

6/15/2020

القوائم المالية الموحدة وتقرير المحاسب القانوني المستقل للسنة المنتهي في 31 كانون الأول 2020 باللغة الانجليزية - الخاص بشركة الفارس الوطنية للإستثمار والتصدير

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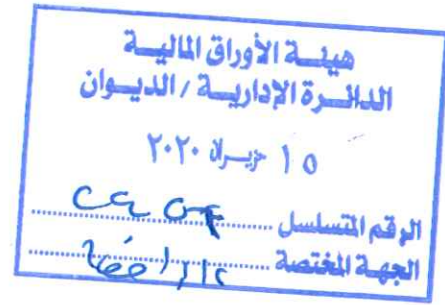
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Sent: Monday, June 15, 2020 1:05 PM

To: disclosure; info

Cc: Omar M. Al-karasneh; Abdul-Rahman Al Dani [adani@optimizasolutions.com]

Attachments: oledata.mso (30 KB) ; AL - FARES NATIONAL FOR IN~1.pdf (4 MB)



Ref. 205/2020

Date: JUNE 15th, 2020

Messrs. JORDAN SECURITIES COMMISSION

Dear Sirs,

Kindly find attached a scanned copy of ALFARIS NATIONAL COMPANY FOR INVESTMENT AND EXPORT'S CONSOLIDATED FINANCIAL STATEMENTS AND INDEPENDENT CERTIFIED PUBLIC ACCOUNTANT'S REPORT YEAR ENDED DECEMBER 31, 2019.

For any further details please do not hesitate to contact us.

Best regards,

optimiza

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**AL – FARES NATIONAL COMPANY FOR
INVESTMENT AND EXPORT
(PUBLIC SHAREHOLDING COMPANY)**

**CONSOLIDATED FINANCIAL STATEMENTS
AND INDEPENDENT CERTIFIED PUBLIC
ACCOUNTANT'S REPORT
YEAR ENDED DECEMBER 31, 2019**

AL – FARES NATIONAL COMPANY FOR INVESTMENT & EXPORT
(PUBLIC SHAREHOLDING COMPANY)

CONSOLIDATED FINANCIAL STATEMENTS AND INDEPENDENT CERTIFIED
PUBLIC ACCOUNTANT'S REPORT
YEAR ENDED DECEMBER 31, 2019

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INDEPENDENT CERTIFIED PUBLIC ACCOUNTANT'S REPORT

To the shareholders
AL – Fares National Company for Investment and Export (P. L .C)

Report on auditing the Consolidated Financial Statements**Opinion**

We have audited the accompanying consolidated financial statements of AL– Fares National Company for Investment& Export (P.L.C), which comprise of the consolidated statement of financial position as of December 31, 2019, and the related consolidated statements of comprehensive income, Statement of owners' equity and consolidated statement of cash flows, for the year then ended, notes to the consolidated financial statements and a summary of significant accounting policies and other explanatory information.

In our opinion, the consolidated financial statements present fairly, in all material respects, the consolidated statement of financial position of AL– Fares National Company for InvestmentandExport. (P.L.C) as of December 31,2019, and its consolidated financial performance and cash flows for the year then ended are in accordance with International Financial Reporting Standards.

Basis for Opinion

We conduct our audit in accordance with International audit standards. Our responsibilities under those standards are further described in Auditor's Responsibilities for the audit of the consolidated financial Statements. We are independent of the company in accordance with International Standard Board Code of Ethics for professional accountants ("the code") and we have fulfilled our other ethical responsibilities in accordance with the code.

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

Key audit matters

Key audit matters, According to our professional judgment, are matters that had the most significant importance in our auditing procedures that we performed to the consolidated financial statement the basic auditing matters have been addressed in our auditing workflow to consolidated financial standards as we do not express separate opinion.

Basic auditing matters	The following is a description of our auditing procedures
<p>Goodwill and developed computer software</p> <p>In accordance with International Financial Reporting Standards, the Company has to assess goodwill, developed computer software and impairment testing, where annual impairment is a significant audit matter due to the complexity of the accounting requirements and general judgments required in determining the assumption to be used in estimating the recoverable amount. The recoverable amount of the cash-generating units, which is based on the value in use or the fair value, less costs to sell, whichever is higher, is calculated from discounted cash flow models. These models use several basic assumptions including estimates of future sales volume and prices, Operating costs, end-to-end value growth rates and weighted average cost of capital.</p>	<p>Goodwill and developed computer software</p> <p>The auditing procedures included evaluating the assumptions and methodologies used by the Company, particularly those relating to the growth of expected revenues and profit margins. We have also emphasized on the adequacy of the Company's disclosure of those most sensitive assumptions used in the impairment test, which has a significant impact in determining the recoverable amount of goodwill and developed computer programs, as a result, the administration conduct studies to test the impairment in goodwill annually and based on a study test the impairment for 2019, it shows that there is no impairment in goodwill and developed computer software amounting to JD 17,519,760 as of December 31, 2019.</p>
<p>Unbilled revenues</p> <p>In accordance with International Financial Reporting Standards, the Company has to periodically review the process of calculating the unbilled revenues and ensure that it is collected in subsequent periods. The management estimates the unbilled revenues through the use of assumptions and estimates and, due to their importance, its considered one of the significant audit risks.</p>	<p>Unbilled revenues</p> <p>The audit procedures included the control procedures used in the verification of existence and completeness, the review of a sample of the unbilled revenues, the conformity with the contracts and the confirmations, and the assurance of their collection in the subsequent period and the confirmation of their validity by assessing the management assumptions, considering the available external information on the risks of recognition of unbilled revenues , We have also evaluated the adequacy of the company's disclosures about it.</p>
<p>Accounts receivable & checks under collections</p> <p>In accordance with International Financial Reporting Standards, the Company is required to review the provision for impairment of receivables. Management estimates impairment in receivables through the use of assumptions and estimates and, because of their significance, its considered an important audit risk.</p>	<p>Accounts receivable and checks under collections</p> <p>The auditing procedures included control procedures used by the Company for collecting accounts receivables and checks under collection, verifying a sample of clients' accounts through direct confirmations, it has been asserted that the account receivable impairment provision is adequate through evaluating the management assumptions, considering the available external information about account receivable risks, we also evaluated the adequacy of the company disclosure about the important estimation in concluding the impairment provision of accounts receivable.</p>

Key audit matters	How our audit addressed the key audit matters
<p>Application of IFRS 16 leases</p> <p>The Company adopted IFRS leases with effect from 1 January 2019, which resulted in changes to the accounting policies. The company has elected not to restate comparative information in accordance with the transitional provisions contained within IFRS 16.</p> <p>The impact of IFRS 16 is a change in accounting policy for operating leases. This change in accounting policy results in right-of-use assets and lease liabilities being recognized in the statement of financial position. The incremental borrowing rate ("IBR") method has been applied where the implicit rate in a lease is not readily determinable.</p> <p>The adoption of IFRS 16 has resulted in changes to processes, systems and controls.</p> <p>Because of the number of judgments which have been applied and the estimates made in determining the impact of IFRS 16, this area is considered as a key audit matter.</p> <p>The transitional impact of IFRS 16 has been disclosed in note 3 to the financial statements.</p>	<p>We obtained an understanding of the company adoption of IFRS 16 and identified the internal controls including entity level controls adopted by the company for the accounting, processes and systems under the new accounting standard.</p> <p>We assessed the design and implementation of controls pertaining to the application of IFRS 16. We assessed the appropriateness of the discount rates applied in determining lease liabilities with input from our internal specialists.</p> <p>We verified the accuracy of the ending lease data by agreeing a representative sample of leases to original contract or other supporting information and checked the integrity and mechanical accuracy of the IFRS 16 calculations for each lease sampled through recalculation of the expected IFRS 16 adjustment.</p> <p>We considered the completeness of the lease data by testing the reconciliation of the company lease liability to operating lease commitments disclosed in the 2018 financial statements and by considering if we had knowledge of any other contracts which may contain a lease.</p> <p>We determined if the disclosures made in the consolidated financial statements pertaining to leases, including disclosures relating to the transition to IFRS16, were in compliance with IFRSs.</p>

Other Matter

As a result of the discontinuance of the business and the operational activity of Gulf Electronics Technical Solutions Limited Company (Saudi Arabia), the Board of Directors has decided not to consolidate their financial statements with the Company's financial statements. , And this investment is presented in accordance with the requirements of IFRS 5 "Non-current Assets Held for Sale and Discontinued Operations"

Other information

The management is responsible for other information which includes other information reported in the annual report, but not included in the consolidated financial statements and our audit report on it.

Our opinion does not include these other information, and we do not express any assertion over it.

Regarding our audit on consolidated financial statements, we are obliged to review these other information, and while that, we consider the compatibility of these information with their consolidated financial statements or with the knowledge that we gained through audit procedure or if it seems to contain significant errors. If we detected an existence of significant errors in the information, we are obliged to report this fact. Regarding this, we have nothing to report.

Management and individuals responsible of governance about the financial statements

Management is responsible for the preparation and fair presentation of these consolidated financial statements in accordance with International Financial Reporting Standards. And for such internal control, management is determined to be important to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the Financial Statements, the 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 the management either intend to liquidate the company or to cease operations or have no realistic alternative but to do so.

Individuals responsible of governance are responsible of supervising the preparation of consolidated financial statements.

Certified public accountant responsibility

Our objective is to obtain reasonable assurance about whether the Financial Statements are free from material misstatement whether due from error or fraud 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 International audit standards will always detect a material misstatement even 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 decision of users taken on the basis of these consolidated Financial Statements.

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

- Identify and assess the risks of material misstatement of the 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 Company's internal control.

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the Management.
- Conclude on the appropriateness of the Management's use of the Going Concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated Financial Statements or, if such disclosures are inadequate, we will modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our Auditor's Report. However, future events or conditions may cause the Company to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the consolidated Financial Statements, including the disclosures, and whether the consolidated Financial Statements represent the underlying transactions and events in a manner that achieves Fair Presentation.

We communicated with audit committee, 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.

Legal requirements report

The Company maintains proper books of accounts and the accompanying consolidated financial statements and the consolidated financial statements contained in the report of the board of directors in accordance with the proper books of accounts and we recommend to the General Assembly to approve them.

Modern Accountants

Walid M. Taha
License No.(703)

Amman - Jordan
February 12, 2020

Modern Accountants
 A member of
Nexia
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المحاسبون العصريون

AL – FARES NATIONAL COMPANY FOR INVESTMENT AND EXPORT
(PUBLIC SHAREHOLDING COMPANY)

CONSOLIDATED STATEMENT OF FINANCIAL POSITION
AS OF DECEMBER 31, 2019
(EXPRESSED IN JORDANIAN DINAR)

	Note	2019	2018
ASSETS			
Non-current assets			
Property and equipment	4	360,988	443,347
Intangible assets	5	17,519,760	17,519,760
Investments in joint ventures	7	-	126,325
Right of use assets	2	115,748	-
Total non-current assets		17,996,496	18,089,432
Current assets			
Prepaid expenses and other receivables	8	1,157,401	928,919
Inventories	9	672,349	566,880
Unbilled revenues		3,515,502	4,824,106
Accounts receivable	10	6,483,914	5,259,507
Cash and cash equivalents	11	944,352	706,356
Total current assets		12,773,518	12,285,768
TOTAL ASSETS		30,770,014	30,375,200
LIABILITIES AND SHAREHOLDERS' EQUITY			
Shareholders' equity			
Shares capital	1	16,000,000	16,000,000
Statutory reserve	12	144,536	143,469
Voluntary reserve	12	25,230	25,230
Accumulated losses		(2,367,611)	(2,377,212)
Total shareholders' equity		13,802,155	13,791,487
Non-current liabilities			
End - of - service indemnities	13	158,551	158,551
Long- term loans	14	4,055,129	2,073,375
Long term lease liabilities	2	9,310	-
Total non-current liabilities		4,222,990	2,231,926
Current liabilities			
Accrued expenses and other liabilities	15	4,104,658	4,041,908
Accounts payable and deferred Checks	16	4,790,044	3,773,848
Current portion of lease liabilities	2	110,907	-
Current portion of long- term loans	14	1,646,985	3,088,980
Banks overdraft	17	411,395	1,766,171
		11,063,989	12,670,907
Obligations related to investment in discontinued subsidiaries company	6	1,680,880	1,680,880
Total current liabilities		12,744,869	14,351,787
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY		30,770,014	30,375,200

The accompanying notes are an integral part of these consolidated financial statements

AL – FARES NATIONAL COMPANY FOR INVESTMENT AND EXPORT
(PUBLIC SHAREHOLDING COMPANY)

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME
YEAR ENDED DECEMBER 31, 2019
(EXPRESSED IN JORDANIAN DINAR)

	Note	2019	2018
Revenues			
Sales		22,276,318	23,207,603
Service revenue		508,367	494,510
Total revenue		22,784,685	23,702,113
Cost of revenues			
Cost of sales	18	(19,900,805)	(20,662,035)
Cost of service revenue	19	(445,305)	(379,865)
Total cost of revenue		(20,346,110)	(21,041,900)
Gross profit		2,438,575	2,660,213
Selling marketing and administrative expenses	20	(1,704,752)	(1,876,907)
Depreciations		(246,351)	(108,510)
Financial charges		(551,209)	(435,515)
Other revenues and expenses		74,405	(19,177)
Net income		10,668	220,104
Other comprehensive income		-	-
Total comprehensive income		10,668	220,104
Earnings per share:			
Earnings per- share JD/ share		0,0001	0,014
Weighted average of outstanding share		16,000,000	16,000,000

The accompanying notes are an integral part of these consolidated financial statements

AL – FARES NATIONAL COMPANY FOR INVESTMENT AND EXPORT
(PUBLIC SHAREHOLDING COMPANY)

CONSOLIDATED STATEMENT OF SHAREHOLDERS' EQUITY
YEAR ENDED DECEMBER 31, 2019
(EXPRESSED IN JORDANIAN DINAR)

	Note	Share capital	Statutory reserve	Voluntary reserve	Accumulated losses	Total
Balance at December 31, 2017		16,000,000	121,459	25,230	(1,006,887)	15,139,802
Impact of expected credit loss IFRS 9	25	-	-	-	(1,568,419)	(1,568,419)
Balance at January 1, 2018		16,000,000	121,459	25,230	(2,575,306)	13,571,383
Comprehensive income for the year		-	-	-	220,104	220,104
Transferred to statutory reserve		-	22,010	-	(22,010)	-
Balance at December 31, 2018		16,000,000	143,469	25,230	(2,377,212)	13,791,487
Comprehensive income for the year		-	-	-	10,668	10,668
Transferred to statutory reserve		-	1,067	-	(1,067)	-
Balance at December 31, 2019		16,000,000	144,536	25,230	(2,367,611)	13,802,155

The accompanying notes are an integral part of these consolidated financial statements

AL – FARES NATIONAL COMPANY FOR INVESTMENT AND EXPORT
(PUBLIC SHAREHOLDING COMPANY)

CONSOLIDATED STATEMENT OF CASH FLOWS
YEAR ENDED DECEMBER 31, 2019
(EXPRESSED IN JORDANIAN DINAR)

	2019	2018
OPERATING ACTIVITIES		
Profit for the year	10,668	220,104
Adjustments for profit for the year:		
Depreciations	246,351	108,510
Financial charges	551,209	435,515
Changes in operating assets and liabilities:		
Accounts receivable	(1,224,407)	1,821,071
Unbilled revenues	1,308,604	(734,877)
Inventories	(105,469)	474,519
Prepaid expenses and other receivables	(228,482)	(46,318)
Accounts payables and deferred checks	1,016,196	(900,038)
Accrued expenses and other liabilities	62,750	(78,859)
Cash available from operations	1,637,420	1,299,627
Financial charges paid	(551,209)	(435,515)
Net cash available from operating activities	1,086,211	864,112
INVESTING ACTIVITIES		
Net change coalition investment	126,325	-
Net changes in Property and equipment	(66,050)	(74,146)
Net cash available from/ (used in) investing activities	60,275	(74,146)
FINANCING ACTIVITIES		
	120,217	-
Financing from Loans	539,759	1,140,962
Right to use the assets	(213,690)	-
Payments to banks overdraft	(1,354,776)	(2,271,564)
Net cash used in financing activities	(908,490)	(1,130,602)
Net change in cash and cash equivalents	237,996	(340,636)
Cash and cash equivalents, January 1	706,356	1,046,992
Cash And Cash Equivalents, December 31	944,352	706,356

The accompanying notes are an integral part of these consolidated financial statements

**AL – FARES NATIONAL COMPANY FOR INVESTMENT AND EXPORT
(PUBLIC SHAREHOLDING COMPANY)**

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
YEAR ENDED DECEMBER 31, 2019
(EXPRESSED IN JORDANIAN DINAR)**

1. ORGANIZATION AND ACTIVITIES

AL – Fares National Company for Investment and Export. P.L.C ("the Company") is a Jordanian public shareholding Company registered on November 21, 2005 under the commercial registration number (373). After conducting all legal procedures; it has been converted from a limited liability company to a public shareholding.

The company's authorized, underwritten and paid up capital is JD 16,000,000 divided to 16,000,000 shares with a par value of one JD per share.

The main activity of the company is to import and export, to enter into other companies and to borrow from banks for the purposes of the company, agents and intermediaries, commercial distribution and marketing, computer software industry, computer hardware industry and its parts, technical, engineering and commercial consultancy and computer services, including computer programming.

The Company operates in the capital of Jordan - Amman.

2. APPLICATION OF NEW AND REVISED INTERNATIONAL FINANCIAL REPORTING STANDARDS (IFRSS)

2.1 New and amended IFRS that are effective for the current year

- IFRS 16 "leases"

IFRS (16) was issued in January 2016. The standard has led to the recognition of all leases in the statement of financial position, as the distinction between operating and financing leases has been removed. Under this standard, the asset (the-right-use the leased asset) and the financial liabilities are recognized for lease payments except for short-term leased contracts that are of low value. With regard to the accounting of lessors, there is no noticeable change to it.

The impact of the standard mainly on operating company leases accounting.

The standard is mandatory for financial years beginning on or after January 2019.

All contracts dealt with within this standard represent the company's location and the location of the company's office location.

The fixed assets in the statement of financial position are amortized using the straight-line method over the expected period of time to use the asset and each asset separately.

**AL – FARES NATIONAL COMPANY FOR INVESTMENT AND EXPORT
(PUBLIC SHAREHOLDING COMPANY)**

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS(CONTINUED)
YEAR ENDED DECEMBER 31, 2019
(EXPRESSED IN JORDANIAN DINAR)**

Note that the lease contracts were previously classified as operating leasing contracts in accordance with Accounting Standard (17) and recorded as a rental expense for the income statement period.

As of January 1, 2019, the company had non-cancelable operating lease obligations for the amount of 244,800JD.

The company has registered the right to use the leased assets at an amount of 213,690JD, and the obligations of lease contracts in the amount of 120,217JD have been recorded.

The effect on the income statement is to reduce the rental expense by 112,199 JD, and to increase the consumption and interest expense by 116,668 JD.

Leases are recognized as a right-of-use asset and the corresponding liability on the date that the leased asset is available for company use. Each lease payment is distributed between the obligation and the financing cost. The finance cost is charged to the profit or loss over the term of the lease in order to obtain a fixed periodic rate of interest due on the remaining balance of the liabilities for each period. Depreciation is calculated on the right-of-use assets over the useful life of the asset or the lease term, whichever is shorter by the straight-line-method.

Leased assets and liabilities are measured on present value basis. Leased assets include net present value of the present value of the following lease payments:

- Fixed payments (including fixed payments in substance), minus any lease incentives due.
- Variable lease payments based on the indicator or rate.
- The amounts expected to be paid by the tenant under the residual value guarantees.
- The price of the adopting of the purchase option in the event that the tenant is sure enough to say that this option is practiced.
- Payments for fines for termination of the lease, if the lease terms indicate that the tenant uses this option.

Operating leases liabilities are measured in present value for the remaining leased payments. Lease payments are deducted using the interest rate included in the leases contracts. And if the rate cannot be determined, we use the borrowing rate for the lessee. It is the rate at the lessee to pay to borrow the money needed to obtain an asset of similar value in a similar economic environment with similar terms and conditions.

Right-of-use asset is measured in cost basis and include the following:

- The initial measurement amount of the rent obligation.
- Any leased payment paid on or before the start date of the contract, minus any rental incentives received.
- Any direct initial costs
- Any maintenance expense to return the original assets to his condition before the lease.

Payments related to short-term lease contracts and low-value assets are recognized on a straight-line basis as expenses in profit or loss. Short-term lease contracts are for 12 months or less.

The company has implemented the International Financial Reporting Standard No. (16) with a future effect as of January 1, 2019.

AL – FARES NATIONAL COMPANY FOR INVESTMENT AND EXPORT
(PUBLIC SHAREHOLDING COMPANY)

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS(CONTINUED)
YEAR ENDED DECEMBER 31, 2019
(EXPRESSED IN JORDANIAN DINAR)

The effect of applying IFRS 16 as January 1, 2019 (increase / (decrease)) is as follows:

	<u>December 31, 2019</u>
Statement of financial position	
Use Rights	
The balance as of January 1, 2019	213,690
Impairment expense	<u>(97,942)</u>
Balance as of December 31, 2019	<u>115,748</u>
Liabilities	
Commitment to lease contracts	
Balance as of January 1, 2019	213,690
Interest expense	18,726
Paid during the year	<u>(112,199)</u>
Balance as of December 31, 2019	<u>120,217</u>
Which of them	
Current leases obligations	110,907
Non- Current lease obligations	<u>9,310</u>
	<u>120,217</u>

The effect on the income statement (increase / (decrease)) for the year ended December 31, 2019 is as follows:

	<u>December 31, 2019</u>
Comprehensive income statement	
Impairment expense entry	97,942
Interest expense Entry	18,726
Reduce lease Expense	<u>(112,199)</u>
The effect of adopting the standard	<u>4,469</u>

**AL – FARES NATIONAL COMPANY FOR INVESTMENT AND EXPORT
(PUBLIC SHAREHOLDING COMPANY)**

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS(CONTINUED)
YEAR ENDED DECEMBER 31, 2019
(EXPRESSED IN JORDANIAN DINAR)**

2 – 2 - NEW AND REVISED STANDARDS AND AMENDMENTS TO IFRSs ISSUED BUT NOT YET EFFECTIVE:-

The following new standards and amendments to the standards have been issued but not yet effective and the Company intends to adopt these standards, where applicable, when they become effective.

<u>New Standards</u>	<u>Effective for annual periods beginning on or after</u>
Amendments to IFRS 3 Business Combinations	January1, 2020
Amendments to IAS 1 Presentation of Financial Statements	January1, 2020
Amendments to IAS 8 Accounting Policies, Changes in Accounting Estimates and Errors	January1, 2020
Amendments to IFRS 7 Financial Instruments : Disclosures	January1, 2020
Amendments to IFRS 9 Financial Instruments	January1, 2020
Amendments to IFRS 10 Consolidated Financial Statements	Effective date deferred indefinitely
Amendments to IFRS 28 Investment in Associates and Joint Ventures	Effective date deferred indefinitely

Management anticipates that these new standards, interpretations and amendments will be adopted in the Company's financial statements as and when they are applicable and adoption of these new standards, interpretations and amendments, may have no material impact on the financial statement of the Company in the period of initial application.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The Preparation of Consolidated Financial Statements

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

The Basics of preparation

These financial statements were presented in Jordanian Dinar as the majority of transactions of The Company recorded the Jordanian Dinar.

The financial statements have been prepared on historical cost basic, except the financial instruments and investments in real state which are stated at fair value. The following is a summary of significant accounting policies applied by the Company.

**AL – FARES NATIONAL COMPANY FOR INVESTMENT AND EXPORT
(PUBLIC SHAREHOLDING COMPANY)**

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS(CONTINUED)
YEAR ENDED DECEMBER 31, 2019
(EXPRESSED IN JORDANIAN DINAR)**

Basis of consolidation financial statements

The Consolidated Financial Statements consisting of The Financial Statements of Al – Fares National Company for Investment and Export Company(Public Shareholding Company)And The Subsidiaries Controlled By The Company.

Control is achieved where the Company:

- Ability to exert power over the investee.
- Exposure, or rights, to variable returns from its involvement with the investee.
- Ability to exert power over the investee to affect the amount of the investor's returns.

The Company reassesses whether or not it controls an investee, or not. If facts and circumstances indicate that there are changes to one or more of the three elements of control described in the accounting policy for subsidiaries above.

When the Company has less than a majority of the voting, The Company shall have control over the investee when the voting rights sufficient to give it the ability to direct relevant activities of the investee individually.

When The Company reassesses whether or not it controls an investee, it considers all the relevant facts and circumstances which includes:

- Size of the holding relative to the size and ownership of other vote holders
- Potential voting rights, others vote-holders, and Other parties
- Other contractual rights
- Any additional facts and circumstances may indicate that the company has, or does not have, the current ability to direct the activities related to the time needed to make decisions, including how to vote at previous shareholder's meetings.

The consolidation process begins when the company's achieve control on the investee enterprise (subsidiary), while that process stops when the company's loses control of the investee (subsidiary). In particular revenues and expenses of subsidiaries acquired or disposed of during the year are included in the consolidated income statement, and the consolidated comprehensive income statement from the effective date of acquisition and up to the effective date of which it loses control of a subsidiary Company.

The profit or loss and each component of other comprehensive income is distributed to the owners of the parent and to the non-controlling interests, total comprehensive income to the owners of the parent and to the non-controlling interests even if this results in the non-controlling interests having a deficit balances.

When necessary, adjustments are made to the financial statements of subsidiaries to bring their accounting policies into line with those used by the parent company.

All intra-entity transactions, balances, income and expenses are eliminated in full on consolidation.

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The Consolidated Financial Statements as of December 31, 2019 consists of the financial statements of the subsidiaries (Directly or indirectly) companies as follow:

Company	Place of registration	Date of registration	Vote and ownership ratio	Main activity
National Computer Company Ltd. *	Jordan	1983	100%	Programming and analyzing computer systems and selling computer supplies and maintenance of electronic devices.
Allied Software Company Ltd.	Jordan	2001	92%	Development of computer software and information systems.
Aregon Ltd - Branch of foreign limited liability company.	Bermuda	2000	100%	Implementation of computer information and networks, installation and maintenance and provision of computer services. Training in the field of software development and analysis of all type and provide training and consulting services and the processing and development of computers, communications and software
Executrain Company Ltd.	Jordan	2001	100%	Computer software industry, selling and assembling computers, contributing to other companies and manufacturing printing machines
Al-Hadeneh for Electronics Co. Ltd. (exempted)	Jordan	2007	100%	Computer programming activities, consultancy experience and related activities
Optimiza Computer System Ltd.	Dubai	2009	100%	Trading computer systems and programs and trading of computer supplies, data processing and trading of computers and accessories.
Optimiza Morocco	Kingdom of Morocco	2012	100%	Computer programming activities, consulting and related matters.
Optimiza for Technology	Dubai	2018	100%	

* On June 19, 2014 the company's National Computer branch was established in the Aqaba Special Economic Zone Authority under No. (1114061901), and in accordance with the regulations of the Aqaba Special Economic Zone Law No. (32) Of 2000, as its amendments, and regulations and instructions issued.

*On March 26, 2018, National Computer Company was established in the UAE under the number (803595).

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Financial assets

Classifications

The Company classifies its financial assets into the following categories: financial assets at fair value through income statement, and receivables. Such classifications are determined based on the purpose for which these financial assets were acquired.

The management determines its classifications 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 Company 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) Receivables and loans

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.

Recognition and measurement

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

Impairment of financial assets

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

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

- Significant financial difficulty of the debtor.
- A breach of contract, such as a default or delinquency in interest or principal payments.
- The Company, for economic or legal reasons relating to the debtors financial difficulty, granting the debtor a concession that the lender would not otherwise consider.
- It becomes probable that the debtor will enter bankruptcy or other financial reorganization.
- The disappearance of an active market for that financial asset because of financial difficulties.

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- 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 debtors in the portfolio.
- (2) National or local economic conditions that correlate with defaults on the assets in the portfolio.

The Company first assesses whether objective evidence of impairment exists.

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

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

Reclassifications

If the business model under which the Company holds financial assets changes. The financial assets affected are reclassified. The classification and measurement requirements related to the new category apply prospectively from the first day of the first reporting period following the change in business model that results in reclassifying the Company's financial assets. During the current financial year and previous accounting period, there was no change in the business model under which the Company holds financial assets and therefore no reclassifications were made

Impairment

IFRS 9 replaces the "incurred loss" model in IAS 39 with an expected credit loss model (ECLs). The Company recognizes loss allowance for expected credit losses on the following financial instruments that are not measured at FVTPL

- Cash and bank balances;
- Trade and other receivables;
- Due from related party.

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 allowance 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 stage1); or
- Full lifetime ECL, i.e. Lifetime ECL that results from all possible default events over the life of the financial instruments, (referred to as stage2 and stage3).

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A loss allowance 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.

The Company has elected to measure loss allowances of cash and bank balances. Trade and other receivables, and due from a related party at an amount equal to life time ECLs

ECLs are probability-weighted estimate of the present value of credit losses. These are measured as the present value of the difference between the cash flow to the Company under the contract and the cash flows that the Company expects to receive arising from weighting of multiple future economic scenarios. Discounted at the asset's EIR.

Loss allowance for financial investments measured at amortized costs is deducted from gross carrying amount of assets. For debt securities a FVTOCI, the loss allowance is recognized in the OCI, instead of reducing the carrying amount of the asset.

When determining whether the credit risk of a financial asset has increased significantly since initial recognition and when estimating ECLs, the Company considers reasonable and supportable information that is relevant and available without undue costs or effort. This includes both quantitative and qualitative including forward-looking information.

For certain categories of financial assets, assets that are assessed not to be impaired individually are, in addition, assessed for impairment on a collective basis. Objective evidence of impairment for a portfolio of receivables could include the Company's past experience of collecting payments, an increase in the number of delayed payments in the portfolio as well as observable changes in national or local economic conditions that correlate with default on receivables.

Impairment losses related to cash and bank balances, trade and other receivables and due from a related party, are presented separately in the statement of income and other comprehensive income

The Company considers a debt security to have low credit risk when its credit risk rating is equivalent to the globally understood definition of the grade of the investment.

Measurement of ECL

The Company employs statistical models for ECL calculations. ECLs are a probability-weighted estimate of credit losses. For measuring ECL under IFRS 9, the key input would be the term structure of the following variables.

- Probability of default (PD);
- Loss given default (LGD); and
- Exposure at default (EAD).

These parameters will be derived from our internally developed statistical models and other historical data. They will be adjusted to reflect forward – looking information.

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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 assets have occurred. Credit-impaired financial assets are referred to stage 3 assets. At each reporting date, the Company assesses whether financial assets carried at amortized costs and debt securities at FVTOCI at credit-impaired. A financial asset is credit impaired when one or more events that have a detrimental impact in the estimated future cash flows of the financial asset have occurred.

DE-recognition of financial assets

The Company de-recognizes a financial asset only when the contractual rights to the cash flows from the asset expire, or when it transfers the financial asset and substantially all the risks and rewards of ownership of the asset to another entity. If the Company neither transfers nor retains substantially all the risks and rewards of ownership and continues to control the transferred asset, the Company recognizes its retained interest in the asset and an associated liability for amounts it may have to pay. If the Company retains substantially all the risks and rewards of ownership of a transferred financial asset, the Company continues to recognize the financial asset and also recognizes a collateralized borrowing for the proceeds received.

On DE recognition of a financial asset measured at amortized cost or measured at FVTPL, the difference between the asset's carrying amount and the sum of the consideration received and receivable is recognized in profit or loss.

On DE recognition of a financial asset that is classified as FVTOCI, the cumulative gain or loss previously accumulated in the cumulative changes in fair value of securities reserve is not reclassified to profit or loss, but is reclassified to retained earnings.

Presentation of allowance for ECL are presented in the financial information

Loss allowances for ECL are presented in the financial information as follows:

-For financial assets measured at amortized cost (loans and advances, cash and bank balances): as a deduction from the gross carrying amount of the assets.

- For debt instruments measured at FVTOCI no loss allowance is recognized in the consolidated statement of financial position as the carrying amount is at fair value. However, the less allowance is included as part of the revaluation amount in re-evaluation reserve and recognized in other comprehensive income.

Critical judgments in applying the Company's accounting policies in respect of IFRS 9

Business model assessment: Classification and measurement of financial assets depends on the results of the SPPI and the business model test. The Company determines the business model at a level that reflects how Company's of financial assets were managed together to achieve a particular business objective. This assessment includes judgments reflecting all relevant evidence including how the performance of the assets is evaluated and their performance measured, the risks that affect the performance of the assets and how these are managed and how the managers of the assets are compensated. Monitoring is part of the Company's continuous assessment of whether the business model for which the remaining financial assets are held continues to be appropriate and if it is not appropriate whether there has been a change in business model and so a prospective change to the classification of those assets.

Significant increase of credit risk

ECLs are measured as an allowance equal to 12-month ECL for stage 1 assets, or lifetime ECL assets for stage 2 or stage 3 assets. An asset moves to stage 2 when its credit risk has increased significantly since initial recognition. IFRS 9 does not define what constitutes a significant increase in credit risk. In assessing whether the credit risk of an asset has significantly increased the Company takes into account qualitative and quantitative reasonable and supportable forward looking information.

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Establishing Company s of assets with similar credit risk characteristics

When ECLs are measured on a collective basis, the financial instruments are Company collected on the basis of shared risk characteristics (e g, instrument type, credit risk grade, collateral type, date of initial recognition, remaining term to maturity, industry, geographic location of the borrower, etc.). The Company monitors the appropriateness of the credit risk characteristics on an ongoing basis to assess whether they continue to be similar. This is required in order to ensure that should credit risk characteristics change there is appropriate re-segmentation of the assets. This may result in new portfolios being created or assets moving to an existing portfolio that better reflects the similar credit risk characteristics of that Company of assets. Re-segmentation of portfolios and movement between portfolios is more common when there is a significant Increase in credit risk (or when that significant increase reverses) and so assets move from 12-month to lifetime ECLs, or vice versa, but it can also occur within portfolios that continue to be measured on the same basis of 12month or lifetime ECLs but the amount of the ECLs changes because the credit risk of the portfolios differ.

Models and assumptions used

The Company uses various models and assumptions in measuring fair value of financial assets as well as in estimating ECL. Judgment is applied in identifying the most appropriate model for each type of asset, as well as for determining the assumptions used in these models, including assumptions that relate to key drivers of credit risk.

Key sources of estimation uncertainty in respect of IFRS 9

The following are key estimations that the management has used in the process of applying the Company's accounting policies and that have the most significant effect on the amounts recognized in consolidated financial statements.

Establishing the number and relative weightings of forward-looking scenarios for each type of product \ market determining the forward looking information relevant to each scenario: When measuring ECL the Company uses reasonable and supportable forward looking information, which s based on assumptions for the future movement of different economic drivers and how these drivers will affect each other.

Probability of Default

PD constitutes a key input in measuring ECL. PD is an estimate of the likelihood of Default likelihood of default over a given time horizon, the calculation of which includes historical data, assumptions and expectations of future conditions.

Loss Given to Default

LGD is an estimate of the loss arising on default. It is based on the difference between the contractual cash flows due and those that the lender would expect to receive, taking into account cash flows from collateral and integral credit enhancements.

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Revenue recognition

Revenue is measured at an amount that reflects the allowances that an entity expects to receive in exchange for transferring goods or services to a customer, with the exception of sums collected on behalf of other parties. The company recognizes revenue upon fulfilling every service obligation.

Separate selling prices are determined based on the observable price at which companies sell products and services on a separate basis. For items that are not sold separately, the Company estimates separate sale prices using other methods.

The Group recognizes revenue from the following main sources:

Major operations

Revenue represents amounts due in respect of services rendered during the year measured at the fair value of the consideration received or due, net of discounts.

Revenue is recognized over time when providing services.

If the services are provided under one arrangement in different reporting periods, the corresponding allowance will be allocated based on the contracts signed with clients.

Other income

The company recognizes revenue when the amount of revenue can be measured reliably; it is probable that future economic benefits will flow to the entity and when specific criteria for the company's activities are met.

Contract assets and liabilities

The Company has determined that contract assets and liabilities are to be recognized at the performance obligation level and not at the contract level and both contract assets and liabilities are to be presented separately in the financial statements. The Company classifies its contract assets and liabilities as current and non-current based on the timing and pattern of flow of economic benefit.

Expenses

Selling and marketing expenses mainly comprise of costs incurred in the marketing and sale of the Company's products. All other expenses are classified as general and administrative expenses.

General and administrative expenses include both direct and indirect costs not specifically part of production costs as required under generally accepted accounting principles. Allocations between general and administrative expenses and cost of sales are made on a consistent basis when required.

Cash and cash equivalents

Cash and cash equivalent include cash, demand deposits, and highly liquid investments with original maturities of three months or less.

Receivables

Receivables are stated at their net recoverable amount, and a provision for impairment of receivables is made based on a full review of all balances at the end of the year, and the outstanding debts are written off in the period in which they are identified.

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Accounts payable and accruals

Accounts payable are stated at the obligation amounts for received services and goods, whether billed by the suppliers or not.

Joint ventures

The Joint venture is the operation that include using assets and other resources for the parties involved in the coalition rather than establishing a company or any financial structure separate from the coalition parties themselves .Each party of the coalition use his property and equipment and incur his own expenses and obligations and provide his own funding, the joint venture contract provide the method which enable to split the revenue from joint contract and any expenses incurred jointly between coalition parties, the consolidated financial statement include the Company's share from joint venture business results using the equity method.

Inventories

Inventories are stated at lower of cost or market using (FIFO) inventory valuation method.

Investments in developed computer programs

The fair value of the computer program resulting from acquisition of subsidiaries were reassessed based on the recoverable amount , if the value is less than the book value, it would be reduced to recoverable amount, Which are measured based on the value in use, and the impairment value is recognized in the income statement. This impairment appears in the consolidated income statement.

Goodwill

Goodwill arising on the acquisition of a subsidiary or jointly controlled entity represents excess of acquisition cost over the Company's share of the net fair value of the identifiable assets, liabilities and contingent liabilities of the jointly controlled entity recognized as at the date of purchase. Goodwill is initially recognized as an asset on a cost basis and is subsequently measured at cost less accumulated impairment, if any.

At the exclusion of a subsidiary Company, the value of goodwill allocated to them to determine the gain or loss resulting from the exclusion.

Property and equipment

Property and equipment are stated at cost less accumulated depreciation and impairment if exist. Expenditures on maintenance and repairs are expensed, while expenditures for enhancement and improvement are capitalized. Depreciation is provided over the estimated useful lives of the applicable assets using the straight line method. The estimated rates of depreciation of the principal classes of assets are as follows:

	Annual depreciation rate
Machinery and devices	20%
Furniture and fixture	10%
Computers and software	15-25 %
Decorations	10-15 %
Vehicles	15%
Tools and equipment	15%
Books	20%

The review of the useful life and depreciation method is done on a regular basis to ensure that the depreciation method and period match with the expected economic benefits of property and equipment.

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Impairment test is performed for property and equipment in the consolidated statement of financial position when any events or changes occur in circumstances that show that this value may not be recoverable. In case of any indication of impairment, impairment losses are calculated depending on the impairment policy of declining the value of the assets.

When any subsequent disposal of property and equipment, the value of the gains or losses arising are recognized, this represents the difference between the net disposal proceeds and the value that appears out of property and equipment in the consolidated balance sheet, gross profit and loss.

Income tax

The company is subject to Income Tax Law and its subsequent amendments and the regulations issued by the Income Tax Department in the Hashemite Kingdom of Jordan and provided on accrual basis, Income Tax is computed based on adjusted net income. According to International Accounting Standard number (12), the company may have deferred taxable assets resulting from the temporary differences between the accounting value and tax value of the assets and liabilities related to the provisions, these assets are not shown in the financial statements since it's immaterial.

Leasing

Lease contracts are classified as capital leases if the lease results in a material transfer of the property benefits and risks related to the asset in question to the lessee. Other leases are classified as operating leases.

Rents are recognized as a right to use asset and a corresponding liability on the date that the leased asset is available for company use. Each lease payment is distributed between the obligation and the cost of the financing. The finance charge is charged to the profit or loss over the term of the lease in order to obtain a fixed periodic rate for the outstanding balance on the remaining balance of the liabilities for each period. Depreciation is calculated on the assets of the right to use over the useful life of the asset or the lease term, whichever is shorter, by the straight-line method.

Operating lease obligations are measured at the present value of the remaining lease payments, as lease payments are discounted using the interest rate included in the lease. If this rate cannot be determined, the additional borrowing rate of the lessee is used, which is the rate the tenant has to pay to borrow the funds necessary to obtain an asset of similar value in a similar economic environment with similar terms and conditions.

Rentals due under short-term operating leases and low-value assets are charged to the statement of comprehensive income during the period of the operating lease using the straight-line method. Short-term operating lease contracts are leases of 12 months or less.

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Provisions

The provision had been formed, when the company has a present obligation (legal or expected) from past events which its cost of repayment considers accepted and it has ability to estimate it reliably.

The provision had been measured according the best expectations of the required alternative to meet the obligation as of the statement of financial position date after considering the risks and not assured matters about the obligation. When the provision had been measured with the estimated cash flows to pay the present obligation, then the accounts receivable had been recognized as asset in case of receipt and replacement of the amount is certain and it able to measure the amount reliably.

Segment reporting

The business sector represents a group of assets and operation engaged together in providing product or services subjected to risks and returns that are different from those of other business sectors, which are measured according to the reports that are used by the executive director and the main decision – makers in the Company.

Geographical segment is associated in providing products in particular economic environment subject to risks and returns that are differed from those for sectors to work in economic environment.

Offsetting

Financial assets and financial liabilities are offset, and the net amount is reflected in the consolidated statement of financial position only when there are legal rights to offset the recognized amounts, and when intends to settle them on a net basis, or assets are realized and liabilities settled simultaneously.

Foreign currency translation

Foreign currency transactions are translated into Jordanian Dinar at the rates of exchange prevailing at the time of the transactions. Monetary assets and liabilities denominated in foreign currencies at the balance sheet date are translated at the exchange rates prevailing at that date. Gains and losses from settlement and translation of foreign currency transactions are included in the statement of income.

Critical accounting judgments and key sources of estimation uncertainty

The preparation of consolidated financial statements requires management to make judgments estimates and assumptions that affect the application of accounting policies and the reported amounts of assets and liabilities, income and expense. Actual results may differ from these estimates.

In preparing these consolidated financial statements, the significant Judgments made by management in applying the Company accounting policies and the key sources of estimation uncertainty were the same as those that applied to the audited annual financial consolidated statements.

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4. PROPERTY AND EQUIPMENT

	January 1	Additions	Disposal	December 31
Cost:				
Machinery and devices	3,156,443	28,042	(1,155)	3,183,330
Furniture and fixture	825,105	1,345	-	826,450
Computers and software	505,640	-	-	505,640
Decorations	227,262	-	-	227,262
Vehicles	85,950	48,000	(28,500)	105,450
Tools and equipment	129,153	-	-	129,153
Books	12,237	-	-	12,237
Total cost	4,941,790	77,387	(29,655)	4,989,522
Depreciation:				
Machinery and devices	2,838,505	121,081	(1,155)	2,958,431
Furniture and fixture	816,134	10,222	-	826,356
Computers and software	505,432	208	-	505,640
Decorations	166,602	-	-	166,602
Vehicles	38,733	15,629	(17,163)	37,199
Tools and equipment	120,800	1,269	-	122,069
Books	12,237	-	-	12,237
Total depreciation	4,498,443	148,409	(18,318)	4,628,534
Book value at January 1	443,347			
Book value at December , 31				360,988

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5. INTANGIBLE ASSETS

Intangible assets amounting to JD 17,519,760 resulted from the Company's acquisition of full and / or part of the shares of partners in several companies operating in the field of information systems during 2005 and 2007.

The details of Intangible assets:

	2019	2018
Investment in developed computer programs	15,107,872	15,107,872
Goodwill*	2,411,888	2,411,888
	<u>17,519,760</u>	<u>17,519,760</u>

***The details of goodwill:**

	2019	2018
Balance as of January 1	4,286,888	4,286,888
Provision of impairment of goodwill	(1,875,000)	(1,875,000)
Balance as of December 31	<u>2,411,888</u>	<u>2,411,888</u>

According to IFRS, the fair value for computer program is re-evaluated based on the recoverable amount it, and then when the recoverable amount of the fair value of the computer programs is less than its carrying amount, we reduce its value to the recoverable amount and record this impairment in consolidated comprehensive income statement. Based on the test of the impairment by the management at the end of 2019, there was no impairment in the value of goodwill and developed computer programs which were measured on the basis of the value in use, which is calculated using discounted cash flows through approved estimated budgets by the company management, which covers a period of five years on the basis of a weighted average cost of capital WACC of 14.2 % annually.

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6. INVESTMENT IN DISCONTINUED SUBSIDIARIES COMPANY

As a result of the discontinuance of Gulf electronic technology Solutions L.L.C (Saudi Arabia) and its operating activity at the end of 2014, the board of directors decided not to consolidate its financial statement with the company's financial statements' at the end of 2014 and this investment is presented in accordance with the requirements of IFRS 5 "Non-current Assets Held for Sale and Discontinued Operations"

The details for investment in discontinued subsidiaries companies as follows: -

	2019	2018
Cost of purchase	1,004,392	1,004,392
Impairment	(676,967)	(676,967)
Balance of accumulated losses for the discontinued company at December 31	(2,008,305)	(2,008,305)
Net book value (excess of liabilities over assets)	(1,680,880)	(1,680,880)

7. INVESTMENTS IN THE JOINT VENTURE

National Computer Co. (subsidiary) engaged in joint venture agreement with both companies (Technical Services for Computer Company and Taqarob for Investment and Technology) in the same ratio of profit 33.3% for each party in this joint venture for the implementation of the strategic project for Microsoft Corporation and the Jordan government representative by the Ministry of Communication and Information Technology.

There is case raised by the company to claim the value of the investment

8. PREPAID EXPENSES AND OTHER RECEIVABLES

	2019	2018
Prepaid expenses	192,183	187,675
Bank guarantees deposits	323,942	273,759
Advance payments for suppliers	692,277	405,718
Refundable deposits	12,477	19,419
Government deposits	95,755	261,161
Employees receivables	231,161	177,195
Retained amounts from the sold of subsidiary *	269,645	424,800
Others receivables	11,781	9,844
Provision for impairment of other receivables	(671,820)	(830,652)
	1,157,401	928,919

* During the second quarter of 2010, the company sold its entire shares in Mena I-Tech for Software Services (a subsidiary) at USD 5,600,000 which is equivalent of JD 3,964,799, where the book value of the investment in Mena Software Services (subsidiary) as of December 31, 2009 amounted to JD 4,100,751, agreement provides the existence of the amount of JD 360,000 which is a related party-receivable to Mena I-Tech (subsidiary) and has been agreed to repay it from within the sales amount, so the company has made losses amounted to JD 495,952 from the sale of this investment, as the agreement provides on reserve the amount of JD 424,800 from the sale value for any liabilities that may arise on the company and is not recorded in their records before the date of sale, also during 2019 was paid 155,155 JD and reduced the retained amount by that value.

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9. INVENTORIES

	2019	2018
Inventory	949,810	844,341
provisions for dead-stock inventory	(277,461)	(277,461)
	<u>672,349</u>	<u>566,880</u>

10. ACCOUNT RECEIVABLES

	2019	2018
Account receivables *	10,362,425	9,082,102
Due from related party **	61,644	117,560
Impairment of account receivables provision	(3,940,155)	(3,940,155)
	<u>6,483,914</u>	<u>5,259,507</u>

* Aging of accounts receivables as of December 31 is as follows:

	2019	2018
1-150 day	5,972,421	3,676,072
151-360 day	985,452	1,800,175
Over 361	3,404,552	3,605,855
	<u>10,362,425</u>	<u>9,082,102</u>

** Due from related party represents the value of the receivable balance Mr. Rudain Tawfiq Kawar (chairman of board of directors).

11. CASH AND CASH EQUIVALENTS

Cash and cash equivalents includes cash, and demand deposits that can be liquidate in the 3 months

	2019	2018
Checks on hand	198,446	114,271
Cash on hand	179	393
Cash at banks	745,727	591,692
	<u>944,352</u>	<u>706,356</u>

12. RESERVES

Statutory reserve:

In accordance with the Companies' Law in the Hashemite Kingdome of Jordan and the Company's Article of Association, the Company has established a statutory reserve by the appropriation of 10% of net income until the reserve equals 25% of the capital. However, the company may, with the approval of the General Assembly to continue to deduct this annual ratio until this reserve is equal to the authorized capital of the Company in full. This reserve is not available for dividend distribution; The General Assembly is entitled to decide, in its unusual meeting, to amortize its losses by the accumulated statutory reserve if all other reserves pay off, to rebuild it again in accordance with the law.

Voluntary reserve:

In accordance with the Companies' Law in the Hashemite Kingdome of Jordan and the Company's Article of Association, The Company can establish a voluntary reserve by an appropriation no more than 20% of pre-tax net income. The company's Board of Directors resolved to allocate 20% of the net income during the year. This reserve is not available for dividend distribution till the approval of the Company's General Assembly.

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13. END -OF-SERVICE INDEMNITIES

The transactions on end of service indemnity account as following:

	2019	2018
Balance as January 1	158,551	158,551
Payment during the year	-	-
Balance as December 31	158,551	158,551

14. LOANS

	2019	2018
Housing Bank for trade and finance	3,196,722	2,906,722
Bank al Etihad	25,771	214,386
Capital Bank	2,479,621	2,041,247
Total loans	5,702,114	5,162,355
Deduct: current portion	1,646,985	3,088,980
The long term portion	4,055,129	2,073,375

The Housing Bank for trade and finance loan

the Company has granted a bank facilities from Housing Bank for trade and finance amounting to USD 13,000,000 to finance purchases of 70% of Vision for Development of Information System and Computer programs company share(Saudi Arabia) , in the form of bridging loan amounting to USD 6,500,000 and declining loan amounting to USD 6,500,000 with Libor interest (3 month + 2%) and with commission 1% , the bridging loan paid within 6 month as a maximum through increasing the company's share capital by JD 9,000,000.

The Company rescheduled the declining loan for 9 years, the first installment is accrued in October 1,2011, During 2014 the balance of the loan was rescheduled to the first installment on April 1, 2014 with interest rate (Libor 3 month+ 3.5 %) and minimum rate of 5 % and without commission, this facilities is guaranteed by National Computer company(subsidiary company) and personally the chairman of board of director, at the beginning of 2016, the balance of the loan was rescheduled to the first installment on December 1, 2016 with interest rate (Libor 3 month 3.5 %) and minimum rate of 4 % and without commission, .In 2019, the remaining balance of the loan was rescheduled over a period of 6 years so that the first installment is due on January 1, 2020, at an interest rate (three-month LIBOR and 3.5% margin and a minimum rate of 4% annually without commission), with these facilities remaining on guarantee by Al-Ahlia Computer Company (a subsidiary company) and the personal guarantee of the Chairman of the Board of Directors.

The Company re-schedule the current debt limit amounted of JD 100,000 and ceiling of funding bids and purchases to be long-term loan with total amount of JD 1,757,195 paid in 9 years and the first installment is accrued in October 1, 2011 and through 2014 the remaining balance has been rescheduled in which the first installment is accrued on April 1, 2014 with 9% as an interest rate and without commission. At the beginning of 2016, the entire loan balance was repaid through the acquisition of a bank facility under a decline loan of\$ 2,046,000 with interest rate (Libor 3 month 3.5 %) and minimum rate of 4 % and without commission, the first installment is accrued in December 1,2016.In 2019, the remaining balance of the loan was rescheduled over a period of 6 years so that the first installment is due on January 1, 2020, at an interest rate (three-month LIBOR and 3.5% margin and a minimum rate of 4% annually without commission), with these facilities remaining on guarantee by Al-Ahlia Computer Company (a subsidiary company).

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The company also scheduled a current debt ceiling of JOD750,000, to be paid in monthly installments over a period of 6 years, so that the first installment is due on January 1, 2020 at an interest rate of 4%.

The National Computer company (subsidiary) has rescheduled the current debt limit that amounted to JD150, 000 and ceiling of bid's funding to a long-term loan amounted to JD546,819 paid in 9 years from October 1, 2011 and through 2014 the remaining balance has been rescheduled in which the first installment is accrued monthly on April 1, 2015 and with 9% as interest rate and without commission, these facilities is guaranteed by Al-Fares National company for investment and export. At the beginning of 2016, the entire loan balance was reconciled through the acquisition of a bank facilities under a declining loan of \$ 544,000 with interest rate (Libor 3 month + 3.5 %) and minimum rate of 4 % and without commission, the first installment is accrued in December 1, 2016.

Al-Etihad bank loans

The National computer company (subsidiary) acquired a loan from Al-Etihad Bank of JD 750,000 with 9.5% as interest rate accrued monthly and 1% as commission. and the company rescheduled its current debt limit and the loan that amounted to JD750,000 and a ceiling of bids and purchasing funding to a long-term loan amounted to JD1,681,500 for 4 year's paid from September 30, 2011 with 9% as an interest rate and 1% as commission, and at the end of 2013 the company restructured the loan amounted to JD 937,000 and its paid on 5 years period starting from December 31, 2014 with 10% as interest rate and 1% commission and is this facilities guaranteed by Al-Fares National company for Investment and Export, and at the end of 2015 , the company has transferred the loan amounted to JD 814,180 to US currency and its paid on a 4 years period starting from December 31, 2015 with 7.75% as an interest rate in exchange for Al-Fares National company for Investment and Export as a guarantee.

Jordan Capital Bank

Al National Computer Company (a subsidiary) acquired a loan from Jordan capital bank amounting to JD 1,352,000 at an interest rate of 10.5% per annum and is paid monthly and without commission to repay a LC. The loan is repayable with one payment on January 24, 2019, and is under the guarantee of Al Fares, The loan has been repaid in 2019.

The National Computer Company (a subsidiary) obtained a loan from Jordan capital bank with a value of JD 689,247 at an interest rate of 10.5% per annum and is paid monthly and without commission to pay purchases. The loan is repayable under 12 monthly installments of JD 57,437 against this loan is guaranteed by AL fares national company for investment and export guarantee and the Chairman of the Board of Directors, During 2019 the remaining amount of the loan amounting to 230,000 JD has been structured in addition to adding a now loan of 750,000 JD, obtained by the civil fork to pay the company's purchases, so that the total loan amount will be 980,000 JD to be paid quarterly basis over a period of two years at an interest rate of 10,25% annually, a commission of 5% the structured value is due the first installment in February 29, 2020.

The National Computer Company acquired a loan from capital ban funded by Central Bank of 1,774,000 JD 4,75% interest rate accrued monthly without commission, that's for paying the company's purchases in Amman, the loan will be paid in accordance with 8 quarterly installments of 221,750 JD, the first installment is due to July 1, 2019 in exchange for guaranteed by Al-Fares National Company for investment and export.

The National Computer Company acquired a loan from capital ban funded by Central Bank of 226,000 JD 4% interest rate accrued monthly without commission, that's for paying the company's purchases in Amman, the loan will be paid in accordance with 8 quarterly installments of 28,250 JD, the first installment is due to July 1, 2016 in exchange for guaranteed by Al-Fares National Company for investment and export.

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15. ACCRUED EXPENSES AND OTHER LIABILITIES

	2019	2018
Accrued expenses	2,980,309	2,666,410
Due to governments	353,567	689,548
Due to social committee	12,091	9,802
Due to employees	348,867	298,131
Advanced payments from clients	366,701	281,979
Contingent liabilities provisions	14,160	89,160
Accrued remuneration	28,963	6,878
	<u>4,104,658</u>	<u>4,041,908</u>

16. ACCOUNTS PAYABLES AND DEFERRED CHECKS

	2019	2018
Accounts payables	4,113,677	3,394,198
Deferred checks	676,367	379,650
	<u>4,790,044</u>	<u>3,773,848</u>

17. BANKS OVERDRAFT

	2019	2018
Arab Bank	6,569	452,056
Housing Bank for trading and finance	-	751,320
Capital Bank	404,826	562,795
	<u>411,395</u>	<u>1,766,171</u>

Arab Bank

The contract of credit facilities was granted related to the National Computer Company (subsidiary) amounting to JD 550,000 with an interest rate of 10 % and with 1% as commission. The facilities have been guaranteed by AL- Fares national Company for investment and export, during 2012 the current debt limit had been decreased to 460,000 JD at an 4.375% interest rate annually and 1% commission in exchange for cash deposit.

Housing Bank for Trade and Finance

The credit facilities was granted from Housing Bank for trade and finance as current debt related to the Company amounting to JD 1,500,000 with interest rate of 4% and without commission and it will have paid by one payment dated in August 1, 2012 which is guaranteed by chairman the board of directors and the amount of JD 750,000 has been paid and the payment period has been extended by the remaining balance amounted JD 750,000 until August 1, 2019.

Capital Bank

The credit facilities was granted to National Computer Company (subsidiary) from capital bank as current debt account with limit of USD 200,000 and limit was increased, in July 2, 2015 by the amount of USD 300,000 to be 500,000 USD with interest rate (5%) and without commission, current debt with limit of JD 150,000 with interest (10.75 %) without commission, these facilities were guaranteed by Al-Fares National Company for investment and export.

-National Computer Company of Aqaba (subsidiary) had bank facilities from Jordan Capital bank as revolving loan ceiling to finance sales invoices of \$ 5,700,000 and an interest rate of 6,5%.

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18. COST OF SALES

	2019	2018
Cost of goods sold	14,654,474	14,331,645
Direct operating expenses	5,246,331	6,330,390
	<u>19,900,805</u>	<u>20,662,035</u>

19. COST OF SERVICES REVENUE

	2019	2018
Cost of maintenance contract	26,463	25,283
maintenance expenses*	418,842	354,582
	<u>445,305</u>	<u>379,865</u>

*The details of services expenses are as follows:

	2019	2018
Wages, Salaries and other benefits	403,147	338,541
Training	3,575	4,595
Traveling and accommodation	9,718	7,327
Others	2,402	4,119
	<u>418,842</u>	<u>354,582</u>

20. SELLING, MARKETING AND ADMINISTRATIVE EXPENSES

	2019	2018
Wages, Salaries and other benefits	1,159,372	1,187,820
Health insurance	43,522	46,385
Travel and Accommodation	8,700	12,441
General Maintenance expenses	15,610	14,780
Rents	23,207	134,698
Post , telegraph and telephone	39,810	59,539
Stationery and consumables	12,211	12,461
Hospitality	7,503	2,544
Subscriptions	32,705	35,971
Electricity ,water and fuel	46,947	50,987
Governmental fees	30,056	41,539
Advertising	5,784	9,391
Professional fees and consulting	183,084	159,168
Transportations allowances	15,771	26,636
Donations	2,500	2,500
Other	77,970	80,047
	<u>1,704,752</u>	<u>1,876,907</u>

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21. INCOME TAX

The Company Tax Status has been approved till 2018.

The (National Computer Company) Tax Status has been approved till 2017, 2018, the Company provided the self-assessment tax statement of the Income and Sales Tax Department but the income tax department did not review accounting records it till the date of preparing the consolidated financial statement.

The self-assessment tax statement of Lotus Management Solutions and the termination and settlement of the income tax was not presented since the date of inception on 24 April 2005 until the merger date 6 May 2008.

Ideal Systems Company ended its tax status up to the date of merger with National Computer Company.

The (Aregon Jordan) Tax Status has been approved till 2018.

The (Allied Software Company) Tax Status has been approved till 2018.

The (Excutrain for advanced training) Company Tax Status has been approved till 2018.

The subsidiary company (Incubator Electronics) Company Tax Status has been approved till 2018.

22. RELATED PARTIES

Through the year the company has enroll the salaries and wages and allowances and benefits for the general manager and the financial manager as follows:

	2019	2018
The general manager wages and salaries and allowances	251,109	261,935
The financial manager wages and salaries and allowances	39,600	39,600

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23. CONTINGENT LIABILITIES

At December 31, the company has the following contingent liabilities:

	2019	2018
Bank guarantee	2,170,583	2,583,285
Letters of credits	215,178	-
	<u>2,385,761</u>	<u>2,583,285</u>

24. LEGAL STATUS

Cases raised by the company:

There are issues raised by the company and its subsidiaries amounted to JOD 971,657.

The summary of the most important cases:

A. There is cases raised by National Computer Company Ltd. (subsidiary) against Ministry of Education, to claim refunds instead of discounts, rebates and fines imposed on the company's receivables amount JD 267,151.

B. There are cases raised by National Computer Company Ltd.(subsidiary) against Gardens Hospital amounted JD 404,525, the court issued the objection and the case is still outstanding up to the date of this financial statement. The appeal was appealed and the document was returned to their source for the purpose of schedule a session.

The summary of cases raised against the company:

There are cases raised on the company by others and its subsidiaries amounted to JOD 766,191.

The most important issues:

There is an issue raised by Data Star Company against National Computer Company Ltd amounted JD 670,521, the decision of the Court of Appeal was issued to annul the decision and return the papers to the Court.

25 .IMPACT OF ADOPTION OF IFRS 9 “FINANCIAL INSTRUMENTS”

IFRS9Financial Instruments provides requirements for the identification and measurement of monetary financial assets and liabilities and certain contracts for the purchase or sale of non-financial items. This Standard supersedes IAS39Financial Instruments: "Recognition and Measurement"

The Company has adopted IFRS 9as of January 1, 2018. The Company has chosen not to adjust the comparative figures and the changes in the effective date have been included in the carrying amounts of the monetary financial assets and liabilities within the opening balances of the retained earnings.

The net effect arising from the adoption of IFRS9 as of 1January 2018is a decrease in retained earnings of JD 1,568,419.

Prepaid expenses, other receivables, unbilled revenues and accounts receivables previously classified as accounts payables under IAS 39 are now classified at amortized cost. An additional impairment allowance of JD 1,568,419 for these receivables was recognized as part of the opening balance of retained earnings as at 1 January 2018 when IFRS 9 was applied.

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26. FINANCIAL INSTRUMENTS

Management of capital risks

The Company manage its capital to make sure that the Company will continue when it is take the highest return by the best limit for debts and owners' equity balances. The Company's strategy doesn't change from 2018.

Structuring of Company's capital, which includes owners' equity in the Company, which consist of capital, reserves, accumulated losses as it listed in the consolidated changes in owners' equity statement.

The debt rate

The board of directors is reviewing the share capital structure periodically. As a part of this reviewing, the board of directors consider the cost of capital and the risks that is related in each faction from capital and debt factions. The Company capital structure includes debts from the borrowing. The Company's doesn't determine the maximum limit of the typical debt rate.

The management of the financial risks

The Company's activities might be exposing mainly to the followed financial risks.

Management of the foreign currencies risks

It is the risk of changing the value of financial instruments due to changes in foreign exchange rates, and the Jordanian dinar is the major currency of the company, the Board sets limits on the financial position for each currency the company has, and is reviewing the foreign exchange center on a daily basis and they are following strategies to make sure to keep foreign currencies Center within the approved limits.

All the Group's operations are mainly in Jordanian Dinar and the Saudi riyal and UAE dirham, and there is no risk as a result of the company dealing in such currencies as the prices of those fixed currency does not change because it is tied to the US dollar.

Management of the interest price risks

Risk related to interest rate result mainly from borrowing money at floating interest rates and short term deposits at fixed interest rates.

Sensitivity of the statement of comprehensive income is the impact of the assumed changes possible prices of interest on the profit of the Company for one year and it is calculated based on the financial liabilities which carry variable interest rates at the end of the year.

The following table shows sensitivity of the statement of comprehensive income for possible changes and reasonable interest rates as of December 31 with all other effective variables constant:

<u>Currency</u>	<u>Interest rate increase</u>	<u>The impact on(loss) \profit for the year</u>	
JD	Percentage points	2019	2018
	25	-15,284	-17,321
<u>Currency</u>	<u>Interest rate decrease</u>	<u>The impact on (loss) \profit for the year</u>	
JD	Percentage points	2019	2018
	25	+15,284	+17,321

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Credit risk management

The credit risks represent in one part of the financial instruments contracts has not obligated to pay the contractual obligations and cause of that the Company is exposing financial losses, However, there are no contracts with any other parts so the Company doesn't expose to different types of the credit risks.

Other price risk

The Company is exposed to price risk arising from its investments in the equity of other companies. The Company maintains investments in the equity of other companies for strategic purposes and not for trading purposes. The Company does not actively trade in such investments.

Management of liquidity risks

Board of directors is responsible for management of liquidity risks to manage the cash requirements, short, medium and long term liquidity. The Company managed the liquidity risks through controlling the future cash flow that evaluated permanently and correspond the due dates of monetary assets and liabilities.

The following table represents the contractual eligibilities to non-derivative financial liabilities.

The table has prepared on the undiscounted cash flows to the financial liabilities basis according to the early due dates that may require from the Company to pay or receive.

The table below contains cash flows for major amounts and interests.

	<u>Interest rate</u>	<u>Year or less</u>	<u>More than one year</u>	<u>Total</u>
December 31, 2019				
instruments without interest	-	10,686,489	167,861	10,854,350
instruments with interest	4 % - 10.25%	2,058,380	4,055,129	6,113,509
Total		12,744,869	4,222,990	16,967,859
December 31, 2018				
instruments without interest	-	9,496,636	158,551	9,655,187
instruments with interest	4 % - 10.25%	4,855,151	2,073,375	6,928,526
Total		14,351,787	2,231,926	16,583,713

27. SECTORIAL INFORMATION

The main activity of the company is to import and export, to enter into other companies and to borrow from banks for the purposes of the company, agents and intermediaries, commercial distribution and marketing, computer software industry, computer hardware industry and its parts, technical, engineering and commercial consultancy and computer services, including computer programming.

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28. SUBSEQUENT EVENTS

The existence of novel corona virus (COVID -19) was confirmed in early 2020 and has spread across multiple geographies, causing disruptions to businesses and economic activity. The Company considers this outbreak to be a non-adjusting post balance sheet event. At this early stage when situation is rapidly evolving; the Company has already mobilized a task force to assess the possible impact on its business. The initial study encompasses reviewing the potential risks around continued uninterrupted functioning of sales facilities. It is not practicable to provide a quantitative estimate of the potential impact at this stage. The Company does not foresee major impact on its operations issued on operation result before March 15, 2020, if the situation is normalized within a reasonable time period. The management and those charged with governance will continue to monitor the situation and accordingly update stakeholders as per the regulatory requirements. Any changes in circumstances may require enhanced disclosures or recognition of adjustments in the financial statements of the Company for the subsequent periods.

29. APPROVAL OF CONSOLIDATED FINANCIAL STATEMENTS

The consolidated financial statements were approved by the Board of Directors and authorized for issuance on February 12, 2020 these financial statements require General Assembly approval.

30. COMPARATIVE FIGURES

Certain figures for 2018 have been reclassified to conform to 2019.