

<p><b>To: Jordan Securities Commission</b></p> <p><b>Amman Stock Exchange</b></p> <p><b>Date:- 20/04/2017</b></p> <p><b>Subject: Audited Financial Statements for the fiscal year ended 31/12/2016</b></p>	<p>السادة هيئة الأوراق المالية</p> <p>السادة بورصة عمان</p> <p>التاريخ:- 2017/04/20</p> <p><u>الموضوع : البيانات المالية السنوية المدققة للسنة المنتهية في 2016/12/31</u></p>
<p><b>Attached the Audited Financial Statements of First Insurance Company for the fiscal year ended 31/12/2016.</b></p>	<p>مرفق طيه نسخة من البيانات المالية المدققة لشركة الأولى للتأمين عن السنة المالية المنتهية في 2016/12/31</p>
<p><b>Kindly accept our high appreciation and respect</b></p> <p><b>Company's Name : First Insurance Company</b></p> <p><b>/CEO Signature :</b> </p>	<p>وتفضلوا بقبول فائق الاحترام،،،</p> <p><b>اسم شركة : الشركة الأولى للتأمين</b></p> <p><b>/ توقيع الرئيس التنفيذي:</b> </p>

**FIRST INSURANCE COMPANY**

**PUBLIC SHAREHOLDING COMPANY**

**CONSOLIDATED FINANCIAL STATEMENTS**

**31 DECEMBER 2016**

## **INDEPENDENT AUDITOR'S REPORT**

**To the Shareholders of First Insurance Company Public Shareholding Company  
Amman - Jordan**

### **Report on the Audit of the Consolidated Financial Statements**

#### **Opinion**

We have audited the consolidated financial statements of First Insurance Company a public shareholding company (the "Company") and its subsidiaries (the "Group"), which comprise the consolidated statement of financial position as of 31 December 2016, and the consolidated statement of policyholders revenues and expenses, consolidated income statement, consolidated statement of comprehensive income, consolidated statement of changes in shareholders' equity, consolidated statement of changes in policyholders fund and consolidated statement of cash flows for the year then ended, and a summary of significant accounting policies.

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the financial position of the Group as at 31 December 2016, and its financial performance and cash flows for the year then ended in accordance with International Financial Reporting Standards (IFRSs).

#### **Basis for Opinion**

We conducted our audit in accordance with International Standards on Auditing (ISAs). Our responsibilities under those standards, are further described in the Auditor's Responsibilities for the Audit of the Consolidated Financial Statements section of our report. We are independent of the Group in accordance with the International Ethics Standards Board for Accountants' *Code of Ethics for Professional Accountants* (IESBA Code) together with the ethical requirements that are relevant to our audit of the Consolidated financial statements in Jordan, and we have fulfilled our other ethical responsibilities in accordance with these requirements and the IESBA Code. 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 consolidated financial statements for the year ended 31 December 2016. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters. For each matter below, our description of how our audit addressed the matter provided in that context.

We have fulfilled the responsibilities described in the Auditor's responsibilities for the audit of the financial statements section of our report, including in relation to these matters. Accordingly, our audit included the performance of procedures designed to respond to our assessment of the risks of material misstatement of the consolidated financial statements. The results of our audit procedures, including the procedures performed to address the matters below, provide the basis for our audit opinion on the accompanying consolidated financial statements.

### **Revenue recognition**

Revenue is an important determinant of the Group's profitability. In addition, there is a risk of improper revenue recognition, particularly with regard to revenue recognition at the cut- off date.

Our audit procedures included evaluating the Group's revenue recognition accounting policies and assessing compliance with the policies in terms of International Financial Reporting Standards (IFRSs). We tested the Group's controls over revenue recognition and key controls in the revenue cycle. We also selected a representative sample and tested premiums written at either side of the revenue cutoff date to, assess whether the revenue was recognized in the correct period. Analytical procedures were performed on income accounts by lines of business. We independently re-performed the revenue calculation of each line of business using data extracted from the Group's system. In order to rely on the data extracted, we tested a sample of transactions to their related policies to assess the accuracy of the data extracted. We also selected and tested a representative sample of journal entries at the cut off period.

Refer to note (2) item (C) in the consolidated financial statements for more details about this matter.

### **Estimates used in calculation and completeness of insurance liabilities**

The Group has significant insurance liabilities of JD 13,988,756 representing 55% of the Group's total liabilities. The measurement of insurance liabilities (unearned contributions and premiums reserve, outstanding claims, and mathematical reserve) involves significant judgment over uncertain future outcomes including primarily the timing and ultimate full settlement of long term policyholders' liabilities.

Our audit procedures included, amongst others, assessing the Group's methodology for calculating the insurance liabilities and their analysis of the movements in insurance liabilities during the year, including consideration of whether the movements are in line with the accounting policy adopted by the Group. We tested management's liability adequacy testing which is a key test performed to check that the liabilities are adequate in the context of expected experience. We evaluated the competence, capabilities and objectivity of the management's specialist. Our audit procedures on the liability adequacy tests included assessing the reasonableness of the projected cash flows and reviewing the assumptions adopted in the context of both the Group and industry experience and specific product features. We also assessed the adequacy of the disclosures regarding these liabilities.

Refer to note (2) item (C) in the consolidated financial statements for more details about this matter.

### **Provision for doubtful accounts receivable and re-insurance receivables**

The determination as to whether accounts receivable are collectable involves high level of management judgment. The completeness of allowance for doubtful accounts receivable may have a significant impact on the Group's profit.

Management considers specific factors including the age of the balance, existence of disputes, recent historical payment patterns and any other available information concerning the creditworthiness of counterparties. Management uses this information to determine whether a provision for impairment is required either for a specific transaction or for a customer's balance overall.

We tested accounts receivable where no provision was recognized to check that there were no indicators of impairment. This included verifying if payments had been received since the year-end, reviewing historical payment patterns and any correspondence with customers on expected settlement dates. We also tested the accuracy of the receivables aging report through agreeing a sample of the receivables present in the report to the related supporting documents. We selected a sample of accounts receivable balances where a provision for impairment of accounts receivables was recognized and understood the rationale behind management's judgment. In order to evaluate the appropriateness of these judgments we verified whether any balances were overdue, the customer's historical payment patterns and whether any post year-end payments had been received up to the date of completing our audit procedures. We also obtained corroborative evidence including correspondence supporting any disputes between the parties involved, attempts by management to recover the amounts outstanding and on the credit status of significant counterparties where available.

Refer to notes (10, 11) in the consolidated financial statements for more details about this matter.

#### **Other information included in The Group's 2016 Annual Report**

Other information consists of the information included in The Group's 2016 Annual Report other than the consolidated financial statements and our auditor's report thereon. Management is responsible for the other information. The Group's 2016 Annual Report is expected to be made available to us after the date of this auditor's report.

Our opinion on the financial statements does not cover the other information and we will 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 identified above when it becomes available 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.

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

Management is responsible for the preparation and fair presentation of the financial statements in accordance with IFRSs, and for such internal control as management determines is necessary to enable the preparation of consolidated 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 Group'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 Group or to cease operations, or has no realistic alternative but to do so.

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

### **Auditor's Responsibilities for the Audit of the Consolidated Financial Statements**

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion.

Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs will always detect a material misstatement when it exist. 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 consolidated financial statements.

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

- Identify and assess the risks of material misstatement of the consolidated 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 Group'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 Group's ability to continue as a going concern. If we conclude that a material uncertainty exist, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However future events or conditions may cause the Group to cease to continue as a going concern.



- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated 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 Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group 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 to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

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

#### **Report on Other Legal and Regulatory Requirements**

The Group maintains proper books of accounts which are in agreement with the consolidated financial statements.



Ernst & Young/ Jordan

Mohammad Ibrahim Al-Karaki  
License No. 882

Amman – Jordan  
28 February 2017



**FIRST INSURANCE COMPANY - PUBLIC SHAREHOLDING COMPANY**  
**CONSOLIDATED STATEMENT OF FINANCIAL POSITION**  
**AS AT 31 DECEMBER 2016**

	Notes	2016 JD	2015 JD
<b><u>Assets</u></b>			
<b>Investments</b>			
Deposits at banks	4	10,630,602	12,247,681
Financial assets at fair value through other comprehensive income	5	5,683,342	6,558,674
Financial assets at amortized cost	6	7,139,478	-
Investment properties	7	6,924,410	8,006,310
<b>Total investments</b>		<b>30,377,832</b>	<b>26,812,665</b>
<b>Other Assets</b>			
Cash on hand and at banks	8	5,113,703	6,927,307
Cheques under collection	9	1,882,893	1,288,073
Accounts receivable, net	10	12,106,825	10,386,297
Reinsurers' receivables, net	11	2,092,089	1,908,182
Other assets	16	296,755	258,450
Deferred tax assets	12	341,214	384,216
Property and equipment, net	13	4,669,642	3,431,375
Intangible assets, net	14	29,305	15,784
Projects under construction	15	35,476	-
<b>Total Assets</b>		<b>56,945,734</b>	<b>51,412,349</b>
<b><u>Liabilities, Shareholders' Equity and Policyholders' Fund</u></b>			
<b>Liabilities –</b>			
<b>Insurance contracts liabilities</b>			
Unearned contributions and premiums reserve, net		7,860,757	6,695,127
Outstanding claims reserve, net		6,037,556	5,742,585
Mathematical reserve, net		90,443	37,538
<b>Total insurance contracts liabilities</b>		<b>13,988,756</b>	<b>12,475,250</b>
Accounts payable	17	1,331,124	935,377
Accrued expenses		73,536	46,119
Reinsurers' payables	18	9,252,091	6,540,552
Other provisions	19	205,333	249,481
Income tax provision	12	27,586	356,262
Deferred tax liabilities	12	1,370	9,500
Other liabilities	20	530,429	710,968
<b>Total liabilities</b>		<b>25,410,225</b>	<b>21,323,509</b>
Reserve to cover policyholders' fund deficit (contingencies provision)	21	129,888	91,213
<b>Net policyholders' fund</b>		<b>129,888</b>	<b>91,213</b>
<b>Shareholders' equity</b>			
Authorized and paid in capital	22	28,000,000	28,000,000
Statutory reserve	23	2,501,096	2,288,168
Cumulative change in fair value	24	(663,523)	(800,568)
Retained earnings	25	1,568,048	510,027
<b>Total shareholders' equity</b>		<b>31,405,621</b>	<b>29,997,627</b>
<b>Total policyholder's fund and shareholders' equity</b>		<b>31,535,509</b>	<b>30,088,840</b>
<b>Total Liabilities, Policyholders' Fund and Shareholders' Equity</b>		<b>56,945,734</b>	<b>51,412,349</b>

The accompanying notes from 1 to 43 form an integral part of these consolidated financial statements

**FIRST INSURANCE COMPANY - PUBLIC SHAREHOLDING COMPANY**  
**CONSOLIDATED STATEMENT OF POLICYHOLDER'S REVENUES AND EXPENSES**  
**FOR THE YEAR ENDED 31 DECEMBER 2016**

	Notes	2016 JD	2015 JD
<b>Takaful revenues –</b>			
Gross written contributions		37,670,109	26,326,693
Less: contributions ceded to reinsurance		(21,027,300)	(13,937,115)
<b>Net earned contributions from takaful operations</b>		<b>16,642,809</b>	<b>12,389,578</b>
Net change in unearned premiums reserve		(2,080,577)	(1,264,160)
Net change in mathematical reserve		(90,443)	-
<b>Net earned contributions from takaful insurance</b>		<b>14,471,789</b>	<b>11,125,418</b>
Commissions income		2,021,833	1,679,110
Takaful insurance policies issuance fees		1,473,012	989,990
Policyholders' share of investment income	26	113,900	91,045
Policyholders' share of investment property income	27	67,180	57,875
Less: shareholders' share for managing the investment portfolio	27,26	(63,379)	(52,122)
<b>Total revenues from takaful insurance</b>		<b>18,084,335</b>	<b>13,891,316</b>
<b>Takaful claims/ losses and expenses</b>			
Paid claims		17,685,424	13,503,931
Less: Recoveries		(1,359,130)	(1,112,235)
Less: Reinsurers' share		(5,185,115)	(4,079,259)
<b>Net paid claims from takaful insurance</b>		<b>11,141,179</b>	<b>8,312,437</b>
Net change in outstanding claims reserve		675,983	548,815
Shareholders' share for managing the operations of Takaful insurance	28	4,783,028	3,858,382
Excess of loss subscriptions		157,460	181,345
Takaful policies acquisition costs		514,807	437,169
Other Takaful underwriting expenses		599,245	356,562
<b>Net claims and expenses from takaful insurance</b>		<b>17,871,702</b>	<b>13,694,710</b>
Less: policyholders' share of:			
Doubtful debts expense	11,10	(120,000)	(105,000)
Depreciation and amortization		(35,119)	(35,023)
Other expenses		(18,839)	(17,534)
<b>Policyholders' fund surplus before tax</b>		<b>38,675</b>	<b>39,049</b>
Income tax expense	12	-	(9,372)
<b>Net policyholders' surplus from takaful insurance</b>		<b>38,675</b>	<b>29,677</b>

The accompanying notes from 1 to 43 form an integral part of these consolidated financial statements

**FIRST INSURANCE COMPANY - PUBLIC SHAREHOLDING COMPANY**  
**CONSOLIDATED INCOME STATEMENT**  
**FOR THE YEAR ENDED 31 DECEMBER 2016**

	Notes	2016 JD	2015 JD
<b>General insurance revenue-</b>			
Gross written premiums		336,253	8,400,042
Less: reinsurers' share		(271,887)	(7,126,686)
<b>Net written premiums</b>		<b>64,366</b>	<b>1,273,356</b>
Net change in unearned premiums reserve		914,947	(236,130)
Net change in mathematical reserve		37,538	(12,140)
<b>Net earned premiums from general insurance operations</b>		<b>1,016,851</b>	<b>1,025,086</b>
Commission income		94,256	1,482,754
Insurance policies issuance and underwriting fees		9,927	210,894
Revenues from managing the general insurance portfolio		646,342	-
<b>Total revenue from general insurance</b>		<b>1,767,376</b>	<b>2,718,734</b>
<b>Takaful insurance revenue-</b>			
Shareholders' share of Takaful insurance operations	28	4,783,028	3,858,382
Shareholders' share of investment income	26	225,575	510,514
Shareholders' share of financial assets and investments income	27	560,766	615,577
Shareholders' share for managing the investments portfolio	27,26	63,379	52,122
Other income	29	80,873	9,739
<b>Total revenues from general and takaful insurance operations</b>		<b>7,480,997</b>	<b>7,765,068</b>
<b>General insurance claims and related expenses-</b>			
Paid claims		3,693,385	3,669,973
Less: recoveries		(33,710)	(126,756)
Less: reinsurers' share		(2,905,872)	(2,500,447)
<b>Net paid claims</b>		<b>753,803</b>	<b>1,042,770</b>
Net change in outstanding claims reserve		(381,012)	(140,432)
Allocated employees' expenses	31	-	853,426
Allocated general and administrative expenses	30	-	314,000
General insurance portfolio management fees		646,342	-
Excess of loss premiums		-	42,933
Policies acquisition costs		109,202	450,232
Other underwriting expenses		15,515	15,209
<b>Net claims from general insurance</b>		<b>1,143,850</b>	<b>2,578,138</b>
Unallocated employees' expenses	31	2,718,439	1,982,787
Depreciation and amortization		183,297	177,208
Unallocated general and administrative expenses	30	1,298,192	1,088,134
Other expenses		-	112,409
Doubtful debts expense	11,10	-	50,000
<b>Total expenses from general insurance and takaful insurance</b>		<b>5,343,778</b>	<b>5,988,676</b>
<b>Profit for the year before tax</b>		<b>2,137,219</b>	<b>1,776,392</b>
Prior years income tax		-	(71,838)
Income tax expense for the year	12	-	(385,918)
<b>Profit for the year</b>		<b>2,137,219</b>	<b>1,318,636</b>
		<b>JD/ Fils</b>	<b>JD/ Fils</b>
<b>Basic and diluted earnings per share</b>	32	<b>0/076</b>	<b>0/050</b>

The accompanying notes from 1 to 43 form an integral part of these consolidated financial statements

**FIRST INSURANCE COMPANY - PUBLIC SHAREHOLDING COMPANY**  
**CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME**  
**FOR THE YEAR ENDED 31 DECEMBER 2016**

---

	<u>2016</u>	<u>2015</u>
	JD	JD
<b>Profit for the year</b>	2,137,219	1,318,636
<b>Add: other comprehensive income items which will be reclassified to profit or loss in subsequent periods:</b>		
Shareholders' share from change in fair value of financial assets at fair value through other comprehensive income	<u>(561,225)</u>	<u>(608,305)</u>
<b>Total comprehensive income for the year</b>	<u>1,575,994</u>	<u>710,331</u>

**The accompanying notes from 1 to 43 form an integral part of these consolidated financial statements**

**FIRST INSURANCE COMPANY - PUBLIC SHAREHOLDING COMPANY**  
**CONSOLIDATED STATEMENT OF CHANGES IN SHAREHOLDER'S EQUITY**  
**FOR THE YEAR ENDED 31 DECEMBER 2016**

	Paid in capital	Statutory reserve	Cumulative change in fair value	Retained earnings			Non-controlling interest	Total shareholders' equity
	JD	JD	JD	Realized	Unrealized	Total	JD	JD
<b>2016 -</b>								
Balance as at 1 January 2016	28,000,000	2,288,168	(800,568)	510,027	-	510,027	-	29,997,627
Total comprehensive income	-	-	(561,225)	2,137,219	-	2,137,219	-	1,575,994
Transferred to statutory reserve	-	212,928	-	212,928	-	(212,928)	-	-
Loss on sale of financial assets at fair value through other comprehensive income	-	-	698,270	(698,270)	-	(698,270)	-	-
Capital increase expenses	-	-	-	(168,000)	-	(168,000)	-	(168,000)
<b>Balance as at 31 December 2016</b>	<b>28,000,000</b>	<b>2,501,096</b>	<b>(663,523)</b>	<b>1,568,048</b>	<b>-</b>	<b>1,568,048</b>	<b>-</b>	<b>32,103,891</b>
<b>2015 -</b>								
Balance as at 1 January 2015	24,000,000	845,986	(170,929)	1,664,423	-	1,664,423	-	26,339,480
Acquisition of a subsidiary (Note 3)	-	-	-	-	-	-	-	3,126,728
Comprehensive income for the period ended 30 June 2015	-	-	(106,349)	800,930	-	800,930	-	694,581
Gain on sale of financial assets at fair value through other comprehensive income	-	-	(38,034)	38,034	-	38,034	-	-
<b>Balance as at 30 June 2015</b>	<b>24,000,000</b>	<b>845,986</b>	<b>(315,312)</b>	<b>2,503,387</b>	<b>-</b>	<b>2,503,387</b>	<b>3,126,728</b>	<b>30,187,123</b>
Yamouk Insurance Company profit for the period from 1 January to 30 June 2015	-	-	-	13,819	-	13,819	-	13,819
Capital increase	4,000,000	1,284,107	-	(2,336,291)	-	(2,336,291)	-	(176,912)
Opening balance as at 1 July 2015 (Note 3)	28,000,000	2,130,093	(315,312)	180,915	-	180,915	-	29,995,696
Transferred to statutory reserve	-	158,075	-	(158,075)	-	(158,075)	-	-
Profit for the period from 1 July 2015 to 31 December 2015	-	-	-	503,887	-	503,887	-	503,887
Change in fair value of financial assets at fair value through other comprehensive income	-	-	(501,956)	-	-	-	-	(501,956)
Loss on sale of financial assets at fair value through other comprehensive income	-	-	16,700	(16,700)	-	(16,700)	-	-
<b>Total comprehensive income for the period from 1 July 2015 to 31 December 2015</b>	<b>-</b>	<b>-</b>	<b>(485,256)</b>	<b>487,187</b>	<b>-</b>	<b>487,187</b>	<b>-</b>	<b>1,931</b>
<b>Balance as at 31 December 2015</b>	<b>28,000,000</b>	<b>2,288,168</b>	<b>(800,568)</b>	<b>510,027</b>	<b>-</b>	<b>510,027</b>	<b>-</b>	<b>29,997,627</b>

\* As at 31 December 2016, retained earnings include a restricted amount of JD 663,523 (2015: JD 800,568), which represents the negative balance of cumulative change in fair value in accordance with Jordan Securities Commission instructions.

\* As at 31 December 2016, retained earnings include a restricted amount of JD 165,534 (2015: JD 156,351), which represents the balance of deferred tax assets.

\* The board of directors, in their the meeting held on 23 February 2017, resolved to recommend to the General Assembly to approve, the distribution of 2.5% cash dividends to shareholders in their meeting that will be held on 26 April 2017.

The accompanying notes from 1 to 43 form an integral part of these consolidated financial statements

**FIRST INSURANCE COMPANY - PUBLIC SHAREHOLDING COMPANY**  
**CONSOLIDATED STATEMENT OF CHANGES IN POLICYHOLDERS' FUND**  
**FOR THE YEAR ENDED 31 DECEMBER 2016**

	Reserve to cover deficit (Contingencies provision)*	Cumulative surplus		Non-profitable loan from shareholders to cover The policyholders' deficit	Net policyholders' equity
		Realized	Unrealized		
	JD	JD	JD	JD	JD
<b>2016 -</b>					
<b>Balance as at 1 January 2016</b>	91,213	-	-	-	91,213
Policyholders' surplus for the year	-	38,675	-	-	38,675
Transfer of fund from cumulative surplus to contingencies provision	38,675	(38,675)	-	-	-
	<u>129,888</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>129,888</u>
<b>2015 -</b>					
<b>Balance as at 1 January 2015</b>	61,536	-	-	-	61,536
Policyholders' surplus for the year		29,677			29,677
Transfer of fund from cumulative surplus to contingencies provision	29,677	(29,677)	-	-	-
	<u>91,213</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>91,213</u>

- \* The reserve to cover deficit (contingencies provision) is computed by retaining 20% of the policyholders' surplus for the year and policyholders' share of the realized gain from sale of financial assets at fair value through other comprehensive income. The reserve is recorded after the settlement of any outstanding non-profitable loans. Sharia Supervisory Board granted their approval on transferring the surplus to the reserve to cover deficit.

The accompanying notes from 1 to 43 form an integral part of these consolidated financial statements

**FIRST INSURANCE COMPANY - PUBLIC SHAREHOLDING COMPANY**  
**CONSOLIDATED STATEMENT OF CASH FLOWS**  
**FOR THE YEAR ENDED 31 DECEMBER 2016**

	Notes	2016 JD	2015 JD
<b><u>CASH FLOWS FROM OPERATING ACTIVITIES</u></b>			
Profit for the year before income tax		2,175,894	1,779,789
<b>Adjustments for non-cash items:</b>			
Depreciation and amortization		218,416	174,039
Provision for doubtful debts	10, 11	120,000	155,000
Net movement in unearned contributions and premiums reserve		1,165,630	1,498,207
Net movement in outstanding claims reserve		294,971	734,447
Net movement in mathematical reserve		52,905	(25,422)
Recoveries from non-profitable loan granted to policyholders		22,049	-
Loss from sale of property and equipment		-	7,829
Financial assets at fair value through other comprehensive income dividend		(168,297)	(191,200)
<b>Cash flows from operating activities before working capital change</b>		<b>3,881,568</b>	<b>4,132,689</b>
Financial assets at fair value through profit or loss		-	501,000
Cheques under collection		(594,820)	809,789
Accounts receivable		(1,830,528)	(2,788,733)
Reinsurers' receivables		(193,907)	(908,115)
Other assets		(38,305)	293,427
Accounts payable		395,746	(75,830)
Accrued expenses		27,417	(37,592)
Reinsurers' payables		3,995,744	(112,051)
Other provisions		(44,148)	(160,595)
Other liabilities		(1,464,744)	197,023
<b>Net cash flows from operating activities before income tax</b>		<b>4,134,024</b>	<b>1,815,012</b>
Income tax paid	12	(35,540)	(436,349)
<b>Net cash flows from operating activities</b>		<b>3,783,484</b>	<b>1,414,663</b>
<b><u>CASH FLOWS FROM INVESTING ACTIVITIES</u></b>			
Deposits at banks		(1,547,890)	4,522,955
Purchase of financial assets at fair value through other comprehensive income		(727,881)	(2,160,707)
Proceeds from sale of financial assets at fair value through other comprehensive income		1,098,724	1,048,089
Maturity of financial assets at amortized cost		(7,161,527)	199,134
Dividend received from financial assets at fair value through other comprehensive income		168,297	191,200
Development of investment properties		(291,778)	(11,747)
Construction on progress		(35,476)	-
Purchase of property and equipment		(68,562)	(95,093)
Purchase of intangible assets		(27,964)	(1,683)
Proceeds from sale of property and equipment		-	19,771
Acquisition of a subsidiary, net of cash acquired	3	-	(6,894,372)
<b>Net cash flows used in investing activities</b>		<b>(8,594,057)</b>	<b>3,182,453</b>
<b><u>CASH FLOWS FROM FINANCING ACTIVITIES</u></b>			
Dividends paid		(168,000)	-
<b>Net cash flows used in financing activities</b>		<b>(168,000)</b>	<b>-</b>
<b>Net decrease in cash and cash equivalents</b>		<b>(4,978,573)</b>	<b>(1,767,790)</b>
Cash and cash equivalents, at the beginning of the year		17,874,988	19,642,778
<b>Cash and cash equivalents, at the end of the year</b>	33	<b>12,896,415</b>	<b>17,874,988</b>

The accompanying notes from 1 to 43 form an integral part of these consolidated financial statements



**FIRST INSURANCE COMPANY - PUBLIC SHAREHOLDING COMPANY**  
**STATEMENT OF CONTRIBUTION REVENUES FOR LIFE INSURANCE -TAKFUL**  
**FOR THE YEAR ENDED 31 DECEMBER 2016**

	Life	
	2016	2015
	JD	JD
<b>Written premiums</b>		
Direct business	1,415,828	-
Facultative reinsurance inward business	-	-
<b>Total written premiums</b>	<u>1,415,828</u>	<u>-</u>
<b>Less:</b>		
Local reinsurers' premiums	-	-
Foreign reinsurers' premiums	<u>1,024,874</u>	<u>-</u>
<b>Net premiums</b>	<u>390,954</u>	<u>-</u>
<b>Add:</b>		
<b>Balance at the beginning of the year</b>		
Mathematical reserve as at the beginning of the year	-	-
Less: reinsurers' share	<u>-</u>	<u>-</u>
<b>Net mathematical reserve at the beginning of the year</b>	<u>-</u>	<u>-</u>
<b>Less:</b>		
<b>Balance at the end of the year</b>		
Mathematical reserve	348,829	-
Less: reinsurers' share	<u>258,386</u>	<u>-</u>
<b>Net mathematical reserve</b>	<u>90,443</u>	<u>-</u>
<b>Net earned revenues from written premiums</b>	<u>300,511</u>	<u>-</u>

The accompanying notes from 1 to 43 form an integral part of these consolidated financial statements

**FIRST INSURANCE COMPANY - PUBLIC SHAREHOLDING COMPANY**  
**STATEMENT OF CLAIMS COST FOR LIFE INSURANCE- TAKFUL**  
**FOR THE YEAR ENDED 31 DECEMBER 2016**

	Life	
	2016	2015
	JD	JD
<b>Paid claims</b>		
Less:		
Local reinsurers' share	520,033	-
Foreign reinsurers' share	-	-
	431,805	-
<b>Net paid claims</b>	<u>89,028</u>	<u>-</u>
 Add:		
Outstanding claims reserve at the end of the year	27,570	-
Less:		
Reinsurers' share	16,656	-
Net outstanding claims reserve at the end of the year	<u>10,914</u>	<u>-</u>
Less:		
Outstanding claims reserve at the beginning of the year	-	-
Less:		
Reinsurers' share	-	-
Net outstanding claims reserve at the beginning of the year	<u>-</u>	<u>-</u>
<b>Net claims cost</b>	<u>99,942</u>	<u>-</u>

The accompanying notes from 1 to 43 form an integral part of these consolidated financial statements

**FIRST INSURANCE COMPANY - PUBLIC SHAREHOLDING COMPANY**  
**STATEMENT OF CONTRIBUTION PROFIT FOR LIFE INSURANCE**  
**FOR THE YEAR ENDED 31 DECEMBER 2016**

	Life	
	2016	2015
	JD	JD
<b>Net earned revenue from written premiums</b>	300,511	-
Less:		
<b>Net claims cost</b>	99,942	-
Add:		
Commissions received	2,026	-
Insurance policies issuance fees	96,339	-
Policy holder share of investment income	4,424	-
<b>Total revenues</b>	303,358	-
Less:		
Commissions paid	-	-
General and administrative expenses related to underwriting	176,876	-
Other expenses related to underwriting	49,551	-
<b>Total expenses</b>	226,427	-
<b>Underwriting profit</b>	76,931	-

The accompanying notes from 1 to 43 form an integral part of these consolidated financial statements

**FIRST INSURANCE COMPANY - PUBLIC SHAREHOLDING COMPANY**  
**STATEMENT OF UNDERWRITING REVENUES FOR LIFE INSURANCE**  
**FOR THE YEAR ENDED 31 DECEMBER 2016**

	Life	
	2016	2015
	JD	JD
<b>Written premiums</b>		
Direct business*	298,699	483,368
Facultative reinsurance inward business*	-	-
<b>Total written premiums</b>	<u>298,699</u>	<u>483,368</u>
<b>Less:</b>		
Local reinsurers' premiums*	13,791	26,902
Foreign reinsurers' premiums*	<u>206,822</u>	<u>265,468</u>
<b>Net premiums</b>	<u>78,086</u>	<u>190,998</u>
<b>Add:</b>		
<b>Balance at the beginning of the year</b>		
Mathematical reserve as at the beginning of the year	78,245	51,977
Less: reinsurers' share	<u>40,707</u>	<u>26,579</u>
<b>Net mathematical reserve at the beginning of the year</b>	<u>37,538</u>	<u>25,398</u>
<b>Less:</b>		
<b>Balance at the end of the year</b>		
Mathematical reserve	-	78,245
Less: reinsurers' share	<u>-</u>	<u>40,707</u>
<b>Net mathematical reserve</b>	<u>-</u>	<u>37,538</u>
<b>Net earned revenues from written premiums</b>	<u>115,624</u>	<u>178,858</u>

\* These amounts represent addendums, cancellation and re-insurance shares for policies pertaining to prior periods and resulting from the acquisition of Yarmouk Insurance Company.

The accompanying notes from 1 to 43 form an integral part of these consolidated financial statements

**FIRST INSURANCE COMPANY - PUBLIC SHAREHOLDING COMPANY**  
**STATEMENT OF CLAIMS COST FOR LIFE INSURANCE**  
**FOR THE YEAR ENDED 31 DECEMBER 2016**

	Life	
	2016	2015
	JD	JD
<b>Paid claims</b>		
Less:		
Local reinsurers' share	423,006	306,832
Foreign reinsurers' share	27,818	25,565
<b>Net paid claims</b>	<u>270,981</u>	<u>206,542</u>
	<u>124,207</u>	<u>74,725</u>
Add:		
Outstanding claims reserve at the end of the year	52,377	165,053
Less:		
Reinsurers' share	<u>6,452</u>	<u>133,633</u>
Net outstanding claims reserve at the end of the year	<u>45,925</u>	<u>31,420</u>
Less:		
Outstanding claims reserve at the beginning of the year	165,053	36,924
Less:		
Reinsurers' share	<u>133,633</u>	<u>22,650</u>
Net outstanding claims reserve at the beginning of the year	<u>31,420</u>	<u>14,274</u>
<b>Net claims cost</b>	<u>138,712</u>	<u>91,871</u>

The accompanying notes from 1 to 43 form an integral part of these consolidated financial statements

**FIRST INSURANCE COMPANY - PUBLIC SHAREHOLDING COMPANY**  
**STATEMENT OF UNDERWRITING PROFIT FOR LIFE INSURANCE**  
**FOR THE YEAR ENDED 31 DECEMBER 2016**

	Life	
	2016	2015
	JD	JD
<b>Net earned revenue from written premiums</b>		
Less:		
<b>Net claims cost</b>	115,624	178,858
	138,712	91,871
Add:		
Commissions received	2,729	3,338
Insurance policies issuance fees*	6,302	11,119
<b>Total revenues</b>	(14,057)	101,444
Less:		
General insurance portfolio management fees	74,026	-
Commissions paid	2,718	3,797
General and administrative expenses related to underwriting	-	90,933
Other expenses related to underwriting	-	111
<b>Total expenses</b>	76,744	94,841
<b>Underwriting profit</b>	(90,801)	6,603

- \* The fees for managing the general insurance portfolio were set by the Shari'a Board at 17.5% from paid claims. These fees are allocated among different lines of business proportional to their paid claims.

The accompanying notes from 1 to 43 form an integral part of these consolidated financial statements

**FIRST INSURANCE COMPANY - PUBLIC SHAREHOLDING COMPANY**  
**STATEMENT OF UNDERWRITING REVENUES FOR TAKAFUL OPERATIONS**  
**FOR THE YEAR ENDED 31 DECEMBER 2016**

	Motors		Marine		Aviation		Fire and other property		Liability		Medical		Other Classes		Total	
	2016	2015	2016	2015	2016	2015	2016	2015	2016	2015	2016	2015	2016	2015	2016	2015
	JD	JD	JD	JD	JD	JD	JD	JD	JD	JD	JD	JD	JD	JD	JD	JD
<i>Written contributions:</i>																
Direct insurance	9,094,393	8,740,489	1,233,382	1,010,446	250,082	313,545	9,074,898	4,461,449	727,605	387,212	10,985,773	5,944,190	1,720,535	815,310	33,086,669	21,672,641
Reinsurance inward business	1,706,915	2,252,295	26,610	21,927	-	-	1,415,033	1,453,852	805	37,755	-	875,000	18,249	13,223	3,167,612	4,654,052
<b>Total written contributions</b>	<b>10,801,308</b>	<b>10,992,784</b>	<b>1,259,992</b>	<b>1,032,373</b>	<b>250,082</b>	<b>313,545</b>	<b>10,489,932</b>	<b>5,915,301</b>	<b>728,410</b>	<b>424,967</b>	<b>10,985,773</b>	<b>6,819,190</b>	<b>1,738,784</b>	<b>828,533</b>	<b>28,254,281</b>	<b>26,326,693</b>
<i>Less:</i>																
Local reinsurance contribution	1,759,779	1,690,219	337,460	172,708	-	-	1,578,408	1,461,508	-	35,520	-	-	29,914	9,672	3,705,561	3,369,627
Foreign reinsurance contribution	-	6,375	821,106	753,341	250,082	313,545	8,798,594	4,387,928	681,739	385,384	4,246,484	3,984,664	1,498,860	756,251	16,296,865	10,567,488
<b>Net contributions</b>	<b>9,041,529</b>	<b>9,296,190</b>	<b>101,426</b>	<b>106,324</b>	<b>250,082</b>	<b>-</b>	<b>112,930</b>	<b>65,865</b>	<b>46,671</b>	<b>24,063</b>	<b>6,739,289</b>	<b>2,834,526</b>	<b>210,010</b>	<b>82,610</b>	<b>16,251,855</b>	<b>12,389,578</b>
<i>Add:</i>																
Balance as at the beginning of the year																
Unearned contributions reserve	4,486,564	3,970,927	174,640	172,402	88,302	278,365	3,671,359	3,031,337	224,020	217,351	3,671,658	3,578,317	453,344	341,515	12,769,887	11,590,214
Less: reinsurance share	348,428	913,128	152,920	150,419	88,302	278,365	2,124,223	3,007,073	212,865	210,540	2,124,223	2,202,314	424,559	312,356	6,969,708	7,074,195
<b>Net unearned contributions reserve as at the beginning of the year</b>	<b>4,138,138</b>	<b>3,057,799</b>	<b>21,720</b>	<b>21,983</b>	<b>-</b>	<b>-</b>	<b>1,547,435</b>	<b>24,264</b>	<b>11,155</b>	<b>6,811</b>	<b>1,547,435</b>	<b>1,376,003</b>	<b>28,785</b>	<b>29,159</b>	<b>5,780,179</b>	<b>4,516,019</b>
<i>Less:</i>																
Balance as at the end of the year																
Unearned contributions provision	4,791,502	4,486,564	389,427	174,640	65,217	88,302	6,432,209	3,671,359	416,620	224,020	5,103,949	3,671,658	1,032,325	453,344	18,230,249	12,769,887
Less: reinsurers' share	554,997	348,426	367,634	152,920	65,217	88,302	6,378,369	3,638,413	390,237	212,865	1,677,170	2,124,223	925,869	424,559	10,369,493	6,989,708
<b>Net unearned contributions provision as at the end of the year</b>	<b>4,236,505</b>	<b>4,138,138</b>	<b>20,793</b>	<b>21,720</b>	<b>-</b>	<b>-</b>	<b>53,840</b>	<b>32,946</b>	<b>26,383</b>	<b>11,155</b>	<b>3,426,779</b>	<b>1,547,435</b>	<b>96,459</b>	<b>28,785</b>	<b>7,860,758</b>	<b>5,780,179</b>
<b>Net earned revenue from written contributions</b>	<b>8,943,162</b>	<b>8,215,851</b>	<b>102,353</b>	<b>106,587</b>	<b>-</b>	<b>-</b>	<b>92,036</b>	<b>57,183</b>	<b>31,443</b>	<b>19,719</b>	<b>4,859,945</b>	<b>2,663,094</b>	<b>142,339</b>	<b>82,984</b>	<b>14,171,278</b>	<b>11,125,418</b>

The accompanying notes from 1 to 43 form an integral part of these consolidated financial statements



**FIRST INSURANCE COMPANY - PUBLIC SHAREHOLDING COMPANY**  
**STATEMENT OF CLAIMS COST FOR TAKAFUL OPERATIONS**  
**FOR THE YEAR ENDED 31 DECEMBER 2016**

	Motors		Marine		Aviation		Fire and other property		Liability		Medical		Other Classes		Total	
	2016	2015	2016	2015	2016	2015	2016	2015	2016	2015	2016	2015	2016	2015	2016	2015
	JD	JD	JD	JD	JD	JD	JD	JD	JD	JD	JD	JD	JD	JD	JD	JD
<b>Paid claims</b>	9,283,414	7,433,140	40,861	48,190	-	-	234,935	839,634	82,933	167	6,707,017	5,071,708	815,431	111,092	17,164,591	13,503,931
<b>Less:</b>																
Recoveries	1,358,935	1,111,533	-	-	-	-	182	402	-	-	-	-	13	300	1,359,130	1,112,235
Local reinsurers' share	531,518	454,368	-	-	-	-	20,424	6,379	-	-	-	-	-	-	551,942	480,747
Foreign reinsurers' share	93,097	33,554	35,951	38,366	-	-	207,163	807,348	64,588	134	3,069,268	2,651,295	731,301	87,795	4,201,368	3,618,512
<b>Net paid claims</b>	7,299,864	5,833,685	4,910	9,804	-	-	7,166	25,505	18,345	33	3,637,749	2,420,413	84,117	22,997	11,052,151	8,312,437
<b>Add: Outstanding claims reserve at end of the year</b>																
Reported	5,553,818	5,118,529	336,685	142,878	-	-	445,108	413,519	269,965	70,293	534,670	250,435	199,421	77,219	7,339,667	6,072,873
Unreported	680,000	600,000	8,000	3,600	-	-	6,850	5,000	2,000	50	536,489	321,168	6,000	4,300	1,239,339	934,118
<b>Less:</b>																
Reinsurers' share	799,749	653,818	310,154	131,768	-	-	435,168	398,900	258,297	70,033	530,075	279,766	184,840	68,429	2,518,283	1,602,714
Recoveries	299,358	307,981	-	-	-	-	-	-	-	-	-	-	-	-	299,358	307,981
<b>Net outstanding claims reserve at the end of the year</b>	5,134,711	4,756,730	34,531	14,710	-	-	16,790	19,619	13,668	310	541,084	291,837	20,581	13,090	5,761,365	5,096,296
<b>Less:</b>																
<b>Outstanding claims reserve at the beginning of the year</b>																
Reported	5,118,529	4,284,746	142,878	113,832	-	-	413,519	898,205	70,293	5,673	250,435	226,643	77,219	157,835	6,072,873	5,086,934
Unreported	600,000	700,000	3,600	4,450	-	-	5,000	5,000	50	50	321,168	379,819	4,300	4,300	934,118	1,093,619
<b>less:</b>																
Reinsurers' share	653,818	446,783	131,768	106,416	-	-	398,900	886,032	70,033	5,538	279,766	375,744	68,429	148,849	1,602,714	1,969,362
Recoveries	307,981	263,710	-	-	-	-	-	-	-	-	-	-	-	-	307,981	263,710
<b>Net outstanding claims reserve at the beginning of the year</b>	4,756,730	4,274,253	14,710	11,866	-	-	19,619	17,173	310	185	291,837	230,718	13,090	13,286	5,096,296	4,547,481
<b>Net claims cost</b>	7,677,845	6,316,162	24,731	12,648	-	-	4,337	27,951	31,703	158	3,886,996	2,481,532	91,608	22,801	11,717,220	8,861,252

The accompanying notes from 1 to 43 form an integral part of these consolidated financial statements

**FIRST INSURANCE COMPANY - PUBLIC SHAREHOLDING COMPANY**  
**STATEMENT OF UNDERWRITING PROFIT (LOSS) FOR TAKAFUL OPERATIONS**  
**FOR THE YEAR ENDED 31 DECEMBER 2016**

	Motor		Marine		Aviation		Fire and other property		Liability		Medical		Other Classes		Total	
	2016	2015	2016	2015	2016	2015	2016	2015	2016	2015	2016	2015	2016	2015	2016	2015
	JD	JD	JD	JD	JD	JD	JD	JD	JD	JD	JD	JD	JD	JD	JD	JD
<b>Net earned revenue from written contributions</b>	8,943,162	8,215,851	102,353	106,587	-	-	92,036	57,183	31,443	19,719	4,859,945	2,663,094	142,339	62,984	14,171,278	11,125,418
Less:																
<b>Net claims cost</b>	7,677,845	6,316,162	24,731	12,648	-	-	4,337	27,951	31,703	158	3,886,996	2,481,532	91,608	22,801	11,717,220	8,861,252
Add:																
Commissions received	21,082	22,646	295,836	260,161	13,605	15,443	1,104,644	478,975	110,185	84,271	262,291	653,802	212,164	163,812	2,019,807	1,679,110
Takaful policies issuance fees	622,274	594,852	32,713	25,684	2,882	5,670	150,349	68,683	7,787	6,813	507,217	274,291	53,451	13,987	1,376,673	989,990
Investment income for policyholders	33,749	40,418	3,937	3,796	781	1,153	32,776	21,749	2,276	1,563	34,325	25,073	5,433	3,046	113,277	96,798
<b>Total revenue</b>	1,942,422	2,557,605	410,108	383,580	17,268	22,266	1,375,468	598,649	119,888	112,208	1,776,782	1,134,728	321,779	221,028	5,963,815	5,030,064
Less:																
Takaful policies acquisition costs	259,536	330,284	27,382	24,701	-	-	74,531	55,014	7,940	1,978	139,477	18,002	5,941	7,190	514,807	437,169
Excess of loss subscriptions	105,460	120,615	-	4,800	-	-	52,000	46,330	-	4,800	-	-	-	4,800	157,460	181,345
Shareholders share for Takaful operations management	1,708,600	1,637,993	245,052	233,949	12,564	13,898	1,056,545	574,996	120,886	71,685	1,240,983	1,205,921	221,522	119,940	4,606,152	3,858,382
Other expenses	155,571	183,345	1,209	8,899	1,229	3,740	26,954	67,368	2,984	8,840	358,443	75,872	3,404	7,498	549,694	356,562
<b>Total expenses</b>	2,229,167	2,272,237	273,643	272,349	13,793	17,638	1,209,930	743,708	131,810	88,303	1,738,903	1,299,795	230,867	139,428	5,828,113	4,833,458
<b>Underwriting( loss) profit for the year</b>	(286,745)	285,368	136,465	111,231	3,475	4,628	165,538	(145,059)	(11,822)	23,905	37,879	(165,067)	90,912	81,600	135,702	196,606

The accompanying notes from 1 to 43 form an integral part of these consolidated financial statements

**FIRST INSURANCE COMPANY - PUBLIC SHAREHOLDING COMPANY**  
**STATEMENT OF UNDERWRITING REVENUES FOR GENERAL INSURANCE OPERATIONS**  
**FOR THE YEAR ENDED 31 DECEMBER 2016**

	Motors		Marine		Fire and other property		Liability		Medical		Other Classes		Assistance		Total	
	2016	2015	2016	2015	2016	2015	2016	2015	2016	2015	2016	2015	2016	2015	2016	2015
	JD	JD	JD	JD	JD	JD	JD	JD	JD	JD	JD	JD	JD	JD	JD	JD
<b>Written premiums</b>																
Direct business*	-	-	46,795	353,834	38,754	4,124,493	(89)	23,792	(44,989)	2,834,027	2,079	62,213	88	17,008	42,638	7,415,367
Facultative reinsurance inward business*	-	-	-	32,671	(4,504)	456,240	-	1,309	-	-	(580)	11,087	-	-	(5,084)	501,307
Total written premiums	-	-	46,795	386,505	34,250	4,580,733	(89)	25,101	(44,989)	2,834,027	1,499	73,300	88	17,008	37,554	7,916,674
Less:																
Local reinsurance premiums*	-	-	-	24,325	4,556	610,061	-	799	-	-	1,534	7,613	-	-	6,090	642,798
Foreign reinsurance premiums*	-	-	46,789	339,405	22,790	3,917,402	(67)	21,048	(24,712)	1,842,118	296	54,537	88	17,008	45,184	6,191,518
Net premiums	-	-	6	22,775	6,904	53,270	(22)	3,254	(20,277)	991,909	(331)	11,150	-	-	(13,720)	1,082,358
<b>Add:</b>																
Balance as at the beginning of the year																
Unearned premiums reserve	-	-	100,293	123,765	2,411,207	3,410,663	8,711	27,094	1,886,282	1,868,107	19,157	33,659	3,896	7,824	4,429,546	5,471,112
Less: reinsurers' share	-	-	93,274	120,605	2,392,706	3,392,206	7,850	25,644	1,000,624	1,214,270	16,448	31,745	3,896	7,824	3,514,598	4,792,294
Net unearned premiums reserve	-	-	7,019	3,160	18,501	18,457	1,061	1,450	885,658	653,837	2,709	1,914	-	-	914,948	678,818
<b>Balance as at the end of the year</b>																
Unearned premiums reserve	-	-	-	100,293	10,948	2,411,207	-	8,711	-	1,886,282	-	19,157	-	3,896	10,948	4,429,546
Less: reinsurers' share	-	-	-	93,274	10,947	2,392,706	-	7,650	-	1,000,624	-	16,448	-	3,896	10,947	3,514,598
Net unearned premiums revenue	-	-	-	7,019	1	18,501	-	1,061	-	885,658	-	2,709	-	-	1	914,948
Net earned revenue from written premiums	-	-	7,025	18,916	25,404	53,226	1,039	3,643	865,381	760,088	2,378	10,355	-	-	901,227	846,228

\* These amounts represent addendum, cancellations and re-insurance shares for policies pertaining to prior periods and resulting from the acquisition of Yarmouk Insurance Company.

The accompanying notes from 1 to 43 form an integral part of these consolidated financial statements

**FIRST INSURANCE COMPANY - PUBLIC SHAREHOLDING COMPANY**  
**STATEMENT OF CLAIMS COST FOR GENERAL INSURANCE OPERATIONS**  
**FOR THE YEAR ENDED 31 DECEMBER 2016**

	Motors		Marine		Fire and Properties		Liability		Medical		Other Classes		Assistance		Total	
	2016	2015	2016	2015	2016	2015	2016	2015	2016	2015	2016	2015	2016	2015	2016	2015
	JD	JD	JD	JD	JD	JD	JD	JD	JD	JD	JD	JD	JD	JD	JD	JD
Paid claims	39,312	140,517	124,473	202,873	1,346,696	387,847	22,654	11,099	1,734,841	2,616,395	2,403	4,262	-	148	3,270,379	3,363,141
Less:																
Recoveries	31,881	102,427	-	6,546	1,630	17,580	105	-	-	-	94	203	-	-	33,710	126,756
Local reinsurers' share	2,680	673	-	-	30	91,591	2,555	1,848	-	-	572	87	-	-	5,837	94,199
Foreign reinsurers' share	-	-	118,249	192,729	1,336,078	276,611	17,707	2,965	1,127,772	1,698,304	1,430	3,384	-	148	2,601,236	2,174,141
Net paid claims	4,751	37,417	6,224	3,598	8,958	2,065	2,287	6,286	607,069	918,091	307	588	-	-	629,596	968,045
Add:																
Outstanding claims reserve at the end of the year																
Reported	155,003	405,500	92,923	160,689	129,164	1,006,504	93,730	91,810	8,612	106,119	17,000	10,210	-	-	496,432	1,780,832
Unreported	-	-	600	600	600	600	100	100	28,536	245,114	1,250	1,250	-	-	31,086	247,664
Less:																
Reinsurers' share	31,410	31,410	87,672	152,650	110,711	983,876	40,613	19,846	24,146	217,387	13,614	8,458	-	-	308,166	1,413,627
Recoveries	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Net outstanding claims reserve at the end of the year																
Reported	123,593	374,090	5,251	8,039	18,453	22,628	53,117	71,964	(15,534)	(111,268)	3,386	1,752	-	-	188,266	387,205
Unreported	-	-	600	600	600	600	100	100	28,536	245,114	1,250	1,250	-	-	31,086	247,664
Less:																
Net outstanding claims reserve at the beginning of the year																
Reported	405,500	661,885	160,689	316,500	1,006,504	1,110,622	91,810	94,930	106,119	48,558	10,210	11,755	-	-	1,780,832	2,244,250
Unreported	-	-	600	600	600	600	100	100	245,114	318,534	1,250	1,250	-	-	247,664	321,084
Less:																
Reinsurers' share	31,410	108,360	152,650	284,826	983,876	1,055,022	19,846	17,569	217,387	238,610	8,458	9,906	-	-	1,413,627	1,714,293
Recoveries	-	78,594	-	-	-	-	-	-	-	-	-	-	-	-	-	78,594
Net outstanding claims reserve at the beginning of the year																
Reported	374,090	474,931	8,639	32,274	23,228	56,200	72,064	77,461	133,846	128,482	3,002	3,099	-	-	614,869	772,448
Unreported	(245,746)	(63,424)	3,436	(20,037)	4,783	(30,907)	(16,560)	889	486,225	923,455	1,941	491	-	-	234,079	810,467
Net claims cost																

The accompanying notes from 1 to 43 form an integral part of these consolidated financial statements

**FIRST INSURANCE COMPANY - PUBLIC SHAREHOLDING COMPANY**  
**STATEMENT OF UNDERWRITING PROFIT (LOSS) FOR GENERAL INSURANCE OPERATIONS**  
**FOR THE YEAR ENDED 31 DECEMBER 2016**

	Motors		Marine		Fire and other property		Liability		Medical		Other Classes		Assistance		Total	
	2016	2015	2016	2015	2016	2015	2016	2015	2016	2015	2016	2015	2016	2015	2016	2015
	JD	JD	JD	JD	JD	JD	JD	JD	JD	JD	JD	JD	JD	JD	JD	JD
<b>Net earned revenues from written premiums</b>	-	-	7,025	18,916	25,404	53,226	1,039	3,643	865,392	760,088	2,377	10,355	-	-	901,227	846,228
<b>Less:</b>																
<b>Net claims cost</b>	(245,746)	(63,424)	3,436	(20,037)	4,763	(30,907)	(16,560)	889	486,225	923,455	1,941	491	-	-	234,079	810,467
<b>Add:</b>																
<b>Commissions received</b>	-	-	86,010	63,321	5,224	652,864	(22)	5,160	-	739,371	291	15,038	24	3,662	91,527	1,479,416
<b>Insurance policies issuance fees</b>	-	-	492	7,502	835	81,385	-	462	2,218	107,190	80	1,654	-	1,582	3,625	199,775
<b>Total revenues</b>	245,746	63,424	90,091	109,776	26,680	818,382	17,577	8,376	381,375	683,194	607	26,556	24	5,244	762,300	1,714,952
<b>Less:</b>																
<b>Commissions paid</b>	-	-	-	3,138	(132)	45,099	-	1,430	106,691	393,846	(76)	2,543	1	379	106,484	446,435
<b>Excess of loss premiums</b>	-	-	-	8,981	-	33,952	-	-	-	-	-	-	-	-	-	42,933
<b>General and administrative expenses related to underwriting</b>	-	-	-	104,345	-	547,172	-	2,998	-	410,757	-	8,756	-	2,465	-	1,076,493
<b>General insurance portfolio management fees*</b>	6,880	-	21,782	-	235,672	-	3,964	-	303,597	-	421	-	-	-	572,316	-
<b>Other expenses related to underwriting</b>	-	-	323	923	942	1,289	29	53	14,090	12,539	103	107	28	187	15,515	15,098
<b>Total Expenses</b>	6,880	-	22,105	117,387	236,482	627,512	3,993	4,481	424,378	817,142	448	11,406	29	3,031	694,315	1,580,959
<b>Underwriting profit for the year</b>	238,866	63,424	67,986	(7,611)	(209,802)	190,870	13,584	3,895	(43,003)	(133,948)	359	15,150	(5)	2,213	67,985	133,993

\* The fees for managing the general insurance portfolio were set by the Shari'a Board at %17.5 from paid claims. These fees are allocated among different lines of business proportional to their paid claims.

The accompanying notes from 1 to 43 form an integral part of these consolidated financial statements

**(1) GENERAL**

First Insurance Company (the "Company") was established on 28 December 2006 and registered as a public shareholding company under license No. (424) with an authorized paid in capital of JD 24,000,000 divided into 24,000,000 shares at JD 1 per share. The headquarter is located in Amman – Jordan.

On 2 April 2016, the Group acquired 76.25% of Yarmouk Insurance Company's capital, which conducts its operations in Jordan. The Extraordinary General Assembly has agreed in their meeting, held on 2 November 2016, to transfer their entire share, which consists of 100% of Yarmouk Insurance Company capital (the merged company), to First Insurance Public Shareholding Company. As a result of the merger, Yarmouk Insurance Company was dissolved and First Insurance Public Shareholding Company was declared as the legal success with an authorized paid in capital of JD 28,000,000 divided into 28,000,000 shares at 1 JD per share.

The Company engages in several insurance activities that complies with Islamic regulation, including fire and natural hazards, medical, accidents, motors, goods in transit, other damages for properties, public liability, supplement insurance, ships insurance, ships responsibility and aviation.

The consolidated financial statements comprise the results of Takaful Insurance Operations for First Insurance Company and the results of General Insurance Operations for the merged company (Yarmouk Insurance Company). These results will be presented separately in the supplemental Insurance Operations Information accompanying the consolidated financial statements, and will continue to do so, up to the date in which the General Insurance policies from the acquisition process expire.

The consolidated financial statements were approved by the Board of Directors during their meeting on 22 February 2017 and are subject to the approval of the Shareholders General Assembly.

**(2) BASIS OF PREPARATION AND CHANGES IN ACCOUNTING POLICIES**

The consolidated financial statements were prepared in accordance with International Financial Reporting Standards (IFRSs) as issued by the International Accounting Standards Board and in conformity with applicable local laws.

The consolidated financial statements have been prepared according to the historical cost convention except for the financial assets at fair value through other comprehensive income which are stated at fair value at the date of the consolidated financial statements.

The consolidated financial statement have been presented in Jordanian Dinar (JD) which is the functional currency of the Group.

## A. Basis of consolidation

The consolidated financial statements comprise the financial statements of the Company and its subsidiaries (together referred to as "the Group") where the Company holds control over the subsidiaries. The control exists when the Company controls the subsidiaries significant and relevant activities and is exposed, or has rights, to variable returns from its involvement with subsidiaries and has the ability to affect those returns through its power over the subsidiaries. All balances, transactions, income, and expenses between the Company and subsidiaries are eliminated.

<u>Company name</u>	<u>Main activity</u>	<u>Ownership percentage</u>	<u>Country</u>	<u>Capital</u>	<u>Establishment year</u>
Baden for Trading and Investment	Investing	100%	Jordan	5,000	2016
Mulkeyat for Trading and Investment	Investing	100%	Jordan	50,000	2010

Mulkeyat for Trading and Investment was established on 10 August 2010 and registered as a limited liability Company under license No. (22534) with paid in capital of JD 50,000.

Baden for Trading and Investment was established on 5 June 2016 and registered as a limited liability Company under license number (44259) with a capital of JD 5,000.

The financial statements of the subsidiaries are prepared for the same reporting year as the parent company (Takaful Insurance Company) and using consistent accounting policies. If different accounting policies were applied by the subsidiaries, adjustments shall be made on their financial statements in order to comply with those of the Company.

Subsidiaries are fully consolidated from the date on which control is transferred to the Company. The results of subsidiaries acquired or disposed of during the year are included in the consolidated income statement from the date of acquisition or up to the date of disposal, as appropriate.

## B. Changes in accounting policies

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 2015 except for the followings:

### **Equity Method in Separate Financial Statements (Amendments to IAS 27 and IFRS 1)**

In August 2014, the IASB amended IAS 27 Separate Financial Statements which restore the option for entities, in the separate financial statements, to account for investments in subsidiaries, associates and joint ventures using the equity method as described in IAS 28 Investments in Associates and Joint Ventures. A consequential amendment was also made to IFRS 1 First-time Adoption of International Financial Reporting Standards. The amendment to IFRS 1 allows a first-time adopter accounting for investments in the separate financial statements using the equity method, to apply the IFRS 1 exemption for past business combinations to the acquisition of the investment.



### **IAS 1 *Presentation of Financial Statements – Amendments to IAS 1***

The amendments to IAS 1 include narrow-focus improvements related to:

- Materiality
- Disaggregation and subtotals
- Notes structure
- Disclosure of accounting policies
- Presentation of items of other comprehensive income (OCI) arising from equity accounted investments

### **Investment entities (Amendments to IFRS 10 and IAS 28)**

The amendments address the issues arising in practice in the application of the investment entities consolidation exception and clarify that:

- The exemption from presenting consolidated financial statements applies to a parent entity that is a subsidiary of an investment entity, when the investment entity measures all of its subsidiaries at fair value.
- Subsidiary that is not an investment entity itself and provides support services to the investment entity is consolidated. All other subsidiaries of an investment entity are measured at fair value.
- Application of the equity method by a non-investment entity that has an interest in an associate or joint venture that is an investment entity: The amendments to IAS 28 Investments in Associates and Joint Ventures allow the investor, when applying the equity method, to retain the fair value measurement applied by the investment entity associate or joint venture to its interests in subsidiaries.

### **Amendments to IAS 16 and IAS 38: *Clarification of Acceptable Methods of Depreciation and Amortization***

The amendments clarify the principle in IAS 16 and IAS 38 that revenue reflects a pattern of economic benefits that are generated from operating a business (of which the asset is part) rather than the economic benefits that are consumed through use of the asset. As a result, a revenue-based method cannot be used to depreciate property, plant and equipment and may only be used in very limited circumstances to amortize intangible assets.

### **Amendments to IFRS 11 *Joint Arrangements: Accounting for Acquisitions of Interests***

The amendments to IFRS 11 require that a joint operator accounting for the acquisition of an interest in a joint operation, in which the activity of the joint operation constitutes a business, must apply the relevant IFRS 3 principles for business combinations accounting. The amendments also clarify that a previously held interest in a joint operation is not remeasured on the acquisition of an additional interest in the same joint operation while joint control is retained. In addition, a scope exclusion has been added to IFRS 11 to specify that the amendments do not apply when the parties sharing joint control, including the reporting entity, are under common control of the same ultimate controlling party.

The amendments apply to both the acquisition of the initial interest in a joint operation and the acquisition of any additional interests in the same joint operation.

The implementation of the new amendments did not have impact on the Group's financial position or performance and became effective for annual periods which started from 1 January 2016.

### **C. 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.

#### ***Financial assets at amortized cost:***

- Financial assets that the Company's management aims, according to its business model to hold the assets to collect their contractual cash flows and that the contractual terms of the financial asset give rise, on specified dates, to cash flows constituting solely principal and profit on the outstanding principal amounts.
- Debt instruments meeting these criteria are initially measured at amortized cost plus transaction costs. Subsequently they are amortized using the effective profit rate method less allowance for impairment. The losses arising from impairment are recognized in the income statement.
- The amount of the impairment consists of the difference between the book value and present value of the expected future cash flows discounted at the original effective profit rate.
- It is not permitted to reclassify assets to or from this category except in certain circumstances determined in the International Financial Reporting Standards. If these assets are sold before maturity date, gain or loss from sale is recorded in a separate line item within the income statement and disclosing it in accordance with the requirements of International Financial Reporting Standards.

#### ***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 consolidated statement of income.

***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.

***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 consolidated income statement.

***Investment property***

Investment property is stated at cost less accumulated depreciation (except land). Impairment loss is recorded in the statement of income. Any profit or operating expense arising from as a result is recorded in the consolidated statement of income. Depreciation is computed for investment property (except land) on a straight-line basis on its expected useful life using annual depreciation rates 2-20%.

Investment property is valued in accordance with Ministry of Industry, Trade and Supply- Insurance Administration regulations, and its fair value is disclosed in the investment property note.

***Cash and cash equivalents***

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

### ***Reinsurance***

The Company cedes insurance risk in the normal course of business for all classes of business. Reinsurance assets represent balances due from reinsurance and insurance companies. Reinsurance operations consists of the quota, optional reinsurance, exceeding losses agreements, and other types of reinsurance mainly to cover all insurance types, reinsurance contracts are not exempted from its obligations against policyholders, where the failure of reinsurers to meet their obligations may lead to losses for the company therefore, provisions are recognized for the uncollectable amounts. Recoverable amounts are calculated in a manner consistent with the outstanding claims provision and are in accordance with the reinsurance contract.

### ***Reinsurers' accounts***

Reinsures' 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 reinsures are accounted for on the accrual basis.

### ***Impairment of reinsurance assets***

In case there is any indication as to the impairment of the reinsurance assets of the Company, which possesses the reinsured contract, the Company has to reduce the present value of the contracts, and record the impairment it in the statement of policyholders revenues and expenses. The impairment is recognized in the following cases only:

- 1- There is objective evidence resulting from an event that took place after the recording of the reinsurance assets confirming the Company's inability to recover all the amounts under the contracts terms.
- 2- The event has a reliably and early measurable effect on the amounts that the Company will recover from reinsurers.

### ***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:

	<u>%</u>
Buildings	2
Offices	2
Equipment, furniture & fixture	10 - 20
Vehicles	15
Decor	10 - 20

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

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 consolidated 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.

### ***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 consolidated 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 4 years.

### ***Accounts receivables***

Accounts receivable are stated at original invoice amount less an allowance for any uncollectible amounts. An estimate for doubtful debts is made when collection of any amount is no longer probable. Bad debts are written off when there is no possibility of recovery.

#### 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 and premiums 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 consolidated 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 and premiums reserve 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.

#### B- 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.

#### **Provisions**

Provision are recognized when the Company has an obligation at the date of consolidated 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 consolidated statement of income.

**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 consolidated statement of financial position and in conformity with the Jordanian Labor Law.

***Liability adequacy test***

At each statement of financial position date the Company assesses whether its recognized insurance liabilities are adequate using present value of future cash flows under its insurance contracts.

If that assessment shows that the present value of its insurance liabilities is inadequate compared to estimated future cash flows, the full impairment amount is immediately recognized in the consolidated statement of policyholders revenues and expenses.

**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 consolidated statement of financial position.

The carrying values of deferred tax assets are reviewed at the date of the consolidated 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.

***Offsetting***

Financial assets and financial liabilities are only offset, and the net amount reported in the consolidated 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.

## **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 consolidated financial statement are recorded as unearned insurance contributions within liabilities.

Claims and incurred losses settlement expenses are recorded in the consolidated 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.

### **B- Dividends and profit**

Investment income is recognized as it accrues based on the maturities of the time periods, original principals, and earned Murabaha rate.

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

### **C- Interest income**

Interest income is recognized as the interest accrues using the effective interest method.

### **D- Rental income**

Rental income arising from leases of investment properties is accounted for on a straight- line basis over the lease terms.

## **Cost recognition**

Acquisition costs arising from the acquisition and renewal of insurance contracts are recognized in the consolidated 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 consolidated 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 – Takaful Insurance***

Takaful 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.

### ***General and administrative expenses – General Insurance***

Assignable general and administrative expenses are allocated to each insurance lines of business. Moreover, 80% of the non-assignable general and administrative expenses are allocated to different insurance departments based on the ratio of written premiums of the lines of business to total premiums.

### ***Employees expenses – General Insurance***

The employees expenses are distributed to each insurance line of business separately. Moreover, 80% of the non-assignable general and administrative expenses are allocated to different insurance lines of business based on the ratio of written premiums of the department to total premiums.

### ***Employees expenses – Takaful Insurance***

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

### ***Takaful policies issuance fees***

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 consolidated statement of policyholders revenues and expenses.

### ***Deficit coverage reserve (contingencies provision)***

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 deficit coverage reserve (Contingencies Provision) 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 allocating 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 (contingences provision) 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.

### ***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 contingencies provision. In case of the shortage in the contingencies provision; the shareholders will grant the policyholders' a non-profitable loan to cover all the shortage.

### ***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 separte account which is presented in the consolidated financial statements within other credit balances (shareholders liabilities) and are recorded in the consolidated 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 Company determines a deduction rate of the contributions intended for investment purposes based on the determinations the Company's annual budget and the expected future cash flows for each fiscal year.

### ***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 consolidated 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.

### ***Estimating uncertainty***

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

The management believes that the estimates in the financial statements are reasonable. The details are as follows:

- Allowance for doubtful debt is established based on managements estimates and assumptions.
- The income tax provision is established in line with the prevailing laws and regulations and is recorded in the same period as the income tax is incurred.
- Management periodically reevaluates the tangible and intangible assets in order to assess the depreciation and amortization for the year based on the useful life and future economic benefit. Any related impairment is charged to the consolidated income statement.
- Claims and technical reserves estimates are established based on technical studies and accordance to the instructions of the Ministry of Industry, Trade and Supply Insurance Administration.
- Legal provisions are established for lawsuits raised against the Company based on the Company's legal counsel estimation for the future contingent risks. These estimations are reviewed periodically.

### **(3) ACQUISITION AND MERGER OF A SUBSIDIARY**

On 2 April 2015, the Group acquired 76.25% of Yarmouk Insurance Company's capital, which conducts its operations in Jordan. The Extraordinary General Assembly has agreed in their meeting, held on 2 November 2015, to transfer their entire share, which consists of 100% of Yarmouk Insurance Company capital (the merged company), to First Insurance Public Shareholding Company. As a result of the merger, Yarmouk Insurance Company was dissolved and First Insurance Public Shareholding Company was declared as the legal successor. The merger committee declared 2 November 2015 to be the final official approval date for the transfer of ownership based on the financial statements balances as of 30 June 2015.

The table below summarizes the balances for First Insurance Company and Yarmouk Insurance Company as at the merger date:

	Financial position as at 30 June 2015			Beginning balance as at 1 July 2015
	First Insurance Company	Yarmouk Insurance Company	Adjustments resulting from the merger	
	JD	JD	JD	JD
<b>Assets</b>				
<b>Investments</b>				
Deposits at banks	9,371,579	3,481,453	-	12,853,032
Financial assets at fair value through profit and loss	-	3,200,965	(3,200,965)	A -
Financial assets at fair value through other comprehensive income	5,098,646	-	3,200,965	A 8,299,611
Investment properties	3,484,482	1,946,292	3,500,000	B 8,930,774
Financial assets at amortized cost	-	199,134	-	199,134
Investment in subsidiaries	10,038,442	-	(10,038,442)	C -
<b>Total investments</b>	<b>27,993,149</b>	<b>8,827,844</b>	<b>(6,538,442)</b>	<b>30,282,551</b>
<b>Other assets</b>				
Cash and cash at banks	3,147,183	898,842	-	4,046,025
Cheques under collection and notes receivables	923,110	1,309,553	-	2,232,663
Accounts receivable, net	5,014,475	2,334,308	-	7,348,783
Reinsurance receivable, net	864,022	197,804	-	1,061,826
Deferred tax assets	266,505	-	-	266,505
Property and equipment, net	2,060,218	524,282	-	2,584,500
Intangible assets, net	4,183	18,515	-	22,698
Other assets	488,030	139,373	-	627,403
<b>Total assets</b>	<b>40,760,875</b>	<b>14,250,521</b>	<b>(6,538,442)</b>	<b>48,472,954</b>
<b>Liabilities, shareholders' equity and policyholders' fund</b>				
<b>Liabilities -</b>				
<b>Insurance contracts liabilities</b>				
Unearned contributions and premiums, net	4,897,467	680,901	-	5,578,368
Outstanding claims provision, net	4,997,684	460,659	-	5,458,343
Mathematical reserve, net	-	62,960	-	62,960
<b>Total insurance contracts liabilities</b>	<b>9,895,151</b>	<b>1,204,520</b>	<b>-</b>	<b>11,099,671</b>
Accounts payable	434,299	532,458	-	966,757
Accrued expenses	29,214	68,277	-	97,491
Reinsures payables	2,643,003	1,146,977	-	3,789,980
Other provisions	144,340	230,736	-	375,076
Income tax provision	228,135	9,485	-	237,620
Deferred tax liabilities	34,203	11,062	-	45,265
Other liabilities	251,170	1,546,929	-	1,798,099
<b>Total liabilities</b>	<b>13,659,515</b>	<b>4,750,444</b>	<b>-</b>	<b>18,409,959</b>
Reserve to cover deficit (contingencies provision)	67,299	-	-	67,299
<b>Net policyholder's fund</b>	<b>67,299</b>	<b>-</b>	<b>-</b>	<b>67,299</b>
<b>Shareholder's equity</b>				
Authorized and paid in capital	24,000,000	8,000,000	(4,000,000)	D 28,000,000
Statutory reserve	845,986	1,284,107	-	2,130,093
Cumulative change in fair value	(315,312)	-	-	(315,312)
Retained earnings	2,503,387	215,970	(2,538,442)	D 180,915
<b>Total shareholder's equity</b>	<b>27,034,061</b>	<b>9,500,077</b>	<b>(6,538,442)</b>	<b>29,995,696</b>
<b>Total policyholder's fund and shareholder's equity</b>	<b>27,101,360</b>	<b>9,500,077</b>	<b>(6,538,442)</b>	<b>30,062,995</b>
<b>Total liabilities, policyholder's fund and shareholders' equity</b>	<b>40,760,875</b>	<b>14,250,521</b>	<b>(6,538,442)</b>	<b>48,472,954</b>

- A. Financial assets acquired at fair value through profit or loss were reclassified to financial assets through other comprehensive income to comply with the company's investments' policies.
- B. This amount represents the difference between the book value of Yarmouk Insurance Company and the acquisition price of the acquired share.
- C. This amount represents the shares acquisition price:

	30 June 2015
	<u>JD</u>
Cash flow at the acquisition date:	
Cash acquired from subsidiaries	3,144,070
Consideration paid	<u>(10,038,442)</u>
<b>Net cash paid</b>	<b><u>(6,894,372)</u></b>

- D. This amount represents adjustments to paid in capital and retained earnings' which resulted from the merger, shown in the consolidated changes in shareholders equity.

**(4) DEPOSITS AT BANKS**

		31 December 2016						31 December 2015		
		Deposits maturing within one month		Deposits maturing After a month till three months		Deposits maturing after three months till one year		Total		
		Policyholders	Shareholders	Policyholders	Shareholders	Policyholders	Shareholders	Policyholders	Shareholders	Total
Inside Jordan		2,494,844	5,287,868	-	-	-	1,429,890	2,494,844	6,717,758	9,212,602
Outside Jordan		-	-	-	-	-	1,418,000	-	1,418,000	1,418,000
Total		2,494,844	5,287,868	-	-	-	2,847,890	2,494,844	8,135,758	10,630,602
								2,417,116	9,830,565	12,247,681
								-	-	-
								2,417,116	9,830,565	12,247,681

- The annual profit rate ranged from 2.5% to 3.5% for Jordanian Dinar deposits whereas the annual profit rate for US Dollar deposits outside Jordan was 3.9%.

**(5) FINANCIAL ASSETS AT FAIR VALUE THROUGH OTHER COMPREHENSIVE INCOME**

	31 December 2016		31 December 2015	
	Policyholders	Shareholders	Policyholders	Shareholders
	JD	JD	JD	JD
<b>Inside Jordan</b>				
Shares quoted in Amman stock exchange	-	1,826,727	-	2,708,554
Unquoted shares*	-	1,265,102	-	1,265,102
<b>Outside Jordan-</b>				
Quoted shares	-	2,240,595	-	2,234,100
Unquoted shares**	-	350,918	-	350,918
	-	5,683,342	-	6,558,674

\* This item represents financial assets with no publicly traded prices. Fair values were estimated by the Company's management.

\*\* This item represents the Company's investment in the capital of Joman Village LLC by 2.35%. The company was established in accordance with Cayman Island's laws. The main objective of that company is to build and sell residential units in the kingdom of Saudi Arabia.

**(6) FINANCIAL ASSETS AT AMORTIZED COST**

	31 December 2016			31 December 2015		
	Policyholders	Shareholders	Total	Policyholders	Shareholders	Total
	JD	JD	JD	JD	JD	JD
<b>Outside Jordan</b>	988,000	6,151,478	7,139,478	-	-	-
<b>Sukuk</b>	988,000	6,151,478	7,139,478	-	-	-

- All Sukuk have been acquired during 2016. The currency for the Sukuk is US Dollar except for the Sukuk purchased and presented in Bahraini Dinar.
- Sukuk earn an annual fixed profit rate that range from 2.84% to 6.75% which are accrued on a semi annual basis up to the date of the maturity of the Sukuk. The maturity date for the Sukuk range from 2 years to 28 years.
- During 2016, the Group recognized JD 106,697 as return on Sukuk.



**(7) INVESTMENT PROPERTIES**

	<u>Lands</u>	<u>Buildings</u>	<u>Total</u>
	<u>JD</u>	<u>JD</u>	<u>JD</u>
<b>2016 -</b>			
<b>Cost-</b>			
Balance at 1 January 2016	5,393,597	2,874,188	8,267,785
Released	-	(13,016)	(13,016)
Additions	282,524	8,254	291,778
Transfers	(595,333)	(933,542)	(1,528,875)
Balance at 31 December 2016	<u>5,081,788</u>	<u>1,935,884</u>	<u>7,017,672</u>
<b>Accumulated Depreciation-</b>			
Balance at 1 January 2016	-	261,475	261,475
Additions	-	87,147	87,147
Released	-	(13,016)	(13,016)
Transfers	-	242,346	242,346
Balance at 31 December 2016	<u>-</u>	<u>93,262</u>	<u>93,262</u>
<b>Net book value 31 December 2016</b>	<u>5,081,788</u>	<u>1,842,622</u>	<u>6,924,410</u>
<b>2015 -</b>			
<b>Cost-</b>			
Balance at 1 January 2015	1,924,958	1,776,288	3,701,246
Beginning balance for the merged company (note 3)	4,160,139	1,286,153	5,446,292
Additions	-	11,747	11,747
Transfers resulting from the merger	(691,500)	(200,000)	(891,500)
Balance at 31 December 2015	<u>5,393,597</u>	<u>2,874,188</u>	<u>8,267,785</u>
<b>Accumulated Depreciation-</b>			
Balance at 1 January 2015	-	185,839	185,839
Charge for the year	-	75,636	75,636
Balance at 31 December 2015	<u>-</u>	<u>261,475</u>	<u>261,475</u>
<b>Net book value 31 December 2015</b>	<u>5,393,597</u>	<u>2,612,713</u>	<u>8,006,310</u>

As at 31 August 2015, the investment properties fair value was valued by real estate experts at an amount of JD 7,264,335 in accordance with the regulations and instructions by the Ministry of Industry, Trade and Supply –Insurance Administration.

\* Buildings include an amount of JD 855,000 owned by policyholders intended for investment in rental activities.

**(8) CASH ON HAND AND AT BANKS**

	31 December 2016			31 December 2015		
	Policyholders	Shareholders	Total	Policyholders	Shareholders	Total
	JD	JD	JD	JD	JD	JD
Cash on hand	34,340	84,263	118,603	18,855	184,279	203,134
Current accounts	<u>4,608,505</u>	<u>386,595</u>	<u>4,995,100</u>	<u>3,602,745</u>	<u>3,121,428</u>	<u>6,724,173</u>
	<u>4,642,845</u>	<u>470,858</u>	<u>5,113,703</u>	<u>3,621,600</u>	<u>3,305,707</u>	<u>6,927,307</u>

**(9) CHEQUES UNDER COLLECTION**

	31 December 2016			31 December 2015		
	Policyholders	Shareholders	Total	Policyholders	Shareholders	Total
	JD	JD	JD	JD	JD	JD
Cheques under collection*	<u>1,811,037</u>	<u>71,856</u>	<u>1,882,893</u>	<u>829,231</u>	<u>458,842</u>	<u>1,288,073</u>

\* Cheques under collection maturity extend to March 2018.

**(10) ACCOUNTS RECEIVABLE, NET**

	31 December 2016	31 December 2015
	JD	JD
Policyholders' receivable	12,072,658	8,084,021
Policies' receivable due to the merger	327,653	2,562,607
Agents' receivable	-	11,708
Brokers' receivable	5,907	75,490
Employees' receivable	14,458	8,788
Shareholders' receivable	121,705	80,901
Other	<u>184,074</u>	<u>72,412</u>
<b>Total</b>	<b>12,726,455</b>	<b>10,895,927</b>
Allowance for doubtful debts*	<u>(619,630)</u>	<u>(509,630)</u>
<b>Accounts receivable, net</b>	<b><u>12,106,825</u></b>	<b><u>10,386,297</u></b>

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

	31 December 2016 JD	31 December 2015 JD
Balance at the beginning of the year	509,630	210,000
Opening balance for the merged company (note 3)	-	145,794
Additions	110,000	155,000
Written off	-	(1,164)
Balance at year end	619,630	509,630

The table below shows the ageing of unimpaired receivables:

	Neither past due nor impaired JD	Past due but not impaired				Total JD
		1-90 days JD	91-180 days JD	181-360 days JD	More 361 days JD	
<b>2016 -</b>						
Policyholders' receivable	7,746,422	1,941,278	1,396,902	571,893	-	11,656,495
Policies' receivables due to the merger	-	71,685	15,436	18,906	19,421	125,448
Agents' receivables	-	-	-	-	-	-
Brokers' receivable	-	5,471	-	-	-	5,471
Employees' receivable	14,458	-	-	-	-	14,458
Shareholders' receivable	-	72,041	19,239	6,000	24,425	121,705
Other receivables	81,481	87,465	152	14,150	-	183,248
	<u>7,842,361</u>	<u>2,177,940</u>	<u>1,431,729</u>	<u>610,949</u>	<u>43,846</u>	<u>12,106,825</u>
<b>2015 -</b>						
Policyholders receivable	3,800,548	1,672,738	1,883,111	413,551	-	7,769,948
Policies receivables due to the merger	1,551,084	590,553	99,315	127,025	-	2,367,977
Agents' receivables	-	1,780	8,136	1,792	-	11,708
Brokers' receivable	-	18,088	35,890	21,200	-	75,178
Employees' receivable	-	5,781	49	2,958	-	8,788
Shareholders receivable	-	66,952	-	13,949	-	80,901
Other receivables	-	32,209	7,949	31,639	-	71,797
	<u>5,351,632</u>	<u>2,388,101</u>	<u>2,034,450</u>	<u>612,114</u>	<u>-</u>	<u>10,386,297</u>

**(11) REINSURERS RECEIVABLES, NET**

	31 December 2016			31 December 2015
	Policyholder	Shareholders	Total	
	JD	JD	JD	JD
Local reinsurance companies	767,720	74,000	841,720	1,241,224
Foreign reinsurance companies	1,052,242	317,598	1,369,840	776,429
<b>Total</b>	<b>1,819,962</b>	<b>391,598</b>	<b>2,211,560</b>	<b>2,017,653</b>
Allowance for the reinsurance receivables	(95,000)	(24,471)	(119,471)	(109,471)
<b>Reinsurance receivables, net</b>	<b>1,724,962</b>	<b>367,127</b>	<b>2,092,089</b>	<b>1,908,182</b>

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

	31 December 2016			31 December 2015
	Policyholder	Shareholders	Total	
	JD	JD	JD	JD
<b>Balance at the beginning of the year</b>	<b>85,000</b>	<b>24,471</b>	<b>109,471</b>	<b>85,000</b>
Additions	10,000	-	10,000	-
Additions due to the merger	-	-	-	24,471
<b>Balance at year end</b>	<b>95,000</b>	<b>24,471</b>	<b>119,471</b>	<b>109,471</b>

The table below shows the ageing of the unimpaired reinsurance receivables:

	Neither past due nor impaired JD	Past due but not impaired				Total JD
		1-90 days JD	91-180 days JD	181-360 days JD	More 361 days JD	
<b>31 December 2016</b>						
Local insurance companies	202,667	341,758	117,461	52,763	7,600	722,249
Foreign reinsurance companies	-	1,011,703	197,950	142,796	17,391	1,369,840
Shareholders	-	-	-	-	-	-
	<u>202,667</u>	<u>1,353,461</u>	<u>315,411</u>	<u>195,559</u>	<u>24,991</u>	<u>2,092,089</u>
<b>31 December 2015-</b>						
Local insurance companies	-	820,610	136,691	61,007	-	1,018,308
Foreign reinsurance companies	-	288,526	298,420	405	-	587,351
Shareholders	85,000	55,339	17,518	144,666	-	302,523
	<u>85,000</u>	<u>1,164,475</u>	<u>452,629</u>	<u>206,078</u>	<u>-</u>	<u>1,908,182</u>

## **(12) INCOME TAX**

### **A- Income tax provision**

The movement on the income tax provision is as follows:

	31 December 2016			31 December 2015		
	Policyholders	Shareholders	Total	Policyholders	Shareholders	Total
	JD	JD	JD	JD	JD	JD
Balance at beginning of the year	16,581	339,681	356,262	52,873	288,124	340,997
Opening balance of the merged Company	-	-	-	-	9,485	9,485
Income tax paid	(11,923)	(338,617)	(350,540)	(67,293)	(369,056)	(436,349)
Income tax provision	28,800	10,080	38,880	31,001	412,663	443,664
Income tax on gain from sale of financial assets at fair value through other comprehensive income	-	-	-	-	(1,535)	(1,535)
Prior year income tax surplus	(5,872)	(11,144)	(17,016)	-	-	-
Balance at end of the year	<u>27,586</u>	<u>-</u>	<u>27,586</u>	<u>16,581</u>	<u>339,681</u>	<u>356,262</u>

The income tax expense which appears in the consolidated statement of policyholders revenues and expenses and the consolidated income statement represents the following:

	31 December 2016		31 December 2015	
	Policyholders	Shareholders	Policyholders	Shareholders
	JD	JD	JD	JD
Accrued income tax	28,800	10,080	31,001	412,663
Deferred tax asset	(5,872)	(11,144)	-	-
(Increase) decrease in deferred tax assets	(22,928)	(1,064)	(21,629)	(26,745)
Income tax expense for the year	-	-	9,372	385,918

Summary of reconciliation of accounting profit with taxable profit:

	2016*	2015
	JD	JD
Accounting (loss) profit	(496,564)	1,815,446
Non-taxable income and non-deductible expenses	158,147	(71,694)
Taxable (loss) profit	(338,417)	1,743,752
Effective tax rate	-	22%
Statutory tax rate	24%	24%

- \* The information presented here pertains to the period from 1 January 2016 till 11 February 2016.
- On 18 November 2015, the successor (First Insurance Public Shareholding Company) was granted an income tax exemption for three years from the Council of Ministers' based on Article No. (8/B) from the investments law No. (30) for the year 2014.
- The management and the tax consultant believe that the income tax provision is adequate as of 31 December 2016.
- Tax declaration forms for the year 2015 were submitted within the legal period. However, the income tax department did not finalize the review up to the date of the consolidated financial statements.
- Tax declaration forms for the year 2015 were submitted as part of the sample basis employed by the income tax department.
- A final clearance was obtained for 2013 tax returns.
- Tax declaration forms for the years from 2009 till 2015 were submitted within the legal period. However, the income tax department did not finalize their review up to the date of the consolidated financial statements.

## B- Deferred tax assets

	31 December 2016				31 December 2015	
	Beginning Balance	Released Amounts	Additional amounts	Ending Balance	Deferred Tax	Deferred Tax
	JD	JD	JD	JD	JD	JD
<b>Deferred tax assets:</b>						
Cumulative change in fair value for financial assets at fair value through other comprehensive	896,305	896,305	855,091	855,091	165,534	156,351
Allowance for doubtful debts	400,000	-	120,000	520,000	124,800	96,000
Allowance for doubtful debts resulting from the merger	219,101	-	-	219,101	12,000	12,000
End of service provision	120,000	-	42,000	162,000	38,880	28,800
Cumulative change in fair value for financial assets at fair value through other comprehensive income resulting from the merger	308,536	308,536	-	-	-	74,049
End of service compensation resulting from the merger	46,433	46,433	-	-	-	11,144
Provision for Sharia' non -compliant transactions	24,465	24,465	-	-	-	5,872
	<u>2,014,840</u>	<u>1,275,739</u>	<u>1,017,091</u>	<u>1,756,192</u>	<u>341,214</u>	<u>384,216</u>
<b>Deferred tax liabilities:</b>						
Cumulative change in fair values for financial assets at fair value through other comprehensive income	183,376	183,376	27,405	27,405	1,370	9,500

In 2015, the tax rate used to calculate deferred taxes in Jordan was 24% and the tax rate used to calculate deferred tax assets outside of Jordan was 10%.

In 2016, the tax rate on deferred taxes for the subsidiary is 20%, conformity with the Income Tax Law No. 34 for the year 2014.

Movement on the deferred tax assets/liabilities account is as follows:

	31 December 2016		31 December 2015	
	Assets	Liabilities	Assets	Liabilities
	JD	JD	JD	JD
Beginning Balance	384,216	9,500	206,094	5,885
Additions	204,414	1,370	282,344	9,500
Released	(247,416)	(9,500)	(104,222)	(5,885)
Ending Balance	<u>341,214</u>	<u>1,370</u>	<u>384,216</u>	<u>9,500</u>

### **(13) PROPERTY AND EQUIPMENT**

	Lands	Buildings	Offices*	Equipment, furniture & fixture	Vehicles	Decoration	Total
	JD	JD	JD	JD	JD	JD	JD
<b>2016 -</b>							
<b>Cost:</b>							
Balance at 1 January 2016	2,081,125	563,033	576,599	424,261	113,839	289,026	4,047,883
Additions	-	-	-	45,970	-	22,592	68,562
Transfers from investment properties	595,333	746,449	-	187,093	-	-	1,528,875
Balance at 31 December 2016	<u>2,676,458</u>	<u>1,309,482</u>	<u>576,599</u>	<u>657,324</u>	<u>113,839</u>	<u>311,618</u>	<u>5,645,320</u>
<b>Accumulated depreciation:</b>							
Balance at 1 January 2016	-	5,198	42,476	282,267	30,429	256,138	616,508
Additions	-	14,327	11,569	50,510	21,987	18,431	116,824
Disposals	-	82,212	-	160,134	-	-	242,346
Balance at 31 December 2016	<u>-</u>	<u>101,737</u>	<u>54,045</u>	<u>492,911</u>	<u>52,416</u>	<u>274,569</u>	<u>975,678</u>
<b>Net book value</b>							
<b>at 31 December 2016</b>	<u>2,676,458</u>	<u>1,207,745</u>	<u>522,554</u>	<u>164,413</u>	<u>61,423</u>	<u>37,049</u>	<u>4,669,642</u>
<b>2015 -</b>							
<b>Cost:</b>							
Balance at 1 January 2015	1,329,625	-	576,599	326,156	83,101	281,077	2,596,558
Opening balance of the merged company	60,000	362,823	-	73,010	26,352	2,097	524,282
Additions	-	210	-	26,295	62,736	5,852	95,093
Disposals	-	-	-	(1,200)	(58,350)	-	(59,550)
Transfers resulting from the merger	691,500	200,000	-	-	-	-	891,500
Balance at 31 December 2015	<u>2,081,125</u>	<u>563,033</u>	<u>576,599</u>	<u>424,261</u>	<u>113,839</u>	<u>289,026</u>	<u>4,047,883</u>
<b>Accumulated depreciation:</b>							
Balance at 1 January 2015	-	-	30,944	243,420	43,413	239,371	557,148
Additions	-	5,198	11,532	39,187	16,943	16,767	89,627
Disposals	-	-	-	(340)	(29,927)	-	(30,267)
Balance at 31 December 2015	<u>-</u>	<u>5,198</u>	<u>42,476</u>	<u>282,267</u>	<u>30,429</u>	<u>256,138</u>	<u>616,508</u>
<b>Net book value</b>							
<b>at 31 December 2016</b>	<u>2,081,125</u>	<u>557,835</u>	<u>534,123</u>	<u>141,994</u>	<u>83,410</u>	<u>32,888</u>	<u>3,431,375</u>

\* The offices are considered part of the policyholders' assets.



**(14) INTANGIBLE ASSETS**

	Software and computer programs	
	31 December 2016	31 December 2015
	JD	JD
<b>Cost:</b>		
Balance at 1 January	15,784	4,362
Opening balance of the merged company	-	18,515
Additions	27,964	1,683
Amortization	(14,443)	(8,776)
Balance at 31 December	29,305	15,784

**(15) PROJECTS UNDER CONSTRUCTION**

On September 2016, the Company commenced the construction of their new headquarter with a total estimated cost of JD 3 million.

The new headquarter will be located on a previously acquired land number 557, plot 13 Arkoub – Khalda, Swelih.

**(16) OTHER ASSETS**

	31 December 2016			31 December 2015		
	Policyholders	Shareholders	Total	Policyholders	Shareholders	Total
	JD	JD	JD	JD	JD	JD
Accrued revenues	30,977	120,440	151,417	4,247	93,800	98,047
Prepaid expenses	1,520	69,612	71,132	-	94,867	94,867
Refundable insurance	69,090	5,116	74,206	-	9,904	9,904
Prepaid health insurance commission	-	-	-	-	50,332	50,332
Other	-	-	-	184	5,116	5,300
	101,587	195,168	296,755	4,431	254,019	258,450

**(17) ACCOUNTS PAYABLE**

	31 December 2016			31 December 2015
	Policyholders	Shareholders	Total	Total
	JD	JD	JD	JD
Agents payable	50,074	-	50,074	44,659
Brokers payable	69,999	-	69,999	68,366
Employees payable	1,018	6,789	7,807	33,261
Suppliers payable	719,111	128,121	847,232	509,004
Other payables *	256,439	99,573	356,012	280,087
<b>Total</b>	<b>1,096,641</b>	<b>234,483</b>	<b>1,331,124</b>	<b>935,377</b>

\* This item consists of amounts payable to customers, loss adjusters, lawyers and consultants.

- The shareholders share from payables amounted to JD 15,090 as at 31 December 2016 (2015: JD 20,247).

**(18) REINSURERS PAYABLE**

	31 December 2016			31 December 2015
	Policyholders	Shareholders	Total	Total
	JD	JD	JD	JD
Local reinsurance companies	122,836	119,046	241,882	310,240
Foreign reinsurance companies	8,852,018	158,191	9,010,209	6,230,312
<b>Total</b>	<b>8,974,854</b>	<b>277,237</b>	<b>9,252,091</b>	<b>6,540,552</b>

**(19) OTHER PROVISIONS**

	31 December 2016	31 December 2015
	JD	JD
End of service provision	162,000	120,000
End of service provision of the merged company	-	70,016
Board of Directors remuneration	43,333	35,000
Transactions non-compliant with Sharia' provision	-	24,465
<b>Total</b>	<b>205,333</b>	<b>249,481</b>

Movement on other provisions is as follows:

	Beginning Balance	Opening balance of the merged company (note 3)	Created during the year	Used during the year	Ending Balance
	JD	JD	JD	JD	JD
<b>31 December 2016 -</b>					
End of service provisions	120,000	-	42,000	-	162,000
End of service provision of the merged company	70,016	-	-	70,016	-
Board of Directors remuneration provision	35,000	-	36,666	28,333	43,333
Transactions non-compliant with Sharia' provision*	24,465	-	-	24,465	-
	<b>249,481</b>	<b>-</b>	<b>78,666</b>	<b>122,814</b>	<b>205,333</b>
<b>31 December 2015 -</b>					
End of service provisions	105,000	-	15,000	-	120,000
End of service provision of the merged company	-	230,736	3,458	164,178	70,016
Board of Directors remuneration provision	35,000	-	35,000	35,000	35,000
Transactions non-compliant with Sharia' provision*	39,340	-	-	14,875	24,465
	<b>179,340</b>	<b>230,736</b>	<b>53,458</b>	<b>214,053</b>	<b>249,481</b>

\* The Sharia Supervisory Board and Ministry of Industry, Trade and Supply -Insurance Administration approved the donation of JD 24,465 to charitable organizations.

**(20) OTHER LIABILITIES**

	31 December 2016			31 December 2015		
	Policyholders	Shareholder	Total	Policyholders	Shareholder	Total
	JD	JD	JD	JD	JD	JD
Governmental deposits	57,604	102,651	160,255	149,203	8,152	157,355
Miscellaneous deposits	24,537	345,637	370,174	108,807	444,806	553,613
	<u>82,141</u>	<u>448,288</u>	<u>530,429</u>	<u>258,010</u>	<u>452,958</u>	<u>710,968</u>

**(21) RESERVE TO COVER DEFICIT (CONTINGENCIES PROVISION)**

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 reserve to cover deficit (contingencies provision) is as follows:

	31 December 2016 JD	31 December 2015 JD
Beginning Balance	91,213	61,536
Add: transferred from policyholders' surplus	<u>38,675</u>	<u>29,677</u>
Ending Balance	<u>129,888</u>	<u>91,213</u>

\* The Sharia Supervisory Board approved the transfer of the surplus to the reserve to cover the deficit.

**(22) AUTHORIZED AND PAID IN CAPITAL**

For the year 2015, authorized and paid in capital amounted to JD 24,000,000 divided into 24,000,000 shares at 1 JD par value per share. On 2 November 2015, the merger between Yarmouk Insurance Company and First insurance Company was approved to establish a successor company (First Insurance Company) with an authorized and paid in capital of JD 28,000,000 with 1 JD par value per share.

**(23) STATUTORY RESERVE**

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

**(24) CUMULATIVE CHANGE IN FAIR VALUE**

	31 December 2016 JD	31 December 2015 JD
<b>Balance at the beginning of the year</b>	(800,568)	(170,929)
Unrealized gain for financial assets at fair value through the comprehensive income	(488,229)	(430,070)
Gain from sale of assets at fair value through other comprehensive income	698,270	21,331
Transferred to tax liabilities	(8,130)	9,500
Transferred to deferred tax assets	(64,866)	(230,400)
<b>Balance at the end of the year</b>	<u>(663,523)</u>	<u>(800,568)</u>

**(25) RETAINED EARNINGS**

	31 December 2016 JD	31 December 2015 JD
<b>Balance at the beginning of the year</b>	510,027	1,664,423
Profit for the period ended in 30 June 2015	-	800,930
Gain on sale of financial assets at fair value through other comprehensive income	-	38,034
<b>Balance as at 30 June 2015</b>	-	2,503,387
Profit for the period from 1 January 2015 to 30 June 2015	-	13,819
Capital increase	-	(2,336,291)
<b>Opening balance for the merged company (Note 3)</b>	510,027	180,915
Capital increase expenses	(168,000)	-
Loss on sale of financial assets at fair value through other comprehensive income	(698,270)	(16,700)
Profit for the period from 1 July 2015 to 31 December 2015	-	503,887
Profit for the year	2,137,219	-
Transferred to statutory reserve	(212,928)	(158,075)
<b>Balance at the end of the year</b>	<u>1,568,048</u>	<u>510,027</u>

The board of directors, in their the meeting held on 23 February 2017, resolved to recommend to the General Assembly to approve, the distribution of 2.5% cash dividends to shareholders in their meeting that will be held on 26 April 2017.

**(26) INVESTMENTS INCOME**

	31 December 2016		31 December 2015	
	Policyholders	Shareholders	Policyholders	Shareholders
	JD	JD	JD	JD
Income from deposits	113,900	225,575	91,045	510,514
Shareholders share of investments management	(39,866)	39,865	(31,866)	31,866
<b>Total</b>	<b>74,034</b>	<b>265,440</b>	<b>59,179</b>	<b>542,380</b>

The compensation for managing the investments is determined based on the Islamic principles (Mudaraba & Wakala) based on budgets prepared by the Company and on a fair basis to policyholders.

The Company has a strict separation between the assets and liabilities of the policyholders and shareholders hence, the investment returns of the assets of the policyholders are determined accurately.

As for investing policyholders' surplus, the contractual relation between the shareholders and policyholders is based on the Islamic trading (Mudaraba) against a percentage of 35% for 2016 and 35% for 2015 from the investments projects.

**(27) SHAREHOLDERS SHARE OF FINANCIAL ASSETS AND INVESTMENT GAINS**

This item consists of the following:

	31 December 2016		31 December 2015	
	Policyholders	Shareholders	Policyholders	Shareholders
	JD	JD	JD	JD
Net rental income	37,750	307,867	57,875	117,000
Dividends received from financial assets at fair value through other comprehensive income	-	168,297	-	124,592
Return on sukuk and wakala investments	22,095	84,602	-	3,322
Dividends received from financial assets at fair value through other comprehensive income from the merged company	-	-	-	66,608
Foreign currency exchange	7,335	-	-	-
Net rental income from the merged company	-	-	-	179,472
Finance costs from the merged company (note1)	-	-	-	124,583
<b>Total financial assets and investment gains</b>	<b>67,180</b>	<b>560,766</b>	<b>57,875</b>	<b>615,577</b>
Shareholders' share against investment property portfolio management	(23,513)	23,513	(20,256)	20,256
	<b>43,667</b>	<b>584,279</b>	<b>37,619</b>	<b>635,833</b>

**(28) SHAREHOLDERS SHARE FOR TAKAFUL OPERATIONS MANAGEMENT**

The contractual relationship between shareholders and policyholders represents an agent relationship to manage the insurance business through a specialized staff which were appointed for this mission.

Wakala fees for the year 2016 were determined at 17% for Motors department (2015: 17%) and 22% for Medical department (2015: 22%) and 25% for marine department (2015: 25%) and 7% for aviation department (2015: 7%) and 20% for fire department and other damages (2015: 20%) and 25% for the liability department (2015: 25%) and 15% life (Takaful) other departments from total insurance contribution except the optionally 100% reinsured policies and the policies that were issued by the policyholders department in which 10% of the premium were deducted while it should not exceed 90% from the reinsurances commission. As for investing policyholders' surplus, the contractual relation between the shareholders and policyholders is based on the Islamic trading (Mudaraba) against a percentage of 35% from the investments gain in 2016.

The determined compensation for investment management is based on the Islamic principles (Mudaraba & Wakala) based on budgets prepared by the Company and on a fair basis to the policyholders. The Company has a strict separation between the assets and liabilities of the policyholders and shareholders and hence the investment returns of the assets of the policyholders are determined accurately.

**(29) Other Income**

	31 December 2016 JD	31 December 2015 JD
Rooms revenue – Jabal Amman Hotel	72,330	-
Dry clean and telephone income	310	-
Other income	7,243	7,500
Foreign currency income	-	2,239
	<u>80,873</u>	<u>9,739</u>

**(30) GENERAL AND ADMINISTRATIVE EXPENSES**

	31 December 2016 JD	31 December 2015 JD
Stationery and publications	75,171	73,187
Advertisements	180,164	133,943
Sharia' supervisory committee fees	25,650	25,500
Board members expenses	165,434	164,006
Water, electric and heating	68,257	55,435
Maintenance	19,587	18,608
Cleaning	50,279	32,612
Post and telecommunications	67,368	67,953
Rent	162,871	142,146
Technical consultation fees	45,865	250,196
Hospitality	45,560	44,856
Professional fees	15,160	54,879
Subscriptions and license fees	86,067	90,150
Tenders and banking expenses	18,195	49,888
Auditing fees	33,500	49,750
Actuarial fees	21,875	23,483
Computer tools	44,063	29,109
Legal fees	11,161	3,542
Sales tax expenses	50,420	53,783
Other	111,545	39,108
<b>Total</b>	<b>1,298,192</b>	<b>1,402,134</b>
General and administrative expenses allocated to underwriting accounts	-	(314,000)
General and administrative expenses not allocated to underwriting accounts	1,298,192	1,088,134

**(31) EMPLOYEES EXPENSES**

	31 December 2016	31 December 2015
	JD	JD
Salaries, bonuses and employee benefits	2,252,021	2,184,412
End of service provision	42,396	61,431
Company's contribution in social security	228,677	229,790
Company's contribution in medical expenses	142,569	161,819
Travel and transportation	40,980	169,213
Training and development of employees	11,796	6,249
Company's contribution in the social committee	-	3,828
Other	-	19,471
<b>Total</b>	<b>2,718,439</b>	<b>2,836,213</b>
Employees expenses allocated to underwriting accounts	-	(853,426)
Employees expenses not allocated to underwriting accounts	2,718,439	1,982,787

**(32) BASIC AND DILUTED 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:

	31 December 2016	31 December 2015
	JD	JD
Profit for the year	2,137,219	1,318,836
Weighted average number of shares	28,000,000	26,244,500
	JD/Fils	JD/Fils
Basic and diluted earnings per share	0.076	0.050

The diluted earnings per share equals the basic earnings per share.



**(33) CASH AND CASH EQUIVALENTS**

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

	<u>2016</u> <u>JD</u>	<u>2015</u> <u>JD</u>
Cash on hand and at banks	5,113,703	6,927,307
Add: Deposits at banks maturing within 3 months	<u>7,782,712</u>	<u>10,947,681</u>
<b>Cash and cash equivalents</b>	<u><u>12,896,415</u></u>	<u><u>17,874,988</u></u>

**(34) RELATED PARTY TRANSACTIONS**

The consolidated financial statements comprise the financial statements of the Company and its subsidiary as follows

<u>Company name</u>	<u>Ownership %</u>	<u>Capital</u>	
		<u>2016</u> <u>JD</u>	<u>2015</u> <u>JD</u>
Mulkeyat for Trading and Investment	100%	50,000	50,000
Baden for Trading and Investment	100%	5,000	-

The subsidiary's operations are funded by the parent company without a fee in return.

The Company engaged in transactions with its subsidiary company, major shareholders, directors, key management and Sharia' Supervisory Committee within normal activities using Murabaha and trade commissions. All of the deferred insurance accounts receivables and financing due to the related parties are performing, and no provisions were recorded.

Below is a summary of related parties' transactions during the year:

	Related Parties			Total	
	Major Shareholders, Directors and Sharia' Supervisory Committee	Key Management	Sister Companies	2016	2015
	JD	JD	JD	JD	JD
<b><u>Consolidated statement of financial position items</u></b>					
Receivables	121,704	1,874	-	123,578	91,698
Payables	13,772	-	-	13,772	33,068
Deposit outside of Jordan*	-	-	1,418,000	1,418,000	-
<b><u>Consolidated income statement items</u></b>					
Investments income	-	-	17,575	17,575	3,322
Rent	106,842	-	-	106,842	106,842
Takaful Insurance contribution	14,361	7,142	-	21,503	60,010
Paid claims	2,110	4,092	-	6,202	9,663
General insurance premiums	-	-	-	-	259,615

\* This amount pertains to a deposit in Ithmar Banks, as at 31 December 2016. The annual profit rate on the deposit amounts to 3%.

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

	31 December 2016	31 December 2015
	JD	JD
Salaries and other benefits	715,685	1,118,225
End of service indemnity	42,000	37,729
Other	50,472	3,400
	<u>808,157</u>	<u>1,159,354</u>

### **(35) FAIR VALUE OF FINANCIAL INSTRUMENTS**

The Company uses the following valuation procedures in sequence in order to determine and present the financial instruments:

Level one: the announced market prices that are effective for the similar assets and liabilities.

Level two: other techniques where all the inputs have a major effect on the fair value that are either noticed directly or indirectly.

Level three: other techniques that use inputs which have an important effect, but they are not based on market information that could be noticed.

The table below demonstrates the financial instruments fair value hierarchy:

2016	Level 1	Level 2	Level 3	Total
	JD	JD	JD	JD
<b>Financial assets</b>				
Financial assets at fair value through other comprehensive income	4,067,322	1,616,020	-	5,683,342
<b>2015</b>				
<b>Financial assets</b>				
Financial assets at fair value through other comprehensive income	4,942,654	1,616,020	-	6,558,674

### **(36) 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.

#### ***RISK MANAGEMENT***

The board of directors is responsible for determining and monitoring the risks. Although there are several other parties responsible for the Company's risk management. The board of directors is responsible for the development of risk strategy and the application of its principles and limitations according to the related regulations and instructions.

#### ***INTERNAL AUDIT***

According to the Company's policies, the risk management processes should be audited annually from the internal audit department through examining the appropriateness of the used procedures and the compliance to it. The internal audit department discusses the results with the management and then presents it to the audit committee.

#### ***MEASURING RISKS AND REPORTING SYSTEMS***

Monitoring risks and controlling it happens through monitoring the agreed upon limits for every insurance department which reflects the Company's strategy and the market factors.

The executive management collects the data from the different departments of the Company and analyzes it to predict the possible risks and then present it to the board of directors.

## **A- INSURANCE RISKS**

### **1- General & Takaful (Insurance Risks)**

Risks of any insurance policy 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.

The Company decreases the risks by diversifying its insurance contracts. The risks are managed by the accurate selection of insurance strategies and applying it, and by the reinsurance agreements.

The Company's main Takaful lines are against the risks of fire, general accidents, motors, marine and medical. Those insurance contracts are classified as short-term and most of it issued as annual contracts. Therefore the Company liability ends with end of the insurance contracts which decrease the risks.

### ***Frequency of claims***

The frequency and amounts of claims can be affected by several factors. The Company main Takaful lines are against the risks of fire, general accidents, motors, marine and medical. Those insurance contracts are classified as short-term and most of it usually collected through one year of the date of insured accident occurrence. This will decrease the insurance risks.

### ***Fire and other property damages***

#### ***Property insurance***

Property insurance is designed to compensate policy holders for damage suffered to properties, assets or for the value of property loss.

The main risks for property insurance contract are fire and business interruption. In recent years the Company has only insured highly classified properties containing fire detection and fighting equipment.

These contracts are written by reference to the replacement value of the properties and obtaining replacement contents and the time taken to restart operations which leads to business interruptions. These represent the main factors that influence the level of claims.

The Company has reinsurance cover for such damage to limit losses for any individual claim that is more than the decided retentions which is compatible with the Company's financial abilities for the financial year ended at 31 December 2016.

### ***Motors insurance***

Motor insurance is designed to compensate policyholders' for damage suffered to their vehicles or liability to third parties arising from accidents. The main risks of motor insurance are claims for death and body injury and replacement or repair of vehicles.

The Company insures policyholders taking into consideration the vehicle driver and driving record, number of accidents and other standards for the vehicle, such as manufacturing date, its origin and purposes of using which minimize risks.

The Company has reinsurance cover for such damage to limit losses for any individual claim during the financial year ended at 31 December 2016.

The number of accidents in addition to its severity are the amounts paid for compensation for death, injuries and cost of replacement auto parts. These are the main factors affecting the claims volume. Accordingly the company is continuing to monitor the number of insured vehicles and the percentage of accidents to the total insured vehicles in addition to average cost per accident in order to monitor the performance of this insurance type and to rely on this information in future writings.

### ***Marine insurance***

Marine insurance is designed to compensate policyholders for damages and liability arising through loss or damage to marine crafts, or exposure to accidents, resulting in the total or partial loss of cargos.

The followed strategy for the marine class of business is to ensure that policies are well diversified in terms of used and shipping routes covered. The Company also requires ship classification from the best international classification agencies, and participation in the protection and indemnity leading clubs, and acquires the necessary certificates of public safety which are globally used.

The Company has reinsurance to limit losses for any individual claims during the financial year ended at 31 December 2016.

### ***Medical insurance***

Medical insurance is designed to compensate the policyholders for medical costs. The main risks for medical insurance are illness and related health care costs. Age, marital status, nature of work, medical history and prior compensated claims are the most important factors taken into consideration when offering this type of insurance.

The Company reinsures its contracts with several foreign reinsurance companies to decrease its risk.

## ***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:

	2012					
	And prior					
<u>The year of the accident</u>	<u>years</u>	<u>2013</u>	<u>2014</u>	<u>2015</u>	<u>2016</u>	<u>Total</u>
	JD	JD	JD	JD	JD	JD
As at year end	2,041,568	2,892,958	3,338,063	3,340,450	3,818,022	15,431,061
After one year	2,455,677	2,782,219	2,782,308	3,172,923	-	11,193,127
After two years	2,632,072	2,882,905	2,670,941	-	-	8,185,918
After three years	2,635,028	2,808,380	-	-	-	5,443,408
After four years	2,665,943	-	-	-	-	2,665,943
Current expectation for the accumulated claims	2,665,943	2,808,830	2,670,941	3,172,923	3,818,022	15,136,209
Accumulated payments	2,454,286	2,048,577	2,210,730	2,188,798	-	8,902,391
<b>Liability as shown in the financial statements*</b>	<b>211,657</b>	<b>759,803</b>	<b>460,211</b>	<b>984,125</b>	<b>3,818,022</b>	<b>6,233,818</b>
Deficit in the preliminary estimate for reserve	(624,375)	84,578	667,122	167,527	-	294,852

\* Represents the reported and unreported claims.

Total - Motors General Insurance:

<u>The year of the accident</u>	2012					
	And prior					
	years	2013	2014	2015	2016	Total
	JD	JD	JD	JD	JD	JD
As at year end	1,301,005	14,700	54,230	7,500	-	1,377,435
After one year	1,213,379	15,900	56,230	7,500	-	1,293,009
After two years	1,213,379	15,900	56,230	-	-	1,285,509
After three years	1,213,379	15,900	-	-	-	1,229,279
After four years	1,213,379	-	-	-	-	1,213,379
Current expectation for the accumulated claims	1,213,379	15,900	56,230	7,500	-	1,293,009
Accumulated claims	1,075,876	10,900	51,230	-	-	1,138,006
<b>Liability as shown in the financial statements</b>	137,503	5,000	5,000	7,500	-	155,003
Reported claims	137,503	5,000	5,000	7,500	-	155,003
Unreported claims	-	-	-	-	-	-
Surplus in the preliminary estimate for reserve	87,626	(1,200)	(2,000)	-	-	84,426

## Total - Marine Takaful Insurance

<u>The year of the accident</u>	2012 And prior					<u>Total</u>
	<u>years</u>	<u>2013</u>	<u>2014</u>	<u>2015</u>	<u>2016</u>	
	JD	JD	JD	JD	JD	JD
As at year end	139,273	26,548	9,855	45,170	202,434	423,280
After one year	151,775	14,698	4,741	57,588	-	228,802
After two years	150,270	9,739	4,741	-	-	164,750
After three years	149,916	9,387	-	-	-	159,303
After four years	150,416	-	-	-	-	150,416
Current expectation for the accumulated claims	150,416	9,387	4,741	57,588	202,434	424,566
Accumulated claims	51,833	7,487	4,641	15,920	-	79,881
<b>Liability as shown in the financial statements*</b>	<b>98,583</b>	<b>1,900</b>	<b>100</b>	<b>41,668</b>	<b>202,434</b>	<b>344,685</b>
Surplus in the preliminary estimate for reserve	(11,143)	17,161	5,114	(12,418)	-	(1,286)

\* Represents the reported and unreported claims

## Total-Marine General Insurance

<u>The year of the accident</u>	2012 And prior					<u>Total</u>
	<u>years</u>	<u>2013</u>	<u>2014</u>	<u>2015</u>	<u>2016</u>	
	JD	JD	JD	JD	JD	JD
As at year end	3,939,886	265,784	31,726	2,000	600	4,239,996
After one year	3,974,886	226,383	27,616	2,000	-	4,230,885
After two years	3,974,886	226,383	27,616	-	-	4,228,885
After three years	3,974,886	226,383	-	-	-	4,201,269
After four years	3,977,240	-	-	-	-	3,977,240
Current expectation for the accumulated claims	3,977,240	226,383	27,616	2,000	600	4,233,839
Accumulated claims	3,909,317	-	4,616	-	-	4,140,316
<b>Liability as shown in the financial statements</b>	<b>67,923</b>	<b>-</b>	<b>23,000</b>	<b>2,000</b>	<b>600</b>	<b>93,523</b>
Reported claims	67,923	-	23,000	2,000	-	92,923
Unreported claims	-	-	-	-	600	600
Surplus (Deficit) in the preliminary estimate for reserve	(37,354)	39,401	4,110	-	-	6,157

## Total – Fire and Property Takaful Insurance

<u>The year of the accident</u>	2012					
	And prior					
	years	2013	2014	2015	2016	Total
	JD	JD	JD	JD	JD	JD
As at year end	1,636,383	1,116,911	773,280	235,432	199,519	3,961,525
After one year	2,001,886	982,811	754,377	251,328	-	3,990,402
After two years	3,527,434	988,125	745,214	-	-	5,260,773
After three years	3,527,421	981,606	-	-	-	4,509,027
After four years	3,514,092	-	-	-	-	3,514,092
Current expectation for the accumulated claims	3,514,092	981,606	745,214	251,328	199,519	5,691,759
Accumulated payments	3,465,370	970,267	696,981	107,184	-	5,239,802
<b>Liability as shown in the financial statements*</b>	<b>48,722</b>	<b>11,340</b>	<b>48,233</b>	<b>144,144</b>	<b>199,519</b>	<b>451,958</b>
Deficit in the preliminary estimate for reserve	(1,877,709)	135,305	28,066	(15,896)	-	(1,730,234)

\* Represents the reported and unreported claims

## Total – Fire and Property General Insurance

<u>The year of the accident</u>	2012					
	And prior					
	years	2013	2014	2015	2016	Total
	JD	JD	JD	JD	JD	JD
As at year end	5,454,131	106,307	728,659	34,932	600	6,324,629
After one year	5,474,525	107,653	712,724	32,251	-	6,327,153
After two years	5,474,525	107,653	712,724	-	-	6,294,902
After three years	5,474,525	107,653	-	-	-	5,582,178
After four years	5,474,525	-	-	-	-	5,474,525
Current expectation for the accumulated claims	5,474,525	107,653	712,724	32,251	600	6,327,753
Accumulated claims	5,467,742	79,006	630,405	20,836	-	6,197,989
<b>Liability as shown in the financial statements</b>	<b>6,783</b>	<b>28,647</b>	<b>82,319</b>	<b>11,415</b>	<b>600</b>	<b>129,764</b>
Reported claims	6,783	28,647	82,319	11,415	-	129,164
Unreported claims	-	-	-	-	600	600
Surplus (Deficit) in the preliminary estimate for reserve	(20,394)	(1,346)	15,935	2,681	-	(3,124)



## Total – Liability Takaful Insurance

	2012					
	And prior					
<u>The year of the accident</u>	<u>years</u>	<u>2013</u>	<u>2014</u>	<u>2015</u>	<u>2016</u>	<u>Total</u>
	JD	JD	JD	JD	JD	JD
As at year end	11,942	2,550	455	2,602	228,221	245,770
After one year	52,981	101	2,759	1,070	-	57,911
After two years	12,555	300	1,203	-	-	14,058
After three years	75,101	300	-	-	-	75,401
After four years	84,451	-	-	-	-	84,451
Current expectation for the accumulated claims	84,451	300	1,203	1,070	228,221	315,245
Accumulated payments	41,709	300	1,203	68	-	43,280
<b>Liability as shown in the financial statements*</b>	<b>42,742</b>	<b>-</b>	<b>-</b>	<b>1,002</b>	<b>228,221</b>	<b>271,965</b>
Deficit in the preliminary estimate for reserve	(72,509)	2,250	(748)	1,532	-	(69,475)

\* Represents the reported and unreported claims

## Total –Liability General Insurance

	2012					
	And prior					
<u>The year of the accident</u>	<u>years</u>	<u>2013</u>	<u>2014</u>	<u>2015</u>	<u>2016</u>	<u>Total</u>
	JD	JD	JD	JD	JD	JD
As at year end	151,762	45,080	4,800	6,285	100	208,027
After one year	133,292	41,986	6,000	6,355	-	187,633
After two years	133,822	44,338	6,180	-	-	184,340
After three years	134,352	44,338	-	-	-	183,690
After four years	134,352	-	-	-	-	134,352
Current expectation for the accumulated claims	134,352	44,338	6,180	6,355	100	196,325
Accumulated claims	52,057	45,338	5,100	-	-	102,495
<b>Liability as shown in the financial statements</b>	82,295	4,000	1,080	6,355	100	93,830
Reported claims	82,295	4,000	1,080	6,355	-	93,830
Unreported claims	-	-	-	-	100	100
Deficit in the preliminary estimate for reserve	17,410	(4,258)	(1,380)	(70)	-	11,702

## Total – General Accidents Takaful Insurance

	2012					
	And prior					
<u>The year of the accident</u>	<u>years</u>	<u>2013</u>	<u>2014</u>	<u>2015</u>	<u>2016</u>	<u>Total</u>
	JD	JD	JD	JD	JD	JD
As at year end	93,240	43,136	105,764	10,148	147,740	400,028
After one year	55,126	42,904	94,679	6,641	-	199,350
After two years	50,487	43,628	93,767	-	-	187,882
After three years	49,712	35,621	-	-	-	85,333
After four years	51,957	-	-	-	-	51,957
Current expectation for the accumulated claims	51,957	35,621	93,767	6,641	147,740	335,726
Accumulated payments	41,150	1,835	82,179	5,141	-	130,305
<b>Liability as shown in the financial statements*</b>	<b>10,807</b>	<b>33,786</b>	<b>11,588</b>	<b>1,500</b>	<b>147,740</b>	<b>205,421</b>
Surplus in the preliminary estimate for reserve	41,283	7,515	11,997	3,507	-	64,302

\* Represents the reported and unreported claims

## Total – General Accidents General Insurance

<u>The year of the accident</u>	2012					
	And prior					
	years	2013	2014	2015	2016	Total
	JD	JD	JD	JD	JD	JD
As at year end	177,079	1,500	2,079	2,989	1,250	184,897
After one year	176,242	1,550	2,150	2,325	-	182,267
After two years	176,242	1,550	2,150	-	-	179,942
After three years	176,242	1,550	-	-	-	177,792
After four years	176,242	-	-	-	-	176,242
Current expectation for the accumulated claims	176,242	1,550	2,150	2,325	1,250	183,517
Accumulated claims	159,512	1,550	2,006	2,199	-	165,267
Liability as shown in the financial statements	16,730	-	144	126	1,250	18,250
Reported claims	16,730	-	144	126	-	17,000
Unreported claims	-	-	-	-	1,250	1,250
Deficit in the preliminary estimate for reserve	837	(50)	(71)	664	-	1,380

## Total – Medical Takaful Insurance

<u>The year of the accident</u>	2012 And prior					<u>Total</u>
	<u>years</u>	<u>2013</u>	<u>2014</u>	<u>2015</u>	<u>2016</u>	
	JD	JD	JD	JD	JD	JD
As at year end	276,578	331,575	638,955	571,603	1,071,159	2,889,870
After one year	280,730	280,134	433,507	440,757	-	1,435,128
After two years	280,730	280,134	433,507	-	-	994,371
After three years	280,730	280,134	-	-	-	560,864
After four years	280,730	-	-	-	-	280,730
Current expectation for the accumulated claims	280,730	280,134	433,507	440,757	1,071,159	2,506,287
Accumulated payments	280,730	280,134	433,507	440,757	-	1,435,128
<b>Liability as shown in the financial statements*</b>	-	-	-	-	1,071,159	1,071,159
Surplus in the preliminary estimate for reserve	(4,152)	51,441	205,448	130,846	-	383,583

\* Represents the reported and unreported claims

## Total – General Medical Insurance

<u>The year of the accident</u>	2012 And prior					<u>Total</u>
	<u>years</u>	<u>2013</u>	<u>2014</u>	<u>2015</u>	<u>2016</u>	
	JD	JD	JD	JD	JD	JD
As at year end	6,470,134	1,057,297	2,579,116	2,967,628	37,148	13,111,323
After one year	6,510,134	1,092,931	2,508,499	2,866,395	-	12,977,959
After two years	6,510,134	1,092,931	2,508,499	-	-	10,111,564
After three years	6,510,134	1,092,931	-	-	-	7,603,065
After four years	6,510,134	-	-	-	-	6,510,134
Current expectation for the accumulated claims	6,510,134	1,092,931	2,508,499	2,866,395	37,148	13,015,107
Accumulated claims	6,510,134	1,092,931	2,508,499	2,866,395	-	12,977,959
<b>Liability as shown in the financial statements</b>	-	-	-	-	37,148	37,148
Reported claims	-	-	-	-	8,612	8,612
Unreported claims	-	-	-	-	28,536	28,536
Surplus in the preliminary estimate for reserve	(40,000)	(35,634)	70,617	101,233	-	96,216

## Total – General Life Insurance

<u>The year of the accident</u>	2012 And prior years	2013	2014	2015	2016	Total
	JD	JD	JD	JD	JD	JD
As at year end	-	-	-	-	27,570	27,570
After one year	-	-	-	-	-	-
After two years	-	-	-	-	-	-
After three years	-	-	-	-	-	-
After four years	-	-	-	-	-	-
Current expectation for the accumulated claims	-	-	-	-	-	-
Accumulated claims	-	-	-	-	-	-
<b>Liability as shown in the financial statements</b>	-	-	-	-	27,570	27,570
Reported claims	-	-	-	-	27,570	27,570
Unreported claims	-	-	-	-	-	-
Surplus (deficit) in the preliminary estimate for reserve	-	-	-	-	-	-

## Total – General Life Insurance

<u>The year of the accident</u>	2012 And prior years	2013	2014	2015	2016	Total
	JD	JD	JD	JD	JD	JD
As at year end	195,258	212,389	222,625	420,882	52,377	1,108,531
After one year	190,291	177,954	243,420	-	-	1,046,611
After two years	190,291	177,954	243,420	-	-	611,665
After three years	190,291	177,954	-	-	-	368,245
After four years	190,291	-	-	-	-	190,291
Current expectation for the accumulated claims	190,291	177,954	243,420	434,946	52,377	1,098,988
Accumulated claims	190,291	177,954	243,420	434,946	-	1,046,611
<b>Liability as shown in the financial statements</b>	-	-	-	-	52,377	52,377
Reported claims	-	-	-	-	52,377	52,377
Unreported claims	-	-	-	-	-	-
Surplus (deficit) in the preliminary estimate for reserve	4,967	39,435	(20,795)	(14,064)	-	9,543

### 3) INSURANCE RISKS CONCENTRATION

The following tables demonstrate the risks concentration per insurance type and the geographical distribution.

The concentration of Takaful insurance contracts liabilities per their Takaful insurance classification is as follows:

<b><u>Insurance line of business</u></b>	<b>2016</b>		<b>2015</b>	
	<b>Gross</b>	<b>Net</b>	<b>Gross</b>	<b>Net</b>
	<b>JD</b>	<b>JD</b>	<b>JD</b>	<b>JD</b>
Motors	11,025,320	9,371,216	10,205,093	8,894,868
Marine	733,112	55,324	321,118	36,430
Aviation	65,217	-	88,302	-
Fire and other property	6,884,167	70,630	4,089,878	52,565
Liabilities	688,585	40,051	294,363	11,465
Medical	6,175,108	3,967,863	4,243,261	1,839,272
Other classes	1,237,746	117,037	534,863	41,875
Life	376,399	101,357		
	<b><u>27,185,654</u></b>	<b><u>13,723,478</u></b>	<b><u>19,776,878</u></b>	<b><u>10,876,475</u></b>

The following table demonstrate the concentration of general insurance policies liabilities per type of the insurance:

<b><u>Insurance line</u></b>	<b>2016</b>		<b>2015</b>	
	<b>Gross</b>	<b>Net</b>	<b>Gross</b>	<b>Net</b>
	<b>JD</b>	<b>JD</b>	<b>JD</b>	<b>JD</b>
Motors	155,003	123,593	405,500	374,090
Marine	93,523	5,851	261,582	15,658
Fire and other property	140,712	19,054	3,418,311	41,729
Liabilities	93,830	53,217	100,621	73,125
Other	18,250	4,636	30,617	5,711
Medical	37,148	13,002	2,237,515	1,019,504
Aid	-	-	3,896	-
Life	52,377	45,925	243,298	68,958
Total	<b><u>590,843</u></b>	<b><u>265,278</u></b>	<b><u>6,701,340</u></b>	<b><u>1,598,775</u></b>

The table below demonstrates the distribution of the insurance contracts assets and liabilities per sector:

Sectors	Assets		Liabilities	
	2016	2015	2016	2015
	JD	JD	JD	JD
Companies and institutions	14,527,525	12,443,098	10,554,099	5,999,562
Retail	382,562	470,482	29,116	192,162
	<u>14,910,087</u>	<u>12,913,580</u>	<u>10,583,215</u>	<u>6,191,724</u>

The following table demonstrates the concentration of all insurance contracts assets and liabilities in Jordan:

	2016			2015		
	Assets	Liabilities	Off balance sheet items	Assets	Liabilities	Off balance sheet items
	JD	JD	JD	JD	JD	JD
Other Middle East countries	5,282,822	14,575,916	-	245,570	2,787,809	-
Europe	6,404,313	8,664,929	-	530,859	1,562,854	-
Inside Jordan	<u>45,258,599</u>	<u>2169,380</u>	<u>1,233,735</u>	<u>50,635,920</u>	<u>16,972,846</u>	<u>698,212</u>
	<u>56,945,734</u>	<u>25,410,225</u>	<u>1,233,735</u>	<u>51,412,349</u>	<u>21,323,509</u>	<u>698,212</u>

#### 4) REINSURANCE RISKS

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.

## 5) INSURANCE RISK SENSITIVITY

The table below demonstrate the effect of possible changes in the prices of written contributions on the consolidated income statement and consolidated changes in shareholders equity, with all variable held constant.

<b>2016</b>			Effect on	Effect on the
<b><u>Takaful Type</u></b>	<b><u>Change</u></b>	<b><u>Effect on the</u></b>	<b><u>policyholders</u></b>	<b><u>policyholders</u></b>
	<b><u>%</u></b>	<b><u>written</u></b>	<b><u>current</u></b>	<b><u>current</u></b>
		<b><u>contributions</u></b>	<b><u>account</u></b>	<b><u>account after</u></b>
		<b><u>JD</u></b>	<b><u>before tax</u></b>	<b><u>tax</u></b>
			<b><u>JD</u></b>	<b><u>JD</u></b>
Motors	10	1,080,131	8,943,16	8,943,16
Marine and transport	10	125,999	10,235	10,235
Aviation	10	25,008	-	-
Fire and other property	10	1,048,993	9,204	9,204
Liabilities	10	72,841	3,144	3,144
Medical	10	1,098,577	485,995	485,995
Life	10	141,583	30,051	30,051
Other classes	10	173,878	14,234	14,234
<b>Total</b>		<b>3,767,010</b>	<b>1,447,179</b>	<b>1,447,179</b>

<b><u>Insurance Type</u></b>	<b><u>Change</u></b>	<b><u>Effect on the</u></b>	<b><u>Effect on</u></b>	<b><u>Effect on the</u></b>
	<b><u>%</u></b>	<b><u>written</u></b>	<b><u>policyholders</u></b>	<b><u>policyholders</u></b>
		<b><u>premiums</u></b>	<b><u>current account</u></b>	<b><u>current</u></b>
		<b><u>JD</u></b>	<b><u>before tax</u></b>	<b><u>account after</u></b>
			<b><u>JD</u></b>	<b><u>tax</u></b>
				<b><u>JD</u></b>
Life	10	29,870	11,562	11,562
Motors	10	-	-	-
Marine and transport	10	4,680	703	703
Aviation	10	-	-	-
Fire and other property	10	3,425	2,540	2,540
Liabilities	10	(9)	104	104
Aid	10	9	-	-
Medical	10	(4,499)	86,538	86,538
Other classes	10	150	238	238
<b>Total</b>		<b>33,626</b>	<b>101,685</b>	<b>101,685</b>

<b>2015 Takaful Type</b>	<b>Change %</b>	<b>Effect on the written contributions JD</b>	<b>Effect on policyholders current account before tax JD</b>	<b>Effect on the policyholders current account after tax JD</b>
Motors	10	1,099,278	821,585	624,405
Marine and transport	10	103,237	10,659	8,101
Aviation	10	31,355	-	-
Fire and other property	10	591,530	5,718	4,346
Liabilities	10	42,497	1,972	1,499
Medical	10	681,919	266,309	202,395
Other classes	10	82,853	6,298	4,786
<b>Total</b>		<b>2,632,669</b>	<b>1,112,541</b>	<b>845,532</b>

If there is a negative change, the effect equals the change above with an opposite sign

#### **B) 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.

##### **1) 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.

Market risks and its monitoring are measured using sensitivity analysis.

##### **Profit rate risk-**

The Company is exposed to profit rate risk on assets and liabilities which have profit rates such as deposits at banks.

The profit rate ranged on the banks deposits from 2.5% to 3.5%.

The following table demonstrates the sensitivity of the consolidated statement of income to the possible changes in profit rates as 31 December 2016 and 2015, with all other variables held constant.



The sensitivity of the consolidated income statement is the effect of the assumed changes in profit rates on the Company's profit for one year based on the floating rate financial assets and financial liabilities held at 31 December.

	Increase in profit rates <u>%</u>	Effect on profit before tax <u>JD</u>
<b>2016 -</b>		
JD	1	92,126
USD	1	<u>14,180</u>
Total		<u>106,306</u>
<b>2015 -</b>		
JD	1	122,477
USD	1	<u>-</u>
Total		<u>122,477</u>

If there is negative change, the effect equals the change above with an opposite sign.

#### Currency risk

Currency risk is the risk of change in the value of financial instruments as a result of change in foreign currency rates. The Jordanian Dinar is the functional currency of the Company. The Board sets position limits for each foreign currency in the Company. These positions are monitored on daily basis, and hedging strategies are adopted to ensure that the foreign currency positions held are within the approved limits.

Most of the Company's transactions are in Jordanian Dinars and US Dollars. The Jordanian Dinars exchange rate is fixed against the US Dollar (US\$ 1/41 for 1 JD). Accordingly the Company is not exposed to significant currency risk.

The following represents the foreign currency concentration in the Company:

	<u>Foreign Currency</u>		<u>JD Equivalent</u>	
	<u>2016</u>	<u>2015</u>	<u>2016</u>	<u>2015</u>
			<u>JD</u>	<u>JD</u>
USD	2,590,060	1,077,193	1,836,352	763,730

## Equity price risk

The following table demonstrates the sensitivity analysis for the consolidated income statement and the cumulative change in fair value, as a result of any possible changes in equity instruments prices:

	Change in exchange index (%)	Effect on equity JD
<b>2016 -</b>		
Amman stock exchange	10	182,673
Stock – outside of Jordan	10	224,060
<b>2015 -</b>		
Amman stock exchange	10	270,855
Stock – outside of Jordan	10	223,410

If there is a negative change the effects equal the change above with an opposite sign.

## 2) 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 company monitors its liquidity requirements on a monthly basis and management ensures that it will always have sufficient liquidity to meet its liabilities as they fall due.

The table below summarizes the maturity profile of the Company's financial liabilities (based on the remaining year of maturity as the date of the consolidated financial statements):

	Less than month JD	1 month to 3 months JD	3-6 months JD	6 month to 1 years JD	1-3 years JD	More than 3 years JD	Without Maturity JD	Total JD
<b>2016 -</b>								
<b>Liabilities:</b>								
Accounts payable	7,808	1,203,243	120,073	-	-	-	-	1,331,124
Accrued expenses	30,609	42,927	-	-	-	-	-	73,536
Reinsurance payables	-	3,700,836	3,238,232	2,313,023	-	-	-	9,252,091
Other provisions	-	-	43,333	-	162,000	-	-	205,333
Income tax provision	-	-	-	-	27,586	-	-	27,586
Deferred tax liabilities	-	-	-	-	1,370	-	-	1,370
Other liabilities	174,909	355,520	-	-	-	-	-	530,429
<b>Total liabilities</b>	<b>213,326</b>	<b>5,302,526</b>	<b>3,401,638</b>	<b>2,313,023</b>	<b>190,956</b>	<b>-</b>	<b>-</b>	<b>11,421,469</b>
<b>Total Assets</b>	<b>12,896,415</b>	<b>7,446,668</b>	<b>1,951,070</b>	<b>9,480,048</b>	<b>1,255,848</b>	<b>6,306,652</b>	<b>17,609,033</b>	<b>56,945,734</b>

	<i>Less than month</i>	<i>1 month to 3 months</i>	<i>3-6 months</i>	<i>6 month to 1 years</i>	<i>1-3 years</i>	<i>More than 3 years</i>	<i>Without Maturity</i>	<i>Total</i>
2015 -	<i>JD</i>	<i>JD</i>	<i>JD</i>	<i>JD</i>	<i>JD</i>	<i>JD</i>	<i>JD</i>	<i>JD</i>
<b>Liabilities:</b>								
Accounts payable	290,900	253,262	275,310	115,905	-	-	-	935,377
Accrued expenses	1,200	7,500	10,181	27,238	-	-	-	46,119
Reinsurance payables	-	1,904,313	1,662,255	1,689,779	-	-	-	5,256,347
Other provisions	-	-	35,000	70,016	-	-	144,465	249,481
Income tax provision	100,000	11,144	168,539	-	-	-	76,579	356,262
Deferred tax liabilities	-	-	-	-	-	-	9,500	9,500
Other liabilities	199,888	198,030	299,336	173,055	1,124,864	-	-	1,995,173
<b>Total liabilities</b>	<b>591,988</b>	<b>2,374,249</b>	<b>2,450,621</b>	<b>2,075,993</b>	<b>1,124,864</b>	<b>-</b>	<b>230,544</b>	<b>8,848,259</b>
<b>Total Assets</b>	<b>17,237,048</b>	<b>5,526,549</b>	<b>4,632,132</b>	<b>5,694,070</b>	<b>4,625,925</b>	<b>-</b>	<b>13,696,625</b>	<b>51,412,349</b>

### **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 believes 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.

The Company is engaged in a variety of insurance types for a large number of clients. Its largest 10 customers account for 48% of the outstanding of account receivables at 31 December 2016 (2015: 51%).

## **(37) 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 General Takaful insurance sector which compromised (motors, marine, fire, accidents, medical and aviation 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 following disclosure demonstrates geographical distribution of the Company's operation. The Company mainly conducts its operations in Jordan.

The following table depicts the distribution of gross income and capital expenditures based on their pertaining geographical distribution:

	31 December					
	Inside Jordan		Outside Jordan		Total	
	2016	2015	2016	2015	2016	2015
	JD	JD	JD	JD	JD	JD
Total revenues	17,264,932	14,463,082	1,940,438	2,517,673	25,565,331	21,656,384
Capital expenditure	388,302	3,644,963	-	-	388,302	3,644,963

The following table demonstrates the concentration of assets, liabilities and off balance sheet items per their pertaining geographical distribution:

	31 December			
	Assets		Liabilities	
	2016	2015	2016	2015
	JD	JD	JD	JD
Inside Jordan	45,258,599	48,504,900	21,059,562	15,170,623
Other middle east countries	11,687,135	2,907,449	4,350,663	6,152,886
	<u>56,945,734</u>	<u>51,412,349</u>	<u>25,410,225</u>	<u>21,323,509</u>

### **(38) 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 manages its capital structure and makes any necessary adjustments in light of changes in business conditions. No changes were made in the objectives, policies or processes during the current and previous years. 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 and the solvency margin are shown in the table below:

	31 December 2016	31 December 2015
	JD	JD
<b>Available capital</b>	<b>31,372,170</b>	<b>30,554,080</b>
<b>Capital requirements to meet</b>		
Assets risks	6,333,061	6,026,418
Underwriting liabilities	1,845,756	1,718,895
Reinsurers' credit risks	669,380	480,150
Life insurance risk	1,243,273	412,194
<b>Total capital requirements</b>	<b>10,091,470</b>	<b>8,637,657</b>
<b>Solvency ratio</b>	<b>311%</b>	<b>354%</b>

- \* Represents the Company's solvency ratio prior to deducting any excess in the limits imposed by the instructions of the Insurance Regulatory Act (Instruction (2) of 2006- Instructions of The Basis of Investing the Funds of the Insurance Company and Determining the Nature and the Location of the Insurance Company's Assets that match its Insurance Obligations and the Amendments thereof).

### **(39) ASSETS AND LIABILITIES MATURITIES ANALYSIS**

The following table illustrates the assets and liabilities according to its expected recoverability on settlement periods

<b>2016</b>	<b>Up to 1 year</b>	<b>Over 1 year</b>	<b>Total</b>
<b><u>Assets-</u></b>	<b><u>JD</u></b>	<b><u>JD</u></b>	<b><u>JD</u></b>
Deposits at banks	10,630,602	-	10,630,602
Financial assets at fair value through other comprehensive income	-	5,683,342	5,683,342
Financial assets at amortized cost	-	7,139,487	7,139,487
Investment properties	-	6,924,410	6,924,410
Cash on hand and at banks	5,113,703	-	5,113,703
Cheques under collection	1,789,773	93,120	1,882,863
Accounts receivable, net	12,106,825	-	12,106,825
Reinsurers' receivables	1,836,543	255,546	2,092,089
Deferred tax assets	-	341,214	341,214
Property and equipment, net	-	4,669,642	4,669,642
Intangible assets	-	29,305	29,305
Projects under construction	-	35,476	35,476
Other assets	296,755	-	296,755
<b>Total Assets</b>	<b>31,774,201</b>	<b>25,171,533</b>	<b>56,945,734</b>
<b><u>Liabilities</u></b>			
Unearned contributions and premium reserve, net	7,860,757	-	7,860,757
Outstanding claims reserve, net	6,037,556	-	6,037,556
Mathematical reserve, net	90,443	-	90,443
Accounts payable	1,331,124	-	1,331,124
Accrued expenses	73,536	-	73,536
Reinsurers payables	9,252,091	-	9,252,091
Other provisions	43,333	162,000	205,333
Income tax provision	-	27,586	27,586
Deferred tax liabilities	-	1,370	1,370
Other liabilities	530,429	-	530,429
<b>Total Liabilities</b>	<b>25,219,269</b>	<b>190,956</b>	<b>25,410,225</b>
<b>Net</b>	<b>6,554,932</b>	<b>24,980,577</b>	<b>31,535,509</b>

2015	Up to 1 year	Over 1 year	Total
<u>Assets-</u>	JD	JD	JD
Deposits at banks	12,247,681	-	12,247,681
Financial assets at fair value through profit or loss	-	6,558,674	6,558,674
Financial assets at fair value through other comprehensive income	-	8,006,310	8,006,310
Investment properties	6,927,307	-	6,927,307
Cash on hand and at banks	1,288,073	-	1,288,073
Cheques under collection	10,386,297	-	10,386,297
Accounts receivable, net	1,908,182	-	1,908,182
Reinsurers receivables	73,809	310,407	384,216
Deferred tax assets	-	3,431,375	3,431,375
Property and equipment, net	-	15,784	15,784
Intangible assets	258,450	-	258,450
Other assets	33,089,799	18,322,550	51,412,349
<b>Total Assets</b>			
<u>Liabilities-</u>	6,695,127	-	6,695,127
Unearned contribution reserve, net	5,742,585	-	5,742,585
Outstanding claims reserve, net	37,538	-	37,538
Accounts payable	935,377	-	935,377
Accrued expenses	46,119	-	46,119
Reinsurers payables	5,256,347	-	5,256,347
Other provisions	105,016	144,465	249,481
Deferred tax liabilities	-	9,500	9,500
Income tax provision	279,683	76,579	356,262
Other liabilities	870,309	1,124,864	1,995,173
<b>Total Liabilities</b>	19,968,101	1,355,408	21,323,509
<b>Net</b>	13,121,698	16,967,142	30,088,840

#### **(40) LAWSUITS AGAINST COMPANY**

The Company appears as a defendant in a number of lawsuits pertaining to accidents of JD 1,051,257. Consequently, the Company established a provision of JD 1,435,386 under outstanding claims reserve. The Company's management and its legal advisor believe that the recorded provisions are sufficient to meet its obligations.

#### **(41) CONTINGENT LIABILITIES**

As at 31 December 2016, the Company has bank guarantees amounting to JD 1,281,038.

**(42) STATEMENT OF FINANCIAL POSITION FOR LIFE INSURANCE**

	31 December 2016	31 December 2015
	JD	JD
<b>Assets-</b>		
Deposits at banks	90,000	90,000
Accounts receivable, net	486,675	-
<b>Total Assets</b>	<b>576,675</b>	<b>90,000</b>
<b>Liabilities</b>		
Income tax provision	-	-
	-	-
<b>Technical reserves</b>		
Outstanding claim reserve, net	10,914	31,420
Mathematical reserve, net	90,443	37,538
<b>Total technical reserves</b>	<b>101,357</b>	<b>68,958</b>
Retained earnings	76,931	102,467
<b>Main current account</b>	<b>398,387</b>	<b>(81,425)</b>
<b>Total Liabilities</b>	<b>576,675</b>	<b>90,000</b>

**(43) STANDARDS ISSUED BUT NOT YET EFFECTIVE**

New and revised financial standards have been issued until 31 December 2016, but it is not effective and has not been applied by the Group.

**IFRS 9 Financial Instruments**

During July 2014, the IASB issued IFRS 9 "Financial Instruments" with all the three phases. IFRS 9 sets out the requirements for recognizing and measuring financial assets, financial liabilities and some contracts to buy or sell non-financial items. IFRS 9 replaces IAS 39 "Financial Instruments: Recognition and Measurement". The Group has implemented the first phase of IFRS 9 as issued during 2009. The date of initial implementation of the first phase of IFRS 9 was 1 January 2011. The new version of IFRS 9 will be implemented at the mandatory date on 1 January 2018, which will have an impact on the recognition and measurement of financial assets.

### **IFRS 16 Leases**

During January 2016, the IASB issued IFRS 16 "Leases" which sets out the principles for the recognition, measurement, presentation and disclosure of leases.

IFRS 16 substantially carries forward the lessor accounting requirements in IAS 17. Accordingly, a lessor continues to classify its leases as operating leases or finance leases, and to account for those two types of leases differently.

IFRS 16 introduced a single lessee accounting model and requires a lessee to recognize assets and liabilities for all leases with a term of more than 12 months, unless the underlying asset is of low value. A lessee is required to recognize a right-of-use asset representing its right to use the underlying leased asset and a lease liability representing its obligation to make lease payments.

The new standard will be effective for annual periods beginning on or after 1 January 2019. Early application is permitted.

### **IFRS 15 Revenue from Contracts with Customers**

IFRS 15 specifies the accounting treatment for all revenue arising from contracts with customers. It applies to all entities that enter into contracts to provide goods or services to their customers, unless the contracts are in the scope of other IFRSs, such as IAS 17 Leases. IFRS 15 supersedes IAS 11 Construction Contracts, IAS 18 Revenue, IFRIC 13 Customer Loyalty Programmes, IFRIC 15 Agreements for the Construction of Real Estate, IFRIC 18 Transfers of Assets from Customers; and SIC-31 Revenue—Barter Transactions Involving Advertising Services. The standard is effective for annual periods beginning on or after 1 January 2018, and early adoption is permitted.

### **IAS 7 Disclosure Initiative – Amendments to IAS 7**

The amendments to IAS 7 Statement of Cash Flows are part of the IASB's Disclosure Initiative and require an entity to provide disclosures that enable users of financial statements to evaluate changes in liabilities arising from financing activities, including both changes arising from cash flows and non-cash changes. On initial application of the amendment, entities are not required to provide comparative information for preceding periods. The amendments will be effective for annual periods beginning on or after 1 January 2017, with early application permitted. The application of amendments will result in adding limited amount of disclosure information.

### **IFRS 2 Classification and Measurement of Share-based Payment Transactions — Amendments to IFRS 2**

The IASB issued amendments to IFRS 2 Share-based Payment that address three main areas: the effects of vesting conditions on the measurement of a cash-settled share-based payment transaction; the classification of a share-based payment transaction with net settlement features for withholding tax obligations; and accounting where a modification to the terms and conditions of a share-based payment transaction changes its classification from cash settled to equity settled.

Entities may apply the amendments prospectively and are effective for annual periods beginning on or after 1 January 2018, with early application permitted.



### **Amendments to IFRS 4 Applying IFRS 9 Financial Instruments with IFRS 4 Insurance Contracts**

In September 2016, the IASB issued amendments to IFRS 4 to address issues arising from the different effective dates of IFRS 9 and the upcoming new insurance contracts standard (IFRS 17). The amendments introduce two alternative options for entities issuing contracts within the scope of IFRS 4, a temporary exemption from implementing IFRS 9 to annual periods beginning before 1 January 2021 at latest and an overlay approach that allows an entity applying IFRS 9 to reclassify between profit or loss and other comprehensive income an amount that results in the profit or loss at the end of the reporting period for the designated financial assets being the same as if an entity had applied IAS 39 to these designated financial assets.

### **Transfers of Investment Property (Amendments to IAS 40)**

The amendments clarify when an entity should transfer property, including property under construction or development into, or out of investment property. The amendments state that a change in use occurs when the property meets, or ceases to meet, the definition of investment property and there is evidence of the change in use. A mere change in management's intentions for the use of a property does not provide evidence of a change in use.

Entities should apply the amendments prospectively and effective for annual periods beginning on or after 1 January 2018. Early application of the amendments is permitted and must be disclosed.

### **IFRIC Interpretation 22 Foreign Currency Transactions and Advance Consideration**

The interpretation clarifies that in determining the spot exchange rate to use on initial recognition of the related asset, expense or income (or part of it) on the derecognition of a non-monetary asset or non-monetary liability relating to advance consideration, the date of the transaction is the date on which an entity initially recognises the nonmonetary asset or non-monetary liability arising from the advance consideration. Entities may apply the amendments on a fully retrospective or prospective basis. The new interpretation will be effective for annual periods beginning on or after 1 January 2018. Early application of interpretation is permitted and must be disclosed.