Al - Rakaez Investment Co.
(R.I.C.)

الركائز للإستثمار

الرقم :85/ م ب ع / 20

التاريخ 2020/06/15

السادة بورصة عمان المحترمين

الموضوع/ قرارت إجتماع الهيئه العامه العادي الرابع عشر

تحية طيبة و بعد....

للتكرم بالإطلاع ونرفق لكم القرارات الصادره بإجتماع الهيئه العامه العادي الرابع عشر والمنعقد بتاريخ 2020/06/14 عبر وسيلة الإتصال المرئي والإلكتروني (ZOOM) وذلك على النحو التالي :-

- المصادقة على محضر إجتماع الهيئة العامة العادي السابق 2019
- المصادقة على تقرير مجلس الإداره عن أعمال الشركة خلال السنة المالية 2019 والخطة المستقبلية لها .
- المصادقة والموافقة على تقرير مدقق حسابات الشركة عن ميزانية الشركة وحساباتها الختامية الاخرى وأحوالها وأوضاعها المالية عن السنة المالية 2019 والمصادقة والموافقة على الميزانية السنوية وحساب الأرباح للسنة المالية 2019 .
- إنتخاب السادة شركة طلال أبو غزالة وشركاة الدولية كمدقق حسابات الشركة للسنة المالية المقبلة 2020 وتفويض المدير العام بتحديد الأتعاب .
- إبراء ذمة رئيس وأعضاء مجلس الإدارة عن كافة القرارات والأفعال المتخذه خلال السنة المالية السابقة 2019 وبحدود ما إطلعت عليه الهيئة العامه

كما نعلمكم أنه سيتم إرسال التقرير السنوي والميزانية لعام 2019 باللغه العربية واللغة الإنجليزية بعد أن تم إقرارها والموافقة والمصادقة عليها من قبل الهيئة العامة الى البريدالإلكتروني المعتمد لكم .

وأقبلوا فائق الإحترام

مي سمور

نائب المدير العام

الركائز للإستثمار

بورصة عمان
الدائرة الإدارية والمالية
الديوان
١٥ حزيران ٢٠٢٠
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Al-Rakaez Investment Company
Public Shareholding Company
Amman – The Hashemite Kingdom of Jordan

Financial Statements and
Independent Auditor's Report
for the year ended December 31, 2019

Al-Rakaez Investment Company
Public Shareholding Company
Amman – The Hashemite Kingdom of Jordan

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Independent Auditor's Report

To Messrs. Shareholders
Al-Rakaez Investment Company
Public Shareholding Company
Amman – The Hashemite Kingdom of Jordan

Report on the Audit of the Financial Statements

Opinion

We have audited the financial statements of Al-Rakaez Investment Company (Public Shareholding Company), which comprise the statement of financial position as at December 31, 2019, the statement of comprehensive income, statement of changes in equity and statement of cash flows for the year ended, and notes to the financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the Company as at December 31, 2019, and of its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards (IFRS).

Basis for Opinion

We conducted our audit in accordance with International Standards on Auditing. Our responsibilities under those standards are further described in the *Auditors' Responsibilities for the Audit of the 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 ethical requirements that are relevant to our audit of the financial statements, and we have fulfilled our other ethical responsibilities in accordance with these requirements and the IESBA Code.
We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Key Audit Matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the financial statements of the current period. These matters were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Expected credit losses	Scope of audit
The company has applied IFRS (9) expected credit losses requirements which resulted in a change in the calculation of impairment from the incurred loss model to the expected credit loss model, and the allowance for expected credit losses amounting to JD 125,206 as at December 31, 2019.	We conducted comprehensive assessment to identify the key controls used to determine expected credit losses, data collection and completeness, and related estimates and assumptions used by the management, and we have tested key control systems on the modeling process.

Other Information

Management is responsible for the other information. The other information comprises the information included in the report, but does not include the financial statements and our auditors' report thereon.
Our opinion on the 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 financial statements, our responsibility is to read the other information 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. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Responsibilities of Management and Those Charged with Governance for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with International Financial Reporting Standard, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the 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.

Auditors' Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' 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 International Standards on Auditing (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 financial statements.

As part of an audit in accordance with International Standard on Auditing, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control.

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the 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 auditors' report to the related disclosures in the 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 auditors' 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 financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

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 communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditors' report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

Report on Other Legal and Regulatory Requirements

The Company has proper accounting records which are, in all material respects, consistent with the accompanying financial statements, accordingly, we recommend to approve these financial statements by the general assembly.

Talal Abu-Ghazaleh & Co. International

Mohammad Al-Azraq
(License # 1000)

Amman, on February 16, 2020

Al-Rakaez Investment Company
Public Shareholding Company
Amman – The Hashemite Kingdom of Jordan

Statement of financial position as at December 31, 2019

	Notes	2019	2018
ASSETS		JD	JD
Non-current Assets			
Property and equipment	3	12,285,857	12,489,792
Current Assets			
Inventory		64,194	56,220
Accounts receivable and other debit balances	4	263,919	250,671
Cash and cash equivalents	5	26,580	35,234
Total Current Assets		**354,693**	**342,125**
TOTAL ASSETS		**12,640,550**	**12,831,917**
EQUITY AND LIABILITIES			
Equity			
Declared and paid-in capital	1	12,500,000	12,500,000
Statutory reserve	6	93,706	86,187
Accumulated losses		(1,089,971)	(1,157,637)
Net Equity		**11,503,735**	**11,428,550**
Liabilities			
Non-current Liabilities			
Loans - non current portion	7	425,000	531,405
Current Liabilities			
Accounts payable and other credit balances	8	415,378	523,842
Loans - current portion	7	212,500	212,500
Bank overdraft	9	83,937	135,620
Total current Liabilities		**711,815**	**871,962**
Total Liabilities		**1,136,815**	**1,403,367**
TOTAL EQUITY AND LIABILITIES		**12,640,550**	**12,831,917**

The attached notes form part of these financial statements

Al-Rakaez Investment Company
Public Shareholding Company
Amman – The Hashemite Kingdom of Jordan

Statement of comprehensive income for the year ended December 31, 2019

	Notes	2019	2018
Revenues		JD	JD
Hotel revenues	10	2,470,269	2,090,379
Rents		204,433	184,350
Total Revenues		**2,674,702**	**2,274,729**
Expenses			
Operating expenses	11	(1,837,422)	(1,765,378)
Other operating expenses - property taxes		(18,971)	(18,971)
Administrative expenses	12	(188,745)	(197,187)
Depreciation	3	(472,323)	(444,109)
Total Expenses		**(2,517,461)**	**(2,425,645)**
Operating profit (loss)		**157,241**	**(150,916)**
Other revenues, net		1,907	9,025
Financing costs		(83,963)	(86,622)
Profit (loss)		**75,185**	**(228,513)**
Weighted average number of shares		12,500,000	12,500,000
Basic earning per share from profit (loss)		JD -/006	JD (-/018)

The attached notes form part of these financial statements

Al-Rakaez Investment Company
Public Shareholding Company
Amman – The Hashemite Kingdom of Jordan

Statement of changes in equity for the year ended December 31, 2019

	Capital	Statutory reserve	Accumulated losses	Total
	JD	JD	JD	JD
Balance as at January 1, 2018	12,500,000	86,187	(929,124)	**11,657,063**
Loss	-	-	(228,513)	**(228,513)**
Balance as at December 31, 2018	**12,500,000**	**86,187**	**(1,157,637)**	**11,428,550**
Profit	-	-	75,185	**75,185**
Transferred to statutory reserve	-	7,519	(7,519)	**-**
Balance as at December 31, 2019	**12,500,000**	**93,706**	**(1,089,971)**	**11,503,735**

The attached notes form part of these financial statements

Statement of cash flows for the year ended December 31, 2019

	2019	2018
CASH FLOWS FROM OPERATING ACTIVITIES	**JD**	**JD**
Profit (loss)	75,185	(228,513)
Adjustments for :		
Depreciation of property and equipment	472,323	444,109
Recovery of allowance	-	(780)
Expected credit losses	3,000	-
Loss on disposal of property and equipment	563	1,346
Change in operating assets and liabilities:		
Inventory	(7,974)	(13,536)
Accounts receivable and other debit balances	(16,248)	96
Accounts payable and other credit balances	(108,464)	(41,398)
Net cash from operating activities	**418,385**	**161,324**
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchase of property and equipment	(268,951)	(893,116)
Net cash from investing activities	**(268,951)**	**(893,116)**
CASH FLOWS FROM FINANCING ACTIVITIES		
Loans	(106,405)	743,905
Bank overdraft	(51,683)	(640)
Net cash from financing activities	**(158,088)**	**743,265**
Net change in cash and cash equivalents	**(8,654)**	**11,473**
Cash and cash equivalents - beginning of year	35,234	23,761
Cash and cash equivalents - end of year	**26,580**	**35,234**

The attached notes form part of these financial statements

Notes to the financial statements for the year ended December 31, 2019

1. Status and activities

- Al-Rakaez Investment Company was established as a public shareholding company and registered in the register of public shareholding companies on September 27, 2006.

Legal Name	Registration Number	Date of incorporation	Location	Activity
Al-Rakaez investment company	418	September 27, 2006	Amman– Madina munnawwara Street	Tourism services

- The main objectives of the Company are:
  - Buying and selling of real estate inside and outside the Kingdom, and building residential units, commercial complex, towers, and tourist resorts.
  - Developing, deepening and settling different investments in the Kingdom through investing in all economic sectors inside and outside the Kingdom, and establishing, acquisition or owning shares in companies or in different projects.
  - Investing available liquidity in deposits, shares and investment portfolios.
  - Obtaining brands as agent, performing brokerage and trade representation.
- On April 24, 2008, the Commission of Investment Incentives granted the company an exemption from governmental fees and taxes under the provisions of the Investment Promotion Law No. (16) For the year 1995. This law includes exempting the company from income tax for 25% of taxable income for a period of ten years starting from the date of initial operation on June 1, 2011.
- On December 30, 2012, the Extraordinary General Assembly decided the following:
  1. Increasing of the company's capital by (2.5) Million shares. to become (12.5) Million shares through private offering.
  2. Adding (establishing suites and hotels) as a new objective of the company to its articles of association and bylaws.
  3. Adding (establishing halls for meetings, conferences, special events, parties, dining, wedding, restaurants, health and athletic club, body care and skin and nails center, coffee shop, training courses, and establish beauty salons and swimming pool) as new objectives for the company to its articles of association and bylaws.
     Legal procedures were completed on June 4, 2013.
- On Mach 27, 2014 the General Assembly decided to terminate the contract of the commercial name for the Quality Suites hotel starting from the current contract expiry date on June 30, 2014 an replacing it by the commercial name of Ayas Suites and Hotel owned by Ayas motors without any cost for using this name.
- The financial statements were approved by the Company’s board of directors in its session held on February 15, 2020, and they are subject to the General Assembly of shareholder’s approval.

2. Basis for preparation of financial statements and significant accountant policies

2-1 Basis for financial statement preparation

– **Financial statements preparation framework**

The financial statements have been prepared in accordance with International Financial Reporting Standards.

– **Measurement bases used in preparing the financial statements**

The financial statements have been prepared on the historical cost basis except for measurement of certain items at bases other than historical cost.

– **Functional and presentation currency**

The financial statements have been presented in Jordanian Dinar (JD) which is the functional currency of the entity.

2-2 Using of estimates

- When preparing of financial statements, management uses judgments, assessments and assumptions that affect applying the accounting policies and currying amounts of assets, liabilities, revenue and expenses. Actual result may differ from these estimates.
- Change in estimates are reviewed on a constant basis and shall be recognized in the period of the change, and future periods if the change affects them.
- For example, estimates may be required for expected credit loss, inventory obsolescence, useful lives of depreciable assets, provisions, and any legal cases against the entity.

2-3 Application of new and modified International Financial Reporting Standards

New and modified standards adopted by the entity

- International Financial Reporting Standard No. (16)

  As of January 1, 2019, the entity adopted the International Financial Reporting Standard No. (16) Lease contracts, which replaces:
  - IAS 17 Leases.
  - IFRIC- 4 Determining whether an Arrangement contains a lease.
  - SIC-15 Operating Leases - Incentives.
  - SIC-27 Evaluating the Substance of Transactions Involving the legal form of a lease.

  The International Financial Reporting Standard No. (16) brings significant changes in accounting requirements and treatments of the operating leases, primarily for lessees, whereby all lease contracts were capitalized as assets and recognize an liabilities against them with narrow exceptions to this recognition principle for leases where the underlying asset is of low value and for short term leases (i.e. those with a lease term of 12 months or less). The accounting treatment of the lease contracts has remains largely unchanged, as the lessor will continue to classify the lease contracts as either operating lease or finance lease, using principles similar to those in International Accounting Standard No. (17).
- The entity has chosen to apply this standard with modified retrospective approach (without adjusting the comparative figures) which is allowed by the standard.
- The most important impact of IFRS (16) on lease contracts in terms of:
  - **Definition of lease contracts**

    What distinguishes this standard is the concept of control, whereby lease and service contracts are classified on the basis of whether the customer has control over the use of an identified asset for a period of time in exchange for a consideration.

- **Lessee's accounting treatments for lease contracts (operating lease)**

What distinguishes this standard is the way the entity account for operating lease contracts as they were outside the financial statements.

Applying the standard to all lease contracts with the exception for leases where the underlying asset is of low value and for short term leases (i.e. those with a lease term of 12 months or less). the entity does the following:

- A recognition of the right-of-use assets and liabilities of the lease contracts in the statement of financial position initially at the present value of future lease payments.
- In the statement of cash flows, the payments that reduces lease liability are classified within financing activities and the amounts related to the interest expense of the lease liabilities are classified within operating or financing activities. As for short-term lease contracts or low-value leases (non-capitalized) contracts, they are classified under operating activities. The principle amount of the lease contract within financing activities and profits on lease liabilities within operating activities.

For short-term lease contracts of one year or less, and lease contracts for low-value leased assets are recognized as an expense in the income statement on a straight-line basis.

The International Financial Reporting Standard No. (16) provides for testing the impairment of the right of use assets in accordance with Accounting Standard No. (36) Impairment of Assets, and this is different from the International Accounting Standard No. (17), which required recognition of a provision for onerous lease contracts.

- **Lessee's accounting treatments for lease contracts (finance lease)**

What distinguishes this standard is the residual value guarantees provided by the lessee to the lessor, whereby the expected amount to be paid is recognized as part of the lease liability, while International Accounting Standard No. (17) recognizes the maximum for the guaranteed amount.

Standards and Interpretations issued but not yet effective

Standard number or interpretation	Description	Effective date
Accounting Standard No. (1) Presentation of financial statements. Accounting Standard No. (8) Accounting policies, changes in accounting estimates and errors	Definition of material Information is material if omitting, misstating or obscuring it could reasonably be expected to influence decisions that the primary users of financial statements make on the basis of those financial statements.	January 1,2020
International Financial Reporting Standard (17) Insurance Contracts	IFRS (17) replaces IFRS (4), which requires measuring insurance liabilities at the present value of the consideration and provides a more consistent approach to measurement and presentation of all insurance contracts.	January 1,2022
Amendments to IFRS (3) Business Combinations.	Modifications to the definition of business. In order to be considered business it must be an integrated set of activities and assets and include as a minimum inputs and an objective process that together contribute greatly to the ability to create outputs. It should have the ability to contribute to the creation of outputs rather than the ability to create outputs	January 1,2020
Amendments to the International Financial Reporting Standard No. (10) Consolidated Financial Statements and International Accounting Standard No. (28) Associates and Joint Ventures.	These amendments relate to the sale or contribution of assets between the investor, the associate and / or the joint venture.	Undetermined date

2-4 Summary of significant accounting policies

- **Property and equipment**
  - Property and equipment are initially recognized at their cost being their purchase price plus any other costs directly attributable to bringing the assets to the location and condition necessary for them to be capable of operating in the manner intended by management.
  - After initial recognition, the property and equipment are carried, in the statement of financial position, at their cost less any accumulated depreciation and any accumulated impairment. Land is not depreciated.

- The depreciation charge for each period is recognized as expense. Depreciation is calculated on a straight line basis, which reflects the pattern in which the asset's future economic benefits are expected to be consumed over the estimated useful life of the assets using the following rates:

Category	%
Hotel building	2
Residential apartment	2
Swimming pool	10
Elevators	7
Heating, cooling and pumps	7
Vehicles	15
Furniture	10
Electrical equipment and computers	10

- The estimated useful lives are reviewed at each year-end, with the effect of any changes in estimate accounted for on a prospective basis.
- The carrying values of property and equipment are reviewed for impairment when events or changes in the circumstances indicate the carrying value may not be recoverable. If any such indication of impairment exists, impairments losses are calculated in accordance with impairment of assets policy.
- On the subsequent derecognition (sale or retirement) of the property and equipment, the resulting gain or loss, being the difference between the net disposal proceed, if any, and the carrying amount, is included in profit or loss.
- Amount paid to build up property and equipment are initially carried to projects under construction account. When the project becomes ready for use, it will be transferred to property and equipment caption.

- **Impairment of non-financial assets**

  - At each statement of financial position date, management reviews the carrying amounts of its non-financial assets (property, plant and equipment and investment property) to determine whether there is any indication that those assets have been impaired.
  - If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss, if any, being the amount by which the carrying amount of the asset exceeds its recoverable amount. The recoverable amount is the higher of asset's fair value less costs to sell and the value in use. The asset's fair value is the amount for which that asset could be exchanged between knowledgeable, willing parties in arm's length transaction. The value in use is the present value of the future cash flows expected to be derived from the asset.
  - For the purpose of impairment valuation, assets are grouped at the lower level that have cash flow independently (cash generating unit), previous impairment for non-financial assets (excluding goodwill) is reviewed for the possibility of reversal at the date of the financial statements.
  - An impairment loss is recognized immediately as loss.
  - Where an impairment loss subsequently reverses, the carrying amount of the asset is increased to the revised estimate of its recoverable amount, but the increased carrying amount due to reversal should not be more than what the depreciated historical cost would have been if the impairment had not been recognized in prior years. A reversal of an impairment loss is recognized immediately as income.

- **Inventories**
  - Inventories are measured at the lower of cost and net realizable value.
  - Inventory costs comprise all costs of purchase, costs of conversion and other costs incurred in bringing the inventories to their present location and condition.
  - Net realizable value is the estimated selling price in the ordinary course of business less the estimated costs of completion and the estimated costs necessary to make the sale.
  - The cost of inventory is assigned by using the weighted-average cost formula.

- **Financial instruments**

  Financial instrument is any contract that gives rise to a financial asset of one entity and financial liability or equity instrument of another entity.

  - **Financial assets**
    - A financial asset is any asset that is:
      (a) Cash;
      (b) An equity instrument of another entity;
      (c) A contractual right to receive cash or another financial asset from another entity, or to exchange financial assets or financial liabilities with another entity under conditions that are potentially favorable to the entity.
      (d) A contract that will or may be settled in the entity's own equity instruments.
    - Financial assets are initially measured at fair value plus, in the case of a financial asset not at fair value through profit or loss, transaction costs that are directly attributable to the acquisition of the financial asset, but for financial assets at fair value through profit or loss, transaction costs are recognized in profit or loss.
    - Financial assets are classified to three categories as follows:
      - Amortized cost.
      - Fair value through other comprehensive income.
      - Fair value through profit or loss.
    - A financial asset is measured at amortized cost if both of the following conditions are met:
      (a) the asset is held within a business model whose objective is to hold assets in order to collect contractual cash flows.
      (b) 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.
    - Financial assets are measured at fair value through other comprehensive income if both of the following conditions are met:
      - The financial assets 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 assets give rise on specified dates to cash flows that are solely payments of principal and interests on that principal amount outstanding.
    - All other financial assets (excluding financial assets at amortized cost or at fair value though other comprehensive income) are subsequently measured at fair value in profit or losses.
    - On initial recognition of an equity investment that is not held for trading, the entity may irrevocably elect to present subsequent changes in the investments fair value in other comprehensive income.

<u>Subsequent measurement of financial assets</u>

Subsequently financial assets are measured as follows:

Financial assets	Subsequent measurement
Financial assets at fair value through profit or loss	Are subsequently measured at fair value net gains or losses, including interests revenues or dividends, are recognized in profit or loss
Financial asserts at amortized cost	Are subsequently measured at amortized cost using effective interests method. – Amortized cost is reduced by impairment losses. – Interests income, gain and loss of foreign exchange and impairment loss are recognized in profit or loss. – Gain and loss from disposal are recognized in profit or loss.
Debts instruments at their value through other comprehensive income	Are subsequently measured at fair value – Interests income is calculated using effective interests method, gains and losses from foreign exchange, impairment losses are recognized in profit or loss. – Other net gains or losses are recognized in other comprehensive income. – On derecognition accumulated gains and losses in other comprehensive income are reclassified into profit or loss.
Equity instruments at fair value through other comprehensive income	Are subsequently measured at fair value – Dividends are recognized as income in profit or loss, unless the dividends clearly represent a recovery of part of investment cost. – Other net gains and losses are recognized in other comprehensive income (OCI) and are never reclassified from equity to profit or loss.

<u>Derecognition of financial assets</u>

Derecognition of financial assets (or a part of a group of similar financial assets) when:

– The contractual rights to the cash flow from the financial assets expire, or
– It transfers the contractual rights to receive the cash flows of the financial assets or assume a contractual obligation to pay the cash flows entirely to a third party.

– **<u>Financial liabilities</u>**

– A financial liability is any liability that is:
  (a) A contractual obligation to deliver cash or another financial asset to another entity, or to exchange financial assets or financial liabilities with another entity under conditions that are potentially unfavorable to the entity; or
  (b) A contract that will or may be settled in the entity's own equity instruments.
– Financial liabilities are initially recognized at fair value less transaction costs, directly attributable to the acquisition or issue of those liabilities, except for the financial liabilities classified as at fair value through profit or loss, which are initially measured at fair value.
– After initial recognition, the entity measures all financial liabilities at amortized cost using the effective interest method, except for financial liabilities at fair value through profit or loss which are measured at fair value and other determined financial liabilities which are not measured under amortized cost method.
– Financial liabilities at fair value through profit or loss are stated at fair value, with any resulting gain or loss from change in fair value is recognized through profit or loss.

Trade payables and accruals

Trade payables and accruals are liabilities to pay for goods or services that have been received or supplied and have been either invoiced or formally agreed with the suppliers or not.

– **Offsetting financial instruments**

A financial asset and a financial liability are offset and the net amount presented in the statement of financial position when, and only when, an entity currently has a legally enforceable right to set off amounts and intends either to settle in a net basis, or through realize the asset and settle the liability simultaneously.

– **Trade receivables**

- Trade receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market.
- Trade receivables are stated at invoices amount net of allowance expected credit losses which represents the collective impairment of receivables.

– **Cash and cash equivalents**

Cash comprises cash on hand, current accounts and short term deposits at banks with a maturity date of three months or less, which are subject to an insignificant risk of changes in value.

– **Impairment of financial assets**

- At each reporting date, the Company assesses whether financial assets carried at amortized cost and debt securities at FVTOCI are credit – impaired. A financial assets is "credit impaired" when one or more events that have a detrimental impact on the estimated future cash flows of the financial assets have occurred.
- The entity recognizers loss allowance for expected credit loss (ECL) on:
  - Financial assets measured at amortized cost.
  - Debt investments measured at FVOCI.
  - Contract assets.
- The entity measures loss allowances at an amount equal to lifetime ECLs.
- Loss allowances for trade receivables and contract assets are always measured at an amount equal to lifetime ECLs.
- When determining whether the credit risk of a financial asset has increased significantly since initial recognition and when estimating ECLs, the Entity considers reasonable and supportable information that is relevant and available without undue cost or effort based in the entitys historical experience and forward looking information.
- The entity considers a financial asset to be in default when:
  - The client is unlikely to pay its credit obligations to the entity in full, without recourse by the entity to actions such as realizing security (if any); or
  - The financial asset is more than 360 days past due.
- Loss allowances for financial assets measured at amortized cost are deducted from the gross carrying amount of the assets.
- A financial assets is written of when there is no reasonable expectation of recovering the contractual cash flows. The entity write of the gross carrying amount of the financial asset is in case of, liquidation, bankruptcy or issuance of a court ruling to reject the claim for financial asset.

– **Provisions**

- Provisions are present obligations (legal or constructive) resulted from past events, the settlement of the obligations is probable and the amount of those obligations can be estimated reliably. The amount recognized as a provision is the best estimate of the expenditure required to settle the present obligation at the statement of financial position date.
- Provisions reviewed and adjusted at each statement of financial position date. If outflows, to settle the provisions, are no longer probable, reverse of the provision is recorded as income.
- If the entity expected to be reimbursed for a part or full provision, the reimbursement shall be recognized within assets, when it is virtually certain and its value can be measured reliably.
- In the statement of comprehensive income, the expense relating to a provision may be presented net of the amount recognized for reimbursement.
- Where the effect of the time value of money is material, provisions are discounted by using a currently pre-tax discount rate that reflect the risks specific to the liability, when using discount any increase in provision is recognized as a financial cost over time.

– **Basic earnings per share**

Basic earnings per share is calculated by dividing profit or loss, attributable to ordinary shareholders, by the weighted average number of ordinary shares outstanding during the year.

– **Revenue recognition**

- The entity recognize revenue from sale of good and rendering of service when control is transferred to the customer.
- Revenues are recognized based on consideration specified in contract with customer that expected to be received excluding amounts collected on behalf of third parties.
- Revenue is reduced for amount of any trade discounts and volume rebates allowed by the entity.

– **Leases contract**

- A lease is classified as a finance lease if it transfers substantially all the risks and rewards incidental to ownership of an underlying asset to the lessee. As for other types of lease contract, they are classified as operating lease contracts. The contracts are classified upon the start of the lease contract.
- Lease income from operating lease is recognized in income on a straight-line basis over the term of the relevant lease. Initial direct costs incurred by the entity in negotiating and arranging an operating lease are added to the carrying value of the leased asset and recognized as an expense over the lease term on the same basis as the lease income. Assets leased under operating leases are depreciated based on the same depreciation policy adopted by the entity for similar assets.

– **Borrowing costs**

- Borrowing costs are interest and other costs that an entity incurs in connection with the borrowing of funds.
- Borrowing costs are expensed in the period in which they are incurred.

– **Foreign currencies**

- In preparing the financial statements, transactions in currencies other than the functional currency (foreign currencies) are recorded at the rates of exchange prevailing at the dates of the transactions.
- At each statement of financial position date, monetary items denominated in foreign currencies are retranslated at the rates prevailing at the statement date (closing rate). Non-monetary items that are measured in terms of historical cost in a foreign currency are translated using the exchange rate at the date of the transaction. Non-monetary items that are measured at fair value in foreign currency are translated using the exchange rates at the date when the fair value was determined.
- Exchange differences arising on the settlement of monetary items or on translating monetary items at rates different from those at which they were translated on initial recognition during the period or in previous financial statements shall be recognized in profit or loss in the period in which they arise.

– **Contingent liabilities**

- Contingent liabilities are possible obligations depending on whether some uncertain future events occur, or they are present obligations but payments are not probable or the amounts cannot be measured reliably.
- Contingent liabilities are not recognized in the financial statements.

3. Property and equipment

2019	Land	Hotel building	Residential apartment	Swimming pool	Elevators	Heating, cooling and pumps	Vehicles	Furnitures	Electrical equipment and computers	Project under construction	Total
	JD	JD	JD	JD	JD	JD	JD	JD	JD	JD	JD
Cost											
Beginning of year balance	3,177,747	9,421,591	105,000	16,731	184,015	128,353	19,000	1,430,676	1,150,209	6,637	**15,639,959**
Additions	-	6,170	246	-	16,000	9,563	-	17,896	17,695	201,381	**268,951**
Transfers	-	418	-	-	-	-	-	-	-	(418)	**-**
Disposals	-	-	-	-	-	(1,200)	-	-	-	-	**(1,200)**
End of year balance	**3,177,747**	**9,428,179**	**105,246**	**16,731**	**200,015**	**136,716**	**19,000**	**1,448,572**	**1,167,904**	**207,600**	**15,907,710**
Accumulated depreciation											
Beginning of year balance	-	1,308,595	10,500	11,841	91,701	39,842	7,901	963,959	715,828	-	**3,150,167**
Depreciation	-	188,461	2,123	1,673	13,068	9,126	2,849	146,714	108,309	-	**472,323**
Disposals	-	-	-	-	-	(637)	-	-	-	-	**(637)**
End of year balance	**-**	**1,497,056**	**12,623**	**13,514**	**104,769**	**48,331**	**10,750**	**1,110,673**	**824,137**	**-**	**3,621,853**
Net	**3,177,747**	**7,931,123**	**92,623**	**3,217**	**95,246**	**88,385**	**8,250**	**337,899**	**343,767**	**207,600**	**12,285,857**
2018											
Cost											
Beginning of year balance	3,177,747	8,765,096	105,000	16,731	184,015	118,160	19,000	1,438,981	1,051,144	-	**14,875,874**
Additions	-	-	-	-	-	7,112	-	3,553	35,269	847,182	**893,116**
Transfers	-	656,495	-	-	-	34,900	-	78,969	70,181	(840,545)	
Disposals	-	-	-	-	-	(31,819)	-	(90,827)	(6,385)	-	**(129,031)**
End of year balance	**3,177,747**	**9,421,591**	**105,000**	**16,731**	**184,015**	**128,353**	**19,000**	**1,430,676**	**1,150,209**	**6,637**	**15,639,959**
Accumulated depreciation											
Beginning of year balance	-	1,133,293	8,400	10,169	78,821	62,671	5,051	912,705	622,633	-	**2,833,743**
Depreciation	-	175,302	2,100	1,672	12,880	8,990	2,850	142,080	98,235	-	**444,109**
Disposals	-	-	-	-	-	(31,819)	-	(90,826)	(5,040)	-	**(127,685)**
End of year balance	**-**	**1,308,595**	**10,500**	**11,841**	**91,701**	**39,842**	**7,901**	**963,959**	**715,828**	**-**	**3,150,167**
Net	**3,177,747**	**8,112,996**	**94,500**	**4,890**	**92,314**	**88,511**	**11,099**	**466,717**	**434,381**	**6,637**	**12,489,792**

4. Accounts receivable and other debit balances

	2019	2018
	JD	JD
Trade receivables (*)	284,702	276,110
Checks under collection and on hand	30,966	30,929
Employees receivable	1,548	1,783
Less: allowance for expected credit losses (**)	(125,206)	(122,206)
Net	**192,010**	**186,616**
Prepaid expenses	55,021	50,326
Al- Jazeera for Trading Co - related party (****)	7,598	877
Margin guarantee	6,330	2,700
Social security claim-work injury compensation	1,767	4,598
Stamps	535	407
Refundable deposits	360	360
Services deposits	238	4,787
Others	60	-
Total	**263,919**	**250,671**

(*) Trade receivables are concentrated in one customer comprising 36% of total trade receivables balance as at December 31, 2019.

(**) Movement of allowance during the year was as following:

	2019	2018
	JD	JD
Beginning of year balance	122,206	85,000
Provided	3,000	-
Effect of applying IFRS (9)	-	37,986
Recovery of allowance	-	(780)
End of year balance	**125,206**	**122,206**

(***) The receivables aging details are as follows as at December 31, 2019:

	2019	2018
	JD	JD
1-30	96,865	69,439
31-60	52,632	52,300
61-90	13,926	35,496
91-120	10,366	4,195
121-180	-	1,853
181 and above	110,913	112,827
Total	**284,702**	**276,110**

(****) Transactions with the related parties consist of transactions with main shareholders and companies that are controlled by the main shareholders, the transactions are of financing nature.

5. Cash and cash equivalents

	2019	2018
	JD	JD
Cash on hand	14,290	15,491
Current accounts at banks	12,290	19,743
Total	**26,580**	**35,234**

6. Statutory reserve

- Statutory reserve is allocated according to the Jordanian Companies Law by deducting 10% of the annual net profit until the reserve equals one quarter of the Company's subscribed capital. However, the Company may, with the approval of the General Assembly, continue to deduct this annual ratio until this reserve equals the subscribed capital of the Company in full. Such reserve is not available for dividends distribution.
- For the general assembly after exhausting other reserves to decide in an extraordinary meeting to quench its losses from the accumulated amounts in statuary reserve, and to rebuild it in accordance with the provisions of the law.

7. Loans

						2019			2018
Lender	Loan objectives	Loan period	Guarantees	Loan amount	Interest rate	Current portion	Non-current portion	Total	Total
				JD	%	JD	JD	JD	JD
Jordan commercial bank	Contribution at the hotel renovation process	The first installement is due on June 30, 2019 and other installments are due every six months (8 semi annual installments each installment amounts to JD 87,500 and the last installment will be due on December 31, 2022)	Personal guarantee of Mr. Mazen Khairee Ayass	700,000	9,75	175,000	350,000	525,000	700,000
Jordan commercial bank	Contribution at the conference and occacions halls renovation process	The first installement is due on June 30, 2019 and other installments are due every six months (8 semi annual installments each installment amounts to JD 18,750 and the last installment will be due on December 31, 2022)	Personal guarantee of Mr. Mazen Khairee Ayass	150,000	9,75	37,500	75,000	112,500	43,905
Total						212,500	425,000	637,500	743,905

8. Accounts payable and other credit balances

	2019	2018
	JD	JD
Trade payables (*)	186,947	186,539
Unearned revenues	70,434	105,258
Accrued expenses	61,131	53,963
Postdated checks	28,303	39,603
Sales tax deposits	24,750	22,737
Deposits	19,795	14,240
Uncleared checks	19,185	95,922
Vacations provision (**)	4,444	5,283
Shearholders deposit	389	-
Others	-	297
Total	**415,378**	**523,842**

(*) Trade payable are concentrated in five payables comprising 15% of the total trade payables as at December 31, 2019.

(**) Movement of vacations provision during the year was as following:

	2019	2018
	JD	JD
Beginning of year balance	5,283	11,940
Provided	11,718	6,497
Paid	(12,557)	(13,154)
End of year balance	**4,444**	**5,283**

9. Bank overdraft

This represents facilitations granted to the company from the Jordan Commercial Bank with a ceiling of JD 200,000 at an interest rate of 9.75%, the facilities was granted by the guarantee of the Shareholder Mr. Mazen Khairee Ayass.

10. Hotel revenues

	2019	2018
	JD	JD
Rooms	1,326,029	1,249,434
Food and beverage	740,301	747,217
Other	403,939	93,728
Total	**2,470,269**	**2,090,379**

11. Operating expenses

	2019	2018
	JD	JD
Salaries, wages and employees' benefits	877,208	863,979
Utilities	275,505	279,398
Food and beverage	244,681	204,569
Credit card charges and online booking	112,655	99,233
Maintenance	61,391	50,202
Consumables	39,956	44,334
Cleaning	30,187	26,779
Rent	30,000	30,000
Guest services	29,144	36,068
Advertising and promotion	25,188	19,236
Professional fees	17,630	12,750
Stationery	16,437	19,460
Governmental fees	15,282	21,087
Accommodation and transportation	11,750	12,205
Communication	10,172	10,022
Miscellaneous	9,409	8,606
Hospitality	6,730	5,482
Subscriptions	6,601	5,864
Insurance	5,770	5,556
Uniforms	5,613	4,933
Stamps	2,070	1,766
Training	1,447	788
Bank charges	1,350	1,474
Tourism companies commission	1,246	1,587
Total	**1,837,422**	**1,765,378**

12. Administrative expenses

	2019	2018
	JD	JD
Salaries, wages and employees benefits (*)	103,251	102,184
Board of directors transportation	21,000	21,000
Professional fees	17,900	12,128
Governmental fees	13,480	13,683
Security	7,700	-
General assembly meeting	7,023	7,203
Insurance	4,768	5,155
Maintenance	3,098	1,973
Expected credit losses	3,000	-
Communication	2,092	1,991
Advertising and promotion	1,712	15,182
Stationery	1,081	2,450
Hospitality	1,021	8,615
Stamps	870	1,273
Travel	365	1,402
Bank charges	197	427
Miscellaneous	96	728
Car rentals	91	-
Renewable energy project expenses	-	1,793
Total	**188,745**	**197,187**

(*) This item includes salaries of executive management amounting to JD 51,492 for the year ended December 31, 2019 (JD 54,114 for the year ended December 31, 2018).

13. Tax status

- The company settled its income tax for the year 2016, and tax returns for the years 2017 and 2018 were submitted within the legal period, Income and Sales Tax Department didn't audit the accounts of the company and issue its final decision yet.
- According to the tax consultant, there is no need to make a provision for income tax for the year 2019 because there is n in addition to the accumulated losses.

14. Contingent liabilities

There are guarantees on the company amounting to JD 18,100, with a cash margin of JD 6,330, as at the date of the statement of financial position.

15. Legal cases

As stated in the lawyer's letter, there are legal cases raised by the Company against others amounting to JD 1,000, and the cases are still outstanding in the related courts.

16. Risk management

a) Capital risk

Regularly, the capital structure is reviewed and the cost of capital and the risks associated with capital are considered. In addition, capital is managed properly to ensure continuing as a going concern while maximizing the return through the optimization of the debt and equity balance.

b) Currency risk

- Currency risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in foreign exchange rates.
- The risk arises on certain transactions denominated in foreign currencies, which imposes sort of risk due to fluctuations in exchange rates during the year.
- Most of foreign currency transactions are in USD, and JD exchange rate is fixed against USD.
- The Company is not exposed to currency risk.

c) Interest rate risk

- Interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates.
- The risk arises on exposure to a fluctuation in market interest rates resulting from borrowings and depositing in banks.
- The risk is managed by maintaining an appropriate mix between fixed and floating interest rates balances during the financial year.
- The following table shows the sensitivity of profit or loss and equity to changes in interest rates paid by the entity on borrowing from bank:

Description	Change in interest	Effect on equity
	%	JD
Bank overdraft	0.5 ±	420 ±
Loans	0.5 ±	3,188 ±

d) Other price risk

- Other price risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market prices (other than those arising from interest rate risk or currency risk), whether those changes are caused by factors specific to the individual financial instrument or its issuer, or factors affecting all similar financial instruments traded in the market.
- The risk arises from investing in equity investments. However, this risk is insignificant since no active trading on these investments is occurred.
- The Company is not exposed to other price risk.

e) Credit risk

- Credit risk is the risk that one party to a financial instrument will cause a financial loss for the other party by failing to discharge an obligation.
- Regularly, the credit ratings of debtors and the volume of transactions with those debtors during the year are monitored.
- Ongoing credit evaluation is performed on the financial condition of debtors.
- The carrying amount of financial assets recorded in the financial statements represents the maximum exposure to credit risk without taking into account the value of any collateral obtained.

f) Liquidity risk

- Liquidity risk is the risk of encountering difficulty in meeting obligations associated with financial liabilities that are settled by delivering cash or another financial assets.
- Liquidity risk is managed through monitoring cash flows and matching with maturity dates of the financial assets and liabilities.
- The following table shows the maturity dates of financial assets and liabilities as of December 31:

	Less than one year		1 year and above	
Description	**2019**	**2018**	**2019**	**2018**
	JD	JD	JD	JD
Financial assets:				
Accounts recievable and other debit balances	208,898	200,345	-	-
Cash and cash equivalents	26,580	35,234	-	-
Total	**235,478**	**235,579**	**-**	**-**
Financial liabilities:				
Loans	212,500	212,500	425,000	531,405
Accounts payable and other credit balances	340,500	413,301	-	-
Bank overdraft	83,937	135,620	-	-
Total	**636,937**	**761,421**	**425,000**	**531,405**