

إشارتنا م - رش / 2018/6/1

التاريخ : 2018/10/6

السادة بورصة عمان المحترمين

الموضوع : البيانات المالية النصف سنوية المنتهية في 2018/6/30

النسخة الانجليزية

تحية طيبة و بعد ،،

نرفق طيه كتاب البيانات المالية النصف سنوية لشركة الأردن لتطوير المشاريع السياحية للسنة 2018
النسخة الانجليزية .

و تفضلوا بقبول فاق الاحترام ،،،

| |
|-------------------------------|
| بورصة عمان |
| الادارة الادارية والمالية |
| البلديسوان |
| ٧ - ٢٠١٨ |
| الرقم المتسلسل: ٤٦١٨ |
| رقم الملف: ١١٥١١ |
| الجهة المختصة: الادارة العامة |

JORDAN PROJECTS FOR TOURISM
DEVELOPMENT COMPANY
(A PUBLIC SHAREHOLDING LIMITED COMPANY)
AMMAN - JORDAN

CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS
FOR THE SIX-MONTH PERIOD ENDED
JUNE 30, 2018
TOGETHER WITH REVIEW THE REPORT

JORDAN PROJECTS FOR TOURISM
DEVELOPMENT COMPANY
(A PUBLIC SHAREHOLDING LIMITED COMPANY)
AMMAN - JORDAN
JUNE 30, 2018

TABLE OF CONTENTS

| | <u>Page</u> |
|--|-------------|
| Independent Auditor's Report | 1 - 2 |
| Condensed Consolidated Interim Statement of Financial Position | 3 |
| Condensed Consolidated Interim Statement of Income | 4 |
| Condensed Consolidated Interim Statement of Changes in Shareholders' Equity | 5 |
| Condensed Consolidated Interim Statement of Cash Flows | 6 |
| Notes to the Condensed Consolidated Interim Financial Statements | 7 - 22 |

Review Report

AM/ 30840

To the Chairman and members of Board of Directors
Jordan Projects for Tourism Development Company
(A Public Shareholding Limited Company)
Amman - Jordan

Introduction

We have reviewed the accompanying condensed consolidated interim financial position of Jordan Projects for Tourism Development Company (A Public Shareholding Limited Company) as of June 30, 2018 and the related condensed consolidated interim statements of income and comprehensive income, changes in shareholders' equity and cash flows for the six-month period then ended, and a summary of significant accounting policies and other explanatory notes. Management is responsible for the preparation and fair presentation of this condensed consolidated interim financial information in accordance with International Accounting Standard 34 "Interim Financial Reporting". Our responsibility is to express a conclusion on this condensed consolidated interim financial information based on our review.

Scope of Review

We conducted our review in accordance with International Standard on Review Engagements 2410, "Review of Interim Financial Information Performed by the Independent Auditor of the Company". A review of condensed consolidated interim financial information consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with International Standards on Auditing and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

Conclusion

Based on our review, nothing has come to our attention that the accompanying condensed consolidated interim financial statements for Jordan Projects for Tourism Development Company (A Public Shareholding Limited Company) are not prepared in accordance with International Accounting Standard No. (34) Related to Interim Financial Reporting.

Material Uncertainty Related to Going Concern

Without qualifying our conclusion, we draw your attention to note (16) to the condensed consolidated interim financial statements, which indicates that the Company incurred a loss of JD 1,705,957 for the six-month period ended June 30, 2018 and that the accumulated losses, plus period's loss amounted to JD 14,246,912 which is equivalent to 47% of the Company's paid-up capital. In addition, the Company suffers from a deficit in its quick liquidity as of June 30, 2018 as stated in note (15). Moreover, banks credit facilities have been rescheduled several times lastly during the first quarter of 2018. These conditions indicate the existence of material uncertainty, which may cast significant doubt about the Company's ability to continue as a going concern, which depends on the success of the Management's plan in the above mentioned note and its ability to provide the necessary liquidity to implement future projects.

Deloitte.

Emphasis of Matters

Without qualifying our conclusion above, we draw our attention to the following:

1. As stated in note (12) to the condensed consolidated interim financial statements, the Company has reached a settlement with the Income and Sales Tax Department up to the year 2012, and has submitted its returns for the year 2013 during the process of objection to the decision of the tax evaluator. The Company has also submitted its income tax returns for the year 2014 but they have not yet been reviewed by the Income and Sales Tax Department. On the other hand, the Company has not submitted its income tax returns for the year 2015, 2016 and 2017. Moreover, the Income and Sales Tax Department – Aqaba Special Economic Zone Authority has restricted the Bank accounts for Moon Beach for Tourism Investment on October 29, 2017, because the company has not paid its due amounts to the Income and Sales Tax department.
2. As stated in note (14-c) to the condensed consolidated interim financial statements, the entire lands owned by the Company are subject under the agreement with Aqaba Special Economic Zone Authority to restrictions until the completion of all stages of the Tala Bay tourist city project on these lands or until it is sold to third parties for the purpose of establishing hotels or tourism/ service projects.

Other Matters

The Company's financial year ends on December 31 of each year, but the condensed consolidated interim financial statements are prepared for management purposes and for the purpose of the Securities Commission.

The financial statements for the year-ended December 31, 2017 and for the six-month period ended June 30, 2017 were audited and its numbers are represented for comparison purposes in the condensed consolidated interim financial statements by another auditor, who issued his unqualified report on May 13, 2018 and on January 21, 2018, respectively.

The accompanying condensed consolidated interim financial statements are a translation of the condensed consolidated interim financial statements in Arabic language to which reference should be made.

Amman-Jordan.
July 31, 2018

Deloitte & Touche (M.E.)
Deloitte & Touche (Middle East) – Jordan
ديلويت آند توش (الشرق الأوسط)
010103

JORDAN PROJECTS FOR TOURISM DEVELOPMENT COMPANY
(A PUBLIC SHAREHOLDING LIMITED COMPANY)
AMMAN - JORDAN
CONDENSED CONSOLIDATED INTERIM STATEMENT OF FINANCIAL POSITION

| | Note | June 30, 2018 (Reviewed not Audited) | December 31, 2017 |
|--|------|---|----------------------|
| ASSETS | | JD | JD |
| Non-Current Assets: | | | |
| Property and equipment - net | | 80,947,361 | 81,527,041 |
| Leased Property - Financial Leasing | | 5,169,101 | 5,223,703 |
| Investment property - net | | 3,253,853 | 3,437,160 |
| Total Non-Current Assets | | 89,370,315 | 90,187,904 |
| Current Assets: | | | |
| Projects and lands available for sale, and ready projects pending delivery | 7 | 21,936,206 | 22,355,127 |
| Projects under construction | 8 | 45,827 | 45,827 |
| Other debit balances | | 3,366,172 | 3,486,523 |
| Inventory | | 572,861 | 553,364 |
| Accounts receivable - net | 6 | 5,227,830 | 3,303,371 |
| Cash on hand and at bank | | 595,338 | 476,647 |
| Deferred tax assets | | 440,099 | 440,099 |
| Due from related parties | 13 | 57,586 | 64,247 |
| Total Current Assets | | 32,241,919 | 30,725,205 |
| TOTAL ASSETS | | 121,612,234 | 120,913,109 |
| SHAREHOLDERS' EQUITY AND LIABILITIES | | | |
| SHAREHOLDERS' EQUITY: | | | |
| Paid-up Capital | 9 | 30,500,000 | 30,500,000 |
| Share premium | | 29,719,600 | 29,719,600 |
| Statutory reserve | 9 | 2,394,160 | 2,394,160 |
| Voluntary reserve | 9 | 1,527,192 | 1,527,192 |
| Foreign currency translation differences | | 154,928 | 154,928 |
| Accumulated (losses) | | (12,540,955) | (12,540,955) |
| (Loss) for the period | | (1,705,957) | - |
| Total Shareholders' Equity | | 50,048,968 | 51,754,925 |
| Non-Current Liabilities: | | | |
| Long-term loans | 10 | 32,025,539 | 30,380,192 |
| Post dated checks and long notes payables - Long term | | 1,162,414 | 1,148,194 |
| Shareholder loan | 11 | - | 3,840,587 |
| Financing lease liability - Long term | | 3,138,143 | 3,138,143 |
| Total Non-Current Liabilities | | 36,326,096 | 38,507,116 |
| Current Liabilities: | | | |
| Due to banks | | - | 4,853 |
| Post-dated checks and notes payable - Short term | | 3,770,460 | 3,220,181 |
| Accounts payable | | 8,809,521 | 8,154,130 |
| Short-term loans | 10 | 4,228,049 | 5,411,127 |
| Shareholder loan - Short term | 11 | 6,934,645 | 3,000,000 |
| Deferred revenue | | 2,149,210 | 1,499,916 |
| Financial leasing contracts liability - Short term | | 449,241 | 580,356 |
| Income tax provision | 12 | 244,586 | 238,405 |
| Due to related parties | 13 | 56,751 | 832,941 |
| Other credit balances | | 8,594,707 | 7,709,159 |
| Total Current Liabilities | | 35,237,170 | 30,651,068 |
| Total Liabilities | | 71,563,266 | 69,158,184 |
| TOTAL SHAREHOLDERS' EQUITY AND LIABILITIES | | 121,612,234 | 120,913,109 |

Chief Executive Officer

Chairman

THE ACCOMPANYING NOTES CONSTITUTE AN INTEGRAL PART OF THESE CONDENSED INTERIM
FINANCIAL STATEMENTS AND SHOULD BE READ WITH THEM AND WITH THE
ACCOMPANYING REVIEW REPORT.

JORDAN PROJECTS FOR TOURISM DEVELOPMENT COMPANY
(A PUBLIC SHAREHOLDING LIMITED COMPANY)
AMMAN - JORDAN
CONDENSED CONSOLIDATED INTERIM STATEMENT OF INCOME
(REVIEWED NOT AUDITED)

| | Note | For the Three-Month Period | | For the Six-Month Period | |
|--|------|----------------------------|--------------------|--------------------------|--------------------|
| | | Ended on June 30, | | Ended on June 30, | |
| | | 2018 | 2017 | 2018 | 2017 |
| | | JD | JD | JD | JD |
| Revenue | | 4,381,233 | 3,053,926 | 8,965,777 | 8,277,367 |
| Cost of revenue | | <u>(2,413,357)</u> | <u>(1,460,117)</u> | <u>(5,201,577)</u> | <u>(4,363,288)</u> |
| Gross Profit | 4 | 1,967,876 | 1,593,809 | 3,764,200 | 3,914,079 |
| General and administrative expenses | | (202,842) | (165,085) | (469,176) | (415,152) |
| Employees' expenses | | (1,067,875) | (1,172,598) | (2,080,231) | (1,983,452) |
| Depreciation of property, equipment and investment property | | (387,239) | (330,809) | (801,212) | (774,791) |
| Borrowing costs | | (1,107,865) | (852,177) | (2,119,712) | (1,640,418) |
| Other income | | 1,246 | (54,787) | 8,765 | 3,698 |
| Provision expenses | | <u>-</u> | <u>(566,230)</u> | <u>(2,410)</u> | <u>(947,318)</u> |
| (Loss) for the Period | | (796,699) | (1,547,877) | (1,699,776) | (1,843,354) |
| Income tax expense | 12 | <u>-</u> | <u>5,336</u> | <u>(6,181)</u> | <u>(717)</u> |
| Net (Loss) for the Period | | <u>(796,699)</u> | <u>(1,542,541)</u> | <u>(1,705,957)</u> | <u>(1,844,071)</u> |
| <u>Comprehensive Income Items for the Period:</u> | | | | | |
| Foreign currencies transaction differences | | <u>-</u> | <u>(66,327)</u> | <u>-</u> | <u>(35,244)</u> |
| Comprehensive (Loss) for the Period | | <u>(796,699)</u> | <u>(1,608,868)</u> | <u>(1,705,957)</u> | <u>(1,879,315)</u> |
| (Loss) per Share for the period attributable to shareholders | 5 | <u>(0.03)</u> | <u>(0.05)</u> | <u>(0.06)</u> | <u>(0.06)</u> |

Chief Executive Officer

Chairman

THE ACCOMPANYING NOTES CONSTITUTE AN INTEGRAL PART OF THESE CONDENSED INTERIM
FINANCIAL STATEMENTS AND SHOULD BE READ WITH THEM AND WITH THE
ACCOMPANYING REVIEW REPORT.

JORDAN PROJECTS FOR TOURISM DEVELOPMENT COMPANY
(A PUBLIC SHAREHOLDING LIMITED COMPANY)

AMMAN - JORDAN

CONDENSED CONSOLIDATED INTERIM STATEMENT OF CHANGES IN SHAREHOLDERS' EQUITY

(REVIEWED NOT AUDITED)

| Differences in Translation of | | | | | | | | | | | |
|---|----|---------------|----|-----------|-----------|--------------------|----------|----------------------|----|-----------------------|-------------|
| Paid-up Capital | | Share Premium | | Reserves | | Foreign Currencies | | Accumulated (Losses) | | (Loss) for the Period | |
| JD | JD | JD | JD | Statutory | Voluntary | JD | JD | JD | JD | JD | JD |
| For the Six-Month Period Ended on June 30, 2018 | | | | | | | | | | | |
| 30,500,000 | | 29,719,600 | | 2,394,160 | 1,527,192 | | 154,928 | (12,540,955) | | - | 51,754,925 |
| - | | - | | - | - | | - | - | | (1,705,957) | (1,705,957) |
| 30,500,000 | | 29,719,600 | | 2,394,160 | 1,527,192 | | 154,928 | (12,540,955) | | (1,705,957) | 50,048,968 |
| For the Six-Month Period Ended on June 30, 2017 | | | | | | | | | | | |
| 30,500,000 | | 29,719,600 | | 2,394,160 | 1,527,192 | | 195,362 | (2,315,521) | | - | 62,020,793 |
| - | | - | | - | - | | - | - | | (1,844,071) | (1,844,071) |
| - | | - | | - | - | | (35,244) | - | | - | (35,244) |
| - | | - | | - | - | | (35,244) | - | | (1,844,071) | (1,879,315) |
| 30,500,000 | | 29,719,600 | | 2,394,160 | 1,527,192 | | 160,118 | (2,315,521) | | (1,844,071) | 60,141,478 |

THE ACCOMPANYING NOTES CONSTITUTE AN INTEGRAL PART OF THESE CONDENSED INTERIM FINANCIAL STATEMENTS
AND SHOULD BE READ WITH THEM AND WITH THE ACCOMPANYING REVIEW REPORT.

JORDAN PROJECTS FOR TOURISM DEVELOPMENT COMPANY
(A PUBLIC SHAREHOLDING LIMITED COMPANY)
AMMAN - JORDAN
CONDENSED CONSOLIDATED INTERIM STATEMENT OF CASH FLOWS
(REVIEWED NOT AUDITED)

| | For the Six-Month Period | |
|---|--------------------------|-------------|
| | Ended on June 30 | |
| | 2018 | 2017 |
| | JD | JD |
| CASH FLOWS FROM OPERATING ACTIVITIES: | | |
| (Loss) for the period before tax | (1,699,776) | (1,843,354) |
| Adjustments for: | | |
| Depreciation of property and equipment | 801,212 | 774,791 |
| Borrowing expenses | 2,119,712 | 1,640,418 |
| Provision expenses | 2,410 | 947,318 |
| Net Cash Flows from Operating Activities before Changes in Working Capital | 1,223,558 | 1,519,173 |
| Decrease in projects and lands available for sale and ready projects pending delivery | 418,921 | - |
| Decrease in projects under construction | - | 860,430 |
| (Increase) in Inventory | (19,497) | (7,525) |
| (Increase) in accounts receivable and other debit balances | (1,806,518) | (2,789,980) |
| Decrease in due from related parties | 6,661 | - |
| (Decrease) in due to related parties | (776,190) | - |
| (Decrease) Increase In due to banks | (4,853) | 28,991 |
| (Decrease) in lease commitment contracts | (131,115) | (617,911) |
| Increase in account payable and other credit balances | 1,540,939 | 2,662,464 |
| Increase (decrease) in deferred revenue | 649,294 | (1,533,878) |
| Net Cash Flows from Operating Activities | 1,101,200 | 121,764 |
| CASH FLOWS FROM INVESTING ACTIVITIES: | | |
| (Purchase) of property and equipment | (166,930) | (180,733) |
| Sale of Investment property | 183,307 | - |
| Net Cash Flows (used in) from Investing Activities | 16,377 | (180,733) |
| CASH FLOWS FROM FINANCING ACTIVITIES: | | |
| Post-dated checks and notes payable | 564,499 | 2,064,806 |
| Shareholder loan | 94,058 | (308,529) |
| Loans | 462,269 | - |
| Borrowing expenses | (2,119,712) | (1,640,418) |
| Net Cash Flows (used in) from Financing Activities | (998,886) | 115,859 |
| Net Increase in Cash | 118,691 | 56,890 |
| Cash and balances at banks - beginning of the period | 476,647 | 248,534 |
| Cash and Balances at Banks - End of the Period | 595,338 | 305,424 |

THE ACCOMPANYING NOTES CONSTITUTE AN INTEGRAL PART OF THESE CONDENSED INTERIM
FINANCIAL STATEMENTS AND SHOULD BE READ WITH THEM AND WITH THE
ACCOMPANYING REVIEW REPORT.

JORDAN PROJECTS FOR TOURISM DEVELOPMENT COMPANY
(A PUBLIC SHAREHOLDING LIMITED COMPANY)
AMMAN - JORDAN
NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

1. General

- a. Jordan Projects for Tourism Development Company was established during the year 2000, in accordance with the Jordanian Companies Law Number (22) for the year 1997. It was registered at the Ministry of Industry and Trade as a Public Shareholding Limited Company under number (339) on June 15, 2000 with a paid-up capital of JD 7,000,000, divided into 7,000,000 shares at a par value of JD 1 per share. This capital has been increased several times to become JD 21,500,000. On February 16, 2001, the Company was registered and licensed at Aqaba Special Economic Zone Authority under No. (1101021601) so as to be able to provide its services. In their extraordinary meeting held on December 23, 2012, the Company's General Assembly decided to increase the Company's capital by JD 10,000,000 to reach JD 31,500,000 through a private underwriting to its shareholders. At the beginning of the year 2015, the General Assembly agreed to amend this decision and increase the Company's capital by 9 million shares to become JD 30,500,000.

The Company performs all its commercial activities in Aqaba Special Economic Zone except for some administrative activities which are performed in Amman. Its head office address is Zahran Street 179, P.O Box (941299) Amman - Jordan.

- b. The main objectives of the Company are the following:
- Construct, build, purchase, sell, lease, rent, manage and supply hotels of all types, including outlets and showrooms.
 - Construct, sell, participate in and manage entities, projects, touristic hotels and villages, villas, beach cabins and all other related activities.
 - Construct, establish, participate in and manage travel and tourism agencies and offices and provide services relating to the tourism sector, in addition to selling traditional handicrafts of all kinds.
- c. The accompanying condensed consolidated interim financial statements have been approved by the Company's Board of Directors on July 19, 2018, by 7 members out of nine members as two members of the Board of Directors members had expressed their reservation regarding the other credit balances in the condensed consolidated interim financial statements.

2. Significant Accounting Policies

a. Basis of Preparation of the Condensed Consolidated Interim Financial Statements:

- The accompanying consolidated condensed interim financial statements have been prepared in accordance with International Accounting Standard (IAS) 34 "Interim Financial Reporting.
- The consolidated condensed interim financial statements have been prepared according to the historical cost convention except for the financial assets and liabilities that appear at fair value at the date of the consolidated condensed interim financial statements.
- The subsidiary's condensed interim financial statements have been prepared using the same accounting policies used in the company. If the subsidiary follows accounting policies that differ from those of the company, the necessary adjustments are made to the financial statements of the subsidiary to conform to the accounting policies adopted by the company.

- The financial statements of the Company are presented in Jordanian Dinar, which is also its functional currency.
 - The accompanying consolidated condensed interim financial statements do not include all the information and disclosures required for the annual financial statements and should be read with the Company's annual report as of December 31, 2017. In addition, the results of the Company's operations for the six-month period ended June 30, 2018 do not necessarily represent an indication of the expected results for the year ending December 31, 2018.
 - The accounting policies adopted in preparing the consolidated condensed interim financial statements are consistent with those applied in the year ended December 31, 2017 except for the effect of the adoption of the new and revised standards which are applied on or after the first of January of 2018 as follow:
- a. **Amendments with no material effect on the consolidated condensed interim financial statements of the company:**

Annual Improvements to IFRS Standards 2014 – 2016 The improvements include the amendments on IFRS 1 and IAS 28 and they are effective for annual periods beginning on or after January 1, 2018.

Amendments to IFRS 2 Share Based Payment

The amendments are related to classification and measurement of share based payment transactions and they are effective for annual periods beginning on or after January 1, 2018.

Amendments to IFRS 4 Insurance Contracts

The amendments relating to the different effective dates of IFRS 9 and the forthcoming new insurance contracts standard and they are effective for annual periods beginning on or after January 1, 2018.

IFRIC 22 Foreign Currency Transactions and Advanced Consideration

IFRIC 22 addresses how to determine the date of transaction for the purpose of determining the exchange rate to use on initial recognition of an asset, expense or income (or part of it) or on de-recognition of a non-monetary asset or liability arising from advance considerations.

The interpretation specifies that the date of transaction is the date on which the entity initially recognizes the non-monetary asset or non-monetary liability arising from the payment or receipt of advance consideration.

Amendments to IAS 40 Investment Property

These amendments show when the entity shall transfer (reclass) a property including investments under process or development to, or from, investment property.

IFRS 15 Revenue from Contracts with Customers

In May 2014, IFRS 15 was issued which established a single comprehensive model for entities to use in accounting for revenue arising from contracts with customers. IFRS 15 will supersede the current revenue recognition guidance including IAS 18 *Revenue*, IAS 11 *Construction Contracts* and the related interpretations when it becomes effective.

The core principle of IFRS 15 is that an entity should recognize revenue to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services. Specifically, the standard introduces a 5-step approach to revenue recognition:

Step 1: Identify the contract(s) with a customer.

Step 2: Identify the performance obligations in the contract.

Step 3: Determine the transaction price.

Step 4: Allocate the transaction price to the performance obligations in the contract.

Step 5: Recognise revenue when (or as) the entity satisfies a performance obligation.

Under IFRS 15, an entity recognises when (or as) a performance obligation is satisfied, i.e. when 'control' of the goods or services underlying the particular performance obligation is transferred to the customer. Far more prescriptive guidance has been added in IFRS 15 to deal with specific scenarios. Furthermore, extensive disclosures are required by IFRS 15.

IFRS 15 may be adopted retrospectively, by restating comparatives and adjusting retained earnings at the beginning of the earliest comparative period. – Alternatively, IFRS 15 may be adopted as of the application date on January 1, 2018, by adjusting retained earnings at the beginning of the first reporting year (the cumulative effect approach).

Amendments to IFRS 15 Revenue from Contracts with Customers

The amendments are to clarify three aspects of the standard (identifying performance obligations, principal versus agent considerations, and licensing) and to provide some transition relief for modified contracts and completed contracts.

Amendments to IFRS 7 Financial Instruments: Disclosures

The amendments are related to disclosures about the initial application of IFRS 9. The amendments are effective when IFRS (9) is first applied.

IFRS 7 Financial Instruments: Disclosures

The amendments are related to the additional hedge accounting disclosures (and consequential amendments) resulting from the introduction of the hedge accounting chapter in IFRS 9. The Amendments are effective when IFRS 9 is first applied.

B. Amendments effective on the consolidated condensed interim financial statements of the Company

IFRS 9 Financial Instruments

IFRS 9 issued in November 2009 introduced new requirements for the classification and measurement of financial assets. IFRS 9 was subsequently amended in October 2010 to include requirements for the classification and measurement of financial liabilities and for derecognition, and in November 2013 to include the new requirements for general hedge accounting. Another revised version of IFRS 9 was issued in July 2014 mainly to include a) impairment requirements for financial assets and b) limited amendments to the classification and measurement requirements by introducing a 'fair value through other comprehensive income' (FVTOCI) measurement category for certain simple debt instruments.

A finalised version of IFRS 9 which contains accounting requirements for financial instruments, replacing IAS 39 *Financial Instruments: Recognition and Measurement*. And a new version of the new standard includes the requirements of recognition, measurement, impairment and hedge accounting.

The final version of IFRS 9 relating to financial instruments was replaced which relates to the credit loss model incurred in accordance with IAS 39 Financial Instruments: Recognition and Measurement, replacing a model for expected credit losses. The Standard includes a business model for debt instruments, loans, financial liabilities, financial guarantee contracts, deposits and receivables, but does not apply to equity instruments.

The Company calculated the initial impact of the International financial reporting standard (IFRS 9), as it is not material, its impact has not been reversed in the attached consolidated condensed interim financial statements.

The implementation was applied retrospectively in compliance with the IFRS (9) furthermore, the Company didn't adjust the comparative figures. The effect of this implementation was recognised in January 1st, 2018 through retained earnings in the statement of changes in equity.

In case there is a low credit risk to the financial asset at the date of initial application of IFRS (9), the credit risk relating to the financial asset is considered to have not been changed substantially since its initial recognition.

In accordance with IFRS 9 Financial Instruments the expected credit losses are recognized at an early date in accordance with IAS 39.

The revised version of IFRS 9 (2014) (Financial Instruments) includes a classification mechanism for financial assets and liabilities. IFRS 9 requires all financial assets to be classified based on the entity's business model for managing the financial assets and the contractual cash flow characteristics of the financial asset.

There is no material difference in the classification of financial assets and liabilities arising from the adoption of IFRS 9 for the year 2014.

c. Basis of Condensed Consolidated Interim of the Financial Statements

The accompanying financial statements include the financial statements of the Company and its controlled companies (the subsidiary companies). Control is achieved when the Company has the ability to control the financial and operational policies of the subsidiary entity so as to obtain benefits from its activities.

Transactions, balances, revenues and expenses between the Company and its subsidiaries are eliminated when preparing the condensed consolidated interim financial statement.

The accompanying consolidated financial statements include the financial statements of the Company and the following subsidiary companies that are owned directly and indirectly:

| Company's Name | Ownership | Activity Nature | Country of Origin and Work Location |
|---|-----------|--|--------------------------------------|
| | % | | |
| Aqaba Gulf Constructions * | 100 | Constructing and Contracting | Jordan - Aqaba Special Economic Zone |
| Tala Beach for Services and Maintenance | 100 | Garbage collection and recycling | Jordan - Aqaba Special Economic Zone |
| Jordan Hotels Holding AG | 100 | Operating and managing hotels | Switzerland |
| Amwaj Al Aqaba for Managing Projects and Services | 100 | Managing projects and logistics services | Jordan - Amman |
| Tala Beach for Investments | 100 | Purchasing lands and constructing projects | Jordan - Amman |
| Jordan Golden Beach - BVI | 100 | Touristic investments | Virgin British Islands |
| Jordan Hotel I BVI | 100 | Touristic investments | Virgin British Islands |
| Jordan Hotel II BVI | 100 | Touristic investments | Virgin British Islands |
| Jordan Hotel IV BVI | 100 | Touristic investments | Virgin British Islands |
| Moon Beach for Tourism Investments | 100 | Operating and managing hotels | Jordan - Aqaba Special Economic Zone |
| Golden Coast for Tourism Hotels | 100 | Operating and managing hotels | Jordan - Aqaba Special Economic Zone |
| Jordan Union for Tourism Projects | 60 | Operating and managing hotels | Jordan - Aqaba Special Economic Zone |
| Sama Al Aqaba Company | 100 | Operating and managing hotels | Jordan - Aqaba Special Economic Zone |

- * Aqaba Gulf Constructions has not conducted any trading activities during the six-month period ended June 30, 2018. Moreover, a liquidation decision for Aqaba Gulf Constructions was taken on April 21, 2011, and on March 27, 2016 a decision to suspend the voluntary liquidation procedures and move to compulsory liquidation was taken, a liquidation decision is still under liquidation as of condensed consolidated Interim financial statements date.

The most significant financial information for the subsidiary companies for the six-month period ended June 30, 2018 as follows:

| Company's Name | June 30, 2018 | | For the Six-Month Period ended June 30, 2018 | |
|---|---------------|-------------------|--|----------------|
| | Total Assets | Total Liabilities | Total Revenue | Total Expenses |
| | JD | JD | JD | JD |
| Aqaba Gulf Constructions | 17,817 | 718,934 | - | - |
| Tala Beach for Maintenance and Services | 2,502,420 | 1,844,580 | 1,699,329 | 1,690,297 |
| Jordan Hotels Holding AG | 385,105 | 291,185 | - | 12,336 |
| Amwaj Al-Aqaba for Managing Projects and Services | 409,890 | 126,368 | 2,226,872 | - |
| Tala Beach for Investments | 500 | 4,740 | - | 2,045,848 |
| Jordan Hotel I BVI | 22,500,000 | 22,502,588 | - | - |
| Jordan Hotel II BVI | 7,500,000 | 7,502,588 | - | - |
| Jordan Hotel IV BVI | - | 2,588 | - | - |
| Jordan Golden Beach – BVI | 5,679,543 | 5,693,088 | - | - |
| Moon Beach for Tourism Investments | 23,680,429 | 24,957,990 | 2,863,176 | 3,496,661 |
| Golden Coast for Tourism Hotels | 11,827,931 | 7,781,424 | 2,039,827 | 2,012,903 |
| Jordan Union for Tourism Projects | 500 | 344,250 | - | 75,000 |
| Sama Al Aqaba Company | 264,926 | 386,282 | - | - |

- Subsidiaries' results of operations are integrated in the consolidated statement of income from the date of ownership - i.e. the date on which an actual control over the subsidiary is assumed by the Company. Moreover, the operating results of the disposed subsidiaries are integrated in the condensed consolidated interim statement of income up to the effective date of disposal, the date on which the Company loses control over the subsidiary.

3. Accounting Estimates

The preparation of the condensed consolidated interim financial statements and the application of accounting policies requires management to make estimates and judgments that affect the amounts of financial assets and liabilities and disclose potential liabilities. These estimates and judgments also affect revenues, expenses and provisions. In particular, the Company's management requires judgments and judgments to estimate the amounts and timing of future cash flows. These estimates are necessarily based on assumptions and factors that have varying degrees of estimation and uncertainty and that the actual results may differ from the estimates as a result of changes in the circumstances and circumstances of those estimates in the future. We believe that the estimates included in the interim condensed consolidated financial statements are reasonable, and match the estimates used to prepare the financial statements for the year ended December 31, 2017, except for the estimates used to calculate the effect of IFRS 9 regarding financial instruments where the expected credit loss is calculated using a simplified methodology.

4. Results of the Period by Operating Segments :

a. The following is analysis for the revenues, operating results, assets and liabilities of the sectors:

| | Sector Revenue | | Cost of Sector Revenue | | Operating Sector's Results | |
|-----------------------------------|--|------------------|--|--------------------|--|---------------------|
| | For the Six-Month Period ended June 30 | | For the Six-Month Period ended June 30 | | For the Six-Month Period ended June 30 | |
| | 2018 | 2017 | 2018 | 2017 | 2018 | 2017 |
| | JD | JD | JD | JD | JD | JD |
| Hotels | 4,923,084 | 2,730,738 | (1,661,659) | (1,657,985) | 3,261,425 | 1,072,753 |
| Real estate projects | 875,000 | 1,970,350 | (661,333) | (1,233,675) | 213,667 | 736,675 |
| Assets and properties' management | 1,698,364 | 971,570 | (1,803,376) | (463,496) | (105,012) | 508,074 |
| Operations management | 1,469,329 | 1,893,124 | (1,075,209) | (296,547) | 394,120 | 1,596,577 |
| Land development | - | 711,585 | - | (711,585) | - | - |
| | <u>8,965,777</u> | <u>8,277,367</u> | <u>(5,201,577)</u> | <u>(4,363,288)</u> | <u>3,764,200</u> | <u>3,914,079</u> |
| Less: | | | | | | |
| Undistributed expenses | | | | | (3,350,619) | (3,173,395) |
| Financing expenses | | | | | (2,119,712) | (1,640,418) |
| Other revenue | | | | | 8,765 | 3,698 |
| Provision expenses | | | | | (2,410) | (947,318) |
| (Loss) for the period | | | | | <u>(1,699,776)</u> | <u>(1,843,354)</u> |
| Sector's Assets | | | | | | |
| Hotels | | | | | | |
| Real estate projects | | | | | 73,222,615 | 75,179,468 |
| Assets and properties' management | | | | | 6,405,019 | 6,405,019 |
| Operations' management | | | | | 14,252,861 | 14,740,862 |
| Land development | | | | | 5,801,673 | 3,578,513 |
| Total Sectors' Assets | | | | | <u>21,930,066</u> | <u>21,009,247</u> |
| | | | | | <u>121,612,234</u> | <u>120,913,109</u> |
| Sector's Liabilities | | | | | | |
| Hotels | | | | | | |
| Real estate projects | | | | | (56,109,397) | (54,173,877) |
| Assets and properties' management | | | | | (2,330,307) | (2,330,307) |
| Operations management | | | | | (9,883,450) | (9,750,000) |
| Total Sectors' Liabilities | | | | | <u>(3,240,112)</u> | <u>(2,904,000)</u> |
| Net | | | | | <u>(71,563,266)</u> | <u>(69,158,184)</u> |
| | | | | | <u>50,048,968</u> | <u>51,754,925</u> |

b. Geographical distribution:

This is the geographical distribution of the company's operations. The company operates mainly in the Kingdom, which represents local operations.

The following is the distribution of the company's assets and liabilities based on geographical sector:

| | Inside the kingdom | | Outside the kingdom | | Total | |
|-------------------|--------------------|-------------------|---------------------|-------------------|---------------|-------------------|
| | June 30, 2018 | December 31, 2017 | June 30, 2018 | December 31, 2017 | June 30, 2018 | December 31, 2017 |
| | JD | JD | JD | JD | JD | JD |
| Total Assets | 121,601,690 | 120,902,565 | 10,544 | 10,544 | 121,612,234 | 120,913,109 |
| Total Liabilities | 71,261,446 | 68,856,364 | 301,820 | 301,820 | 71,563,266 | 69,158,184 |

5. (Loss) per Share for the Period Attributable to Shareholders:

This item consists of the following:

| | For the Three-Month Period Ended June 30, | | For the Six-Month Period Ended June 30, | |
|--|---|-------------|---|-------------|
| | 2018 | 2017 | 2018 | 2017 |
| | JD | JD | JD | JD |
| (Loss) for the period | (796,699) | (1,543,541) | (1,705,957) | (1,844,071) |
| | Share | Share | Share | Share |
| Weighted average number of shares | 30,500,000 | 30,500,000 | 30,500,000 | 30,500,000 |
| | JD/Share | JD/Share | JD/Share | JD/Share |
| (Loss) per share for the period and attributable to shareholders – (Basic and Diluted) | (0.03) | (0.05) | (0.06) | (0.06) |

6. Accounts Receivable - Net

This item consists of the following:

| | June 30, 2018 | December 31, 2017 |
|---|------------------|-------------------|
| | JD | JD |
| Trade Customers receivable and others | 5,475,795 | 3,632,008 |
| <u>Less: Provision for doubtful debts *</u> | <u>(564,639)</u> | <u>(562,229)</u> |
| | 4,911,156 | 3,069,779 |
| Checks under collection | 295,632 | 72,402 |
| Others | 21,042 | 161,190 |
| | <u>5,227,830</u> | <u>3,303,371</u> |

* The movement on the account of doubtful debts provision is as follows:

| | For the Six-Month Period ended June 30, 2018 | For the Year-Ended December 31, 2017 |
|--|--|--------------------------------------|
| Balance - beginning of the period / year | 562,229 | 406,683 |
| Additions | 2,410 | 155,546 |
| Balance - End of the Period / Year | <u>564,639</u> | <u>562,229</u> |

- Management believes that the provision for doubtful debts is sufficient, after taking into consolidation the due from related parties and subsequent collections.

Aging for trade customers' receivables is as follows:

| | June 30, 2018 | December 31, 2017 |
|--------------------|------------------|----------------------|
| | JD | JD |
| Less than 30 days | 788,847 | 717,167 |
| 31 days – 60 days | 6,829 | 330,847 |
| 61 days – 90 days | 191,718 | 160,493 |
| 91 days – 120 days | 1,173,820 | 124,396 |
| More than 120 days | <u>3,314,580</u> | <u>2,299,105</u> |
| | <u>5,475,795</u> | <u>3,632,008</u> |

7. Projects and Lands Available for Sale and projects under submission

This item consists of the following:

| | June 30, 2018 | December 31, 2017 |
|---|-------------------|----------------------|
| | JD | JD |
| Lands available for sale | 19,871,669 | 19,871,669 |
| Apartments and villas available for sale | 2,794,153 | 3,213,074 |
| <u>Less: Allowance for impairment of phase-three villas</u> | <u>(729,616)</u> | <u>(729,616)</u> |
| | <u>21,936,206</u> | <u>22,355,127</u> |

8. Projects under Construction

This item consists of the following:

| | June 30, 2018 | December 31, 2017 |
|------------------------------|------------------|----------------------|
| | JD | JD |
| Land improvements | 42,460 | 42,460 |
| Golf yard | 322,581 | 322,581 |
| Entertainment center | 180,786 | 180,786 |
| <u>Less: impairment loss</u> | <u>(500,000)</u> | <u>(500,000)</u> |
| | <u>45,827</u> | <u>45,827</u> |

9. Capital and Reserves

a. Paid-up Capital

The Company's capital is JD 30.5 million divided into 30.5 million shares at a nominal value of JD 1 per share.

b. Statutory Reserve

Statutory reserve represents the amounts collected in this account for the annual profit before tax in rate of 10%, which is not distributable as dividends to shareholders. This deduction may not be discontinued before the aggregate amount of this account equals one quarter of the authorized share capital. However, and based on the approval of the General Assembly, the Company may continue to deduct until the statutory reserve reaches the authorized and paid-up capital of the Company. The Company shall continue to deduct the same percentage for each year so that the amounts deducted shall not exceed the paid-up capital.

c. Voluntary Reserve

The voluntary reserve represents the amounts collected in this account for the annual profit before tax not exceeding 20%. This reserve is used for purposes determined by the Board of Directors and the General Assembly of Shareholders is entitled to distribute it in full or in part as dividends to shareholders.

10. Loans

This item consists of the following:

| | Short-Term | | Long-Term | |
|-------------------------------|------------------|----------------------|-------------------|----------------------|
| | June 30, 2018 | December 31, 2017 | June 30, 2018 | December 31, 2017 |
| | JD | JD | JD | JD |
| Invest Bank loan * | 1,427,626 | - | 9,559,334 | 10,119,180 |
| Jordan Kuwait Bank loan -JD** | 1,888,729 | 2,799,959 | 11,797,953 | 11,227,280 |
| Jordan Kuwait Bank loan-USD** | 411,835 | 480,908 | 1,602,716 | 1,609,535 |
| Bank Audi loan- JD*** | 250,152 | 1,076,000 | 4,540,000 | 3,714,000 |
| Bank Audi loan- USD *** | 249,707 | 1,054,260 | 4,525,536 | 3,710,197 |
| | <u>4,228,049</u> | <u>5,411,127</u> | <u>32,025,539</u> | <u>30,380,192</u> |

Guarantees

- * In order to guarantee Invest Bank loan mentioned above, the Company has provided a mortgage of the first class with a value of JD 12 million and a second class mortgage of JD 3 million on a plot of land No. 140 of Ras El Yamania No. 2 of the land of Aqaba owned by the company. (The purpose of the loan is to finance the Company's construction activities).
- ** In order to guarantee Jordan Kuwait Bank loan, the Company has provided a first class mortgage worth JD 11,684 including 8 villas and building No. 12 in addition to commercial shops. The purpose of the loan is to finance the company's activities related to constructions to guarantee the loan mentioned, in addition to providing a mortgage on a land No. 33 basin Ras El Yamania No.2 from Aqaba's land which is owned by the Company.
- *** In order to guarantee Bank Audi Bank loan, the company has provided a mortgage on a land No. 31 and what is over it from construction of basin Ras El Yamania No. 2 from Aqaba's land of JD 16.5 million, in addition to personal guarantee of three shareholders.

11. Shareholder Loan

This item consists of the following:

| | June 30, 2018 | December 31, 2017 |
|--|------------------|----------------------|
| | JD | JD |
| Abu Jaber Brother's Company* | 6,934,645 | 6,840,587 |
| Presented in the consolidated financial position within: | | |
| Current Liabilities | 6,934,645 | 3,000,000 |
| Non-Current Liabilities | - | 3,840,587 |
| | <u>6,934,645</u> | <u>6,840,587</u> |

- * This amount represents the granted loan from Abu Jaber Brother's Company for one of the subsidiaries (Shareholder and Board of Directors member), and the purpose of this loan is to provide enough cash to finance various investment operation for Moon Beach Company (subsidiary).

The loan annex agreement was signed between the parties on May 6, 2017, which includes the following points:

- Interest rate and repayment terms for the loan balance will be amended as of January 1, 2015 to be in the amount of JD 6,483,968 (JD six million, four hundred eighty-three thousands and nine hundred sixty-eight) which was agreed upon by the parties as follows:
- a. In case the debtor / Moon Beach Company for Tourism Investments and/or any other company within the same group that Jordan Projects for Tourism Development Company owns and/or controls pays Three million Jordanian dinars to the creditor / Abu Jaber Brother's Company during 2017 then the creditor agrees on calculating a new interest rate of 5.5%, effective as of the first of January 2018 on the remaining amount of the loan after paying three million Jordanian Dinars.

Regarding the remaining amount of the loan, it should be paid within two years with four equal installments from the date of the above payment in addition to the due interest, in which the first payment on the first of January 2018 and the remaining instalments are due after six months from the date of each instalment respectively till the loan is fully settled.

- b. If the debtor / Moon Beach Investment Company for Tourism Investments fails to pay the full amount mentioned above which is JD three millions during 2017, the resulting shall be as follow:
- The creditor agrees to calculate a new interest rate of 5.5% as of January 1, 2017 on the loan balance.
- The date of maturity of the first installment of the principal of the loan and any accrued interest shall be amended so that the date of the first installment shall be June 30, 2018 of the amount of JD 1,500,000 (one and half million Jordanian dinars) in addition to the interests forecasted.
- The remaining of the outstanding amounts shall be paid in the amount of JD 1,500,000 (one and half million Jordanian Dinars) plus the interest forecasted every six months until full payment.
- If the debtor fails to pay any installment on the due date, it shall be deemed that the rest of the installments and the amounts not due, including the due interest, are currently due.
- The rate of interest and/or agreed compensation mentioned above is annual.

In the subsequent period, the Company did not pay the first payment due on June 30, 2018 , accordingly, the loan was classified as a short-term loan.

12. Tax

A- Income Tax Expense

This item consists of the following:

| | For the six-month period ended June 30, | |
|--|--|------|
| | 2018 | 2017 |
| | JD | JD |
| Accrued income tax for the profits of the period | 6,181 | 717 |
| Balance – End of the period | 6,181 | 717 |

B- Income Tax Provision

The movement on the income tax provision is as follows:

| | June 30, 2018 | December 31, 2017 |
|---|------------------|----------------------|
| | JD | JD |
| Balance - beginning of the period | 238,405 | 219,673 |
| Accrued income tax of the profits of the period/ year | 6,181 | 18,732 |
| Balance - End of the period | 244,586 | 238,405 |

C. Deferred Tax

The movement on the deferred tax is as follows :

| | June 30, 2018 | December 31, 2017 |
|---|------------------|----------------------|
| | JD | JD |
| Balance - beginning of the period/ year | 440,099 | 440,099 |
| Balance - End of the Period/ Year | 440,099 | 440,099 |

D. Tax Position

- Jordan Project for Tourism Development Company:
The Company has settled the income tax with the income and sales tax department until 2012. The company also provided self-assessment statements for 2013, and it is process of objection to the decision of the tax evaluator and provided self-assessment statements for 2014, which has not yet been reviewed by the Income and Sales Tax Department. The Company didn't submit the self-disclosure statement for 2015, 2016 and 2017. Moreover, there is an amount of JD 112,630 related to 2006 till 2008 in the court of appeal for income tax cases.
- Moon Beach Tourism Investment Company:
The Company submitted the self-assessment statements until 2015 and there is an amount due to the company of JD 500 as a fine for not submitting the self-assessment statements for 2016 and is still under review. In the opinion of the management and the tax consultant of the company, there is no need to take any provision for income tax for these years and the current period due to the accumulated losses of the Company. The Income and Sales Tax Department - Aqaba Economic Zone Authority also seized the bank accounts of Moon Beach Company for tourism investments on October 29, 2017 since the Company has not paid its due amounts to the Income and Sales Tax Department.
- Golden Coast Hotels Company:
The Company submitted the income tax declaration until 2015 and the Company has an outstanding amount of JD 6,730. The company did not submit the income tax declaration for the year 2016. It has a fine of JD 200 and the year 2017 is still under review.
- Aqaba Gulf for construction (under liquidation):
The Company has submitted self-assessment statements for income tax for the years 2005 till 2010 and there are outstanding amounts of JD 316,032 on fines that have not been paid up to the date of the financial statements.
- Sama AL Aqaba Company
The Company has not submitted the income tax declaration for the years 2015, 2016 and 2017, and there are amounts due by the Company of JD 200 for not submitting the income tax declaration for 2014, and in the opinion of the management and the tax consultant of the Company, there is no need to take any provision for income tax as the Company has no activity.

- Tala Beach Company for Investment:
The company terminated its tax status until 2015 and no income tax declaration was submitted for 2016 and 2017.
- Tala Beach Company for services and maintenance:
The Company has terminated its tax status until 2014 and the Company has due amounts to the Income and Sales Tax Department of an amount of JD 15,109, excluding fines. The Company has submitted income tax declaration for the years 2015, 2016 and 2017 and the declarations are still under review.
- Amwaj Al Aqaba Company for Managing Projects and Services:
The company submitted income tax declarations for the years 2015 and 2017. The statements are still being audited by the Income and Sales Tax Department, while for 2016 no self-assessment statements have been submitted.

In the opinion of the Company's managements and its tax advisor, the income tax provision booked as of June 30, 2018 is sufficient to meet any future tax liabilities.

13. Related Party Transactions and Balances

The following table presents the outstanding balance with the related parties as of the consolidated financial statements date and the transactions that occurred during the period/year:

| a. <u>Balance:</u> | Accounts Receivable | | Accounts Payable | |
|---|---------------------|----------------------|------------------|----------------------|
| | June 30, 2018 | December 31, 2017 | June 30, 2018 | December 31, 2017 |
| | JD | JD | JD | JD |
| United Insurance Company | - | - | 56,751 | 832,941 |
| Major shareholder receivables | 57,586 | 64,247 | - | - |
| | <u>57,586</u> | <u>64,247</u> | <u>56,751</u> | <u>832,941</u> |
| Shareholder Loan | - | - | 6,934,645 | 6,840,587 |
| International Corporation Company for Investments (ORYX)* | - | - | - | - |
| | 850,869 | 791,288 | - | - |
| | <u>908,455</u> | <u>855,535</u> | <u>6,991,396</u> | <u>7,673,528</u> |

* The company is partially owned by a board member.

- No guarantees have been received or provided. No provision was made during the period relating to impairment of receivables for amounts due from related parties.

b. Transactions:

| | Revenues | | Expenses | | Interest | |
|--|--|----------------|--|----------|--|----------------|
| | For the six-month period ended June 30, 2018 | 2017 | For the six-month period ended June 30, 2018 | 2017 | For the six-month period ended June 30, 2018 | 2017 |
| | JD | JD | JD | JD | | |
| Shareholder Loan | - | - | - | - | 156,763 | 118,872 |
| Zara for South Beach Development* | 151,500 | 152,826 | - | - | - | - |
| International corporation Company for Investments (ORYX)* | 152,696 | 681,522 | - | - | - | - |
| | <u>304,196</u> | <u>834,348</u> | <u>-</u> | <u>-</u> | <u>156,763</u> | <u>118,872</u> |

- * The company is partially owned by a board member.
- Transactions with related parties are priced within the normal commercial rates of the other customers.
- The salaries, bonuses and benefits of the executive management of the company amounted to a total of JD 159,536 for the six-month period ended June 30, 2018 (JD 324,000 for the six-month period ended June 30, 2017).

14. Contingent Liabilities and Financial Commitments

A- Lawsuits

The Company shall appear as a defendant in cases of labor and financial claims of a value of JD 642,789 as of June 30, 2018 (257,142 JD as of December 31, 2017). Also it appears as a plaintiff in financial claims of a value of JD 15,314 as of June 30, 2018. In the opinion of the management of the Company and the legal counsel of the Company, there is no need to take Any additional provisions for such cases.

B- Off-Consolidated Statement of Financial Position Items

As of the date of the condensed consolidated interim financial statements, the Company had contingent liabilities as follows:

| | June 30, 2018 | December 31, 2017 |
|-----------------|------------------|----------------------|
| | JD | JD |
| Bank guarantees | 72,565 | 69,565 |
| | <u>72,565</u> | <u>69,565</u> |

C- Land Purchase Agreement with Aqaba Special Economic Zone Authority

On June 18, 2000, the Company signed an agreement with Aqaba Special Economic Zone Authority (ASEZA) to purchase a land located on the southern beach of Aqaba, which has been used for the constructing, operating, and managing a comprehensive touristic project composed of touristic hotels with its supporting facilities, touristic villages which include units, villas, residential apartments and other related facilities and services.

The sale agreement imposes the following obligations:

- 1- The Company has to pay 1% (every two months) of the gross revenue generated from operating the hotels; restaurants; recreation centers; commercial, cultural, entertainment centers and the Marina.
- 2- The Company has to pay JD 2.15 for each square meter of the land sold to third parties for the construction of residential apartments and villas for sale.
- 3- According to the agreement signed with Aqaba Special Economic Zone Authority, there is a clause in the agreement restricting the Company from disposing of the land. Such restriction will be lifted once the construction phases of Talabay project are completed in accordance with plans approved by Aqaba Special Economic Zone Authority or the land is sold to other parties for the purpose of building hotels or other touristic or service projects.

The agreement signed with the Aqaba Special Economic Zone Authority (ASEZA) states that hotels owned by the company or any entity that purchases, invests or manages the hotel project shall pay 1% of the total revenues from operating the project facilities (hotels, restaurants, recreational facilities and commercial centers as specified In the agreement (Q9/99), before deducting any expenses or costs of any kind, and shall be calculated and submitted to the Aqaba Special Economic Zone Authority every 60 days. In case of default, interest of 9 % is paid to the Aqaba Special Economic Zone Authority.

D- Agreement to secure the Royal Diving Center of Aqaba Economic Zone Authority

On July 5, 2001, the Company signed a guarantee agreement with the Aqaba Special Economic Zone Authority (ASEZA) concerning the undertaking (investing in) the Royal Diving Center to establish an integrated diving village. Where the company uses the plot for the purpose of establishing and operating a touristic project, which constitutes of an integrated diving center. The intended usage of the land is for the establishment, operation and / or management of a modern diving center, a tourist hotel, a cafeteria, a tourist restaurant and shops.

The duration of this agreement is 49 years from the date of the agreement and it is renewable by agreement of the parties. The Company shall have the following obligations:

1. An annual fee of JD 50,000, payable at the beginning of each year (since the inception of this agreement), and payable on the beginning of the second year (after the inception of the agreement). The Company shall be exempted from payment of the Guarantee fees during the first year of this Agreement. The annual allowance is increased by 2.5% annually starting on the end of the fourth year of the agreement.
2. The Company is committed to submit 10% of the total revenues from operating the restaurant and cafeteria and to pay 5% of the total revenues generated from the operation of the hotel and its facilities at the beginning of their operations of any of them.
3. The Aqaba Special Economic Zone Authority shall not bear any losses or risks arising from the failure of the operation of the project.
4. The undertaking company shall allocate at least 4% of the project revenues for marketing and promotion purposes.
5. In the event of a delay in payment of any outstanding payments, interest is charged at 9% per year of the amount due.
6. During 2015, the Company signed a memorandum of understanding with the undertaking company to deal with all the financial planners. The initial agreement was reached on establishing a new joint company to manage the Royal Diving Club under the control of Jordan Tourism Development Company.

E- Operational Lease Commitments

During the year 2014, the Company signed several contracts to sell and re-lease apartments. The lease period ranges from 4 to 8 years, renewable in some cases. The minimum future lease payments (undiscounted) are as follows:

| | June 30, 2018 | December 31, 2017 |
|-------------------|------------------|----------------------|
| | JD | JD |
| Less than a year | 388,564 | 388,564 |
| From 1 to 5 years | 1,669,202 | 1,728,485 |
| More than 5 years | 135,000 | 270,000 |
| | <u>2,192,766</u> | <u>2,387,048</u> |

15- Liquidity Risk

Liquidity risk, also referred to as funding risk, is the risk that the Company will encounter difficulty in raising funds to meet commitments.

| | June 30, 2018 | December 31, 2017 |
|--------------------------------------|--------------------|----------------------|
| | JD | JD |
| Current Assets | 32,241,919 | 30,725,205 |
| <u>Less: Current Liabilities</u> | <u>35,237,170</u> | <u>30,651,068</u> |
| (Deficit) Surplus in working capital | <u>(2,955,251)</u> | <u>74,137</u> |

Quick Liquidity risk, by excluding projects, land available for sale and ready projects pending delivery, projects under construction and deferred tax assets, represents the following:

| | June 30, 2018 | December 31, 2017 |
|----------------------------------|---------------------|----------------------|
| | JD | JD |
| Current Assets | 9,819,787 | 7,884,152 |
| <u>Less: Current Liabilities</u> | <u>35,237,170</u> | <u>30,651,068</u> |
| (Deficit) in working capital | <u>(25,417,383)</u> | <u>(22,766,916)</u> |

The Company relies for its financing on loans from financial institutions and banks and loans from shareholders. The Company's plan to resolve its liquidity deficit is illustrated in note (16) below.

16. Management Future Plan

The Company incurred a loss of JD 1,705,957 for the six-month period ended June 30, 2018. The accumulated losses, plus period's loss amounted to JD 14,246,912 which is equivalent to 47% of the company's paid-up capital. In addition, the Company suffers from a deficit in quick liquidity as of June 30, 2018 as stated in note (15). The plan to solve the Company's financial statement is as follow:

- 1- Increase the capital of the Company to develop the infrastructure of the owned land in order to attract new investors for the purpose of developing residential and commercial projects in addition to establishing several hotels and building several other entertainment investments. The Company's Board of Directors has decided in their meeting held on June 10, 2018 to recommend the General Assembly to increase the capital by an amount that does not exceed JD 60 million through the method the General Assembly finds appropriate. The management intends to invite the General Assembly for an extraordinary meeting during the third quarter of the year 2018.
- 2- Concentrate on developing the hotel sector through attracting new markets from Europe, such as the Polish, Slovakian, and Romanian markets, in addition to minimizing the operating expenses.
- 3- Build stage 6 of the residential buildings after designating 6 acres of beach area owned by one of the subsidiary companies where this project will contain around 41 residential units, noting that there will be an increased demand on those units in Tala Bay.

- 4- Reschedule two of the Company's outstanding loans over a period that ranges between 6 to 8 years. The Company is currently rescheduling its third loan at the same interest rates, which in turn will ease the Company's ability to manage and generate cash flows.
- 5- Improving and developing the Company's land by supplying it with water and electricity services, and water distillation, alternative energy and solar energy projects.

17- Fair Value Hierarchy

The management believes that the book value of the financial assets and financial liabilities approximately equals its fair value.