



للاستثمار والتمويل الاسلامي ش.م.ع
Al Israa for Islamic Finance & Investment PLC

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To: Amman Stock Exchange

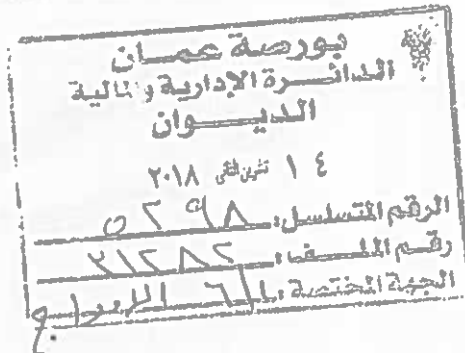
Third Quarter Annual Report as of 30/09/2018

Attached the Third Quarter Annual Report of Al Israa for Islamic Finance & Investment P.L.C as of 30/09/2018.

Kindly accept our highly appreciation and respect

Al Israa for Islamic Finance & Investment P.L.C

Deputy Chairman of the Board Signature



**AL ISRAA FOR ISLAMIC FINANCE AND INVESTMENT COMPANY
(LIMITED PUBLIC SHAREHOLDING)
AMMAN - JORDAN**

**INTERIM CONDENSED FINANCIAL STATEMENTS (UNAUDITED)
TOGETHER WITH REVIEW REPORT
FOR THE NINE MONTHS ENDED 30 SEPTEMBER 2018**

**AL ISRAA FOR ISLAMIC FINANCE AND INVESTMENT COMPANY
(LIMITED PUBLIC SHAREHOLDING)
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FOR THE NINE MONTHS ENDED 30 SEPTEMBER 2018**

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Review Report

To the shareholders of
Al Israa for Islamic Finance and Investment Company
(Limited Public Shareholding)
Amman - Jordan

Introduction

We have reviewed the interim condensed statement of financial position of Al Israa for Islamic Finance and Investment Company (Limited Public Shareholding) as at 30 September 2018 and the interim condensed statements of profit or loss and other comprehensive income, the interim condensed statements of changes in equity and the interim condensed statements of cash flows for the nine months then ended, and a summary of significant accounting policies and other explanatory information. Management is responsible for the preparation and fair presentation of these interim condensed financial statements in accordance with IAS (34) "Interim Financial Reporting". Our responsibility is to express a conclusion on these interim condensed consolidated financial statements based on our review.

Scope of review

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

Basis for Qualified Conclusion

The Company did not recognize impairment provision of financial assets which includes credit portfolio resulting from adoption of IFRS (9) "Financial Instruments" which is effective for periods beginning on or after 1 January 2018. While the Company is required to record the resulted provision in equity and as a reduction of the financial assets including the credit portfolio, noting that this portfolio includes facilities granted without tangible guarantees to a group of customers in the amount of approximately JD 4.5 million. The company has filed a complaint to the integrity and Anti-Corruption Commission against these customers and against some of company's previous employees. Consequently, we were unable to determine the financial impact on the financial statements.

Qualified Conclusion

Based on our review, except for the effects of the matter described in the Basis for Qualified conclusion paragraph, nothing has come to our attention that causes us believe that the interim condensed financial statements do not present fairly from all material respects the interim condensed financial position for the Company as at 30 September 2018 and its interim condensed financial performance and its interim condensed cash flows for the nine months ended 30 September 2018, in accordance with IAS (34) "Interim Financial Reporting".

Other Matter

The financial statements for the year ended 31 December 2017 were audited by another auditor who issued an opinion for the financial statements dated on 31 March 2018 and was qualified because of facilities granted without tangible guarantees to a group of customers in the amount of approximately 4.5 million, also insufficient provision for doubtful debts.

Samman & Co. 

Ahmad Ramahi
License No. (868)

30 October 2018
Amman - Jordan

Al Israa for Islamic Finance and Investment Company
(Limited Public Shareholding)
Amman - Jordan

Interim condensed statement of financial position
As at 30 September 2018

	Note	30 September 2018 Unaudited JD	31 December 2017 Audited JD
Assets			
Current assets			
Cash and cash equivalents		288,713	121,633
Financial assets designated at fair value through profit or loss		58,472	33,652
Account receivable from financing activities - net	(4)	11,223,477	12,539,912
Other debit balances		178,203	143,320
Properties seized against debts	(5)	4,139,065	4,139,065
		<u>15,887,930</u>	<u>16,977,582</u>
Non current assets			
Deferred tax assets		1,554,676	1,554,676
Investment in associate company	(6)	352,108	365,844
Property and equipment		51,676	79,126
Intangible assets		176	269
		<u>1,958,636</u>	<u>1,999,915</u>
Total Assets		<u><u>17,846,566</u></u>	<u><u>18,977,497</u></u>
Liabilities and equity			
Liabilities			
Current liabilities			
Sukuk investment portfolios		2,824,000	3,740,000
Other credit balances	(7)	467,636	584,286
		<u>3,291,636</u>	<u>4,324,286</u>
Equity			
	(8)		
Subscribed capital		20,000,000	20,000,000
Statutory reserve		114,706	114,706
Voluntary reserve		220,512	220,512
Accumulated losses		(5,780,288)	(5,682,007)
Total equity		<u>14,554,930</u>	<u>14,653,211</u>
Total liabilities and equity		<u><u>17,846,566</u></u>	<u><u>18,977,497</u></u>

The interim condensed financial statements on pages [1] to [9] were approved and authorized for issue by the Board of Directors on 30 October 2018 and were signed by:

Deputy chairman of the board
Dr. Farooq Mohammad Murad



Acting Chief Executive Officer
Nabil Muzuk



Al Israa for Islamic Finance and Investment Company
(Limited Public Shareholding)
Amman - Jordan

Interim condensed statement of profit or loss and other comprehensive income (Unaudited)
For the nine months ended 30 September 2018

	Note	For the three months ended 30 September		For the nine months ended 30 September	
		2018	2017	2018	2017
		JD	JD	JD	JD
Revenues - net	(9)	39,147	178,130	185,279	647,030
Commissions and other revenues		565	8,295	1,753	14,571
Financial assets gains (losses) designated at fair value through profit or loss		(7,730)	(4,624)	24,820	(22,244)
Employees benefits expenses		(46,262)	(65,299)	(127,589)	(185,812)
Administrative expenses		(44,923)	(64,729)	(168,808)	(194,891)
(loss) Income from operation		(59,203)	51,773	(84,545)	258,654
Company's share of losses from associate company		-	-	(13,736)	(16,849)
(loss) Income before tax		(59,203)	51,773	(98,281)	241,805
Income tax expense	(10)	-	(13,536)	-	(67,416)
Total comprehensive (loss) income		(59,203)	38,237	(98,281)	174,389
Basic and diluted (loss) gain per share for the period - JD/ share		(0.3%)	0.2%	(0.5%)	0.9%

Al Israa for Islamic Finance and Investment Company
(Limited Public Shareholding)
Amman - Jordan

Interim condensed statement of changes in equity (Unaudited)
For the nine months ended 30 September 2018

	Subscribed capital	Statutory reserve	Voluntary reserve	Accumulated losses	Total
	JD	JD	JD	JD	JD
1 January 2018	20,000,000	114,706	220,512	(5,682,007)	14,653,211
Comprehensive loss for the period	-	-	-	(98,281)	(98,281)
30 September 2018	<u>20,000,000</u>	<u>114,706</u>	<u>220,512</u>	<u>(5,780,288)</u>	<u>14,554,930</u>
1 January 2017	20,000,000	136,379	220,512	(5,807,775)	14,549,116
Comprehensive income for the period	-	-	-	174,389	174,389
30 September 2017	<u>20,000,000</u>	<u>136,379</u>	<u>220,512</u>	<u>(5,633,386)</u>	<u>14,723,505</u>

Al Israa for Islamic Finance and Investment Company
(Limited Public Shareholding)
Amman - Jordan

Interim condensed statement of cash flows (Unaudited)
For the nine months ended 30 September 2018

	<u>2018</u>	<u>2017</u>
	JD	JD
<u>Cash flows from operating activities</u>		
(loss) Profit of the period before tax	(98,281)	241,805
<i>Adjustments for:</i>		
Depreciation and amortization	27,543	41,514
Company's share of losses from associate company	13,736	16,849
(Gains) Losses from financial assets designated at fair value through profit or loss	(24,820)	22,244
Gain from sale of properties seized against debts	-	(4,149)
Loss from sale of property and equipments	-	268
	<u>(81,822)</u>	<u>318,531</u>
Account receivable from financing activities - net	1,316,435	(295,793)
Other debit balances	(34,883)	48,075
Sukuk investment portfolios	(916,000)	58,000
Other credit balances	(116,650)	(101,933)
	<u>167,080</u>	<u>26,880</u>
Income tax paid	-	(157,472)
Net cash flow from operating activities	<u>167,080</u>	<u>(130,592)</u>
<u>Investing activities</u>		
Purchase of property and equipment	-	(6,660)
Proceeds from sales of property and equipment	-	217
Proceeds from sales of properties seized against debts	-	20,001
Net cash flow from investing activities	<u>-</u>	<u>13,558</u>
Net change in cash and cash equivalents during the period	167,080	(117,034)
Cash and cash equivalents - Beginning of the period	121,633	233,063
Cash and cash equivalent - Ending of the period	<u>288,713</u>	<u>116,029</u>

Al Israa for Islamic Finance and Investment Company
(Limited Public Shareholding)
Amman - Jordan

Notes forming part of the interim condensed financial statements
For the nine months ended 30 September 2018

1) General

Al Israa for Islamic Finance and Investment Company was established on 20 April 2008 as a limited public shareholding company in the Register of Public Shareholding Companies under No. (451).

The company's main objectives are financing consumable products and financing real estate.

The address of the company in Amman - wadi saqra.

The following are the names of the board of director's members:

<u>Name</u>	<u>Position</u>
Saeed Mohammad Hasan Al-Masoud	Chairman
Dr. Farooq Mohammad Murad	Deputy Chairman
First Jordan Investment Company Represented by Sezar Hani Azez Qoulajan	Board Member
Mohammed Taha Al-Harashseh	Board Member
Eng. Mohammad Ismael Attieh	Board Member
Kefah Ahmad Maharmeh	Board Member
Mohammad Ahmad Musa Al-azb	Board Member

2) Basis of preparation

The interim condensed financial statements have been prepared in accordance with IAS (34) "Interim Financial Reporting" and in accordance with local standard. They do not include all disclosures that would otherwise be required in a complete set of financial statements and should be read in conjunction with the 2017 annual report.

3) Summary of significant accounting policies

The Company has applied the same accounting policies and methods of computation in its interim financial statements as in its 2017 annual financial statements, except for those that relate to new standards and interpretations effective for the first time for periods beginning on (or after) 1 January 2018 and will be adopted in the 2018 annual financial statements.

New standards impacting the Company that will be adopted in the annual financial statements for the year ended 31 December 2018, and which have given rise to changes in the Company's accounting policies are:

- IFRS (9) Financial Instruments; and
- IFRS (15) Revenue from Contracts with Customers

IFRS (9) "Financial Instruments":

The Company has chosen not to apply IFRS (9) "Financial Instruments" which has replaced IAS (39) "Financial Instruments": Recognition and Measurement. The impairment provision on financial assets measured at amortized cost (such as trade and other receivables) have been calculated in accordance with IFRS 9's incurred loss provision, which differs from the incurred loss model previously required by IAS 39.

Notes forming part of the interim condensed financial statements
For the nine months ended 30 September 2018 (continued)

IFRS (15) "Revenues from contracts with customers".

IFRS (15) has replaced IAS (18) "Revenues" and IAS (11) "Construction contracts". IFRS (15) identify the revenues by the following steps:

1. Identify the contract with the customer
2. Identify the performance obligation in the contract
3. Determine the transaction price
4. Allocate the transaction price to the performance obligations
5. Recognise revenue when (or as) each performance obligation is satisfied.

Other new and amended standards and Interpretations issued by the IASB that will apply for the first time in the next annual financial statements are not expected to impact the company as they are either not relevant to the company's activities or require accounting which is consistent with the company's current accounting policies.

Use of estimates and judgements

There have been no material revisions to the nature and amount of estimates of amounts reported in the annual financial statements for the year ended 31 December 2017 except where the implementation of IFRS 9 discussed above.

Significant estimates and judgements that have been required for the implementation of this new standard is estimating the lifetime losses of short-term trade receivables for the purposes of IFRS 9's expected credit loss model.

4) Account receivables from financing activities - net

	30 September 2018 Unaudited JD	31 December 2017 Audited JD
Finance receivables*	17,651,155	19,197,410
Deduct: Deferred income from financing contracts	(484,290)	(893,059)
	17,166,865	18,304,351
Deduct:		
Provision for doubtful debt	(5,565,000)	(5,565,000)
Suspended revenues**	(378,388)	(199,439)
	11,223,477	12,539,912

Notes forming part of the interim condensed financial statements
For the nine months ended 30 September 2018 (continued)

* Finance receivables represented by the following:

	As at 30 September 2018			As at 31
	Unaudited			December 2017
	Finance receivables	Deffered revenue	Finance receivables - Net	Audited
	JD	JD	JD	JD
Murabaha financing	14,640,641	(482,438)	14,158,203	15,271,191
Long term financing sale	3,000,539	(434)	3,000,105	3,002,640
Istisna'a financing	9,975	(1,418)	8,557	30,520
	<u>17,651,155</u>	<u>(484,290)</u>	<u>17,166,865</u>	<u>18,304,351</u>

The following are the finance receivables aging analysis based on the accrued installments:

	2018
	JD
Undue finance receivables	4,869,331
From 1 month to 3 months	848,528
From 3 month to 6 months	858,789
From 6 month to 9 months	936,748
From 9 month to 12 months	1,367,658
More than 12 months	8,770,101
	<u>17,651,155</u>

** The movement on suspense revenue is as follows:

	2018	2017
	JD	JD
Balance at 1 January	199,439	69,428
Additions during the period	178,949	130,011
	<u>378,388</u>	<u>199,439</u>

Non-performing finance receivables approximately JD 13 million as at 30 September 2018 which representing 72% of finance receivables balance (31 December 2017 approximately 13.7 million, representing 71% of finance receivables balance).

There are credit concentrations granted to the major 10 customers of approximately JD 10 million as at 30 September 2018 representing 58% of finance receivables balance after deduct deferred revenues (31 December 2017 approximately JD 12.6 million, representing 69% of finance receivables balance after deduct deferred revenues).

During the year 2016, the Board of Directors' approval has been obtained to transfer non-performing finance receivables covered by provisions and suspended revenues to items off the statement of financial position. Also, close certain suspended revenues against non-performing finance receivable amounted of JD 1,966,773 and JD 2,234,446 respectively.

Notes forming part of the interim condensed financial statements
For the nine months ended 30 September 2018 (continued)

5) Properties seized against debts

This item represents balance of real estate seized against non-performing finance receivables which has been recorded according to the competent court's assessment of seized property in addition to the related registration and legal fees. The fair value of those seized properties approximately amounted to JD 6.7 million as at 30 September 2018 (31 December 2017: approximately JD 6.7 million).

6) Investment in associate company

This item represents the value of the investment in Jordan Saudi and Emarati Company for financial investment at 25% of its share capital, which amounts to JD 3 million. The investment in the associate appears in the financial statements based on the equity method. Associates are initially recognized in the statement of financial position at cost. Subsequently associates are accounted for using the equity method. The equity method is an accounting method whereby the investment is recorded at cost and the profit or loss and other comprehensive income statement reflects the profit from the investment in the amount of the company's share of the net results of the investee company arising after the acquisition and the share of the company in the profit or loss of other comprehensive income of the investee company after the acquisition and the amount received by the company as dividends of the net retained earnings of the investee company arising after the acquisition. Dividends received in excess of these gains are considered as a refund of the investment and are recognized as a reduction of the cost of the investment.

7) Sukuk Investment portfolios

This item represents the value of investment portfolios received from customers. The profit from the investment is calculated and distributed every six months and based on the proportions agreed upon as per the contracts and the company should not engage in any Murabaha with a return less than 8%.

An investment portfolio for customer with an amount of JD 3 million was matured as at 31 December 2017, the company has been requested to settle the balance according to the contract terms. However, the company just settled an amount of JD 200,000 and recently the meeting was held with the investor and the initial agreement to settle the rest of the balance of the Sukuk investment portfolios for 24 consecutive months, the company waiting the signing of the final agreement.

8) Equity

Capital

The authorized capital is (20) million JD divided into (20) million shares where the value is 1 JD per share.

Statutory reserves

The accumulated amounts in this reserve represents 10% of annual profits before tax and fees and it's not distributable to the shareholders. The Company may stop deducting statutory reserves when it reaches 25% of the capital, However. the company may with the approval of the General Assembly, continue to deduct this annual ratio until this reserve equals the capital of the company's in full.

Notes forming part of the interim condensed financial statements
For the nine months ended 30 September 2018 (continued)

Voluntary reserves

The accumulated amounts in this reserve represents 20% of annual profits before tax and fees during the years. This reserve may be used for the purposes determined by the Board of Directors, and the General Assembly has the right to distribute it in whole or in part as dividend to shareholders.

Accumulated losses

This item contains only profits, losses and dividends.

9) Revenue - Net

	<u>2018</u>	<u>2017</u>
	JD	JD
Revenues from murabaha financing	182,423	778,043
Revenues from istisna'a financing	1,849	2,432
Revenues from mudaraba investing (long term financing sale)	1,007	1,164
Company's share of sukuk investment portfolio owners' from revenues	-	54,599
<u>Deduct:</u>		
Sukuk investment portfolio owners' share from revenues	-	(189,208)
	<u>185,279</u>	<u>647,030</u>

10) Income tax provision

The Company did not calculate income tax provision for the nine months ended 30 September 2018 after deducting the Share of profits of equity accounted associates and profits resulted from the reevaluation of financial assets designated at fair value through comprehensive income.

During the year 2011, the income and sales tax department reviewed the company's records for the period from inception until 31 December 2010. The review resulted in tax differences of approximately JD 814 thousand, the company filed petition within the legal period. In this respect, the cassation court issued its decision in favor of the company.

The company submitted the tax returns for the year from 2011 to 2016 and the tax returns for the years from 2011 to 2014, excluding 2012 were accepted as final. In this regard the tax return for 2012 was accepted without accepting any losses. Consequently, no additional tax is due for that year. As for the year 2015, 2016 and 2017 the company submitted its tax return and the income and sales tax department has not reviewed the company's work yet, In the opinion of the company's management and its tax advisor, the provisions recorded in the financial statements as at 30 September 2018 are sufficient to meet the expected tax liabilities for the periods mentioned above.