REAL ESTATE AND INVESTMENTS PORTFOLIO GROUP
PUBLIC SHAREHOLDING COMPANY
CONSOLIDATED FINANCIAL STATEMENT
31 DECEMBER 2022

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# INDEPENDENT AUDITOR'S REPORT

**TO THE SHAREHOLDERS**
**REAL ESTATE AND INVESTMENTS PORTFOLIO GROUP**
**PUBLIC SHAREHOLDING COMPANY**
**AMMAN, JORDAN**

## Opinion

We have audited the consolidated financial statements of Real Estate and Investments Portfolio Group, which comprise the consolidated statement of financial position as of 31 December 2022, the consolidated statement of comprehensive income, consolidated statement of changes in equity, and consolidated cash flows for the year then ended, 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 financial position of Real Estate and Investments Portfolio Group as of 31 December 2022, and its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards.

## Basis for opinion

We conducted our audit in accordance with International Standards on Auditing. 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 (IESBA Code) together with the other ethical requirements in Jordan that are relevant to our audit of the Group consolidated financial statements, and we have fulfilled our other ethical responsibilities. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

## Key Audit Matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the consolidated financial statements of the current year. 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:

### Investment Properties

Investment properties represent 59% of the Groups' assets. Moreover, the Group should re-evaluate its properties when preparing the consolidated financial statements to determine their fair value, in line with the requirements of the International Financial Reporting Standards. Accordingly, the Group relies on two independents real estate experts to determine the fair value of those investments and reflect any impairment in their value in the consolidated statement of comprehensive income for that period. Consequently, Investment Properties was significant to our audit.

### Scope of Audit to Address Risks

The followed audit procedures included understanding the procedures applied by the Group in evaluating investment properties, evaluating the reasonableness of the judgments based on the evaluation of the real estate experts, calculating the fair value of those evaluations, recording any impairment in their value in the consolidated statement of comprehensive income, if any, and reviewing the appropriateness of the disclosure on the fair value of investment properties.

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### Other Information

Management is responsible for the other information. The other information comprises of the information stated in the Annual Report and does not include the consolidated financial statements and our auditor's report thereon. The Annual Report is expected to be made available to us after the date of this auditor's report. Our opinion on the consolidated financial statements does not cover the other information and we will 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 when it becomes available to us 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.

### Responsibilities of Management and Those Charged with Governance for the consolidated 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 as management determines is necessary to enable the preparation of the consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, management is responsible for assessing the group 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 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 International Standards on Auditing will always detect a material misstatement when it exists.

Misstatements can arise from fraud or error and are considered material if they, individually or in the aggregate, 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 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 risk, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than the one resulting from error, as fraud may involve collusion, forgery, intentional omission, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the group internal control
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and based on the audit evidenced obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the group 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 disclosure is inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the group to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the consolidated 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 and 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 material 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 year and are therefore the key audit matters. We describe these matters in our auditor's report unless law and regulations preclude public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

**Report on Other Legal and Regulatory Requirements**

The Real Estate and Investments Portfolio Group maintains proper accounting records during 2022, duly organized and in line with the accompanying consolidated financial statements, and we recommend that they be approved by the General Assembly shareholders.

**Amman – Jordan**
**9 Feb 2023**

**Nasim Shahin**
**License No. 812**

المجموعة المهنية العربية · محاسبون قانونيون · Certified Public Accountants · RSM Jordan ·

REAL ESTATE AND INVESTMENTS PORTFOLIO GROUP
PUBLIC SHAREHOLDING COMPANY
CONSOLIDATED STATEMENT OF FINANCIAL POSITION
31 DECEMBER 2022

| Assets | Notes | 2022<br>JD | 2021<br>JD |
|---|---|---|---|
| **Non - current assets** | | | |
| Property, plant and equipment | 4 | 93 | 330 |
| Investment properties | 5 | 4 782 223 | 4 825 095 |
| Financial assets at fair value through other comprehensive income | 6 | 1 578 879 | 1 493 014 |
| Financial assets at amortization cost | 7 | 250 364 | 250 364 |
| **Total Non - Current Assets** | | **6 611 559** | **6 568 803** |
| **Current Assets** | | | |
| Other debit balances | 8 | 27 060 | 22 065 |
| Financial assets at fair value through profit and loss | 9 | 373 915 | 422 079 |
| Accounts receivable | 10 | 21 399 | 18 986 |
| Cash and cash equivalents | 11 | 1 093 454 | 670 755 |
| **Total Current Assets** | | **1 515 828** | **1 133 885** |
| **Total Assets** | | **8 127 387** | **7 702 688** |
| **Equity and Liabilities** | | | |
| **Equity** | 12 | | |
| Share capital | | 6 000 000 | 6 000 000 |
| Share premium | | 36 465 | 36 465 |
| Statutory reserve | | 810 588 | 769 950 |
| Fair value reserve | | (15 357) | (89 070) |
| Retained earnings | | 914 210 | 629 730 |
| **Total Equity** | | **7 745 906** | **7 347 075** |
| **Liabilities** | | | |
| **Current Liabilities** | | | |
| Provision for income tax and national contribution | 13 | 70 956 | 32 903 |
| Other credit balances | | 493 | 493 |
| Shareholders deposits | | 289 124 | 295 387 |
| Unearned revenue | | 19 783 | 22 637 |
| Accounts payable | | 1 125 | 4 193 |
| **Total Current Liabilities** | | **381 481** | **355 613** |
| **Total Equity and Liabilities** | | **8 127 387** | **7 702 688** |

The accompanying notes from 1 to 25 are an integral part of these consolidated financial statements and should be read with them.

REAL ESTATE AND INVESTMENTS PORTFOLIO GROUP
PUBLIC SHAREHOLDING COMPANY
CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME
31 DECEMBER 2022

| | Notes | 2022<br>JD | 2021<br>JD |
|---|---|---|---|
| Interest revenue | | 22 164 | 13 176 |
| Other operating revenue, net | 14 | 13 368 | 52 961 |
| Administrative expenses | 15 | (82 433) | (47 778) |
| Profits from financial assets at fair value through profit and loss | 16 | 252 978 | 138 241 |
| Dividends revenue | 17 | 156 402 | 10 321 |
| Bonds revenue | | 14 719 | 42 418 |
| gain from sale lands | | 28 322 | - |
| **profit before income tax** | | **405 520** | **209 339** |
| Income tax and national contribution | 13 | (71 567) | (44 083) |
| **profit for the year** | | **333 953** | **165 256** |
| | | | |
| **Other comprehensive income items** | | | |
| Change in fair value of financial assets at fair value | | 62 438 | 69 240 |
| gain from sale financial assets | | 2 440 | - |
| **Total profit and other comprehensive income** | | **398 831** | **234 496** |
| | | | |
| **Basic and diluted profit earnings per share** | 18 | **0.056 JD** | **0.028 JD** |

The accompanying notes from 1 to 25 are an integral part of these consolidated financial statements and should be read with them.

| | Share capital JD | Share premium JD | Statutory reserve JD | Fair value reserve JD | Retained earnings JD | Total JD |
|---|---|---|---|---|---|---|
| **31 December 2020** | **6 000 000** | **36 465** | **754 217** | **(158 310)** | **480 207** | **7 112 579** |
| profit for the year | - | - | - | - | 165 256 | 165 256 |
| Transfer | - | - | 15 733 | - | (15 733) | - |
| Change in fair value of financial assets at fair value | - | - | - | 69 240 | - | 69 240 |
| **31 December 2021** | **6 000 000** | **36 465** | **769 950** | **(89 070)** | **629 730** | **7 347 075** |
| profit for the year | - | - | - | - | 333 953 | 333 953 |
| Transfer | - | - | 40 638 | - | (40 638) | - |
| gain from sale financial assets | - | - | - | 11 275 | (8 835) | 2 440 |
| Change in fair value of financial assets at fair value | - | - | - | 62 438 | - | 62 438 |
| **31 December 2022** | **6 000 000** | **36 465** | **810 588** | **(15 357)** | **914 210** | **7 745 906** |

The accompanying notes from 1 to 25 are an integral part of these consolidated financial statements and should be read with them.

REAL ESTATE AND INVESTMENTS PORTFOLIO GROUP
PUBLIC SHAREHOLDING COMPANY
CONSOLIDATED STATEMENT OF CASH FLOWS
31 DECEMBER 2022

| | Notes | 2022<br>JD | 2021<br>JD |
|---|---|---|---|
| **Operating activities** | | | |
| profit before income tax | | 405 520 | 209 339 |
| **Adjustments for:** | | | |
| Depreciation | 4,5 | 15 551 | 15 561 |
| Profit from financial assets at fair value | 16 | (252 978) | (138 241) |
| Interest revenue | | (22 164) | (13 176) |
| Dividends Revenue | | (156 402) | (10 321) |
| Bonds revenue | | (14 719) | (42 418) |
| gain from sale lands | | (28 322) | - |
| **Changes in operating assets and liabilities** | | | |
| Other debit balances | | (4 995) | 14 483 |
| Financial assets at fair value through profit and loss | | 301 142 | (73 486) |
| Accounts receivable | | (2 413) | 11 326 |
| income tax paid | 13 | (33 514) | (16 360) |
| Other credit balances | | - | (5 232) |
| Unearned revenue | | (2 854) | (28 383) |
| Accounts payable | | (3 068) | - |
| **Net cash from (used in) operating activities** | | **200 784** | **(76 908)** |
| **Investing activities** | | | |
| Proceeds from interest revenue | | 22 164 | 13 176 |
| Proceeds from dividends revenue | | 156 402 | 10 321 |
| Bonds revenue | | 14 719 | 42 418 |
| Financial assets at fair value through other comprehensive income | | (20 987) | (611) |
| Financial assets at amortization cost | | - | 239 803 |
| Investment properties | | 27 558 | - |
| gain from sale lands | | 28 322 | - |
| **Net cash from investing activities** | | **228 178** | **305 107** |
| **Financing activities** | | | |
| Shareholders deposits | | (6 263) | (12 181) |
| **Net cash used in financing activities** | | **(6 263)** | **(12 181)** |
| **Net change in cash and cash equivalents** | | **422 699** | **216 018** |
| Cash and cash equivalents at 1 January | 11 | 670 755 | 454 737 |
| **Cash and cash equivalents at 31 December** | 11 | **1 093 454** | **670 755** |

The accompanying notes from 1 to 25 are an integral part of these consolidated financial statements and should be read with them.

## 1) General

Petra Travel and Tourism was registered at the Ministry of Industry and Trade as a Jordanian public shareholding company under No. (283) on 14 June 1995. The company's share capital was JD 15 000 000, The General Assembly decided, in its extraordinary meeting held on 25 June 2005, to change the name of the company to become Real Estate and Investments Portfolio Company.

The Group's General Assembly in its extraordinary meeting held on 12 August 2012 approved to decrease the Company's capital by JD 5 000 000 to become JD 10 000 000, resolved to write off the accumulated losses.

The Group's General Assembly in its ordinary meeting held on 8 February 2017 approved to distribute 35% of capital, equivalent to JD 3 500 000, as cash dividends, and the company General Assembly in its extraordinary meeting held on 8 February 2017 approved to decrease the capital by JD 4 000 000 to become JD 6 000 000, since it exceeds the needs of the Company, the company finalized all legal procedures.

The Board of Directors decided, in its meeting held on June 9, 2022, to increase the capital of the Arkan for Investment and Building Management by an amount of 1 271 548 JD, to become 1 281 548 JD, through the capitalization of the current credit account of the parent company (Real Estate and Investment Portfolio Group).

The Board of Directors decided, in its meeting held on June 9, 2022, to increase the capital of the subsidiary Al Marakez for Real Estate Development by an amount of 669 465 JD, to become 679 465 JD, through the capitalization of the current credit account of the parent company (Real Estate and Investment Portfolio Group).

The Board of Directors decided, in its meeting held on June 9, 2022, to increase the capital of the subsidiary Rabouat Abdoun for Lands Development by an amount of 1 603 815 JD, to become 1 613 815 JD, through the capitalization of the current credit account of the parent company (Real Estate and Investment Portfolio Group).

The Group's main activities are to acquire and sell of properties, land development, construction of commercial and residential buildings, and other related activities, in addition to investing in shares, bonds and securities.

The accompanying consolidated financial statements was approved by the Board of Directors in its meeting 9 February 2023.

## 2) Changes In Accounting Policies

The accounting policies adopted in the preparation of the financial statements are consistent with those used in the preparation of the financial statements for the year ended 31 December 2021, except for the adoption of the following new standards effective as of 1 January 2022:

### Reference to the Conceptual Framework – Amendments to IFRS 3

In May 2020, the IASB issued Amendments to IFRS 3 Business Combinations - Reference to the Conceptual Framework. The amendments are intended to replace a reference to the Framework for the Preparation and Presentation of Financial Statements, issued in 1989, with a reference to the Conceptual Framework for Financial Reporting issued in March 2018 without significantly changing its requirements.
The Board also added an exception to the recognition principle of IFRS 3 to avoid the issue of potential 'day 2' gains or losses arising for liabilities and contingent liabilities that would be within the scope of IAS 37 or IFRIC 21 Levies, if incurred separately.
At the same time, the Board decided to clarify existing guidance in IFRS 3 for contingent assets that would not be affected by replacing the reference to the Framework for the Preparation and Presentation of Financial Statements.
These amendments had no impact on the financial statements of the Company.

### Property, Plant and Equipment: Proceeds before Intended Use – Amendments to IAS 16

In May 2020, the IASB issued Property, Plant and Equipment — Proceeds before Intended Use, which prohibits entities from deducting from the cost of an item of property, plant and equipment, any proceeds from selling items produced while bringing that asset to the location and condition necessary for it to be capable of operating in the manner intended by management. Instead, an entity recognizes the proceeds from selling such items, and the costs of producing those items, in profit or loss.
The amendment is effective for annual reporting periods beginning on or after 1 January 2022 and must be applied retrospectively to items of property, plant and equipment made available for use on or after the beginning of the earliest period presented when the entity first applies the amendment.

These amendments had no impact on the financial statements of the Company.

**Onerous Contracts – Costs of Fulfilling a Contract – Amendments to IAS 37**

In May 2020, the IASB issued amendments to IAS 37 to specify which costs an entity needs to include when assessing whether a contract is onerous or loss-making.

The amendments apply a "directly related cost approach". The costs that relate directly to a contract to provide goods or services include both incremental costs and an allocation of costs directly related to contract activities. General and administrative costs do not relate directly to a contract and are excluded unless they are explicitly chargeable to the counterparty under the contract.

These amendments had no impact on the financial statements of the Company.

**IFRS 9 Financial Instruments – Fees in the '10 per cent' test for derecognition of financial liabilities**

As part of its 2018-2020 annual improvements to IFRS standards process the IASB issued amendment to IFRS 9.

The amendment clarifies the fees that an entity includes when assessing whether the terms of a new or modified financial liability are substantially different from the terms of the original financial liability.

These amendments had no impact on the financial statements of the Company.

**IFRS 1 First-time Adoption of International Financial Reporting Standards – Subsidiary as a first-time adopter**

As part of its 2018-2020 annual improvements to IFRS standards process, the IASB issued an amendment to IFRS 1 First-time Adoption of International Financial Reporting Standards. The amendment permits a subsidiary that elects to apply paragraph D16(a) of IFRS 1 to measure cumulative translation differences using the amounts reported by the parent, based on the parent's date of transition to IFRS. This amendment is also applied to an associate or joint venture that elects to apply paragraph D16(a) of IFRS 1.

These amendments had no impact on the financial statements of the Company.

## 3) Significant Accounting Policies

**Basis of preparation of the financial statement**

The accompanying consolidated financial statements have been prepared in accordance with International Financial Reporting Standards issued by the International Accounting Standards Board (IASB) and their related interpretations issued by IASB.

The consolidated financial statements are prepared using the historical cost principle.

The consolidated financial statements are presented in Jordanian Dinars, which is the functional currency of the Group.

The accounting policies adopted for the current year are consistent with those applied in the year ended 31 December 2020 except for what is stated in note (24) to the financial statements.

**Principles of consolidation**

The consolidated financial statements comprise of the financial statements of the Company and its subsidiaries where the Company has the power to govern the financial and operating policies of the subsidiaries to obtain benefits from their activities. The financial statements of the subsidiaries are prepared for the same reporting year as the Company using consistent accounting policies. All balances, transactions, income, and expenses between the Company and its subsidiaries are eliminated.

Subsidiaries are fully consolidated from the date of acquisition, being the date on which the Company obtains control, and continue to be consolidated until the date that such control ceases.

The results of operations of the subsidiaries are consolidated in the income statements from the acquisition date, which is the date on which control over subsidiaries is transferred to the Company. The results of operation of the disposed subsidiaries are consolidated in the income statement to the disposal date, which is the date on which the Company loses control over the subsidiaries

The following subsidiaries have been consolidated:

| | Share capital JD | Ownership percentage |
|---|---|---|
| Arkan for Investment and Building Management | 1 281 548 | %100 |
| Al Marakez for Real Estate Development | 679 465 | %100 |
| Rabouat Abdoun for Lands Development | 1 613 815 | %100 |
| Rbou'e Ein al Basha for Real Estate Development | 10 000 | %100 |

**Segment reporting**
Business segments represent distinguishable components of the Group that are engaged in providing products or services which are subject to risks and rewards that are different from those of other segments and are measured based on the reports sent to the chief operating decision maker.

Geographical segments are associated to products and services provided within a particular economic environment, which are subject to risks and rewards that are different from those of other economic environments.

**Property, plant and equipment**
Property and equipment are stated at cost net of accumulated depreciation and any impairment loss in its value, moreover Property and Equipment (except for land) are depreciated according to the straight- line method over the estimated useful lives when ready for use of these assets using the following annual rates.

| | % |
|---|---|
| Computers | 20 |
| Furniture | 9 - 20 |
| Equipment's | 15 |

When the carrying amount of property and equipment exceeds their recoverable value, assets are written down and impairment loss is recorded in the consolidated statement of comprehensive income.

The useful lives of property and equipment are reviewed at the end of each year, in case the expected useful life is different from what was determined before the change in estimate is recorded in the following years being a change in estimates.
Property and equipment are derecognized when disposed or when there is no expected future benefit from their use.

**Investment properties**
Investment properties are stated at cost net of accumulated depreciation and any impairment in their value and are disclosed in their fair value. Furthermore, these Investments are depreciated based on their useful lives at an annual rate of 2%. Any Impairment In their value is taken to the consolidated statement of Income and comprehensive Income, while operating revenues and expenses relating to this investment are recognized in the consolidated statement of Income and comprehensive Income.
If the fair value of the Investments for which an Impairment provision has been taken in the previous periods increases, the previously recorded are recovered impairment losses at no more than their cost.

**Financial assets at fair value through other comprehensive Income**
These financial assets represent the investments in equity instruments held for the long term. These financial assets are recognized at fair value plus transaction costs at purchase date and are subsequently measured at fair value in the consolidated statement of comprehensive income and within owner's equity including the changes in fair value resulting from translation of non-monetary Assets stated in foreign currency. Gain or loss from the sale of these investments or part of them should be recognized in the consolidated statement of comprehensive income and within owner's equity and the balance of the revaluation reserve for these assets should be transferred directly to the retained Earnings not to the consolidated statement of income

**Financial assets at amortized cost**
Represents financial assets that the group management intends to hold in order to collect the contractual cash flows, which consist of payments of principal and interest on the existing debt stock.
These assets are recognized upon purchase at cost plus acquisition expenses, the premium / discount is amortized using the effective interest method, net of any provision resulting from the impairment of the asset value resulting in the non-recoverability of the asset or part of the asset, and any impairments is credited to its value in the consolidated financial statement of the comprehensive income. These assets are measured at amortized cost at the date of consolidated financial statements.
The impairment of the financial asset at amortized cost is estimated through preparation of a study based on the historical experience of credit loss, taking into account the future factors od debtors and the economic environment.

The impairment is recorded as a provision for expected credit loss in the consolidated statement of comprehensive income and any reversal are recorded in the subsequent year as a result of the previous impairment of the financial assets in the consolidated statement of comprehensive income. If any of these assets are sold before their due date, the profits or loss are recorded in the consolidated statement of comprehensive income.

**Accounts receivable**

Accounts receivable are stated at net realizable value after deducting a expected credit loss Provision.

A expected credit loss Provision is booked when there is objective evidence that the Group will not be able to recover whole or part of the due amounts at the end of the year. When the Group collects previously written-off debts, it recognizes the collected amounts in other revenues in the consolidated statement of income and comprehensive Income. Furthermore, revenue and commission from doubtful debts are suspended and recognized as revenue upon collection.

Moreover, debts are written-off when they become uncollectible or are derecognized

**Cash and cash equivalents**

Cash and cash equivalents comprise cash on, and balances at banks and deposits at banks maturing within three months, less bank overdrafts and restricted balances.

**Impairment in Financial Assets**

The bank reviews the value of financial assets on the date of the consolidated statement of financial Position in order to determine if there are any indications of impairment in their value individually or in the form of a portfolio, in case such indications exist the recoverable value is estimated so as to determine the impairment loss.

Impairment is determined as follows:

The impairment in the financial assets recorded at amortized cost is determined on the basis of the present value of the expected cash flows discounted at the original interest rate.

The impairment in the financial assets at cost is determined by the difference between book value and the present value of the expected future cash flows discounted ineffective market price on any other similar financial assets.

Impairment is recorded in the consolidated statement of income as does any surplus that occurs in subsequent years that is due to a previous impairment of the financial assets in the consolidated statement of income.

**Recognition of Financial Assets Date**

Purchases and sales of financial assets are recognized on the trading date (which is the date on which the group commits itself to purchase or sell the asset).

**Fair value**

Fair value represents the closing market price (Assets Purchasing / Liabilities Selling) of financial assets and derivatives on the date of the consolidated financial statements.

In case declared market, prices do not exist active trading of some financial assets and derivatives is not Available or the market is inactive fair value is estimated by one of several methods including the following: Comparison with the fair value of another financial asset with similar terms and conditions.

Analysis of the present value of expected future cash flows for similar instruments.

Adoption of the option pricing models.

Evaluation of long-term assets and liabilities that bear no interest through discounting cash flows and amortizing premium / discount using the effective interest rate method within interest revenue /Expense in the consolidated statement of income.

The valuation methods aim to provide a fair value reflecting the market's expectations taking into Consideration the market expected risks and expected benefits when the value of the financial assets.

When the financial assets fair value can't be reliably measured, they are stated at cost less any impairment.

**Offsetting**

Financial assets and financial liabilities are offset, the net amount is presented in the consolidated statement of financial position only when there is a legal right to offset the recognized amounts, and the group intends to either settle them on a net basis or to realize the assets and settle the liabilities simultaneously.

**Provisions**

Provisions are recognized when the group has an obligation as of the date of the consolidated financial statements as a result of past events, the obligation is likely to be settled, and a reliable estimate can be made of the amount of the obligation.

**Related parties**
Transactions with related parties represent transfer of resources, services, or obligations between related parties. Terms and conditions relating to related party transactions are approved by management

**Revenue recognition and expenses realization**
Revenues are recognized upon rendering services and issuance of invoice.
Dividends are recognized when the shareholders' right to receive payment is established.
Rental income is recognized on a straight-line basis over the lease term as other income.
Other revenues are recognized on an accrual basis.
Expenses are recognized on an accrual basis.

**Trade payables and Accruals**
Trade payables are obligations to pay for goods or services that have been acquired in the ordinary course of business from suppliers. Trade payables are classified as current liabilities if payment is due within one year or less. If not, they are presented as non-current liabilities.

**Income Taxes**
Income tax expenses represent current and deferred taxes for the year.

Income tax expense is measured based on taxable income. Taxable income differs from income reported in the consolidated financial statements, as the latter includes non-taxable revenue, tax expenses not deductible in the current year but deductible in subsequent years, accumulated losses approved by tax authorities and items not accepted for tax purposes or subject to tax.

Taxes are calculated based on the enacted tax rates according to the prevailing laws, regulations and instructions of The Hashemite Kingdom of Jordan.

Deferred taxes are Taxes expected to be incurred or recovered as a result of temporary timing differences between the value of the assets and liabilities in the consolidated financial statements and their respective tax basis. Deferred taxes are calculated based on the liability method, and according to the rates expected to be enacted when it is anticipated that the liability will be settled or when tax assets are recognized.

**Accounting estimates**
Preparation of the consolidated financial statements and the application of the accounting policies requires the management to perform assessments and assumptions that affect the amounts of financial assets, financial liabilities, and fair value reserve and to disclose contingent liabilities. Moreover, these assessments and assumptions affect revenues, expenses, provisions, and changes in the fair value shown in the consolidated statement of comprehensive income and owners' equity. In particular, this requires the Group's management to issue significant judgments and assumptions to assess future cash flow amounts and their timing. Moreover, the said assessments are necessarily based on assumptions and factors with varying degrees of consideration and uncertainty. In addition, actual results may differ from assessments due to the changes resulting from the conditions and circumstances of those assessments in the future.

**4) Property, plant and equipment**

| | Computers<br>JD | Furniture<br>JD | Equipment's<br>JD | Total<br>JD |
|---|---|---|---|---|
| **Cost** | | | | |
| 31 December 2021 | 12 054 | 8 950 | 4 036 | 25 040 |
| **31 December 2022** | **12 054** | **8 950** | **4 036** | **25 040** |
| **Accumulated depreciation** | | | | |
| 31 December 2021 | 11 904 | 8 770 | 4 036 | 24 710 |
| Depreciation | 109 | 128 | - | 237 |
| **31 December 2022** | **12 013** | **8 898** | **4 036** | **24 947** |
| **Book value** | | | | |
| 31 December 2021 | **150** | **180** | - | **330** |
| **31 December 2022** | **41** | **52** | - | **93** |

## 5) Investment properties

| | 2022 | 2021 |
|---|---|---|
| | JD | JD |
| Lands ** | 4 274 215 | 4 301 773 |
| Building | 834 464 | 834 464 |
| | **5 108 679** | **5 136 237** |
| Accumulated depreciation * | (326 456) | (311 142) |
| | **4 782 223** | **4 825 095** |

**The details of land as follows:

| | 2022 | 2021 |
|---|---|---|
| | JD | JD |
| Beginning balance | 4 301 773 | 4 301 773 |
| Disposal | (27 558) | - |
| **Ending balance** | **4 274 215** | **4 301 773** |

*The details of accumulated depreciation as follows:

| | 2022 | 2021 |
|---|---|---|
| | JD | JD |
| Beginning balance | 311 142 | 295 827 |
| Depreciation | 15 314 | 15 315 |
| **Ending balance** | **326 456** | **311 142** |

The fair value of the investment properties as evaluated by two real estate experts' valuation equivalents an amount of JD 8 690 100 as of 31 December 2021 (2020: JD 8 785 162).

The land of AL- Madinah No. 93, with an area of 11,176 Dunham's, was sold during the third quarter, at a value of 55 880 JD.

## 6) Financial assets at fair value through other comprehensive income

| | 2022 | 2021 |
|---|---|---|
| | JD | JD |
| Quoted financial assets | **1 578 879** | **1 493 014** |

## 7) Financial assets at amortized cost

| | 2022 | 2021 |
|---|---|---|
| | JD | JD |
| OMAN BONDS* | - | - |
| KINGDOM OF JORDAN BONDS** | 250 364 | 250 364 |
| | **250 364** | **250 364** |

*During the second quarter of 2021 OMAN GOV INTERNTL BOND amounted 239 803 JD have been sold.

** This item represents bonds in KINGDOM OF JORDAN with a cost value of 1.005 USD Dollar (JD 0.7135) per bond with a nominal value1 Dollar (0.71JD) at 350 000 bond as of 31 December 2022, within an annal interest rate of 5.85% paid every six months. These bonds matures on7 July 2030.

## 8) Other debit balances

| | 2022<br>JD | 2021<br>JD |
|---|---|---|
| Accrued interest -Bonds | 7 168 | 6 986 |
| Interest receivable - deposit | 3 299 | - |
| Income tax deposits | 8 231 | 6 910 |
| Refundable deposits | 4 370 | 4 370 |
| prepayments | 2 975 | 2 975 |
| other | 256 | - |
| Prepaid expenses | 761 | 824 |
| | **27 060** | **22 065** |

## 9) Financial assets at fair value through profit or loss

| | 2022<br>JD | 2021<br>JD |
|---|---|---|
| Quoted financial assets | **373 915** | **422 079** |

## 10) Accounts receivable

| | 2022<br>JD | 2021<br>JD |
|---|---|---|
| Tenant receivables | 116 890 | 114 477 |
| Expected credit loss provision | (95 491) | (95 491) |
| | **21 399** | **18 986** |

The group can adopt the policy of dealing with creditworthy parties in addition to obtaining sufficient guarantees (where appropriate) to mitigate the financial losses resulted from the inability to settle their obligations. The group books a provision against uncollected debts of a period exceeding 365 days in case there are no settlement movement.

The aging of these receivables is as follows:

| | 2022<br>JD | 2021<br>JD |
|---|---|---|
| Less than 90 days | 22 575 | 20 162 |
| 91-180 Day | - | - |
| 181-270 Day | - | - |
| 271-365 Day | - | - |
| More than 365 Days | 94 315 | 94 315 |
| | **116 890** | **114 477** |

## 11) Cash and cash equivalents

| | 2022<br>JD | 2021<br>JD |
|---|---|---|
| Deposits account * | 500 000 | 500 000 |
| Current account | 593 454 | 170 755 |
| | **1 093 454** | **670 755** |

* The monthly rate of return on the deposit account amounting 500 000 JD is 4.75 %.

## 12) Equity

**Share capital**
The authorized and paid-in capital of the Company is JD 6,000,000 divided into 6,000,000 shares at JD 1 per share.

The General Assembly in its extraordinary meeting held on 8 February 2017 approved to decrease the capital by JD 4 000 000 to become JD 6 000 000, since exceeds the needs of the Company, the Company finalized all legal procedures.

**Share premium**
This amount 36 465 JD represents the difference between the par value of the shares issued and their issue price at the date of issuance.

**Statutory reserve**
Statutory reserve is allocated according to the Jordanian Companies Law by deducting 10% of the annual net profit until the reserve equals 25% of the Company's subscribed capital However, the Company may, with the approval of the General Assembly, continue to deduct this annual ratio until this reserve equals the subscribed capital of the Company in full. Such reserve is not available for dividends distribution. The General Authority may, after depletion the other reserves, decide at an extraordinary meeting to resolve the accumulated losses from the amounts collected in the Statutory reserve account, provided that they are rebuilt in accordance with the provisions of the Law.

## 13) Income tax and national contribution

**Real Estate and Investments Portfolio**
The Income Tax was calculated for the year 2022 accordance with Jordanian Income Tax Law No. (38) Of 2018.

The income tax rate in Jordan is 20% + 1% national contribution tax.

The Company has reached to a final settlement with the Income and Sales Tax Department up to the end of the year 2021.

**Arkan for investment and building management**
The Income Tax was calculated for the year 2022 accordance with Jordanian Income Tax Law No. (38) Of 2018.

The income tax rate in Jordan is 20% + 1% national contribution tax.

The tax return for the 2021 has been submitted, however, the returns has not been reviewed by the Income and Sales Tax Department until the date of these consolidated financial statements.

The Income and Sales Tax Department accepted the tax returns for the year 2020,2019,2018 according to the sampling system on2 August 2021 3 October 2020and 29 August 2019.

The Company has reached to a final settlement with the Income and Sales Tax Department up to the end of the year 2017.

**Al Marakez for Real Estate Development**
No Income Tax provision has been calculated for the year 2022 due to there is no taxable income.

The income tax rate in Jordan is 20% + 1% national contribution tax.

The Company has reached to a final settlement with the Income and Sales Tax Department up to the end of the year 2021.

**Rabouat Abdoun For Lands Development**
No Income Tax provision has been provided for the year ended 31 December 2022 due to there is no taxable income.

The income tax rate in Jordan is 20% + 1% national contribution tax.

The Company has reached to a final settlement with the Income and Sales Tax Department up to the end of the year 2021.

**Rbou'e Ein Al Basha For Real Estate Development**

No income tax provision has been calculated for the year 2022 due to there is no taxable income.

The income tax rate in Jordan is 20% + 1% national contribution tax.

The Company has reached to a final settlement with the Income and Sales Tax Department up to the end of the year 2021

The movement on the Income Tax provision and national contribution was as follows:

| | 2022<br>JD | 2021<br>JD |
|---|---|---|
| Beginning balance | 32 903 | 5 180 |
| Income tax and national contribution for the year | 71 567 | 44 083 |
| Income tax paid | (33 514) | (16 360) |
| **Ending balance** | **70 956** | **32 903** |

The following is a summary of the reconciliation between accounting profit and tax profit:

| | 2022<br>JD | 2021<br>JD |
|---|---|---|
| Accounting profit | 405 520 | 209 339 |
| Non-tax-deductible expense | 52 584 | 8 323 |
| shares dividends cost | (156 402) | (10 321) |
| shares dividends | 39 100 | 2 580 |
| **Taxable profit** | **340 802** | **209 921** |
| **income tax and national contribution** | **21%** | **21%** |

## 14) Other operating revenue, Net

| | 2022<br>JD | 2021<br>JD |
|---|---|---|
| Rent revenues | 50 734 | 85 343 |
| **Operation expenses** | | |
| Depreciation | 15 314 | 15 315 |
| Licenses and fees | 15 917 | 11 219 |
| Salaries and wages | 3 925 | 3 765 |
| Electricity and water | 672 | 669 |
| Maintenance | 876 | 700 |
| Insurance | 550 | 550 |
| Other | 112 | 164 |
| **Total operation expenses** | **37 366** | **32 382** |
| | **13 368** | **52 961** |

### 15) Administrative expenses

| | 2022<br>JD | 2021<br>JD |
|---|---|---|
| Professional fees | 11 348 | 12 096 |
| Licenses and fees | 24 487 | 10 868 |
| Management fees | 11 600 | 11 600 |
| Salaries and wages | 7 615 | 6 953 |
| Other | 1 371 | 1 279 |
| General Assembly's meetings expenses | 600 | 630 |
| Maintenance | 1 135 | 1 089 |
| Depreciation | 237 | 246 |
| Stationary | 343 | 1 458 |
| Postage, telecommunication and internet | 352 | 323 |
| Bank fees | 245 | 1 236 |
| Board of Director's transportation allowances | 23 100 | - |
| | **82 433** | **47 778** |

### 16) Profit Financial assets at fair value through profit and loss

| | 2022<br>JD | 2021<br>JD |
|---|---|---|
| Change in fair value of financial assets at fair value | (44 105) | (3 898) |
| Profit from sale of financial assets at fair value | 297 083 | 142 139 |
| | **252 978** | **138 241** |

### 17) Dividends revenues

| | 2022<br>JD | 2021<br>JD |
|---|---|---|
| Dividends revenue | 156 402 | 10 321 |
| | **156 402** | **10 321** |

### 18) Basic and diluted profit earnings per share

| | 2022<br>JD | 2021<br>JD |
|---|---|---|
| profit for the year | 333 953 | 165 256 |
| Weighted average number of outstanding shares | 6 000 000 | 6 000 000 |
| | **0.056 JD** | **0.028 JD** |

### 19) Fair value levels

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

**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.

| | Level 1 JD | Level 2 JD | Level 3 JD | Total JD |
|---|---|---|---|---|
| **2021** | | | | |
| Financial assets at fair value | 1 915 093 | - | - | **1 915 093** |
| **2022** | | | | |
| Financial assets at fair value | 1 952 794 | - | - | **1 952 794** |

## 20) Related parties' transactions
Related parties represent major shareholders, directors and key management personnel of the Group, and entities controlled or significantly influenced by such parties. Pricing policies and terms of these transactions are approved by the Group's management. Balances with related parties included in the consolidated financial statements are as follows:

| **Related from income of comprehensive income** | **Nature of the relationship** | **2022 JD** | **2021 JD** |
|---|---|---|---|
| National Portfolio Securities Group | Management fees | **11 600** | **11 600** |

## 21) Risk management

**Credit Risk**
Credit risk relates to the other party's inability to meet its contractual obligations leading to the incurrence of losses by the Group. Moreover, the Group adopts a policy of dealing with creditworthy parties in order to mitigate the financial losses arising from the Group's default on its liabilities.

**Liquidity Risk**
Liquidity risk is the risk that the Group will encounter difficulty in meeting the obligations associated with its financial liabilities that are settled by delivering cash or another financial asset.

The Group's approach to managing liquidity is to ensure, as far as possible, that it will always have sufficient liquidity to meet its liabilities when due, under both normal and stressed conditions, without incurring unacceptable losses or risking damage to the Group reputation.

## 22) Fair Value of Financial Instruments
Financial instruments comprise of financial assets and financial liabilities.

Financial assets consist of cash and cash equivalents, account receivables, financial assets at amortization cost, financial assets at fair value through profit and loss, financial assets at fair value through other comprehensive income and other debit balances. Financial liabilities consist of account payable, unearned revenue, shareholders deposits, other credit balances, and provision for income tax.

The fair values of financial instruments are not materially different from their carrying values.

## 23) Capital Management
The primary objective of the Group's capital management is to ensure that it maintains capital ratios in order to support it business and maximize shareholder value.

The Group manages its capital structure and makes adjustments to it in light of changes in business conditions. No changes were made in the objectives, policies or processes during the years ended 31 December 2021, and 2020.

Capital comprises share capital, share premium, Statutory reserve, Fair value reserve and retained earnings, and is measured at JD 7 745 906 as at 31 December 2022 (2021: JD 7 347 075).

## 24) 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 Company's financial statements are disclosed below. The Company 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 2023 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.

### Amendments to IAS 1: Classification of Liabilities as Current or Non-current

In January 2020, the IASB issued amendments to paragraphs 69 to 76 of IAS 1 to specify the requirements for classifying liabilities as current or non-current. The amendments clarify:

- What is meant by a right to defer settlement,
- That a right to defer must exist at the end of the reporting period,
- That classification is unaffected by the likelihood that an entity will exercise its deferral right,
- That only if an embedded derivative in a convertible liability is itself an equity instrument would the terms of a liability not impact its classification.

The amendments are effective for annual reporting periods beginning on or after 1 January 2024 and must be applied retrospectively. The Company is currently assessing the impact the amendments will have on current practice and whether existing loan agreements may require renegotiation.
The amendments are not expected to have a material impact on the Company.

### Definition of Accounting Estimates - Amendments to IAS 8

In February 2021, the IASB issued amendments to IAS 8, in which it introduces a definition of 'accounting estimates'. The amendments clarify the distinction between changes in accounting estimates and changes in accounting policies and the correction of errors. Also, they clarify how entities use measurement techniques and inputs to develop accounting estimates.
The amendments are effective for annual reporting periods beginning on or after 1 January 2023 and apply to changes in accounting policies and changes in accounting estimates that occur on or after the start of that period. Earlier application is permitted as long as this fact is disclosed.
The amendments are not expected to have a material impact on the Company.

### Disclosure of Accounting Policies - Amendments to IAS 1 and IFRS Practice Statement 2

In February 2021, the IASB issued amendments to IAS 1 and IFRS Practice Statement 2 Making Materiality Judgements, in which it provides guidance and examples to help entities apply materiality judgements to accounting policy disclosures. The amendments aim to help entities provide accounting policy disclosures that are more useful by replacing the requirement for entities to disclose their 'significant' accounting policies with a requirement to disclose their 'material' accounting policies and adding guidance on how entities apply the concept of materiality in making decisions about accounting policy disclosures.
The amendments to IAS 1 are applicable for annual periods beginning on or after 1 January 2023 with earlier application permitted. Since the amendments to the Practice Statement 2 provide non-mandatory guidance on the application of the definition of material to accounting policy information, an effective date for these amendments is not necessary.
The Company is currently assessing the impact of the amendments to determine the impact they will have on the Company's accounting policy disclosures.

**Deferred Tax related to Assets and Liabilities arising from a Single Transaction - Amendments to IAS 12**

In May 2021, the Board issued amendments to IAS 12, which narrow the scope of the initial recognition exception under IAS 12, so that it no longer applies to transactions that give rise to equal taxable and deductible temporary differences.

The amendments should be applied to transactions that occur on or after the beginning of the earliest comparative period presented. In addition, at the beginning of the earliest comparative period presented, a deferred tax asset (provided that sufficient taxable profit is available) and a deferred tax liability should also be recognized for all deductible and taxable temporary differences associated with leases and decommissioning obligations.

The amendments are effective for annual reporting periods beginning on or after January 1, 2023. Early adoption is permitted.

The Company is currently assessing the impact of the amendments to determine the impact they will have on the Company's accounting policy disclosures.

**25) <u>Comparative Figures</u>**

Some of 2021 balances were reclassified to correspond with 2022 presentation, reclassifications have no effect on the profit and equity for the year ended at 2021.