الأولى للتمويل
FIRST FINANCE

التاريخ : 2019/04/14

السادة : هيئة الاوراق المالية المحترمين

الموضوع : البيانات المالية باللغة الانجليزية

نرفق لكم طيا البيانات المالية باللغة الانجليزية للسنة المنتهية كما في 2018/12/31 .

وتفضلوا بقبول فائق الاحترام ،،،،،،،،،

الشركة الاولى للتمويل

مساعد المدير المالي

الأولى للتمويل
FIRST FINANCE
الدائرة المالية

بورصة عمان
الدائــرة الإدارية والمالية
الديــوان
١٥ نيسان ٢٠١٩
الرقم المتسلسل: ٢٠٩٤
رقم الملف: ٧١١٢٥١
الجهة المختصة: الك الحدراج

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الفرع الرئيسي Main Branch	فرع اربد Irbid Branch	فرع الزرقاء Zarqa Branch	فرع الوحدات Al Wehdat Branch	فرع المدينة الرياضية Al Madenah Al Ryadiah Branch	فرع العقبة Aqaba Branch
هاتف: 06 / 5506740	هاتف: 02 / 7277620	هاتف: 05 / 3853804	هاتف: 06 / 4773222	هاتف: 06 / 5658777	هاتف: 03 / 2018697
فاكس: 06 / 5411782	فاكس: 02 / 7277621	فاكس: 05 / 3853061	فاكس: 06 / 4773223	فاكس: 06 / 5672277	فاكس: 03 / 2018698

رأس المال المدفوع: ٣٥,٠٠٠,٠٠٠ دينار أردني

FIRST FINANCE COMPANY
(A PUBLIC LIMITED SHAREHOLDING COMPANY)
AMMAN - JORDAN

CONSOLIDATED FINANCIAL
STATEMENTS FOR THE
YEAR ENDED DECEMBER 31, 2018
TOGETHER WITH INDEPENDENT
AUDITOR'S REPORT

FIRST FINANCE COMPANY
(A PUBLIC LIMITED SHAREHOLDING COMPANY)
AMMAN - JORDAN
DECEMBER 31, 2018

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INDEPENDENT AUDITOR'S REPORT

AM/012365

To the Shareholders of
First Finance Company
A Public Shareholding Company
Amman - Jordan

Report on the Audit of the Consolidated Financial Statements

Opinion

We have audited the consolidated financial statements of First Finance Company (Public Shareholding Limited Company) which comprise of the consolidated statement of financial position as of December 31, 2018, and the consolidated statement of income, consolidated other comprehensive income, consolidated changes in shareholders' equity and its consolidated cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information.

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the consolidated financial position of the Company as of December 31, 2018, and its consolidated financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards.

Basis for Opinion

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

Emphasis of a Matter

We draw attention to Note (6) to the accompanying consolidated financial statements, which refers to credit concentration percentage and balance as of December 31, 2018, our opinion is not qualified with respect to this matter.

Other Matter

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

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Key Audit Matters

Key audit matters are those matters that, in our professional judgment, were most significant in our audit of the consolidated financial statements of the current year. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Expected Credit Loss at Accounts Receivable from Financing Activities Portfolio

The Company's management exercises significant judgment and uses assumptions to determine both timing and the amount of provision to be recorded as expected credit losses.

The account receivable from financing activities is a major part of the Company's assets. Due to the importance of the judgments used in the classification of account receivable from financing activities at the various stages set forth in International Financial Reporting Standards (9) and the related provision requirements, they have been considered as key audit risks.

As of December 31, 2018, The total account receivable from financing activities of the Company amounted to about JD 62,6 million and the provision for expected credit losses related to it amounted to JD 18,3 million.

The expected credit loss for account receivables from financing activities is disclosed in note (6) and the Company's policy on expected credit loss are described in the accounting policies set out in note (2) to the consolidated financial statements.

Scope of Audit to Address Risks

We have understood the Company's key credit operations that include granting, certifying, controlling and allocating provisions and reviewing the internal control system on these operations, we have also read out the Bank's expected credit loss provisioning policy in relation to International Financial Reporting Standards (9).

We have also understood out the Company's expected credit loss provisioning policy in relation to International Financial Reporting Standards (9) and the regulatory directives and understand the methodology used by the company to determine provisions against exposures classified as in (stages I, II and III), and we Estimate the reasonableness of the basic assumptions and the adequacy of the date used by the Company. Review the completeness of account receivable from financing activities included in the expected credit loss calculation process.

The appropriateness of the Company's determination of the significant increase in credit risk and the basis for the classification of exposures to different stages. The appropriateness of determining exposure when default occurs and the probability of default and loss in the event of default in the calculation of the expected credit loss of a sample of exposures. Account receivable from financing activities whose impairment has been determined individually and classified as in stage 3 and we have estimate management's future cash flows, their reasonableness, and the outcome of the calculation of provisions. The reasonableness of the underlying assumptions and the adequacy of the data used by the company, and the use of experts where appropriate to satisfy ourselves about these data.

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Other Information

Management is responsible for the other information. The other information comprises the other information in the annual report excluding the consolidated financial statements and the independent auditor's report thereon, which is expected to be made available to us after the date of our audit report. Our opinion on the consolidated financial statements does not cover the other information, and we do not express any form of assurance or conclusion thereon.

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

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

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

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

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

Auditor's Responsibilities for the Audit of the Consolidated Financial Statements

Our objectives are to obtain reasonable assurance about whether the consolidated 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 consolidated financial statements.

As part of an audit in accordance with ISAs, we exercise professional judgement and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than the one resulting from error, as fraud may involve collusion, forgery, intentional omission, misrepresentations, or the override of internal control.

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the internal control.

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.

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- Conclude on the appropriateness of management's use of the going concern basis of accounting, and based on the audit evidenced obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosure are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Company to cease to continue as a going concern.

- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

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

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

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

Report on Other Legal and Regulatory Requirements
The Company maintains proper accounting records duly organized and in line with the accompanying consolidated financial statements. We recommend that the General Assembly of Shareholders approve these consolidated financial statements.

A-M

Deloitte & Touche (M.E.) – Jordan

Amman – Jordan
March 25, 2019

Deloitte & Touche (M.E.)
ديلويت آند توش (الشرق الأوسط)
010105

FIRST FINANCE COMPANY

(A PUBLIC LIMITED SHAREHOLDING COMPANY)

AMMAN- JORDAN

COSOLIDATED STATEMENT OF FINANCIAL POSITION

		December 31,	
ASSETS	Note	2018	2017
		JD	JD
Current Assets:			
Cash at banks	5	2,650,981	529,598
Accounts receivable from financing activities - Net	6	42,290,198	52,426,650
Financial assets at fair value through statement of income	7	52,824	68,859
Due from brokerage companies		42,811	5,255
Other debit balances	8	1,724,611	2,325,254
		46,761,425	55,355,616
Deferred tax assets	20/d	5,644,738	3,432,211
Financial assets at fair value through other comprehensive income	9	5,304,372	5,671,001
Property and equipment - Net	10	416,730	528,534
Intangible assets-Net		-	11,114
Total Assets		58,127,265	64,998,476
LIABILITIES AND SHAREHOLDERS' EQUITY			
Liabilities:			
Customers' investment accounts	11	10,402,472	10,384,223
Income tax provision	20/a	272	904,842
Other credit balances	12	2,769,696	3,036,787
Total Liabilities		13,172,440	14,325,852
Shareholders' Equity:			
Paid-up capital	13	35,000,000	35,000,000
Statutory reserve	13	3,253,739	3,120,815
Special reserve	13	229,851	229,851
Investments valuation reserve	14	(683,787)	(335,885)
Retained earnings		7,155,022	12,657,843
Total Shareholders' Equity		44,954,825	50,672,624
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY		58,127,265	64,998,476

Chairman of the Board of Directors General Manager

THE ACCOMPANYING NOTES CONSTITUTE AN INTEGRAL PART OF THESE CONSOLIDATED FINANCIAL STATEMENTS AND SHOULD BE READ WITH THEM AND WITH THE INDEPENDENT AUDITOR'S REPORT.

FIRST FINANCE COMPANY

(A PUBLIC LIMITED SHAREHOLDING COMPANY)

AMMAN- JORDAN

CONSOLIDATED STATEMENT OF INCOME

	Note	For the Year Ended December 31, 2018	2017
		JD	JD
Revenue:			
Revenue from financing	15	6,114,641	5,353,932
Less: Investment accounts owners' share of revenue		(605,744)	(414,998)
Company's shares of revenue		5,508,897	4,938,934
Dividends income from financial assets at fair value through other comprehensive income		239,499	233,272
Gain (loss) from valuation of financial assets at fair value through statement of income	16	26,246	(43,255)
Other revenue - net	17	793,827	924,196
Total Revenue		6,568,469	6,053,147
Expenses:			
Employees cost	18	(992,780)	(858,965)
Other operating expenses	19	(921,699)	(905,729)
Provision for expected credit loss	6	(3,324,755)	-
Total expenses		(5,239,234)	(1,764,694)
Income for the year before income tax		1,329,235	4,288,453
Surplus /Income tax (Provision)	20/b	398,253	(1,100,674)
Income for the Year		1,727,488	3,187,779
Earnings per share for the Year (Basic and Diluted)	21	0.049	0.091

Chairman of the Board of Directors

General Manager

THE ACCOMPANYING NOTES CONSTITUTE AN INTEGRAL PART OF THESE CONSOLIDATED FINANCIAL STATEMENTS AND SHOULD BE READ WITH THEM AND WITH THE INDEPENDENT AUDITOR'S REPORT.

FIRST FINANCE COMPANY

(A PUBLIC LIMITED SHAREHOLDING COMPANY)

AMMAN- JORDAN

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

		For the Year Ended December 31,	
	Note	2018	2017
		JD	JD
Income for the year		1,727,488	3,187,779
Other comprehensive income items:			
Items not subsequently transferrable to statement of income:			
Net changes in investment evaluation reserve - net of tax	14	(347,902)	102,958
Total Comprehensive Income		1,379,586	3,290,737

THE ACCOMPANYING NOTES CONSTITUTE AN INTEGRAL PART OF CONSOLIDATED THESE FINANCIAL STATEMENTS

AND SHOULD BE READ WITH THEM AND WITH THE INDEPENDENT AUDITOR'S REPORT.

FIRST FINANCE COMPANY

(A PUBLIC LIMITED SHAREHOLDING COMPANY)

AMMAN - JORDAN

CONSOLIDATED STATEMENT OF CHANGES IN SHAREHOLDERS' EQUITY

	Note	Paid-up Capital	Reserve - Statutory	Reserve - Special	Investments Valuation Reserve ***	Retained Earnings - Realized	Retained Earnings - unrealized	Retained Earnings - Total	Total
For the Year Ended December 31, 2018		JD	JD	JD	JD	JD	JD	JD	JD
Balance - beginning of the year		35,000,000	3,120,815	229,851	(335,885)	8,889,747	3,768,096	12,657,843	50,672,624
The effect of IFRS 9 implementation		-	-	-	-	(7,496,559)	1,799,174	(5,697,385)	(5,697,385)
Adjusted balance -Beginning of the Year		35,000,000	3,120,815	229,851	(335,885)	1,393,188	5,567,270	6,960,458	44,975,239
Income for the year		-	-	-	-	1,727,488	-	1,727,488	1,727,488
Net change in investments valuation reserve - net of tax	14	-	-	-	(347,902)	-	-	-	(347,902)
Total Comprehensive Income		-	-	-	(347,902)	1,727,488	-	1,727,488	1,379,586
Transferred during the year		-	-	-	-	(77,468)	77,468	-	-
Distribution of dividends **	13	-	-	-	-	(1,400,000)	-	(1,400,000)	(1,400,000)
Transferred to statutory reserve	13	-	132,924	-	-	(132,924)	-	(132,924)	-
Balance - End of the Year		35,000,000	3,253,739	229,851	(683,787)	1,510,284	5,644,738	7,155,022	44,954,825
For the Year Ended December 31, 2017									
Balance - beginning of the year		35,000,000	2,691,970	229,851	(438,843)	8,129,203	3,869,706	11,998,909	49,481,887
Income for the year		-	-	-	-	3,187,779	-	3,187,779	3,187,779
Net change in investments valuation reserve - net of tax	14	-	-	-	102,958	-	-	-	102,958
Total Comprehensive Income		-	-	-	102,958	3,187,779	-	3,187,779	3,290,737
Transferred during the year		-	-	-	-	101,610	(101,610)	-	-
Distribution of dividends **	13	-	-	-	-	(2,100,000)	-	(2,100,000)	(2,100,000)
Transferred to statutory reserve	13	-	428,845	-	-	(428,845)	-	(428,845)	-
Balance - End of the Year		35,000,000	3,120,815	229,851	(335,885)	8,889,747	3,768,096	12,657,843	50,672,624

* The retained earnings balance includes an amount of JD 5,644,738 representing the deferred tax assets as of December 31, 2018 (JD 3,432,211 as of December 31, 2017) restricted for distribution based on Jordan Securitry Commission.

** The General Assembly approved in its meeting held on April 26, 2018 to distribute to the shareholders cash dividends with amount of JD 1.4 million, equivalent to 4% of the company share capital amounted to JD 35 million. (JD 2.1 million for previous year).

*** Based on the instructions of the Jordan Securities Commission, the Company may not use or distribute an amount of JD 683,787 from retained earnings which represent the negative invesment valuation reserve on the statement above.

THE ACCOMPANYING NOTES CONSTITUTE AN INTEGRAL PART OF THESE
CONSOLIDATED FINANCIAL STATEMENTS AND SHOULD BE READ WITH THEM
AND WITH THE ACCOMPANYING AUDITOR'S REPORT.

FIRST FINANCE COMPANY

(A PUBLIC LIMITED SHAREHOLDING COMPANY)

AMMAN- JORDAN

CONSOLIDATED STATEMENT OF CASH FLOWS

	Note	For the Year Ended December 31, 2018	2017
			JD
CASH FLOWS FROM OPERATING ACTIVITIES			
Income for the year before income tax		1,329,235	4,288,453
Add:			
Provision for expected credit loss	6	3,324,755	-
Depreciation and amortization	19	149,528	167,449
(Gain) loss from valuation of financial assets at fair value through statement of income	16	(26,246)	43,255
(Gain) from sale of properties and equipment	17	(164)	-
Net Cash Flows from Operating Activities before Changes in Working Capital Items		4,777,108	4,499,157
Decrease in checks under collection		-	5,338,775
(Increase) in accounts receivable from financing activities-net		(684,861)	(9,750,669)
(Increase) decrease in due from brokerage companies		(37,556)	24
Decrease (increase) in other debit balances		600,643	(273,210)
Increase in customers' investment accounts		18,249	434,319
(Decrease) in other credit balances		(475,858)	(41,570)
Net Cash Flows from Operating Activities before Income Paid Tax		4,197,725	206,826
Income tax paid	20/a	(910,427)	(991,544)
Net Cash Flows from (used in) Operating Activities		3,287,298	(784,718)
CASH FLOWS FROM INVESTING ACTIVITIES			
(Purchase) of financial assets at fair value through other comprehensive income		(8,414)	(375,001)
(Purchase) of property and equipment	10	(50,661)	(21,782)
Proceeds from disposal of property and equipment		24,215	
Proceeds of financial assets at fair value through other comprehensive income		17,896	-
Proceeds of financial assets at fair value through statement of income		41,880	-
Net Cash Flows from (used in) Investing Activities		24,916	(396,783)
CASH FLOWS FROM FINANCING ACTIVITIES:			
Dividends distribution	13	(1,190,831)	(1,791,415)
Net Cash Flows (used in) Financing Activities		(1,190,831)	(1,791,415)
Net increase (decrease) in cash on hand and at banks		2,121,383	(2,972,916)
Cash on hand and at banks - beginning of the year		529,598	3,502,514
Cash on Hand and at Banks - End of the Year	5	2,650,981	529,598

THE ACCOMPANYING NOTES CONSTITUTE AN INTEGRAL PART OF THESE CONSOLIDATED FINANCIAL STATEMENTS AND SHOULD BE READ WITH THEM AND WITH THE INDEPENDENT AUDITOR'S REPORT.

FIRST FINANCE COMPANY
(A PUBLIC LIMITED SHAREHOLDING COMPANY)
AMMAN - JORDAN
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

1. General

a. First Finance Company was established as a public limited shareholding company and registed with the Ministry of Industry and Trade under No. (390). The Company's address is Building No (172), king Abdullah II Street, Khalda P.O Box 144596 Amman, 11814 Jordan. The Company's authorized capital is JD 50 million, which was fully paid on March 5, 2006. In accordance with the resolution of the General Assembly of Shareholders, in its extraordinary meeting of April 14, 2011, and after the approval of the Minister of Industry and Trade on June 22, 2011 in the Controller of Companies' Letter No. M / 1/390 dated June 27, 2011, the Company reduced its authorized and paid-up capital by JD15 million to amortize the accumulated losses. Consequently, the Company's capital has become JD 35 million instead of JD 50 million.

The Company's main objectives are as follows:

- Preforming financing activities for natural and legal persons in accordance with the Sharia (Islamic Law). This includes, for example, direct financing of consumer and durable goods; financing of real estate, including financing of land, housing, buildings and construction; as well as financing the establishment of private and public projects.

- Acting as intermediary between banks, local lending and financing institutions, international and regional development funds and banks, and beneficiaries of the programs of these institutions.

- Managing others' funds in the financial and investment fields for specific fees or shares from the proceeds of such funds.

- Managing property, real estate, and other immovable and movable properties owned by others.

b. Based on the Ministry of Industry and Trade's Letter No. MSh/1/390/19827 dated September 3, 2006, the Company started its work from the date of the Ministry's letter.

c. The financial statements were reviewed by the Company's Sharia Supervisory Board, and this board issued its report thereon.

d The financial statements were approved by the Company's Board of Directors on February 28, 2019, and are subject to the approval of the General Assembly of Shareholders.

2. Significant Accounting Policies

- Basis of Preparation of the Consolidated Financial Statements

- The financial statements have been prepared in accordance with International Financial Reporting Standards and interpretations issued by the International Financial Reporting Interpretations Committee (IFRIC) and in accordance with applicable local laws.

- The consolidated 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 consolidated financial statements.

- The financial statements are presented in Jordanian Dinar (JD), which represents the Company's functional currency.

- The accounting policies adopted in preparing the consolidated financial statements are consistent with those used in preparing the financial statements for the year ended December 31, 2017, except for what is mentioned in note (3/A).

Basis of Consolidation

The consolidated financial statements include the financial statements of the Company and its subsidiaries under its control. The control exists when the Company controls the subsidiaries significant and relevant activities and is exposed, or has rights, to variable returns from its involvement with the subsidiaries and has the ability to affect those returns through its power over the subsidiaries.

- The Company reassesses whether or not it controls an investee if facts and circumstances indicate that there are changes to one or more of the elements of control listed above.

- When the Company has less than the majority of the voting rights of an investee, it considers that it has power over the investee when the voting rights are sufficient to give it the practical ability to direct the relevant activities of the investee unilaterally. In this regard, the Company considers all relevant facts and circumstances in assessing whether or not the Company's voting rights in an investee are sufficient to give it power, including:

    - The size of the Company's holding of voting rights relative to the size and dispersion of holdings of the other vote holders.

    - Potential voting rights held by the Company, other vote holders or other parties.

    - Rights arising from other contractual arrangements.

    - Any additional facts and circumstances that indicate that the Company's has, or does not have, the current ability to direct the relevant activities at the time that decisions need to be made, including voting patterns at previous shareholders' meetings.

- All balances, transactions, income, and expenses between the Company and its subsidiaries are eliminated.

- The subsidiaries financial statements are prepared under the same accounting policies adopted by the Company. If the subsidiaries apply different accounting policies than those used by the company, the necessary modifications shall be made to the subsidiaries' financial statements to make them comply with the accounting policies used by the Company.

- The results of the subsidiaries' operations are consolidated in the consolidated statement of income effective their acquisition date, which is the date on which control over subsidiaries is effectively transferred to the Company. Furthermore, the results of the disposed of subsidiaries are consolidated in the consolidated statement of income up to the date of their disposal, which is the date on which the Company loses control over the subsidiaries.

- The non-controlling interests represents the portion not owned by the company on the subsidiaries. Non-controlling interests are shown in the subsidiaries net assets as a separate line item within the Company's statement of shareholders equity

  The Company owns the following as of December 31, 2018, Sokuk For Finance Leasing (a subsidiary company):

Paid share capital	Ownership	Nature of business	country	Incorporation date
JD	%			
500,000	100	Commercial	Jordan	April 19, 2017

  The following table illustrate the financial and performance position for Sokuk Company for Finance Leasing (Subsidiary) as of December 31, 2018:

December 31, 2018		For the Year Ended December 31, 2018	
Assets	Liabilities	Revenue	Expenses
JD	JD	JD	JD
489,966	(250)	-	740

Control is achieved when the Company:
- Has the power over the investee;
- Is exposed, or has rights, to variable returns from its involvement with the investee; and
- Has the ability to use its power to affect investee's returns.

The Company reassesses whether or not it controls an investee if facts and circumstances indicate that there are changes to one or more of the elements of control listed above.

When the Company has less than the majority of the voting rights of an investee, it considers that it has power over the investee when the voting rights are sufficient to give it the practical ability to direct the relevant activities of the investee unilaterally. In this regard, the Company considers all relevant facts and circumstances in assessing whether or not the Company voting rights in an investee are sufficient to give it power, including:

- The size of the Company's holding of voting rights relative to the size and dispersion of holdings of the other vote holders;
- Potential voting rights held by the Company, other vote holders or other parties;
- Rights arising from other contractual arrangements; and
- Any additional facts and circumstances that indicate that the Bank has, or does not have, the current ability to direct the relevant activities at the time that decisions need to be made, including voting patterns at previous shareholders' meetings.

When the Company loses control of a subsidiary, the Company performs the following;

- Derecognizes the assets (including goodwill) and liabilities of the subsidiary.
- Derecognizes the book value of any non-controlling interests.
- Derecognizes transfer difference accumulated in Owners Equity.
- Derecognizes the fair value to the next controlling party.
- Derecognizes the fair value of any investment retained.
- Derecognizes any gain or loss in income statement.
- Reclassifies owners equity already booked in other comprehensive income to the profit or loss statement as appropriate.

The subsidiaries' financial statements are prepared under the same accounting policies adopted by the Company. If the subsidiaries apply different accounting policies than used the Company, the necessary modifications shall be made to the subsidiaries financial statements to make them comply with the accounting policies used by the Company.

The non-controlling interests represents the portion not owned by the Company relating to ownership of the subsidiaries.

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

Financial Instruments

Primary recognition and measurement:
Financial assets and financial liabilities are recognized in the Company's consolidated statement of financial position when the Company becomes a party to the contractual provisions of the instrument.

Recognized financial assets and financial liabilities are initially measured at fair value. Transaction costs that are directly attributable to the acquisition or issue of financial assets and financial liabilities (other than financial assets and financial liabilities at fair value through the statement of income) are added to or deducted from the fair value of the financial assets or financial liabilities, as appropriate, on initial recognition. Transaction costs directly attributable to the acquisition of financial assets or financial liabilities at fair value through the statement of income are recognized immediately in profit or loss.

If the transaction price differs from fair value at initial recognition, the Company will account for such difference as follows:

- If fair value is evidenced by a quoted price in an active market for an identical asset or liability or based on a valuation technique that uses only data from observable markets, then the difference is recognized in the statement of income on initial recognition (i.e. day 1 profit or loss);

- In all other cases, the fair value will be adjusted to bring it in line with the transaction price (i.e. day 1 profit or loss will be deferred by including it in the initial carrying amount of the asset or liability).

After initial recognition, the deferred gain or loss will be released to the statement of income on a rational basis, only to the extent that it arises from a change in a factor (including time) that market participants would take into account when pricing the asset or liability or when derecognizing the instrument.

Financial Assets

Primary Recognition

All financial assets are recognized on the trading date when the purchase or sale of a financial asset is under a contract whose terms require delivery of the financial asset within the timeframe established by the market concerned. They are initially measured at fair value, plus transaction costs, except for those financial assets classified as at fair value through the statement of income. Transaction costs directly attributable to the acquisition of financial assets classified as at fair value through the statement of income are recognized immediately in the consolidated statement of income.

Subsequent Measurement

All recognized financial assets that are within the scope of IFRS (9) are required to be subsequently measured at amortized cost or fair value on the basis of the entity's business model for managing the financial assets and the contractual cash flow characteristics of the financial assets. Specifically:

- Debt instruments held within a business model whose objective is to collect the contractual cash flows, and that have contractual cash flows that are solely payments of principal and interest on the principal amount outstanding (SPPI), are subsequently measured at amortized cost;
- Debt instruments held within a business model whose objective is both to collect the contractual cash flows and to sell the debt instruments, and that have contractual cash flows that are SPPI, are subsequently measured at fair value through other comprehensive income;
- All other debt instruments (e.g. debt instruments managed on a fair value basis, or held for sale) and equity investments are subsequently measured at fair value through the statement of income.

However, the company may irrevocably make the following selection / designation at initial recognition of a financial asset on an asset- by-asset basis:

- The Company may irrevocably select to present subsequent changes in fair value of an equity investment that is neither held for trading nor contingent consideration recognized by an acquirer in a business combination to which IFRS (3) applies, in other comprehensive income; and
- The Company may irrevocably designate a debt instrument that meets the amortized cost or fair value through other comprehensive income criteria as

measured at fair value through the statement of income if doing so eliminates or significantly reduces an accounting mismatch (referred to as the fair value option).

Debt Instruments at Amortized Cost or at Fair Value Through Other Comprehensive Income

The Company assesses the classification and measurement of a financial asset based on the contractual cash flow characteristics of the asset and the Company's business model for managing the asset.

For an asset to be classified and measured at amortized cost or at fair value through other comprehensive income, its contractual terms should give rise to cash flows that are solely payments of principal and interest on the principal outstanding (SPPI).

For the purpose of (SPPI) test, principal is the fair value of the financial asset at initial recognition. That principal amount may change over the life of the financial asset (e.g. if there are repayments of principal). Interest consists of consideration for the time value of money, for the credit risk associated with the principal amount outstanding during a particular period of time and for other basic lending risks and costs, as well as a profit margin. The SPPI assessment is made in the currency in which the financial asset is denominated.

Contractual cash flows that are SPPI are consistent with a basic lending arrangement. Contractual terms that introduce exposure to risks or volatility in the contractual cash flows that are unrelated to a basic lending arrangement, such as exposure to changes in equity prices or commodity prices, do not give rise to contractual cash flows that are SPPI. An originated or an acquired financial asset can be a basic lending arrangement irrespective of whether it is a loan in its legal form.

Impairment

The company recognizes loss allowances for expected credit losses on the following financial instruments that are not measured at fair value through the statement of income:

- Account receivable from financing activities (Loans and advances to customers); No impairment loss is recognized on equity investments.

With the exception of purchased or originated credit-impaired (POCI) financial assets (which are considered separately below), ECLs are required to be measured through a loss allowance at an amount equal to:

- 12-month ECL, i.e. lifetime ECL that result from those default events on the financial instrument that are possible within 12 months after the reporting date, (referred to as Stage 1); or

- Full lifetime ECL, i.e. lifetime ECL that result from all possible default events over the life of the financial instrument, (referred to as Stage 2 and Stage 3).

A loss allowance for full lifetime ECL is required for a financial instrument if the credit risk on that financial instrument has increased significantly since initial recognition. For all other financial instruments, ECLs are measured at an amount equal to the 12-month ECL.

ECLs are a probability-weighted estimate of the present value of credit losses. These are measured as the present value of the difference between the cash flows due to the Company under the contract and the cash flows that the Group expects to receive arising from the weighting of multiple future economic scenarios, discounted at the asset's EIR.

For utilized loan limits, the ECL is the difference between the present value of the difference between the contractual cash flows that are due to the Group if the holder of the commitment draws down the loan and the cash flows that the Group expects to receive if the loan is utilized; and

For financial guarantee contracts, the ECL is the difference between the expected payments to reimburse the holder of the guaranteed debt instrument less any amounts that the Group expects to receive from the holder, the client, or any other party.

The Company measures ECL on an individual basis, or on a collective basis for portfolios of financing that share similar economic risk characteristics. The measurement of the loss allowance is based on the present value of the asset's expected cash flows using the asset's original EIR, regardless of whether it is measured on an individual basis or a collective basis.

Recognition of Revenue and Expenses

- Mudaraba income is recognized in the consolidated statement of income under the accrual basis.

- Murabaha income is recognized using the declining murabaha method over the period of the murabaha contract.

- Dividends paid are recorded in the consolidated statement of income when realized, (approved by the General Assembly of Shareholders).

- Commissions are recognized in the consolidated statement of income when earned.

Fair Value of Financial Investments

- The closing prices at the date of the consolidated financial statements in active markets represent the fair value of investments in shares with market prices. In case actual prices are not available, trading in some share investments is inactive, or the market is inactive, their fair value is estimated by comparing them with the current market value of a similar financial instrument.

- The valuation methods aim to obtain a fair value that reflects market expectations and take into consideration market factors and any anticipated risks or benefits when estimating the value of share investments. Share investments whose fair value cannot be measured reliably are stated at cost.

Investment in Land

Investment in land are stated at cost and written down to their recoverable amount if their value exceeds the amount expected to be recovered from any of the lands for each investment separately. Moreover, the impairment loss is recognized in the consolidated statement of income, and the total fair value of the investment land is disclosed at the end of the financial year.

Property and Equipment

- Property and Equipment are stated at cost less accumulated depreciation and any impairment in their value. They are depreciated, when ready for use, on a straight-line basis over their estimated useful life, using an annual depreciation rate ranging from 7.5% to 25%.

- When the recoverable amount of any Property and Equipment is less than its net book value, its carrying amount is reduced to its recoverable amount, and the impairment loss is recognized in the consolidated statement of income.

- The estimated useful life and depreciation method are reviewed at year - end. In case the expected useful life differs from previously prepared estimates, the change in estimate is recorded in the consolidated statement of income regularly, being a change in estimate.

Foreign Currency Transactions

Transactions in foreign currencies during the fiscal year are stated according to the exchange rates prevailing on the date of the transaction. Assets and liabilities in foreign currencies are converted to Jordanian Dinar at the exchange rates prevailing on the statement of financial position date, and the resulting exchange differences are taken to the consolidated statement of income.

Provision

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

Income Tax

- Income tax expenses represent accrued as well as deferred taxes.

- Accrued tax expenses are calculated based on taxable income which is different from that included in the consolidated financial statements, as declared income includes tax-exempt income, expenses non-deductible in the fiscal year but deductible in subsequent years, tax-approved losses, or tax- unallowable or tax-deductible items.

- Taxes are calculated according to the tax rates prescribed by the tax laws and regulations enacted in Jordan.

- Deferred tax assets or liabilities are taxes expected to be paid or recovered as a result of temporary timing differences between the value of the assets and liabilities in the consolidated financial statements and the value on the basis of which taxable income is calculated. Moreover, deferred taxes are calculated according to the tax rates expected to be applied upon the settlement of the tax liability and the realization of deferred tax assets.

- Deferred tax assets or liabilities are reviewed as of the statement of financial position date and are reduced in case they are expected not to be utilized, upon the settlement of tax, wholly or partially.

3. Application of New and Amended International Financial Reporting Standards

a. Amendments that did not have a material impact on the Company's consolidated financial statements:

The following new and revised IFRSs, which are effective for annual periods beginning on or after January 1, 2018, have been adopted in the preparation of the Company's consolidated financial statements. These new and revised IFRSs have not materially affected the amounts and disclosures in the consolidated financial statements for the year and prior years, which may have an impact on the accounting treatment of future transactions and arrangements:

New and revised standards	Amendments to new and revised IFRSs
Annual improvements to IFRSs Issued between 2014 and 2016.	The improvements include amendments to IFRS 1, "Application of International Standards for the First Time" and IAS 28 "Investments in Associates and Joint Ventures (2011)". The amendments clarify that the option of investment and other similar enterprises to measure investments in associates and joint ventures at fair value through the income statement is available separately for each associate or joint venture and that the selection should be made at initial recognition. As for the option of an entity, which is not an investment property, the fair value measurement applied by the associate, and the joint venture that is an investment property shall be maintained when applying the equity method. The amendments provide a similar clarification that this option is available to each associate of an investment nature or a joint venture with an investment nature.
IFRIC 22: "Foreign currency transactions and advances".	This interpretation deals with how to determine the "date of the transaction" for determining the exchange rate to be used at the time of initial recognition, expense or income is recognized when the item is paid or received in advance by a foreign operation that results in recognition of non-monetary assets or non-monetary liabilities. The interpretation determines that the transaction date is the date on which the non-monetary assets or non-monetary liabilities arising from the payment or receipt of payments are recognized in advance. If there are multiple payments or receipts received in advance, the interpretation requires the Bank to specify the transaction date for each payment or receive the cash receipt in advance. This interpretation relates to transactions made in foreign currency or parts of such transactions in the event that: • A consideration exists in foreign currency or is priced in foreign currency; • An entity recognizes an asset that has been paid in advance or deferred income liabilities related to that consideration on a date prior to recognition of the relevant assets, income or expenses; • Prepaid assets or deferred income liabilities are not cash.

New and revised standards	Amendments to new and revised IFRSs
Amendments to IAS 40: "Investment properties".	The amendments indicate that transfers to or from real estate investments require an assessment of whether the properties meet or no longer meet the definition of real estate investments and are backed up by observable evidence of a change in use. The amendments also indicate that the cases included in the standard are not comprehensive and that a change in use can be made with respect to the properties under construction (i.e. the change in use is not limited to completed properties).
Amendments to IFRS 2 "Share-based payment".	These amendments relate to the classification and measurement of payment transactions on an equity basis. These amendments clarify the following: When estimating the fair value of a payment based on shares paid in cash, the effects of the accrual and non-accrual provisions should be accounted for by the same approach used for payments based on shares paid from owners' equity. If the tax code / laws require the company to keep a certain number of equity instruments equal to the monetary value of the employee's tax liability to meet his tax obligations and then to the tax authority (usually cash), that is, the share-based payment arrangement has the "feature of net settlement", then the entire arrangement should be classified as a payment of equity, provided that the share-based payment could have been classified as a payment from equity even if it did not include the net settlement feature. The accounting treatment of the payment adjustment on the equity basis that modifies the transaction from cash payment to payment of equity shall be made as follows: a. Derecognizing the original obligation; b. Recognizing the share-based payment at the date of adjusting the fair value of the granted equity instrument to the extent that the services have been performed up to the date of the adjustment; c. Recognizing any difference between the present value of the liability at the date of the adjustment and the amount recognized in equity in the statement of income.
Amendments to IFRS 4: "Insurance contracts".	These amendments relate to the difference between the effective date of IFRS (9) and the new standard for insurance contracts.

New and revised standards	Amendments to new and revised IFRSs
IFRS 15 "Revenue from contracts with customers".	IFRS 15 was issued in May 2014, which established a comprehensive model for enterprises to be used in accounting for revenue generated from contracts with customers. This standard will replace the current income recognition guidance, including IAS 18 "Revenue", IAS 11 "Construction contracts and related interpretations". The basic principle of this standard is that an entity must recognize revenue to indicate the transfer of goods or services to the customer in an amount that reflects the consideration that the entity expects to receive for such goods or services. In particular, the standard provides a five-step approach to revenue recognition: Step 1: Determining the contract (s) concluded with the client. Step 2:Defining performance obligations in the contract. Step 3: Determining the selling price. Step 4: Assigning a sale price to the performance obligations in the contract. Step 5: Recognizing revenue when the entity meets (or fulfills) an obligation to perform. Under this Standard, an entity recognizes revenue when (or at the time) it fulfills its performance obligation, that is, when control over the goods or services underlying the performance obligation is transferred to the customer. More mandatory guidelines have been added to the Standard to deal with specific scenarios. In addition, the standard requires comprehensive disclosures.
Amendments to IFRS 15 "Revenue from contracts with customers".	These amendments relate to the clarification of three aspects of the standard (determination of performance obligations, client versus agent considerations, and licensing) and some transitional exemption for modified contracts and completed contracts.

b. Amendments Affecting the Company's Consolidated Financial Statements:

IFRS (9) "Financial Instruments"
IFRS (9) was issued in November 2009, and new requirements for the classification and measurement of financial assets were introduced. Subsequently, the Standard was amended in October 2010 to include requirements for the classification and measurement of financial liabilities and derecognition of financial liabilities. The Standard was amended in November 2013 to include new requirements for general hedge accounting. An amended version of the Standard was issued in July 2014 to include: (a) the requirements for impairment of financial assets; and (b) limited adjustments to the classification and measurement requirements by introducing the "fair value through other comprehensive income" category of some simple debt instruments.

IFRS (9) "Financial Instruments" issued by the International Accounting Standards Board (IASB) was adopted in July 2014. The initial date of implementation of this standard was December 1, 2018. The application of IFRS (9) has led to changes in the accounting policies and amendments to the amounts previously recognized in the consolidated financial statements. Moreover, the Bank has early adopted IFRS 9 (first phase) of 2009, regarding the classification and measurement of financial assets since the beginning of 2010.

As required by the transitional provisions of IFRS (9), the Company has not restated the comparative figures. Any changes in the carrying amounts of financial assets and liabilities have been recognized on the date of transition in the opening balances of retained earnings and non-controlling interests for the current period. The Company has also chosen to continue to apply the accounting requirements of IAS (39) "Financial Instruments: Recognition and Measurement", on the application of IFRS (9).

IFRS (9) has resulted in changes in the accounting policies for the identification, classification, and measurement of financial assets and liabilities and the impairment in value of financial assets. IFRS (9) also modifies other standards that address financial instruments such as IFRS (7) "Financial Instruments: Disclosures"

The final version of IFRS (9) contains the accounting requirements for financial instruments and supersedes IAS (39) "Recognition and Measurement". The new version of the standard includes the following requirements:

Classification and Measurement:
Financial assets are classified based on the business model and contractual cash flow characteristics. The 2014 version provided a new classification of certain debt instruments that could be classified as "financial assets at fair value through other comprehensive income". The financial liabilities are classified similarly to IAS 39, but there are differences in the requirements applied to the measurement of credit risk relating to the entity.

Impairment:
The 2014 version provided the "expected credit loss" model to measure the impairment loss of financial assets, and therefore, it is not necessary to increase the credit risk before recognizing the credit loss.

Hedge accounting:
The 2014 version provided a new model for hedge accounting designed to be more appropriate with how an entity manages risk when exposed to financial and non-financial hedging risks.

Derecognition:
The requirements for derecognition of financial assets and financial liabilities have been followed in accordance with International Accounting Standard (IAS) (39).

The details of the accounting policies adopted by the Company and the significant estimates used by the Company's management in accordance with IFRS (9) and IAS (12) applied in the current period are stated in Note (2) . The disclosure regarding the impact of the adoption of the IFRS (9) and (12) on the Company is as follows:

January 1, 2018	Balance before adjusting	Effect of Application	Adjusted balance
	JD	JD	JD
Shareholder's equity			
Retained earnings	12,657,843	(5,697,385)	6,960,458
Assets			
Accounts receivables from financing activities	62,588,588	(7,496,559)	55,092,029
Deferred tax assets	3,432,211	1,799,179	5,231,385

The following is the provision of expected credit loss as of December 31, 2018:

	Balance at the Beginning of the Year	The Effect of Application IFRS (9)	Expected Credit Losses During the Year	Written off During the Year	Adjusted Balance at the End of the Year
	JD	JD	JD	JD	JD
Provision for expected credit loss	13,377,080	7,496,559	3,324,755	(5,869,508)	18,328,886

c. New and revised IFRS in issue but not yet effective and not early adopted

The Company has not adopted the following new and amended IFRSs issued but not yet effective as of the date of the financial statements with its details as follows:

New and revised IFRS	Amendments to new and revised IFRSs
Annual Improvements to IFRS Standards for financial statement issued in 2015 - 2017 **(Effective form on January 1, 2019).**	The annual Improvements includes Amendments to IFRS 3 *"Business Combinations"*, IFRS 11 *"Joint Arrangements"*, IAS 12 *"Income Taxes"* and IAS 23 *"Borrowing Costs."*
IFRIC 23 Uncertainty over Income Tax Treatments **(Effective form on January 1, 2019).**	The interpretation clarifies the determination of taxable profit (tax loss), tax bases, unused tax losses, unused tax benefits and tax rates when there is uncertainty about the treatment of income tax under IAS 12 and specifically addresses: • whether the tax treatment should be considered in aggregate: • assumptions regarding the procedures for the examination of tax authorities: • determine taxable profit (tax loss), tax basis, unused tax losses, unused tax breaks, and tax rates: • The impact of changes in facts and circumstances.
IFRS 16 *"Leases"* **(Effective form on January 1, 2019).**	IFRS 16 defines how the preparer of the reports can recognize, measure, display and disclose lease contracts. The Standard also provides a separate accounting model for tenants that requires the lessee to recognize the assets and liabilities of all lease contracts unless the lease is 12 months or less or the asset is of low value. Lenders continue to classify leases as operating or financing leases. The approach of IAS 16 on accounting of lessors has not changed significantly from IAS 17.
Amendments in IFRS 9 *"Financial Instruments"* **(Effective form on January 1, 2019).**	These amendments are related to Prepayment Features with Negative Compensation. The current requirements of IFRS 9 regarding termination rights have been amended to allow for the measurement at amortized cost (or, based on the business model, at fair value through other comprehensive income) even in the case of negative compensation payments.
Amendments to IAS 28 "Investment *in Associates and Joint Ventures"* **(Effective form on January 1, 2019).**	These amendments relate to long-term shares in associates and joint ventures. These amendments clarify that an entity applies IFRS 9 "Financial Instruments" to long-term shares in an associate or

New and revised IFRS	Amendments to new and revised IFRSs
	joint venture that forms part of the net investment in an associate or joint venture if the equity method has not been applied to it.
Amendment to IAS 19 "Employee Benefits" **(Effective form on January 1, 2019).**	These amendments are related to amendment, curtailment or settlement of a defined benefit plan.
Amendment to IAS 1 "Presentation of financial statement" **(Effective form on January 1,2020)**	These amendments are related to definition of material.
Amendment to IFRS 3 "Business Combinations" **(Effective form on January 1, 2020).**	These amendments clarify the definition of business as the International Accounting Standards Board published the Conceptual Financial Reporting Framework. This includes revised definitions of assets and liabilities as well as new guidance on measurement, derecognition, presentation and disclosure. In addition to the amended conceptual framework, the IASB issued amendments to the guidelines on the conceptual framework in the IFRS Standards, which contain amendments to IFRS 2, 3, 6 and 14 and IAS 1, 34, 37 and 38) and IFRIC 12, Interpretation 19, Interpretations 20 and 22 and Interpretations of the Standing Committee for the Interpretation of Standards No. 32 in order to update those statements with regard to references and quotations from the framework or to refer to a reference to Different from the conceptual framework.
IFRS 17 "*Insurance Contracts*" **(Effective form on January 1, 2022).**	It provides a more consistent measurement and presentation approach to all insurance contracts. These requirements are aimed at achieving a consistent, principled accounting objective for insurance contracts. IFRS 17 replaces IFRS 4 Insurance Contracts. IFRS 17 requires measurement of insurance liabilities at the present value of the liability.
Amendments to IFRS 10 Consolidated Financial Statements and IAS 28 "*Investments in Associates and Joint Ventures* (2011)" **(Effective date deferred indefinitely. Adoption is still permitted.)**	These amendments are related to the treatment of the sale or contribution of assets from and investor to its associate or joint venture.

Management expects to apply these new standards, interpretations, and amendments to the consolidated financial statements of the Company when they are applicable. Moreover, the adoption of these new standards, interpretations, and amendments may have no material impact on the company's consolidated financial statements in the initial application period except for the effect of the adoption of IFRS (16), as shown below:

Effect of Application of IFRS 16 "Leases"
The Standard provides a comprehensive model for determining and treating lease arrangements in the consolidated financial statements of both lessors and lessees. It will also replace IAS (17) "Leases" and related interpretations when they become effective for financial periods beginning on or after January 1, 2019.

As permitted by the transitional provisions of IFRS (16), the Company has not restated the comparative figures. Any changes in the carrying amounts of assets and liabilities have been recognized on the transition date in the opening balances of the related balances.

There is no material difference between the accounting treatment in the lessor's books and IFRS (16) and IAS (17).

The change in the definition of the lease relates mainly to the concept of control. IFRS (16) distinguishes between leases and service contracts based on whether the customer controls the use of a specific asset, and control is present if the customer has:

- The right to a substantial degree of all economic benefits arising from the use of specific assets; and
- The right to direct the use of this asset.

<u>Effect of Accounting Treatment on the Lessee's Records</u>
<u>Operating Leases</u>
Under IAS (16), the accounting treatment has been changed for leases previously classified as operating leases in accordance with IAS (17), which were classified as off-the consolidated statement of financial position items.
In the initial application of IFRS (16) (except as referred to below), the Company will undertake the following for all leases:

a. Recognize "right of use" assets and lease commitments in the consolidated statement of financial position, initially measured based on the present value of future cash flows paid;
b. Recognize the depreciation of "right of use" assets and interest on lease commitments in the consolidated statement of income.
c. Separate the total amount of cash paid into a principal portion (shown under financing activities) and interest (presented under operating activities) in the consolidated statement of cash flows.

For short-term leases (12 months or less) and low-value asset leases (such as personal computers and office furniture), the company will choose to recognize rental expenses on a straight-line basis as permitted by the International Financial Reporting Standard (16).

On December 31, 2018, the company had non-cancellable operating lease commitments of JD 415,000.

Based on preliminary estimates of the company's management, there are operating leases of JD 415,000 except for short-term operating leases and low-value assets. Accordingly, the company's will record an asset usage value of JD 415,000 and corresponding operating lease commitments of the same amount. The impact on the statement of income is an increase in depreciation expense of JD 157,136 and an increase in interest expense of JD 9,822.

The provision for leases that were required by IAS (17) will be derecognized.

Recognition of lease obligation incentives previously recognized in respect of operating leases will be derecognized, and the amount will be calculated in the measurement of the leasehold assets and liabilities.

Under IAS (17), all lease payments relating to operating leases are recognized as part of the cash flows from operating activities. The effect of the changes under IFRS (16) will be to reduce cash generated from operating activities and increase the net cash used in financing activities with the same amount.

Finance Leases

The main differences between IFRS (16) and IAS (17) with respect to assets formerly held under a finance lease is the measurement of the residual value guarantees provided by the lessee to the lessor. IFRS (16) requires that the Company recognizes as part of its lease liability only the amount expected to be payable under a residual value guarantee, rather than the maximum amount guaranteed as required by IAS (17). On initial application, the Company will present the related asset previously included in the financial statements within the line item for right-of-use assets. Moreover, the lease liability, previously presented within borrowing, will be presented in a separate line for lease liabilities.

Based on an analysis of the company's finance leases as at December 31, 2018 in light of the facts and circumstances existing at that date, the Company's Board of Directors and Management have assessed that this change will not affect the amounts recognized in the company's financial statements.

Impact on Lessor Accounting

Under IFRS (16), a lessor continues to classify leases as either finance leases or operating leases and account for those two types of leases differently. However, IFRS (16) has changed and expanded the disclosures required, in particular, regarding how a lessor manages the risks arising from its residual interest in leased assets.

Under IFRS (16), an intermediate lessor accounts for the head lease and the sublease as two separate contracts.

The intermediate lessor is required to classify the sublease as a finance or operating lease by reference to the right-of-use asset arising from the head lease (and not by reference to the underlying asset as was the case under IAS (17).

Because of this change, the company will reclassify certain of its sublease agreements as finance leases. As required by IFRS (9), an allowance for expected credit losses will be recognized on the finance lease receivables. The leased assets will be derecognized and finance lease asset receivables recognized. This change in accounting will change the timing of recognition of the related revenue recognized in finance income.

The Company's Management expects that IFRS (16) will be applied to the company's consolidated financial statements for the period starting on January 1, 2019.

4. Significant Accounting Judgments and key Sources of Uncertainty Estimates

Preparation of the consolidated financial statements and application of accounting policies require management to make judgments, estimates and assumptions that affect the amounts of financial assets and financial liabilities and to disclose potential liabilities. Moreover, these estimates and judgments affect revenue, expenses, and provisions, in general; as well as expected credit losses and changes in fair value that appear in the consolidated statement of comprehensive income and within shareholders' equity. In particular, the Company's management requires judgments to be made to estimate the amounts and timing of future cash flows. These estimates are necessarily based on multiple hypotheses and factors with varying degrees of estimation and uncertainty. Meanwhile, the actual results may differ from estimates due to the changes arising from the conditions and circumstances of those estimates in the future.

Judgments, estimates, and assumptions are reviewed periodically. Moreover, the effect of the change in estimates is recognized in the financial period in which the change occurs if the change affects only the financial period. On the other hand, the effect of the change in estimates is recognized in the financial period in which the change occurs and in future periods if the change affects the financial period and future financial periods.

Management believes that its estimates in the consolidated financial statements are reasonable. The details are as follows:

Impairment of property acquired
Impairment in value of properties acquired is recognized based on recent real estate valuations by qualified independent evaluators for calculating impairment of the asset and is reviewed periodically for impairment.

Productive lifespan of tangible assets and intangible assets
The company's management periodically recalculates the useful lives of tangible assets and intangible assets for calculating annual depreciation and amortization based on the general condition of those assets and estimated future useful lives. The impairment loss is recognized in the consolidated statement of income for the year.

Income tax
The fiscal year is charged with income tax expense in accordance with accounting regulations, laws and standards. Moreover, deferred tax assets and liabilities required tax provisions are recognized.

Assets and liabilities at cost
Management reviews the assets and liabilities at cost for estimating any impairment in value, which is recognized in the consolidated statement of income for the year.

Provision for expected credit losses
Management is required to use significant judgments and estimates to estimate the amounts and timing of future cash flows and assess the risks of a significant increase in credit risk for financial assets after initial recognition and future measurement information for the expected credit losses.

Evaluation of business model
The classification and measurement of financial assets depends on the results of the principal and interest payments test on the principal outstanding and the business model test. The company defines a business model at a level that reflects how the groups of financial assets are managed together to achieve a particular business objective. This assessment includes judgment that reflects all relevant evidence, including how to assess the performance of the assets and measure their performance, and the risks that affect the performance of assets, how they are managed, and how asset managers are compensated. The company monitors financial assets measured at amortized cost or fair value through other comprehensive income and derecognized before maturity to understand the reason for derecognition and whether the reasons are consistent with the objective of the business held. In this respect, control is part of the Group's continuous assessment of whether the business model under which the remaining financial assets are retained is appropriate, and whether it is not appropriate if there is a change in the business model, and therefore, a future change is made in the classification of those assets.

Significant increase in credit risk
The expected credit loss is measured as an allowance equivalent to the expected credit loss of (12) months for the assets of the first stage, or the credit loss over the life of the assets of the second or third stage. The asset moves to the second stage if credit risk increases significantly since initial recognition. IFRS (9) does not specify what constitutes a significant increase in credit risk. In assessing whether the credit risk of any asset has increased significantly, the company takes into account reasonable and reliable quantitative and qualitative information. The estimates and uses by the company's management relating to the significant change in credit risk that result in a change in classification within the three stages (1, 2 and 3) are shown in details in Note (6).

Establish groups of assets with similar credit risk characteristics

When the expected credit losses are measured on a collective basis, the financial instruments are grouped on the basis of common risk characteristics (e.g. instrument type, credit risk, collateral type, initial recognition date, remaining maturity period, industry, borrower's geographic location, etc.). The Company's monitors the appropriateness of credit risk characteristics on an ongoing basis to assess whether they are still similar. This is required to ensure that, in the event of a change in the credit risk characteristics, the asset is properly reallocated. This may result in the creation of new portfolios or the transfer of assets to an existing portfolio that better reflects the credit risk characteristics of that group of assets.

Redivision of portfolios and movements between portfolios

The re-division of portfolios and movements between portfolios is more common when credit risk increases significantly (or when such a large increase is reflected). Therefore, assets are transferred from expected credit losses of between (12) months to another portfolio or vice versa. However, this may happen within the portfolios that continue to be measured on the same basis as expected credit losses for a period of (12) months or a lifetime, but the amount of credit loss changes are expected due to the varying credit risk of portfolios.

Models and assumptions used

The company's uses various models and assumptions in measuring the fair value of financial assets as well as in assessing the expected credit loss described in Note (44). The judgment is applied when determining the best models for each type of asset as well as for the assumptions used in those models, which include assumptions regarding the main drivers of credit risk.

A) Classification and measurement of financial assets and liabilities

The Company classifies financial instruments or components of financial assets at initial recognition either as a financial asset or a financial liability, or as a title in accordance with the substance of the contractual agreements and the definition of the instrument. The reclassification of a financial instrument is subject to the substance of the financial statements and not to its legal form.

The Company shall determine the classification at initial recognition as well as a reassessment of such determination, if possible and appropriate, at each date of the consolidated statement of financial position.

When measuring financial assets and liabilities, certain of the Company's assets and liabilities are re-measured at fair value for financial reporting purposes. In assessing the fair value of any assets or liabilities, the Company uses available observable market data. In the absence of Tier 1 inputs, the company conducts evaluations using professionally qualified independent evaluators. The Company works closely with qualified external evaluators to develop appropriate valuation and data valuation techniques.

B) Fair value measurement

If the fair values of financial assets and financial liabilities included in the consolidated statement of financial position cannot be obtained from active markets, these fair values are determined using a range of valuation techniques involving the use of accounting models. If possible, the data entered from those models will be obtained from market data. In the absence of such market data, fair values are determined by making judgments. These provisions include liquidity considerations and model data such as derivative volatility, longer-term discount rates, pre-payment ratios and default rates on asset-backed securities. Management believes that the valuation techniques used are appropriate to determine the fair value of financial instruments.

C) Derivative financial instruments

The fair values of derivative financial instruments measured at fair value are generally obtained by reference to quoted market prices, discounted cash flow models and, where appropriate, recognized pricing models. In the absence of prices, fair values are determined using valuation techniques that reflect observable market data. These techniques include comparison with similar instruments at observable market prices, discounted cash flow analysis, pricing option models and other valuation techniques commonly used by market participants. The main factors that the Administration takes into consideration when applying the model are:

- The expected timing and probability of future cash flows on the instrument where such cash flows are generally subject to the terms of the instrument, although the management judgment may be required where the counterparty's ability to repay the instrument in accordance with contractual terms is in doubt; and

- Appropriate discount rate for the instrument. Management determines the instrument discount rare at a rate higher than the non-risk rate. In assessing the instrument by reference to comparative instruments, management considers the maturity, structure and degree of classification of the instrument based on the system in which the existing position is compared. When evaluating tools on a model basis using the fair value of the main components, management also considers the need to make adjustments for a number of factors, such as bid differences, credit status, portfolio service costs, and uncertainty about the model.

Key Sources of Uncertainty Estimates

The main principal estimates used by management in applying the Company's accounting policies that have the most significant effect on the amounts recognized in the consolidated financial statements are as follows:

Determining the number and relative weight of scenarios of the outlook for each type of product / market and the identification of future information relevant to each scenario

When measuring the expected credit loss, the Company uses reasonable and supported future information based on the assumptions of the future movement of the various economic engines and how these affect each other.

Probability of default

The potential for default is a key input in measuring the expected credit loss. The probability of default is an estimate of the probability of default over a given period of time, which includes the calculation of historical data, assumptions and expectations relating to future circumstances.

Loss given default

Loss on the assumption of default is an estimate of the loss arising from default. It is based on the difference between the contractual cash flows due and those that the financer expects to collect, taking into account cash flows from collateral and integrated credit adjustments.

Fair value measurement and valuation procedures

When estimating the fair value of financial assets and financial liabilities, the company uses available observable market data. In the absence of level (1) inputs, the company conducts evaluations using appropriate valuation models to determine the fair value of financial instruments.

5. Cash at Banks

This item consists of the following:

	December 31, 2018	December 31, 2017
	JD	JD
Current account at Islamic banks	1,615,834	248,423
Current account at commercial banks	1,035,147	281,175
	2,650,981	529,598

6. Accounts Receivables from Financing Activities - Net

This item consists of the following:

	December 31, 2018	December 31, 2017
	JD	JD
Finance receivables	73,222,907	78,293,826
Less: Deferred income from financing contracts	(10,634,319)	(10,104,770)
	62,588,588	68,189,056
Less : Provision for expected credit loss	(18,328,886)	(13,377,080)
Suspended revenue	(1,969,504)	(2,385,326)
	42,290,198	52,426,650

The details of this account according to financing activities after deducting deferred revenue are as follows:

	Total Accounts Receivable as of December 31, 2018	Deferred Income as of December 31, 2018	Net accounts Receivable as of December 31, 2018	Net accounts Receivable as of December 31, 2017
	JD	JD	JD	JD
Issued investment wakala (shares)	2,785,591	-	2,785,591	9,348,061
Murabaha financing-cars	20,347,385	2,891,831	17,455,554	22, 056, 091
Murabaha financing-real estate	15,078,466	3,347,782	11,730,684	12,257,213
Murabaha financing-companies	32,682,779	4,276,886	28,405,893	22,239,345
Murabaha financing-individuals services	2,328,686	117,820	2,210,866	2,288,346
	73,222,907	10,634,319	62,588,588	68,189,056

Provision for expected credit loss

The movement on the provision for expected credit loss is as follows:

	For the Year Ended December 31, 2018	For the Year Ended December 31, 2017
	JD	JD
Balance at the beginning of the year	13,377,080	13,377,080
Impact of IFRS 9 implementation	7,496,559	-
Adjusted balance - Beginning of the Year	20,873,639	13,377,080
Written-off debts during the year *	(5,869,508)	-
Additions during the year	3,324,755	-
Balance at the End of the Year	18,328,886	13,377,080

* According to the Board of Directors decision number (5) dated July 26, 2018, debts amounted to JD 5,869,508 has been written-off noting that these debts were fully covered by provisions and suspended interests.

The movement on account receivable from financing activities balances during the year were as follow:

	Stage 1	Stage 2	Stage 3	Total
	JD	JD	JD	JD
For the Year Ended December 31, 2018				
Balance - beginning of the year	36,534,482	9,926,768	31,785,466	78,246,716
New financing during the year	12,990,249	4,005,986	19,972,384	36,968,619
Paid financing	(24,455,510)	(6,956,515)	(4,015,076)	(35,427,101)
Transferred to stage (1)	2,233,947	(2,053,072)	(180,875)	-
Transferred to stage (2)	(695,010)	5,391,646	(4,696,636)	-
Transferred to stage (3)	(830,129)	(1,201,679)	2,031,808	-
Effects resulted from adjustments	1,514,848	1,067,477	(2,582,325)	-
Written off financing activities – gross	-	-	(6,565,327)	(6,565,327)
Balance - End of the Year	27,292,877	10,180,610	35,749,420	73,222,907

The movement on the provision for expected credit loss during the year were as follows:

	Stage 1*	Stage 2	Stage 3	Total
	JD	JD	JD	JD
For the year Ended December 31, 2018				
Balance - beginning of the year	-	-	13,377,080	13,377,080
Impact of IFRS 9 implementation	2,772,965	1,074,898	3,648,696	7,496,559
Adjusted balance – Beginning of the year	2,772,965	1,074,898	17,025,776	20,873,639
Impairment on new financing during the year	62,669	1,365,491	7,808,357	9,236,517
Recovered from Impairment on paid financing	(2,253,562)	(445,019)	(1,930,273)	(4,628,854)
Transferred to stage 1	4,403	(4,383)	(20)	-
Transferred to stage 2	(53,919)	1,824,850	(1,770,931)	-
Transferred to stage 3	(98,156)	(68,123)	166,279	-
Effects resulted from adjustments	(356,438)	(509,144)	(417,326)	(1,282,908)
Written off credit facilities	-	-	(5,869,508)	(5,869,508)
Balance – End of the year	77,962	3,238,570	15,012,354	18,328,886

* The provision used for stage 1 amounted around JD 78 thousand since the guarantees used for stage 1 in total exceeds the exposures balances at the end of the year.

Suspended revenue

The movement on suspended revenue is as follows:

	2018	2017
	JD	JD
Balance - Beginning of the year	2,385,326	2,033,987
Suspended revenue during the year	522,999	1, 223, 821
Suspended revenue during the year	(243,002)	(872,482)
Written-off suspended revenue	(695,819)	-
Balance – End of the Year	1,969,504	2,385,326

The Company follows a policy of dealing with creditworthy parties as well as obtaining adequate collaterals, where possible, to mitigate the risk of financial losses arising from non-fulfillment of obligations.

There is a credit concentration of JD 14.2 million, representing 38% of total performing receivables from financing activities, granted to the largest ten performing customers, noting that there is no sufficient guarantees to cover the full balance as of December 31, 2018 (around JD 21 million as of December 31, 2017 representing 46.6%).

7. Financial Assets at Fair Value through Statement of Income

The details of this account are as follows:

	December 31,	
	2018	2017
	JD	JD
Shares listed on Amman Stock Exchange	52,824	35, 620
Shares listed on Dubai Stock Exchange	-	33,239
	52,824	68,859

8. Other Debit Balances

The details of this account are as follows:

	December 31,	
	2018	2017
	JD	JD
Prepaid expenses *	66,632	179,180
Accrued income	122,117	68, 744
Refundable deposits	318,663	677,602
Assets seized by the Company against receivables	1,036,060	1,036,060
Deferred bills of acceptance	17,700	39,700
Other receivables	163,439	323,968
	1,724,611	2,325,254

* This item includes rent of the Head Office building paid in advance (JD 98,512 as of December 31, 2017).

9. Financial Assets at Fair Value through Other Comprehensive Income

The details of this account are as follows:

	December 31,	
	2018	2017
	JD	JD
Shares listed on Amman Stock Exchange	4,412,834	3,994 ,105
Foreign listed shares	292,211	1,048 ,120
Unquoted shares	599,327	628,776
	5,304,372	5,671,001

- Shares of JD 2,582,554 (JD 1,478,480 as of December 31, 2017) were pledged to the Jordan Kuwait Bank against a ceiling of credits granted to the Company, and there isn't any pledged shares for Al Rajhi Bank as of December 31 ,2018 (JD 851,264 as of December 31, 2017) against a credit ceiling granted to the Company.

10. Property and Equipment – Net

This item consists of the following

	Computers Hardware and Software	Furniture and Fixtures	Vehicles	Decorations	Total
2018					
Cost:	JD	JD	JD	JD	JD
Balance - beginning of the year	352,271	244,102	134,573	1,163,946	1,894,892
Additions	10,031	2,830	36,800	1,000	50,661
Disposal	-	-	(30,000)	-	(30,000)
Balance - End of the Year	362,302	246,932	141,373	1,164,946	1,915,553
Accumulated depreciation:					
Balance - beginning of the year	308,935	200,838	85,954	770,631	1,366,358
Additions	20,932	8,609	21,266	87,607	138,414
Disposal	-	-	(5,949)	-	(5,949)
Balance - End of the Year	329,867	209,447	101,271	858,238	1,498,823
Net Book Value	32,435	37,485	40,102	306,708	416,730
2017					
Cost:					
Balance - beginning of the year	342,277	232,494	134,573	1,163,766	1,873,110
Additions	9,994	11,608	-	180	21,782
Balance - End of the Year	352,271	244,102	134,573	1,163,946	1,894,892
Accumulated depreciation:					
Balance - beginning of the year	285,730	177,686	65,768	683,057	1,212,241
Additions	23,205	23,152	20,186	87,574	154,117
Balance - End of the Year	308,935	200,838	85,954	770,631	1,366,358
Net Book Value	43,336	43,264	48,619	393,315	528,534
Annual Depreciation Rate %	20 – 25	10	15	7.5	-

Fully depreciated property and equipment amounted to JD 422,007 as of December 31, 2018 (JD 384,912 as of December 31, 2017).

11. Customers' Investment Accounts

This item represents the Wakala investments received from customers, for a period from 6 months to 36 months from the deposit date to be invested in the Company's activity. The rate of profit paid to customers according to the investment amount and duration ranges from 4.25% to 6% during the years 2018 and 2017.

12. Other Credit Balances

The details of this account are as follows:

	December 31,	
	2018	2017
	JD	JD
Suppliers	19,000	32,671
Accrued expenses	37,206	7,550
Accrued dividends	1,176,834	1,045,288
Shareholders' refundable deposits	146,703	147,923
Income tax withholdings	22,000	3,454
Unearned revenue	998,319	1,278 ,708
Accrued wakala investment profits	280,405	288,288
Board of Directors' remunerations	45,000	54,233
Guarantees redemption	23,899	171,910
Other credit balances	20,330	6,762
	2,769,696	3,036,787

13. Paid-up Share Capital and Reserves

a. Paid-up Share Capital

The Company's authorized and paid-up share capital consists of JD 35 million, divided into 35 million shares as of December 31, 2018 and 2017.

b. Statutory Reserve

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

c. Special Reserve

This item represents prior years' accumulated appropriations from income for the year before tax at a rate of 10%. This reserve is used for the purposes determined by the Board of Directors, and the General Assembly has the right to distribute it, in whole or in part, as dividends to shareholders.

d. Distribution of dividends

The General Assembly approved in its meeting held on April 26, 2018 to distribute to the shareholders cash dividends with amount of 1.4 million, equivalent to 4% of the company share capital amounted to 35 million (JD 2.1 million for the past year).

14. Investments Valuation Reserve

The movement on this account is as follows:

	2018	2017
	JD	JD
Balance - beginning of the year	(335,885)	(438,843)
Net change during the year - net of tax	(347,902)	102,958
Balance - End of the Year	(683,787)	(335,885)

15. Finance Revenue

This account represents revenue from companies' investments in various financing activities as follows:

	2018	2017
	JD	JD
Financing revenue murabaha - cars	2,031,416	2,474 ,596
Financing revenue morabaha - real estate	569,656	632,746
Financing revenue morabaha - companies	3,308,041	2,111 ,227
Financing revenue morabaha- Individuals services	205,528	135,363
	6,114,641	5,353,932

16. Gain (Loss) from Valuation of Financial Assets at Fair Value through Statement of Income

This item consists of the following:

	2018	2017
	JD	JD
Unrealized evaluation gain (loss)	26,246	(43,255)
	26,246	(43,255)

17. Other Revenue – Net

This item consists of the following:

	2018	2017
	JD	JD
Commission income	670,138	770,698
Rent revenue	109,387	108,358
Gain from sale of fixed assets	164	-
Other revenue	14,138	45,140
	793,827	924,196

18. Employees Cost

This item consists of the following:

	2018	2017
	JD	JD
Salaries, fee, and rewards	871,050	757, 185
The Company's social security contributions	80,844	78,213
Medical expenses	40,886	23,567
	992,780	858, 965

19. Other Operating Expenses

This item consists of the following:

	2018	2017
	JD	JD
Rent	179,253	178, 773
Promoting and advertising	15,182	41,903
Stationery and printing	12,817	13,596
Deprecation and amortization	149,528	167,449
Electricity and water	44,029	45,156
Communication	46,817	27,578
Insurance	68,272	14,160
Fuel	12,154	14,008
Maintenance	27,184	23,221
Cleaning	41,328	40,541
Transportation	10,147	9,901
Travel, transportation and Board of Directors' hospitality	58,704	58,051
Board of Directors' remuneration	32,370	45,000
Fees, licenses, and subscriptions	65,783	57,328
Hospitality	15,610	17,558
Committees fees	-	3,936
Legal fees	10,592	44,791
Management and shariaa fees	23,520	18,970
Professional fees	59,105	7,869
Banking services fees	24,919	19,047
Real estate valuation expenses	3,050	200
Security	-	3,000
Marketing and sale brokers commission	11,805	34,599
Other	9,530	19,094
	921,699	905,729

20. Income Tax Provision

a. This item consists of the following:

	For the Year Ended December 31,	
	2018	2017
	JD	JD
Balance - beginning of the year	904,842	795,712
Income tax paid	(910,427)	(991,544)
Income tax provision for the year	5,857	1,100,674
Balance - End of the Year	272	904,842

The Company has reached a final settlement with the Income and Sales Tax Department up to the year 2015. Moreover, the Company submitted its tax return for the years 2016 and 2017 and paid the due amounts within the legal period. However, the Income and Sales Tax Department has not yet reviewed the Company's operations for those years yet.

The Company has also calculated a provision for income tax for the year 2018. In the opinion of the Company's management and its tax advisor, the provisions recorded in the consolidated financial statements as at December 31, 2018 are sufficient to meet the expected tax liabilities, as the written-off debts that has a issued court resolutions have been utilized as taxable expenses after it has been written-off by the Company during the year 2018.

b. Income tax shown in the income statement is as follows:

	2018	2017
	JD	JD
Accrued income tax on the profits for the year	(5,857)	(1,100,674)
Deferred tax assets during the year	404,110	-
Surplus / Income tax provision	398,253	(1,100,674)

c. The details of deferred tax assets is as follow:

	For the Year Ended December 31, 2018							For the year ended December 31, 2017
Accounts Included:	Balance - Beginning of the Year	Impact of IFRS (9) Implementation	Adjusted – Balance – Beginning of the year	Amounts Added	Amounts Released/ written-off	Balance – End of Year	Deferred Tax	Deferred Tax
	JD	JD	JD	JD	JD	JD	JD	JD
Provision for expected credit loss	13,377,080	7,496,559	20,873,639	3,324,755	(5,869,508)	18,328,886	5,132,089	3,210,499
Written-off debts with court decision*	-	-	-	5,867,065	(4,863,460)	1,006,048	281,693	-
Investment evaluation reserve**	557,387	-	557,387	357,356	-	914,743	230,956	221,712
	13,934,467	7,496,559	21,431,026	9,551,619	(10,732,968)	20,249,677	5,644,738	3,432,211

* During the year 2018, the Company has approved to write-off debts in the amount around to JD 5.9 million, and due to the fact that legal judgements were issued from these receivables the management and the Company's tax advisor believe that these provisions will be accepted as a fully taxable allowable expense. Accordingly, the Company has recognized the deferred tax assets and used them in the calculation of the tax for the year 2018.

** Deferred tax assets related to investment evaluation reserve are calculated after taking into consideration 28% of the local investments and 10% of the foreign investments.

d. The movement on deferred tax assets is as follows:

	2018	2017
	JD	JD
Balance - beginning of the year	3,432,211	3,430,863
Deffered tax assets resulted from Impact of IFRS (9) implementation	1,799,174	-
Adjusted – Balance –Beginning of the year	5,231,385	
Addition during the year	1,775,122	1,348
Released during the year	(1,361,769)	-
Balance-end of the year	5,644,738	3,432,211

Deferred tax assets of the investment valuation reserve are calculated, with consideration to local investments of 28% and foreign investments of 10%.

21. Earnings Per Share

The details for this items are as follows:

	2018	2017
	JD	JD
Income for the year	1,727,488	3,187,779
Number of shares	35,000,000	35,000,000
Earnings per Share for the Year (Basic and Diluted)	0.049	0.091

22. Balances and Transactions with Related Parties

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

December 31, 2018	Executive Management	Company's Employees	Other Related Parties **	Total
Statement of Financial Position Items	JD	JD	JD	JD
Checks under collection				
Accounts receivable from financing activities-net *	21,476	182,302	190,243	394,021
Customers' investments accounts	355,000	5,500	6,954,350	7,314,850
Income Statement Items				
Revenue from financing activities	2,551	11,913	22,840	37,304
Investment accounts owners' share of revenue	12,425	234	365,347	380,006
Dividends distribution	-	-		
Murabaha percentage on accounts receivable (7%)				
Dividends distribution percentage (4.25% - 6%)				
December 31, 2017				
Statement of Financial Position Items				
Checks under collection				
Accounts receivable from financing activities-net *	29,601	176,532	-	206,133
Customers' investments accounts	-	-	4,600,000	4,600,000
Income Statement Items				
Revenue from financing activities	2,477	20,026	-	22,503
Investment accounts owners' share of revenue	-	-	100,271	100,271
Dividends distribution	-	-	233,272	233,272
Murabaha percentage on accounts receivable (7%)				
Dividends distribution percentage (4.25% - 6.75%)				

* After deducting deferred revenues.

** Other parties include companies partially owned by members and relatives of the Board of Directors.

- The salaries and other remunerations of executive management amounted to JD 442,724 during the year 2018 (JD 282,648 during the year 2017).

23. Risk Management

Financial instruments

The Company's principal financial assets are cash, bank balances, checks under collection, investments in financial assets at fair value through the statement of income, financial assets at fair value through other comprehensive income, and accounts receivable from financing activities.

Capital Risk Management

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

The following table shows the percentage of liabilities to shareholders' equity as of December 31, 2018 and 2017:

	December 31, 2018	December 31, 2017
	JD	JD
Customers' investment accounts	10,402,472	10,384,223
Income tax provision	272	904,815
Other credit balances	2,769,696	3,036,787
	13,172,440	14,325,825
Shareholders' equity	44,954,825	50,672,624
Liabilities to shareholders' equity ratio	29.3%	28.3%

Liquidity Risk

Liquidity risk, also referred to as funding risk, is the risk that the Company will encounter difficulty in raising funds to meet its commitments , and Liquidity risk may arise as a result of the interruption of some funding sources resulting from unexpected events or disturbances in the market ,and The Company manages liquidity risks through maintaining adequate reserves, continuously monitoring forecast and actual cash flows, and matching the maturities of financial assets and financial liabilities by diversify funding sources and maintain high liquidity assets that are readily transferred to cash.

The following table details the contractual maturities of the Company's financial liabilities as at December 31, 2018 and 2017:

	One year	More than One year	More than two years	Total
Customers' Investment Accounts	JD	JD	JD	JD
December 31, 2018	9,485,108	883,364	34,000	10,402,472
December 31, 2017	8,920,123	1,334,100	130,000	10,384,223

Credit Risk

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

The Company deposits cash and revenue with reputable and trustworthy financial institutions.

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

There are credit concentrations of approximately JD 14.2 million, representing 38% of total receivables from financing activities, granted to the largest ten performing customers, noting that there is a guarantee for most of these receivables as of December 31, 2018 (around JD 21 million as of December 31, 2017).

- The following table shows the distribution of the Company's revenues and assets by geographical segment as of December 31, 2018 and 2017:

	Inside the kingdom	Outside the kingdom	Total
December 31, 2018	JD	JD	JD
Total revenue	6,571,705	(3,236)	6,568,469
Total assets	57,576,235	551,030	58,127,265
December 31, 2017			
Total revenue	6,051,497	1,650	6,053,147
Total assets	63,571,039	1,427,437	64,998,476

The following table shows the concentration of the credit exposures of financial assets by geographical segment as at December 31, 2018 and 2017:

	Inside the kingdom	Outside the kingdom	Total
December 31, 2018	JD	JD	JD
Cash at banks	2,650,981	-	2,650,981
Accounts receivable from financing activities *	42,290,198	-	42,290,198
Financial assets at fair value through income statement	52,824	-	52,824
Due from brokerage companies	19,677	23,134	42,811
Financial assets at fair value through other comprehensive income	4,753,342	551,030	5,304,372
	49,767,022	574,164	50,341,186

	Inside the kingdom	Outside the kingdom	Total
December 31, 2017	JD	JD	JD
Cash at banks	529,598	-	529,598
Accounts receivable from financing activities *	52,426,650	-	52,426,650
Financial assets at fair value through income statement	35,619	33,240	68,859
Due from brokerage companies	-	5,255	5,255
Financial assets at fair value through other comprehensive income	4,339,650	1,331,351	5,671,001
	57, 331,517	1,369,846	58,701,363

* After deducting provision for doubtful debts from receivables and deferred revenue.

The following table shows the concentration of the credit exposures of financial assets by economic segment as at December 31, 2018 and 2017:

	Financial	Manufacturing	Services	Total
December 31, 2018	JD	JD	JD	JD
Cash at banks	2,650,981	-	-	2,650,981
Accounts receivable from financing activities *	-	-	42,290,198	42,290,198
Financial assets at fair value through income statement	39,427	13,165	232	52,824
Due from brokerage companies	-	-	42,811	42,811
Financial assets at fair value through other comprehensive income	283,332	-	5,021,040	5,304,372
	2,973,740	13,165	47,354,281	50,341,186

	Financial	Manufacturing	Services	Total
December 31, 2017	JD	JD	JD	JD
Cash at banks	529,598	-	-	529,598
Accounts receivable from financing activities *	-	-	52,426,650	52,426,650
Financial assets at fair value through income statement	35,582	28,139	5,138	68,859
Due from brokerage companies	-	-	5,255	5,255
Financial assets at fair value through other comprehensive income	1,170,241	-	4,500,760	5,671,001
	1,735,421	28,139	56,937,803	58,701,363

* After deducting provision for doubtful debts from receivables and deferred revenue.

Market risk

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

Foreign currency risk

Currency risk is the risk that the value of a financial instrument will fluctuate due to changes in foreign exchange rates, the company does not deal in foreign currencies in its activities and therefore there is no foreign currency risk on the company

Risk of change in share prices

Share price risk is the decline in the fair value of shares due to changes in shares indices and changes in the value of individual shares.

The change in the financial market index as of the financial statements date is the impact of a +5% increase or -5% decrease

The following is the impact on gains, losses and shareholders' equity:

2018	Change in index	Effects on gains and losses	Effects on shareholders' equity
		JD	JD
Financial market	Increase 5%	2,641	235,252
Financial market	Decrease (5%)	(2,641)	(235,252)

2017	Change in index	Effects on gains and losses	Effects on shareholders' equity
		JD	JD
Financial market	Increase 5%	3,443	252,111
Financial market	Decrease (5%)	(3,443)	(252,111)

Return risk

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

24. Information about the Company's business segments

The Company operates through two main activities:

1. Financing activities includes following-up on clients and granting them credit.

2. Investment activity includes investment in different financial instruments.

The following table shows the distribution of revenue, assets, and liabilities between those two activities:

	Financing	Investment	Total
December 31, 2018	JD	JD	JD
Total profits	6,114,641	265,746	6,380,386
Investment account owners' share from revenue	(605,744)	-	(605,744)
Not distributed revenue			793,827
Not distributed expenses			(1,914,479)
Expected credit loss			(3,324,755)
Income before tax			1,329,235
Surplus / Income tax expense (provision)			398,253
Income for the year			1,727,488
Other information			
Segment assets	42,290,198	5,357,196	47,647,394
Not distributed assets			10,478,871
Total			58,127,265
Segment liabilities	10,402,472	-	10,402,472
Not distributed liabilities			2,769,968
Total			13,172,440

	Financing	Investment	Total
December 31, 2017	JD	JD	JD
Total profits	5,353,932	190,018	5,543,949
Investment account owners' share from revenue	(414,998)	-	(414,998)
Not distributed revenue			924,196
Not distributed expenses			(1,764,694)
Income before tax			4,288,453
Income tax expense			(1,100,674)
Income for the year			3,187,779
Other information			
Segment assets	52,426,650	5,739,860	58,166,510
Not distributed assets			6,831,966
Total			64,998,476
Segment liabilities	10,384,223	-	10,384,223
Not distributed liabilities			3,941,629
Total			14,325,852

25. Analysis of Maturity of Assets and Liabilities:

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

December 31, 2018	For One Year	More than One Year	Total
	JD	JD	JD
Assets			
Cash on hand and at banks	2,650,981	-	2,650,981
Accounts receivable from financing activities *	17,605,268	24,684,930	42,290,198
Due from brokerage companies	42,811	-	42,811
Other debit balances	345,344	1,379,267	1,724,611
Deferred tax assets	-	5,644,738	5,644,738
Financial assets at fair value through statement of income	52,824	-	52,824
Financial assets at fair value through other comprehensive income	-	5,304,372	5,304,372
Property and equipment	-	416,730	416,730
Total Assets	20,697,228	37,430,037	58,127,265

* After deducting provision for doubtful debts and deferred revenue.

Liabilities			
Customers' investment accounts	9,485,108	917,364	10,402,472
Income tax provision	272	-	272
Other credit balances	1,771,323	998,373	2,769,696
Total liabilities	11,256,703	1,915,737	13,172,440
Net	9,440,525	35,514,300	43,954,825

December 31, 2017	For One Year	More than One Year	Total
	JD	JD	JD
Assets			
Cash on hand and at banks	529,598	-	529,598
Accounts receivable from financing activities *	27,114,635	25,312,015	52,426,650
Due from brokerage companies	5,255	-	5,255
Other debit balances	2,106,004	219,250	2,325,254
Deferred tax assets	-	3,432,211	3,432,211
Financial assets at fair value through statement of income	68,859	-	68,859
Financial assets at fair value through other comprehensive income	-	5,671,001	5,671,001
Intangible assets	-	11,114	11,114
Property and equipment	-	528,534	528,534
Total Assets	29,824,351	35,174,125	64,998,476

* After deducting provision for doubtful debts and deferred revenue.

Liabilities			
Customers' investment accounts	8,697,115	1,687,108	10, 384,223
Income tax provision	904,842	-	904,842
Other credit balances	1,999,252	1,037,535	3,036,787
Total liabilities	11,601,209	2,724,643	14,325,852
Net	18,223,142	32,449,482	50,672,624

26. Contingent Liabilities

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

	December 31,	
	2018	2017
	JD	JD
Letters of credit *	597,274	130,994
Banks guarantees	332,300	687,300
Less: refundable deposits	(303,500)	(643,230)
	626,074	175,064

* Letters of credit represent ceiling for the Company's customers of JD 2,500,000 at Jordan Kuwait Bank.

27. Legal Cases

- There are no lawsuits raised against the Company as of December 31, 2018 (JD 15,850 as of December 31, 2017).

- The Company has raised several cases against defaulting customers. These cases amounted to approximately JD 13,560,627 as of December 31, 2018 (JD 12,856,925 as of December 31, 2017).

28. Contra Accounts

Checks in advance from customer agnist financing installment:

	December 31,2018	
	Debit	Credit
	JD	JD
Check under collection \customer	-	-
Check under collection	15,070,265	15,070,265
	15,070,265	15,070,265

29. Fair Value Hierarchy

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 December 31, 2018 Fair Value	Fair Value December 31, 2017 Fair Value	Fair Value Hierarchy	Valuation Technique	Significant Unobservable Inputs	Relationship of Unobservable Inputs to Fair Value
	JD	JD				
Financial assets at fair value through statement of income:						
Shares with available market prices	52,824	68,859	Level 1	Prices announced at the financial market	Not applicable	Not applicable
Financial assets at fair value through other comprehensive income:						
Shares with available market prices	4,705,045	4,038,975	Level 1	Prices announced at the financial market	Not applicable	Not applicable
Share without available market prices	599,327	1,632,026	Level 2	Equity method based on the latest audited financial statements	Not applicable	Not applicable
Total financial assets at fair value	5,357,196	5,739,860				

No transfers between Level 1 and Level 2 were made during 2018 and 2017.

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

The Company considers that the carrying amounts of the financial assets and financial liabilities recognized in the financial statements approximate their fair value.