First Finance Company

Public Shareholding Company

Consolidated Financial Statements

31 December 2020

Building a better
working world

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

Tel: 00 962 6580 0777\ 00 962 6552 6111
Fax:00 962 6553 8300
ey.com/me

INDEPENDENT AUDITOR'S REPORT
To the Shareholders of First Finance Company – Public Shareholding
Amman - Jordan

Report on the Audit of the Consolidated Financial Statements

Opinion

We have audited the consolidated financial statements of First Finance Company (Public shareholding limited Company), which comprise the consolidated statement of financial position as at 31 December 2020, consolidated statement of income and the consolidated statement of comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the year then ended, and notes to the financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying financial statements present fairly, in all material respects, (or give a true and fair view of) the financial position of the Company as at 31 December 2020, and its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards (IFRSs).

Basis for Opinion

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

Key Audit Matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the consolidated financial statements for the year ended 31 December 2020. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters. For each matter below, our description of how our audit addressed the matter provided in that context.

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

Expected Credit loss on Financing Activities	**The Key Audit Matters Audit Scope**
The Company's management exercises significant judgment assumptions to determine both timing and the amount of provision to be recorded as expected credit losses. The account receivable from financing activities is a major part of the Company's assets. Due to the importance of the judgments used in the classification of account receivables from financing activities at the various set forth in stages International Financial Reporting Standards (9) and the related provision requirements, they have been considered as key audit risk As 31 December 2020, the total account receivable from financing activities of the Company amounted to about JD 57,1 million and the provision for expected credit losses related to it amounted to JD 19,6 million.	We have understood the Company's key credit operations that include granting, certifying, contracting and allocating provisions and reviewing the internal control system on these operations, we have also readout the Company's expected credit loss provisioning policy International Financial Reporting Standards (9). We have also understood out the Company's expected credit loss provisioning policy in relation to International Financial Reporting Standards (9) and the regulatory directives and understand the methodology used by the Company to determine provisions against exposures classified as in (Stage I, II and III), and we estimate the reasonableness of the basic assumptions and the adequacy of the data used by the Company. We have review the completeness of account receivable from financing activities included in the expected credit loss calculation process.
The expected credit loss for account receivables from financing activities is disclosed in note (4) and the Company's policy on expected credit loss are described in the accounting polices set out in note (2) to the consolidated financial statements.	We have reviewed the appropriateness of the Company's determination of the significant increase in credit risk and the basis for the classification of exposures to different stages. The appropriateness of determining exposure when default occurs and the probability of default and loss in the event of default in the calculation of the expected credit loss of a sample of exposures. Account receivable from financing activities whose impairment has been determined individually and classified as in stage 3 and we have estimate management's future cash flows, Their reasonableness, and the outcome of the calculation of provisions. The reasonableness of the underlying assumptions and the adequacy of the data used by the Group, and the use of experts where appropriate to satisfy ourselves about these data.

Other information included in the Commerciale from financing activities the varoisstages set forth in International 2020 annual report.

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

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

In connection with our audit of the consolidated financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the consolidated financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If, based on the work we have performed, we conclude that there is a material misstatement of this other information; we are required to report that fact. We have nothing to report in this regard.

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

Management is responsible for the preparation and fair presentation of the consolidated financial statements in accordance with IFRSs, and for such internal control as management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, management is responsible for assessing the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Company or to cease operations, or has no realistic alternative but to do so.

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

Auditor's Responsibilities for the Audit of the Consolidated Financial Statements

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion.

Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

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

- Identify and assess the risks of material misstatement of theconsolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control.

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.

- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exist, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However future events or conditions may cause the Company to cease to continue as a going concern.

- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

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

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

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

Report on Other Legal and Regulatory Requirements

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

The partner in charge of the audit resulting in this auditor’s report was Ali Hasan Samara; license number 503.

Ernst & Young / Jordan

Ernst + Young

Ali Hasan Samara
Registration No. 503

Amman - Jordan
31 March 2021

FIRST FINANCE COMPANY – PUBLIC SHAREHOLDING COMPANY
CONSOLIDATED STATEMENT OF FINANCIAL POSITION
As at 31 December 2020

	Notes	2020	2019
		JD	JD
ASSETS			
Cash on hand and at banks	3	2,726,565	1,121,854
Accounts receivable from financing activities - net	4	35,610,022	39,812,993
Financial assets at fair value through profit or loss	5	4,254,836	3,447,258
Financial assets at fair value through other comprehensive income	6	4,897,598	4,627,100
Deferred tax assets	19	5,789,250	5,709,179
Other debit balances	8	4,676,746	3,051,975
Right of use assets	22	821,315	928,901
Property and equipment - net	7	331,762	380,945
TOTAL ASSETS		59,108,094	59,080,205
LIABILITIES AND SHAREHOLDERS' EQUITY			
LIABILITIES			
Customers' investment accounts	9	9,274,534	9,452,692
Income tax provision	19	202,038	293,226
Other credit balances	10	2,908,715	3,205,364
Lease liabilities	22	861,637	934,220
Total liabilities		13,246,924	13,885,502
SHAREHOLDERS' EQUITY			
Paid in capital	11	35,000,000	35,000,000
Statutory reserve	11	3,555,343	3,482,369
Voluntary reserve	11	229,851	229,851
Fair value reserve	13	(1,003,917)	(1,129,317)
Retained earnings		8,079,893	7,611,800
Total shareholders' equity		45,861,170	45,194,703
Total Liabilities and shareholders' equity		59,108,094	59,080,205

The accompanying notes from 1 to 29 are an integral part of these consolidated financial statements

	Notes	2020	2019
		JD	JD
Revenues-			
Finance revenues	14	2,406,799	4,022,688
(Less): share of customers' investment accounts		(506,998)	(501,889)
Company's share of revenues		1,899,801	3,520,799
Dividends from financial assets at fair value through profit or loss		72,551	152,363
Gain (Loss) from valuation of financial assets at fair value through profit or loss	15	800,906	(5,884)
Other income – net	16	566,677	1,003,658
Total revenue		3,339,935	4,670,936
Expenses-			
Employees expenses	17	(818,328)	(884,863)
Other operating expenses	18	(540,316)	(656,200)
Provision for expected credit loss	4,10	(935,976)	(506,178)
Accretion of lease liability discount		(53,600)	(57,084)
Depreciation expense		(261,980)	(280,315)
Total Expenses		(2,610,200)	(2,384,640)
Profit for the year before tax		**729,735**	**2,286,296**
Income tax expense	19	(188,668)	(519,388)
Profit for the year		**541,067**	**1,766,908**
		JD/ Fils	JD/ Fils
Basic and diluted earnings per share from the profit for the year	20	0.015	0.050

The accompanying notes from 1 to 29 are an integral part of these consolidated financial statements

	2020	2019
	JD	JD
Profit for the year	541,067	1,766,908
Other comprehensive income items:		
Items that will not be transferred to profit or loss in subsequent periods:		
Net changes in fair value of financial assets through other comprehensive income, net	125,400	(445,530)
Total comprehensive income for the year	666,467	1,321,378

	Paid in capital	Statutory reserve	Voluntary reserve	Fair value reserve	Retained earnings	Total
	JD	JD	JD	JD	JD	JD
For the year ended 31 December 2020						
Beginning balance of the year	35,000,000	3,482,369	229,851	(1,129,317)	7,611,800	45,194,703
Transfers to statutory reserve	-	72,974	-	-	(72,974)	-
Total comprehensive income for the year	-	-	-	125,400	541,067	666,467
Ending balance of the year	35,000,000	3,555,343	229,851	(1,003,917)	8,079,893	45,861,170
For the year ended 31 December 2019						
Beginning balance of the year	35,000,000	3,253,739	229,851	(683,787)	7,473,522	45,273,325
Total comprehensive income for the year	-	-	-	(445,530)	1,766,908	1,321,378
Dividends (Note 12)	-	-	-	-	(1,400,000)	(1,400,000)
Transfers to statutory reserve	-	228,630	-	-	(228,630)	-
Ending balance of the year	35,000,000	3,482,369	229,851	(1,129,317)	7,611,800	45,194,703

* The retained earnings balance includes an amount of JD 5,789,250 representing the value of deferred tax assets as of 31 December 2020 (31 December 2019: JD 5,709,179), which is restricted from use or distribution in accordance with the Securities Commission regulations.

** According to the Securities Commission instructions, the Group should not use or distribute an amount of JD 1,003,917 from the retained earnings, which represents the negative fair value reserve as shown in the table above.

FIRST FINANCE COMPANY – PUBLIC SHAREHOLDING COMPANY
CONSOLIDATED STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED 31 DECEMBER 2020

	Notes	2020	2019
		JD	JD
OPERATING ACTIVITIES			
Profit for the year before tax		729,735	2,286,296
Adjustments-			
Provision for expected credit Loss	4,10	935,976	506,178
Dividends from financial assets at fair value through profit or loss		(72,551)	(152,363)
Depreciation		261,980	288,343
Gain on disposal of property and equipment		-	(253)
Accretion of lease liability discount		53,600	57,084
(Gain) Loss from valuation of financial assets at fair value through profit or loss	15	(800,906)	5,884
Net cash flows from operating activities before changes in working capital items		1,107,834	2,991,169
Working capital items			
Account receivables from financing activities - net		3,266,995	2,289,527
Other debit balances		(1,317,079)	(1,388,257)
Customers' investment accounts		(178,158)	(949,780)
Other credit balances		(296,649)	(35,610)
Net cash flows from operating activities before income tax paid		2,582,943	2,907,049
Income tax paid	19	(500,692)	(59,132)
Net cash flows from operating activities		2,082,251	2,847,917
INVESTING ACTIVITIES			
Purchase of property and equipment	7	(74,284)	(62,748)
Dividends income received		72,551	122,623
Financial assets at fair value through profit or loss		-	(3,400,318)
Proceeds from sale of property and equipment		-	299
Net cash flows used in investing activities		(1,733)	(3,340,144)
FINANCING ACTIVITIES			
Dividend paid to shareholders		(316,540)	(928,722)
Payments of lease obligations		(159,267)	(150,989)
Net cash flows used in financing activities		(475,807)	(1,079,711)
Net increase (decrease) in cash and cash equivalents		1,604,711	(1,571,938)
Cash and cash equivalents at the beginning of the year		1,121,854	2,693,792
Cash and cash equivalents at the end of the year	3	2,726,565	1,121,854

The accompanying notes from 1 to 29 are an integral part of these consolidated financial statements

(1) GENERAL

First Finance (the Company) was established as a Public Shareholding Company and is registered with the Ministry of Industry and Trade under no. (390) on 5 March 2006. The Company's address is King Abdullah II street building No (172), Khalda, P.O.Box 144596 Amman 11841 Jordan. The Company's was established with an authorized capital of JD 50 Million. In accordance with the resolution of the General Assembly of shareholders, in its extraordinary meeting held on 14 April 2011, and after the approval of the Minister of Industry and Trade on 22 June 2011 in the Companies' Controller Letter No. MH/1/390 dated on 27 June 2011, the Company reduced its authorized and paid-in capital by JD 15 million to write-off the accumulated losses. Consequently, the Company's capital has become JD 35 million instead of JD 50 million.

The Company operates through the main branch and the 5 branches located in the Hashemite Kingdom of Jordan.

The Company's main objectives are as follows:

- Performing financing activities for individuals and legal entities in accordance with the Islamic Sharia. This includes, for example, direct financing of consumer and durable goods, financing of real estate, including financing of land, housing, buildings, and construction financing the establishment of private and public projects.

- Acting as intermediary between banks, local lending and financing institutions, international and regional development funds and banks, and between the beneficiaries of the programs of these institutions.

- Managing others' funds in the financial and investment sectors for specific fees or shares from the proceeds of such funds.

- Managing property, real estate and other fixed and transferred assets owned by others.

- Based on the Ministry of Industry and Trade's Letter No. MH/1/390.19827 dated on 3 September 2006, the Company started operating effective from the date of the Ministry's letter.

The consolidated financial statements have been approved by the Board of Directors on 28 March 2021.

(2) ACCOUNTING POLICIES

(2-1) BASIS OF PREPARATION OF THE CONSOLIDATED FINANCIAL STATEMENTS

- The Company's consolidated financial statements are prepared in accordance with the accounts standards issued by the International Accounting Standards Board and the interpretations issued by the International Financial Reporting Interpretations Committee affiliated with the International Accounting Standards Board, and in accordance with the applicable local laws.

- The consolidated financial statements have been prepared on a historical cost basis, except for financial assets at fair value through profit or loss and through other comprehensive income that appears at fair value at the date of the consolidated financial statements.

- The consolidated financial statements have been presented in Jordanian Dinars, which is the functional currency of the Company.

(2-2) BASIS OF CONSOLIDATION

The consolidated financial statements for the Company and its subsidiary (Sukok Leasing Company) (together the “Group”) for the year ended on 31 December 2020 consist of the following:

The Company’s ownership details of (Sukok Leasing Company) (Subsidiary) as of 31 December 2020 is as follows:

Paid in capital	Ownership interest	Nature	Location	Establishment date
JD	%			
500,000	100	Finance leasing	Jordan	19 April 2017

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

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

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

- The size of the Group’s holding of voting rights relative to the size and dispersion of holdings of the other vote holders;
- Rights arising from other contractual arrangements
- Potential voting rights held by the Group, other vote holders or other parties>

The Group re-assesses whether it controls an investee if facts and circumstances indicate that there are changes to one or more of the three elements of control.

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

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

(2-2) BASIS OF CONSOLIDATION (CONTINUED)

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

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

(2-3) CHANGES IN ACCOUNTING POLICIES

The accounting policies adopted in the preparation of the consolidated financial statements are consistent with those followed in the preparation of the Group's annual consolidated financial statements for the year ended 31 December 2019, except for the adoption of new standards and amendments effective as of 1 January 2020:

Amendments to IFRS 3: Definition of a Business
The amendment to IFRS 3 Business Combinations clarifies that to be considered a business, an integrated set of activities and assets must include, at a minimum, an input and a substantive process that, together, significantly contribute to the ability to create output. Furthermore, it clarifies that a business can exist without including all of the inputs and processes needed to create outputs.

The amendments have been applied to transactions that are either a business merger or the acquisition of assets whose acquisition date is on or after the start of the first annual reporting period that began on or after January 1, 2020. Consequently, the Group has not required to reconsider these transactions that occurred on Earlier periods. Early application is permitted and must be disclosed.

These amendments had no impact on the consolidated financial statements of the Group.

Amendments to IAS 1 and IAS 8: Definition of "Material"
The IASB issued amendments to IAS 1 Presentation of Financial Statements and IAS 8 Accounting Policies, Changes in Accounting Estimates and Errors to align the definition of 'material' across the standards and to clarify certain aspects of the definition. The new definition states that, 'Information is material if omitting, misstating or obscuring it could reasonably be expected to influence decisions that the primary users of general-purpose financial statements make on the basis of those financial statements, which provide financial information about a specific reporting entity.

These amendments had no impact on the consolidated financial statements of the Group.

Amendments to IFRS 7 and IFRS 9
Interest Rate Benchmark Reform Amendments to IFRS 9 and IFRS 7 includes a number of reliefs, which apply to all hedging relationships that are directly affected by interest rate benchmark reform. A hedging relationship is affected if the reform gives rise to uncertainties about the timing and or amount of benchmark-based cash flows of the hedged item or the hedging instrument. These amendments have no impact on the consolidated financial statements of the group as it does not have any interest rate hedge relationships.

These amendments had no impact on the consolidated financial statements of the Group.

(2-3) CHANGES IN ACCOUNTING POLICIES (CONTINUED)

Amendments to IFRS 16 Covid-19 Related Rent Concessions
On 28 May 2020, the IASB issued Covid-19-Related Rent Concessions - amendment to IFRS 16 Leases. The amendments provide relief to lessees from applying IFRS 16 guidance on lease modification accounting for rent concessions arising as a direct consequence of the Covid-19 pandemic. This relates to any reduction in lease payments which are originally due on or before 30 June 2021. As a practical expedient, a lessee may elect not to assess whether a Covid-19 related rent concession from a lessor is a lease modification.

The amendment applies to annual reporting periods beginning on or after 1 June 2020. Earlier application is permitted. The Group did not have any leases impacted by the amendment

(2-4) SIGNIFICANT ACCOUNT POLICIES

Segmental Information

Business sector represents a group of assets and operations that jointly provide products or services subject to risks and returns different from those of other business segments, which were measured according to the reports used by the CEO and the Group's decision maker.

Geographical sector relates to providing products or services in an economic environment subject to specific risks and returns different from those operating in other sectors of other economic environments.

Property and Equipment

Property and equipment are stated at cost net of accumulated depreciation and any impairment loss in its value, the cost of the property and equipment and accumulated depreciation are excluded when the property and equipment is sold or disposed, any profits or losses are recognized in the consolidated income statement.

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:

	Percentage
	%
Computers hardware and software	20-25
Furniture and fixtures	10
Vehicles	15
Decorations	7.5

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 income.

The useful lives of property and equipment are reviewed periodically to ensure that the depreciation method and periods are commensurate with the expected economic benefits from property and equipment.

(2-4) SIGNIFICANT ACCOUNT POLICIES (CONTINUED)

Impairment of Financial Assets

The Group has been recording the allowance for expected credit losses for all Murabaha and other debt financial assets not held at fair value through profit or loss, and all referred to as 'financial instruments.

Equity instruments are not subject to impairment under IFRS 9.

The allowance for the expected credit loss is based on the credit losses expected to arise over the life of the asset, unless there has been no significant change in credit risk since origination, in which case, the allowance is based on the 12 months' expected credit loss.

The expected credit loss is likely to default to credit exposure with 12 months is part of the expected credit losses over the life of the asset resulting from failure of financial instruments that can occur within 12 months of the reporting date.

ECL is calculated for the full period of credit exposure and for the probability of default during the 12 months period on an individual basis or collective based on the financial instrument portfolio and the nature of these financial instruments.

The Group has established a policy to perform an assessment, at the end of each reporting period, of whether a financial instrument's credit risk has increased significantly since initial recognition, by considering the change in the risk of default occurring over the remaining life of the financial instrument.

Based on the above process, the Group classifies its financial assets into Stage 1, Stage 2 and Stage 3, as described below:

- Stage 1: When financial assets are first recognized, the Group recognizes an ECL allowance based on the probability of default during 12 months period. Stage 1 loans also include facilities where the credit risk has improved and the loan has been reclassified from Stage 2.

- Stage 2: When a loan has shown a significant increase in credit risk since origination, the Group records an allowance for the ECLs. Stage 2 loans also include facilities, where the credit risk has improved and the loan has been reclassified from Stage 3.

- Stage 3: Loans that are considered credit-impaired. The Group records an allowance for the ECLs. For financial assets for which the Group does not have reasonable expectations of recovering either the full amount or part thereof, the carrying amount of the financial assets is reduced. It is considered as a (partial) cancellation of the financial assets.

Calculation for expected credit loss:

The Group calculates expected credit losses based on the weighted average of three scenarios for measuring the expected cash deficit. The cash deficit is the difference between the cash flows due to the group in accordance with the contract and the cash flows expected to be collected.

The expected credit loss calculation and the main components are as follows:

(2-4) SIGNIFICANT ACCOUNT POLICIES (CONTINUED)

Probability of default:

The potential of default is a key input in measring the expected credit loss. The probability of default is an estimate of the probability of default over a given period of time, which includes the calculation of historical data, assumptions and escpectations relating to future circumstances.

Exposure of default:

Exposure at default provides an estimate of the exposure at a future default date, taking into consideration the expected changes in the exposure after the reporting date, including repayments of principal and interest.

Loss given default:

Loss Given Default is the amount of expected loss if the customer fails to repay. It represents the difference between the contractual cash flow and the amount that the lender expects to collect from real guarantees. It is usually expressed as a percentage of the credit exposure default.

In estimating credit losses, the Group considers three scenarios (normal, best and worst). Each of them is related to difference weights probability, exposure to credit default, and loss ratio assuming default.

The assessment of multiple scenarios also includes how to recover bad loans, including the probability of processing bad loans and the value of collateral or the amounts expected to be collected from the sale of collateral.

Impairment losses are calculated and disclosed separately from the profits and losses resulting from adjusting the total carrying amount of the financial assets

The mechanisms for calculating expected credit losses are summarized as follows:

Stage 1: The expected credit losses are calculated by the probability of default exposure to credit exposure within 12 months as part of the expected credit losses over the life of the asset, and accordingly the Group calculates the allowance for the probability of defaulting for financial instruments within 12 months after the reporting date. These 12-month forecast default probabilities are applied to the default credit exposure amount multiplied by the default rate assumption. This calculation is performed for each of the three scenarios, as described above.

Stage 2: When an increase affecting the credit risk occurs from the date of the initial recognition, the Group calculates a provision for the expected credit loss for the entire life of the credit exposure, and the mechanism for calculating the allowance is the same as described above, including the use of different scenarios, but the probability of default and credit exposure is used when defaulting for the entire life Financial instrument.

Stage 3: For financial assets to which the concept of impairment (default) applies, the Group calculates the expected credit loss for the entire life of the credit exposure. The mechanism of calculating the allowance is similar to the method used in the second stage, and the probability of defaulting is determined by 100% and a loss rate assuming the default is greater than that applied in the first and second stages.

(2-4) SIGNIFICANT ACCOUNT POLICIES (CONTINUED)

Warranty Contracts:

The Group's commitment to each guarantee is measured by the largest amount, either the amount recognized upon measurement minus the cumulative amortization recognized in the consolidated statement of income, or the allowance for expected credit losses. Therefore, the Group estimates the expected credit losses based on the present value of the expected payments to compensate its holder for the credit losses incurred. The cash deficit is discounted at the adjusted rate of return associated with the outstanding amount and it is calculated using the weighted average of the three scenarios. The expected credit losses related to collateral contracts are recognized in the provisions.

Debt and instrument at Fair Value through other Comprehensive Income

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.

Future Look

In the expected credit loss calculation model, the group relies on a wide range of future information used as inputs, for example:

- Increase in GDP
- Unemployment rate
- The rates of return of the central bank
- Oil world price indicators
- World market performance indicators

The inputs and models used to calculate expected credit losses may not include all market characteristics as at the date of the consolidated financial statements. As a result, qualitative adjustments are sometimes made as temporary adjustments in case of significant differences

Guarantee valuation

For the purpose of reducing credit risk, the Group uses collateral, where possible. There are several forms of collateral, such as cash collateral, securities, letters of credit, real estate, receivables, inventory and other non-financial assets and credit improvement agreements. The accounting policy adopted by the Group for the guarantees used in the lending agreements in accordance with International Financial Reporting Standard No. (9) is the same as it is under International Accounting Standard No. (39).

The collateral, unless recovered, is not recorded in the Group's consolidated financial position. However, the fair value of collateral affects the calculation of the expected credit losses of the Group. They are generally evaluated, at a minimum, upon initial recognition and periodically reassessed.

(2-4) SIGNIFICANT ACCOUNT POLICIES (CONTINUED)

To the fullest extent, the Group uses active market data to assess financial assets held as collateral. The value of other financial assets that do not have an active market is estimated using business models. Non-financial collateral, such as real estate collateral, is evaluated based on data provided by external parties such as mortgage residents or based on housing price indicators.

Recoverable guarantees

The accounting policies used by the Group with respect to recoverable guarantees, according to IFRS 9, do not differ compared to IAS 39. It is the Group's policy to determine whether it is best to use the recovered asset in the Group's activity or sale. Assets to be used in the Group's activity are transferred to the fixed assets category and recognized at their recoverable amount or net book value, whichever is less. As for the guarantees that are to be sold as a better option, they are transferred to the category of assets held for sale at their fair value, at fair value less the cost of selling the non-financial assets at the due date, according to the Group's policy.

Depending on the nature of the group's activity, the group recovers the property or other assets in its commercial portfolio, but appoints external agents to recover its value, generally through auctions, to settle unpaid debts. Any surplus funds from the sale of the collateral are returned to the clients / borrowers. As a result, residential properties for collateral recovered are not recorded in the consolidated statement of financial position.

Debt write-off

The accounting policies used by the group with for thr write off debt as per International Financial Reporting Standard No. (9) do not differ compared to International Accounting Standard No. (39). Financial assets are written off in part or in full only when the Group ceases to recover

If the write-off amount is greater than the accumulated losses, the difference is treated as an addition to the allowance that is applied against the total book value. Subsequent recoveries are recorded to accumulated credit losses

Impairment of non-financial assets

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

(2-4) SIGNIFICANT ACCOUNT POLICIES (CONTINUED)

Assets Seized by the Group against Due Debts

Assets that have been the subject of foreclosure by the Group are shown under "other assets" at the acquisition value or fair value whichever is lower. As of the consolidated statement of financial position date these assets are revalued individually at fair value, any decline in their market value is taken to the consolidated statement of income as a loss whereas any such increase is not recognized. Subsequent increase is taken to the income statement to the extent it does not exceed the previously recorded impairment.

Provisions

Provisions are recognized when the Company has an obligation on the date of the consolidated financial statement arising from a past event and the costs to settle the obligation is probable and can be reliably measured.

Dividend income

Dividend income is recognized when the right to receive payment is established. In general, this date is the date of approval of the distribution of shares of listed securities.

Income tax

The Group has made provision for income tax in accordance with the Income Tax Law No. (38) for the year 2018 and International Accounting Standard No. (12) which requires recognition of deferred taxes resulting from time differences in the fair value reserve, and as a result the Group may result in deferred tax liabilities.

Income tax expenses represent accrued taxes and deferred taxes.

Income tax expenses are accounted for on the basis of taxable income. Moreover taxable income differs from income declared in the consolidated financial statements because the latter includes non-taxable revenues or taxable expenses disallowed in the current year but deductible in subsequent years accumulated losses acceptable by the tax law and items not accepted for tax purposes or subject to tax.

Deferred taxes are taxes expected to be paid or recovered as a result of temporary timing differences between the value of the assets and liabilities in the consolidated financial statements and the value of the taxable amount. Deferred tax is calculated on the basis of the liability method in the consolidated statement of financial position according to the rates expected to be applied when the tax liability is settled or tax assets are recognized.

Deferred tax assets and liabilities are reviewed as of the date of the consolidated financial statements and reduced in case it is expected that no benefit will arise from payment or the elimination of the need for deferred tax liabilities partially or totally.

(2-4) SIGNIFICANT ACCOUNT POLICIES (CONTINUED)

Realization of Income and Recognition of Expenses

Finance income is realized by using the effective income method except for income and commissions from non-performing credit facilities which are not recognized as income and are recorded in the income and commissions in suspense account.

Expenses are recognised according to the accrual basis.

Commission is recorded as revenue when the related services are provided.

Offsetting

Financial assets and financial liabilities are offset and the net amount reported in the consolidated statement of financial position when there is a legally enforceable right to offset the recognized amounts and the Group intends to either settle them on a net basis or to realize the asset and settle the liability simultaneously.

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 active markets. 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.

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.

Cash and cash equivalents

Cash and cash equivalents comprise cash balances with Islamic banks, commercial banks and financial institutions maturing within three months less balances due to banks and financial institutions maturing within three months and restricted funds.

(2-5) USE OF ESTIMATES

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

The important estimates for the year ended 2020:

- Provision for expected credit loss
- Useful life of the assets
- Income tax
- Fair value

(3) CASH ON HAND AND AT BANKS

	2020	2019
	JD	JD
Current accounts at commercial banks	1,607,838	810,700
Current accounts at Islamic banks	1,114,023	308,498
Cash on hand	4,704	2,656
	2,726,565	1,121,854

(4) ACCOUNTS RECEIVABLE FROM FINANCING ACTIVITIES - NET

This item represents accounts receivable derived from deferred sales and granted facilities as shown below:

	2020	2019
	JD	JD
Gross finance receivables	66,773,777	70,692,687
Less: Unrealized revenue on financing contracts	(9,656,288)	(10,514,032)
	57,117,489	60,178,655
Less: Provision for expected credit losses	(19,619,183)	(18,683,207)
Less: Profit in suspense	(1,888,284)	(1,682,455)
	35,610,022	39,812,993

(4) ACCOUNTS RECEIVABLE FROM FINANCING ACTIVITIES – NET (CONTINUED)

The details of accounts receivable from financing activities after deducting unrealized revenues are as follows:

	Gross accounts receivable as of 31 December 2020	Unrealized revenues as of 31 December 2020	Net accounts receivable as of 31 December 2020	Net accounts receivable as of 31 December 2019
	JD	JD	JD	JD
Corporates				
Corporates' financing- goods	28,428,202	(4,075,941)	24,352,261	26,260,673
Corporates' financing-bills of lading	2,528,336	-	2,528,336	2,528,336
Corporates financing- real estate	4,719,615	(966,888)	3,752,727	4,097,196
	35,676,153	(5,042,829)	30,633,324	32,886,205

	Gross accounts receivable as of 31 December 2020	Unrealized revenues as of 31 December 2020	Net accounts receivable as of 31 December 2020	Net accounts receivable as of 31 December 2019
	JD	JD	JD	JD
Individuals				
Individual's financing- goods	2,498,247	(28,661)	2,469,586	1,636,181
Stocks financing	2,782,020	-	2,782,020	2,785,590
Real estate financing	9,271,624	(2,389,325)	6,882,299	6,935,526
Vehicles and machinery	16,545,733	(2,195,473)	14,350,260	15,935,153
	31,097,624	(4,613,459)	26,484,165	27,292,450
	66,773,777	(9,656,288)	57,117,489	60,178,655

Provision for expected credit losses

The movement on the provision for expected credit losses is as follows:

	2020	2019
	JD	JD
Balance at the beginning of the year	18,683,207	18,328,886
Additions during the year	935,976	354,321
Balance at the end of the year	19,619,183	18,683,207

(4) ACCOUNTS RECEIVABLE FROM FINANCING ACTIVITIES – NET (CONTINUED)

The movement on the accounts receivable from financing activities during the year is as follows:

	Stage 1	Stage 2	Stage 3	Total
	JD	JD	JD	JD
For the year ended 31 December 2020				
Gross balance at the beginning of the year	29,121,939	1,861,201	39,709,547	70,692,687
New finances during the year	5,260,638	1,688,247	26,089	6,974,974
Payments received	(3,411,112)	(322,631)	(1,116,559)	(4,850,302)
Transferred to stage 1	2,383,557	(1,664,077)	(719,480)	-
Transferred to stage 2	(4,474,733)	5,046,980	(572,247)	-
Transferred to stage 3	(1,080,136)	(398,096)	1,478,232	-
Changes due to modifications	(6,477,151)	861,472	(427,903)	(6,043,582)
Gross balance at the end of the year	21,323,002	7,073,096	38,377,679	66,773,777

The movement on the provision for expected credit loss during the year is as follows:

	Stage 1	Stage 2	Stage 3	Total
	JD	JD	JD	JD
For the year ended 31 December 2020				
Gross balance at the beginning of the year	296,711	190	18,386,306	18,683,207
New finances impairment during the year	977,192	33,559	17,231	1,027,982
Recoveries from impaired provision for paid finances	(112,821)	(190)	(174,926)	(287,937)
Transferred to stage 1	12,657	(701)	(11,956)	-
Transferred to stage 2	(30,490)	36,260	(5,770)	-
Transferred to stage 3	(225,309)	(26,791)	252,100	-
Changes due to modifications	328,235	27,492	(159,796)	195,931
Gross balance at the end of the year	1,246,175	69,819	18,303,189	19,619,183

The movement on the accounts receivable from financing activities for the year 31 December 2019 is as follows:

	Stage 1	Stage 2	Stage 3	Total
	JD	JD	JD	JD
For the year ended 31 December 2019				
Gross balance at the beginning of the year	27,292,877	10,180,610	35,749,420	73,222,907
New finances during the year	14,127,456	399,094	4,408,225	18,934,775
Payments received	(7,073,169)	(1,381,924)	(3,371,844)	(11,826,937)
Transferred to stage 1	4,344,944	(437,947)	(3,906,997)	-
Transferred to stage 2	(2,679,368)	2,774,384	(95,016)	-
Transferred to stage 3	2,802,834	7,978,527	(10,781,361)	-
Changes due to modifications	(9,693,635)	(17,651,543)	17,707,120	(9,638,058)
Gross balance at the end of the year	29,121,939	1,861,201	39,709,547	70,692,687

(4) ACCOUNTS RECEIVABLE FROM FINANCING ACTIVITIES – NET (CONTINUED)

The movement on the provision for expected credit loss for the year 31 December 2019 is as follows:

	Stage 1	Stage 2	Stage 3	Total
	JD	JD	JD	JD
For the year ended 31 December 2019				
Gross balance at the beginning of the year	77,962	3,238,570	15,012,354	18,328,886
New finances impairment during the year	271,699	97	1,852,915	2,124,711
Recoveries from impaired provision for paid finances	(62,229)	(246,982)	(3,660,079)	(3,969,290)
Transferred to stage 1	250,171	(19,267)	(230,904)	-
Transferred to stage 2	(4,410)	4,410	-	-
Transferred to stage 3	(1,006)	(2,972,321)	2,973,327	-
Changes due to modifications	(235,476)	(4,317)	2,438,693	2,198,900
Gross balance at the end of the year	296,711	190	18,386,306	18,683,207

Profit in suspense

The movement on the revenues in suspense is as follows:

	2020	2019
	JD	JD
Balance at the beginning of the year	1,682,455	1,651,004
Revenue in suspense during the year	621,002	582,866
Revenue in suspense transferred to revenue	(415,173)	(551,415)
Balance at the end of the year	1,888,284	1,682,455

(5) FINANCING ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS

	2020	2019
	JD	JD
Accounts receivable - financing activities	4,093,241	3,400,318
Quoted shares in Amman Stock Exchange	161,595	46,940
	4,254,836	3,447,258

(6) FINANCING ASSETS AT FAIR VALUE THROUGH OTHER COMPREHENSIVE INCOME

	2020	2019
	JD	JD
Quoted Shares		
Quoted shares in Amman Stock Exchange	2,724,734	3,492,000
Quoted shares in foreign stock markets	72,735	537,752
	2,797,469	4,029,752
Unquoted shares	2,100,129	597,348
	4,897,598	4,627,100

Shares amounting to 1,577,630 JD have been pledged for the benefit of Safwa Islamic Bank against a letter of credit ceiling granted to the Company's customers (2019: 1,602,666 JD for the benefit of Jordan Kuwait Bank).

(7) PROPERTY AND EQUIPMENT

	Computers hardware and software	Furniture and fixtures	Vehicles	Decorations	Projects under construction	Total
	JD	JD	JD	JD	JD	JD
2020 -						
Cost						
At 1 January	379,038	249,863	141,373	1,164,946	34,500	1,969,720
Additions	22,860	670	-	2,000	48,754	74,284
Disposal	-	(3,865)	-	-	-	(3,865)
At 31 December	401,898	246,668	141,373	1,166,946	83,254	2,040,139
Accumulated depreciation:						
At 1 January	311,085	214,561	117,348	945,781	-	1,588,775
Depreciation for the year	21,170	6,420	5,836	87,884	-	121,310
Disposal	-	(1,708)	-	-	-	(1,708)
At 31 December	332,255	219,273	123,184	1,033,665	-	1,708,377
Net book value	69,643	27,395	18,189	133,281	83,254	331,762

	Computers hardware and software	Furniture and fixtures	Vehicles	Decorations	Projects under construction	Total
2019 -	JD	JD	JD	JD	JD	JD
Cost						
At 1 January	362,302	246,932	141,373	1,164,946	42,423	1,957,976
Additions	58,037	4,711	-	-	-	62,748
Disposal	(41,301)	(1,675)	-	-	-	(42,976)
Write off	-	(105)	-	-	(7,923)	(8,028)
At 31 December	379,038	249,863	141,373	1,164,946	34,500	1,969,720
Accumulated depreciation:						
At 1 January	329,867	209,447	101,271	858,238	-	1,498,823
Depreciation for the year	22,481	6,781	16,077	87,543	-	132,882
Disposal	(41,263)	(1,667)	-	-	-	(42,930)
At 31 December	311,085	214,561	117,348	945,781	-	1,588,775
Net book value	67,953	35,302	24,025	219,165	34,500	380,945

Fully depreciated property and equipment amounted to JD 577,961 as of 31 December 2020 (538,635 JD as of 31 December 2019).

(8) OTHER DEBIT BALANCES

The details of this account are as follows:

	2020	2019
	JD	JD
Prepaid expense	17,645	29,188
Refundable deposits	347,507	430,007
Assets seized by the Company against due debts	2,927,177	2,477,736
Other debtors	1,384,417	115,044
	4,676,746	3,051,975

(9) CUSTOMERS' INVESTMENT ACCOUNTS

This item represents Wakala investments received from customers with a due date of 6 to 78 months to be invested in the Group's activities. The average return paid to the customers range from 3.5% to 6.625% as of 31 December 2020 (2019: 3.5% to 6.625%).

(10) OTHER CREDIT BALANCES

	2020	2019
	JD	JD
Suppliers	28,796	19,036
Accrued expenses	120,872	63,450
Unpaid declared dividends	1,331,926	1,648,466
Shareholders refundable deposits	145,405	146,349
Income tax withholdings	8,800	52,558
Unearned revenue	728,613	882,456
Accrued Wakala investment profits	200,078	216,999
Board of Directors remunerations	45,000	45,000
Guarantees redemption	40,434	99,394
Legal cases provision	30,000	-
Others	228,791	31,656
	2,908,715	3,205,364

In 2019, the company has recorded a provision for the full amount of the accrued revenues by an amount of JD 151,857. No additions were made on this account during 2020.

(11) CAPITAL AND RESERVES

Paid-up Share Capital

The Company's authorized and paid-up share capital consists of JD 35 million, divided into 35 million shares as of 31 December 2020 and 2019.

(11) CAPITAL AND RESERVES (CONTINUED)

Statutory Reserve

Represents the transfers from the annual profit during the year and prior years, before income tax at a rate of 10%. This reserve is not available for distribution to the shareholders.

Voluntary Reserve

Represents prior years accumulated appropriations from income for the year before tax at a rate of 10%. This reserve is used for the purpose determined by the Board of Directors, and the General Assembly has the right to distribute it, in whole or in part, as dividends to shareholders.

(12) DIVIDENDS DISTRIBUTED

The General Assembly decided in its ordinary meeting held on 23 June 2020 not to distribute cash dividends as of 30 June 2020 due to COVID's effect on the global and local economy.

The General Assembly approved in its ordinary meeting held on 23 April 2019 approved cash dividends distribution amounting to JD 1,4 million equal to 4% of the paid in capital amounting to JD 35 million.

(13) FAIR VALUE RESERVE

	2020	2019
	JD	JD
Beginning balance of year	(1,129,317)	(683,787)
Net change in fair value after tax for the year	125,400	(445,530)
Ending balance of year	(1,003,917)	(1,129,317)

(14) FINANCE REVENUE

	2020	2019
	JD	JD
Financing revenue murabaha – cars	1,056,883	1,594,532
Financing revenue murabaha – real estate	815,971	880,750
Financing revenue murabaha – companies	461,364	1,488,924
Financing revenue murabaha – individual services	72,581	58,482
	2,406,799	4,022,688

(15) GAIN (LOSS) FROM VALUATION OF FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS

	2020	2019
	JD	JD
Unrealized gain (loss)	800,906	(5,884)
	800,906	(5,884)

(16) OTHER REVENUE - NET

	2020	2019
	JD	JD
Commission income	384,182	602,102
Rent revenue	139,975	109,278
Gain from sale of fixed assets	-	253
Written off recoveries	-	250,000
Other revenues	42,520	42,025
	566,677	1,003,658

(17) EMPLOYEES COST

	2020	2019
	JD	JD
Wages, Salaries and rewards	729,022	763,505
The Company's social security contributions	38,688	74,647
Medical Insurance Expenses	50,618	46,711
	818,328	884,863

(18) OTHER OPERATING EXPENSES

	2020	2019
	JD	JD
Rent	-	1,500
Promoting and advertising	4,730	13,144
Stationary and printing	13,572	18,005
Depreciation and amortization	-	8,028
Electricity and water	24,500	54,393
Communication	22,949	28,843
Insurance	70,160	71,230
Fuel	7,706	9,510
Maintenance	15,659	36,275
Cleaning	35,984	39,403
Transportation	9,780	20,214
Travel, transportation and Board of Directors hospitality	48,603	58,437
Board of directors' remuneration	45,000	45,000
Fees, licenses, and subscription	62,418	58,621
Hospitality	7,102	9,744
Legal fees	18,128	30,300
Management and sharia fees	16,500	16,500
Professional fees	42,894	48,105
Banking services fees	16,924	33,140
Real estate valuation expenses	150	12,580
Marketing and sale brokers commission	7,267	15,774
Legal claims provision	30,000	-
Others	40,290	27,454
	540,316	656,200

(19) INCOME TAX PROVISION

	2020	2019
	JD	JD
Balance at the beginning of the year	293,226	272
Income tax provision for the year	409,504	352,086
Income tax paid	(500,692)	(59,132)
Balance at the end of the year	202,038	293,226

The Company has reached a final settlement with the Income and Sales Tax Department until the year 2015. Furthermore, the Company has submitted its income tax return for the years 2016, 2017, 2018 and 2019 and has paid the due amounts within the legal period. However, the Income and Sales Tax Department has not yet reviewed the Company's operations for those years yet.

The Company has also calculated a provision for the income tax for the year ended on 31 December 2020. In the opinion of the Company's management and its tax advisor, the provisions recorded in the consolidated financial statement are sufficient to meet the expected tax liabilities.

The income tax expense shown in the consolidated statement of income is as follows:

	2020	2019
	JD	JD
Accrued income tax on the year profit	409,504	352,086
Effect of tax assets	(220,836)	167,302
Income tax provision	188,668	519,388

The details of deferred tax assets are as follows:

	31 December 2020					31 December 2019
	Beginning balance	Additions	Released/ written-off	Ending balance	Deferred tax	Deferred tax
Included accounts	JD	JD	JD	JD	JD	JD
Deferred tax assets						
Expected Credit Loss	18,835,064	935,976	-	19,619,183	5,493,371	5,246,482
Fair value reserve*	1,592,013	764,422	(472,204)	1,884,231	295,879	462,697
	20,427,077	1,700,398	(472,204)	21,224,518	5,789,250	5,709,179

* Deferred tax asset for the fair value reserve is calculated based on 28% on local investments and 10% on foreign investments.

(19) INCOME TAX PROVISION (CONTINUED)

The movement on the deferred tax assets is as follows:

	2020	2019
	JD	JD
Beginning balance for the year	5,709,179	5,644,738
Additions during the year	328,283	423,881
Released during the year	(248,212)	(359,440)
Ending balance at the end of the year	5,789,250	5,709,179

(20) EARNING PER SHARE

	2020	2019
Income for the year - JD	541,067	1,766,908
Number of shares - Share	35,000,000	35,000,000
Earnings per share for the year (Basic and Diluted) - JD	0.015	0.050

(21) BALANCES AND TRANSACTIONS WITH RELATED PARTIES

The details for balances and transactions with related parties during the year are as follows:

	Executive Management	Company's Employees	Other Related Parties**	Total
	JD	JD	JD	JD
31 December 2020				
Consolidated statement of financial position items				
Accounts receivable from financing activities - net*	50,751	278,977	-	329,728
Customers' investments accounts	5,355,000	9,385	1,705,500	7,069,885
Consolidated statement of income				
Revenues from financing activities	7,347	15,432	-	22,779
Share of customers' Investment accounts	301,925	540	56,354	358,819
31 December 2019				
Consolidated statement of financial position items				
Accounts receivable from financing activities - net*	12,493	116,952	277,696	407,141
Customers' investments accounts	5,355,000	9,385	1,455,500	6,819,885
Other credit balances	245,208	-	-	245,208
Consolidated statement of income				
Revenues from financing activities	1,993	14,368	22,654	39,015
Share of customers' Investment accounts	332,894	175	44,230	377,299

* After deducting unrealized revenues

** Other parties include companies partially owned by members and relatives of members of the Board of Directors.

- Murabaha rate on accounts receivable from financing activities to related parties range from 5% to 7%
- The rate of return on the customers' investment accounts ranges from 3.5% to 6%.
- The salaries and other remunerations of executive management amounted to JD 339,500 during the year ended of 31 December 2020 (31 December 2019: JD 377,040).

(22) LEASE LIABILITIES

The company applies the cost principle to the right of use assets that meet the definition of property and equipment and are depreciated over the lease period between 5 to 12 years as shown below:

	2020	2019
	JD	JD
Cost		
Balance at the beginning of the year	1,076,334	1,076,334
Additions	33,084	-
Balance at the end of the year	1,109,418	1,076,334
Accumulated Depreciation		
Balance at the beginning of the year	147,433	-
Additions	140,670	147,433
Balance at the end of the year	288,103	147,433
Net book value as of 31 December	821,315	928,901

The table below illustrates the movement on lease liability during the year:

	2020	2019
	JD	JD
Balance at the beginning of the year	934,220	1,028,125
Additions	33,084	-
Accretion of lease liability discount	53,600	57,084
Paid during the year	(159,267)	(150,989)
Balance at the end of the year	861,637	934,220

The minimum future lease payments regarding operating leases in addition to the present value of the net minimum lease payments are calculated using a discount rate of 6.4%.

(23) CAPITAL MANAGEMENT

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

The Group manages its capital structure and makes adjustments to it in light of changes in business conditions. The Group did not make any amendments to its goals and policies throughout the year and the prior year.

Capital comprise of paid in capital, statutory reserve, voluntary reserve, fair value reserve and retained earnings amounting to JD 45,861,170 as at 31 December 2020 (31 December 2019: JD 45,194,703).

(23) CAPITAL MANAGEMENT (CONTINUED)

The following table represents the ratio of liabilities to shareholders' equity as of 31 December 2020 and 31 December 2019:

	2020	2019
	JD	JD
Total liabilities	13,246,924	13,885,502
Shareholders' equity	45,861,170	45,194,703
Ratio of liabilities to shareholders' equity	29%	31%

Liquidity Risk

Liquidity risk, also referred to as funding risk, is the risk that the Company will encounter difficulty in raising funds to meets its commitments, and liquidity risk may arise as a result of the interruption of some funding sources resulting from unexpected events or disturbances in the market, and the Company manages liquidity risks through maintaining adequate reserves, continuously monitoring forecast and actual cash flows, and matching the maturities of financial assets and financial liabilities by diversify finding sources and maintain high liquidity assets that are really transferred to cash.

The following table details the contractual maturities of the Company's financial liabilities as at 31 December 2020 and 2019:

	One Year	More than one year to two years	More than two years	Total
	JD	JD	JD	JD
Customers' investments accounts				
31 December 2020	8,674,437	600,097	-	9,274,534
31 December 2019	7,571,607	1,002,600	878,485	9,452,692
Other credit balances				
31 December 2020	1,910,297	213,051	785,367	2,908,715
31 December 2019	2,124,057	216,999	864,308	3,205,364

Credit Risk

Credit risk refers to the risk that the counterparty will default on its contractual obligations resulting in financial loss to the Company. The Company has adopted a policy of dealing with only creditworthy counterparties as a means of mitigating the risk of financial loss from defaults.

The Company deposits cash and revenue with reputable and trustworthy financial institutions.

Credit concentration risk arises when customers engage in the same activity or the same geographical area or have the same economic characteristics. All of this may affect their ability to meet their contractual obligations, as they are affected by the same political and economic changes. Moreover, concentration credit risk represents the Company's sensitivity to the impact in developments affecting a particular industry or geographical area.

(23) CAPITAL MANAGEMENT (CONTINUED)

The following table shows the distribution of the Company's revenues and assets by geographical segment as of 31 December 2020 and 2019:

	Inside the kingdom	Outside the kingdom	Total
	JD	JD	JD
31 December 2020			
Total revenues	3,339,935	-	3,339,935
Total assets	58,795,344	312,750	59,108,094
31 December 2019			
Total revenues	4,641,196	29,740	4,670,936
Total assets	58,295,252	784,953	59,080,205

The following table shows the concentration of the credit exposures of financial assets by geographical segment as of 31 December 2020 and 2019:

	Inside the Kingdom	Outside the Kingdom	Total
	JD	JD	JD
31 December 2020			
Cash on hand and at banks	2,726,565	-	2,726,565
Accounts receivable from financing activities*	35,610,022	-	35,610,022
Financial assets at fair value through profit or loss	4,254,836	-	4,254,836
Financial assets at fair value through other comprehensive income	4,584,848	312,750	4,897,598
Other debit balances	4,676,746	-	4,676,746
	51,853,017	312,750	52,165,767

	Inside the Kingdom	Outside the Kingdom	Total
	JD	JD	JD
31 December 2019			
Cash on hand and at banks	1,121,854	-	1,121,854
Accounts receivable from financing activities*	39,812,993	-	39,812,993
Financial assets at fair value through profit or loss	3,447,258	-	3,447,258
Financial assets at fair value through other comprehensive income	3,842,147	784,953	4,627,100
Other debit balances	3,051,975	-	3,051,975
	51,276,227	784,953	52,061,180

(23) CAPITAL MANAGEMENT (CONTINUED)

***** After deducting provision for expected credit losses from receivables and deferred revenue.

The following table shows the concentration of the credit exposures of financial assets by economic segment as at 31 December 2020 and 2019:

	Financial	Services	Total
	JD	JD	JD
31 December 2020			
Cash on hand and at banks	2,726,565	-	2,726,565
Accounts receivable from financing activities*	-	35,610,022	35,610,022
Financial assets at fair value through income statement	161,595	4,093,241	4,254,836
Financial assets at fair value through other comprehensive income	63,217	4,834,381	4,897,598
Other debit balances	317,912	4,358,834	4,676,746
	3,269,289	48,896,478	52,165,767

	Financial	Services	Total
	JD	JD	JD
31 December 2019			
Cash on hand and at banks	1,121,854	-	1,121,854
Accounts receivable from financing activities*	-	39,812,993	39,812,993
Financial assets at fair value through income statement	46,595	3,400,663	3,447,258
Financial assets at fair value through other comprehensive income	529,029	4,098,071	4,627,100
Other debit balances	414,800	2,637,175	3,051,975
	2,112,278	49,948,902	52,061,180

***** After deducting provision for expected credit losses from receivables and deferred revenue.

Market Risk

The Company follows risk management policies within a specific strategy. Moreover, the Company's management controls risk and optimizes the distribution of financial assets and financial liabilities. These risks include interest rate risk, currency exchange risk, and the risk of share price fluctuations.

Foreign Currency Risk

Currency risk is the risk that the value of a financial instrument will fluctuate due to changes in foreign exchange rates, the Company does not deal in foreign currencies in its activities and therefore there is no foreign currency risk on the Company.

(23) CAPITAL MANAGEMENT (CONTINUED)

Risk of Change in Share Prices

Share price risk is the decline in the fair value of shares due to changes in shares indices and changes in the value of individual shares.

- The change in the financial market index as of the financial statements date is the impact of a 5% increase or (5%) decrease.

The following is the impact on gains, losses and shareholders' equity:

2020	Change in index	Effects on profit and losses	Effects on shareholders' equity
	%	JD	JD
Financial Market	Increase 5	8,080	245,966
Financial Market	Decrease (5)	(8,080)	(245,966)

2019	Change in index	Effects on gains and losses	Effects on shareholders' equity
	%	JD	JD
Financial Market	Increase 5	2,347	201,488
Financial Market	Decrease (5)	(2,347)	(201,488)

Return Risk

Return risk is the risk arising from changes in rates that affect the Company's future profits. To reduce the impact of return risk, the Company diversifies its assets and matches the maturities of assets and liabilities.

The following table represents the sensitivity of the consolidated statement of comprehensive income to reasonable and possible changes to rates as at 31 December, with all other variables affecting's remains constant.

2020	Increase rate of return	Effect on profit
Currency	(point)	JD
Jordanian Dinar	100	92,745

	Decrease rate of return	Effect on profit
Currency	(point)	JD
Jordanian Dinar	(100)	(92,745)

(23) CAPITAL MANAGEMENT (CONTINUED)

2019	Increase rate of return	Effect on profit
Currency	(point)	JD
Jordanian Dinar	100	94,527

	Decrease rate of return	Effect on profit
Currency	(point)	JD
Jordanian Dinar	(100)	(94,527)

(24) INFORMATION ON THE COMPANY'S BUSINESS SEGMENT

The Company performs its business through two major activities:

1. **Financing activities**
   Includes following up on customers and granting financing.

2. **Investment activities**
   Includes the investments in different financial instruments.

The following table represents the revenue allocation between these two segments:

	Financing	Investing	Total
	JD	JD	JD
31 December 2020			
Gross profit	2,406,799	873,457	3,280,256
Share of customers' investment accounts	(506,998)	-	(506,998)
Undistributed revenue			566,677
Undistributed expenses			(1,674,224)
Expected credit loss provision	(935,976)	-	(935,976)
Profit before tax			729,735
Income tax provision			(188,668)
Profit for the year			541,067
Other information			
Segment assets	37,141,434	10,448,620	48,785,207
Undistributed assets			11,518,040
Total			59,108,094
Segment liabilities	9,274,534	-	9,274,534
Undistributed liabilities			3,972,390
Total			13,246,924

(24) INFORMATION ON THE COMPANY'S BUSINESS SEGMENT (CONTINUED)

	Financing	Investing	Total
	JD	JD	JD
31 December 2019			
Gross profit	4,022,688	146,479	4,169,167
Share of customers' investment accounts	(501,889)	-	(501,889)
Undistributed revenue			1,003,658
Undistributed expenses			(1,878,462)
Expected credit loss provision	(506,178)	-	(506,178)
Profit before tax			2,286,296
Income tax provision			(519,388)
Profit for the year			1,766,908
Other information			
Segment assets	40,934,847	8,074,358	49,009,205
Undistributed assets			10,071,000
Total			59,080,205
Segment liabilities	9,452,692	-	9,452,692
Undistributed liabilities			4,432,810
Total			13,885,502

The following table shows the analysis of assets and liabilities according to the expected period of recovery:

31 December 2020	For one year	More than one year	Total
	JD	JD	JD
Assets			
Cash on hand and at banks	2,726,565	-	2,726,565
Accounts receivable from financing activities*	17,229,603	18,380,419	35,610,022
Other debit balances	1,489,880	3,186,866	4,676,746
Deferred tax assets	-	5,789,250	5,789,250
Financial assets at fair value through profit or loss	4,254,836	-	4,254,836
Financial assets at fair value through other comprehensive income	-	4,897,598	4,897,598
Right of use assets	-	821,315	821,315
Property and equipment	-	331,762	331,762
Total Assets	25,700,884	33,407,210	59,108,094

* After deducting expected credit loss and deferred revenue.

(24) INFORMATION ON THE COMPANY'S BUSINESS SEGMENT (CONTINUED)

	For one year	More than one year	Total
	JD	JD	JD
Liabilities			
Customer investment accounts	8,674,437	600,097	9,274,534
Income tax provision	202,038	-	202,038
Lease liabilities	-	861,637	861,637
Other credit balances	1,910,297	998,418	2,908,715
Total liabilities	10,786,772	2,460,152	13,246,924
Net	14,914,112	30,947,058	45,861,170

31 December 2019	For one year	More than one year	Total
	JD	JD	JD
Assets			
Cash on hand and at banks	1,121,854	-	1,121,854
Accounts receivable from financing activities*	19,263,174	20,549,819	39,812,993
Other debit balances	144,233	2,907,742	3,051,975
Deferred tax assets	-	5,709,179	5,709,179
Financial assets at fair value through profit or loss	3,447,258	-	3,447,258
Financial assets at fair value through other comprehensive income	-	4,627,100	4,627,100
Right of use assets	-	928,901	928,901
Property and equipment	-	380,945	380,945
Total Assets	23,976,519	35,103,686	59,080,205

* After deducting expected credit loss and deferred revenue.

	For one year	More than one year	Total
	JD	JD	JD
Liabilities			
Customer investment accounts	7,571,607	1,881,085	9,452,692
Income tax provision	293,226	-	293,226
Lease liabilities	160,675	773,545	934,220
Other credit balances	2,341,120	864,244	3,205,364
Total liabilities	10,366,628	3,518,874	13,885,502
Net	13,609,891	31,584,812	45,194,703

(25) CONTINGENT LIABILITIES

As of the date of the consolidated statement of financial position, the Company was contingently liable for the following:

	2020	2019
	JD	JD
Banks guarantees	332,300	517,300
Less: refundable deposits	(59,744)	(418,500)
	272,556	98,800

Lawsuits against the Company

There are lawsuits filed against the Company in the normal course of business amounting to JD 90,000 as of 31 December 2020 (JD 20,000 as of 31 December 2019). In the opinion of the management and the legal advisor, the lawsuits against the company are still under consideration, and an amount of JD 30,000 was taken as provision as of 31 December 2020 (2019: Null) which are sufficient to address the lawsuits.

The Company has raised several lawsuits against defaulting customers. The total amount of these lawsuits is JD 25,788,373 as of 31 December 2020 (31 December 2019: JD 14,111,554).

(26) FAIR VALUE HIERARCHY

A. The fair value of financial assets of the Company specified at fair value on an ongoing basis:

Some financial assets and liabilities of the Company are evaluated at fair value at the end of each fiscal period. The following table shows the information about how to determine the fair value of these financial assets (valuation methods and inputs used):

	Fair value					
Financial Assets	2020	2019	The level of fair value	Valuation method and inputs used	Important intangible inputs	Relation between fair value and Important intangible inputs
	JD	JD				
Financial assets at fair value through profit or loss:						
Quoted share	161,595	46,940	Level One	Market value	Not applicable	Not applicable
Financing activities	4,093,241	3,400,318	Level Two	Based on the latest selling transaction	Not applicable	Not applicable
Financial assets at fair value through comprehensive income:						
Quoted share	2,797,469	4,029,752	Level One	Market value	Not applicable	Not applicable
Unquoted share	1,564,132	-	Level Two	Based on published prices of similar companies	Not applicable	Not applicable
Unquoted share	535,997	597,348	Level Three	Based on applicable valuation methods	Not applicable	Not applicable
Total financial assets at fair value	9,152,434	8,074,358				

B. Fair value of financial assets and financial liabilities that are not measured at fair value:

Except what is detailed in the following table, the carrying amounts of financial assets recognized in the Company's financial statements approximate their fair values, due to that the Company's management believes that the item's book value equals to the fair value which is due to its short term maturity or to the rates being revaluated during the year.

	31 December 2020		31 December 2019		
	Book value	Fair value	Book value	Fair value	Fair value hierarchy
	JD	JD	JD	JD	
Cash on hand, at banks and financial institutes	2,726,565	2,726,565	1,121,854	1,121,854	Level three
Accounts receivable from financing activities – net	35,610,022	35,610,022	39,812,993	39,812,993	Level three
Total Financial assets not calculated at fair value	38,336,587	38,336,587	40,934,847	40,934,847	
Customers' investment accounts	9,274,534	9,274,534	9,452,692	9,452,692	Level three
Other current liabilities	2,908,715	2,908,715	3,205,364	3,205,364	Level three
Total Liabilities not Calculated at Fair Value	12,183,249	12,183,249	12,658,056	12,658,056	

(27) STANDARDS ISSUED BUT NOT YET EFFECTIVE

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

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

The new standard will be effective for annual periods beginning on or after 1 January 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,
- the 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,
- and 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 2023 and must be applied retrospectively.

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.

The amendments are effective for annual reporting periods beginning on or after 1 January 2022 and apply prospectively.

The amendments are not expected to have a material impact on the group.

(27) STANDARDS ISSUED BUT NOT YET EFFECTIVE (CONTINUED)

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 recognises 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.

The amendments are not expected to have a material impact on the group.

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.

The amendments are effective for annual reporting periods beginning on or after 1 January 2022. The Group will apply these amendments to contracts for which it has not yet fulfilled all its obligations at the beginning of the annual reporting period in which it first applies the amendments.

The amendments are not expected to have a material impact on the group.

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 fees include only those paid or received by the borrower and the lender, including fees paid or received by either the borrower or lender on the other's behalf. An entity applies the amendment to financial liabilities that are modified or exchanged on or after the beginning of the annual reporting period in which the entity first applies the amendment.

The amendment is effective for annual reporting periods beginning on or after 1 January 2022 with earlier adoption permitted. The Group will apply the amendments to financial liabilities that are modified or exchanged on or after the beginning of the annual reporting period in which the entity first applies the amendment.

The amendments are not expected to have a material impact on the group.

(27) STANDARDS ISSUED BUT NOT YET EFFECTIVE (CONTINUED)

IBOR reform Phase 2

IBOR reform Phase 2, which will be effective on 1 January 2021, includes a number of reliefs and additional disclosures. The reliefs apply upon the transition of a financial instrument from an IBOR to a risk-free-rate (RFR).

Changes to the basis for determining contractual cash flows as a result of interest rate benchmark reform are required as a practical expedient to be treated as changes to a floating interest rate, provided that, for the financial instrument, the transition from the IBOR benchmark rate to RFR takes place on an economically equivalent basis. IBOR reform Phase 2 provides temporary reliefs that allow the Bank's hedging relationships to continue upon the replacement of an existing interest rate benchmark with an RFR. The reliefs require the Bank to amend hedge designations and hedge documentation. This includes redefining the hedged risk to reference an RFR, redefining the description of the hedging instrument and / or the hedged item to reference the RFR and amending the method for assessing hedge effectiveness. Updates to the hedging documentation must be made by the end of the reporting period in which a replacement takes place. For the retrospective assessment of hedge effectiveness, the Bank may elect on a hedge by hedge basis to reset the cumulative fair value change to zero.

The Bank may designate an interest rate as a non-contractually specified, hedged risk component of changes in the fair value or cash flows of a hedged item, provided the interest rate risk component is separately identifiable, e.g., it is an established benchmark that is widely used in the market to price loans and derivatives. For new RFRs that are not yet an established benchmark, relief is provided from this requirement provided the Bank reasonably expects the RFR to become separately identifiable within 24 months.

For hedges of groups of items, the Bank is required to transfer to subgroups those instruments that reference RFRs. Any hedging relationships that prior to application of IBOR reform Phase 2, have been discontinued solely due to IBOR reform and meet the qualifying criteria for hedge accounting when IBOR reform Phase 2 is applied, must be reinstated upon initial application.

The amendments are not expected to have a material impact on the group.

(28) COMPARATIVE FIGURES

Certain balances for the year 2019 have been reclassified to conform with the balances as at 31 December 2020. The reclassification did not affect previously reported profit or equity.

(29) COVID IMPACT

On March 17, 2020, the Prime Minister of the Hashemite Kingdom of Jordan decided to impose the Defense Law and suspend a large number of business activities in the Kingdom as part of the precautionary measures taken by the government to combat the spread of the Coronavirus. The extent and duration of the pandemic's impact is not specified and depends on future developments that cannot be precisely predicted at the present time, such as the rate of spread of the virus and the effectiveness of measures taken to contain it. In light of the current economic turmoil, it is not possible to make reliable estimates about the impact of the virus up until the date of approval of these financial statements. Future developments may affect the future results of the company, its cash flows, and its financial position. The company's management has updated the macroeconomic factors used in calculating the expected credit losses for the year ended 31 December 2020 and is also in the process of completing the assessment of the impact of the Coronavirus on its activities to take the necessary measures and precautions.