



Ernst & Young Jordan
P.O.Box 1140
Amman 11118
Jordan
Tel : 00 962 6580 0777/00 962 6552 6111
Fax: 00 962 6553 8300
www.ey.com/me

22 October 2019

Messrs,
Al-Ihdathiat Real Estate Company
Public Shareholding Company
Amman - Jordan

Dear Sirs,

Enclosed please find three copies of the interim condensed consolidated financial statements for the period ended 30 September 2019, together with our report.

With our best regards,
Ernst & Young/ Jordan

By: 
Osama Shakhathreh

AL – IHDATHIAT REAL ESTATE COMPANY
PUBLIC SHAREHOLDING COMPANY

INTERIM CONDENSED CONSOLIDATED
FINANCIAL STATEMENTS (UNAUDITED)

30 SEPTEMBER 2019



Building a better
working world

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**REPORT ON REVIEW OF
INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
TO THE BOARD OF DIRECTORS AL-IHDATHIAT REAL ESTATE COMPANY
AMMAN - JORDAN**

Introduction

We have reviewed the accompanying interim condensed consolidated financial statements of Al-Ihdathiat Real Estate Company - Public Shareholding Company (the "Company") and its subsidiaries (the "Group") as at 30 September 2019, comprising of the interim condensed consolidated statement of financial position as at 30 September 2019 and the related interim condensed consolidated statements of income and comprehensive income, changes in equity and cash flows for the nine months period then ended and explanatory notes. Management is responsible for the preparation and presentation of these interim condensed consolidated financial statements in accordance with International Accounting Standard IAS 34 (Interim Financial Reporting). Our responsibility is to express a conclusion on these interim condensed consolidated financial statements based on our review.

Scope of review

We conducted our review in accordance with International Standard on Review Engagements 2410, "Review of Interim Financial Information Performed by the Independent Auditor of the Entity". A review of Interim financial information consists of making inquiries, primarily of persons responsible for the financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with International Standards on Auditing and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

Conclusion

Based on our review, nothing has come to our attention that causes us to believe that the accompanying interim condensed consolidated financial statements are not prepared, in all material respects, in accordance with IAS 34.

Emphasis of matter

Without qualifying our conclusion and as disclosed in note (6) to the interim condensed consolidated financial statements, investment properties include housing units with an amount of JD 161,932 that are not registered in the name of the Group as of 30 September 2019 which includes promise for sale to the Group.

Amman – Jordan
22 October 2019

AL-IHDATHIAT REAL ESTATE COMPANY - PUBLIC SHAREHOLDING COMPANY
INTERIM CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION
AS AT 30 SEPTEMBER 2019

| | | 30 September 2019 | 31 December 2018 |
|---|--------------|-------------------------|-------------------------|
| | <u>Notes</u> | JD (Unaudited) | JD (Audited) |
| <u>ASSETS</u> | | | |
| Non-current assets - | | | |
| Properties under development | 6 | 3,402,870 | 3,405,352 |
| Financial assets at fair value through other comprehensive income | | 4,009 | 4,359 |
| | | <u>3,406,879</u> | <u>3,409,711</u> |
| Current assets - | | | |
| Other current assets | | 6,628 | 5,962 |
| Cash and bank balances | | 16,847 | 35,121 |
| | | <u>23,475</u> | <u>41,083</u> |
| Total Assets | | <u><u>3,430,354</u></u> | <u><u>3,450,794</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 | | (2,327) | (1,977) |
| Loss for the period | | (18,960) | - |
| Accumulated losses | | (679,467) | (679,467) |
| Total Equity | | <u>3,331,100</u> | <u>3,350,410</u> |
| Liabilities - | | | |
| Current liabilities | | | |
| Due to related parties | 3 | 40,493 | 37,501 |
| Other current liabilities | | 58,761 | 62,883 |
| Total liabilities | | <u>99,254</u> | <u>100,384</u> |
| Total Equity and Liabilities | | <u><u>3,430,354</u></u> | <u><u>3,450,794</u></u> |

The attached notes from 1 to 6 form part of these interim condensed consolidated financial statements

AL-IHDATHIAT REAL ESTATE COMPANY - PUBLIC SHAREHOLDING COMPANY
INTERIM CONDENSED CONSOLIDATED STATEMENT OF INCOME
FOR THE THREE MONTH AND NINE MONTH ENDED 30 SEPTEMBER 2019 (UNAUDITED)

| | Note | For the three months ended 30 September | | For the Nine months ended 30 September | |
|--|------|--|-----------------|---|-----------------|
| | | 2019 | 2018 | 2019 | 2018 |
| | | JD | JD | JD | JD |
| Interest income | | 117 | 253 | 431 | 960 |
| Other revenues | | 767 | 242 | 3,073 | 2,549 |
| Administrative expenses | | (5,170) | (5,800) | (22,026) | (23,408) |
| Marketing expenses | | - | - | (400) | (592) |
| Bank charges | | (6) | - | (38) | (16) |
| Loss for the period | | (4,292) | (5,305) | (18,960) | (20,507) |
| | | <u>JD/ Fils</u> | <u>JD/ Fils</u> | <u>JD/ Fils</u> | <u>JD/ Fils</u> |
| Basic and diluted earnings per share from the loss for the period | 4 | <u>(0/001)</u> | <u>(0/001)</u> | <u>(0/004)</u> | <u>(0/005)</u> |

The attached notes from 1 to 6 form part of these interim condensed consolidated financial statements

AL-IHDATHIAT REAL ESTATE COMPANY - PUBLIC SHAREHOLDING COMPANY
INTERIM CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME
FOR THE THREE MONTH AND NINE MONTH ENDED 30 SEPTEMBER 2019 (UNAUDITED)

| | For the three months ended 30 September | | For the Nine months ended 30 September | |
|--|--|----------------|---|-----------------|
| | 2019 | 2018 | 2019 | 2018 |
| | JD | JD | JD | JD |
| Loss for the period | <u>(4,292)</u> | <u>(5,305)</u> | <u>(18,960)</u> | <u>(20,507)</u> |
| Add: other comprehensive income that will not be transferred to profit or loss in subsequent periods after tax: | | | | |
| Net change in fair value of financial assets at fair value through other comprehensive income | <u>(197)</u> | <u>(442)</u> | <u>(350)</u> | <u>470</u> |
| Total other comprehensive income for the period after tax | <u>(197)</u> | <u>(442)</u> | <u>(350)</u> | <u>470</u> |
| Total comprehensive income for the period | <u>(4,489)</u> | <u>(5,747)</u> | <u>(19,310)</u> | <u>(20,037)</u> |

The attached notes from 1 to 6 form part of these interim condensed consolidated financial statements

AL-IHDATHIAT REAL ESTATE COMPANY - PUBLIC SHAREHOLDING COMPANY
INTERIM CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
FOR THE NINE MONTHS ENDED 30 SEPTEMBER 2019 (UNAUDITED)

| | Paid in capital | | Share capital discount | | Statutory reserve | | Voluntary reserve | | Fair value reserve | | Loss for the period | | Accumulated losses | | Total | |
|--|------------------|--|------------------------|--|-------------------|--|-------------------|--|--------------------|--|---------------------|--|--------------------|--|------------------|--|
| | JD | | JD | | JD | | JD | | JD | | JD | | JD | | JD | |
| For the nine months ended 30 September 2019 | | | | | | | | | | | | | | | | |
| Balance as at 1 January 2019 | 4,486,627 | | (589,659) | | 65,940 | | 68,946 | | (1,977) | | - | | (679,467) | | 3,350,410 | |
| Total comprehensive income for the period | - | | - | | - | | - | | (350) | | (18,960) | | - | | (19,310) | |
| Balance at 30 September 2019 | 4,486,627 | | (589,659) | | 65,940 | | 68,946 | | (2,327) | | (18,960) | | (679,467) | | 3,331,100 | |
| For the nine months ended 30 September 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 period | - | | - | | - | | - | | 470 | | (20,507) | | - | | (20,037) | |
| Balance at 30 September 2018 | 4,486,627 | | (589,659) | | 65,940 | | 68,946 | | (1,935) | | (20,507) | | (653,174) | | 3,356,238 | |

The attached notes from 1 to 6 form part of these interim condensed consolidated financial statements

AL-IHDATHIAT REAL ESTATE COMPANY - PUBLIC SHAREHOLDING COMPANY
INTERIM CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS
FOR THE NINE MONTH ENDED 30 SEPTEMBER 2019 (UNAUDITED)

| | For the Nine month ended 30 September | |
|--|--|-----------------|
| | 2019 | 2018 |
| | JD | JD |
| <u>OPERATING ACTIVITIES</u> | | |
| Loss for the period | (18,960) | (20,507) |
| Adjustments for - | | |
| Depreciation | 2,482 | 2,484 |
| Interest income | (431) | (960) |
| Working capital changes - | | |
| Due to related parties | 2,992 | 3,522 |
| Other current assets | (666) | (373) |
| Other current liabilities | (4,122) | (3,509) |
| Net cash flows used in operating activities | <u>(18,705)</u> | <u>(19,343)</u> |
| <u>INVESTING ACTIVITY</u> | | |
| Interest income received | 431 | 960 |
| Net cash flows from investing activity | <u>431</u> | <u>960</u> |
| Net decrease in cash and cash equivalents | (18,274) | (18,383) |
| Cash and cash equivalents at 1 January | 35,121 | 52,319 |
| Cash and cash equivalents at the period ended | <u>16,847</u> | <u>33,936</u> |

The attached notes from 1 to 6 form part of these interim condensed consolidated financial statements

AL-IHDATHIAT REAL ESTATE COMPANY - PUBLIC SHAREHOLDING COMPANY
NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
30 SEPTEMBER 2019

(1) GENERAL

Al-Ihdathiat Real Estate Company - Public Shareholding Company incorporated on 18 September 2005 with an authorized 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 as of 31 December 2015 through the issuance of 1,070,627 shares at par value of JD 1 and with an issuance discount of 400 Fils. The process of increase capital was completed on 20 August 2015. On April 12, 2017, the Securities Commission has approved on the allocation of 416,000 shares from the groups 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 principal activities of the Company are to do 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 accounts.

The Group's financial statements are consolidated with the financial statements of Jordan Invest Company (The Parent Company).

The Company's offices are located in Jabal Amman, Amman - The Hashemite Kingdom of Jordan.

(2) BASIS OF PREPARATION AND ACCOUNTING POLICIES

The interim condensed consolidated financial statements as of 30 September 2019 are prepared in accordance with International Accounting Standard 34 (Interim Financial Reporting).

The interim condensed consolidated financial statement have been presented in Jordanian Dinar which is the functional currency of the Group.

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

The interim condensed consolidated financial statements do not contain all information and disclosures required for full financial statements prepared in accordance with International Financial Reporting Standards, and should be read in conjunction with the annual financial statements as of 31 December 2018. In addition, results of the Nine month period ended 30 September 2019 are not necessarily indicative of the results that may be expected for the financial year ending 31 December 2019.

CHANGES IN ACCOUNTING POLICIES

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

IFRS 16 Leases

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

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

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

The impact of adopting IFRS 16 was not material on the Group's interim condensed consolidated financial statements.

IFRIC Interpretation 23 Uncertainty over Income Tax Treatment

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

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

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

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

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

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

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

The amendments also clarified that, in applying IFRS 9, an entity does not take account of any losses of the associate or joint venture, or any impairment losses on the net investment, 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.

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

(3) DUE TO RELATED PARTIES

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

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Transactions with related parties presented in the interim condensed consolidated statement of financial position are as follows:

| | 30 September 2019 | 31 December 2018 |
|---|----------------------|---------------------|
| | JD | JD |
| | (Unaudited) | (Audited) |
| Due to Related Parties | | |
| Al-Ta'awon Company for property management (controlled by major shareholder) * | 14,906 | 12,327 |
| Jordan invest Company (The Parent Company) | 25,587 | 25,174 |
| | <u>40,493</u> | <u>37,501</u> |

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

Details of transactions with related parties appearing in the interim condensed consolidated statement of comprehensive income are as follows:

| | For the Nine month ended 30 September | |
|---|--|--------------|
| | 2019 | 2018 |
| | JD | JD |
| | (Unaudited) | (Unaudited) |
| Rent Expense paid for Al-Ta'awon Company for Property Management (Controlled by major shareholder) | <u>1,500</u> | <u>1,500</u> |

The Group has not paid salaries and bonuses to senior executives for the periods ended 30 September 2019 and 2018.

AL-IHDATHIAT REAL ESTATE COMPANY - PUBLIC SHAREHOLDING COMPANY
NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
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Subsidiaries

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

| Company's Name | Paid in capital | Nature of activity | Percentage of Ownership | | Company type |
|--------------------------------------|-----------------|------------------------|-------------------------|---------------|-------------------|
| | | | 30 | 31 | |
| | | | September 2019 | December 2018 | |
| 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 |

(4) EARNINGS PER SHARE FROM THE LOSS FOR THE PERIOD

| | For the three months ended 30 September | | For the Nine month ended 30 September | |
|---|---|----------------|---------------------------------------|----------------|
| | 2019 | 2018 | 2019 | 2018 |
| | (Unaudited) | (Unaudited) | (Unaudited) | (Unaudited) |
| Weighted average number of shares (Share) | 4,486,627 | 4,486,627 | 4,486,627 | 4,486,627 |
| Loss for the period (JD) | (4,292) | (5,305) | (18,960) | (20,507) |
| | <u>JD/Fils</u> | <u>JD/Fils</u> | <u>JD/Fils</u> | <u>JD/Fils</u> |
| Basic and diluted earnings per share from the loss for the period | <u>(0/001)</u> | <u>(0/001)</u> | <u>(0/004)</u> | <u>(0/005)</u> |

(5) INCOME TAX

The income tax provision was not calculated for the periods ended 30 September 2019, 2018, 2017 and 2016 due to the increase in the deductible expenses on the taxable income. The Company is subject to a statutory income tax rate of 20% in addition to a 1% National Contribution Tax in accordance with the new Income Tax Law No. (38) which took effect on 1 January 2019.

The income tax provision was calculated for the period ended 30 September 2018 in accordance with the Income Tax Law No. (34) Of 2014. The Company and its subsidiaries are subject to a statutory income tax rate of 20%.

AL-IHDATHIAT REAL ESTATE COMPANY - PUBLIC SHAREHOLDING COMPANY
NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
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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 2018, 2017, 2016 and 2015, however, the Income and Sales Tax Department has not reviewed the accounting records until the date of these interim condensed consolidated financial statements.

(6) PROPERTIES UNDER DEVELOPMENT

The details of this item are as follows:

| | <u>30 September</u> <u>2019</u> | <u>31 December</u> <u>2018</u> |
|---|------------------------------------|-----------------------------------|
| | JD | JD |
| | (Unaudited) | (Audited) |
| Lands (lower of cost or net realizable value) | 1,230,176 | 1,230,176 |
| Residential units* (at cost) | 230,587 | 233,069 |
| Project under construction (at cost) | <u>1,942,107</u> | <u>1,942,107</u> |
| | <u>3,402,870</u> | <u>3,405,352</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 of these interim condensed consolidated financial statements.