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

عمّان في : 2019/04/17
الرقـــم :2019/2664

To: Jordan Securities Commission
To : Securities Depository Center
To: Amman Stock Exchange

Subject: Audited Financial Statements for the fiscal year ended of 31/12/2018

Attached the Audited Financial Statements of Al Israa for Islamic Finance & Investment P.L.C for the fiscal year ended 31/12/2018.

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

Deputy Chairman of the Board Signature

هيئـة الأوراق الماليـة
الدائـرة الإداريـة / الديـوان
١٨ نيسان ٢٠١٩
الرقم المتسلسل ...٢٠٢٣٧٠٧...
الجهة المختصة ...

عمان - وادي صقرة- شارع عرار - بناية صقرة رقم ٢٣٨ - هاتف : ٥٥٣٨٤٥٠ - فاكس : ٥٥٢١٦٩٤ - ص.ب ٤٥٤٤ عمان ١١٩٥٣ - الأردن
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Al Israa For Islamic Finance And Investment Company
(Limited Public Shareholding)
Amman - Jordan

Financial Statements
Together With Independent Auditor's Report
For The Year Ended 31 December 2018

Al Israa For Islamic Finance And Investment Company
(Limited Public Shareholding)
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Financial Statements
Together With Independent Auditor's Report
For The Year Ended 31 December 2018

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Public Accountants and
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P.O. Box 922564
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INDEPENDENT AUDITOR'S REPORT

To the Shareholders of Al Israa For Islamic Finance and Investment Company
(Limited Public Shareholding)
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 (Limited Public Shareholding) which comprise of:

- The statement of financial position as at 31 December 2018.
- The statement of profit or loss and other comprehensive income, statement of changes in equity, and statement of cash flows for the year then ended.
- Notes to the financial statements, including a summary of significant accounting policies.

In our opinion except for the effects of the matter described in the basis for qualified opinion paragraph, the accompanying financial statements present fairly, in all material respects, the financial position as at 31 December 2018, its' financial performance and its' cash flows for the year then ended in accordance with International Financial Reporting Standards (IFRSs).

Basis for Qualified Opinion

The Company did not calculate and recognize its share of the results of the associated company for the year ended 31 December 2018 due to the lack of data required from the associate as of the date of issuing the financial statements.

We conducted our audit in accordance with International Standards on Auditing (ISAs). Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are independent of the Group in accordance with "The International Ethics Standards Board for Accountants" Code of Ethics for Professional Accountants (IESBA Code), and we have fulfilled our other ethical responsibilities in accordance with this Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our qualified opinion.

INDEPENDENT AUDITOR'S REPORT (CONTINUED)

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

Emphasis of Matter

Without qualifying our opinion, we draw attention to Note (21) to the financial statements and as stated in the Company's lawyer letter, the credit portfolio includes facilities which were granted without tangible guarantees to a group of customers in the amount of approximately JD 4.4 million. The Company has filed a complaint to the Integrity and Anti-Corruption Commission against these customers and against some of Company's previous employees, the case is still pending with the Commission.

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.

Financial Assets at Amortized Cost

Key Audit Matter

The impairment provision of financial assets at amortized cost was amounted to approximately JD 10.5 million as at 31 December 2018 which represent 61% of the total financing receivables, and the determination of the existence of impairment and an estimate of the provision required in accordance with the expected credit loss model and in accordance with IFRS (9) requires a great degree of diligence and professional judgment.

Related Notes

Refer to note [3] and note [8] of the accompanying financial statements.

Audit Response

The audit procedures included an understanding the nature of the receivables and the procedures used to collect them and reviewing the reasonableness of the estimation made by the management using an expert in the calculation of the allowance in accordance with IFRS (9), whom we met and discussed the findings with. Also, we reviewed the ages of those receivables, all the lawsuits, correspondences and subsequent collections, if any. As a result, we evaluated the sufficiency of this provision and the related disclosures.

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Other Matter

The financial statements for the year ended 31 December 2017 were audited by another auditor who issued an opinion for the financial statements dated on 31 March 2018 and was qualified because of the facilities which were granted without tangible guarantees to a group of customers in the amount of approximately JD 4.4 million, also insufficient provision for doubtful debts.

Other Information

Management is responsible for the other information. The other information comprises the information included in the annual report but does not include the financial statements and our auditor's report thereon.

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

In connection with our audit of the financial statements, our responsibility is to read the other information 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.

If, based on the work we have performed, we conclude that there is a material misstatement of this other information that we have not been provided with, yet we are required to report that fact.

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 IFRSs, and for such internal control as management determines is 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.

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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 judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the 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 disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the 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.

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INDEPENDENT AUDITOR'S REPORT (CONTINUED)

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

We communicated with those charged with governance regarding other matters, the planned scope, timing of the audit and significant audit findings, including any significant deficiencies in the internal control that have been identified during our audit.

We also provided those in charge of the governance with a statement that we have complied with relevant ethical requirements regarding independence and informed them of all relationships and other matters that may reasonably be thought to affect our independence, in addition to preventive procedures, if any.

From the matters communicated with those in charge of governance, we determined if any of those matters that were of most significance in the audit of the financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would 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, and the audited financial statements and the financial information stated in the board of directors' report are in agreement therewith, we recommend the general assembly to approve them.

Samman & Co.

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Since 1987
BDO JORDAN
Amman, Jordan

Ahmad Ramahi
License No. (868)

28 March 2018
Amman - Jordan

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

Statement of financial position
As at 31 December 2018

	Note	2018	2017
		JD	JD
ASSETS			
Cash and cash equivalents	(6)	439,370	121,633
Financial assets at fair value through profit or loss	(7)	94,127	33,652
Financial assets at amortized cost	(8)	5,978,941	12,539,912
Other debit balances	(9)	108,439	143,320
Investment in associate company	(10)	365,844	365,844
Property and equipment		4,746	79,395
Properties seized against debts	(11)	4,139,065	4,139,065
Deferred tax assets	(18)	2,490,535	1,554,676
TOTAL ASSETS		13,621,067	18,977,497
LIABILITIES AND SHAREHOLDERS EQUITY			
LIABILITIES			
Islamic sukuk investment portfolios (Modarabah)	(12)	2,824,000	3,740,000
Other credit balances	(13)	221,619	584,286
Income tax provision	(18)	275,584	-
		3,321,203	4,324,286
SHAREHOLDERS EQUITY	(14)		
Subscribed capital		20,000,000	20,000,000
Statutory reserve		114,706	114,706
Voluntary reserve		220,512	220,512
Accumulated losses		(10,035,354)	(5,682,007)
		10,299,864	14,653,211
TOTAL LIABILITIES AND SHAREHOLDERS EQUITY		13,621,067	18,977,497

The financial statements from page [1] to [24] were approved and authorized for issue by the Board of Directors on 28 March 2019 and were signed on its behalf by:

Deputy chairman of the board
Dr. Farooq Mohammad Murad

Acting Chief Executive Officer
Nabil Muzuk

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

Statement of profit or loss and other comprehensive income
For the year ended 31 December 2018

	Note	2018	2017
		JD	JD
Revenues - net	(15)	315,434	684,403
Commissions and other revenues		4,150	11,584
Revenue from sale of property and equipments		9,892	19,732
Financial assets gains (losses) at fair value through profit or loss		60,475	(20,991)
Revenue from sale of properties seized against debts		-	4,149
Employees benefits expenses	(16)	(177,529)	(224,715)
Administrative expenses	(17)	(280,590)	(293,618)
Impairment of financial assets at amortized cost	(8)	(1,714,010)	-
(Loss) Income from operation		(1,782,178)	180,544
Company's share of the results of the associate company	(10)	-	(27,725)
(Loss) Income before tax		(1,782,178)	152,819
Income tax surplus / (expense)	(18)	180,448	(48,724)
Total comprehensive (loss) income		(1,601,730)	104,095
Basic and diluted (loss) gain per share for the period JD / share	(19)	(0.08)	0.01

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

Statement of changes in equity
For the year ended 31 December 2018

	Subscribed capital	Statutory reserve	Voluntary reserve	Accumulated losses	Total
	JD	JD	JD	JD	JD
2018					
1 January 2018 before amendment	20,000,000	114,706	220,512	(5,682,007)	14,653,211
Change in accounting policy - impact of the application of IFRS (9)	-	-	-	(2,751,617)	(2,751,617)
1 January 2018 after amendment	20,000,000	114,706	220,512	(8,433,624)	11,901,594
Comprehensive loss	-	-	-	(1,601,730)	(1,601,730)
31 December 2018	20,000,000	114,706	220,512	(10,035,354)	10,299,864
2017					
1 January 2017	20,000,000	114,706	220,512	(5,786,102)	14,549,116
Comprehensive income	-	-	-	104,095	104,095
31 December 2017	20,000,000	114,706	220,512	(5,682,007)	14,653,211

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

Statement of cash flows
For the year ended 31 December 2018

	2018	2017
	JD	JD
Operating activities		
(Loss) profit of the year before tax	(1,782,178)	152,819
Adjustments for:		
Depreciation and amortization	59,955	50,690
Company's share of the results of the associate company	-	27,725
(Gains) Losses from financial assets designated at fair value through profit or loss	(60,475)	20,991
Impairment of financial assets at amortized cost	1,714,010	-
Revenue from sale of properties seized against debts	-	(4,149)
Revenue from sale of property and equipments	(9,892)	(19,732)
	(78,580)	228,344
Financial assets at amortized cost	1,575,293	468,717
Other debit balances	34,881	28,448
Islamic sukuk investment portfolios (Modarabh)	(916,000)	(632,000)
Other credit balances	(322,443)	(58,427)
Cash flows from operating activities	293,151	35,082
Income tax paid	-	(179,024)
Net cash flows from operating activities	293,151	(143,942)
Investing activities		
Purchase of property and equipment	(1,914)	(7,705)
Proceeds from sales of properties seized against debts	-	20,000
Proceeds from disposal of property and equipment	26,500	20,217
Net cash flows from investing activities	24,586	32,512
Net change in cash and cash equivalents during the year	317,737	(111,430)
Cash and cash equivalents - Beginning of the year	121,633	233,063
Cash and cash equivalent - Ending of the year	439,370	121,633

1) General

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

The Company's main objectives are financing consumable products and financing real estate in accordance with the provisions of Islamic Sharia. The address of the company in Amman - wadi saqra - Arar Street.

The following are the names of the Board of Director's members:

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

The Company's financial statements were reviewed by the Shari'a Supervisory Board of the Company and issued its legal report on 3 March 2019. The Shari'a Supervisory Board did not find any legal violation of the Company's financial statements for the year ended 31 December 2018.

The financial statements for the year ended 31 December 2018 were approved by the Company's Board of Directors on 28 March 2019. These statements require the approval of the General Assembly of Shareholders.

2) Basis of preparation

The principal accounting policies adopted in the preparation of the financial statements are set out in Note (4). The policies have been consistently applied to all the years presented, unless otherwise stated.

The financial statements are presented in JD, which is also the functional currency. Amounts are rounded to the nearest JD.

These financial statements have been prepared in accordance with International Financial Reporting Standards, International Accounting Standards and Interpretations (collectively IFRSs) as adopted by the Jordanian laws.

The preparation of financial statements in compliance with adopted IFRS requires the use of certain critical accounting estimates. It also requires management to exercise judgment in applying the Company's accounting policies. The areas where significant judgments and estimates have been made in preparing the financial statements and their effect are disclosed in Note (3).

Basis of measurement

The financial statements have been prepared on a historical cost basis, except for the financial assets at fair value through other comprehensive income and investment in associates, the details of which are disclosed in their accounting policies.

Changes in accounting policies

a) New standards, interpretations and amendments effective from 1 January 2018:

The following are new standards and interpretations that are effective for periods beginning on 1 January 2018:

- IFRS (15) "Revenue from Contracts with Customers": The Company has not adopted this Standard as it is exempted from its application in accordance with the adoption of IFRS (9) "Financial Instruments".
- IFRS (9) "Financial Instruments": The Company has adopted this standard which resulted in changes in the accounting policies of the Company, the Company has reviewed all its financial assets and carried out an analytical study of the financial asset's portfolio at amortized cost. Impairment of financial assets was recognized retrospectively on the opening balances in the statement of changes in shareholders equity in the amount of JD 2,751,617 net of deferred taxes, impairment was also recognized in the statement of profit or loss for the year 2018 in the amount of JD 1,714,010. The balance of the provision is JD 10,550,678 as at 31 December 2018, details of the impact of this standard (9) are given in its accounting policy.

In addition to the above, the following are new amendments and improvements that are not applicable or does not have a material effect on the financial statements:

- IFRS (2): "Classification and Measurements of Share-Based Payments".
- IAS (40): "Clarify Transfers of Investment in Property".
- IFRS (4): "Applying IFRS 9 Financial Instruments with IFRS (4) "Insurance Contracts".
- Annual Improvements to IFRSs 2014 -2016 Cycle - Amendments on IFRS (1) "Adopting IFRS for the first time" and IAS (28) "Investment in associate and joint venture" (effective on 1 January 2018).
- IFRIC (22) "Foreign Currency Transactions and Advance Consideration"

b) New standards, interpretations and amendments not yet effective:

There are a number of standards, amendments to standards, and interpretations which have been issued by the IASB that are effective in future accounting periods that the Company has decided not to adopt early. The most significant of these are:

- IFRS 16 Leases (Mandatorily effective for periods beginning on or after 1 January 2019).

Adoption of IFRS (16) will result in the Company recognizing right-of-use assets and lease liabilities for all lease contracts which will change the Company's policy of recognizing operating leases.

When the standard is applied retrospectively, the Company will recognize the leases contracts in the statement of financial position as at 1 January 2019, the right of use asset is measured by reference to the measurement of the lease liability at that date. Consequently, there will be no direct impact on net assets at that date, the fact that the Company recognize the lease contracts based on IFRS (16) will result in its recognition of right of use the asset in the amount of JD 102,413 and a lease liability to the same amount as at 1 January 2019.

The Company instead of recognizing the rental expense of the operating lease payments, it will recognize interests on the lease liabilities and depreciation on the right of use the assets, this will result in the Company recognizing in the first periods a greater expense than the one recognized as operating lease expense based on the previous standard, accordingly resulting in decreasing in the profits with the difference between the interest amortization expense recognized-according to IFRS (16) estimated to be JD 25,650 at the first year-and the operating rent expense according to IAS (17) estimated to be JD 28,676.

- IFRS (17) "Insurance Contracts".
- IFRIC (23) "Uncertainty over Income Tax Positions".
- Amendments to IFRS (9) "Prepayment Features with Negative Compensation".
- Amendments to IAS (28) "Long-term Interests in Associates and Joint Ventures".
- Annual Improvements to IFRSs 2015-2017 Cycle (IFRS (3) "Business Combinations", IFRS (11) "Joint Arrangements", IAS (12) "Income Taxes" and IAS (23) "Borrowing Costs".

None of the above-mentioned standards, amendments and improvements are expected to have a material impact on the Company's future financial statements and some of them are not applicable on the Company.

3) Critical accounting estimates and judgments

The Company makes certain estimates and assumptions regarding the future. Estimates and judgments are continually evaluated based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances. In the future, actual experience may differ from these estimates and assumptions. The following are some significant accounting estimates used in the preparation of the financial statements:

Fair value measurement

Inputs used in fair value measurement are categorized into different levels based on inputs provided and how observable they are (Fair value hierarchy):

level one: observable quoted prices (unadjusted) in active markets for assets or liabilities that Company can obtain.

level two: quoted prices are not available but fair value is based on observable market data and inputs are observable directly or indirectly for assets or liabilities.

level three: unobservable inputs for assets or liabilities.

The level of inputs used to determine the fair value measurement of financial assets at fair value through statement of profit or loss is the level one.

Property and equipment

The Company reviews the estimated useful life of property and equipment and the depreciation method to verify that it reflects the used economic benefits and in case there is a difference it will be treated as changes in estimates (in the year of change and subsequent years).

Legal proceedings

The Company reviews outstanding legal cases following developments in the legal proceedings and at each reporting date, in order to assess the need for provisions and disclosures in its financial statements. Among the factors that should be taken into consideration regarding the provisions are the nature of the proceedings and the actions taken (especially in the period between the date of the financial statements and the date of issuance of these statements). And the opinion of a legal advisor on the similar lawsuits in addition to the management decision on how to respond.

Income tax

The Company is subject to income tax and significant judgment is required in determining the provision for income taxes. During the ordinary course of business, there are transactions and calculations for which the ultimate tax determination is uncertain. As a result, the Company recognizes tax liabilities based on estimates of whether additional taxes and interest will be due.

Provision for Impairment of financial asset at amortized cost

The Company recognized the estimated credit losses of the financial assets using the general approach according to IFRS (9), which requires the management to use an important estimates and assumptions as disclosed in the accounting policy of the financial instruments in Note (4).

Provision for impairment of properties seized against debt

The management estimates the impairment provision amount of properties seized against debt based on recent evaluations by certified external evaluators for the purpose of calculating any impairment. The impairment provision is reviewed periodically.

4) Summary of significant accounting policies

Foreign currencies

Transactions entered into by the Company in a currency other than the currency of the primary economic environment in which they operate (functional currency- Jordanian Dinar) are recorded at the rates ruling when the transactions occur. Foreign currency monetary assets and liabilities are translated at the rates ruling at the reporting date. Exchange differences arising on the retranslation of unsettled monetary assets and liabilities are recognized immediately in the statement of profit or loss. Non-monetary assets and liabilities recognized at cost are translated at rates ruling at the date of transaction, where non-monetary items recognized at fair value translated at rates of valuation date, valuation of profit or loss are recognized as part of the intended fair value.

Financial Instruments

The Company adopted IFRS (9) "Financial Instruments". The Standard defines the recognition and measurement requirements of both financial assets and liabilities. The Standard replaces IAS (39) "Recognition and Measurement". IFRS (9) mainly retains the existing requirements in IAS (39). For the classification and measurement of financial liabilities, however IFRS (9) eliminates the classification of held-to-maturity financial assets, loans and receivables and available-for-sale assets that fall under the classifications of IAS (39), and according to the new standard, financial assets are classified at initial recognition in one of the following categories:

- Amortized cost.
- Fair value through profit or loss.
- Fair value through other comprehensive income.

Details of the most important items of the new accounting policy and the nature of the impact of changes in the previous policy are as follows:

Financial Assets at amortized cost

The classification of financial assets under IFRS (9) is generally based on the business model in which a financial asset is managed and its contractual cash flow characteristics and if it meets both of the following conditions:

1. It's held within a business model whose objective is to hold assets for collection of future cash flows; and,
2. It arises from its contractual terms, on specified dates, principal and Murabaha.

These assets are subsequently measured and Murabaha income at amortized cost is recognized using the effective Murabaha method (Declining Murabaha) for the duration of the Murabaha contract. Amortized cost is reduced by impairment losses, if any

The Murabah income, investment income on Mudaraba, foreign exchange gains and losses and impairment and gains or losses on disposal of financial assets are recognized in profit or loss.

The Non-Islamic income, gains, expenses and losses (if any) are recognized in a special account in the statement of financial position in other credit balances, where they are disbursed or donated in accordance with decisions of the Board of Directors and the Shari'a Supervisory Board.

Impairment of financial assets:

The Company recognizes the expected credit losses of financial assets classified at amortized cost using the general approach according to IFRS (9) and it classifies the portfolio to three stages based on the expected credit loss as follows:

Stage	Classification	Basis of calculation	Company's evaluation
First stage	Credit risk has not increased significantly since the initial recognition	Recognise 12-month expected credit loss from the date of the financial statements	Consider all customers have undue payments and/or have due payments for a period not exceed 30 days in this stage
Second stage	Credit risk that increased significantly after the initial recognition	Recognise lifetime expected losses being calculated based on the gross amount of the financial asset	Consider all customers have due payments for a period exceeding 30days but not exceeding 90 days in this stage
Third stage	A significant indication of impairment in the financial asset at the reporting date	Recognise lifetime expected losses being calculated based on the gross amount of the financial asset	Consider all customers have due payments for a period exceeding 90 days

The following methods are used to calculate the impairment:

First: The probability of default (PD) of the loans classified within stage 1 was calculated by historical data for the last 5 years of defaults for each portfolio. For the second stage, the probability of default (PD) of the entire debt lifetime was calculated by converting the portfolio's probability of default to a default for the entire lifetime of the debt considering the number of remaining years of debt expiry and economic indicators (unemployment / inflation). As for the third stage, 100% was determined as a probability of default (PD) for all debts classified within this stage.

Second: Five models were prepared, and the weighted weights were used to calculate the loss given default (LGD) as follows:

Stages	Default Loss %
First stage	20
Second stage	40
Third stage	85 - 60

Third: the present value of the expected payments as well as the guarantees, their expenses and depreciation and the period of time to liquidate the guarantee were calculated. Net cash flows from the guarantees were calculated, but the expected cash flows of a number of default customers were excluded based on the management's estimation of their situation.

In each financial period, the Company evaluates the credit rating of financial assets at amortized cost. A financial asset's credit rating is impaired when one or more events have a negative impact on the estimated future cash flows of the financial instrument

Provisions of the financial assets measured at amortized cost are deducted from the total carrying amount of the financial asset. Losses of other financial assets are recognized in profit or loss.

Cash and cash equivalents include cash in hand, deposits held at call with banks and other short-term highly liquid investments with original maturities of three months or less.

Financial assets at fair value through profit or loss

The Company measures all financial assets that are not classified at amortized cost or fair value through other comprehensive income at fair value through the profit or loss. These assets are initially recognized at fair value. These assets subsequently measured at fair value. Net gains and losses, including any Murabaha or dividend income, are recognized in profit or loss.

Financial liabilities

The adoption of IFRS (9) has no material impact on the Company's accounting policies relating to financial liabilities. IFRS (9) has maintained the requirements of IAS (39) regarding the classification of financial liabilities.

The Company has not classified any financial liabilities in financial liabilities at fair value through the profit or loss. Accordingly, there is no impact of applying IFRS (9) to the financial statements.

Other financial liabilities

Trade and other credit balances

Trade payables and other short-term monetary liabilities, which are initially recognized at fair value and subsequently carried at amortized cost using the effective Murabaha method.

Properties seized against debts

Properties seized against debts is recognized in the statement of financial position at the lower of value in which they have been transferred or at fair value individually. Any impairment is recognized as a loss in profit or loss. Profit from revaluation is recognized to the extent that does not exceed the previously recorded impairment losses in profit or loss.

Investment in equity - accounted associate

Where the Company has the power to participate in (but not control) the financial and operating policy decisions of another entity, it is classified as an associate. Associates are initially recognized in the statement of financial position using the equity method. The equity method is an accounting method whereby the investment is recorded at cost and the profit or loss statement reflects the profit from the investment in the amount of the Company's share of the net results of the investee company arising after the acquisition and the share of the Company in the profit or loss of the investee company after the acquisition and the amount received by the Company as dividends of the net retained earnings of the investee company arising after the acquisition. Dividends received in excess of these gains are considered as a refund of the investment and are recognized as a reduction of the cost of the investment.

Any premium paid for an associate above the net fair value of the Company's share of the assets, identifiable liabilities and contingent liabilities acquired as the date of acquiring is recognized as goodwill and presented as a part of the carrying amount of the investment in associate account and its subject to revaluation as a part of the investment to determine any impairment in its carrying amount. If the acquiring cost was less than the Company's share of the assets, identifiable liabilities and contingent liabilities, the difference is recognized directly in the statement of profit or loss.

In the absence of the significant influence on the associates, the Company measures and recognizes any investments held at fair value. Any difference between the carrying amount of the associate upon loss of significant influence and the fair value of the investment held in addition to the proceeds from sale is recognized in the profit or loss.

The Company determines whether it is necessary to record impairment losses on the investment of the Company in its associates. The Company determines at each reporting date whether there is objective evidence that the investment in the associate has decreased. If such evidence exists, the Company calculates the amount of impairment as the difference between the recoverable amount of the associate and it's carrying amount and recognizes that amount in the statement of profit or loss.

Property and equipment

Items of property and equipment are initially recognized at cost. In addition to the purchase price, cost includes directly attributable costs that sets the asset in a condition that enables it to achieve the purpose which it was purchased for.

Depreciation not applicable on lands and depreciation on projects under construction does not commence until they are complete and available for use. Depreciation is provided on all other items of property and equipment so as to write off their carrying value by the estimated useful life of 10 - 25%.

When the recoverable amount for assets is less than its book value, they will be written down to their recoverable amount. The impairment loss is recorded in the statement of profit or loss.

Any gain or loss arising on derecognition of the asset calculated as the difference between the net disposal proceeds and the carrying amount of the assets is included in the statement of profit or loss in the period in which the asset is derecognized.

Capital

Financial instruments issued by the Company are classified as equity only to the extent that they do not meet the definition of a financial liability or financial asset, the Company's ordinary shares are classified as equity instruments.

Employees Benefits

The Company's contribution to the defined employees benefit schemes are recognized in the profit or loss in the year to which it relates.

Leased assets

Where substantially all of the risks and rewards incidental to ownership are not transferred to the Company an "operating lease", the total rentals payable under the lease are charged to the statement of profit or loss on a straight-line basis over the lease term.

Provisions

Provisions are recognized when the Company has a present obligation (legal or constructive) as result of past event, it is probable that the Company will be required to settle the obligation, and a reliable estimate can be made of the amount of the obligation.

The amount recognized as a provision is the best estimate of the consideration required to settle the present obligation at the end of the reporting period, taking into account the risk and uncertainties surrounding the obligation.

When some or all the economic benefits required to settle a provision are expected to be recovered from a third party, a receivable is recognized as an asset if it is virtually certain that reimbursement will be received, and the amount of the receivable can be measured reliably.

Deferred tax

Deferred tax assets and liabilities are recognized where the carrying amount of an asset or liability in the statement of financial position differs from its tax base. Recognition of deferred tax assets is restricted to those instances where it is probable that taxable profit will be available against which the difference can be utilized.

Dividends'

Dividend income from investments is recognized when shareholders are entitled to receive payment of dividends upon approval by the General Assembly.

5) Financial Instruments - Risk Management

The Company is exposed through its operations to the following risks:

- Credit risk
- Market risk
- Liquidity risk

In common with all other businesses, the Company is exposed to risks that arise from its use of financial instruments. This note describes the Company objectives, policies and processes for managing those risks and the methods used to measure them. Further quantitative information in respect of these risks is presented throughout these financial statements.

There have been no substantive changes in the Company exposure to financial instrument risks, its objectives, policies and processes for managing those risks or the methods used to measure them unless otherwise stated in this note.

I. Principal financial instruments

The principal financial instruments used by the Company, from which financial instrument risk arises, are as follows:

- Financial assets designated at fair value through profit or loss.
- Financial assets at amortized cost.
- Employees receivables.
- Cash and cash equivalents.
- Islamic sukuk investment portfolios (Modarabah)
- Other credit balances.

II. Financial instruments by category

	At fair value through profit or loss		At amortized cost	
	2018	2017	2018	2017
	JD	JD	JD	JD
Financial assets				
Financial assets at amortized cost	-	-	5,978,941	12,539,912
Employees receivables	-	-	6,924	12,091
Cash and cash equivalents	-	-	439,370	121,633
Investments in financial assets at fair value through statement of profit or loss	94,127	33,652	-	-
Total financial assets	94,127	33,652	6,425,235	12,673,636
Financial liabilities				
Islamic sukuk investment portfolios (Modarabah)	-	-	2,824,000	3,740,000
Other credit balances	-	-	77,650	309,070
Total financial liabilities	-	-	2,901,650	4,049,070

III. Financial instruments not measured at fair value

A financial instrument not measured at fair value includes cash and cash equivalents, financial assets at amortized cost, investment in associate, other debit balances, Islamic sukuk investment portfolios (Modarabah) and other credit balances.

Due to their nature, the carrying value of the financial instruments above approximates their fair value.

General objectives, policies and procedures

The Board has overall responsibility for the determination of the Company's risk management objectives and policies, whilst retaining ultimate responsibility for determination and implementation of these objectives and policies.

The overall objective of the Board is to set policies that seek to reduce risk as far as possible without unduly affecting the Company competitiveness and flexibility. Further details regarding these policies are set out below:

Credit risk

Credit risk is the risk of financial loss to the Company if a customer or counterparty to a financial instrument fails to meet its contractual obligations. The Company is exposed to this type of risk mainly from financial assets at amortized cost. The Company follows the policy of obtaining facilities granted or tangible guarantees to reduce credit risk.

There are credit concentrations of approximately JD 10 million granted to the 10 largest customers as of 31 December 2018, representing 59% of the finance receivables after deducting deferred revenue (31 December 2017, representing JD 12.6 million representing 69% of finance receivables after deducting deferred revenue).

The credit portfolio includes facilities granted without tangible guarantees to a group of customers in the amount of approximately JD 4.4 million. The Company has filed a complaint to the Integrity and Anti-Corruption Commission against these customers and against some of Company's previous employees.

Credit risk also arises from cash and cash equivalents, deposits with banks and financial assets. The Company deals with banks with a suitable credit rating.

Market risk

Market risk arises from the Company's use of Murabaha bearing, tradable and foreign currency financial instruments. It is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in Murabaha rates (Murabaha rate risk), foreign exchange rates (currency risk) or other market factors (another price risk).

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 risk. It evaluates different options such as financing, renewing current positions, and carrying out alternative financing.

Currency risk

Currency risk arises when the Company has financial transactions in a currency other than their functional currency. The Company is not exposed to this type of risk since it does not deal in foreign currencies in its activities.

Other market risk

The Company is exposed to other market price risk due to its investments in financial assets at fair value through profit or loss. The maximum amount exposed to fair value fluctuations for those investments is JD 4,706 for year 2018 against JD 1,683 for the year 2017.

Liquidity risk

Liquidity risk arises from the Company's management of working capital. It is the risk that the Company will encounter difficulty in meeting its financial obligations as they fall due.

An investment portfolio for a customer with an amount of JD 3 million was matured as at 31 December 2017, the Company has been requested to settle the balance according to the contract terms. However, the Company has only settled an amount of JD 200,000, therefore a meeting was held recently with the investor in which an initial agreement is made to settle the rest of the balance of the Sukuk investment portfolio over a period of 24 consecutive months. The Company is currently waiting to sign the settlement agreement.

Capital Management

The Company monitors "Adjusted capital" which comprises all components of equity (Subscribed capital, statutory reserve, voluntary reserve and accumulated losses)

The Company's objectives when maintaining capital are:

- To safeguard the entity's ability to continue as a going concern, so that it can continue to provide returns for shareholders and benefits for other stakeholders.
- To provide an adequate return to shareholders by pricing products and services commensurately with the level of risk.

The Company manages its capital structure and makes adjustments to it in light of the changes in the economic conditions and the risk characteristics of the underlying assets. In order to maintain or adjust the capital structure, the Company may adjust the amounts of dividends paid to shareholders, return capital to shareholders, issue new shares, or sell assets in order to reduce debt.

The debt-to-adjusted-capital ratios at 31 December are as follows:

	2018	2017
	JD	JD
Islamic sukuk investment portfolios (Modarabah)	2,824,000	3,740,000
Deduct: Cash and cash equivalents	(439,370)	(121,633)
Net debt	2,384,630	3,618,367
Net shareholders equity	10,299,864	14,653,211
Ratio of debt to capital	23%	25%

6) Cash and Cash equivalents

For the purpose of preparing cash flows, cash and cash equivalents comprise:

	2018	2017
	JD	JD
Cash on hands	500	1,718
Cash at banks	438,870	119,915
	439,370	121,633

7) Financial assets at fair value through profit or loss

This item represents investment in Al Ahlia Projects Company (PLC) and investment in Ijada Financial Investments Company (PLC). Details of the transaction on this investment are as follows:

	2018	2017
	JD	JD
Balance at 1 January	33,652	54,643
Gains (losses) from evaluation of financial assets at fair value through profit or loss	60,475	(20,991)
Balance of 31 December	94,127	33,652

8) Financial assets at amortized cost

	2018	2017
	JD	JD
Finance receivables	17,345,041	19,197,410
Deduct:		
Deferred revenue from financing contracts	(388,838)	(893,059)
	16,956,203	18,304,351
Deduct:		
Impairment provision	(10,550,678)	(5,565,000)
Suspended revenues	(426,584)	(199,439)
	5,978,941	12,539,912

Finance receivables in terms of types are as follows:

	2018			
	Finance receivbales	Deffered revenue	Finance receivbales net	2017
	JD	JD	JD	JD
Murabaha financing	14,336,056	387,309	13,948,747	15,271,191
Long term financing sale	2,999,535	301	2,999,234	3,002,640
Istisna'a financing	9,450	1,228	8,222	30,520
	17,345,041	388,838	16,956,203	18,304,351

Analysis of financing receivables aging based on expected credit loss for each stage are as follow:

	2018	
	Amount	Expected loss
	JD	JD
First stage: from 0 to 30 days	629,394	2,610
Second stage: from 30 to 90 days	1,036,999	128,466
Third stage: more than 90 days	15,678,648	10,419,602
	17,345,041	10,550,678

The transaction on impairment provision during the year is as follows:

	2018	2017
	JD	JD
Balance January 1	5,565,000	5,565,000
Effect of application of IFRS (9)	3,271,668	-
	8,836,668	5,565,000
Impairment during the year	1,714,010	-
Balance at 31 December	10,550,678	5,565,000

The transaction on deferred revenue during the year is as follows:

	2018	2017
	JD	JD
Balance at 1 January	199,439	69,428
Additions during the year	227,145	130,011
	426,584	199,439

9) Other debit balances

	2018	2017
	JD	JD
Prepaid income tax	52,954	81,328
Prepaid expenses	23,847	32,892
Employees receivables	6,924	12,091
Refundable deposits	6,400	5,150
Others	18,314	11,859
	108,439	143,320

10) Investment in associate company

This item represents the value of the investment in Jordan Saudi and Emarati Company for financial investment. The investment in the associate appears in the financial statements based on the equity method, details of the investment are as follows:

Legal form	Country of establishment	Paid-In capital	Percentage of ownership	Company Objectives
Limited Liability Company	Jordan	3,000,000	25%	Financial Brokerage

11) Properties seized against debts

This item represents balance of real estate seized against non-performing finance receivables which has been recorded according to the competent court's assessment of seized property in addition to the related registration and legal fees. The fair value of those seized properties approximately amounted to JD 6.7 million as according to the latest ratings of real estate experts. The land No. 727 Basin No. 3 Abu Swana village is not registered in the name of the Company, as the procedures of implementing the debt bond was challenged and re-registered back in the name of the debtor. The Company now is re-implementing the procedures as appropriate.

12) Sukuk Investment portfolios

This item represents the value of investment portfolios received from customers. The profit from the investment is calculated and distributed every six months and based on the proportions agreed upon in the contracts provided that the Company should not engage in any Murabaha with an annual return less than 8% of its' contact.

An investment portfolio for a customer with an amount of JD 3 million was matured as at 31 December 2017, the Company has been requested to settle the balance according to the contract terms. However, the Company has only settled an amount of JD 200,000, therefore a meeting was held recently with the investor in which an initial agreement was made to settle the rest of the balance of the Sukuk investment portfolios over a period of 24 consecutive months. The Company is currently waiting to sign the settlement agreement.

13) Other credit balances

	2018	2017
	JD	JD
Cash deposits against financing receivables	72,250	183,679
Accrued expenses	5,400	13,513
Accrued Sukuk investment profits	-	111,878
Total financial liabilities at amortized cost	77,650	309,070
Customers deposits	102,959	128,453
Shareholders payable	6,650	6,650
Provision for contingent liabilities	-	100,000
Other	34,360	40,113
	221,619	584,286

The carrying value of other payables classified as financial liabilities measured at amortized cost approximates fair value

14) Equity

Capital

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

Statutory reserves

This item represents the accumulated reserves from prior years at annual rate 10% of year profits before tax and fees as per Companies Law. This amount is not for distribution to shareholders, however, after exhausting the other reserves, the General Assembly may, at an extraordinary meeting, decide to quench its losses from the amounts accumulated in the statutory reserve account provided that it is rebuilt. The Company may stop deducting statutory reserves when it reaches 25% of the capital. However, the Company may with the approval of the General Assembly, continue to deduct this annual ratio until this reserve equals the Company's authorized capital.

Voluntary reserves

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

Accumulated losses

This item contains only profits, losses and dividends.

15) Net Revenues

	2018	2017
	JD	JD
Revenues from murabaha financing	312,280	927,931
Revenues from istisna'a financing	2,038	3,153
Revenues from mudaraba investing (long term financing sale)	1,116	1,377
Deduct:		
Sukuk investment portfolio owners' share from revenues	-	(248,058)
	315,434	684,403

16) Employees benefits expenses

	2018	2017
	JD	JD
Salaries, wages and bonuses	150,412	184,603
Social security	13,515	22,392
Health insurance	13,602	17,720
	177,529	224,715

17) Administrative expenses

	2018	2017
	JD	JD
Depreciation and amortisation	59,955	50,690
Professional fees	57,536	72,916
Judicial expenses	54,190	20,934
Rents	34,110	35,700
Subscriptions and sees	21,003	20,776
Electricity and water	8,547	11,194
Administrative and legitimate fees	8,250	7,200
Telecommunication	3,803	6,931
Board of Directors transportation	3,500	42,000
Stationery and prints	1,773	2,981
Maintenance and cleaning	1,274	6,527
Hospitality	1,077	2,431
Fuels	826	1,699
Others	24,746	11,639
	280,590	293,618

18) Income Tax

Income tax provision transaction is as following:

	2018	2017
	JD	JD
Balance at 1 January	-	48,972
Paid during the year	-	(179,024)
Transferred from contingent liabilities account	40,224	-
Accrued income tax - current year profits	-	48,724
Accrued income tax - prior years profits	235,360	-
Balance at 31 December	275,584	(81,328)

The Company's income tax was settled until 2016 except for 2015, as the department did not accept the reduction of accumulated losses. Accordingly, the Company objected to this decision to the Income and Sales Tax Department, which is still in the objection phase. No new balances or liabilities are expected to be incurred by the Company as the stated tax is fully paid.

The Company has submitted its' income tax return report for 2017 and is still subject to audit with the Income and Sales Tax Department (providing a revised statement for the first time).

According to the management and the tax advisor opinion, there is no need for a provision for 2018 and the tax provision in the statement of financial position is sufficient to meet the Company's potential tax liabilities.

The sales tax was settled with the Income and Sales Tax Department until 2016 and the following years are subject to audit by the Income and Sales Tax Department.

Income tax that stated in profit or loss statement represents:

	2018	2017
	JD	JD
Accrued income tax - current year profits	-	(48,724)
Accrued income tax - prior years profits	(235,360)	-
deferred tax assets during the year	415,808	-
	180,448	(48,724)

Details of deferred tax assets are as follows:

Items included	Balance at 1 January	impact of the application of IFRS (9)	Additions	Released	Balance at 31 December	Deferred tax assets As at 31 December 2018	Deferred tax assets As at 31 December 2017
	JD	JD	JD	JD	JD	JD	JD
Impairment provision of financial assets at amortized cost	5,565,000	3,271,668	1,714,010	-	10,550,678	2,490,535	1,554,676

Deferred tax assets for impairment are calculated using 24%

Details of deferred tax assets transactions are as follows:

	2018	2017
	JD	JD
Balance at 1 January	1,554,676	1,554,676
Added from impairment provision	935,859	-
Balance at 31 December	2,490,535	1,554,676

19) Basic and diluted (Loss) gain per share of the year loss-JD/share

	2018	2017
	JD	JD
(Comprehensive loss) profit	(1,601,730)	104,095
Weighted average number of shares	20,000,000	20,000,000
	(0.08)	0.01

20) Related Parties

Name	Board of Directors members and relatives	Company's employees	Associate Company	2018	2017
				JD	JD
Items of statement of financial position					
Murabaha and Istisnaá finances	263,164	5,343	-	268,507	485,206
Investment in associate company	-	-	365,844	365,844	365,844
Items of statement of profit or loss and other comprehensive income					
Realized Murabaha	2,655	457	-	3,112	35,721
Transportation	3,500	-	-	3,500	42,000
Company's share of the results of the associate company	-	-	-	-	(27,725)

The senior management personnel are those who have the authority and responsibility to plan, supervise and control the activities of the Company. The salaries and benefits of the senior management including members of the Board of Directors amounted to JD 54,630 and JD 132,533 for 2018 and 2017, respectively are as follows:

	2018	2017
	JD	JD
Salaries and other benefits	46,000	78,563
Social security	5,130	11,970
Board of Directors transportation	3,500	42,000
	54,630	132,533

21) Lawsuits

As stated in the Company's lawyer letter the credit portfolio includes facilities that were granted without tangible guarantees to a group of customers in the amount of approximately JD 4.4 million. The Company has filed a complaint to the Integrity and Anti-Corruption Commission against these customers and against some of the Company's previous employees. There are no cases filed against the Company as of 31 December 2018.

22) Segment reporting

The Company's main activities are financing consumable products and financing real estate within the Hashemite Kingdom of Jordan. Noting that the Company did not exercise any activity for the year ended 31 December 2018.

23) Accumulated losses and the Company's future plan

The accumulated losses of the Company JD 10,035,354 as at the statement of financial position date, which represents 50% of the capital, without taking into consideration the impact of the qualification mentioned in the independent auditor's report. The future management plan to fix the financial situation of the Company is summarized by either of the following: 1. Acquiring a similar company or 2. Merging with a similar company or 3. Introducing a strategic partner in the company.

24) Comparative figures

The financial statements figure for the year ended 31 December 2017 have been reclassified to match the classification of the financial statements figures for the year ended 31 December 2018, reclassification didn't have any impact on the figures of statements of profit or loss and other comprehensive income and statements of owners' equity for the year ended 2017.