

الشركة الشامخة للاستثمارات العقارية والمالية المساهمة العامة المحدودة
ALSHAMEKHA FOR REALESTATE AND FINANCIAL INVESTMENTS CO.LTD

رأس المال المكتتب به (١٢٠٠٠٠٠٠) دينار

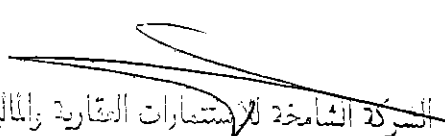
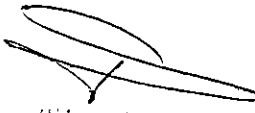
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رقم

2019/03/05

عمان في

لدينا
ببورصة عمان

To: Jordan Securities Commission Amman Stock Exchange Date: ٠٥/0٣/201٩ Subject: Audited Financial Statements for the fiscal year ended 31/12/201٨	السادة هيئة الأوراق المالية المحترمين السادة بورصة عمان المحترمين التاريخ: ٢٠١٩/٠٣/٥ الموضوع: البيانات المالية السنوية المدققة للسنة المنتهية بتاريخ ٢٠١٨/١٢/٣١
Attached the Audited Financial Statements of Alshamekha for Real estate & Financial Investment. for the fiscal year ended 31/12/201٨.	مرفق طية نسخة من البيانات المالية المدققة لشركة الشامخة للاستثمارات العقارية و المالية المساهمة العامة عن السنة المالية المنتهية بتاريخ ٢٠١٨/١٢/٣١.
Kindly accept our high appreciation and respect.	وتفضلوا بقبول فائق الاحترام ،،،،
Chairman & General Manager "Mohammad Ameen" salem Abu Assaf	رئيس مجلس الإدارة/المدير العام "محمد أمين" سالم أبو عساف
 الشركة الشامخة للاستثمارات العقارية والمالية معكم	 الشركة الشامخة للاستثمارات العقارية والمالية معكم

هيئة الأوراق المالية
الدائرة الإدارية / الديوان

٥ - آذار ٢٠١٩

الرقم التسلسلي: ٣١١١١٣
الجهة المختصة: ١١٢ / ١١٢ / ١١٢

SHAMAKHA REAL ESTATE AND FINANCIAL INVESTMENTS
Public Shareholding Company
Amman - Jordan

Financial Statements
Together with
Independent Auditors' Report
For the year ended 31 December 2018

Researchers
Public Accountants & Consultants

SHAMAKHA REAL ESTATE AND FINANCIAL INVESTMENTS
Public Shareholding Company
Amman - Jordan

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INDEPENDENT AUDITORS' REPORT

To the Shareholders of

SHAMAKHA REAL ESTATE AND FINANCIAL INVESTMENTS
Public Shareholding Company
Amman - Jordan

Report on the Audit of the Financial Statements

Opinion

We have audited the attached financial statements of SHAMAKHA REAL ESTATE AND FINANCIAL INVESTMENTS (Public Shareholding Company), which comprise the statement of financial position as of December 31, 2018, and the statement of comprehensive income, statement of changes in equity and statement of cash flows for the year then ended, and notes to the financial statements, including a summary of significant accounting policies.

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

Basis for Opinion

We conducted our audit in accordance with International Standards on Auditing (ISAs). Our responsibilities under those standards are further described in the Auditors' Responsibilities for the Audit of the Financial Statements section of our report. We are independent of the Company in accordance with the International Ethics Standards Board for Accountants' Code of Ethics for Professional Accountants (IESBA Code) together with the ethical requirements that are relevant to our audit of the financial statements, and we have fulfilled our other ethical responsibilities in accordance with these requirements and the IESBA Code.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Key Audit Matters

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

Accounts receivable and checks for collection

Key audit matter description

The total receivables, checks for collection amounted to JD 84,876 as on 31 December, 2018. As explained in Note (11/a) and (11/b) of the attached financial statements.

How the important audit was processed in our auditing

Our audit procedures included ,Valuation of the management methodology used to determine the value of impairment, Examine a sample of receivables classified by the management as troubled to evaluate the reasonableness of their classification ,Examine some of the procedures and relevant internal control systems followed by management , Audit of the aging of receivables and collection in the subsequent period and the guarantees relating to those receivables and the adequacy of the allowance for depreciation of doubtful debts by valuation management assumptions to determine the amount of depreciation as on 31 December 2018. We have evaluated the adequacy of the Company's disclosures in the attached financial statements.

Other Information

Management is responsible for the other information. The other information comprises the information included in the annual report 2018, but does not include the financial statements and our auditors' report there on. We have not been provided with any other information until the date of our report, which is expected to be provided after this date.

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

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated. If, based on the work we have performed, we conclude that there is a material misstatement of this other information; we are required to report that fact. To those in charge of governance.

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

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

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

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

Auditors' Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinion.

Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs will always detect a material misstatement when it exists.

Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

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

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

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

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

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

Report on Other Legal and Regulatory Requirements

The Company has proper accounting records which are, in all material respects, consistent with the accompanying financial statements, accordingly, we recommend approving these financial statements by the general assembly.

**Researchers
Public Accountants & Consultants**



Rami Amasha
License No.(803)

Researchers
Public Accountants & Consultants

Amman- Jordan
9/02/2019

SHAMAKHA REAL ESTATE AND FINANCIAL INVESTMENTS
Public Shareholding Company
Amman - Jordan

Statement of financial position
As of 31 December 2018

	<u>Note</u>	<u>2018</u> <u>JD</u>	<u>2017</u> <u>JD</u>
<u>Assets</u>			
<u>Non-current assets</u>			
Equipment & property less accumulated depreciation	5	86,269	92,514
Net Real estate investments	6	186,829	198,647
Projects in process	7	1,076,081	509,975
Financial assets at fair value through other comprehensive income	8	<u>236,624</u>	<u>249,194</u>
Total non - current assets		<u>1,585,803</u>	<u>1,050,330</u>
<u>Current assets</u>			
Other debit balances	9	24,227	5,795
Apartments ready for sale	10	578,343	577,100
Net receivables	11	84,876	93,654
Cash & cash equivalent	12	<u>67,850</u>	<u>574,947</u>
Total current assets		<u>755,296</u>	<u>1,251,496</u>
Total assets		<u>2,341,099</u>	<u>2,301,826</u>
<u>Equity and liabilities</u>			
<u>Equity</u>			
Paid Capital	13	1,200,000	1,200,000
Statutory reserve	13	931,125	931,125
Optional reserve	13	70,866	70,866
Cumulative change in the fair value of Financial assets		(106,035)	(117,147)
Retained Earnings		<u>30,553</u>	<u>138,186</u>
Net equity		<u>2,126,509</u>	<u>2,223,030</u>
<u>Non-Current liabilities</u>			
Loan – long term	14	<u>130,748</u>	-
Total non - current liabilities		<u>130,748</u>	<u>-</u>
<u>Current liabilities</u>			
Accounts payable		1,056	1,000
Other Provisions	15	17,214	18,397
Other credit balances	16	<u>65,572</u>	<u>59,399</u>
Total current liabilities		<u>83,842</u>	<u>78,796</u>
Total liabilities and equity		<u>2,341,099</u>	<u>2,301,826</u>

The accompanying notes on (1) to (24) are an integral part of these financial statements.

SHAMAKHA REAL ESTATE AND FINANCIAL INVESTMENTS
Public Shareholding Company
Amman - Jordan

Comprehensive Income Statement
For the year ended 31December 2018

	<u>Note</u>	<u>2018</u> <u>JD</u>	<u>2017</u> <u>JD</u>
Rental income		111,376	112,185
Revenue from services		1,342	1,383
Net realized income from sale of apartments	17	<u>-</u>	<u>67,087</u>
Total revenue		112,718	180,655
Interest Avenues		1,729	20,349
Administrative and General expenses	18	(128,682)	(138,563)
Depreciation of property and equipment		(19,163)	(19,256)
Board of Directors' remuneration		<u>-</u>	<u>(3,600)</u>
Profit (loss) for the year before tax		(33,398)	39,585
Income tax for the year	20	-	(1,337)
Profit (loss) for the year		(33,398)	38,248
Add: Other comprehensive income items			
(Loss) from sale of financial asset at fair value through other comprehensive income		(7,053)	-
Change in fair value reserve for financial assets at fair value through other comprehensive income		<u>3,930</u>	<u>13,500</u>
Total comprehensive income (loss) for the year		(36,521)	51,748
		<u>Files/JD</u>	<u>Files/JD</u>
The basic and diluted portion of the share of profit (loss) for the year	19	<u>(0,028)</u>	<u>0,032</u>

The accompanying notes on (1) to (24) are an integral part of these financial statements.

SHAMAKHA REAL ESTATE AND FINANCIAL INVESTMENTS
Public Shareholding Company
Amman - Jordan

Changes in Equity Statement
For the year ended 31 December 2018

<u>Statement</u>	<u>Capital</u>		<u>Statutory reserve</u>		<u>Optional reserve</u>		<u>Cumulative change in fair value</u>		<u>Retained Earnings</u>		<u>Total</u>	
	<u>JD</u>	<u>JD</u>	<u>JD</u>	<u>JD</u>	<u>JD</u>	<u>JD</u>	<u>JD</u>	<u>JD</u>	<u>JD</u>	<u>JD</u>	<u>JD</u>	<u>JD</u>
Balance as of 1 Jan.2018	1,200,000	-	931,125	70,866	-	(117,147)	-	-	138,186	-	2,223,030	-
Total Comprehensive income (loss) for the year	-	-	-	-	-	-	-	-	(33,398)	(60,000)	(35,398)	(60,000)
Dividends paid	-	-	-	-	-	-	-	-	-	(14,235)	(7,053)	(7,053)
(Loss) from sale of financial asset at fair value through other comprehensive income	-	-	-	-	-	7,182	-	-	-	-	3,930	3,930
Net Change in fair value	-	-	-	-	-	(106,035)	3,930	(106,035)	30,553	30,553	2,126,509	2,126,509
Balance as on 31 Dec. 2018	<u>1,200,000</u>	-	<u>931,125</u>	<u>70,866</u>	-	<u>(117,147)</u>	<u>3,930</u>	<u>(106,035)</u>	<u>30,553</u>	<u>105,876</u>	<u>2,171,282</u>	<u>2,171,282</u>
Balance as on 1 Jan 2017	1,200,000	-	927,166	68,887	-	(130,647)	-	-	38,248	-	38,248	38,248
Total comprehensive income for the year	-	-	-	-	-	-	-	-	-	-	13,500	13,500
Net Change in fair value	-	-	-	-	-	-	-	-	-	-	-	-
Converted to Reserves	-	-	3,959	1,979	-	-	-	-	(5,938)	(5,938)	-	-
Balance as on 31 Dec 2017	<u>1,200,000</u>	-	<u>931,125</u>	<u>70,866</u>	-	<u>(117,147)</u>	<u>1,979</u>	<u>(117,147)</u>	<u>138,186</u>	<u>138,186</u>	<u>2,223,030</u>	<u>2,223,030</u>

The accompanying notes on (1) to (24) are an integral part of these financial statements.

SHAMAKHA REAL ESTATE AND FINANCIAL INVESTMENTS
Public Shareholding Company
Amman - Jordan

Cash Flows Statement
For the year ended 31 December 2018

	<u>2018</u>	<u>2017</u>
	<u>JD</u>	<u>JD</u>
<u>Cash flow from operating activities</u>		
(Loss) profit for the year before tax and provisions	(33,398)	39,585
Depreciation	<u>19,163</u>	<u>19,256</u>
Operating profit before changes in assets and liabilities	<u>(14,235)</u>	<u>58,841</u>
Other receivables	(18,432)	5,991
Receivables	8,778	(64,017)
Accounts payable	56	(4,050)
Payments on ready apartments for sale	-	(20,000)
Other provisions	(1,183)	(119,290)
Other credit balances	<u>6,173</u>	<u>(5,444)</u>
Net cash flow from operating activities	<u>(18,843)</u>	<u>(147,969)</u>
<u>Cash flow from investment activities</u>		
Purchase of property and equipment	(1,100)	-
Projects in process	(566,106)	(8,470)
Financial assets at fair value through other comprehensive income	9,447	-
Apartments ready for sale	<u>(1,243)</u>	<u>163,043</u>
Net cash flow from investment activities	<u>(559,002)</u>	<u>154,573</u>
<u>Cash flow from financing activities</u>		
Loan	130,748	-
Dividends paid	<u>(60,000)</u>	<u>-</u>
Net cash flow from financing activities	<u>70,748</u>	<u>-</u>
Net increase in cash and cash equivalents	(507,097)	6,604
Cash and cash equivalents at the beginning of the year	<u>574,947</u>	<u>568,343</u>
Cash and cash equivalents at the end of the year	<u>67,850</u>	<u>574,947</u>

The accompanying notes on (1) to (24) are an integral part of these financial statements.

SHAMAKHA REAL ESTATE AND FINANCIAL INVESTMENTS

Public Shareholding Company

Amman - Jordan

Notes to the financial statements

31 December 2018

1 Overview

- a. The company was established as a public shareholding company and registered with the Ministry of Industry and Trade under No. (78) on 11 June 1974 with an authorized and paid up capital of JD1,200,000.
- b. **Objectives of the company:**
- Investment in real estate and lands through purchase, sell, invest, develop, maintain, renovate and modernize real estate and lands.
 - Construction of housing projects and reconstruction of all types and purposes thereof either residential, commercial, industrial and investment.
 - Investment in all economic fields, whether financial, industrial, real estate, tourism, commercial, agricultural or service industries, through the establishment of investment projects.
- c. The company's shares are listed at Amman Stock Exchange - Jordan.
- d. The accompanying financial statements have been approved by the Board of Directors of the company in its meeting held on 9/2/2019. These financial statements require the approval of the General Assembly of Shareholders.

2 Basis of preparing the financial statements

a. Compliance Statement

The financial statements have been prepared in accordance with International Financial Reporting Standards, interpretations issued by the International Accounting Standards Board (IASB), relevant legislation and historical cost basis except for certain financial assets and liabilities that are stated at fair value, financial assets and financial liabilities at amortized cost.

The Jordanian Dinar is the currency of the presentation of the financial statements, which represents the company's functional currency.

SHAMAKHA REAL ESTATE AND FINANCIAL INVESTMENTS
Public Shareholding Company
Amman - Jordan

Notes to the financial statements
31 December 2018

b. Use of estimates

The preparation of the financial statements and the application of accounting policies require management to make estimates and judgments that affect the amounts of financial assets and liabilities and disclose potential liabilities. These estimates also affect the income, expenses and provisions as well as the reserve for the valuation of financial assets at fair value and in particular require management to make judgments to estimate the amounts and timing of future cash flows and their timing arising from the future circumstances of those estimates. These estimates are necessarily based on multiple hypotheses and factors with varying degrees of estimation and uncertainty and actual results may differ from estimates as a result of future changes in the conditions and circumstances of those provisions.

The following is a summary of the significant issues in which uncertainty estimates and interpretations of accounting policies are applied that significantly affect the amounts in the financial statements.

- The management periodically recalculates the production age of the tangible assets based on the overall condition of these assets and management's expectations for future production.
- The management reviews the cases against the company on a continuous basis, based on a legal study prepared by the company's legal advisor, which indicates the potential risks that the company may incur in the future due to these cases.
- The management makes provision for doubtful debts based on its estimate of the possibility of recovery of such receivables in accordance with International Financial Reporting Standards.
- The management estimates the recoverable amount of other financial assets to determine whether there is any impairment in value.
- The department estimates income tax expense in accordance with applicable laws and regulations.

SHAMAKHA REAL ESTATE AND FINANCIAL INVESTMENTS

Public Shareholding Company

Amman - Jordan

Notes to the financial statements

31 December 2018

3 Significant accounting policies

The Company has early adopted (IFRS) standard 9 regarding the measurement and classification of financial assets in the preparation of the financial statements from January 1, 2011 on the instructions of the JSC, with the mandatory application of 1 January 2018.

The accounting policies adopted in the preparation of the financial statements for the year ended 31 December 2018 are consistent with the accounting policies adopted in the preparation of the financial statements for the year ended 31 December 2017.

a. Financial Instruments

*** Financial assets at fair value through other comprehensive income**

- These assets represent investments in equity instruments for the purpose of long term retention.
- These assets are recognized at fair value plus acquisition costs and are subsequently revalued at fair value. The change in fair value is reflected in other comprehensive income and in equity, including changes in fair value arising from translation differences on non-monetary items in foreign currencies; if the asset is sold or part thereof, the resulting gain or loss is recognized in other comprehensive income and in equity. The balance of the asset valuation reserve sold is transferred directly to retained earnings and not through the statement of comprehensive income.
- These assets are not subject to impairment losses .
- Dividends distributed are recognized in profit and loss statement and other comprehensive income on a separate item.

b. Property and equipment

Recognition and measurement

Property and equipment are stated at cost less accumulated depreciation and accumulated impairment losses.

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Notes to the financial statements
31 December 2018

Cost includes expenses directly attributable to the acquisition of property and equipment.

Where the recoverable amount of any property and equipment is less than its net book value, the carrying amount thereof is reduced to its recoverable amount and the impairment loss is recognized in the comprehensive income statement.

The useful life of property and equipment is reviewed at the end of each year. If the forecast of the useful life was different from previous estimates, the change in estimate for subsequent years is recognized as a change in estimates.

Property and equipment are excluded when disposed of or when no future benefits are expected from their use or disposition.

Profits and losses arising from the disposal of items of property and equipment are determined by comparing the receipts from the disposal with the carrying amount of those items, and these profits and losses are recognized as 'other income' or 'other expenses' in the comprehensive income statement.

Subsequent costs

The cost of the replaced part of any item of property and equipment is recognized in the carrying amount of that item if the economic benefits will flow to the Company in the future. In addition to the possibility of measuring the cost of that part reliably. The listed valued of the replaced part are written off.

All daily costs and expenses incurred by the Company for the maintenance and operation of property and equipment are recognized in the comprehensive income statement.

Depreciation

Depreciation is recognized in the interim statement of comprehensive income on a straight-line basis over the estimated useful life of each item of property and equipment.

The estimated percentage of property and equipment depreciation during the current year is the same as the previous year as follows:

SHAMAKHA REAL ESTATE AND FINANCIAL INVESTMENTS
Public Shareholding Company
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Notes to the financial statements
31 December 2018

Property and equipment Estimated useful lives in years

Buildings	50
Furniture	12
Cars	10
Electrical appliances	10
Air conditioners	10
Decors	20

c. Impairment

*** Financial assets**

At the end of the financial year, the company reviews the registered amounts of financial assets other than those financial assets through the profits and loss statement of to determine whether there is objective evidence that the financial asset is impaired. The financial asset is impaired in the event of objective evidence indicating an event that resulted in a loss after the initial recognition of the financial asset. The impairment is recognized when the book value becomes greater than the amount expected to be recovered from the financial asset in accordance with International Financial Reporting Standards. The amount of impairment is determined as follows:

Financial assets are assessed at the end of each reporting period to determine whether there is objective evidence that the asset is impaired.

The financial asset is impaired if objective evidence indicates that a loss event has a negative impact on the estimated future cash flows from those assets.

Impairment of financial assets carried at their recoverable amount is calculated by taking the difference between their listed value and the present value of estimated future cash flows discounted at the effective original interest rate.

Impairment of significant financial assets is tested on an individual basis.

Impairment loss is reversed if it is objectively related to a justified event occurring after the impairment loss is recognized and the reversal of the impairment loss relating to the financial asset at the recoverable amount is recognized in the statement of comprehensive income.

SHAMAKHA REAL ESTATE AND FINANCIAL INVESTMENTS
Public Shareholding Company
Amman - Jordan

Notes to the financial statements
31 December 2018

* **Non-financial assets**

The carrying amounts of the company non financial assets are reviewed at the end of the fiscal year, except the inventory, to determine whether there is any indication of impairment. If any such indication exists, then the asset's recoverable amount is estimated. The Recoverable amount is the higher of an asset's fair value less costs to sell and its value in use. An impairment loss is recognized if the carrying amount of an asset exceeds its estimated recoverable amount. All impairment losses are recognized in the statement of income.

d. Real estate investments

Real estate investment is a property that acquired either to earn rental income or for an increase in its value or both, but not for the purpose of selling it through the normal activities of the company. It is not used in production or supply of goods or services or for administrative purposes. Real estate investments are presented at cost after deducting accumulated depreciation and amortization Real estate investments (except land) when they are ready for use on a straight-line basis over the expected production life of 2%.

e. Projects in process

Projects in process are represented at cost and include the cost of construction and direct expenses. Projects are not depreciated under construction unless the related assets are ready for use or are ready for sale in order to recognize their cost in the statement of income on disposal.

f. Receivables

Receivables are financial assets with fixed or determinable payments that are not traded in an active market. Such assets are initially recognized at fair value plus any transaction costs directly associated thereof. Subsequently the initial recognition, the receivables are measured at amortized cost less any impairment losses Accounts receivable comprise trade and other receivables that are required from related parties.

SHAMAKHA REAL ESTATE AND FINANCIAL INVESTMENTS

Public Shareholding Company

Amman - Jordan

Notes to the financial statements

31 December 2018

g. Cash and cash equivalents

Cash represents through the maturities of not more than three months that do not include the risk of change in fair value and are used by the Company to meet its short-term liabilities.

h. Recognition of revenues and expenses

- Revenues and expenses recognition are recognized in accordance with the accrual basis.
- Rental income from real estate investments is recognized as income on a straight-line basis over the period of the contract.
- Interest income is recognized when due.

i. Transactions in foreign currencies

Assets and liabilities denominated in foreign currencies at the end of the financial year are translated into Jordanian Dinars using the average prevailing rates at the end of the financial year. All foreign currency transactions are transformed into Jordanian Dinars using the prevailing rates at the date of such transactions and net foreign exchange gains or losses income list.

j. Provisions

Provisions are recognized when the company has obligations as of the date of the statement of financial position arising from past events and the payment of liabilities is probable and can be reliably measured.

The amounts recognized as provisions represent the best estimate of the amounts required to settle the obligation at the reporting date, taking into account the risks and uncertainties associated with the obligation. When the amount of the provision is determined on the basis of the estimated cash flows to settle the present obligation, its carrying amount represents the present value of these cash flows.

When it is expected to recover some or all of the economic benefits required from other parties to settle the provision, the receivable is recognized in the asset if the receipt of the awards is effectively confirmed and its value can be measured reliably.

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k. Income tax

- The company is subject to Income Tax Law No. 34 for the year 2014 and its subsequent amendments and instructions issued by the Income Tax Department of the Hashemite Kingdom of Jordan. The income tax is calculated on the basis of the adjusted net profit and the income tax rate of 20%.
- Income tax expense includes current taxes and deferred taxes. Income tax expense is recognized in the statement of comprehensive income and the tax relating to items recognized directly under other income is recognized in the statement of comprehensive income.
- The current tax represents the expected tax payable on the tax profit for the year using the tax rate prevailing at the date of the financial statements in addition to any adjustments in the tax due in respect of previous years.
- Deferred taxes are recognized in respect of temporary differences between the carrying amounts of assets and liabilities in the financial statements and the amounts determined for tax purposes.
- Deferred taxes are calculated on the basis of tax rates expected to be applied to temporary differences when they are reversed based on the laws prevailing at the reporting date.
- Deferred tax assets and liabilities are offset if there is a legal right that is required to shorten existing tax assets and liabilities and relate to income tax that is collected by the same tax authorities on the same taxable company and may settle current liabilities and tax assets net, the tax liability will be realized at the same time.
- Deferred tax assets are recognized when tax profits are likely to be realized in the future and temporary differences can be utilized.
- Deferred tax assets are reviewed at the end of each financial year and are reduced when the tax benefits associated with them are not probable.

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4 Changes in accounting policies

The accounting policies adopted in the preparation of the financial statements are consistent with those followed in the preparation of the financial statements for the year ended on 31 December 2017, except for the implementation of the new and amended standards:

New and amended standards and explanations which were issued and effective in the financial year which starts at the beginning of January 2018:

- International Accounting Standard No. (9) "Financial Instruments", effective at the beginning of January 2018, which discusses the categorization, measurement and acknowledgement of financial assets and liabilities and introduces new rules to hedge accounting.
- International Accounting Standard No. (15) "Revenue from contracts with customers", effective at the beginning of January 2018. This standard shall replace the International Accounting Standard No. (18), which covers commodity and service contracts and International Accounting Standard No. (11) which covers construction contracts. Based on the new standard, revenue is acknowledged when control over commodity or service is transferred to the client, hence the concept of control replaces the concept of risks and returns.

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- International Accounting Standard No. (16) "Leases", effective at the beginning of January 2019, which will replace International Accounting Standard No. (17) "Leases". The new standard requires from the leases to register future lease liabilities for all leases, including right-of-use assets.

The Company has not applied any of them earlier, except for the early adoption of IFRS standard no.9 on the measurement and classification of financial assets in the preparation of the financial statements for the year ended on January 1, 2011, subject to the instructions of the Securities Commission. Its mandatory application is due on 1 January 2018. The application of these standards and interpretations in subsequent periods will not have a material financial impact on the company's financial statements.

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5	Equipment & property less accumulated depreciation											
	This item consists of the following:											
2018	Muwagar land*	Furniture	Cars	Electrical Equip	Ac	Décor	Total					
Cost:	JD	JD	JD	JD	JD	JD	JD					
Balance at the beginning of the year	65,415	5,214	39,250	10,350	4,415	41,609	166,253					
Additions	-	-	-	1,100	-	-	1,100					
(Exclusions)	-	-	-	-	-	-	-					
Balance as on 31 Dec. 2018	<u>65,415</u>	<u>5,214</u>	<u>39,250</u>	<u>11,450</u>	<u>4,415</u>	<u>41,609</u>	<u>167,353</u>					
Accumulated depreciation:												
Accumulated depreciation at the beginning of the year:	-	4,776	31,400	8,183	4,414	24,966	73,739					
Consumption of the year	-	394	3,925	945	-	2,081	7,345					
(Exclusions)	-	-	-	-	-	-	-					
Accumulated depreciation as on 31 December 2018	<u>-</u>	<u>5,170</u>	<u>35,325</u>	<u>9,128</u>	<u>4,414</u>	<u>27,047</u>	<u>81,084</u>					
Net book value as on 31 December 2018	<u>65,415</u>	<u>44</u>	<u>3,925</u>	<u>2,322</u>	<u>1</u>	<u>14,562</u>	<u>86,269</u>					

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<u>2017</u>	<u>Muwagar land*</u>	<u>Furniture</u>	<u>Cars</u>	<u>Electrical equip</u>	<u>Ac</u>	<u>Décor</u>	<u>Total</u>
<u>Cost:</u>	<u>JD</u>	<u>JD</u>	<u>JD</u>	<u>JD</u>	<u>JD</u>	<u>JD</u>	<u>JD</u>
Balance at the beginning of the year	65,415	5,214	39,250	10,350	4,415	41,609	166,253
Additions	-	-	-	-	-	-	-
(Exclusions)	-	-	-	-	-	-	-
Balance as on 31 Dec. 2017	<u>65,415</u>	<u>5,214</u>	<u>39,250</u>	<u>10,350</u>	<u>4,415</u>	<u>41,609</u>	<u>166,253</u>
Accumulated depreciation:							
Accumulated depreciation at the beginning of the year:	-	4,354	27,475	7,787	3,975	22,885	66,476
Consumption of the year	-	422	3,925	396	439	2,081	7,263
(Exclusions)	-	-	-	-	-	-	-
Accumulated depreciation as on 31 December 2017	<u>-</u>	<u>4,776</u>	<u>31,400</u>	<u>8,183</u>	<u>4,414</u>	<u>24,966</u>	<u>73,739</u>
Net book value as on 31 December 2017	<u>65,415</u>	<u>438</u>	<u>7,850</u>	<u>2,167</u>	<u>1</u>	<u>16,643</u>	<u>92,514</u>

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6 Real estate investments

This item consists of the following:

<u>31/12/2018</u>	<u>Land*</u>	<u>Building</u>	<u>Electrical work</u>	<u>Elevator</u>	<u>Constructions and buildings in Aqaba**</u>	<u>Total</u>
<u>Cost:</u>	<u>JD</u>	<u>JD</u>	<u>JD</u>	<u>JD</u>	<u>JD</u>	<u>JD</u>
Balance as on 1 Dec 2018	48,916	534,511	4,859	13,023	281,846	883,155
Additions	-	-	-	-	-	-
(Exclusions)	-	-	-	-	-	-
Balance as on 31 Dec. 2018	<u>48,916</u>	<u>534,511</u>	<u>4,859</u>	<u>13,023</u>	<u>281,846</u>	<u>883,155</u>
Accumulated depreciation:						
Accumulated depreciation at the beginning of the year	-	385,909	4,859	11,895	281,845	684,508
Consumption of the year	-	10,690	-	1,128	-	11,818
(Exclusions)	-	-	-	-	-	-
Accumulated depreciation as on 31 Dec 2018	-	<u>396,599</u>	<u>4,859</u>	<u>13,023</u>	<u>281,845</u>	<u>696,326</u>
Net book value as on 31 December 2018	<u>48,916</u>	<u>137,912</u>	<u>-</u>	<u>-</u>	<u>1</u>	<u>186,829</u>

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<u>31/12/2017</u>	<u>Land*</u>	<u>Building</u>	<u>Electrical work</u>	<u>Elevator</u>	<u>Constructions buildings in Aqaba**</u>	<u>Total</u>
<u>Cost:</u>	<u>JD</u>	<u>JD</u>	<u>JD</u>	<u>JD</u>	<u>JD</u>	<u>JD</u>
Balance as on 1 Dec 2017	48,916	534,511	4,859	13,023	281,846	883,155
Additions	-	-	-	-	-	-
(Exclusions)	-	-	-	-	-	-
Balance as on 31 Dec. 2017	<u>48,916</u>	<u>534,511</u>	<u>4,859</u>	<u>13,023</u>	<u>281,846</u>	<u>883,155</u>
Accumulated depreciation	-	-	-	-	-	-
Accumulated depreciation at the beginning of the year	-	375,219	4,859	10,592	281,845	672,515
Consumption of the year	-	10,690	-	1,303	-	11,993
(Exclusions)	-	-	-	-	-	-
Accumulated depreciation as on 31 Dec 2017	-	<u>385,909</u>	<u>4,859</u>	<u>11,895</u>	<u>281,845</u>	<u>684,508</u>
Net book value as on 31 December 2017	<u>48,916</u>	<u>148,602</u>	<u>-</u>	<u>1,128</u>	<u>1</u>	<u>198,647</u>

• This item represents the cost of the commercial complex located on Plot No. (1456) and the total area of the building is (3720 m²). The Board of Directors has taken a decision No. (43) in its session (105) and the decision of the General Assembly at its annual meeting which was held on 15 March 2009 with the approval of the sale of warehouses and offices of the company's building located in Jabal Al-Husseini, where the total sales to this date was (711 m²).

• This item represents the cost of construction on a plot of land leased in Aqaba which entirely consumed according to the book value. Most of them were demolished by Aqaba Region Authority and have no future value. A lawsuit has been filed against Aqaba Economic Zone Authority. The case is still pending before the Court to claim compensation.

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7 Projects in process:

This item consists of the following:

	<u>2018</u>	<u>2017</u>
	<u>JD</u>	<u>JD</u>
<u>Plot No. (1168)*</u>		
Cost of land	491,380	491,380
Construction work	507,536	-
Works and expenses	<u>77,165</u>	<u>18,595</u>
Total	<u>1,076,081</u>	<u>509,975</u>

* The plot of land No.(1168) with an area of (1854) square meters. The Board of Directors has decided to set up a project on this piece where the construction work was initiated to establish a commercial project during this year.

A first class mortgage was made for the Bank of Jordan in the amount of three hundred and sixty thousand Jordanian Dinars on the land plot No. (1168) of the city basin No. (33) Of the land of Amman against the loans granted by the Bank of Jordan and for the implementation of the project. The fair value of real estate investments for land plot No. (1168) with an area of (1854) square meters amounted to 1,042,500 JD, where this value was estimated by many real estate experts. Which means that The fair value of these investments approximate their carrying the book value of 1,076,81 JD.

8 Financial assets with fair value from the comprehensive income statement

This item consists of the following:

	<u>2018</u>	<u>2017</u>
	<u>JD</u>	<u>JD</u>
Investments in shares of listed local companies distributed as follows:		
Sherco Securities Company	231,000	234,000
Royal Jordanian	<u>1,694</u>	<u>1,694</u>
Total	232,694	235,694
Fair value adjustments	<u>3,930</u>	<u>13,500</u>
Total	<u>236,624</u>	<u>249,194</u>

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9 Other debit balances

This item consists of the following:

	<u>2018</u>	<u>2017</u>
	<u>JD</u>	<u>JD</u>
Due rents, services and interests	1,003	1,611
Refunds	19,175	200
Prepaid expenses Note (19/B)	1,075	1,163
Income tax secretariats	<u>2,974</u>	<u>2,821</u>
Total	<u>24,227</u>	<u>5,795</u>

10 Apartments ready for sale

The residential project on the plot No. (1169) with an area of (1164) square meters, called the Jewel of Jabal Al Hussein project, has been completed and it consists of 18 apartments, where 7 flats had been sold during 2016&2017.

11 Net receivables

a. This item consists of the following:

	<u>2018</u>	<u>2017</u>
	<u>JD</u>	<u>JD</u>
Receivables	137,584	131,144
Receipt papers	-	200
Checks for collection	51,961	66,979
Lease holdings of the Aqaba Garage	<u>19,484</u>	<u>19,484</u>
Total	209,029	217,807
Impairment of doubtful debts	<u>(124,153)</u>	<u>(124,153)</u>
Total	<u>84,876</u>	<u>93,654</u>

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- b. The receivables consists amount 116,354 JD, for The Unifies Company for transportation and Logistic Services. A judgment had been issued from reconciliation court for the favor of the company, and the execution is carrying out at the concerned department of the company.

12 Cash & cash equivalent

This item consists of the following:

	<u>2018</u>	<u>2017</u>
	<u>JD</u>	<u>JD</u>
Cash in Fund	1,000	500
Cash in banks	66,850	274,447
Cash with banks – deposit	<u>-</u>	<u>300,000</u>
Total:	<u>67,850</u>	<u>574,947</u>

13 Equity

Paid Capital

The authorized and paid-up capital of the Company is 1,200,000 JD divided into 1,200,000 shares with a nominal value of 1JD per share.

Statutory reserve

In accordance with the requirements of the Jordanian Companies Law and the Company's Bylaw, the Company shall deduct 10% of the annual net profits and transfer them to the compulsory reserve. This deduction shall continue for each year, provided that the total amount of the reserve shall not exceed 25% of the Company's capital. Yet, with the approval of the General Assembly of the Company, it's allowed to continue to deduct this annual percentage until such reserve equals the amount of the authorized capital of the company.

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In accordance with a decision of the General Assembly on 4/3/2004 to approve the continuation of the deduction of 10% of the net profit and transfer to the compulsory reserve until the equivalent of the authorized capital of the company.

For the purposes of this Law, net profit represents profit before deduction of the income tax charge and fees and this reserve is not available for distribution to shareholders.

Optional reserve

In accordance with the requirements of the Jordanian Companies Law and the Company's Policy, the Company may create an optional reserve of no more than 5% of the net profit based on the decision of its Board of Directors; this reserve is available for distribution as a dividend to the shareholders after approval by the General Assembly of the Company.

14 Loan

The Company was granted a loan from the Bank of Jordan on November 25, 2018, in the amount of 300,000 JD (three hundred thousand Jordanian Dinars only), until the liquidity is provided to finance working capital at an interest rate of 9% per annum and without an annual commission. Utilizing 130,000 JD (One hundred thirty thousand Jordanian dinars) shall be paid on twelve equal quarterly installments and the first installment shall be paid starting from the date of 1/1/2020 until the full repayment. Interest shall be paid monthly from the date of execution until full payment.

Mortgages and guarantees against bank facilities and loans granted:

First Class Mortgage in favor of the Bank of Jordan in the amount of three hundred and sixty thousand Jordanian Dinars on the plot of land No. (1168) of the city basin No. (33) of the land of Amman, against the loans granted by the Bank of Jordan.

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15 Other Provision

This item consists of the following:

	<u>2018</u>	<u>2017</u>
	<u>JD</u>	<u>JD</u>
Provision for end of service indemnity	5,500	3,083
Provision for compensation of cases	8,108	8,108
Provision for income tax payments	3,606	3,606
Board of Directors' remuneration reward	-	<u>3,600</u>
Total	<u>17,214</u>	<u>18,397</u>

16 Other credit balances

This item consists of the following:

	<u>2018</u>	<u>2017</u>
	<u>JD</u>	<u>JD</u>
Shareholders' trusts	43,507	36,287
Rents on Aqaba tenants	19,484	19,484
Rents received in advance	444	1,207
Expenses payable and unpaid	2,137	2,367
Safe for others	-	<u>54</u>
Total	<u>65,572</u>	<u>59,399</u>

17. Net realized income from sale of apartments

This item consists of the following:

	<u>2018</u>	<u>2017</u>
	<u>JD</u>	<u>JD</u>
Sales apartments	-	230,130
Cost of selling apartments	-	<u>(163,043)</u>
Total	<u>-</u>	<u>67,087</u>

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18 Administrative and general expenses

a. This item consists of the following:

	<u>2018</u>	<u>2017</u>
	<u>JD</u>	<u>JD</u>
Salaries, wages	59,981	70,719
Movement of members of the Board of Directors	21,600	21,600
Fees and subscriptions	16,081	15,903
Mortgage fees	3,604	-
Stationery and prints	1,838	945
Maintenance and car fuel	4,036	3,092
Advertising	2,515	2,357
Transportation	114	123
Prose and hospitality	835	850
Maintenance and repairs	2,080	3,673
Telegraph, mail and telephone	1,998	1,965
Heating, electricity and water	3,352	4,004
Lawyer fees	3,000	3,500
Audit fees	4,500	4,500
Stamp Duty	900	-
Loan benefits	748	-
Charges of cases	300	3,047
Insurance against fire	-	380
Others	<u>1,200</u>	<u>1,905</u>
Total	<u>128,682</u>	<u>138,563</u>

b. Salaries and benefits of senior management

Salaries, emoluments and transfers of senior management and members of the Board of Directors amounted to 40,410 JD for the year 2018 and 44,177 JD for the year 2017.

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19 Basic and diluted earnings (losses) per share

	<u>2018</u> <u>JD</u>	<u>2017</u> <u>JD</u>
Profit (loss) for the year	(33,398)	38,248
Weighted average number of shares	<u>1,200,000</u> <u>(0,028)</u>	<u>1,200,000</u> <u>0,032</u>

20 Income tax

- a. The following is a summary of the reconciliation between accounting profit and tax profit:

	<u>2018</u> <u>JD</u>	<u>2017</u> <u>JD</u>
Accounting profit (loss)	(33,398)	39,585
Expenses not taxable	<u>11,226</u> (22,172)	<u>11,226</u> 50,811
Deducted: Rounded Tax losses	-	-
Taxable profit (loss)	(22,172)	50,811
Tax percentage	<u>20%</u>	<u>20%</u>
Income tax expense for the year	-	10,162
Tax paid on property	-	(8,825)
Income tax for the year	<u>-</u>	<u>1,337</u>

- b- The movements resulting on income tax deposit account 5% during the year was as follows:

	<u>2018</u> <u>JD</u>	<u>2017</u> <u>JD</u>
Balance at the beginning of the year	2,821	3,187
Deducted tax 5% from the deposit during the year	153	971
Income Tax Provision	-	(1,337)
Balance at the end of the year	Note (9) <u>2,974</u>	<u>2,821</u>

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- c. The Company submitted the income tax certificate for the year 2016, while no final settlement has been reached with the Income and Sales Tax Department, and no date has been set for its review . In the opinion of the management of the company that there will be no tax liabilities imposed on the company due to the existence of tax paid on the property (tax roof) and the deductions for the deposit tax. And the year 2017 was accepted by the Tax Department.
- d. The income tax provision for the Company's results for the year ended on December 31, 2018 has not been calculated due to increased expenses on taxable income.

21 legal situation

The company is involved in cases filed against others it but still pending before the Jordanian courts as follows:

- Law case against Aqaba Authority, claiming an amount of 620,000 JD, where court of appeals issued a decision to the company's favor amounted 33,457 JD, as compensation for reduction of the income for the years 1998, 1999 and 2000 and for the buildings and constructions allowances, where this decision revised by court of cassation, where court of cassation revoked the decision and return it back to court of appeals in order to address the value of buildings and constructions upon removal. The court of cassation issued a decision on 17/12/2017 consists to reject the company's lawsuit in particular for claiming of the amount of building and constructions. The company shall report court of cassation against this decision.
- The company also filed law cases against other parties with the amount of 4,840 JD and they are pending before the Jordanian courts.

22 Risk management policies

The Company is exposed to a variety of financial risks due to its activities, and operational risks are an inevitable result of real estate transactions. Management strives to achieve an appropriate balance between risk and return achieved and minimizes the potential negative impact on the

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Company's financial performance. The main risks facing the Company are credit risk arising from forward contracts, liquidity risk and market risk. Management is responsible for setting up a framework to oversee and manage these risks. Management periodically monitors risk types to monitor and manage financial risks related to the operations and activities of the Company. During the issuance and preparation of internal reports on the management of financial risks through which the analysis of the risks to which the company is a standard.

*** Capital risk management**

The Board of Directors manages the capital structure in order to ensure that it is able to continue, and maximize return on equity by achieving the optimal balance between equity and debt. There has also been no change in the Company's policy. The Company follows a policy to maintain a reasonable rate of debt attributable to equity.

Debt to equity ratio of the company at the end of the report period was as follows:

	<u>2018</u>	<u>2017</u>
	<u>JD</u>	<u>JD</u>
Total indebtedness	214,590	78,796
Net equity	<u>2,126,509</u>	<u>2,223,030</u>
Ratio of debt to equity	<u>10%</u>	<u>4%</u>

*** Credit risk**

Credit risk is the inability of the counterparty to meet its obligations to the Company, resulting in losses. The Company has adopted a policy of documenting its debts to third parties with the required documentation, which can track any legally delayed funds with the assistance of its legal counsel. The Company monitors its exposure to credit risk by examining the level of financial adequacy of debtors, in addition to ensuring that the cumulative value of the credit relates to parties approved by the administration, and by following the limits of

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credit granted where it is reviewed and approved by administration periodically.

The book value of financial assets recorded in the financial statements of net value after impairment losses discount in value, represents the maximum credit risk is possible that the company is exposed to.

* **Liquidity risk**

Liquidity risk appears when the Company is not be able to provide the necessary funding to meet its obligations on due dates. To minimize risks, the management diversifies sources of finance, manages and adjusts assets and liabilities, provides timely and adequate financing and maintains sufficient cash and prudent balances to meet commitments and pay operational expenses and investment.

* **Foreign currency risk**

Foreign currency risk is the risk of change in financial tools due to changes in foreign exchange rates. The Jordanian Dinar is the base currency of the Company. The Company's management monitors the foreign currency position periodically and adopts strategies to hedge these risks.

23 FAIR VALUE

The fair value of financial assets and liabilities is not materially different from their book value at the company's financial position list.

24 Comparative figures

Certain figures of the financial statements for 2017 have been reclassified to conform to the figures for the financial statements for 2018. The reclassification did not result in any effect on profit or equity.