

AL – IHDATHIAT REAL ESTATE COMPANY
PUBLIC SHAREHOLDING COMPANY

INTERIM CONDENSED CONSOLIDATED
FINANCIAL STATEMENTS (UNAUDITED)

30 JUNE 2020



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 June 2020, comprising of the interim condensed consolidated statement of financial position as at 30 June 2020 and the related interim condensed consolidated statements of income and comprehensive income, changes in equity and cash flows for the six 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 June 2020 which includes promise for sale to the Group.

Amman – Jordan
29 July 2020

AL-IHDATHIAT REAL ESTATE COMPANY - PUBLIC SHAREHOLDING COMPANY
INTERIM CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION
As At 30 JUNE 2020

	Notes	30 June 2020 JD (Unaudited)	31 December 2019 JD (Audited)
<u>ASSETS</u>			
Non-current assets -			
Properties under development	6	3,400,386	3,402,043
Financial assets at fair value through other comprehensive income		2,900	4,037
		3,403,286	3,406,080
Current assets -			
Other current assets		13,467	11,023
Cash on Hand and bank balances		1,454	13,324
		14,921	24,347
Total Assets		3,418,207	3,430,427
<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		(3,436)	(2,299)
Loss for the period		(13,696)	-
Accumulated losses		(703,430)	(703,430)
Total Equity		3,311,292	3,326,125
Liabilities -			
Current liabilities			
Due to related parties	3	42,034	40,665
Other current liabilities		64,881	63,637
Total liabilities		106,915	104,302
Total Equity and Liabilities		3,418,207	3,430,427

The attached notes from 1 to 7 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 SIX MONTH ENDED 30 JUNE 2020 (UNAUDITED)

	Note	For the three months ended 30 June		For the six months ended 30 June	
		2020	2019	2020	2019
		JD	JD	JD	JD
Interest income		-	129	26	314
Other revenues		494	1,320	1,489	2,306
Administrative expenses		(5,672)	(9,410)	(15,066)	(16,856)
Marketing expenses		-	(310)	(135)	(400)
Bank charges		-	(5)	(10)	(32)
Loss for the period		(5,178)	(8,276)	(13,696)	(14,668)
		<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>(0/002)</u>	<u>(0/003)</u>	<u>(0/003)</u>

The attached notes from 1 to 7 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 SIX MONTH ENDED 30 JUNE 2020 (UNAUDITED)

	For the three months		For the six months	
	ended 30 June		ended 30 June	
	2020	2019	2020	2019
	JD	JD	JD	JD
Loss for the period	<u>(5,178)</u>	<u>(8,276)</u>	<u>(13,696)</u>	<u>(14,668)</u>
Add: other comprehensive income that will not be transferred to profit or loss in subsequent periods after tax:				
Change in fair value of financial assets at fair value through other comprehensive income	<u>(407)</u>	<u>(20)</u>	<u>(1,137)</u>	<u>(153)</u>
Total other comprehensive income for the period after tax	<u>(407)</u>	<u>(20)</u>	<u>(1,137)</u>	<u>(153)</u>
Total comprehensive income for the period	<u>(5,585)</u>	<u>(8,296)</u>	<u>(14,833)</u>	<u>(14,821)</u>

The attached notes from 1 to 7 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 SIX MONTH ENDED 30 JUNE 2020 (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 six months ended 30 June 2020																	
Balance as at 1 January 2020	4,486,627		(589,659)		65,940		68,946		(2,299)		-		(703,430)		3,326,125		
Total comprehensive income for the period	-		-		-		-		(1,137)		(13,696)		-		(14,833)		
Balance at 30 June 2020	<u>4,486,627</u>		<u>(589,659)</u>		<u>65,940</u>		<u>68,946</u>		<u>(3,436)</u>		<u>(13,696)</u>		<u>(703,430)</u>		<u>3,311,292</u>		
For the six months ended 30 June 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	-		-		-		-		(153)		(14,668)		-		(14,821)		
Balance at 30 June 2019	<u>4,486,627</u>		<u>(589,659)</u>		<u>65,940</u>		<u>68,946</u>		<u>(2,130)</u>		<u>(14,668)</u>		<u>(679,467)</u>		<u>3,335,589</u>		

AL-IHDATHIAT REAL ESTATE COMPANY - PUBLIC SHAREHOLDING COMPANY
INTERIM CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS
FOR THE SIX MONTH ENDED 30 JUNE 2020 (UNAUDITED)

	For the six month ended 30 June	
	2020	2019
	JD	JD
<u>OPERATING ACTIVITIES</u>		
Loss for the period	(13,696)	(14,668)
Adjustments for -		
Depreciation	1,657	1,658
Interest income	(26)	(314)
Working capital changes -		
Due to related parties	1,369	816
Other current assets	(2,444)	(600)
Other current liabilities	1,244	(5,347)
Net cash flows used in operating activities	(11,896)	(18,455)
<u>INVESTING ACTIVITY</u>		
Interest income received	26	314
Net cash flows from investing activity	26	314
Net decrease in cash and cash equivalents	(11,870)	(18,141)
Cash and cash equivalents at 1 January	13,324	35,121
Cash and cash equivalents at the period ended	1,454	16,980

The attached notes from 1 to 7 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 JUNE 2020

(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 consolidated financial statements were approved by the Group's Board of Directors in their meeting held on 23 June 2020.

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 June 2020 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 2019. In addition, results of the six month period ended 30 June 2020 are not necessarily indicative of the results that may be expected for the financial year ending 31 December 2020.

CHANGES IN ACCOUNTING POLICIES

The accounting policies used in the preparation of the interim condensed consolidated financial statements are consistent with those used in the preparation of the annual consolidated financial statements for the year ended 31 December 2019 except for the adoption of new standards effective as of 1 January 2020 shown below:

Amendments to IFRS 3: Definition of a Business

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

The amendments are applied to transactions that are either business combinations or asset acquisitions for which the acquisition date is on or after the beginning of the first annual reporting period beginning on or after 1 January 2020. Consequently, the Group did not have to revisit such transactions that occurred in prior periods.

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

Interest Rate Benchmark Reform Amendments to IFRS 9 and IFRS 7

Interest Rate Benchmark Reform Amendments to IFRS 9 and IFRS 7 includes a number of reliefs, which apply to all hedging relationships that are directly affected by interest rate benchmark reform. A hedging relationship is affected if the reform gives rise to uncertainties about the timing and or amount of benchmark-based cash flows of the hedged item or the hedging instrument. As a result of interest rate benchmark reform, there may be uncertainties about the timing and or amount of benchmark-based cash flows of the hedged item or the hedging instrument during the period before the replacement of an existing interest rate benchmark with an alternative risk-free interest rate (an RFR). This may lead to uncertainty whether a forecast transaction is highly probable and whether prospectively the hedging relationship is expected to be highly effective.

The amendments provide temporary reliefs which enable hedge accounting to continue during the period of uncertainty before the replacement of an existing interest rate benchmark with an alternative risk-free interest rate (an "RFR"). The effective date of the amendments was for annual periods beginning on or after 1 January 2020, with early application permitted. The requirements must be applied retrospectively. However, any hedge relationships that have previously been de-designated cannot be reinstated upon application, nor can any hedge relationships be designated with the benefit of hindsight.

With phase one completed, the IASB is now shifting its focus to consider those issues that could affect financial reporting when an existing interest rate benchmark is replaced with an RFR. This is referred to as phase two of the IASB's project.

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

(3) RELATED PARTIES TRANSACTIONS

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.

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

	30 June 2020	31 December 2019
	JD	JD
	(Unaudited)	(Audited)
Due to Related Parties		
Al-Ta'awon Company for properties management (controlled by a major shareholder) *	15,482	15,078
Jordan Invest Company (The Parent Company)	26,552	25,587
	<u>42,034</u>	<u>40,665</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 six month ended 30 June	
	2020	2019
	JD	JD
	(Unaudited)	(Unaudited)
Rent Expense paid for Al-Ta'awon Company for Property Management (Controlled by a major shareholder)	<u>997</u>	<u>2,000</u>

The Group has not paid salaries and bonuses to senior executives for the periods ended 30 June 2020 and 2019.

AL-IHDATHIAT REAL ESTATE COMPANY - PUBLIC SHAREHOLDING COMPANY
NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
30 JUNE 2020

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 June 2020	31 December 2019	
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 month ended 30 June		For the six month ended 30 June	
	2020 (Unaudited)	2019 (Unaudited)	2020 (Unaudited)	2019 (Unaudited)
Weighted average number of shares (Share)	4,486,627	4,486,627	4,486,627	4,486,627
Loss for the period (JD)	(5,178)	(8,276)	(13,696)	(14,668)
	<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>(0/002)</u>	<u>(0/003)</u>	<u>(0/003)</u>

(5) INCOME TAX

The income tax provision was not calculated for the periods ended 30 June 2020, 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 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 2019, 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:

	30 June 2020	31 December 2019
	JD (Unaudited)	JD (Audited)
Lands (lower of cost or net realizable value)	1,230,176	1,230,176
Residential units* (at cost)	228,103	229,760
Project under construction (at cost)	<u>1,942,107</u>	<u>1,942,107</u>
	<u>3,400,386</u>	<u>3,402,043</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.

(7) CORONAVIRUS SPREAD (COVID – 19) AND ITS IMPACT ON THE COMPANY

As a result of the continued impact of the Corona virus (Covid-19) on the global economy and various business sectors and the accompanying restrictions and measures imposed by the Jordanian Government and neighboring countries and the rest of the world, it is possible that operational activities may be affected by global developments that currently affect various economic and geographical sectors. The management has prepared a preliminary study to determine the impact of the Corona virus on the Group's activities and the financial performance of the Group to take appropriate measures to enable it to continue its activities in light of the current circumstances. Also, the management is preparing a detailed study to determine the impact of the virus on the Group 's operations and the possibility of recovering its assets and meeting its obligations.