



للاستثمار والتمويل الاسلامي ش.م.ع
Al Israa for Islamic Finance & Investment P.L.C

Amman : 08/04/2018

Ref : 2492/2018

To: Jordan Securities Commission

To: Amman Stock Exchange

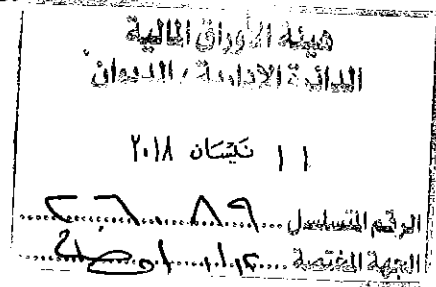
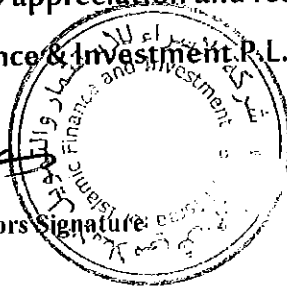
Subject: Audited Financial Statements for the fiscal year ended of 31/12/2017

Attached the Audited Financial Statements of Al Israa for Islamic Finance & Investment P.L.C for the fiscal year ended 31/12/2017.

Kindly accept our highly appreciation and respect

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

Chairman of Board of Directors Signature



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

FINANCIAL STATEMENTS FOR THE
YEAR ENDED DECEMBER 31, 2017

AI ISRAA FOR ISLAMIC FINANCE AND INVESTMENT COMPANY
(PUBLIC LIMITED SHAREHOLDING COMPANY)
AMMAN - JORDAN
FINANCIAL STATEMENTS FOR THE
YEAR ENDED DECEMBER 31, 2017

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INDEPENDENT AUDITOR'S REPORT

AM/32770

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

Report on the Audit of the Financial Statements

Qualified Opinion

We have audited the financial statements of Al Israa for Islamic Finance and Investment Company, which comprise the statement of financial position as of December 31, 2017, and the statement of income and other comprehensive income, statement of changes in shareholders' equity, and statement of cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information.

In our opinion, except for the possible effect of the matters stated in paragraph (1) within the "Basis of Qualified Opinion" paragraph, and the effect of what is mentioned in paragraph (2) below, the accompanying financial statements present fairly, in all material respects, the financial position of the Company as of December 31, 2017, and its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards.

Basis for Qualified Opinion

1. Included within the credit portfolio on the statement of financial position as of December 31, 2017 are facilities granted, without tangible guarantees, to a group of customers in the amount of approximately JD 4.4 million. We were unable to obtain sufficient appropriate audit evidence about these balances as of December 31, 2017 due to the unavailability of confirmations and inability to perform alternative audit procedures. As per management, the Company is currently trying to recover the facilities granted and has filed a complaint before the Integrity and Anti-Corruption Commission against the customers and some of the Company's previous employees. Consequently, we were unable to determine whether any adjustments to these amounts were necessary.
2. The Company's net accounts receivable from financing activities are carried in the statement of financial position at an approximate amount of JD 12.5. Management has made a provision for doubtful debts against accounts receivable amounting to approximately JD 5.5m for the year ended December 31, 2017. In our opinion the doubtful debt provision should be increased by approximately JD 1.9 million, accordingly, provision for doubtful debts expense would increase by approximately JD 1.9 million, the financial results for the year would become a loss of approximately JD 1.8 million before tax. Likewise, accounts receivable from financing activities would have decreased by approximately JD 1.9 million.

Deloitte.

We conducted our audit in accordance with International Standards on Auditing. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are independent of the Company in accordance with the International Ethics Standards Board for Accountants' Code of Ethics for Professional Accountants together with the other ethical requirements that are relevant to our audit of the Company's financial statements in Jordan, and we have fulfilled our other ethical responsibilities. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our qualified opinion.

Emphasis of a Matter

Without further qualifying our opinion, we draw attention to the following:

1. Note (5) to the accompanying financial statements, which illustrates the accounts receivable concentration as of December 31, 2017. Our opinion is not qualified in respect of this matter.
2. Note (12) to the accompanying financial statements, which illustrates the Company's income tax and the sales tax claim status as of December 31, 2017. Our opinion is not qualified in respect of this matter.
3. Note (24) to the accompanying financial statements, which states that during the year, the Company retrospectively restated the financial statements to address the matters qualified in the previous year auditor reports. Our opinion is not qualified in respect of this matter.
4. Note (25) to the accompanying financial statements, which states that accumulated losses reached to around JD 5,682,007 as of December 31, 2017. These accumulated losses represent 29% of the Company's paid-up capital without taking into consideration the qualifications mentioned above, along with other matters as set forth in Note (10) to the accompanying financial statements, the continuity of the Company depends on the successful completion of the Management's future plan to address the Company's current financial situation, as stated in the note above. Our opinion is not qualified in respect of this matter.

Key Audit Matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the financial statements of the current period. These matters were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters. In addition to the matter described in the "Basis for Qualified Opinion" section, we have determined the matter described below to be the key audit matter to be communicated in our report:

Evaluating Proprieties Seized against Receivable Balances Audit Scope for Addressing Risks

Properties seized against receivable balances represent 22% of the Company's assets. Moreover, the Company should reevaluate its properties when preparing the financial statements to determine their fair value and book any impairment in value in the statement of income, in line with the requirements of the International Financial Reporting Standards. Accordingly, the Company relies on independent real estate experts to determine the fair value of those investments and to book any impairments in their value in the statement of income for that period. Consequently, fair value estimation of these assets was significant to our audit.

Our audit procedures included understanding the procedures applied by the Company in evaluating proprieties seized against receivable balances, which are based on evaluations provided by the real estate experts, recording any impairment in value in the statement of income, if any, and reviewing the appropriateness of the disclosure on the fair value of investment property as required by International Financial Reporting Standards, as stated in notes (6) and (22).

Other Matter

The accompanying financial statements are a translation of the statutory financial statements, which are in the Arabic language to which reference is to be made.

Other Information

Management is responsible for the other information. The other information comprises the other information in the annual report excluding the financial statements and the independent auditor's report thereon, which is expected to be made available to us after the date of our audit report.

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

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated.

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

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

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

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

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material 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 exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit in accordance with ISAs, we exercise professional judgement 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 the one resulting from error, as fraud may involve collusion, forgery, intentional omission, 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 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 evidenced obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosure are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Company to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

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

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

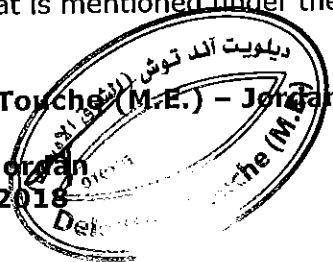
From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the financial statements of the current year and are therefore the key audit matters. We describe these matters in our auditor's report unless law and regulations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

Report on Other Legal and Regulatory Requirements

The Company maintains proper accounting records, which are in agreement from all material respects with the accompanying financial statements. We recommend that the General Assembly of the Shareholders approve these financial statements, taking into consideration the possible effect of what is mentioned in paragraph (1) and the effect of what is mentioned in paragraph (2) in the "Basis for Qualified Opinion" section and the effect of what is mentioned under the "Emphasis of a Matter" section.

Deloitte & Touche (M.E.) – Jordan

Amman – Jordan
March 31, 2018



AL ISRAA FOR ISLAMIC FINANCE AND INVESTMENT COMPANY

(A PUBLIC LIMITED SHAREHOLDING COMPANY)

AMMAN- JORDAN

STATEMENT OF FINANCIAL POSITION

<u>Assets</u>	<u>Note</u>	<u>December 31, 2017</u>	<u>December 31, 2016 (Restated)</u>	<u>January 1, 2016 (Restated)</u>
		<u>JD</u>	<u>JD</u>	<u>JD</u>
Current Assets:				
Cash on hand and at banks	3	121,633	233,063	2,439,484
Financial assets at fair value through profit or loss	4	33,652	54,643	498,349
Accounts receivable from financing activities - net	5	12,539,912	13,416,012	12,381,236
Properties seized against debts	6	4,139,065	3,747,534	3,649,771
Other debit balances	7	143,320	90,440	144,363
Total Current Assets		<u>16,977,582</u>	<u>17,541,692</u>	<u>19,113,203</u>
 Deferred tax assets	12/c	<u>1,554,676</u>	<u>1,554,676</u>	<u>1,242,676</u>
 Investment in associate company	8	<u>365,844</u>	<u>393,569</u>	<u>449,471</u>
 Property and equipment - net	9	<u>79,126</u>	<u>107,884</u>	<u>142,170</u>
 Intangible assets - net		<u>269</u>	<u>14,981</u>	<u>44,748</u>
Total Assets		<u>18,977,497</u>	<u>19,612,802</u>	<u>20,992,268</u>
 <u>LIABILITIES AND SHAREHOLDERS' EQUITY</u>				
Liabilities:				
Customers' Sukuk investment portfolios	10	3,740,000	4,372,000	4,590,000
Cash deposits against financing receivables		183,679	60,513	115,990
Income tax provision	12	-	48,972	-
Other credit balances	11	<u>400,607</u>	<u>582,201</u>	<u>723,056</u>
Total Liabilities		<u>4,324,286</u>	<u>5,063,686</u>	<u>5,429,046</u>
 <u>SHAREHOLDERS' EQUITY</u>				
Paid-up capital	13	20,000,000	20,000,000	20,000,000
Statutory reserve	13	114,706	114,706	114,706
Voluntary reserve	13	220,512	220,512	220,512
Accumulated (losses)		<u>(5,682,007)</u>	<u>(5,786,102)</u>	<u>(4,771,996)</u>
Net Shareholders' Equity		<u>14,653,211</u>	<u>14,549,116</u>	<u>15,563,222</u>
Total Liabilities and Net Shareholders' Equity		<u>18,977,497</u>	<u>19,612,802</u>	<u>20,992,268</u>

Chairman of Board of Directors

Chief Executive Officer

THE ACCOMPANYING NOTES FROM (1) TO (27) CONSTITUTE AN INTEGRAL PART OF THESE FINANCIAL STATEMENTS
AND SHOULD BE READ WITH THEM AND WITH THE INDEPENDENT AUDITOR'S REPORT.

AL ISRAA FOR ISLAMIC FINANCE AND INVESTMENT COMPANY

(A PUBLIC LIMITED SHAREHOLDING COMPANY)

AMMAN - JORDAN

STATEMENT OF INCOME AND COMPREHENSIVE INCOME

	Note	For the Year Ended	
		December 31,	
		2017	2016 (Restated)
Revenue:		JD	JD
Revenue from murabaha		927,931	1,252,251
Istisna'a financing revenue		3,153	4,597
Revenue from mudaraba		1,377	-
Total Joint Revenue		932,461	1,256,848
Less: Sukuk Investment portfolio owners' share from revenue	10	(248,058)	(279,736)
Company's Share from Revenue		684,403	977,112
Net (Losses) from valuation of financial assets at fair value through statement of Income	14	(20,991)	(443,706)
Company's share of (loss) from investment in associate company	8	(27,725)	(55,902)
Commission and other revenue		35,465	154,141
Total Revenue		671,152	631,645
Expenses:			
Staff cost	15	224,715	249,916
Other operating expenses	16	293,618	243,648
Provision for doubtful debts	5	-	1,300,000
Total expenses		518,333	1,793,564
Profit / (Loss) for the year before Income Tax		152,819	(1,161,919)
Income tax (expense) / Surplus	12/b	(48,724)	147,813
Profit for the year/ Total Comprehensive (loss) for the Year		104,095	(1,014,106)
Earnings / (Loss) per Share for the Year	17	0/005	(0/051)

Chairman of Board of Directors

Chief Executive Officer

THE ACCOMPANYING NOTES FROM (1) TO (27) CONSTITUTE AN INTEGRAL PART OF THESE FINANCIAL STATEMENTS
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AL ISRAA FOR ISLAMIC FINANCE AND INVESTMENT COMPANY

(A PUBLIC LIMITED SHAREHOLDING COMPANY)

AMMAN - JORDAN

STATEMENT OF CHANGES IN SHAREHOLDERS' EQUITY

	Note	Paid-up Capital		Statutory Reserve		Voluntary Reserve		Accumulated (Losses) *		Total
		JD		JD		JD		JD		JD
For the Year Ended December 31, 2017										
Adjusted balance as of January 1, 2017	24	20,000,000		114,706		220,512		(5,786,102)		14,549,116
Total comprehensive income for the Year		-		-		-		104,095		104,095
Balance at the End of the year		20,000,000		114,706		220,512		(5,682,007)		14,653,211
For the Year Ended December 31, 2016 (Restated)										
Balance - beginning of the year		20,000,000		136,379		220,512		(2,432,322)		17,924,569
Prior year adjustments	24	-		(21,673)		-		(2,339,574)		(2,361,347)
Adjusted balance as of January 1, 2016		20,000,000		114,706		220,512		(4,771,996)		15,563,222
Total comprehensive (Loss) for the year		-		-		-		(1,014,106)		(1,014,106)
Balance at the End of the year		20,000,000		114,706		220,512		(5,786,102)		14,549,116

* Accumulated losses include an amount of JD 1,554,676 as of December 31, 2016 and 2017, which represents deferred tax assets, according to the Jordan securities commission, this balance is restricted from use.

THE ACCOMPANYING NOTES FROM (1) TO (27) CONSTITUTE AN INTEGRAL PART OF THESE FINANCIAL STATEMENTS AND SHOULD BE READ WITH THEM AND WITH THE INDEPENDENT AUDITOR'S REPORT.

AL ISRAA FOR ISLAMIC FINANCE AND INVESTMENT COMPANY

(A PUBLIC LIMITED SHAREHOLDING COMPANY)

AMMAN- JORDAN

STATEMENT OF CASH FLOWS

	Note	FOR THE YEAR ENDED	
		DECEMBER 31,	
		2017	2016 (Restated)
		JD	JD
CASH FLOWS FROM OPERATING ACTIVITIES			
Profit / (Loss) for the year before income tax		152,819	(1,161,919)
Adjustments:			
Deprecation and amortization	16	50,690	65,063
Company's share of loss from investment in associate company	8	27,725	55,902
Loss from valuation of financial assets at fair value through statement of income	4	20,991	443,706
Provision for doubtful debts		-	1,300,000
(Gain) on sale of properties seized against debts	6	(4,149)	-
(Gain) from sale of properties and equipment		(19,732)	-
Net Cash Flows from Operating Activities before Changes in Working Capital Items		228,344	702,752
Decrease (increase) in accounts receivable from financing activities		468,717	(2,432,539)
Decrease (increase) in other debit balances		28,448	(17,811)
(Decrease) in customers' sukuk investment portfolios		(632,000)	(218,000)
Increase (decrease) in cash deposits against financing receivables		123,166	(55,477)
(Decrease) in other credit balances		(181,593)	(139,802)
Net Cash Flows from (used in) Operating Activities before Income Tax Paid		35,082	(2,160,877)
Income tax paid	12/a	(179,024)	(44,534)
Net Cash (used in) Operating Activities		(143,942)	(2,205,411)
CASH FLOWS FROM INVESTING ACTIVITIES:			
Proceeds from sale of property and equipment		20,217	-
(Purchase) of property and equipment	9	(7,531)	(1,010)
(Additions) on intangible assets		(174)	-
Proceed from sale of properties seized against debts	6	20,000	-
Net Cash Flows from (used in) Investing Activities		32,512	(1,010)
Net (Decrease) in Cash on Hand and at Banks		(111,430)	(2,206,421)
Cash on hand and at banks - beginning of the year		233,063	2,439,484
Cash on Hand and at Banks - End of the year	3	121,633	233,063
Non - Cash Transactions:			
Seized cars against debts		5,400	-
Seized Land against debts		378,000	202,220
Total Non - Cash Transactions		383,400	202,220

THE ACCOMPANYING NOTES FROM (1) TO (27) CONSTITUTE AN INTEGRAL PART OF THESE FINANCIAL STATEMENTS AND
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AI ISRAA FOR ISLAMIC FINANCE AND INVESTMENT COMPANY
(PUBLIC LIMITED SHAREHOLDING COMPANY)
AMMAN - JORDAN
NOTES TO THE FINANCIAL STATEMENTS

1. General

- a. Al Israa for Islamic Finance and Investment Company was established as a public limited shareholding company based on Jordan Companies Law Number 22 for the year 1997 and its amendments under number 451 dated April 20, 2008 with an authorized and paid up capital of JD 20 million, divided into 20 million shares of JD 1 each. This capital has been fully paid.

The Company's main objectives are as follows:

1. Performing investing and financing activities represented by the following:
 - a. Financing consumable and durable products.
 - b. Financing real estate.
 - c. Financing the construction of private and public projects.
 - d. Financing movable and immovable properties.
 - e. Financing inventory and working capital.
 2. Managing of properties, real estate, and other fixed assets for the benefit of others for a percentage of the revenue of those properties and real estates.
 3. Providing financing and investment consultancy services, and preparing feasibility studies, market studies, and studies on available investment opportunities for others against certain fees.
 4. Establishing portfolios and investment funds, financing, and managing financial instruments funds on behalf of others inside the Kingdom.
 5. Issuing and managing exchange bonds, Sukuk and Islamic financial instruments.
 6. Marketing, managing, and producing electronic payment systems cards.
- b. Based on the Ministry of Industry and Trade's Letter No. Msh/1/451/23017 dated July 31, 2008, the Company obtained the right to start its operations effective from July 29, 2008.
- c. The financial statements were reviewed by the Shari'a Supervisory Board of the Company on March 27, 2018 which issued its report thereon.
- d. The financial statements were approved by the Company's Board of Directors on March 31, 2018 and are subject to the approval of the General Assembly of the Shareholders.

2. Significant Accounting Policies

- **Basis of Preparation of the Financial Statements**
- The financial statements have been prepared in accordance with International Financial Reporting Standards and interpretations issued by the International Financial Reporting Interpretations Committee (IFRIC).
- The financial statements have been prepared according to the historical cost convention except for the financial assets and financial liabilities that are shown at fair value at the date of the financial statements.

- The financial statements are presented in Jordanian Dinar (JD), which represents the Company's functional currency.
- The accounting policies adopted in preparing the financial statements are consistent with those used in preparing the financial statements for the year ended December 31, 2016, except for what is mentioned in note (27/a).

The details of the significant accounting policies adopted are as follows:

Financial Assets at Fair Value through Income Statement

- Financial assets at fair value through income statement represent investments in shares of other companies for trading purposes, the objective of which is to generate profits from fluctuations in short-term market prices or trading margin.
- Financial assets are recognized in the statement of financial position at fair value at acquisition (acquisition costs are recognized in the statement of income and other comprehensive income on acquisition) and subsequently revalued at fair value. The change in fair value is reflected in the statement of income and other comprehensive income, including changes in fair value arising from translation differences. In case of the sale of these assets or part thereof, the resulting gain or loss is taken to the statement of income and other comprehensive income.
- Dividends are recognized in the income statement and other comprehensive income.

Accounts Receivable from Financing Activities

- These represent accounts receivable arising from financing activities such as Murabaha, Mudaraba, Istisna'a and Musharaka.
- Murabaha receivables are recognized at their par value and measured at the end of the financial year on the basis of net expected cash value.
- Profit is recognized on Murabaha contracts on an accrual basis.
- Deferred sales income (unearned murabaha revenue) is recognized for a period exceeding the financial year by distributing it over the future financial years of the term, so that each financial year is allocated its share of the profits.
- Unearned Murabaha revenue is deducted from the amount of receivables in the statement of financial position.
- Mudaraba contracts: Partnership in profit from capital and work and is held between the owners of investment accounts (providers of funds) and Mudarib, who declares public acceptance of the funds to be invested.
- The Company's share of profits or losses, which arise and are concluded during the financial year, are recorded after settlement of the Mudaraba operation. If Mudaraba continues for more than one financial year, the Company's share from profit is recorded when realized, fully or partially, in the financial year in which it occurs within the limits of the distributed profits. On the other hand, losses are recognized in that year within the limits of those losses, by which the Mudaraba share capital is decreased.

- In case of losses due to the Mudarib's breach or default, the losses are recognized as receivables from the Mudarib.

Provision for Impairment of Accounts Receivable from Financing Activities

- Collection from customers is according to the payment dates specified in the agreements signed with customers.
- The Company's policy of recognizing impairment losses on receivables from financing activities is as follows:
 - The Company reviews its own financing portfolio to evaluate the impairment in its value on a regular basis.
 - Provision is made for impairment in value when there is objective evidence that the Company is unable to collect all amounts.
 - The amount of the provision is the difference between the carrying amount and the recoverable amount (expected cash flows).
 - Objective evidence includes receivables from financing activities impaired based on one of the following:
 - Breach of contract provisions such as default or late payment of installments.
 - Customers' default to pay their installments regularly.

Revenue and Expenses Recognition

- Mudaraba income is recognized in the statement of income and other comprehensive income under the accrual basis.
- Murabaha income is recognized using the declining murabaha method over the period of the murabaha contract.
- Dividends paid on recognition (approved by the General Assembly of Shareholders) are recognized in the statement of income and other comprehensive income.
- Commissions are recognized in the income statement when earned.

Revenue, Earnings, Expenses and Losses that Violate Sharia'a (the Islamic Law)

- Revenues, earnings, expenses and losses that violate Sharia'a (Islamic Law) (If any) are recognized in a special account which appears in the statement of financial position under other credit balances. These are used or donated based on a decision by the Board of Director and Sharia'a Committee.

Properties Seized Against Debts:

Properties seized against debts appear in the statement of financial position at the value in which they have been transferred or at fair value, whichever is lesser. Those assets are reevaluated at the date of the financial statements at fair value individually. Any impairment is booked as losses in the statement of income, while any increase in value is not booked as revenue except to the extent that does not exceed the previously recorded impairment losses.

Impairment in value of properties seized against debts is recorded based on recent evaluations by certified external evaluators for the purpose of calculating any impairment. The impairment is reviewed periodically.

Investment in Associate Company

This represents the associate company over whose financial and operating decisions the Company exercises effective influence but does not control it. Moreover, the Company owns from 20% to 50% of its voting rights. The investment in the associate appears in the financial statements based on the equity method. The profit and losses between the Company and the associates are eliminated to the extent of the Company's ownership in the associate.

Fair Value of Financial Investments

- Closing prices at the date of the financial statements in active markets represent the fair value of shares with market prices. If actual prices are not available, investment in shares are not actively traded, or the market is inactive, the value of these investments is estimated by comparing it with the current market value of similar financial instrument.
- The valuation methods aim to obtain a fair value that reflects market expectations and takes into consideration market factors and any anticipated risks or benefits when estimating the value of share investments. Share investments, whose fair value cannot be measured reliably, are stated at cost.

Fixed Assets

- Fixed assets are stated at cost less accumulated depreciation and any impairment in value. They are depreciated when ready for use on the straight-line basis over their estimated useful life, using an annual depreciation rate ranging from 10% to 25%.
- When the recoverable amount of any fixed asset is less than its net book value, its carrying amount is reduced to its recoverable amount, and the impairment loss is recognized in the income statement.
- The estimated useful life and amortization method are reviewed at each financial statements date, with the effect of any changes in estimate being accounted for on a prospective basis.
- Fixed assets are derecognized when disposed or there are no expected future benefits from their use or disposal.

Intangible Assets

Intangible assets are recorded at cost and are either classified as intangible assets with indefinite useful lives or intangible assets with definite useful lives based on their estimated useful lives.

Intangible assets with definite useful life are amortized based on their estimated useful lives at an annual rate of 20% in the statement of income.

Impairment indicators and estimated useful lives for intangible assets are reviewed at each financial statements date, with the effect of any amortization recorded in the statement of income.

Foreign Currency Transactions:

Transactions in foreign currencies throughout the fiscal year are stated using the exchange rates prevailing at the date of the transaction. Assets and liabilities in foreign currencies are converted to Jordanian Dinars at the exchange rates prevailing at the statement of financial position date, and the resulting exchange differences (if any) are taken to the statement of income.

Provision

Provisions are recognized when the Company incurs legal obligations or obligations arising from past events and it is probable that cash will be paid to settle these liabilities. The provisions are reviewed and adjusted on the date of the financial statements based on the latest information available to the management.

Income Tax

- Income tax expenses represent accrued as well as deferred taxes.
- Accrued tax expenses are calculated based on taxable income, which differs from that included in the financial statements, as declared income includes tax-exempt income, expenses not deductible in the fiscal year but deductible in subsequent years, tax-approved losses, or tax- unallowable or tax-deductible items.
- Taxes are calculated according to the tax rates prescribed by the tax laws and regulations enacted in Jordan.
- Deferred tax assets or liabilities are taxes expected to be paid or recovered as a result of temporary timing differences between the value of the assets and liabilities in the financial statements and the value on the basis of which taxable income is calculated. Moreover, deferred taxes are calculated according to the liability approach and using the tax rates expected to be applied upon the settlement of the tax liability and the realization of deferred tax assets.
- Deferred tax assets or liabilities are reviewed as of the statement of financial position date and are reduced in case they are not expected to be utilized, upon the settlement of tax, wholly or partially.

Accounting Estimates

- Preparation of the financial statements and application of the accounting policies require the Company's management to perform estimates and judgments that affect the amounts of the financial assets and liabilities, and disclosures relating to contingent liabilities. These estimates and judgments also affect revenues, expenses, and provisions. In particular, management is required to issue significant judgments to assess future cash flows and their timing. The following estimates are based on several assumptions and factors with varying degrees of estimation and uncertainty. Moreover, the actual results may differ from the estimates due to changes resulting from the circumstances and situations of those estimates in the future.

Management believes that the assessments adopted in the financial statements are reasonable. The main estimates were as follows:

- Management periodically reviews accounts receivable from financing activities and takes the necessary provisions based on management's assumptions related to the assessment of the provisions in conformity with International Financial Reporting Standards (IFRS).
- Management periodically reassesses the economic useful lives of tangible and intangible assets for the purpose of calculating annual depreciation and amortization based on the general condition of these assets and the assessment of their expected useful lives in the future. Any impairment losses (if any) are taken to the statement of income.
- Management periodically reviews the financial assets which appear at cost to evaluate any impairment in value impairment losses are taken to the statement of income.

- The financial year is charged with its portion of income tax in accordance with the prevailing laws, regulations, and accounting standards. Moreover, deferred tax assets and the required income tax provision are calculated.
- Any impairment in value of seized properties is booked based on recent and certified real estate evaluations by certified evaluators for the purpose of calculating any impairments. The impairment is reviewed periodically.
- A provision is booked for lawsuits filed against the Company. This provision is subject to a legal study prepared by the Company's legal advisor. Moreover, the study highlights potential risks that the Company may encounter in the future. The legal studies are reviewed periodically.
- Fair value hierarchy:
The level in the fair value hierarchy is determined and disclosed into which the fair value measurements are categorized in their entirety, segregating fair value measurements in accordance with the levels defined in IFRS. The difference between Level 2 and Level 3 fair value measurements represents whether inputs are observable and whether the unobservable inputs are significant, which may require judgment and a careful analysis of the inputs used to measure fair value, including consideration of factors specific to the asset or liability.

3. Cash on Hand and at Banks

This item consists of the following:

	December 31,	
	2017	2016
	JD	JD
Cash on hand	1,718	60,084
Current accounts	119,915	172,979
	<u>121,633</u>	<u>233,063</u>

4. Financial Assets at Fair Value through Statement of Income

The details of this item are as follows:

	December 31,	
	2017	2016
	JD	JD
Financial assets quoted on Amman Stock Exchange *	33,652	54,643
	<u>33,652</u>	<u>54,643</u>

- * During the year 2016, trading in those shares commenced. Accordingly, these investments have been evaluated and reclassified as of December 31, 2016 and December 31, 2017 as financial assets quoted on Amman Stock Exchange.

During the year, the Company evaluated its financial assets through the income statement. This resulted in loss of JD 20,991 as of December 31, 2017 (loss of JD 443,706 as of December 31, 2016).

5. Accounts Receivable from Financing Activities - Net

This item represent the accounts receivable resulted from credit sales and finances provided, as follows:

	December 31 2017	December 31 2016 (Restated)	January 1 2016 (Restated)
	JD	JD	JD
Finance receivables	19,197,410	20,546,783	22,337,024
<u>Less:</u> Deferred income from financing contracts	(893,059)	(1,496,343)	(1,437,768)
	18,304,351	19,050,440	20,899,256
<u>Less:</u> provision for doubtful debts	(5,565,000)	(5,565,000)	(5,177,815)
Suspended revenue	(199,439)	(69,428)	(3,340,205)
	12,539,912	13,416,012	12,381,236

The details of this account based on financing activities are as follows:

	Total accounts receivable as of December 31, 2017	Deferred income as of December 31, 2017	Net accounts receivable as of December 31, 2017	Net accounts receivable as of December 31, 2016
	JD	JD	JD	JD
Murabaha financing	16,158,884	(887,693)	15,271,191	15,495,959
Istisna financing	34,937	(4,417)	30,520	36,893
Bal'a Ajel financing	3,003,589	(949)	3,002,640	3,367,588
Associate company financing *	-	-	-	150,000
	19,197,410	(893,059)	18,304,351	19,050,440

- * During the year 2016. Financial amounts have been transferred to the associate company's account (40% owned by the Chairman of the Board of Directors) to finance the purchase of shares. However, the Board of Directors has subsequently issued a decision not to finance the Company. Consequently, most of the amounts transferred during 2016 have been recovered. The remaining balance amounted to JD 150 thousand as of December 31, 2016, which has been collected during the subsequent period.

Provision for Doubtful Debts

The movement on the provision for doubtful debts is as follows:

	For the year ended December 31, 2017	For the year ended December 31, 2016(Restated)	January 1, 2016(Restated)
	JD	JD	JD
Balance - Beginning of the year	5,565,000	5,177,815	2,377,815
Additions	-	1,300,000	2,800,000
<u>Less:</u> Provisions relate to debts transferred off the statement of financial position **	-	(912,815)	-
Balance - End for the Year	5,565,000	5,565,000	5,177,815

Suspended Revenue

The movement on revenue suspense is as follows:

	For the year ended		
	December 31, 2017	December 31, 2016(Restated	January 1, 2016(Restated
	JD	JD	JD
Balance - Beginning of the year	69,428	3,340,205	3,244,898
Suspended revenue during the year	130,011	17,627	95,307
Suspended revenue transferred off the statement of financial position **	-	(1,053,958)	-
Suspended revenue amortized against accounts receivable from financing activities ***	-	(2,234,446)	-
Balance - End of the Year	199,439	69,428	3,340,205

** During the year 2016, the Board of Directors' approval has been obtained to transfer non-performing receivables covered by provisions and suspended revenue to Items off the statement of financial position of JD 1,966,773.

*** During the year 2016, the Board of Directors' approval has been obtained to close certain suspended revenue against non-performing accounts receivable of JD 2,234,446.

- Non-performing accounts receivable approximated JD 13.7 million, representing 71% of accounts receivable from financing activities as of December 31, 2017 (JD 6.9 million, representing 33% of accounts receivable from financing activities as of December 31, 2016).
- There are credit concentrations of approximately JD 12.6 million, representing 69% of total receivables from financing activities, after deducting deferred revenue. These credits are granted to the major ten customers as of December 31, 2017 (JD 11.3 million, representing 60% of accounts receivable as of December 31, 2016).
- The portfolio of the credit facilities comprises a certain facilities of JD 4.4 million had been granted to a group of customers without tangible guarantees are stated in the company's statement of financial position as of December 31, 2017, the Company is currently trying to recover the facilities granted and has filed a complaint before the Integrity and Anti-Corruption Commission against the customers and some of the Company's previous employees.

6. Properties Seized against Debts

The balance of properties seized against debts represent real estates seized against non-performing receivable balances. Their balance amounted to JD 4,139,065 as of December 31, 2017 (JD 3,747,534 as of December 31, 2016), which has been recorded according to the competent courts assessment of seized property in addition to the related registration and legal fees. The fair value of those seized properties amounted to JD 6,713,353 (JD 5,607,158 as of December 31, 2016).

The movement on the properties seized against debts is as follows:

	For the year ended December 31,	
	2017	2016
	JD	JD
Balance - Beginning of the year	3,747,534	3,649,771
Additions during the year	412,783	202,220
Sold during the year *	(21,252)	(104,457)
Balance - End of the year	<u>4,139,065</u>	<u>3,747,534</u>

- * During the year, a piece of land was sold with a value of JD 15,851, resulting in profits of JD 4,149, recorded in the statement of income and comprehensive income as of December 31, 2017 (JD 51,142 as of December 31, 2016).

7. Other Debit Balances

The details of this account are as follows:

	December 31, 2017	December 31, 2016 (Restated)	January 1, 2016 (Restated)
	JD	JD	JD
Prepaid expenses	32,892	30,818	32,286
Refundable deposits	5,150	5,150	5,150
Staff receivable	12,091	20,715	9,685
Income tax refundable (12/a)	81,328	-	70,681
Others	11,859	33,757	26,561
	<u>143,320</u>	<u>90,440</u>	<u>144,363</u>

8. Investment in Associate Company

This item represents the value of the investment in Jordan Saudi and Emarati Company for financial investments at 25% of its share capital, which amounts to JD 3 million as of December 31, 2017. The investment in the associate is recorded based on the equity method.

The summary of the financial information that relate to the associate company is as follows:

	December 31, 2017	December 31, 2016 (Restated)	January 1, 2016 (Restated)
	JD	JD	JD
Total Assets	2,429,755	3,160,300	2,876,305
Total Liabilities	(371,066)	(988,712)	(657,630)
Net Assets	<u>2,058,689</u>	<u>2,171,588</u>	<u>2,218,675</u>
The Company's share of the associate's (losses)	<u>(27,725)</u>	<u>(55,902)</u>	<u>(89,327)</u>
The Company's share of the associate's net assets	<u>365,844</u>	<u>393,569</u>	<u>449,471</u>

9. Property and Equipment – Net

This item consists of the following

For the Year Ended December 31, 2017

Cost:	Computers	Furniture and Fixtures	Vehicles	Decorations	Total
Balance - beginning of the year	JD 83,947	JD 118,521	JD 111,795	JD 145,476	459,739
Additions	4,185	2,126	-	1,220	7,531
Disposals	-	(2,398)	(45,500)	-	(47,898)
Balance - End of the Year	88,132	118,249	66,295	146,696	419,372
Accumulated depreciation:					
Balance - beginning of the year	83,888	84,441	78,579	104,947	351,855
Additions	349	11,812	9,059	14,584	35,804
Disposals	-	(1,913)	(45,500)	-	(47,413)
Balance - End of the Year	84,237	94,340	42,138	119,531	340,246
Net Book Value	3,895	23,909	24,157	27,165	79,126

For the Year Ended December 31, 2016

Cost:					
Balance - beginning of the year	83,947	117,511	111,795	145,476	458,729
Additions	-	1,010	-	-	1,010
Balance - End of the Year	83,947	118,521	111,795	145,476	459,739
Accumulated depreciation:					
Balance - beginning of the year	83,888	72,751	69,520	90,400	316,559
Additions	-	11,690	9,059	14,547	35,296
Balance - End of the Year	83,888	84,441	78,579	104,947	351,855
Net Book Value	59	34,080	33,216	40,529	107,884

Fully depreciated property and equipment amounted to JD 104,948 as of December 31, 2017 (JD 150,448 as of December 31, 2016).

10. Customers' Sukuk Investment Portfolios

- This item represents the value of investment portfolios received from customers to be invested in the Company's main operation for 6 months or one year from the date of investment. The profit from the investment is distributed based on the proportions agreed upon as per the contracts. 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 of December 31, 2017, the company has been requested to settle the balance according to the contract terms, however the company didn't settle the balance yet. Moreover, the company's management now arrange with the customer for a repayment schedule for the balances, knowing that in subsequent period the company settled an amount of JD 200,000 to result in 2.8 million as a portfolio balance.

11. Other Credit Balances

The details of this account are as follows:

	December 31, 2017	December 31, 2016(Restated)	January 1, 2016(Restated)
	JD	JD	JD
Accrued expenses	13,513	64,984	14,761
Customers' deposits	128,453	282,753	124,316
Deposits from processing and collections fees	4,424	18,938	57,854
Accrued and unpaid profits from sukuk investments	111,878	21,300	9,880
Shareholders' payable	6,650	6,650	6,650
Provision for contingent liabilities	100,000	100,000	100,000
Board of Directors' remunerations	840	840	840
Others	34,849	86,736	408,755
	<u>400,607</u>	<u>582,201</u>	<u>723,056</u>

12. Income Tax

a. Income tax provision

The movement on the income tax provision is as follows:

	For the Year Ended December 31,	
	2017	2016
	JD	JD
Balance - beginning of the year	48,972	(70,681)
Income tax paid	(179,024)	(44,534)
Income tax Provision for the year	<u>48,724</u>	<u>164,187</u>
Balance - End of the Year Note (7)	<u>(81,328)</u>	<u>48,972</u>

During the year 2011, the Income and Sales Tax Department reviewed the Company's records for the period from inception until December 31, 2010. The review resulted in tax differences of approximately JD 814 thousand. Consequently, the Company filed petition within the legal period. In this respect, the Tax First Instance Court appointed an expert who submitted his report to the court, which approved the report and issued its decision in favor of the company in the opinion of the Company's management and its tax consultant, the payments on account and tax provisions booked for the years subsequent to the year 2010 exceed the amount of tax difference for the said years. Accordingly, no additional provisions are required, as stated by the Company's management.

The Company submitted the tax returns for the years from 2011 until 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 and 2016, 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 December 31, 2017 are sufficient to meet the expected tax liabilities for the periods mentioned above.

- b. Income tax expense shown in the statement of income and comprehensive income is as follows:

	For the Year Ended December 31,	
	2017	2016 (Restated)
	JD	JD
Accrued income tax on the profits of the year	48,724	164,187
Tax surplus from the Increase of deferred tax assets	-	(312,000)
Income tax expense (surplus)	48,724	(147,813)

- c. The details of deferred tax assets calculated based on the Income tax rate of 24% is as follows:

Accounts included	Deferred tax Assets as of						
	Balance – beginning of the year	Additional Amount	(Released) Amounts	Balance – End of the Year	December 31,		January 1,
					2017	2016 (Restated)	2016 (Restated)
	JD	JD	JD	JD	JD	JD	JD
Provision for doubtful debts *	6,477,815	-	-	6,477,815	1,554,676	1,554,676	1,242,676
	6,477,815	-	-	6,477,815	1,554,676	1,554,676	1,242,676

Deferred tax assets amounted to JD 1,554,676 as per management's estimate as of December 31, 2017. Moreover, the Company expects to benefit from these assets in the future.

- * According to the Board of Director's decisions, an amount of JD 912,815 has been listed off the statement of financial position during the year 2016.

13. Paid-up Share Capital and Reserves

a. Paid-up Share Capital

The Company's authorized and paid-up capital consists of JD 20 million, divided into 20 million shares as of December 31, 2017 and 2016.

b. Statutory Reserve

This item represents accumulated appropriations from income before tax at 10% during the current year and previous years. This amount may not be distributed to shareholders.

c. Voluntary Reserve

This item represents accumulated appropriations from income before tax at 20% during the current year and previous 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 dividends to shareholders.

14. (Losses) from Valuation of Financial Assets at Fair Value through Statement of Income

This item consists of the following:

	For the Year Ended December 31,	
	2017	2016
	JD	JD
(Losses) from valuation of financial assets		
At fair value through statement of income		
Unrealized evaluation (losses)	(20,991)	(443,706)
	<u>(20,991)</u>	<u>(443,706)</u>

15. Staff Cost

This item consists of the following:

	For the Year Ended December 31,	
	2017	2016
	JD	JD
Salaries, fees, and rewards	184,603	217,615
The Company's social security contributions	22,392	20,617
Medical Insurance	17,720	11,684
	<u>224,715</u>	<u>249,916</u>

16. Other Operating Expenses

This item consists of the following:

	For the Year Ended December 31,	
	2017	2016
	JD	JD
Rent	35,700	35,700
Promotion and advertisement	2,248	946
Stationery and printing	2,981	2,230
Depreciation and amortization	50,690	65,063
Water and electricity	11,194	11,879
Communication	6,931	5,526
Fuel	1,699	1,058
Board of Directors' transportation	42,000	42,000
Fees and subscriptions	20,776	21,648
Maintenance and cleaning	6,527	3,121
Hospitality	2,431	2,587
Management and sharia'a fees	7,200	7,200
Professional fees	72,916	25,714
Banking services fees	852	1,692
Traveling	2,301	2,312
Training fees	440	7,427
Other	26,732	7,545
	<u>293,618</u>	<u>243,648</u>

17. Earnings per Share

The details for this items is as follows:

	For the Year Ended December 31,	
	2017	2016(Restated)
	JD	JD
Profit / (loss) for the year	104,095	(1,014,106)
Number of shares	20,000,000	20,000,000
Earnings / (Loss) per Share for the Year	<u>0/005</u>	<u>(0/051)</u>

18. Balances and Transactions with Related Parties

The details for balances and transactions with related parties during the year are as follows:

	Board of Directors Members and Relatives	Company's Employees	Associated Company *	Total		
				December 31,	January 1,	
				2017	2016 (Restated)	2016 (Restated)
<u>Statement of Financial Position Items</u>	JD	JD	JD	JD	JD	JD
Murabaha and Istisna'a finances	460,164	25,042	-	485,206	726,258	597,109
Investment in associated company	-	-	365,844	365,844	393,569	449,471
<u>Statement of Income and Comprehensive Income</u>				For the Year Ended December 31,		
				2017	2016	
				JD	JD	
Transportation and other	42,000	-	-	42,000	42,000	
The Company's share of (loss) from Investment in associate company	-	-	(27,725)	(27,725)	(55,902)	
Murabaha realized during the year	33,464	2,257	-	35,721	49,957	

- * This item represents a Company which is partially owned by the chairman of the Board of Directors'.
- Salaries, rewards, and other benefits of executive management amounted to around JD 141 thousand for the year ended December 31, 2017 (around JD 148 thousand during the year 2016).
 - The fees and other benefits of the Sharia'a Committee amounted to JD 7,200 for the year 2017 (JD 7,200 during the year 2016).
 - The Company contracted with the Chairman of the Board of Directors to hire the Company's premises for JD 35 thousand each year.

19. Risk Management

a. Financial instruments

The Company's principal financial assets are cash balances at banks, investments in financial assets at fair value through statement of income, and accounts receivable from financing activities.

b. Capital risk management

The Company manages its capital to ensure that it will be able to continue as a going concern and maximize the return to the beneficiaries by optimizing the balance among assets, liabilities, and shareholders' equity.

The following table shows the percentage of liabilities to shareholders' equity as of December 31, 2017 and 2016:

	December 31,	
	2017	2016 (Restated)
	JD	JD
Customers' sukuk investment portfolios	3,740,000	4,372,000
Cash deposits against financing receivables	183,679	60,513
Income tax provision	-	48,972
Other credit balances	400,607	582,201
	<u>4,324,286</u>	<u>5,063,686</u>
Net Shareholders' equity	<u>14,653,211</u>	<u>14,549,116</u>
Percentage of Liabilities to net shareholders' equity	<u>30%</u>	<u>35%</u>

Liquidity Risk

Liquidity risk is the risk that the Company will encounter difficulty in raising funds to meet its commitments. Liquidity risks may arise from cessation of some finance resources resulting from unexpected market events and disruptions. Moreover, the Company manages liquidity risk through continuously monitoring actual cash flows and matching the maturities of financial assets and financial liabilities by means of diversifying financing resources and maintaining highly liquid assets readily convertible to cash.

An investment portfolio for customer with an amount of JD 3 million was matured as of December 31, 2017, the company has been requested to settle the balance according to the contract terms. However, the company didn't settle the balance yet. Moreover, the company's management now arrange with the customer for a repayment schedule for the balances, knowing that in subsequent period the company settled an amount of JD 200,000 to result in 2.8 million as a portfolio balance.

Credit Risk

Credit risk refers to the risk that the counterparty will default on its contractual obligations resulting in financial loss to the Company. The Company has adopted a policy of dealing with only creditworthy counterparties and obtaining sufficient guarantees when appropriate as a means of mitigating the risk of financial loss from defaults.

Moreover, the Company's financial assets, consisting mainly of properties seized against debts, financial assets at fair value through the statement of income, and accounts receivable from financing activities do not represent significant concentration of credit risks except for what is stated below.

Credit concentration arises when customers are engaged in the same activity or in the same geographical area or have the same economic characteristics. All of this may affect their ability to meet their contractual obligations, as they are affected by the same political and economic changes. Credit risk is the Company's sensitivity to the impact on developments affecting a particular industry or geographical area.

There are credit concentrations of approximately JD 12.6 million representing 69% of total receivables from financing activities, after deducting deferred revenue granted to the largest ten shareholders as of December 31, 2017 (JD 11.3 million, representing 60% as of December 31, 2016).

The portfolio of the credit facilities comprises a certain facilities of JD 4.4 million had been granted to a group of customers without tangible guarantees are stated in the company's statement of financial position as of December 31, 2017 the Company is currently trying to recover the facilities granted and has filed a complaint before the Integrity and Anti-Corruption Commission against the customers and some of the Company's previous employees.

- The following table shows the distribution of the credit exposures by economic segment as of December 31, 2017 and 2016:

	Financial	Industrial	Commercial	Services and others	Total
	JD	JD	JD	JD	JD
<u>December 31, 2017</u>					
Accounts receivable from financing activities*	1,003,193	250,798	6,269,956	5,015,965	12,539,912
	<u>1,003,193</u>	<u>250,798</u>	<u>6,269,956</u>	<u>5,015,965</u>	<u>12,539,912</u>
<u>December 31, 2016 (Restated)</u>					
Accounts receivable from financing activities*	3,354,003	268,320	3,085,683	6,708,006	13,416,012
	<u>3,354,003</u>	<u>268,320</u>	<u>3,085,683</u>	<u>6,708,006</u>	<u>13,416,012</u>

- * After deducting the provision for doubtful debts from financing activities of JD 5,565,000 as of December 31, 2017 (JD 5,565,000 as of December 31, 2016) and suspended revenue of JD 199,439 as of December 31, 2017 (JD 69,428 as of December 31, 2016) .

- All of the Company's assets and operations are inside the Hashemite Kingdom of Jordan.

Market risks

The Company follows a range of risk management policies within a specific strategy. Moreover, the Company monitors and controls risks and optimizes the strategic distribution of both financial assets and financial liabilities. These risks include interest rate risk, currency risk, and the risk of share price fluctuations.

Foreign currency risk

Currency risk is the risk of loss from fluctuation in the foreign currency exchange rates. However, the Company does not deal with foreign currencies in the conduct of its operation. Therefore, the Company faces no foreign currency risk.

Risk of change in share prices

Share price risk is the decline in the fair value of shares due to changes market indexes and individual share prices.

- The following is the impact of a +5% / -5% change in the Index of the financial market in which the securities are traded on the Company's profit and loss and shareholders' equity.

2017	Changes in index	Effects on gain and losses	Effects on shareholders' equity
	%	JD	JD
Financial market	5	1,683	1,683
Financial market	(5)	(1,683)	(1,683)
2016	Changes in index	Effects on gain and losses	Effects on shareholders' equity
	%	JD	JD
Financial market	5	2,732	2,732
Financial market	(5)	(2,732)	(2,732)

Return risk

Return risk is the risk arising from changes in interest rates that affect the Company's future profits. To reduce the impact of return risk, the Company diversifies its assets and matches the maturities of assets and liabilities.

Murabaha Price Risks

Murabaha price risk is the risks related to the change in the value of financial instruments due to changes in Murabaha market rates

Moreover, the Company continuously manages the exposure to Murabaha price risks. It evaluates the different options such as financing, renewing current positions, and carrying out alternative financing.

20. Segment Information business

The Company performs its operations through two main activities:

1. Financing activity

Includes following up on customers and extending credit to them.

2. Investing activity

Includes investing in different financial instruments.

The following table shows the distributions of revenue between those two activities:

	Financing	Investment	Total	
			For the Year Ended	
			December 31,	
			2017	2016 (Restated)
	JD	JD	JD	JD
Total profits (loss)	719,868	(48,716)	671,152	631,645
Non distributed expenses	-	-	(518,333)	(1,793,564)
Income tax (expense) /surplus	-	-	(48,724)	147,813
Profit / (Loss) for the Year			<u>104,095</u>	<u>(1,014,106)</u>

			December 31		January 31
			2017	2016 (Restated)	2016 (Restated)
<u>Other Information</u>					
Segment Assets	12,539,912	399,496	12,939,408	13,864,224	13,329,056
Non distributed assets	-	-	<u>6,038,089</u>	<u>5,748,578</u>	<u>7,663,212</u>
			<u>18,977,497</u>	<u>19,612,802</u>	<u>20,992,268</u>
Segment liabilities	183,679	3,740,000	3,923,679	4,432,513	4,705,990
Non distributed liabilities	-	-	<u>400,607</u>	<u>631,173</u>	<u>723,056</u>
			<u>4,324,286</u>	<u>5,063,686</u>	<u>5,429,046</u>

21. Analysis of the Maturity of Assets and Liabilities:

The following table shows the analysis of assets and liabilities according to the expected period of recovery:

	For One Year	More than Year	Total
December 31, 2017	JD	JD	JD
Cash on hand and at banks	121,633	-	121,633
Financial assets at fair value through statement of income	33,652	-	33,652
Accounts receivable from financing activities - net *	3,348,000	9,191,912	12,539,912
Properties seized against debts	4,139,065	-	4,139,065
Other debit balances	129,220	14,100	143,320
Deferred tax assets	-	1,554,676	1,554,676
Investment in associate company	-	365,844	365,844
property and equipment - net	-	79,126	79,126
Intangible assets-net	-	269	269
Total Assets	7,771,570	11,205,927	18,977,497
Customers' Sukuk Investment portfolios	1,850,000	1,890,000	3,740,000
Cash deposits against financing receivables	67,578	116,101	183,679
Other credit balances	265,750	134,857	400,607
Total Liabilities	2,183,328	2,140,958	4,324,286
Net	5,588,242	9,064,969	14,653,211
	For One Year	More than Year	Total
December 31, 2016 (Restated)	JD	JD	JD
Cash on hand and at banks	233,063	-	233,063
Financial assets at fair value through statement of income	54,643	-	54,643
Accounts receivable from financing activities - net *	4,923,100	8,492,912	13,416,012
Properties seized against debts	3,747,534	-	3,747,534
Other debit balances	29,102	61,338	90,440
Deferred tax assets	-	1,554,676	1,554,676
Investment in associate company	-	393,569	393,569
property and equipment - net	-	107,884	107,884
Intangible assets-net	-	14,981	14,981
Total Assets	8,987,442	10,625,360	19,612,802
Customers' Sukuk Investment portfolios	4,372,000	-	4,372,000
Cash deposits against financing receivables	-	60,513	60,513
Income tax provision	48,972	-	48,972
Other credit balances	312,915	269,286	582,201
Total Liabilities	4,733,887	329,799	5,063,686
Net	4,253,555	10,295,561	14,549,116

* After deducting provision for doubtful debts from financing activities of JD 5,565,000 as of December 31, 2017 (JD 5,565,000 as of December 31, 2016) and suspended revenue of JD 199,439 as of December 31, 2017 (JD 69,428 as of December 31, 2016).

22. Fair Value Hierarchy

a. Fair value of financial assets measured at fair value on a recurring basis

Some of the Company's financial assets are measured at fair value at the end of each financial period. The following table illustrates how the fair values of these financial assets are determined:

(Valuation techniques and inputs used)

Financial assets	December 31,		Fair Value Hierarchy	Valuation Technique	Significant Unobservable Inputs	Relationship of Unobservable Inputs to fair Value
	2017	2016				
	Fair Value	Fair Value				
	JD	JD				
Financial assets at fair value						
Financial assets at fair value through statement of Income - Note 4						
Shares with available market prices	33,652	54,643	Level 1	Prices announced at the financial market	Not applicable	Not applicable
Total Financial Assets at Fair Value	<u>33,652</u>	<u>54,643</u>				

There were no transfers between Level 1 and Level 2 during 2017 and 2016.

b. Fair value of financial assets and financial liabilities not measured at fair value on a recurring basis

Except as detailed in the following table, the Company deems that the carrying amounts of the financial assets and financial liabilities in the financial statements approximate their fair value due to their short-term maturity or repricing of their interest rates during the financial period.

	December 31,		Fair Value Hierarchy
	2017	2016	
	Book value	Book value	
	JD	JD	
Financial assets not calculated at fair value:			
Properties seized by the Company against debts	4,139,065	3,747,534	Level 2
	<u>4,139,065</u>	<u>5,607,158</u>	

The fair value of the above items for Level 2 was determined based on real estate appraisals based on the latest real estate valuation report.

23. Contingent Liabilities

The Company had contingent liabilities on the statement of financial position date as follows:

	December 31,	
	2017	2016
	JD	JD
The Company's office rent	<u>29,750</u>	<u>29,750</u>

24. Comparative figures

The Company retroactively restated the financial statements to address the matters qualified in the previous periods auditor reports as per the requirements of IAS 8, the restatement impact is illustrated in the table below:

a. Treatment of 2016 accumulated qualifications:

	December 31, 2016		
	Before Restatement	Adjustments Effect	Restated Balance
	JD	JD	JD
<u>Statement of Financial Position</u>			
<u>Assets:</u>			
Accounts receivable from financing activities – Net	17,516,012	(4,100,000)	13,416,012
Other debit balances	166,293	(75,853)	90,440
Deferred Tax Assets	570,676	984,000	1,554,676
Investment in associate company	543,569	(150,000)	393,569
<u>Liabilities:</u>			
Other credit balances	(548,601)	(33,600)	(582,201)
<u>Shareholders Equity</u>			
Accumulated (losses)	2,432,322	3,353,780	5,786,102
Statutory reserve	136,379	(21,673)	114,706

	For the year ended December 31, 2016		
	Before Restatement	Adjustments Effect	Restated Balance
	JD	JD	JD
<u>Statement of Income and other comprehensive Income:</u>			
<u>Revenue:</u>			
Company's share of (loss) from Investment in associate company	(11,902)	(44,000)	(55,902)
provision for doubtful debts	-	(1,300,000)	(1,300,000)
<u>Expenses:</u>			
Income tax provision	164,187	(312,000)	(147,813)
Earnings per share (basic and diluted)	0.003	0.048	0.051

b. Treatment of qualifications Related to the Years before 2016:

	January 1, 2016		
	Before Restatement	Adjustments Effect	Restated Balance
	JD	JD	JD
<u>Statement of Financial Position</u>			
<u>Assets:</u>			
Accounts receivable from financing activities - Net	15,181,236	(2,800,000)	12,381,236
Other debit balances	219,163	(74,800)	144,363
Deferred Tax Assets	570,676	672,000	1,242,676
Investment in associate company	555,471	(106,000)	449,471
<u>Shareholders' Equity:</u>			
Accumulated (losses)	2,463,196	2,308,800	4,771,996

25. Accumulated losses and the company's future plan

The company's accumulated losses amounted JD 5,682,007 as of December 31, 2017. These accumulated losses represent 29% of the Company's paid-up capital without taking into consideration the qualifications mentioned in the audit report, Along with other matters as set forth in Note (10) to the accompanying financial statements, the management plan to fix the financial situation of the company is summarized by the following points:

- Depending on the customer's collections of the performing customer's portfolio which is estimated not to be less than JD 1.6 million, knowing that the total performing customer's portfolio approximates JD 5 million.
- The cash sources from the collection of the non-performing customer's portfolio which resulted from the settlement performed with the non performing customers to be used in the settlement of the company's liability which is estimated not to be less than JD 1 million, knowing that the total non-performing customer's portfolio approximates JD 13.7 million.
- Striving to find opportunities to sell the lands seized for the purpose of creating needed liquidity specially selling piece land number 74, "um rajam 8- Al-fuhals (Dabouq), with an amount of 2.8 million during the year 2018 , kowning that there is a buyer expected to purchase the land.

26. Legal cases:

1. The company raised several cases against the non performing customers, the total of those legal cases amounted JD 14,484,789 as of December 31, 2017.
2. The Company has filed a complaint before the Integrity and Anti-Corruption Commission against group of customers and some of the Company's previous employees, the complaint amounted JD 4.4 million.

27. Application of new and revised International Financial Reporting Standards (IFRS)

27.a New and revised IFRSs applied with no material effect on the financial statements

The following new and revised IFRSs, which became effective for annual periods beginning on or after January 1, 2017, have been adopted in these financial statements.

Amendments to IAS 12 Income Taxes Recognition of Deferred Tax Assets for Unrealised Losses

The Company has applied these amendments for the first time in the current year. The amendments clarify how an entity should evaluate whether there will be sufficient future taxable profits against which it can utilise a deductible temporary difference.

The application of these amendments has had no impact on the Company's financial statements.

Amendments to IAS 7 Disclosure Initiative

The Company has applied these amendments for the first time in the current year. The amendments require an entity to provide disclosures that enable users of the financial statements to evaluate changes in liabilities arising from financing activities, including both cash and non-cash changes. the application of these amendments has had no impact on the Company's financial statements.

Annual Improvements to IFRS Standards 2014–2016 Cycle – Amendments to IFRS 12

The Company has applied the amendments to IFRS 12 included in the Annual Improvements to IFRSs 2014-2016 Cycle for the first time in the current year. The other amendments included in this package are not yet mandatorily effective and they have not been early adopted by the Group (see note 27- b).

IFRS 12 states that an entity need not provide summarised financial information for interests in subsidiaries, associates or joint ventures that are classified (or included in a disposal group that is classified) as held for sale. The amendments clarify that this is the only concession from the disclosure requirements of IFRS 12 for such interests.

The application of these amendments has had no effect on the Company's financial statements as none of the Group's interests in these entities are classified, or included in a disposal group that is classified, as held for sale.

27.b New and revised IFRS in issue but not yet effective

The Company has not yet applied the following new and revised IFRSs that have been issued but are not yet effective:

Annual Improvements to IFRS Standards 2014 – 2016 Cycle amending IFRS 1 and IAS 28

The Improvements include the amendments on IFRS 1 and IAS 28 and they are effective for annual periods beginning on or after January 1, 2018.

Annual Improvements to IFRS Standards 2015–2017

The Improvements include the amendments on IFRS 3, IFRS 11, IAS 12 and IAS 23 and they are effective for annual periods beginning on or after January 1, 2019.

IFRIC 22 *Foreign Currency Transactions and Advance Consideration*

The Interpretation addresses foreign currency transactions or parts of transactions where:

- there is consideration that is denominated or priced in a foreign currency;
- the entity recognises a prepayment asset or a deferred income liability in respect of that consideration, in advance of the recognition of the related asset, expense or income; and
- the prepayment asset or deferred income liability is non-monetary.

The Interpretation is effective for annual periods beginning on or after January 1, 2018.

IFRIC 23 *Uncertainty over Income Tax Treatments*

The interpretation addresses the determination of taxable profit (tax loss), tax bases, unused tax losses, unused tax credits and tax rates, when there is uncertainty over income tax treatments under IAS 12. It specifically considers:

- Whether tax treatments should be considered collectively;
- Assumptions for taxation authorities' examinations;
- The determination of taxable profit (tax loss), tax bases, unused tax losses, unused tax credits and tax rates; and
- The effect of changes in facts and circumstances.

The interpretation is effective for annual periods beginning on or after January 1, 2019.

Amendments to IFRS 2 *Share Based Payment*

The amendments are related to classification and measurement of share based payment transactions and they are effective for annual periods beginning on or after January 1, 2018.

Amendments to IFRS 4 Insurance Contracts

The amendments relating to the different effective dates of IFRS 9 and the forthcoming new insurance contracts standard and they are effective for annual periods beginning on or after January 1, 2018.

Amendments to IAS 40 Investment Property

Paragraph 57 has been amended to state that an entity shall transfer a property to, or from, investment property when, and only when, there is evidence of a change in use. A change of use occurs if property meets, or ceases to meet, the definition of investment property. A change in management's intentions for the use of a property by itself does not constitute evidence of a change in use. The paragraph has been amended to state that the list of examples therein is non-exhaustive.

The Amendments are effective for annual periods beginning on or after January 1, 2018.

Amendments to IAS 28 Investment in Associates and Joint Ventures

The amendments are related to long-term interests in associates and joint ventures. These amendments clarify that an entity applies IFRS 9 Financial Instruments to long-term interests in an associate or joint venture that form part of the net investment in the associate or joint venture but to which the equity method is not applied.

The Amendments are effective for annual periods beginning on or after January 1, 2019.

IFRS 16 Leases

IFRS 16 specifies how an IFRS reporter will recognise, measure, present and disclose leases. The standard provides a single lessee accounting model, requiring lessees to recognise assets and liabilities for all leases unless the lease term is 12 months or less or the underlying asset has a low value. Lessors continue to classify leases as operating or finance, with IFRS 16's approach to lessor accounting substantially unchanged from its predecessor, IAS 17.

The Company will apply IFRS 16 in the effective date. The Company is in the process of evaluating the impact of IFRS 16 on the Company's consolidated financial statements.

IFRS 9 Financial Instruments (revised versions in 2009, 2010, 2013 and 2014)

IFRS 9 issued in November 2009 introduced new requirements for the classification and measurement of financial assets. IFRS 9 was subsequently amended in October 2010 to include requirements for the classification and measurement of financial liabilities and for derecognition, and in November 2013 to include the new requirements for general hedge accounting. Another revised version of IFRS 9 was issued in July 2014 mainly to include a) impairment requirements for financial assets and b) limited amendments to the classification and measurement requirements by introducing a 'fair value through other comprehensive income' (FVTOCI) measurement category for certain simple debt instruments.

A finalised version of IFRS 9 which contains accounting requirements for financial instruments, replacing IAS 39 *Financial Instruments: Recognition and Measurement*. The standard contains requirements in the following areas:

- **Classification and measurement:** Financial assets are classified by reference to the business model within which they are held and their contractual cash flow characteristics. The 2014 version introduces a 'fair value through other comprehensive income' category for certain debt instruments. Financial liabilities are classified in a similar manner to under IAS 39, however there are differences in the requirements applying to the measurement of an entity's own credit risk.
- **Impairment:** The 2014 version introduces an 'expected credit loss' model for the measurement of the impairment of financial assets, so it is no longer necessary for a credit event to have occurred before a credit loss is recognised.

- **Hedge accounting:** Introduces a new hedge accounting model that is designed to be more closely aligned with how entities undertake risk management activities when hedging financial and non-financial risk exposures.
- **Derecognition:** The requirements for the derecognition of financial assets and liabilities are carried forward from IAS 39.

The Company adopted IFRS 9 (phase 1) that was issued in 2009 related to classification and measurement financial assets, the company will adopt the finalised version of IFRS 9 from the effective date of January 1, 2018; apply it retrospectively and recognize the cumulative effect of initially applying this standard as an adjustment to the opening balance of retained earnings as of January 1, 2018.

The Company's management is about analyzing the impact of the changes and currently does not consider it likely to have a major impact on its adoption. This assessment is based on currently available information and is subject to changes that may arise when the Company presents its first financial statements as on December 31, 2018 that includes the effects of its application from the effective date.

IFRS 15 Revenue from Contracts with Customers

In May 2014, IFRS 15 was issued which established a single comprehensive model for entities to use in accounting for revenue arising from contracts with customers. IFRS 15 will supersede the current revenue recognition guidance including IAS 18 *Revenue*, IAS 11 *Construction Contracts* and the related interpretations when it becomes effective.

The core principle of IFRS 15 is that an entity should recognize revenue to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services. Specifically, the standard introduces a 5-step approach to revenue recognition:

- Step 1: Identify the contract(s) with a customer.
- Step 2: Identify the performance obligations in the contract.
- Step 3: Determine the transaction price.
- Step 4: Allocate the transaction price to the performance obligations in the contract.
- Step 5: Recognise revenue when (or as) the entity satisfies a performance obligation.

Under IFRS 15, an entity recognises when (or as) a performance obligation is satisfied, i.e. when 'control' of the goods or services underlying the particular performance obligation is transferred to the customer. Far more prescriptive guidance has been added in IFRS 15 to deal with specific scenarios. Furthermore, extensive disclosures are required by IFRS 15.

IFRS 15 may be adopted retrospectively, by restating comparatives and adjusting retained earnings at the beginning of the earliest comparative period. – Alternatively, IFRS 15 may be adopted as of the application date on January 1, 2018, by adjusting retained earnings at the beginning of the first reporting year (the cumulative effect approach).

The Company intends to adopt the standard using the cumulative effect approach, which means that the Company will recognize the cumulative effect of initially applying this standard as an adjustment to the opening balance of retained earnings of the annual reporting period that includes the date of initial application. The Company is continuing to analyze the impact of the changes and its impact will be disclosed in the first consolidated financial statements as of December 31, 2018 that includes the effects of its application from the effective date.

Amendments to IFRS 15 Revenue from Contracts with Customers

The amendments are to clarify three aspects of the standard (identifying performance obligations, principal versus agent considerations, and licensing) and to provide some transition relief for modified contracts and completed contracts.

The Amendments are effective for annual periods beginning on or after January 1, 2018.

Amendments to IFRS 7 Financial Instruments: Disclosures

The amendments are related to disclosures about the initial application of IFRS 9. The Amendments are effective when IFRS 9 is first applied

IFRS 7 Financial Instruments: Disclosures

The amendments are related to the additional hedge accounting disclosures (and consequential amendments) resulting from the introduction of the hedge accounting chapter in IFRS 9. The Amendments are effective when IFRS 9 is first applied

IFRS 17 Insurance Contracts

IFRS 17 requires insurance liabilities to be measured at a current fulfillment value and provides a more uniform measurement and presentation approach for all insurance contracts. These requirements are designed to achieve the goal of a consistent, principle-based accounting for insurance contracts. IFRS 17 supersedes IFRS 4 *Insurance Contracts* as of January 1, 2021.

Amendments to IFRS 10 Consolidated Financial Statements and IAS 28 Investments in Associates and Joint Ventures (2011)

The amendments are related to the treatment of the sale or contribution of assets from and investor to its associate or joint venture.

The Amendments effective date deferred indefinitely and the adoption is still permitted.

Management anticipates that these new standards, interpretations and amendments will be adopted in the Company's financial statements as and when they are applicable and adoption of these new standards, interpretations and amendments, except for IFRS 9, IFRS 15 as highlighted in previous paragraphs, may have no material impact on the financial statements of the Company in the period of initial application.

Management anticipates that IFRS 15 and IFRS 9 will be adopted in the Company's financial statements for the annual period beginning January 1, 2018 and that IFRS 16 will be adopted in the Company's financial statements for the annual period beginning January 1, 2019.