

**BABELON INVESTMENTS COMPANY  
(PUBLIC SHAREHOLDING COMPANY)**

**INTERIM FINANCIAL STATEMENTS AND  
INDEPENDENT CERTIFIED PUBLIC  
ACCOUNTANT'S REPORT  
FOR THE SIX MONTHS ENDED JUNE 30,  
2020**

**BABELON INVESTMENTS COMPANY  
(PUBLIC SHAREHOLDING COMPANY)**

**INTERIM FINANCIAL STATEMENTS AND INDEPENDENT CERTIFIED PUBLIC  
ACCOUNTANT'S REPORT  
FOR THE SIX MONTHS ENDED JUNE 30, 2020  
(EXPRESSED IN JORDANIAN DINAR)**

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## **REPORT ON REVIEWING THE INTERIM FINANCIAL STATEMENTS**

To the President and Members of the Board of Directors

### **BABELON INVESTMENTS COMPANY**

#### **Introduction**

We have reviewed the accompanying Interim Statement of Financial Position of Babelon Investments Company (P.L.C) as of June 30, 2020, and the related statements of Interim Comprehensive income, Owners' equity and cash flows for the period then ended, The management is responsible of preparing and presenting company's Interim financial statements in accordance with International Accounting Standard No. 34 (Interim Financial Reporting) which is an integral part of International Financial Reporting Standards. Our responsibility is limited to issue a conclusion on these interim financial statements based on our review.

#### **Scope of Review**

We conducted our review in accordance with the International Standard on Review Engagements 2410 "Review of Interim Financial Information Performed by the Independent Auditor". This standard requires that we plan and perform the review to obtain reasonable assurance as to whether the interim financial statements are free of material misstatement. Our review is primarily limited to inquiries of the company's accounting and financial departments personnel as well as applying analytical procedures of financial data .The range of our review is narrower than the broad range of audit procedures applied according to International Auditing Standards, Accordingly, obtaining assurances and confirmations about other significant aspects checked through an audit procedure was not achievable, Hence, We do not express an opinion regarding the matter.

#### **Conclusion**

Based on our review, nothing has come to our attention that causes us to believe that the accompanying interim financial statements do not express a true and fair view in accordance with International Accounting Standard No. 34.

Modern Accountants

Walid M. Taha  
License No. (703)

**Modern Accountants**



المحاسبون العصريون

Amman-Jordan  
July 29, 2020

**BABELON INVESTMENTS COMPANY**  
(PUBLIC SHAREHOLDING COMPANY)

**INTERIM STATEMENT OF FINANCIAL POSITION (UNAUDITED)**  
**AS OF MARCH 31, 2020 AND DECEMBER 31, 2019**  
(EXPRESSED IN JORDANIAN DINAR)

	Note	2020	2019
<b>ASSETS</b>			
<b>Non-current assets</b>			
Financial assets designated at fair value through other comprehensive income	4	728,733	768,301
<b>Total non-current assets</b>		<b>728,733</b>	<b>768,301</b>
<b>Current assets</b>			
Accounts receivable and other receivables	5	12,848	49,005
Cash and cash equivalents		1,306,146	1,321,752
<b>Total current assets</b>		<b>1,318,994</b>	<b>1,370,757</b>
<b>TOTAL ASSETS</b>		<b>2,047,727</b>	<b>2,139,058</b>
<b>LIABILITIES AND OWNERS' EQUITY</b>			
<b>Owners' equity</b>			
Share capital	1	2,000,000	2,000,000
Statutory reserve		179,367	179,367
Fair value reserve		(508,161)	(430,775)
Retained earnings		247,131	372,115
<b>Total owners' equity</b>		<b>1,918,337</b>	<b>2,120,707</b>
<b>Current liabilities</b>			
Accrued expenses and other liabilities		129,390	18,351
<b>Total current liabilities</b>		<b>129,390</b>	<b>18,351</b>
<b>TOTAL LIABILITIES AND OWNERS' EQUITY</b>		<b>2,047,727</b>	<b>2,139,058</b>

The accompanying notes are an integral part of these Interim financial statements

**BABELON INVESTMENTS COMPANY**  
**(PUBLIC SHAREHOLDING COMPANY)**

**INTERIM STATEMENT OF COMPREHENSIVE INCOME (UNAUDITED)**  
**FOR THE SIX MONTHS ENDED JUNE 30, 2020**  
**(EXPRESSED IN JORDANIAN DINAR)**

	From the period		From the beginning of the year to	
	From April 1, 2020 to June 30, 2020	From April 1, 2019 to June 30, 2019	June 30, 2020	June 30, 2019
Deposits interest revenue	16,011	20,533	31,933	44,608
Dividends Revenues	-	39,519	-	39,519
General and administrative expenses	(6,181)	(6,702)	(12,925)	(15,260)
<b>Income for the period before tax</b>	<b>9,830</b>	<b>53,350</b>	<b>19,008</b>	<b>68,867</b>
Income tax and national contribution	(2,065)	(2,904)	(3,992)	(6,163)
<b>NET INCOME FOR THE PERIOD</b>	<b>7,765</b>	<b>50,446</b>	<b>15,016</b>	<b>62,704</b>
<b>Other comprehensive income :</b>				
Realized Gain from sell of financial assets designated at fair value through statement of other comprehensive income	-	754	-	754
<b>Total comprehensive income transferred to retained earnings</b>	<b>7,765</b>	<b>51,200</b>	<b>15,016</b>	<b>63,458</b>
Change in fair value reserve	(106,154)	(59,633)	(77,386)	(217,180)
<b>Total comprehensive income for the year</b>	<b>(98,389)</b>	<b>(8,433)</b>	<b>(62,370)</b>	<b>(153,722)</b>
<b>Earning pershare</b>				
<b>Earning pershare- JD/ share</b>	<b>0,004</b>	<b>0,03</b>	<b>0,008</b>	<b>0,03</b>
<b>Weighted average of outstanding shares</b>	<b>2,000,000</b>	<b>2,000,000</b>	<b>2,000,000</b>	<b>2,000,000</b>

The accompanying notes are an integral part of these Interim financial statements

**BABELON INVESTMENTS COMPANY**  
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**INTERIM STATEMENT OF CHANGES IN OWNERS' EQUITY (UNAUDITED)**  
**FOR THE SIX MONTHS ENDED JUNE 30, 2020**  
(EXPRESSED IN JORDANIAN DINAR)

	Note	Share capital	Statutory reserve	Fair value reserve	Retained earnings	Total
Balance at January 1, 2020		2,000,000	179,367	(430,775)	372,115	2,120,707
Dividends	5	-	-	-	(140,000)	(140,000)
Comprehensive income for the period		-	-	-	15,016	15,016
Change in fair value reserve		-	-	(77,386)	-	(77,386)
Balance at March 31, 2020		2,000,000	179,367	(508,161)	247,131	1,918,337
Balance at January 1, 2019		2,000,000	169,623	(120,267)	575,777	2,625,133
Dividends		-	-	-	(280,000)	(280,000)
Comprehensive income for the period		-	-	-	63,458	63,458
Change in fair value reserve		-	-	(217,180)	-	(217,180)
Balance at June 30, 2019		2,000,000	169,623	(337,447)	359,235	2,191,411

The accompanying notes are an integral part of these Interim financial statements

**BABELON INVESTMENTS COMPANY**  
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**INTERIM STATEMENT OF CASH FLOWS(UNAUDITED)**  
**FOR THE SIX MONTHS ENDED JUNE 30, 2020**  
**(EXPRESSED IN JORDANIAN DINAR)**

	for the six months ended June 30, 2020	for the six months ended June 30, 2019
<b>OPERATING ACTIVITIES</b>		
Income for the period before tax	19,008	68,867
Adjustments on income for the period before tax:		
Realized gains from sell of financial assets designated at fair value through statement of other comprehensive income	-	(754)
Changes in general assets and liabilities:		
Accounts receivable and other receivables	36,157	4,745
Accrued expenses and other liabilities	107,047	(50,073)
<b>Net cash available from operating activities</b>	<b>162,212</b>	<b>22,785</b>
<b>INVESTING ACTIVITIES</b>		
Financial assets designated at fair value through statement of other comprehensive income	(37,818)	(156,521)
<b>Net cash available from investing activities</b>	<b>(37,818)</b>	<b>(156,521)</b>
<b>FINANCING ACTIVITIES</b>		
Dividends	(140,000)	(280,000)
<b>Net cash available used in Financing Activities</b>	<b>(140,000)</b>	<b>(280,000)</b>
<b>Net change in cash and cash equivalents</b>	<b>(15,606)</b>	<b>(413,736)</b>
Cash and cash equivalents, Januaray 1	1,321,752	1,770,850
<b>Cash and cash equivalents, June 30</b>	<b>1,306,146</b>	<b>1,357,114</b>

The accompanying notes are an integral part of these Interim financial statements

**BABELON INVESTMENTS COMPANY  
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**NOTES TO THE INTERIM FINANCIAL STATEMENTS  
FOR THE SIX MONTHS ENDED JUNE 30, 2020  
(EXPRESSED IN JORDANIAN DINAR)**

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**1. ORGANIZATION AND ACTIVITIES**

Babelon Investments Company is a Jordanian public limited company (the "Company") registered on July 11, 2006 with the Comptroller General of Companies in the Ministry of Industry and Trade under No. (411) with an authorized capital of 10,000,000 Jordanian dinars and the subscribed and paid-up capital of 2,000,000 Dinars divided into 2,000,000 shares, with a nominal value of Jordanian dinars per share.

The main activity of the Company is dealing in securities listed on the Amman Stock Exchange, including buying and selling securities for the company's account and others.

The Company headquarter is in Amman.

**2. NEW AND AMENDED IFRS STANDARDS**

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

There are a lot of a new standards and editions and explanations ti 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



**BABELON INVESTMENTS COMPANY  
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**NOTES TO THE INTERIM FINANCIAL STATEMENTS(Continued)  
FOR THE SIX MONTHS ENDED JUNE 30, 2020  
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**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 IAS 1 Presentation of Financial Statements liabilities classification	January1, 2022
IFRS No.17 Insurance Contracts	January1, 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.

**3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

**Basis of preparation**

The interim financial statements have been prepared in accordance with International Accounting Standard 34, "Interim Financial Reporting".

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

The interim financial statements have been prepared on historical cost basis.

The interim statements do not include all the information and notes needed in the annual Interim financial statement and must be reviewed with the ended Interim financial statement at December 31, 2019, in addition to that the result for the six months ended in June30, 2020 is not necessarily to be the expected results for the financial year ended December 31, 2020.

**Significant accounting policies**

The accounting policies used in the preparation of the interim financial information are consistent with those used in the audited financial statements for the period ended December 31,2019.

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**NOTES TO THE INTERIM FINANCIAL STATEMENTS(Continued)**  
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**Equity instruments at FVTOCI**

Investments in equity instruments at FVTOCI are initially measured at fair value plus transaction costs. Subsequently, they are measured at fair value with gains and losses arising from changes in fair value recognized in other comprehensive income and accumulated in the cumulative changes in fair value of securities reserve: The cumulative changes or loss will not be reclassified investments. But reclassified to retained earnings. The Company has designated all instruments that are not held for trading as at FVTOCI

Dividends on these investments in equity instruments are recognized in profit or loss when the Company right to receive the dividends is established, unless the dividends clearly represent a recovery of a part of the cost of the investments. Other net gains and losses are recognized in OCI and are never reclassified to profit or loss.

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

For an asset to classified and measured at amortized cost or at FVTOCI, is contractual terms should give rise to cash flows that are solely represent payments of principal and interest on the principal outstanding (SPPI).

At initial recognition of a financial asset, the Company determines whether newly recognized financial assets are part of an existing business model or whether they reflect the commencement of a new business model. The Company reassess its business models each reporting period to determine whether the business models have changed since the preceding period. For the current and prior reporting period the Company has not identified a change in its business models.

When a debt instrument measured a FVTOCI is derecognized, the cumulative gain or loss previously recognized in OCI is reclassified from equity to profit or loss. In contrast, for an equity investment designated as measured FVTOCI, the cumulative gain/loss previously recognized in OCI is not subsequently reclassified to profit or loss but transferred within equity .

Debt instruments that are subsequently measured at amortized cost or FVTOCI are subject to impairment.

**Financial assets at FVTPL**

Financial assets at FVTPL are:

- (i) assets with contractual cash flows that are not SPPI ; or and
- (ii) assets that are held in a business model other than held to collect contractual cash flows or held to collect and sell; or
- (iii) assets designated at FVTPL using the fair value option.

These assets are measured at fair value, with any gains / losses arising on re-measurement recognized in profit or loss.

Fair value option: A financial instrument with a reliably measureable fair value can be designated as FVTPL (the fair value option) on its initial recognition even if the financial instrument was not acquired or incurred principally for the purpose of selling or repurchasing .The fair value option can be used for financial assets if it eliminates or significantly reduces a measurement or recognition inconsistency that would otherwise arise from measuring assets or liabilities, or recognizing related gains and losses on a different basis (an "accounting mismatch").

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**NOTES TO THE INTERIM FINANCIAL STATEMENTS(Continued)**  
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**Reclassifications**

If the business model under which the Company holds financial assets changes. The financial assets affected are reclassified. The classification and measurement requirements related to the new category apply prospectively from the first day of the first reporting period following the change in business model that results in reclassifying the Company's financial assets. During the current financial year and previous accounting period, there was no change in the business model under which the Company holds financial assets and therefore no reclassifications were made.

**Impairment**

IFRS 9 replaces the "incurred loss" model in IAS 39 with an expected credit loss model (ECLs). The Company recognizes loss allowance for expected credit losses on the following financial instruments that are not measured at FVTPL

- Cash and bank balances;
- Trade and other receivables;
- Due from related party.

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

- 12 Month ECL, i.e. lifetime ECL that results from those default events on the financial instrument that are possible within 12 months after the reporting date(referred to as stage1); or
- Full lifetime ECL, i.e. Life time ECL that results from all possible default events over the life of the financial instruments, (referred to as stage2 and stage3).

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

The Company has elected to measure loss allowances of cash and bank balances. Trade and other receivables, and due from a related party at an amount equal to life time ECLs.

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

Loss allowance for financial investments measured at amortized costs are deducted from gross carrying amount of assets. For debt securities a FVTOCI, the loss allowance is recognized in the OCI, instead of reducing the carrying amount of the asset.

When determining whether the credit risk of a financial asset has increased significantly since initial recognition and when estimating ECLs, the Company considers reasonable and supportable information that is relevant and available without undue costs or effort. This includes both quantitative and qualitative including forward-looking information.

For certain categories of financial assets, assets that are assessed not to be impaired individually are, in addition, assessed for impairment on a collective basis. Objective evidence of impairment for a portfolio of receivables could include the Company's past experience of collecting payments, an increase in the number of delayed payments in the portfolio as well as observable changes in national or local economic conditions that correlate with default on receivables.

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**NOTES TO THE INTERIM FINANCIAL STATEMENTS(Continued)**  
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Impairment losses related to cash and bank balances, trade and other receivables and due from a related party, are presented separately in the statement of income and other comprehensive income. The Company considers a debt security to have low credit risk when its credit risk rating is equivalent to the globally understood definition of the grade of the investment.

**Measurement of ECL**

The Company employs statistical models for ECL calculations. ECLs are a probability-weighted estimate of credit losses. For measuring ECL under IFRS 9, the key input would be the term structure of the following variables.

- Probability of default (PD);
- Loss given default (LGD); and
- Exposure at default (EAD).

These parameters will be derived from our internally developed statistical models and other historical data. They will be adjusted to reflect forward – looking information.

**Credit-impaired financial assets**

A financial asset is credit-impaired when one or more events that have a detrimental impact on the estimated future cash flows of the financial assets have occurred. Credit-impaired financial assets are referred to stage 3 assets. At each reporting date, the Company assesses whether financial assets carried at amortized costs and debt securities at FVTOCI at credit-impaired. A financial asset is credit impaired when one or more events that have a detrimental impact in the estimated future cash flows of the financial asset have occurred.

**DE-recognition of financial assets**

The Company de-recognizes a financial asset only when the contractual rights to the cash flows from the asset expire, or when it transfers the financial asset and substantially all the risks and rewards of ownership of the asset to another entity. If the Company neither transfers nor retains substantially all the risks and rewards of ownership and continues to control the transferred asset, the Company recognizes its retained interest in the asset and an associated liability for amounts it may have to pay. If the Company retains substantially all the risks and rewards of ownership of a transferred financial asset, the Company continues to recognize the financial asset and also recognizes a collateralized borrowing for the proceeds received.

On DE recognition of a financial asset measured at amortized cost or measured at FVTPL, the difference between the asset's carrying amount and the sum of the consideration received and receivable is recognized in profit or loss.

On DE recognition of a financial asset that is classified as FVTOCI, the cumulative gain or loss previously accumulated in the cumulative changes in fair value of securities reserve is not reclassified to profit or loss, but is reclassified to retained earnings.

**Presentation of allowance for ECL are presented in the financial information**

**Loss allowances for ECL are presented in the financial information as follows:**

For financial assets measured at amortized cost (loans and advances, cash and bank balances): as a deduction from the gross carrying amount of the assets.

For debt instruments measured at FVTOCI no loss allowance is recognized in the interim statement of financial position as the carrying amount is at fair value. However, the less allowance is included as part of the revaluation amount in re-evaluation reserve and recognized in other comprehensive income.

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**NOTES TO THE INTERIM FINANCIAL STATEMENTS(Continued)**  
**FOR THE SIX MONTHS ENDED JUNE 30, 2020**  
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**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.

**Step 1: identify the contract with customer:** A contract is defined as an agreement between two or more parties that creates enforceable rights and obligations and sets out the criteria for each of those rights and obligations.

**Step 2: Identify the performance obligations in the contract:** performance obligation in a contract is a promise to transfer a good or service to the customer

**Step 3: Determine the transaction price** Transaction price is the amount of consideration to which the Company expects to be entitled in exchange for transferring the goods and services to a customer excluding amount collected on behalf of third parties.

**Step 4: Allocate the transaction price to the performance obligations in the contract:** For a contract that has more than one performance obligation the Company will allocate the transaction price to each performance obligation in an amount that depicts the consideration to which the Company expects to be entitled in exchange for satisfying each performance obligation.

**Step 5: Recognize revenues as and when the entity satisfies the performance obligation**  
The Company recognizes revenue over time if any one of the following criteria is met:

The customer simultaneously receives and consumes the benefits provided by the Company performance as The Company performs.

The Company performance creates or enhances an asset that the customer controls as the asset is created or enhanced or

The Company performance does not create an asset with an alternative use to the Company and the entity has an enforceable right to payment for performance obligation completed to date.

The Company allocates the transaction price to the performance obligations in a contract based on the input method, which requires the revenue recognition based on the Company efforts or inputs to the satisfaction of the performance obligations. The Company estimates the total costs to complete the projects in order to determine amount of revenue to be recognized.

When he Company satisfies A performance obligation by delivering the promised goods and services, it creates a contract asset based on the amount of consideration earned by the performance. Where the amount of consideration received from the customer exceeds the amount of revenue recognized this gives rise to a contract liability.

Revenue is measured at the fair value of consideration received or receivable, taking into account the contractually agreed terms of payment. The Company assesses its revenue arrangements against specific criteria to determine if it is acting as a principal or agent and has concluded that it is acting as a principal all of its revenue arrangements.

Revenue is recognized in the interim financial statements to the extent that it is probable that the economic benefits will flow to the Company and the revenue and costs, if and when applicable, can be measured reliably.

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**NOTES TO THE INTERIM FINANCIAL STATEMENTS(Continued)  
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**Critical accounting judgments and key sources of estimation uncertainty**

The preparation of interim financial statements requires management to make judgments estimates and assumptions that affect the application of accounting policies and the reported amounts of assets and liabilities, income and expense. Actual results may differ from these estimates.

In preparing these interim financial statements, the significant Judgments made by management in applying the Company accounting policies and the key sources of estimation uncertainty were the same as those that applied to the audited annual financial interim statements.

**Critical judgments in applying the Company's accounting policies in respect of IFRS 9**

Business model assessment: Classification and measurement of financial assets depends on the results of the SPPI and the business model test. The Company determines the business model at a level that reflects how Company s of financial assets were managed together to achieve a particular business objective. This assessment includes judgments reflecting all relevant evidence including how the performance of the assets is evaluated and their performance measured, the risks that affect the performance of the assets and how these are managed and how the managers of f he assets are compensated. Monitoring is part of the Company s continues assessment of whether the business model for which the remaining financial assets are held continues to be appropriate and if it is not appropriate whether there has been a change in business model and so a prospective change to the classification of those assets.

**Significant increase of credit risk**

ECLs are measured as an allowance equal to 12-month ECL for stage1 assets, or lifetime ECL assets for stage two or stage three assets. An asset moves to stage two when its credit risk has increased significantly since initial recognition. IFRS 9 does not define what constitutes a significant increase in credit risk. In assessing whether the credit risk of an asset has significantly increased,the Company takes into account qualitative and quantitative reasonable and supportable forward-looking information.

**Establishing Company s of assets with similar credit risk characteristics**

When ECLs are measured on a collective basis, the financial instruments are Company collected based on shared risk characteristics (e g, instrument type, credit risk grade, collateral type, date of initial recognition, remaining term to maturity, industry, geographic location of the borrower, etc.). The Company monitors the appropriateness of the credit risk characteristics on an ongoing basis to assess whether they continue to be similar. This is required in order to ensure that should credit risk characteristics change there is appropriate re-segmentation of the assets. This may result in new portfolios being created or assets moving to an existing portfolio that better reflects the similar credit risk characteristics of that Company of assets. Re-segmentation of portfolios and movement between portfolios is more common when there is a significant Increase in credit risk (or when that significant increase reverses) and so assets move from 12-month to lifetime ECLs, or vice versa, but it can also occur within portfolios that continue to be measured on the same basis of 12month or lifetime ECLs but the amount of the ECLs changes because the credit risk of the portfolios differ.

**Models and assumptions used**

The Company uses various models and assumptions in measuring fair value of financial assets as well as in estimating ECL. Judgment is applied in identifying the most appropriate model for each type of asset, as well as for determining the assumptions used in these models, including assumptions that relate to key drivers of credit risk.

**Key sources of estimation uncertainty in respect of IFRS 9**

The following are key estimations that the management has used in the process of applying the Company's accounting policies and that have the most significant effect on the amounts recognized in interim financial statements.

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Establishing the number and relative weightings of forward-looking scenarios for each type of product /market determining the forward-looking information relevant to each scenario: When measuring ECL the Company uses reasonable and supportable forward-looking information, which s based on assumptions for the future movement of different economic drivers and how these drivers will affect each other.

**Probability of Default**

PD constitutes a key input in measuring ECL. PD is an estimate of the likelihood of Default likelihood of default over a given time horizon, the calculation of which includes historical data, assumptions and expectations of future conditions.

**Loss Given to Default**

LGD is an estimate of the loss arising on default. It is based on the difference between the contractual cash flows due and those that the lender would expect to receive, taking into account cash flows from collateral and integral credit enhancements.

**Cash and cash equivalents**

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

**Expenses**

General and administrative expenses include direct and indirect costs which are 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.

**Accounts receivable**

Accountsreceivable are stated at invoice amount less any provision for doubtful and a provision for doubtful debts is taken when there is an indication that the receivable may not be collected, and are written off in the same period when there is impossible recovery of them.

**Accounts payable and accruals**

Accounts payable are stated at the obligation amounts for received services and goods, whether billed by the suppliers or not.

**Segment reporting**

A business segment is a group of assets and operation engaged in providing products or services that are subject to risks and returns that are different from those of other business segments, and segment is engaged in providing products or services within a particular economic environmentand Company include significant business sectors in the purchase, develop and trade of lands and real estate in addition to investing in securities and bonds, the Company operates only in the Hashemite Kingdom of Jordan

**Offsetting**

Financial assets and consolidatedfinancial 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, the Company intends to settle them on a net basis, or assets are realized and liabilities settled simultaneously.

**Income tax**

The company is subject to Income Tax Law and its subsequent amendments and the regulations issued by the Income Tax Department in the Hashemite Kingdom Of Jordan and provided on accrual basis, Income Tax is computed based on adjusted net income, According to International Accounting Standard number (12), the company may have deferred taxable assets resulting from the differences between the accounting value and tax value of the assets and liabilities related to the provisions, these assets are not shown in the interim consolidated financial statements since it's immaterial.

**BABELON INVESTMENTS COMPANY  
(PUBLIC SHAREHOLDING COMPANY)**

**NOTES TO THE INTERIM FINANCIAL STATEMENTS(Continued)  
FOR THE SIX MONTHS ENDED JUNE 30, 2020  
(EXPRESSED IN JORDANIAN DINAR)**

**4.FINANCIAL ASSETS DESIGNATED AT FAIR VALUE THROUGH STATEMENT OF**

	2019	2018
Investments in Al-Amal financial investments by 42,470 shares (2019: 42,470 shares)	31,003	31,852
Investments in Afaq Energy (Plc)by 465,791 shares (2019: 465,791 shares)	507,712	540,318
Investments in Arab Bank by 10,008 shares (2019: 10,008 shares)	41,333	57,546
Investments inAl – Fares National Company for Investmnet and ExportCompany by 41,052 shares (2019: 32,102 shares)	50,905	45,585
Investments inSpecialized Investment Compounds Companyby 62,000 shares (2019: 62,000 shares)	73,780	93,000
Investments inJordanian Industrial Resources Company 160,000 shares	24,000	-
	<b>728,733</b>	<b>768,301</b>

**5. STATUTORYS**

**STATUTORYRESERVE**

In accordance with the Companies Law in the Hashemite Kingdome of Jordan and the Company's Article of Association, the Company has established a statuatry reserve by the appropraition of 10% of net income until the reserve equals 25% of the capital. However, the Company may, with the approval of the General Assembly, continue this deduction untill this reserve is equal to the subscribed capital of the Company in full. This reserve is not available for dividend distribution. The General Assembly is entitled to decide, in its unusual meeting, to amortize its losses by the accumulated statutory reserve if all other reserves pay off, to rebuild it again in accordance with the law.

**DIVIDEND**

The general assembly of the company decided in its meeting held on June 10, 2020 to distribute 7% cash dividends for the year 2020.

**6.INCOME TAX**

The Company stelled it's tax position with income and sales tax department until 2015,As for 2016 and 2017 and 2018 The Company has submitted the self-assest statement to the Income and Sales Tax Department and has not been audited by the Department until the date of the interim financial statements of the Company.



**BABELON INVESTMENTS COMPANY**  
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**NOTES TO THE INTERIM FINANCIAL STATEMENTS (Continued)**  
**FOR THE SIX MONTHS ENDED JUNE 30, 2020**  
**(EXPRESSED IN JORDANIAN DINAR)**

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**7. FINANCIAL INSTRUMENTS**

**Management of Share Capital Risks**

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

**Debt Ratio**

The board of directors is reviewing the share capital structure periodically. As a part of this reviewing, the board of directors consider the cost of share capital and the risks that is related in each faction from capital and debt factions. The Company capital structure includes debts from the borrowing. The Company doesn't determine the highest limit of the debt rate and it doesn't expect increase in the typical debt rate.

**The management of the financial risks**

The Company's activities might be exposing mainly to the followed financial risks:

**Management of the foreign currencies risks**

The Company doesn't exposed to significant risks related with the foreign currencies changing, so there is no need to effective management for this exposure.

**Management of the interest price risks**

The risks related to the interest rate mainly resulting from the money borrowings in changeable (float) interest rates and from short-term deposits in fixed interest rates.

Sensitivity of the statement of comprehensive income is impacted of the assumed possible changes in 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 represented if 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 any contracts with any other parts so the Company doesn't expose to different types of the credit risks, The significant credit exposed for any parts or group of parts that have a similar specification have been disclosed in note No.14. The Company classify the parts which have similar specifications as a related parties. Except the amounts which are related to the cash money. Credit risks that are resulting from the cash money are specific because the parts that are dealing with it are local banks which have good reputations and controlled by control parties.

**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 the future cash flow that evaluated permanently and correspond the due dates of cash assets and liabilities.

**BABELON INVESTMENTS COMPANY  
(PUBLIC SHAREHOLDING COMPANY)**

**NOTES TO THE INTERIM FINANCIAL STATEMENTS (Continued)  
FOR THE SIX MONTHS ENDED JUNE 30, 2020  
(EXPRESSED IN JORDANIAN DINAR)**

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

The spread of the Corona virus emerging (Covid-19) in the early 2020s and its spread in several geographical regions around the world, causing disturbances for economic activities and business. The company believes that this event does not affect any material changes in the interim financial position, which do not require adjustments. In this early stage of the event, which is witnessing continuous and rapid developments, the company has formed working teams to assess the various effects on the company's business inside the Kingdom, and to conduct a preliminary study with a view to reviewing and evaluating the potential risks related to ensuring the company's work continues without interruption and at this stage it is practically difficult to provide any mathematical estimate of the effects Potential. However, given the levels of the company's work and activities in the past for the period before March 15, 2020, the company does not expect significant impacts to occur on its operations in the Kingdom, which represent the total of its operations, if things return to normal within a reasonable period of time.

The administration and those responsible for governance will continue to monitor the situation in all geographical areas in which the company operates and provide stakeholders with developments in accordance with the requirements of regulations and regulations. In the event of any material changes in the current conditions, additional disclosures will be submitted or amendments will be approved in the company's financial statements during the fiscal year 2020.

**8. APPROVAL OF INTERIM FINANCIAL STATEMENTS**

The interim financial statements were approved by the Company management July 29, 2020 and have been authorized for issuance by the Board of Directors.

**9. COMPARATIVE FIGURES**

Certain figures for the year 2019 have been reclassified to conform with the presentation for the six months ended June 30, 2020.