

**COMPREHENSIVE LEASING COMPANY
(PUBLIC SHAREHOLDING COMPANY)**

CONSOLIDATED FINANCIAL STATEMENTS

31 DECEMBER 2018

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**INDEPENDENT AUDITOR'S REPORT
TO THE SHAREHOLDERS OF COMPREHENSIVE LEASING COMPANY
(PUBLIC SHAREHOLDING COMPANY)**

Report on the audit of the consolidated financial statements

Our opinion

In our opinion, the consolidated financial statements present fairly, in all material respects, the consolidated financial position of Comprehensive Leasing Company (the "Company") and its subsidiaries (later "the Group") as at 31 December 2018 and its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with International Financial Reporting Standards.

What we have audited

The Group's consolidated financial statements that comprise:

- the consolidated statement of financial position as at 31 December 2018;
- the consolidated statement of comprehensive income for the year then ended;
- the consolidated statement of changes in equity for the year then ended;
- the consolidated statement of cash flows for the year then ended; and
- the notes to the consolidated financial statements, which include a summary of significant accounting policies.

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 "*Auditors' responsibilities for the audit of the consolidated financial statements*" section of our report.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Independence

We are independent of the Group in accordance with the International Ethics Standards Board for Accountants' Code of Ethics for Professional Accountants (IESBA Code). We have fulfilled our ethical responsibilities in accordance with the IESBA Code.



Our audit approach

Overview

| | |
|-------------------|---|
| Key audit matters | Provision for impairment of investment in finance lease contracts and instalment sale receivables |
|-------------------|---|

As part of designing our audit, we determined materiality and assessed the risks of material misstatement in the consolidated financial statements. In particular, we considered where management made subjective judgements; for example, in respect of significant accounting estimates that involved making assumptions and considering future events that are inherently uncertain. As in all of our audits, we also addressed the risk of management override of internal controls, including among other matters, consideration of whether there was evidence of bias that represented a risk of material misstatement due to fraud.

We tailored the scope of our audit in order to perform sufficient work to enable us to provide an opinion on the consolidated financial statements as a whole, taking into account the structure of the Group, the accounting processes and controls, and the industry in which the Group operates.

Key audit matters

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

| Key audit matters | How we responded to key audit matters |
|---|--|
| <p><u>Provision for impairment of investment in finance lease contracts and instalment sale receivables</u></p> <p>As explained in the accounting policy (2-10) and note 4 "Critical Accounting Estimates and Judgments", the management determines the amount of the provision for impairment of investment in finance lease contracts and instalment sale receivables using the accounting policy (2-10) as the management reviews contracts individually or as a group to determine whether there are indications of impairment, like the debtor's inability to pay for a certain period of time. If such indications exist, the management estimates the impairment based on its estimates of the recoverable amount of the assets mortgaged for the Group.</p> | <p>We followed the below procedures to evaluate the reasonability of the management's estimation of the provision for impairment of investment in finance lease contracts and instalment sale receivables:</p> <ul style="list-style-type: none"> • Assessed the management's approach used to determine the provision value. • Assessed the key assumptions used based on our understanding of the Group and its industry. • Assessed the management's approach to determine the debtor's classification and the method of estimating the present value of the recoverable amount of the assets mortgaged for the Group when sold. |



| | |
|---|---|
| <p>There is the risk of misestimating this provision by the management which may lead to a material misstatement in the consolidated financial statements which may be resulted from an inappropriate use of the available information to determine the provision value.</p> <p>As explained in notes (8) and (9) of the consolidated financial statements, the management estimated the value of the provision for impairment of investment in finance lease contracts and instalment sale receivables at JD 1,877,498. Net Group's investment in finance lease contracts and instalment sale receivables amounted to JD 72,385,990 which represents 90.3% of the Group's total assets as at 31 December 2018.</p> | <ul style="list-style-type: none">• Tested a sample of clients classified by the management as defaulters to assessed the reasonability of their classification.• Tested a sample of sales of certain assets mortgaged by the management and compare the amounts collected with the management's previous estimations.• Reviewed a sample of the management's estimates of the recoverable amount from selling the asset to assess its reasonability.• Tested certain relevant procedures and internal control systems used by the management.• Tested the procedures used by the management to determine the provision amount as at 31 December 2018.• Relied on our internal experts to calculate the provision in accordance with IFRS 9 at year end. |
|---|---|

Other information

Management is responsible for the other information. Other information include all the information in the Company's annual report of 2018, except for the consolidated financial statements and the auditor's report. We were not provided with the other information to the date of our report and it is expected to be provided to us after that date.

Our opinion on the consolidated financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

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

When we review the other information which we were not provided with yet and if we concluded significant misstatements, we are required to report that fact to those charged with governance.



Responsibilities of management and those charged with governance for the consolidated financial statements

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

In preparing the consolidated financial statements, management is responsible for assessing the Group'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 Group or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Group's financial reporting process.

Auditor's responsibilities for the audit of the consolidated financial statements

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

As part of an audit in accordance with ISAs, we exercise professional judgment and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than 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 Group'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 Group's ability to continue as a going concern. If we conclude that a material uncertainty exists. We are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the Group audit. We remain solely responsible for our audit opinion.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

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

Report on other legal and regulatory requirements

The Group duly maintains proper books of accounts which are consistent, in all material aspects, with the accompanying consolidated financial statements. We recommend the General Assembly to authorize them.


PricewaterhouseCoopers
PricewaterhouseCoopers "Jordan" L.L.C.
Amman, Jordan
28 January 2019

COMPREHENSIVE LEASING COMPANY
(PUBLIC SHAREHOLDING COMPANY)
CONSOLIDATED STATEMENT OF FINANCIAL POSITION
AS AT 31 DECEMBER 2018

| | Note | 2018 JD | 2017 JD |
|---|------|-------------------|-------------------|
| Assets | | | |
| Non-current assets | | | |
| Software | 5 | 35,916 | 35,911 |
| Property and equipment | 6 | 2,897,015 | 2,400,684 |
| Investment properties | 7 | 3,306,380 | 3,362,291 |
| Assets seized by the company | 8 | 737,000 | - |
| Non-current portion of net investment in finance lease contracts | 9 | 28,878,896 | 22,874,645 |
| Non-current portion of instalment sale receivables | 10 | 6,565,740 | 7,408,443 |
| | | <u>42,420,947</u> | <u>36,081,974</u> |
| Current assets | | | |
| Current portion of net investment in finance lease | 9 | 27,391,870 | 20,316,224 |
| Current portion of instalment sale receivables | 10 | 9,549,484 | 11,912,227 |
| Financial assets at fair value through income statement | 11 | 328,418 | 268,134 |
| Other receivables | 12 | 165,115 | 181,421 |
| Cash and cash equivalents | 13 | 296,470 | 201,359 |
| | | <u>37,731,357</u> | <u>32,879,365</u> |
| Total assets | | <u>80,152,304</u> | <u>68,961,339</u> |
| Shareholders' Equity and Liabilities | | | |
| Shareholders' Equity | | | |
| Paid-in capital | 14 | 10,000,000 | 7,000,000 |
| Statutory reserve | | 2,243,102 | 1,750,000 |
| Voluntary reserve | | - | 21,549 |
| Retained earnings | | 3,901,274 | 5,128,206 |
| Total shareholders' equity | | <u>16,144,376</u> | <u>13,899,755</u> |
| Liabilities | | | |
| Non-current liabilities | | | |
| Long-term borrowings | 15 | 26,924,062 | 21,041,013 |
| Current liabilities | | | |
| Current portion of long-term borrowings | 15 | 23,765,135 | 22,199,701 |
| Banks overdrafts | 16 | 10,982,448 | 9,813,628 |
| Trade and other payables | 17 | 1,212,548 | 1,122,537 |
| Rent received in advance | | 167,087 | 170,091 |
| Income tax provision | 18 | 956,648 | 714,614 |
| | | <u>37,083,866</u> | <u>34,020,571</u> |
| Total liabilities | | <u>64,007,928</u> | <u>55,061,584</u> |
| Total shareholders' equity and liabilities | | <u>80,152,304</u> | <u>68,961,339</u> |

The attached notes from 1 to 28 are an integral part of these consolidated financial statements

COMPREHENSIVE LEASING COMPANY
(PUBLIC SHAREHOLDING COMPANY)
CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME
FOR THE YEAR ENDED 31 DECEMBER 2018

| | Note | 2018 JD | 2017 JD |
|--|------|--------------------|--------------------|
| Net revenue from finance lease contracts | 19 | 8,956,748 | 5,636,998 |
| Net revenue from instalment sale | 20 | 2,791,115 | 3,074,694 |
| Interests expense | | <u>(5,006,667)</u> | <u>(3,482,598)</u> |
| Gross profit | | 6,741,196 | 5,229,094 |
| Administrative expenses | 21 | (2,025,950) | (1,988,121) |
| Other income | 22 | 204,014 | 224,172 |
| Other gains | 23 | <u>11,764</u> | <u>69,334</u> |
| Profit for the year before tax | | 4,931,024 | 3,534,479 |
| Income tax | 18 | <u>(1,146,403)</u> | <u>(805,548)</u> |
| Profit for the year | | 3,784,621 | 2,728,931 |
| Other comprehensive income items | | - | - |
| Total comprehensive income for the year | | <u>3,784,621</u> | <u>2,728,931</u> |
| Earnings per share: | | | |
| Basic and diluted earnings per share from the profit for the year attributable to the Company's shareholders | | <u>0.378</u> | <u>0.273</u> |

The attached notes from 1 to 28 are an integral part of these consolidated financial statements

**COMPREHENSIVE LEASING COMPANY
(PUBLIC SHAREHOLDING COMPANY)
CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED 31 DECEMBER 2018**

| | Paid – in capital JD | Statutory reserve JD | Voluntary reserve JD | Retained earnings JD | Total JD |
|---------------------------------------|----------------------------|----------------------------|----------------------------|----------------------------|-------------------|
| 2018 | | | | | |
| Balance as at 1 January 2018 | 7,000,000 | 1,750,000 | 21,549 | 5,128,206 | 13,899,755 |
| Increase paid-in capital | 3,000,000 | - | (21,549) | (2,978,451) | - |
| Dividends distribution (note 27) | - | - | - | (1,540,000) | (1,540,000) |
| Transfer to statutory reserve | - | 493,102 | - | (493,102) | - |
| Profit for the year | - | - | - | 3,784,621 | 3,784,621 |
| Balance as at 31 December 2018 | <u>10,000,000</u> | <u>2,243,102</u> | <u>-</u> | <u>3,901,274</u> | <u>16,144,376</u> |
| 2017 | | | | | |
| Balance as at 1 January 2017 | 7,000,000 | 1,750,000 | 21,549 | 3,659,275 | 12,430,824 |
| Dividends distribution (note 27) | - | - | - | (1,260,000) | (1,260,000) |
| Profit for the year | - | - | - | 2,728,931 | 2,728,931 |
| Balance as at 31 December 2017 | <u>7,000,000</u> | <u>1,750,000</u> | <u>21,549</u> | <u>5,128,206</u> | <u>13,899,755</u> |

The attached notes from 1 to 28 are an integral part of these consolidated financial statements

COMPREHENSIVE LEASING COMPANY
(PUBLIC SHAREHOLDING COMPANY)
CONSOLIDATED STATEMENT OF CASH FLOWS
31 DECEMBER 2018

| | 2018 | 2017 |
|---|---------------------|--------------------|
| | JD | JD |
| Operating activities | | |
| Profit for the year before tax | 4,931,024 | 3,534,479 |
| Adjustments for: | | |
| Depreciation and amortization | 147,405 | 138,206 |
| Doubtful receivable expense | 454,158 | 513,226 |
| Interests expense | 5,006,667 | 3,482,598 |
| Profit from sale of financial assets at fair value through income statement | (15,154) | (56,882) |
| Loss from sale of property and equipment | 944 | - |
| Changes in working capital: | | |
| Change in fair value of financial assets through income statement | 24,968 | 13,661 |
| Investment in finance lease contracts | (14,271,055) | (18,375,449) |
| Instalment sale receivables | 3,205,446 | 3,587,804 |
| Other receivables | 16,306 | 39,509 |
| Rent received in advance | (3,004) | 12,668 |
| Trade and other payables | 90,011 | 308,591 |
| Cash flows used in operating activities before income tax paid | (412,284) | (6,801,589) |
| Income tax paid | (904,369) | (678,777) |
| Net cash flows used in operating activities | (1,316,653) | (7,480,366) |
| Investing activities | | |
| Purchase of shares | (106,389) | (30,925) |
| Proceeds from sale of shares | 36,291 | 306,235 |
| Purchase of software | (12,500) | (6,435) |
| Proceeds from sale of property and equipment | 3,138 | 30,155 |
| Purchase of property and equipment | (579,412) | (799,351) |
| Net cash flows used in investing activities | (658,872) | (500,321) |
| Financing activities | | |
| Borrowings | 7,448,483 | 10,561,148 |
| Interest paid | (5,006,667) | (3,482,598) |
| Dividends distribution paid | (1,540,000) | (1,260,000) |
| Net cash flows from financing activities | 901,816 | 5,818,550 |
| Net decrease in cash and cash equivalents | (1,073,709) | (2,162,137) |
| Cash and cash equivalents as at 1 January | (9,612,269) | (7,450,132) |
| Cash and cash equivalents as at 31 December (Note 13) | (10,685,978) | (9,612,269) |
| Non-cash transactions | | |
| Transfer of investment in finance lease contracts to assets seized by the company | 737,000 | - |

The attached notes from 1 to 28 are an integral part of these consolidated financial statements

(1) GENERAL INFORMATION

Comprehensive Leasing Company was established as a limited liability company on 14 April 2004 under No. (8730) with a share capital of JD 1 million. On 12 September 2006, the Company's legal status was changed to a public shareholding company and was registered with the Ministry of Industry and Trade under No. (415). As at 31 December 2017, the share capital of the Company amounted to JD 7 million with a nominal value of JD 1 each. In 2018, the Company increased its share capital according to the resolution of the ordinary General Assembly held on 25 February 2018. The share capital was increased by JD 3,000,000 by capitalising the voluntary reserve by JD 21,549 and distributing bonus shares to the shareholders in the amount of JD 2,978,451 by capitalising the retained earnings. Hence, the share capital of the Company became JD 10,000,000 with a nominal value of JD 1 each as at 31 December 2018. The share capital increase procedures were completed with the Ministry of Industry and Trade on 9 April 2018.

The main activity of the company is as follows:

- Financial leasing
- Invest the company's funds in the economic, industrial, agricultural and real estate fields
- Purchase, own, lease and manage movable and immovable property for the purposes of the company
- Mortgages of movable and immovable property
- Development of land by providing the necessary services and fragmentation
- import and export
- Tourism investments
- Own patents
- Obtaining contracts of rights and privileges from any government, entity, authority, company, institution or individual concerned by the objectives of the company, and entering into tenders and tenders, commercial and governmental and private at home and abroad and the registration of trademarks of the company,

On 22 July 2012, a branch of the Company was established in the Kurdistan Region of Iraq under the number (15297). According to the provisions of item No. (5 - third) of the regulation of establishing branches of offices of foreign companies and economic institutions No. (5) of 1989 related to the Kurdistan Region of Iraq and during the first quarter of 2013, the branch commenced its operational activities.

The Comprehensive Leasing Company is a public shareholding company, and its shares are listed in Amman Stock Exchange. The registered address of the Company is 207 Zahran St. - Amman, the Hashemite Kingdom of Jordan.

The consolidated financial statements were approved by the Board of Directors at its meeting held on 22 January 2019 and are subject to the approval of the General Assembly of shareholders.

(2) SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The significant accounting policies applied by the Group's management in the preparation of these consolidated financial statements are set out below. These policies have been consistently applied to all the years presented, unless otherwise stated.

2-1 Basis of preparation

The consolidated financial statements of the Group have been prepared in accordance with the International Financial Reporting Standards (IFRS) and the International Financial Reporting Interpretations Committee (IFRIC) as issued by the International Accounting Standards Board (IASB).

The presentation currency in the financial statements is the Jordanian dinar, which is the functional currency of the Group.

The financial statements have been prepared according to the historical cost convention except for the financial assets at fair value through statement of income which are recognised at fair value at the date of the financial statements.

The preparation of the consolidated financial statements in conformity with IFRS requires the use of certain critical accounting estimates. It also requires management to exercise its judgment in the process of applying the accounting policies of the Group. The areas involving a higher degree of judgment or complexity, or areas where assumptions and estimates are significant to the consolidated financial statements, are disclosed in Note (4).

2-2 Basis of consolidation of financial statements

Subsidiaries

The financial statements of the Group include the financial statements of the company and its subsidiaries fully owned and controlled by the company. The control is achieved when the company is able to manage the main activities of the subsidiary; exposed to varying returns from its investment in the subsidiary or has rights in these returns; and is able to affect these returns through its control over the subsidiary. However, transactions, balances, revenues and expenses between the company and subsidiary shall be eliminated.

Subsidiaries are consolidated from the date on which control is transferred to the parent company and deconsolidated from the date on which the control ceases.

The Company uses the acquisition method to account for business combinations. The cost of acquisition is measured at fair value of acquired assets and liabilities for the previous owners of the Company and equity issued by the company. All direct costs related to the acquisition shall be charged to income statement as expenses. The assets and liabilities (actual and potential) shall be recognised and measured by the fair value at the date of acquisition. Non-controlling interests are recognised for each individual acquisition, whether at the fair value or the proportionate share of non-controlling interests in net acquired assets.

If the business combination is carried out in phases, the carrying amount of the previously owned investment at the date of new acquisition is re-measured at fair value, and the difference shall be recognised in income statement.

Inter-company balances and transactions shall be eliminated upon consolidation of the financial statements. Unrealised profits or losses resulted from inter-company transactions shall also be eliminated.

The increase of the paid consideration over the net fair value of assets at the acquisition date shall be recognised as a goodwill on the date of acquisition.

The Company established two companies in Jordan. It registered Comprehensive Vehicle Trading Company on 21 July 2011 and Comprehensive International Company for Financial Consulting during October 2017. The subsidiaries details are as follows:

| Company name | Legal Status | Paid-in capital JD | Percentage of Ownership % |
|--|---------------------------|-----------------------|------------------------------|
| Comprehensive Vehicle Trading Company LLC | Limited liability company | 500,000 | 100 |
| Comprehensive International Company for Financial Consulting | Limited liability company | 10,000 | 100 |

2-3 Changes in accounting policies and disclosures

The accounting policies are consistent with those followed in the preparation of the consolidated financial statements for the year ended 31 December 2018.

2-3-1 New and revised standards and interpretations issued and applied by the Company in the fiscal year beginning on 1 January 2018

(a) Which have no material impact on the consolidated financial statements:

- Recognition of deferred tax assets for unrealisable losses - amendments to IAS 12 "Income tax".
- Improvements of disclosures - amendments to IAS 7, 'Statement of cash flows'.
- Transfers of investment properties - amendments to IAS 40 "Investment properties".
- Annual amendments to IFRS – 2012-2014 Cycle.
- **IFRS 15 - "Revenue from contracts with customers"**, effective 1 January 2018. This standard replaces IAS 18, which covers contracts for goods and services and IAS 11 covering construction contracts, Based on the new standard, revenue is recognized when the control of the asset or service is transferred to the customer. Therefore, the idea of control replaces the notion of risk and return. The standard allows for retroactive or retrospective application,

Impact: There is no impact on the application of the Standard on the Company's consolidated financial statements, since most of the Company's revenues are derived from sources not subject to this standard,

(b) which have a material impact on the consolidated financial statements:

- IFRS 9 "Financial Instruments":

Nature of change: IFRS 9 addresses the classification, measurement and derecognition of financial assets and financial liabilities and introduces new rules for hedge accounting and introduced a new impairment model.

Impact of adopting IFRS 9:

The Company has adopted International Financial Reporting Standard (IFRS) 9 effective January 1, 2018.

The following are the most important aspects of application:

A- Classification and measurement of financial assets

- There is no material impact on the application of the Standard. The Company has applied the early adoption of the first phase of IFRS 9 as of January 1, 2011.

B- Classification and measurement of financial liabilities:

IFRS (9) has retained the requirements of IAS (39) regarding the classification of financial liabilities. IAS 39 (revised) requires recognition of the differences in the assessment of financial liabilities classified as financial liabilities at fair value through profit or loss in the consolidated statement of income, whereas IFRS (9) requires:

- Recognition of differences in the assessment of financial liabilities classified as financial liabilities at fair value through statement of income as a result of changes in credit risk in the consolidated statement of comprehensive income.
- The remaining amount of fair value valuation differences is recognized in the consolidated statement of income.

C- Hedge accounting

- There is no material impact on the Company as there are no hedging instruments in the Company as at 31 December 2018.

D- Impairment of financial assets

IFRS 9 replaces the "loss recognition" model adopted in IAS 39 to calculate the impairment of financial assets to the forward-looking model "expected credit losses", which requires the use of estimates and judgments to estimate the economic factors. The model has been applied to all financial assets - debt instruments classified at amortized cost or at fair value through the statement of comprehensive income or at fair value through income statement. Effective 1 January 2018, deals with the classification, measurement and recognition of financial assets and liabilities and introduces new rules for hedge accounting.

Impairment losses have been calculated in accordance with the requirements of IFRS 9 in accordance with the following rules:

- 12 month impairment losses: Impairment of expected impairment is calculated within 12 months following the date of the consolidated financial statements.
- Impairment losses for the useful life of the instrument: Impairment of the expected impairment on the life of the financial instrument to maturity is calculated as of the date of the consolidated financial statements.
- The methodology for calculating expected credit losses depends on the probability of default, which is calculated according to the credit risk, future economic factors and loss given default, which depends on the collectible value of the existing collateral and the exposure at default.

F- Disclosures

- IFRS 9 requires several detailed disclosures, particularly with respect to hedge accounting, credit risk and expected credit losses. The Company provides all details required for these disclosures to be presented in the subsequent consolidated financial statements after application.

G- Implementation

- The Company has assessed the impact of the adoption of the Standard on the opening balances of retained earnings as at 1 January 2018 and there was no material impact on the financial statements,

2-3-2 New and amended Standards and Interpretations issued but not effective in the financial year beginning on 1 January 2018. The Company did not apply early to any of them:

| Name of standard | IFRS 16 'Leases' |
|-------------------------|--|
| Nature of change | IFRS 16, "Leases" standard was issued in January 2016 and will almost lead to recognition of all leases in the statement of financial position, as the difference between the operating and financing leases is eliminated. The standard requires recognition of an asset (the right to use the leased item) and a financial liability to pay rentals. An optional exemption exists for short-term and low-value leases. Accounting for lessors did not change significantly. |
| Impact | The standard will primarily affect the accounting of the Company's operating leases. As at the reporting date, most leases relate to payments of short-term and low-value leases; hence, the above exception in the standard applies and therefore no material impact is expected. |
| Mandatory adoption date | Mandatory for financial years beginning on or after 1 January 2019. At this stage, the Company does not intend to adopt the standard before its effective date. The Company intends to apply the simplified transition approach and will not restate the comparative amounts for the previous year. |

There are no other standards or interpretations that are not effective and have a material effect on the Company's consolidated financial statements.

2-4 Foreign currency translation

(a) Functional and presentation currency of the consolidated financial statements

Items included in the financial statements are measured using the currency of the primary economic environment in which each of the Group's companies operates ('the functional currency'). The consolidated financial statements are presented in 'Jordanian Dinar', which is the group functional and presentation currency.

(b) Transactions and balances

Foreign currency transactions are translated into the Jordanian Dinar using the exchange rates prevailing at the dates of the transactions. Cash assets and liabilities denominated in foreign currencies are translated into the Jordanian Dinar at prevailing year-end exchange rates. Foreign exchange gains and losses resulting from that are recognised in income statement. Non-monetary items measured under historical cost in a foreign currency are not translated.

2-5 Intangible assets

Intangible assets are classified on the basis of their lifetime for a definite or indefinite period. Intangible assets that have a definite lifetime are amortised during this lifetime and are recognised in income statement. For intangible assets that have an indefinite lifetime, their impairment is reviewed in the consolidated financial statements and any impairment shall be recognised in income statement.

Computer software and systems as shown in note (5) are amortised using the straight-line method over a period not exceeding five years from the date of purchase.

2-6 Investment properties

Investment properties are initially recognised at cost plus acquisition expenses. The Group adopts the cost model to account for its investment properties as described in the accounting policy (2-7). Investment properties carrying amount is written down to its recoverable amount if the asset's net carrying amount is greater than its estimated recoverable amount. The amount of write-down is recognised in income statement. Revaluation gains are not recognised.

Gains and losses on disposals are determined by comparing the proceeds with the carrying amount and are recognised in income statement.

2-7 Property and equipment

Property and equipment are recorded at historical cost, less depreciation. Historical cost includes expenses related to the acquisition of these property and equipment.

Subsequent costs are included in the asset's value or recognised as a separate asset, as appropriate, when it is probable that future economic benefits associated with the additions will flow to the Group and the cost of the addition can be measured reliably. The book value of the replaced part is derecognised. All other repairs and maintenance expenses are charged to the statement of comprehensive income when incurred.

Lands are not depreciated. Depreciation is calculated using the straight-line method to allocate the property and equipment cost over their estimated useful lives. The main useful lives used for that purpose are as follows:

| | <u>Useful life (years)</u> |
|-------------------------------------|--------------------------------|
| Furniture and fixtures | 5 - 10 |
| Computers | 3 - 5 |
| Electronic and electrical equipment | 4 - 5 |
| Decorations | 5 - 10 |
| Vehicles | 6 - 7 |

The assets' residual values and useful lives are reviewed and adjusted, if needed, at the end of each financial period.

An asset's value is written down to its recoverable amount if the net book value of any of the property and equipment is greater than its recoverable amount, and the decrease is recognised in income statement.

Gain and loss arising on disposal of property and equipment are determined by comparing the proceeds with the carrying amount of the asset and are recognised in income statement.

2-8 Impairment of non-financial assets

Assets that are subject to amortisation are reviewed for impairment loss whenever events or changes in circumstances indicate that the book value may not be recoverable. An impairment loss is recognised for the amount by which the asset's book value exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs to sell or value in use. For the purposes of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash flows (cash-generating units). Non-financial assets that suffered from impairment except goodwill are reviewed for possible reversal of impairment at each reporting date.

2-9 Financial assets

2-9-1 Classifications

The Group classifies its financial assets into the following categories: financial assets at fair value through income statement, loans and receivables. Such classifications are determined based on the purpose for which these financial assets were acquired. The management determines its classification of the financial assets at initial recognition.

(a) Financial assets at fair value through income statement

Financial assets at fair value through income statement are financial assets held for trading. A financial asset is classified under this category if it is purchased primarily to be sold in a short period of time. Such assets are classified in this category under current assets, if the Group expects to sell them within 12 months from the date of the statement of financial position, otherwise they are classified as non-current assets.

(b) Loans and receivables

Loans and receivables are financial assets (other than financial derivatives) with fixed or determinable payments that are not included in the financial market. These assets are classified as current assets unless they have maturities over 12 months after the statement of financial position date, as these are classified as non-current assets.

2-9-2 Recognition and measurement

Purchases and sales of financial assets are recognised on the trade-date – the date on which the Group commits to purchase or sell the asset. Investments are recognised at fair value while costs associated with purchases and sales are recognised in the income statement.

2-10 Impairment of financial assets

The Group reviews stated values of financial assets at the date of the statement of financial position to determine whether objective indications of their impairment exist, individually or in the aggregate. If such indications exist, the recoverable amount is estimated to determine impairment.

The criteria that the Group uses to determine that there is objective evidence of an impairment loss include:

- Significant financial difficulty of the debtor.
- A breach of contract, such as a default or delinquency in interest or principal payments.
- The Group, for economic or legal reasons relating to the borrower's financial difficulty, granting to the borrower a concession that the lender would not otherwise consider.
- It becomes probable that the borrower will enter bankruptcy or other financial reorganisation.
- The disappearance of an active market for that financial asset because of financial difficulties.
- Observable data indicating that there is a measurable decrease in the estimated future cash flows from a portfolio of financial assets since the initial recognition of those assets, including:
 - (1) Adverse changes in the payment status of borrowers in the portfolio.
 - (2) National or local economic conditions that correlate with defaults on the assets in the portfolio.

The Group first assesses whether objective evidence of impairment exists.

For loans and receivables category, the amount of the loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows (excluding future credit losses that have not been incurred) discounted at the financial asset's original effective interest rate. The carrying amount of the asset is reduced and the amount of the loss is recognised in the income statement.

If, in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognised (such as an improvement in the debtor's credit rating), the reversal of the previously recognised impairment loss is recognised in the income statement.

2-11 Lease

Leases are classified as finance leases when the risks and benefits of ownership are significantly transferred by the lease terms to the lessee. Other types of leases are classified as operating leases.

Rental income from operating leases is recognised using the straight line method based on the respective lease term.

(a) The Group as a lessor- investment in finance lease contracts

As per the lease, the lessor transfers, in return of payments, the usufruct of an asset to the lessee for a defined period of time that ends with the ownership transfer to the lessee.

Investment in finance leases is shown at the net present value of finance lease payments less the provision for doubtful receivables (if any). All direct costs of finance leases are shown under the net present value of investment in finance leases.

Finance lease payments are divided between leases income and the principal payment so that the finance lease income is allocated over the contract period reflecting a constant interest rate on the net Group's existing investment during the lease period.

(b) The Group as a lessee

Operating lease payments are recognised as an expense according to the straight line method based on its respective lease period.

2-12 Investment in instalment sale contracts

As per the instalment sale contract, the Group purchases an asset and registers it in the beneficiary's name in return of payments and mortgage of the asset sold to the Group until settling all due payments.

Investments in instalment sale contracts are initially recognised at fair value and subsequently measured at amortised cost using the effective interest method, less provision for impairment. A provision is made for impairment of trade receivables when there is an evidence that the Group will not be able to collect all amounts due according to the original terms of debt. Significant financial difficulties of the debtor, probability that the debtor will enter bankruptcy or financial reorganisation, and default or delinquency in payments are considered indicators that the receivable is impaired. The amount of the provision is the difference between the asset's book value and the present value of estimated future cash flows, discounted at market interest rate. The book value of the asset is reduced using a provision, and the loss is recognised in the statement of comprehensive income. Non-collectible trade receivables are written off in the provision for impairment of trade receivables account. Subsequent recoveries of amounts previously written off are credited under other revenue in the statement of comprehensive income.

2-13 Cash and cash equivalents

For the purposes of preparation the statement of cash flows, cash includes deposits held at call with banks with original maturities of three months or less and bank overdrafts.

2-14 Paid-in capital

The Group's ownership interests are included within shareholders' equity

2-15 Trade payables

Trade payables are obligations to pay for goods or services acquired in the ordinary course of business of the Group. Trade payables are classified as current liabilities if payment is due within one year or less. If not, they are classified as non-current liabilities.

Trade payables are recognised initially at fair value and subsequently measured at amortized cost using the effective interest method.

2-16 Borrowings

Borrowings are recognised initially at fair value, net of transaction costs incurred. Borrowings are subsequently carried at amortised cost. Any difference between the received amounts (net of transaction costs) and the redemption value is recognised in the statement of comprehensive income over the period of the borrowings using the effective interest method.

Borrowings are classified as current liabilities unless the Group has an unconditional right to defer settlement of the liabilities for at least twelve months after the statement of financial position date.

2-17 Revenue recognition

Interest revenues are recognised using the effective interest method.

Transaction costs that are directly associated with obtaining new contracts are initially recognised at fair value and recorded under the value of investment in finance leases or instalment sale receivables according to the nature of its respective transaction and is subsequently allocated over the related contract term using the effective interest method.

2-18 Income tax

Tax expenses represent amounts of tax payable.

Payable tax expenses are calculated based on taxable profits. Taxable profits are different from profits disclosed in the financial statements, as disclosed profits include revenue that is not subject to tax, expenses that are not recognisable in the financial year but in subsequent years or accumulated losses that are accepted in terms of tax or items that are not taxable or recognisable for tax purposes.

Taxes are calculated as per the tax rates established by the laws, regulations and instructions.

2-19 Assets Seized by the Company

Assets seized by the Company are shown at the acquisition value or fair value, whichever is lower. As of the consolidated financial statements date, these assets are revalued individually at fair value. Any decline in their market value is taken to the consolidated statement of income whereas any such increase is not recognized. A subsequent increase is taken to the consolidated statement of income to the extent it does not exceed the previously recorded impairment.

2-20 Provisions

Provisions are recognised when the Group has a present legal or constructive obligation as a result of past events; it is probable that a cash flow of resources will be required to settle the obligation; and the amount can be reliably estimated.

2-21 Employees' benefits

For defined benefit plans, the Group mandatorily pays contributions to the pension insurance fund managed by a government entity (the Social Security Corporation). The Group has no further payment obligations once the contributions are paid. Such contributions are recognised as social security expense as they fall due.

2-22 Dividends

Dividends to the Group's shareholders are recognised as obligations in the financial statements in the period when such dividends are announced and approved by the Group's shareholders.

2-23 Geographic segments

The principle activity of the Group is distributed over more than one economic environment (geographic segment) which are normally exposed to different risks and returns.

2-24 Financial instruments by category

| | <u>2018</u> | <u>2017</u> |
|---|-------------------|-------------------|
| | JD | JD |
| Assets as per the statement of financial position | | |
| Financial assets at fair value through income statement | 328,418 | 268,134 |
| Loans and receivables | | |
| Net investment in finance lease contracts | 56,270,766 | 43,190,869 |
| Instalment sale receivables | 16,115,224 | 19,320,670 |
| Other receivables (excluding prepaid expenses) | 86,982 | 81,283 |
| Cash and cash equivalents | 296,470 | 201,359 |
| | <u>73,097,860</u> | <u>63,062,315</u> |
| Liabilities as per the statement of financial position | | |
| Financial liabilities at amortised cost | | |
| Borrowings and bank overdrafts | 61,671,645 | 53,054,342 |
| Trade and other payables (excluding statutory liabilities and advances) | 416,046 | 496,583 |
| | <u>62,087,691</u> | <u>53,550,925</u> |

(3) FINANCIAL RISK MANAGEMENT

3-1 Financial risk factors

The Group's activities expose it to a variety of financial risks, including the risks of fluctuation in the market (which includes currency translation risk and cash flow and fair value interest rate risk), liquidity risk and credit risk. The Group's overall risk management programme focuses on the minimising potential adverse effects on the Group's financial performance.

(a) Market risk

- Foreign exchange risk

The Group is exposed to risks arising from foreign currency transactions, primarily with respect to the US Dollar. There has been no change in the rate of exchange between the US Dollar and the Jordanian Dinar during the year.

- Cash flow and fair value interest rate risk

The Group's interest rate risk arises from bank borrowings. Borrowings granted to the Group at variable interest rates expose the Group to cash flow interest rate risk, whereas borrowings issued at fixed interest rates expose the Group to fair value interest rate risk.

As at 31 December 2018, borrowings granted to the Group at a variable interest rate consisted of bank overdrafts granted in Jordanian Dinar and U.S. Dollar (Notes 15 & 16).

If interest rates on borrowings and facilities change by 1% on the assumption that other variables are constant, the effect on the statement of comprehensive income will be an increase in expenses at JD 616,716 as at 31 December 2018 (2017: JD 530,543).

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The following table shows the Group's financial assets which are measured at fair value:

| | <u>2018</u> | <u>2017</u> |
|---|----------------|----------------|
| | JD | JD |
| Financial instruments in level 1 | | |
| Financial assets at fair value through income statement | | |
| Shares traded in Amman Stock Exchange | <u>328,418</u> | <u>268,134</u> |

Financial instruments in level 1

The fair value of financial instruments traded in active markets is the market value at the consolidated financial statements date. A market is regarded as active if quoted prices are readily and regularly available through a market, financial brokers or any regulatory agency, and those prices represent the actual price resulting from transactions on an arm's length basis.

3-4 Price risk

The Group is exposed to risks resulting from changes in share prices within the financial assets portfolio at fair value through income statement. The Group manages such risks by analysing the value that is exposed to losses and diversifying investment portfolios. The following table shows the impact of any increase/decrease in the index of Amman Stock Exchange in which the Group invests on the profit for the year and shareholders' equity after income tax, assuming that the change is by 5%.

| | The effect of change of the statement of income | Effect on Equity |
|-------------------------|--|---------------------|
| | <u>JD</u> | <u>JD</u> |
| 31 December 2018 | | |
| Amman Stock Exchange | <u>16,421</u> | <u>16,421</u> |
| 31 December 2017 | | |
| Amman Stock Exchange | <u>13,406</u> | <u>13,406</u> |

The financial effect of a decrease in the market index by the same percentage is expected to be equal and opposite to the effect shown above.

(4) CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS

Accounting estimates and judgements are constantly evaluated by the Group and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under current circumstances.

The Group makes estimates and assumptions concerning the future. The resulting accounting estimates will, by definition, rarely equal the related actual results. The estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are outlined below:

Provision for impairment of investment in finance lease contracts

A provision for impairment of investment in finance leases is made on the basis of assumptions and assumptions approved by the Group's management to estimate the provision in accordance with IFRS (9).

Provision for impairment of instalment sale receivables

Provision for impairment of installment sales is made on the basis of assumptions and assumptions approved by the Group's management to estimate the provision in accordance with IFRS (9).

Properties classifications

In classifying properties, the management exercised significant judgements to determine whether a property is qualified for classification as property investment, property and equipment or property held for resale.

Income tax

The Group is subject to income tax, which requires making judgements in determining the provision for income tax. The Group recognises income tax liabilities depending on its expectations on whether the taxation audit will result in any additional tax. If the final tax estimation is different from what was recorded, such differences will affect the current income tax in the period when recognising that such differences exist.

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(5) SOFTWARE

| | Software |
|---|----------------|
| | JD |
| 2018 | |
| Cost | |
| Balance as at 1 January | 111,276 |
| Additions | 12,500 |
| Disposals | (3,027) |
| Balance as at 31 December | <u>120,749</u> |
| Accumulated amortisation | |
| Balance as at 1 January | 75,365 |
| Additions | 12,495 |
| Disposals | (3,027) |
| Balance as at 31 December | <u>84,833</u> |
| Net book value as at 31 December | <u>35,916</u> |
| | |
| 2017 | |
| Cost | |
| Balance as at 1 January | 104,841 |
| Additions | 6,435 |
| Balance as at 31 December | <u>111,276</u> |
| Accumulated amortization | |
| Balance as at 1 January | 62,465 |
| Additions | 12,900 |
| Balance as at 31 December | <u>75,365</u> |
| Net book value as at 31 December | <u>35,911</u> |

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(6) PROPERTY AND EQUIPMENT

| | Land | | Buildings | | Furniture and fixtures | | Projects under construction (*) | | Computers | | Electronic and electrical equipment | | Decorations | | Vehicles | | Total | | |
|--|------------------|------------------|------------------|---------------|------------------------|-----------|---------------------------------|----------------|---------------|----------------|-------------------------------------|-----------|-------------|--|----------|--|-------|--|--|
| | JD | | JD | | JD | | JD | | JD | | JD | | JD | | JD | | JD | | |
| 2018 | | | | | | | | | | | | | | | | | | | |
| Cost | | | | | | | | | | | | | | | | | | | |
| Balance as at 1 January 2018 | 1,541,495 | - | - | - | 121,547 | 674,828 | 674,828 | 65,535 | 40,324 | 81,904 | 197,714 | 2,723,347 | | | | | | | |
| Additions | - | 350,041 | - | - | 66,958 | - | - | 20,682 | 133,531 | 8,200 | - | 579,412 | | | | | | | |
| Transfers from investment properties item | - | - | 674,828 | - | - | (674,828) | - | - | - | - | - | - | | | | | | | |
| Disposals | - | - | - | (98,479) | - | - | (37,027) | (24,203) | (74,486) | - | - | (234,195) | | | | | | | |
| Balance as at 31 December 2018 | 1,541,495 | 350,041 | 1,024,869 | 90,026 | 188,505 | - | 49,190 | 149,652 | 15,618 | 197,714 | 3,068,564 | | | | | | | | |
| Accumulated depreciation | | | | | | | | | | | | | | | | | | | |
| Balance as at 1 January 2018 | - | - | - | 107,019 | - | - | - | 55,458 | 34,588 | 74,580 | 51,018 | 322,663 | | | | | | | |
| Additions | - | 10,242 | - | 7,481 | - | - | 8,928 | 9,009 | 5,285 | 38,054 | 78,999 | | | | | | | | |
| Disposals | - | - | - | (95,601) | - | - | (37,027) | (23,757) | (73,728) | - | (230,113) | | | | | | | | |
| Balance as at 31 December 2018 | - | 10,242 | - | 18,899 | - | - | 27,359 | 19,840 | 6,137 | 89,072 | 171,549 | | | | | | | | |
| Net book value as at 31 December 2018 | 1,541,495 | 1,014,627 | 1,014,627 | 71,127 | - | - | 21,831 | 129,812 | 9,481 | 108,642 | 2,897,015 | | | | | | | | |

The above owned land is mortgaged against a loan in favour of Arab Jordan Investment Bank.

(*): These amounts relate to the cost of constructing the new building under construction. The project was completed during 2018.

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| | Land | | Furniture and fixtures | | Projects under construction (*) | | Computers | | Electronic and electrical equipment | | Decorations | | Vehicles | | Total | |
|--|------------------|----------------|------------------------|---------------|---------------------------------|---------------|----------------|------------------|-------------------------------------|----------|-------------|----|----------|----|-------|----|
| | JD | JD | JD | JD | JD | JD | JD | JD | JD | JD | JD | JD | JD | JD | JD | JD |
| 2017 | | | | | | | | | | | | | | | | |
| Cost | | | | | | | | | | | | | | | | |
| Balance as at 1 January 2017 | - | 116,792 | - | - | - | 59,074 | 39,921 | 180,171 | 78,999 | 474,957 | | | | | | |
| Additions | - | 5,110 | 674,828 | 6,461 | 2,554 | 107,493 | 799,351 | | | | | | | | | |
| Transfers from investment properties item | 1,541,495 | - | - | - | - | - | 1,541,495 | | | | | | | | | |
| Disposals | | (355) | | | (2,151) | | (89,950) | | | | | | | | | |
| Balance as at 31 December 2017 | 1,541,495 | 121,547 | 674,828 | 65,535 | 40,324 | 81,904 | 197,714 | 2,723,347 | | | | | | | | |
| Accumulated depreciation | | | | | | | | | | | | | | | | |
| Balance as at 1 January 2017 | - | 102,787 | - | - | - | 47,713 | 32,338 | 68,353 | 64,377 | 315,568 | | | | | | |
| Additions | - | 4,492 | - | - | - | 7,745 | 4,222 | 42,734 | 10,203 | 69,396 | | | | | | |
| Disposals | - | (260) | - | - | - | - | (1,972) | (60,069) | - | (62,301) | | | | | | |
| Balance as at 31 December 2017 | - | 107,019 | - | 55,458 | 34,588 | 74,580 | 51,018 | 322,663 | | | | | | | | |
| Net book value as at 31 December 2017 | 1,541,495 | 14,528 | 674,828 | 10,077 | 5,736 | 7,324 | 146,696 | 2,400,684 | | | | | | | | |

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(7) INVESTMENT PROPERTIES

The Group has investment properties as follows:

Investments in lands amounting to JD 2,461,698 as at 31 December 2018 was as follows:

A land in Sahab with a total cost of JD 827,998 (mortgaged against a loan in favour of Housing Bank - Bahrain branch to finance the operating activities of the company's branch in Iraq).

A land in Jizza with a total cost JD 92,114

A land in southern Amman (Al-Qunaitira) with a cost of JD 1,500,000.

A land in southern Amman (Al-Zafraan) with a cost of JD 41,586.

Investments in buildings at a net amount of JD 844,682 after depreciation as at 31 December 2018 as follows:

A building with a cost of JD 1,168,656 on a land leased for 18 years and 3 months starting from 1 July 2004 and ending on 1 October 2022. The building is depreciated over the asset life. The accumulated depreciation amounted to JD 672,639 (2017: JD 625,893).

A building in Sahab with a cost of JD 458,200 depreciated over 50 years. The accumulated depreciation amounted to JD 109,535 (2017: JD 100,370).

The movement in the investment properties balance during the year is as follows:

| | <u>2018</u> | <u>2017</u> |
|--|------------------|------------------|
| | JD | JD |
| Cost | | |
| Balance as at 1 January | 4,088,554 | 5,630,049 |
| Transfers to property and equipment item (*) | - | (1,541,495) |
| Balance as at 31 December | <u>4,088,554</u> | <u>4,088,554</u> |
| Accumulated depreciation | | |
| Balance as at 1 January | 726,263 | 670,353 |
| Additions | 55,911 | 55,910 |
| Balance as at 31 December | <u>782,174</u> | <u>726,263</u> |
| Net book value as at 31 December | <u>3,306,380</u> | <u>3,362,291</u> |

(*) During 2017, the Department commenced construction on the land of Umm Othaina to establish the permanent building of the company. Accordingly, the land was classified as property and equipment during 2017.

There is no impairment in value of investment properties as at 31 December 2018. All investment property items were assessed by independent real estate experts and the average fair value of investment properties exceeded their carrying value.

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(8) ASSETS SEIZED BY THE COMPANY

The following is a summary of the movement on the Assets seized by the company to meet due debts:

| | <u>2018</u> JD | <u>2017</u> JD |
|-------------------------------|-------------------|-------------------|
| Cost | | |
| The balance as of 1 January | - | - |
| Additions | <u>737,000</u> | <u>-</u> |
| The balance as of 31 December | <u>737,000</u> | <u>-</u> |

The Company has assessed these properties during 2018, and there is no impairment in the value of properties acquired as of 31 December 2018

(9) NET INVESTMENT IN FINANCE LEASE CONTRACTS

This item represents investments in finance lease contracts relating to vehicles and properties. The details of this item are as follows:

| | <u>2018</u> JD | <u>2017</u> JD |
|---|---------------------|---------------------|
| Total investment in long-term finance lease contracts (over one year) | 34,517,068 | 25,908,310 |
| Total investment in short-term finance lease contracts | <u>30,928,410</u> | <u>25,188,033</u> |
| Total | 65,445,478 | 51,096,343 |
| Deferred revenues | <u>(8,535,649)</u> | <u>(7,324,870)</u> |
| Total before provision | 56,909,829 | 43,771,473 |
| Provision for impairment of investment in finance lease contracts | <u>(639,063)</u> | <u>(580,604)</u> |
| Current value of the minimum finance lease contracts | 56,270,766 | 43,190,869 |
| Less: Net investment in long-term finance lease contracts | <u>(28,878,896)</u> | <u>(22,874,645)</u> |
| Net investment in finance lease contracts that are due in a year | <u>27,391,870</u> | <u>20,316,224</u> |

Analysis of net investment in finance lease contracts as at 31 December is as follows:

| | <u>2018</u> JD | <u>2017</u> JD |
|---|-------------------|-------------------|
| Not past due | 51,116,935 | 36,530,081 |
| Past due but not impaired (over 90 days) | 5,153,831 | 6,660,788 |
| Past due and impaired (over 90 days) | <u>639,063</u> | <u>580,604</u> |
| Total net investment in finance lease contracts | <u>56,909,829</u> | <u>43,771,473</u> |

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The movement in the provision for finance lease contracts during the year is as follows:

| | <u>2018</u> | <u>2017</u> |
|------------------------------|-----------------|-----------------|
| | JD | JD |
| Balance as at 1 January | 580,604 | 531,272 |
| Doubtful receivables expense | 150,000 | 135,837 |
| Bad debts | <u>(91,541)</u> | <u>(86,505)</u> |
| Balance as at 31 December | <u>639,063</u> | <u>580,604</u> |

(10) INSTALMENT SALE RECEIVABLES

This item represents investments in instalment sale contracts relating to vehicles and properties. The details of this item are as follows:

| | <u>2018</u> | <u>2017</u> |
|--|--------------------|--------------------|
| | JD | JD |
| Total investment in long-term instalment sale contracts (over one year) | 12,175,397 | 8,229,056 |
| Total investment in short-term instalment sale contracts | <u>7,452,066</u> | <u>14,788,318</u> |
| Total | 19,627,463 | 23,017,374 |
| Deferred revenues | <u>(2,273,804)</u> | <u>(2,429,540)</u> |
| Total before provision | 17,353,659 | 20,587,834 |
| Provision for impairment of investment in instalment sale contracts | <u>(1,238,435)</u> | <u>(1,267,164)</u> |
| | 16,115,224 | 19,320,670 |
| Less: net investment in long-term instalment sale contracts | <u>(6,565,740)</u> | <u>(7,408,443)</u> |
| Net investment in instalment sale contracts that are due during the year | <u>9,549,484</u> | <u>11,912,227</u> |

Analysis of instalment sale contracts as at 31 December is as follows:

| | <u>2018</u> | <u>2017</u> |
|--|-------------------|-------------------|
| | JD | JD |
| Not past due | 14,769,612 | 17,790,449 |
| Past due but not impaired (over 90 days) | 1,345,612 | 1,530,221 |
| Past due and impaired (over 90 days) | <u>1,238,435</u> | <u>1,267,164</u> |
| Total instalment sale receivables | <u>17,353,659</u> | <u>20,587,834</u> |

The movement in the provision for instalment sale contracts during the year is as follows:

| | <u>2018</u> | <u>2017</u> |
|------------------------------|------------------|------------------|
| | JD | JD |
| As at 1 January | 1,267,164 | 1,310,405 |
| Doubtful receivables expense | 304,158 | 377,389 |
| Bad debts | <u>(332,887)</u> | <u>(420,630)</u> |
| As at 31 December | <u>1,238,435</u> | <u>1,267,164</u> |

Receivables do not include concentration risk.

All instalment sale receivables are granted in the Jordanian Dinar and U.S. Dollar.

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(11) FINANCIAL ASSETS AT FAIR VALUE THROUGH INCOME STATEMENT

Financial assets at fair value through income statement represents shares in public shareholding companies listed in Amman Stock Exchange. The details are as follows:

| | <u>2018</u> JD | <u>2017</u> JD |
|----------------------------|-------------------|-------------------|
| Shares of listed companies | <u>328,418</u> | <u>268,134</u> |

The change in the value of financial assets at fair value through income statement is recorded in change in working capital in the consolidated statement of cash flows.

The change in the value of financial assets at fair value through income statement is recorded in other profits item in the consolidated statement of comprehensive income.

(12) OTHER RECEIVABLES

| | <u>2018</u> JD | <u>2017</u> JD |
|------------------------|-------------------|-------------------|
| Prepaid expenses | 78,133 | 100,138 |
| Refundable deposits | 19,673 | 26,771 |
| Employees' receivables | 14,706 | 6,608 |
| Margins on guarantees | 650 | 650 |
| Other | 51,953 | 47,254 |
| | <u>165,115</u> | <u>181,421</u> |

(13) CASH AND CASH EQUIVALENTS

The details of this item are as follows:

| | <u>2018</u> JD | <u>2017</u> JD |
|---------------|-------------------|-------------------|
| Cash on hand | 133,098 | 130,519 |
| Cash at banks | 163,372 | 70,840 |
| | <u>296,470</u> | <u>201,359</u> |

For the purpose of the statement of cash flows, cash and cash equivalents comprise cash on hand and at banks less bank overdrafts as follows:

| | <u>2018</u> JD | <u>2017</u> JD |
|---------------------------|---------------------|--------------------|
| Cash on hand and at banks | 296,470 | 201,359 |
| Banks overdrafts | <u>(10,982,448)</u> | <u>(9,813,628)</u> |
| | <u>(10,685,978)</u> | <u>(9,612,269)</u> |

(14) SHAREHOLDERS' EQUITY

Paid-in capital

In 2018, the Company increased its share capital according to the resolution of the extraordinary General Assembly held on 25 February 2018. The share capital increased by JD 3,000,000 by capitalising the voluntary reserve by JD 21,549 and distributing bonus shares to the shareholders amounted to JD 2,978,451 by capitalising the retained earnings. Hence, the share capital of the Company became JD 10,000,000 with a par value of JD 1 each as at 31 December 2018 (31 December 2017: JD 7,000,000). The share capital increase procedures were completed with the Ministry of Industry and Trade on 9 April 2018.

Statutory reserve

In accordance with the requirements of the Jordanian Companies Law and the Company's Bylaws, the Company shall deduct 10% of the annual net profits and transfer them to the compulsory reserve. This deduction shall continue for each year, provided that the total deduction of this reserve shall not exceed 25% of the Company's capital. Profit represents profit before deduction of income tax and fees. This reserve is not available for distribution to shareholders.

Voluntary reserve

According to the Jordanian Companies Law and the Company's by-laws, the Company may establish a voluntary reserve up to 20% of the net profit based on the resolution of its board of directors. The Board of Directors has decided not to deduct any amount for the voluntary reserve during the period from the net profit of the Company. This reserve is available for distribution to shareholders after the approval of the General Assembly of the Company. During the year 2018, the Company has capitalised the voluntary reserve balance of the Company as at 31 December 2017 amounting to JD 21,549 to increase the Company's share capital in accordance with the resolution of the Extraordinary General Assembly held on 25 February 2018.

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(15) LOANS

| | 2018 | | 2017 | |
|------------------------------------|---------------|--------------|---------------|--------------|
| | Interest rate | Balance | Interest rate | Balance |
| | % | JD | % | JD |
| Bank Al Etihad | 9.00% | 3,742,157 | 8.25% | 3,300,317 |
| Capital Bank of Jordan | 9.00% | 6,428,244 | 8.50% | 5,621,241 |
| Societe Generale | 9.25% | 1,747,110 | 8.25% | 997,110 |
| Jordan Commercial Bank | 8.75% | 6,036,716 | 8.00% | 5,454,335 |
| Housing Bank for Trade and Finance | 8.75% | 5,306,490 | 8.00% | 3,609,965 |
| Bank Audi | 8.00% | 2,367,728 | 8.00% | 2,046,772 |
| Jordan Kuwait Bank | 9.50% | 10,138,465 | 8.50% | 6,658,120 |
| Arab Jordan Investment Bank | 8.50% | 4,182,069 | 8.00% | 4,258,304 |
| Arab Jordan Investment Bank * | 7.10% | 2,168,081 | 6.65% | 1,948,745 |
| National Bank of Abu Dhabi | 8.00% | 1,446,852 | 7.75% | 1,828,668 |
| Invest Bank | 9.50% | 5,068,844 | 8.50% | 5,434,618 |
| Egyptian Arab Land Bank | 8.50% | 2,056,441 | 8.00% | 2,082,519 |
| Total borrowings | | 50,689,197 | | 43,240,714 |
| Less: the current portion | | (23,765,135) | | (22,199,701) |
| Long-term portion | | 26,924,062 | | 21,041,013 |

* This loan was granted against land mortgage as explained in note (7).

In respect of other loans, these loans are granted against a deposit of bank cheques and bills provided by the Group.

The ceiling of the loans granted to the Group in USD amounted to USD 17,300,000, which is utilised by the Group's branches located in Iraq, and the utilised amount reached USD 6,132,394 as at 31 December 2018. This amount appears within the total amount of loans above.

The fair value of the above loans are not materially different from their carrying values as at 31 December 2018. The bank interest rates on bank loans above approximate the market interest rates prevailing in the market.

(16) BANK OVERDRAFTS

| | 2018 | | | 2017 | | |
|------------------------------------|---------------|--------------|------------|---------------|--------------|-----------|
| | Interest rate | Credit limit | Balance | Interest rate | Credit limit | Balance |
| | % | JD | JD | % | JD | JD |
| Bank Al Etihad | 9.00% | 1,050,000 | 1,010,144 | 8.25% | 1,050,000 | 889,225 |
| Capital Bank of Jordan | 9.00% | 2,750,000 | 2,524,994 | 8.50% | 2,750,000 | 2,562,127 |
| Societe Generale | 9.25% | 250,000 | 260,243 | 8.25% | 250,000 | 241,415 |
| Jordan Commercial Bank | 8.75% | 1,800,000 | 1,671,651 | 8.00% | 1,800,000 | 1,325,324 |
| Housing Bank for Trade and Finance | 8.75% | 1,713,000 | 1,649,358 | 8.00% | 1,463,000 | 1,087,272 |
| Audi Bank | 9.00% | 500,000 | 472,730 | 8.00% | 500,000 | 470,459 |
| Jordan Kuwait Bank | 9.50% | 1,763,000 | 1,341,078 | 8.50% | 1,363,000 | 1,188,816 |
| Arab Jordan Investment Bank | 8.50% | 605,000 | 512,504 | 8.00% | 605,000 | 586,784 |
| National Bank of Abu Dhabi | 8.00% | 200,000 | 179,496 | 7.75% | 200,000 | 132,692 |
| Invest Bank | 9.50% | 650,000 | 615,366 | 8.50% | 650,000 | 594,973 |
| Egyptian Arab Land Bank | 8.50% | 750,000 | 744,884 | 8.00% | 750,000 | 734,541 |
| | | 12,031,000 | 10,982,448 | | 11,381,000 | 9,813,628 |

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Settlement of net borrowings

The analysis of net borrowings and the related movement during the current year is as follows:

| | <u>2018</u> |
|--|---------------------|
| | JD |
| Cash and cash equivalents | 296,470 |
| Borrowings payable within one year and bank overdrafts | (34,747,583) |
| Borrowings payable within more than one year | <u>(26,924,062)</u> |
| Net borrowings | <u>(61,375,175)</u> |
| | |
| Net cash | 296,470 |
| Total borrowings/ variable interest | <u>(61,671,645)</u> |
| Net borrowings | <u>(61,375,175)</u> |

| | <u>Bank obligations</u> | | | <u>Total</u> |
|---------------------------------------|---------------------------------|---|---|---------------------|
| | <u>Cash and bank overdrafts</u> | <u>Borrowings payable within one year</u> | <u>Borrowings payable within more than one year</u> | |
| | JD | JD | JD | JD |
| Net borrowings as at 1 January 2018 | (9,612,269) | (22,199,701) | (21,041,013) | (52,852,983) |
| Cash flows | <u>(1,073,709)</u> | <u>(1,565,434)</u> | <u>(5,883,049)</u> | <u>(8,522,192)</u> |
| Net borrowings as at 31 December 2018 | <u>(10,685,978)</u> | <u>(23,765,135)</u> | <u>(26,924,062)</u> | <u>(61,375,175)</u> |

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(17) TRADE AND OTHER PAYABLES

| | <u>2018</u> | <u>2017</u> |
|---|------------------|------------------|
| | JD | JD |
| Prepayments - finance lease contracts | 600,850 | 351,703 |
| Trade payables | 284,797 | 187,581 |
| Prepayments - instalment sale contracts | 142,814 | 170,818 |
| Accrued expenses | 85,123 | 47,942 |
| Sales tax deposits | 38,163 | 90,074 |
| Employees' receivables | 18,734 | 40,708 |
| Due to related parties (Note 25) | 10,839 | 165,749 |
| Post-dated cheques | 10,362 | 29,372 |
| Social security deposits | 10,231 | 8,894 |
| Income tax deposits | 4,444 | 4,465 |
| Shareholders' deposits | 4,420 | 8,202 |
| Social committee deposits | 1,771 | 289 |
| Board of directors' remuneration | - | 16,740 |
| | <u>1,212,548</u> | <u>1,122,537</u> |

(18) INCOME TAX

The movement in income tax is as follows:

| | <u>2018</u> | <u>2017</u> |
|---------------------------|----------------|----------------|
| | JD | JD |
| Balance as at 1 January | 700,470 | 524,871 |
| Paid during the year | (890,225) | (615,805) |
| Additions during the year | 1,136,373 | 791,404 |
| Balance as at 31 December | <u>946,618</u> | <u>700,470</u> |

The movement in the income tax of the company's branch in Kurdistan - Iraq is as follows:

| | <u>2018</u> | <u>2017</u> |
|---------------------------|---------------|---------------|
| | JD | JD |
| Balance as at 1 January | 14,144 | 62,972 |
| Paid during the year | (14,144) | (62,972) |
| Additions during the year | 10,030 | 14,144 |
| Balance as at 31 December | <u>10,030</u> | <u>14,144</u> |

The total income tax expense for the current year and the income tax provision as at 31 December are as follows:

| | <u>2018</u> | <u>2017</u> |
|--------------------------|----------------|----------------|
| | JD | JD |
| Income tax expense | 1,146,403 | 805,548 |
| Provision for income tax | <u>956,648</u> | <u>714,614</u> |

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The company obtained a final clearance from the Income and Sales Tax Department until the end of the year 2015 with the exception of 2009, as this year is still a judicial perspective, in respect of the years 2016 and 2017, the self-assessment has been submitted and has not yet been audited by the Income and Sales Tax Department At the date of approval of these consolidated financial statements.

The integrated vehicle sales company (a subsidiary) obtained a final clearance with the Income Tax Department until the end of 2016. For the year 2017, the self-assessment was presented and not yet audited by the Income and Sales Tax Department until the date of approval of these consolidated financial statements.

The company has commenced its business in October 2016. The self-assessment report for 2017 has not yet been audited by the Income and Sales Tax Department until the date of approval of these consolidated financial statements.

(19) NET REVENUE FROM FINANCE LEASE CONTRACTS

| | <u>2018</u> | <u>2017</u> |
|--|------------------|------------------|
| | JD | JD |
| Total revenue from finance lease contracts | 9,293,732 | 6,005,782 |
| Less: | | |
| Insurance fees | (538) | (649) |
| Maintenance and repairs | (319) | (199) |
| Fees, licenses, stamps and commissions | <u>(336,127)</u> | <u>(367,936)</u> |
| | <u>8,956,748</u> | <u>5,636,998</u> |

(20) NET REVENUE FROM INSTALMENT SALE

| | <u>2018</u> | <u>2017</u> |
|---|------------------|------------------|
| | JD | JD |
| Revenue from instalment sale | 2,836,908 | 3,100,535 |
| Less: cost of insurance, stamps, commissions and transfer of the ownership of instalment sale assets | <u>(45,793)</u> | <u>(25,841)</u> |
| | <u>2,791,115</u> | <u>3,074,694</u> |

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(21) ADMINISTRATIVE EXPENSES

| | <u>2018</u> | <u>2017</u> |
|-------------------------------------|------------------|------------------|
| | JD | JD |
| Salaries and wages | 816,456 | 792,444 |
| Doubtful debts expense | 454,158 | 513,226 |
| Advertisement | 170,744 | 85,333 |
| Rent | 144,247 | 229,191 |
| Depreciations and amortisations | 91,494 | 82,296 |
| Social security | 74,352 | 67,863 |
| Governmental fees | 43,923 | 29,388 |
| Traveling expenses | 39,588 | 26,602 |
| Professional fees and consulting | 39,137 | 31,925 |
| Board of directors' remuneration | 32,000 | 18,000 |
| Electricity and water | 20,980 | 15,630 |
| Stationary | 19,949 | 16,860 |
| Maintenance | 16,473 | 17,362 |
| Telephone and postage | 15,165 | 9,199 |
| Transportation and vehicle expenses | 14,126 | 15,662 |
| Hospitality | 8,582 | 7,737 |
| Medical insurance | 6,768 | 6,357 |
| Training courses | 4,453 | 6,546 |
| Miscellaneous | 13,355 | 16,500 |
| | <u>2,025,950</u> | <u>1,988,121</u> |

(22) OTHER INCOME

This item represents net income from investment properties as follows:

| | <u>2018</u> | <u>2017</u> |
|-------------------|----------------|----------------|
| | JD | JD |
| Rental income | 317,801 | 337,633 |
| Less cost: | | |
| Lands rental | (57,000) | (57,000) |
| Insurance fees | (877) | (551) |
| Depreciations | (55,910) | (55,910) |
| | <u>204,014</u> | <u>224,172</u> |

(23) OTHER GAINS

| | <u>2018</u> | <u>2017</u> |
|---|---------------|---------------|
| | JD | JD |
| Change in the fair value of financial assets through income statement | (24,968) | (13,661) |
| Gain on sale of shares | 15,154 | 56,880 |
| Dividends received | - | 11,353 |
| Others | 21,578 | 14,762 |
| | <u>11,764</u> | <u>69,334</u> |

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(24) GEOGRAPHIC SEGMENT

The Group's activities are concentrated in Jordan and Iraq. The financial information of Iraq which are included in the Group's statement of financial position as at 31 December are as follows:

| | <u>2018</u> | <u>2017</u> |
|---|------------------|------------------|
| | JD | JD |
| Assets | | |
| Property and equipment | 11,600 | 18,698 |
| Software | 142 | 568 |
| Net investment in finance lease contracts | 2,029,425 | 17,810 |
| Instalment sale receivables | 2,395,560 | 3,804,068 |
| Other receivables | 2,784 | 599,974 |
| Cash and cash equivalents | 67,245 | 117,708 |
| Total assets | <u>4,506,756</u> | <u>4,558,826</u> |
| Equity and liabilities | | |
| Equity | | |
| Head Office Account | (255,445) | 80,148 |
| Total equity | | |
| Liabilities | | |
| Borrowings | 3,974,722 | 3,761,489 |
| Banks overdrafts | 707,888 | 592,511 |
| Trade and other payables | 69,561 | 110,534 |
| Income tax provision | 10,030 | 14,144 |
| Total liabilities | <u>4,762,201</u> | <u>4,478,678</u> |
| Total equity and liabilities | <u>4,506,756</u> | <u>4,558,826</u> |

The financial information of Iraq which are included in the Group's statement of comprehensive income is as follows:

| | <u>2018</u> | <u>2017</u> |
|--|---------------|---------------|
| | JD | JD |
| Net revenue from finance lease contracts | 157,613 | 6,560 |
| Net revenue from instalment sale | 521,750 | 908,115 |
| Interests expense | (261,113) | (287,406) |
| Gross profit | 418,250 | 627,269 |
| Other income | 1,327 | 5,830 |
| Administrative expenses | (352,707) | (538,806) |
| Profit for the year before tax | 66,870 | 94,293 |
| Income tax | (10,030) | (14,144) |
| Profit for the year | 56,840 | 80,149 |
| Other comprehensive income items | - | - |
| Total comprehensive income for the year | <u>56,840</u> | <u>80,149</u> |

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The financial information of Iraq representing the details of administrative expenses of the Group is as follows:

| | <u>2018</u> | <u>2017</u> |
|-------------------------------------|----------------|----------------|
| | JD | JD |
| Salaries and wages | 210,340 | 229,941 |
| Advertisement | 40,578 | 1,242 |
| Traveling expenses | 29,775 | 25,259 |
| Rent | 28,242 | 45,461 |
| Professional fees and consulting | 9,723 | 5,735 |
| Depreciations and amortisations | 9,133 | 15,017 |
| Electricity and water | 4,700 | 6,827 |
| Social security | 3,920 | 3,701 |
| Transportation and vehicle expenses | 3,734 | 3,880 |
| Telephone and postage | 2,938 | 1,545 |
| Governmental fees | 2,486 | 2,997 |
| Hospitality | 2,471 | 2,577 |
| Stationary | 748 | 1,113 |
| Training courses | 297 | 307 |
| Medical insurance | 114 | 73 |
| Doubtful receivables expense | - | 186,997 |
| Miscellaneous | 3,508 | 6,134 |
| | <u>352,707</u> | <u>538,806</u> |

(25) TRANSACTIONS WITH RELATED PARTIES

Related parties include the Group's major shareholders, directors, entities controlled by them, their families or entities over which they exercise significant administrative influence, as well as key management personnel.

- (a) The following transactions were carried out with related parties represented by companies owned by some of the major shareholders during the year ended 31 December:

| | <u>2018</u> | <u>2017</u> |
|---|-------------|-------------|
| | JD | JD |
| Revenue received from finance lease instalments for companies | 355,690 | 502,605 |
| Revenue received from instalment sale instalments | 1,217,800 | - |
| Rent revenue | 317,801 | 337,633 |

During the year, the Group recognised the following remuneration, allowances and benefits for the directors and general manager:

| | <u>2018</u> | <u>2017</u> |
|---|-------------|-------------|
| | JD | JD |
| Board of directors remunerations | 32,000 | 18,000 |
| Salaries, bonuses and remunerations received by the General Manager | 217,864 | 214,055 |

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(b) Details of balances with related parties as at 31 December were as follows:

Due to related parties (Note 17):

| | <u>2018</u> | <u>2017</u> |
|-------------------------------------|---------------|----------------|
| | JD | JD |
| Ocean for Trading Mineral Oils Ltd, | - | 432 |
| The Leading Vehicles Co, Ltd, | 10,839 | 165,010 |
| Nicola Abu Khader & Sons Co, Ltd, | - | 307 |
| | <u>10,839</u> | <u>165,749</u> |

(26) CONTINGENT LIABILITIES

As at 31 December 2018, the Group had contingent liabilities for bank guarantees at JD 6,500 (2017: JD 6,500).

(27) DIVIDENDS

The Extraordinary General Assembly held on February 25, 2018 approved the distribution of JD 1,540,000 as cash dividends to the partners at a rate of 22% of the paid-up capital as of 31 December 2017. The General Assembly also approved the distribution of bonus shares to the partners at a value of 3,000,000 Dinars of the retained earnings and voluntary reserve to raise the capital of the company by that value,

In accordance with the decision of the General Assembly of Shareholders on 7 February 2017, dividends of JD 1,260,000 were approved for the year 2016 which is equivalent to 18% of the Company's capital.

(28) EARNINGS PER SHARE FROM THE PROFIT FOR THE YEAR

The details of this item are as follows:

| | <u>2018</u> | <u>2017</u> |
|---|-------------------|-------------------|
| | JD | JD |
| Profit for the year | <u>3,784,621</u> | <u>2,728,931</u> |
| Weighted average number of shares | <u>10,000,000</u> | <u>10,000,000</u> |
| Basic and diluted earnings per share from profit for the year (JD/ share) | <u>0.378</u> | <u>0.273</u> |

The basic share of the net profit for the year is equal to the diluted share as the Company has not issued any financial instruments that have an impact on the basic share per share.