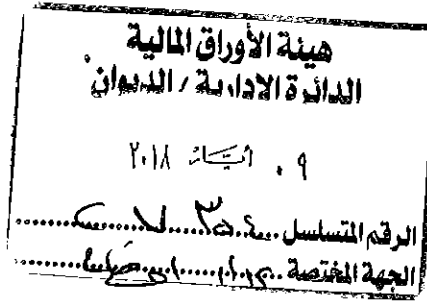




للاستثمار والتمويل الاسلامي ش.م.ع
Al Israa for Islamic Finance & Investment PLC



Amman : 02/05/2018
Ref : 2533/2018

To: Jordan Securities Commission

To: Amman Stock Exchange

Subject: Quarterly Report as of 31/03/2018

للمراجعة

* مراجعة عمان

* المدير
المالية

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Attached the Quarterly Report of Al Israa for Islamic Finance & Investment P.L.C as of 31/03/2018

Kindly accept our highly appreciation and respect

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

Chairman of Board of Directors Signature



AI-ISRA'A FOR ISLAMIC INVESTMENT
AND FINANCING COMPANY
(PUBLIC LIMITED SHAREHOLDING COMPANY)
AMMAN - JORDAN

CONDENSED INTERIM FINANCIAL
STATEMENTS FOR THE THREE
MONTHS ENDED MARCH 31, 2018
TOGETHER WITH REVIEW REPORT

AI-ISRA'A FOR ISLAMIC INVESTMENT AND FINANCING COMPANY
(PUBLIC LIMITED SHAREHOLDING COMPANY)
AMMAN - JORDAN
FOR THE THREE MONTHS
ENDED MARCH 31, 2018

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Review Report on the Condensed Interim Financial Statements

AM/32770

To the Chairman and the Board of Directors members,
Al Israa for Islamic Finance and Investment Company
(Public Limited Shareholding Company)
Amman - Jordan

Introduction

We have reviewed the accompanying condensed interim financial statement of Al-Isra'a for Islamic Investment and Financing Company (Public Limited Shareholding Company) which comprise condensed interim statements of financial position as of March 31, 2018, income and comprehensive income changes in shareholders' equity and statement of cash flows for the three-month period then ended, and a summary of significant accounting policies and other explanatory notes. Management is responsible for the preparation and fair presentation of these condensed consolidated interim financial statement in accordance with International Accounting Standard 34 "Interim Financial Reporting". Our responsibility is to express a conclusion on these condensed consolidated interim financial statements based on our review.

Scope of Review

We conducted our review in accordance with International Standard on Review Engagements 2410, "Review of Interim Financial Information Performed by the Independent Auditor of the Company". A review of condensed interim financial information consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with International Accounting Standard 34 "Interim Financial Reporting", and consequently, does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

Basis for Qualified Conclusion

1. Included within the credit portfolio on the condensed interim statement of financial position as of March 31, 2018 are facilities granted, without tangible guarantees, to a group of customers in the amount of approximately JD 4.4 million. 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 on the condensed interim statement of financial statements as of March 31, 2018.

2. The Company's net accounts receivable from financing activities are carried in the condensed interim statement of financial position at an approximate amount of JD 12 million. Management has made a provision for doubtful debts against accounts receivable amounting to approximately JD 5.5 million as of March 31, 2018. In our opinion the doubtful debt provision should be increased by approximately JD 1.9 million, accordingly, the accumulated losses would be increased by approximately JD 1.9 million. Likewise, accounts receivable from financing activities would have decreased by approximately JD 1.9 million as of March 31, 2018.
3. Included in the net receivables shown on the condensed interim statement of financial position at March 31, 2018 is an amount of approximately JD 12 million. According to International Financial Reporting Standard No. (9) Financial Instruments which became effective for accounting periods commencing on or after 1 January 2018. Management has to calculate and record the provision resulting from the application of the above standard and record its effect within the shareholder's equity, however, the Company's management did not completed their calculation of impairment in line with the standard because not all systems and processes have been implemented by management that support this calculation. In these circumstances, we are unable to quantify the effect of any adjustments related to the departure from the accounting standard.

Qualified Conclusion

Based on our review, except for the possible effects of the matter described in the paragraphs (1) and (3) in the Basis for Qualified conclusion section of our report and the effect of the paragraph (2) above, nothing has come to our attention that the accompanying condensed interim financial statements are not prepared in accordance with International Accounting Standard No. (34) related to Interim Financial Reporting.

Emphasis of a Matter

1. Note (5) to the accompanying condensed Interim financial statements, which illustrates the accounts receivable concentration as of March 31, 2018. Our conclusion is not qualified in respect of this matter
2. Note (11) to the accompanying condensed Interim financial statements, which illustrates the Company's income tax and the sales tax claim status as of March 31, 2018. Our conclusion is not qualified in respect of this matter
3. Note (16) to the accompanying condensed Interim financial statements, which states that accumulated losses amount to around JD 5,661,749 as of March 31, 2018. These accumulated losses represent 28% of the Company's paid-up capital without taking into consideration the qualifications mentioned above. Along with other matters as set forth in Note (9) to the accompanying condensed Interim financial statements, the continuity of the Company which include the utilization of deferred tax assets 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.



Other matters

The Company's fiscal year ends on December 31 of each year. However, the condensed interim financial statements have been prepared for management purposes and for the Jordan Securities Commission requirements only.

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

Amman - Jordan
April 30, 2018

Deloitte & Touche (M.E.) - Jordan
Deloitte & Touche (M.E.)
ديلويت آند توش (الشرق الأوسط)
010103

AL ISRAA FOR ISLAMIC FINANCE AND INVESTMENT COMPANY
(A PUBLIC LIMITED SHAREHOLDING COMPANY)
AMMAN- JORDAN
CONDENSED INTERIM STATEMENT OF FINANCIAL POSITION

		March 31, 2018 (Reviewed not Audited) JD	December 31, 2017 (Audited) JD
Current Assets:			
Cash on hand and at banks		127,930	121,633
Financial assets at fair value through profit or loss	4	77,036	33,652
Accounts receivable from financing activities - net	5	11,990,738	12,539,912
Properties seized against debts	6	4,139,065	4,139,065
Other debit balances	7	183,304	143,320
Total Current Assets		<u>16,518,073</u>	<u>16,977,582</u>
Deferred tax assets	11 c	<u>1,554,676</u>	<u>1,554,676</u>
Investment in associate company	8	<u>365,844</u>	<u>365,844</u>
Property and equipment - net		<u>69,976</u>	<u>79,126</u>
Intangible assets-net		<u>238</u>	<u>269</u>
Total Assets		<u><u>18,508,807</u></u>	<u><u>18,977,497</u></u>
<u>LIABILITIES AND SHAREHOLDERS' EQUITY</u>			
<u>Liabilities:</u>			
Customers' Sukuk Investment portfolios	9	3,400,000	3,740,000
Cash deposits against financing receivables		135,402	183,679
Other credit balances	10	<u>294,804</u>	<u>400,607</u>
Total Liabilities		<u>3,830,206</u>	<u>4,324,286</u>
<u>SHAREHOLDERS' EQUITY</u>			
Paid-up capital		20,000,000	20,000,000
Statutory reserve		114,706	114,706
Voluntary reserve		220,512	220,512
Accumulated (losses)		(5,682,007)	(5,682,007)
Profit for the period		<u>25,390</u>	<u>-</u>
Total Shareholders' Equity		<u>14,678,601</u>	<u>14,653,211</u>
Total Liabilities and Shareholders' Equity		<u><u>18,508,807</u></u>	<u><u>18,977,497</u></u>

Chairman of Board of Directors

General Manager

THE ACCOMPANYING NOTES CONSTITUTE AN INTEGRAL PART OF THESE CONDENSED
INTERIM FINANCIAL STATEMENTS AND SHOULD BE READ WITH THEM
AND WITH THE ACCOMPANYING REVIEW REPORT.

AL ISRAA FOR ISLAMIC FINANCE AND INVESTMENT COMPANY

(A PUBLIC LIMITED SHAREHOLDING COMPANY)

AMMAN - JORDAN

CONDENSED INTERIM STATEMENT OF INCOME AND OTHER COMPREHENSIVE INCOME

(REVIEWED NOT AUDITED)

	Note	For the Three Months	
		Ended March 31,	
		2018	2017
		JD	JD
Revenue:			
Revenue from murabaha		107,464	275,720
Istisna'a financing revenue		654	849
Revenue from mudaraba		190	-
Total Joint Revenue		108,308	276,569
Less: Sukuk Investment portfolio owners' share from revenue	9	(31,500)	(50,248)
Company's Share from Revenue		76,808	226,321
Net gains (losses) from valuation of financial assets at fair value through statement of Income	4	43,384	(6,550)
Commission and other revenue		648	5,380
Total Revenue		120,840	225,151
Expenses:			
Staff cost		39,521	60,940
Other operating expenses		61,061	61,278
Total Expenses		100,582	122,218
Profit for the Period before Income Tax		20,258	102,933
Income tax surplus /expense	11/b	5,132	(26,275)
Profit for the Period / Total Comprehensive Income for the Period		25,390	76,658
Earnings per Share for the Period	12	0.001	0.004

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Chairman of Board of Directors

General Manager

AL ISRAA FOR ISLAMIC FINANCE AND INVESTMENT COMPANY
(A PUBLIC LIMITED SHAREHOLDING COMPANY)

AMMAN - JORDAN

CONDENSED INTERIM STATEMENT OF CHANGES IN SHAREHOLDERS' EQUITY

(REVIEWED NOT AUDITED)

	Paid-up Capital	Statutory Reserve	Voluntary Reserve	Accumulated (Losses) *	Profit for the Period	Total
	JD	JD	JD	JD	JD	JD
<u>For the Three Months Ended March 31, 2018</u>						
Balance - beginning of the period	20,000,000	114,706	220,512	(5,682,007)	-	14,653,211
Profit for the period /comprehensive income for the period	-	-	-	-	25,390	25,390
Balance at the End of the Period	20,000,000	114,706	220,512	(5,682,007)	25,390	14,678,601
<u>For the Three Months Ended March 31, 2017</u>						
Balance - beginning of the period	20,000,000	114,706	220,512	(5,786,102)	-	14,549,116
Profit for the period /comprehensive income for the period	-	-	-	-	76,658	76,658
Balance at the End of the Period	20,000,000	114,706	220,512	(5,786,102)	76,658	14,625,774

* The balance of retained earnings includes JD 1,554,676 representing deferred tax assets as of March 31, 2018 and 2017, according to the Jordan securities commission, this balance is restricted from use.

THE ACCOMPANYING NOTES CONSTITUTE AN INTEGRAL PART OF THESE CONDENSED
INTERIM FINANCIAL STATEMENTS AND SHOULD BE READ WITH THEM
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AL ISRAA FOR ISLAMIC FINANCE AND INVESTMENT COMPANY
(A PUBLIC LIMITED SHAREHOLDING COMPANY)
AMMAN- JORDAN
CONDENSED INTERIM STATEMENT OF CASH FLOWS
(REVIEWED NOT AUDITED)

	Note	For the Three Months	
		Ended March 31,	
		2018	2017
		JD	JD
CASH FLOWS FROM OPERATING ACTIVITIES			
Profit for the period before Income tax		20,258	102,933
Adjustments:			
Gains on sale of properties seized against debts	6	-	(4,149)
Deprecation and amortization		9,181	16,264
Loss from sale of properties and equipment		-	268
(Gains) losses from valuation of financial assets at fair value through profit or loss	4	(43,384)	6,550
Net Cash Flows (used In) from Operating Activities before Changes In Working Capital Items		(13,945)	121,866
Decrease (Increase) In accounts receivable from financing activities-net		549,174	(106,270)
(Increase) in other debit balances		(3,450)	(8,728)
(Decrease) Increase In Customers' Sukuk Investment portfolios		(340,000)	118,000
(Decrease) Increase In cash deposits against financing receivables		(48,277)	1,554
(Decrease) In other credit balances		(105,803)	(197,778)
Net Cash Flows from (used In) Operating Activities before Income Tax Paid		37,699	(71,356)
Income tax paid	11	(31,402)	(65,677)
Net Cash Flows from (used In) Operating Activities		6,297	(137,033)
CASH FLOWS FROM INVESTING ACTIVITIES:			
(Purchase of) property and equipment		-	(2,126)
Proceeds from sale of property and equipment		-	217
Proceed from sale of properties seized against debts	6	-	20,001
(Increase) In properties seized against debts		-	(5,400)
Net Cash Flows from Investing Activities		-	12,692
Net Increase (Decrease) In Cash on Hand and at Banks		6,297	(124,341)
Cash on hand and at banks - beginning of the period		121,633	233,063
Cash on Hand and at Banks - End of the Period		127,930	108,722

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INTERIM FINANCIAL STATEMENTS AND SHOULD BE READ WITH THEM
AND WITH THE ACCOMPANYING REVIEW REPORT.

AL-ISRA'A FOR ISLAMIC INVESTMENT AND FINANCING COMPANY
(PUBLIC SHAREHOLDING COMPANY)
AMMAN - JORDAN
NOTES TO THE CONDENSED INTERIM
FINANCIAL STATEMENTS
(REVIEWED NOT AUDITED)

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 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, representing the following:
 - a. Financing consumable and durable products.
 - b. Financing real estate.
 - c. Financing the construction of private and public properties.
 - d. Financing movable and immovable assets.
 - 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 condensed interim financial statements have been approved by the Board of Directors on April 30, 2018.

2. Significant Accounting Policies

- Basis of Preparation of the Condensed Interim Financial Statements

- The accompanying condensed interim financial statements have been prepared in accordance with International Accounting Standard (IAS) 34 "Interim Financial Reporting.
- The condensed interim 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 condensed interim financial information statement.
- The condensed interim financial statements are presented in Jordanian Dinar (JD), which represents the Company's functional currency.

- The accompanying condensed interim financial statements do not include all the information and disclosures required for the annual financial statements, which are prepared in accordance with International Financial Reporting Standards and must be read with the financial statements of the Company as of December 31, 2017. In addition, the results of the Company's operations for the three months ended March 31, 2018 do not necessarily represent indications of the expected results for the year ending December 31, 2018, and do not contain the appropriation of the profit of the period ending March 31, 2018, which is usually performed at year-end.

Changes in Accounting policies

- The accounting policies adopted in the preparation of the condensed interim financial statement are consistent with those adopted for the year ended December 31, 2017, except for the effect of the application of the New and revised International Financial Reporting Standards effective for accounting periods commencing on or after 1 January 2018 as follows:

a. Amendments with no material effect on the condensed interim financial statements:

Annual Improvements to IFRS Standards 2014 – 2016 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.

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.

IFRIC 22 Foreign Currency Transactions and Advanced Consideration

IFRIC 22 addresses how to determine the date of transaction for the purpose of determining the exchange rate to use on initial recognition of an asset, expense or income (or part of it) or on de-recognition of a non-monetary asset or liability arising from advance considerations.

The interpretation specifies that the date of transaction is the date on which the entity initially recognizes the non-monetary asset or non-monetary liability arising from the payment or receipt of advance consideration.

Amendments to IAS 40 Investment Property

These amendments show when the entity shall transfer (reclass) a property including investments under process or development to, or from, investment property.

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).

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.

b. Amendments will have an effect on the condensed interim financial statements of the Company

The application of IFRS 9 Financial Instruments:

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*. And a new version of the new standard includes the requirements of recognition, measurement, impairment and hedge accounting.

The final version of IFRS 9 relating to financial instruments was replaced which relates to the credit loss model incurred in accordance with IAS 39 *Financial Instruments: Recognition and Measurement*, replacing a model for expected credit losses. The Standard includes a business model for debt instruments, loans, financial liabilities, financial guarantee contracts, deposits and receivables, but does not apply to equity instruments.

In case there is a low credit risk to the financial asset at the date of initial application of IFRS (9), the credit risk relating to the financial asset is considered to have not been changed substantially since its initial recognition.

In accordance with IFRS 9 *Financial Instruments* the expected credit losses are recognized at an early date in accordance with IAS 39.

The revised version of IFRS 9 (2014) (*Financial Instruments*) includes a classification mechanism for financial assets and liabilities. IFRS 9 requires all financial assets to be classified based on the entity's business model for managing the financial assets and the contractual cash flow characteristics of the financial asset.

The Company have been implemented the IFRS (9) (stage 1) issued the year 2009 and associated with the classification and measurement of financial assets, the finalised version of IFRS 9 have not been implemented by the company which become applicable for accounting periods on the condensed interim financial statements commencing on or after 1 January 2018, because of the non-completion of the calculation of impairment in line with the standard because not all systems and processes have been implemented that support this calculation yet.

3. Using Estimates

Preparation of the condensed interim 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 estimates adopted in the condensed interim financial statements are reasonable, and consistent with the estimates adopted during the year ended December 31, 2017.

4. Financial Assets at Fair Value through Profit or Loss

The details of this item are as follows:

	March 31, 2018 JD	December 31, 2017 JD
Financial assets quoted at Amman stock exchange	77,036	33,652
	<u>77,036</u>	<u>33,652</u>

The Company evaluated its financial assets through other comprehensive income. This resulted in gain of JD 43,384 as of March 31, 2018 (loss of JD 6,550 as of March 31, 2017).

5. Accounts Receivable from Financing Activities - Net

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

	March 31, 2018 JD	December 31, 2017 JD
Finance receivable	18,579,499	19,197,410
<u>Less: Deferred income from financing contract</u>	<u>(758,331)</u>	<u>(893,059)</u>
	17,821,168	18,304,351
<u>Less: Provision for doubtful debts</u>	<u>(5,565,000)</u>	<u>(5,565,000)</u>
Suspended revenue	<u>(265,430)</u>	<u>(199,439)</u>
	<u>11,990,738</u>	<u>12,539,912</u>

The details of this account based on financing activities are:

	Total Accounts Receivable as of March 31, 2018 JD	Deferred Income as of March 31, 2018 JD	Net Accounts Receivable as of March 31, 2018 JD	Net Accounts Receivable as of December 31, 2017 JD
Murabaha financing	15,544,670	(753,809)	14,790,861	15,271,191
Istisna financing	32,540	(760)	31,780	30,520
Bai'a Ajel financing	3,002,289	(3,762)	2,998,527	3,002,640
	<u>18,579,499</u>	<u>(758,331)</u>	<u>17,821,168</u>	<u>18,304,351</u>

Provision for Doubtful Debt

The movement on the provision for the doubtful debt is as following:

	For the Three Months Ended March 31, 2018 JD	For the Year Ended December 31, 2017 JD
Balance - beginning of the period / year	5,565,000	5,565,000
Balance - Ending for the Period / Year	<u>5,565,000</u>	<u>5,565,000</u>

Suspended Revenue

The movement on suspended revenue is as follows:

	For the Three Months Ended March 31, 2018 JD	For the Year Ended December 31, 2017 JD
Balance - beginning of the period / year	199,439	69,428
Suspended revenue during the period / year	65,991	130,011
Balance - End of the Period / Year	<u>265,430</u>	<u>199,439</u>

- Non-performing accounts receivable approximated JD 13.2 million, representing 71% of accounts receivable as of March 31, 2018 (13.7 million representing 71% of accounts receivables as of December 31, 2017).

- There are credit concentrations of approximately JD 12.6 million, representing 71% of total receivables from financing activities, after deducting deferred revenue. These credits are granted to ten key customers as of March 31, 2018 (12.6 million which is 69% of account receivables as of December 31, 2017).
- The credit facilities portfolio includes facilities granted without tangible guarantees to a group of customers of about JD 4.4 million as at 31 March 2018 and 31 December 2017. The Company is currently trying to collect these facilities and has filed a complaint with the Commission on Integrity and Anti-Corruption on the customers mentioned above and the Company's former 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 March 31, 2018 and December 31, 2017, which has been recorded according to the assessment of seized property by competent courts. The fair value of those seized properties amounted to JD 6,713,353 as of December 31, 2017 and March 31, 2018

The movement in the properties seized against debts is as follow:

	March 31, 2018	December 31, 2017
	JD	JD
Balance - beginning of the period / year	4,139,065	3,747,534
Additions during the period / year	-	412,783
Sold land during the period / year	-	(21,252)
Balance - End of the Period / Year	<u>4,139,065</u>	<u>4,139,065</u>

7. Other Debit Balances

The details of this account are as follows:

	March 31, 2018	December 31, 2017
	JD	JD
Prepaid expenses	33,446	32,892
Refundable deposits	5,150	5,150
Staff receivables	11,445	12,091
Income tax deposits – Note (11a)	117,862	81,328
Others	<u>15,401</u>	<u>11,859</u>
	<u>183,304</u>	<u>143,320</u>

8. Investment in Associate Company

This item represents the value of the investment in Jordan Saudi and Emarati Company for Financial Investments being 25% from its share capital of JD 3 million as of March 31, 2018 and December 31, 2017. The investment in the associate is recorded based on the equity method in the condensed interim financial statements based on the latest audited financial statements, noting that the results of its operation during first quarter of the year 2018 is not material.

9. 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 is committed not engage in any Murabaha contracts 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 did not settle the balance except an amount of JD 200,000 to result in JD 2.8 million as a portfolio balance. Moreover, the Company's management now arrange with the customer for a repayment schedule for the balances.

10. Other Credit Balances

The details of this account are as follows:

	March 31, 2018	December 31, 2017
	JD	JD
Accrued expenses	17,712	13,513
Customers deposits	99,817	128,453
Deposits from processing and collections fees	2,924	4,424
Accrued and unpaid profits from customers Sukuk investment portfolios	31,500	111,878
Shareholders payable	6,650	6,650
Provision for contingent liabilities	100,000	100,000
Board of Directors remuneration	840	840
Others	35,361	34,849
	<u>294,804</u>	<u>400,607</u>

11. Income Tax

a. Income tax provision:

The movement on the income tax provision is as follows:

	March 31, 2018	December 31, 2017
	JD	JD
Balance - beginning of the period / year	(81,328)	48,972
Income tax paid	(31,402)	(179,024)
Income tax surplus / provision for the period / year	(5,132)	48,724
Balance - End of the Period / Year	<u>(117,862)</u>	<u>(81,328)</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 a lawsuit in objection to this review 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 condensed interim statement of income and comprehensive income is as follows:

	For the Three Months Ended March 31,	
	2018	2017
	JD	JD
Income tax (surplus) / expense	(5,132)	26,275
Income Tax Expense	<u>(5,132)</u>	<u>26,275</u>

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

	Beginning Balance	Additional Amounts	Released Amounts	Ending Balances	Deferred Tax Assets as of	
					March 31, 2018	December 31, 2017
	JD	JD	JD	JD	JD	JD
Provision for doubtful debt *	6,477,815	-	-	6,477,815	1,554,676	1,554,676
Balance - End of the Period / Year	<u>6,477,815</u>	<u>-</u>	<u>-</u>	<u>6,477,815</u>	<u>1,554,676</u>	<u>1,554,676</u>

Deferred tax assets amounted to JD 1,554,676 as per management's estimate as of March 31, 2018. 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 taken of off-statement of financial position.

12. Earnings per Share for the Period
This item consists of the following:

	For the Three Months Ended March 31,	
	2018	2017
	JD	JD
Profit for the period	25,390	76,658
Number of shares	<u>20,000,000</u>	<u>20,000,000</u>
Earnings per Share for the Period	<u>0.001</u>	<u>0.004</u>

13. Balances and Transactions with Related Parties

The details for balances and transactions with related parties is as follows:

	Board of Directors Members and Relatives	Company's Employee	Associate Company *	Total	
				March 31, 2018	December 31, 2017
	JD	JD	JD	JD	JD
<u>Condensed Interim Statement of Financial Position Items</u>					
Murabaha and Istisna'a finances	263,164	23,131	-	286,295	485,201
Investment in associate company *	365,844	-	-	365,844	365,844
<u>Condensed Interim Statement of Income and Comprehensive Income items</u>					
Transportation and other allowances	3,500	-	-	3,500	10,501
Murabaha realized during the period / year	2,582	470	-	3,052	10,797

- * This item represents the Company partially owned by the Board of Directors' chairman.
- The salaries and rewards of executive management amounted to around JD 20,620 for the three months ended March 31, 2018 (JD 39,300 for the three months ended March 31, 2017).
 - The fees and other benefits of the Sharia'a Committee amounted to JD 1,800 for the three months ended March 31, 2018 (JD 1,800 for the three months ended March 31, 2017).
 - The Company contracted with the Board of Directors' chairman to rent the Company's premises for JD 35 thousand each year.

14. 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:

	Financing	Investment	Total for the Three Months Ended March 31 ,	
	JD	JD	2018	2017
Total profits	77,456	43,384	120,840	225,151
Undistributed expenses	-	-	(100,582)	(122,218)
Income tax surplus / expense	-	-	5,132	(26,275)
Profit for the Period			<u>25,390</u>	<u>76,658</u>
Segment Assets	11,990,738	442,880	12,433,618	12,939,408
Not distributed Assets	-	-	6,075,189	6,038,089
Total			<u>18,508,807</u>	<u>18,977,497</u>
Segment liabilities	135,402	3,400,000	3,535,402	3,923,679
Undistributed liabilities	-	-	294,804	400,607
Total			<u>3,830,206</u>	<u>4,324,286</u>

15. Contingent Liabilities

The Company had the following contingent liabilities as of the date of the condensed interim statement of financial position:

	March 31, 2018	December 31, 2017
	JD	JD
The company's office rent contract	20,825	29,750

16. Accumulated Losses and the Company's Future Plan

The Company's accumulated losses amounted JD 5,661,749 as of March 31, 2018. These accumulated losses represent 28% 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 (9) 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 13.2 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-fuhais (Dabouq), with an amount of 2.8 million during the year 2018 , knowing that there is a buyer expected to purchase the land.

17. Legal Cases:

1. The Company raised several cases against the non performing customers, the total of those legal cases amounted JD 14,005,709 as of March 31, 2018 (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.

18. 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	Fair Value		Fair Value Hierarchy	Valuation Technique	Significant	Relationship of
	March 31, 2018	December 31, 2017			Unobservable Inputs	Unobservable Inputs to fair Value
	JD	JD				
Financial assets at fair value						
Financial assets at fair value through profit or loss:						
Shares with available market prices	77,036	33,652	Level 1	Prices announced at the financial market	Not applicable	Not applicable
Total Financial Assets at Fair Value	77,036	33,652				

There were no transfers between Level 1 and Level 2 for the three months ended March 31, 2018 and during the year 2017.

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.

	March 31, 2018		December 31, 2017		Fair Value Hierarchy
	Book value	Fair Value	Book value	Fair Value	
	JD	JD	JD	JD	
Financial assets not calculated at fair value:					
Properties seized against debts	4,139,065	6,713,353	4,139,065	6,713,353	Level 2
	<u>4,139,065</u>	<u>6,713,353</u>	<u>4,139,065</u>	<u>6,713,353</u>	

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