

**JORDAN MAGNESIA COMPANY Ltd(FREE
ZONE)
(PUBLIC SHAREHOLDING COMPANY)**

**FINANCIAL STATEMENTS AND
INDEPENDENT CERTIFIED PUBLIC
ACCOUNTANT'S REPORT
FOR THE YEAR ENDED DECEMBER 31, 2020**

JORDAN MAGNESIA COMPANY Ltd(FREE ZONE)
(PUBLIC SHAREHOLDING COMPANY)

**FINANCIAL STATEMENTS AND INDEPENDENT CERTIFIED PUBLIC
ACCOUNTANT'S REPORT
FOR THE YEAR ENDED DECEMBER 31, 2020**

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INDEPENDENT CERTIFIED PUBLIC ACCOUNTANT'S REPORT

To the Board of directors member
Jordan Magnesia Company Ltd (Free Zone)
(Public Shareholding Company)

Report on auditing the Financial Statements

We have audited the accompanying financial statements of Jordan Magnesia Company Ltd (Free Zone) (P.L.C), which comprise of the statement of financial position as of December 31, 2020, and the statements of comprehensive income, statement of shareholders equity and statement of cash flows, for the year then ended, notes to the financial statements and a summary of significant accounting policies and other explanatory information.

In our opinion, the financial statements present fairly, in all material respects, the statement of financial position of Jordan Magnesia Company Ltd. (Free Zone) (P.L.C), as of December 31, 2020, and its financial performance and cash flows for the year then ended are in accordance with International Financial Reporting Standards.

Basis for Opinion

We conduct our audit in accordance with International Standards on Auditing. Our responsibilities under those standards are further described in Auditor's Responsibilities for the audit of the Financial Statements. We are independent from the Company in accordance with International Standard Board Code of Ethics for professional accountants ("the code") and we have fulfilled our other ethical responsibilities in accordance with the code.

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

Emphasizing paragraph

Without Modification in our opinion:

1- As indicated in Note No. (5) On the financial statements, the cost of the projects under construction of (the Magnesia Plant) is estimated at about 53,233,000 JD, and therefore the company needs about 13,500,000 JD to complete these projects to start production and actual sale. The company's management didn't prepare a future funding plan to obtain the necessary financing in order to complete the projects under construction and operate the (Magnesia plant), in addition to that the company suffers from a deficit in its liquidity and therefore fulfilling its obligations in the short term as indicated in paragraph (2) below. Also, the company's management did not prepare the necessary economic feasibility studies to indicate whether there is a future economic feasibility of the products of the magnesia factory, and therefore we are in a state of uncertainty as to whether or not there is an impairment in the projects under construction (the magnesia factory) amounting to 39,751,476 JD.

2- The company's current liabilities exceeded its current assets (Deficit in working capital) by an amount of 24,710,638 JD as of December 31, 2020, noting that the current liabilities include an amount of 21,925,614 JD belonging to a group Manaseer Industrial and Commercial Investments (the parent company). The deficit in the company's working capital as of December 31, 2020, is considered a deficit in the company's ability to fulfill its obligations in the ordinary course of business. However, the parent company has entered to provide the necessary financing for the company to fulfill that obligation.

3- As indicated in Note No. (16) on the financial statements, there is a claim from the Income and Sales Tax Department in the amount of 11,199,657 JD for the 2017 income tax, where the company filed a case to refuse the claim with the Income and Sales Tax Department and the case is still pending with the Tax Court till the issuance of the audit report.

Other Matter

The Financial Statements as of December 31, 2019 have been audited by another auditor, which he issued his qualified report on May 27, 2020.

Key audit matters

Key audit matters, according to our professional judgment, are matters that had the significant importance in our auditing procedures that we performed to the financial statement. The basic auditing matters have been addressed in our auditing workflow to financial standards as we do not express separate opinions.

Key auditing matters	The following is a description of our auditing procedures
<p>Capitalization of construction under process The drawing of projects under implementation constitutes a large part of the company's assets, as the company is renovating a factory with an estimated expenditure of 53.3 million dinars.</p> <p>The total expenses that were capitalized amounted to 39,8 million dinars as of December 31, 2020.</p> <p>The construction under process policy and other policies noted in note no (3).</p>	<p>Capitalization of construction under process Audit procedures for this matter include studying the company's internal control system related to the approval and timing of recognition of capital expenditures. Our procedures also included studying a sample of those expenses and their compatibility with the requirements of the International Accounting Standard for the capitalization of those expenses with their conformity with the supporting evidence.</p> <p>The clarifications related to projects under implementation appear in Note No. (5).</p>

Other information

The management is responsible for other information which includes other information reported in the annual report, but not included in the financial statements and our audit report on it.

Our opinion does not include these other information, and we do not express any assertion over it.

Regarding our audit on financial statements Jordan Magnesia Company Ltd (Free Zone) for the year ended December 31, 2021 we are obliged to review these other information, and while that, we consider the compatibility of these information with their financial statements or with the knowledge that we gained through audit procedure or seems to contain significant errors. If we detected based on our audit, the existence of significant errors in the information, we are obliged to report this fact. Regarding this, we have nothing to report.

Management and individuals responsible of governance about the financial statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with International Financial Reporting Standards. And for such internal control, management is determined to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the Financial Statements, the Management is responsible for assessing the Company's ability to continue as a Going Concern, disclosing, as applicable, matters related to Going Concern and using the Going Concern basis of accounting. Unless the management either intend to liquidate the company or to cease operations or have no realistic alternative but to do so.

Individuals responsible of governance are responsible of supervising the preparation of financial statements.

Certified public accountant responsibility

Our objective is to obtain reasonable assurance about whether the Financial Statements 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 International Standards on Auditing will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decision of users taken on the basis of these Financial Statements.

As part of an audit in accordance with The International Standards on Auditing, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

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

We communicated with audit committee, 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.

Legal requirements report

The Jordan Magnesia Company Ltd (Free Zone) maintains the appropriate accounting records, the accompanying financial statements for the year ended December 31, 2020 and the financial statements in the report of the Board of Directors in accordance with the correct accounts records, and recommends that the General Assembly approve them.

Modern Accountants

Walid M. Taha
License No.(703)

Modern Accountants



المحاسبون العصريون

Amman - Jordan
March 17, 2023

JORDAN MAGNESIA COMPANY Ltd (FREE ZONE)
(PUBLIC SHAREHOLDING COMPANY)

STATEMENT OF FINANCIAL POSITION
AS OF DECEMBER 31, 2020
(EXPRESSED IN JORDANIAN DINAR)

	Note	2020	2019 (modified)
ASSETS			
Non-current assets			
Property and equipment	4	1,153,248	1,574,293
Construction under process	5	39,751,476	36,649,507
Intangible assets	6	3	18,871
Total non-current assets		40,904,727	38,242,671
Current assets			
Prepaid expenses and other receivables	7	2,005,009	669,190
Due from related parties	10	-	6,150
Inventories and spare parts	8	3,591,080	3,548,153
Cash and cash equivalents	9	8,545	20,193
Total current assets		5,604,634	4,243,686
TOTAL ASSETS		46,509,361	42,486,357
LIABILITIES AND SHAREHOLDERS' EQUITY			
Shareholders' equity			
Share capital	1	10,000,000	10,000,000
Accumulated losses		(3,893,319)	(2,716,543)
Total shareholders' equity		6,106,681	7,283,457
Non-current liabilities			
Long- term loans	11	9,877,756	9,668,916
Long- term deferred checks		209,652	56,139
Total non-current liabilities		10,087,408	9,725,055
Current liabilities			
Accrued expenses and other payables	12	3,276,886	2,061,848
Due to related parties	10	25,656,638	22,867,083
Current portion from long-term loans	11	1,381,748	548,914
Total current liabilities		30,315,272	25,477,845
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY		46,509,361	42,486,357

The accompanying notes are an integral part of these financial statements

JORDAN MAGNESIA COMPANY Ltd (FREE ZONE)
(PUBLIC SHAREHOLDING COMPANY)

STATEMENT OF COMPREHENSIVE INCOME
FOR THE YEAR ENDED DECEMBER 31, 2020
(EXPRESSED IN JORDANIAN DINAR)

	Note	2020	2019 (modified)
Sales		151,378	558,799
Cost of sales		(232,359)	(797,976)
Gross loss		(80,981)	(239,177)
General and administrative expenses	13	(609,585)	(851,099)
Marketing expenses		(1,989)	(10,792)
Depreciation and amortization		(485,588)	(484,335)
Slow moving inventory provision	8	-	(115,356)
Financial charges		(16,465)	(12,303)
Other revenues and expenses		17,832	69,946
Loss for the year		(1,176,776)	(1,643,116)
Other comprehensive income			
Total comprehensive income		(1,176,776)	(1,643,116)
Loss per share:			
Loss per share - JD / share		(0,12)	(0,16)
Weighted average of outstanding share		10,000,000	10,000,000

The accompanying notes are an integral part of these financial statements

JORDAN MAGNESIA COMPANY Ltd (FREE ZONE)
(PUBLIC SHAREHOLDING COMPANY)

STATEMENT OF SHAREHOLDERS' EQUITY
FOR THE YEAR ENDED DECEMBER 31, 2020
(EXPRESSED IN JORDANIAN DINAR)

	Note	Share capital	Accumulated losses	Total
Balance at January 31, 2019		10,000,000	(1,073,427)	8,926,573
Comprehensive income for the year(modified)	17	-	(1,643,116)	(1,643,116)
Balance at December 31, 2019		10,000,000	(2,716,543)	7,283,457
Comprehensive income for the year		-	(1,176,776)	(1,176,776)
Balance at December 31, 2020		10,000,000	(3,893,319)	6,106,681

The accompanying notes are an integral part of these financial statements

JORDAN MAGNESIA COMPANY Ltd(FREE ZONE)
(PUBLIC SHAREHOLDING COMPANY)

STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED DECEMBER 31, 2020
(EXPRESSED IN JORDANIAN DINAR)

	2020	2019 (modified)
OPERATING ACTIVITIES		
Loss for the year	(1,176,776)	(1,643,116)
Adjustments for loss of the year:		
Depreciation and amortization	485,588	484,335
Loss from sale property and equipment	2,111	81
Slow moving inventory provision	-	115,356
Financial charges	16,465	12,303
Changes in operating assets and liabilities:		
Prepaid expenses and other receivables	(1,335,819)	93,692
Inventories and spare parts	(42,927)	211,821
Accrued expenses and other payables	1,368,550	(2,405,090)
Due from related parties	6,150	2,758
Due to related parties	910,380	245,470
Net cash available from / (used in) operating activities	233,722	(2,882,390)
INVESTING ACTIVITIES		
Change in property and equipment	(61,035)	(179,332)
Proceeds from sale of property, plant and equipment	13,249	50
Construction under process	(3,101,968)	(5,557,810)
Net cash used in investing activities	(3,149,754)	(5,737,092)
FINANCING ACTIVITIES		
Loans	1,041,674	2,694,582
Due to related party (parent company)	1,879,175	5,939,538
Paid Financial charges	(16,465)	(12,303)
Net cash available from financing activities	2,904,384	8,621,817
Net change in cash and cash equivalents	(11,648)	2,335
Cash and cash equivalents, January 1	20,193	17,858
CASH AND CASH EQUIVALENTS, DECEMBER 31	8,545	20,193

The accompanying notes are an integral part of these financial statements

JORDAN MAGNESIA COMPANY Ltd (FREE ZONE)
(PUBLIC SHAREHOLDING COMPANY)

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2020
(EXPRESSED IN JORDANIAN DINAR)

1. ORGANIZATION AND ACTIVITIES

Jordan Magnesia Company Ltd. (Free Zone) ("the Company") is a Jordanian public shareholding Company registered on May 13, 1997 under the commercial registration number (330) at the company's controller, the Company's authorized and paid share capital is 10,000,000 JD divided to 10,000,000 share with a nominal value of one JD per share.

The Council of ministers decided in its session held on August 29, 2000. The approval of the Company's agreement with The Free Zones Corporation, through which the Company was adopted as a private industrial free zone benefit of all exemptions and facilities in accordance with the free zones law and regulations and instructions issued in accordance with it.

The main activity of the Company is to establish industries for the production of magnesium oxide and its by-products and derivatives, using the solutions from the Dead Sea and lime stone from the Qatranah mine.

Magnesium oxide products are entered in the manufacture of thermal bricks, plastics, medical, chemical and other industries.

The Company's Headquarter is in Amman.

2. NEW AND AMENDED IFRS STANDARDS

2.1 New and amended IFRS Standards that is effective for the current year.

There are a lot of a new standards and editions and explanations it the standards that now are effective from January 1, 2020:

Amendments to IFRS 3 Business Combinations

Amendments to IAS 1 Presentation of Financial Statements

Amendments to IAS 8 Accounting Policies, Changes in Accounting Estimates and Errors

Amendments to IFRS 7 Financial Instruments : Disclosures

Amendments to IFRS 9 Financial Instruments

Amendments to conceptual framework

JORDAN MAGNESIA COMPANY Ltd (FREE ZONE)
(PUBLIC SHAREHOLDING COMPANY)

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
FOR THE YEAR ENDED DECEMBER 31, 2020
(EXPRESSED IN JORDANIAN DINAR)

2. 2. NEW AND AMENDED IFRSS IN ISSUE BUT NOT YET EFFECTIVE AND EARLY ADOPTED:-

The Company has not applied the following new and revised IFRSs that have been issued but are not yet effective.

<u>New Standards</u>	<u>Effective for annual periods beginning on or after</u>
Amendments to IFRS 16 lease concessions related to the (Covid-19)	January 1, 2021
Amendments to IAS No. (4), (7) and (16) and IAS No. (39) Standard Reforms for Interest Rate - Second Stage	January 1, 2021
Amendments to IAS 1 Presentation of Financial Statements liabilities classification	January 1, 2022
Amendments to IFRS No. (3) Business Combinations	January 1, 2022
Amendments to IFRS (16), Property, Plant and Equipment's	January 1, 2022
Amendments to IAS No. (37) Provisions, Contingent Liabilities and Contingent Assets	January 1, 2022
Annual Improvements to IFRS 2018-2020	January 1, 2022
Amendments to IFRS No. (17) Insurance Contracts	January 1, 2023

Management anticipates that these new standards, interpretations and amendments will be adopted in the Company's financial statements as and when they are applicable and adoption of these new standards, interpolations and amendments, may have no material impact on the financial statement of the Company in the period of initial application.

JORDAN MAGNESIA COMPANY Ltd (FREE ZONE)
(PUBLIC SHAREHOLDING COMPANY)

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
FOR THE YEAR ENDED DECEMBER 31, 2020
(EXPRESSED IN JORDANIAN DINAR)

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The preparation of financial statements

The financial statements have been prepared in accordance with International financial reporting Standards.

The Basis of preparation the financial statements

The financial statement is presented in Jordanian Dinar, since that is the currency in which the majority of the Company's transactions are denominated.

The financial statements have been prepared on historical cost basic, however financial assets and financial liabilities are stated at fair value. The following is a summary of significant accounting policies applied by the Company.

Property and equipment

Property and equipment are stated at cost after deducting accumulated depreciation. Expenditure on maintenance and repairs is expensed while expenditures for developments are capitalized. The acquisition price of assets includes cost of loans taken to finance preparing equipment's and providing necessary improvements to make them ready for use. Depreciation is allocated over the estimated useful lives of the applicable assets using the straight line method. The estimated rates of depreciation of the principal classes of assets are as follows:

	<u>Annual depreciation rate</u>
Building	2%
Vehicles	15%
Furniture and fixture	20%
Computers	33.33%
Tools and devices	20%

Useful lives and the depreciation method are reviewed periodically to make sure that the method and depreciation period appropriate with the expected economic benefits of property, plant and equipment.

Impairment test is performed to the value of the property, plant and equipment that appears in the Statement of Financial Position when any events or changes in circumstances shows that this value is non-recoverable. In case of any indication to the low value, Impairment losses are calculated according to the policy of the low value of the assets.

At any subsequent disposal of property and equipment, the resulting gain or loss, which is the difference between the net disposal proceeds and the carrying amount of the property and equipment in the statement of financial position, is recognized in profit or loss.

Construction under process

Construction under process are stated at cost, and when it's ready, its transferred to the appropriate classification under the property, plant and equipment.

Intangible assets

Intangible assets are shown at cost after deducting the accumulated amortization. Intangible assets are represented by a computer systems license for the company's activities. Intangible assets are amortized over a period of five years.

JORDAN MAGNESIA COMPANY Ltd (FREE ZONE)
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NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
FOR THE YEAR ENDED DECEMBER 31, 2020
(EXPRESSED IN JORDANIAN DINAR)

Account receivables

Receivables are stated at their net recoverable amount, and a provision for impairment of receivables is made based on a full review of all balances at the end of the year, and the outstanding debts are written off in the period in which they are identified.

Inventories and Spare parts

Inventories are stated at cost or net realizable value whichever is lower. The net realizable value represents the selling price less any cost to sell. The used method in the valuation of the inventory is the weighted average method.

Cash and cash equivalents

Cash and cash equivalent include cash, demand deposits, and highly liquid investments with original maturities of three months or less.

Loans

recognized at fair value, less direct costs relating to the loans, and are subsequently recorded at amortized cost using the effective interest method.

Interests on long-term loans are recorded during the year in which they are due, while interest on long-term loans to finance projects under implementation are capitalized as part of the expenses of these projects.

Financing costs

The costs of financing lands and construction under process are recorded as part of the under-construction process expenses until the completion of the construction process or the cessation of its implementation.

Accounts payable and accruals

Accounts payable are recognized against the value of obligation for services or goods received, whether billed or not billed by the supplier.

Provisions

The provision had been formed, when the company has a present obligation (legal or expected) from past events which its cost of repayment considers accepted and it has ability to estimate it reliably.

The provision had been measured according the best expectations of the required alternative to meet the obligation as of the statement of financial position date after considering the risks and not assured matters about the obligation. When the provision had been measured with the estimated cash flows to pay the present obligation, then the accounts receivable had been recognized as asset in case of receipt and replacement of the amount is certain and it able to measure the amount reliably.

JORDAN MAGNESIA COMPANY Ltd (FREE ZONE)
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NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
FOR THE YEAR ENDED DECEMBER 31, 2020
(EXPRESSED IN JORDANIAN DINAR)

Revenue recognition

IFRS 15 "Revenue from contracts with customers" outlines a single comprehensive model of accounting for revenue arising from contracts with customers and supersedes current revenue recognition guidance found across several standards and Interpretation within IFRSs. It establishes a new five-step model that will apply to revenue arising from contracts with customers.

Other revenue is recognized on the accrual basis.

Expenses

General and administrative expenses include both direct and indirect costs not specifically part of production costs as required under generally accepted accounting principles. Allocations between general and administrative expenses and cost of sales are made on a consistent basis when required.

Expenses are recognized on an accrual basis.

Income tax

Taxes are calculated according to the tax rates established in accordance with the income tax laws in force in the Hashemite Kingdom of Jordan.

Deferred taxes are taxes that are expected to be paid or recovered as a result of temporary time differences between the value of assets or liabilities in the financial statements and the value on which the tax profit is calculated. Deferred taxes are calculated using the statement of financial position liability method. Deferred taxes are calculated according to the tax rates that are expected to be applied when settling the tax liability or realizing the deferred tax assets.

The balance of deferred tax assets is reviewed on the date of the financial statements and is reduced in the event that it is expected that it is not possible to benefit from those tax assets partially or completely.

Foreign currency translation

Transactions in foreign currency are translated into JD at prevailing rates at the time of the transaction and declared by the Central Bank. Transactions that occur during the year are translated using the average prevailing rates at the date of the transactions and the assessment differences are taken to the statement of comprehensive income.

Offsetting

Financial assets and financial liabilities are offset, and the net amount is reflected in the statement of financial position only when there are legal rights to offset the recognized amounts, and when intends to settle them on a net basis, or assets are realized and liabilities settled simultaneously.

The Segment reporting

The business sector represents a group of assets and operation engaged together in providing product or services subjected to risks and returns that are different from those of other business sectors, which are measured according to the reports that are used by the executive director and the main decision – makers in the Company.

Geographical segment is associated in providing products in particular economic environment subject to risks and returns that are differed from those for sectors to work in economic environment.

JORDAN MAGNESIA COMPANY Ltd (FREE ZONE)
(PUBLIC SHAREHOLDING COMPANY)

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
FOR THE YEAR ENDED DECEMBER 31, 2020
(EXPRESSED IN JORDANIAN DINAR)

Impairment of financial assets

The Company recognizes an allowance for expected credit losses for all debt instruments not held at FVTPL. The expected credit losses are based on the difference between the contractual cash flows due in accordance with the contract and all the cash flows that the Company expects to receive discounted at the original effective interest rate. The expected cash flows include cash flows from the sale of collateral held or other credit enhancements that are integral to contractual terms (if any).

The Company's management calculates the provision based on its historical credit loss experience, adjusted for future factors specific to the debtors and the economic environment.

Impairment of non-financial assets

At the reporting date, the company assesses whether there is evidence that assets are impaired. If any indication exists, or when annual impairment testing is required, the Company makes an estimate of the asset's recoverable amount. An asset's collectible amount is the higher of the asset's fair value or cash-generating unit less costs to sell and its value in use and is determined for individual assets, unless the assets do not generate cash inflows that are largely independent of those from other assets or the assets of the Company. When the carrying amount of an asset or cash-generating unit exceeds its recoverable amount, the asset is considered to be impaired and is written down to its recoverable amount. In assessing the fair value in use, the future cash flows are discounted to their current fair value using a pre-tax discount rate that reflects current market assessments of the time value. For money and risk specific assets In determining fair value less costs to sell, recent market transactions are taken into account if available. If it is not possible to identify such transactions, the appropriate valuation model is used. These calculations are corroborated by valuation multiples of traded subsidiaries' share prices or other available fair value indices.

Classification of trader vs. non-trader

The company presents assets and liabilities in the statement of financial position on the basis of current and non-current classification.

An asset is current when:

- It is expected to be realized or intended to be sold or consumed in the normal operating cycle;
- It is held primarily for the purpose of trading;
- Expected to be achieved within twelve months after the reporting period
- Cash and cash equivalents unless restricted from being exchanged or used to settle a liability for at least twelve months after the reporting period.

All other assets are classified as non-current.

A requirement is current when:

- It is expected to be settled in the normal operating cycle;
- It is held primarily for the purpose of trading;
- when it is due for payment within twelve months after the reporting period; And
- There is no unconditional right to defer settlement of the liability for at least twelve months after the reporting period.

All other liabilities are classified as non-current.

JORDAN MAGNESIA COMPANY Ltd (FREE ZONE)
(PUBLIC SHAREHOLDING COMPANY)

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
FOR THE YEAR ENDED DECEMBER 31, 2020
(EXPRESSED IN JORDANIAN DINAR)

Use estimates

Preparing the financial statements and applying accounting policies requires the company's management to make estimates and assumptions that affect the amounts of assets and liabilities and disclose potential liabilities. These estimates and assumptions also affect revenues, expenses and provisions, and in particular requires the company's management to make important judgments and assumptions to estimate the amounts and times of future cash flows and their times resulting from the conditions and circumstances of those estimates in the future. The aforementioned estimates are necessarily based on assumptions and various factors that have varying degrees of estimation and uncertainty, and the actual results may differ from the estimates due to changes in the future in the conditions and circumstances of those provisions.

JORDAN MAGNESIA COMPANY Ltd(FREE ZONE)
(PUBLIC SHAREHOLDING COMPANY)

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
FOR THE YEAR ENDED DECEMBER 31, 2020
(EXPRESSED IN JORDANIAN DINAR)

4. PROPERTY AND EQUIPMENT

2020	Buildings	Vehicles	Furniture and fixture	Computers	Tools and devices	Total
Cost :						
Balance at January 1	20,637	1,278,709	294,977	394,260	596,030	2,584,613
Additions	-	54,706	6,178	151	-	61,035
Disposal	-	(47,737)	(33,789)	(854)	-	(82,380)
Balance at December 31	20,637	1,285,678	267,366	393,557	596,030	2,563,268
Depreciation:						
Balance at January 1	1,771	417,200	105,719	275,353	210,277	1,010,320
Depreciation	825	177,359	56,235	113,066	119,235	466,720
Disposal	-	(47,735)	(18,527)	(758)	-	(67,020)
Balance at December 31	2,596	546,824	143,427	387,661	329,512	1,410,020
Net book value December 31	18,041	738,854	123,939	5,896	266,518	1,153,248

JORDAN MAGNESIA COMPANY Ltd (FREE ZONE)
(PUBLIC SHAREHOLDING COMPANY)

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
FOR THE YEAR ENDED DECEMBER 31, 2020
(EXPRESSED IN JORDANIAN DINAR)

<u>2019</u>	Buildings	Vehicles	Furniture and fixture	Computers	Tools and devices	Total
Cost:						
Balance at January 1	20,637	1,140,691	294,525	393,438	556,185	2,405,476
Additions	-	138,018	452	822	40,040	179,332
Disposal	-	-	-	-	(195)	(195)
Balance at December 31	20,637	1,278,709	294,977	394,260	596,030	2,584,613
Depreciation:						
Balance at January 1	946	263,740	46,808	144,147	95,189	550,830
Depreciation	825	153,460	58,911	131,206	115,152	459,554
Disposal	-	-	-	-	(64)	(64)
Balance at December 31	1,771	417,200	105,719	275,353	210,277	1,010,320
Net book value December 31	18,866	861,509	189,258	118,907	385,753	1,574,293

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5. CONSTRUCTION UNDER PROCESS

The details of the transactions on construction under process are as follows:

	2020	2019
Beginning balance	36,649,507	31,091,697
Addition	3,101,969	5,557,810
Ending balance	39,751,476	36,649,507

The cost of construction under process amount 53,233,000 JD and the Company expected to finish all project by later years.

6. INTANGIBLE ASSETS

The details of Intangible assets:

	2020	2019
Beginning balance January 1	74,350	74,350
Intangible assets amortization *	(74,347)	(55,479)
Ending balance December 31	3	18,871

* The transactions on the total amortization of intangible assets during the year is as follows:

	2020	2019
Balance as of January 1	55,479	30,698
Total amortization of Intangible assets	18,868	24,781
Balance as of December 31	74,347	55,479

7. PREPAID EXPENSES AND OTHER RECEIVABLES

	2020	2019
Prepaid expenses	48,575	29,046
guarantee deposits	211,016	211,016
Refundable deposit	1,362,273	111,000
Sales tax deposit	15,529	19,133
Income tax refundable deposit	12,055	11,760
Employees receivables	23,215	12,052
Advance payments to suppliers	307,483	268,941
Other	24,863	6,242
	2,005,009	669,190

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8. INVENTORIES AND SPARE PARTS

	<u>2020</u>	<u>2019</u>
Raw materiel	664,029	694,690
Work in process	57,509	133,597
Finish goods	166,507	228,768
Spare parts	2,765,866	2,553,929
Slow moving inventory provision *	(62,831)	(62,831)
	<u>3,591,080</u>	<u>3,548,153</u>

* The net transactions on the slow moving inventory provision are As follows:

	<u>2020</u>	<u>2019</u>
Beginning balance January 1	62,831	62,831
Addition	-	(115,356)
Bad debt expenses	-	115,356
Ending balance December 31	<u>62,831</u>	<u>62,831</u>

9. CASH AND CASH EQUIVALENTS

	<u>2020</u>	<u>2019</u>
Cash on hand	3,908	18,324
Cash at banks	4,637	1,869
	<u>8,545</u>	<u>20,193</u>

10. TRANSACTIONS WITH RELATED PARTIES

Transactions with related parties consist of transactions with companies that are jointly controlled by the Chairman of the Board of Directors and transactions with the Chairman of the Board of Directors and associates. The policies and conditions relating to transactions with the related parties are approved by the Company's management. The transactions with related parties other than the owner company or the chairman of the board of directors are transactions of a commercial nature. Transactions with the owner company or the chairman of the board of directors of the owning company are financing nature transactions.

The significant transactions with all related companies and the related amounts until December 31 are as follows:

	<u>2020</u>	<u>2019</u>
Sales	19,206	23,762
Purchases	302,143	666,241

Due from related parties as at December 31, contains as the following:

	<u>2020</u>	<u>2019</u>
Advanced Transport And Land Shipping Services Company (Sister)	-	1,400
AL-Bunyan For Marble and Granite (Sister)	-	4,750
	<u>-</u>	<u>6,150</u>

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Due to related parties as at December 31, contains as the following:

	2020	2019
Al-Manaseer Group for Industrial and Commercial Investments (Holding Company)	21,925,614	20,046,439
Jordan Modern for Information Technology Co (Sister)	212,910	160,983
Advanced Transport And Land Shipping Services Company (Sister)	42,670	-
Vision for Maintenance and Spare Parts (Sister)	27,503	24,747
Mediterranean and gulf insurance and Co (Sister)	330,900	264,261
Jordan Modern Ready Mix Concrete Co (Sister)	96,464	-
Jordan Modern for Oil and Fuel Services Co (Sister)	1,841,143	1,839,701
Developed Crushes Co (Sister)	54,780	46,400
United Iron And Steel Manufacturing Co (Sister)	19,926	19,925
Modern Mining Co (Sister)	37,407	37,407
Al Bunyan for Cement and Concrete products manufacturing Co (Sister)	980	2,935
Manaseer for Trade Services Co (Sister)	3,207	544
Jordan Modern International Trade Co (Sister)	1,074	1,074
Al-Manaseer industrial complex Co (Sister)	736,452	296,528
AL-Adyat Al Sareeah for Equipment Trade Co (Sister)	319,155	121,171
Jordan Modern Food industries Co (Sister)	6,453	4,968
	<u>25,656,638</u>	<u>22,867,083</u>

11. LOANS

1. Jordan Commercial Bank

The Company has obtained bank facilities during 2017 from Jordan Commercial Bank amounting to 7,000,000 JD with an annual interest rate 9% and without commission. The amount will have repaid by equal monthly installments within 60 each for 134,220JD. The loan has been restructured in February 23, 2020 as the first installment was due after the restructuring in April 10, 2020 and the total of loan will be accrued in March 24, 2024. It is personally guaranteed by Eng. Ziad Khalaf Mohammad Al-Manaseer and Al-Manaseer Group for Industrial and Commercial Investments.

2. Jordan Commercial Bank

The Company has obtained bank facilities with diminishing loan during October 10, 2022 from Jordan Commercial Bank amounting to 3,414,000 JD with an annual interest rate 8,75% and without commission. The amount will have repaid by equal monthly installments within 60 each 56,900 JD the loan has been restructured in February 23, 2019 and the first installment was due in October 20, 2020 and the total of loan will be accrued in September 29, 2025. It is personally guaranteed by Eng. Ziad Khalaf Mohammad Al-Manaseer and Al-Manaseer Group for Industrial and Commercial Investments.

3. Egyptian Arab Land Bank

During the year 2017, the company obtained a loan from the Egyptian Arab Land Bank in the amount of 1,500,000 JD, at an annual interest rate of 9% and without commission, within grace period nine month with four installment per month, each 144,016 JD, the loan has been restructured in March 1, 2019 as the first installment was due after the restructuring in March 31, 2019, and the last installment is due on April 30, 2020. It is under the guarantee of Engineer Ziyad Khalaf Muhammad Al-Manaseer, Manaseer Group for Industrial and Commercial Investments.

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Years	<u>JD</u>
2021	1,381,748
2022	1,818,587
2023	2,143,493
2024	2,314,135
2025	2,505,462
2026	1,096,079
	<u>11,259,504</u>

12. ACCRUED EXPENSES AND OTHER PAYABLES

	<u>2020</u>	<u>2019</u>
Other payable	1,004,724	1,235,086
Deferred cheques	1,246,114	584,782
Accrued expenses	1,006,007	237,060
Employees payables	20,041	4,920
	<u>3,276,886</u>	<u>2,061,848</u>

13. GENERAL AND ADMINSTRATIVE EXPENSES

	<u>2020</u>	<u>2019</u>
Salaries, wages and other benefits	423,742	585,528
Transportation	16,356	49,291
Rents	41,904	45,000
Professional fees	57,370	50,645
Governmental and subscription fees	12,035	57,642
Cars and oil expenses	6,456	7,761
Post , telegraph and telephone	8,980	12,289
Maintenance	3,833	5,971
Cleaning	2,055	1,158
Hospitality	3,207	4,898
Stationery and brochure	977	1,330
Electricity and water	8,161	6,626
Other	24,509	22,960
	<u>609,585</u>	<u>851,099</u>

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14. INCOME TAX

The company ended its tax status with the Income and Sales Tax Department until 2016. As for the year 2017, it is considered by the tax court of first instance and has not been decided upon until the date of preparing the company's financial statements, as the tax for the year 2018 was audited and finalized with the department. As for the year 2019, it has the company submitted a self-assessment statement to the department, and the department did not review the company's accounting records until the date of preparing the company's financial statements

15. POTENTIAL LIABILITIES

At December 31, the company has the following contingencies:

	<u>2020</u>	<u>2019</u>
Bank guarantee	<u>292,016</u>	<u>292,016</u>

There are no materials cases filed by the company against others, or filed against the company by others, as of December 31, 2020.

16. SUBSEQUENT EVENTS ISSUES

During the subsequent period of preparing the company's financial statements as of December 31, 2020, Jordan Magnesia Company filed a case to return a claim from the Income and Sales Tax Department in the amount of 1,119,657 Jordanian dinars for an income tax declaration for the year 2017, as the case is in the stage of the primitive tax court as of December 31 The first 2020

17. AMENDING THE FINANCIAL STATEMENTS FOR THE YEAR 2019

The financial statements for the year 2019 have been amended due to an error in applying Standard 16 (rentals) to a lease contract for mining land in the Qatraneh area, as the lease contract is subject to Standard 6 (exploration and evaluation of mineral resources). Accordingly, the financial statements for the comparison year 2019 were amended without a financial impact on previous years.

	<u>Before the modification</u>	<u>After modification</u>	<u>Effect after modification</u>
Right of use assets	273,038	-	273,038
Finance lease obligation long-term	203,769	-	203,769
Current portion of lease obligation	57,028	-	57,028
Accumulated losses	(2,704,302)	(2,716,543)	(12,241)
Cost of sales	(717,476)	(797,976)	(80,500)
Amortization of right used assets	(68,259)	-	(68,259)
Loss for the year	<u>(1,630,875)</u>	<u>(1,643,116)</u>	<u>(12,241)</u>

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18. FINANCIAL INSTRUMENTS

Management of share capital risks

The Company manage its capital to make sure that the Company will continue when it is take the highest return by the best limit for debts and owners' equity balances. The Company's strategy doesn't change from 2019.

The capital structure of the Company comprises of debts and borrowings that set out in Note (8) in addition to the equity attributable to equity holders of the Company, consisting of capital and accumulated losses as included in the statement of changes in equity

The management of the financial risks

The Company's activities might be exposing mainly to the followed financial and market risks.

Foreign Currencies Risks Management

The company is not exposed to significant risks related to foreign currency price changes, so there is no need to effective management for this exposure.

Management of the interest price risks

Risk related to interest rate result mainly from borrowing money at varying (floating) interest rates and short term deposits at fixed interest rates. Interest rate risks for borrowed funds is managed effectively.

Sensitivity of the statement of comprehensive income is the impact of the assumed changes possible prices of interest on the profit of the Company for one year and it is calculated based on the financial liabilities which carry variable interest rates at the end of the year.

Credit risk management

The credit risks represent in one part of the financial instruments contracts has not obligated to pay the contractual obligations and cause of that the Company is exposing financial losses, However, there are no contracts with any other parties so the Company doesn't expose to different types of the credit risks.

Management of liquidity risks

Board of directors is responsible for management of liquidity risks to manage the cash requirements, short, medium and long term liquidity. The Company managed the liquidity risks through controlling and monitoring the future cash flow that evaluated permanently and correspond the due dates of monetary assets and liabilities.

The following table represents the contractual eligibilities to non-derivative financial liabilities.

The table has been prepared on the undiscounted cash flows to the financial liabilities according to the early due dates that may require from the Company to pay or receive.

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The table below contains cash flows for major amounts and interests.

December 31, 2020	Year or less	More than one year	Total
Instruments without interest	29,143,176	-	29,143,176
Instruments with interest	1,381,748	9,877,756	11,259,504
Total	30,524,924	9,877,756	40,402,680
December 31, 2019			
Instruments without interest	24,985,070	-	24,985,070
Instruments with interest	548,914	9,668,916	10,217,830
Total	25,533,984	9,668,916	35,202,900

19. THE IMPACT OF THE SPREAD OF CORONA VIRUS (COVID-19) ON THE COMPANY

The spread of the new Corona virus (Covid-19) occurred at the beginning of 2020 and its outbreak in several geographical regions around the world causing disruptions to economic activities and business. The company believes that this event does not affect any fundamental changes in the financial position of the company, and accordingly, the company does not expect material effects to occur on its operations in the Kingdom, which represent the total of its operations, in the event that things return to normal after the stage (Covid-19).

Management and those responsible for governance will continue to monitor the situation and provide stakeholders with developments as required by laws and regulations. In the event of any material changes in the current circumstances, additional disclosures will be provided or amendments will be approved in the Company's financial statements for subsequent periods.

20. APPROVAL OF FINANCIAL STATEMENTS

The financial statements were approved by the Board of Directors and authorized for the year ended in December 31, 2020 for issuance on March 17, 2023it was approved.

21. COMPARATIVE FIGURES

Certain figures for 2019 have been reclassified to complete2020.