with providing products and services in specified economical environment subject to risks and returns different from those related to other sectors in the economical environment.

Intangible assets

Intangible assets acquired through business combinations are recorded at their fair value on that date. Other intangible assets are measured on initial recognition at cost. Intangible assets with finite lives are amortized over the useful economic lives, while intangible assets with indefinite useful lives are assessed for impairment at each reporting date or when there is an indication that the intangible asset may be impaired.

Internally generated intangible assets are not capitalized and are expensed in the statement of income.

Indications of impairment of intangible assets are reviewed for and their useful economic lives are reassessed at each reporting date. Adjustments are reflected in the current and subsequent periods.

Intangible assets include computer software and software licenses. These intangible assets are amortized on a straight line basis over their estimated economic useful lives of 2 years.

Property and equipment

Property and equipment are stated at cost less accumulated depreciation and accumulated impairment loss. Depreciation is computed for property and equipment (except land) when it is ready for use on a straight-line basis using annual depreciation rates as follows:

	%
Buildings / Improvements	2
Equipment, furniture & fixture	20
Vehicles	15
Computers	35

Depreciation is calculated for property and equipment when these assets are ready for their intended use.

**THE ISLAMIC INSURANCE COMPANY
PUBLIC SHAREHOLDING COMPANY**

Amman - Jordan

NOTES TO THE FINANCIAL STATEMENTS AS AT 31 DECEMBER 2018

Property and equipment at progress (for the Company's intended use or lease or undetermined purposes) are stated at cost less accumulated impairment loss.

The carrying values of property and equipment are reviewed for impairment when events or changes in circumstances indicate the carrying values may not be recoverable. If any such indication exists and where the carrying values exceed the estimated recoverable amounts, the assets are written down to their recoverable amount and the impairment is recorded in the income statement.

Useful life of property and equipment is reviewed annually, and changes in the expected useful life are treated as changes in accounting estimates.

When assets are sold or retired, their cost and accumulated depreciation are eliminated from the accounts and any gain or loss resulting from their disposal is included in the income statement.

An item of property and equipment is derecognized upon disposal or when no future economic benefits are expected from its use or disposal.

Amortized Cost Assets:

The Financial Assets Should be measured at Amortized cost:

- The purpose from holding according to its business model having contract cash flows.
- Meet principle and profit on the outstanding principal amount.

The amortized cost assets are measured at purchase cost plus transaction expenses.

The impairment of amortized cost is recorded in income statement and/or policyholders revenues & expenses statement.

The impairment amount represent the difference between booked value and present value of future cash flows.

Financial assets at Fair Value Through Profit Or Loss:

Financial assets (which is not meet the financial assets conditions for measuring at amortized cost) are measured at fair value, such as Jordan Islamic Bank mukarada bonds which hold according to its business model and cash flows, but it is not meet principal and profit on the outstanding principal amounts

The Financial assets at fair value through profit or loss represent equity instruments investments, and the objective from holding it is, profit generating from short term market prices changes or trading profits margin.

The Financial assets at fair value through profit or loss is recorded at Fair Value on purchase time, and evaluated at fair value at each financial statement preparation

The changes in fair value is recorded in income statement and / or policy holders Revenues & Expenses statement.

The dividends received from financial assets are recorded in income statement and / or policyholders Revenues & Expenses statement.

**THE ISLAMIC INSURANCE COMPANY
PUBLIC SHAREHOLDING COMPANY**

Amman - Jordan

NOTES TO THE FINANCIAL STATEMENTS AS AT 31 DECEMBER 2018

Financial assets at fair value through other comprehensive income

- Equity investments that are not held for sale in the near future.
These financial instruments are initially measured at their fair value plus transaction costs.
- Subsequently, they are measured at fair value. Gains or losses arising on subsequent measurement of these equity investments including the change in fair value arising from non-monetary assets in foreign currencies are recognized in other comprehensive income in the statement of changes in equity. The gain or loss on disposal of the asset is reclassified from fair value through other comprehensive income reserve to retained earnings.
- It is not permitted to reclassify assets to or from this category except in certain circumstances determined in the International Financial Reporting Standards.
- These financial assets are not subject to impairment testing.
- Dividend income is recognized in the statement of income.

Impairment of financial assets

The Company assesses at each balance sheet date whether there is any objective evidence that a financial asset or a group of financial assets is impaired. If such evidence exists, the recoverable amount is estimated in order to determine the amount of impairment loss to be recognized in the income statement.

Offsetting

Financial assets and financial liabilities are only offset, and the net amount reported in the statement of financial position when there is a legally enforceable right to set off the recognized amounts and the Company intends to either settle on a net basis, or to realize the asset and settle the liability simultaneously.

**THE ISLAMIC INSURANCE COMPANY
PUBLIC SHAREHOLDING COMPANY**

Amman - Jordan

NOTES TO THE FINANCIAL STATEMENTS AS AT 31 DECEMBER 2018

Date of recognition of financial assets

Financial assets and financial liabilities are recognized on the trading date which is the date the Company commits itself to purchase or sell the financial assets.

Fair value

Fair value represents the closing exchange price of financial assets and derivatives on the date of the financial statements.

In case declared exchange prices do not exist, active trading of some financial assets and derivatives is not available, or the exchange is inactive, fair value is estimated by one of several methods including the following:

- Comparison with the fair value of another financial asset with similar terms and conditions.
- Analysis of the present value of expected future cash flows for similar instruments.
- Adoption of the option pricing models.

The valuation methods aim at providing a fair value reflecting the expectations of the exchange, expected risks and expected benefits.

Reinsurers' accounts

Reinsurers' shares of insurance contributions, paid claims, technical provisions, and all other rights and obligations resulting from reinsurance based on contracts concluded between the Company and reinsurers are accounted for on the accrual basis.

Cash and cash equivalents

Cash and cash equivalents comprise cash balances with banks and financial institutions maturing within three months, less restricted funds.

**THE ISLAMIC INSURANCE COMPANY
PUBLIC SHAREHOLDING COMPANY**

Amman - Jordan

NOTES TO THE FINANCIAL STATEMENTS AS AT 31 DECEMBER 2018

Income tax

Tax expense comprises of current tax and deferred taxes.

Current tax is based on taxable profits, which may differ from accounting profits published in the financial statements. Accounting profits may include non-taxable profits or tax non-deductible expenses which may be exempted in the current or subsequent financial years, or accumulated losses that are tax acceptable or items not subject to deduction for tax purposes.

Tax is calculated based on tax rates and laws that are applicable in the country of operation.

Deferred tax is the tax expected to be paid or recovered due to temporary differences between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes.

Deferred tax assets and liabilities are measured at the tax rates expected to be applied in the period when the asset is realized or the liability is settled, based on the laws enacted or substantially enacted at the date of the statement of financial position.

The carrying values of deferred tax assets are reviewed at the date of the financial statement and reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the deferred tax asset to be utilized.

Foreign currencies

Transactions in foreign currencies during the year are recorded at the exchange rates prevailing at the date of the transaction.

Financial assets and financial liabilities denominated in foreign currencies are translated at the average rates prevailing on the date of the statement of financial position and declared by the Central Bank of Jordan.

Non-monetary assets and liabilities denominated in foreign currencies and recorded at fair value are translated on the date when their fair value is determined.

Gains or losses resulting from foreign currency translation are charged to the statement of income.

Translation differences for non-monetary assets and liabilities denominated in foreign currencies (such as equity securities) are recorded as part of the change in fair value.

**THE ISLAMIC INSURANCE COMPANY
PUBLIC SHAREHOLDING COMPANY**

Amman - Jordan

NOTES TO THE FINANCIAL STATEMENTS AS AT 31 DECEMBER 2018

Provisions

Provision are recognized when the Company has an obligation at the date of financial statements as a result of past events, and the cost to settle the obligation are both probable and able to be reliably measured.

The amount recognized as a provision is the best estimate of the consideration required to settle the present obligation at the balance sheet date, taking into account the risks and uncertainties surrounding the obligation where a provision is measured using the cash flows estimated to settle the present obligation, its carrying amount is the present value of these cash flows.

When it is expected to recover some or all amounts due from other parties, the due amount will be recognized within the assets if the value can be measured reliably.

Insurance policies issuance cost

Insurance policies issuance cost represents commissions paid to intermediaries and other direct costs incurred in relation to the issuance and renewal of insurance contracts. These costs are recorded in the Policyholder's Revenue & Expenses Statement

A- Technical reserves

Technical reserves are recognised in accordance with the instructions of the Ministry of Industry, Trade and Supply- Insurance Administration, as follows:

- 1- Unearned contributions reserves are recognized when contracts are entered into and are brought to account as provision income over the term of the contract (presumably 360 days).
This measurement excludes Marine and Transportation Insurance as recognition of their premium income is based on the value of written contributions and premiums as at the date of the financial statements prepared in accordance with the prevailing laws and regulations.
- 2- The outstanding claims reserve is based on the estimated ultimate cost of all claims incurred but not settled at the reporting date.
- 3- Measurement of provision for the ultimate cost of claims incurred but not yet reported (IBNR) and unexpired risk, is based on estimates from the Company's past experience.
- 4- Unearned contributions reserve for the Family Takaful Business (Life) is measured based on the Company's experience and estimations.
- 5- Mathematical reserve is measured in accordance with the instruction and decisions issued by The Ministry of Industry, Trade and Supply-Insurance Administration.

**THE ISLAMIC INSURANCE COMPANY
PUBLIC SHAREHOLDING COMPANY**

Amman - Jordan

NOTES TO THE FINANCIAL STATEMENTS AS AT 31 DECEMBER 2018

Receivables impairment

The receivables impairment is booked when there is objective evidence that the company will not be able to collect all or part of the due amounts. This allowance is calculated based on the difference between book value of and recoverable amount. The allowance is measured after monitoring the receivables in details and all receivables ages above one year are provided for, except receivables which recoverability is probable based on the Company's experience. the company Calculate allowance for any uncollectible amount as follow:

100%	aging debt more than 360 day
50%	aging debt more than 180 day
25%	aging debt more than 90 day

End-of-Service Indemnity

Provision for end-of-service indemnity is booked by the Company for any legal or contractual obligations at the end of the employees' services according to the accumulated service terms at the date of the statement of financial position and in conformity with the Jordanian Labor Law.

Revenue recognition

A- Takaful and general insurance policies

Takaful Insurance contributions arising from Takaful insurance contracts are recorded as revenue for the year (earned insurance contributions) on the basis of the maturities of time periods and in accordance with the insurance coverage periods; unearned Takaful insurance contributions from insurance contracts at the date of the financial statement are recorded as unearned insurance contributions within liabilities.

Claims and incurred losses settlement expenses are recorded in the statement of policyholders revenues and expenses based on the expected liability amount of the compensation relating to the Takaful insurance policyholders or other affected parties.

**THE ISLAMIC INSURANCE COMPANY
PUBLIC SHAREHOLDING COMPANY**

Amman - Jordan

NOTES TO THE FINANCIAL STATEMENTS AS AT 31 DECEMBER 2018

B- Dividends and profit

Investment income is recognized when the deposit revenue recorded in the company Bank accounts.

Dividends income is recognized when the Company's right to receive the payment is established, which is generally when shareholders General Assembly approve the dividends

Cost recognition

Acquisition costs arising from the acquisition and renewal of insurance contracts are recognized in the statement of policyholders' revenues and expenses in the year they were incurred. All other costs are recognized as they accrue.

Takaful and general insurance costs

Takaful and General Insurance costs represent claims paid during the year, in addition to changes in outstanding claims reserves.

Takaful Insurance costs include all payments during the year, whether it concerns the current year or prior periods. Outstanding claims represent the highest estimated amount to settle the claims occurred before the date of financials. Outstanding claims provision is calculated based on the best available information at the date of financial statements and includes the provision for the reported claims.

Salvage and subrogation reimbursements

Estimates of salvage and subrogation reimbursements reserves are established when measuring the insurance liability for claims.

General and administrative expenses

General and administrative expenses are assumed by the shareholders of the company and should not be allocated to their pertaining lines of business. Consequently, Policyholder's underwriting accounts are charged with a fixed annual rate (wakala fee) approved by the Company's supervisory Sharia committee.

Employees Expenditure

Employees' expenditure are assumed by the shareholder's of the Company and should not be allocated to their lines of business.

**THE ISLAMIC INSURANCE COMPANY
PUBLIC SHAREHOLDING COMPANY**

Amman - Jordan

NOTES TO THE FINANCIAL STATEMENTS AS AT 31 DECEMBER 2018

Takaful policies issuance costs

Takaful policies issuance fees represent costs incurred by the Company for the sale, underwriting, or insurance of a new Takaful insurance contract. Issuance costs are recognized in the statement of policyholders revenues and expenses.

Deficiency coverage reserve (Emergency Allowance)

20% of all policyholders surplus and policyholders' gain from sale of financial assets at fair value through other comprehensive income recognized during the year are transferred to the contingencies provision to cover the deficits in future financial periods, and only if no accumulated deficit was present at date of the transfer. The reserve is not distributable to policyholders' and must not exceed total technical provisions.

In case of liquidation, the Deficiency coverage reserve (Emergency Allowance) is distributed to after the settlement of any outstanding non-profitable loans if present.

Basis for determining the insurance surplus

Insurance surplus is the excess of the total contributions collected investment profit of their contributions and any other income after deducting claims paid, technical, reserves shareholders share for management of Takaful operations and investments, and policyholder's fund expense.

Different lines of business are treated as a single unit when computing the insurance surplus.

Basis for Distributing the Insurance surplus

The insurance surplus is limited to the policyholders' and can only allocated to be them. Shareholders do not have the right in the surplus.

The insurance surplus is distributed among policyholders' in proportion to their respective contribution percentage without distinguishing between those who for insurance claims and those who have not during the fiscal year.

The Company retains any un-distributed amount not claimed by the policyholders' in a separate account presented within the policyholders' fund to be later transferred to the reserve to cover deficit (Emergency Allowance) after acquiring the approval of the Sharia' Supervisory Committee.

In case of liquidation, the insurance surplus for the period is allocated to policyholders while any undistributed and unclaimed surplus of prior periods (if any) will be distributed to charity after the settlement of any outstanding non-profitable loan.

**THE ISLAMIC INSURANCE COMPANY
PUBLIC SHAREHOLDING COMPANY**

Amman - Jordan

NOTES TO THE FINANCIAL STATEMENTS AS AT 31 DECEMBER 2018

Methods of covering policyholder's fund deficit

In case of deficit or accumulated deficit in the policyholders' current account, the deficit is covered by the Emergency Allowance. In case of the shortage in the Emergency Allowance the shareholders will grant the policyholders' a non-profitable loan to cover all the shortage, and the company creates a full allowance against this loan.

Non-compliant Sharia' transactions

The Company is committed to comply with Sharia' in its operations and to disclose any income or gains from the transactions inconsistent with Sharia'.

Any revenues and gains non-compliant with Sharia' are recorded in separate accounts which are presented in the financial statements within other credit balances (shareholders' liabilities) and are recorded in the income statement. This account is used for charity based on the Sharia' committee decision.

Policyholders and shareholders' financial investments

The Company complies with the principles of Takaful Insurance by maintaining complete separate entries and records for the policyholders and the shareholders.

The shareholders paid all general expenses and manage Takaful Business for Policyholders' interest in accordance with contracts on the basis of known Wakala Fees.

The shareholder's investment surplus funds from the policyholder's account against known share from Investment Revenue as Mudhareb.

The percentage as determined by Board and approved by Sharia' Committee, as follows:

18% Company share from Gross written Contributions as Wakala Fees against manage Takaful business to cover administrative expenditures for 2018

25% Company share from Investment Revenue as Mudhareb for 2018

**THE ISLAMIC INSURANCE COMPANY
PUBLIC SHAREHOLDING COMPANY**

Amman - Jordan

NOTES TO THE FINANCIAL STATEMENTS AS AT 31 DECEMBER 2018

3- Investment Deposits

This Item Consist of The Following:

2018										2017	
Details	Deposits maturing within one month		Deposits maturing After a month till three months		Deposits maturing after three months till one year		Total		Total		
	JOD		JOD		JOD		JOD		JOD		
	Policyholders	Shareholders	Policyholders	Shareholders	Policyholders	Shareholders	Policyholders	Shareholders	Policyholders	Shareholders	
	Inside Jordan	1,377,041	501,766	0	0	4,025,000	8,466,703	5,402,041	8,968,469	5,496,534	10,200,842
Outside Jordan	0	0	0	0	710,000	3,735,826	710,000	3,735,826	710,000	3,668,914	
Total	1,377,041	501,766	0	0	4,735,000	12,202,529	6,112,041	12,704,295	6,206,534	13,869,756	
Unexpected Credit Loss Allowance	-2,312	-430	0	0	-20,983	-57,801	-23,295	-58,231	0	0	
Net	1,374,729	501,336	0	0	4,714,017	12,144,728	6,088,746	12,646,064	6,206,534	13,869,756	

There is no steady profit rate for the Band Deposits , because the profit associated with the result of bank Investments that relay on Shar'ia Mudaraba principles . The annual profit rate ranged from 2% to 4% for bank deposits for the period ended 31.12.2018

**THE ISLAMIC INSURANCE COMPANY
PUBLIC SHAREHOLDING COMPANY**

Amman - Jordan

NOTES TO THE FINANCIAL STATEMENTS AS AT 31 DECEMBER 2018

* This Item Consist of The Following

	2018		2017	
	Policyholders JOD	Shareholders JOD	Policyholders JOD	Shareholders JOD
Balance at 1 January	0	0	0	0
Effect of Application of IFRS 9	23,295	56,705	0	0
The amended Balance	23,295	56,705	0	0
Additions	0	1,526	0	0
Written off	0	0	0	0
Balance at 31 December	23,295	58,231	0	0

4- Financial Assets At Fair Value Through Profit or Loss

This Item Consist of The Following:

	2018		2017	
	Policyholders JOD	Shareholders JOD	Policyholders JOD	Shareholders JOD
Inside Jordan				
Al Wakala Bi Al Istithamar Investment Portfolio	1,000,000	3,000,000	1,000,000	3,000,000
Total	1,000,000	3,000,000	1,000,000	3,000,000

* Investment Portfolio represent Bonds Issued from Jordan Islamic Bank, and Subscribed with it during the year, and this bonds don't have Maturity date and it is not listed in the Financial Market whereas the management can Liquid the Bond in any time during the year, and finally the bond valued in cost as the best measurement for the fair value.

**THE ISLAMIC INSURANCE COMPANY
PUBLIC SHAREHOLDING COMPANY**

Amman - Jordan

NOTES TO THE FINANCIAL STATEMENTS AS AT 31 DECEMBER 2018

5- FINANCIAL ASSETS AT FAIR VALUE THROUGH OTHER COMPREHENSIVE INCOME

This Item Consist of The Following:

	2018		2017	
	Policyholders JOD	Shareholders JOD	Policyholders JOD	Shareholders JOD
Inside Jordan				
Shares quoted in Amman stock exchange	2,061,604	6,184,810	2,010,337	6,031,011
Unquoted shares	0	0	0	0
TOTAL	2,061,604	6,184,810	2,010,337	6,031,011
Outside Jordan				
Quoted shares	0	609,298	0	734,265
Unquoted shares *	0	118,313	0	118,313
TOTAL	0	727,611	0	852,578
TOTAL	2,061,604	6,912,421	2,010,337	6,883,589

* This item represents financial assets with no publicly traded prices Outside Jordan and appear in cost
6- Amortized Cost Assets:

This Item Consist of The Following:

	2018		2017	
	Policyholders JOD	Shareholders JOD	Policyholders JOD	Shareholders JOD
Islamic Finance Soukok - National Electricity Co.	186,750	560,250	0	0
Total	186,750	560,250	0	0

* Islamic Finance Soukok represents Soukok Issued from National Electricity co. and Subscribed with during the year and this Soukok have maturity date and valued in cost as the best measurement for the fair value

7- CASH ON HAND AND AT BANKS

**THE ISLAMIC INSURANCE COMPANY
PUBLIC SHAREHOLDING COMPANY**

Amman - Jordan

This Item Consist of The Following:

NOTES TO THE FINANCIAL STATEMENTS AS AT 31 DECEMBER 2018

	2018		2017	
	Policyholders	Shareholders	Policyholders	Shareholders
	JOD	JOD	JOD	JOD
Cash on hand	14,367	0	13,166	0
Current accounts	767,180	7,501	1,077,924	264,016
Total	781,547	7,501	1,091,090	264,016

8- CHEQUES UNDER COLLECTION

This Item Consist of The Following:

	2018	2017
	JOD	JOD
Cheques under Collection*	1,407,878	1,191,545
Less: Unexpected Credit loss Allowance**	2,937-	0
Net	1,404,941	1,191,545

* Cheques under collection maturity extend to December 2019

**THE ISLAMIC INSURANCE COMPANY
PUBLIC SHAREHOLDING COMPANY**

Amman - Jordan

NOTES TO THE FINANCIAL STATEMENTS AS AT 31 DECEMBER 2018

**** This Item Consist of The Following:**

	2018	2017
	JOD	JOD
Balance at 1/January	0	0
The Effect of Application of IFRS 9	2,490	0
The Amended Balance	2,490	0
Additions	447	0
Written off	0	0
Balance at 31 December	2,937	0

9- ACCOUNTS RECEIVABLE. NET
This Item Consist of The Following:

	2018	2017
	JOD	JOD
Policyholders' receivable	3,739,649	3,203,082
Policies' receivable due to the merger	0	0
Brokers' receivable	0	0
Employees' receivable	3,050	1,958
Other	0	0
Total	3,742,699	3,205,040
Allowance for doubtful debts	-206,606	-299,149
Allowance *		
Unexpected Credit Loss Allowance**	-110,780	0
Accounts receivable, net	3,425,313	2,905,891

**THE ISLAMIC INSURANCE COMPANY
PUBLIC SHAREHOLDING COMPANY**

Amman - Jordan

NOTES TO THE FINANCIAL STATEMENTS AS AT 31 DECEMBER 2018

* The movement on the allowance for doubtful debts is as follows:

	2018	2017
	JOD	JOD
Balance at the beginning of the year	299,149	193,539
The Effect of Application of IFRS 9	110,557-	0
The Amended Balance	188,592	193,539
Additions	18,014	105,610
Written off	0	0
Balance at year end	206,606	299,149

** The movement on Unexpected Credit Loss Allowance is as Follows:

	2018	2017
	JOD	JOD
Balance at the beginning of the year	0	0
The Effect of Application of IFRS 9	110,557	0
The Amended Balance	110,557	0
Additions	223	0
Written off	0	0
Balance at year end	110,780	0

10- REINSURERS RECEIVABLES, NET

This Item Consist of The Following:

	2018	2017
	JOD	JOD
Local reinsurance companies	111,996	69,536
Foreign reinsurance companies	574,547	192,429
Total	686,543	261,965
Allowance for the reinsurance receivables*	-18,737	-60,853
Unexpected Credit Loss Allowance**	-23,877	0
Reinsurance receivables, net	643,929	201,112

**THE ISLAMIC INSURANCE COMPANY
PUBLIC SHAREHOLDING COMPANY**

Amman - Jordan

NOTES TO THE FINANCIAL STATEMENTS AS AT 31 DECEMBER 2018

* The movement on the allowance for the reinsurance receivables is as follows:

	2018	2017
	JOD	JOD
Balance at the beginning of the year	60,853	166,463
The Effect of Application of IFRS 9	-9,040	0
The Amended Balance	51,813	166,463
Additions	0	0
written off	-33,076	-105,610
Balance at year end	18,737	60,853

** The movement on Unexpected Credit Loss Allowance is as Follows:

	2018	2017
	JOD	JOD
Balance at the beginning of the year	0	0
The Effect of Application of IFRS 9	9,040	0
The Amended Balance	9,040	0
Additions	14,837	0
written off	0	0
Balance at year end	23,877	0

**THE ISLAMIC INSURANCE COMPANY
PUBLIC SHAREHOLDING COMPANY**

Amman - Jordan

NOTES TO THE FINANCIAL STATEMENTS AS AT 31 DECEMBER 2018

11- INCOME TAX

A- Income tax provision

The movement on the income tax provision is as follows:

	2018		2017	
	Policyholders JOD	Shareholders JOD	Policyholders JOD	Shareholders JOD
Balance at beginning of the year	-64,762	506,875	-51,604	496,205
Income tax paid	-3,258	-577,889	-65,261	-579,325
Income tax provision	<u>0</u>	<u>294,597</u>	<u>52,103</u>	<u>589,995</u>
Balance at end of the year	-68,020	223,583	-64,762	506,875
Income Tax appear in the Incoms statement represet:				
Current year income tax	0	294,597	2,103	589,995
Prior Year income tax	0	0	50,000	0
Total	0	294,597	52,103	589,995

Summary of reconciliation of accounting profit with taxable profit:

	2018		2017	
	Policyholders JOD	Shareholders JOD	Policyholders JOD	Shareholders JOD
Accounting profit - statement B & C	15,484	1,464,024	421,933	2,647,241
Non-taxable income	-2,365,783	-303,981	-2,410,516	-259,824
non-deductible expenses	2,231,040	67,445	1,997,345	70,897
Taxable profit	<u>-119,259</u>	<u>1,227,488</u>	<u>8,762</u>	<u>2,458,314</u>
income tax	<u>-28,622</u>	<u>294,597</u>	<u>2,103</u>	<u>589,995</u>
Income tax rat	24%	24%	24%	24%

A final Clearance was obtained for 2015 tax returns

B The management and the tax consultant believe that the income tax provision is adequate as of 31 December 2018

Amman - Jordan

This Item Consist of The Following:

NOTES TO THE FINANCIAL STATEMENTS AS AT 31 DECEMBER 2018

			2018				
	Buldings	Equipment & furniture fixture	Vehicles	Computer Devices	TOTAL		
JOD	JOD	JOD	JOD	JOD	JOD	JOD	JOD
2018							
COST							
Balance at 1 January 2018	963,098	524,592	209,300	270,027	1,967,017		
Additions	0	30,825	0	24,618	55,443		
Disposals	0	-3,101	0	0	-3,101		
Balance at 31 December 2018	963,098	552,316	209,300	294,645	2,019,359		
Accumulated depreciation							
Balance at 1 January 2018							
Additions	383,051	358,948	151,771	239,422	1,133,192		
Disposals	19,262	56,625	16,043	18,291	110,221		
	0	-3,101	0	0	-3,101		
Balance at 31 December 2018	402,313	412,472	167,814	257,713	1,240,312		
Net Book value at 31.12.2018	560,785	139,844	41,486	36,932	779,047		
			2017				
2017							
COST							
Buildings		Equipment & furniture fixture	Vehicles	Computer Devices	TOTAL		
JOD	JOD	JOD	JOD	JOD	JOD	JOD	JOD
Balance at 1 January 2017	912,593	483,565	209,300	242,832	1,848,290		
Additions	50,505	46,946	0	27,195	124,646		
Disposals	0	-5,919	0	0	-5,919		
Balance at 31 December 2017	963,098	524,592	209,300	270,027	1,967,017		
Accumulated depreciation							
Balance at 1 January 2017							
Additions	364,070	301,641	127,321	227,592	1,020,624		
Disposals	18,981	63,226	24,450	11,830	118,487		
	0	-5,919	0	0	-5,919		
Balance at 31 December 2017	383,051	358,948	151,771	239,422	1,133,192		
Net Book value at 31.12.2017	580,047	165,644	57,529	30,605	833,825		
Property & Equipment Fully depreciated amounted JD619,366 as at 31.12.2018							

**THE ISLAMIC INSURANCE COMPANY
PUBLIC SHAREHOLDING COMPANY**

Amman - Jordan

13- INTANGIBLE ASSETS

This Item Consist of The Following:

NOTES TO THE FINANCIAL STATEMENTS AS AT 31 DECEMBER 2018

	2018	2017
	JOD	JOD
Software and computer programs		
Balance at 1 January	11,468	4,956
Additions	14,430	13,379
Amortization	-7,277	-6,867
Balance at 31 December	18,621	11,468

14- OTHER ASSETS

This Item Consist of The Following:

	2018		2017	
	Policyholders JOD	Shareholders JOD	Policyholders JOD	Shareholders JOD
Prepaid expenses	0	128,264	0	67,109
Outstandeng Recovery	620,000	0	375,000	0
Refundable insurance	0	11,819	0	8,968
Software Under Construction	0	62,500	0	69,420
Total	620,000	202,583	375,000	145,497

**THE ISLAMIC INSURANCE COMPANY
PUBLIC SHAREHOLDING COMPANY**

Amman - Jordan

NOTES TO THE FINANCIAL STATEMENTS AS AT 31 DECEMBER 2018

15- Mathematical Reserve - net.

This Item Consist of The Following:

2018	2017
JOD	JOD
Mathematical Reserve - net	45,473
Mathematical Reserve - net	45,473

16- ACCOUNTS PAYABLE

This Item Consist of The Following:

2018	2017
JOD	JOD
Agents payable	14,644
Brokers payable	12,172
Individual	85,072
companies payable	54,417
Institutions payable	3,950
Carag station & suppliers Co.	6,309
Other payables	68,113
Total	244,677

17- REINSURERS PAYABLE

This Item Consist of The Following:

2018	2017
JOD	JOD
Local reinsurance companies	252,584
Foreign reinsurance companies	2,168,223
Total	2,420,807

**THE ISLAMIC INSURANCE COMPANY
PUBLIC SHAREHOLDING COMPANY**

Amman - Jordan

18- OTHER PROVISIONS

NOTES TO THE FINANCIAL STATEMENTS AS AT 31 DECEMBER 2018

This Item Consist of The Following:

	2018	2017
	JOD	JOD
Employee Leaves Provision	249,602	242,022
End of service provision	423,940	364,075
Other Previsions	625,000	625,000
Total	1,298,542	1,231,097

	Ending Balance	Used during the year	Created during the year	Beginning Balance
	JOD	JOD	JOD	JOD
Employee Leaves Provision	249,602	0	7,580	242,022
End of service provision	423,940	0	59,865	364,075
Other Provisions	625,000	0	0	625,000
Total	1,298,542	0	67,445	1,231,097

**THE ISLAMIC INSURANCE COMPANY
PUBLIC SHAREHOLDING COMPANY**

Amman - Jordan

19- OTHER LIABILITIES

NOTES TO THE FINANCIAL STATEMENTS AS AT 31 DECEMBER 2018

This Item Consist of The Following:

	2018		2017	
	Policyholders JOD	Shareholders JOD	Policyholders JOD	Shareholders JOD
Accrual & not paid Commission	101,021	0	103,919	0
Ministry of Finance Deposits	143,026	182	130,199	258
Deposits of the Others	18,125	3,408	21,304	2,870
Medical Insurance Fund	0	152,340	0	164,506
Shareholders' Deposits	0	37,269	0	25,961
General Provision	0	6,345	0	6,269
Board of directors remuneration	0	55,000	0	55,000
Social Security Fund	0	26,571	0	29,280
Total	262,172	281,115	255,422	284,144

20- Deficiency coverage (Emergency Allowance)

This account represents what has been transferred from the policyholders' fund surplus during this year and previous years at a percentage of 20% Movement on Deficiency Coverage (Emergency Allowance)

	2018	2017
	JOD	JOD
Beginning Balance	863,779	529,393
Less: usage to cover policyholders fund	27,394-	0
'Add: transferred from policyholders surplus	0	84,386
Add: transferred from non demandsurplus	250,000	250,000
Ending Balance	1,086,385	863,779

**THE ISLAMIC INSURANCE COMPANY
PUBLIC SHAREHOLDING COMPANY**

Amman - Jordan

NOTES TO THE FINANCIAL STATEMENTS AS AT 31 DECEMBER 2018
21- CUMULATIVE CHANGE IN FAIR VALUE of Securities

	2018		2017	
	Policyholders JOD	Shareholders JOD	Policyholders JOD	Shareholders JOD
Balance at the beginning of the year	-224,082	-1,005,825	-237,804	-1,209,528
Realized Loss transferred to Retained Earning	0	51,280	0	0
Realized Loss transferred to Accumulative Change during the year	17,093	0	0	0
- Net change during the year (w/z) statement	-171,093	-638,246	13,722	203,703
Balance at the Ending of the year	-154,000	-586,966	13,722	203,703
	-378,082	-1,592,791	-224,082	-1,005,825

The cumulative change in fair value amounted JOD (1,970,873) for 2018 against JOD (1,229,907) for the previous year.

22- Non demand surplus

	2018	2017
	JOD	JOD
Balance at the beginning of the year	301,881	507,515
Less: distributed to charity acts	-42,294	-51,669
Add: Non distributed surplus	81,477	96,035
Less: transfered to Deficiency coverage	-250,000	-250,000
Balance at the Ending of the year	91,064	301,881

These accumulated amounts represent non demanded policyholders surplus distributions to date 31.12.2018

**THE ISLAMIC INSURANCE COMPANY
PUBLIC SHAREHOLDING COMPANY**

Amman - Jordan

NOTES TO THE FINANCIAL STATEMENTS AS AT 31 DECEMBER 2018

23- Accumulated surplus

This Item Consist of The Following:

	<u>2018</u>	<u>2017</u>
	<u>JOD</u>	<u>JOD</u>
Balance at the beginning of the year	285,444	316,423
The Effect of Application of IFRS 9	-25,785	0
The Amended Balance	<u>259,659</u>	<u>316,423</u>
Add: policyholders' surplus for the current year statement B	15,484	369,830
Less: transferred from cumulative change in Fair value	-17,093	0
Less: transferred to Deficiency coverage reserve	0	-84,386
Less: Policyholders' surplus distributed	-203,967	-220,388
Less: Transferred to non- demand surplus	-81,477	-96,035
Less: Transferred from Deficiency Coverage reserve to cover deficiency	27,394	0
Balance at the Ending of the year	<u>0</u>	<u>285,444</u>

24- Interest free loan offered by Shareholders to Cover Policyholders' Deficiency

There is no Interest free loan, where there is are surplus for this year

25- AUTHORIZED AND PAID IN CAPITAL

Authorized and paid in capital amounted to JD 15,000,000 divided into 15,000,000 shares at 1 JD par value per share.

The paid in capital was increased by 3 million JD by Capitalizing Retained earning after approved by General Assembly in extraordinary meeting held on 4/4/2017

**THE ISLAMIC INSURANCE COMPANY
PUBLIC SHAREHOLDING COMPANY**

Amman - Jordan

NOTES TO THE FINANCIAL STATEMENTS AS AT 31 DECEMBER 2018

26- RESERVES

Compulsory Reserve

This item represent 10% of the net income before tax transferred during the years in accordance with the Companies Law. The Compulsory reserve is not available for distribution to shareholders.

Voluntary Reserve

This item represent %20 of the net income before tax transferred during the years. The voluntary Reserve used for the purposes established by the board of Directors and is available for distribution to shareholders as dividends by General Assembly approval.

27- RETAINED EARNINGS

This Item Consist of The Following:

	2018	2017
	JOD	JOD
Balance at the beginning of the year	3,328,061	4,590,539
The Effect of Application of IFRS 9	-56,705	
The Amended Balance	<u>3,271,356</u>	<u>4,590,539</u>
Less: Transferred to increase paid in capital	0	-3,000,000
Less: cash dividends	-1,200,000	0
Add: profit for the year	1,114,427	2,002,246
Less: transferred from cumulative change in fair value	-51,280	0
Less: transferred to reserves	-146,402	-264,724
Balance at the ending of the year	<u>2,988,101</u>	<u>3,328,061</u>

28- Recommended Profit Distribution Current

The cash dividends for the year amounted (6 %) and equivalent to JD (900,000)

**THE ISLAMIC INSURANCE COMPANY
PUBLIC SHAREHOLDING COMPANY**

Amman - Jordan

NOTES TO THE FINANCIAL STATEMENTS AS AT 31 DECEMBER 2018

29- INVESTMENTS Returns

This Item Consist of The Following:

	2018		2017	
	Policyholders JOD	Shareholders JOD	Policyholders JOD	Shareholders JOD
Income from deposits	270,328	311,567	249,188	443,626
Gain from Financial Assets Through Profit or Loss	38,359	115,076	36,389	109,166
Total	308,687	426,643	285,577	552,792

30- Financial Assets Profit

This Item Consist of The Following:

	2018		2017	
	Policyholders JOD	Shareholders JOD	Policyholders JOD	Shareholders JOD
Dividends received from financial asset at fair value through other comprehensive income	87,867	264,184	91,033	275,143
Total	87,867	264,184	91,033	275,143

**THE ISLAMIC INSURANCE COMPANY
PUBLIC SHAREHOLDING COMPANY**

Amman - Jordan

NOTES TO THE FINANCIAL STATEMENTS AS AT 31 DECEMBER 2018

31- SHAREHOLDERS SHARE FOR TAKAFUL OPERATIONS MANAGEMENT

- The shareholders paid all general expenses and manage Takaful Business for policyholders interest in accordance with contract on the basis of known wakala fees

32- EMPLOYEES EXPENDITURES

This Item Consist of The Following:

	2018	2017
	JOD	JOD
Salaries & bonuses	2,454,307	2,182,813
End of service provision	59,865	54,280
Company's contribution in social security	236,700	219,135
medical expenses	155,240	143,097
Training and development of employees	10,896	5,436
Travel and transportation	4,919	7,169
Employee Leaves Provision	7,580	16,617
Total	<u>2,929,507</u>	<u>2,628,547</u>

**THE ISLAMIC INSURANCE COMPANY
PUBLIC SHAREHOLDING COMPANY**

Amman - Jordan

NOTES TO THE FINANCIAL STATEMENTS AS AT 31 DECEMBER 2018

33- GENERAL AND ADMINISTRATIVE EXPENSES
This Item Consist of The Following:

	2018	2017
	JOD	JOD
Rent	71,568	77,549
Stationery and Publications	36,483	34,975
Advertisements	35,011	33,054
water, electric and heating	54,908	46,122
Maintenance	70,727	53,991
Post and telecommunications	24,771	21,594
Hospitality	29,084	27,442
Sharia' supervisory & Legal Fees	94,511	107,917
Board members expenses	73,211	59,720
Subscriptions	52,187	61,173
License Fees	11,699	40,535
Rating Expenses	8,321	7,113
conferences & seminars	26,054	10,441
Professional fees	14,040	12,960
actuarial fees	7,560	7,020
Marketing and Media Adviser Fees	13,250	11,200
Cleaning	42,436	42,227
Insurance Expenses	4,179	3,096
Others	36,370	23,469
ISO Certifications Expenses	1,065	3,989
Total	707,435	685,587

34- Other Expenses

This Item Consist of The Following:

	2018	2017
	JOD	JOD
Board of Directors Remuneration	55,000	55,000
Total	55,000	55,000

**THE ISLAMIC INSURANCE COMPANY
PUBLIC SHAREHOLDING COMPANY**

Amman - Jordan

NOTES TO THE FINANCIAL STATEMENTS AS AT 31 DECEMBER 2018

35- Earnings per share

Earnings per share is calculated by dividing profit for the year on the weighted average number of ordinary shares outstanding is as follows:

	2018	2017
	JOD	JOD
Profit for the year after tax	1,114,427	2,002,246
Weighted average number of shares	15,000,000	13,875,000
Earning Per share	0.074	0.144

36- CASH AND CASH EQUIVALENTS

Cash and cash equivalents appearing in the statement of cash flows consist of the following statement of financial position items:

	2018	2017
	JOD	JOD
Cash on hand and at banks	789,048	1,355,106
Add: Deposits at banks maturing within 3 months*	1,876,065	618,434
Total	2,665,113	1,973,540

* Balance before IFRS 9 Application
The Effect of Application of IFRS 9
The Amended Balance

	2018	2017
	JOD	JOD
	1,878,807	621,176
	2,742-	2,742-
	1,876,065	618,434

**THE ISLAMIC INSURANCE COMPANY
PUBLIC SHAREHOLDING COMPANY**

Amman - Jordan

NOTES TO THE FINANCIAL STATEMENTS AS AT 31 DECEMBER 2018

37- Related Party Transactions

- There is not any contracts or projects or conjunction with the Board of Directors or general manager or any Employee in the company with the exception of normal activities of the company through issuing Insurance policies

The remuneration of members of key management during the year was as follows

	2018	2017
	JOD	JOD
Salaries and other benefits	551,337	517,853
Transportation	3,501	8,819
Total	554,838	526,672

38- Transactions are not consistent with Islamic Sharia Principles

There is not any transactions inconsistent with Islamic Sharia Principles

39- Fair Value of Financial Instruments that not appear in fair value in the financial statements

There are no any essential differences between book and fair value for assets and liabilities that not appear in fair value in the financial statements

40- RISK MANAGEMENT

- The Company manages various types of risk through several ways through a comprehensive strategy that determines the risks and the ways for facing it and mitigate its effects through the Board of Directors which evaluates the risks and determines the necessary procedures for decreasing its effects
- All departments determine the risks related to its operations and determine the suitable controls in the general framework within the determined risk strategy of the Company, and monitors its ongoing efficiency. The Company is exposed to insurance risk, credit risk, liquidity risk and market risk

**THE ISLAMIC INSURANCE COMPANY
PUBLIC SHAREHOLDING COMPANY**

Amman - Jordan

NOTES TO THE FINANCIAL STATEMENTS AS AT 31 DECEMBER 2018

1. A- INSURANCE RISKS

1- General & Takaful (Insurance Risks)

Risks of any insurance contract represent the probability of occurrence of the insured accident and the uncertainty of the related claim amount due to the nature of the insurance policy whereby the risks are volatile and unexpected in connection with insurance policies of a certain insurance class. With regards to the application of the probability theory on pricing and the reserve, the primary risks facing the Company are that incurred claims and the related payments may exceed the book value of the insurance obligations. This may happen if the probability and risk of claims are greater than expected. As insurance accidents are unstable and vary from one year to another, estimates may differ from related statistics

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

2- Claims Development

The schedule demonstrate the actual claims (based on management's estimates at year end). The schedules contains comparison for the previous four years, based on the year in which the accident occurred, as follows

Total - Motors Takaful Insurance

The Year of the accident	2014	2015	2016	2017	2018	المجموع
	دينار	دينار	دينار	دينار	دينار	دينار
As at year end	339,599,924	8,485,301	9,175,550	9,393,273	9,828,192	376,482,240
After one year	66,421,286	8,336,281	8,565,857	9,238,009	0	92,561,433
After two years	67,003,095	8,894,806	9,102,210	0	0	85,000,111
After three years	67,200,736	9,084,680	0	0	0	76,285,416
After four years	67,095,470	0	0	0	0	67,095,470
Current expectation for the accumulated claims	67,095,470	9,084,680	9,102,210	9,238,009	9,828,192	104,348,561
Accumulated payments	65,493,955	8,119,553	8,174,595	7,493,045	4,809,915	94,091,063
Liability as shown In the financial Statement	1,601,515	965,127	927,615	1,744,964	5,018,277	10,257,498
Surplus Deficit in the preliminary estimate for reserve	272,504,454	-599,379	73,340	155,264	0	272,133,679

**THE ISLAMIC INSURANCE COMPANY
PUBLIC SHAREHOLDING COMPANY**

Amman - Jordan

NOTES TO THE FINANCIAL STATEMENTS AS AT 31 DECEMBER 2018

Total - Takaful Insurance

The Year of the accident

	2014	2015	2016	2017	2018	
	دينار	دينار	دينار	دينار	دينار	المجموع
As at year end	38,042,674	2,908,703	1,879,521	2,286,652	2,696,725	47,814,275
After one year	8,228,527	2,632,212	2,040,555	2,662,199	0	15,563,493
After two years	7,992,179	2,517,554	2,032,736	0	0	12,542,469
After three years	7,888,436	2,535,545	0	0	0	10,423,981
After four years	7,894,436	0	0	0	0	7,894,436
Current expectation for the accumulated claims	7,894,436	2,535,545	2,032,736	2,662,199	2,696,725	17,821,641
Accumulated payments	7,837,181	2,489,163	1,912,002	2,384,248	2,045,112	16,667,706
Liability as shown in the financial Statement	57,255	46,382	120,734	277,951	651,613	1,153,935
Surplus Deficit in the preliminary estimate for reserve	30,148,238	373,158	-153,215	-375,547	0	29,992,634

Total - Medical Takaful Insurance

The Year of the accident

	2014	2015	2016	2017	2018	
	دينار	دينار	دينار	دينار	دينار	المجموع
As at year end	161,374,679	4,832,259	3,278,147	4,312,724	4,085,209	177,883,018
After one year	31,231,291	5,854,753	4,958,237	5,559,539	0	47,603,820
After two years	31,270,441	5,866,750	4,928,079	0	0	42,065,270
After three years	31,270,441	5,866,750	0	0	0	37,137,191
After four years	31,270,441	0	0	0	0	31,270,441
Current expectation for the accumulated claims	31,270,441	5,866,750	4,928,079	5,559,539	4,085,209	51,770,018
Accumulated payments	31,270,441	5,866,750	4,928,079	5,513,890	3,178,902	50,758,062
Liability as shown in the financial Statement	0	0	0	45,649	906,307	951,956
Surplus Deficit in the preliminary estimate for reserve	130,104,238	-1,034,491	-1,649,932	-1,246,815	0	126,173,000

**THE ISLAMIC INSURANCE COMPANY
PUBLIC SHAREHOLDING COMPANY**

Amman - Jordan

NOTES TO THE FINANCIAL STATEMENTS AS AT 31 DECEMBER 2018

Total - Marine Takaful Insurance

The Year of the accident	2014	2015	2016	2017	2018	المجموع
As at year end	دينار	دينار	دينار	دينار	دينار	دينار
After one year	17,283,700	114,422	73,330	107,573	135,618	17,714,643
After two years	1,909,676	110,298	73,026	106,569	0	2,199,569
After three years	1,905,237	113,656	73,474	0	0	2,092,367
After four years	1,908,487	113,797	0	0	0	2,022,284
Current expectation for the accumulated claims	1,909,868	0	0	0	0	1,909,868
Accumulated payments	1,909,868	113,797	73,474	106,569	135,618	2,339,326
Liability as shown in the financial Statement	1,906,768	54,358	72,874	106,233	30,418	2,170,651
Surplus Deficit in the preliminary estimate for reserve	3,100	59,439	600	336	105,200	168,675
	15,373,832	625	-144	1,004	0	15,375,317

Total - Fire and Property Takaful Insurance

The Year of the accident	2014	2015	2016	2017	2018	المجموع
As at year end	دينار	دينار	دينار	دينار	دينار	دينار
After one year	31,468,607	202,404	181,595	205,229	1,108,287	33,166,122
After two years	6,579,591	128,135	173,482	197,888	0	7,079,096
After three years	6,936,728	126,742	173,482	0	0	7,236,952
After four years	7,027,547	126,742	0	0	0	7,154,289
Current expectation for the accumulated claims	6,972,907	0	0	0	0	6,972,907
Accumulated payments	6,972,907	126,742	173,482	197,888	1,108,287	8,579,306
Liability as shown in the financial Statement	6,941,147	126,742	173,482	193,568	426,943	7,861,882
Surplus Deficit in the preliminary estimate for reserve	31,760	0	0	4,320	681,344	717,424
	24,495,700	75,662	8,113	7,341	0	24,586,816

**THE ISLAMIC INSURANCE COMPANY
PUBLIC SHAREHOLDING COMPANY**

Amman - Jordan

NOTES TO THE FINANCIAL STATEMENTS AS AT 31 DECEMBER 2018

Total - Engeneering Takaful Insurance

The Year of the accident	2014	2015	2016	2017	2018	المجموع
As at year end	دينار	دينار	دينار	دينار	دينار	دينار
After one year	3,096,596	18,702	388,362	35,107	61,075	3,599,842
After two years	573,769	17,367	301,362	29,874	0	922,372
After three years	567,501	15,717	301,712	0	0	884,930
After four years	567,651	15,717	0	0	0	583,368
Current expectation for the accumulated claims	578,316	0	0	0	0	578,316
Accumulated payments	578,316	15,717	301,712	29,874	61,075	986,694
Liability as shown In the financial Statement	536,316	15,717	261,462	15,969	20,451	849,915
Surplus Deficit in the preliminary estimate for reserve	42,000	0	40,250	13,905	40,624	136,779
	2,518,280	2,985	86,650	5,233	0	2,613,148

Total - General Accidents Takaful Insurance

The Year of the accident	2014	2015	2016	2017	2018	المجموع
As at year end	دينار	دينار	دينار	دينار	دينار	دينار
After one year	3,512,937	69,834	49,978	68,211	74,018	3,774,978
After two years	615,528	63,507	63,127	92,665	0	834,827
After three years	603,987	63,249	80,793	0	0	748,029
After four years	604,025	61,880	0	0	0	665,905
Current expectation for the accumulated claims	585,414	0	0	0	0	585,414
Accumulated payments	585,414	61,880	80,793	92,665	74,018	894,770
Liability as shown In the financial Statement	490,477	39,972	80,728	86,032	41,170	738,379
Surplus Deficit in the preliminary estimate for reserve	94,937	21,908	65	6,633	32,848	156,391
	2,927,523	7,954	-30,815	-24,454	0	2,880,208

**THE ISLAMIC INSURANCE COMPANY
PUBLIC SHAREHOLDING COMPANY**

Amman - Jordan

2 REINSURANCE RISKS

NOTES TO THE FINANCIAL STATEMENTS AS AT 31 DECEMBER 2018

As in all other Takaful insurance companies, and for the purpose of reducing the financial losses which might arise from large insurance claims, the Company enters into reinsurance agreements with other parties

To reduce the risks of large financial losses as a result of the insolvency of the reinsurance companies, the Company evaluates the financial position of the reinsurance companies, which it deals with and monitors credit risk concentration resulting from the geographical areas and the activities or the economic components which are identical to these firms. The issued takaful reinsurance agreements do not exempt the Company from its liabilities against the takaful policyholders, and as a result to that the Company remains liable for the balance of reinsured claims in the case of the reinsurance inability of meeting their commitment regarding to the reinsurance agreements

3 -Financial Risks

The Company follows financial policies to manage the variables risks with clear strategies; also the Company's management controls the risks and makes strategic distribution to both the financial assets and financial liabilities, including interest rate risks, credit risks, currency risks and exchange risks
The Company uses hedging policy for financial assets and financial liabilities whenever it is needed

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
The Company believe it is not exposed to significant credit risk as it sets credit limits to its customer and monitors the outstanding receivable regularly
The company also deposits its cash balances with reputable financial institutions.

Market Risks-

The market risks include fair value or cash flow changes of the financial instruments as a result of changes in the market prices such as profit rates, currency prices and shares price. Market risks arise as a result of having opened positions of profit rates, currency and investing in shares

Liquidity risk

Liquidity risk is the risk that the company will not be able to meet its obligations as they fall due. The company manages such risk by diversifying its financial resources, managing its assets and liabilities, and maintaining sufficient cash and cash equivalents and marketable securities

**THE ISLAMIC INSURANCE COMPANY
PUBLIC SHAREHOLDING COMPANY**

Amman - Jordan

NOTES TO THE FINANCIAL STATEMENTS AS AT 31 DECEMBER 2018

4.1- ANALYSIS OF BUSINESS SECTORS

A • Background Information On The Company's Business Segments

For management purposes, the company measures its insurance segments in accordance with the reports used by the Executive Manager and the Group's primary decision maker to include the Family Takaful (Life) Insurance and General Takaful Insurance sector which compromised (motors, marine, fire, accidents, medical and General insurance). This sector is the base used by the company to disclose information related to key sectors, the mentioned sector also includes the company's investments and cash management. Transactions between business sectors are based on estimated market prices with the same terms used with other market participants

B • Geographical Distribution

The company mainly conducts its operations in Jordan

4.2- CAPITAL MANAGEMENT

The Company manages its capital in line with the regulations of the Ministry of Industry, Trade and Supply- Insurance Administration. These requirements were designed to ensure a suitable margin. Additional targets have been assigned by the Company in order to support its business and maximize shareholder value

The Company authorized and Paid in capital amounted to JD 15000000 divided into 15000000 share at 1 JD par value per share

The Company manages its capital structure and makes any necessary adjustments in light of changes in business conditions. The Board of Directors believe that the Company's capital structure is sufficient to cover the potential risks or liabilities that may arise

The amount regarded by the Company as capital below, and the solvency margin are shown in the table

	2018	2017
	JOD	JOD
core capital Items		
paid up capital	15,000,000	15,000,000
statutory Reserve	2,772,434	2,626,032
voluntary Reserve	736,674	736,674
Retained Earnings	2,988,101	3,328,061
Policy holders' Equity	799,367	1,227,022
Supplementary capital Item	2018	2017
	JOD	JOD
Accumulative shange in Fair value for financial Assets	-1,592,791	-1,005,825
through other comprehensive Income		
(A) Total capital Available	20,703,785	21,911,964
(B) Total Capital Required	7,675,777	7,247,550
(A/B) Solvency Ratio	270%	302%

**THE ISLAMIC INSURANCE COMPANY
PUBLIC SHAREHOLDING COMPANY**

Amman - Jordan

NOTES TO THE FINANCIAL STATEMENTS AS AT 31 DECEMBER 2018

43- LAWSUITS AGAINST COMPANY

The Company appears as a defendant in a number of lawsuits pertaining to accidents of JD(3,800,935) Consequently the Company established a provision of JD(3,800,935) under outstanding claims reserve. The Company's management and its legal advisor believe that the recorded provisions are sufficient to meet its obligations

44- CONTINGENT LIABILITIES

As my know there is no any contingent liabilities can appear after Financial Statements preparation

45- Subsequent Events

There is no essential or important events other than those contained in financial statements

46- comparable Figures

All financial statement figures for 2017 reclassified to comply with financial statement figures for 2018