



SALAM INTERNATIONAL TRANSPORT  
AND TRADING COMPANY  
(A PUBLIC SHAREHOLDING LIMITED COMPANY)  
AQABA - JORDAN

CONSOLIDATED FINANCIAL STATEMENTS  
FOR THE YEAR ENDED  
DECEMBER 31, 2018 TOGETHER  
WITH INDEPENDENT AUDITOR'S REPORT

SALAM INTERNATIONAL TRANSPORT  
AND TRADING COMPANY  
(A PUBLIC SHAREHOLDING LIMITED COMPANY)  
AQABA - JORDAN  
DECEMBER 31, 2018

TABLE OF CONTENTS

	<u>Page</u>
Independent Auditor's Report	1 - 5
Consolidated Statement of Financial Position	6
Consolidated Statement of Income	7
Consolidated Statement of Comprehensive Income	8
Consolidated Statement of Changes in Owners' Equity	9
Consolidated Statement of Cash Flows	10
Consolidated Notes to the Financial Statements	11 - 54

## INDEPENDENT AUDITOR'S REPORT

AM \ 000744

To the shareholders of  
Salam International Transport and Trading Company  
Public Shareholding Limited Company  
Amman - The Hashemite Kingdom of Jordan

### Opinion

We have audited the consolidated financial statements of Salam International Transport and Trading Company "The Company", and its subsidiaries, which comprise the consolidated statement of financial position as at December 31, 2018, and the consolidated statement of income and other comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information.

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

### Basis of 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 Company in accordance with the International Ethics Standards Board for Accountants' Code of Ethics for Professional Accountants (IESBA Code) together with the other ethical requirements that are relevant to our audit of the Company's consolidated financial statements, and we have fulfilled our other ethical responsibilities. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.



## **Emphasis of Matters**

Without further qualifying our opinion, we draw attention to the following:

1. As stated in Notes (16) to the accompanying consolidated financial statements, which refers to projects under construction which are not completed yet.
2. As stated in Note (17) to the accompanying consolidated financial statements, which refers to advance payment to acquire land in which its ownership is not transferred to the Company yet.
3. As stated in Note (36) to the accompanying consolidated financial statements, which refers to the lawsuits raised against the Company and the decision issued on the arbitration of the lawsuit against the Housing and Urban Development Corporation – "Decent Housing for Decent Living" project.

## **Other Matter**

The accompanying consolidated financial statements are a translation of the statutory consolidated financial statements in the Arabic language to which reference should be made.

## **Key Audit Matters**

Key audit matters are those matters that, in our professional judgment, were most significant to our audit of the consolidated financial statements for the current year. These matters were addressed in the context of our audit of the consolidated 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.

For each matter below, our description of how our audit addressed the matter is provided in that context.

### **The Company's Share of the Associates Companies Profits**

The Company's share of associates Companies Profits represent a major part of the Company's revenue, where the Company books its share from these companies' profits based on the equity method as per the audited financial statements for the year 2018.

### **Scope of Audit to Address Risk**

The audit procedures included understanding the Company's procedures related to calculation of its share from the associates' profits based on the equity method. We also requested the management to provide us with the most recent available audited or reviewed financial statements, and recalculated the Company's share from those companies' profits as of December 31, 2018, and reviewed the adequacy of the related disclosures included in note (15).

## **Payments on Account of Acquiring Land and Projects under Construction**

The consolidated financial statements include payments on account of acquiring plots of land and projects under construction, totaling around JD 5.5 million as of December 31, 2018. These projects include the value of work in progress and related costs. Moreover, direct costs of these projects are deferred until their completion.

According to International Financial Reporting Standards, the Company should determine the recoverable value of these amounts.

## **Valuation of Real Estate Investments**

The consolidated financial statements include real-estate investments totaling around JD 4.8 million which is 15.5% of the Company's assets. Moreover, the Company should revalue those investments at the time of preparation of the consolidated financial statements to determine their fair value and record the effect any impairment in the consolidated statement of income as per International Financial Reporting Standards. Consequently, the Company obtains assistance from independent real estate appraisers to determine their fair value and reflect any impairment in the consolidated statement of income for that period. Thus, assessment of the fair value of the real estate investments is significant to our audit.

## **Other Information**

Management is responsible for the other information. The other information comprises the information in the Annual Report, other than the consolidated financial statements, and the auditor's report thereon. The Annual Report is expected to be made available to us after the date of this auditor's report. Our opinion on the consolidated financial statements does not cover the other information, and we do not express any form of assurance conclusion thereon.

In connection with our audit of the consolidated financial statements, our responsibility is to read the other information when it becomes available and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated.

## **Scope of Audit to Address Risk**

The audit procedures included obtaining the contracts of those plots of land; reviewing payments on account of their acquisition; and discussing with management recoverability of the related payments and completion of the projects in the future or recoverability of the related payments.

## **Scope of Audit to Address Risks**

The followed audit procedures included understanding the procedures applied by the Company in evaluating real estate investments, testing the procedures, for evaluating the reasonableness of the judgments based on the evaluation of the real estate appraisers, calculating the average fair value of those evaluations, recording any impairment in value, if any, and reviewing the appropriateness of the disclosure on the fair value of real estate investments, included in note (14).



## **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 IFRS, and for such internal control as management determines necessary to enable preparation of the 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 Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Company or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Company'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 ISA's, we exercise professional judgement 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 the one resulting from error, as fraud may involve collusion, forgery, intentional omission, 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 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 Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the 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 Company to cease to continue as a going concern.

- Evaluate the overall presentation, structure and content of the consolidated 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 Company to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the Company's 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 safeguard procedures.

From the matters communicated with those charged with governance, we determine those matters that were of most significance to the audit of the consolidated financial statements for the current year and are therefore key audit matters. We describe these matters in our auditor's report unless law and regulations preclude 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 reasonably be expected to outweigh the public interest benefits of such communication.

#### **Report on Other Legal and Regulatory Requirements**

The Company maintains proper accounting records, which are in agreement with the accompanying financial statements. We recommend that the General Assembly of the Shareholders approve these consolidated financial statements, taking into consideration the emphasis of matters paragraphs mentioned above.

  
Deloitte & Touche (Middle East) – Jordan

Amman – Jordan  
March 31, 2019

Deloitte & Touche (M.E.)  
ديلويت أند توش (الشرق الأوسط)  
010105



SALAM INTERNATIONAL TRANSPORT AND TRADING COMPANY  
(A PUBLIC SHAERHOLDING LIMITED COMPANY)  
AQABA - JORDAN  
CONSOLIDATED STATEMENT OF FINANCIAL POSITION

		December 31,	
	Note	2018	2017
		JD	JD
<b>ASSETS</b>			
<b>Current Assets:</b>			
Cash and balances at banks	5	646,463	278,463
Accounts receivable-net	6	734,104	874,309
Due from related parties	25/a	1,473,892	1,796,725
Accounts receivable - Decent Housing for Decent Living project	7	614,625	8,957,230
Residential units available for sale	8	519,974	519,974
Checks under collection and notes receivable maturing during the year	9	401,741	451,591
Financial assets at fair value through profit or loss	10	10,004	10,866
Inventory - net	11	243,604	507,161
Other debit balances	12	422,088	611,342
<b>Total Current Assets</b>		<b>5,066,495</b>	<b>14,007,661</b>
<b>Non-Current Assets:</b>			
Checks under collection and notes receivable - long term	9	99,536	154,560
Financial assets at fair value through other comprehensive income	13	613,190	678,219
Investment properties - net	14	4,753,573	4,825,596
Investments in associates	15	13,541,063	12,618,590
Projects under construction	16	2,373,881	2,369,914
Advance payments for land acquisition	17	3,146,817	3,146,817
Advance payments for acquiring investment in companies	18	150,494	150,494
Property and equipment - net	19	873,472	1,286,294
<b>Total Non-Current Assets</b>		<b>25,552,026</b>	<b>25,230,484</b>
<b>TOTAL ASSETS</b>		<b>30,618,521</b>	<b>39,238,145</b>
<b>LIABILITIES AND OWNERS' EQUITY</b>			
<b>Current Liabilities:</b>			
Due to banks	20	666,939	728,856
Accounts payable	21	1,844,289	4,751,234
Due to related parties	25/b	1,603,393	2,984,650
Loans - short term	22	950,257	2,069,525
Deferred checks and notes payable - short term		717,007	432,985
Income tax provision	23	70,369	71,557
Other credit balances	24	524,511	2,737,852
<b>Total Current Liabilities</b>		<b>6,376,765</b>	<b>13,776,659</b>
<b>Non-Current Liabilities:</b>			
Shareholder's current account	25/b	1,015,950	274,085
Long-term Loans	22	1,133,135	2,960,938
<b>Total Non-Current Liabilities</b>		<b>2,149,085</b>	<b>3,235,023</b>
<b>Total Liabilities</b>		<b>8,525,850</b>	<b>17,011,682</b>
<b>OWNERS' EQUITY</b>			
<b>SHAREHOLDERS' EQUITY</b>			
Paid-up capital	26	18,000,000	18,000,000
Share discount	26	(1,349,998)	(1,349,998)
Statutory reserve	27	2,059,079	1,970,514
Voluntary reserve	27	48,024	48,024
Financial assets at fair value revaluation reserve	29	(212,192)	(151,214)
Accumulated (losses)	30	(1,162,955)	(1,394,796)
<b>Net Shareholders' Equity</b>		<b>17,381,957</b>	<b>17,122,530</b>
Non-controlling interests		4,710,714	5,103,933
<b>Net Owners' Equity</b>		<b>22,092,671</b>	<b>22,226,463</b>
<b>TOTAL LIABILITIES AND OWNERS' EQUITY</b>		<b>30,618,521</b>	<b>39,238,145</b>

THE ACCOMPANYING NOTES CONSTITUTE AN INTEGRAL PART OF THESE  
CONSOLIDATED FINANCIAL STATEMENTS AND SHOULD BE READ WITH THEM AND WITH  
THE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT.

SALAM INTERNATIONAL TRANSPORT AND TRADING COMPANY

(A PUBLIC SHAREHOLDING LIMITED COMPANY)

AQABA - JORDAN

CONSOLIDATED STATEMENT OF INCOME

	Note	For the Year Ended	
		December 31,	
		2018	2017
		JD	JD
Revenue	31	4,559,769	5,172,543
<u>Less: Cost of revenue</u>	32	<u>(3,655,346)</u>	<u>(3,984,985)</u>
<b>Gross Profit</b>		<b>904,423</b>	<b>1,187,558</b>
<u>Less: General and administrative expenses</u>	33	(948,355)	(1,069,144)
Loss from canceled contracts related to project under construction	16	-	(441,730)
Marketing expenses		(49,852)	(44,044)
Borrowing costs		(479,222)	(612,580)
Company's share of associated companies' profits	15	983,675	978,810
Gain from selling part of the investments in associate company	15	-	467,987
(Loss) gain from valuation of financial assets at fair value through profit or loss		(867)	799
Cash dividends		-	20,348
Other income - Net	34	<u>36,738</u>	<u>241,172</u>
<b>Income before Income Tax Expense from Continuing Operations</b>		<b>446,540</b>	<b>729,176</b>
<u>Less: Income tax expense</u>	23	<u>(72,217)</u>	<u>(42,201)</u>
Income tax expense from prior year	23	<u>(55,151)</u>	-
<b>Income for the Year from Continuing Operations</b>		<b>319,172</b>	<b>686,975</b>
Net (Loss) for the year from discontinued operations	40	-	(748,569)
<b>Income (Loss) for the Year</b>		<b><u>319,172</u></b>	<b><u>(61,594)</u></b>
<u>Attributable to:</u>			
The Company's shareholders		815,502	540,987
Non-controlling interests		<u>(496,330)</u>	<u>(602,581)</u>
<b>Total</b>		<b><u>319,172</u></b>	<b><u>(61,594)</u></b>
 Earnings per Share for the year from continuing operations attributable to the			
Company's Shareholders	35	<u>0.450</u>	<u>0.072</u>
 Earnings per Share for the year from continuing and discontinuing operations attributable to the			
Company's Shareholders	35	<u>0.450</u>	<u>0.030</u>

THE ACCOMPANYING NOTES CONSTITUTE AN INTEGRAL PART OF THESE  
CONSOLIDATED FINANCIAL STATEMENTS AND SHOULD BE READ WITH THEM AND WITH  
THE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT.

SALAM INTERNATIONAL TRANSPORT AND TRADING COMPANY

(A PUBLIC SHAREHOLDING LIMITED COMPANY)

AQABA - JORDAN

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

	For the Year	
	Ended December 31,	
	2018	2017
	JD	JD
Income (loss) for the year	319,172	(61,594)
<b><u>Comprehensive Income Items:</u></b>		
<b><u>Items not to be subsequently transferred to consolidated statement of income :</u></b>		
Change in fair value of financial assets at fair value through comprehensive income	(60,978)	(7,761)
<b>Total Comprehensive Income (Loss) for the Year</b>	<b>258,194</b>	<b>(69,355)</b>
<b>Total Comprehensive Income ( Loss ) for the Year Attributable to:</b>		
Company's shareholders	754,524	533,226
Non- controlling interests	(496,330)	(602,581)
<b>Total</b>	<b>258,194</b>	<b>(69,355)</b>

THE ACCOMPANYING NOTES CONSTITUTE AN INTEGRAL PART OF THESE  
CONSOLIDATED FINANCIAL STATEMENTS AND SHOULD BE READ WITH THEM AND WITH  
THE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT.



## CONSOLIDATED STATEMENT OF CHANGES IN OWNERS' EQUITY

- An amount equivalent to the negative balance of financial assets revaluation reserve is restricted according to the Jordan Securities Commission's instructions.

THE ACCOMPANYING NOTES CONSTITUTE AN INTEGRAL PART OF THESE

CONSOLIDATED FINANCIAL STATEMENTS AND SHOULD BE READ WITH THEM AND WITH THE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT.

SALAM INTERNATIONAL TRANSPORT AND TRADING COMPANY  
(A PUBLIC SHAREHOLDING LIMITED COMPANY)  
AQABA - JORDAN  
CONSOLIDATED STATEMENT OF CASH FLOWS

		For the Year Ended December 31,	
	Note	2018 JD	2017 JD
<b>CASH FLOWS FROM OPERATING ACTIVITIES:</b>			
Income for the year before income tax		446,540	729,176
<b>Adjustments:</b>			
Investment properties depreciation	14	72,023	71,994
Property and equipment depreciation	19	159,290	183,207
(Gain) from selling part of the investments in associate company	15	-	(467,987)
Provision for slow - moving inventory	11	238,009	-
Impairment Property and equipment	19	240,510	-
(Revenue) transfer contracts	34	(372,000)	-
Arbitration results	34	432,870	-
Amortization of investment in affiliates	15	17,691	-
(Gain) loss from sale of property and equipment		(13,620)	7,431
Company's share of associated companies (profits)	15	(933,675)	(978,810)
Lawsuits provision no longer needed	24	-	(86,115)
(Gain) from valuation of financial assets at fair value through profit or loss		(867)	(799)
Expected credit loss on accounts receivable	6	2,500	-
Lawsuits provision	24	-	32,251
Borrowing costs		479,222	612,580
<b>Net Cash flows from Operating Activities before Changes in Working Capital</b>		<b>718,493</b>	<b>102,928</b>
Decrease (increase) in accounts receivable		158,059	(326,842)
Collection from Housing & Urban Development Corporation		3,758,453	-
Decrease in checks under collection and notes receivable		104,874	119,584
Decrease (increase) in inventory		25,548	(4,542)
Decrease in other debit balances		189,254	159,621
(Decrease) in accounts payable		(414,823)	(84,312)
Increase in other credit balances		45,603	276,262
<b>Net Cash Flows from Operating Activities before Income Tax and Provision Paid</b>		<b>4,585,461</b>	<b>242,699</b>
Income tax paid	23	(128,556)	(32,406)
Lawsuits paid	24	-	(100,000)
<b>Net Cash Flows from Operating Activities</b>		<b>4,456,905</b>	<b>110,293</b>
<b>CASH FLOWS FROM INVESTING ACTIVITIES:</b>			
(Increase) in financial assets at fair value through other comprehensive income		-	(4,576)
Decrease in residential units available for sale		-	390,209
Decrease in investments in associates		1,138,974	778,005
Proceed from selling part of the investments in associate company		-	1,110,351
(Increase) in projects under constructions		-	(223,514)
(Decrease) in advance payments for land acquisition		-	3,536,135
(Purchase) of property and equipment	19	(23,127)	(166,934)
Proceeds from selling property and equipment		49,769	87,356
<b>Net Cash Flows from Investing Activities</b>		<b>1,165,616</b>	<b>5,507,032</b>
<b>CASH FLOWS FROM FINANCING ACTIVITIES:</b>			
Borrowing costs (paid)		(479,222)	(612,580)
Decrease (increase) in deferred checks and notes payable		284,022	(426,141)
Change in due from/to related parties		(2,209,171)	(2,058,884)
(Decrease) in due to banks		(61,917)	(495,441)
Proceed from loans and borrowings		137,000	751,154
Repayment of loans and borrowings		(3,084,071)	(2,648,087)
Change in non-controlling interests		163,150	-
<b>Net Cash flows (used in) Financing Activities</b>		<b>(5,250,209)</b>	<b>(5,489,979)</b>
Net Increase in Cash		372,312	127,346
Cash on hand and at banks - beginning of the year		278,463	156,733
Effect of disposal of a subsidiary	40	-	(5,616)
<b>Cash on Hand and at Banks - End of the Year</b>	<b>5</b>	<b>650,775</b>	<b>278,463</b>
<b>Non-Cash Transactions:</b>			
Increase in non- controlling interests as a result of amortized subsidiary's loss		149,863	-
Changes in non-controlling interests		(84,902)	(1,507,036)
Decrease in investment properties		-	7,091,605
Change in property and equipment		-	13,027
Decrease in loans		-	(2,999,930)
Decrease in projects under constructions		(3,967)	441,730
Increase in account payable		3,967	-
Change in due from/to related parties		(774,094)	(490,602)
Collection from transfer contracts		150,000	-
(Increase) investment in associate company		(1,097,122)	-
Decrease investment in associate company		336,850	-
Impact of IFRS 9 implementation		(438,325)	-
Decrease in other debit balances		-	81,613
Decrease in other credit balances		-	(380,243)

THE ACCOMPANYING NOTES CONSTITUTE AN INTEGRAL PART OF THESE  
CONSOLIDATED FINANCIAL STATEMENTS AND SHOULD BE READ WITH THEM

SALAM INTERNATIONAL TRANSPORT AND  
TRADING COMPANY  
(A PUBLIC SHAREHOLDING LIMITED COMPANY)  
AQABA – JORDAN  
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

---

**1. General**

- a. Salam International Transport and Trading Company was established and registered as a Public Shareholding Limited Company on January 30, 1997 under registration No. (326), with a paid-up capital of JD 1,200,000. The Company's paid-up capital was gradually increased to JD 15,000,000, distributed over 15 million shares at JD 1 par value per share. In its extraordinary meeting held on April 22, 2014, the Company's General Assembly approved increasing the Company's capital of JD 15 million so that authorized and paid-up capital would become JD 18 million through public underwriting to the Company's shareholders.
- On September 13, 2011, the Company was registered at the Aqaba Special Economic Zone according to Law No. (32) for the Year 2000.
- The Company's Head Office is located in Aqaba – Jordan.
- b. The Parent Company's and its Subsidiaries' main objectives include the following:
- Conducting all types of marine activity (transporting passengers and various types of goods, in addition to touristic marine transportation).
  - Possessing, managing, operating and leasing ships of all kinds.
  - Obtaining maritime agencies, brokering, and representing international rating agencies.
  - Obtaining commercial agencies and tendering.
  - Renting marine maintenance workshops of all kinds, including repairing ships.
  - Conducting land transport, business and related tendering.
  - Conducting real estate activities (buying and selling real estates and other real estate-related activities).
  - Providing services, operating touristic restaurants, and supplying hotels with food.
  - Guaranteeing others while benefiting the Company.
  - Transporting crude oil.
  - Investing in other companies.
  - Borrowing funds from banks to finance its activities.
- c. The consolidated financial statements have been approved by the Board of Directors on March 21, 2019.

**2. Significant Accounting Policies**

**- Basis of Preparation of the Consolidated Financial Statements**

- The accompanying consolidated financial statements have been prepared in accordance with International Financial Reporting Standards and related interpretations.
- The consolidated financial statements have been prepared under the historical cost principle, except for financial assets and financial liabilities, which are stated at fair value through the statement of income, and financial assets at fair value through comprehensive income, stated at fair value on the date of the consolidated financial statements. Furthermore, hedged financial assets and financial liabilities are also stated at fair value.



- The reporting currency of the consolidated financial statements is the Jordanian Dinar, which is the functional currency of the Company.
- The accounting principles adopted for the consolidated financial statements for the year are consistent with those used in the prior year ended December 31, 2017, except for what is mentioned in Note (3-a) to the consolidated financial statements.

#### **- Basis of Consolidation of the Financial Statements**

The consolidated financial statements include the financial statements of the Company and its subsidiaries under its control. The control exists when the Company controls the subsidiaries significant and relevant activities and is exposed, or has rights, to variable returns from its involvement with the subsidiaries and has the ability to affect those returns through its power over the subsidiaries.

- The Company reassesses whether or not it controls an investee if facts and circumstances indicate that there are changes to one or more of the elements of control listed above.
- When the Company has less than the majority of the voting rights of an investee, it considers that it has power over the investee when the voting rights are sufficient to give it the practical ability to direct the relevant activities of the investee unilaterally. In this regard, the Company considers all relevant facts and circumstances in assessing whether or not the Company's voting rights in an investee are sufficient to give it power, including:
  - The size of the Company's holding of voting rights relative to the size and dispersion of holdings of the other vote holders.
  - Potential voting rights held by the Company, other vote holders or other parties.
  - Rights arising from other contractual arrangements.
  - Any additional facts and circumstances that indicate that the Company's has, or does not have, the current ability to direct the relevant activities at the time that decisions need to be made, including voting patterns at previous shareholders' meetings.
- All balances, transactions, income, and expenses between the Company and its subsidiaries are eliminated.
- The subsidiaries financial statements are prepared under the same accounting policies adopted by the Company. If the subsidiaries apply different accounting policies than those used by the company, the necessary modifications shall be made to the subsidiaries' financial statements to make them comply with the accounting policies used by the Company.
- The results of the subsidiaries' operations are consolidated in the consolidated statement of income effective their acquisition date, which is the date on which control over subsidiaries is effectively transferred to the Company. Furthermore, the results of the disposed of subsidiaries are consolidated in the consolidated statement of income up to the date of their disposal, which is the date on which the Company loses control over the subsidiaries.
- The non-controlling interests represents the portion not owned by the company on the subsidiaries. Non-controlling interests are shown in the subsidiaries net assets as a separate line item within the Company's statement of shareholders equity.

- The Company owns the following subsidiary companies as of December 31, 2018:

Company's Name	Paid-up Capital JD	Ownership Percentage %	Nature of Activity	Place of Work	Date of Ownership	Total Assets		Total Liabilities		Total Revenue		Total Expenses	
						JD	JD	JD	JD	JD	JD	JD	JD
Farah International Catering Service Company	1,000,000	100	Trading	Jordan	September 21, 1992	2,250,474	404,631			2,920,317		2,735,195	
Golden State For Commercial Services Company	204,874	100	Trading	Jordan	September 4, 2005	10,117	450			-		1,550	
Mada'en Al - Noor Investment and Real Estate Development	6,000,000	75	Real estate	Jordan	June 3, 2004	11,153,379	4,103,520			597,147		855,335	
Al - Ibtikar Land Transportation	2,600,000	70	Transportation	Jordan	March 9, 2005	496,548	501,716			-		673,516	
Afaq Supply and Storage Company	500,000	90	Supply & storage	Jordan	February 18, 2008	1,186,552	913,057			139,885		15,342	
Amman River Transport and Supply Company	1,000	100	Trading	Jordan	August 31, 2008	2,851	3,230			-		-	
Mada'en Al - Bahr Investment and Real Estate Development	1,000,000	100	Trading	Jordan	September 5, 2010	1,947,718	1,274,018			-		100,745	
Technical for Construction and Real Estate Services	1,000,000	98.75	Real estate	Jordan	September 1, 1992	3,507,684	272,605			322,129		328,471	
Mada'en Al - Shorouq Investment Real Estate Company	6,660,000	69.99	Real estate	Jordan	November 20, 2006	8,445,074	1,022,886			-		150,340	
Mada'en Al - Aqaba Investment Real Estate Company	2,500,000	60	Real estate	Jordan	September 6, 2007	1,699,589	4,500			-		20,346	
Mada'en Al - Salam Construction Company	250,000	80	Real estate	Jordan	May 15, 2006	363,228	50,594			-		197,431	

- Subsidiaries' results of operations are included in the consolidated statement of income effective from the acquisition date, which is the date of transferring control over the subsidiary by the Group. The results of operations of subsidiaries disposed of during the year were included in the consolidated statement of income up to the effective date of disposal, which is the date of losing control over the subsidiary

- On June 22, 2017 an agreement was signed between Mada'en Al -Noor for Investment and Real Estate Development and Aqaba Development Company (ADC) which states that Mada'en Al Noor should sell all its shares in Al Aqaba for Markets Development amounted to 2,467,500 share in Al Aqaba for Markets Development for the beneficiary, the partner Aqaba Development Company, in an exchange on JD 995,000 which was collected in July 23, 2017. This transaction resulted in a loss amounted around JD 749 thousand was booked in the consolidated statement of income. Accordingly, all Al Aqaba for Market Development balances were eliminated from Salam International Transport and Trading Company consolidated financial statements (Note 40).



According to the Board of Directors decision dated January 15, 2017, it was agreed to sell the share of Al Salam International Transport and Trading Company (the parent company) in Mada'en Al – Bahar Investment and Real Estate Development (subsidiary company) which amounted to 500 thousands shares against JD 500,000 to the Technical for Construction and Real Estate Services Company (subsidiary company), noting that the withdrawal and the shares transfer procedures have been documented by the Ministry of Trade and Industry on February 12, 2018.

Control is achieved when the Company:

- Has the power over the investee;
- Is exposed, or has rights, to variable returns from its involvement with the investee; and
- Has the ability to use its power to affect investee's returns.

The Company reassesses whether or not it controls an investee if facts and circumstances indicate that there are changes to one or more of the elements of control listed above.

When the Company has less than the majority of the voting rights of an investee, it considers that it has power over the investee when the voting rights are sufficient to give it the practical ability to direct the relevant activities of the investee unilaterally. In this regard, the Company considers all relevant facts and circumstances in assessing whether or not the Company voting rights in an investee are sufficient to give it power, including:

- The size of the Company's holding of voting rights relative to the size and dispersion of holdings of the other vote holders;
- Potential voting rights held by the Company, other vote holders or other parties;
- Rights arising from other contractual arrangements; and
- Any additional facts and circumstances that indicate that the Bank has, or does not have, the current ability to direct the relevant activities at the time that decisions need to be made, including voting patterns at previous shareholders' meetings.

When the Company loses control of a subsidiary, the Company performs the following;

- Derecognizes the assets (including goodwill) and liabilities of the subsidiary.
- Derecognizes the book value of any non-controlling interests.
- Derecognizes transfer difference accumulated in Owners Equity.
- Derecognizes the fair value to the next controlling party.
- Derecognizes the fair value of any investment retained.
- Derecognizes any gain or loss in income statement.
- Reclassifies owners equity already booked in other comprehensive income to the profit or loss statement as appropriate.

The non-controlling interests represents the portion not owned by the Company relating to ownership of the subsidiaries.

The following are the most significant accounting policies used for the year ended December 31, 2018:

#### **Segments Information**

- The business segment represents a set of assets and operations that jointly provide products and services subject to risks and returns different from those of other business segments, measured according to the reports used by the executive manager and the Company's key decision makers.
- The geographic segment is associated with providing products or services in a defined economic environment subject to risks and returns different from those of other economic environments.

#### **Residential Units Available for Sale**

Residential units available for sale are stated at the lower of cost or net realizable value (NRV). The actual cost for each unit is determined using specific identification method, where cost includes lands cost, construction materials costs, direct wages and benefits, and other direct costs.

#### **Inventory**

Inventories are stated at the lower of cost or net realizable value. Cost is determined using the first-in, first-out method. Net realizable value is the estimated selling price of inventory less the estimated cost of necessary to make the sale.

#### **Financial Instruments**

Financial assets and financial liabilities are recognised in the Company's statement of financial position when the Company becomes a party to the contractual provisions of the instrument.

Financial assets and financial liabilities are initially measured at fair value. Transaction costs that are directly attributable to the acquisition or issue of financial assets and financial liabilities are added to or deducted from the fair value of the financial assets or financial liabilities, as appropriate, on initial recognition.

#### **Financial assets**

Financial assets are recognised when the Company becomes a party to the contractual of the instrument. Financial assets are initially measured at fair value. Transaction costs that are directly attributable to the acquisition or issue of financial assets (except for financial assets at fair value through statement of income) are added to or deducted from the fair value of the financial assets, as appropriate, on initial recognition.

All recognized financial assets are measured subsequently in their entirety at either amortized cost or fair value, depending on the classification of the financial assets.

#### **Classification of financial assets**

Debt instruments that meet the following conditions are measured subsequently at amortized cost:

- The financial asset is held within a business model whose objective is to hold financial assets in order to collect contractual cash flows;
- The contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

All other financial assets are measured at fair value.



#### **Amortized cost and effective interest method**

The effective interest method is a method of calculating the amortized cost of a debt instrument and of allocating interest income over the relevant period.

The effective interest rate is the rate that exactly discounts estimated future cash receipts (including all fees and points paid or received that form an integral part of the effective interest rate, transaction costs and other premiums or discounts) excluding expected credit losses, through the expected life of the debt instrument, or, where appropriate, a shorter period, to the gross carrying amount of the debt instrument on initial recognition. For purchased or originated credit-impaired financial assets, a credit-adjusted effective interest rate is calculated by discounting the estimated future cash flows, including expected credit losses, to the amortized cost of the debt instrument on initial recognition.

#### **Foreign exchange gains and losses**

The carrying amount of financial assets that are denominated in a foreign currency is determined in that foreign currency and translated at the spot rate at the end of each reporting period. For financial assets measured at amortized cost that are not part of a designated hedging relationship, exchange differences are recognized in consolidated statement of income.

#### **Impairment of financial assets**

The Company recognises a loss allowance for expected credit losses (ECL) on trade receivables. The amount of expected credit losses is updated at each reporting date to reflect changes in credit risk since initial recognition of the respective financial instrument.

The Company always recognises lifetime ECL for trade receivables. The expected credit losses on these financial assets are estimated using a provision matrix based on the Company's historical credit loss experience, adjusted for factors that are specific to the debtors, general economic conditions and an assessment of both the current as well as the forecast direction of conditions at the reporting date, including time value of money where appropriate.

For all other financial instruments, the Company recognises lifetime ECL when there has been a significant increase in credit risk since initial recognition. Lifetime ECL represents the expected credit losses that will result from all possible default events over the expected life of a financial instrument.

#### **Provision for expected credit loss**

The Company has adopted the simplified approach to recognize expected credit losses over the life of its receivables as permitted by IFRS 9. Accordingly, non-impaired trade receivables that do not contain a significant financing component have been classified as part of stage 2 with the recognition of expected credit losses over their lifetime.

A provision for the expected credit loss should be recognized over the life of the financial instrument if the credit risk on that financial instrument increases substantially since the initial recognition and the expected credit loss is an expected weighted estimate of the present value of the credit loss. This value is measured as the present value of the difference between the cash flows due to the Company under the contract and the cash flows that the Company expects to receive arising from the expectation of several future economic scenarios, discounted at the effective interest rate of the asset.

The Company assesses whether there is objective evidence of impairment on an individual basis for each asset of individual value and collectively for other assets that are not individually significant.

Provisions for loss of credit losses are presented as a reduction of the total carrying amount of financial assets at amortized cost.



### **Write off**

The Company writes off a financial asset when there is information indicating that the debtor is in severe financial difficulty and there is no realistic prospect of recovery, e.g. when the debtor has been placed under liquidation or has entered into bankruptcy proceedings, or in the case of trade receivables, when the amounts are over 24 months past due, whichever occurs sooner. Financial assets written off may still be subject to enforcement activities under the Company's recovery procedures, taking into account legal advice where appropriate. Any recoveries made are recognised in consolidated statement of income.

### **Derecognition of financial assets**

The Company derecognises 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 recognises 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 recognise the financial asset.

On derecognition of a financial asset measured at amortised cost, the difference between the asset's carrying amount and the sum of the consideration received and receivable is recognised in consolidated statement of income.

### **Classification as debt or equity**

Debt and equity instruments are classified as either financial liabilities or as equity in accordance with the substance of the contractual arrangements and the definitions of a financial liability and an equity instrument.

### **Equity instruments**

An equity instrument is any contract that evidences a residual interest in the assets of an entity after deducting all of its liabilities. Equity instruments are recognised at the proceeds received, net of direct issue costs.

Repurchase of the Company's own equity instruments is recognised and deducted directly in equity. No gain or loss is recognised in income statement on the purchase, sale, issue or cancellation of the Company's own equity instruments.

### **Financial liabilities**

All financial liabilities are measured subsequently at amortised cost using the effective interest method or at fair value through statement of income.

Financial liabilities that are not (i) contingent consideration of an acquirer in a business combination, (ii) held-for-trading, or (iii) designated as at FVTPL, are measured subsequently at amortised cost using the effective interest method.

Trade and other payables classified as financial liabilities are initially measured at fair value, net of transaction costs and subsequently measured at amortised cost using the effective interest method. Interest expenses are recognised based on effective interest rate.

The effective interest method is a method of calculating the amortised cost of a financial liability and of allocating interest expense over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash payments through the expected life of the financial liability, or (where appropriate) a shorter period, to the amortised cost of a financial liability.

### **Derecognition of financial liabilities**

The Company derecognises financial liabilities when, and only when, the Company's obligations are discharged, cancelled or have expired. The difference between the carrying amount of the financial liability derecognised and the consideration paid and payable is recognised consolidated statement of income.

### **Investments in Associates and Companies Subject to Joint Control**

Associated companies are those companies whereby the Company exercises significant influence over their financial and operating policies but does not control them, and whereby the Company owns between 20% to 50% of the voting rights. Moreover, associates are established through contractual agreements and their operating and financial decisions require unanimous approval.

Investments in associated companies are accounted for according to the equity method, and initially recognized at cost which includes all acquisition costs.

The consolidated financial statements include the Company's share of the profit and loss from the investment in associated companies, according to the equity method, after the required necessary adjustments are made to comply with the accounting policies adopted by the parent company.

As of December 31, 2018, the details of investments in associates are as follows:

<u>Company's Name</u>	<u>Percentage of Ownership</u> %	<u>Business Location</u>
Jordanian Marine Real Estate Investment Complex Company	26	Jordan
Jordan National Shipping Lines Company *****	22.91	Jordan
Jordanian Academy for Marine Studies	25	Jordan
Jordanian National Line for Ships Operation Company ***	50	Jordan
Maset Al Aqaba for Ships Building Company ***	50	Jordan
Aqaba Storing Chemicals Company	*	Jordan
Al Maha Real Estate Development Company	33.33	Jordan
Marine Lines for Storage and Port Services Company ***	50	Jordan
Arabian Ships Management Company	20	Jordan
Maset Al Salam Company - Sudan	46	Sudan
Al Shams Economics Company	30	Jordan
Sea Star for Shipping and Logistics Company ***	50	Jordan
Haqel al Aqaba for Investment **	33.33	Jordan
Ayyam Amman Company for real estate improvement *****	40	Jordan

\* During the third quarter of 2017, Afaq Supply and Storage Company (a subsidiary) sold 50% of its investments in Aqaba Storing Chemicals Company (an associate) to a strategic partner. The new partner ownership reached 55% of the Company's shares. The remaining shares in Aqaba Chemical Storage Company are in the process of being transferred to Haqel Al Aqaba for Investment Company (an associate).

\*\* Haqel al Aqaba for investment Company was established by a group of Aqaba Storing Chemicals Company partners, and will have significant influence over the financial and operating policies of the Aqaba Storing Chemicals Company.

\*\*\* The Company does not exercises significant influence over their financial and operating policies of these companies.

\*\*\*\*\* According to the Board Of Directors meeting of Salam Transport and Trading Company (Parent Company) held on January 8, 2018, it was agreed to accept the partnership of AL-Salam International Transport And Trading Company (Parent) as a partner in Ayyam Amman For State Development Company an associate with 40% in exchange of transferring Farah International Catering Service Company project contracts (a subsidiary) to Ayyam Amman For Real Estate Development Company (an associate) in a condition that Salam International Transport And Treading Company (Parent Company) will pay an amount of JD 150,000 for Farah International Catering Service Company a (subsidiary) as compensation for waving their interests in those projects noting that their fair value for the project amounted to JD 388,000.



\*\*\*\*\* During the second quarter of the year 2018, Salam International Transport and Trading (the Holding Company) sold part of its shares in Jordan National Shipping Line (associate company) to related parties.

### **Investment Property**

Investment property is property held to earn rental income, for capital appreciation, or for both, but not for sale in the ordinary course of business. Investment properties are carried at cost less accumulated depreciation. Their fair values are disclosed in the notes to the consolidated financial statements, and they are revaluated annually, by independent real-estate experts, based on market values at the end of the year.

### **Property and Equipment**

Property and equipment are stated at cost less accumulated depreciation and impairment losses. Property and equipment (except for land) are depreciated over their useful lives, using the straight-line method at annual rates as follows:

	%
Building and hangars	2 - 4
Furniture and fixtures	15 - 20
Devices and equipment	10 - 15
Cars and trucks	5 - 15
Computers	20

- When the recoverable amount of property and equipment is less than the carrying amount, their value is reduced to the recoverable amount, and the impairment loss is recorded in the consolidated statement of income.
- The useful lives of property and equipment are reviewed at year-end. If they differ from previously prepared expectations, the difference in estimate for the upcoming years is recorded, as a change in estimate.
- Property and equipment are derecognized when disposed of or when there is no expected future benefit from their use or disposal.

### **Projects under construction**

This item represents the value of works on the project plus related costs. Moreover, direct costs are deferred and charged to the project upon its completion.

### **Provisions**

Provisions are recognized at the date of the consolidated statement of financial position only when a past event has created a legal or constructive obligation, an outflow of resources is probable, and the amount of the obligation can be reliably estimated.

### **Offsetting**

Financial assets and financial liabilities are offset, and the net amount is reflected in the consolidated 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**

- Income tax expenses represent accrued taxes and deferred taxes.
- Income tax expenses are accounted for on the basis of taxable income. Moreover, income subject to tax differs from income declared in the consolidated financial statements because the latter includes non-taxable revenue or tax expenses not deductible in the current year but deductible in subsequent years, accumulated losses acceptable by the tax authorities, as well as unallowable and non-taxable items.

- Taxes are calculated on the basis of the tax rates prescribed by the prevailing laws, regulations, and instructions of the countries where the Company operates.
- Deferred taxes are taxes expected to be paid or recovered as a result of temporary timing differences between the value of the assets and liabilities in the consolidated financial statements and the value of the taxable amount. Moreover, deferred taxes are calculated, according to the consolidated statement of financial position liability method, at the tax rates expected to be applied at the tax settlement date or the realization of the deferred tax assets or liabilities.
- Deferred tax assets and liabilities are reviewed as of the date of the consolidated statement of financial position, and reduced in case it is expected that no benefit will arise therefrom, partially or totally.

### **Revenue Recognition**

The Company recognises revenue mainly from sales of apartments. Revenue is measured at the fair value of the amounts received or to be collected from the contracts with customers. Revenue is recognized when the Company transfers the ownership of the apartments to the customer when the ownership of the apartments is waived in the Department of Land and Survey according to the Jordanian law. All contracts are considered void if they are not documented in the department.

Apartment available for sales revenue is recognized at the fair value of the consideration received when all the following conditions are met:

- a. The Company has transferred to the buyer all of the significant risks and benefits related to the ownership of the apartments to the buyer.
- b. The Company does not maintain its ongoing management relationship, which is usually related to the ownership of the apartments or their actual control over these sold apartments; and
- c. The amount of revenue can be measured reliably;
- d. It is probable that the economic benefits associated with the transaction will flow to the Company; and

The costs incurred or to be incurred in respect of the transaction can be measured reliably.

### **Interest Income and Expenses**

Interest income and expense for all financial instruments are recognized in the statement of income using the effective interest method. The effective interest rate (EIR) is the rate that exactly discounts estimated future cash flows of the financial instrument through the expected life of the financial instrument or, where appropriate, a shorter period, to the net carrying amount of the financial asset or financial liability. The future cash flows are estimated taking into account all the contractual terms of the instrument.

The interest income/ interest expense is calculated by applying the EIR to the gross carrying amount of non-credit impaired financial assets (at the amortised cost of the financial asset before adjusting for any expected credit loss allowance), or to the amortised cost of financial liabilities. For credit-impaired financial assets the interest income is calculated by applying the EIR to the amortised cost of the credit-impaired financial assets (the gross carrying amount less the allowance for expected credit losses (ECLs)). For financial assets originated or purchased credit-impaired (POCI) the EIR reflects the ECLs in determining the future cash flows expected to be received from the financial asset.



## **Rental Contracts**

### **Rent**

- Rentals payable under operating leases are charged to income on a straight-line basis over the term of the relevant lease except where another more systematic basis is more representative of the time pattern in which economic benefits from the lease asset are consumed. Contingent rentals arising under operating leases are recognised as an expense in the period in which they are incurred.
- In the event that lease incentives are received to enter into operating leases, such incentives are recognised as a liability. The aggregate benefit of incentives is recognised as a reduction of rental expense on a straight-line basis over the lease term, except where another systematic basis is more representative of the time pattern in which economic benefits from the leased asset are consumed.

## **Contract Revenue**

Contract revenue is recognized in the consolidated income statement in accordance with the completion stage. Moreover, expenses incurred are recognized unless project-activity-related assets arise in the future. Moreover, the completion stages are evaluated according to previous studies.

## **Borrowing Costs**

Finance expenses comprise of interest expense on borrowings. All borrowing costs are recognized in the consolidated statement of income, using the effective interest method.

## **Foreign Currencies**

- Transactions in foreign currencies during the year are recorded at the exchange rates prevailing at the date of the transaction.
- Financial assets and liabilities denominated in foreign currencies are translated at the date of the consolidated statement of financial position, using the average exchange rates prevailing as of that date.
- Non-financial assets and liabilities denominated in foreign currencies are presented at fair value, using the rates prevailing at the date of their evaluation.
- Gains or losses resulting from foreign currency translation are recorded in the consolidated statement of income.
- Differences resulting from the translation of non-financial assets and liabilities denominated in foreign currencies, such as equity shares, are recorded as part of the change in fair value.
- Upon consolidation, the financial assets and financial liabilities of the Company and its subsidiaries are translated from the local currency to the reporting currency at the average exchange rates prevailing at the date of the consolidated financial position. Moreover, profit and loss items are translated at the average exchange rates prevailing during the year. Exchange differences are recorded in a separate item in the consolidated comprehensive income statement and within owners' equity. In case one of the subsidiaries is sold, the exchange differences are recorded within revenues and expenses in the consolidated statement of income.

### **3. Application of new and revised International Financial Reporting Standards**

#### **a. Amendments with no material effect on the consolidated financial statements of the company:**

The following new and revised IFRSs have been adopted and are effective for financial periods beginning on or after January 1, 2018 or thereafter in the preparation of the Company's consolidated financial statements that did not materially affect the amounts and disclosures in the consolidated financial statements for the year and prior years, which may have an impact on the accounting treatment of future transactions and arrangements:

<b>New and revised standards</b>	<b>Amendments to new and revised IFRSs</b>
<b>Annual improvements to IFRSs issued between 2014 and 2016.</b>	Improvements include amendments to IFRS (1) <i>"Application of International Standards for the First Time"</i> and IAS 28 <i>"Investments in Associates and Joint Ventures (2011)"</i> .

The amendments clarify that the option of investment and other similar enterprises to measure investments in associates and joint ventures at fair value through statement of income is available separately for each associate or joint venture and that the selection should be made at initial recognition.

As for the option of an entity which is not an investment property, the fair value measurement applied by the associate and the joint venture that are an investment property shall be maintained when applying the equity method. The amendments provide a similar clarification that this option is available to each associate of an investment nature or a joint venture with an investment nature.

#### **IFRIC 22: "Foreign currency transactions and advances".**

This interpretation deals with how to determine the "date of the transaction" for the purpose of determining the exchange rate to be used at the initial recognition of the asset, expense, or income when it is taken into account that this is paid or received in advance by a foreign currency that results in the recognition of non-monetary assets or non-monetary liabilities.

The interpretation determines that the transaction date is the date on which the non-monetary assets or non-monetary liabilities arising from the payment or receipt of payments are recognized in advance. If multiple payments or receipts are received in advance, the interpretation requires the Company to determine the transaction date for each payment or receipt of the cash consideration in advance.

This Interpretation relates to transactions made in foreign currency or parts of such transactions in the event that:

- A consideration in foreign currency or priced in foreign currency exists;
- An entity recognizes an asset that has been paid in advance or deferred income liabilities related to that consideration on a date prior to the recognition of the relevant assets, income, or expenses; and
- Prepaid assets or deferred income liabilities are not cash.



New and revised standards	Amendments to new and revised IFRSs
<b>Amendments to IAS 40: "Investment properties".</b>	The amendments indicate that transfers to or from real estate investments require an assessment of whether the properties meet or no longer meet the definition of real estate investments and are backed up by observable evidence of a change in use. The amendments also indicate that the cases included in the standard are not comprehensive and that a change in use can be made with respect to the properties under construction (i.e. the change in use is not limited to completed properties)
<b>Amendments to IFRS 2 "Share-based Payment".</b>	<p>These amendments relate to the classification and measurement of share-based payment transactions. These amendments clarify the following:</p> <ol style="list-style-type: none"> <li>1. When estimating the fair value of a payment on the basis of shares paid in cash, accounting for the effects of the accrual and non-accrual provisions should be accounted for based on the same method used for share-based payments.</li> <li>2. If the tax law/ laws require the Company to keep a certain number of equity instruments equal to the monetary value of the employee's tax liability to meet his tax obligations and then transfer it to the tax authority (usually cash), i.e. the share-based payment arrangement has a "net settlement feature", this entire arrangement should be classified as a payment from equity, provided that the share-based payment may be classified as payment from equity even if the settlement feature was not included in the net.</li> <li>3. The share-based payment adjustment should be accounted for to modify the transaction from a cash payment to a share-based payment as follows: <ol style="list-style-type: none"> <li>a. Abrogation of the original obligation;</li> <li>b. Recognition of the share-based payment at the date of adjusting the fair value of the granted equity instrument to the extent that the services have been performed up to the date of the adjustment; and</li> <li>c. Recognition of any difference between the present value of the liability at the date of the adjustment and the amount recognized in equity in the statement of income.</li> </ol> </li> </ol>
<b>Amendments to IFRS 4: "Insurance contracts".</b>	These amendments relate to the difference between the effective date of IFRS 9 and the new standard for insurance contracts.
<b>IFRS 15 Revenue from Contracts with Customers</b>	In May 2014, IFRS 15 was issued which established a single comprehensive model for entities to use in accounting for revenue arising from contracts with customers. IFRS 15 will supersede the current revenue recognition guidance including IAS 18 <i>Revenue</i> , IAS 11 <i>Construction Contracts</i> and the related interpretations when it becomes effective.

## New and revised standards

### Amendments to new and revised IFRSs

The core principle of IFRS 15 is that an entity should recognize revenue to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services. Specifically, the standard introduces a 5-step approach to revenue recognition:

- Step 1: Identify the contract(s) with a customer.
- Step 2: Identify the performance obligations in the contract.
- Step 3: Determine the transaction price.
- Step 4: Allocate the transaction price to the performance obligations in the contract.
- Step 5: Recognise revenue when (or as) the entity satisfies a performance obligation.

Under IFRS 15, an entity recognises when (or as) a performance obligation is satisfied, i.e. when 'control' of the goods or services underlying the particular performance obligation is transferred to the customer. Far more prescriptive guidance has been added in IFRS 15 to deal with specific scenarios. Furthermore, extensive disclosures are required by IFRS 15.

### **Amendments to IFRS 15 "Revenue from Contracts with Customers".**

These amendments relate to the clarification of three aspects of the standard (determination of performance obligations, client versus agent considerations, and licensing) and some transitional exemption for modified contracts and completed contracts.

### **b. Amendments with material effect on the consolidated financial statements of the Company:**

#### **IFRS 9 Financial Instruments**

IFRS 9 was issued in November 2009, and new requirements for the classification and measurement of financial assets were introduced. Subsequently, the Standard was amended in October 2010 to include requirements for the classification and measurement of financial liabilities and derecognition of financial liabilities. The Standard was amended in November 2013 to include new requirements for general hedge accounting. An amended version of the Standard was issued in July 2014 to include: (a) the requirements for impairment of financial assets; and (b) limited adjustments to the classification and measurement requirements by introducing the "fair value through other comprehensive income" category of some simple debt instruments.

IFRS 9 "*Financial Instruments*" issued by the International Accounting Standards Board (IASB) was adopted in July 2014. The initial date of implementation of this standard was December 1, 2018. The application of IFRS 9 led to changes in the accounting policies and amendments to the previously recognized amounts in the financial statements. Moreover, the Company has early adopted IFRS 9 (first phase), regarding the classification and measurement of financial assets since the beginning of 2010.

As required by the transitional provisions of IFRS 9, the Company has not restated the comparative figures. Any adjustments to the carrying amounts of financial assets and liabilities have been recognized on the date of transition in the opening balances of retained earnings and non-controlling interests for the current period. The Company has also chosen to continue to apply the accounting requirements of IAS 39 "*Financial Instruments: Recognition and Measurement*", concerning the application of IFRS 9.



IFRS 9 has resulted in changes in the accounting policies for the identification, classification, and measurement of financial assets and liabilities and the impairment in value of financial assets. IFRS 9 also modifies other standards that address financial instruments such as IFRS 7 *"Financial Instruments: Disclosures"*.

The final version of IFRS 9 includes the accounting requirements for financial instruments and supersedes IAS 39 *"Recognition and Measurement"*. The new version of the standard includes the following requirements:

**Classification and Measurement:**

Financial assets are classified based on the business model and contractual cash flow characteristics. The 2014 version provides a new classification of certain debt instruments that could be classified as "financial assets at fair value through other comprehensive income". The financial liabilities are classified similarly to IAS 39, but there are differences in the requirements applied to the measurement of credit risk relating to the entity.

**Impairment:**

The 2014 version provided the "expected credit loss" model to measure the impairment loss of financial assets, and therefore, it is not necessary to increase the credit risk before recognizing the credit loss.

**Hedge accounting:**

The 2014 version provided a new model for hedge accounting designed to be more appropriate with how an entity manages risk when exposed to financial and non-financial hedging risks.

**Derecognition:**

The requirements for derecognition of financial assets and financial liabilities have been followed in accordance with IAS 39.

The details of the accounting policies adopted by the Company and the significant estimates used by the Company's management in accordance with IFRS 9 as set out and applied in the current period are stated in Notes (2) and (4). The disclosure regarding the impact of the adoption of the IFRS 9 on the Company is as follows:

January 1, 2018	Balance before Adjusting	Effect of Application	Adjusted Balance
	JD	JD	JD
<u>Owners' Equity</u>			
Retained earnings	(1,394,796)	(438,325)	(1,833,121)
Non-controlling interest	5,103,933	(125,000)	4,978,933
<u>Assets</u>			
Accounts receivables	982,286	(20,354)	961,932
Banks current accounts	650,774	(4,311)	646,463
Due from related parties	1,512,552	(38,660)	1,473,892
Accounts receivables- Sakan Kareem project	1,114,625	(500,000)	614,625

The following is the provision of expected credit loss as for December 31, 2018:

	Balance at the Beginning of the Year	The Effect of Application IFRS (9)	Expected Credit Losses During the Year	Written off During the Year	Adjusted Balance at the End of the Year
	JD	JD	JD	JD	JD
Provision for expected credit loss – accounts receivable	-	20,354	-	-	20,354
Provision for expected credit loss –current accounts	-	4,311	-	-	4,311
Provision for expected credit loss- due from related parties	-	38,600	-	-	38,600
Provision for expected credit loss- Sakan Kareem project	-	500,000	-	-	500,000

#### **IFRS 15 Revenue from Contracts with Customers**

In May 2014, IFRS 15 was issued which established a single comprehensive model for entities to use in accounting for revenue arising from contracts with customers. IFRS 15 will supersede the current revenue recognition guidance including IAS 18 *Revenue*, IAS 11 *Construction Contracts* and the related interpretations when it becomes effective.

The core principle of IFRS 15 is that an entity should recognize revenue to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services. Specifically, the standard introduces a 5-step approach to revenue recognition:

- Step 1: Identify the contract(s) with a customer.
- Step 2: Identify the performance obligations in the contract.
- Step 3: Determine the transaction price.
- Step 4: Allocate the transaction price to the performance obligations in the contract.
- Step 5: Recognise revenue when (or as) the entity satisfies a performance obligation.

Under IFRS 15, an entity recognises when (or as) a performance obligation is satisfied, i.e. when 'control' of the goods or services underlying the particular performance obligation is transferred to the customer. Far more prescriptive guidance has been added in IFRS 15 to deal with specific scenarios. Furthermore, extensive disclosures are required by IFRS 15.

IFRS 15 may be adopted retrospectively, by restating comparatives and adjusting retained earnings at the beginning of the earliest comparative period. Alternatively, IFRS 15 may be adopted as of the application date on January 1, 2018, by adjusting retained earnings at the beginning of the first reporting year (the cumulative effect approach).

The Company has adopted IFRS 15 using the cumulative effect approach. Accordingly, the Company did not adjust the comparative figures until December 31, 2017 as previously recorded, and did not have an impact on the opening balances of the current retained earnings. Details of the Company's accounting policies were disclosed in detail in note (2) above.

Based on the management estimates there is no material effect for the international standard number (15) on the consolidated financial statements.



c. New and revised IFRS in issue but not yet effective and not early adopted

The Company has not adopted the following new and amended IFRSs issued but not yet effective as of the date of the consolidated financial statements with its details as follows:

New and revised IFRS	Amendments to new and revised IFRSs
<b>Annual Improvements to IFRS Standards for financial statement issued in 2015 - 2017</b> (Effective form on January 1, 2019).	The annual Improvements includes Amendments to IFRS 3 " <i>Business Combinations</i> ", IFRS 11 " <i>Joint Arrangements</i> ", IAS 12 " <i>Income Taxes</i> " and IAS 23 " <i>Borrowing Costs</i> ."
<b>Amendment to IFRS 3 "<i>Business Combinations</i>"</b> (Effective form on January 1, 2020).	These amendments clarify the definition of business as the International Accounting Standards Board published the Conceptual Financial Reporting Framework. This includes revised definitions of assets and liabilities as well as new guidance on measurement, derecognition, presentation and disclosure.
	In addition to the amended conceptual framework, the IASB issued amendments to the guidelines on the conceptual framework in the IFRS Standards, which contain amendments to IFRS 2, 3, 6 and 14 and IAS 1, 34, 37 and 38) and IFRIC 12, Interpretation 19, Interpretations 20 and 22 and Interpretations of the Standing Committee for the Interpretation of Standards No. 32 in order to update those statements with regard to references and quotations from the framework or to refer to a reference to Different from the conceptual framework.
<b>IFRS 17 "<i>Insurance Contracts</i>"</b> (Effective form on January 1, 2022).	It provides a more consistent measurement and presentation approach to all insurance contracts. These requirements are aimed at achieving a consistent, principled accounting objective for insurance contracts. IFRS 17 replaces IFRS 4 Insurance Contracts.
	IFRS 17 requires measurement of insurance liabilities at the present value of the liability.
<b>Amendments to IFRS 10 Consolidated Financial Statements and IAS 28 "<i>Investments in Associates and Joint Ventures</i> (2011)"</b> (Effective date deferred indefinitely. Adoption is still permitted.)	These amendments are related to the treatment of the sale or contribution of assets from and investor to its associate or joint venture.

Management expects to apply these new standards, interpretations and amendments to the consolidated financial statements of the Company when they are applicable and the adoption of these new standards, interpretations and amendments may have no material impact on the consolidated financial statements of the Company in the initial period of application except for the effect of the adoption of IFRS (16), Shown below:

### **Effect of Application of IFRS 16 "Leases"**

The Standard provides a comprehensive model for determining and treating lease arrangements in the consolidated financial statements of both lessors and lessees. It will also replace IAS (17) "Leases" and related interpretations when they become effective for financial periods beginning on or after January 1, 2019.

As permitted by the transitional provisions of IFRS (16), the Company has not restated the comparative figures. Any changes in the carrying amounts of assets and liabilities have been recognized on the transition date in the opening balances of the related balances.

There is no material difference between the accounting treatment in the lessor's books and IFRS (16) and IAS (17).

The change in the definition of the lease relates mainly to the concept of control. IFRS (16) distinguishes between leases and service contracts based on whether the customer controls the use of a specific asset, and the control is present if the customer has:

- The right to a substantial degree of all economic benefits arising from the use of specific assets; and
- The right to direct the use of this asset.

#### Effect on accounting treatment in the lessee's records

##### Operating leases

Under IAS (16), the accounting treatment of leases previously classified as operating leases in accordance with IAS (17) has been changed. They used to be classified as off-balance sheet items in the consolidated statement of financial position.

In the initial application of IFRS 16 (except as referred to below), the Company will undertake the following for all leases:

- A- Recognition of "right of use" assets and lease commitments in the consolidated statement of financial position, initially measured on the basis of the present value of future cash flows paid.
- B- Recognition of the depreciation of "right of use" assets and interest on lease commitments in the consolidated statement of income.
- C- Separation of the total amount of cash paid into a principal portion (shown under financing activities) and interest (presented under operating activities) in the consolidated statement of cash flows.

For short-term leases (12 months or less) and low-value asset leases (such as personal computers and office furniture), the Company will choose to recognize rental expenses on a straight-line basis as permitted by IFRS (16).

Based on the estimates of the company's management, that the application of the IFRS (16) is immaterial and will not be reflected in company's financial statements as all rent contracts are considered as short-term contract and will be automatically renewed on an annually basis.

The leases provision prescribed by IAS (17) will be derecognized.

Recognition of lease obligation incentives previously recognized in respect of operating leases will be derecognized, and the amount will be factored into the measurement of the leasehold assets and liabilities.

Under IAS (17), all lease payments relating to operating leases are recognized as part of the cash flows from operating activities. The effect of the changes under IFRS (16) will be to reduce cash generated from operating activities and increase the net cash used in financing activities with the same amount.



#### Finance Leases

The main differences between IFRS (16) and IAS (17) with respect to assets formerly held under a finance lease is the measurement of the residual value guarantees provided by the lessee to the lessor. IFRS (16) requires that the Company recognize as part of its lease liability only the amount expected to be payable under a residual value guarantee, rather than the maximum amount guaranteed as required by IAS (17). On initial application, the Company will present the related asset previously included in the financial statements within the line item for right-of-use assets, and the lease liability, previously presented within borrowing, will be presented in a separate line for lease liabilities.

Based on analysis of the Company's finance leases as at December 31, 2018 in light of the facts and circumstances existing at that date, the Company's Board of Directors and Management deem that this change will not affect the amounts recognized in the Company's financial statements.

#### Impact on Lessor Accounting

Under IFRS (16), a lessor continues to classify leases as either finance leases or operating leases and account for those two types of leases differently. However, IFRS 16 has changed and expanded the disclosures required, in particular, regarding how a lessor manages the risks arising from its residual interest in leased assets.

Under IFRS (16), an intermediate lessor accounts for the head lease and the sublease as two separate contracts.

The intermediate lessor is required to classify the sublease as a finance or operating lease by reference to the right-of-use asset arising from the head lease (and not by reference to the underlying asset as was the case under IAS (17)).

Because of this change, the Company will reclassify certain sublease agreements as finance leases. As required by IFRS (9), an allowance for expected credit losses will be recognized on the finance lease receivables. The leased assets will be derecognized and finance lease asset receivables recognized. This change in accounting will change the timing of recognition of the related revenue (recognized in finance income).

The Company's management expects that IFRS (16) will be adopted in the Company's consolidated financial statements in the period starting on January 1, 2019.

#### **4. Significant Accounting Judgments and Key Source of Uncertainty**

Preparation of the consolidated financial statements and application of the accounting policies require management to make judgments, estimates, and assumptions that affect the amounts of financial assets and financial liabilities and to disclose potential liabilities. Moreover, these estimates and judgments affect revenues, expenses, provisions, in general, expected credit losses, as well as changes in fair value that appear in the consolidated statement of comprehensive income and within shareholders' equity. In particular, the Company's management requires judgments to be made to estimate the amounts and timing of future cash flows. These estimates are necessarily based on multiple hypotheses and factors with varying degrees of estimation and uncertainty. Meanwhile, the actual results may differ from estimates due to the changes arising from the conditions and circumstances of those estimates in the future.

Judgments, estimates, and assumptions are reviewed periodically. Moreover, the effect of the change in estimates is recognized in the financial period in which the change occurs if the change affects only the financial period. On the other hand, the effect of the change in estimates is recognized in the financial period in which the change occurs and in future periods if the change affects the financial period and future financial periods.



Management believes that its estimates in the consolidated financial statements are reasonable. The key estimates used by management in applying the Company's accounting policies that have the most significant effect on the amounts recognized in the consolidated financial statements are as follows:

Productive lifespan of tangible assets and intangible assets

The Company's management periodically recalculates the useful lives of tangible assets and intangible assets for calculating annual depreciation and amortization based on the general condition of those assets and estimated future useful lives. The impairment loss is recognized in the consolidated statement of income for the year.

Income tax

The fiscal year is charged with the income tax expense in accordance with the accounting regulations, laws and standards. Moreover, deferred tax assets and liabilities and the required tax provision are recognized.

Lawsuits provision

A provision is made to meet any potential legal liabilities based on a legal study prepared by the Company's legal counsel. This study identifies potential future risks and is reviewed periodically.

Assets and liabilities at cost

Management periodically reviews the assets and liabilities at cost for estimating any impairment in value, which is recognized in the consolidated statement of income for the year.

Fair value measurement and valuation procedures

When estimating the fair value of financial assets and financial liabilities, the Company uses available observable market data. In case of the absence of level 1 inputs, the Company conducts evaluations using appropriate valuation models to determine the fair value of financial instruments.

Calculation of provision for expected credit losses

The management is required to use important judgments and estimates to estimate the amounts and timing of future cash flows and to estimate the risk of significant increase in credit risk for financial assets after the initial recognition and future measurements information for expected credit losses.

The expected credit loss is measured as an allowance equivalent to the expected credit loss over the life of the asset.

Determining the number and relative weight of forward looking scenarios for each type of products / market and the identification of future information relevant to each scenario

When measuring the expected credit loss, the Company uses reasonable and reliable future information based on the assumptions of the future movement of the various economic factors and how these economic factors affect each other.

Probability of default

The probability of default is a key input in measuring the expected credit loss. The probability of default is considered an estimate of the probability of default over a given period of time, which includes the calculation of historical data, assumptions and expectations relating to future circumstances.

Loss given default

Loss given default is an estimate of the loss arising from default. It is based on the difference between the contractual cash flows due and those that the financier expects to collect, taking into account cash flows from collaterals and credit adjustments.

#### Revenue recognition

The Company's management uses significant estimates and assumptions to determine the amount and timing of revenue recognition under IFRS 15, "Revenue from contracts with customers".

#### **Key Sources of Uncertainty Estimates:**

- The following are the most significant assumptions about the future and other uncertain assumptions at the reporting date that have a risk ratio that could cause a material adjustment to the carrying amount of assets and liabilities during the next financial year.
- Calculation of expected credit losses: When measuring expected credit losses, the Company uses reasonable and verifiable future information based on assumptions about the future movement of the various economic engines and how these will affect each other. Loss given default is an estimate of loss arising from default and is based on the difference between the contractual cash flows due and those foreseen by the lender, taking into account cash flows from collateral and integrated credit enhancements. The possibility of default is a key input in measuring expected credit losses. The probability of default is known to estimate the probability of default in a given period of time and includes historical data, assumptions and expectations for future circumstances.

#### **5. Cash and Balances at Banks**

This item consists of the following:

	December 31,	
	2018	2017
	JD	JD
Cash on hand	50,395	39,263
Current accounts at banks	600,379	239,200
Total	650,774	278,463
Less: provision expected credit loss *	(4,311)	-
Net change on cash on hand and banks	646,463	278,463

- \* The movement on provision expected credit loss of current accounts at bank during the year is as follows:

	2018	2017
	JD	JD
Balance - beginning of the year	-	-
Impact of IFRS 9 implementation	4,311	-
Adjusted Ending balance	4,311	-
Ending balance	4,311	-

#### **6. Accounts Receivable - Net**

This item consists of the following:

	December 31,	
	2018	2017
	JD	JD
Trade receivables	966,420	1,104,159
Employees' receivable	15,866	21,311
Total	982,286	1,125,470
Less: Provision expected credit loss *	(248,182)	(251,161)
Net Accounts receivable	734,104	874,309



- \* The movement on provision expected credit loss during the year is as follows:

	2018	2017
	JD	JD
Balance - beginning of the year	251,161	251,161
Impact of IFRS(9) implementation	20,354	-
Adjusted beginning balance	271,515	-
Add: during the year	2,500	-
Less: written off debts *	(25,833)	-
<b>Ending balance</b>	<b>248,182</b>	<b>251,161</b>

- \* According to the Board of Directors meeting of Salam International Transport and Trading Company dated March 21, 2019, the approval to write off debts totaled to JD 25,833 was issued.

#### **7. Accounts Receivable - Decent Housing for Decent Living Project**

This item represents receivables from the Housing and Urban Development Corporation on the "Decent Housing for Decent Living" project after booked a provision for the expected credit loss, where during the third quarter of the year 2018 the decision of the arbitral tribunal has been issued with an amount less than the amount claimed. Accordingly, the Company has adjusted the deferred revenue related to the project which amounted to JD 2.2 million. In addition to accounts payable for the project developers which amounted to JD 2.5 million in accordance with the clearances which have been reached with them. However, the arbitration decision related to one of the items dated October 16, 2018 has been appealed, and legal counsel believe that the possibility of a reversal of the decision is strong.

- \* The movement on provision expected credit loss during the year is as follows:

	2018	2017
	JD	JD
Balance - beginning of the year	-	-
Impact of IFRS(9) implementation	500,000	-
Adjusted beginning balance	500,000	-
<b>Ending balance</b>	<b>500,000</b>	<b>-</b>

#### **8. Residential Units Available for Sale**

This item represents residential units available for sale in ZARQA and ABU - NSAIR as of December 31, 2018 and 2017.

Movement on the residential units available for sale during the year is as follows:

	2018	2017
	JD	JD
Balance - beginning of year	519,974	910,183
Less: Cost of apartments sold	-	(390,209)
<b>Balance - End of Year</b>	<b>519,974</b>	<b>519,974</b>

- The selling price of residential units available for sale doesn't exceed their book value as of December 31, 2018 and 2017
- The fair value for residential units available for sale according to the latest estimate of real estate appraiser is around to JD 611 thousand as of December 31, 2018

**9. Cheques under Collection and Notes Receivable**

The item consists of the following:

	December 31,	
	2018	2017
	JD	JD
Maturing in one year	401,741	451,591
Maturing in more than one year	99,536	154,560
	<b>501,277</b>	<b>606,151</b>

- \* The maturity of the checks under collection and notes receivable until April 4, 2020.

**10. Financial Assets at Fair Value through Profit or Loss**

The item consists of the following:

	December 31,	
	2018	2017
	JD	JD
Shares quoted in active markets	10,004	10,866
	<b>10,004</b>	<b>10,866</b>

**11. Inventory-net**

The item consists of the following:

	December 31,	
	2018	2017
	JD	JD
Spare parts	340,089	340,089
Food inventory	213,147	239,476
Others	12,233	11,452
	565,469	591,017
<u>Less: Provision for slow moving inventory *</u>	<u>(321,865)</u>	<u>(83,856)</u>
	<b>243,604</b>	<b>507,161</b>

- \* Movement on the provision for slow moving inventory during the year is as follows:

	2018	2017
	JD	JD
Balance at the beginning of the year	83,856	83,856
During the year provision *	238,009	-
<b>Balance at the End of the Year</b>	<b>321,865</b>	<b>83,856</b>

- \* According to the third meeting of Al-Ibtikar for Land Transport (Subsidiary) dated December 23, 2018, impairment loss on spare parts inventory was approved to booked in the amount of JD 238,009.

**12. Other Debit Balances**

The item consists of the following:

	December 31,	
	2018	2017
	JD	JD
Prepaid expenses	22,729	30,595
Refundable deposits	42,952	73,802
Guarantees	112,951	240,383
Insurance claims	121,854	121,854
Income and Sales tax deposit	96,770	91,306
Checks box	23,524	51,923
Other	1,308	1,479
	<b>422,088</b>	<b>611,342</b>



**13. Financial Assets at Fair Value through Other Comprehensive Income**

The item consists of the following:

	December 31,	
	2018	2017
	JD	JD
Quoted stocks in active market	291,190	356,219
Unquoted stocks in active markets	322,000	322,000
	<b>613,190</b>	<b>678,219</b>

**14. Investment Properties - Net**

The movement on this item during the year is as follows:

	2018	2017
	JD	JD
<b>Cost</b>		
Balance at the beginning of the year	3,599,696	9,459,477
Effect of disposal of a subsidiary – Note (40)	-	(5,859,781)
Balance at the End of the Year	<b>3,599,696</b>	<b>3,599,696</b>
<b>Accumulated depreciation</b>		
Balance at the beginning of the year	675,754	747,263
Effect of disposal of a subsidiary – Note (40)	-	(143,453)
Depreciation for the year	72,073	71,994
Balance at the End of the Year	<b>747,827</b>	<b>675,754</b>
Net Book Value	<b>2,851,869</b>	<b>2,923,942</b>
<b>Add: Land *</b>		
Balance at the beginning of the year	1,901,704	3,276,981
Effect of disposal of a subsidiary (Note 40)	-	(1,375,277)
Balance at the End of the Year	<b>1,901,704</b>	<b>1,901,704</b>
	<b>4,753,573</b>	<b>4,825,596</b>

- The fair value of the investment properties according to the latest real estate independent appraisers' assessment was JD 7.7 million as of December 31, 2018.
- Investment properties were mortgaged to banks in order to obtain credit facilities directly granted to the Company (Note 22).

## 15. Investment In Associates

This item consists of the following:

Company's name	Percentage of Contribution	Movement during the year						2018		2017	
		Investments under Equity Method at the Beginning of the Year	Increase in Capital	Cash Dividends	Disposal of Investment in associate company	Share of Companies' (Losses)	Portion from Valuation of Financial Assets at Fair Value Reserve	Investments under Equity Method at the End of the Year	Investments under Equity Method at the End of the Year	Share of Companies' (Losses)	
		JD	JD	JD	JD	JD	JD	JD	JD	JD	JD
Jordan National Shipping Lines Company ****	21.91	5,296,839	-	(413,240)	(470,734)	607,260	(1,659)	5,018,466	5,296,839	765,849	
Jordanian Marine Real Estate Investment Complex Company	26	1,262,771	-	-	-	(132,765)	-	1,130,006	1,262,771	(197,221)	
Jordanian Academy for Marine Studies	25	863,458	-	(125,000)	-	165,917	-	904,375	863,458	160,738	
Jordanian National Line for Shipping Operations' Company	50	513,742	-	-	-	45,896	-	559,638	513,742	49,935	
Maset Al Aqaba for Shop Building Company	50	206,805	-	-	-	(1,190)	-	205,615	206,805	(1,321)	
Aqaba Chemicals Storage Company *	***	331,245	-	-	-	139,885	-	471,130	331,245	32,914	
Al Maha Real Estate Development Company *****	33.33	3,286,554	-	-	709,122	(11,267)	-	3,984,409	3,286,554	(10,668)	
Marine Lines for Storage and Port Services Company	50	317,405	-	-	-	-1,085	-	316,320	317,405	6,581	
Arabian Ships Management Company	20	135,265	-	(30,000)	-	39,480	-	144,745	135,265	35,098	
Sea Star for Shipping and Logistics' Services Company	50	240,455	-	(100,000)	-	63,364	-	203,819	240,455	136,905	
Hagel Al Aqaba for Investment **	33.33	16,667	-	-	-	-	-	16,667	16,667	-	
Investment in Maset Al Salam Company - Sudan*	46	140,184	-	-	-	-	-	140,184	140,184	-	
Investment in Sham Economic Company *	30	7,200	-	-	-	-	-	7,200	7,200	-	
Amman Days for Real Estate Development Company *****	40	-	388,000	-	(17,691)	68,180	-	438,489	-	-	
		12,618,590	388,000	(668,240)	270,607	883,675	(1,659)	13,541,863	12,618,590	978,810	

\* The company's net share of associate companies profit is calculated for the year ended December 31, 2018 based on audited financial statement prepared by those companies managements.

\*\* Hagel Al Aqaba for Investment Company was established by a group of Aqaba Chemical Storage Company partners, and will have significant influence over the financial and operating policies of the Aqaba Chemical Storage Company.

\*\*\* During the third quarter of 2017, Afqa supply and storage Company (a subsidiary) sold 50% of its investments in Aqaba Storage Chemicals Company (an associate) to a strategic partner. The new partner ownership reached 55% of the Company's shares. The remaining shares in Aqaba Storage Chemicals Company are in the process of being transferred to Hagel Al Aqaba for Investment Company (an associate).

\*\*\*\* During the first half of 2018 Salam International for Transport and Trade Company (the parent company) sold part of its investments in Jordan National Shipping Lines Company (associate company) to related parties resulted in a profit amounted to JD 30,000 (Note 34).

\*\*\*\*\* According to the Board of Directors meeting held on January 8, 2018, it was approved that Salam International Transport and Trading company (the parent company) shall enter as a partner in Amman Days for real Estate Development (Associate company) with a total percentage of 40% against transferring the contracts of Farah International for Food Services company (subsidiary company) to Amman Days for Real Estate Development company (Associate company), under a condition that Salam International Transport and Trading Company (the parent company) shall pay an amount of JD 150 thousands to Farah International for Food Services company (subsidiary company) as a compensation for the waiver of the contracts by which the projects fair value amounted to JD 388 thousands.

\*\*\*\*\* According to the extraordinary General Assembly meeting of Al Maha Real Estate Development Company which was held on November 5, 2018, it was agreed to write-off the company's accumulated losses from the partners credit accounts each based on its share.



**16. Projects under Construction**

This item consists of the following:

	December 31,	
	2018	2017
	JD	JD
Al Shouroq City Project *	490,204	490,204
Dead Sea project *	1,883,677	1,879,710
	<u>2,373,881</u>	<u>2,369,914</u>

- \* Projects under construction represent total value JD 2,373,881 as of December 31, 2018 are not completed yet. However, the recovery of these amounts depends on executing the future plans of the subsidiaries to complete the projects and obtain the necessary funding.

According to the Department of Land and Survey, the market value based on the price of the plot, of land on which Al Shorouq City Project and Dead Sea Project are erected, for these projects under construction, including the value of the land on which the projects are built exceeds their book value as of December 31, 2018.

**17. Advance Payments for Land Acquisition**

This item consists of the following:

	December 31,	
	2018	2017
	JD	JD
Advance payments related to contracts for Mada'en Al Shorouq *	3,146,817	3,146,817
	<u>3,146,817</u>	<u>3,146,817</u>

- \* This item represents advance payments related to contracts with Madaen Al Shorouq Real Estate Investment and Development Company (subsidiary company) to purchase land from the National Resources Investment and Development Corporation, for development and construction purposes. The Company is still completing the terms of the contract to conclude the transfer of ownership.

- The fair value of land JD 10.1 Million.

**18. Advance Payments for Acquiring Investment in Companies**

This item represents advance payments against investing in Maset Al - Salam Company-Sudan (Private Shareholding Company) as of December 31, 2018 and 2017.

## 19. Property and Equipment - Net

This item consists of the following:

Year 2018	Land	Buildings and Hangar	Furniture and Fixtures	Devices and Equipment	Vehicles and Trucks	Computers	Total
Cost:	JD	JD	JD	JD	JD	JD	JD
Balance - beginning of the year	204,874	187,948	471,363	668,397	1,395,601	224,477	3,152,660
Additions	-	-	-	3,015	16,239	3,873	23,127
Disposals	-	(42,562)	-	(172)	(273,222)	-	(315,956)
Balance - End of the Year	204,874	145,386	471,363	671,240	1,138,618	228,350	2,859,831
Accumulated Depreciation:							
Balance - beginning of the year	-	144,242	458,236	621,991	423,318	218,579	1,866,366
Depreciation for the year	-	23,591	2,924	22,774	104,380	5,621	159,290
Disposals	-	(13,822)	-	(22)	(25,453)	-	(39,297)
Balance - End of the Year	-	154,011	461,160	644,743	502,245	224,200	1,986,359
Net Book Value for property and equipment at year end	204,874	(8,625)	10,203	26,497	636,373	4,150	873,472
Year 2017							
Cost:							
Balance - beginning of the year	204,874	354,726	452,782	652,698	1,277,180	231,602	3,173,862
Effect of loss control of subsidiary - Note (40)	-	-	(3,703)	-	-	(17,655)	(21,358)
Additions	-	-	22,284	15,699	118,421	10,530	166,934
Disposals	-	(166,778)	-	-	-	-	(166,778)
Balance - End of the Year	204,874	187,948	471,363	668,397	1,395,601	224,477	3,152,660
Accumulated Depreciation:							
Balance - beginning of the year	-	180,920	436,274	585,424	339,229	221,634	1,763,481
Effect of loss control of subsidiary - Note (40)	-	-	(2,074)	-	-	(6,257)	(8,331)
Depreciation for the year	-	35,313	24,036	36,567	84,089	3,202	183,207
Disposals	-	(71,991)	-	-	-	-	(71,991)
Balance - End of the Year	-	144,242	458,236	621,991	423,318	218,579	1,866,366
Net Book Value for property and equipment at year end	204,874	43,706	13,127	46,406	972,283	5,898	1,286,294
Annual Depreciation Rates %	-	2 - 4	15 - 20	10 - 15	5 - 15	20	

- Property and equipment includes fully depreciated assets of JD 1,614,465 as of December 31, 2018 (JD 1,455,175 as of December 31, 2017).

\* According to the third Board of Directors meeting of Al - Ibtikar for Land Transport (subsidiary company) dated December 27, 2018, it was approved to record an impairment amounted to JD 240,510 on the tanks and tracks based on studies prepared by companies specialized in the losses settlements.



## **20. Due to Banks**

This item consists of the following:

	December 31,	
	2018	2017
	JD	JD
Current overdrawn accounts	-	36,756
Overdraft *	666,939	692,100
	<b>666,939</b>	<b>728,856</b>

- \* This item represents direct credit facilities in the form of an overdraft account, granted by several local banks, with a ceiling of JD 2,425,000 and an interest rate ranging from 7.5% to 9.5%. The purpose of these facilities is to finance the normal activities of the Company, and they have been granted against the personal guarantee of Mr. Ahmed Helmi Armoush. During the year 2016 the Company was granted from one of the local banks with additional credit facilities with a ceiling of JD 70,000. Moreover, during the first half of 2015 the overdraft account was rescheduled with Standard Chartered Bank, and the related agreement was signed on April 23, 2015.

## **21. Accounts Payable**

This item consists of the following:

	December 31,	
	2018	2017
	JD	JD
Trade payables	1,844,289	2,255,145
Developers payable *	-	2,496,089
	<b>1,844,289</b>	<b>4,751,234</b>

- \* Developers payable represent amounts due to the developers who assisted in the construction of Decent Housing for Decent Living Project, during the third quarter, 2018 An arbitral award was issued for less than the amount claimed And has reached an agreement with project developers And payment of due accounts payable to developer as agreed.

## 22. Loans

This item consists of the following:

Granting Party	Loan Principle	Remaining Installments	Interest Rate	December 31, 2018				December 31, 2017			
				Due	Due during	Total	Due during	Due	Due during	Total	Due during
	JD		%	Installment	the Year	JD	More than a Year	Installment	the Year	JD	More than a Year
Housing Bank for Trade and Finance-loan (a) *	2,650,000	35	8	-	160,000	160,000	540,000	69,624	240,018	309,642	1,950,000
Elthad Bank *****	1,446,209	4	8.8	-	305,182	305,182	-	-	300,000	300,000	305,182
Arab Banking Corporation *****	137,000	8	9.6	-	82,908	82,908	-	-	-	-	-
Standard Chartered Bank **	3,566,192	2	6.5	-	228,770	228,770	-	115,000	1,154,569	1,269,569	-
Housing Bank for Trade and Finance-loan (b) *****	400,000	24	8.5	-	60,000	60,000	81,364	-	100,468	100,468	99,602
Housing Bank for Trade and Finance-loan (c) ***	250,000	29	8	-	58,397	58,397	70,000	-	64,846	64,846	130,000
Housing Bank for Trade and Finance-loan (d) *****	501,154	40	7.75	-	55,000	55,000	441,771	-	75,000	75,000	476,154
				-	950,257	950,257	1,133,135	184,624	1,884,901	2,069,575	2,960,938

\* During the third quarter of the year 2013, the Company has changed the due bill into a loan, the first installment of which matures on January 1, 2014 to put in order the liquidity position of the Company. During the year 2015, the Company signed an agreement with the Housing Bank for Trade and Finance to defer the settlement of the installments that mature during 2015 to February 1, 2016 until February 1, 2027.

\*\* During the first half of the year 2015, the loan has been rescheduled and merged with the overdraft account, and the agreement was signed on April 23, 2015.

\*\*\* At the beginning of 2017, the Company was granted a reducing loan from Housing Bank for Trade and Finance in the amount of JD 250,000 with annual interest rate 8%, the loan shall be repaid over 50 installments where the first is due on January 1, 2017 and the other installments are due at the beginning of each month.

\*\*\*\* During the year 2017, the Company was granted discounted loan from Housing Bank for Trade and Finance in the amount of JD 400,000 with annual interest rate 8.5%, the loan shall be repaid over 30 installments where the first is due on August 1, 2017 and the other installments are due at the beginning of each month.

\*\*\*\*\* During the year 2017, the overdraft account was rescheduled and converted to a loan to be repaid in 48 equal monthly installments and the remaining balance will be repaid in five years, the first payment in August 2018.

\*\*\*\*\* The Company was granted a discounted loan from Bank AL-Ethad with a total amount of JD 1,446,209, that is paid on a monthly basis each installment amounted to JD 25,000 with an average interest rate of 8.75%.

\*\*\*\*\* During the second quarter of the year 2018, the Company was granted a loan from Arab Bank with a total amount of JD 137,000 which represents part of the paid guarantee balance for Jordan Enterprise Development Corporation in an amount of JD 220,000, noting that the loan is paid based on 12 equivalent and subsequent monthly installments including the interests; each amounted to JD 11,400 except for the last installment which amounted to JD 11,600.

The guarantees against the direct credit facilities above represent personal guarantee of Mr. Ahmed Helmi Armoush (major shareholder) and mortgages of listed shares at fair value amounted to JD 3,005,317 as of December 31, 2018.

The movement on the loans during the years 2018 and 2017 is as follows:

	2018	2017
Balance at the beginning of the year	5,030,463	9,927,326
Effect of disposal of subsidiary - Note (40)	-	(2,999,930)
Issuance of loan	137,000	751,154
Extinguishment of loan	(3,084,071)	(2,648,082)
Balance at the End of the Year	2,083,392	5,030,463



### **23. Income Tax**

#### **a. Income Tax Provision:**

The movement on the income tax provision is as follows:

	<u>2018</u>	<u>2017</u>
	<u>JD</u>	<u>JD</u>
Balance beginning of the year	71,557	61,762
Provision for the year	72,217	42,201
Provision no longer needed-subsidary	55,151	-
Income tax paid during the year	<u>(128,556)</u>	<u>(32,406)</u>
<b>Balance - End of the Year</b>	<b><u>70,369</u></b>	<b><u>71,557</u></b>

#### **b. Income Tax Expense:**

Income tax expense shown in the consolidated statement of income represents the following:

	<u>2018</u>	<u>2017</u>
	<u>JD</u>	<u>JD</u>
Income tax expense for the year	72,217	42,201
Income tax expense for the prior year	<u>55,151</u>	<u>-</u>
	<b><u>127,368</u></b>	<b><u>42,201</u></b>

#### **c. Income Tax Status:**

Salam International Transport and Trading Company (Parent):

##### a. Aqaba:

The Company has reached a final settlement with the Income and Sales Tax Department up to the year 2016. Furthermore, the Company has submitted its tax returns for the years 2017. According to the company's management and the legal consultants there are no due balances on the Company.

##### b. Amman:

The Company has reached a final settlement with the Income and Sales Tax Department up to the end of the year 2014 and submitted its tax returns for the years 2015 until 2017, and according to the company's management and the legal consultants there are no due balances on the Company.

#### Subsidiaries:

The following schedule shows the tax situation of each subsidiary:

<u>Company</u>	<u>Tax Returns up to Year</u>	<u>Final Settlement up to Year</u>
Farah International Catering Service Company	2017	2012
Golden State for Commercial Services Company	2017	2011
Mada'en Al - Noor Investment and Real Estate Development Company	2017	2014
Al-Ibtikar Land Transportation Company	2017	2015
Farah International Transport and Trading Company	2017	2009
Afaq Supply and Storage Company	2017	2016
Mada'en Al - Bahr Investment and Real Estate Development Company	2017	No settlement yet
Technical for Construction and Real Estate Services Company	2017	2015
Mada'en Al - Shorouq Investment Real Estate Company	2017	2015
Mada'en Al - Aqaba Real Estate Investment and Development Company	2017	2014
Mada'en Al - Salam Construction Company	2017	2014

In the opinion of the Company's management and tax consultant, the income tax provision for the Company and its subsidiaries is sufficient to settle any potential tax liability arising therefrom as of the date of the consolidated financial statements.

#### **24. Other Credit Balances**

This item consists of the following:

	<b>December 31,</b>	
	<b>2018</b>	<b>2017</b>
	<b>JD</b>	<b>JD</b>
Shareholders' deposits	98,425	98,425
Accrued expenses	328,484	286,539
Income tax deposits	2,024	5,709
Sales tax deposits	-	6,165
Social security deposits	14,172	41,475
Advanced receipts from customers	-	-
Unearned revenue	81,406	105,085
Unearned revenue-Decent Housing for Decent Living *	-	2,194,454
	<b>524,511</b>	<b>2,737,852</b>

- \* This item represents unearned revenue arising from the differences relating to the "Decent Housing for Decent Living" project at the end of the years 2018 and 2017, and is due from the Housing and Urban Development Corporation and the decision of the arbitral tribunal was issued during the third quarter of the year 2018 in less than the amount claimed. The Company reversed the deferred revenue that related with the project of JD 2.2 million.



## 25. Balances and Transactions with Related Parties

a. Due from related parties at the end of the year:

Company's Name	Nature of Relationship	Nature of Transaction	December 31,	
			2018	2017
Jordan Maritime Real Estate Investment Complex Company	Associate Company	Financing	JD 516,357	JD 259,174
Al Maha Real Estate Development Company	Associate Company	Financing	74,656	759,197
Zahret AL Ordoon Clearance Company	Sister Company	Financing	28,360	28,360
Armoursh Tourist Investment	Sister Company	Financing	-	41,734
Aqaba for Chemical Storage	Associate Company	Financing	667,546	668,116
Nahdah for Trading Services	Sister Company	Expenses	-	5,380
Al Shams for General Investment	Sister's Company	Financing	140,969	194
Other	Sister company	Expenses	84,664	34,570
Total			1,512,552	1,796,725
Less: Provision expected credit loss *			(38,660)	-
Net due from related party			1,473,892	1,796,725

The movement on provision expected credit loss during the year is as follow:

Beginning balance		2018	2017
The impact of IFRS (9) implementation		-	-
Adjusted beginning balance		38,660	-
Ending Balance		38,660	-

- Due from related party with maturity exceeding 360 days amounted to JD 1,001,376 as of December 31, 2018, (JD 882,784 as of December 31, 2017) as of the same date. Moreover, no decision has been made to pay it, or capitalize it in part or in whole, and no provision is needed thereon.

b. Due to related parties at the end of the year

	Nature of Relationship	Nature of Transaction	December 31,	
			2018	2017
			JD	JD
Partner Current Account -Ahmad Armosh	Shareholder	Financing	1,015,950	274,085
Jordanian Academy for Marine Studies	Associate Company	Expenses	1,692	1,386
Jordanian National Line for Ships Operating Company	Associate Company	Financing	389,706	353,979
Marine Lines for Storage and Port Services Company	Associate Company	Financing	298,497	300,048
Jordanian National Shipping Lines Company	Associate Company	Financing	7,482	3,667
Al Madar Al Watani for Transportation and Trade Services Company	Sister Company	Expenses	-	105,517
CMA CGM Company	Sister Company	Expenses	45,336	664,851
Maset Al Aqaba Ships Building Company	Associate Company	Financing	199,789	201,568
Jordan - Dubai for Properties Company	Associate Company	Financing	472,000	532,000
Sun General Investments Company	Sister company	Financing	-	39,998
Petra Company	Sister company	Expenses	72,878	709,248
Armouh Tourist Investment	Sister company	Expenses	26,998	-
Sea Star for Shipping and Logistics' Company	Associate Company	Financing	12,628	16,431
Others	Sister company	Expenses	76,387	55,957
Total			1,603,393	2,984,650

- The above accounts are non - interest bearing and have no repayment schedule.

- The total earnings for the gas contract from Ptera Company (Sister Company) is JD 252,633 as of December 31, 2018 (JD 131,477 as of December 31, 2017).

- The total rent earnings from complex Company (Associate Company) amounted JD 41,905 as of December 31, 2018.

- The total earnings for National Orbit for Transportation and Trade Services Company (Sister company) amounted to JD 238,994 for the year 2018 (JD 164,744 for the year 2017).

- The total earnings of management and supervision from Sea Star for Shipping and Logistics' Company (Associate Company) is JD 65,704 as of December 31, 2018 (JD 15,375 as of December 31, 2017).

- The total earnings of management and supervision from Aqaba Storing Chemical Company (Associate Company) is JD 24,000 as of December 31, 2018.

- According to the Board of Directors meeting held on January 8, 2018, it was approved that Salam International Transport and Trading company (the parent company) shall enter as a partner in Amman Days for real Estate Development (Associate company) with a total percentage of 40% against transferring the contracts of Farah International for Food Services company (subsidiary company) to Amman Days for Real Estate Development company (Associate company), under a condition that Salam International Transport and Trading Company (the parent company) shall pay an amount of JD 150 thousands to Farah International for Food Services company (subsidiary company) as a compensation for the waiver of the contracts by which the projects fair value amounted to JD 388 thousands Note (34).

- During the third quarter of 2017, Afaq Procurement and Warehousing Company (a subsidiary) sold 50% of its investments in Aqaba Chemical Storage Company (associate) in order to enter a strategic partner in the company with a total percentage of 55% from the old partners shares. The new partner ownership reached 55% of the Company's shares.

- Haqel al Aqaba for investment Company was established by a group of Aqaba Storing Company partners, and will have significant influence over the financial and operating policies of the Aqaba Chemical Storage Company.

- According to the Board of Directors decision dated January 15, 2017, it was agreed to sell the share of Al Salam International Transport and Trading Company (the parent company) in Mada'en Al - bahar Investment and Real Estate Development (subsidiary company) which amounted to 500 thousands shares against JD 500,000 to the Technical for construction and Real Estate Services Company (subsidiary company), noting that the withdrawal and the shares transfer procedures have been documented by the Ministry of Trade and Industry on February 12, 2018.

- According to the General Assembly extraordinary meeting of Al Maha Real Estate Development Company which was held on November 5, 2018, it was agreed to write-off the company's accumulated losses from the partners credit accounts each based on its share.

Executive management's salaries and remunerations

Executive management's salaries amounted to JD 117,960 for the year ended December 31, 2018 (JD 104,244 for the year ended December 31, 2017).



**26. Subscribed and Paid-up Capital Issuance Discount**

The authorized and paid-in capital reached JD 18 million, and the shares discount amounted to JD 1,349,998 as of December 31, 2018 and 2017.

**27. Legal Reserves**

The details of the reserve as of December 31, 2018 and 2017 are as follows:

**a. Statutory Reserve**

The accumulated balances in this account represent appropriations from net income before tax at 10% during previous years according to the Jordanian Companies Law.

**b. Voluntary Reserve**

The accumulated balances in this account represent appropriations from net income before tax at a maximum of 20% during previous years. The voluntary reserve can be used for the purposes decided by the Board of Directors. Moreover, the General Assembly of Shareholders has the right to distribute it as dividends to shareholders, in part or in full.

**28. Dividends**

The Company has not declared any dividends for the years 2018 and 2017.

**29. Financial Assets at Fair Value Revaluation Reserve**

This item consists of the following:

	<u>2018</u>	<u>2017</u>
	<u>JD</u>	<u>JD</u>
Balance - beginning of the year	(151,214)	(143,453)
Unrealized (loss)	(60,977)	(7,761)
<b>Balance at the End of the Year</b>	<b><u>(212,191)</u></b>	<b><u>(151,214)</u></b>

**30. Accumulated (Losses)**

This item consists of the following:

	<u>2018</u>	<u>2017</u>
	<u>JD</u>	<u>JD</u>
Balance - beginning of the year	(1,394,796)	(1,895,423)
Prior years' adjustments - Note (42)	(56,771)	(40,360)
The impact of IFRS 9 implementation	(438,325)	-
Adjusted beginning balance	(1,889,892)	(1,935,783)
Income for the year - Shareholders	815,502	540,987
Transferred to statutory reserve	(88,565)	-
<b>Balance at the End of the Year</b>	<b><u>(1,162,955)</u></b>	<b><u>(1,394,796)</u></b>

**31. Revenue**

This item consists of the following:

	<u>2018</u>	<u>2017</u>
	JD	JD
Sales of residential units	-	413,500
Projects revenue	366,027	394,567
Rented buildings revenue	650,135	647,869
Restaurants and cafeteria revenue	2,764,993	3,104,819
Transportation and supervision revenue	778,614	611,788
	<u>4,559,769</u>	<u>5,172,543</u>

**32. Cost of Revenue**

This item consists of the following:

	<u>2018</u>	<u>2017</u>
	JD	JD
Cost of residential units	-	390,209
Projects cost	290,138	366,164
Rented buildings cost	232,230	389,779
Cost of sale of restaurants and cafeteria	2,527,506	2,710,715
Transportations cost	605,472	128,118
	<u>3,655,346</u>	<u>3,984,985</u>

**33. General and Administrative Expenses**

This item consists of the following:

	<u>2018</u>	<u>2017</u>
	JD	JD
Salaries, wages and bonuses	325,101	346,117
Social security contribution	36,587	38,741
Medical insurance	20,088	20,937
Rent	155,514	151,447
Depreciation	61,986	102,105
Telephone, postage and internet	17,734	16,535
Travel and transportation	21,708	24,018
Professional fees	112,022	156,408
Hospitality	2,791	3,441
Subscriptions, stamps and governmental fees	74,117	84,658
Computer expenses	3,389	2,362
Maintenance	1,401	2,044
Stationery	3,918	4,402
Advertising	1,214	3,882
Bank charges	4,452	3,130
Training and courses	2,200	2,745
Board of Directors' remunerations	23,074	22,276
Water and electricity	5,137	5,789
Lawsuits' provision	-	32,251
Other	75,922	46,215
	<u>948,355</u>	<u>1,069,144</u>



**34. Other Income - Net**

This item consists of the following:

	<u>2018</u>	<u>2017</u>
	JD	JD
Revenue from transfer contract-Note (25)	372,000	-
Revenue from Management and supervision *	24,000	189,680
Revenue from sale of shares-Note (15)	38,256	-
Results of arbitration **	(432,870)	-
Other income - net	<u>35,352</u>	<u>51,492</u>
	<u><b>36,738</b></u>	<u><b>241,172</b></u>

\* This item represents revenue from management and supervision from associate companies' note (25).

\*\* The differences resulted from the claimed amounts and the awarded amounts which are related to the lawsuit of the General Organization for Housing and Urban Development for the project of (decent housing for decent living), noting that during the third quarter of the year 2018 the arbitral tribunal's decision was issued at amount lower than the claimed amount. However, the arbitral decision related to one of the items dated October 16, 2018 has been appealed, and the Company's management and legal counsel believe that the possibility of a defeating of the decision is high.

**35. Earnings per Share for the Year Attributable to the Company's Shareholders**

	<b>For the Year Ended December 31,</b>	
	<u>2018</u>	<u>2017</u>
	JD	JD
<u>From continuing operations</u>		
Income for the year attributable to the shareholders of the Company	815,502	1,289,556
Weighted average number of shares	<u>18,000,000</u>	<u>18,000,000</u>
Earnings per share for the year attributable to the Company's Shareholders	<u>JD/Share 0.045</u>	<u>JD/Share 0.072</u>

	<b>For the Year Ended December 31,</b>	
	<u>2018</u>	<u>2017</u>
	JD	JD
<u>From continuing and discontinued operations</u>		
Income for the year attributable to the shareholders of the Company	815,502	540,987
Weighted average number of shares	<u>18,000,000</u>	<u>18,000,000</u>
Earnings per share for the year attributable to the Company's Shareholders	<u>JD/Share 0.045</u>	<u>JD/Share 0.03</u>

### **36. Lawsuits against the Company**

- According to the legal counsel's letter at the parent Company, there are no claims raised against the Company as of December 31, 2018. In the opinion of the Company's management, its legal consultants, and its subsidiaries, the claims provision included in other credit balances are sufficient for any contingent liabilities as of the date of the consolidated financial statements.
- Mada'en Al - Noor Investment and Real Estate Development Company (subsidiary company) has raised a claim of arbitration against the Housing and Urban Development Corporation - "Decent Housing for Decent Living" project, and arbitrators were designated to follow the arbitration procedures. The decision of the arbitration committee has been issued during the third quarter of the year the deferred revenues that are related to the project amounted around JD 2,200,000 in addition to accounts payable to project developers amounted around JD 2,500,000 and has been appealed by the Company on October 16, 2018, where management and its legal consultant believe that the possibility of defeating the decision is high.
- There is an arbitration claim issued against the subsidiary Mada'en Al - Salam Real Estate Development and Investment Company by one of the constructors of the Mada'en Markets Project, which has been executed by Mada'en Al Salam Real Estate Development and Investment Company. Arbitrators were designated to follow the arbitration procedures, based on the Arbitration Tribunal's decision to obligate the subsidiary to pay JD 145,897, in addition to the legal interest of 9% annually as of September 6, 2014 until the date of full settlement, noting that during the year 2017, the company reached to a settlement with the contractor under which the Company paid an amount of JD 100,000 by issuing checks under the name of the contractor.

### **37. Contingent Liabilities**

The Company had contingent liabilities as of the date of the consolidated financial statements as follows:

	December 31,	
	2018	2017
	JD	JD
Letters of guarantees	21,675	1,290,054

### 38. Segmental Distribution

a. The following is information on the Company's business segments distributed according to activities:

	Projects and Investments	Real Estate and Construction	Services	Transportation	2018	2017
	JD	JD	JD	JD	JD	JD
Gross revenue	1,016,162	-	2,764,993	778,614	4,559,769	5,172,543
Less: Cost of revenue	(522,368)	-	(2,527,506)	(605,472)	(3,655,346)	(3,984,985)
<b>Gross Profit</b>	<b>493,794</b>	-	<b>237,487</b>	<b>173,142</b>	<b>904,423</b>	<b>1,187,558</b>
Less: Expenses allocated to segments						
General and administrative expenses	(404,060)	(311,569)	(152,634)	(80,092)	(948,355)	(1,069,144)
Marketing expenses	-	(49,852)	-	-	(49,852)	(44,044)
<b>Profit from Operations</b>	<b>89,734</b>	<b>(361,421)</b>	<b>84,853</b>	<b>93,050</b>	<b>(93,784)</b>	<b>74,370</b>
Profit (loss) from investments and other	1,266,846	(402,624)	155,324	-	1,019,546	1,267,386
Financing expenses	(242,829)	(219,626)	-	(16,767)	(479,222)	(612,580)
<b>Income (loss) for the Year before tax</b>	<b>1,113,751</b>	<b>(983,671)</b>	<b>240,177</b>	<b>76,283</b>	<b>446,540</b>	<b>729,176</b>
Less: Income tax for the year	(22,453)	(16,494)	(10,270)	(23,000)	(72,217)	(42,201)
Income tax for the prior year	(55,151)	-	-	-	(55,151)	-
<b>Income (loss) for the Continuing Operations</b>	<b>1,036,147</b>	<b>(1,000,165)</b>	<b>229,907</b>	<b>53,283</b>	<b>319,172</b>	<b>686,975</b>
Net (Loss) for the year Discontinued Operations	-	-	-	-	-	(748,569)
<b>(Loss) for the Year</b>	<b>1,036,147</b>	<b>(1,000,165)</b>	<b>229,907</b>	<b>53,283</b>	<b>319,172</b>	<b>(61,594)</b>
December 31,						
					2018	2017
					JD	JD
Segment Assets	13,154,692	15,209,190	2,258,091	496,548	31,118,521	39,238,145
	<b>13,154,692</b>	<b>15,209,190</b>	<b>2,258,091</b>	<b>496,548</b>	<b>31,118,521</b>	<b>39,238,145</b>
Segment Liabilities	3,558,330	4,060,722	405,081	501,716	8,525,849	17,011,682
	<b>3,558,330</b>	<b>4,060,722</b>	<b>405,081</b>	<b>501,716</b>	<b>8,525,849</b>	<b>17,011,682</b>

b. The following is information on the Company's business segments based on geographical distribution:

All of the companies are based inside the kingdom except as shown in the table below:

Company's Name	Geographical Area	For the Year Ended December 31, 2018		December 31, 2018	
		Revenue	Expenses	Assets	Liabilities
		JD	JD	JD	JD
Maset Al - Salam Company - Sudan	Sudan	-	-	290,678	-
For the Year Ended December 31, 2017					
		Revenue	Expenses	Assets	Liabilities
		JD	JD	JD	JD
Maset Al - Salam Company - Sudan	Sudan	-	-	290,678	-



### 39. Fair Value Hierarchy

a. The fair value of financial assets and financial liabilities of the Company specified at fair value on an ongoing basis:

Some financial assets and liabilities of the Company are evaluated at fair value at the end of each fiscal period. Moreover, the following table shows information on how the fair value of these financial assets and liabilities is determined (valuation methods and inputs used).

	Fair Value		Level of Fair Value	Valuation Method and Inputs Used	Important Intangible Inputs	Relation between the Fair Value and the Important Intangible Inputs
	2018	2017				
	JD	JD				
<b>Financial Assets</b>						
<b>Financial assets at fair value</b>						
Financial assets at fair value through profit or loss						
Companies' shares	10,004	10,866	Level I	Quoted Shares	N/A	N/A
Total	10,004	10,866				
<b>Financial assets at fair value through comprehensive income</b>						
Quoted shares	291,190	356,219	Level I	Quoted Shares	N/A	N/A
Unquoted shares	322,000	322,000	Level II	Compared with the market value of a similar instrument	N/A	N/A
Total	613,190	678,219				
Total Financial Assets at Fair Value	623,194	689,085				

There were no transfers between Level I and Level II during the year 2018.

b. The fair value of financial assets and financial liabilities of the Company (non-specific fair value on an ongoing basis):

Except for what is mentioned in the table below, we believe that the carrying amount of the financial assets and liabilities shown in the consolidated financial statements of the Company approximate their fair value. Moreover, the Company's management believes that the book value of the items is equivalent to their fair value. That is, they will be due on a short-term basis, and interest rates will be repriced during the year.

	December 31, 2018		December 31, 2017		The Level of	
	Book Value	Fair Value	Book Value	Fair Value	Fair Value	
Financial Assets with no fair value	JD	JD	JD	JD	JD	
Real estate investments	4,753,573	7,772,550	4,825,596	5,730,404	Through real estate evaluators	
Total Financial Assets with No Fair Value	<u>4,753,573</u>	<u>7,772,550</u>	<u>4,825,596</u>	<u>5,730,404</u>		
Financial Liabilities with No Fair Value						
Loans	2,083,392	2,562,614	5,030,463	5,215,087	Level II	
Total Financial Liabilities with No Fair Value	<u>2,083,392</u>	<u>2,562,614</u>	<u>5,030,463</u>	<u>5,215,087</u>		

For the items mentioned above, the fair value of financial assets and financial liabilities was determined for the second and third levels, in accordance with agreed-upon pricing forms, and reflects the credit risk of the parties that the Company deals with.

#### **40. Losing Control of a Subsidiary Company and Discontinued operation**

In accordance with board of directors of Mada'en Al Noor for investment and real estate development second meeting held on 5 February 2017, it was agreed to sign an agreement with the Aqaba Development Company (ADC) related to waving all Mada'en Al Noor shares in Aqaba Markets Development and Real Estate to Aqaba Development Company (ADC).

On June 22, 2017, an agreement was signed between Mada'en Al -Noor for Investment and Real Estate Development and Aqaba Development Company (ADC) Private Shareholding Company, which states that Mada'en Al Noor should waive all its shares in Al Aqaba for Markets Development to the benefit of Aqaba Development Company (ADC). Accordingly, a loss of around JD 749 thousand resulted which was recorded in the condensed consolidated interim income statement for the year 2017. Moreover, all Al Aqaba for Market Development balances were eliminated from Salam International Transport and Trading Company consolidated financial statements.

The details for assets and liabilities for Aqaba for Markets Development as of January 1, 2017 are as follows:

	<b>January 1, 2017 JD</b>
<b><u>Assets</u></b>	
Cash on hand and at bank	5,616
Due from related party	24,398
Other debit balances	81,613
Real estate investment -net	7,091,605
Property, plant and equipment	13,027
Total Assets	<u>7,216,259</u>
<b><u>Liabilities</u></b>	
Loan	2,999,930
Due to related party	515,000
Account payables and other credit balances	380,243
Total Liabilities	<u>3,895,173</u>
<b><u>Shareholder Equity</u></b>	
Paid up capital	4,700,000
Accumulated (losses)	(1,378,914)
Net Shareholder equity	<u>3,321,086</u>
Total Liabilities and Net Shareholder Equity	<u>7,216,259</u>

Net loss for the year 2016 from discontinued operations is as follows:

	<b>Amount JD</b>
<b><u>Statement of income</u></b>	
Rented buildings revenue	142,678
<u>Less:</u> Operating expenses	<u>(41,111)</u>
Rent revenue - net	101,567
<u>Less:</u> General and administrative expenses	<u>(264,013)</u>
Marketing expenses	(12,282)
Interest and commission	(275,729)
(Loss) for the year	<u>(450,457)</u>



Net loss from discontinued operations for the year 2017 including the company share form losing control of a subsidiary Company is as follows:

	<b>Amount</b>
	<b>JD</b>
Net Selling price	995,000
Less: book value of the investment - Net	(1,743,569)
Net (loss) for sale	(748,569)

#### **41. Risks Management**

##### **a. Capital risk management**

The Company manages its capital to ensure its continuity as a going concern while maximizing the return to its partners through achieving an optimal balance between debt and equity. Moreover, there has been no change in the Company's policies since the year 2017.

The Company's strategy is to maintain an acceptable debt to owners' equity ratio (calculated by dividing total debt over total owners' equity) where the total debt does not exceed 200%.

The following table shows the total debt in respect to equity as follows:

	<b>December 31,</b>	
	<b>2018</b>	<b>2017</b>
	<b>JD</b>	<b>JD</b>
Total Liabilities	8,525,849	17,011,682
Total Owners' equity	22,092,672	22,226,463
Debt to Equity Ratio	39%	77%

##### **b. Foreign currency risk**

Foreign currency risk is the risk that the value of a financial instrument will fluctuate due to changes in foreign exchange rates. The Company's major foreign currency transactions are denominated in Jordanian Dinar and US Dollar.

Currency risk arises from the changes in the foreign currency exchange rates related to foreign currency - denominated payments. As the Jordanian Dinar (the Company's functional currency) is pegged to the US Dollar, management of the Company believes that the foreign currency risk related to the US Dollar is immaterial.

##### **c. Liquidity risk**

Liquidity risk, also referred to as funding risk, is the risk that the Company will encounter difficulty in raising funds to meet commitments. Moreover, the Company manages liquidity risk through maintaining adequate reserves and continuously monitoring forecast and actual cash flows, in addition to matching the maturities of financial assets with those of financial liabilities.

The quick ratio comparing cash and cash at banks balances and accounts receivable, excluding Decent Housing for Decent Living Project balance as of December 31, 2018 and 2017 is as follows:

	<b>December 31,</b>	
	<b>2018</b>	<b>2017</b>
	<b>JD</b>	<b>JD</b>
Cash and cash at banks	646,463	278,463
Checks under collection and notes receivable - short term	401,741	451,591
Accounts receivable-net	734,104	874,309
Financial assets at fair value through profit or loss	10,004	10,866
Due from related parties	1,473,892	1,796,725
Total	3,266,204	3,411,954
Current Liabilities	(6,376,764)	(13,776,659)
(Deficit) in working capital	(3,110,560)	(10,364,705)

The Company's liquidity position as December 31, 2018 and 2017 is as follows:

	December 31,	
	2018	2017
	JD	JD
Current assets	5,566,495	14,007,661
(Less): Current liabilities	(6,376,764)	(13,776,659)
(Deficit)/surplus in Working Capital	(810,269)	231,002

Management believes that the liquidity risk is not significant as of the date of the condensed consolidated interim financial statements, as current liabilities include JD 1,603,393 in the form of due to related parties as of December 31, 2018 (JD 2,984,650 as of December 31, 2017).

The Company estimates the liquidity risk monthly, based on long-term future projections. Moreover, the Company evaluates capital and finance requirements periodically, and the availability of liquidity depends on the support from the related parties plus banking finance.

d. Credit risk

Credit risk refers to the risk that the counterparty will default on its contractual obligations resulting in financial loss to the Company. Moreover, the Company has adopted a policy of dealing with only creditworthy counterparties in addition to obtaining sufficient guarantees, where appropriate, as a means of mitigating the risk of financial loss from defaults.

The Company's financial assets mainly consist of accounts receivable, financial assets at fair value through the consolidated income statement, financial assets at fair value through the consolidated statements of comprehensive income, cash on hand and at banks, and other receivables. Furthermore, trade receivables represent debt due from local customers and employees, and the Company does not follow the policy of obtaining guarantees from them. Consequently, the receivables are not guaranteed. The Company's management believes that the percentage of uncollectible or partially irrecoverable receivables is minimal, as strict credit control and continuous monitoring are maintained on both customer's debt as well as credit limits.

e. Market risk

Market risks are losses resulting from the changes in market prices such as the changes in interest rates, exchange rates, and equity instruments, and consequently, the change in the fair value of the cash flows of the financial instruments inside and outside the consolidated statement of financial position.

f. Interest rate risk

Interest rate risk is the risk that the value of a financial instrument will fluctuate due to changes in market interest rates.

Interest rate risk arises from the changes in the value of a financial instrument as a result of changes in market interest rates. Moreover, the sensitivity analysis below has been determined based on the exposure to interest rates for bank borrowings at the consolidated statement of financial position date. The analysis is prepared assuming that the amount of liability outstanding at the statement of financial position date has been outstanding for the whole year. A 0.5% increase or decrease is used:

	+0.5%	-0.5%
	JD	JD
Outstanding credit facilities –(loss)/profit	13,752	(13,752)
	<u>13,752</u>	<u>(13,752)</u>

The Company manages its interest rate exposure on a dynamic basis. Various scenarios are assessed such as refinancing, renewal of existing positions, and alternative financing.

#### **42. The Impact of Previous Years' Adjustments**

The Company has corrected some accounting errors by adjusting the opening balances for some items of assets and equity as of January 1, 2018 and 2017, representing mainly reclassification of non-controlling interests, prior years' expenses, and others. Moreover, the Company has adjusted the opening balance of accumulated losses as it is not practical to adjust previous years' figures.

The following schedule shows the impact of prior years' adjustments as of January 1, 2018 and 2017, as follows:

<b>As of January 1, 2018</b>			
	<b>Stated Balance</b>	<b>Adjustment</b>	<b>Adjusted Balance</b>
	<b>JD</b>	<b>JD</b>	<b>JD</b>
<b><u>Liabilities</u></b>			
Other credit balances	467,740	56,771	524,511
<b><u>Owners' Equity</u></b>			
(Accumulated losses)	(1,394,796)	(56,771)	(1,451,567)

  

<b>As of January 1, 2017</b>			
	<b>Stated Balance</b>	<b>Adjustment</b>	<b>Adjusted Balance</b>
	<b>JD</b>	<b>JD</b>	<b>JD</b>
<b><u>Liabilities</u></b>			
Other credit balances	2,697,492	40,360	2,737,852
<b><u>Owners' Equity</u></b>			
(Accumulated losses)	(1,895,423)	(40,360)	(1,935,783)