

JORDAN CEMENT FACTORIES COMPANY
(A PUBLIC SHAREHOLDING LIMITED COMPANY)
AMMAN - JORDAN

CONSOLIDATED FINANCIAL STATEMENTS FOR THE
YEAR ENDED DECEMBER 31, 2019
TOGETHER WITH THE AUDIT REPORT

JORDAN CEMENT FACTORIES COMPANY
(A PUBLIC SHAREHOLDING LIMITED COMPANY)
AMMAN-JORDAN
December 31, 2019

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Independent Auditors' Report

AM/ 014591

**To the Shareholders'
Jordan Cement Factories Company
(A Public Shareholding Limited Company)
Amman – The Hashemite Kingdom of Jordan**

Disclaimer of Opinion

We were engaged to audit the consolidated financial statements of the Jordan Cement Factories Company and its subsidiaries (the Group), which comprise the consolidated statement of financial position as at December 31, 2019, and the consolidated statement of profit or loss and comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the year then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies.

We do not express an opinion on the accompanying consolidated financial statements of the Group. Because of the significance of the matters described in the Basis for Disclaimer of Opinion section of our report, we have not been able to obtain sufficient appropriate audit evidence to provide a basis for an audit opinion on these consolidated financial statements.

Basis for Disclaimer of Opinion

Property, plant and equipment and inventory, which is carried at JD 60 million and JD 19.9 million in the statement of financial position respectively, includes property, plant and equipment and spare parts located in Rashadiyah of JD 35.5 million and JD 2.7 million respectively which exhibits indicators of impairment. Due to the current situation, management has not determined if the recoverable amounts of the property, plant and equipment and spare parts located in Rashadiyah is greater than their carrying amount, which constitutes a departure from International Financial Reporting Standards ('IFRSs'). We were unable to determine the adjustments necessary to these amounts, if any.

Note (34) in the consolidated financial statements indicates that the Group incurred a loss before tax of JD 48.7 million during the year ended December, 31 2019, had net current liabilities of JD 88 million and net cash used in operations of JD 5.3 million for the year then ended. The Company had also defaulted on some of its outstanding financial obligations as at December 31, 2019.

In performing their assessment of the use of the going concern basis of accounting, the Board of Directors have considered the Company's ability to settle its current and expected monetary obligation for a period of 12 months from the financial statements date, and based on this assessment, the Company will commence the process of filing for insolvency with the intention to reorganize the Company. The Group's ability to continue as a going concern is dependent on the outcome of this process being successful.

As stated in Note (34), these events or conditions, along with other matters as set forth in Note (34), indicate that a material uncertainty exists that may cast significant doubt on the Group's ability to continue as a going concern.

Other Matter

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

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

The Company's 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 the consolidated financial statements that are free from material misstatement, whether due to fraud or error.

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

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

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

Our responsibility is to conduct an audit of the Group's consolidated financial statements in accordance with International Standards on Auditing and to issue an auditor's report. However, because of the matter described in the Basis for Disclaimer of Opinion section of our report, we were not able to obtain sufficient appropriate audit evidence to provide a basis for an audit opinion on these consolidated financial statements.

We are independent of the Group in accordance with the ethical requirements that are relevant to our audit of the financial statements in Jordan, and we have fulfilled our other ethical responsibilities in accordance with these requirements.

Report on Other Legal and Regulatory Requirements

Due to limitations of our work referred to in the Basis for Disclaimer of Opinion section of our report, we were unable to determine whether the Company maintained proper books of accounts.

**Amman – Jordan
July 4, 2020**


Deloitte & Touche (M.E.) – Jordan
دياويت آند توش (الشرق الأوسط)
010103

JORDAN CEMENT FACTORIES COMPANY
(A PUBLIC SHAREHOLDING LIMITED COMPANY)
AMMAN – THE HASHEMITE KINGDOM OF JORDAN
CONSOLIDATED STATEMENT OF FINANCIAL POSITION

	Note	December 31,	
		2019	2018
ASSETS			
<u>Current Assets</u>			
		JD	JD
Cash at banks	5	3,398,078	991,826
Accounts receivable and checks under collection	6	22,230,556	22,320,510
Inventory and spare parts	7	19,854,277	34,741,615
Other debit balances	8	3,803,331	4,432,929
Held for sale assets	9	7,100,000	-
Total Current Assets		56,386,242	62,486,880
<u>Non-current Assets</u>			
Property and equipment - net	10	59,963,372	73,053,455
Financial assets at fair value through comprehensive income	11	167,994	171,949
Goodwill	12	2,495,945	2,495,945
Employees' housing and car loans	13	771,628	1,628,767
Right of use assets	14	3,955,578	-
Deferred tax assets	15/d	1,204,672	17,353,102
Total Non-Current Assets		68,559,189	94,703,218
TOTAL ASSETS		124,945,431	157,190,098
<u>LIABILITIES AND OWNERS' EQUITY</u>			
<u>Current Liabilities</u>			
Due to banks	16	29,486,127	33,187,743
Short-term accounts payable	17	58,369,805	47,331,006
Other credit balances	18	16,871,482	19,744,063
Loan from a related party	19	24,500,000	-
Long-term loans maturing within one year	20	11,250,000	8,193,723
Income tax provision	15/a	241,663	670,847
Provision for restructuring	21	2,075,506	1,317,672
Lease liability – current portion	14	1,578,966	-
Total Current Liabilities		144,373,549	110,445,054
<u>Non-current Liabilities</u>			
Obligations for employees' post-retirement health insurance benefits	22	40,356,672	28,335,000
Long-term loans	20	8,250,000	15,750,000
Lease liability – non-current portion	14	2,183,433	-
Total Non-current Liabilities		50,790,105	44,085,000
Total Liabilities		195,163,654	154,530,054
<u>Owners' Equity</u>			
Paid-up capital	23	60,444,460	60,444,460
Treasury stock	23	(323)	(323)
Fair value reserve		(69,566)	(65,611)
Accumulated (losses)	34	(135,739,787)	(62,231,177)
Net (Deficit) in Shareholders' Equity		(75,365,216)	(1,852,651)
Non-controlling interest	26	5,146,993	4,512,695
Net Owners' Equity		(70,218,223)	2,660,044
TOTAL LIABILITIES LESS (DEFICIT) IN OWNERS' EQUITY		124,945,431	157,190,098

THE ACCOMPANYING NOTES FROM (1) TO (36) CONSTITUTE AN INTEGRAL PART OF THESE CONSOLIDATED FINANCIAL STATEMENTS AND SHOULD BE READ WITH THEM AND WITH THE ACCOMPANYING AUDITOR'S REPORT

JORDAN CEMENT FACTORIES COMPANY
(A PUBLIC SHAREHOLDING LIMITED COMPANY)
AMMAN – THE HASHEMITE KINGDOM OF JORDAN
CONSOLIDATED STATEMENT OF PROFIT OR LOSS

	Note	For the Year Ended December 31,	
		2019	2018
		JD	JD
Sales		63,432,024	61,672,790
Cost of sales		<u>(62,704,484)</u>	<u>(71,533,722)</u>
Gross Profit (Loss) from Sales		727,540	(9,860,932)
Selling and marketing expenses	24	(1,835,684)	(2,186,228)
General and administrative expenses	25	<u>(9,478,385)</u>	<u>(8,819,365)</u>
Operating (Loss)		(10,586,529)	(20,866,525)
Interest income		210,652	128,997
Provision for rehabilitation of quarries and environment protection	18	(30,408)	(33,600)
Provision for employees' vacations		(49,288)	(17,329)
Financing costs		(5,827,167)	(5,009,432)
Lawsuits provision	18	(3,210,012)	(13,338,115)
(Provision) released from restructuring provision	21	(14,883,520)	9,500,000
Inventory and spare parts impairment provision	7	(6,860,412)	(48,108)
Held for sale assets impairment provision	9	(3,669,754)	-
Post-retirement health insurance interest and expense	22	(5,542,417)	(1,374,000)
Gain from foreign currency revaluation		250,916	511,947
Gain on sale of property and equipment		1,408,162	1,952,189
Other income		108,031	710,388
(Loss) for the Year before Income Tax		<u>(48,681,746)</u>	<u>(27,883,588)</u>
Income tax (expense)	15/b	<u>(16,435,381)</u>	<u>(6,698,452)</u>
(Loss) for the Year		<u>(65,117,127)</u>	<u>(34,582,040)</u>
<u>Attributable to:</u>			
Company shareholders		(65,187,925)	(35,658,585)
Non-controlling interests	26	<u>70,798</u>	<u>1,076,545</u>
		<u>(65,117,127)</u>	<u>(34,582,040)</u>
		<u>JD / FILS</u>	<u>JD / FILS</u>
Shareholders' Basic and Diluted (Loss) per Share for the Year	31	<u>(1/08)</u>	<u>(-/59)</u>

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JORDAN CEMENT FACTORIES COMPANY
(A PUBLIC SHAREHOLDING LIMITED COMPANY)
AMMAN – THE HASHEMITE KINGDOM OF JORDAN
CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

	Note	For the Year Ended December 31,	
		2019	2018
		JD	JD
(Loss) for the year		(65,117,127)	(34,582,040)
<u>Add:</u> Other comprehensive income items that will not be reclassified to the income statement in subsequent periods:			
Net (loss) from financial assets at fair value through comprehensive income		(3,955)	(4,746)
Actuarial losses for post-retirement health insurance benefits	22	(8,320,685)	(2,527,000)
Total Comprehensive (Loss)		<u>(73,441,767)</u>	<u>(37,113,786)</u>
Total Comprehensive (Loss) Attributable to:			
The Company's shareholders		(73,512,565)	(38,190,331)
Non-controllers' interests		70,798	1,076,545
		<u>(73,441,767)</u>	<u>(37,113,786)</u>

THE ACCOMPANYING NOTES FROM (1) TO (36) CONSTITUTE AN INTEGRAL PART OF THESE CONSOLIDATED FINANCIAL STATEMENTS AND SHOULD BE READ WITH THEM AND WITH THE ACCOMPANYING AUDITOR'S REPORT.

JORDAN CEMENT FACTORIES COMPANY
(A PUBLIC SHAREHOLDING LIMITED COMPANY)
AMMAN – THE HASHEMITE KINGDOM OF JORDAN
CONSOLIDATED STATEMENT OF CHANGES IN SHAREHOLDERS' EQUITY

Description	Note	Paid up Capital		Treasury Stock	Statutory Reserve		Change in Fair Value Reserve		Accumulated (Losses)	Total Shareholders' Equity		Non-Controlling Interest	Total Owners' Equity
		JD			JD		JD			JD			
For the Year Ended													
<u>December 31, 2019</u>													
Balance as of January 1, 2019		60,444,460		(323)	-	(65,611)		(62,231,177)		(1,852,651)		4,512,695	2,660,044
(Loss) for the year		-		-	-	-		(65,187,925)		(65,187,925)		70,798	(65,117,127)
Other comprehensive income items		-		-	-	(3,955)		(8,320,685)		(8,324,640)		-	(8,324,640)
Total Comprehensive (Loss) for the Year		-		-	-	(3,955)		(73,508,610)		(73,512,565)		70,798	(73,441,767)
Reversal of dividends *		-		-	-	-		-		-		563,500	563,500
Balance as of December 31, 2019		60,444,460		(323)	-	(69,566)		(135,739,787)		(75,365,216)		5,146,993	(70,218,223)
For the Year Ended													
<u>December 31, 2018</u>													
Balance as of January 1, 2018		60,444,460		(323)	27,000,000	(60,865)		(49,773,188)		37,610,084		6,303,108	43,913,192
Prior year adjustments		-		-	-	-		743,201		743,201		20,462	763,663
IFRS 9 implementation impact		-		-	-	-		(2,015,605)		(2,015,605)		(1,760,420)	(3,776,025)
Adjusted balance		60,444,460		(323)	27,000,000	(60,865)		(51,045,592)		36,337,680		4,563,150	40,900,830
(Loss) for the year		-		-	-	-		(35,658,585)		(35,658,585)		1,076,545	(34,582,040)
Other comprehensive income items		-		-	-	(4,746)		(2,527,000)		(2,531,746)		-	(2,531,746)
Total Comprehensive (Loss) for the Year		-		-	-	(4,746)		(38,185,585)		(38,190,331)		1,076,545	(37,113,786)
Accumulated losses write off through voluntary reserve		-		-	(27,000,000)	-		27,000,000		-		-	-
Dividends distributed by subsidiaries	23	-		-	-	-		-		-		(1,127,000)	(1,127,000)
Balance as of December 31, 2018		60,444,460		(323)	-	(65,611)		(62,231,177)		(1,852,651)		4,512,695	2,660,044

* On May 19, 2019, the general assembly of the subsidiary company (the Arab Concrete Supply Company) approved the decision to cancel the previous decision to distribute part of the retained that were previously declared at the general assembly meeting on June 25, 2018 in an amount of JD 1.15 million, which are related to the year 2017. Accordingly, these amounts were reversed to their retained earnings and the non-controlling interest share.

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JORDAN CEMENT FACTORIES COMPANY
(A PUBLIC SHAREHOLDING LIMITED COMPANY)
AMMAN – THE HASHEMITE KINGDOM OF JORDAN
CONSOLIDATED STATEMENT OF CASH FLOWS

	Note	For the Year Ended December 31,	
		2019 JD	2018 JD
CASH FLOWS FROM OPERATING ACTIVITIES:			
(Loss) for the year before income tax		(48,681,746)	(27,883,588)
Adjustments for:			
Property and equipment depreciation	10	4,500,747	5,695,454
Right of use assets depreciation	14	1,795,113	-
(Gain) on sale of property and equipment		(1,408,162)	(1,952,189)
Provision for expected credit loss	6	245,032	300,906
Lawsuits provision	18	3,210,012	13,338,115
Post-retirement health insurance interest and expense	22	5,542,417	1,374,000
Financing expense		5,827,167	5,009,432
Provision (reversal) of restructuring provision	21	14,883,520	(9,500,000)
Held for sale assets impairment provision		3,669,754	-
Spare parts impairment provision	7	6,860,412	48,108
Interest (income)		(210,652)	(128,997)
Cash Flows (used in) Operating Activities			
Before Changes in Working Capital		(3,766,386)	(13,698,759)
			-
Decrease in accounts receivable, other debit balances, housing and car loans		1,629,739	7,788,338
Decrease (increase) in inventory and spare parts		8,026,926	(2,465,207)
Increase (decrease) in trade payables and other credit balances		10,496,018	(6,574,247)
Net Cash Flows from (used in) Operating Activities			
Before Income Tax and Provisions' Payments		16,386,297	(14,949,875)
Paid from lawsuits provision	18	(4,976,312)	(8,325,011)
Paid from postretirement health insurance benefits	22	(1,841,430)	(1,861,000)
Paid from restructuring provision	21	(14,125,686)	-
Income tax paid	15/a	(716,135)	(890,789)
Net Cash Flows (used in) Operating Activities		(5,273,266)	(26,026,675)
CASH FLOWS FROM INVESTING ACTIVITIES:			
Change in property and equipment		(2,281,576)	(1,107,654)
Proceeds from sale of property and equipment		1,348,862	2,065,490
Interest received		210,652	128,997
Net Cash Flows (used in) from Investing Activities		(722,062)	1,086,833
CASH FLOWS FROM FINANCING ACTIVITIES:			
Increase in loans	20	-	10,303,823
(Payments) from loans	20	(4,443,723)	(4,610,100)
Increase in loans from related parties		24,500,000	-
Interest paid		(5,827,167)	(5,009,432)
Dividends distributed by subsidiary companies to non-controlling interest		-	(1,127,000)
Lease liability payments		(2,125,914)	-
(Decrease) increase in due to banks		(3,701,616)	11,429,541
Net Cash Flows from Financing Activities		8,401,580	10,986,832
Net Increase (Decrease) in Cash at Banks		2,406,252	(13,953,010)
Cash at Banks – beginning of the year		991,826	14,944,836
Cash at Banks – End of the Year	5	3,398,078	991,826
Non-Monetary Transactions			
Dividends reversal		563,500	-
Transfers from property and equipment to held for sale assets – net		10,769,754	-
Transfers from inventory to held for sale assets	7	572,923	-
Transfers from projects in progress to property and equipment	10	1,812,375	51,214

THE ACCOMPANYING NOTES FROM (1) TO (36) CONSTITUTE AN INTEGRAL PART OF THESE CONSOLIDATED FINANCIAL STATEMENTS AND SHOULD BE READ WITH THEM AND WITH THE ACCOMPANYING AUDITOR'S REPORT.

JORDAN CEMENT FACTORIES COMPANY
(A PRIVATE SHAREHOLDING LIMITED COMPANY)
AMMAN-JORDAN
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

1. General

- a. Jordan Cement Factories Company (subsequently herein referred to as "the Company") was established in 1951 as a Jordanian public shareholding limited Company and was registered at the Ministry of Industry and Trade under Number (25) on June 10, 1964. The Company's authorized and issued capital was increased gradually to become JD 60,444,460 represented by 60,444,460 shares at a par value of one Jordanian Dinar per share. The Company's permanent address is Al-Fuhais, Shaker Circle, P.O. Box 930019, Amman – The Hashemite Kingdom of Jordan.

The Company's main objectives are the production, manufacturing, and the trading of the cement inside the Hashemite Kingdom of Jordan and outside it, either directly or through intermediaries with conditions and methods that the Company sees fit.

- b. The Company is 50.275% owned by Lafarge – France (Parent Company).
- c. The Company's Board of Directors approved the consolidated financial statements on July 2, 2020.

2. Significant Accounting Policies

a. Basis of Preparation of the Consolidated Financial Statements

- The consolidated financial statements have been prepared in accordance with the standards issued by the International Accounting Standards Board and interpretations issued by the International Financial Reporting Interpretation Committee (IFRIC).
- The consolidated financial statements of the Company and its subsidiaries are presented in Jordanian Dinar, which is also its functional currency.
- The consolidated financial statements have been prepared in accordance with the historical cost principle except for financial assets and financial liabilities, which are stated at fair value at the date of the consolidated financial statements.
- The accounting policies adopted in the preparation of the consolidated financial statements are consistent with those applied in the year ended December 31, 2018 except for the effect of adopting the new and modified standards stated in Notes (3-a) and (3-b).

b. Basis of Consolidation

- The consolidated financial statements include the financial statements of the Company and its subsidiaries under its control. Moreover, control is achieved when the Company has authority over the investee, it is exposed to variable returns or holds rights for its participation in the investee company, and it is able to exercise its authority over the investee company. In addition, the transactions, balances, income and expenses between the Company and its subsidiaries are eliminated.
- The subsidiaries' results of operations are consolidated in the consolidated statement of profit or loss from the date of their acquisition, which is the date on which effective control over the subsidiary takes place. The results of disposal of the subsidiaries are consolidated in the consolidated statement of profit or loss up to the disposal date, which is the date on which the Company loses control over the subsidiaries.

Control is achieved when the Company:

- Has the ability to control the investee;
- Is exposed to variable returns or has the right to variable returns resulting from its association with the investee; and
- Has the ability to use its power to influence the investee's returns.

The Company reassess whether it controls the investee companies, while the facts and circumstances indicate that there are changes to one or more control check points referred to above.

If its voting rights become less than those of the majority in any of the investee companies, the Company shall have control power when voting rights suffice to grant it the ability to direct the activities of the related subsidiary unilaterally. The Company takes into consideration all the facts and circumstances in assessing whether the Company has voting rights in the investee that enable it to exercise control or not. Among these facts and circumstances:

- The size of the Company's holding of voting rights relative to the size and distribution of other voting rights;
- Potential voting rights held by the Company and any other voting rights or third parties;
- Rights arising from other contractual arrangements; and
- Any additional facts and circumstances indicating that the Company has or does not have an existing responsibility for directing the relevant activities at the time of making the required decisions, including how to vote at previous General Assembly meetings.

When the Company loses control over any of its subsidiaries, the Company:

- Derecognizes the assets of the subsidiary (including goodwill) and liabilities;
- Derecognizes the carrying amount of any uncontrolled interest;
- Derecognizes the cumulative transfer differences recognized in equity;
- Derecognizes the fair value of the consideration received;
- Derecognizes the fair value of any investment held;
- Derecognizes any surplus or deficit in the consolidated statement of profit or loss;
- Reclassifies the Company's equity previously recognized in the consolidated statement of comprehensive income to the consolidated income statement or retained earnings as appropriate.

The subsidiaries' financial statements are prepared for the same reporting year using the same accounting policies as those of the parent company. If the subsidiaries adopt accounting policies that differ from those of the parent company, the necessary adjustments are made to the financial statements of the subsidiaries to confirm with the accounting policies of the parent company.

Non-controlling interest represents the portion that the Company does not own from the subsidiary companies' owners' equity.

- The Company has as of December 31, 2019 and 2018 the following subsidiaries in direct or indirect way:

Company's Name	Paid up Capital	Percentage Ownership	Principal Activity	Place of Work
	JD			
Arabian Concrete Supply Company *	1,900,000	51%	Manufacturing	Amman
Al-Fuhais Green Heights Company Real Estate Development **	15,000	%100	Real Estate Investments	Amman

- * Arabian Concrete Supply Company (subsidiary company) incorporated the Arabian Specialized Transportation Company on March 10, 2011, which is owned by the Arabian Concrete Supply Company and they both conduct their operations in Jordan.

** The Cement Factories Company established Al-Fuheis Al Khadra Real Estate Development Company on 30 July 2018 with an authorized capital of JD 30,000 and paid JD 15,000 as of December 31, 2019. The Company has not conducted any operational activity to date.

The subsidiary Company's balances as of December 31, 2019 and 2018 was as follows:

	December 31, 2019			
	Assets	Liabilities	Revenues	Expenses
	JD	JD	JD	JD
Arab Concrete Supply Company after consolidation with Arab Specialized Transport Company	30,410,249	23,457,970	38,433,442	38,258,856
Al - Fuhais Al - Khadraa Real Estate Development Company	15,000	-	-	-

	December 31, 2018			
	Assets	Liabilities	Revenues	Expenses
	JD	JD	JD	JD
Arab Concrete Supply Company after consolidation with Arab Specialized Transport Company	24,415,471	18,700,884	40,583,689	38,356,558
Al - Fuhais Al - Khadraa Real Estate Development Company	15,000	-	-	-

The following are the significant accounting policies adopted:

Financial Instruments

Financial assets and financial liabilities are recognized in the Company's consolidated statement of financial position when the Company becomes a party to the contractual provisions of the instrument.

Financial assets and financial liabilities are initially measured at fair value. Transaction costs that are directly attributable to the acquisition or issue of financial assets and financial liabilities are added to or deducted from the fair value of the financial assets or financial liabilities, as appropriate, on initial recognition.

Financial assets:

Financial assets are recognised in the Company's statement of financial position when the Company becomes a party to the contractual provisions of the instrument. Financial assets are initially measured at fair value. Transaction costs that are directly attributable to the acquisition or issue of financial assets (except for financial assets at fair value through statement of profit or loss) are added to or deducted from the fair value of the financial assets, as appropriate, on initial recognition.

All recognised financial assets are measured subsequently in their entirety at either amortised cost or fair value, depending on the classification of the financial assets.

Classification of financial assets

Debt instruments that meet the following conditions are measured subsequently at amortised cost:

- The financial asset is held within a business model whose objective is to hold financial assets in order to collect contractual cash flows;
- The contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

All other financial assets are measured at fair value.

Amortized cost and effective interest method

The effective interest method is a method of calculating the amortised cost of a debt instrument and of allocating interest income over the relevant period.

The effective interest rate is the rate that exactly discounts estimated future cash receipts (including all fees and points paid or received that form an integral part of the effective interest rate, transaction costs and other premiums or discounts) excluding expected credit losses, through the expected life of the debt instrument, or, where appropriate, a shorter period, to the gross carrying amount of the debt instrument on initial recognition. For purchased or originated credit-impaired financial assets, a credit-adjusted effective interest rate is calculated by discounting the estimated future cash flows, including expected credit losses, to the amortised cost of the debt instrument on initial recognition.

Foreign exchange gains and losses

The carrying amount of financial assets that are denominated in a foreign currency is determined in that foreign currency and translated at the spot rate at the end of each reporting period. For financial assets measured at amortised cost that are not part of a designated hedging relationship, exchange differences are recognised in consolidated statement of profit or loss.

Impairment of financial assets

The Company recognises a loss allowance for expected credit losses (ECL) on trade receivables. The amount of expected credit losses is updated at each reporting date to reflect changes in credit risk since initial recognition of the respective financial instrument.

The Company always recognises lifetime expected credit loss for trade receivables. The expected credit losses on these financial assets are estimated using a provision matrix based on the Company's historical credit loss experience, adjusted for factors that are specific to the debtors, general economic conditions and an assessment of both the current as well as the forecast direction of conditions at the reporting date, including time value of money where appropriate.

For all other financial instruments, the Company recognises lifetime expected credit loss when there has been a significant increase in credit risk since initial recognition. Lifetime expected credit loss represents the expected credit losses that will result from all possible default events over the expected life of a financial instrument.

Provision for credit losses

The Company has adopted the simplified approach to recognize expected credit losses over the life of its receivables as permitted by IFRS 9. Accordingly, non-impaired trade receivables that do not contain a significant financing component have been classified as part of stage 2 with the recognition of expected credit losses over their lifetime.

A provision for the expected credit loss should be recognized over the life of the financial instrument if the credit risk on that financial instrument increases substantially since the initial recognition and the expected credit loss is an expected weighted estimate of the present value of the credit loss. This value is measured as the present value of the difference between the cash flows due to the Company under the contract and the cash flows that the Company expects to receive arising from the expectation of several future economic scenarios, discounted at the effective interest rate of the asset.

The Company assesses whether there is objective evidence of impairment on an individual basis for each asset of individual value and collectively for other assets that are not individually significant.

Provisions for loss of credit losses are presented as a reduction of the total carrying amount of financial assets at amortized cost.

Write off

The Company writes off a financial asset when there is information indicating that the debtor is in severe financial difficulty and there is no realistic prospect of recovery, e.g. when the debtor has been placed under liquidation or has entered into bankruptcy proceedings, or in the case of trade receivables, when the amounts are over significantly overdue, whichever occurs sooner. Financial assets written off may still be subject to enforcement activities under the Company's recovery procedures, taking into account legal advice where appropriate. Any recoveries made are recognised in consolidated statement of profit or loss.

De-recognition of financial assets

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

On de-recognition of a financial asset measured at amortised cost, the difference between the asset's carrying amount and the sum of the consideration received and receivable is recognised in consolidated statement of profit or loss.

Classification as debt or equity instruments

Debt and equity instruments are classified either as financial liabilities or as equity in accordance with the substance of the contractual arrangements, the definitions of the financial instrument and the equity instrument.

Equity instruments

The equity instrument defines a contract that evidences ownership of the remaining shares of an entity's assets after deducting all liabilities. The equity instruments issued are recorded with the proceeds received net of the direct issue cost.

The re-acquisition of the Company's equity instruments is recognized and recognized directly in equity. No gain or loss is recognized in the income statement when purchasing, selling, issuing or cancelling the Company's equity instruments.

Financial Liabilities

All financial liabilities are subsequently measured at amortized cost using the effective interest method or at fair value through the statement of profit or loss.

Financial liabilities that are not (1) those that are acquired in a business combination, (2) held for trading, or (3) designated at fair value through the income statement, are subsequently measured at amortized cost using the effective interest method.

Trade and other payables classified as "financial liabilities" are measured initially at fair value less transaction costs, and are subsequently measured at amortized cost using the effective interest method. Interest expense is recognized on an effective yield basis.

The effective interest method is the method of calculating the amortized cost of a financial liability and allocating interest expense over the period in question. The effective interest rate is the rate that exactly discounts expected future cash payments within the expected life of the financial obligation or, where appropriate, a shorter period.

De-recognition of financial liabilities:

The Company derecognises financial liabilities when, and only when, the Company's obligations are discharged, cancelled or have expired. The difference between the carrying amount of the financial liability derecognised and the consideration paid and payable is recognised consolidated statement of profit or loss.

Property, Plant, and Equipment

Property and equipment are stated at cost less accumulated depreciation and any impairment losses. Property and equipment are depreciated using the straight-line method over the estimated useful life using the following annual percentages:

<u>Description</u>	<u>Years</u>
Buildings	6-50
Machinery and equipment	5-30
Vehicles	5-15
Tools and devices	5-15
Furniture and fixture	5-11
Computers	2-15
Others	5-20

When the recoverable amount of any property and equipment becomes less than its net book value, its value is reduced to the recoverable amount, and the impairment loss is charged to the consolidated statement of profit or loss.

The useful lives of property and equipment are revalued at the end of each year. If the revaluation differs from previous estimates, the change is recorded in subsequent years, being a change in estimate.

Property and equipment are eliminated when disposed of or when no future benefits are expected from their use or disposal.

Intangible Assets

Intangible assets acquired through incorporation are recognized at fair value at the date of acquisition.

Intangible assets acquired through a method other than consolidation are stated at cost and are classified based on their useful lives or for an indefinite period. Intangible assets with a finite useful life are amortized during that life and amortized in the consolidated statement of profit or loss. Intangible assets with an indefinite useful life are reviewed for impairment at the consolidated statement of financial position date and any impairment loss is recognized in the consolidated statement of profit or loss.

Intangible assets are not capitalized internally in the Company and are recognized in the consolidated statement of profit or loss in the same year.

Any indications of impairment of intangible assets are reviewed at each reporting date. The estimated useful lives of these assets are reviewed and any adjustments made for subsequent years.

Intangible assets are amortized over an estimated useful life of 15% per annum.

Goodwill

Goodwill is recorded at cost, which represents the excess of the cost of the acquisition or purchase of the investment in the associate or subsidiary of the Company's share in the fair value of the net assets of that entity at the date of acquisition. Goodwill arising on investment in subsidiaries is recorded separately as intangible assets, arising from investment in associates, is recognized as part of the investment account of the associate and the cost of goodwill is subsequently reduced by any impairment in value of the investment.

Goodwill is allocated to the cash-generating unit or units for impairment testing purposes.

Goodwill is tested to determine the goodwill at the date of preparation of the financial statements and goodwill is reduced if there is an indication that the goodwill has been impaired if the estimated recoverable amount of the cash-generating unit (s) to which goodwill relates is less than the carrying amount of the unit / Cash generating units. An impairment loss is recognized in the consolidated statement of profit or loss.

Projects in Progress

Projects in progress represent plant and properties under construction and are stated at cost. This includes the cost of construction and other direct costs.

Housing and Car Loans Employees

Housing loans and motor vehicles are recognized at fair value and are subsequently recorded at amortized cost using the effective interest method.

Inventory and Spare Parts

Inventories are stated at the lower of cost and net realizable value.

The cost is calculated as follows:

Raw materials and spare parts: Cost of purchase using the weighted average method.

Ready-made inventory and under manufacturing: the cost of raw materials, direct wages and other indirect expenses.

Net realizable value represents the estimated selling price in normal circumstances after deducting the estimated cost of completion of the production process and the estimated cost of completion of the sale and is recognized as a provision for impairment in the consolidated statement of profit or loss.

Foreign Currency Transactions

For the purpose of the consolidated financial statements, the results and financial position of each group company are expressed in the functional currency of the Company, and the presentation currency for the consolidated financial statements.

Stand-alone financial statements are prepared for the subsidiary companies. The individual financial statements of each group company are presented in the currency of the primary economic environment in which it operates (its functional currency). In preparing the financial statements of the individual companies, transactions in currencies other than the entity's functional currency (foreign currencies) are recognised at the rates of exchange prevailing on the dates of the transactions. At each balance sheet date, monetary assets and liabilities that are denominated in foreign currencies are retranslated at the rates prevailing at that date. Non-monetary items carried at fair value that are denominated in foreign currencies are translated at the rates prevailing at the date when the fair value was determined. Non-monetary items that are measured in terms of historical cost in a foreign currency are not retranslated.

Exchange differences are recognised in consolidated statement of profit or loss in the period in which they arise except for:

- Exchange differences on transactions entered into to hedge certain foreign currency risks; and
- Exchange differences on monetary items receivable from or payable to a foreign operation for which settlement is neither planned nor likely to occur in the foreseeable future (therefore forming part of the net investment in the foreign operation), which are recognised initially in other comprehensive income and reclassified from equity to consolidated statement of profit or loss on disposal or partial disposal of the net investment.

For the purpose of presenting consolidated financial statements, the assets and liabilities of the group's foreign operations are translated at exchange rates prevailing on the balance sheet date. Income and expense items are translated at the average exchange rates for the period, unless exchange rates fluctuate significantly during that period, in which case the exchange rates at the date of transactions are used. Exchange differences arising, if any, are recognized in OCI and accumulated in a separate component of equity.

On the disposal of a foreign operation (i.e. a disposal of the Group's entire interest in a foreign operation, or a disposal involving loss of control over a subsidiary that includes a foreign operation or a partial disposal of an interest in a joint arrangement or an associate that includes a foreign operation of which the retained interest become a financial asset), all of the exchange differences accumulated in a separate component of equity in respect of that operation attributable to the owners of the Company are reclassified to consolidated statement of profit or loss.

In addition, in relation to a partial disposal of a subsidiary that includes a foreign operation that does not result in the Group losing control over the subsidiary, the proportionate share of accumulated exchange differences is re-attributed to non-controlling interest and are not recognized in consolidated statement of profit or loss. For all other partial disposals (i.e. partial disposals of associates or joint arrangements that do not result in the Group losing significant influence or joint control), the proportionate share of the accumulated exchange differences is reclassified to consolidated statement of profit or loss.

Payables and accrued expenses

Liabilities are recognized for amounts payable in the future for goods and services due, whether claimed or not claimed by the supplier.

Provisions

Provisions are recognised when the Company has a present obligation (legal or constructive) as a result of a past event, it is probable that the Company will be required to settle that obligation and a reliable estimate can be made of the amount of the obligation.

The amount recognised as a provision is the best estimate of the consideration required to settle the present obligation at the reporting date, taking into account the risks and uncertainties surrounding the obligation.

Where a provision is measured using the cash flows estimated to settle the present obligation, its carrying amount is the present value of those cash flows (when the effect of the time value of money is material).

When some or all of the economic benefits required to settle a provision are expected to be recovered from a third party, a receivable is recognised as an asset if it is virtually certain that reimbursement will be received and the amount of the receivable can be measured reliably.

Income tax

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 financial statements because the latter includes non-taxable revenue or tax expenses not deductible in the current year but deductible in subsequent years, accumulated losses acceptable by the tax authorities, items not accepted for tax purposes or subject to tax.

Taxes are calculated on the basis of the tax rates prescribed according to the prevailing laws, regulations and instructions of the countries where the Company operates.

Deferred taxes are taxes expected to be paid or recovered as a result of the temporary timing differences between the value of assets or liabilities in the consolidated financial statements and the value on the basis of which taxable income is calculated. Moreover, deferred taxes are calculated based on the liability method in the consolidated statement of financial position according to the tax rates expected to be applied upon the settlement of the tax liability or realization of the deferred tax assets.

Deferred tax assets and liabilities are reviewed as of the date of the consolidated financial statements, and reduced in case no benefit is expected to arise therefrom, partially or totally.

Provision for employees' end of service indemnity

An allowance is recognized for the Company's liability for employees' end of service indemnities in the consolidated statement of profit or loss in accordance with the Company's Employee Service Scheme.

Post-retirement Health Insurance Obligations

The Company provides specific health insurance benefits post retirement to eligible employees and their families.

The cost of the identified benefits is measured using the actuarial valuation method and actuarial gains and losses are recognized in other comprehensive income during the period in which they occur. Actuarial gains or losses are not transferred to the statement of profit and loss in subsequent periods. The cost of the previous service is recognized as an expense on the statement of profit and loss at the date of the amendment of the plan regarding the insurance liabilities after the retirement pension and on the date of recognition of the expenses related to the previous service cost.

Loans

Loans are recognized at fair value and directly attributable to the borrowing costs and are subsequently recorded at amortized cost using the effective interest method. Interest on loans is recognized during the year in which it is accrued.

Provision for Rehabilitation

A provision for the rehabilitation of quarries is made based on expected future costs discounted to their present values.

Revenue recognition

The company recognizes revenue mainly from sales of goods.

Revenue is measured at the fair value of the Amounts received or that will be collected (in net after deducted returns and discounts) of contracts with customers and excludes amounts collected on behalf of others. Revenue is recognized when the Company transfers control of a product to the customer when the goods are shipped to a particular location (delivery). After delivery, the customer has full discretion to distribute and set the price of the sale of the goods and bear the main responsibility when selling the goods and also bear the risk of limitation and loss in respect of the goods. Receivables are recognized by the Company when the goods are delivered to the customer, representing the point at which the right to return becomes unconditional, as only time passes before payment is due.

Under the terms of the Company's sales contracts, customers have the right of return. At the point of sale, the return liability and the corresponding adjustment are recognized for the goods to be returned. At the same time, the company is entitled to recover the goods when the customer exercises its right of return and thus recognizes its right in the returned goods as an amendment to the cost of sales. The Company uses its accumulated historical experience to estimate the number of returns at the portfolio level using the expected value method. It is highly probable that there will be no significant reversal of the cumulative income recognized under the fixed level of returns compared to previous years.

For some customers, goods are sold retroactively on the basis of 12 months of total sales. Sales revenue is recognized based on the contract price less estimated discounts. The Company uses its accumulated historical experience to estimate the discounts and the revenue is recognized to the extent that it is probable that there will be no material reversal. Liabilities for the expected discounts are recovered on amounts payable to customers in respect of sales made during the year.

The Company records the consideration payable to the customer (inclusion fees and expenses for the promotion of goods) occurring in conjunction with the purchase of goods from the Company as a reduction of the selling price and is recognized as a charge if the amount payable to the customer for a separate good or service provided to the Company by the customer within selling and distribution expenses.

Interest income and expense

Interest income and expense for all financial instruments are recognized in the consolidated statement of profit or loss using the effective interest method. The effective interest rate represents the rate at which the estimated future cash flows of a financial instrument are discounted over the life expectancy of the financial instrument or, where appropriate, for a shorter period, to the net carrying amount of the financial asset or financial liability. Future cash flows are also estimated to take into account all contractual terms of the instrument.

Interest income and interest expense are computed by applying the effective interest rate principle to the total carrying amount of the non-impaired financial assets (i.e., based on the amortized cost of the financial asset prior to settlement of any provision for expected credit loss) or to the amortized cost of the financial liability. For impaired financial assets, interest income is calculated by applying the effective interest rate to the amortized cost of the impaired financial assets (i.e., the total book value less expected provision for credit losses). For financial assets that have been created or acquired and are impaired, the effective interest rate reflects the expected credit losses in determining the future cash flows expected to be received from the financial asset.

Fair value

Fair value is defined as the price at which an asset is to be sold or paid to convert any of the liabilities in a structured transaction between the market participants on the measurement date, irrespective of whether the price can be realized directly or whether it is estimated using another valuation technique. When estimating the fair value of an asset or liability, the Company takes into consideration when determining the price of any asset or liability whether market participants are required to take these factors into account at the measurement date. The fair value of the measurement and / or disclosure purposes in these financial statements is determined on the same basis, except for measurement measures that are similar to fair value procedures and are not fair value such as fair value as used in IAS 36.

In addition, fair value measurements are classified for the purposes of financial reporting to level (1) or (2) or (3) based on the extent to which the inputs are clear to fair value measurements and the importance of inputs to the full fair value measurements, which are identified as follows:

- Input Level (1) inputs derived from quoted (unadjusted) prices of identical assets or liabilities in active markets that the enterprise can obtain on the measurement date;
- Input Level (2) inputs derived from data other than quoted prices used at level 1 and observable for assets or liabilities, either directly or indirectly; and;
- Input Level (3) are inputs to assets or liabilities that are not based on quoted market prices.

Impairment of non-financial assets:

At the reporting date, the Company assesses whether there is evidence that the asset has been impaired. If any evidence exists, or when an impairment test is required, the Company assesses the recoverable amount of the asset. The recoverable amount of the asset is the fair value of the asset or cash-generating unit less cost of sales and value in use whichever is higher and is determined for the individual asset, unless the asset does not generate substantially independent internal cash flows from those arising from other assets or assets of the company. Where the carrying amount of the asset or cash-generating unit exceeds the recoverable amount, the asset is considered to be impaired and is written down to its recoverable amount. In assessing the fair value used, future cash flows are discounted to their present fair value using a pre-tax discount rate that reflects current market assessments of the time value of funds and the risks specific to the asset. In determining fair value less cost of sales, recent transactions in the market are taken into consideration if available. If such transactions cannot be identified, the appropriate valuation model is used.

Leases

Policy applicable from January 1, 2019

The Company as lessee

The Company assesses whether contract is or contains a lease, at inception of the contract. The Company recognizes a right-of-use asset and a corresponding lease liability with respect to all lease arrangements in which it is the lessee, except for short-term leases (defined as leases with a lease term of 12 months or less) and leases of low value assets. For these leases, the Company recognizes the lease payments as an operating expense on a straight-line basis over the term of the lease unless another systematic basis is more representative of the time pattern in which economic benefits from the leased assets are consumed.

The lease liability is initially measured at the present value of the lease payments that are not paid at the commencement date, discounted by using the rate implicit in the lease. If this rate cannot be readily determined, the Company uses its incremental borrowing rate.

Lease payments included in the measurement of the lease liability comprise:

- Fixed lease payments (including in-substance fixed payments), less any lease incentives;
- Variable lease payments that depend on an index or rate, initially measured using the index or rate at the commencement date;
- The amount expected to be payable by the lessee under residual value guarantees;
- The exercise price of purchase options, if the lessee is reasonably certain to exercise the options; and
- Payments of penalties for terminating the lease, if the lease term reflects the exercise of an option to terminate the lease

The lease liability is presented as a separate line item in the consolidated statement of financial position.

The lease liability is subsequently measured by increasing the carrying amount to reflect interest on the lease liability (using effective interest method) and by reducing the carrying amount to reflect the lease payments made.

The Company re-measures the lease liability (and makes a corresponding adjustment to the related right-of-use asset) whenever:

- The lease term has changed or there is a change in the assessment of exercise of a purchase option, in which case the lease liability is re-measured by discounting the revised lease payments using a revised discount rate.
- The lease payments change due to changes in an index or rate or a change in expected payment under a guaranteed residual value, in which cases the lease liability is re-measured by discounting the revised lease payments using the initial discount rate (unless the lease payments change is due to a change in a floating interest rate, in which case a revised discount rate is used).
- A lease contract is modified and the lease modification is not accounted for as a separate lease, in which case the lease liability is re-measured by discounting the revised lease payments using a revised discount rate.

The Company did not make any such amendments throughout the presented period.

The right-of-use assets are depreciated over the shorter period of lease term and useful life of the underlying asset. If a lease transfers ownership of the underlying asset or the cost of the right-of-use of asset reflects that the Company expects to exercise a purchase option, the related right-of-use asset is depreciated over the useful life of the underlying asset. The depreciation starts at the commencement date of the lease.

The right-of-use of assets are presented as a separate line in the consolidated statement of financial position.

The Company applies IAS 36 to determine whether a right-of-use asset is impaired and accounts for an identified impairment loss as described in the 'Property, plant and equipment' policy.

Variable rents that do not depend on an index or rate are not included in the measurement of the lease liability and the right-of-use asset. The related payments are recognized as an expense in the period in which the event or condition that triggers those payments occurs and are included in the line 'Other expenses' in the consolidated statement of profit or loss.

The Company as lessor

The Company enters into lease agreements as a lessor with respect to some of its investment properties.

Leases for which the Company is a lessor are classified as finance or operating leases. Whenever the terms of the lease transfer substantially all the risks and rewards of ownership to the lessee, the contract is classified as a finance lease. All other leases are classified as operating leases.

When the Company is an intermediate lessor, it accounts for the head lease and the sublease as two separate contracts. The sublease is classified as a finance or operating lease by reference to the right-of-use asset arising from the head lease.

Rental income from operating leases is recognized on a straight-line basis over the term of the relevant lease. Initial direct costs incurred in negotiating and arranging an operating lease are added to the carrying amount of the leased asset and recognized on a straight-line basis over the lease term.

Amounts due from lessees under finance leases are recognized as receivables at the amount of the Company's net investment in the leases. Finance lease income is allocated to accounting periods so as to reflect a constant periodic rate of return on the Company's net investment outstanding in respect of the leases.

When a contract includes lease and non-lease components, the Company applies IFRS 15 to allocate consideration under the contract to each component.

Policy applicable up to December 31, 2018

Leases are classified as finance leases whenever the terms of the lease transfer substantially all the risks and rewards of ownership to the lessee. All other leases are classified as operating leases.

The Company as lessor

Amounts due from lessees under finance leases are recognized as receivables at the amount of the Company's net investment in the leases. Finance lease income is allocated to accounting periods so as to reflect a constant periodic rate of return on the Company's net investment outstanding in respect of the leases.

Rental income from operating leases is recognized on a straight-line basis over the term of the relevant lease. Initial direct costs incurred in negotiating and arranging an operating lease are added to the carrying amount of the leased asset and recognized on a straight-line basis over the lease term.

The Company as lessee

Assets held under finance leases are initially recognized as assets of the Company at their fair value at the inception of the lease or, if lower, at the present value of the minimum lease payments. The corresponding liability to the lessor is included in the consolidated statement of financial position as a finance lease obligation.

Lease payments are apportioned between finance expenses and reduction of the lease obligation so as to achieve a constant rate of interest on the remaining balance of the liability. Finance expenses are recognized immediately in profit or loss, unless they are directly attributable to qualifying assets, in which case they are capitalized in accordance with the Company's general policy on borrowing costs. Contingent rentals are recognized as expenses in the periods in which they are incurred.

Operating lease payments are recognized as an expense on a straight-line basis over the lease term, except where another systematic basis is more representative of the time pattern in which economic benefits from the leased asset are consumed. Contingent rentals arising under operating leases are recognized as an expense in the period in which they are incurred. In the event that lease incentives are received to enter into operating leases, such incentives are recognized as a liability. The aggregate benefit of incentives is recognized as a reduction of rental expense on a straight-line basis, except where another systematic basis is more representative of the time pattern in which economic benefits from the leased asset are consumed.

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 Company intends to either settle them on a net basis or to realize the asset and settle the liability simultaneously.

3. Application of new and revised International Financial Reporting Standards

a. Amendments with no material effect on the consolidated financial statements of the Group:

The following new and revised IFRSs have been adopted and are effective for financial periods beginning on or after January 1, 2019 or thereafter in the preparation of the Group's consolidated financial statements that did not materially affect the amounts and disclosures in the consolidated financial statements for the year and prior years, which may have an impact on the accounting treatment of future transactions and arrangements:

<u>New and Revised IFRS Standards</u>	<u>Amendments to New and Revised IFRS Standards</u>
Annual Improvements to IFRS Standards 2015–2017	

The Group has adopted the amendments included in the Annual Improvements to IFRS Standards 2015–2017 Cycle for the first time in the current year. The Annual Improvements include amendments to four Standards:

IAS 12 Income Taxes

The amendments clarify that the Group should recognize the income tax consequences of dividends in profit or loss, other comprehensive income or equity according to where the Group originally recognized the transactions that generated the distributable profits. This is the case irrespective of whether different tax rates apply to distributed and undistributed profits.

IAS 23 Borrowing Costs

The amendments clarify that if any specific borrowing remains outstanding after the related asset is ready for its intended use or sale, that borrowing becomes part of the funds that an entity borrows generally when calculating the capitalization rate on general borrowings.

IFRS 3 Business Combinations

The amendments clarify that when the Group obtains control of a business that is a joint operation, the Group applies the requirements for a business combination achieved in stages, including premeasuring its previously held interest (PHI) in the joint operation at fair value. The PHI to be re-measured includes any unrecognized assets, liabilities and goodwill relating to the joint operation.

IFRS 11 Joint Arrangements

The amendments clarify that when a party that participates in, but does not have joint control of, a joint operation that is a business obtains joint control of such a joint operation, the Group does not re-measure its PHI in the joint operation.

New and Revised IFRS Standards
IFRIC 23 Uncertainty over Income
Tax Treatments

Amendments to New and Revised IFRS Standards

The interpretation addresses the determination of taxable profit (tax loss), tax bases, unused tax losses, unused tax credits and tax rates, when there is uncertainty over income tax treatments under IAS 12. It specifically considers:

- Whether tax treatments should be considered collectively;
- Assumptions for taxation authorities' examinations;
- The determination of taxable profit (tax loss), tax bases, unused tax losses, unused tax credits and tax rates; and
- The effect of changes in facts and circumstances.

Amendments to IFRS 9
Prepayment Features with
Negative Compensation and
Modification of financial liabilities

The amendments to IFRS 9 clarify that for the purpose of assessing whether a prepayment feature meets the SPPI condition, the party exercising the option may pay or receive reasonable compensation for the prepayment irrespective of the reason for prepayment. In other words, prepayment features with negative compensation do not automatically fail SPPI.

The amendment applies to annual periods beginning on or after January 1, 2019, with earlier application permitted. There are specific transition provisions depending on when the amendments are first applied, relative to the initial application of IFRS 9.

Amendments to IAS 28
Investment in Associates and
Joint Ventures: Relating to long-
term interests in associates and
joint ventures.

These amendments clarify that an entity applies IFRS 9 Financial Instruments to long-term interests in an associate or joint venture that form part of the net investment in the associate or joint venture but to which the equity method is not applied.

Amendments to IAS 19 Employee
Benefits Plan Amendment,
Curtailment or Settlement

The amendments to IAS 19 Employee Benefits clarify the accounting for defined benefit plan amendments, curtailments and settlements

b. Amendments with material effect on the consolidated financial statements of the Group:

IFRS 16 Leases

The Group has adopted IFRS (16), "Leases", which replace the existing guidelines on leases, including IAS (17) "Leases", IFRIC (4) "Determining whether an arrangement contains a lease" and the interpretation of the previous Interpretations Committee (15) "Operational leases - incentives" and SIC 27 "Evaluating the Substance of Transactions in the Legal Form of a Lease."

IFRS (16) was issued in January 2016 and is effective for annual periods commencing on or after January 1, 2019. IFRS (16) stipulates that all leases and the associated contractual rights and obligations should generally be recognized in the Group's financial Position, unless the term is 12 months or less or the lease is for low value asset. Thus, the classification required under IAS (17) "Leases" into operating or finance leases is eliminated for Lessees. For each lease, the lessee recognizes a liability for the lease obligations incurred in the future.

Correspondingly, a right to use the leased asset is capitalized, which is generally equivalent to the present value of the future lease payments plus directly attributable costs and which is amortized over the useful life .

The Group has opted for the modified retrospective application permitted by IFRS (16) upon adoption of the new standard. During the first time application of IFRS (16) to operating leases, the right to use the leased assets was generally measured at the amount of lease liability, using the interest rate at the time of first time application.

The assets right of use have been measured in an amount equal to the lease obligations, and adjusted by any pre-paid or lease payment that is recognized in the financial position list as of December 31, 2018. No adjustments to the retained earnings, as at January 1st, 2019, were produced under this method. There were no low leases that required an adjustment to the right of use assets at the date of the initial application.

The right of use assets contains land, building and equipment as of December 31, 2019 and January 1, 2019.

The effect of applying the standard on the opening balances of right of use assets and lease obligations amounted to JD 5,750,691 and JD 5,590,233, respectively.

The table below shows the effect of application of IFRS 16 for each financial note as at December 31, 2019.

<u>Consolidated Statement of Financial position</u>	As reported	IFRS 16 Impact	Amounts without adoption of IFRS 16
	JD	JD	JD
Right-of-use assets	3,955,578	3,955,578	-
Other debit balances	3,416,973	193,179	3,610,152
Total Impact on Assets		<u>4,148,757</u>	
Lease liabilities	3,762,399	3,762,399	
Net Impact on Liabilities		<u>3,762,399</u>	
<u>Consolidated Statement of Profit or loss</u>	As reported	IFRS 16 Impact	Amounts without adoption of IFRS 16
	JD	JD	JD
Lease interest expense	298,080	298,080	-
Depreciation and amortization	6,295,860	1,795,113	4,500,747
Rent expense	531,094	(1,900,014)	2,431,108
Total Impact on the Consolidated Statement of Profit or Loss		<u>193,179</u>	
<u>Consolidated Statement of Cash Flows</u>	As reported	IFRS 16 Impact	Amounts without adoption of IFRS 16
	JD	JD	JD
Profit before tax	(48,681,746)	193,179	(48,488,567)
Depreciation	6,295,860	1,795,113	4,500,747
Other debit balances	3,803,331	160,458	3,963,789
Net Cash flows from operating activities		<u>2,148,750</u>	
Lease liabilities paid	(2,125,914)	(2,125,914)	-
Net cash flows (used in) financing activities		<u>(2,125,914)</u>	

The Company's leasing activities and its accounting treatment mechanism:

The Company rents land, buildings and equipment for use in its activities and usually leases for fixed periods ranging from one to five years, some of which may include extension options and the lease terms are negotiated on an individual basis and contain a set of different terms and conditions, should not including lease contracts which do not contain any obligations and may not be used as collateral for the purposes of borrowing.

Up to the end of the financial year 2018, leases were classified as either an operating lease or a financial lease which and the amounts paid for operating lease contracts are credited to the profit or loss statement according to the straight-line method during the lease period.

Starting from the first of January 2019, leases were recognized as assets for use and related obligations on the date when the asset is ready for use by the Company, the value of each rental payment is distributed between the leasing obligations and the financing costs, and the financing costs are credited to the profit or loss statement during the lease period to achieve a fixed periodic interest rate on the remaining balance of the obligation for each period and the right of use assets are amortized during the productive life of the asset or the lease term, whichever is shorter according to the straight-line method.

The assets and liabilities arising from the leases are initially measured on the basis of the present value, and the lease obligations include the net present value of the following rental payments:

- Fixed payments (including built-in fixed payments) minus rental incentives receivable;
- Variable lease payments based on index or rate;
- Amounts expected to be paid by the lessee under residual value guarantees;
- The exercise price of a purchase option if the lessee is reasonably certain to exercise that option, and;
- Payments of penalties for terminating the lease, if the lease term reflects the lessee exercising that option.

Rental payments are deducted using the implied lease interest rate or the tenant's additional borrowing price, if they are not available, which is the rate at which the lessee must pay to borrow the funds needed to obtain an asset of comparable value in a similar economic environment with similar terms and conditions.

Right of use assets are measured at cost comprising the following:

- The amount of the initial measurement of lease liability;
- Any lease payments made at or before the commencement date less any lease incentives received;
- Any initial direct costs, and return costs (renovation and restoration).

Payments associated with short-term leases and leases of low-value assets are recognized on a straight-line basis as an expense in profit or loss. Short-term leases are leases with a lease term of 12 months or less. Low-value assets comprise IT-equipment and small items of office furniture.

In applying IFRS (16) for the first time, the Group has used the following practical expedients permitted by the standard:

- The use of a single discount rate to a portfolio of leases with reasonably similar characteristics
- Reliance on previous assessments on whether leases are onerous
- The accounting for operating leases with a remaining lease term of less than 12 months as at January 1, 2019 as short-term leases
- The exclusion of initial direct costs for the measurement of the right-of-use asset at the date of initial application, and
- The use of hindsight in determining the lease term where the contract contains options to extend or terminate the lease.

The Company has also elected not to reassess whether a contract is, or contains a lease at the date of initial application. Instead, for contracts entered into before the transition date the Group relied on its assessment made applying IAS (17) and IFRIC 4 Determining whether an arrangement contains a lease.

c. New and revised International Financial Reporting Standards in issue but not yet effective:

At the date of authorization of these consolidated financial statements, the Group has not applied the following new and revised IFRS Standards that have been issued but are not yet effective:

<u>New and Revised Standards</u>	<u>Amendments to New and Revised IFRSs</u>
Amendment to IAS 1 " <i>Presentation of financial statement</i> " (Effective form on January 1,2020)	These amendments are related to definition of material. 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.'
Amendment to IFRS 3 " <i>Business Combinations</i> " (Effective form on January 1, 2020).	These amendments clarify the definition of business as the International Accounting Standards Board published the Conceptual Financial Reporting Framework. This includes revised definitions of assets and liabilities as well as new guidance on measurement, de-recognition, presentation and disclosure. In addition to the amended conceptual framework, the IASB issued amendments to the guidelines on the conceptual framework in the IFRS Standards, which contain amendments to IFRS 2, 3, 6 and 14 and IAS 1, 34, 37 and 38) and IFRIC 12, Interpretation 19, Interpretations 20 and 22 and Interpretations of the Standing Committee for the Interpretation of Standards No. 32 in order to update those statements with regard to references and quotations from the framework or to refer to a reference to a different version of the conceptual framework.
IFRS 17 " <i>Insurance Contracts</i> " (Effective form on January 1, 2022).	It provides a more consistent measurement and presentation approach to all insurance contracts. These requirements are aimed at achieving a consistent, principled accounting objective for insurance contracts. IFRS 17 replaces IFRS 4 Insurance Contracts. IFRS 17 requires measurement of insurance liabilities at the present value of the liability.
Amendments to IFRS 10 Consolidated Financial Statements and IAS 28 " <i>Investments in Associates and Joint Ventures</i> (2011)" (Effective date deferred indefinitely. Adoption is still permitted).	These amendments are related to the treatment of the sale or contribution of assets from and investor to its associate or joint venture.
Management anticipates that these new standards, interpretations and amendments will be adopted in the Company's consolidated financial statements as and when they are applicable and adoption of these new standards, interpretations and amendments may have no material impact on the consolidated financial statements of the Group in the period of initial application.	

4. Significant Accounting Judgments and Key Sources of Uncertainty

The preparation of the consolidated financial statements and the adoption of accounting policies requires the management to make judgments, estimates and assumptions that affect the amounts of financial assets and financial liabilities and the disclosure of contingent liabilities. These estimates and judgments also affect revenue, expenses and provisions in general and expected credit losses. In particular, the Company's management is required to make judgments to estimate the amounts and timing of future cash flows. These mentioned estimates are based on multiple hypotheses and factors with varying degrees of estimation and uncertainty. Actual results may differ from estimates as a result of changes in these conditions and circumstances in the future.

Judgments, estimates and assumptions are reviewed periodically. The effect of the change in estimates is recognized in the financial period in which the change has occurred and only if the change affects the same financial period. Moreover, the effect of the change in estimates is recognized in the financial period in which the change has occurred and in future periods in case the change affects the financial period and future financial periods.

Management believes that its estimates in the consolidated financial statements are reasonable. The key estimates used by management in applying the Company's accounting policies that have the most significant effect on the amounts recognized in the consolidated financial statements are as follows:

Useful life of tangible assets and intangible assets

The management periodically re-estimates the useful life of tangible assets and intangible assets for the purpose of calculating the annual depreciation and amortization based on the general condition of those assets and estimated future useful lives. The impairment loss is recognized in the consolidated statement of profit or loss for the year.

Impairment of tangible assets and intangible assets

The management reviews the fair value of tangible and intangible assets which are stated at cost when there are any events or changes in the circumstances for the purpose of determining any impairment and recording the impairment loss in the consolidated statement of profit or loss. Due to the uncertainty in the market conditions and the Company's inability to predict the results of the insolvency declaration, the management was unable to determine the fair value of some of the tangible assets and its related cash flows on the medium and long term.

Impairment of held for sale assets

The management reviews the fair value of the tangible and intangible assets which are stated at fair value when there are any events or changes in the circumstances for the purpose of determining the impairment value and recording the impairment losses in the consolidated statement of profit or loss.

Post-retirement health insurance obligations

The Company records the post-retirement health insurance provisions and the related expenses based on actuarial studies and assumptions. Interest and related expenses pertaining to the obligation are recorded in the consolidated statement of profit or loss and the changes in the assumptions are recorded in the consolidated statement of comprehensive income.

Goodwill

Goodwill impairment testing is performed at the consolidated financial statements date, and the value of goodwill is reduced if there are any indicators that the value of goodwill has been impaired and that is when the estimated related recoverable amount for the cash generating unit (s) or fair value is less than the recorded amount for the cash generating units (s). The impairment value is recorded in the consolidated statement of profit or loss.

Provision for rehabilitation of quarries and environment protection

The Company calculates the rehabilitation of quarries and environmental protection provision and the related expenses based on a technical study for the present value of future obligation. The related expenses are recorded in the consolidated statement of profit or loss.

Provision for restructuring

The company calculates the provision for restructuring and the related expenses according to the International Financial Reporting Standards requirements and based on to the Board of Directors approvals when the plan is announced to the employees. The provision is estimated based on the arrangements with the relevant parties.

Income tax and deferred tax assets

The fiscal year is charged its related income tax expense in accordance with the regulations, laws and accounting standards. The Company's ability to benefit from the deferred tax assets is evaluated at the end of each reporting period and it is written off in case the Company does not have ability to benefit from the deferred tax assets in the future. The loss is recorded in the consolidated statement of profit or loss.

Lawsuit provision

A provision is booked to meet any potential litigation obligations based on the legal study prepared by the Company's legal counsel that identifies potential risks in the future and periodically reviews the study.

Assets and liabilities presented at cost

Management reviews the assets and liabilities at cost periodically for the purpose of estimating any impairment in value, any impairment loss is recognized in the consolidated statement of profit or loss for the year.

Fair value measurement and valuation procedures

When estimating the fair value of financial assets and financial liabilities, the Company uses available observable market data. In case of the absence of level 1 inputs, the Company conducts evaluations using appropriate valuation models to determine the fair value of financial instruments.

Calculation of provision for expected credit losses

The management is required to use important judgments and estimates to estimate the amounts and timing of future cash flows and to estimate the risk of significant increase in credit risk for financial assets after the initial recognition and future measurements information for expected credit losses.

The expected credit loss is measured as an allowance equivalent to the expected credit loss over the life of the asset.

Determining the number and relative weight of forward looking scenarios for each type of products / market and the identification of future information relevant to each scenario

When measuring the expected credit loss, the Company uses reasonable and reliable future information based on the assumptions of the future movement of the various economic factors and how these economic factors affect each other.

Probability of default

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

Loss given default

Loss given default is an estimate of the loss arising from default. It is based on the difference between the contractual cash flows due and those that the financier expects to collect, taking into account cash flows from collaterals and credit adjustments.

Revenue recognition

The Company's management uses significant estimates and assumptions to determine the amount and timing of revenue recognition under IFRS 15, "Revenue from contracts with customers".

Lease payments' discount

Lease payments are discounted using the incremental borrowing rate "IBR". The management applied the principles and assumption to determine the incremental borrowing rate at the beginning of the lease period.

5. Cash at Banks

This item consists of the following:

	December 31,	
	2019	2018
	JD	JD
Cash at banks	<u>3,398,078</u>	<u>991,826</u>

6. Accounts Receivable and Checks under Collection

This item consists of the following:

	December 31,	
	2019	2018
	JD	JD
Local sales receivables	9,868,233	18,327,763
Foreign sales receivables	1,920,688	2,303,535
Due from related parties (Note 29)	220,088	173,839
Other receivables	33,185	154,298
Checks under collection	<u>19,266,611</u>	<u>11,110,226</u>
	<u>31,308,805</u>	<u>32,069,661</u>
Provision for expected credit loss - accounts receivable *	<u>(9,078,249)</u>	<u>(9,749,151)</u>
	<u>22,230,556</u>	<u>22,320,510</u>

* The movement on the provision for expected credit loss – accounts receivable is as follows:

	2019	2018
	JD	JD
Balance - beginning of the year	9,749,151	4,713,591
Effect of application of IFRS 9 - Note 3	-	4,856,370
Adjusted Balance	<u>9,749,151</u>	<u>9,569,961</u>
Additions during the year	245,032	300,906
Accounts receivables written off during the year *	<u>(915,934)</u>	<u>(121,716)</u>
Balance at the End of the Year	<u>9,078,249</u>	<u>9,749,151</u>

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 following are the accounts receivable due but not impaired:

	December 31,	
	2019	2018
	JD	JD
Current receivables not due yet	1,374,035	11,091,699
30 days - 60 days	10,565,732	2,847,287
61 days – 90 days	1,130,234	2,511,656
91 days – 120 days	1,386,637	1,767,531
More than 120 days	<u>16,852,167</u>	<u>13,851,488</u>
Total	<u>31,308,805</u>	<u>32,069,661</u>

* The Board of Director approval to write-off these accounts receivable during 2019.

The Company studies the aging of the receivables and the sufficiency of the booked provision at the end of each financial period.

There are credit concentrations in the Company's account receivables for the first ten major customers that represent 24% of the total accounts receivable as of December 31, 2019 (37% of the total accounts receivable as of December 2018).

7. Inventory and Spare Parts

This item consists of the following:

	December 31,	
	2019	2018
	JD	JD
Spare parts *	14,121,708	15,396,281
Finished goods	5,178,846	5,043,182
Work in process	6,427,125	12,454,261
Raw materials	2,743,982	4,156,477
Fuel	4,006,101	3,454,487
	32,477,762	40,504,688
Provision for slowing moving items **	(12,623,485)	(5,763,073)
	<u>19,854,277</u>	<u>34,741,615</u>

* According to the Board of Directors decision, the company transferred spare parts belonging to the second production line in the Fuhais plant in an amount of JD 572,923 to held for sale assets.

** The movement on the provision for slow moving items is as follows:

	2019	2018
	JD	JD
Balance - beginning of the year	5,763,073	5,714,965
Provision during the year - net	<u>6,860,412</u>	<u>48,108</u>
Balance - End of the Year	<u>12,623,485</u>	<u>5,763,073</u>

8. Other Debit Balances

This item consists of the following:

	December 31,	
	2019	2018
	JD	JD
Contractors' receivables and advances	922,144	1,785,969
Prepaid expenses	1,036,404	1,034,511
Refundable deposits	781,713	776,213
Sales tax deposits	725,219	563,050
Others	337,851	273,186
	<u>3,803,331</u>	<u>4,432,929</u>

9. Held for Sale Assets

In accordance with the decision of the Company's Board of Directors to sell the second line of the Al-Fuhais plant during the year 2019, the property and equipment belonging to the second production line at the Fuhais plant in addition to the related spare parts were reclassified to held for sale assets in the amount of JD 10,769,754. The reclassification occurred at the net carrying amount or the net realizable value, whichever is lower.

During the year 2019, the Company recorded an impairment expense for the held for sale assets in an amount of JD 3,669,754, and the net carrying value reached JD 7.1 million. This was done according to a study prepared by the management that reflects the fair value of those assets in accordance with International Financial Reporting Standards.

10. Property and Equipment

This item consists of the following:

	For the Year 2019		Machinery and equipment		Vehicles		Tools and devices		Furniture and fixtures		Computers		Projects in progress		Others		Total		
	Land	Quarries	Buildings	JD	JD	JD	JD	JD	JD	JD	JD	JD	JD	JD	JD	JD	JD	JD	JD
Cost:																			
Balance – beginning of the year	7,652,949	11,291,279	83,998,740	192,648,657	5,099,021	7,541,394	639,883	3,700,112	4,396,622	9,421,988	326,390,645								
Additions	-	-	68,648	1,392,980	-	-	-	-	2,121,118	350,747	3,933,493								
Transfers form projects in progress	-	-	-	(67,445,840)	-	-	-	-	(1,812,375)	-	(1,812,375)								
Transfers to held for sale assets *	-	-	-	(8,105,528)	-	-	-	-	-	-	(67,445,840)								
Disposals **	-	(302,500)	(6,004,255)	(8,105,528)	-	-	-	-	-	(4,061,557)	(18,473,840)								
Balance – Ending of the Year	7,652,949	10,988,779	78,063,133	118,490,269	5,099,021	7,541,394	639,883	3,700,112	4,705,365	5,711,178	242,592,083								
Accumulated depreciation																			
Balance – beginning of the year	-	2,750,052	69,086,179	156,900,593	5,099,021	7,414,663	639,851	3,691,091	-	7,755,740	253,337,190								
Depreciation charge for the year	-	11,890	2,042,140	2,265,156	-	25,966	-	1,563	-	154,032	4,500,747								
Disposals **	-	(29,407)	(5,784,494)	(8,084,808)	-	-	-	-	-	(4,061,802)	(17,960,511)								
Transfers to held for sale assets *	-	-	-	(57,248,715)	-	-	-	-	-	-	(57,248,715)								
Balance – Ending of the Year	-	2,732,535	65,343,825	93,832,226	5,099,021	7,440,629	639,851	3,692,654	-	3,847,970	182,628,711								
Net Book Value																			
As of December 31, 2019	7,652,949	8,256,244	12,719,308	24,658,043	-	100,765	32	7,458	4,705,365	1,863,208	59,963,372								
For the Year 2018																			
Cost:																			
Balance – beginning of the year	7,662,792	11,291,279	90,774,182	217,615,887	5,099,021	7,572,106	639,883	3,700,112	3,347,482	9,392,557	357,095,301								
Additions	1,467	-	-	-	-	-	-	-	1,100,354	-	1,101,821								
Transfers form projects in progress	-	-	-	-	-	-	-	-	(51,214)	57,047	5,833								
Impairment loss	-	-	-	-	-	-	-	-	-	-	-								
Disposals	(11,310)	-	(6,775,442)	(24,967,230)	-	(30,712)	-	-	-	(27,616)	(31,812,310)								
Balance – Ending of the Year	7,652,949	11,291,279	83,998,740	192,648,657	5,099,021	7,541,394	639,883	3,700,112	4,396,622	9,421,988	326,390,645								
Accumulated depreciation																			
Balance – beginning of the year	-	2,722,215	73,397,149	178,747,227	5,099,021	7,402,550	639,851	3,689,528	-	7,643,203	279,340,744								
Depreciation charge for the year	-	27,837	2,462,558	3,020,542	-	42,823	-	1,563	-	140,131	5,695,454								
Disposals	-	-	(6,773,528)	(24,867,176)	-	(30,710)	-	-	-	(27,594)	(31,699,008)								
Balance – Ending of the Year	-	2,750,052	69,086,179	156,900,593	5,099,021	7,414,663	639,851	3,691,091	-	7,755,740	253,337,190								
Net Book Value																			
As of December 31, 2018	7,652,949	8,541,227	14,912,561	35,748,064	-	126,731	32	9,021	4,396,622	1,666,248	73,053,455								
Depreciation rate in Years	-	-	6 – 50	5 – 30	5 – 15	5 – 15	5 – 11	2 – 15	-	5 – 20	-								

* Property and equipment belonging to the second production line in the Fuhais plant were transferred to held for sale assets according to the Board of Directors decision (Note 9).

** This item includes sold property and equipment with a historical cost of JD 18,473,840, accumulated depreciation of JD 17,960,511 and a net book value of JD 513,329. The transaction resulted in a gain on sale of JD 1,408,162 during the year 2019.

- Due to the uncertainty in the market conditions and the Company's inability to predict the results of the insolvency declaration, the management was unable to determine the fair value of some of the tangible assets and its related cash flows on the mid and long term.

11. Financial Assets at Fair Value through Other Comprehensive Income

This item consists of the following:

	December 31,	
	2019	2018
	JD	JD
Quoted Investment		
Mining Investment Company	18,195	22,150
	<u>18,195</u>	<u>22,150</u>
Unquoted Investment		
Jordanian Investment and South Development Company	114,299	114,299
Chemical and Mining Industries Company	35,000	35,000
Rashadiya Employees' Association	500	500
	<u>149,799</u>	<u>149,799</u>
	<u>167,994</u>	<u>171,949</u>

12. Goodwill

This item represents goodwill amount of JD 2,495,945 relating to the acquisition of Al Aloul Group that took place in 2008. For impairment testing purposes, goodwill acquired through business combination has been allocated to the ready mix (concrete) operating and reportable segment (cash-generating unit).

On December 31, 2019, management performed its goodwill impairment test. The recoverable amount of the ready mix (concrete) cash-generating unit has been determined based on a value in use calculation using cash flow projections based on the 2019 financial budget approved by management. Cash flow projections beyond 2019 are estimated using a 3% to 5% growth rate, which management believes is reflective of the average growth rate in the region. The discount rate applied to cash flow projections is 8%, which represents the weighted-average cost of capital for the Group, taking into consideration the risks specific to the ready mix (concrete) segment.

As a result of this analysis, no impairment loss was resulted in the ready mix (concrete) segment.

The calculation of value in use is most sensitive to the following assumptions:

- Gross margin
- Discount rates
- Growth rate used to estimate cash flows beyond the budget period

With regard to the assessment of value in use, management believes that no reasonably possible change in any of the above key assumptions would cause the carrying value of the unit to materially exceed its recoverable amount.

13. Employees Housing and Car Loans

This item consists of the following:

	December 31,	
	2019	2018
	JD	JD
Employee housing loans *	771,157	1,617,224
Employee car loans **	471	11,543
	<u>771,628</u>	<u>1,628,767</u>

- * The Company granted its classified employees, who have been in service with the Company for not less than five years, interest-free housing loans at a maximum amount of JD 22,000 per employee. The loans are repayable in monthly installments, deducted from the employees' monthly salaries over a period not to exceed 15 years. These loans are guaranteed by a mortgage over the real-estate.

** The Company granted its classified employees interest-free car loans ranging from a minimum amount of JD 7,000 to JD 35,000 depending on the employee's grade. The loans are repayable in monthly installments, deducted from the employees' monthly salaries over a period not to exceed 8 years. These loans are guaranteed by a mortgage over the financed car. Housing and car loans are initially recorded at fair value which is calculated by discounting the monthly installments to their present value using an interest rate of 8.5% and 8.5%, respectively, which approximates the interest rate for similar commercial loans, and subsequently measured at amortized cost using the effective interest rate method.

14. Right of Use Assets / Lease Liability

1. Right of use assets

The Company leases several assets including land and building. The average lease term is 5 years. The movement for right-of-use assets during the year 2019 is as follows:

	<u>For the Year Ended December 31, 2019</u>
	JD
Beginning balance	5,750,691
Add: Additions during the year	-
Less: Depreciation during the year	<u>(1,795,113)</u>
Balance as at December 31, 2019	<u>3,955,578</u>

Amounts recorded in the consolidated profit or loss statement:

	<u>For the Year Ended December 31, 2019</u>
	JD
Depreciation for the year	1,795,113
Interest for the year	<u>298,080</u>
Lease expense during the year	<u>2,093,193</u>

2. Lease liability

The movement for lease the liability during the 2019 was as follows:

	<u>For the Year Ended December 31, 2019</u>
	JD
Beginning balance	5,590,233
Add: Additions during the year	-
Interest during the year	298,080
Less: Paid during the year	<u>(2,125,914)</u>
Balance as at December 31, 2019	<u>3,762,399</u>

The following is an analysis of the maturity of lease obligations as at December 31, 2019:

<u>Lease Liability Maturity Analysis</u>	<u>December 31, 2019</u>
	JD
Less than one year	1,578,966
From one to five years	<u>2,183,433</u>
	<u>3,762,399</u>

The undiscounted lease liability amounted to JD 4,745,185 as at December 31, 2019. The maturity analysis is as follows:

<u>Undiscounted Lease liability Maturity Analysis</u>	<u>December 31, 2019</u>
	JD
Less than one year	2,041,241
From one to five years	<u>2,703,944</u>
	<u>4,745,185</u>

15. Income Tax

a. Income tax provision:

The movement on the income tax provision is as follows:

	2019	2018
	JD	JD
Balance – beginning of the year	670,847	858,689
Income tax for the year	286,951	702,947
Income tax paid during the year	<u>(716,135)</u>	<u>(890,789)</u>
Balance – End of the Year	<u>241,663</u>	<u>670,847</u>

b. Income tax expense:

The income tax expense shown in the consolidated profit or loss is represented follows:

	<u>For the Year Ended December 31,</u>	
	2019	2018
	JD	JD
Income tax expense during the year	286,951	702,947
Impairment of deferred tax assets	<u>16,148,430</u>	<u>5,995,505</u>
	<u>16,435,381</u>	<u>6,698,452</u>

- A final tax settlement has been reached with the Income and Sales Tax Department up to the year 2016. Income tax returns have been filed for the year 2017 and 2018. However, the Income and Sales Tax Department did not audit these returns and no final settlement has been reached yet.
- A tax settlement has been reached with the income and sales tax department up to the year 2016 for the subsidiaries (Arab Concrete Ready Mix and Arabian Specialized Transport Company), also income tax returns have been filled for the year 2017 and 2018. However, the income and sales tax department did not audit these returns and no final settlement has been reached yet.
- The income tax provision was recorded for the subsidiaries and in the management's opinion, the recorded income tax provision is sufficient to meet any tax commitments as of December 31, 2019.

c. The reconciliation between the taxable profit and the accounting profit is as follows:

	2019	2018
	JD	JD
Accounting (loss)	(48,681,746)	(27,883,588)
Non-deductible revenues (expenses)	1,588,714	(2,287,392)
Taxable (loss)	<u>(47,093,032)</u>	<u>(30,170,980)</u>
Relates to		
Total (loss) excluding Aqaba - Holding Company	(48,841,669)	(29,357,613)
Taxable income excluding Aqaba - Subsidiary	1,859,432	4,957,793
(Loss) taxable income for Aqaba - Holding Company	(271,513)	(170,397)
Taxable income for Aqaba - Subsidiary	160,718	177,120
Statutory income tax rate for Holding Company excluding Aqaba	15%	24%
Statutory income tax rate for Subsidiary excluding Aqaba	15%	24%
Statutory income tax rate for Holding Company - Aqaba	5%	5%
Statutory income tax rate for Subsidiary - Aqaba	5%	5%
Income tax (expense)	(286,951)	(702,947)

d. Deferred Tax Assets

Deferred tax asset balances and transactions as of December 31, 2019 and December 31, 2018 are as follows:

	Consolidated statement of financial position		Consolidated statement of profit or loss	
	2019 *	2018	2019 *	2018
	JD	JD	JD	JD
Provision for lawsuits against the Company	10,534	860,534	(850,000)	(348,034)
Allowance for expected credit loss	1,113,556	1,473,613	(367,376)	(118,061)
Provision for rehabilitation of quarries and environment protection	-	204,239	(204,239)	(84,098)
Employees' vacation accrual	4,830	117,151	(112,320)	(46,250)
Provision for slow moving spare parts	5,185	856,209	(851,023)	(350,421)
Other provisions	8,711	9,622	(293)	(14,582)
Accumulated income tax losses *	61,856	13,831,734	(13,763,179)	(5,034,059)
Total	1,204,672	17,353,102	(16,148,430)	(5,995,505)

* The Company wrote off deferred tax assets belonging to the Jordan Cement Factories Company (Parent Company) in an amount of JD 14.3 million during the year 2019, because of the uncertainty in the Company's ability to benefit from these assets in the near future. The write off was shown in the income tax expense for the year 2019.

16. Due to Banks

This item represents credit facilities utilized as at 31 December 2019. The Group has credit facilities from the Housing Bank for Trade and Finance with a ceiling of JD 9.5 million, the Arab Bank with a ceiling of JD 8 million, Societe General Bank with a ceiling of 6 million dinars, the Jordanian Kuwaiti Bank with a ceiling of JD 2 million, the Arab Banking Corporation with a ceiling of JD 6 million and Audi Bank with a ceiling of JD one million. The annual interest rates on these facilities range from 7.8% to 9%. The above facilities are guaranteed by the Company's signature on the contracts.

17. Accounts Payables

This item consists of the following:

	December 31, 2019		December 31, 2018	
	Short term payables	Long term payables	Short term payables	Long term payables
	JD	JD	JD	JD
Trade payables	37,666,793	-	27,450,652	-
Due to related parties (Note 29)	20,703,012	-	19,880,354	-
	58,369,805	-	47,331,006	-

18. Other Credit Balances

This item consists of the following:

	December 31,	
	2019	2018
	JD	JD
Unpaid dividends to shareholders	5,246,443	5,899,920
Provision for lawsuits against the Company *	8,303,924	10,070,224
Housing fund and health insurance deposits	251,897	98,757
Rehabilitation of quarries and environment protection **	1,334,171	1,303,763
Accrued payables and expenses	409,830	864,264
Provision for other commitments	272,608	269,307
Provision for employees' vacations	392,612	629,353
Others	659,997	608,475
	16,871,482	19,744,063

* The movement on the lawsuits provision is as follows:

	<u>2019</u>	<u>2018</u>
	JD	JD
Balance - beginning of the year	10,070,224	5,057,120
Provision during the year	3,210,012	13,338,115
Paid from the provision during the year	<u>(4,976,312)</u>	<u>(8,325,011)</u>
Balance - End of the Year	<u>8,303,924</u>	<u>10,070,224</u>

** A provision is made for the rehabilitation of quarries, based on future estimated expenditures discounted using a discount rate of 5.7%.

- The movement on the provision for rehabilitation is as follows:

	<u>2019</u>	<u>2018</u>
	JD	JD
Balance - beginning of the year	1,303,763	1,270,163
Provision during the year	30,408	33,600
Balance - End of the Year	<u>1,334,171</u>	<u>1,303,763</u>

19. Loan from a Related Party

The Company signed a number of non-interest bearing loan agreements with Lafarge – France S.A.S (Parent Company) in an amount of JD 24.5 million. During the year 2019, JD 9.5 million became due and were not settled by the Company.

20. Loans

The details of this item is as follows:

	<u>December 31, 2019</u>		<u>December 31, 2018</u>	
	<u>Short-term</u>	<u>Long-term</u>	<u>Short-term</u>	<u>Long-term</u>
	JD	JD	JD	JD
Arab Bank *	7,500,000	7,500,000	5,000,000	12,500,000
Housing Bank For Trade and Finance **	2,250,000	750,000	1,500,000	2,250,000
Societe Generale Bank Jordan ***	1,500,000	-	1,500,000	1,000,000
Al Etehad Bank ****	-	-	193,723	-
	<u>11,250,000</u>	<u>8,250,000</u>	<u>8,193,723</u>	<u>15,750,000</u>

* On October 3, 2017, Jordan Cement Factories signed a loan agreement with Arab Bank for JD 20 million at an interest rate of 7.875% payable on 8 equal semi-annual installments of JD 2,500,000. The first installment is due on October 2, 2018 and is due the last of which is on April 2, 2022. During the year ended December 31, 2019, the Company signed an agreement with the bank that changes the due date of the installment dated April 2, 2019 amounting to JD 2.5 million to become due on January 1, 2020, while the rest of the installments remained unchanged.

** On August 8, 2016, the Jordan Cement Factories signed a loan agreement with the Housing Bank for Trade and Finance at the amount of JD 6 million at an interest rate of 7.7%, payable on 8 equal semi-annual installments of JD 750 thousand. The first installment is due on July 1, 2017, and the last on January 2021.

*** On June 13, 2016, Jordan Cement Factories signed a loan agreement with Societe Generale Bank Jordan for JD 4 million at an interest rate of 9% payable on 8 equal semi-annual installments of JD 500 thousand. The first installment is due on June 30, 2017 and the last on December 30, 2020.

**** The Jordan Cement Factories Company signed a loan agreement with Al Etehad Bank on June 28, 2018 at an amount of JD 325,322 at an interest rate of 9% payable on 18 equal monthly installments of JD 18,350. The first installment is due on June 30, 2018; the latter is due on November 30, 2019.

- The Company defaulted on paying some of the outstanding installments as at December 31, 2019. Moreover, the Company restructured some of the loans during the year and the subsequent period.

The movement on loans during the year is as follows:

	Balance at the Beginning of the Year	Additions	Settlements	Balance at the End of the Year
	JD	JD	JD	JD
Arab Bank	17,500,000	-	(2,500,000)	15,000,000
Housing Bank For Trade and Finance	3,750,000	-	(750,000)	3,000,000
Societe Generale Bank	2,500,000	-	(1,000,000)	1,500,000
Al Etihad Bank	193,723	-	(193,723)	-
	<u>23,943,723</u>	<u>-</u>	<u>(4,443,723)</u>	<u>19,500,000</u>

- The above loans are secured by the Company's signature on the contracts.

21. Provision for Restructuring

The Company terminated the services of about 200 employees during the year 2019, according to the decision of the company's board of directors in accordance with the collective labor contract agreement organized in accordance with the provisions of the Jordanian Labor Law No. 8 of 1996 and its amendments between the Jordan Cement Factories Company and the Labor Union on November 25, 2019. The agreement states that the Company is obliged to pay a salary of 1.8 months for each year of service for those who reached the early retirement age, according to the Social Security Law, with a minimum of JD 50 thousand and a maximum of JD 150 thousand. The remaining balance as at December 31, 2019 represents the provision for a number of employees whose payment was not finalized during the year 2019.

The movement at the expense of the employee termination and restructuring of the Company is as follows:

	2019	2018
	JD	JD
Balance - beginning of the year	1,317,672	10,817,672
Provision (release) during the year	14,883,520	(9,500,000)
Paid from the provision during the year	<u>(14,125,686)</u>	<u>-</u>
Balance - End of the Year	<u>2,075,506</u>	<u>1,317,672</u>

22. Post-Retirement Health Insurance Benefits Obligations

The Group operates a defined post-retirement health benefit plan for qualifying employees and their families who meet certain conditions. Under the plan, employees are entitled to retirement benefits on attainment of a retirement age of 55 years for females and 60 years for males. No other post-retirement benefits are provided to these employees.

Retirees (until their deaths) and their families (until the death of the spouse and until the maximum age of coverage for the children) pay a contribution of:

1. 2.5% of social security salary for retiree with a minimum of JD 6 per month.
2. 20% of the families' medical cost with a maximum of JD 200 per medical case.

Changes in the present value of the obligation for employees' post-retirement health insurance benefits were as follows:

	<u>2019</u>	<u>2018</u>
	JD	JD
Balance - beginning of the year	28,335,000	26,295,000
Addition during the year *	5,542,417	1,374,000
Actuarial losses	8,320,685	2,527,000
Paid during the year	<u>(1,841,430)</u>	<u>(1,861,000)</u>
Balance - End of the Year	<u><u>40,356,672</u></u>	<u><u>28,335,000</u></u>

* The following table summarizes the components of the employees' post-retirement health insurance net expense recognized in the consolidated statement of profit or loss.

	<u>2019</u>	<u>2018</u>
	JD	JD
Current service cost	4,460,135	156,000
Interest cost	<u>1,082,282</u>	<u>1,218,000</u>
	<u><u>5,542,417</u></u>	<u><u>1,374,000</u></u>

The principal assumptions used in determining post-retirement health insurance provision for the Company's plan are shown below:

	<u>2019</u>	<u>2018</u>
Discount Rate	3.8%	3.99%
Long term medical cost inflation rate	3.50%	3.50%
Expected rate of salaries increase	2%	4.50%
Reevaluation of pension rate	2%	2%
Mortality / Disability age	88-90 for female 60-64 for male	88-90 for female 60-64 for male
Turnover rates	1% a year up to 50 years old	1% a year up to 50 years old
Retirement age:		
Male	60	60
Female	55	55
Maximum age of coverage for children		
Female	27	27
Male	23	23
Annual premium - cement employees	462	437
Annual premium - retired employees	441	438
Contribution and co-payments for family's member	58.5	64.4
Social security salary	7,263	7,169

The following table demonstrates the sensitivity of the present value of the obligation for employees' post-retirement health insurance benefits and the current service cost and interest cost on obligation to reasonably possible changes in the discount rate.

For the Year Ended <u>December 31, 2019</u>	Increase /decrease in medical costs	Effect on the present value of the obligation	Effect on current service cost and interest cost on the obligation
		JD	JD
	+ 5%	(2,825,000)	(63,000)
	- 5%	2,825,000	63,000

For the Year Ended <u>December 31, 2018</u>	Increase /decrease in medical costs	Effect on the present value of the obligation	Effect on current service cost and interest cost on the obligation
		JD	JD
	+ 5%	(1,703,000)	(30,000)
	- 5%	1,703,000	30,000

The cumulative amount of actuarial losses amounted to JD 23,963,685 as of December 31, 2019 (JD 15,643,000 as of December 31, 2018).

23. Owners' Equity

This item consists of the following:

- Paid up capital
The authorized and paid up capital of the Company is JD 60,444,460 as of December 31, 2019 and December 31, 2018 divided into 60,444,460 shares at JD one par value per share.
- Treasury stocks
This amount represents the value of the stocks that are owned by the Arabian Concrete Supply Company (Subsidiary Company) in the capital of Jordan Cement Factories Company in the amount of JD 323 which were purchased on 2012, some of this stocks have been sold during 2016.
- Statutory reserve
The amounts collected in this account represent the annual income before income tax of 10% for previous years in accordance with the Companies Law and is not distributable to shareholders. The approval and recommendation of the Board of Directors of the Company were obtained at their meeting held on January 29, 2018, to eliminate part of the accumulated losses of the Company by JD 27 million using the Company's statutory reserve. The Company's General Assembly decided at its Extraordinary Meeting to approve this decision on June 30, 2018, The share of the accumulated losses in full reserve amounting to JD 27 million was reduced to zero as at December 31, 2019.
- Voluntary reserve
The accumulated amounts in this account represent the annual profits of the previous years up to a maximum of 20%. The reserve is used for purposes determined by the Board of Directors and the General Authority is entitled to distribute it in whole or in part as dividends to shareholders. The approval and recommendation of the Board of Directors of the Company were obtained at their meeting held on July 13, 2017, to offset the accumulated losses of the Company amounting to JD 12,399,640 by the use of the Company's voluntary reserve. The Company approved this decision at its Extraordinary Meeting and ratified this resolution at its meeting held on September 19, 2017.

24. Selling and Marketing Expenses

This item consists of the following:

	<u>2019</u>	<u>2018</u>
	JD	JD
Salaries and wages	1,144,709	1,386,347
Group's contribution to social security	133,099	147,481
Other	557,876	652,400
	<u>1,835,684</u>	<u>2,186,228</u>

25. General and Administrative Expenses

This item consists of the following:

	<u>2019</u>	<u>2018</u>
	JD	JD
Salaries, wages and other benefits	3,308,009	3,756,029
Contribution to social security	352,711	437,334
Contribution to employees' saving fund	216,170	224,091
Contribution to employees unity fund	20,540	22,035
Legal and consulting fees	2,937,582	1,425,118
Franchise fees - Lafarge (parent)	948,651	840,647
Travel and transportation	50,925	90,680
Depreciation	231,424	88,221
Advertisements and exhibitions	46,739	80,337
Post and telephone	29,714	54,227
Insurance	32,631	28,889
Stationery, subscriptions and printings	37,019	34,283
Fuel	43,631	49,057
Donations	98,804	250,257
Rent	144,736	165,674
Training	21,044	53,650
Maintenance	23,812	30,824
Computer expenses	254,009	184,068
Hospitality	18,921	47,418
Others	661,313	956,526
	<u>9,478,385</u>	<u>8,819,365</u>

26. Material Partly-Owned Subsidiaries

The following represents financial information for the subsidiaries in which the non-controlling interests is significant:

<u>Company Name</u>	<u>Country of origin</u>	<u>Operating Activities</u>	<u>Non-controlling interest</u>	
			<u>2019</u>	<u>2018</u>
Arabian Concrete Supply Company	Jordan	Producing and trading in ready mix cement	49%	49%

The following represent summarized financial information for the subsidiary. Information was prepared before eliminating transactions with related parties:

	2019	2018
	JD	JD
Significant accumulated non-controlling interests		
Arabian Concrete Supply Company	5,146,993	4,512,695
	2019	2018
	JD	JD
Significant profits attributable to non-controlling interest		
Arabian Concrete Supply Company	70,798	1,076,545
a. Consolidated Statement of Financial Position:		
	For the Year Ended December 31,	
	2019	2018
	Arab Concrete Supply Company	
	JD	JD
Current assets	21,675,750	19,615,685
Non-current assets	9,240,249	4,799,785
Current liabilities	(21,940,720)	(18,700,884)
Total equity	8,975,279	5,714,586
Non-Controlling interests share from equity	5,146,993	4,512,695
b. Consolidated Statement of Profit or Loss:		
	2019	2018
	Arab Concrete Supply Company	
	JD	JD
Sales	38,367,266	40,310,462
Cost of Sales	(34,455,880)	(34,722,967)
Gross Profit	3,911,386	5,587,495
Selling and distribution expenses	(612,544)	(643,461)
General and administrative expenses	(1,767,006)	(1,827,425)
Operating Income	1,531,836	3,116,609
Lawsuits provision	-	(30,000)
Financing cost	(926,474)	(512,315)
Gain from sale property and equipment	23,666	245,484
Other income - net	(167,491)	27,743
Earnings Before Income Tax	461,537	2,847,521
Income tax expenses	(286,951)	(620,390)
Profit for the Year	174,586	2,227,131
Total comprehensive income for the year	174,586	2,227,131
Non-controlling interest Share	70,798	1,076,545
c. Summarized statement of cash flows:		
	2019	2018
	Arab Concrete Supply Company	
	JD	JD
Cash flows		
Operating activities	2,955,788	(2,033,381)
Investing activities	(1,085,655)	156,037
Financing activities	(2,295,538)	1,769,897
Net (decrease) in cash and cash equivalents	(425,405)	(107,447)

27. Segmental Information

a. Sectoral information

The details of this item are as follows:

	Cement	Ready-made concrete	Settlement of current accounts	Total
	JD	JD	JD	JD
<u>For the Year Ended December 31, 2019</u>				
Revenue:				
Sales	25,064,758	38,367,266	-	63,432,024
Internal sales between production units	<u>12,921,726</u>	<u>-</u>	<u>(12,921,726)</u>	<u>-</u>
Total	<u>37,986,484</u>	<u>38,367,266</u>	<u>(12,921,726)</u>	<u>63,432,024</u>
Business results:				
(Loss) profit before tax	(49,113,183)	431,437	-	(48,681,746)
Income tax (expense)	<u>(16,148,430)</u>	<u>(286,951)</u>	<u>-</u>	<u>(16,435,381)</u>
(Loss) income for the year	<u>(65,261,613)</u>	<u>144,486</u>	<u>-</u>	<u>(65,117,127)</u>
Other segment information:				
Capital expenditure	1,677,539	2,255,954	-	3,933,493
Depreciation	4,109,712	391,035	-	4,500,747
Interest income	210,652	-	-	210,652
Interest expense	<u>(4,900,693)</u>	<u>(926,474)</u>	<u>-</u>	<u>(5,827,167)</u>
<u>For the Year Ended December 31, 2018</u>				
Revenue:				
Sales	21,362,328	40,310,462	-	61,672,790
Internal sales between production units	<u>12,006,260</u>	<u>-</u>	<u>(12,006,260)</u>	<u>-</u>
Total	33,368,588	40,310,462	(12,006,260)	61,672,790
Business results:				
(Loss) profit before tax	(30,701,010)	2,817,421	-	(27,883,588)
(Expense) income tax	<u>(6,078,062)</u>	<u>(620,390)</u>	<u>-</u>	<u>(6,698,452)</u>
(Loss) for the year	<u>(36,779,071)</u>	<u>2,197,031</u>	<u>-</u>	<u>(34,582,040)</u>
Other segment information:				
Capital expenditure	918,534	189,120	-	1,107,654
Depreciation	5,282,362	413,092	-	5,695,454
Interest income	128,997	-	-	128,997
Interest expense	<u>(4,497,117)</u>	<u>(512,315)</u>	<u>-</u>	<u>(5,009,432)</u>
		Cement	Ready-made concrete	Total
		JD	JD	JD
<u>December 31, 2019</u>				
<u>Assets and Liabilities</u>				
Segment assets		90,565,788	34,379,643	124,945,431
Segment liabilities		177,184,074	17,979,580	195,163,654
<u>December 31, 2018</u>				
<u>Assets and Liabilities</u>				
Segment assets		129,280,900	28,909,198	157,190,098
Segment liabilities		136,641,748	17,888,306	154,530,054

b. Geographical Information

Revenue, profit, assets and liabilities by geographical segment are as follows:

	Jordan Except Aqaba	Aqaba	Total
<u>For the Year Ended December 31, 2019</u>			
<u>Revenue:</u>			
Sales	60,820,913	2,611,112	63,432,024
<u>Business Results:</u>			
(Loss) before tax	(48,318,100)	(363,646)	(48,681,746)
Income tax expense	(16,427,345)	(8,036)	(16,435,381)
(Loss) for the Year	<u>(64,745,445)</u>	<u>(371,682)</u>	<u>(65,117,127)</u>
<u>Other Segment Information:</u>			
Capital expenditure	3,893,076	40,417	3,933,493
Depreciation	4,498,611	2,136	4,500,747
Interest income	210,652	-	210,652
Interest expense	(5,825,988)	(1,179)	(5,827,167)
<u>For the Year Ended December 31, 2018</u>			
<u>Revenue</u>			
Sales	58,820,698	2,852,092	61,672,790
<u>Business Results:</u>			
(Loss) before tax	(27,842,353)	(41,235)	(27,883,588)
Income tax expense	(6,689,597)	(8,855)	(6,698,452)
(Loss) for the Year	<u>(34,531,950)</u>	<u>(050,09)</u>	<u>(34,582,040)</u>
<u>Other segment information:</u>			
Capital expenditure	1,078,777	28,877	1,107,654
Depreciation	5,693,949	1,506	5,695,455
Interest income	128,997	-	128,997
Interest expense	5,009,432	-	5,009,432
<u>For the Year Ended December 31, 2019</u>			
<u>Assets and Liabilities</u>			
Segment assets	123,054,641	1,890,790	124,945,431
Segment liabilities	193,602,708	1,560,946	195,163,654
<u>For the Year Ended December 31, 2018</u>			
<u>Assets and Liabilities</u>			
Segment assets	154,863,263	2,326,835	157,190,098
Segment liabilities	153,131,181	1,398,873	154,530,054

28. Commitments and Contingent Liabilities

This item consists of the following:

	For the Year Ended December 31,	
	2019	2018
	JD	JD
Letters of guarantee	3,646,955	5,192,636
Bills of collection	603,274	920,189

- The future contractual commitments were as follows:

	December 31,	
	2019	2018
	JD	JD
Purchase of property and equipment	-	341,783
Purchase of raw materials	9,981,960	5,218,000
Other purchases	14,840,000	14,840,000
Operating lease contracts	-	6,688,210

29. Related Parties Balances and Transactions

- a. The related party transactions during the year were as follows:

	For the Year Ended December 31,	
	2019	2018
<u>Consolidated statement of profit or loss items:</u>	JD	JD
Expenses	1,590,465	1,375,562

Consolidated statement of financial position items:

	Related Parties		Total	
	Sister Companies	Parent Company	2019	2018
	JD	JD	JD	JD
Accounts receivable	220,088	-	220,088	173,839
Accounts payable *	10,746,112	9,956,900	20,703,012	19,880,354
Short-term loan	-	24,500,000	24,500,000	-

- * The above payables do not bear interest and has no fixed payment schedule.

- b. The salaries, bonuses and other benefits of the executive management amounted to JD 1,386,124 for the year ended December 31, 2019 (JD 1,746,110 for the year ended December 31, 2018).

30. Lawsuits

There are lawsuits held against the Company and its subsidiaries at an amount of JD 8,346,249 represented in legal lawsuits related to the Company's operations, and in the opinion of the Company's management and its legal counsel, the lawsuits provision booked at an amount of JD 8.3 Million is sufficient to meet any commitments related to the lawsuits and claims.

There is a pending lawsuit at the Court of Law between the Jordan Cement Factories Company and the Energy and Minerals Regulatory Commission regarding the clay mining fees in in Al-Fujaij area (Al-Rashadiya) in amount of JD 2.3 million. A provision was recorded for the entire lawsuit value as at December 31, 2019.

31. Loss per Share for the Year

Loss per share is calculated by dividing the net loss for the year over the weighted average common stock and it is calculated as follows:

	For the Year Ended December 31,	
	2019	2018
	JD	JD
Loss for the year attributable to the Company's shareholders	(65,187,925)	(35,658,585)
	Share	Share
Weighted Average Common Shares	60,444,460	60,444,460
	JD / Share	JD / Share
(Loss) per Share - (Basic and Diluted)	(1.08)	(0.59)

32. Comparative Figures

The Company has amended and reclassified certain comparative figures for the year 2018 to conform to the figures for the year ended December 31, 2019. Noting that there was not impact to these adjustments on the consolidated financial statements for the year ended December 31, 2019.

33. Risk Management

The Company adopts financial policies for managing the various risks within a specific strategy. Moreover, the Company's management controls and monitors risks and performs the optimal strategic allocation of financial assets and financial liabilities. Risks include interest rate risk, market risk, credit risk, and foreign currency risk.

a. Capital Risk Management

The Company manages its capital to ensure its ability to continue as a going concern and maximize the return to stakeholders through achieving an optimal balance between equity and debt. Moreover, no change in the Company's overall policy has occurred since the prior year.

b. Liquidity Risk

Liquidity risks, also referred to as funding risk, is the risk that the Company will encounter difficulty in raising funds to meet its obligations. The company manages liquidity risk by maintaining adequate reserves, continuously monitoring actual and forecast cash flows and aligning the maturities of financial assets with financial liabilities.

The Company suffers from a deficit in its working capital as of December 31, 2019 and as of December 31, 2018 as follows:

	December 31,	
	2019	2018
	JD	JD
Current assets	56,386,242	62,486,880
<u>Less: Current liabilities</u>	<u>(144,373,549)</u>	<u>(110,445,054)</u>
(Deficit) in Working Capital	<u>(87,987,307)</u>	<u>(47,958,174)</u>

The Company manages liquidity risk continuously through managing its cash flows and through the financing from banks, noting that an amount of JD 45.5 Million of the current liabilities are related to the Company's related parties as at December 31, 2019 (JD 19.8 Million as at December 31, 2018). The management's plan to rectify this situation is detailed in note (34).

c. Credit Risk

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

The Company's financial assets consisting mainly of receivables and other debit balances, financial assets at fair value through other comprehensive income, and cash and cash equivalents do not represent important concentrations of the credit risk. Furthermore, the debtors are wide spread among the clients' categories and their geographic areas. Strict credit control is maintained over the credit limits granted to each customer separately and on a continuous basis, and on the provision for the un-collected amounts.

All of the Company's investments are classified as financial assets at fair value through other comprehensive income.

The risk of investment in shares relates to the change in the value of the financial instrument as a result of the changes in the closing prices of shares.

The change in the financial market index, whereby the above securities are traded as of the consolidated financial statements date, represents a 5% increase or 5% decrease. The following is the impact of the change on the Company's owners' equity.

	<u>2019</u>	<u>2018</u>
	JD	JD
5% Increase	8,400	8,597
5% (Decrease)	(8,400)	(8,400)

d. Market Risk

Market risk is the loss in value resulting from the change in market prices such as interest rate, foreign currency exchange rate, and equity instruments prices, and consequently, the change in the fair value of the financial instruments cash flows on-and off-the consolidated statement of financial position.

1. Currency Risk

The Company's major transactions are in Jordanian Dinar, US Dollar, and Euro.

Currency risk relates to the changes in the prices of currencies in connection with foreign currency payments. As the Jordanian Dinar (the functional currency of the Company) is pegged to the US Dollar, the Company's management believes that the foreign currency risk is immaterial.

The sensitivity analysis is determined below according to exposure to the Euro currency at the date of the consolidated financial statements. The analysis was prepared on the assumption that the amount of the existing commitment at the date of the consolidated financial statements was in place throughout the year, and an increase or decrease of half a percentage point 0/5%, which represents the Company's management's value for a possible and acceptable change in market currency rates:

	<u>2019</u>	<u>2018</u>
	JD	JD
0.5% Increase	51,267	47,389
0.5% (Decrease)	(51,267)	(47,389)

2. Interest Rate Risk

Interest rate risk is the risk of change in the value of the financial instrument due to changes in market interest rates.

Moreover, the Company continuously manages its exposure to interest rate risk and considers the various scenarios such as refinancing, renewal of the present positions, and alternative financing.

The below-mentioned sensitivity analysis is determined according to the exposure to interest rate risk related to the lending banks as of the consolidated financial statements date. Moreover, the analysis has been prepared assuming that the liability amount at the consolidated financial statements date was outstanding during the whole year. An increase or decrease of half a percentage point (0.5%) is used, representing the evaluation of the Company's management of the potential and acceptable change at market interest rates:

	<u>2019</u>	<u>2018</u>
	JD	JD
0.5% Increase	244,931	285,657
0.5% Decrease	(244,931)	(285,657)

34. The Company's Future Plan

For the year ended December 31, 2019, the group incurred a net loss of around JD 65.1 million dinars, net pre-tax losses of 48.7 million dinars, had net current liabilities of JD 88 million, and the net cash used in operating activities amounted to around JD 5.3 million for the year then ended. The company also failed to pay some of its outstanding financial obligations as of December 31, 2019. In addition, the accumulated losses including the loss for the year amounted to about JD 135.7 million, which represents 225% of the paid-up capital of the Company. Article (266) of the companies law as amended by law No. (40) for the year 2002 states that "should the company's losses exceed 75% of its capital, the company shall be liquidate unless the General Assembly decides in its extraordinary meeting to increase the company's capital to deal with the losses or redeem the losses in accordance with the international accounting and auditing standards, provided that the total remaining losses do not exceed half of the company's capital in both cases.

The management plan to address the current situation is as follows:

Financial Insolvency

In light of the Company's current financial conditions, the need to find future solutions to financial difficulties, and the existence of a law that simulates the concept of rescuing viable projects, provides legal protection for the economic activity or insolvent debtor, and renders the possibility of reorganization and / or restructuring, the Board of Directors of the Jordan Cement Factories Company – Lafarge decided to apply for insolvency declaration according to the Jordanian Insolvency Law No. (21) of 2018, in order to restructure the Company's capital and operations, and to maintain the continuity of its business in the future.

The Company's accumulated losses exceeded its registered capital by more than 75% as at the end of the year 2019, which constitutes one of the reasons / conditions for compulsory liquidation according to the Jordanian Companies Law. Submitting an insolvency declaration is a necessary step in reorganizing the Company in view of the ongoing burdensome obligations and difficult market conditions and its inability to benefit from the fair value of its assets. This measure will allow Lafarge Cement Jordan to continue its operations without interruption, while focusing on the reorganization phase, which may extend to two years. Meanwhile, Jordan Lafarge Cement remains fully committed to supporting its customers, partners, suppliers, and shareholders, as well as its employees and local communities.

Comprehensive legal advice has been provided to the Company, confirming that due to the Company's inability to fulfill its future obligations based on its expected future cash flows (and the absence of confirmed financial support from the major shareholders), the Company is obligated to submit an official insolvency declaration request as stipulated in the Jordanian Insolvency Law. This requires the court's approval within 30 days of the application date. In this regard, it is important to submit a comprehensive legal petition / statement of claim, to allow the competent court to study and accept the petition in order to formally declare insolvency.

If the insolvency request is accepted, the Company will prepare plans for reorganization / restructuring, to be agreed with the expected General Body of Creditors under the supervision of the expected insolvency practitioner and the competent court. It is not easy and impractical to predict the results of this stage, but the Company's Board of Directors and management will reasonably endeavor to achieve satisfactory restructuring and / or reorganization of the Company.

The following are some of the main plans that the Company intends to make during the reorganization phase:

1. Reducing fixed and variable operating costs:
 - Continuing the process of restructuring human resources by reducing the number of employees to suit the Company's size of work and operational capacity.
 - Continuing to reduce the number of environmental lawsuits filed against the Company or to challenge them.
 - Reducing industrial costs: Reducing the numbers of daily workers and contractors, re-negotiating with suppliers about the purchase prices of raw materials, reviewing the contracts signed with them, and reducing maintenance expenses.
 - Introducing additional amendments to the coverages and ceilings granted to working and retired employees and their families who benefit from the health insurance system, with the intention of reducing health insurance costs for the Company.
2. Providing the necessary cash flows by selling unutilized assets, whether plots of land or machinery in the various sites and factories of the Company.
3. Scheduling bank loans. The Company has been scheduling the bank facilities granted to it, rescheduling some of them, and postponing due payments, in addition to renegotiating the terms of soft payment and reducing interest rates and commissions.
4. Studying the possibility of capitalizing the debts owed by the Company, by negotiating with creditors according to the procedures stipulated in the Companies Law and other relevant legislation.
5. Discussing the possibility of reducing a portion of the debts owed by the Company through negotiating and reaching financial settlements with creditors.
6. Studying the options for capitalizing the partners' loans as part of the Company's capital restructuring.
7. Finding appropriate solutions and alternatives to re-evaluate the Company's assets at a fair market value, especially land.
8. Re-zoning the Company's plots of land in the Fuheis area to reflect their true value in the Company's financial statements, as well as continuing the development of those plots of land and using them in a way that helps to improve the financial and cash situation of the Company through economic projects and infrastructure that positively affect the Jordanian economy and serve the local community.

9. Amending the Articles of Association, policies, and administrative procedures in order to restructure the factories and / or various departments and / or operational departments, and the administrative costs of the Company to suit its size and the economic activity it undertakes.
10. Trying to find a strategic partner for the purpose of providing the necessary financing.

The Company's Executive Management and Board of Directors endeavor to continue and maintain the Company's business. From this standpoint, the Company's Board of Directors deems it necessary to take decisions that ensure the continuity of the Company's business and its re-launch, so that it can become an active and productive Company once again within the national economic system. However, the Company's viability is highly dependent on its ability to completely restructure itself, achieve profitability, and improve its cash flows, so that it can fulfill its obligations after being overburdened with debt as a result of the successive losses incurred by the Company during the past years.

Jointly with its main partners (Lafarge Financier and the Social Security Corporation), the Company was about to finalize a plan to restructure its capital in an effort to place itself on the right track. However, the Corona virus pandemic with its significant negative impact on the Company's operations has led the main partner (Lafarge Financier) to express its unwillingness to participate in the Company's capital restructuring plan in light of the Company's inability to contain and reduce its expenses and / or future obligations related to its employees, retirees, and creditors, in general. This presented the Company with a difficult choice as regards its continuity and obligated it to apply for the declaration of its insolvency in order to enable it to reorganize itself, in accordance with the procedures and within the mechanisms permitted by the relevant legislation in force. As such, the aforesaid will contribute to its recovery and rescue it from the insolvency it has suffered.

Based on the foregoing, we would like to emphasize that the Company faces severe, current, and / or imminent financial difficulties, and that it is incapable and unable and / or is not expected to be able to pay all of its obligations, whether due or will become due in the near future. This necessitates its reorganization according to the procedures and conditions stipulated in the Insolvency Law No. (21) of 2018.

Insolvency Proceedings

1. The introductory stage:

- It starts from the date of the court's decision to declare insolvency.
- It is devoted to determining the insolvency indebtedness, identifying the debtor's creditors, collecting information related to the debtor's business, as well as classifying and analyzing information related to the debtor's business.
- Its goal is to identify the causes of insolvency and to determine the viability of the debtor's business.

2. The reorganization stage:

- It starts right after the introductory stage.
- Its goal is to reach an agreement between the debtor and creditors on the reorganization plan, through which the concept of rescue is realized. During this stage, a reorganization plan is proposed by the debtor, insolvency practitioner, or a group of creditors, and all of this is done in agreement with the General Body of Creditors.

- The most important characteristic of this stage is the provision of legal protection for the economic activity or the insolvent debtor, such as: stopping the filing of claims against him, suspending execution on his money, whether before or after the declaration of insolvency, banning the seizure of his money or even imprisoning him to fulfill any debt, including the debts owed to the treasury, ceasing the calculation of interest and fines due on insolvency debts, and discontinuing work or terminating contracts under implementation. This stage also includes requesting the termination of sales contracts prior to the insolvency declaration (if possible), handling matters related to the lease contract, granting the debtor the right to terminate or continue to implement the lease contract, amending or terminating employment contracts as necessary by submitting an application to the court that includes amending or terminating employment contracts, Article (31) of the Law, not implementing the actions that the debtor performed during the year preceding the declaration of insolvency, if they cause harm to the insolvency indebtedness, and others.

3. Liquidation stage:

- This stage begins if reorganization is impossible - the debtor's business is not viable, the reorganization plan is not approved, or the plan is not implemented after approval.

35. Subsequent Events

Subsequent to the date of the financial statements, the presence of Corona Virus (Covid-19) was confirmed during January 2020, which later spread to many countries around the world. On 11 March 2020, the World Health Organization declared this event a global pandemic. This epidemic is expected to have many economic impacts during the year 2020 on all economic sectors. The management believes that this event is one of the subsequent events that does not require amendments to the financial statements included in the report and therefore has not made any changes to the consolidated financial statements.

The management has taken into account these unique circumstances and has studied the risks of exposures to the company and has also assessed the expected impacts on the company's operations and activities in order to review and evaluate the potential risks arising from this event. The outcome of this event is unknown, and therefore the management cannot reasonably determine the impact on the company as of the date of these consolidated financial statements (Note 34).

36. Fair Value Hierarchy

a. Fair Value of Financial Assets and Financial Liabilities Continuously Determined at Fair Value

Some of the financial assets and financial liabilities of the Company are presented at fair value at the end of each financial period. The following table provides information about the methods used to determine the fair value of the financial assets and financial liabilities (Valuation Methods and Inputs Used):

Financial Assets / Liabilities	Fair Value		Fair Value Level	Evaluation Method and Inputs Used	Significant Intangible Inputs	Relation between Significant Intangible Inputs and Fair Value
	2019	2018				
	JD	JD				
Financial assets at fair value through comprehensive income:						
Shares with available market prices	167,994	171,949	First Level	Listed prices in financial markets	N/A	N/A
Total Financial Assets at Fair Value	167,994	171,949				

There are no transfers between the first and second level during the year ended December 31, 2019 and for the year ended December 31, 2018.