

AL – IHDATHIAT REAL ESTATE COMPANY
PUBLIC SHAREHOLDING COMPANY

CONSOLIDATED FINANCIAL STATEMENTS

31 DECEMBER 2018

INDEPENDENT AUDITOR'S REPORT
To the Shareholders of Al-Ihdathiat Real Estate Public Shareholding Company
Amman – Jordan

Report on the Audit of the Consolidated Financial Statements

Opinion

We have audited the consolidated financial statements of Al-Ihdathiat Real Estate (a public shareholding company) (the "Company") and its subsidiaries (together the "Group"), which comprise the consolidated statement of financial position as at 31 December 2018, consolidated statement of income, the consolidated statement of comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the year then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies.

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

Basis for Opinion

We conducted our audit in accordance with International Standards on Auditing (ISAs). Our responsibilities under those standards, are further described in the Auditor's Responsibilities for the Audit of the consolidated Financial Statements section of our report. We are independent of the Group in accordance with the International Ethics Standards Board for Accountants' *Code of Ethics for Professional Accountants* (IESBA Code) together with the ethical requirements that are relevant to our audit of the financial statements 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 opinion.

Emphasis of Matter

Without qualifying our opinion and as disclosed in note (3) to the consolidated financial statements, investment properties include housing units with an amount of JD 161,932 are not registered in the name of the Group as of 31 December 2018 which includes promise for sale to the Group.

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 current year. These matters were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

We 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 consolidated financial statements.

Key Audit Item: Impairment of Investment Properties

The Group's disclosure about investments properties is included in note 3.

Key Audit Item

Investment property makes up 98% of Group's total assets as at 31 December 2018. Investment property is measured at cost less accumulated depreciation and less accumulated impairment losses. As a result, the annual impairment test for investment properties was considered a key audit matter.

How the key audit Item was addressed in the audit

Our audit procedures included, amongst others, an evaluation of the group's policies and procedures to identify triggering events for potential impairment of investment properties including obtaining valuations reports conducted by independent valuation experts. We have also considered the independence and competency of the valuation experts.

Other Information Included in the Company's 2018 Annual Report.

Other information consists of the information included in the annual report, other than the consolidated financial statements and our auditor's report thereon. Management is responsible for the other information. Our opinion does not cover the other information and we do not express any form of assurance conclusion thereon.

Our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the consolidated financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If, based on the work we have performed, we conclude that there is a material misstatement of this other information; we are required to report that fact. We have nothing to report in this regard.

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

As part of an audit in accordance with ISAs, we exercise professional 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 exists, 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 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 Company maintains proper books of accounting which are in agreement with the financial statements.

The partner in charge of the audit resulting in this auditor's report was Waddah Issam Barkawi; license number 591.

ERNST & YOUNG
Amman - Jordan

Amman – Jordan
11 March 2019

AL – IHDATHIAT REAL ESTATE COMPANY - PUBLIC SHAREHOLDING COMPANY
CONSOLIDATED STATEMENT OF FINANCIAL POSITION
AS AT 31 DECEMBER 2018

<u>ASSETS</u>	<u>Notes</u>	<u>2018</u>	<u>2017</u>
		JD	JD
Non-current assets -			
Properties under development	3	3,405,352	3,408,661
Financial assets at fair value through other comprehensive income		4,359	3,931
		<u>3,409,711</u>	<u>3,412,592</u>
Current assets -			
Other current assets	4	5,962	6,220
Cash and bank balances	5	35,121	52,319
		<u>41,083</u>	<u>58,539</u>
Total Assets		<u><u>3,450,794</u></u>	<u><u>3,471,131</u></u>
<u>EQUITY AND LIABILITIES</u>			
Equity -			
Paid in capital	1	4,486,627	4,486,627
Share capital discount		(589,659)	(589,659)
Statutory reserve		65,940	65,940
Voluntary reserve		68,946	68,946
Fair value reserve		(1,977)	(2,405)
Accumulated losses		(679,467)	(653,174)
Total Equity		<u><u>3,350,410</u></u>	<u><u>3,376,275</u></u>
Liabilities -			
Current liabilities			
Related parties transactions	7	37,501	33,781
Other current liabilities	6	62,883	61,075
Total liabilities		<u><u>100,384</u></u>	<u><u>94,856</u></u>
Total Equity and Liabilities		<u><u>3,450,794</u></u>	<u><u>3,471,131</u></u>

The attached notes from 1 to 14 form part of these consolidated financial statements

AL – IHDATHIAT REAL ESTATE COMPANY - PUBLIC SHAREHOLDING COMPANY
CONSOLIDATED STATEMENT OF INCOME
FOR THE YEAR ENDED 31 DECEMBER 2018

	<u>Notes</u>	<u>2018</u> JD	<u>2017</u> JD
Interest income		1,209	1,565
Dividends paid		286	206
Other revenues		3,271	4,474
Gain from sale of property and equipment		-	1,170
Administrative expenses	8	(30,469)	(35,722)
Marketing expenses		(590)	(520)
Loss for the year		<u>(26,293)</u>	<u>(28,827)</u>
		<u>JD/Fils</u>	<u>JD/Fils</u>
Basic and diluted earnings per share from the loss for the year	10	<u>(0/005)</u>	<u>(0/006)</u>

The attached notes from 1 to 14 form part of these consolidated financial statements

AL – IHDATHIAT REAL ESTATE COMPANY - PUBLIC SHAREHOLDING COMPANY
CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME
FOR THE YEAR ENDED 31 DECEMBER 2018

	<u>2018</u>	<u>2017</u>
	JD	JD
Loss for the year	<u>(26,293)</u>	<u>(28,827)</u>
Other comprehensive income net of tax that will not be transferred to profit or loss in subsequent periods :		
Net change in fair value of financial assets at fair value through other comprehensive income	<u>428</u>	<u>(493)</u>
Total other comprehensive income for the year after tax	<u>428</u>	<u>(493)</u>
Total other comprehensive income for the year	<u>(25,865)</u>	<u>(29,320)</u>

The attached notes from 1 to 14 form part of these consolidated financial statements

AL – IHDATHIAT REAL ESTATE COMPANY - PUBLIC SHAREHOLDING COMPANY
CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED 31 DECEMBER 2018

	Share capital					Fair value reserve	Accumulated losses	Total
	Paid in capital	issuance discount	Statutory reserve	Voluntary reserve				
For the year ended 31 December 2018								
Balance as at 1 January 2018	4,486,627	(589,659)	65,940	68,946	(2,405)	(653,174)	3,376,275	
Total comprehensive income for the year	-	-	-	-	428	(26,293)	(25,865)	
Balance at 31 December 2018	4,486,627	(589,659)	65,940	68,946	(1,977)	(679,467)	3,350,410	
For the year ended 31 December 2017								
Balance as at 1 January 2017	4,486,627	(589,659)	65,940	68,946	(1,912)	(624,347)	3,405,595	
Total comprehensive income	-	-	-	-	(493)	(28,827)	(29,320)	
Balance at 31 December 2017	4,486,627	(589,659)	65,940	68,946	(2,405)	(653,174)	3,376,275	

The attached notes from 1 to 14 form part of these consolidated financial statements

AL – IHDATHIAT REAL ESTATE COMPANY - PUBLIC SHAREHOLDING COMPANY
CONSOLIDATED STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED 31 DECEMBER 2018

	<u>Note</u>	<u>2018</u>	<u>2017</u>
		JD	JD
<u>OPERATING ACTIVITIES</u>			
Loss for the year		(26,293)	(28,827)
Adjustments for -			
Depreciation		3,309	3,435
Interest income		(1,209)	(1,565)
Gain from sale of property and equipment		-	(1,170)
Working capital changes -			
Related parties transactions		3,720	3,386
Other current assets		258	(1,768)
Other current liabilities		1,808	2,243
Net cash flows used in operating activities		<u>(18,407)</u>	<u>(24,266)</u>
<u>INVESTING ACTIVITIES</u>			
Interest income received		1,209	1,565
Proceeds from sale of property and equipment		-	1,170
Net cash flows from investing activities		<u>1,209</u>	<u>2,735</u>
Net decrease in cash and cash equivalents		(17,198)	(21,531)
Cash and cash equivalents at beginning of the year		52,319	73,850
Cash and cash equivalents at the end of the year	5	<u>35,121</u>	<u>52,319</u>

The attached notes from 1 to 14 form part of these consolidated financial statements

(1) GENERAL

Al-Ihdathiat Real Estate Company - Public Shareholding Company (the "Group") was incorporated on 18 September 2005 with an authorized capital of JD 5,000,000 and issued capital of JD 3,000,000 divided into 3,000,000 shares at a par value of JD 1 each. The general assembly decided in its unordinary meeting held on 20 April 2015 to increase the capital from JD 3,000,000 to JD 4,070,627 through the issuance of 1,070,627 shares at par value of JD 1 and with an issuance discount of 400 fils. The process to increase the capital was completed on 20 August 2015. On April 12, 2016, the Securities Commission has approved on the allocation of 416,000 shares from the Group's unquoted shares amounted to 929,373 shares for Jordan Investment Trust Company, where Jordan Investment Trust Company paid an amount of JD 254,594 (0.612 JD per share) in cash so that the quoted and paid in capital becomes JD 4,486,627.

The Company is owned by Jordan Invest Company (Parent Company) by a percentage of 54%, and the financial statements are being consolidated with Jordan Invest Company.

The principal activities of the Company is property management and development, provide all associated services, the establishment of residential apartments, the purchase of lands and real estates, import and exports, and what it takes to achieve the company's objectives as well as investment in securities for its own account.

The Company's main office is located in Jabal Amman, Amman - The Hashemite Kingdom of Jordan.

(2) BASIS OF PREPARATION AND ACCOUNTING POLICIES

The accompanying consolidated financial statements for the Group have been prepared in accordance with International Financial Reporting Standards (IFRS).

The consolidated financial statements are prepared under the historical cost principle except for financial assets at fair value through other comprehensive income which have been measured at fair value of the date of the consolidated financial statement.

The consolidated financial statements have been presented in Jordanian Dinars "JD" which is the functional currency of the Group.

AL – IHDATHIAT REAL ESTATE COMPANY - PUBLIC SHAREHOLDING COMPANY
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
31 DECEMBER 2018

BASIS OF CONSOLIDATION

The consolidated financial statements comprise the financial statements of Al-Ihdathiat Real Estate Company (the "Company") and its subsidiaries (the "Group") as at 31 December 2018:

Company's Name	Paid in capital	Nature of activity	Percentage of Ownership		Company type
			2018	2017	
Sail Hosban Real Estate Company	1,000	Real estate investment	100%	100%	Limited Liability
Hojrat Alshamaly Real Estate Company	1,000	Real estate investment	100%	100%	Limited Liability
Khorbat Saka Real Estate Company	1,000	Real estate investment	100%	100%	Limited Liability

Control exists when the Group controls the subsidiaries' significant and relevant activities, and is exposed, or has the rights, to variable returns from its involvement with the subsidiaries, and has the ability to affect those returns. Control over the subsidiaries is exercised when the following factors exist:

- 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 owns less than a majority of the voting rights in an investee, in this case, the Group considers all factors and circumstances to determine whether it has control over the investee, which include the following:

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

The group re-evaluates whether it controls the investee company, in cases where circumstances or facts indicate a change in one or more of the three elements of control.

Subsidiaries are fully consolidated from the date of acquisition being the date on which the Group gains control, and continues to do so until the date when such control ceases. The subsidiaries revenues and expenses are consolidated in the consolidated statement of comprehensive income from the date the Group gains control over the subsidiaries until that control ceases.

Profits, losses and all other comprehensive income items are attributed to the shareholders' equity of the parent Company, and to non-controlling interest, even if this leads to a deficit balance. If need arises, the subsidiaries' financial statements are adjusted accordingly to comply with the Group's accounting policies. All intra-group balances, transactions, unrealized gains and losses resulting from intra-group transactions and dividends are eliminated in full.

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 interest
- 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 any gains or losses resulted from loss of control
- Reclassifies the parent's share of components previously recognized in OCI to profit or loss

CHANGES IN 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 consolidated financial statements for the year ended 31 December 2017 except that the group has applied the following amendments as of 1 January 2018:

IFRS 15 Revenue from Contracts with Customers

IFRS 15 supersedes IAS 11 Construction Contracts, IAS 18 Revenue and related Interpretations and it applies to all revenue arising from contracts with customers, unless those contracts are in the scope of other standards. The new standard establishes a five-step model to account for revenue arising from contracts with customers. Under IFRS 15, revenue is recognised at an amount that reflects the consideration to which an entity expects to be entitled in exchange for transferring goods or services to a customer.

The standard requires entities to exercise judgement, taking into consideration all of the relevant facts and circumstances when applying each step of the model to contracts with their customers. The standard also specifies the accounting for the incremental costs of obtaining a contract and the costs directly related to fulfilling a contract.

The impact of adopting IFRS 15 was not material on the consolidated financial statements and impacted its accounting policy for revenue recognition as detailed below:

(a) Apartments sale

The Group has concluded that revenue from apartments sale should be recognized at the point in time when control of the asset is transferred to the customer generally on handing off the apartment. Therefore, the adoption of IFRS 15 did not have an impact on the timing of revenue recognition.

(b) Other adjustments

In addition to the adjustments described above, upon adoption of IFRS 15, other items of the primary financial statements such as deferred taxes, assets held for sale and liabilities associated with them, profit or loss after tax for the period from discontinued operations, investments in associate and a joint venture, share of profit of an associate and a joint venture, income tax expense, and retained earnings, were adjusted as necessary. Furthermore, exchange differences on translation of foreign operations were also adjusted.

The adoption of IFRS 15 did not have an impact on the Group's consolidated financial statements.

IFRS 9 Financial Instruments

IFRS 9 Financial Instruments replaces IAS 39 Financial Instruments: Recognition and Measurement for annual periods beginning on or after 1 January 2018, bringing together all three aspects of the accounting for financial instruments: classification and measurement; impairment; and hedge accounting.

The Group had previously implemented the first phase of IFRS 9 as issued during 2009. The date of initial implementation of the first phase of IFRS 9 was 1 January 2011.

IFRS 9 requires the Group to record an allowance for expected credit losses for all debt instruments measured at amortization cost.

IFRS 9 (financial instruments) has eliminated the use of the incurred loss approach under IAS 39 (financial instrument: Recognition and measurement) by including a comprehensive model for the recognition and recording of forward looking expected credit loss, uses the revised hedge accounting framework, and the revised guidance on the classification and measurement requirements.

Impairment

The adoption of IFRS 9 (financial instruments) has changed the Group's accounting for impairment losses for financial assets by replacing the incurred loss approach with a forward-looking expected credit loss (ECL) approach.

For all debt instruments, the Group has applied the standard's simplified approach and has calculated ECLs based on lifetime expected credit losses. The Group has no debt instruments at amortized cost; therefore, there was no effect on changing the accounting policy as a result of implementing IFRS 9.

The Group's debt instruments at FVOCI comprised solely of quoted bonds that are graded in the top investment category (Very Good and Good) by the Good Credit Rating Agency and, therefore, are considered to be low credit risk investments. It is the Group's policy to measure such instruments on a 12-month ECL basis.

IFRIC Interpretation 22 Foreign Currency Transactions and Advance Considerations

The Interpretation clarifies that, in determining the spot exchange rate to use on initial recognition of the related asset, expense or income (or part of it) on the derecognition of a non-monetary asset or non-monetary liability relating to advance consideration, the date of the transaction is the date on which an entity initially recognises the non-monetary asset or non-monetary liability arising from the advance consideration. If there are multiple payments or receipts in advance, then the entity must determine a date of the transactions for each payment or receipt of advance consideration.

This Interpretation does not have any impact on the Group's consolidated financial statements.

Amendments to IAS 40 Transfers of Investment Property

The amendments clarify when an entity should transfer property, including property under construction or development into, or out of investment property. The amendments state that a change in use occurs when the property meets, or ceases to meet, the definition of investment property and there is evidence of the change in use. A mere change in management's intentions for the use of a property does not provide evidence of a change in use.

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

Amendments to IFRS 2 Classification and Measurement of Share-based Payment Transactions

The IASB issued amendments to IFRS 2 Share-based Payment that address three main areas: the effects of vesting conditions on the measurement of a cash-settled share-based payment transaction; the classification of a share-based payment transaction with net settlement features for withholding tax obligations; and accounting where a modification to the terms and conditions of a share-based payment transaction changes its classification from cash settled to equity settled. On adoption, entities are required to apply the amendments without restating prior periods, but retrospective application is permitted if elected for all three amendments and other criteria are met.

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

Amendments to IFRS 4 Applying IFRS 9 Financial Instruments with IFRS 4 Insurance Contracts

The amendments address concerns arising from implementing the new financial instrument standard, IFRS 9, before implementing IFRS 17 insurance contracts, which replaces IFRS 4. The amendments introduce two options for entities issuing contracts: a temporary exemption from applying IFRS 9 and an overlay approach.

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

Amendments to IAS 28 Investments in Associates and Joint Ventures - Clarification that measuring investees at fair value through profit or loss is an investment-by-investment choice

The amendments clarify that an entity that is a venture capital organisation, or other qualifying entity, may elect, at initial recognition on an investment-by-investment basis, to measure its investments in associates and joint ventures at fair value through profit or loss. If an entity, that is not itself an investment entity, has an interest in an associate or joint venture that is an investment entity, the entity may, when applying the equity method, elect to retain the fair value measurement applied by that investment entity associate or joint venture to the investment entity associate's or joint venture's interests in subsidiaries. This election is made separately for each investment entity associate or joint venture, at the later of the date on which: (a) the investment entity associate or joint venture is initially recognised; (b) the associate or joint venture becomes an investment entity; and (c) the investment entity associate or joint venture first becomes a parent.

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

PROPERTIES UNDER DEVELOPMENT

Properties under development are registered and which have been purchased or are being developed with the aim of sale within the normal activity of the group at cost less any accumulated depreciation or net realizable value, whichever is lower.

The realizable value is the selling price within the normal activity based on the prevailing market prices on the consolidated financial statements less costs to sell.

Properties under development which represents residential units are depreciated in accordance with their useful lives on a straight-line basis.

FINANCIAL ASSETS AT FAIR VALUE THROUGH OTHER COMPREHENSIVE INCOME

These are financial assets limited to equity instruments in order to maintain them in the long term.

These financial assets are initially recognized at fair value plus attributable transactions costs and subsequently measured at fair value. The change in fair value of those assets is presented in the statement of comprehensive income within equity, including the change in fair value resulting from the foreign exchange differences of non-monetary assets. In case those assets - or part of them - were sold, the resultant gain or loss is recorded in the statement of comprehensive income within equity and the fair value reserve for the sold assets is directly transferred to the retained earnings and not through the income statement.

- These assets are no longer subject to impairment testing.
- Dividends income is recorded in the income statement.

PROVISIONS

Provisions are recognized when the Group has a present obligation arising from a past event and the costs to settle the obligation are both probable and able to be reliably measured.

INCOME TAX

Tax expenses represent accrued taxes and deferred taxes.

Income tax is provided in accordance with income tax regulations in the Hashemite Kingdom of Jordan and IAS (12).

REVENUE AND EXPENSES RECOGNITION

Revenue is recognized to the extent that it is probable that the economic benefits will flow to the Group and the revenue can be reliably measured.

Rental income is recognized on straight line basis over the rent contract period.

Interest revenue is recognized as interest accrues using the effective interest rate method.

Other revenues are recognized on an accrual basis.

Expenses are recognized 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 Group estimates the asset's recoverable amount. An asset's recoverable amount is the fair value less costs of disposal and its value in use whichever is higher and 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.

FAIR VALUE MEASUREMENT

The Group evaluates its financial instruments such as financial assets at fair value through other comprehensive income at the date of the financial statements. Also, the fair value of financial instruments is disclosed in Note (11).

Fair value represents the price received in exchange for financial assets sold, or price paid to settle a sale between market participants at the date of financial statements.

The fair value is measured based on the assumption that the sale or purchase transaction of financial assets is facilitated through an active market for financial assets and liabilities respectively. In case there is no active market, a market best fit for financial assets and liabilities is used instead. The Group needs to acquire opportunities to access the active market or the best fit market.

The Group measures the fair value of financial assets and liabilities using the pricing assumptions used by market participants to price financial assets and liabilities, assuming that market participants behave according to their economic interests.

The fair value measurement of non-financial assets considers the ability of market participants to utilize the assets efficiently in order to generate economic benefits, or to sell them to other participants who will utilize them in the best way possible.

The Group uses valuation techniques that are appropriate and commensurate with the circumstances, and provides sufficient information for fair value measurement. Also, it illustrates clearly the use of inputs that are directly observable, and minimizes the use of inputs that are not directly observed.

The Group uses the following valuation methods and alternatives in measuring and recording the fair value of financial instruments:

All assets and liabilities for which fair value is measured or disclosed in the financial statements or have been written off are categories within the fair value hierarchy, described as follows, based on the lowest level input that is significant to the fair value measurement as a whole:

- Level 1: Quoted market prices in active markets for identical assets or liabilities.
- Level 2: Valuation techniques for which the lowest level input that is significant to the fair value measurement is directly or indirectly observable.
- Level 3: Valuation techniques for which the lowest level input that is significant to the fair value measurement is unobservable.

The Group determines whether transfers have accrued of any assets or liabilities between levels in the hierarchy by reassessing categorization (based on the lowest level input that significant to the fair value measurement as a whole) at the end of each reporting period.

For the disclosure of fair value, the Group classifies assets and liabilities based on their nature, their risk, and the level of fair value measurement.

FOREIGN CURRENCIES

Transactions in foreign currencies are initially recorded in the functional currency at the rate of exchange ruling at the date of the transactions.

Monetary assets and liabilities in foreign currencies are translated into respective functional currencies at rates of exchange prevailing at the reporting date of the consolidated statement of financial position.

AL – IHDATHIAT REAL ESTATE COMPANY - PUBLIC SHAREHOLDING COMPANY
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
31 DECEMBER 2018

CASH AND CASH EQUIVALENT

For the purposes of the statement of cash flows, cash and cash equivalents include cash on hand, bank balances and short term deposits with an original maturity of three months or less.

USE OF ESTIMATES

The preparation of the financial statements requires Group's management to make estimates and assumptions that affect the reported amount of financial assets and liabilities and disclosure of contingent liabilities. These estimates and assumptions also affect the revenues and expenses and the resultant provisions and in particular, considerable judgment by management is required in the estimation of the amount and timing of future cash flows. 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

(3) PROPERTIES UNDER DEVELOPMENT

The details of this item are as follows:

	<u>2018</u>	<u>2017</u>
	JD	JD
Lands (lower of cost or net realizable value)	1,230,176	1,230,176
Residential units *(at cost)	233,069	236,101
Project under construction (at cost)	<u>1,942,107</u>	<u>1,942,384</u>
	<u>3,405,352</u>	<u>3,408,661</u>

- * This item includes housing units with a carrying value of JD 161,932 that consist of three apartments with a total area of approximately 220 square meters, the promise of sale of these apartments was recorded on behalf of the Group on 30 November 2011 while the ownership of these apartments was not transferred to the group till the date of the preparation these financial statements.

(4) OTHER CURRENT ASSETS

	<u>2018</u>	<u>2017</u>
	JD	JD
Refundable deposits	750	750
Others	<u>5,212</u>	<u>5,470</u>
	<u>5,962</u>	<u>6,220</u>

AL – IHDATHIAT REAL ESTATE COMPANY - PUBLIC SHAREHOLDING COMPANY
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
31 DECEMBER 2018

(5) CASH AND BANK BALANCES

The details of this item are as follows:

	<u>2018</u>	<u>2017</u>
	JD	JD
Cash on hand	139	69
Bank deposits*	33,076	50,666
Current accounts	1,906	1,584
	<u>35,121</u>	<u>52,319</u>

* This item represent bank deposits in Jordanian Dinars at Cairo Amman Bank, renewed on a monthly basis with an annual average interest rate approximately 3% during 2018 (2017: 3%).

(6) OTHER CURRENT LIABILITIES

	<u>2018</u>	<u>2017</u>
	JD	JD
Shareholders deposits	53,595	53,615
Accrued and unpaid expenses	6,090	4,930
Others	3,198	2,530
	<u>62,883</u>	<u>61,075</u>

(7) RELATED PARTIES TRASAXIONS

Related parties represent associated companies, major shareholders, directors and key management personnel of the Group, and companies of which are principal owners. Pricing policies and terms of these transactions are approved by the Group's management.

Transactions with related parties included in the consolidated statement of financial position are as follows:

	<u>2018</u>	<u>2017</u>
	JD	JD
Related parties transactions:		
Al-Ta'awon Company for Properties Management (Controlled by major shareholder)*	12,327	9,284
Jordan Invest Company (The Parent Company)	25,174	24,497
	<u>37,501</u>	<u>33,781</u>

* The Group rents its offices from Al-Ta'awon Company for properties Management.

AL – IHDATHIAT REAL ESTATE COMPANY - PUBLIC SHAREHOLDING COMPANY
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
31 DECEMBER 2018

Details of transactions with related parties that appear in the consolidated statement of comprehensive income are as follows:

	2018 JD	2017 JD
Rent expense paid for Al-Ta'awan Company for Properties Management (Controlled by major shareholder)	2,000	2,000

The Group has not paid salaries and bonuses to senior executives for the years 2018, 2017, 2016 and 2015.

Subsidiaries

The consolidated financial statement comprises of the Company's and its subsidiaries financial statements:

Company's Name	Paid in capital JD	Nature of activity	Percentage of Ownership		Company's type
			31 December 2018	31 December 2017	
Sail Hosban Real Estate Company	1,000	Real estate investment	100%	100%	Limited Liability
Hojrat Alshamaly Real Estate Company	1,000	Real estate investment	100%	100%	Limited Liability
Khorbat Saka Real Estate Company	1,000	Real estate investment	100%	100%	Limited Liability

(8) ADMINISTRATIVE EXPENSES

The details of this item are as follows:

	2018 JD	2017 JD
Salaries and wages	-	3,308
Fees, licenses, stamps and subscriptions	7,629	7,912
Legal and professional fees	9,959	6,763
Stationary and publications	1,494	1,910
Post and telephone	2,623	2,868
Rent	2,000	2,000
Depreciation	3,309	3,435
Security expenses	-	430
Maintenance	460	4,300
Others	2,995	2,796
	<u>30,469</u>	<u>35,722</u>

AL – IHDATHIAT REAL ESTATE COMPANY - PUBLIC SHAREHOLDING COMPANY
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
31 DECEMBER 2018

(9) INCOME TAX

The income tax provision was not calculated for the years ended 31 December 2018 and 2017 due to the increase in the deductible expenses on the taxable income, according to the income tax law No. (34) for the year 2014.

The Group reached a final settlement with the Income and Sales Tax Department up to the year 2014.

The Group filed its tax returns for the years 2017, 2016 and 2015, however, the Income and Sales Tax Department has not reviewed the accounting records until the date of these consolidated financial statements.

(10) EARNINGS PER SHARE

	<u>2018</u>	<u>2017</u>
Loss for the year (JD)	(26,293)	(28,827)
Weighted average number of shares (Share)	<u>4,486,627</u>	<u>4,486,627</u>
	<u>JD/Fils</u>	<u>JD/Fils</u>
Basic and diluted earnings per share (JD) from the loss for the year	<u>(0/005)</u>	<u>(0/006)</u>

(11) FAIR VALUE

Fair Value of Financial Instruments

Financial instruments comprise of financial assets and financial liabilities.

Financial assets consist of cash on hand and banks, financial assets at fair value through other comprehensive income and some other current assets. Financial liabilities consist of due to related parties, and some other current liabilities.

The fair values of financial instruments are not materially different from their carrying values.

The Group uses the following methods and alternatives of valuating and presenting the fair value of financial instruments:

- Level 1: Quoted market prices in active markets for identical assets or liabilities.
- Level 2: Valuation techniques for which the lowest level input that is significant to the fair value measurement is directly or indirectly observable.
- Level 3: Valuation techniques for which the lowest level input that is significant to the fair value measurement is unobservable.

The fair value of financial assets was measured using the fair value through other comprehensive income using level (1) of the serial system for the fair value.

(12) RISK MANAGEMENT

Interest rate risk

Interest rate risk arises from the possible impact of changes in interest rates on the fair value or future cash flows of financial assets.

The Group is exposed to interest rate risk on its interest bearing assets such as Bank Deposits.

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

The following table demonstrates the sensitivity of the income statement to reasonably possible changes in interest rates as of 31 December, with all other variables held constant.

2018-	<i>Increase / (decrease)</i>	<i>Effect on loss of the year</i>
Currency	<i>point</i>	<i>JD</i>
Jordanian Dinar	100	331
Jordanian Dinar	(100)	(331)
2017-	<i>Increase / (decrease)</i>	<i>Effect on loss of the year</i>
Currency	<i>point</i>	<i>JD</i>
Jordanian Dinar	100	507
Jordanian Dinar	(100)	(507)

Credit risk

Credit risk is the risk that one party to a financial instrument will fail to discharge an obligation and cause the other party to incur a financial loss. The Group seeks to limit its credit risk with respect to banks by only dealing with reputable banks.

Liquidity risk

Liquidity risk is the risk that the Group will not meet its obligations under its financial liabilities based on contractual maturity dates. The Group monitors its liquidity by ensuring availability of funds to meet its obligations at their maturity dates.

Currency risk

All of the Group's transactions are in Jordanian Dinars, hence the group is not exposed to currency risk.

(13) CAPITAL MANAGEMENT

The primary objective of the Group's capital management is to ensure that it maintains a credit rating and capital ratios in order to support its business and maximize shareholders value.

The Group manages its capital structure and makes adjustments to it in light of changes in business conditions. No changes were made in the objectives, policies or processes during the current year. Capital comprises of paid in capital, issuance discount, statutory reserve, voluntary reserve, fair value reserve and accumulated losses and is measured at JD 3,350,410 as at 31 December 2018 (2017: JD 3,376,275)

(14) STANDARDS AND INTERPRETATION 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 16 Leases

During January 2016, the IASB issued IFRS 16 "Leases" which sets out the principles for the recognition, measurement, presentation and disclosure of leases.

IFRS 16 substantially carries forward the lessor accounting requirements in IAS 17. Accordingly, a lessor continues to classify its leases as operating leases or finance leases, and to account for those two types of leases differently.

IFRS 16 introduced a single lessee accounting model and requires a lessee to recognize assets and liabilities for all leases with a term of more than 12 months, unless the underlying asset is of low value. A lessee is required to recognize a right-of-use asset representing its right to use the underlying leased asset and a lease liability representing its obligation to make lease payments.

The new standard will be effective for annual periods beginning on or after 1 January 2019. Early application is permitted.

Transition to IFRS 16

The Group has the option to adopt IFRS 16 retrospectively and restate each prior reporting period presented or using the modified retrospective approach by applying the impact as an adjustment on the opening retained earnings. The Group will elect to apply the standard to contracts that were previously identified as leases applying IAS 17 and IFRIC 4.

The Group will adopt IFRS 16 using the modified retrospective approach. During 2018, the Group has performed a detailed impact assessment of IFRS 16. The Group does not expect a material impact on its balance sheet or equity on applying the requirements of IFRS 16.

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 2021. Early application is permitted.

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.

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.

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, recognised as adjustments to the net investment in the associate or joint venture that arise from applying IAS 28 Investments in Associates and Joint Ventures.

The amendments should be applied retrospectively and are effective from 1 January 2019, with early application permitted.