JDF

الأسواق الحرة الأردنية
JORDANIAN DUTY FREE SHOPS

بورصة عمان
الدائرة الإدارية والمالية
الديوان
٢٤ حزيران ٢٠٢٠
الرقم المتسلسل: 2126
رقم الملف: 31022
الجهة المختصة:

2265
الرقم : 12/4/

التاريخ : 2020/06/18

السادة / هيئة الأوراق المالية المحترمين

تحيه وبعد،،،

ارفق لكم طيا القوائم المالية الموحدة للشركة باللغة الأنجليزية عن السنة المنتهية في 31 كانون الأول 2019 .

وتفضلوا بقبول فائق الاحترام،،،،

الرئيس التنفيذي
الهيثم المجالي

منطقة حرة خاصة

- نسخة/مركز ايداع الاوراق المالية المحترمين
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Jordanian Duty Free Shops

Public Shareholding Company

Consolidated Financial Statements

31 December 2019

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Ernst & Young Jordan
P.O.Box 1140
Amman 11118
Jordan

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INDEPENDENT AUDITOR'S REPORT
To the Shareholders of Jordan Duty Free Shops Public Shareholding Company
Amman- Jordan

Report on the Audit of the Consolidated Financial Statements

Opinion

We have audited the financial statements of Jordan Duty Free Shops (Public Shareholding Company) and its subsidiaries (the Group), which comprise the consolidated statement of financial position as at 31 December 2019, and the consolidated income statement, consolidated statement of comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the year then ended, and notes to the financial statements, including a summary of significant accounting policies.

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

Basis for Opinion

We conducted our audit in accordance with International Standards on Auditing (ISAs). Our responsibilities under those standards, are further described in the Auditor's Responsibilities for the Audit of the consolidated financial statements section of our report. We are independent of the Group in accordance with the International Ethics Standards Board for Accountants' *Code of Ethics for Professional Accountants* (including independence standards) (IESBA Code) together with the ethical requirements that are relevant to our audit of the consolidated financial statements in Jordan, and we have fulfilled our other ethical responsibilities in accordance with these requirements and the IESBA Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

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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 for the year ended 31 December 2019. 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. For each matter below, our description of how our audit addressed the matter provided in that context .

We have fulfilled the responsibilities described in the Auditor's responsibilities for the audit of the consolidated financial statements section of our report, including in relation to these matters. Accordingly, our audit included the performance of procedures designed to respond to our assessment of the risks of material misstatement of the consolidated financial statements. The results of our audit procedures, including the procedures performed to address the matters below, provide the basis for our audit opinion on the accompanying consolidated financial statements.

Key Audit Matter 1: Revenue recognition	
We have considered revenue recognition as key audit matter as there is a risk of misstatement of revenue due to high volume of revenues with low value transactions. In addition, the Group focuses on revenue targets as a key performance measure which may create an incentive for revenue to be recognized before delivering the goods and may result in overstating revenues.	Our audit procedures included considering the appropriateness of the Group's revenue recognition policy and assessing compliance with the policy in terms of applicable accounting standards. We also tested the Group's controls around revenue recognition and key controls in the revenue cycle. We have also performed analytical procedures for the gross margin on a monthly basis. We also performed substantive analytical procedures that enabled us to build expectations about the revenue figures for the year. We also selected and tested a representative sample of journal entries. Refer to note 23 to the consolidated financial statements for more details and note 2 for significant accounting policies and significant judgements and estimates applicable to revenues.

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Other information included in the Group's 2019 annual report.

Other information consists of the information included in the annual report, other than the consolidated financial statements and our auditor's report thereon. Management is responsible for the other information.

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. If, based on the work we have performed, we conclude that there is a material misstatement of this other information; we are required to report that fact. We have nothing to report in this regard.

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

Management is responsible for the preparation and fair presentation of the consolidated financial statements in accordance with IFRSs, and for such internal control as management determines is necessary to enable the preparation of 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 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 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 exist, 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.

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- 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 law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonable be expected to outweigh the public interest benefits of such communication.

Report on Other Legal and Regulatory Requirements

The Company maintains proper books of accounts which are in agreement with the financial statements.

The partner in charge of the audit resulting in this auditor's report was Waddah Isam Barkawi; license number 591.

Amman – Jordan
8 March 2020

Ernst & Young

JORDANIAN DUTY FREE SHOPS
PUBLIC SHAREHOLDING COMPANY
CONSOLIDATED STATEMENT OF FINANCIAL POSITION
AT 31 DECEMBER 2019

	Notes	2019	2018
		JD	JD
ASSETS			
Non current assets			
Property and equipment	3	7,127,184	7,313,302
Projects in progress	4	6,879,902	3,321,748
Intangible assets	5	666,667	1,066,667
Advances on land purchase	6	3,628,690	3,629,410
Financial assets at fair value through other comprehensive income	7	450	1,550
Right of use assets	2	6,071,883	-
Total non current assets		24,374,776	15,332,677
Current assets			
Trade receivables	8	265,966	263,356
Inventories	9	11,469,436	16,122,140
Other current assets	10	1,645,758	2,064,944
Cash in hand and at banks	11	45,891,400	42,736,516
		59,272,560	61,186,956
Total assets		83,647,336	76,519,633
EQUITY AND LIABILITIES			
Equity for shareholders			
Paid in capital	1	22,500,000	22,500,000
Statutory reserve	12	7,500,000	7,500,000
Voluntary reserve	12	2,578,582	2,578,582
Fair value reserve	7	(5,250)	(4,150)
Retained earnings		40,537,591	38,538,132
Total Equity		73,110,923	71,112,564
LIABILITIES			
Non current liabilities			
Other commitments provision	13	496,108	513,913
Lease liabilities - long term	2	5,790,388	-
		6,286,496	513,913
Current liabilities			
Lease liabilities - short term	2	384,249	-
Trade payables	14	960,816	2,330,131
Other current liabilities	15	2,904,852	2,563,025
		4,249,917	4,893,156
Total liabilities		10,536,413	5,407,069
TOTAL EQUITY AND LIABILITIES		83,647,336	76,519,633

The attached notes 1 to 31 form part of these consolidated financial statements

JORDANIAN DUTY FREE SHOPS
PUBLIC SHAREHOLDING COMPANY
CONSOLIDATED STATEMENT OF INCOME
FOR THE YEAR ENDED 31 DECEMBER 2019

	Notes	2019	2018
		JD	JD
Sales	23	92,008,077	101,831,043
Less: General Treasury service fees		(9,653,641)	(10,680,104)
Net sales	23	82,354,436	91,150,939
Less: cost of sales	23	(47,482,553)	(52,897,335)
Gross profit		34,871,883	38,253,604
Other income	16	1,009,615	641,834
Interest income		1,846,800	1,932,123
Selling and distribution expenses	17	(5,315,576)	(5,545,550)
Administrative expenses	18	(4,818,495)	(4,977,975)
Damaged goods expenses		(1,528)	(24,399)
Board of Directors remuneration		(45,000)	(45,000)
Depreciation and amortization	2, 3, 5	(1,979,582)	(1,375,712)
Interest on lease liability		(480,724)	-
Profit for the year before income tax		25,087,393	28,858,925
Income tax expenses	21	(587,934)	(482,393)
Profit for the year		24,499,459	28,376,532
		JD/ Fills	JD/Fills
Basic and diluted earnings per share attributable to the Company's shareholders	19	1/088	1/261

The attached notes 1 to 31 form part of these consolidated financial statements

JORDANIAN DUTY FREE SHOPS
PUBLIC SHAREHOLDING COMPANY
CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME
YEAR ENDED 31 DECEMBER 2019

	2019	2018
	JD	JD
Profit for the year	24,499,459	28,376,532
Add: Other comprehensive income items		
Other comprehensive income items after tax not to be realized in profit and loss subsequently:		
Change in fair value of financial assets at fair value through other comprehensive income	(1,100)	-
Total comprehensive income for the year	24,498,359	28,376,532

The attached notes 1 to 31 form part of these consolidated financial statements

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
YEAR ENDED 31 DECEMBER 2019

		Reserves				
	Paid in capital	Statutory reserve	Voluntary reserve	Fair value reserve	Retained earnings	Total
2019	JD	JD	JD	JD	JD	JD
Balance as of 1 January 2019	22,500,000	7,500,000	2,578,582	(4,150)	38,538,132	71,112,564
Total comprehensive income for the year	-	-	-	(1,100)	24,499,459	24,498,359
Dividends paid (note 20)	-	-	-	-	(22,500,000)	(22,500,000)
Balance as of 31 December 2019	22,500,000	7,500,000	2,578,582	(5,250)	40,537,591	73,110,923
2018						
Balance as of 1 January 2018	22,500,000	7,500,000	2,578,582	(4,150)	28,161,600	60,736,032
Total comprehensive income for the year	-	-	-	-	28,376,532	28,376,532
Dividends paid (note 20)	-	-	-	-	(18,000,000)	(18,000,000)
Balance as of 31 December 2018	22,500,000	7,500,000	2,578,582	(4,150)	38,538,132	71,112,564

The attached notes 1 to 31 form part of these consolidated financial statements

JORDANIAN DUTY FREE SHOPS
PUBLIC SHAREHOLDING COMPANY
CONSOLIDATED STATEMENT OF CASH FLOWS
YEAR ENDED 31 DECEMBER 2019

	Notes	2019	2018
Operating Activities		JD	JD
Profit for the year before income tax		25,087,393	28,858,925
Adjustments:			
Depreciation and amortization	2, 3, 5	1,979,582	1,375,712
Damaged goods expenses		1,528	24,399
Interest on long term lease liability	2	480,724	-
Interest income		(1,846,800)	(1,932,123)
Loss (gains) on sale of Property and equipment		1,134	(36,370)
Working capital changes			
Inventories		4,651,176	(5,891,707)
Trade receivables		(2,616)	(3,058)
Other current assets		348,261	(310,857)
Trade payables		(1,369,315)	936,888
Other current liabilities		323,804	(291,663)
Paid from other commitments provision		(17,805)	(154,550)
Income tax paid		(569,911)	(501,232)
Net cash flows from operating activities		29,067,161	22,074,364
Investing Activities			
Purchase of property and equipment		(249,825)	(396,733)
Projects in progress		(4,182,233)	(2,821,639)
Proceeds from sale of property and equipment		18,995	83,412
Refundable from payments on land		720	-
Deposits		7,088,553	(4,030,142)
Interest received		1,917,725	1,887,735
Net cash flows from (used in) investing activities		4,593,935	(5,277,367)
Financing Activities			
Dividends paid to shareholders		(22,500,000)	(18,000,000)
Paid from lease liability		(917,659)	-
Net cash flows used in financing activities		(23,417,659)	(18,000,000)
Increase (decrease) in cash and cash equivalents		10,243,437	(1,203,003)
Cash and cash equivalents, beginning of the year		5,076,136	6,279,139
Cash and cash equivalents, end of the year	25	15,319,573	5,076,136

The attached notes 1 to 31 form part of these consolidated financial statements

Basis of consolidation of financial statements

The consolidated financial statements comprise the financial statements of the Company and its subsidiaries as follows (referred to them collectively as the Group) as of 31 December 2019.

Name of the company	Share capital	Ownership percentage	Location
First Shops Company L.L.C	6,000,000	100%	Aqaba
International Jordan Duty Free Shops (under liquidation)	30,000	100%	Free zone/airport
Second Shops General Trading L.L.C	50,000	100%	Amman

Control is achieved when the Group is exposed, or has rights, to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee.

Specifically, the Group controls an investee if and only if the Group has:

- Power over the investee (i.e. existing rights that give it the current ability to direct the relevant activities of the investee).
- Exposure, or rights, to variable returns from its involvement with the investee.
- The ability to use its power over the investee to affect its returns.

When the Group has less than a majority of the voting or similar rights of an investee. The Group considers all relevant facts and circumstances in assessing whether it has power over an investee, including:

- The contractual arrangement with the other vote holders of the investee.
- Rights arising from other contractual arrangements.
- The Group's voting rights and potential voting rights.

The Group re-assesses whether or not it controls an investee if facts and circumstances indicate that there are changes to one or more of the three elements of control.

Consolidation of a subsidiary begins when the Group obtains control over the subsidiary and ceases when the Group loses control of the subsidiary. Income and expenses of a subsidiary acquired or disposed of during the year are included in the statement of comprehensive income from the date the Group gains control until the date the Group ceases to control the subsidiary.

Profit or loss and each component of other comprehensive income (OCI) are attributed to the equity holders of the parent of the Group and to the non-controlling interests, even if this results in the non-controlling interests having a deficit balance. When necessary, adjustments are made to the financial statements of subsidiaries to bring their accounting policies to conform with the Group's accounting policies. All intra-group assets and liabilities, equity, income, expenses and cash flows relating to transactions between members of the Group are eliminated in full on consolidation.

A change in the ownership interest of a subsidiary, without a loss of control, is accounted for as an equity transaction. If the Group loses control over a subsidiary, it:

- Derecognises the assets (including goodwill) and liabilities of the subsidiary
- Derecognises the carrying amount of any non-controlling interests
- Derecognises the cumulative translation differences recorded in equity
- Recognises the fair value of the consideration received
- Recognises the fair value of any investment retained
- Recognises any surplus or deficit in profit or loss
- Reclassifies the parent's share of components previously recognised in OCI to profit or loss.

2-2 CHANGES IN ACCOUNTING POLICIES

The accounting policies used in the preparation of the consolidated financial statements are consistent with those used in the preparation of the annual consolidated financial statements for the year ended 31 December 2018 except for the adoption of new amendments effective as of 1 January 2019 shown below:

IFRS 16 Leases

IFRS 16 supersedes IAS 17 Leases, IFRIC 4 Determining whether an Arrangement contains a Lease, SIC-15 Operating Leases-Incentives and SIC-27 Evaluating the Substance of Transactions Involving the Legal Form of a Lease. The standard sets out the principles for the recognition, measurement, presentation and disclosure of leases and requires lessees to account for most leases under a single on-balance sheet model.

Lessor accounting under IFRS 16 is substantially unchanged from IAS 17. Lessors will continue to classify leases as either operating or finance leases using similar principles as in IAS 17. Therefore, IFRS 16 did not have an impact for leases where the Group is the lessor.

The Group adopted IFRS 16 using the modified retrospective approach with the date of initial application of 1 January 2019 accordingly, prior year financial statements were not restated. The Group elected to use the transition practical expedient allowing the standard to be applied only to contracts that were previously identified as leases applying IAS 17 and IFRIC 4 at the date of initial application. The Group also elected to use the recognition exemptions for lease contracts that, at the commencement date, have a lease term of 12 months or less and do not contain a purchase option ('short-term leases'), and lease contracts for which the underlying asset is of low value ('low-value assets').

Impact on the consolidated statement of financial position (increase/(decrease)) as at 1 January 2019:

	2019
	JD
Assets	
Right of use assets	6,611,572
Liabilities	
Lease liabilities	6,611,572
Total adjustment on equity	-

a) Nature of the effect of adoption of IFRS 16

The Group has lease contracts for various items of plant, equipment. Before the adoption of IFRS 16, the Group classified each of its leases (as lessee) at the inception date as either a finance lease or an operating lease. A lease was classified as a finance lease if it transferred substantially all of the risks and rewards incidental to ownership of the leased asset to the Group; otherwise it was classified as an operating lease. Finance leases were capitalised at the commencement of the lease at the inception date at the fair value of the leased property or, if lower, at the present value of the minimum lease payments.

Lease payments were apportioned between interest (recognised as finance costs) and reduction of the lease liability. In an operating lease, the leased property was not capitalised and the lease payments were recognised as rent expense in profit or loss on a straight-line basis over the lease term. Any prepaid rent and accrued rent were recognised under current assets and current liabilities, respectively.

Upon adoption of IFRS 16, the Group applied a single recognition and measurement approach for all leases, except for short-term leases and leases of low-value assets. The standard provides specific transition requirements and practical expedients, which has been applied by the Group.

• ***Leases previously accounted for as operating leases***

The Group recognised right-of-use assets and operating lease liabilities for those leases previously classified as operating leases, except for short-term leases and leases of low-value assets. The right-of-use assets for most leases were recognised based on the carrying amount as if the standard had always been applied, apart from the use of incremental borrowing rate at the date of initial application. In some leases, the right-of-use assets were recognised based on the amount equal to the lease liabilities, adjusted for any related prepaid and accrued lease payments previously recognised. Lease liabilities were recognised based on the present value of the remaining lease payments, discounted using the incremental borrowing rate at the date of initial application.

The Group also applied the available practical expedients wherein it:

• Used a single discount rate to a portfolio of leases with reasonably similar characteristics

• Relied on its assessment of whether leases are onerous immediately before the date of initial application

• Applied the short-term leases exemptions to leases with lease term that ends within 12 months at the date of initial application

• Excluded the initial direct costs from the measurement of the right-of-use asset at the date of initial application

• Used hindsight in determining the lease term where the contract contains options to extend or terminate the lease

b) Amounts recognised in the statement of financial position and profit or loss:

Set out below, are the carrying amounts of the Group right-of-use assets and lease liabilities and the movements during the year ended 31 December 2019:

	Right of use assets	
	Buildings	Lease liabilities
At 1 January 2019	6,611,572	6,611,572
Depreciation	(539,689)	-
Finance costs	-	480,729
Payments	-	(917,659)
At 31 December 2019	6,071,883	6,174,637

* Lease liabilities details as at 31 December 2019 are as follows:

Short term	Long term	Total
384,249	5,790,388	6,174,637

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

	2019
	JD
Depreciation and amortization	(539,689)
Interest on lease liability	(480,724)
Profit for the year	(1,020,413)

The Impact on the consolidated statement of cash flows (increase/(decrease)) for the year ended 31 December 2019 is as follows:

	2019
	JD
Depreciation and amortization	539,689
Interest on long term lease liability	480,724
Net cash flows from operating activities	1,020,413
Payment of lease obligations	(917,659)
net cash flow used in financing activities	(917,659)

IFRIC Interpretation 23 Uncertainty over Income Tax Treatment

The Interpretation addresses the accounting for income taxes when tax treatments involve uncertainty that affects the application of IAS 12 and does not apply to taxes or levies outside the scope of IAS 12, nor does it specifically include requirements relating to interest and penalties associated with uncertain tax treatments. An entity determines whether to consider each uncertain tax treatment separately or together with one or more other uncertain tax treatments and uses the approach that better predicts the resolution of the uncertainty.

The Interpretation did not have an impact on the Group's consolidated financial statements.

Amendments to IFRS 9: Prepayment Features with Negative Compensation

Under IFRS 9, a debt instrument can be measured at amortised cost or at fair value through other comprehensive income, provided that the contractual cash flows are 'solely payments of principal and interest on the principal amount outstanding' (the SPPI criterion) and the instrument is held within the appropriate business model for that classification. The amendments to IFRS 9 clarify that a financial asset passes the SPPI criterion regardless of the event or circumstance that causes the early termination of the contract and irrespective of which party pays or receives reasonable compensation for the early termination of the contract.

These amendments do not have any impact on the Group's consolidated financial statements.

Amendments to IFRS 10 and IAS 28: Sale or Contribution of Assets between an Investor and Its Associate or Joint Venture

The amendments address the conflict between IFRS 10 and IAS 28 in dealing with the loss of control of a subsidiary that is sold or contributed to an associate or joint venture. The amendments clarify that the gain or loss resulting from the sale or contribution of assets that constitute a business, as defined in IFRS 3, between an investor and its associate or joint venture, is recognised in full. Any gain or loss resulting from the sale or contribution of assets that do not constitute a business, however, is recognised only to the extent of unrelated investors' interests in the associate or joint venture. The IASB has deferred the effective date of these amendments indefinitely, but an entity that early adopts the amendments must apply them prospectively.

These amendments do not have any impact on the Group's consolidated financial statements.

Amendments to IAS 19: Plan Amendment, Curtailment or Settlement

The amendments to IAS 19 address the accounting when a plan amendment, curtailment or settlement occurs during a reporting period. The amendments also clarify that an entity first determines any past service cost, or a gain or loss on settlement, without considering the effect of the asset ceiling. This amount is recognised in profit or loss.

An entity then determines the effect of the asset ceiling after the plan amendment, curtailment or settlement. Any change in that effect, excluding amounts included in the net interest, is recognised in other comprehensive income.

These amendments do not have any impact on the Group's consolidated financial statements.

Amendments to IAS 28: Long-term interests in associates and joint ventures

The amendments clarify that an entity applies IFRS 9 to long-term interests in an associate or joint venture to which the equity method is not applied but that, in substance, form part of the net investment in the associate or joint venture (long-term interests). This clarification is relevant because it implies that the expected credit loss model in IFRS 9 applies to such long-term interests.

The amendments also clarified that, in applying IFRS 9, an entity does not take account of any losses of the associate or joint venture, or any impairment losses on the net investment, recognised as adjustments to the net investment in the associate or joint venture that arise from applying IAS 28 Investments in Associates and Joint Ventures.

These amendments do not have any impact on Group's consolidated financial statements.

2-3 USE OF ESTIMATES

The preparation of the consolidated financial statements requires management to make estimates and assumptions that affect the reported amounts of financial assets and liabilities and disclosure of contingent liabilities. These estimates and assumptions also affect the revenues and expenses and the resultant provisions. In particular, considerable judgment by management is required in the estimation of the amount and timing of future cash flows when determining the level of provisions required. Such estimates are necessarily based on assumptions about several factors involving varying degrees of judgment and uncertainty and actual results may differ resulting in future changes in such provisions.

Allowance for expected credit loss

Allowance for expected credit loss on receivables is reviewed in accordance with the simplified approach and under the principles and assumptions approved by the Group's management to estimate the allowance amount in accordance with IFRS requirements.

Useful life of tangible and intangible assets

The Group's management estimates the useful life for its tangible and intangible assets for the purpose of calculating depreciation by depending on the expected useful life of these assets. Management reviews the remaining book value and useful life annually impairment is recorded in the consolidated statement of income (if any).

Significant judgement in determining the lease term of contracts with renewal options

The Group determines the lease term as the non-cancellable term of the lease, together with any periods covered by an option to extend the lease if it is reasonably certain to be exercised, or any periods covered by an option to terminate the lease, if it is reasonably certain not to be exercised.

The Group has the option, under some of its leases to lease the assets for additional terms. The Group applies judgement in evaluating whether it is reasonably certain to exercise the option to renew.

That is, it considers all relevant factors that create an economic incentive for it to exercise the renewal. After the commencement date, the Group reassesses the lease term if there is a significant event or change in circumstances that is within its control and affects its ability to exercise (or not to exercise) the option to renew (e.g., a change in business strategy).

The Group included the renewal period as part of the lease term for leases of plant and machinery due to the significance of these assets to its operations. These leases have a short non-cancellable period and there will be a significant negative effect on production if a replacement is not readily available.

2-4 SIGNIFICANT ACCOUNTING POLICIES

Property and equipment

Property and equipment are stated at cost less accumulated depreciation and any impairment in value. Lands are not depreciated. Depreciation is calculated on a straight-line basis over the estimated useful life of assets as follows:

Buildings	2-10%
Furniture and fixtures	15%
Vehicles	15%
Tools and equipment	15%
Computers	20%

The carrying values of property and equipment are reviewed for impairment when events or changes in circumstances indicate the carrying values may not be recoverable. If any such indication exists and where that the carrying values exceed the estimated recoverable amount, the assets are written down to their recoverable amount and an impairment is recorded in the consolidated statement of comprehensive income.

The useful lives and depreciation methods are reviewed periodically to ensure that the method and period of depreciation are consistent with the expected pattern of economic benefits from items of property and equipment.

Impairment of non-financial assets

The Group assesses at each reporting date whether there is an indication that an asset may be impaired. If any such indication exists, or when annual impairment testing for an asset is required, the Group makes an estimate of the asset's recoverable amount. An asset's recoverable amount is the higher of an asset's or cash-generating unit's fair value less costs to sell and its value in use and is determined for an individual asset, unless the asset does not generate cash inflows that are largely independent of those from other assets or groups of assets. Where the carrying amount of an asset exceeds its recoverable amount, the asset is considered impaired and is written down to its recoverable amount. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. In determining fair value less costs to sell, an appropriate valuation model is used. These calculations are corroborated by valuation multiples, quoted share prices for publicly traded subsidiaries or other available fair value indicators.

Projects in progress

Projects in progress are stated at cost. This includes the cost of construction materials, direct salaries and wages on the projects and other direct costs.

Intangible assets

Intangible assets are carried at cost less any accumulated amortization and impairment provision. Intangible assets represent the exclusive rights to establish duty-free shops granted from the Government of the Hashemite Kingdom of Jordan.

Intangible assets are being amortized over the agreement period of 10 years which was extended in 2009 to be 20 years from 30 August 2001.

Financial assets at fair value through other comprehensive income

Financial assets at fair value through other comprehensive income are recorded at fair value plus acquisition costs at the date of acquisition and subsequently measured at fair value. Changes in fair value are reported as a separate component in the consolidated statement of other comprehensive income and in the statement of equity including the change in fair value resulting from conversion differences of non-cash items of assets at foreign currencies. In case of sale of such assets or part of it, the gain or loss is recorded at the consolidated statement of profit and loss and in the statement of equity and the valuation reserve balance for sold assets will be transferred directly to retained earnings.

These assets are not subject to impairment testing and dividends received are recognised in the consolidated statement of profit and loss when declared.

Inventories

Inventories are valued at the lower of cost or net realizable value. Cost is determined using the weighted average method.

The Group's management estimates slow moving inventory and damaged goods and a provision is created against the same based on the age of inventory from the purchase date.

Trade receivables

Trade receivables are stated at original invoice amount less allowance for the expected credit loss. The expected credit loss provision is calculated using the simplified approach of IFRS (9).

Cash and cash equivalents

For the purpose of cash flow statement, cash and cash equivalents consist of cash at banks and on hand and short-term deposits with an original maturity of three months or less.

Fair value

The Group measures financial instruments such as financial assets at fair value through other comprehensive income at fair value on the date of the financial statements.

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The fair value measurement is based on the presumption that the transaction to sell the asset or transfer the liability takes place either:

- In the principal market for the asset or liability, or
- In the absence of a principal market, in the most advantageous market for the asset or liability

The principal or the most advantageous market must be accessible to by the Group.

The fair value of an asset or a liability is measured using the assumptions that market participants would use when pricing the asset or liability, assuming that market participants act in their economic best interest.

A fair value measurement of a non-financial asset takes into account a market participant's ability to generate economic benefits by using the asset in its highest and best use or by selling it to another market participant that would use the asset in its highest and best use.

The Group uses valuation techniques that are appropriate in the circumstances and for which sufficient data are available to measure fair value, maximising the use of relevant observable inputs and minimising the use of unobservable inputs.

All assets and liabilities for which fair value is measured or disclosed in the consolidated financial statements are categorised within the fair value hierarchy, described as follows, based on the lowest level input that is significant to the fair value measurement as a whole:

Level 1 - Quoted (unadjusted) market prices in active markets for identical assets or liabilities
Level 2 - Valuation techniques for which the lowest level input that is significant to the fair value measurement is directly or indirectly observable
Level 3 - Valuation techniques for which the lowest level input that is significant to the fair value measurement is unobservable.

For assets and liabilities that are recognised in the consolidated financial statements on a recurring basis, the Group determines whether transfers have occurred between levels in the hierarchy by re-assessing categorisation (based on the lowest level input that is significant to the fair value measurement as a whole) at the end of each reporting period.

Trade payables and accruals

Liabilities are recognized for amounts to be paid in the future for goods or services received, whether billed by the supplier or not.

Provisions

Provisions are recognized when the Group has a present obligation (legal or constructive) arising from a past event and the cost to settle the obligation is both probable and able to be reliably measured.

Leases

The Group assesses at contract inception whether a contract is, or contains, a lease. That is, if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration.

The Group applies a single recognition and measurement approach for all leases, except for short-term leases and leases of low-value assets. The Group recognizes lease liabilities to make lease payments and right-of-use assets representing the right to use the underlying assets.

Right-of-use assets

The Group recognises right-of-use assets at the commencement date of the lease (i.e., the date the underlying asset is available for use). Right-of-use assets are measured at cost, less any accumulated depreciation and impairment losses, and adjusted for any remeasurement of lease liabilities.

The cost of right-of-use assets includes the amount of lease liabilities recognised, initial direct costs incurred, and lease payments made at or before the commencement date less any lease incentives received. Unless the Group is reasonably certain to obtain ownership of the leased asset at the end of the lease term, the recognised right-of-use assets are depreciated on a straight-line basis over the shorter of its estimated useful life and the lease term. Right-of-use assets are subject to impairment.

Lease liabilities

At the commencement date of the lease, the Group recognises lease liabilities measured at the present value of lease payments to be made over the lease term. The lease payments include fixed payments (including in-substance fixed payments) less any lease incentives receivable, variable lease payments that depend on an index or a rate, and amounts expected to be paid under residual value guarantees. The lease payments also include the exercise price of a purchase option reasonably certain to be exercised by the Group and payments of penalties for terminating a lease, if the lease term reflects the Group exercising the option to terminate.

The variable lease payments that do not depend on an index or a rate are recognised as expense in the period on which the event or condition that triggers the payment occurs.

In calculating the present value of lease payments, the Group uses the incremental borrowing rate at the lease commencement date if the interest rate implicit in the lease is not readily determinable. After the commencement date, the amount of lease liabilities is increased to reflect the accretion of interest and reduced for the lease payments made. In addition, the carrying amount of lease liabilities is remeasured if there is a modification, a change in the lease term, a change in the in-substance fixed lease payments or a change in the assessment to purchase the underlying asset.

Income tax

Income tax is calculated based on the stated tax rates in accordance with the Income Tax Laws in Jordan.

Deferred income taxation is provided using the liability method on all temporary differences at the statement of financial position date. Deferred income tax assets and liabilities are measured at the tax rates that are expected to apply to the period when the asset is realized, or the liability is settled, based on laws that have been enacted at the statement of financial position date.

The carrying amount of deferred income tax assets is reviewed at each statement of financial position date and reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the deferred income tax asset to be utilized.

Revenue recognition

Revenue recognized in accordance with the five-step model of IFRS 15 which includes identifying the contract with the customer, identifying all the individual performance obligations within the contract, determining the transaction price, allocating the price to the performance obligations, and recognize revenue as the performance obligations are fulfilled. Where revenue is recognized for the sale of goods when the sale transaction is completed and the invoice is issued to customers, which usually takes place at a certain point of time.

Interest revenue is recognized on accrual basis.

Offsetting

Offsetting between financial assets and financial liabilities and presenting the net amount on the consolidated statement of financial position is performed only when there are legally enforceable rights to offset, the settlement is on a net basis, or the realization of the assets and satisfaction of the liabilities is simultaneous.

Foreign currencies

Transactions in foreign currencies are recorded at the rate ruling at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies are retranslated at the rates of exchange ruling at the Consolidated statement of financial position date. All differences are taken to the consolidated statement of income.

Segment reporting

A business segment is a group of assets and operations engaged in providing products or services that are subject to risks and returns that are different from those of other business segments which are measured based on the reporting to management and the decision makers in the Group.

A geographical segment is engaged in providing products or services within a particular economic environment that are subject to risks and return that are different from those of segments operating in other economic environments.

3 PROPERTY AND EQUIPMENT

2019 -	Lands	Buildings	Furniture and fixtures	Vehicles	Tools and equipment	Computers	Total
	JD	JD	JD	JD	JD	JD	JD
Cost							
Balance at 1 January 2019	411,210	9,547,246	1,583,181	1,023,348	1,083,423	1,220,847	14,869,255
Additions	-	7,000	26,654	98,502	29,617	88,052	249,825
Disposals	-	-	(11,592)	(25,700)	(8,446)	(4,770)	(50,508)
Transfer from projects in progress	-	353,769	53,159	-	217,151	-	624,079
Balance at 31 December 2019	411,210	9,908,015	1,651,402	1,096,150	1,321,745	1,304,129	15,692,651
Accumulated depreciation							
Balance at 1 January 2019	-	4,352,479	1,134,486	508,412	686,512	874,064	7,555,953
Depreciation for the year	-	593,409	100,713	136,839	97,425	111,507	1,039,893
Disposals	-	-	(11,576)	(7,067)	(7,226)	(4,510)	(30,379)
Balance at 31 December 2019	-	4,945,888	1,223,623	638,184	776,711	981,061	8,565,467
Net book value							
At 31 December 2019	411,210	4,962,127	427,779	457,966	545,034	323,068	7,127,184

2018 -	Lands	Buildings	Furniture and fixtures	Vehicles	Tools and equipment	Computers	Total
	JD	JD	JD	JD	JD	JD	JD
Cost							
Balance at 1 January 2018	411,210	9,121,265	1,572,618	996,363	930,647	1,101,490	14,133,593
Additions	-	-	13,768	179,661	80,604	122,700	396,733
Disposals	-	-	(121,309)	(152,676)	(10,278)	(25,786)	(310,049)
Transfer from work in progress	-	425,981	118,104	-	82,450	22,443	648,978
Balance at 31 December 2018	411,210	9,547,246	1,583,181	1,023,348	1,083,423	1,220,847	14,869,255
Accumulated depreciation							
Balance at 1 January 2018	-	3,779,825	1,165,244	506,540	602,458	789,181	6,843,248
Depreciation for the year	-	572,654	90,017	123,651	91,537	97,853	975,712
Disposals	-	-	(120,775)	(121,779)	(7,483)	(12,970)	(263,007)
Balance at 31 December 2018	-	4,352,479	1,134,486	508,412	686,512	874,064	7,555,953
Net book value							
At 31 December 2018	411,210	5,194,767	448,695	514,936	396,911	346,783	7,313,302

4 PROJECTS IN PROGRESS

	2019	2018
	JD	JD
First Shops Company project (Aqaba)	6,131,928	2,440,415
Admin Building Expansion	-	329,120
Warehouse management system project	314,404	204,815
Wadi Araba Project / Arrivals	117,128	117,128
Omari housing project	104,081	103,891
Al Karamah Shop Project	93,569	93,569
Boulevard shop expansion project	59,087	475
Jaber shop foundation project	37,771	28,294
Others	21,934	4,041
	6,879,902	3,321,748

The expected cost to complete the projects in progress as of 31 December 2019 is approximately JD 12,676,868 and it is expected to complete such projects during 2020.

Movements on projects in progress were as follows:

	2019	2018
	JD	JD
Balance as at 1 January	3,321,748	1,149,087
Additions	4,182,233	2,821,639
Transfers to property and equipment	(624,079)	(648,978)
Balance as at 31 December	6,879,902	3,321,748

5 INTANGIBLE ASSETS

Intangible assets represents the amount paid to General Treasury for the exclusive rights to establish duty-free shops on border crossings for 10 years starting from 30 August 2001; the Company should pay 8% of its gross sales as service fees to the General Treasury in return for such rights. During 2009, the exclusive rights agreement was extended for additional 10 years starting from 31 August 2011 until 30 August 2021 for a payment of JD 4,000,000 and payment of 9% of its gross monthly sales as service fees to the General Treasury effective from the date of rights extension except for the sales from Special Economic Zone as it is subject to Aqaba Special Economic Zone regulations, starting from 1 January 2018 the Company should pay 10.5% of its monthly gross sales to the Ministry of Finance as follows:

- 9% as Service Fees to the General Treasury.
- 1.5% as operating expenses to the Jordanian Customs Department.

	2019	2018
	JD	JD
Cost-		
Balance as at 1 January	8,000,000	8,000,000
Additions	-	-
Balance as at 31 December	8,000,000	8,000,000
Accumulated amortization-		
Balance as at 1 January	6,933,333	6,533,333
Amortization for the year	400,000	400,000
Balance as at 31 December	7,333,333	6,933,333
Net Book Value as at 31 December	666,667	1,066,667

6 ADVANCES ON LAND PURCHASE

This item represents the balance paid by First Shops Company (subsidiary) for the purchase of land plot from Aqaba Development Company as per agreement between parties signed in September 2015.

In September 2016, the subsidiary purchased additional land plot next to the original plot from Aqaba Development Company with a value of JD 1,822,200 as per amendment to the agreement. Hence total land value is JD 3,628,690, as of 31 December 2019.

The ownership of the land will transfer to the subsidiary upon completion of developing 40% of the land as per terms of the contract and its amendment. The objective from the land purchase

7 FINANCIAL ASSETS AT FAIR VALUE THROUGH OTHER COMPREHENSIVE INCOME

	2019	2018
	JD	JD
Jordan Press and Publishing Company – Al Dustour	450	1,550
	450	1,550

The movements on the cumulative change in fair value is were as follows:

	2019	2018
	JD	JD
Balance as at 1 January	(4,150)	(4,150)
Change during the year	(1,100)	-
Balance as at 31 December	(5,250)	(4,150)

8 TRADE RECEIVABLES

	2019	2018
	JD	JD
Trade receivables	444,089	441,479
Less: provision for expected credit losses	(178,123)	(178,123)
	265,966	263,356

Provision for expected credit loss balance is JD 178,123 as of 31 December 2019 and 2018.

As at 31 December, the ageing of receivables net of expected credit loss is as follows:

	Past due but not impaired				
	1- 30 Days	31 – 90 days	91 – 120 days	121-180 days	Total
	JD	JD	JD	JD	JD
2019	138,609	26,854	100,503	-	265,966
2018	123,277	8,241	20,624	111,214	263,356

9 INVENTORIES

	2019	2018
	JD	JD
Inventories	11,542,454	16,195,158
Provision for slow moving items	(73,018)	(73,018)
	11,469,436	16,122,140

Movements on the provision for slow moving item were as follows:

	2019	2018
	JD	JD
Balance as of 1 January	73,018	73,018
Reversal of provision	-	-
Balance as of 31 December	73,018	73,018

10 OTHER RECEIVABLES

	2019	2018
	JD	JD
Accrued interest income	643,491	714,416
Prepaid expenses	280,699	590,439
Other accrued income	-	74,262
Advances to vendors	623,932	577,530
Refundable deposit	32,172	32,172
Sales Tax receivable	8,117	840
Employees receivable	42,356	50,353
Others	14,991	24,932
	1,645,758	2,064,944

11 CASH IN HAND AND AT BANKS

	2019	2018
	JD	JD
Cash in hand	21,428	40,173
Cash at banks – current accounts	15,298,145	5,035,963
Cash at banks – deposits*	30,571,827	37,660,380
	45,891,400	42,736,516

* Deposits are from three months to one year bearing annual interest rates ranging from 5,75% to 6,35% for the year 2019 (2018: 4,35% to 6,25%).

12 RESERVES

Statutory reserve -

The accumulated amounts in this account represent cumulative appropriations of 10% of the net income before income tax during the current year and prior years in accordance with the Jordanian Companies Law. The Company may discontinue such annual transfer if the balance of the statutory reserve reaches 25% of the Company's capital. However, with the approval of the General Assembly, the Company may continue to accumulate this annual percentage until the statutory reserve is equal to the authorized capital of the Company. The statutory reserve is not available for distribution to the shareholders.

Voluntary reserve -

The accumulated amounts in this account represent cumulative appropriations not exceeding 20% of the annual profit before tax. This reserve is available for distribution to the shareholders. The general assembly approved in its extraordinary meeting held on 21 December 2017 to increase its capital to become JD 22,500,000 by capitalizing 7,500,000 part of the voluntary reserve and capitalizing 7,500,000 part of retained earnings. The share capital increase was approved by the Ministry of Industry and Trade on 26 December 2017 and by Jordan Securities Commission on 7 January 2018.

13 OTHER COMMITMENTS PROVISION

The movement on other commitments provision is as follow:

	2019	2018
	JD	JD
Beginning balance	513,913	668,463
Paid during the year	(17,805)	(154,550)
Ending balance	496,108	513,913

14 TRADE PAYABLES

	2019	2018
	JD	JD
Local vendors	556,986	935,371
Foreign vendors	403,830	1,394,760
	960,816	2,330,131

15 OTHER CURRENT LIABILITIES

	2019	2018
	JD	JD
Accrued expenses	224,201	220,145
Treasury service fees payable	1,443,444	1,045,554
Board of Directors benefits payable	45,000	45,000
Accrued bonuses	689,292	866,624
Due to social solidarity fund	147,370	144,232
Social security deposits	86,095	-
Stamps fees payable	9,706	10,118
Income tax payable (note 21)	235,367	217,344
Accrued sales tax payable	20,760	10,172
Others	3,617	3,836
	2,904,852	2,563,025

16 OTHER INCOME

	2019	2018
	JD	JD
Shelves rental income	393,265	300,305
Commercial income	58,360	58,060
Stock compensation income	364,165	154,685
Target incentives income	158,357	80,322
(Losses) gains on sale of property and equipment	(1,134)	36,370
Others	36,602	12,092
	1,009,615	641,834

17 SELLING AND DISTRIBUTION EXPENSES

	2019	2018
	JD	JD
Salaries, wages and other benefits	3,265,035	3,240,309
Health insurance expenses	295,475	206,151
Social security contribution	377,824	346,563
Shops rent expenses	-	493,909
Travel and transportation expenses	149,647	123,146
Utilities	398,002	308,442
Advertising expense	471,405	493,214
Maintenance expenses	66,567	45,617
Housing allowances expenses	76,385	66,832
Transportation allowances expense	37,584	36,933
Security costs	34,560	34,600
Communications	76,476	72,149
Hospitality	17,645	13,109
Clothing expenses	41,447	59,174
Others	7,524	5,402
	5,315,576	5,545,550

18 ADMINISTRATIVE EXPENSES

	2019	2018
	JD	JD
Salaries, wages and other benefits	2,739,503	2,754,872
Social security contribution	281,897	274,037
Maintenance expenses	55,023	49,041
Travel and transportation expenses	385,436	396,648
Water , electricity and services	89,896	87,681
Printing and stationary	41,491	68,837
Postal and communication expenses	95,560	81,301
Insurance	89,641	75,891
Professional fees	92,818	53,810
Security costs	15,740	20,955
Donations	91,768	194,284
Rent expenses	5,917	125,148
Hospitality expenses	51,414	50,310
Board of Directors transportation allowances and benefits	186,150	155,271
Government fees and licenses	27,777	23,394
Health insurance expenses	219,684	172,071
Bank charges	60,969	52,187
Training expenses	69,158	144,609
Projects incentives	2,900	2,600
Stamps expenses	71,509	85,856
Meeting expenses	21,144	20,224
Programs license expenses	38,995	38,708
Others	84,105	50,240
	4,818,495	4,977,975

19 EARNINGS PER SHARE

	2019	2018
Profit for the year (JD)	24,499,495	28,376,532
Weighted average number of shares (share)	22,500,000	22,500,000
Basic and diluted earnings per share (JD/ Fils)	1/088	1/261

20 DIVIDENDS

The general assembly approved in its extraordinary meeting held on 19 March 2019, the distribution of cash dividends in the amount of JD 22,500,000 representing 100% of the paid in capital for the year 2018.

21 INCOME TAX

Income tax is calculated on interest income and other income for the years ended 31 December 2019 and 31 December 2018. The income tax was adjusted starting 1 January 2019 to be 20% for income tax, in addition to 1% national contribution, to become 21% in total according to the Jordanian tax law (34) for 2014, amended by law (38) for 2018.

Based on the Council of Ministers decision in their meeting held on 10 April 2018, the exemption on goods and services from the main activity of the Group was renewed where income tax is calculated on interest income and other income only.

The Group reached a final settlement with the Income and Sales Tax Department for the years 2004 up to the year 2016.

An amount of JD 480,785 was estimated as tax claim for the years 2008 and 2009, whereby the Income and Sales Tax Department included the interest income and other income as part of the income tax calculation. The tax claim was rejected and the rejection was refused by the Income Tax Department, and hence the Group has filed a lawsuit against the Income and Sales Tax Department at the Tax Court of First Instance and the Court has decided to cancel the claim; The Income Tax Department appealed the judgment and no final decision was made by the Tax Appeals Court until now.

The Income Tax Department has not reviewed the income tax declaration for the year 2018 up to the date of these consolidated financial statements.

The Group registered in the sales tax retroactively from 1 January 2014 in order to benefit from the decision of the Council of Ministers to exempt from fines in case of payment of the original tax amounts.

The movements on income tax provision were as follows:

	2019	2018
	JD	JD
Beginning balance	217,344	236,183
Income tax expense	587,934	482,393
Income tax paid	(569,911)	(501,232)
Total as of 31 December	235,367	217,344
Effective tax rate	2.34%	1.67%
Statutory tax rate	21%	20%

24 TRANSACTIONS WITH RELATED PARTIES

Related parties represent, major shareholders, directors and key management personnel of the Group. Pricing policies and terms of these transactions are approved by the Group's management.

Transactions with related parties included in the consolidated statement of income are as follows:

	Nature of relationship	2019	2018
		JD	JD
CASH AT BANKS			
Current accounts – Jordan Investment Bank	Shareholder	6,716,380	2,340,884
Deposits – Jordan Investment Bank	Shareholder	4,000,000	13,000,000
TRADE PAYABLES	Shareholders	135,449	8,519
OFF BALANCE SHEET ITEMS:			
Bank guarantees- Jordan Investment Bank	Shareholder	3,032,717	3,035,739

Transactions with related parties included in the separate statement of comprehensive income were as follows:

	2019	2018
	JD	JD
Interest income –Jordan Investment Bank (shareholder)	469,810	494,701
Purchases (shareholders)	1,488,451	1,450,114
Salaries, wages and other benefits- Group executive management	561,959	568,070
Salaries, wages and other benefits- Board of Directors members	542,033	499,705

25 CASH AND CASH EQUIVALENTS

Cash and cash equivalent shown in the consolidated statement of cash flow represents amounts in the consolidated statement of financial positions as follows:

	2019	2018
	JD	JD
Cash in hand and at banks	45,891,400	42,736,516
Less: deposits at banks due from three months to one year	(30,571,827)	(37,660,380)
Cash and cash equivalent	15,319,573	5,076,136

26 CONTINGENT LIABILITIES

At 31 December 2019, the Group had outstanding letters of guarantee in the amount of JD 3,032,717 (2018: JD 3,035,739) without cash margins as of 31 December 2019 and 2018.

27 FAIR VALUE OF FINANCIAL INSTRUMENTS

Financial instruments comprise of financial assets and financial liabilities.

Financial assets consist of cash on hand and at banks, accounts receivable and other current assets. Financial liabilities consist of accounts payable, and other current liabilities.

The Group uses the following hierarchy for determining and disclosing the fair value of financial instruments by valuation technique:

Level 1: Quoted (unadjusted) prices in active markets for identical assets or liabilities.
Level 2: Other techniques for which all inputs that have a significant effect on the recorded fair value are observable, either directly or indirectly.
Level 3: Techniques that use inputs that have a significant effect on the recorded fair value that are not based on observable market data.

Assets measured at fair value

2019-	Level 1	Total
	JD	JD
Financial assets at fair value through other comprehensive income	450	450

2018-	Level 1	Total
	JD	JD
Financial assets at fair value through other comprehensive income	1,550	1,550

28 RISK MANAGEMENT

Interest rate risk

Credit risk is the risk that results from the changes in market value or future cash flows of financial instruments as a result of changes in interest rate.

The Group is exposed to interest rate risk on its interest-bearing assets and liabilities such as cash at banks.

The following table demonstrates the sensitivity of the consolidated statement of comprehensive income to reasonably possible changes in interest rates as of 31 December, with all other variables held constant.

The sensitivity of the statement of income is the effect of the assumed changes in interest rates on the Group's profit for one year, based on the floating rate financial assets and liabilities held at 31 December.

2019 -

Currency	Increase in interest rates	Effect on profit for the year
	Basis points	JD
JD	50	152,859

Currency	Decrease in interest rates	Effect on profit for the year
	Basis points	JD
JD	(50)	(152,859)

2018 -

Currency	Increase in interest rates	Effect on profit for the year
	Basis points	JD
JD	50	188,302

Currency	Decrease in interest rates	Effect on profit for the year
	Basis points	JD
JD	(50)	(188,302)

Credit risk

Credit risk is the risk that one party to a financial instrument will fail to discharge an obligation and cause the other party to incur a financial loss.

The Group is not exposed to significant credit risk as majority of the Group's sales are in cash.

The Group seeks to limit its credit risk with respect to banks by only dealing with reputable banks.

Liquidity risk

Liquidity risk is defined as the Group failure to provide the required funding to cover its obligations at their respective due dates.

The Group limits its liquidity risk by ensuring adequate financing is available from banks facilities.

The table below summarizes the maturities of the Group's undiscounted financial liabilities at 31 December, based on contractual payment dates and current market interest rates:

	Less than 3 months
	JD
2019-	
Trade payables	960,816

	Less than 3 months
	JD
2018-	
Trade payables	2,330,131

Currency risk

Most of the Group's transactions are in US Dollars and Jordanian Dinars. The Jordanian Dinar exchange rate is fixed against the US Dollar (US $ 1.41 for 1 JD). Accordingly, the Group is not exposed to significant currency risk

29 CAPITAL MANAGEMENT

The primary objective of the Group's capital management is to ensure that it maintains healthy capital ratios in order to support its business and maximize shareholders' value.

The Group manages its capital structure and makes adjustments to it in light of changes in business conditions. No changes were made by the Group on the objectives, policies or processes for the current year and previous year.

Capital comprises of paid in capital, statutory reserve, voluntary reserve, cumulative change in fair value and retained earnings, and is measured at an amount of JD 73,110,923 as at 31 December 2019 (2018: JD 71,112,564).

30 STANDARDS ISSUED BUT NOT YET EFFECTIVE

The standards and interpretations that are issued but not yet effective, up to the date of issuance of the Group's consolidated financial statements are disclosed below. The Group intends to adopt these standards, if applicable, when they become effective.

IFRS 17 Insurance Contracts

IFRS 17 provides a comprehensive model for insurance contracts covering the recognition and measurement and presentation and disclosure of insurance contracts and replaces IFRS 4 - Insurance Contracts. The standard applies to all types of insurance contracts (i.e. life, non-life, direct insurance and re-insurance), regardless of the type of entities that issue them, as well as to certain guarantees and financial instruments with discretionary participation features. The standard general model is supplemented by the variable fee approach and the premium allocation approach.

The new standard will be effective for annual periods beginning on or after 1 January 2021 with comparative figures required. Early application is permitted provided that the entity also applies IFRS 9 and IFRS 15 on or before the date it first applies IFRS 17. This standard is not applicable to Group.

Amendments to IFRS 3: Definition of a Business

The IASB issued amendments to the definition of a business in IFRS 3 Business Combinations to help entities determine whether an acquired set of activities and assets is a business or not. They clarify the minimum requirements for a business, remove the assessment of whether market participants are capable of replacing any missing elements, add guidance to help entities assess whether an acquired process is substantive, narrow the definitions of a business and of outputs, and introduce an optional fair value concentration test.

Since the amendments apply prospectively to transactions or other events that occur on or after the date of first application, the Group will not be affected by these amendments on the date of transition.

Amendments to IAS 1 and IAS 8: Definition of "Material"

The IASB issued amendments to IAS 1 Presentation of Financial Statements and IAS 8 Accounting Policies, Changes in Accounting Estimates and Errors to align the definition of 'material' across the standards and to clarify certain aspects of the definition. The new definition states that, 'Information is material if omitting, misstating or obscuring it could reasonably be expected to influence decisions that the primary users of general-purpose financial statements make on the basis of those financial statements, which provide financial information about a specific reporting entity. The amendments to the definition of material is not expected to have a significant impact on the Group financial statements.

Interest Rate Benchmark Reform Amendments to IFRS 9 and IFRS 7

Interest Rate Benchmark Reform Amendments to IFRS 9 and IFRS 7 includes a number of reliefs, which apply to all hedging relationships that are directly affected by interest rate benchmark reform. A hedging relationship is affected if the reform gives rise to uncertainties about the timing and or amount of benchmark-based cash flows of the hedged item or the hedging instrument. As a result of interest rate benchmark reform, there may be uncertainties about the timing and or amount of benchmark-based cash flows of the hedged item or the hedging instrument during the period before the replacement of an existing interest rate benchmark with an alternative risk-free interest rate (an RFR). This may lead to uncertainty whether a forecast transaction is highly probable and whether prospectively the hedging relationship is expected to be highly effective.

The amendments provide temporary reliefs which enable hedge accounting to continue during the period of uncertainty before the replacement of an existing interest rate benchmark with an alternative risk-free interest rate (an "RFR"). The effective date of the amendments is for annual periods beginning on or after 1 January 2020, with early application permitted. The requirements must be applied retrospectively. However, any hedge relationships that have previously been de-designated cannot be reinstated upon application, nor can any hedge relationships be designated with the benefit of hindsight.

With phase one completed, the IASB is now shifting its focus to consider those issues that could affect financial reporting when an existing interest rate benchmark is replaced with an RFR. This is referred to as phase two of the IASB's project.

The Group has not early adopted the amendments and has concluded that the uncertainty arising from IBOR reform is not affecting its hedge relationships to the extent that the hedge relationships need to be discontinued.

31 COMPARATIVE FIGURES

Some of 2018 balances were reclassified to correspond with those of 2019 presentations. The reclassification has no effect on the profit and equity of the year 2018.