

AL-WATANIEH FOR FINANCIAL SERVICES
"AWRAQ INVESTMENT" COMPANY
(A LIMITED LIABILITY COMPANY)
AMMAN - JORDAN

FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2020
TOGETHER WITH THE INDEPENDENT
AUDITOR'S REPORT

AL-WATANIEH FOR FINANCIAL SERVICES "AWRAQ INVESTMENT" COMPANY
(A LIMITED LIABILITY COMPANY)
AMMAN – JORDAN
DECEMBER 31, 2020

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Independent Auditor's Report

AM / 015300

To the Partner
Al-Watanieh for Financial Services "Awraq Investment" Company
(A Limited Liability Company)
Amman - Jordan

Opinion

We have audited the accompanying financial statements of Al-Watanieh for Financial Services "Awraq Investment" Company (a limited liability Company), which comprise the statement of financial position as of December 31, 2020, and the statements of income and comprehensive income, changes in partner's equity and cash flows for the year then ended, and a summary of significant accounting policies and other information.

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the Company as of December 31, 2020, and its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards (IFRSs).

Basis for Opinion

We conducted our audit in accordance with International Standards on Auditing (ISAs). Our responsibilities under those standards are further described in the "Auditor's Responsibilities for the Audit of the 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 financial statements in Jordan, 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.

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

The Company's management is responsible for the preparation and fair presentation of these financial statements in accordance with International Financial Reporting Standards (IFRSs), 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.

Auditor's 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 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 financial statements.

As part of an audit in accordance with ISA's, we exercise professional judgement and maintain professional scepticism 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 risk, 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 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 evidenced 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 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 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.

Amman – Jordan
March 28, 2021



Deloitte & Touche (M.E.) – Jordan

Deloitte & Touche (M.E.)
ديلويت آند توش (الشرق الأوسط)
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AL-WATANIEH FOR FINANCIAL SERVICES "AWRAQ INVESTMENT" COMPANY
(A LIMITED LIABILITY COMPANY)
AMMAN - JORDAN
STATEMENT OF FINANCIAL POSITION

	Note	December 31,	
		2020	2019
<u>ASSETS</u>		JD	JD
Current Assets:			
Cash on hand and balances at banks and financial institutions	4	9,514,844	6,238,897
Deposits at banks and financial institutions	5	4,757,701	5,397,843
Financial assets at fair value through profit or loss	6	22,072	141,509
Financial assets at fair value through other comprehensive income		162,250	170,000
Financial assets at amortized cost		1,493,488	1,135,887
Accounts receivable - net	7	260,318	270,881
Margin accounts receivable - net	8	4,771,807	3,552,635
Due from related parties	18	256,225	-
Other debit balances	9	201,531	344,924
Total Current Assets		<u>21,440,236</u>	<u>17,252,576</u>
Non-current Assets:			
Intangible assets - net	10	2,423	2,280
Fixed assets - net	11	68,674	85,163
Right of use assets - net long term	24	<u>431,304</u>	<u>474,552</u>
Total Non-Current Assets		<u>502,401</u>	<u>561,995</u>
TOTAL ASSETS		<u><u>21,942,637</u></u>	<u><u>17,814,571</u></u>
<u>LIABILITIES AND PARTNER'S EQUITY</u>			
Current Liabilities:			
Due to banks and financial institutions		1,958,326	1,420
Accounts payable	12	7,730,038	5,998,059
Margin accounts payable		18,765	20,237
Due to related parties	18	-	388,260.00
Deferred tax liabilities	13/c	307	1,082
Income tax provision	13/b	2,036,809	2,117,208
Other credit balances	14	259,003	214,279
Right of use Liabilities - short term	24	<u>81,300</u>	<u>25,890</u>
Total Current Liabilities		<u>12,084,548</u>	<u>8,417,001</u>
Non current Liabilities:			
Right of use Liabilities - Long term	24	<u>383,590</u>	<u>466,100</u>
Total Non Current Liabilities		<u>383,590</u>	<u>466,100</u>
TOTAL LIABILITIES		<u><u>12,468,138</u></u>	<u><u>8,883,101</u></u>
Partner's Equity:			
Paid-up capital	1	5,500,000	5,500,000
Statutory reserve		2,373,288	2,296,769
Fair value reserve - net		2,764	9,738
Retained earnings		<u>1,598,447</u>	<u>1,124,963</u>
Total Partner's Equity		<u>9,474,499</u>	<u>8,931,470</u>
TOTAL LIABILITIES AND PARTNER'S EQUITY		<u><u>21,942,637</u></u>	<u><u>17,814,571</u></u>

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

AL-WATANIEH FOR FINANCIAL SERVICES "AWRAQ INVESTMENT" COMPANY

(A LIMITED LIABILITY COMPANY)

AMMAN - JORDAN

STATEMENT OF INCOME AND COMPREHENSIVE INCOME

	<u>Note</u>	<u>For the Year Ended December 31,</u>	
		<u>2020</u>	<u>2019</u>
		<u>JD</u>	<u>JD</u>
Revenue:			
Net brokerage revenue	15	663,011	993,743
Interest income on margin accounts		369,933	281,128
Investment portfolios Management Fees	16	6,515	6,568
Gain from revaluation of financial assets at fair value through profit or loss		684	(9,652)
Gain from sale of financial assets at fair value through profit or loss		48,818	13,031
Dividends from financial assets at fair value through profit or loss		2,320	4,425
Dividends from financial assets at fair value through other comprehensive income		7,750	7,750
Interest revenue from financial assets at amortized cost		134,347	112,088
Interest revenue	17	256,587	365,124
Other revenue		<u>63,852</u>	<u>44,066</u>
Total Revenue		1,553,817	1,818,271
<u>Less:</u> General and administrative expenses	21	677,241	641,423
Depreciation and amortization and lease right of use		64,968	65,050
Interest expense and bank charges		<u>46,417</u>	<u>44,929</u>
Total Expenses		788,626	751,402
Profit for the Year before Income Tax		765,191	1,066,869
Income tax (expense)	13/a	<u>(215,188)</u>	<u>(264,926)</u>
Profit for the Year		<u>550,003</u>	<u>801,943</u>
Comprehensive income items:			
Change in fair value of financial assets at fair value through other comprehensive income		<u>(6,974)</u>	<u>(2,093)</u>
Total comprehensive income for the year		<u>543,029</u>	<u>799,850</u>

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AL-WATANIEH FOR FINANCIAL SERVICES "AWRAQ INVESTMENT" COMPANY
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STATEMENT OF CHANGES IN PARTNER'S EQUITY

	Paid-up Capital	Statutory Reserve	Cumulative change in fair value	Retained Earnings	Total
	JD	JD	JD	JD	JD
For the Year Ended December 31, 2020					
Balance - beginning of the year	5,500,000	2,296,769	9,738	1,124,963	8,931,470
Profit for the year	-	-	-	550,003	550,003
Accumulated change in fair value	-	-	(6,974)	-	(6,974)
Total comprehensive income for the year	-	-	(6,974)	550,003	543,029
Transferred to statutory reserve	-	76,519	-	(76,519)	-
Balance - end of the year	<u>5,500,000</u>	<u>2,373,288</u>	<u>2,764</u>	<u>1,598,447</u>	<u>9,474,499</u>
For the Year Ended December 31, 2019					
Balance - beginning of the year	5,500,000	2,190,083	11,831	1,429,706	9,131,620
Profit for the year	-	-	-	801,943	801,943
Cumulative change in fair value	-	-	(2,093)	-	(2,093)
Total comprehensive income for the year	-	-	(2,093)	801,943	799,850
Distributed dividends	-	-	-	(1,000,000)	(1,000,000)
Transferred to statutory reserve	-	106,686	-	(106,686)	-
Balance - end of the year	<u>5,500,000</u>	<u>2,296,769</u>	<u>9,738</u>	<u>1,124,963</u>	<u>8,931,470</u>

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AL-WATANIEH FOR FINANCIAL SERVICES "AWRAQ INVESTMENT" COMPANY

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STATEMENT OF CASH FLOWS

		For the Year Ended December 31,	
	Note	2020	2019
CASH FLOWS FROM OPERATING ACTIVITIES:		JD	JD
Profit for the year before income tax		765,191	1,066,869
Adjustments for:			
Depreciation and amortization		64,968	21,802
Finance lease liability interest		24,600	-
Unrealized losses from financial assets at fair value through profit or loss		(684)	9,652
Written-off debts	7&8	348,048	95,642
Interest income from financial assets at amortized cost		(134,347)	(112,088)
(Gain) loss on sale of financial assets		(48,818)	(13,031)
Net Cash Flows From Operating Activities before Changes in Working Capital		1,018,958	1,068,846
(Increase) decrease in accounts receivable		(2,697)	278,625
(Increase) in margin accounts receivable		(1,211,432)	(189,494)
Decrease (increase) in financial assets at fair value through profit or loss		119,437	83,497
(Increase) decrease in other debit balances		(20,540)	(137,419)
Increase (decrease) in accounts payable		1,731,979	1,953,194
(Decrease) increase in margin trading accounts payable		(1,471)	695
(Decrease) increase in due to related parties		(38,826)	38,826
(Increase) decrease in due from related parties		(256,225)	69,921
Increase (decrease) in other credit balances		44,724	(489,629)
Net Cash Flows from (used in) Operating Activities before Income Tax Paid		1,383,907	2,677,062
Income tax paid	13/b	(295,587)	(14,432)
Net Cash Flows From (Used in) Operating Activities		1,088,320	2,662,629
CASH FLOWS FROM INVESTING ACTIVITIES:			
Decrease in deposits at banks and financial institutions (more than three months)		(2,354,603)	1,824,779
Purchase of fixed assets		(3,875)	(384)
Purchase of intangible assets		(1,500)	-
Purchase of financial assets at amortized cost		(357,601)	(581,660)
Interest income from financial assets at amortized cost		-	65,945
Net Cash Flows From Investing Activities		(2,717,579)	1,308,680
CASH FLOWS FROM FINANCING ACTIVITIES:			
Paid from finance lease liability		(51,700)	-
Dividends distributed		-	(1,000,000)
Net cash flows (used in) financing activities		(51,700)	(1,000,000)
Increase (decrease) in Cash		(1,680,959)	2,971,309
Cash and Cash Equivalents - Beginning of the year		9,237,477	6,266,168
Cash and Cash Equivalents - End of the Year	19	7,556,518	9,237,477

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AL-WATANIEH FOR FINANCIAL SERVICES "AWRAQ INVESTMENT" COMPANY

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AMMAN – JORDAN

NOTES TO THE FINANCIAL STATEMENTS

1. General

Al-Watanieh for Financial Services "Awraq Investment" Company established in Jordan as a limited liability Company on August 5, 1992 in accordance with Jordanian Companies Law under registration number (2902) with a share capital of JD 250,000. The Company's paid-up capital increased gradually over many phases, where the last increase was during the year 2018 to reach JD 5.5 million. The Company is registered in Amman - Jordan. Its address is Um Uthaina, Saad bin Abi Waqqas Street, P.O. Box 925102, Amman 11110. In addition, it's wholly owned by Cairo Amman Bank.

The Company registered a new trademark in 2006 and the Company's commercial name became "Awraq Investment". The Company has expanded its activities and financial services and obtained licenses in order for the Company's main objectives to become as follows:

- Provide brokerage services in the Hashemite Kingdom of Jordan and regional and international markets, which include acting as a commission broker for the clients of the Company and trading financial securities for the Company's portfolio.
- provide margin financing.
- Provide investment management services.
- Financial and economic research relating to the Company.

The Company's Management Committee approved the accompanying financial statements on the date of February 4, 2021.

2. Significant Accounting Policies

Basis of Preparation of the financial statements

- The accompanying financial statements are prepared in accordance with the standards issued by the International Accounting Standards Board (IASB), the related interpretations issued by the Committee of the IASB and according to effective local laws which were adopted by the ultimate parent (Cairo Amman Bank) and have significant impact company international financial reporting standard.
- The financial statements are presented in Jordanian Dinar, which is the functional currency of the Company.
- The financial statements were prepared using the historical cost principle, except for financial assets and financial liabilities, which stated at fair value as of the date of the financial statements.
- The accounting policies adopted for the current year are consistent with those applied in the year ended December 31, 2019, except for what is mentioned in Note (25).

As follows the most significant accounting policies:

a. Accounts receivable and margin trading account receivable

- The accounts receivable and margin trading accounts receivable are stated at net realizable value.
- A provision for Impairment on accounts receivable and margin trading accounts receivable to be made if it appears that there is improbability of collecting the amounts due to the Company. Moreover, when there is a subjective evidence that an action impact negatively on the future cash flows for these receivables and when it's possible to measure this decrease in accordance with the instructions of the Central Bank of Jordan and the International Financial Reporting Standards (IFRS). The amount of the provision is recorded in the statement of income.
- Interest and commissions on accounts receivables and non-performing margin trading accounts receivable granted to clients, are suspended in accordance with the instructions of the Central Bank of Jordan.
- A margin financing risk reserve is calculated in accordance with the instructions of the Central Bank of Jordan.

b. Fixed Assets

- Fixed assets are stated at cost and depreciated according to the straight-line method over their expected operating lives at annual rates ranging between 15% and 25%.
- When the expected recoverable amount of any Fixed assets is less than its net book value, the net book value is reduced to the expected recoverable amount, and the impairment loss is taken to the statement of income.
- Fixed assets useful lives are reviewed at the end of each year and if the expected useful life differs from the previous estimate, the difference is recorded in subsequent years as a change in accounting estimates.
- The Fixed assets are disposed of or when there are no future benefits are expected from their use or its disposal.

c. Intangible Assets

- Intangible assets are stated at cost and classified on the basis of useful life for a definite or an indefinite useful life. Intangible asset with definite useful economic lives is amortized over their useful lives at an annual rate of 25%.
- Any indication of impairment in the value of intangible assets as of the date of the financial statements is reviewed. Furthermore, the estimated useful lives of the impaired intangible assets are reassessed and the impairment loss is taken to the statement of income.
- No capitalization of intangible assets resulting from the Company's operations is made these are charged to the statement of income in the year incurred.

d. Income Taxes:

- Income tax expenses represent accrued taxes.
- Income tax expenses are accounted for on the basis of taxable income. Moreover, income subject to tax differs from income declared in the 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, and items not accepted for tax purposes or subject to tax.
- Taxes are calculated on the basis of tax rates prescribed according to the prevailing laws, regulations, and instructions of the Hashemite kingdom of Jordan.

- Deferred taxes (if exists) are taxes expected to be paid or recovered as a result of temporary timing differences between the value of the assets or liabilities in the financial statements and the value of the taxable amount. Deferred tax is calculated on the basis of the liability method in the statement of financial position according to the rates expected to be applied when the tax liability is settled or deferred tax assets and liabilities are recognized.
- Deferred tax assets and liabilities (if exists) are reviewed as of the date of the financial statements, and reduced in case it is expected that no benefit will arise therefrom, partially or totally or tax liabilities recognized.

e. Buy and Sell Commissions

Commissions resulting from buying and selling of shares are recorded under revenues when realized and expenses are calculated on accrual basis.

f. Revenue and expenses recognition

- Interest revenue is recognized on the basis of effective interest method excluding interests and commissions on non-performing margin trading accounts, which is not recognized as revenues and is recorded under suspended interests and commissions.
- Bank interest revenues and expenses are recognized on accrual basis.
- Expenses are recognized on accrual basis

g. Offsetting

Financial assets and financial liabilities are offset and the net amount recorded in the statement of financial position when there is legally enforceable rights to offset the recognized amounts and the Company intends to either settle them on a net basis or to realize the assets and settle the liabilities simultaneously.

h. Transactions in Foreign Currencies

Transactions in foreign currencies are recorded during the year using exchange rates prevailing at the transaction date. Moreover, assets and liabilities denominated in foreign currencies are translated to Jordanian Dinar using exchange rates prevailing at year-end, gains or losses resulting therefrom are taken to the statement of income.

i. Financial Instruments

Initial recognition and measurement:

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

Financial assets and financial liabilities are initially measured at fair value. Moreover, transaction costs directly attributable to the acquisition or issue of financial assets and liabilities are added to the fair value of the financial assets or financial liabilities, or deducted from them. Where necessary, at initial recognition. The transaction costs directly attributable to the acquisition of financial assets or financial liabilities at fair value through the profit or loss are recognized directly in the statement of income profit or loss.

If the transaction price is different from fair value at initial recognition, the Company treats this difference as follows:

- If fair value is determined at an active market price for identical asset or liability or based on a valuation method that uses only observable inputs in the market, the difference in profit or loss is recognized on initial recognition (i.e. gain or loss on the first day).
- In all other cases, the fair value is adjusted to the transaction price (that is, the first day gain or loss will be deferred by including it in the initial carrying amount of the asset or liability).

After initial recognition, the deferred gain or loss will be taken to the statement of income on a rational basis, only to the extent that a change in a factor (including time) is taken into account by the market participants when pricing the asset or liability or when this instrument is derecognized.

j. Financial Assets

Initial Recognition

All financial assets are recognized on the trade date when the purchase or sale of a financial asset is under a contract requires the terms of delivery of the financial asset within a timeframe determined by relevant market. Moreover, the financial asset is initially measured at fair value plus transaction costs except for those financial assets classified as at fair value through the statement of income. Transaction costs directly attributable to the acquisition of financial assets designated at fair value through profit or loss are recognized immediately in the statement of income.

Subsequent Measurement

Measurement of all recognized financial assets within the scope of IFRS 9 required to be subsequently measured at amortized cost or fair value on the basis of the entity's business model for managing the financial assets and their contractual cash flow characteristics.

Specifically:

- Financial instruments held in the business model for collecting the contractual cash flows with contractual cash flows that are only principal and interest payments on the principal outstanding, and are subsequently measured at amortized cost; and
- Financial instruments held in the business model for both collecting contractual cash flows and selling debt instruments with contractual cash flows that are only principal and interest payments on the principal outstanding and are subsequently measured at fair value through other comprehensive income;
- All other financial instruments (such as debt instruments managed at fair value or held for sale) and equity investments are subsequently measured at fair value through the statement of income.

However, the Company may after initial recognition of a financial asset, may make an irrevocable choice/designation concerning the financial asset on an individual basis, as follows:

- The Company may make an irrevocably choice to include in other comprehensive income the subsequent changes in fair value of an equity investment not held for trading or potential replacement recognized by the acquirer within the business combination to which IFRS 3 applies (if any), other comprehensive income; and
- The Company may irrevocably determine the financial instrument that fulfil the standards of amortized cost or fair value through other comprehensive income and are measured at fair value through the statement of income if it significantly eliminates or reduces an accounting mismatch (referred to as the fair value option).

k. Impairment

The Company recognizes loss the expected credit loss provisions on the following financial instruments that are not measured at fair value through the income statement:

- Balances and deposits at banks and financial institutions.
- Account receivable and margin trading account receivable.
- Financial assets at amortized cost (debt investment securities).
- Financial assets at fair value through other comprehensive income.
- Off statement of financial position exposure subject to credit risk (financial guarantee contracts issued) if any.

No impairment loss is recognized on equity investments.

With the exception of purchased or originated credit-impaired (POCI) financial assets (which are considered separately below), ECLs are required to be measured through a loss provision at an amount equal to:

- 12-month ECL, i.e. lifetime ECL that results from those default events on the financial instrument that are possible within 12 months after the reporting date, (referred to as Stage 1); or
- 12-month ECL, i.e. lifetime ECL that results from all possible default events over the life of the financial instrument, (referred to as Stage 2 and Stage 3).

A loss provision for full lifetime ECL is required for a financial instrument if the credit risk on that financial instrument has increased significantly since initial recognition. For all other financial instruments, ECLs are measured at an amount equal to the 12-month ECL.

ECLs are a probability-weighted estimate of the present value of credit losses. These are 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 weighting of multiple future economic scenarios, discounted at the asset's effective interest rate (EIR).

l. Credit-impaired Financial Assets

A financial asset is 'credit-impaired' when one or more events that have a detrimental impact on the estimated future cash flows of the financial asset have occurred. Credit-impaired financial assets are referred to as Stage 3 assets. Evidence of credit-impairment includes observable data about the following events:

- Significant financial difficulty of the borrower or issuer;
- A breach of contract such as a default or past due event;
- The Company, for economic or contractual reasons relating to the borrower's financial difficulty, having granted to the borrower a concession that the lender would not otherwise consider;
- The disappearance of an active market for a security because of financial difficulties; or
- The purchase of a financial asset at a deep discount that reflects the incurred credit losses.

It may not be possible to identify a single discrete event. Instead, the combined effect of several events may have caused financial assets to become credit-impaired. The Company assesses whether debt instruments that are financial assets measured at amortized cost or fair value through other comprehensive income are credit-impaired at each reporting date. To assess if sovereign and corporate debt instruments are credit impaired, the Company considers factors such as bond yields, credit ratings, and the ability of the borrower to raise funding.

A loan is considered credit-impaired when a concession is granted to the borrower due to a deterioration in the borrower's financial condition, unless there is evidence that as a result of granting the concession, the risk of not receiving the contractual cash flows has reduced significantly, and there are no other indicators of impairment. For financial assets where concessions are contemplated but not granted, the asset is deemed credit-impaired when there is observable evidence of credit-impairment including meeting the definition of default. The definition of *default* includes unlikelihood to pay indicators and a back-stop if amounts are overdue for 90 days or more. However, in cases where the assets impairment is not recognized after 90 days overdue are supported by reasonable information.

m. Definition of Default

Critical to the determination of expected credit loss is the definition of default. The definition of default is used in measuring the amount of expected credit loss and in the determination of whether the loss provision is based on 12-month or lifetime expected credit loss, as default is a component of the probability of default (PD) which affects both the measurement of expected credit loss and the identification of a significant increase in credit risk below.

The Company considers the following as constituting an event of default:

- The borrower is past due more than 90 days on any material credit obligation to the Company; or
- The borrower is unlikely to pay its credit obligations to the Company in full.

When assessing if the borrower is unlikely to pay its credit obligation, the Company takes into account both qualitative and quantitative indicators. The information assessed depends on the type of the asset. For example, in corporate lending, a qualitative indicator used is the breach of covenants, which is not relevant for retail lending. Quantitative indicators, such as overdue status and non-payment on another obligation of the same counterparty are key inputs in this analysis. The Company uses a variety of sources of information to assess default that is either developed internally or obtained from external sources.

n. Significant Increase in Credit Risk

The Company monitors all financial assets and issued a lease commitment that are subject to the impairment requirements to assess whether there has been a significant increase in credit risk since initial recognition. If there has been a significant increase in credit risk, the Company measures the loss provision based on lifetime rather than 12-month expected credit loss.

The Company's accounting policy is not to use the practical expedient that financial assets with 'low' credit risk at the reporting date are deemed not to have had a significant increase in credit risk. As a result, the Company monitors all financial assets that are subject to impairment for significant increase in credit risk.

In assessing whether the credit risk on a financial instrument has increased significantly since initial recognition, the Company compares the risk of a default occurring on the financial instrument at the reporting date, based on the remaining maturity of the instrument, with the risk of a default occurring that was anticipated for the remaining maturity at the current reporting date when the financial instrument was first recognized. In making this assessment, the Company considers both quantitative and qualitative information that is reasonable and supportable, including historical experience and forward-looking information that is available without undue cost or effort, based on the Company's historical experience and expert credit assessment including forward-looking information.

Multiple economic scenarios form the basis of determining the probability of default at initial recognition and at subsequent reporting dates. Different economic scenarios will lead to a different probability of default. It is the weighting of these different scenarios that forms the basis of a weighted average probability of default that is used to determine whether credit risk has significantly increased.

For corporate lending, forward-looking information includes the future prospects of the industries in which the Company's counterparties operate, obtained from economic expert reports, financial analysts, governmental bodies, relevant think-tanks and other similar organizations, as well as consideration of various internal and external sources of actual and forecast economic information. For retail lending, forward-looking information includes the same economic forecasts as corporate lending with additional forecasts of local economic indicators, particularly for regions with a concentration to certain industries, as well as internally generated information of customer payment behavior. The Company allocates its counterparties to a relevant internal credit risk grade depending on their credit quality. The quantitative information is a primary indicator of significant increase in credit risk and is based on the change in lifetime PD by comparing:

- The remaining lifetime PD at the reporting date; with
- The remaining lifetime PD for this point in time that was estimated based on facts and circumstances at the time of initial recognition of the exposure.

The PDs used are forward looking, and the Company uses the same methodologies and data used to measure the loss provision for expected credit loss.

The qualitative factors that indicate significant increase in credit risk are reflected in PD models on a timely basis. However, the Company still considers separately some qualitative factors to assess if credit risk has increased significantly. For corporate lending, there is particular focus on assets that are included on a 'watch list'. An exposure is on a watch list once there is a concern that the creditworthiness of the specific counterparty has deteriorated. For retail lending, the Company considers the expectation of forbearance and payment holidays, credit scores and events such as unemployment, bankruptcy, divorce or death.

Given that a significant increase in credit risk since initial recognition is a relative measure, a given change, in absolute terms, in the PD will be more significant for a financial instrument with a lower initial PD than for a financial instrument with a higher PD.

o. Write-off

Financial assets are written off when the Company has no reasonable expectations of recovering the financial asset. This is the case when the Company determines that the borrower does not have assets or sources of income that could generate sufficient cash flows to repay the amounts subject to the write-off. A write-off constitutes a derecognition event. The Company may apply enforcement activities to financial assets written off. Recoveries resulting from the Company's enforcement activities will result in impairment gains.

p. Presentation of Provision for Expected Credit Loss in the Statement of Financial Position

Loss Provision for expected credit loss are presented in the statement of financial position for financial assets measured at amortized cost: as a deduction from the gross carrying amount of the assets

q. Financial Liabilities and Equity

Debt and equity instruments issued are classified either as financial liabilities or as equity in accordance with the substance of the contractual arrangement.

A financial liability is a contractual obligation to deliver cash or another financial asset, or to exchange financial assets or financial liabilities with another entity under conditions potentially unfavorable to the Company, or a contract that will or may be settled in the Company's own equity instruments and is a non-derivative contract for which the Company is or may be obliged to deliver a variable number of its own equity instruments, or a derivative contract over own equity that will or may be settled other than by the exchange of a fixed amount of cash (or another financial asset) for a fixed number of the Company's own equity instruments.

Equity Instruments

Paid up Capital

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 issued by the Company are recognized at the proceeds received, net of direct issue costs.

Treasury Shares

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

Financial Liabilities

Financial liabilities are classified as either financial liabilities 'at fair value through the statement of income or 'other financial liabilities.

r. Fair value

Fair value is defined as the price at which an asset is to be sold or paid to convert any of the liabilities in a structured transaction between the market participants on the measurement date, irrespective of whether the price can be realized directly or whether it is estimated using another valuation technique. When estimating the fair value of an asset or liability, the Company takes into consideration when determining the price of any asset or liability whether market participants are required to consider these factors at the measurement date. Make as separate paragraph the fair value for measurement and / or disclosure purposes in these financial statements is determined on the same basis, except for measurement procedures that are similar to fair value procedures and are not fair value such as fair value as used in IAS 36.

In addition, fair value measurements are classified for the purposes of financial reporting to level (1), (2) or (3) based on the extent to which the inputs are clear concerning the fair value measurements and the importance of inputs to the full fair value measurements. These are as follows:

Level (1) inputs: inputs derived from quoted (unadjusted) prices of identical assets or liabilities in active markets that an enterprise can obtain on the measurement date;

Level (2) inputs: inputs derived from data other than quoted prices used at level 1 and observable for assets or liabilities, either directly or indirectly;

Level (3) inputs: are inputs to assets or liabilities that are not based on observable market prices.

s. Leases

Policy applicable from January 1, 2019

The Company as lessee

The Company assesses whether contract is or contains a lease, at inception of the contract. The Company recognizes a right-of-use asset and a corresponding lease liability with respect to all lease arrangements in which it is the lessee, except for short-term leases (defined as leases with a lease term of 12 months or less) and leases of low value assets. For these leases, the Company recognizes the lease payments as an operating expense on a straight-line basis over the term of the lease unless another systematic basis is more representative of the time pattern in which economic benefits from the leased assets are consumed.

The lease liability is initially measured at the present value of the lease payments that are not paid at the commencement date, discounted by using the rate implicit in the lease. If this rate cannot be readily determined, the Company uses its incremental borrowing rate.

Lease payments included in the measurement of the lease liability comprise:

- Fixed lease payments (including in-substance fixed payments), less any lease incentives;
- Variable lease payments that depend on an index or rate, initially measured using the index or rate at the commencement date;
- The amount expected to be payable by the lessee under residual value guarantees;
- The exercise price of purchase options, if the lessee is reasonably certain to exercise the options; and
- Payments of penalties for terminating the lease, if the lease term reflects the exercise of an option to terminate the lease.

The lease liability is presented as a separate line item in the consolidated statement of financial position.

The lease liability is subsequently measured by increasing the carrying amount to reflect interest on the lease liability (using effective interest method) and by reducing the carrying amount to reflect the lease payments made.

The Company remeasures the lease liability (and makes a corresponding adjustment to the related right-of-use asset) whenever:

- The lease term has changed or there is a change in the assessment of exercise of a purchase option, in which case the lease liability is remeasured by discounting the revised lease payments using a revised discount rate.
- The lease payments change due to changes in an index or rate or a change in expected payment under a guaranteed residual value, in which cases the lease liability is remeasured by discounting the revised lease payments using the initial discount rate (unless the lease payments change is due to a change in a floating interest rate, in which case a revised discount rate is used).
- A lease contract is modified and the lease modification is not accounted for as a separate lease, in which case the lease liability is remeasured based on the modified lease contract date by discounting the revised lease payments using a revised discount rate at the actual price at the date of modification.

The right-of-use assets are depreciated over the shorter period of lease term and useful life of the underlying asset. If a lease transfer's ownership of the underlying asset or the cost of the right-of-use of asset reflects that the Company expects to exercise a purchase option, the related right-of-use asset is depreciated over the useful life of the underlying asset. The depreciation starts at the commencement date of the lease.

The right-of-use of assets are presented as a separate line in the consolidated statement of financial position.

The Company applies IAS 36 to determine whether a right-of-use asset is impaired and accounts for an identified impairment loss as described in the 'Property and equipment' policy.

Variable rents that do not depend on an index or rate are not included in the measurement of the lease liability and the right-of-use asset. The related payments are recognized as an expense in the period in which the event or condition that triggers those payments occurs and are included in the line 'Other expenses' in the consolidated statement of income.

The Company as lessor

The Company enters into lease agreements as a lessor with respect to some of its investment properties.

Leases for which the Company is a lessor are classified as finance or operating leases. Whenever the terms of the lease transfer substantially all the risks and rewards of ownership to the lessee, the contract is classified as a finance lease. All other leases are classified as operating leases.

When the Company is an intermediate lessor, it accounts for the head lease and the sublease as two separate contracts. The sublease is classified as a finance or operating lease by reference to the right-of-use asset arising from the head lease.

Rental income from operating leases is recognized on a straight-line basis over the term of the relevant lease. Initial direct costs incurred in negotiating and arranging an operating lease are added to the carrying amount of the leased asset and recognized on a straight-line basis over the lease term.

Amounts due from lessees under finance leases are recognized as receivables at the amount of the Company's net investment in the leases. Finance lease income is allocated to accounting periods so as to reflect a constant periodic rate of return on the Company's net investment outstanding in respect of the leases.

When a contract includes lease and non-lease components, the Company applies IFRS 15 to allocate consideration under the contract to each component.

3. Significant Accounting Judgments and Key Sources of Uncertainty estimates

Preparation of the 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 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. The effect of the change in estimates is recognized in the financial period in which the change has occurred 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 has occurs and in future periods if the change affects the financial period and future financial periods.

Management believes that its estimates in the financial statements are reasonable. And are as follows:

- Evaluation of business model
The classification and measurement of financial assets depend on the results of the principal and interest payments test on the principal outstanding and the business model test. The Bank defines a business model at a level that reflects how the groups of financial assets are managed together to achieve a particular business objective. This assessment includes judgment that reflects all relevant evidence, including how to assess the performance of the assets and measure their performance, the risks that affect the performance of assets and how they are managed, and how asset managers are compensated. The Bank monitors financial assets measured at amortized cost or fair value through other comprehensive income and derecognized before maturity to understand the reason for derecognition and whether the reasons are consistent with the objective of the business held. In this respect, control is part of the Group's continuous assessment of whether the business model under which the remaining financial assets are retained is appropriate, and whether it is inappropriate if there is a change in the business model, and therefore, a future change is made in the classification of those assets.
- Significant increase in credit risk
The expected credit loss is measured as discussed in Note (3), as an allowance equivalent to the expected credit loss of 12 months for the assets of the first stage, or the credit loss over the life of the assets of the second or third stage. The asset moves to the second stage if credit risk increases significantly since initial recognition. IFRS (9) does not specify what constitutes a significant increase in credit risk. In assessing whether the credit risk of any asset has increased significantly, the Company takes into account reasonable and reliable quantitative and qualitative information.
- Useful life of tangible assets and intangible assets
The management periodically re-estimates the useful life of tangible assets and intangible assets for the purpose of calculating the annual depreciation and amortization based on the general condition of those assets and estimated future useful lives. The impairment loss is recognized in the statement of income for the year.
- Assets and liabilities presented at cost:
Management reviews the assets and liabilities at cost periodically for the purpose of estimating any impairment in value, any impairment loss is recognized in the statement of income for the year (if exists).
- Income tax:
The fiscal year is charged its related income tax expense in accordance with the regulations, laws and international accounting standards.
- Lawsuit provision
A provision is booked to meet any potential litigation obligations based on the legal study prepared by the Company's legal counsel that identifies potential risks in the future and periodically reviews the study.

Provision for expected credit loss

Management is required to use significant judgments and estimates to estimate the amounts and timing of future cash flows and assess the risks of a significant increase in credit risks for financial assets after initial recognition and future measurement information for the expected credit losses.

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

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 the calculation of expected credit loss.

- 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".

Based on management estimates, there is no material effect for IFRS 9 & IFRS 15 on the financial statements.

4. Cash on Hand and Balances at Banks and Financial Institutions

This item consists of the following:

	December 31,	
	2020	2019
	JD	JD
Cash on hand	113	116
Accounts at Cairo Amman Bank	8,569,344	5,405,279
Current accounts at other banks and financial institutions	945,387	833,502
	<u>9,514,844</u>	<u>6,238,897</u>

5. Deposits at Banks and Financial Institutions

This item consists of the following:

	December 31,	
	2020	2019
	JD	JD
Deposits maturing within less than 3 months	-	3,000,000
Deposits maturing within less than 1 year	4,762,235	2,407,631
Expected credit loss – Deposits	(4,534)	(9,788)
	<u>4,757,701</u>	<u>5,397,843</u>

- * This item represents the Company's deposit during the year 2020 at Banks and Financial institutions – Jordan in Jordanian Dinar with an interest rate of 4.30% During the year 2019, there was also deposits at Local Banks in Jordanian Dinar with an interest rate of 6.1%.

The movement on provision for expected credit loss – deposits during the year as follows:
For the year ended

	December 31,	
	2020	2019
Transferred from provision for expected credit loss– margin trading accounts receivable	9,788	5,407
Additions	(5,254)	(4,381)
Balance end of the year	<u>4,534</u>	<u>9,788</u>

6. Financial Assets at Fair Value through Profit or Loss

This item consists of the following:

Quoted shares in financial markets:

Quoted shares in Amman Stock Exchange
Quoted shares in foreign markets

December 31,	
2020	2019
JD	JD
-	56,854
22,072	84,655
<u>22,072</u>	<u>141,509</u>

7. Accounts Receivable - Net

This item consists of the following:

Brokerage accounts receivable
Less: provision for expected credit loss – accounts receivable

December 31,	
2020	2019
JD	JD
871,603	868,906
<u>(611,285)</u>	<u>(598,025)</u>
<u>260,318</u>	<u>270,881</u>

The movement on the provision for expected credit loss - accounts receivable during the year is as follows:

For the Year Ended December 31,	
2020	2019
JD	JD
Balance - beginning of the year	598,025
Effect of implementing IFRS (9)	-
Balance - beginning of the year (adjusted)	598,025
Written-off receivables during the year	-
Transferred (to) provision for expected credit loss – margin trading accounts receivable	7,741
Transferred to expected credit loss -Deposits transferred to a credit loss provision	5,245
Expected – financial assets in amortized cost	265
Balance - end of the year	<u>611,285</u>
	<u>598,025</u>

The Company follows a policy of dealing with creditworthy counterparties in addition to having enough collaterals to minimize the risk of any financial losses resulting from defaults. The Company takes into consideration the subsequent collections when calculating the provision for expected credit loss. The brokerage accounts receivable aging is as follows:

December 31,	
2020	2019
JD	JD
1 – 6 days	127,761
7 – 90 days	16,738
More than 91 days	115,819
	<u>260,318</u>
	<u>270,881</u>

Based on management estimates, it is expected that all unimpaired receivables to be collected, noting that these receivables are collateralized with customers' investment portfolios.

8. Margin Accounts Receivable - Net

This item consists of the following:

	December 31,	
	2020	2019
	JD	JD
Margin trading accounts receivable	5,797,457	4,934,073
<u>Less: Suspended interest</u>	<u>(33,255)</u>	<u>(58,659)</u>
Provision for expected credit loss – margin trading accounts receivable	(992,395)	(1,322,779)
	<u>4,771,807</u>	<u>3,552,635</u>

The movement on the provision for expected credit loss – Margin trading account receivable during the year is as follows:

	For the Year Ended December 31,	
	2020	2019
	JD	JD
Balance - beginning of the year	1,322,779	1,266,701
Written off	(348,048)	-
Suspended interest	25,404	-
Transferred to provision for expected credit loss – Deposits	-	-
Transferred from/(to) provision for expected credit loss - margin trading receivables	(7,741)	56,078
Balance - End of the Year	<u>992,394</u>	<u>1,322,779</u>

Margin trading accounts receivables aging is as follows:

	December 31,	
	2020	2019
	JD	JD
1 day – 6 days	84,751	56,219
7 days – 90 days	287,370	1,048,264
More than 91 days	4,399,686	2,448,152
	<u>4,771,807</u>	<u>3,552,635</u>

9. Other Debit Balances

This item consists of the following:

	December 31,	
	2020	2019
	JD	JD
Prepaid expenses	42,947	40,406
Settlement guarantee fund contribution	25,000	31,000
Accrued revenues	101,955	241,844
Deferred tax assets	30,211	30,211
Other	1,418	1,463
	<u>201,531</u>	<u>344,924</u>

10. Intangible Assets-Net

This item consists of the following:

	December 31,	
	2020	2019
	JD	JD
Balance - beginning of the year	224,910	224,910
Additions	1,500	-
Balance - end of the year	226,410	224,910
<u>Less: Accumulated amortization *</u>	222,987	222,630
	2,423	2,280
Annual amortization rate %	25	25

* The movement on the accumulated amortization is as follows:

	2020	2019
	JD	JD
Accumulated amortization – beginning of the year	222,630	221,291
Amortization for the year	1,357	1,339
Accumulated amortization – end of the year	223,987	222,630

11. Fixed Assets - net

This item consists of the following

	Furniture and Fixtures	Office Tools and Equipment	Decorations	Vehicles	Total
<u>Year 2020</u>	JD	JD	JD	JD	JD
Cost:					
Balance - Beginning of the year	63,970	198,951	147,772	18,000	428,693
Additions	-	3,875	-	-	3,875
Balance - End of the year	63,970	202,826	147,772	18,000	432,568
Accumulated Depreciation:					
Balance - Beginning of the year	62,311	188,324	77,819	15,076	343,530
Additions	1,443	4,282	14,639	-	20,364
Balance - End of the year	63,754	192,606	92,458	15,076	363,894
Net Book Value as of December 31, 2020	216	10,220	55,314	2,924	68,674

	Furniture and Fixtures	Office Tools and Equipment	Decorations	Vehicles	Total
<u>Year 2019</u>	JD	JD	JD	JD	JD
Cost:					
Balance - Beginning of the year	63,970	201,735	147,772	18,000	431,477
Additions	-	384	-	-	384
Disposals	-	(3,168)	-	-	(3,168)
Balance - End of the year	63,970	198,951	147,772	18,000	428,693
Accumulated Depreciation:					
Balance - Beginning of the year	60,789	187,189	63,180	15,076	326,234
Additions	1,522	4,303	14,639	-	20,464
Disposals	-	(3,168)	-	-	(3,168)
Balance - End of the year	62,311	188,324	77,819	15,076	343,530
Net Book Value as of December 31, 2019	1,659	10,627	69,953	2,924	85,163

Fully depreciated fixed assets amounted to 240,195 JD as of December 31,2020 (JD 234,784 as of December 31, 2019).

12. Accounts Payable

This item consists of the following:

	December 31,	
	2020	2019
	JD	JD
Local, regional and foreign markets accounts payable – Jordanian Dinar	451,925	432,035
Regional and foreign markets accounts payable – US Dollar	2,138,799	1,064,254
Regional and foreign markets accounts payable – Other currencies	5,139,314	4,501,770
	<u>7,730,038</u>	<u>5,998,059</u>

13. Income Tax

a. Income Tax Expense / Benefits

This item consists of benefits the following:

	For the Year Ended December 31,	
	2019	2019
	JD	JD
Released from Income Tax Provision during the year	-	-
Accrued income tax on the current year profits*	215,188	264,926
	<u>215,188</u>	<u>264,926</u>

* The income tax expense is recorded based on the taxable profits at a rate of 24% (10% for external).

b. Income Tax Provision

The movement on the income tax provision is as follows:

	For the Year Ended December 31,	
	2020	2019
	JD	JD
Balance - beginning of the year	2,117,208	1,866,715
Accrued income tax on the current year's profits	215,188	264,926
	<u>2,332,396</u>	<u>2,131,641</u>
<u>Less:</u> Income tax paid during the year	(295,587)	(14,433)
	<u>2,036,809</u>	<u>2,117,208</u>

c. The movement on the deferred tax liabilities is as follows:

	For the Year Ended December 31,	
	2020	2019
	JD	JD
Balance - beginning of the year	1,082	1,314
Excluded during the year	775	232
Balance – end of the year	<u>307</u>	<u>1,082</u>

d. Tax Status

The Company reached a final settlement with the Income and Sales Tax Department up to the year 2014. The Income and Sales Tax Department reviewed the Company's records for the years 2015, 2016 and 2017, and estimated an accrued income tax for these years of JD 1,361,990 on the amounts paid. The Company objected against the decision at the designated courts and no decision has been made related to the objection.

The Income and Sales Tax Department has accepted the Company's records for the year 2018 and 2019.

In the opinion of company management and tax consultant, the provisions recorded at the date of the statement of financial position is sufficient to cover the potential tax liabilities.

14. Other Credit Balances

This item consists of the following:

	December 31,	
	2020	2019
	JD	JD
Salaries and employees benefit provision	113,497	86,047
Accrued expenses	48,387	53,141
Securities Depository Center reconciliation	90,952	68,532
Customer deposits	5,728	5,728
Others	439	831
	<u>259,003</u>	<u>214,279</u>

15. Net Brokerage Revenue

This item consists of the following:

	December 31,	
	2020	2019
	JD	JD
Commissions from trading at the local market	83,265	848,970
Commissions from trading at regional and foreign markets	<u>579,746</u>	<u>144,773</u>
	<u>663,011</u>	<u>993,743</u>

16. Management Fees of Investment Portfolios

The Company manages investment portfolios based on an investment management license granted by the Jordan Securities Commission on July 31, 2006. The Company manages investment portfolios on behalf of others in exchange for management and performance fees, which appear in the statement of income. The portfolio balances are kept in separate accounts, which do not appear in the Company's financial statements.

17. Interest Revenue

This item consists of the following:

	December 31,	
	2020	2019
	JD	JD
Banks interest revenue *	<u>256,587</u>	<u>365,124</u>
	<u>256,587</u>	<u>365,124</u>

- * This item consists of interest received during the year on deposits at Cairo Amman Bank and Invest Bank.

18. Transactions and Balances with Related Parties

Transactions and balances with related parties during the year were as follows:

	December 31, 2020				For the Year Ended December 31, 2020		
	Deposits and Current Accounts	Due to Bank	Accounts Receivable	Accounts Payable	Net Commission Revenue	Interest Revenue	Other Expenses
	JD	JD	JD	JD	JD	JD	JD
Cairo Amman Bank *	10,819,344	-	-	-	14,487	53,166	5,006
Al-Watanieh Securities Company - Palestine **	-	-	256,224	-	-	-	-
Board members, senior management and their families ***	-	-	343,983	408	15,973	20,197	-
Safa Bank					8,697		-

	December 31, 2019				For the Year Ended December 31, 2019		
	Deposits and Current Accounts	Due to Bank	Accounts Receivable	Accounts Payable	Net Commission Revenue	Interest Revenue	Other Expenses
	JD	JD	JD	JD	JD	JD	JD
Cairo Amman Bank *	5,405,279	-	-	-	12,233	78,888	6,536
Al-Watanieh Securities Co. - Palestine **	-	-	-	38,826	-	-	-
Board members, senior management, and their families ***	-	-	356,129	86	724,706	20,899	-

Off statement of financial position

- Letters of guarantee issued by Cairo Amman Bank on behalf of the Company amounted to JD 172,000 as of December 31, 2020 (JD 175,000 as of December 31, 2019).
- Investments at Al-Safa Bank (a sister company) amounted to JD 88,625 for the year ended December 31, 2020 (JD 88,625 as of December 31, 2019).
- Executive management salaries, bonuses, and benefits amounted to JD 114,763 for the year ended December 31, 2020 (JD 124,186 for the year ended December 31, 2019).

* Holding company.

** Sister company.

*** This item consists of board of director members of the holding company Cairo Amman Bank.

19. Cash and Cash Equivalents

Cash and cash equivalents stated in the statement of cash flows consist of the following balances listed in the statement of financial position:

	December 31,	
	2020	2019
	JD	JD
Cash on hand and balances at banks	9,514,844	6,238,897
Deposits at banks and financial institutions (less than 3 months)	-	3,000,000
<u>Less: Due to bank</u>	<u>(1,958,326)</u>	<u>(1,420)</u>
	<u>7,556,518</u>	<u>9,237,477</u>

20. Accounts Managed for the Benefit of Clients

These accounts represent cash and investments managed on behalf of some of the Company's clients. The Company manages these accounts under clients' responsibility in exchange for management fees, the management for these accounts is subject to the desire of the clients and it is not capital guaranteed. These are not included as part of the Company's assets and liabilities. These accounts amounted to JD 434,342 as of December 31, 2020 (JD 432,448 as of December 31, 2019).

21. General and Administrative Expenses

This item consists of the following:

	2020	2019
	JD	JD
Salaries and employees' benefits	439,932	400,568
Company's contribution of the social security	44,718	43,887
Rent	2,754	3,192
Insurance expenses	29,225	28,840
Stationary	2,991	1,326
Advertising expenses	2,216	3,398
Hospitality	968	967
Telephone and postage	14,057	14,571
Professional fees	16,920	15,846
Training and conference expenses	1,206	1,539
Fees and subscriptions	45,027	54,014
Cleaning expenses	4,296	4,893
Vehicle maintenance	1,088	1,331
Board of directors transportation	15,000	15,000
Maintenance expenses	15,139	12,273
Water and electricity	8,448	10,332
Legal expenses	8,310	5,879
Custody expenses	17,428	16,994
Other	7,518	6,573
	<u>677,241</u>	<u>641,423</u>

22. Contingent Liabilities

a. Off-Statement of Financial Position Liabilities

The Company was contingently liable for bank guarantees with an amount of JD 1,710,000 as of December 31, 2020 (JD 1,535,000 as of December 31, 2019) mostly to Jordan Securities Commission and the Securities Depository Center.

b. Lawsuits against the Company

Lawsuits raised by the Company amounted to JD 2,030,037 are mainly compromised of financial compensations cases. There were no lawsuits held against the Company as of financial statements date except for countersuit raised by the Company regarding financial claims that amounted to JD 938,360. In the opinion of the Company's legal consultant and its management, no obligation shall arise against the Company regarding these lawsuits.

23. Financial Instruments

a. Capital risk management

The Company manages its capital to ensure that it's ability to continue as a going concern and maximize the return to stakeholders through achieving an optimal balance between equity and debt.

The Company is pursuing a strategy to maintain a reasonable debt-to-equity ratio. (The ratio is calculated through dividing total debt by total equity). The Company's overall strategy has remained unchanged since 2016.

The capital structure items included within paid-in capital, statutory reserve, fair value reserve, and retained earnings amounted to JD 9,474,499 as of December 31, 2020 (JD 8,931,470 as of December 31, 2019).

b. Liquidity risk

Liquidity risk, also referred to as funding risk, is the risk that the Company will encounter difficulty in raising funds to meet its commitments. The liquidity position of the Company as of the date of the financial statements is as follows:

	December 31,	
	2020	2019
	JD	JD
Current assets	21,440,236	17,295,825
<u>Less: Current liabilities</u>	<u>12,084,548</u>	<u>8,417,001</u>
Excess in working capital	<u>9,355,688</u>	<u>8,878,824</u>

The Company manages liquidity risk by constant monitoring of actual and forecasted cash flows. Furthermore, a portion of the Company's funds is invested in balances at the bank, which is readily available to meet short-term funding and liquidity management requirements. The Company believes the liquidity risk is adequately low, enabling the Company to obtain the required funding from the bank and related parties.

c. Credit risk

Credit risk refers to the risk that debtors and other counterparties will default on their contractual obligations towards the Company.

The Company believes that its not significantly exposed to credit risk since it continuously monitors its credit balances and establishes credit ceiling for its clients while continuously monitoring existing account receivable balances. The Company also retains the balances and deposits at leading banking institutions.

- a. The movement on the balances of exposures relating to accounts receivable and margin trading accounts receivable during the year ended December 31, 2019 is as follows:

Item	2020				2019
	Stage One	Stage Two	Stage Three	Total	Total
	JD	JD	JD	JD	JD
Balance – Beginning of the year	3,332,506	-	2,470,472	5,802,978	6,091,730
New exposures during the year	1,516,986	-	-	1,516,986	673,831
Exposures settled during the year	(633,934)	-	-	(633,934)	(910,753)
Transferred to Stage one	-	-	-	-	-
Transferred to Stage Two	-	-	-	-	-
Transferred to Stage Three	-	-	-	-	-
The total effect on the exposure volume as a result of staging reclassification	-	-	-	-	-
Changes as a result of adjustments	592,820	-	(5,516)	587,304	43,813
Written off exposures	-	-	(348,048)	(348,048)	(95,642)
Balance – End of the year	4,808,378	-	2,116,908	6,925,268	5,802,979

- b. The movement on provisions for expected credit losses on accounts receivable and margin trading accounts receivable is as follows:

	For the Year Ended December 31, 2020				2019
	Stage One	Stage Two	Stage Three	Total	Total
	JD	JD	JD	JD	JD
Balance as of January 1, 2020	17,988	-	1,902,816	1,920,804	2,024,782
Transferred to Stage One during the period	-	-	-	-	-
Transferred to Stage Two during the period	-	-	-	-	-
Transferred to Stage Three during the period	-	-	-	-	-
The effect on the provision for impairment as a result of changing the classification between stages	-	-	-	-	-
Transferred to provision for expected credit loss - (deposits)	5,254	-	-	5,254	(4,381)
Transferred to provision for expected credit loss - (Financial assets in amortized cost)	265	-	-	265	(3,955)
Effect on provision resulting from reclassification	(20,487)	-	45,891	25,404	-
Used from provision during the period (written off debts)	-	-	(348,048)	(348,048)	(95,642)
Provision for - Net expected credit loss as of the end of the year	3,020	-	1,600,659	1,603,679	1,920,804

c. 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.

The sensitivity analysis below has been determined based on the exposure to interest rates on bank deposit at the date of the financial statements. The analysis is prepared assuming that the balance outstanding at the date of the financial statements was outstanding for the whole year. A 1% increase/decrease is used.

For the Year Ended December 31, 2020	+1%	-1%
	JD	JD
Profit (loss) for the year	47,577	(47,577)
For the Year Ended December 31, 2019	+1%	-1%
	JD	JD
Profit (loss) for the year	53,978	(53,978)

Management believes the risk of interest rate fluctuations is immaterial and will have no substantial impact on the Company's performance.

24. Lease contract

a. Right of use assets

The company leases buildings, the average lease term is 15 years, the movement on public use right assets is as follows:

	December 31,	
	2020	2019
	JD	JD
Balance at beginning of the year	474,552	517,800
Add: Additions during the year	-	-
<u>Less: Deprecation</u>	(43,248)	(43,248)
Cancelled contracts	-	-
Balance at end of the year	<u>431,304</u>	<u>474,552</u>

b. Right of use lease liabilities

	December 31,	
	2020	2019
	JD	JD
Balance at beginning of the year	491,990	517,800
<u>Add: Additions during the year</u>		-
Interest during the year	24,600	25,890
Less: payments during the year	(51,700)	(51,700)
Cancelled contracts	-	-
Balance at end of the year	<u>464,890</u>	<u>491,990</u>

Maturity analysis of lease liability:

	December 31,	
	2020	2019
	JD	JD
Less than a year	81,300	25,890
From a year to five years	-	-
More than five years	<u>383,590</u>	<u>466,100</u>
Balance at end of the year	<u>464,890</u>	<u>491,990</u>

Maturity analysis of undiscounted lease liability:

Total undiscounted lease obligations as of December 31, 2020 is 604,422 JOD and the following is an analysis of the entitlement:

	December 31,	
	2020	2019
	JD	JD
Less than a year	56,700	51,700
From a year to five years	297,675	294,840
More than five years	<u>250,047</u>	<u>309,582</u>
Balance at end of the year	<u>604,422</u>	<u>656,122</u>

c. Amounts recognized in profit or loss

	December 31,	
	2020	2019
	JD	JD
Right use of assets for the year	43,248	43,248
Interest expense during the year	24,600	25,890
Total expenses related to lease contracts during the year	<u>67,848</u>	<u>69,138</u>

25. Application of New and Amended International Financial Reporting Standards

a. Amendments with no material effect on the Company's financial company:

The following new and revised IFRSs have been adopted and are effective for financial periods beginning on or after January 1, 2020 or thereafter in the preparation of the Company's financial statements that did not materially affect the amounts and disclosures in the financial statements for the year and prior years, which may have an impact on the accounting treatment of future transactions and arrangements.

New and revised standards

Amendments to IFRS 9 Financial Instruments, IAS 39 Financial Instruments: Recognition and Measurement and IFRS 7 Financial Instruments Disclosures relating to interest rate benchmark reform.

Amendments to new and revised IFRSs

The changes modify specific hedge accounting requirements so that entities would apply those hedge accounting requirements assuming that the interest rate benchmark on which the hedged cash flows and cash flows from the hedging instrument are based will not be altered as a result of interest rate benchmark reform;

The changes are not intended to provide relief from any other consequences arising from interest rate benchmark reform (if a hedging relationship no longer meets the requirements for hedge accounting for reasons other than those specified by the amendments, discontinuation of hedge accounting is required); and

The changes require specific disclosures about the extent to which the entities' hedging relationships are affected by the amendments.

Amendment to IFRS 3 Business Combinations relating to definition of a business.

The amendments in Definition of a Business (Amendments to IFRS 3) are changes to Appendix A Defined terms, the application guidance, and the illustrative examples of IFRS 3 only. They:

- clarify that to be considered a business, an acquired set of activities and assets must include, at a minimum, an input and a substantive process that together significantly contribute to the ability to create outputs;
- narrow the definitions of a business and of outputs by focusing on goods and services provided to customers and by removing the reference to an ability to reduce costs;
- add guidance and illustrative examples to help entities assess whether a substantive process has been acquired;
- remove the assessment of whether market participants are capable of replacing any missing inputs or processes and continuing to produce outputs; and
- add an optional concentration test that permits a simplified assessment of whether an acquired set of activities and assets is not a business.

New and revised standards

Amendments to References to the Conceptual Framework in IFRS Standards - amendments to IFRS 2 Share-based payment, IFRS 3 Business Combinations, IFRS 6 Exploration for and Evaluation of Mineral Resources, IFRS 14 Regulatory Deferral Accounts, IAS 1 Presentation of Financial Statements, IAS 8 Accounting Policies, Changes in Accounting Estimates and Errors, IAS 34 Interim Financial Reporting, IAS 37 Provisions, Contingent Liabilities and Contingent Assets, IAS 38 Intangible Assets, IFRIC 12 Service Concession Arrangements, IFRIC 19 Extinguishing of Financial Liabilities with Equity Instruments, IFRIC 20 Stripping Costs in the Production Phase of a Surface Mine, IFRIC 22 Foreign Currency Transactions and Advance Consideration, and SIC-32 Intangible Assets – Web Site Costs to update those pronouncements with regard to references to and quotes from the framework or to indicate where they refer to a different version of the Conceptual Framework.

Amendments to IAS 1 Presentation of Financial Statements and IAS 8 Accounting Policies, Changes in Accounting Estimates and Errors relating to definition of material.

Amendments to IFRS 16 Leases relating to Covid-19-Related Rent Concessions.

Amendments to new and revised IFRSs

The Group has adopted the amendments to IFRS 2, IFRS 6, IFRS 15, IAS 1, IAS 8, IAS 34, IAS 37, IAS 38, IFRIC 12, IFRIC 19, IFRIC 20, IFRIC 22, and SIC 21 in the current year.

Three new aspects of the new definition should especially be noted:

- Obscuring. The existing definition only focused on omitting or misstating information, however, the Board concluded that obscuring material information with information that can be omitted can have a similar effect. Although the term obscuring is new in the definition, it was already part of IAS 1 (IAS 1.30A).
- Could reasonably be expected to influence. The existing definition referred to 'could influence' which the Board felt might be understood as requiring too much information as almost anything 'could' influence the decisions of some users even if the possibility is remote.
- Primary users. The existing definition referred only to 'users' which again the Board feared might be understood too broadly as requiring to consider all possible users of financial statements when deciding what information to disclose.

The amendment provides lessees with an exemption from assessing whether a COVID-19-related rent concession is a lease modification.

b. New and revised IFRS in issue but not yet effective:

At the date of authorization of these financial statements, the Branch has not applied the following new and revised IFRS Standards that have been issued but are not yet effective:

<u>New and revised IFRSs</u>	<u>Effective for annual periods beginning on or after</u>
Interest Rate Benchmark Reform — Phase 2 (Amendments to IFRS 9 <i>Financial Instruments</i> , IAS 39 <i>Financial Instruments: Recognition and Measurement</i> , IFRS 7 <i>Financial Instruments Disclosures</i> , IFRS 4 <i>Insurance Contracts</i> and IFRS 16 <i>Leases</i>)	1 January 2021
The amendments in Interest Rate Benchmark Reform — Phase 2 (Amendments to IFRS 9, IAS 39, IFRS 7, IFRS 4 and IFRS 16) introduce a practical expedient for modifications required by the reform, clarify that hedge accounting is not discontinued solely because of the IBOR reform, and introduce disclosures that allow users to understand the nature and extent of risks arising from the IBOR reform to which the entity is exposed to and how the entity manages those risks as well as the entity's progress in transitioning from IBORs to alternative benchmark rates, and how the entity is managing this transition.	
Amendments to IFRS 3 <i>Business Combinations</i> relating to Reference to the Conceptual Framework	1 January 2022
The amendments update an outdated reference to the Conceptual Framework in IFRS 3 without significantly changing the requirements in the standard.	
Amendments to IAS 16 <i>Property, Plant and Equipment</i> relating to Proceeds before Intended Use	1 January 2022
The amendments prohibit deducting from the cost of an item of property, plant and equipment any proceeds from selling items produced while bringing that asset to the location and condition necessary for it to be capable of operating in the manner intended by management. Instead, an entity recognises the proceeds from selling such items, and the cost of producing those items, in profit or loss.	
Amendments to IAS 37 <i>Provisions, Contingent Liabilities and Contingent Assets</i> relating to Onerous Contracts - Cost of Fulfilling a Contract	1 January 2022
The amendments specify that the 'cost of fulfilling' a contract comprises the 'costs that relate directly to the contract'. Costs that relate directly to a contract can either be incremental costs of fulfilling that contract (examples would be direct labour, materials) or an allocation of other costs that relate directly to fulfilling contracts (an example would be the allocation of the depreciation charge for an item of property, plant and equipment used in fulfilling the contract).	

New and revised IFRSs

Annual Improvements to IFRS Standards 2018 – 2020

1 January 2022

Makes amendments to the following standards:

- IFRS 1 *First-Time Adoption of International Financial Reporting Standards* – The amendment permits a subsidiary that applies paragraph D16(a) of IFRS 1 to measure cumulative translation differences using the amounts reported by its parent, based on the parent's date of transition to IFRSs.
- IFRS 9 *Financial Instruments* – The amendment clarifies which fees an entity includes when it applies the '10 per cent' test in paragraph B3.3.6 of IFRS 9 in assessing whether to derecognise a financial liability. An entity includes only fees paid or received between the entity (the borrower) and the lender, including fees paid or received by either the entity or the lender on the other's behalf.
- IFRS 16 *Leases* – The amendment to Illustrative Example 13 accompanying IFRS 16 removes from the example the illustration of the reimbursement of leasehold improvements by the lessor in order to resolve any potential confusion regarding the treatment of lease incentives that might arise because of how lease incentives are illustrated in that example.
- IAS 41 *Agriculture* – The amendment removes the requirement in paragraph 22 of IAS 41 for entities to exclude taxation cash flows when measuring the fair value of a biological asset using a present value technique.

Amendments to IAS 1 Presentation of Financial Statements relating to Classification of Liabilities as Current or Non-Current

January 1, 2023

The amendments aim to promote consistency in applying the requirements by helping companies determine whether, in the statement of financial position, debt and other liabilities with an uncertain settlement date should be classified as current (due or potentially due to be settled within one year) or non-current.

Amendments to IFRS 4 Insurance Contracts Extension of the Temporary Exemption from Applying IFRS 9

January 1, 2023

The amendment changes the fixed expiry date for the temporary exemption in IFRS 4 from applying IFRS 9 Financial Instruments, so that entities would be required to apply IFRS 9 for annual periods beginning on or after 1 January 2023.

New and revised standards	Effective for annual periods beginning on or after
IFRS 17 Insurance Contracts IFRS 17 requires insurance liabilities to be measured at a current fulfillment value and provides a more uniform measurement and presentation approach for all insurance contracts. These requirements are designed to achieve the goal of a consistent, principle-based accounting for insurance contracts. IFRS 17 supersedes IFRS 4 Insurance Contracts as of 1 January 2023.	January 1, 2023
Amendments to IFRS 17 Insurance Contracts Amends IFRS 17 to address concerns and implementation challenges that were identified after IFRS 17 Insurance Contracts was published in 2017. The main changes are: <ul style="list-style-type: none"> • Deferral of the date of initial application of IFRS 17 by two years to annual periods beginning on or after 1 January 2023. • Additional scope exclusion for credit card contracts and similar contracts that provide insurance coverage as well as optional scope exclusion for loan contracts that transfer significant insurance risk. • Recognition of insurance acquisition cash flows relating to expected contract renewals, including transition provisions and guidance for insurance acquisition cash flows recognised in a business acquired in a business combination. • Clarification of the application of IFRS 17 in interim financial statements allowing an accounting policy choice at a reporting entity level. • Clarification of the application of contractual service margin (CSM) attributable to investment-return service and investment-related service and changes to the corresponding disclosure requirements. • Extension of the risk mitigation option to include reinsurance contracts held and non-financial derivatives. • Amendments to require an entity that at initial recognition recognises losses on onerous insurance contracts issued to also recognise a gain on reinsurance contracts held. • Simplified presentation of insurance contracts in the statement of financial position so that entities would present insurance contract assets and liabilities in the statement of financial position determined using portfolios of insurance contracts rather than groups of insurance contracts. • Additional transition relief for business combinations and additional transition relief for the date of application of the risk mitigation option and the use of the fair value transition approach. 	January 1, 2023
Amendments to IFRS 10 Consolidated Financial Statements and IAS 28 Investments in Associates and Joint Ventures (2011) relating to the treatment of the sale or contribution of assets from and investor to its associate or joint venture	Effective date deferred indefinitely. Adoption is still permitted.

Management expects to apply these new standards, interpretations, and amendments to the consolidated financial statements of the Bank when they are applicable. Moreover, the adoption of these new standards, interpretations, and amendments may have no material impact on the Bank's consolidated financial statements in the initial application period.

- **COVID-19 event:**

The outbreak incident of Coronavirus (Covid-19) in the beginning of the year 2020 in many geographical regions around the world has caused widespread disruptions to business and economic activity. Also, this event is witnessing continuous and rapid developments, which required the Company's management to conduct a study to review and evaluate potential risks in addition to providing additional disclosures in the financial statements as at December 31, 2020.

The company did the following procedures to contain the pandemic:

- a. The company has formed a Business Continuity Planning Committee related to the implementation and supervision of the Business Continuity Plan related to the following:
 - Prepare an alternative site to distribute employees to, in order to ensure continuity of work and to maintain social distancing among employees.
 - Activate the remote work feature for sensitive jobs to ensure the continuity of providing service to customers through electronic channels.
 - Maintaining the safety of both employees and customers by taking all preventive actions related to sterilization of branches and workplaces.
- b. the impact of the (Covid-19) pandemic on the company's business results, The Company's management has updated the future prospects for the assumptions used in the ECL calculation.
- c. the impact of the (Covid-19) pandemic on the company's liquidity levels, the company's management has prepared all scenarios related to the stressful situation, noting that the company have convenient levels and a strong solvency margin that enables it to respond to market conditions and economic developments.

25. Fair Value Hierarchy

a. Fair Value Of Financial Assets Measured At Fair Value On a Recurring Basis:

Some of the Company's financial assets are measured at fair value at the end of each reporting period, the following table provides information about how the fair value of those financial assets is determined (valuation techniques and key inputs used).

Financial Assets	Fair value		Fair Value Hierarchy	Valuation Techniques and Key Inputs	Significant Unobservable Inputs	Relation between Significant Unobservable Inputs and Fair Value
	December 31,					
	2020	2019				
	JD	JD				
Financial assets at fair value						
Financial assets at fair value through profit or loss:						
Quoted Shares	22,072	141,509	Level 1	Quoted Shares	Not Applicable	Not Applicable
Financial assets at fair value through other comprehensive income	162,250	170,000	Level 2	Quoted Shares	Not Applicable	Not Applicable
Total Financial Assets at Fair Value	184,322	311,509				

There were no transfers between level 1 and level 2 during 2020 and 2019.

b. Fair Value Of Financial Assets And Financial Liabilities Not Measured At Fair Value On a Recurring Basis:

Except as listed in the following table, the book value of financial assets and financial liabilities shown in the Company's financial statements approximate their fair value.

Financial assets not measured at fair value:	December 31, 2020		December 31, 2019		Fair Value Hierarchy
	Book Value	Fair Value	Book Value	Fair Value	
	JD	JD	JD	JD	
Deposits at banks	4,757,701	4,824,480	5,397,843	5,593,544	Level 2
Financial assets at amortized cost	1,493,488	1,528,664	1,135,887	1,182,030	Level 2
Total Financial Assets not Calculated at Fair Value	6,251,189	6,353,144	6,533,730	6,775,574	

For items listed above, the fair value of financial assets included in level 2 has been measured in accordance with the generally accepted pricing models which reflect the credit risk of counterparties.