

disclosure

From: Randa Hamarshehi <randa@mgc-afaq.com>
Sent: 30 م ٠٢:٥٤ ٢٠٢٠، آب
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Cc: Lo'ai Al Zahal; a.hijazi@mgc-transport.com
Subject: FW: Afaq real estate Investment ebc ٣١ DEC ٢٠١٩.pdf
Attachments: Afaq real estate Investment ebc ٣١ DEC ٢٠١٩.pdf

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السيرة
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تحية واحترام

مرفق بطيه القوائم الماليه لشركة أفاق القاوضه بالنسخه الانجليزيه
للاجرائتكم لطفا

مع الشكر

Best Regards,



Randa Hamarsheh
Internal Auditor

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**AFAQ HOLDING FOR INVESTMENT AND REAL ESTATE
DEVELOPMENT COMPANY**

PUBLIC SHAREHOLDING COMPANY

CONSOLIDATED FINANCIAL STATEMENTS

31 DECEMBER 2019



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INDEPENDENT AUDITOR'S REPORT

**To the Shareholders of AFAQ HOLDING FOR INVESTMENT AND REAL ESTATE DEVELOPMENT
Public Shareholding Company
Amman – Jordan**

Report on the Audit of the Consolidated Financial Statements

Qualified Opinion

We have audited the Consolidated financial statements of Afaq Holding for Investment and Real Estate Development a public shareholding limited company (“the Company”) and its subsidiaries (“the Group”), which comprise the Consolidated statement of financial position as at 31 December 2019, the Consolidated statement of comprehensive income, Consolidated statement of changes in equity and the Consolidated 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, except for the effects of the matter described in the Basis for Qualified Opinion section of our report, the accompanying consolidated financial statements present fairly, in all material respects, the financial position of the Group as at 31 December 2019, and its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards.

Basis for Qualified Opinion

The Group did not provide us with the details of Goodwill amounting to JD 24,661,180 and its related estimates used in assessing the impairment value as at 31 December 2019. Thus, we could neither obtain sufficient appropriate audit evidence nor perform alternative procedures to verify the Goodwill value or any impairment thereon. We were unable to determine if any necessary adjustment needed to adjust the Group’s financial data.

We conducted our audit in accordance with International Standards on Auditing (ISAs). Our responsibilities under those standards, are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are independent of the 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 consolidated financial statements in Jordan, 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 qualified opinion.

Emphasis of Matter

- 1- Without further qualifying our opinion, as it is disclosed in note (2) to the financial statements, the Group's short-term liabilities exceeded its current assets by JD 8,612,763 as at 31 December 2019, noting that the short-term liabilities comprise an amount of JD 15,903,100 related to Jordan Modern Oil & Fuel Services Co. (the sister Company). These events or conditions indicate that a material uncertainty exists that may cast significant doubt about the Group's ability to continue as a going concern. The Group's parent has expressed its intention to support the Group to pay its obligations and continue its operations for at least 12 months from the date of these financial statements.

- 2- Without further qualifying our opinion, as it is disclosed in note (6) to the financial statements, the property, plant and equipment include properties and land amounting to JD 503,915 not registered under the name of the Company

Other Matter

The consolidated financial statement for the year ended 31 December 2018 were audited by another auditor who expressed an unqualified audit opinion thereon dated 18 March 2019.

Key Audit Matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the consolidated financial statements for the year ended 31 December 2019. 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. For each matter below, our description of how our audit addressed the matter provided in that context.

We have fulfilled the responsibilities described in the Auditor’s responsibilities for the audit of the consolidated financial statements section of our report, including in relation to these matters. Accordingly, our audit included the performance of procedures designed to respond to our assessment of the risks of material misstatement of the consolidated financial statements. The results of our audit procedures, including the procedures performed to address the matters below, provide the basis for our audit opinion on the accompanying financial statements.

| 1- Revenue recognition | |
|--|--|
| <p>Key Audit matter</p> <p>The Group’s revenues amounted to JD 54,887,343 for the year ended 31 December 2019 (2018: JD71,951,826). There is a risk that, if revenue not recognized in the appropriate period, this could misstate earnings of the Group.</p> | <p>How the key audit matter was addressed in the audit</p> <p>Our audit procedures included the following:</p> <ul style="list-style-type: none"> • We assessed the appropriateness of the Group’s revenue recognition accounting policies in accordance with International Financial Reporting Standards and distribution agreement; • We obtained understanding, tested and evaluated the Group’s controls over revenue recognition. • On a sampling basis, we performed year-end cut-off audit procedures to assess whether revenue had been recorded in the correct period . • We preformed analytical procedures using financial and non-financial information to build expectations on the revenue recognition accuracy. <p>Refer to revenue’s disclosure note (16) in the consolidated financial statements.</p> |

2. Assessment of the appropriateness of expected credit loss provision

Key Audit matter

Trade receivables and amounts due from related parties amounted to JD 29,500,987 as of 31 December 2019.

The group maintains a large customer database and are classified at various risk stages based on the customers risk rating and their ability to repay the dues based on the agreements signed between both parties. The group does not extend material long term receivables; thus the group has chosen the simplified approach for the calculation of the expected credit losses. The group prepares a study based on the historical data to calculate the expected credit losses. The study is based on the historical probability of default over the life of the receivable after adjusting it with future assumptions. The probability of default and future assumptions are updated annually.

Given the large portfolio of trade receivables and given the provision is a material estimation it was considered a key audit matter.

How the key audit matter was addressed in the audit.

Audit procedures consisted of the following:

- We have received from the client the study for the provision for the expected credit losses as of yearend.
- We have evaluated the reasonableness of estimates and assumptions used by the company's management in regard to the mechanism used for calculating the provision for expected credit losses. This evaluation consists analyzing the collections and date of stop payment.
- We have examined the appropriateness of the classification according to their risk rating and common characteristics.
- We have examined the appropriateness of the data used in the future assumptions to determine the expected credit losses.
- We have recalculated the expected credit losses over the life of the receivables.

Refer to the expected credit loss of the trade receivables disclosures notes (8 & 12) in the consolidated financial statements.



Other information included in the Group's 2019 annual report.

Other information consists of the information included in the Group's 2019 Annual Report other than the consolidation financial statements and our auditor's report thereon. Management is responsible for the other information.

Our opinion on the financial statements does not cover the other information and we will 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 identified above when it becomes available 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.

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 IFRSs, and for such internal control as management determines is 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 Group'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 Group or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Group'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 exist. 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 judgment 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 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 Group'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 Group's ability to continue as a going concern. If we conclude that a material uncertainty exist, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However future events or conditions may cause the Group 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.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

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 to 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 consolidated financial statements of the current period, and are therefore the key audit matters. We describe these matters in our auditor's report, unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonable be expected to outweigh the public interest benefits of such communication.

Report on Other Legal and Regulatory Requirements

The Group maintains proper books of accounts which agree with the consolidated financial statements considering the matters described in the qualified audit opinion and emphasis of matter paragraphs.

The partner in charge of the audit resulting in this auditor's report was Ali Samara, license number 503.

Amman – Jordan
15 June 2020



AFAQ HOLDING FOR INVESTMENT AND REAL ESTATE DEVELOPMENT COMPANY
PUBLIC SHAREHOLDING COMPANY
CONSOLIDATED STATEMENT OF FINANCIAL POSITION
AS AT 31 DECEMBER 2019

| | Notes | 2019 JD | 2018 JD |
|---|-------|---------------------------|---------------------------|
| <u>ASSETS</u> | | | |
| Non-Current assets | | | |
| Goodwill | | 24,661,180 | 24,661,180 |
| Property and equipment | 6 | 52,921,538 | 61,656,809 |
| Right of use assets | 3 | 16,634,699 | 17,307,847 |
| | | <u>94,217,417</u> | <u>103,625,836</u> |
| Current assets | | | |
| Prepaid expenses and other current assets | 10 | 3,757,274 | 3,411,104 |
| Inventory and spare parts | 11 | 2,118,111 | 5,866,555 |
| Accounts receivable and checks under collection | 12 | 27,516,224 | 22,434,754 |
| Due from related parties | 8 | 1,984,763 | 18,795,639 |
| Cash on hand and at banks | 7 | 182,790 | 67,823 |
| | | <u>35,559,162</u> | <u>50,575,875</u> |
| Property and equipment held for sale | 6 | 9,431,743 | 13,883,383 |
| TOTAL ASSETS | | <u><u>139,208,322</u></u> | <u><u>168,085,094</u></u> |
| <u>EQUITY AND LIABILITIES</u> | | | |
| Shareholders' equity | | | |
| Paid in capital | 1 | 80,000,000 | 80,000,000 |
| Statutory reserve | | 7,402,418 | 7,402,418 |
| Accumulated losses | | <u>(17,358,167)</u> | <u>(8,709,081)</u> |
| Total shareholders' equity | | <u>70,044,251</u> | <u>78,693,337</u> |
| <u>LIABILITIES</u> | | | |
| Non-Current Liabilities | | | |
| Long term loans and murabaha | 9 | 2,727,854 | 3,672,082 |
| Long term lease liabilities | 14 | 6,725,454 | 7,807,898 |
| Long term post-dated checks | | 425,053 | 603,368 |
| Due to related parties | 8 | 5,682,042 | 7,081,965 |
| | | <u>15,560,403</u> | <u>19,165,313</u> |
| Current liabilities | | | |
| Accrued expenses and other current liabilities | 13 | 1,908,674 | 2,094,579 |
| Accounts payables | | 2,996,956 | 3,572,100 |
| Current portion of long term post-dated checks | | 4,985,246 | 21,591,634 |
| Short term lease liabilities | 14 | 3,164,109 | 2,569,149 |
| Current portion of long term loans | | 131,957 | 1,575,373 |
| Current portion of long term loans and murabaha | 9 | 1,194,633 | 2,246,102 |
| Due to related parties | 8 | 19,205,943 | 14,298,262 |
| Due to banks | 15 | 20,016,150 | 22,279,245 |
| | | <u>53,603,668</u> | <u>70,226,444</u> |
| TOTAL LIABILITIES | | <u>69,164,071</u> | <u>89,391,757</u> |
| TOTAL EQUITY AND LIABILITIES | | <u><u>139,208,322</u></u> | <u><u>168,085,094</u></u> |

The accompanying notes from 1 to 27 form part of these consolidated financial statements

AFAQ HOLDING FOR INVESTMENT AND REAL ESTATE DEVELOPMENT COMPANY
PUBLIC SHAREHOLDING COMPANY
CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME
FOR THE YEAR ENDED 31 DECEMBER 2019

| | Notes | 2019 JD | 2018 JD |
|---|-------|---------------------|---------------------|
| Revenues | 16 | 54,887,343 | 71,951,826 |
| Cost of revenues | | <u>(52,025,504)</u> | <u>(66,564,656)</u> |
| Gross profit | | 2,861,839 | 5,387,170 |
| Administrative, selling and marketing expenses | 17 | (3,465,319) | (3,885,027) |
| Finance costs | | (3,454,525) | (3,898,662) |
| Provision for expected credit loss | 8,12 | (1,362,561) | (72,958) |
| Provision for slow moving inventory | 11 | (2,991,259) | - |
| Other income and expenses | 18 | <u>(237,261)</u> | <u>(227,540)</u> |
| Loss for the year before income tax | | (8,649,086) | (2,697,017) |
| Income tax expense | 19 | - | <u>(76,016)</u> |
| Loss for the year | | <u>(8,649,086)</u> | <u>(2,773,033)</u> |
| Add: Other comprehensive income items - net of tax | | - | - |
| Total comprehensive income for the year | | (8,649,086) | (2,773,033) |
| | | <u>JD/Fils</u> | <u>JD/Fils</u> |
| Basic and diluted losses per share from loss for year | 20 | <u>(0.11)</u> | <u>(0.035)</u> |

The accompanying notes from 1 to 27 form part of these consolidated financial statements

AFAQ HOLDING FOR INVESTMENT AND REAL ESTATE DEVELOPMENT COMPANY
PUBLIC SHAREHOLDING COMPANY
CONSOLIDATED STATEMENT OF SHAREHOLDERS' EQUITY
FOR THE YEAR ENDED 31 DECEMBER 2019

| | Paid in capital | Statutory reserve | Distributed dividends to shareholders | (Accumulated losses) | Total |
|---|--------------------|----------------------|---|-------------------------|-------------------|
| | JD | JD | JD | JD | JD |
| 2019- | | | | | |
| Balance as at 1 January | 80,000,000 | 7,402,418 | - | (8,709,081) | 78,693,337 |
| Total comprehensive income for the year | - | - | - | (8,649,086) | (8,649,086) |
| Balance as at 31 December 2019 | <u>80,000,000</u> | <u>7,402,418</u> | <u>-</u> | <u>(17,358,167)</u> | <u>70,044,251</u> |
| 2018- | | | | | |
| Balance as at 1 January | 80,000,000 | 7,402,418 | 3,376,557 | (5,936,048) | 84,842,927 |
| Dividends distributed | - | - | (3,376,557) | - | (3,376,557) |
| Total comprehensive income for the year | - | - | - | (2,773,033) | (2,773,033) |
| Balance as at 31 December 2018 | <u>80,000,000</u> | <u>7,402,418</u> | <u>-</u> | <u>(8,709,081)</u> | <u>78,693,337</u> |

The accompanying notes from 1 to 27 form part of these consolidated financial statements

AFAQ HOLDING FOR INVESTMENT AND REAL ESTATE DEVELOPMENT COMPANY
PUBLIC SHAREHOLDING COMPANY
CONSOLIDATED STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED 31 DECEMBER 2019

| | Notes | 2019 JD | 2018 JD |
|--|-------|---------------------|---------------------|
| <u>OPERATING ACTIVITIES</u> | | | |
| Loss for the period before tax | | (8,649,086) | (2,697,017) |
| Adjustments for- | | | |
| Depreciation of property and equipment | | 5,045,560 | 6,010,259 |
| Right of use assets amortization | | 682,647 | - |
| Loss from sale of property and equipment/property and equipment held for sale | | 331,267 | - |
| Impairment losses of financial assets at fair value through other comprehensive income | | - | 43,783 |
| (Profit) loss on sale of property and equipment | | (55,066) | 195,108 |
| Finance costs | | 3,454,525 | 3,898,662 |
| Working capital changes- | | | |
| Accounts receivable and checks under collection | | (5,081,470) | 5,303,326 |
| Prepaid expenses and other current assets | | (346,170) | 617,207 |
| Inventory and spare parts | | 3,748,444 | 1,025,650 |
| Post-dated checks (long and short term) | | (16,784,703) | (12,047,456) |
| Accounts payable | | (575,144) | 8,072,100 |
| Accrued expenses and other current liabilities | | (185,905) | 422,151 |
| Due from related parties | | 16,810,876 | (2,083,431) |
| Due to related parties | | 3,507,758 | 8,162,218 |
| Income tax paid | | - | (489,585) |
| Net cash flows from operating activities | | <u>1,903,533</u> | <u>16,432,975</u> |
| <u>INVESTING ACTIVITIES</u> | | | |
| Purchase of property and equipment | 6 | (540,249) | (1,835,731) |
| Proceeds from sale of property and equipment/property and equipment held for sale | | 8,405,399 | 649,460 |
| Net cash flows from (used in) investing activities | | <u>7,865,150</u> | <u>(1,186,271)</u> |
| <u>FINANCING ACTIVITIES</u> | | | |
| Repayment of loans | | (3,439,113) | (8,021,127) |
| Lease liabilities | | (496,983) | (3,279,640) |
| Dividends paid | | - | (3,376,557) |
| Finance costs paid | | (3,454,525) | (3,898,662) |
| Net cash flows used in financing activities | | <u>(7,390,621)</u> | <u>(18,575,986)</u> |
| Net increase (decrease) in cash and cash equivalents | | 2,378,062 | (3,329,282) |
| Cash and cash equivalents at the beginning of the period | | (22,211,422) | (18,882,140) |
| Cash and cash equivalents at end of the year | 7 | <u>(19,833,360)</u> | <u>(22,211,422)</u> |

The accompanying notes from 1 to 27 form part of these consolidated financial statements

AFAQ HOLDING FOR INVESTMENT AND REAL ESTATE DEVELOPMENT COMPANY
PUBLIC SHAREHOLDING COMPANY
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENT
31 DECEMBER 2019

(1) GENERAL

Afaq Holding for Investment and Real Estate Development Company ("the Company") was registered as a Jordanian public shareholding company on 30 November 2005 under the commercial registration number (375) by the Ministry of Industry and Trade after its legal status was transferred from a limited liability company to a public shareholding Company. The Company's paid-in capital is JD 80,000,000 divided to of 80,000,000 shares at par value of JD 1.

The principal activities of the group are as follows:

- Manage the Group's subsidiaries or other companies in which it holds shares.
- Investing its funds in shares, bonds and securities.
- Providing loans, guarantees to finance its subsidiaries.
- Own, exploit and lease patents, trademarks, franchises and other rights to its subsidiaries or to companies in which it holds shares.

The consolidated financial statements were approved for issuance by the Board of Directors in its meeting held on June 15th 2020.

(2) BASIS OF PREPARATION

- The accompanying financial statements have been prepared in accordance with International Financial Reporting Standards (IFRS).
- The financial statements are prepared under the historical cost convention.
- The financial statements have been presented in Jordanian Dinars "JD", which is the functional currency of the group

The Group's short-term liabilities exceeded its short-term assets by JD 8,612,763 as of 31 December 2019, the short-term liabilities include an amount of JD 15,903,100 belonging to the Jordan Modern Oil and Fuel Services Company (sister company). These events and circumstances may raise material uncertainty about the company's ability to continue as a going concern, however, the parent company has pledged to provide the necessary funding for the company to fulfill its obligations and to continue its activities for at least 12 months from the date of these financial statements.

(3) CHANGES IN THE ACCOUNTING POLICIES

The accounting policies used in the preparation of the consolidated financial statements are consistent with those used in the preparation of the annual financial statements for the year ended 31 December 2018 except for the adoption of new standards effective as of 1 January 2019 shown below:

IFRS 16 Leases

IFRS 16 supersedes IAS 17 Leases, IFRIC 4 Determining whether an Arrangement contains a Lease, SIC-15 Operating Leases-Incentives and SIC-27 Evaluating the Substance of Transactions Involving the Legal Form of a Lease. The standard sets out the principles for the recognition, measurement, presentation and disclosure of leases and requires lessees to account for most leases under a single on-balance sheet model.

Lessor accounting under IFRS 16 is substantially unchanged from IAS 17. Lessors will continue to classify leases as either operating or finance leases using similar principles as in IAS 17. Therefore, IFRS 16 did not have an impact for leases where the Group is the lessor.

The Group adopted IFRS 16 using the modified retrospective approach with the date of initial application of 1 January 2019 accordingly, prior year financial statements were not restated. The Group elected to use the transition practical expedient allowing the standard to be applied only to contracts that were previously identified as leases applying IAS 17 and IFRIC 4 at the date of initial application. The Group also elected to use the recognition exemptions for lease contracts that, at the commencement date, have a lease term of 12 months or less and do not contain a purchase option ('short-term leases'), and lease contracts for which the underlying asset is of low value ('low-value assets').

The Group has lease contracts for various items of plant, equipment (land and truck heads). Before the adoption of IFRS 16, the Group classified each of its leases (as lessee) at the inception date as either a finance lease or an operating lease. A lease was classified as a finance lease if it transferred substantially all of the risks and rewards incidental to ownership of the leased asset to the Group; otherwise it was classified as an operating lease. Finance leases were capitalised at the commencement of the lease at the inception date at the fair value of the leased property or, if lower, at the present value of the minimum lease payments. Lease payments were apportioned between interest (recognised as finance costs) and reduction of the lease liability. In an operating lease, the leased property was not capitalised and the lease payments were recognised as rent expense in profit or loss on a straight-line basis over the lease term. Any prepaid rent and accrued rent were recognised under Prepayments and Trade and other payables, respectively.

AFAQ HOLDING FOR INVESTMENT AND REAL ESTATE DEVELOPMENT COMPANY
PUBLIC SHAREHOLDING COMPANY
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENT
31 DECEMBER 2019

Upon adoption of IFRS 16, the Group applied a single recognition and measurement approach for all leases, except for short-term leases and leases of low-value assets. The standard provides specific transition requirements and practical expedients, which has been applied by the Group.

• *Leases previously classified as finance leases*

The Group did not change the initial carrying amounts of recognised assets and liabilities at the date of initial application for leases previously classified as finance leases (i.e., the right-of-use assets and lease liabilities equal the lease assets and liabilities recognised under IAS 17). The requirements of IFRS 16 was applied to these leases from 1 January 2019.

Property and equipment amounting to JD 17,307,847 related to lands and truck heads under IAS 17 was reclassified to right of use assets as a result of the adoption of International Financial Reporting Standard 16.

Impact on the consolidated statement of financial position (increase/(decrease)) as at 1 January 2019:

| | <u>JD</u> |
|----------------------------|---------------------|
| Non-current assets | |
| Right of use assets | 17,307,847 |
| Property and equipment-net | (17,307,847) |

• *Leases previously accounted for as operating leases*

| | <u>2019</u> |
|-----------------------------------|------------------|
| | JD |
| Non-current assets | |
| Right-of-use assets | 709,016 |
| Current Assets | |
| Prepaid expenses | (86,761) |
| Liabilities | |
| Lease Liabilities | <u>(622,255)</u> |
| Total adjustment on equity | <u><u>-</u></u> |

A) Nature of the effect of adoption of IFRS 16

The Company has lease contracts for various items of plant, equipment. Before the adoption of IFRS 16, the group classified each of its leases (as lessee) at the inception date as either a finance lease or an operating lease. A lease was classified as a finance lease if it transferred substantially all of the risks and rewards incidental to ownership of the leased asset to the Company; otherwise it was classified as an operating lease. Finance leases were capitalised at the commencement of the lease at the inception date at the fair value of the leased property or, if lower, at the present value of the minimum lease payments. Lease payments were apportioned between interest (recognised as finance costs) and reduction of the lease liability. In an operating lease, the leased property was not capitalised and the lease payments were recognised as rent expense in profit or loss on a straight-line basis over the lease term. Any prepaid rent and accrued rent were recognised under Prepayments and Trade and other payables, respectively.

Upon adoption of IFRS 16, the Company applied a single recognition and measurement approach for all leases, except for short-term leases and leases of low-value assets. The standard provides specific transition requirements and practical expedients, which has been applied by the Company.

• *Leases previously classified as finance leases*

The Company did not change the initial carrying amounts of recognised assets and liabilities at the date of initial application for leases previously classified as finance leases (i.e., the right-of-use assets and lease liabilities equal the lease assets and liabilities recognised under IAS 17). The requirements of IFRS 16 was applied to these leases from 1 January 2019.

• *Leases previously accounted for as operating leases*

The Company recognised right-of-use assets and operating lease liabilities for those leases previously classified as operating leases, except for short-term leases and leases of low-value assets. The right-of-use assets for most leases were recognised based on the carrying amount as if the standard had always been applied, apart from the use of incremental borrowing rate at the date of initial application. In some leases, the right-of-use assets were recognised based on the amount equal to the lease liabilities, adjusted for any related prepaid and accrued lease payments previously recognised. Lease liabilities were recognised based on the present value of the remaining lease payments, discounted using the incremental borrowing rate at the date of initial application.

AFAQ HOLDING FOR INVESTMENT AND REAL ESTATE DEVELOPMENT COMPANY
PUBLIC SHAREHOLDING COMPANY
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENT
31 DECEMBER 2019

The lease liabilities as at 1 January 2019 can be reconciled to the operating lease commitments as of 31 December 2018 as follows:

| | <u>JD</u> |
|--|-----------------------|
| Operating lease commitments as at 31 December 2018 | 774,330 |
| Weighted average incremental borrowing rate as at 1 January 2019 | 8% |
| Operating lease commitments as at 1 January 2019 | <u>622,255</u> |
| Discounted operating lease commitments as at 1 January 2019 | <u><u>622,255</u></u> |

b) Amounts recognized in the consolidated statement of financial position and profit or loss

Set out below, are the carrying amounts of the Company's, right-of-use assets and lease liabilities and the movements during the year ended 31, December 2019:

| | <u>Right of use assets</u> | <u>Lease Liabilities</u> |
|----------------------------|--------------------------------|------------------------------|
| | JD | JD |
| At 1 January 2019 | 709,016 | 622,255 |
| Depreciation | (123,649) | - |
| Finance costs | - | 45,008 |
| Payments | - | <u>(148,866)</u> |
| At 31 December 2019 | <u><u>585,367</u></u> | <u><u>518,397</u></u> |

* Lease liabilities details as at 31 December 2019 are as follows:

| <u>Short term</u> | <u>Long term</u> | <u>Total</u> |
|-------------------|------------------|----------------|
| <u>111,916</u> | <u>406,481</u> | <u>518,397</u> |

The following Standards Issued are effective since IFRS 16 adoption date :

Right-of-use assets

The Group recognises right-of-use assets at the commencement date of the lease (i.e., the date the underlying asset is available for use). Right-of-use assets are measured at cost, less any accumulated depreciation and impairment losses, and adjusted for any remeasurement of lease liabilities.

The cost of right-of-use assets includes the amount of lease liabilities recognised, initial direct costs incurred, and lease payments made at or before the commencement date less any lease incentives received. Unless the Group is reasonably certain to obtain ownership of the leased asset at the end of the lease term, the recognised right-of-use assets are depreciated on a straight-line basis over the shorter of its estimated useful life and the lease term. Right-of-use assets are subject to impairment.

Lease liabilities

At the commencement date of the lease, the Group recognises lease liabilities measured at the present value of lease payments to be made over the lease term. The lease payments include fixed payments (including in-substance fixed payments) less any lease incentives receivable, variable lease payments that depend on an index or a rate, and amounts expected to be paid under residual value guarantees. The lease payments also include the exercise price of a purchase option reasonably certain to be exercised by the Group and payments of penalties for terminating a lease, if the lease term reflects the Group exercising the option to terminate.

The variable lease payments that do not depend on an index or a rate are recognised as expense in the period on which the event or condition that triggers the payment occurs.

In calculating the present value of lease payments, the Group uses the incremental borrowing rate at the lease commencement date if the interest rate implicit in the lease is not readily determinable. After the commencement date, the amount of lease liabilities is increased to reflect the accretion of interest and reduced for the lease payments made. In addition, the carrying amount of lease liabilities is remeasured if there is a modification, a change in the lease term, a change in the in-substance fixed lease payments or a change in the assessment to purchase the underlying asset.

Short-term leases and leases of low-value assets

The Group applies the short-term lease recognition exemption to some of its short-term leases (i.e., those leases that have a lease term of 12 months or less from the commencement date and do not contain a purchase option). It also applies the lease of low-value assets recognition exemption to leases that are considered of low value. Lease payments on short-term leases and leases of low-value assets are recognised as expense on a straight-line basis over the lease term.

Significant judgement in determining the lease term of contracts with renewal options

The Group determines the lease term as the non-cancellable term of the lease, together with any periods covered by an option to extend the lease if it is reasonably certain to be exercised, or any periods covered by an option to terminate the lease, if it is reasonably certain not to be exercised.

The Group has the option, under some of its leases to lease the assets for additional terms. The Group applies judgement in evaluating whether it is reasonably certain to exercise the option to renew.

That is, it considers all relevant factors that create an economic incentive for it to exercise the renewal. After the commencement date, the Group reassesses the lease term if there is a significant event or change in circumstances that is within its control and affects its ability to exercise (or not to exercise) the option to renew (e.g., a change in business strategy).

The Group included the renewal period as part of the lease term for leases of plant and machinery due to the significance of these assets to its operations. These leases have a short non-cancellable period and there will be a significant negative effect on production if a replacement is not readily available.

IFRIC Interpretation 23 Uncertainty over Income Tax Treatment

The Interpretation addresses the accounting for income taxes when tax treatments involve uncertainty that affects the application of IAS 12 and does not apply to taxes or levies outside the scope of IAS 12, nor does it specifically include requirements relating to interest and penalties associated with uncertain tax treatments. An entity must determine whether to consider each uncertain tax treatment separately or together with one or more other uncertain tax treatments. The interpretation is effective for annual reporting periods beginning on or after 1 January 2019, but certain transition reliefs are available.

These interpretations do not have any impact on the Group's consolidated financial statements.

Amendments to IFRS 9: Prepayment Features with Negative Compensation

Under IFRS 9, a debt instrument can be measured at amortised cost or at fair value through other comprehensive income, provided that the contractual cash flows are 'solely payments of principal and interest on the principal amount outstanding' (the SPPI criterion) and the instrument is held within the appropriate business model for that classification. The amendments to IFRS 9 clarify that a financial asset passes the SPPI criterion regardless of the event or circumstance that causes the early termination of the contract and irrespective of which party pays or receives reasonable compensation for the early termination of the contract.

These amendments do not have any impact on the Group's consolidated financial statements.

Amendments to IFRS 10 and IAS 28: Sale or Contribution of Assets between an Investor and Its Associate or Joint Venture

The amendments address the conflict between IFRS 10 and IAS 28 in dealing with the loss of control of a subsidiary that is sold or contributed to an associate or joint venture. The amendments clarify that the gain or loss resulting from the sale or contribution of assets that constitute a business, as defined in IFRS 3, between an investor and its associate or joint venture, is recognised in full. Any gain or loss resulting from the sale or contribution of assets that do not constitute a business, however, is recognised only to the extent of unrelated investors' interests in the associate or joint venture. The IASB has deferred the effective date of these amendments indefinitely, but an entity that early adopts the amendments must apply them prospectively.

These amendments do not have any impact on the Group's consolidated financial statements.

Amendments to IAS 28: Long-term interests in associates and joint ventures

The amendments clarify that an entity applies IFRS 9 to long-term interests in an associate or joint venture to which the equity method is not applied but that, in substance, form part of the net investment in the associate or joint venture (long-term interests). This clarification is relevant because it implies that the expected credit loss model in IFRS 9 applies to such long-term interests.

The amendments also clarified that, in applying IFRS 9, an entity does not take account of any losses of the associate or joint venture, or any impairment losses on the net investment, recognized as adjustments to the net investment in the associate or joint venture that arise from applying IAS 28 Investments in Associates and Joint Ventures.

These amendments do not have any impact on the Group's consolidated financial statements.

(4) SIGNIFICANT ACCOUNTING POLICIES

The following represent the major accounting policies adopted:

Lands, property plant and equipment

Property, plant and equipment are stated at cost, less accumulated depreciation and any impairment in value. The cost of property, equipment and accumulated depreciation is eliminated from the sale or disposal of property and equipment. Any gain or loss is recognized in the consolidated statement of comprehensive income.

Property and Equipment (except for land) are depreciated according to the straight-line method over the estimated useful lives when ready for use of these assets using the following annual rates.

| | <u>%</u> |
|------------------------------------|----------|
| Building | 2-4% |
| Machinery , tools and equipment | 10-20% |
| Vehicles and boilers | 6-10% |
| Computers and Navigational systems | 10-33% |
| Furniture & Decorations | 10-20% |
| Advertisement billboards | 10-15% |

The useful life and depreciation method are reviewed periodically to ensure that the method and period of depreciation are consistent with the expected pattern of economic benefit from items of property and equipment

When the estimated recoverable amounts are less than the carrying values of property and equipment, the assets are written down to their recoverable amounts and the loss is recorded in the statement of comprehensive income.

Leases (Policy applicable before 1 January 2019)

Leases are classified as finance leases whenever the terms of the lease transfer substantially all the risks and rewards of ownership to the lessee. All other leases are classified as operating leases:

1. The Group as a lessor

Rental income from operating leases is recognized on a straight-line basis over the lease term. Initial direct costs incurred in negotiating and arranging an operating lease are added to the carrying amount of the leased asset and on is recognised a straight-line basis over the lease term.

2. The Group as a lessee

Assets held under finance leases are initially recognized as assets of the Group at their fair value at the inception of the lease or, if lower, at the present value of the minimum future lease payments. The finance lease obligation is recorded at the same value. Lease payments are apportioned between finance costs and reduction of the lease liabilities so as to achieve a constant rate of interest on the remaining balance of the liability. Finance costs are charged directly to the consolidated statement of profit or loss. Operating lease payments are recognized as an expense on a straight-line basis over the lease term.

Leases (policy adopted before 1 January 2019)

The Group assesses at contract inception whether a contract is, or contains, a lease. That is, if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration.

The Group applies a single recognition and measurement approach for all leases, except for short-term leases and leases of low-value assets. The Group recognizes lease liabilities to make lease payments and right-of-use assets representing the right to use the underlying assets.

Right-of-use assets

The Group recognises right-of-use assets at the commencement date of the lease (i.e., the date the underlying asset is available for use). Right-of-use assets are measured at cost, less any accumulated depreciation and impairment losses, and adjusted for any remeasurement of lease liabilities.

The cost of right-of-use assets includes the amount of lease liabilities recognised, initial direct costs incurred, and lease payments made at or before the commencement date less any lease incentives received. Unless the Group is reasonably certain to obtain ownership of the leased asset at the end of the lease term, the recognised right-of-use assets are depreciated on a straight-line basis over the shorter of its estimated useful life and the lease term. Right-of-use assets are subject to impairment.

Lease liabilities

At the commencement date of the lease, the Group recognises lease liabilities measured at the present value of lease payments to be made over the lease term. The lease payments include fixed payments (including in-substance fixed payments) less any lease incentives receivable, variable lease payments that depend on an index or a rate, and amounts expected to be paid under residual value guarantees. The lease payments also include the exercise price of a purchase option reasonably certain to be exercised by the Group and payments of penalties for terminating a lease, if the lease term reflects the Group exercising the option to terminate.

The variable lease payments that do not depend on an index or a rate are recognised as expense in the period on which the event or condition that triggers the payment occurs.

In calculating the present value of lease payments, the Group uses the incremental borrowing rate at the lease commencement date if the interest rate implicit in the lease is not readily determinable. After the commencement date, the amount of lease liabilities is increased to reflect the accretion of interest and reduced for the lease payments made. In addition, the carrying amount of lease liabilities is remeasured if there is a modification, a change in the lease term, a change in the in-substance fixed lease payments or a change in the assessment to purchase the underlying asset.

Short-term leases and leases of low-value assets

The Group applies the short-term lease recognition exemption to some of its short-term leases (i.e., those leases that have a lease term of 12 months or less from the commencement date and do not contain a purchase option). It also applies the lease of low-value assets recognition exemption to leases that are considered of low value (less than USD 5,000 annually). Lease payments on short-term leases and leases of low-value assets are recognised as expense on a straight-line basis over the lease term.

The Company determines the lease term as the non-cancellable term of the lease, together with any periods covered by an option to extend the lease if it is reasonably certain to be exercised, or any periods covered by an option to terminate the lease, if it is reasonably certain not to be exercised.

The group has the option, under some of its leases to lease the assets for additional terms.

The group applies judgement in evaluating whether it is reasonably certain to exercise the option to renew.

That is, it considers all relevant factors that create an economic incentive for it to exercise the renewal. After the commencement date, the group reassesses the lease term if there is a significant event or change in circumstances that is within its control and affects its ability to exercise (or not to exercise) the option to renew (e.g., a change in business strategy).

The group included the renewal period as part of the lease term for leases of plant and machinery due to the significance of these assets to its operations. These leases have a short non-cancellable period and there will be a significant negative effect on production if a replacement is not readily available.

Projects in progress

Projects in progress are stated at cost. Cost includes the cost of construction , direct salaries and wages on those projects, finance costs and other direct costs. Projects in progress are not depreciated until they are completed or substantially completed and became ready for use.

Intangible assets

Intangible assets are carried at cost less any accumulated amortization and impairment provision. Intangible assets represent the exclusive rights to distribute fuel in compliance with oil derivatives distribution agreement signed with the Ministry of Energy and Mineral Resources.

Intangible assets are being amortized over the distribution period of 10 years effective from the actual distribution date in may 2013.

Property and equipment held for sale

Property and equipment are classified as assets held for sale if, the selling price fully covers the cost from a high probable selling transaction and meeting the following conditions:

- The group is committed to selling the assets within one year from the date the assets classified as held for sale.
- The assets are ready to be sold at their current status

Noncurrent assets held for sale are recognized as the less of either cost or fair value less cost of sales.

Inventories

Inventories are valued at the lower of cost or net realizable value. Cost is determined using the weighted average method.

Accounts receivable

Accounts receivable are stated at original invoice amount less any provision for expected credit losses "ECL", the Company applies the standard's simplified approach and calculates ECL based on lifetime expected credit losses. The Company establishes a provision matrix that is based on the Company's historical credit loss experience, adjusted for forward-looking factors specific to the debtors and the economic environment according to the requirements of IFRS (9).

Cash and cash equivalents

For the purpose of cash flow statement, cash and cash equivalents consist of cash on hand, cheques matures within one month after the financial statements date and cash at banks less due to banks.

Loans

All loans are initially recognized at fair value less directly attributable transaction costs. After initial recognition, loans are subsequently measured at amortized cost using the effective interest method.

Interest on long-term loans during the year in which they are due are recorded in the statement of comprehensive income. As for the interest on long-term loans to finance projects in progress, they are capitalized as part of the cost of these projects.

Provisions

Provisions are recognized when the Group has a present obligation (legal or constructive) arising from a past event and the cost to settle the obligation is both probable and able to be reliably measured.

Trade payables and accruals

Liabilities are recognized for amounts to be paid in the future for goods or services received, whether billed by the supplier or not.

Revenues and expenses recognition

The revenues are recognised in accordance with the five steps model of IFRS 15 which includes that identification of the contracts and price, the performance obligation within the contract and that revenue is recognised when the group satisfies the performance obligation. Where revenue is recognized for the sale of goods when the sale transaction is completed and the invoice is issued to customers, which usually takes place at a certain point of time.

Other revenues are recognised on an accrual basis.

Expenses are recognised on an accrual basis.

Impairment of non-financial assets

The group assesses, at each reporting date, whether there is an indication that an asset may be impaired. If any indication exists, or when annual impairment testing for an asset is required, the Groups estimates the asset's recoverable amount. An asset's recoverable amount is the higher of an asset's or cash-generating unit's (CGU) fair value less costs to sell and its value in use. Recoverable amount is determined for an individual asset, unless the asset does not generate cash inflows that are largely independent of those from other assets or group of assets. When the carrying amount of an asset or CGU exceeds its recoverable amount, the asset is considered impaired and is written down to its recoverable amount.

In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. In determining fair value less costs to sell, recent market transactions are taken into account. If no such transactions can be identified, an appropriate valuation model is used.

Impairment of financial assets

The group recognises an allowance for ECLs for all debt instruments not held at fair value through profit or loss. ECLs are based on the difference between the contractual cash flows due in accordance with the contract and all the cash flows that the group expects to receive, discounted at an approximation of the original effective interest rate. The expected cash flows will include cash flows from the sale of collateral held or other credit enhancements that are integral to the contractual terms (if present).

The group has established a provision matrix that is based on its historical credit loss experience adjusted for forward-looking factors specific to the debtors and the economic environment. These ratios are applied to trade receivables, refundable deposits, restricted cash and bank balances.

For credit exposures for which there has not been a significant increase in credit risk since initial recognition, ECLs are provided for credit losses that result from default events that are possible within the next 12-months (a 12-month ECL). For those credit exposures for which there has been a significant increase in credit risk since initial recognition, a loss allowance is required for credit losses expected over the remaining life of the exposure, irrespective of the timing of the default (a lifetime ECL).

The Group considers a financial asset in default when contractual payments are 30 days past due. However, in certain cases, the group may also consider a financial asset to be in default when internal or external information indicates that the Group is unlikely to receive the outstanding contractual amounts in full before taking into account any credit enhancements held by the Group. A financial asset is written off when there is no reasonable expectation of recovering the contractual cash flows.

Income tax

The company provides for income tax in accordance with the Income Tax law No.34 of 2014 and its amendments enacted in the Hashemite Kingdom of Jordan and in accordance with IAS 12 which states that deferred tax is provided for temporary differences, at each reporting date, between tax basis of assets and liabilities and their carrying amounts for financial reporting purposes.

Foreign currencies

Transactions in foreign currencies are recorded at the rate ruling at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies are retranslated at the rates of exchange ruling at the Consolidated statement of financial position date. All differences are taken to the consolidated income statement.

Offsetting

Offsetting between financial assets and financial liabilities and presenting the net amount on the consolidated statement of financial position is performed only when there are legally-enforceable rights to offset, the settlement is on a net basis, or the realization of the assets and satisfaction of the liabilities is simultaneous.

Segment reporting

A business segment is a group of assets and operations engaged in providing products or services that are subject to risks and returns that are different from those of other business segments which are measured based on the reporting to management and the decision makers in the Group.

A geographical segment is engaged in providing products or services within a particular economic environment that are subject to risks and return that are different from those of segments operating in other economic environments.

Use of Estimates

The preparation of the consolidated financial statements requires management to make estimates and assumptions that affect the reported amounts of financial assets and liabilities and disclosure of contingent liabilities. These estimates and assumptions also affect the revenues and expenses and the resultant provisions. In particular, considerable judgment by management is required in the estimation of the amount and timing of future cash flows when determining the level of provisions required. Such estimates are necessarily based on assumptions about several factors involving varying degrees of judgment and uncertainty and actual results may differ resulting in future changes in such provisions. We believe that our estimates of the consolidated financial statement are reasonable and detailed as the following:

Useful life of property and equipment:

The Group's management estimates the useful life for property, plant and equipment for the purpose of calculating depreciation by depending on the expected useful life of these assets. Management reviews the remaining book value and useful life annually. Future depreciation expense is adjusted if management believes that the remaining useful life of the assets differs from previous estimations.

Provision for slow moving inventory:

The Group's management performs an annual study on the ageing and value of inventory and based on the results of the study, a provision is taken against inventory proportional to its ageing and value.

Provision for expected credit loss:

The Group estimates the allowance for expected credit loss for receivables through establishing a provision matrix that is based on the Group's historical credit loss experience, adjusted for forward-looking factors specific to the debtors and the economic environment.

The assessment of the historical correlation rate of default rates with economic conditions and the value of the provision for expected credit losses is a material estimate. The value of the provision for expected credit losses is affected by changes in economic conditions. The Group's experience in estimating expected credit losses and future economic conditions may not necessarily reflect the debtors default situation in the future.

Estimates related to IFRS 16 adoption:

The application of IFRS 16 requires the Group to make judgements and estimates affect the measurement of right-of-use assets and lease obligations. In determining the lease term, all facts and circumstances must be considered which create an economic incentive to exercise renewal options. Assessing whether a contract includes a lease also requires judgment. Estimates are required to determine the appropriate discount rate used to measure the lease obligations.

AFAQ HOLDING FOR INVESTMENT AND REAL ESTATE DEVELOPMENT COMPANY
PUBLIC SHAREHOLDING COMPANY
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENT
31 DECEMBER 2019

(5) BASIS OF CONSOLIDATION

The consolidated financial statements comprise the financial statements of Afaq Holding for Investment and Real Estate Development Company (“the Company”) and the following subsidiaries (collectively referred to as the “Group”) as of 31 December 2019:

| <u>Entity Name</u> | <u>Country of Registration</u> | <u>Year of Registration</u> | <u>Ownership and voting right</u> | <u>Principle Activities</u> |
|--|--------------------------------|-----------------------------|-----------------------------------|--|
| Jordan Modern Ready Mix Concrete Ltd. * | Hashemite Kingdom of Jordan | 2000 | 100% | Manufacturing and selling of ready-made concrete |
| Advanced Transport and Land Shipping Services Ltd. | Hashemite Kingdom of Jordan | 2001 | 100% | Freight transport inside and outside the Kingdom |
| Visions For Maintenance and Spare Parts Ltd. | Hashemite Kingdom of Jordan | 2010 | 100% | Maintenance and manufacturing of trailers |

* This subsidiary has obtained an exemption of 75% on its income tax for its projects in accordance with the Investment Promotion Act, except for the Aqaba Economic Zone Authority (ASEZA) Branch. This exemption is valid until 31 December 2019.

Control is achieved when the Group is exposed, or has rights, to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee.

Specifically, the Group controls an investee if and only if the Group has:

- Power over the investee (i.e. existing rights that give it the current ability to direct the relevant activities of the investee)
- Exposure, or rights, to variable returns from its involvement with the investee,
- The ability to use its power over the investee to affect its returns

When the Group has less than a majority of the voting or similar rights of an investee, the Group considers all relevant facts and circumstances in assessing whether it has power over an investee, including:

- The contractual arrangement with the other vote holders of the investee
- Rights arising from other contractual arrangements
- The Group’s voting rights and potential voting rights

AFAQ HOLDING FOR INVESTMENT AND REAL ESTATE DEVELOPMENT COMPANY
PUBLIC SHAREHOLDING COMPANY
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENT
31 DECEMBER 2019

The Group re-assesses whether or not it controls an investee if facts and circumstances indicate that there are changes to one or more of the three elements of control.

The financial statements of the subsidiaries are consolidated from the date of control until the date it is not controlled. Revenue and expenses of the subsidiaries are consolidated in the consolidated statement of comprehensive income from the date of control until the date it is not controlled.

Profit or loss and each component of other comprehensive income (OCI) are attributed to the equity holders of the parent of the Group and to the non-controlling interests, even if this results in the non-controlling interests having a deficit balance. When necessary, adjustments are made to the financial statements of subsidiaries to bring their accounting policies into line with the Group's accounting policies. All intra-group assets and liabilities, equity, income, expenses and cash flows relating to transactions between members of the Group are eliminated in full on consolidation.

A change in the ownership interest of a subsidiary without a loss of control is accounted for as an equity transaction. If the Group loses control over a subsidiary, it:

- Derecognizes the assets (including goodwill) and liabilities of the subsidiary.
- Derecognizes the carrying amount of any non- controlling interests.
- Derecognizes the cumulative translation differences, recorded in equity.
- Recognizes the fair value of the consideration received.
- Recognizes the fair value of any investment retained.
- Recognizes the gain or loss resulted from loss of control.
- Reclassifies the parent's share of components previously recognized in other comprehensive income to profit or loss.

AFAQ HOLDING FOR INVESTMENT AND REAL ESTATE DEVELOPMENT COMPANY
PUBLIC SHAREHOLDING COMPANY
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENT
31 DECEMBER 2019

(6) PROPERTY AND EQUIPMENT

| | Lands* | Building and facilities | Machinery, Tools and equipment | Electronics, telecommuni cations and extinguishers | Alternating electrical units | Sanitary installations and central heating | Vehicle and mobile machinery * | Snow sweepers | Furniture and Decorations | Other Tools and equipment | Electronic web | Metallic facilities | GPS Tracking devices | Property and equipment payment purchases | Total |
|---|-------------------|-------------------------------|--------------------------------------|---|---------------------------------|---|--------------------------------------|------------------|---------------------------------|---------------------------------|-------------------|------------------------|----------------------------|---|-------------------|
| 2019- Cost | | | | | | | | | | | | | | | |
| As at 1 January 2019 | 14,384,325 | 8,611,504 | 16,981,682 | 271,387 | 1,034,602 | 300,761 | 46,183,770 | 456,325 | 682,017 | 1,132,514 | 314,260 | 554,671 | 771,508 | 2,286,141 | 93,965,467 |
| Additions | - | - | 8,370 | 345 | 3,609 | 7,669 | 276,767 | - | - | 8,521 | - | 39,800 | 155,167 | 40,001 | 540,249 |
| Disposals | - | - | (50,779) | (5,145) | - | - | (823,917) | - | - | (9,022) | - | - | - | - | (888,863) |
| Transfers | - | 5,991 | - | - | (431) | 11,065 | - | - | - | (5,560) | - | - | - | (11,065) | - |
| Transferred from Property and equipment held for sale | - | - | - | - | - | - | 1,383,317 | - | - | - | - | - | - | - | 1,383,317 |
| Transferred to Property and equipment held for sale | - | - | - | - | - | - | (7,481,735) | - | - | - | - | - | - | - | (7,481,735) |
| As at 31 December 2019 | 14,384,325 | 8,617,495 | 16,939,273 | 266,587 | 1,037,780 | 319,495 | 39,538,202 | 456,325 | 682,017 | 1,126,453 | 314,260 | 594,471 | 926,675 | 2,315,077 | 87,518,435 |
| Accumulated Depreciation | | | | | | | | | | | | | | | |
| As at 1 January 2019 | - | 1,526,967 | 13,483,224 | 174,915 | 946,769 | 277,456 | 13,382,619 | 456,325 | 462,880 | 874,043 | 33,980 | 352,423 | 337,057 | - | 32,308,658 |
| Additions | - | 196,240 | 558,408 | 40,012 | 36,292 | 9,935 | 3,773,402 | - | 64,655 | 119,384 | 15,713 | 38,642 | 192,877 | - | 5,045,560 |
| Disposals | - | - | (71,680) | (5,145) | - | - | (553,619) | - | - | (8,995) | - | - | - | - | (639,439) |
| Transfers | - | 4,632 | 17,827 | - | (15,228) | - | (7,180) | - | (51) | - | - | - | - | - | - |
| Transferred from Property and equipment held for sale | - | - | - | - | - | - | 409,053 | - | - | - | - | - | - | - | 409,053 |
| Transferred to Property and equipment held for sale | - | - | - | - | - | - | (2,526,935) | - | - | - | - | - | - | - | (2,526,935) |
| Total Accumulated Depreciation | - | 1,727,839 | 13,987,779 | 209,782 | 967,833 | 287,391 | 14,477,340 | 456,325 | 527,484 | 984,432 | 49,693 | 391,065 | 529,934 | - | 34,596,897 |
| Net book value | | | | | | | | | | | | | | | |
| As at 31 December 2019 | 14,384,325 | 6,889,656 | 2,951,494 | 56,805 | 69,947 | 32,104 | 25,060,862 | - | 154,533 | 142,021 | 264,567 | 203,406 | 396,741 | 2,315,077 | 52,921,538 |

* This disclosure includes property, plant and equipment not registered under the name of the company valued at JOD 503,915

AFAQ HOLDING FOR INVESTMENT AND REAL ESTATE DEVELOPMENT COMPANY
PUBLIC SHAREHOLDING COMPANY
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENT
31 DECEMBER 2019

| | Lands* | Building and facilities | Machinery, Tools and equipment | Electronics, telecommuni cations and extinguishers | Alternating electrical units | Sanitary installations and central heating | Vehicle and mobile machinery * | Snow sweepers | Furniture and Decorations | Other Tools and equipment | Electronic web | Metallic facilities | GPS Tracking devices | Property and equipment payment purchases | Total |
|--|-------------------|-------------------------------|--------------------------------------|---|---------------------------------|---|--------------------------------------|------------------|---------------------------------|---------------------------------|-------------------|------------------------|----------------------------|---|-------------------|
| 2018- | | | | | | | | | | | | | | | |
| Cost | | | | | | | | | | | | | | | |
| As at 1 January 2018 | 13,542,774 | 7,341,763 | 16,364,082 | 218,719 | 963,840 | 292,021 | 66,440,538 | 456,325 | 477,946 | 1,094,558 | 314,260 | 505,003 | 770,074 | 4,183,810 | 112,965,713 |
| Additions | - | 268,603 | 313,356 | 65,256 | 38,779 | 8,740 | 553,737 | - | 210,342 | 42,866 | - | 49,668 | 1,434 | 282,950 | 1,835,731 |
| Disposals | - | - | - | (13,583) | (708) | - | (482,140) | - | (6,271) | (4,910) | - | - | - | - | (507,612) |
| Transfers | 841,551 | 1,001,138 | 304,244 | 995 | 32,691 | - | - | - | - | - | - | - | - | (2,180,619) | - |
| Transferred to Property and equipment held for sale | - | - | - | - | - | - | (20,328,365) | - | - | - | - | - | - | - | (20,328,365) |
| As at 31 December 2018 | 14,384,325 | 8,611,504 | 16,981,682 | 271,387 | 1,034,602 | 300,761 | 46,183,770 | 456,325 | 682,017 | 1,132,514 | 314,260 | 554,671 | 771,508 | 2,286,141 | 93,965,467 |
| Accumulated Depreciation | | | | | | | | | | | | | | | |
| As at 1 January 2018 | - | 1,355,788 | 12,785,005 | 151,773 | 867,061 | 265,397 | 14,879,500 | 456,325 | 410,218 | 754,716 | 18,267 | 317,986 | 144,389 | - | 32,406,425 |
| Additions | - | 171,179 | 698,219 | 36,725 | 80,198 | 12,059 | 4,585,937 | - | 58,933 | 124,191 | 15,713 | 34,437 | 192,668 | - | 6,010,259 |
| Disposals | - | - | - | (13,583) | (490) | - | (149,075) | - | (6,271) | (4,895) | - | - | - | - | (174,314) |
| Transferred to Property and equipment held for sale | - | - | - | - | - | - | (5,933,743) | - | - | 31 | - | - | - | - | (5,933,712) |
| Accumulated Depreciation | - | 1,526,967 | 13,483,224 | 174,915 | 946,769 | 277,456 | 13,382,619 | 456,325 | 462,880 | 874,043 | 33,980 | 352,423 | 337,057 | - | 32,308,658 |
| Net book value | | | | | | | | | | | | | | | |
| As at 31 December 2018 | <u>14,384,325</u> | <u>7,084,537</u> | <u>3,498,458</u> | <u>96,472</u> | <u>87,833</u> | <u>23,305</u> | <u>32,801,151</u> | <u>-</u> | <u>219,137</u> | <u>258,471</u> | <u>280,280</u> | <u>202,248</u> | <u>434,451</u> | <u>2,286,141</u> | <u>61,656,809</u> |

* This disclosure includes Property, plant and equipment not registered under the name of the company valued at JOD 503,915.

** Accumulated Depreciation includes JOD 290,157 from administrative activities (note 17) and JOD 4,858,975 from operating activities

AFAQ HOLDING FOR INVESTMENT AND REAL ESTATE DEVELOPMENT COMPANY
PUBLIC SHAREHOLDING COMPANY
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENT
31 DECEMBER 2019

- **Property and equipment held for sale**

* This disclosure represents net book values of the property and equipment that had their depreciation suspended for the purpose of selling.

| | <u>2019</u> | <u>2018</u> |
|--|--------------------|-------------------|
| | JD | JD |
| As at 1 January | 13,883,383 | - |
| Transfers from property and equipment* | 4,954,800 | 14,394,653 |
| Transfers to property and equipment | (974,264) | - |
| Disposals | <u>(8,432,176)</u> | <u>(511,270)</u> |
| As at 31 December | <u>9,431,743</u> | <u>13,883,383</u> |

* The transferred and held for sale property and equipment are as follows:

| | <u>2019</u> | <u>2018</u> |
|--------------------------|--------------------|--------------------|
| | JD | JD |
| Cost | 7,481,735 | 20,328,365 |
| Accumulated Depreciation | <u>(2,526,935)</u> | <u>(5,933,712)</u> |
| | <u>4,954,800</u> | <u>14,394,653</u> |

(7) CASH ON HAND AND AT BANKS

| | <u>2019</u> | <u>2018</u> |
|---------------------------|----------------|---------------|
| | JD | JD |
| Cash on hand | - | 5,557 |
| Cash at banks | <u>182,790</u> | <u>62,266</u> |
| Cash on hand and at banks | 182,790 | 67,823 |

Cash and cash equivalents disclosed in the statement of cashflow represent the following:

| | <u>2019</u> | <u>2018</u> |
|-----------------------------|---------------------|---------------------|
| | JD | JD |
| Cash on hand and at banks | 182,790 | 67,823 |
| Less: Due to bank (Note 15) | <u>(20,016,150)</u> | <u>(22,279,245)</u> |
| Cash and cash equivalents | <u>(19,833,360)</u> | <u>(22,211,422)</u> |

AFAQ HOLDING FOR INVESTMENT AND REAL ESTATE DEVELOPMENT COMPANY
PUBLIC SHAREHOLDING COMPANY
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENT
31 DECEMBER 2019

(8) TRANSACTIONS WITH RELATED PARTIES

The following is a summary of the balances with related parties that appear in the consolidated statement of financial position:

Due from related parties-

| | <u>2019</u> | <u>2018</u> |
|---|------------------|-------------------|
| | JD | JD |
| AL-Bunyan For Cement and Concrete Products Manufacturing Co. | 1,846,816 | 1,559,299 |
| The Pioneer Mining Co. | 216,153 | 215,456 |
| United Iron and Steel Manufacturing Co. | 193,313 | - |
| Manaseer for Commercial Services | 64,596 | - |
| Developed Crushers Co. | 59,419 | 2,467,875 |
| Al - Manaseer Group for Industrial and Commercial Investments | 43,470 | - |
| Jordan Modern Food Industries Co. | 29,052 | - |
| Modern Mining Co. | 25,619 | - |
| Jordan Magnesia Co. | 24,735 | 219,620 |
| Trust Industrial Concrete Co. | 3,264 | 144,434 |
| Al Bunyan for Real Estate Development Co. | 3,222 | 88,281 |
| Jordan Modern Advanced Chemical Industries Co | 1,940 | - |
| Sigma Real-Estate Development Co. | 873 | - |
| Al Bunyan for Marble and Granite Co. | 537 | - |
| Ziad Al Manaseer Charity Association | 250 | - |
| Arab Towers Contractors Co. | - | 13,023,055 |
| Jordan Clearing & Transportation Co. | - | 945,185 |
| Eng Ziad Khalaf Mohammad Al Manaseer | - | 231,229 |
| Al Bunyan for Marble and Granite Jordanian Co. | - | 113,949 |
| Luminous Education, Training and Consulting Co. | - | 44,827 |
| Mediterranean and Gulf Insurance and Reinsurance Co. (Medgulf-Jordan) | - | 28,985 |
| Modern Mining Company | - | 21,915 |
| Jordanian Integrated for Mining and Exploration Co. | - | 14,854 |
| Architecture Lines for Housing Co. | - | 720 |
| Jordan Modern International Trade Co. | - | 507 |
| Jordan Modern Company Advanced Industries Ltd. | - | 564 |
| | <u>2,513,259</u> | <u>19,120,755</u> |
| Provision for expected credit losses | <u>(528,496)</u> | <u>(325,116)</u> |
| | <u>1,984,763</u> | <u>18,795,639</u> |

AFAQ HOLDING FOR INVESTMENT AND REAL ESTATE DEVELOPMENT COMPANY
PUBLIC SHAREHOLDING COMPANY
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENT
31 DECEMBER 2019

Due to related parties:

| | 2019 | 2018 |
|--|-------------------|-------------------|
| | JD | JD |
| Non-Current- | | |
| Al-Manaseer Group for Industrial and Commercial Investments Company (Parent) Co. | 5,682,042 | 7,081,965 |
| Current- | | |
| Jordan Modern Oil & Fuel Services Co. | 15,903,100 | 9,549,443 |
| Al-Adyat Al Sareeah for equipment trade Co. | 867,808 | 1,250,328 |
| Manaseer commercial Services Co. | 7,114 | 168,041 |
| United Iron and Steel Manufacturing Co. | - | 273,493 |
| Jordan Modern Freight and shipping Co. | 237,729 | - |
| Manaseer Industrial Complex Co. | - | 2,865,112 |
| Mediterranean and gulf insurance and reinsurance Co. (Medgulf-Jordan) | 257,893 | - |
| Jordan Modern for Information Technology Co. | 109,777 | 69,709 |
| Rome Shipping Agency Co. | - | 94,453 |
| Luminous for Technology Co. | - | 21,578 |
| Jordan Tours & Travel Co. | - | 4,135 |
| Jordan Modern Food Industries Co. | - | 1,970 |
| Jordan Clearing & Transportation Co. | 72,670 | - |
| Development Crushers Co. | 1,377,550 | - |
| Al - Manaseer Group for Industrial and Commercial Investments | 370,902 | - |
| Jordan Magnesia Co. | 1,400 | - |
| | <u>19,205,943</u> | <u>14,298,262</u> |

-The Related party balances do not bear any interest and do not have a maturity date.

-Bank facilities has been granted under the guarantee of Eng Ziad Khalaf Mohammad Al-Manaseer & Al-Manaseer Group for Industrial and Commercial Investments Company (Parent) Co.

The following is a summary of due to/ from affiliate company balances included in the consolidated statement of comprehensive income:

| | 2019 | 2018 |
|------------------------------|-------------------|-------------------|
| | JD | JD |
| Sales - sister Companies | 7,308,438 | 24,486,087 |
| Purchases - sister Companies | <u>30,158,143</u> | <u>49,585,603</u> |

AFAQ HOLDING FOR INVESTMENT AND REAL ESTATE DEVELOPMENT COMPANY
PUBLIC SHAREHOLDING COMPANY
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENT
31 DECEMBER 2019

Compensation of the group's key management personnel of the Group:

The following is a summary of the group's key management personnel benefits (salaries and other benefits):

| | <u>2019</u> | <u>2018</u> |
|-----------------------------|----------------|----------------|
| | JD | JD |
| Other salaries and benefits | <u>488,132</u> | <u>447,132</u> |

(9) LOANS AND MURABAHA

| | <u>31 December 2019</u> | | <u>31 December 2018</u> | |
|------------------------|-------------------------|------------------|-------------------------|------------------|
| | <u>Short Term</u> | <u>Long term</u> | <u>Short term</u> | <u>Long term</u> |
| | JD | JD | JD | JD |
| Invest Bank | 249,800 | - | 164,910 | 1,000,800 |
| Jordan Ahli Bank | 750,000 | 2,250,000 | 835,890 | 1,998,594 |
| Rajhi Bank | - | - | 1,050,469 | - |
| Capital Bank of Jordan | 194,833 | 477,854 | 194,833 | 672,688 |
| | <u>1,194,633</u> | <u>2,727,854</u> | <u>2,246,102</u> | <u>3,672,082</u> |

Invest Bank-

The Advanced Transport and Land Shipping Services Company (a subsidiary) signed a loan agreement with Invest Bank amounting to JD 3,000,000. The loan is repayable in 36 monthly installments amounting to JD 83,400 each, excluding any interest. The loan was acquired with the personal guarantee of Eng. Ziad Khalaf Mohammed Al Manaseer, as well as the Company.

Jordan Ahli Bank-

The Advanced Transport and Land Shipping Services Company (a subsidiary) has obtained a declining loan from Ahli Bank amounting to JD 3,000,000. The loan is repayable in equal monthly installments over a period of 48 months installments amounting to JD 62,500 each, excluding the interest. The loan was acquired with the personal guarantees of Eng. Ziad Khalaf Mohammad Al Manaseer, the Company and Jordan Modern Ready-Mix Concrete Co. (a sister company).

AFAQ HOLDING FOR INVESTMENT AND REAL ESTATE DEVELOPMENT COMPANY
PUBLIC SHAREHOLDING COMPANY
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENT
31 DECEMBER 2019

Rajhi Bank-

During the year 2016, the Advanced Transport and Land Shipping Services Ltd. Company (a subsidiary) has obtained a loan from Rajhi Bank amounting to JD 6,000,000. The loan is repayable in monthly installments amounting to JD 166,666 each. The Company has also obtained a revolving loan amounting to JD 2,000,000, which is to be repaid within nine months. The loan was acquired with the personal guarantee of the engineer Eng. Ziad Khalaf Mohammad Al Manaseer and collateralizing trailers to Rajhi Bank. This loan was repaid during 2019 and the collaterals were released.

Capital Bank-

The Jordanian Modern Ready Mix Concrete Company (a subsidiary) signed a loan agreement with Capital Bank for USD 2,197,000 (equivalent to JD 1,557,673). The loan was acquired to finance the purchase and installation of solar cell panels, bearing an annual interest of 4.8% with no commission. Whereas the Bank has restricted an amount of JD 467,302 from the Company's current account, which represents the last installment. The loan is repayable in 96 monthly installments amounting to USD 22,900, except for the last installment, over a period of 9 years, including a one-year grace period. The first installment is repayable after one year from the execution date and is to be repaid over the entire period of the loan and grace period as well. The loan was acquired with the personal guarantee of Eng. Ahmad Khalaf AlManaseer. During 2018, part of the project was completed and the restricted amount of JD 303,152 was paid to reach zero.

Bank facilities has been granted under the guarantee of Eng Ziad Khalaf Mohammad Al Manaseer & Al-Manaseer Group for Industrial and Commercial Investments Company (Parent) Co.

Change in liabilities resulted from financing activities:

| | 1 January 2019 | Cashflows | Paid | As at 31 December 2019 |
|--------------------|-------------------|-----------|-------------|---------------------------|
| | JD | JD | JD | JD |
| 2019 | | | | |
| Loans and murabaha | 5,918,184 | 3,075,795 | (5,071,492) | 3,922,487 |
| 2018 | | | | |
| Loans and murabaha | 12,000,366 | 728,975 | (6,811,157) | 5,918,184 |

Bank facilities has been granted under the guarantee of Eng. Ziad Khalaf Mohammad Al-Manaseer & Al-Manaseer Group for Industrial and Commercial Investment Company (parent) company.

AFAQ HOLDING FOR INVESTMENT AND REAL ESTATE DEVELOPMENT COMPANY
PUBLIC SHAREHOLDING COMPANY
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENT
31 DECEMBER 2019

(10) PREPAID EXPENSES AND OTHER CURRENT ASSETS

| | <u>2019</u> | <u>2018</u> |
|--|------------------|------------------|
| | JD | JD |
| Prepaid expenses* | 1,368,455 | 1,884,664 |
| Sales tax Deposits | 1,310,356 | 935,274 |
| Employee receivables | 508,611 | 225,377 |
| Advances to suppliers | 325,804 | 83,235 |
| Refundable deposits | 133,696 | 134,623 |
| Claims against social security work injuries | 83,423 | 114,794 |
| Maintenance orders under progress | 14,053 | 4,494 |
| Claims under settlement | 9,939 | 12,914 |
| Guarantees | 2,937 | 15,729 |
| | <u>3,757,274</u> | <u>3,411,104</u> |

* The prepaid expenses include the following:

| | <u>2019</u> | <u>2018</u> |
|-------------------------------------|------------------|------------------|
| | JD | JD |
| Prepaid lawyer expenses | 451,411 | 372,729 |
| Prepaid machines insurance expenses | 608,564 | 746,085 |
| Other prepaid expenses | 308,480 | 765,850 |
| | <u>1,368,455</u> | <u>1,884,664</u> |

(11) INVENTORY AND SPARE PARTS

| | <u>2019</u> | <u>2018</u> |
|----------------------------------|--------------------|------------------|
| | JD | JD |
| Basic materials | 589,015 | 592,195 |
| Supply storage and spare parts | 4,481,120 | 5,189,947 |
| Fuels | 39,235 | 84,413 |
| | <u>5,109,370</u> | <u>5,866,555</u> |
| Provision for slow moving items* | <u>(2,991,259)</u> | <u>-</u> |
| | <u>2,118,111</u> | <u>5,866,555</u> |

AFAQ HOLDING FOR INVESTMENT AND REAL ESTATE DEVELOPMENT COMPANY
PUBLIC SHAREHOLDING COMPANY
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENT
31 DECEMBER 2019

*Details of slow-moving items provision movement is as follows:

| | <u>2019</u> | <u>2018</u> |
|---------------------------|-------------------------|-----------------|
| | JD | JD |
| Balance as at 1 January | - | - |
| Provision for the year | <u>2,991,259</u> | <u>-</u> |
| Balance as at 31 December | <u><u>2,991,259</u></u> | <u><u>-</u></u> |

(12) RECEIVABLES AND CHEQUES UNDER COLLECTION

| | <u>2019</u> | <u>2018</u> |
|--|--------------------------|--------------------------|
| | JD | JD |
| Cheques under collection | 10,038,175 | 11,268,674 |
| Trade Receivable | 17,041,642 | 17,549,971 |
| Other current assets | <u>7,979,478</u> | <u>-</u> |
| | 35,059,295 | 28,818,645 |
| Provision for expected credit losses * | <u>(7,543,071)</u> | <u>(6,383,891)</u> |
| | <u><u>27,516,224</u></u> | <u><u>22,434,754</u></u> |

*Details of expected credit losses provision movement is as follows:

| | <u>2019</u> | <u>2018</u> |
|---------------------------|-------------------------|-------------------------|
| | JD | JD |
| Balance as at 1 January | 6,383,890 | 700,000 |
| Provision for the year | 1,159,181 | 72,958 |
| Effect of adoption IFRS 9 | <u>-</u> | <u>5,610,933</u> |
| Balance as at 31 December | <u><u>7,543,071</u></u> | <u><u>6,383,891</u></u> |

| | <u>Past due but not impaired</u> | | | | | | | <u>Total</u> |
|------------------------------|----------------------------------|--------------|--------------|---------------|----------------|----------------|----------------|--------------|
| | <u>1-30</u> | <u>31-60</u> | <u>61-90</u> | <u>91-120</u> | <u>121-180</u> | <u>181-360</u> | <u>360 and</u> | |
| | Days | Days | Days | Days | Days | Days | over | |
| | JD | JD | JD | JD | JD | JD | JD | JD |
| Expected credit losses rate | 1.3% | 3.6% | 6.6% | 10.6% | 10.5%-50% | 15% | 100% | |
| Total Expected credit losses | 11,202,612 | 2,170,278 | 1,343,400 | 903,069 | 920,808 | 1,846,444 | 6,634,509 | 25,021,120 |
| Expected credit losses | 179,242 | 78,130 | 88,664 | 95,725 | 189,834 | 276,967 | 6,634,509 | 7,543,071 |

AFAQ HOLDING FOR INVESTMENT AND REAL ESTATE DEVELOPMENT COMPANY
PUBLIC SHAREHOLDING COMPANY
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENT
31 DECEMBER 2019

(13) ACCRUED EXPENSES AND OTHER CREDIT BALANCES

| | <u>2019</u> | <u>2018</u> |
|----------------------------------|------------------|------------------|
| | JD | JD |
| Accrued expenses | 577,048 | 1,050,787 |
| Social security payables | 58,448 | 65,282 |
| Sales tax payables | 9,281 | 8,623 |
| Income tax | 18,567 | 10,198 |
| Due to Employees | 183,345 | 62,015 |
| Advanced payments from suppliers | 1,037,434 | 774,305 |
| Income tax provision | 15,738 | 82,641 |
| Shareholders Deposits | - | 35,759 |
| Social committee fund | 8,813 | 4,969 |
| | <u>1,908,674</u> | <u>2,094,579</u> |

(14) FINANCING LEASE liabilities

The Company recognised right-of-use assets and operating lease contracts liabilities for those leases previously classified as operating leases, except for short-term leases and leases of low-value assets. The right-of-use assets for most leases were recognised based on the carrying amount as if the standard had always been applied, apart from the use of incremental borrowing rate at the date of initial application. In some leases, the right-of-use assets were recognised based on the amount equal to the lease liabilities, adjusted for any related prepaid and accrued lease payments previously recognised. Lease liabilities were recognised based on the present value of the remaining lease payments, discounted using the incremental borrowing rate at the date of initial application. The following table represent lease liabilities:

| | <u>2019</u> | | |
|---|---------------------------------|--------------------|--|
| | Minimum range lease payments | Interest | The present value of the minimum range of lease payments |
| | JD | JD | JD |
| Period not exceeding one year | 3,976,380 | (812,271) | 3,164,109 |
| Period exceeding one year but not more than five years | 7,312,448 | (586,994) | 6,725,454 |
| | <u>11,288,828</u> | <u>(1,399,265)</u> | <u>9,889,563</u> |

AFAQ HOLDING FOR INVESTMENT AND REAL ESTATE DEVELOPMENT COMPANY
PUBLIC SHAREHOLDING COMPANY
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENT
31 DECEMBER 2019

| | 2018 | | |
|---|---------------------------------|--------------------|--|
| | Minimum range lease payments | Interest | The present value of the minimum range of lease payments |
| | JD | JD | JD |
| Period not exceeding one year | 3,376,200 | (807,051) | 2,569,149 |
| Period exceeding one year but not more than five years | 8,755,900 | (948,002) | 7,807,898 |
| | <u>12,132,100</u> | <u>(1,755,053)</u> | <u>10,377,047</u> |

(15) DUE TO BANKS

| | 2019 | 2018 |
|-------------------------|-------------------|-------------------|
| | JD | JD |
| Arab Bank | 4,111,385 | 5,038,281 |
| Bank of Jordan | 2,532,314 | 3,282,005 |
| Invest Bank | 6,246,694 | 6,650,768 |
| Jordan Ahli Bank | 2,716,158 | 3,020,801 |
| Egyptian Arab Land Bank | 1,386,710 | 1,297,763 |
| Cairo Amman Bank | 1,007,794 | 989,842 |
| Audi Bank | 2,015,095 | 1,999,785 |
| | <u>20,016,150</u> | <u>22,279,245</u> |

Changes in assets resulted from financing activities:

| | 1 January 2019 | Cashflows | Paid | As at 31 December 2019 |
|--------------|-------------------|-------------|---------------|---------------------------|
| | JD | JD | JD | JD |
| 2019 | | | | |
| Due to banks | 22,279,245 | 94,978,422 | (97,241,517) | 20,016,150 |
| 2018 | | | | |
| Due to banks | 19,731,324 | 156,668,051 | (154,120,130) | 22,279,245 |

- The bank overdraft ceilings amount to JD 27,800,000 and bears interest rates ranging from 9% and 9.5%.
- Bank facilities have been granted under the guarantee of Eng Ziad Khalaf Mohammad Al Manaseer & Al-Manaseer Group for Industrial and Commercial Investments Company (Parent) Co.

AFAQ HOLDING FOR INVESTMENT AND REAL ESTATE DEVELOPMENT COMPANY
PUBLIC SHAREHOLDING COMPANY
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENT
31 DECEMBER 2019

(16) REVENUES

| | 2019 | | | |
|---|-------------------|------------------|------------------|-------------------|
| | Amman | Aqaba | Ma'an | Total |
| | JD | JD | JD | JD |
| Segments | | | | |
| Readymix Concrete Segment | 35,356,400 | 3,205,787 | 1,878,387 | 40,440,574 |
| Transportation and freight Segment | 23,214,588 | - | - | 23,214,588 |
| Maintenance and spare parts Disposal (Transactions among group parties) | 2,276,332 | - | - | 2,276,332 |
| | (11,044,151) | - | - | (11,044,151) |
| Total | 49,803,169 | 3,205,787 | 1,878,387 | 54,887,343 |
| | | | | |
| | 2018 | | | |
| | Amman | Aqaba | Ma'an | Total |
| | JD | JD | JD | JD |
| Segments | | | | |
| Readymix Concrete Segment | 40,140,123 | 7,580,710 | 1,543,296 | 49,264,129 |
| Transportation and freight Segment | 31,214,383 | - | - | 31,214,383 |
| Maintenance and spare parts Disposal (Transactions among group parties) | 3,627,041 | - | - | 3,627,041 |
| | (12,153,727) | - | - | (12,153,727) |
| Total | 62,827,820 | 7,580,710 | 1,543,296 | 71,951,826 |

AFAQ HOLDING FOR INVESTMENT AND REAL ESTATE DEVELOPMENT COMPANY
PUBLIC SHAREHOLDING COMPANY
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENT
31 DECEMBER 2019

(17) ADMINISTRATIVE, SELLING AND MARKETING EXPENSES

| | <u>2019</u> | <u>2018</u> |
|--|------------------|------------------|
| | JD | JD |
| Salaries and wages | 1,773,054 | 1,949,592 |
| Professional and consulting fees | 452,770 | 507,959 |
| Social security | 191,010 | 217,273 |
| Depreciation | 166,508 | 188,829 |
| Depreciation of rights of use assets | 123,649 | - |
| Rents | 25,007 | 123,900 |
| Electricity, water and fuel | 140,900 | 151,894 |
| Mail, postage and telephone | 80,699 | 83,515 |
| Advertisement and marketing | 76,707 | 117,055 |
| Penalty interest charges | 70,449 | - |
| Administrative consumables | 67,423 | 100,034 |
| Computer expenses | 56,544 | 32,623 |
| Sales commission and distribution | 51,009 | 81,458 |
| Health insurance | 31,775 | 52,863 |
| Insurance | 31,383 | 26,595 |
| Hospitality, dining and employees training | 29,028 | 40,515 |
| Stationery and printing expenses | 28,271 | 39,449 |
| Donations | 25,429 | 53,313 |
| Governmental charges and subscriptions | 23,508 | 40,951 |
| Cleaning expenses | 9,091 | 12,355 |
| Stamps | 2,560 | 3,515 |
| Travel and transportation | 1,847 | 14,184 |
| Others | 6,698 | 47,155 |
| | <u>3,465,319</u> | <u>3,885,027</u> |

(18) OTHER REVENUES AND EXPENSES, NET

| | <u>2019</u> | <u>2018</u> |
|--|------------------|------------------|
| | JD | JD |
| Loss from sale property, equipment and others | (266,755) | (232,042) |
| Net maintenance income and other preparations | 7,163 | 25,227 |
| Currency exchange difference | 2,340 | 6,084 |
| Other revenues | 19,991 | 16,974 |
| Limited Impairment loss of financial assets though other comprehensive income | - | (43,783) |
| | <u>(237,261)</u> | <u>(227,540)</u> |

(19) INCOME TAX

The income tax provision was calculated for the year ended 31 December 2019 in accordance with Income Tax Law No. (38) of 2018 and the Investment commission Law No. (30) of 2014, while it was calculated for the year ended 31 December 2018 in accordance with Income Tax Law No. (34) of 2014 and Investment commission Law No. (30).

The tax status of the Company and its subsidiaries is as follows:

Afaq Holding for Investment and Real Estate Development Co. PSC

The Company has reached a final settlement up to the year 2017. The Company filed its tax returns for the year 2018. The Income and Sales Tax Department has not reviewed the Company's accounting records up to the date of the consolidated financial statements.

Jordan Modern Ready-Made Concrete Co. LLC

The Company has reached a final settlement up to the year 2016. The Company filed its tax returns for the years 2017 and 2018. The Income and Sales Tax Department has not reviewed the Company's accounting records up to the date of the consolidated financial statements.

As for the Aqaba Special Economic Zone Authority (ASEZA) branch, the Company has reached a final settlement with Income and Sales Tax Department up to the year 2014 and filed its tax returns for 2015, 2016, 2017 and 2018. The Income and Sales Tax Department has not reviewed the Company's accounting records up to the date of the condensed consolidated financial statements.

Advanced Land Transport & Cargo Co. LLC

The Company has reached a final settlement up to the year 2016 and filed its tax returns for the year 2017 and 2018. The Income and Sales Tax Department has not reviewed the Company's accounting records up to the date of the condensed consolidated financial statements.

Roaa Maintenance and Spare Parts Co. LLC

The Company has reached a final settlement up to the year 2017 and filed its tax returns for the year 2018. The Income and Sales Tax Department has not reviewed the Company's accounting records up to the date of the condensed consolidated financial statements.

AFAQ HOLDING FOR INVESTMENT AND REAL ESTATE DEVELOPMENT COMPANY
PUBLIC SHAREHOLDING COMPANY
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENT
31 DECEMBER 2019

Movement on the income tax provision during the year is as follows:

| | <u>2019</u> | <u>2018</u> |
|---------------------------|---------------|---------------|
| | JD | JD |
| At 1 January | 82,641 | 496,210 |
| Income tax paid | (66,903) | (489,585) |
| Provision from income tax | - | 76,016 |
| At 31 December | <u>15,738</u> | <u>82,641</u> |

(20) SHARE OF LOSS FOR THE YEAR

| | <u>2019</u> | <u>2018</u> |
|---|-------------------|-------------------|
| | JD | JD |
| Loss for the year attribute to shareholders' (JD) | (8,649,086) | (2,773,033) |
| Weighted average number of shares during the year | <u>80,000,000</u> | <u>80,000,000</u> |
| Basic share of loss for the year (JD/Per share) | <u>(0.11)</u> | <u>(0.035)</u> |

The diluted earnings per share was not calculated as there were no existing low shares.

(21) CONTINGENT LIABILITIES

Bank Guarantees

At 31 December 2019, the Group had letters of guarantee and letters of credit amounting to JD 78,078 (31 December 2018: JD 262,210).

Claims against and by the Group

Claims filed against the Group:

The Group is a defendant in a number of lawsuits amounting to JD 249,012 as at 31 December 2019 (31 December 2018: JD 174,097). The lawyer's analogy over court proceedings, is leaning towards the group's favor and no need for a provision to be booked over those lawsuits.

AFAQ HOLDING FOR INVESTMENT AND REAL ESTATE DEVELOPMENT COMPANY
PUBLIC SHAREHOLDING COMPANY
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENT
31 DECEMBER 2019

Claims filed by the Group against third parties:

The Group filed claims against third parties in a number of lawsuits amounting to JD 4,786,133 as at 31 December 2019 (31 December 2018: JD 4,440,840).

(22) SEGMENT INFORMATION

The primary reporting segments were determined based on the risks and rewards for the Group which is substantially affected by the segments' products and services. These segments are organized and operated separately in accordance with the nature of its products and services and used by the Chief Executive Officer and the decision maker of the Group.

The Group is organized for administrative purposes through the following segments:

- Ready Mix Concrete Segment
- Transportation and shipping Segment
- Maintenance and spare parts Segment

The segment results and the profit or loss of each segment separately is as follows:

| | Readymix concrete Segment | Transportation and shipping Segment | Maintenance and spare parts Segment | Financial investment Segment | Disposals | Total |
|-------------------------------|---------------------------------|---|--|------------------------------------|--------------|--------------------|
| | JD | JD | JD | JD | JD | JD |
| As at 31 December 2019 | | | | | | |
| <u>Revenues</u> | | | | | | |
| Revenues | 40,440,574 | 23,214,588 | 2,276,332 | - | (11,044,151) | 54,887,343 |
| Cost of sales | (37,874,771) | (23,059,685) | (2,135,199) | - | 11,044,151 | (52,025,504) |
| Gross profit | 2,565,803 | 154,903 | 141,133 | - | - | 2,861,839 |
| Expenses | (4,938,752) | (5,170,007) | (1,369,211) | (32,955) | - | (11,510,925) |
| Loss for the year | <u>(2,372,949)</u> | <u>(5,015,104)</u> | <u>(1,228,078)</u> | <u>(32,955)</u> | <u>-</u> | <u>(8,649,086)</u> |

| | Readymix concrete Segment | Transportation and shipping Segment | Maintenance and spare parts Segment | Financial investment Segment | Disposals | Total |
|-------------------------------|---------------------------------|---|--|------------------------------------|--------------|--------------------|
| | JD | JD | JD | JD | JD | JD |
| As at 31 December 2018 | | | | | | |
| <u>Revenues</u> | | | | | | |
| Revenues | 49,264,129 | 31,214,383 | 3,627,041 | - | (12,153,727) | 71,951,826 |
| Cost of sales | (45,588,654) | (30,076,591) | (3,053,138) | - | 12,153,727 | (66,564,656) |
| Gross profit | 3,675,475 | 1,137,792 | 573,903 | - | - | 5,387,170 |
| Expenses | (3,194,796) | (4,469,691) | (424,357) | (71,359) | - | (8,160,203) |
| Loss for the year | <u>480,679</u> | <u>(3,331,899)</u> | <u>149,546</u> | <u>(71,359)</u> | <u>-</u> | <u>(2,773,033)</u> |

AFAQ HOLDING FOR INVESTMENT AND REAL ESTATE DEVELOPMENT COMPANY
PUBLIC SHAREHOLDING COMPANY
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENT
31 DECEMBER 2019

| | Readymix concrete Segment | Transportation and shipping Segment | Maintenance and spare parts Segment | Financial investment Segment | Disposal | Goodwill | Total |
|--|---------------------------------|---|--|------------------------------------|--------------|------------|-------------|
| | JD | JD | JD | JD | JD | JD | JD |
| As at 31 December 2019 | | | | | | | |
| <u>Assets & liabilities</u> | | | | | | | |
| Segment Assets | 47,286,492 | 73,263,055 | 3,402,394 | 71,630,110 | (81,034,909) | 24,661,180 | 139,208,322 |
| Segment Liabilities | 30,038,093 | 63,611,028 | 1,460,627 | 228 | (25,945,905) | - | 69,164,071 |
| As at 31 December 2018 | | | | | | | |
| <u>Assets & liabilities</u> | | | | | | | |
| Segment Assets | 62,236,574 | 87,822,700 | 4,717,019 | 78,998,090 | (90,350,469) | 24,661,180 | 168,085,094 |
| Segment Liabilities | 42,615,227 | 56,655,568 | 1,547,174 | 304,753 | (11,730,965) | - | 89,391,757 |

(23) RISK MANAGEMENT

Interest rate risk

The group is exposed to interest rate risk on its fixed assets and liabilities that bears interest such as due to banks and loans

The following table demonstrates the sensitivity of the statement of activities to reasonably possible changes in interest rates, with all other variables held constant.

The sensitivity of the statement of comprehensive income is the effect of the assumed changes in interest rates on the Group's income for one year, based on the floating rate financial assets held at 31 December.

| | | |
|-----------------|--|--------------------------------|
| | Increase (Decrease) in interest rate | Effect on loss for the year |
| | (%) | JD |
| 2019- | | |
| Currency | | |
| Jordanian Dinar | 1 | (335,335) |
| | Increase (Decrease) in interest rate | Effect on loss for the year |
| | (%) | JD |
| Currency | | |
| Jordanian Dinar | 1 | 335,335 |

AFAQ HOLDING FOR INVESTMENT AND REAL ESTATE DEVELOPMENT COMPANY
PUBLIC SHAREHOLDING COMPANY
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENT
31 DECEMBER 2019

| | Increase (Decrease) in interest rate | Effect on loss for the year |
|-----------------|--|--------------------------------|
| | (%) | JD |
| 2018- | | |
| Currency | | |
| Jordanian Dinar | 1 | (401,498) |
| | Increase (Decrease) in interest rate | Effect on loss for the year |
| | (%) | JD |
| Currency | | |
| Jordanian Dinar | 1 | 401,498 |

Credit risk

Credit risk is the risk that may arise from the failure or default of debtors and other parties to meet their obligations to the company.

The group seeks to limit its credit risk with respect to banks by only dealing with reputable banks and by setting credit limits for customers and monitoring outstanding receivables..

Liquidity risk

The Group monitors its liquidity by ensuring availability of funds to meet its obligations at their maturity dates.

The table below summarises the maturities of the group's undiscounted financial liabilities based on contractual payment dates and current market interest rates.

| | Less than 3 months | 3 to 12 months | Total |
|--|-----------------------|-------------------|-------------------|
| | JD | JD | JD |
| 2019- | | | |
| Financial instruments do not bear interest | 29,096,819 | 6,107,095 | 35,203,914 |
| Financial instruments with interest | 27,026,539 | 10,258,530 | 37,285,069 |
| | <u>56,123,358</u> | <u>16,365,625</u> | <u>72,488,983</u> |
| | Less than 3 months | 3 to 12 months | Total |
| | JD | JD | JD |
| 2018- | | | |
| Financial instruments do not bear interest | 41,556,575 | 7,685,333 | 49,241,908 |
| Financial instruments with interest | 31,564,978 | 12,721,749 | 44,286,727 |
| | <u>73,121,553</u> | <u>20,407,082</u> | <u>93,528,635</u> |

Foreign currency risk

Most of the group's transactions in Jordanian Dinars and U.S. Dollar. The group is not exposed to foreign currency risk since the Jordanian Dinar is fixed against the U.S. Dollar (USD 1.41 for each one JD).

(24) CAPITAL MANAGEMENT

The primary objective of the Company's capital management is to ensure that it maintains capital ratios in order to support its business and maximize shareholder value.

The Company manages its capital structure and makes adjustments to it in light of changes in business conditions.

The Company's capital structure comprises of paid in capital, statutory reserve, advances from shareholders and accumulated losses amounted to JD 70,044,251 as at 31 December 2019 (2018: JD 78,693,337)

(25) STANDARDS ISSUED BUT NOT YET EFFECTIVE

The standards and interpretations that are issued but not yet effective, up to the date of issuance of the Group's financial statements are disclosed below. The Group intends to adopt these standards, if applicable, when they become effective.

IFRS 17 Insurance Contracts

IFRS 17 provides a comprehensive model for insurance contracts covering the recognition and measurement and presentation and disclosure of insurance contracts and replaces IFRS 4 - Insurance Contracts. The standard applies to all types of insurance contracts (i.e. life, non-life, direct insurance and re-insurance), regardless of the type of entities that issue them, as well as to certain guarantees and financial instruments with discretionary participation features. The standard general model is supplemented by the variable fee approach and the premium allocation approach.

The new standard will be effective for annual periods beginning on or after 1 January 2023 with comparative figures required. Early application is permitted provided that the entity also applies IFRS 9 and IFRS 15 on or before the date it first applies IFRS 17. The Company will not be affected by these amendments on the date of transition.

Amendments to IFRS 3: Definition of a Business

The IASB issued amendments to the definition of a business in IFRS 3 Business Combinations to help entities determine whether an acquired set of activities and assets is a business or not. They clarify the minimum requirements for a business, remove the assessment of whether market participants are capable of replacing any missing elements, add guidance to help entities assess whether an acquired process is substantive, narrow the definitions of a business and of outputs, and introduce an optional fair value concentration test.

Since the amendments apply prospectively to transactions or other events that occur on or after the date of first application, the Group will not be affected by these amendments on the date of transition.

Amendments to IAS 1 and IAS 8: Definition of “Material”

The IASB issued amendments to IAS 1 Presentation of Financial Statements and IAS 8 Accounting Policies, Changes in Accounting Estimates and Errors to align the definition of ‘material’ across the standards and to clarify certain aspects of the definition. The new definition states that, ‘Information is material if omitting, misstating or obscuring it could reasonably be expected to influence decisions that the primary users of general-purpose financial statements make on the basis of those financial statements, which provide financial information about a specific reporting entity.’ The amendments to the definition of material is not expected to have a significant impact on the Group ‘s financial statements.

The amendments to the definition of material is not expected to have a significant impact on the Company financial statements.

(26) COMPARATIVE FIGURES

Some of the comparative figures for the period ended 31 December 2018 have been reclassified to correspond with 31 December 2019 presentation with no effect on equity or loss for the period ended 31 December 2019.

(27) Subsequent Events

Subsequent to year-end, the Coronavirus outbreak has impacted the global macroeconomy and caused significant disruption in the global economy and different business Segments. Accordingly, the services and related industries have been affected by mass business closures, large-scale quarantines, and other government procedures.

The Prime Minister of Jordan resolved, on 17 March 2020, to enforce a mandatory curfew law and to suspend all business activity in Jordan as part of the precautions taken by the government to combat the spread of Coronavirus. The majority of Jordan’s business activity has halted since the resolution as a result.

The extent and duration of such impacts remain uncertain and dependent on future developments that cannot be accurately predicted at this time, such as the transmission rate of the coronavirus and the extent and effectiveness of containment actions taken. Given the ongoing economic uncertainty, a reliable estimate of the impact cannot be made at the date of approval of these financial statements. These developments could impact the Company’s future financial results, cash flows and financial condition