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

عمّان في : 2018/11/04
الرقـــم : 2018/2741

To: Amman Stock Exchange

Semi- Annual Report as of 30/06/2018

Attached the Company's Semi – Annual Report of Al Israa for Islamic Finance & Investment P.L.C as of 30/06/2018.

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

Deputy Chairman of the Board Signature

شركة الاسراء للاستثمار والتمويل الاسلامي
Al Israa for Islamic Finance and Investment
ش.م.ع

بورصة عمـــان
الدائـــرة الإدارية والمالية
الديـــوان
١٢ تشرين الثاني ٢٠١٨
الرقم المتسلسل: 5250
رقــم الملــف: 31282
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

Interim Condensed Financial Statements (Unaudited)
Together With Review Report
For The six Months Ended 30 June 2018

Al Israa For Islamic Finance And Investment Company
(Limited Public Shareholding)
Amman - Jordan

Interim Condensed Financial Statements (Unaudited)
Together With Review Report
For The six Months Ended 30 June 2018

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Review Report

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

Introduction

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

Scope of review

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

Basis for Qualified Conclusion

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

Qualified Conclusion

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

BDO

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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 facilities granted without tangible guarantees to a group of customers in the amount of approximately 4.5 million, also insufficient provision for doubtful debts.

Samman & Co.

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License No. (868)

25 October 2018
Amman - Jordan

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

Interim condensed statement of financial position
As at 30 June 2018

	Note	30 June 2018 Unaudited	31 December 2017
		JD	JD
Assets			
Current assets			
Cash and cash equivalents		272,762	121,633
Financial assets designated at fair value through profit or loss		66,202	33,652
Account receivable from financing activities - net	(4)	11,601,916	12,539,912
Other debit balances		167,582	143,320
Propreties seized against debts	(5)	4,139,065	4,139,065
		16,247,527	16,977,582
Non current assets			
Deferred tax assets		1,554,676	1,554,676
Investment in associate company	(6)	352,108	365,844
Property and equipment		60,826	79,126
Intangible assets		207	269
		1,967,817	1,999,915
Total Assets		18,215,344	18,977,497
Liabilities and equity			
Liabilities			
Current liabilities			
Sukuk investment portfolios		3,200,000	3,740,000
Other credit balances	(7)	401,211	584,286
		3,601,211	4,324,286
Equity	(8)		
Subscribed capital		20,000,000	20,000,000
Statutory reserve		114,706	114,706
Voluntary reserve		220,512	220,512
Accumulated losses		(5,721,085)	(5,682,007)
Total equity		14,614,133	14,653,211
Total liabilities and equity		18,215,344	18,977,497

The interim condensed financial statements on pages [1] to [9] were approved and authorized for issue by the Board of Directors on 25 October 2018 and were signed by:

Deputy chairman of the board
Dr. Farooq Mohammad Murad

Acting Chief Executive Officer
Nabil Muzuk

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

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

	Note	For the three months ended 30 June		For the six months ended 30 June	
		2018	2017	2018	2017
		JD	JD	JD	JD
Revenues - net	(9)	69,324	242,579	146,132	468,900
Commissions and other revenues		540	896	1,188	6,276
Financial assets gains (losses) designated at fair value through profit or loss		(10,834)	(11,070)	32,550	(17,620)
Employees benefits expenses		(41,806)	(59,573)	(81,327)	(120,513)
Administrative expenses		(62,824)	(68,884)	(123,885)	(130,162)
(loss) Income from operation		(45,600)	103,948	(25,342)	206,881
Company's share of losses from associate company		(13,736)	(16,849)	(13,736)	(16,849)
(loss) Income before tax		(59,336)	87,099	(39,078)	190,032
Income tax expense	(10)	(5,132)	(48,724)	-	(53,880)
Total comprehensive (loss) income		(64,468)	38,375	(39,078)	136,152
Basic and diluted (loss) gain per share for the period - JD/ share		(0.3%)	0.2%	(0.1%)	0.7%

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

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

	Subscribed capital	Statutory reserve	Voluntary reserve	Accumulated losses	Total
	JD	JD	JD	JD	JD
1 January 2018	20,000,000	114,706	220,512	(5,682,007)	14,653,211
Comprehensive loss for the period	-	-	-	(39,078)	(39,078)
30 June 2018	20,000,000	114,706	220,512	(5,721,085)	14,614,133
1 January 2017	20,000,000	136,379	220,512	(5,807,775)	14,549,116
Comprehensive income for the period	-	-	-	136,152	136,152
30 June 2017	20,000,000	136,379	220,512	(5,671,623)	14,685,268

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

Interim condensed statement of cash flows (Unaudited)
For the six months ended 30 June 2018

	2018	2017
	JD	JD
Cash flows from operating activities		
(loss) Profit of the period before tax	(39,078)	190,032
Adjustments for:		
Depreciation and amortization	18,362	32,541
Company's share of losses from associate company	13,736	16,849
(Gains) losses from financial assets designated at fair value through profit or loss	(32,550)	17,620
Gain from sale of properties seized against debts	-	(4,149)
Loss from sale of property and equipments	-	268
	(39,530)	253,161
Account receivable from financing activities - net	937,996	(398,445)
Other debit balances	(24,262)	28,766
Sukuk investment portfolios	(540,000)	58,000
Other cerdit balances	(183,075)	(17,715)
	151,129	(76,233)
Income tax paid	-	(157,472)
Net cash flow from operating activities	151,129	(233,705)
Investing activities		
Purchase of property and equipment	-	(2,126)
Proceeds from sales of property and equipment	-	217
Proceeds from sales of properties seized against debts	-	20,001
Net cash flow from investing activities	-	18,092
Net change in cash and cash equivalents during the period	151,129	(215,613)
Cash and cash equivalents - Beginning of the period	121,633	233,063
Cash and cash equivalent - Ending of the period	272,762	17,450

Notes forming part of the interim condensed financial statements
For the six months ended 30 June 2018

1) General

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

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

The address of the company in Amman - wadi saqra.

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

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

2) Basis of preparation

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

3) Summary of significant accounting policies

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

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

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

IFRS (9) "Financial Instruments":

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

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

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

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

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

Use of estimates and judgements

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

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

4) Account receivables from financing activities - net

	30 June 2018 Unaudited	31 December 2017 Audited
	JD	JD
Finance receivables*	18,097,693	19,197,410
Deduct: Deffered income from financing contracts	(604,985)	(893,059)
	17,492,708	18,304,351
Deduct:		
Provision for doubtful debt	(5,565,000)	(5,565,000)
Suspended revenues**	(325,792)	(199,439)
	11,601,916	12,539,912

* Finance receivables represented by the following:

	As at 30 June 2018 Unaduited			As at 31 December 2017 Audited
	Finance receivables	Deffered revenue	Finance receivables - Net	
	JD	JD	JD	JD
Murabaha financing	15,064,089	(601,244)	14,462,845	15,271,191
Long term financing sale	3,001,589	(587)	3,001,002	3,002,640
Istisna'a financing	32,015	(3,154)	28,861	30,520
	18,097,693	(604,985)	17,492,708	18,304,351

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

	2018
	JD
Undue finance receivables	5,877,663
From 1 month to 3 months	1,016,095
From 3 month to 6 months	1,005,331
From 6 month to 9 months	1,141,857
From 9 month to 12 months	1,110,764
More than 12 months	7,945,983
	18,097,693

** The movement on suspense revenue is as follows:

	2018	2017
	JD	JD
Balance at 1 January	199,439	69,428
Additions during the period	126,353	130,011
	325,792	199,439

Non-performing finance receivables approximately JD 12 million as at 30 June 2018 which representing 70% of finance receivables balance (31 December 2017 approximately 13.7 million, representing 71% of finance receivables balance).

There are credit concentrations granted to the major 10 customers of approximately JD 11 million as at 30 June 2018 representing 61% of finance receivables balance after deduct deferred revenues (31 December 2017 approximately JD 12.6 million, representing 69% of finance receivables balance after deduct deferred revenues).

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

5) <u>Properties seized against debts</u>

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

6) Investment in associate company

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

7) Sukuk Investment portfolios

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

An investment portfolio for customer with an amount of JD 3 million was matured as at 31 December 2017, the company has been requested to settle the balance according to the contract terms. However, the company just settled an amount of JD 200,000.

8) Equity

Capital

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

Statutory reserves

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

Voluntary reserves

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

Accumulated losses

This item contains only profits, losses and dividends.

9) Revenue - Net

	2018	2017
	JD	JD
Revenues from murabaha financing	143,807	517,178
Revenues from istisna'a financing	1,263	1,661
Revenues from mudaraba investing (long term financing sale)	1,062	258
Company's share of sukuk investment portfolio owners' from revenues	-	41,875
Deduct:		
Sukuk investment portfolio owners' share from revenues	-	(92,072)
	146,132	468,900

10) Income tax provision

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

During the year 2011, the income and sales tax department reviewed the company's records for the period from inception until 31 December 2010. The review resulted in tax differences of approximately JD 814 thousand, the company filed petition within the legal period. In this respect, the cassation court issued its decision in favor of the company during September 2018.

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