



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

عمان في 2017/05/15

الرقم : 2017/2148

To: Jordan Securities Commission

السادة/ هيئة الأوراق المالية المحترمين

To: Amman Stock Exchange

السادة/ بورصة عمان المحترمين

Subject: Quarterly Report as of 31/12/2017

الموضوع: التقرير ربع السنوي كما في 2017/12/31

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

مرفق طيه نسخة من البيانات المالية المدققة لشركة
الإسراء للاستثمار والتمويل الإسلامي ش.م.ع عن السنة
المالية المنتهية في 2017/12/31.

Kindly accept our highly appreciation and respect
Al Israa for Islamic Finance & Investment P.L.C

وتفضلوا بقبول فائق الاحترام،،،
شركة الإسراء للاستثمار والتمويل الإسلامي ش.م.ع

Chairman of Board of Directors Signature

توقيع رئيس مجلس الإدارة



بورصة عمان
الدائرة الإدارية والمالية
الديوان

١٦ أيار ٢٠١٧

3149

رقم التسلسل:

31282

رقم الملف:

الجهة المختصة:

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

FINANCIAL STATEMENTS FOR THE
YEAR ENDED DECEMBER 31, 2016

AI ISRAA FOR ISLAMIC FINANCE AND INVESTMENT COMPANY
(PUBLIC LIMITED SHAREHOLDING COMPANY)
AMMAN - JORDAN
FINANCIAL STATEMENTS FOR THE
YEAR ENDED DECEMBER 31, 2016

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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 at December 31, 2016, 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 effects of the matter described in the "Basis for Qualified Opinion" section of our report, the accompanying financial statements present fairly, in all material respects, the financial position of the Company as of December 31, 2016, and its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards.

Basis for Qualified Opinion

Based on our estimates, there is a deficiency in the provision for doubtful debts, inclusive of the deficiency in the provision of the associate company, by approximately JD 4.250 million as of December 31, 2016 (approximately JD 2.9 million as of December 31, 2015). Had the deficit in the said provision been recorded, the Company's accumulated losses would have increased by approximately JD 2.25 million and its operations for the year would have resulted in a loss of approximately JD 1 million, net of the impact of deferred taxes. Likewise, accounts receivable from financing activities would have decreased by around JD 4.1 million, the balance of investment in the associate company would have also decreased by JD 150 thousand, and the deferred tax assets balance would have increased by around JD 1 million.

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 qualification in our opinion, as stated in Note (12 a) to the financial statements, the Income and Sales Tax Department reviewed, during the year 2011, the Company's records for the period from inception to December 31, 2010. The review resulted in tax differences of approximately JD 814 thousand. Consequently, the Company filed a lawsuit in objection to this review within the legal period, and the lawsuit is still pending at the Tax First Instance Court. In this respect, the said court appointed an expert who submitted his report to the court, which approved the report. Moreover, the Tax Prosecutor General submitted the report to the Reconciliations Committee of the Income and Sales Tax Department based on the expert's report. However, the report is still at the Reconciliations Committee, and no final settlement thereon has been reached.

In the opinion of the Company's management and its tax consultant, the payments on account and tax provisions taken 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.

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 17% 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, understanding the implemented internal control procedures, evaluating the reasonableness of the judgments 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.

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 under the "Basis for Qualified Opinion" section and the effect of what is mentioned under the "Emphasis of a Matter" section.

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.

Deloitte & Touche
Deloitte & Touche (M.E.) – Jordan
Amman – Jordan
March 30, 2017

Deloitte & Touche (M.E.)
Public Accountants
Amman - Jordan

AL ISRAA FOR ISLAMIC FINANCE AND INVESTMENT COMPANY
(A PUBLIC LIMITED SHAREHOLDING COMPANY)
AMMAN- JORDAN
STATEMENT OF FINACIAL POSITIONS

<u>Assets</u>	<u>Note</u>	<u>December 31,</u>	
		<u>2016</u>	<u>2015</u>
		<u>JD</u>	<u>JD</u>
Current Assets:			
Cash on hand and at banks	3	233,063	2,439,484
Financial assets at fair value through statement of income	4	54,643	498,349
Accounts receivable from financing activities - Net	5	17,516,012	15,181,236
Properties seized against debts	6	3,747,534	3,649,771
Other debit balances	7	166,293	219,163
Total Current Assets		<u>21,717,545</u>	<u>21,988,003</u>
Deferred tax assets	12 c	<u>570,676</u>	<u>570,676</u>
Investment in associate company	8	<u>543,569</u>	<u>555,471</u>
Property and equipment - Net	9	<u>107,884</u>	<u>142,170</u>
Intangible assets-net		<u>14,981</u>	<u>44,748</u>
Total Assets		<u>22,954,655</u>	<u>23,301,068</u>
<u>Liabilities and Shareholder Equity</u>			
Liabilities:			
Customers' Sukuk investment portfolios	10	4,372,000	4,590,000
Cash deposits against financing receivables		60,513	115,990
Income tax provision	12	48,972	-
Other credit balances	11	548,601	723,056
Total Liabilities		<u>5,030,086</u>	<u>5,429,046</u>
Shareholders' Equity:			
Paid-up capital	13	20,000,000	20,000,000
Statutory reserve	13	136,379	114,706
Special reserve	13	220,512	220,512
Accumulated (losses)		<u>(2,432,322)</u>	<u>(2,463,196)</u>
Total Shareholders' Equity		<u>17,924,569</u>	<u>17,872,022</u>
Total Liabilities and Shareholders' Equity		<u>22,954,655</u>	<u>23,301,068</u>

Chairman of the Board of Directors

General Manager

THE ACCOMPANYING NOTES FROM (1) TO (25) 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 OTHER COMPREHENSIVE INCOME

	Note	For the Year End	
		December 31,	
		2016	2015
		JD	JD
Revenue:			
Murabaha revenue		1,252,251	670,904
Istisna'a Revenue		4,597	3,401
Revenue from invesment-moudaraba		-	218
Total Joint Revenue		1,256,848	674,523
less: Sukuk investment portfolio owners' share from revenue	10	(279,736)	(9,880)
Company's Share from Revenue		977,112	664,643
(Losses) from revaluation of financial assets at fair value through Statement of Income	14	(443,706)	(55,238)
Company's share of (loss) from investment in associate company	8	(11,902)	(74,327)
Commision and other revenue		154,141	66,668
Total Revenue		675,645	601,746
Expenses:			
Staff cost	15	216,316	224,996
Other operating expenses	16	242,595	253,860
Total Expenses		458,911	478,856
Profit for the year before tax		216,734	122,890
Income tax (expense)	12/b	(164,187)	(44,534)
Profit for the year		52,547	78,356
Earnings per Share	17	0,003	0,004

Chairman of the Board of Directors

General Manager

THE ACCOMPANYING NOTES FROM (1) TO (25) 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 CHANGES IN SHAREHOLDERS' EQUITY

	Paid-up	Reserve		Accumulated	
	Capital	Statutory	Special	(Losses)	Total
	JD	JD	JD	JD	JD
<u>For the Year Ended December 31, 2016</u>					
Balance - beginning of the year	20,000,000	114,706	220,512	(2,463,196)	17,872,022
Total comprehensive income for the year	-	-	-	52,547	52,547
Transferred to reserves	-	21,673	-	(21,673)	-
Balance - End of the Year	<u>20,000,000</u>	<u>136,379</u>	<u>220,512</u>	<u>(2,432,322)</u>	<u>17,924,569</u>
<u>For the Year Ended December 31, 2015</u>					
Balance - beginning of the year	20,000,000	102,417	195,934	(2,504,685)	17,793,666
Total comprehensive income for the year	-	-	-	78,356	78,356
Transferred to reserves	-	12,289	24,578	(36,867)	-
Balance - End of the Year	<u>20,000,000</u>	<u>114,706</u>	<u>220,512</u>	<u>(2,463,196)</u>	<u>17,872,022</u>

* The balance of retained earnings includes JD 570,676, representing deferred tax assets as of December 31, 2016 and 2015.

This balance may not be used according to the instructions of the Jordan Securities Commission.

THE ACCOMPANYING NOTES FROM (1) TO (25) CONSTITUTE AN INTEGRAL PART OF THESE FINANCIAL STATEMENTS AND
SHOULD BE READ WITH THEM AND WITH THE INDEPENDENT AUDITOR'S REPORT.

AL JSRAA FOR ISLAMIC FINANCE AND INVESTMENT COMPANY
(A PUBLIC LIMITED SHAREHOLDING COMPANY)
AMMAN- JORDAN
STATEMENT OF CASH FLOWS

	Note	FOR THE YEAR ENDED	
		DECEMEBR 31,	
		2016	2015
		JD	JD
CASH FLOWS FROM OPERATING ACTIVITIES			
Profit for the year before tax		216,734	122,890
Adjustments:			
Deprecation and amortization		65,063	59,645
Company's share from loss of investment in associate company	8	11,902	74,327
Loss (gains) from revaluation of financial assets at fair value through statement of income	4	443,706	(38,537)
(Gain) from sale of properties and equipment		-	(41,365)
Net Cash Flows from Operating Activities before Changes in Working Capital Items		737,405	176,960
Decrease in financial assets at fair value through statement of income		-	93,775
(Increase) in accounts receivable from financing activities-net		(2,334,776)	(1,550,788)
(Increase) decrease in other debit balances		(17,811)	103,931
(Decrease) increase in customers' investment accounts		(218,000)	3,590,000
(Decrease) in cash deposits against finance receivable		(55,477)	(71,120)
(Decrease) in other credit balances		(174,455)	(101,019)
Net Cash Flows (used in) from Operating Activities before Income Tax Paid		(2,063,114)	2,241,739
Income tax paid	12/a	(44,534)	(16,335)
Net Cash flows (used in) From Operating Activities		(2,107,648)	2,225,404
CASH FLOWS FROM INVESTING ACTIVITIES			
Proceeds from sale of property and equipment		-	51,278
(Purchase of) property and equipment	9	(1,010)	(48,315)
Properties seized against debts		(97,763)	-
Net Cash Flows (used in) from Investing Activities		(98,773)	2,963
Net (decrease) Increase in Cash on hand and at banks		(2,206,421)	2,228,367
Cash on hand and at banks - beginning of the year		2,439,484	211,117
Cash on Hand and at banks - End of the Year	3	233,063	2,439,484
NON-CASH TRANSACTIONS:			
Properties seized by the Company against debts		202,220	1,814,062
Total Non-Cash Transactions		202,220	1,814,062

THE ACCOMPANYING NOTES FROM (1) TO (25) CONSTITUTE AN INTEGRAL PART OF THESE FINANCIAL STATEMENTS AND
SHOULD BE READ WITH THEM AND WITH THE INDEPENDENT AUDITOR'S REPORT.

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 Investment Company was established as a public limited shareholding company based on the Jordan Companies Law Number 22 for the year 1997 and its amendments under number 451 dated April 20, 2008 with an authorized and paid share 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 February 16, 2017, which issued its report thereon.
- d. The financial statements were approved by the Company's Board of Directors on March 28, 2017 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) and in accordance with applicable local laws.
- 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, 2015, except for what is mentioned in note (25/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 and bonds of the Company 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 income statement at fair value at acquisition (acquisition costs are recognized in the income statement on acquisition) and subsequently revalued at fair value. The change in fair value is reflected in the income statement, 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 income statement.
- Dividends are recognized in the income statement and other comprehensive income.

Accounts Receivable from Financing Activities

- These represent accounts receivable from financing activities 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 income statement 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 income statement and 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.

The estimated useful lives and amortization method 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 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 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 expected not 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 (if any) in 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,	
	2016	2015
	JD	JD
Cash on hand	60,084	40,225
Current accounts	172,979	2,399,259
	<u>233,063</u>	<u>2,439,484</u>

4. Financial Assets at Fair Value through Statement of Income

The details of this item are as follows:

	December 31,	
	2016	2015
	JD	JD
Financial assets quoted on Amman Stock Exchange	54,643	66,276
Unquoted financial assets*	-	432,073
	<u>54,643</u>	<u>498,349</u>

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

During the year, the Company evaluated its financial assets through the income statement. This resulted in losses of JD 443,706 as of December 31, 2016 (profits of JD 38,537 as of December 31, 2015).

5. Accounts Receivable from Financing Activities - Net

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

	December 31,	
	2016	2015
	JD	JD
Finance receivables	20,546,783	22,337,024
<u>Less:</u> Deferred income from financing contracts	(1,496,343)	(1,437,768)
	19,050,440	20,899,256
<u>Less:</u> impairment provision	(1,465,000)	(2,377,815)
Suspended revenue	(69,428)	(3,340,205)
	<u>17,516,012</u>	<u>15,181,236</u>

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

	Total accounts receivable as of December 31, 2016	Deferred income as of December 31, 2016	Net accounts receivable as of December 31, 2016	Net accounts receivable as of December 31, 2015
	JD	JD	JD	JD
Murabaha financing	16,984,706	(1,488,747)	15,495,959	15,214,907
Istisna financing	44,489	(7,596)	36,893	42,305
Bai'a Ajel financing	3,367,588	-	3,367,588	5,642,044
Associate company financing *	150,000	-	150,000	-
	<u>20,546,783</u>	<u>(1,496,343)</u>	<u>19,050,440</u>	<u>20,899,256</u>

- * 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 have been recovered during 2016. 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,	
	2016	2015
	JD	JD
Balance - Beginning of the year	2,377,815	2,377,815
<u>Deduct:</u> Provisions relate to debts transferred off the statement of financial position **	(912,815)	-
Balance - End for the Year	<u>1,465,000</u>	<u>2,377,815</u>

Suspense Revenue

The movement on revenue suspense is as follows:

	For the year ended December 31,	
	2016	2015
	JD	JD
Balance - Beginning of the year	3,340,205	3,244,898
Suspended revenue during the year	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	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 6.9 million, representing 34% of accounts receivable as of December 31, 2016 (JD 10.5 million, representing 51% of accounts receivable as of December 31, 2015).
 - The Company seized shares ceased from trading for one of its customers to recover part of his debt based on a decision by Amman Magistrate Court dated December 12, 2011. The decision became irrevocable, as it was not appealed within the legal period. The seized assets have been considered as guarantee for the purpose of calculating the provisions. Those shares were back to trading during 2016 and amounted to JD 107,647, based on their closing price as of December 31, 2016. The net account receivable balance of this customer approximated JD 1.484 million as of December 31, 2016, after deducting deferred and suspended revenue at that date.
 - During the year 2015, the Company seized real estate mortgaged to its favor against a credit granted to one of its customers. This resulted in a surplus of JD 400 thousand, after deducting the customer's receivable balance. According to Sharia Committee's decision on September 20, 2015, the Company was permitted to consider this amount as a general provision to address defaulting or expected-to-default debtors, as the debtors are persons worthy of receiving charity and being helped in their failings based on the rule that defaulting debtors are entitled to Zakat. Accordingly, part of the amount has been used to pay some due installments during the year 2016 (Note 11).

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 3,747,534 as of December 31, 2016 (JD 3,649,771 as of December 31, 2015), which has been recorded according to the competent courts assessment of seized property. The fair value of those seized properties amounted to JD 5,451,196.

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

	For the year ended December 31,	
	2016	2015
	JD	JD
Balance - Beginning of the year	3,649,771	1,853,709
Additions during the year	202,220	1,796,062
Sold land during the year *	(104,457)	-
Balance - End of the year	<u>3,747,534</u>	<u>3,649,771</u>

- * During the year 2016, a piece of land was sold, resulting in profits of JD 51,142, recorded in the statement of income and comprehensive income for the year.

7. Other Debit Balances

The details of this account are as follows:

	December 31,	
	2016	2015
	JD	JD
Prepaid expenses *	30,818	32,286
Refundable deposits	5,150	5,150
Refundable legal fees	75,853	74,800
Staff receivable	20,715	9,685
Income tax refundable (12/a)	-	70,681
Others	<u>33,757</u>	<u>26,561</u>
	<u>166,293</u>	<u>219,163</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% from its share capital, equivalent to JD 3 million as of December 31, 2016. The investment in the associate is recorded based on the equity method.

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

	December 31,	
	2016	2015
	JD	JD
Total Assets	3,106,300	2,876,305
Total Liabilities	<u>(988,712)</u>	<u>(657,630)</u>
Net Assets	<u>2,117,588</u>	<u>2,218,675</u>
The Company's share of the associate's (losses)	<u>(11,902)</u>	<u>(74,327)</u>
The Company's share of the associate's net assets	<u>543,569</u>	<u>555,471</u>

9. Property and Equipment – Net

a. This item consists of the following

<u>For the Year Ended December 31, 2016</u>					
Cost:		Computers and Computer Programs	Furniture and Fixtures	Vehicles	Decorations
Balance - beginning of the year		JD 83,947	JD 117,511	JD 111,795	JD 145,476
Additions		-	1,010	-	-
Balance - End of the Year		83,947	118,521	111,795	145,476
Accumulated depreciation:					
Balance - beginning of the year		83,888	72,751	69,520	90,400
Additions		-	11,690	9,059	14,547
Balance - End of the Year		83,888	84,441	78,579	104,947
Net Book Value		59	34,080	33,216	40,529
<u>For the Year Ended December 31, 2015</u>					
Cost:		83,947	136,388	134,500	144,726
Balance - beginning of the year		-	2,270	45,295	750
Additions		-	(21,147)	(68,000)	-
Disposals		83,947	117,511	111,795	145,476
Balance - End of the Year		83,546	72,242	134,500	75,896
Accumulated depreciation:		342	11,743	3,020	14,504
Balance - beginning of the year		-	(11,234)	(68,000)	-
Additions		83,888	72,751	69,520	90,400
Disposals		59	44,760	42,275	55,076
Balance - End of the Year					
Net Book Value					

Fully depreciated property and equipment amounted to JD 150,448 as of December 31, 2016 (JD 149,498 as of December 31, 2015).

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 on as per the contracts. The Company should not engage in any Murabaha with a return less than 8%.

11. Other Credit Balances

The details of this account are as follows:

	December 31,	
	2016	2015
	JD	JD
Accrued expenses	31,384	14,761
Customers' deposits	282,753	124,316
Deposits from processing and collections fees	18,938	57,854
Accrued and unpaid profits from sukuk investments	21,300	9,880
Shareholders' payable	6,650	6,650
Provision for contingent liabilities	100,000	100,000
Board of Directors' remunerations	840	840
Others -note (5)	86,736	408,755
	<u>548,601</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,	
	2016	2015
	JD	JD
Balance - beginning of the year	(70,681)	(98,880)
Income tax paid	(44,534)	(16,335)
Income tax Provision for the year	164,187	44,534
Balance - End of the Year- Credit / Debit	<u>48,972</u>	<u>(70,681)</u>

The Company filed the tax returns for the period from inception until December 31, 2010 to the Income and Sales Tax Department. Moreover, the Company paid the declared taxes within the legal period. 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 a lawsuit objecting to the review within the legal period, and the lawsuit is still before the Tax Court of First Instance. In this respect, the Income and Sales Tax Department appointed an expert who submitted his report, which was approved by the said court. Additionally, the Prosecutor General submitted a report to the Reconciliations Committee of the Income and Sales Tax Department to reconcile with the Company based on the expert's report, which is still pending at the Reconciliations Committee. In this regard, no final settlements have been reached. In the opinion of the Company's management and its tax consultant, the payments on account and the tax provisions taken for the years subsequent to the year 2010 exceed the tax difference due on the above fiscal years. Therefore, the Company will not have further liabilities toward the Income and Sales Tax Department, and no additional provisions are required.

The Company submitted the tax returns for the years from 2011 until 2015, 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 but not the losses. Consequently, no additional tax is due for that year. As for the year 2015, 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 31 December 2016 are sufficient to meet the expected tax liabilities for the periods mentioned above.

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

	2016	2015
	JD	JD
Accrued income tax on the profits of the year	164,187	44,534
Income tax expense	164,187	44,534

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

				Deferred tax assets as of	
				December 31,	
	Balance – beginning of the year	Additional Amount	Released Amounts	Balance – End of the Year	
	JD	JD	JD	JD	2015
Provision for doubtful debts *	2,377,815	-	-	2,377,815	570,676
Balance - End of the Year	2,377,815	-	-	2,377,815	570,676

Deferred tax assets amounted to JD 570,676 as per management's estimate as of December 31, 2015. 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 balance sheet.

13. Paid-up Share Capital and Reserves

a. Paid-up Share Capital

The Company's authorized and paid-up share capital consists of JD 20 million, divided into 20 million shares as of December 31, 2016 and 2015.

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. Special 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 Revaluation of Financial Assets at Fair Value through Statement of Income

This item consists of the following:

	For the Year Ended December 31,	
	2016	2015
	JD	JD
(Losses) from sale of financial assets	-	(93,775)
Unrealized evaluation (losses)	(443,706)	38,537
	<u>(443,706)</u>	<u>(55,238)</u>

15. Staff Cost

This item consists of the following:

	For the Year Ended December 31,	
	2016	2015
	JD	JD
Salaries, fees, and rewards	184,015	193,794
The Company's social security contributions	20,617	19,247
Medical Insurance	11,684	11,955
	<u>216,316</u>	<u>224,996</u>

16. Other Operating Expenses

This item consists of the following:

	For the Year Ended December 31,	
	2016	2015
	JD	JD
Rent	35,700	35,117
Promoting and advertising	946	1,420
Stationery and printing	2,230	1,702
Depreciation and amortization	65,390	59,645
Electricity and water	11,879	12,568
Communication	5,526	5,812
Fuel	1,058	1,027
Board of Directors' transportation	42,000	42,000
Fees, licenses and subscriptions	21,648	23,540
Maintenance and cleaning	3,121	4,114
Hospitality	2,587	1,572
Management and sharia'a fees	7,200	3,250
Professional fees	25,714	50,459
Banking services fees	1,692	406
Traveling	2,312	1,305
Training fees	7,427	2,164
Board of Directors' secretary's remunerations	-	2,000
Other	6,165	5,759
	<u>242,595</u>	<u>253,860</u>

17. Earnings per Share

The details for this items is as follows:

	For the Year Ended December 31,	
	2016	2015
	JD	JD
Profit for the year	52,547	78,356
Number of shares	20,000,000	20,000,000
Earnings per share for the year	<u>0,003</u>	<u>0,004</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 Employee	Associated Company *	Total	
				December 31,	
				2016	2015
<u>Statement of Financial Position Items</u>	JD	JD	JD	JD	
Murabaha and Istisna'a finances	536,414	39,844	150,000	726,258	597,109
Investment in associated company	-	-	543,569	543,569	555,471
<u>Statement of Income and other Comprehensive Income</u>					
Transportation and other allowances	42,000	-	-	42,000	42,000
The Company's share from (loss) in investment in associated company	-	-	(11,902)	(11,902)	(74,327)
Murabaha realized during the year	47,050	2,907	-	49,957	12,466

- * This item represents the Company partially owned by the chairman of the Board of Directors'.
- The salaries and rewards of executive management amounted to around JD 148 thousand during the year 2016 (around JD 159 thousand during the year 2015).
- The fees and other benefits of the Sharia'a Committee amounted to JD 7,200 for the year 2016 (JD 3,250 during the year 2015).
- The Company contracted with the Board of Directors' chairman 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, 2016 and 2015:

	December 31,	
	2016	2015
	JD	JD
Customers' sukuk investment portfolios	4,372,000	4,590,000
Cash deposits against financing receivables	60,513	115,990
Income tax provision	48,972	-
Other credit balances	548,601	723,056
	5,030,086	5,429,046
Shareholders' equity	17,924,569	17,782,022
Liabilities to shareholders' equity percentage	28%	30%

Liquidity Risk

Liquidity risk, also referred to as funding 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, unexpected market events and disruptions. Moreover, the Company manages liquidity risk through continuously monitoring forecast and 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.

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 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 8.5 million, representing 45% of total receivables from financing activities, after deducting deferred revenue. These credits are granted to the major eight customers as of December 31, 2016 (JD 11.7 million, representing 56% as of December 31, 2015).

- The following table shows the distribution of the credit exposures by economic segment as of December 31, 2016 and 2015:

	Financial	Industrial	Commercial	Services and others	Total
	JD	JD	JD	JD	JD
December 31, 2016					
Accounts receivable from financing activities*	4,379,003	350,320	4,028,683	8,758,006	17,516,012
	<u>4,379,003</u>	<u>350,320</u>	<u>4,028,683</u>	<u>8,758,006</u>	<u>17,516,012</u>
December 31, 2015					
Accounts receivable from financing activities*	3,795,309	303,625	3,491,684	7,590,618	15,181,236
	<u>3,795,309</u>	<u>303,625</u>	<u>3,491,684</u>	<u>7,590,618</u>	<u>15,181,236</u>

- * After deducting the provision for doubtful debts from financing activities of JD 1,465,000 as of December 31, 2016 (JD 2,377,815 as of December 31, 2015) and suspended revenue of JD 69,428 as of December 31, 2016 (JD 3,340,205 as of December 31, 2015) .
- 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 in the value of shares and changes in the value of individual shares.

- 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.

2016	Changes in index %	Effects on gain and losses JD	Effects on shareholders' equity JD
Financial market	5	2,732	2,732
Financial market	(5)	(2,732)	(2,732)
2015	Changes in index %	Effects on gain and losses JD	Effects on shareholders' equity JD
Financial market	5	3,313	3,313
Financial market	(5)	(3,313)	(3,313)

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. Information about the company 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:

			Total For the Year Ended December 31,	
	Financing	Investment	2016	2015
	JD	JD	JD	JD
Total profits (loss)	1,131,253	(455,608)	675,645	601,746
Not distributed expenses	-	-	(458,911)	(478,856)
Income tax expense	-	-	(164,187)	(44,534)
Profit for the Year			<u>52,547</u>	<u>78,356</u>
<u>Other Information</u>				
Segment Assets	17,516,012	598,212	18,114,224	16,235,056
Un- Not distributed assets	-	-	4,840,431	7,066,012
			<u>22,954,655</u>	<u>23,301,068</u>
Segment liabilities	60,513	4,372,000	4,432,513	4,705,990
Un- Not distributed liabilities	-	-	597,573	723,056
			<u>5,030,086</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
<u>December 31, 2016</u>	JD	JD	JD
Assets			
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*	5,531,945	11,984,067	17,516,012
Properties seized against debts	3,747,534	-	3,747,534
Other debit balances	94,679	71,614	166,293
Deferred tax assets	-	570,676	570,676
Investment in associate company	543,569	-	543,569
property and equipment – net	-	107,884	107,884
Intangible assets-net	-	14,981	14,981
Total Assets	10,205,433	12,749,222	22,954,655
Liabilities			
Customers' Sukuk investment portfolios	4,372,000	-	4,372,000
Cash deposits against financing receivable	-	60,513	60,513
Income tax provision	48,972	-	48,972
Other credit balances	279,992	268,609	548,601
Total Liabilities	4,700,964	329,122	5,030,086
Net	5,504,469	12,420,100	17,924,569

	For One Year	More than Year	Total
<u>December 31, 2015</u>	JD	JD	JD
Cash on hand and at banks	2,439,484	-	2,439,484
Financial assets at fair value through statement of income	498,349	-	498,349
Accounts receivable from financing activities -net*	5,159,035	10,022,201	15,181,236
Properties seized against debts	3,649,771	-	3,649,771
Other debit balances	68,531	150,632	219,163
Deferred tax assets	-	570,676	570,676
Investment in associate company	-	555,471	555,471
property and equipment – net	-	142,170	142,170
Intangible assets-net	-	44,748	44,748
Total Assets	11,815,170	11,485,898	23,301,068
Customers' Sukuk investment portfolios	4,590,000	-	4,590,000
Cash deposits against financing receivables	-	115,990	115,990
Other credit balances	377,776	345,280	723,056
Total Liabilities	4,967,776	461,270	5,429,046
Net	6,847,394	11,024,628	17,872,022

* After deducting provision for doubtful debts from financing activities of JD 1,465,000 as of December 31, 2016 (JD 2,377,815 as of December 31, 2015) and suspended revenue of JD 69,428 as of December 31, 2016 (JD 3,340,205 As of December 31, 2015)

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:

Financial assets	December 31,		Fair Value Hierarchy	Valuation Technique	Significant Unobservable Inputs	Relationship of Unobservable Inputs to fair Value
	2016	2015				
	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	54,643	66,276	Level 1	Prices announced at the financial market	Not applicable	Not applicable
Share without available market prices	-	432,073	Level 2	Not available	Not applicable	Not applicable
Total Financial Assets at Fair Value	54,643	498,349				

There were no transfers between Level 1 and Level 2 during 2016 and 2015.

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
	2016		2015		
	Book value	Fair Value	Book value	Fair Value	
	JD	JD	JD	JD	
Financial assets not calculated at fair value:					
Properties seized by the Company against debts	3,747,534	5,607,158	3,649,771	5,451,196	Level 2
	3,747,534	5,607,158	3,649,771	5,451,196	

The fair value of the above items for Level 2 was determined based on real estate appraisals which exceed the recorded amount of JD 1,859,624.

23. Contingent Liabilities

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

	December 31,	
	2016	2015
	JD	JD
The Company's office rent	<u>29,750</u>	<u>29,167</u>

24. Subsequent Events

Subsequent to the date of the financial statements, the Board of Directors decided, on February 23, 2017, to sell the Company's share in the associated company JESCO for an amount exceeding the investment balance as of December 31, 2016. Accordingly, there is no need to record any impairment.

25. Adoption of New and Revised International Financial Reporting Standards (IFRSs)

25. 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, 2016, have been adopted in these financial statements. The application of these revised IFRSs has not had any material impact on the amounts reported for the current and prior years but may affect the accounting for future transactions or arrangements.

- IFRS 14 Regulatory Deferral Accounts.
- Amendments to IAS 1 Presentation of Financial Statements relating to Disclosure Initiative.
- Amendments to IFRS 11 Joint Arrangements relating to accounting for acquisitions of interests in joint operations.
- Amendments to IAS 16 Property, Plant and Equipment and IAS 38 Intangible Assets relating to clarification of acceptable methods of depreciation and amortisation.
- Amendments to IAS 16 Property, Plant and Equipment and IAS 41 Agriculture: Bearer Plants.
- Amendments to IAS 27 Separate Financial Statements relating to accounting investments in subsidiaries, joint ventures and associates to be optionally accounted for using the equity method in separate financial statements.
- Amendments to IFRS 10 Consolidated Financial Statements, IFRS 12 Disclosure of Interests in Other Entities and IAS 28 Investment in Associates and Joint Ventures relating to applying the consolidation exception for investment entities.
- Annual Improvements to IFRSs 2012 – 2014 Cycle covering amendments to IFRS 5, IFRS 7, IAS 19 and IAS 34.

25. b. New and revised IFRSs in issue but not yet effective and not early adopted

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

<u>New and revised IFRSs</u>	<u>Effective for annual periods beginning on or after</u>
Annual Improvements to IFRS Standards 2014 – 2016 Cycle amending IFRS 1, IFRS 12 and IAS 28.	The amendments to IFRS 1 and IAS 28 are effective for annual periods beginning on or after January 1, 2018; the amendment to IFRS 12 for annual periods beginning on or after January 1, 2017
Amendments to IAS 12 <i>Income Taxes</i> relating to the recognition of deferred tax assets for unrealized losses	January 1, 2017

Amendments to IAS 7 <i>Statement of Cash Flows</i> to provide disclosures that enable users of financial statements to evaluate changes in liabilities arising from financing activities.	January 1, 2017
IFRIC 22 <i>Foreign Currency Transactions and Advance Consideration</i> The interpretation addresses foreign currency transactions or parts of transactions where: <ul style="list-style-type: none"> • 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. 	January 1, 2018
Amendments to IFRS 2 <i>Share Based Payment</i> regarding classification and measurement of share based payment transactions.	January 1, 2018
Amendments to IFRS 4 <i>Insurance Contracts</i> : Relating to the different effective dates of IFRS 9 and the forthcoming new insurance contracts standard.	January 1, 2018
Amendments to IAS 40 <i>Investment Property</i> : Amends paragraph 57 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.	January 1, 2018
Amendments to IFRS 7 <i>Financial Instruments: Disclosures</i> relating to disclosures about the initial application of IFRS 9.	When IFRS 9 is first applied
IFRS 7 <i>Financial Instruments: Disclosures</i> relating to the additional hedge accounting disclosures (and consequential amendments) resulting from the introduction of the hedge accounting chapter in IFRS 9.	When IFRS 9 is first applied

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

January 1, 2018

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 of IFRS 9 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 of IFRS 9 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.

Amendments to IFRS 15 *Revenue from Contracts with Customers* 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.

January 1, 2018

IFRS 15 *Revenue from Contracts with Customers*

January 1, 2018

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 16 *Leases*

January 1, 2019

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.

Amendments to IFRS 10 *Consolidated Financial Statements* and IAS 28 *Investments in Associates and Joint Ventures* (2011) relating to the treatment of the sale or contribution of assets from an investor to its associate or joint venture.

Effective date
deferred
indefinitely

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

The application of IFRS 15 and IFRS 9 may have significant impact on amounts reported and disclosures made in the Company's financial statements in respect of revenue from contracts with customers, and the Company's financial assets and financial liabilities and the application of IFRS 16 may have significant impact on amounts reported and disclosures made in the Company's financial statements in respect of its leases.