AL-ZARKA EDUCATIONAL AND INVESTMENT COMPANY

(PUBLIC SHAREHOLDING COMPANY)

CONSOLIDATED FINANCIAL STATEMENTS AND INDEPENDENT CERTIFIED PUBLIC ACCOUNTANT'S REPORT

YEAR ENDED DECEMBER 31, 2019

AL-ZARKA EDUCATIONAL AND INVESTMENT COMPANY

(PUBLIC SHAREHOLDING COMPANY)

CONSOLIDATED FINANCIAL STATEMENTS AND

INDEPENDENT CERTIFIED PUBLIC ACCOUNTANT'S REPORT

YEAR ENDED DECEMBER 31, 2019

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INDEPENDENT CERTIFIED PUBLIC ACCOUNTANT'S REPORT

To the shareholders of

Al-Zarka Educational and Investment Company

Report on the Consolidated Financial Statements

We have audited the accompanying consolidated financial statements of Al-Zarka Educational and Investment Company (P.L.C), which comprise of the consolidated statement of financial position as of December 31, 2019, and the related consolidated statements of comprehensive income, of owners' equity and statement of cash flows, for the year then ended, and a summary of significant accounting policies and other explanatory information.

Basic for opinion

In our opinion, the consolidated financial statements present fairly, in all material respects, the consolidated statement of financial position of Al-Zarka Educational and Investment Company (P.L.C) as of December 31, 2019, and its consolidated financial performance and cash flows for the year then ended are in accordance with International Financial Reporting Standards.

Basic auditing matters

Basic auditing matters, according to our professional judgment are matters that had the significant importance in our auditing procedures that we performed to the consolidated financial statement. The basic auditing matters have been addressed in our auditing workflow to financial standards as we do not express separate opinions.

Basic auditing matters	**The following is a description of our auditing procedures**
Property, plant and equipment In accordance with the international financial reporting stander the company has to review the useful life and depreciation method and perform and impairment test to the reported amount of property , Plant and equipment in the financial position, and in case of any impairment indications in the recoverable amount, the losses are calculated according to the impairment method in which the company determines the impairment in property and equipment by using assumptions and evaluations (if any).	**property, plant and equipment:** The Auditing procedures included examining the control procedures used in the assertion of existence and completeness and reviewing the purchases and sells of property, and the basis of depreciation calculation, inspection matching as in ascertaining the procedures and there is no decline in value through evaluating the assumption and the efficiency of disclosures the company used for the property and equipment.

Accrued and unrealized and deferred revenues In accordance with the International financial reporting standards, the company reviews the process of accrued and unearned and deferred revenues recognition on accrual basis, the company recognizes the amount of revenues accrued from students for the ended semesters which have not been collected by students, the company periodically reviews registered and unregistered students to collect from them, and the company uses assumptions and amendments to review standards, and considering its importance as a one of the significant auditing risks.	**Accrued and unrealized and deferred revenues:** The Auditing procedures included reviewing the control used in accrued and unrealized and deferred revenues recognition, reviewing a sample of students receivables through receiving the amounts and reviewing students accounts as in registering for the upcoming semesters or have not yet, and the revenues assumptions and evaluations have been reviewed, we have also reviewed the efficiency of disclosures of accrued and unrealized and deferred revenues and reviewing the control used in the recognition of accrued and unrealized and deferred revenues. The sample of revenues have been reviewed through evaluations the Company's assumptions and efficiency of unearned and deferred revenues disclosures.
Basic auditing matters We emphasized on this matter because : Financial Instruments applied by the IFRS 9 January 2018 Requires complex accounting treatments, including the use of significant estimates and judgments based on the determination of modifications to the transition. resulted in significant changes in treatments, data and controls that should have been tested for the first time The amendment to the Company's retained earnings on the transition to IFRS 9 was JD 189,782 IFRS Financial Instruments applied by the Company on January 1, 2018.	**The following is a description of our auditing procedures** Our audit procedures included, inter alia: •Evaluate the appropriateness of choosing accounting policies. •Examining the appropriateness of the transition approach and practical methods applied. •Assess the management's approach to testing the “expected credit loss” methodology. •Studying the management's approach and the controls applied to ensure the completeness and accuracy of the transition modifications and accuracy. •Identify and test relevant controls. •Evaluate the appropriateness of judgments and key estimates made by management in preparing transition adjustments, particularly those related to the amendment to the future factor. •Involving financial risk management specialists to consider key assumptions / judgments regarding future adjustments and definition of default using the net flow method. •Evaluate the completeness, accuracy and appropritress of the data used in the preparation of transitional adjustments. •Evaluating the adequacy of the company's disclosures.

Other information

The management is responsible for other information. This includes other information reported in the final report, but not included in the consolidated financial statements and our audit report on it.

Our opinion does not include these other information, and we do not express any assertion over it.

Our opinion does not include these other information, and we do not express any assertion over it regarding our consolidate financial statement we are obliged to review these other information, and while that, we consider the compatibility of these information with their consolidated financial statement. If we detected based on our audit, the existence of significant errors in the information, we are obliged to report this fact. Regarding this, we have nothing to report.

Individuals responsible of governance are responsible of supervising the preparation of consolidated financial statements.

Management responsibility of the consolidated financial statements

Management is responsible for the preparation and fair presentation of these consolidated financial statements in accordance with International Financial Reporting Standards. And for such internal control, management is determined to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated Financial Statements, the management is responsible for assessing the Company's ability to continue as a Going Concern, disclosing, as applicable, matters related to Going Concern and using the Going Concern basis of accounting unless the management either intend to liquidate the company or to cease operations or have no realistic alternative but to do so.

Certified public accountant responsibility

Our responsibility is to express an opinion on these consolidated financial statements based on our audit. We conducted our audit in accordance with International Standards on Auditing. Those standards require us to comply with ethical requirements and plan and perform the audit to obtain reasonable assurance whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the consolidated financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide basis for our audit opinion.

As part of an audit in accordance with The International Standards on Auditing, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the initial Financial Statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the Management.
- Conclude on the appropriateness of the Management's use of the Going Concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the Financial Statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our Auditor's Report. However, future events or conditions may cause the Company to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the initial Financial Statements, including the disclosures, and whether the initial Financial Statements represent the underlying transactions and events in a manner that achieves Fair Presentation.
- We communicated with audit the Financial Management regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

Legal requirements report

The Company maintains proper books of accounts and the accompanying consolidated financial statements and the consolidated financial statements contained in the report of the board of directors in accordance with the proper books of accounts, We recommend and approve the General Assembly.

Modern Accountants
Sinan Ghosheh
License No.(580)

Amman- Jordan
January 28, 2020

AL-ZARKA EDUCATIONAL AND INVESTMENT COMPANY

(PUBLIC SHAREHOLDING COMPANY)

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

AS OF DECEMBER 31, 2019

(EXPRESSED IN JORDANIAN DINAR)

	Note	**2018**	2018
ASSETS			
Non-current assets			
Property and equipment	4	**42,810,869**	43,187,040
Total non-current assets		**42,810,869**	43,187,040
Current assets			
Prepaid expenses and other receivables	6	**601,941**	764,686
Inventory		**340,216**	332,817
Accrued Revenues	7	**3,708,188**	3,760,697
Accounts receivable and checks under collection	8	**249,353**	490,469
Financial assets designated at fair value through statement of comprehensive income		**64,697**	59,893
Cash and cash equivalents	5	**1,425,791**	2,158,400
Total current assets		**6,390,186**	7,566,962
TOTAL ASSETS		**49,201,055**	50,754,002
LIABILITIES AND OWNERS' EQUITY			
Owners' equity			
Share capital	1	**16,500,000**	16,500,000
Statutory reserve	9	**4,125,000**	4,068,326
Voluntary reserves	9	**5,342,400**	5,255,782
Special reserve	9	**4,969,019**	4,882,401
Retained earnings		**539,099**	928,866
Total owners' equity		**31,475,518**	31,635,375
Unearned and deferred revenues	10	**5,038,478**	5,899,699
non-current liabilities			
Long-term notes payable	11	**6,325,322**	6,357,312
Total non-current liabilities		**6,325,322**	6,357,312
Current liabilities			
Accrued expenses and other payables	12	**672,922**	774,058
Miscellaneous Deposit	13	**1,372,757**	1,258,407
Accounts payable and Deferred checks	14	**1,671,109**	1,413,690
Short term of notes payable	11	**2,644,949**	3,415,461
Total current liabilities		**6,361,737**	6,861,616
TOTAL LIABILITIES AND OWNERS' EQUITY		**49,201,055**	50,754,002

The accompanying notes are an integral part of these consolidated financial statements

AL-ZARKA EDUCATIONAL AND INVESTMENT COMPANY
(PUBLIC SHAREHOLDING COMPANY)
CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME
YEAR ENDED DECEMBER 31, 2019
(EXPRESSED IN JORDANIAN DINAR)

	Note	2019	2018
Operating revenues			
Students transportation revenues		**19,581,839**	20,186,322
University facilities and schools revenues		**501,906**	446,044
Revenue assurance station		**101,579**	98,620
Other operating income		**85,285**	70,220
Total Operating revenues		**20,270,609**	20,801,206
Operating expenses			
Salaries and wages		**(11,120,765)**	(10,844,387)
Depreciation		**(3,267,526)**	(3,280,180)
Health insurance for students		**(63,005)**	(117,601)
Maintenance and consumed materials		**(721,968)**	(644,301)
Electricity, water and fuels		**(696,608)**	(633,037)
Administrative and other operating expenses	17	**(3,492,790)**	(3,929,258)
Total operating expenses		**(19,362,662)**	(19,448,764)
Net operating profit		**907,947**	1,352,442
Unrealized losses / gains from financial assets designated at fair value through statement of comprehensive income		**4,804**	(16,013)
Board of directors remunerations	16	**(55,000)**	(55,000)
Allowance for doubtful accounts		**(16,530)**	(125,246)
Provision for inventory impairment		**(50,961)**	-
Other revenues and other expenses		**84,120**	68,865
Income before tax		**874,380**	1,225,048
Income tax	15	**(146,037)**	(211,653)
Tax expenses for previous years		**(63,200)**	(162,082)
Income For The Year		**665,143**	851,313
Other comprehensive income :		**-**	-
Total comprehensive income for the year		**665,143**	851,313
Earnings per share:			
Earnings per share-JD/Share		**0,04**	0,05
Weighted average of outstanding shares		**16,500,000**	16,500,000

The accompanying notes are an integral part of these consolidated financial statements

AL-ZARKA EDUCATIONAL AND INVESTMENT COMPANY
(PUBLIC SHAREHOLDING COMPANY)
CONSOLIDATED STATEMENT OF OWNERS' EQUITY
YEAR ENDED DECEMBER 31, 2019
(EXPRESSED IN JORDANIAN DINAR)

						Retained earnings			
	Note	Share capital	Statutory reserve	Voluntary reserves	Special reserve	Realized Gains	Unrealized Gains	Retained earnings	Total
Balance at December 31, 2017		16,500,000	3,956,529	5,143,985	4,770,604	541,457	61,269	602,726	30,973,844
Impact of expected credit loss IFRS 9	20	-	-	-	-	(189,782)	-	(189,782)	(189,782)
Balance at January 1, 2018		16,500,000	3,956,529	5,143,985	4,770,604	351,675	61,269	412,944	30,784,062
Comprehensive income for the year		-	-	-	-	851,313	-	851,313	851,313
Transfers to Statutory reserve		-	111,797	111,797	111,797	(335,391)	-	(335,391)	-
Balance at December 31, 2018		**16,500,000**	**4,068,326**	**5,255,782**	**4,882,401**	**867,597**	**61,269**	**928,866**	**31,635,375**
Dividends paid		**-**	**-**	**-**	**-**	**(825,000)**	**-**	**(825,000)**	**(825,000)**
Comprehensive income for the year		**-**	**-**	**-**	**-**	**660,339**	**4,804**	**665,143**	**665,143**
Transfers to Statutory reserve		**-**	**56,674**	**86,618**	**86,618**	**(229,910)**	**-**	**(229,910)**	**-**
Balance at December 31, 2019		**16,500,000**	**4,125,000**	**5,342,400**	**4,969,019**	**473,026**	**66,073**	**539,099**	**31,475,518**

The accompanying notes are an integral part of these consolidated financial statements

AL-ZARKA EDUCATIONAL AND INVESTMENT COMPANY
(PUBLIC SHAREHOLDING COMPANY)
CONSOLIDATED STATEMENT OF CASH FLOWS
YEAR ENDED DECEMBER 31, 2019
(EXPRESSED IN JORDANIAN DINAR)

	2019	2019
OPERATING ACTIVITIES		
Income before tax	874,380	1,225,048
Adjustments of income before income tax:		
Depreciation	3,267,526	3,280,180
Unrealized losses / gains from financial assets designated at fair value through statement of comprehensive income	(4,804)	16,013
Changes in operating assets and liabilities:		
	(63,200)	(162,082)
Accounts receivable and checks under collection	241,116	(148,360)
Accrued revenues	52,509	58,445
Inventory	(7,399)	73,528
Prepaid expenses and other receivables	162,745	90,884
Accounts Payable and Deferred checks	257,419	320,131
Miscellaneous Deposit	114,350	227,345
Accrued expenses and other payables	(83,255)	(75,549)
Unrealized and deferred revenues	(861,221)	510,068
Cash available from operating activities	3,950,166	5,415,651
Income Tax paid	(163,918)	(395,300)
Net cash available from operating activities	3,786,248	5,020,351
INVESTING ACTIVITIES		
change Purchase of property and equipment	(2,891,355)	(3,149,715)
change Projects under construction	-	350,081
Net cash used in investing activities	(2,891,355)	(2,799,634)
FINANCING ACTIVITIES		
(Payment to)/ Financing of Notes payables	(802,502)	(2,044,643)
Dividends Paid	(825,000)	-
Net cash used in financing activities	(1,627,502)	(2,044,643)
Net change in cash and cash equivalents	(732,609)	176,074
Cash and cash equivalents, January 1	2,158,400	1,982,326
CASH AND CASH EQUIVALENTS, December 31	1,425,791	2,158,400

The accompanying notes are an integral part of these consolidated financial statements

AL-ZARKA EDUCATIONAL AND INVESTMENT COMPANY

(PUBLIC SHAREHOLDING COMPANY)

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

YEAR ENDED DECEMBER 31, 2019

(EXPRESSED IN JORDANIAN DINAR)

1. ORGANIZATION AND ACTIVITIES

Al-Zarka Educational and Investment (“the Company”) is a Public Shareholding Company. Registered under commercial registration number (214) on December 22, 1991 and obtained operating rights on October 2, 1992. The Company’s share capital is JD 16,500,000 divided into 16,500,000 shares each for JD 1.

The Company’s principal activity is establishing a civil university and related institutes to help qualify students and contributing to scientific research and establishing schools.

The Company and university’s headquarter is in Al-Zarka City.

The consolidated financial statement as of December 31, 2019 contains the financial statement of (Al Dou’a Al Satee’ for Satellite broadcasting and radio)

Subsidiary name	Registration place	Registration year	Vote and equity percentage	Main activity
Al Dou'a Al Satee' for Satellite broadcasting and radio	The Hashemite kingdom of Jordan	2015	100 %	Managing Satellite broadcasting and radio stations

2. NEW AND REVISED STANDARDS AND AMENDMENTS TO IFRS ISSUED BUT NOT YET EFFECTIVE:-

The following new standards and amendments to the standards have been issued but are not yet effective and the Company intends to adopt these standards, where applicable, when they become effective.

New Standards	**Effective Date**
IFRS 10 Consolidated financial statements	Postponed indefinitely
IFRS 28 Investment in associates and joint ventures	Postponed indefinitely
IFRS 3 Business combinations	January-1-2020
IFRS 1 First-time adoption of international financial reporting standards	January-1-2020

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The preparation of financial statements

The accompanying consolidated financial statements have been prepared in accordance with the International Financial Reporting Standards.

Basis of preparation

These consolidated financial statements, were presented in Jordanian Dinar as the majority of transaction, are recorded in the Jordanian Dinar.

The Consolidated financial statements have been prepared on historical cost basic, However financial assets and financial liabilities are stated at fair value. The following is a summary of significant accounting policies applied by the Company.

Basis of consolidation financial statements

The consolidated financial statements incorporate the financial statements of Al-Zarka Educational and Investment Company (Public Shareholding Company) and the subsidiaries controlled by the Company

Control is achieved where the Company:

- Ability to exert power over the investee.
- Exposure, or rights, to variable returns from its involvement with the investee.
- Ability to exert power over the investee to affect the amount of the investor's returns.

The Company reassesses whether or not it controls an investee if facts and circumstances indicate that there are changes to one or more of the three elements of control described in the accounting policy for subsidiaries above.

When the Company has less than a majority of the voting, The Company shall have control over the investee when the voting rights sufficient to give it the ability to direct relevant activities of the investee individually.

When The Company reassesses whether or not it controls an investee, it consider all the relevant facts and circumstances which includes:

- Size of the holding relative to the size and dispersion of other vote holders
- Potential voting rights, others vote-holders, and Other parties
- Other contractual rights
- Any additional facts and circumstances may indicate that the company has, or does not have, the current ability to direct the activities related to the time needed to make decisions, including how to vote at previous shareholders meetings.

The consolidation process begins when the company’s achieve control on the investee enterprise (subsidiary), while that process stops when the company’s loses control of the investee (subsidiary). In particular Income and expenses of subsidiaries acquired or disposed of during the year are included in the consolidated income statement, and the consolidated comprehensive income statement from the effective date of acquisition and up to the effective date of which it loses control of a subsidiary Company.

Financial assets designated at fair value through statement of comprehensive income

Financial assets are classified as at fair value through statement of income when the financial asset is either held for trading or it is designated as at fair value through statement of income .A financial asset is classified as held for trading if:

- it has been acquired principally for the purpose of selling it in the near term; or
- on initial recognition it is part of a portfolio of identified financial instruments that the Company manages together and has a recent actual pattern of short-term profit-taking; or
- it is a derivative that is not designated and effective as a hedging instrument.

A financial asset other than a financial asset held for trading may be designated as at fair value through statement of income upon initial recognition if:

- such designation eliminates or significantly reduces a measurement or recognition inconsistency that would otherwise arise; or
- The financial asset forms part of a group of financial assets or financial liabilities or both, which is managed and its performance is evaluated on a fair value basis, in accordance with the Company's documented risk management or investment strategy, and information about the grouping is provided internally on that basis; or
- It forms part of a contract containing one or more embedded derivatives, and IAS 39 Financial Instruments: Recognition and Measurement permits the entire combined contract (asset or liability) to be designated as at fair value through statement of income.

Financial assets at fair value through statement of income are stated at fair value, with any gains or losses arising on measurement recognized in profit or loss. The net gain or loss recognized in profit or loss incorporates any dividend or interest earned on the financial asset and is included in the 'other gains and losses' line item in the consolidated income statement.

Equity instruments at FVTOCI

Investments in equity instruments at FVTOCI are initially measured at fair value plus transaction costs. Subsequently. They are measured fair value with gains and losses arising from changes in fair value recognized in other comprehensive income and accumulated in the cumulative changes in fair value of securities reserve: The cumulative changes or loss will not be reclassified investments. But reclassified to retained earnings. The Company has designated all instruments that are not held for trading as at FVTOCI

AL-ZARKA EDUCATIONAL AND INVESTMENT COMPANY
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Dividends on these investments in equity instruments arc recognized in profit or loss when the Company right to receive the dividends is established, unless the dividends clearly represent a recovery of a part of the cost of the investments. Other net gains and losses are recognized in OCI and are never reclassified to profit or loss.

Debt instruments at amortized cost or at FVTOCI

The Company assesses the classification and measurement of the cash flow characteristics of the contractual asset and the Company's business model for managing the asset

For an asset to classified and measured at amortized cost or at FVTOCI, is contractual terms should give rise to cash flows that are solely represent payments of principal and interest on the principal outstanding (SPPI)

At initial recognition of a financial asset, the Company determines whether newly recognized financial assets are part of an existing business model or whether they reflect the commencement of a new business model. The Company reassess its business models each reporting period to determine whether the business models have changed since the preceding period. For the current and prior reporting period the Company has not identified a change in its business models.

When a debt instrument measured a FVTOCI is derecognized, the cumulative gain or loss previously recognized in OCI is reclassified from equity to profit or loss. In contrast, for an equity investment designated as measured FVTOCI , the cumulative gain/loss previously recognized in OCI is not subsequently reclassified to profit or loss but transferred within equity

Debt instruments that are subsequently measured at amortized cost or FVTOCI are subject to impairment.

Financial assets at FVTPL

Financial assets at FVTPL are:

(i) Assets with contractual cash flows that are not SPPl ; or and

(ii) assets that are held in a business model other than held to collect contractual cash flows or held to collect and sell; or

(iii) Assets designated at FVTPL using the fair value option.

These assets are measured at fair value, with any gains / losses arising on re-measurement recognized in profit or loss.

Fair value option: A financial instrument with a reliably measureable fair value can be designated as FVTPL (the fair value option) on its initial recognition even if the financial instrument was not acquired or incurred principally for the purpose of selling or repurchasing .The fair value option can be used for financial assets if it eliminates or significantly reduces a measurement or recognition inconsistency that would otherwise arise from measuring assets or liabilities, or recognizing related gains and losses on a different basis (an "accounting mismatch").

Reclassifications

If the business model under which the Company holds financial assets changes. The financial assets affected are reclassified. The classification and measurement requirements related to the new category apply prospectively from the first day of the first reporting period following the change in business model that results in reclassifying he Company 's financial assets. During the current financial year and previous accounting period, there was no change in the business model under which the Company holds financial assets and therefore no reclassifications were made

Impairment

IFRS 9 replaces the "incurred loss" model in IAS 39 with an expected credit loss model (ECLs). The Company recognizes loss allowance for expected credit losses on the following financial instruments that are not measured at FVTPL

- Cash and bank balances:
- Trade and other receivables;
- Due from related party.

With the exception of purchased or originated credit impaired (POCI) financial assets (which are considered separately below), ECLs are required to be measured through a loss allowance at an amount equal to:

• 12 Month ECL, i.e. lifetime ECL that results from those default events on the financial instrument that are possible within 12 months after the reporting date(referred to as stage1); or

• Full lifetime ECL, i.e. Lifetime ECL that results from all possible default events over the life of the financial instruments, (referred to as stage2 and stage3).

A loss allowance for full lifetime ECL is required for a financial instrument if the credit risk on that financial Instrument has increased significantly since initial recognition. For all other financial

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NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

YEAR ENDED DECEMBER 31, 2019

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instruments, ECLs are measured at an amount equal to the 12-monh ECL.

The Company has elected to measure loss allowances of cash and bank balances. Trade and other receivables, and due from a related party at an amount equal to life time ECLs.

ECLs are probability-weighted estimate of the present value of credit losses. These are measured as the present value of the difference between the cash flow to the Company under the contract and the cash flows that the Company expects to receive arising from weighting of multiple future economic scenarios. Discounted at the asset's EIR.

Loss allowance for financial investments measured at amortized costs is deducted from gross carrying amount of assets. For debt securities a FVTOCI, the loss allowance is recognized in the OCI, instead of reducing the carrying amount of the asset.

When determining whether the credit risk of a financial asset has increased significantly since initial recognition and when estimating ECLs, the Company considers reasonable and supportable information that is relevant and available without undue costs or effort. This includes both quantitative and qualitative including forward-looking information.

For certain categories of financial assets, assets that are assessed not to be impaired individually are. in addition, assessed for impairment on a collective basis. Objective evidence of impairment for a portfolio of receivables could include the Company's past experience of collecting payments, an increase in the number of delayed payments in the portfolio as well as observable changes in national or local economic conditions that correlate with default on receivables.

Impairment losses related to cash and bank balances, trade and other receivables and due from a related party, are presented separately in the interim condensed statement of income and other comprehensive income

The Company considers a debt security to have low credit risk when its credit risk rating is equivalent to the globally understood definition of the grade of the investment

Measurement of ECL

The Company employs statistical models for ECL calculations. ECLs are a probability-weighted estimate of credit losses. For measuring ECL under IFRS 9, the key input would be the term structure of the following variables.

- Probability of default (PD);
- Loss given default (LGD); and
- Exposure at default (EAD).

These parameters will be derived from our internally developed statistical models and other historical data. They will be adjusted to reflect forward – looking information

Credit-impaired financial assets

A financial asset is credit-impaired when one or more events that have a detrimental impact on the estimated future cash flows of the financial assets have occurred. Credit-impaired financial assets are referred to stage 3 assets. At each reporting date, the Company assesses whether financial assets carried at amortized costs and debt securities at FVTOCI at credit-impaired. A financial asset is credit impaired when one or more events that have a detrimental impact in the estimated future cash flows of the financial asset have occurred.

DE-recognition of financial assets

The Company de-recognizes 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 recognizes 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 recognize the financial asset and also recognizes a collateralized borrowing for the proceeds received.

On DE recognition of a financial asset measured at amortized cost or measured at FVTPL, the difference between the asset’s carrying amount and the sum of the consideration received and receivable is recognized in profit or loss

On DE recognition of a financial asset that is classified as FVTOCI, the cumulative gain or loss previously accumulated in the cumulative changes in fair value of securities reserve is not reclassified to profit or loss, but is reclassified to retained earnings.

AL-ZARKA EDUCATIONAL AND INVESTMENT COMPANY
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NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)
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Presentation of allowance for ECL are presented in the condensed financial information

Loss allowances for ECL are presented in the condensed financial information as follows:

For financial assets measured at amortized cost (loans and advances, cash and bank balances): as a deduction from the gross carrying amount of the assets.

For debt instruments measured at FVTOCI no loss allowance is recognized in the interim condensed statement of financial position as the carrying amount is at fair value. However, the less allowance is included as part of the revaluation amount in re-evaluation reserve and recognized in other comprehensive income.

Revenue recognition

IFRS 15 "Revenue from contracts with customers" outlines a single comprehensive model of accounting for revenue arising from contracts with customers and supersedes current revenue recognition guidance found across several standards and Interpretation within IFRSs. It establishes a new five-step model that will apply to revenue arising from contracts with customers.

Step1: identify the contract with customer : A contract is defined as an agreement between two or more parties that creates enforceable rights and obligations and sets out the criteria for each of those rights and obligations.

Step 2: Identify the performance obligations in the contract : performance obligation in a contract is a promise to transfer a good or service to the customer

Step 3 :Determine the transaction price Transaction price is the amount of consideration to which the Company expects to be entitled in exchange for transferring the goods and services to a customer excluding amount collected on behalf of third parties.

Step 4 : Allocate the transaction price to the performance obligations in the contract: For a contract that has more than one performance obligation the Company will allocate the transaction price to each performance obligation in an amount that depicts the consideration to which the Company expects to be entitled in exchange for satisfying each performance obligation.

Step 5: Recognize revenues as and when the entity satisfies the performance obligation

The Company recognizes revenue over time if any one of the following criteria is met:

The customer simultaneously receives and consumes the benefits provided by the Company performance as The Company performs.

The Company performance creates or enhances an asset that the customer controls as the asset is created or enhanced or

The Company performance does not create an asset with an alternative use to the Company and the entity has an enforceable right to payment for performance obligation completed to date

The Company allocates the transaction price to the performance obligations in a contract based on the input method which requires the revenue recognition on the basis of the Company efforts or inputs to the satisfaction of the performance obligations. The Company estimates the total costs to complete the projects in order to determine amount of revenue to be recognized.

Impact of changes in accounting policies due to adoption of new standards (continued)

Revenue recognition (continued)

When he Company satisfies A performance obligation by delivering the promised goods and services, it creates a contract asset based on the amount of consideration earned by the performance. Where the amount of consideration received from the customer exceeds the amount of revenue recognized this gives rise to a contract liability

Revenue is measured at the fair value of consideration received or receivable, taking into account the contractually agreed terms of payment. The Company assesses its revenue arrangements against specific criteria to determine if it is acting as a principal or agent and has concluded that it is acting as a principal all of its revenue arrangements

-Revenue is recognized in the interim condensed consolidated financial statements to the extent that it is probable that the economic benefits will flow to the Company and the revenue and costs, if and when applicable, can be measured reliably.

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Critical accounting judgments and key sources of estimation uncertainty

The preparation of condensed consolidated financial statements requires management to make judgments estimates and assumptions that affect the application of accounting policies and the reported amounts of assets and liabilities, income and expense. Actual results may differ from these estimates.

In preparing these condensed consolidated financial statements, the significant Judgments made by management in applying the Company accounting policies and the key sources of estimation uncertainty were the same as those that applied to the audited annual consolidated financial statements for the year ended 31 December 2017, except for the adoption of IFRS 9 which has resulted in changes in accounting judgments for recognition of financial assets and Liabilities and impairment of financial assets, as set out below.

Critical judgments in applying the Company’s accounting policies in respect of IFRS 9

Business model assessment: Classification and measurement of financial assets depends on the results of the SPPI and the business model test. The Company determines the business model at a level that reflects how Company s of financial assets were managed together to achieve a particular business objective. This assessment includes judgments reflecting all relevant evidence including how the performance of the assets is evaluated and their performance measured, the risks that affect the performance of the assets and how these are managed and how the managers of f he assets are compensated. Monitoring is part of the Company s continues assessment of whether the business model for which the remaining financial assets are held continues to be appropriate and if it is not appropriate whether there has been a change in business model and so a prospective change to the classification of those assets.

Significant increase of credit risk

ECLs are measured as an allowance equal to 12-month ECL for stage1 assets, or lifetime ECL assets for stage 2 or stage 3 assets. An asset moves to stage 2 when its credit risk has increased significantly since initial recognition. IFRS 9 does not define what constitutes a significant increase in credit risk. In assessing whether the credit risk of an asset has significantly increased the Company takes into account qualitative and quantitative reasonable and supportable forward looking information.

Establishing Company s of assets with similar credit risk characteristics

When ECLs are measured on a collective basis, the financial instruments are Company collected on the basis of shared risk characteristics (e g, instrument type, credit risk grade, collateral type, date of initial recognition, remaining term to maturity, industry, geographic location of the borrower, etc.). The Company monitors the appropriateness of the credit risk characteristics on an ongoing basis to assess whether they continue to be similar. This is required in order to ensure that should credit risk characteristics change there is appropriate re-segmentation of the assets. This may result in new portfolios being created or assets moving to an existing portfolio that better reflects the similar credit risk characteristics of that Company of assets. Re-segmentation of portfolios and movement between portfolios is more common when there is a significant Increase in credit risk (or when that significant increase reverses) and so assets move from 12-month to lifetime ECLs, or vice versa, but it can also occur within portfolios that continue to be measured on the same basis of 12 month or lifetime ECLs but the amount of the ECLs changes because the credit risk of the portfolios differ.

Models and assumptions used

The Company uses various models and assumptions in measuring fair value of financial assets as well as in estimating ECL. Judgment is applied in identifying the most appropriate model for each type of asset, as well as for determining the assumptions used in these models, including assumptions that relate to key drivers of credit risk.

Key sources of estimation uncertainty in respect of IFRS 9

The following are key estimations that the management has used in the process of applying the Company's accounting policies and that have the most significant effect on the amounts recognized in condensed consolidated interim financial statements.

Establishing the number and relative weightings of forward-looking scenarios for each type of product /market determining the forward looking information relevant to each scenario: When measuring ECL the Company uses reasonable and supportable forward looking information, which s based on assumptions for the future movement of different economic drivers and how these drivers will affect each other

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Probability of Default

PD constitutes a key input in measuring ECL. PD is an estimate of the likelihood of Default likelihood of default over a given time horizon, the calculation of which includes historical data, assumptions and expectations of future conditions.

Loss Given to Default

LGD is an estimate of the loss arising on default. It is based on the difference between the contractual cash flows due and those that the lender would expect to receive, taking into account cash flows from collateral and integral credit enhancements.

Revenue Recognition

The tuition revenues are recognized when tutorial services are provided.

Student Transportation and University facilities and other operating income are recognized on accrual basis.

Expenses

Expenses are reported in the Statement of Comprehensive Income according to its nature, and the expense principally arising from the costs spent on salaries and wages, depreciations, students health insurance, maintenance, consumed materials, electricity water and fuels, for the purpose of providing services. The expenses are classified and reported as Administrative and operating expenses.

Cash and cash equivalents

Cash and cash equivalents include cash, demand deposits, and highly liquid investments with original maturities of three months or less.

Trade receivable

Receivable are non- derivative financial assets with fixed payments that are quoted in an active market.

Trade receivable are stated at invoice amount less any provision for doubtful and a provision for doubtful debts is taken when there is an indication that the receivable may not be collected, and are written off in the same period when there is impossible recovery of them.

Inventories and spare parts

Inventories are stated at the lower of cost or net realizable value. Cost is determined, for finished goods, on a first-in-first-out cost basis and includes cost of purchases, fund and other costs incurred in order to get and into warehouse. Raw material, work in process, spare parts and other inventories are stated at cost which is determined by using weighted average cost basis.

Projects in progress

The projects in progress have been prepared on cost, when project becomes ready to use, it is transferred to the related property, plant equipment caption.

Property and equipment

Property and equipment are stated at cost less accumulated depreciation. Expenditure on maintenance and repairs is expensed. Depreciation is provided over the estimated useful lives of the applicable assets using the straight-line method. The estimated rates of depreciation of the principal classes of assets are as follows:

	Annual depreciation rate
Buildings, walls and wells	2-15%
Equipments and solar	10%
Furniture	15%
Equipments, devices and elevators	12-25%
Vehicles	15%
Laboratories	25-33%
Parking, roads, landscapes	10%
Books, tools and others	5-25%

Useful lives and the depreciation method are reviewed periodically to make sure that the method and amortization period appropriate with the expected economic benefits of property and equipment.

Impairment test is performed to the value of the property and equipment that appears in the Statement of Financial Position When any events or changes in circumstances shows that this value is non-recoverable.

In case of any indication to impairment, Impairment losses are calculated according to the policy of the low value of the assets

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At the exclusion of any subsequent property and equipment, recognize the value of gains or losses resulting, Which represents the difference between the net proceeds of exclusion and the value of the property and equipment that appears in the Statement of Financial Position, Gross Profit and loss.

Accrued revenues

Accrued revenues are recognized separately from other revenues for the current and previous years and uncollected revenues from students until the date of the financial statements.

Unearned and deferred revenues

The unearned and deferred revenues are recognized separately from the unearned and deferred revenues that do not belong to the period.

As for the ownership equity tools which are available for sale, decline losses are not closed in the recognized value in the comprehensive income statement. However any increase in the fair value become after decline loss has recognized directly in consolidated owner's equity statement.

The Provisions

The provision had been formed, when the Company has a present obligation (legal or expected) from past events which its cost of repayment consider accepted and it has ability to estimate it reliably.

The provision had been measured according to the best expectations of the required alternative to meet the obligation as of the consolidated statement of financial position date after considering the risks and not assured matters about the obligation. When the provision is measured with the estimated cash flows to pay the present obligation, then the accounts receivable are recognized as asset in case of receipt and replacement of the amount is certain and it able to measure the amount reliably.

Contingent liabilities

Contingent liabilities are based on the possible appearance of uncertain future events, or present obligations without the occurrence of payments or the inability to be measured reliably.

Contingent liabilities are not recognized in the consolidated financial statement.

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Accounts payable

Accounts payable are stated at the obligation amounts for received services and goods, whether billed by the suppliers or not.

The sectorial report

The business sector represents a collection of assets and operation engaged together in providing product or services subjected to risks and returns that are different from those of other business sectors, which are measured according to the reports that are used by the executive director and the main decision – makers in the Company.

Group include key business sector to invest in financial assets & ready mix concert and the transport sector and shipping sector maintenance and spare parts and operate only inside the Hashemite Kingdom of Jordan.

Offsetting

Financial assets and financial liabilities are offset, and the net amount is reflected in the consolidated statement of financial position only when there are legal rights to offset the recognized amounts, the Bank intends to settle them on a net basis, or assets are realized and liabilities settled simultaneously.

Income tax

The company is subject to Income Tax Law and its subsequent amendments and the regulations issued by the Income Tax Department in the Hashemite Kingdom of Jordan and provided on accrual basis, Income Tax is computed based on adjusted net income. According to International Accounting Standard number (12), the company may have deferred taxable assets resulting from the temporary differences between the accounting value and tax value of the assets and liabilities related to the provisions, these assets are not shown in the financial statements since it’s immaterial.

Related parties

The transactions with related parties is in the transfer of resources and services and obligations between related parties, conditions and basis of transactions between related parties are made by the administrations.

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Foreign currency translation

Foreign currency transactions are translated into Jordanian dinar at the rates of exchange prevailing at the time of the transactions. Monetary assets and liabilities denominated in foreign currencies at the balance sheet date are translated at the exchange rates prevailing at the date. Gains and losses from settlement and translation of foreign currency transactions are included in the consolidated statement of comprehensive income.

4. PROPERTY AND EQUIPMENT

	January 1	Additions	Disposals	December 31
Cost:				
Lands *	703,502	-	-	**703,502**
Buildings, walls and wells	41,696,406	**803,375**	-	**42,499,781**
Equipment's and solar	3,150,618	**166,325**	-	**3,316,943**
Furniture	3,167,676	**460,678**	-	**3,628,354**
Equipments, devices and elevators	5,340,794	**476,772**	-	**5,817,566**
Vehicles	6,024,163	**61,500**	-	**6,085,663**
Laboratories	8,386,862	**669,402**	-	**9,056,264**
Parking, roads, landscapes	1,603,794	**181,996**	-	**1,785,790**
Books, tools and others	2,001,565	**71,307**	-	**2,072,872**
Total cost	72,075,380	**2,891,355**	-	**74,966,735**
Depreciation:				
Buildings, walls and wells	6,849,887	**1,341,560**	-	**8,191,447**
Equipments and solar	799,065	**304,919**	-	**1,103,984**
Furniture	2,171,900	**154,704**	-	**2,326,604**
Equipments, devices and elevators	4,260,528	**458,154**	-	**4,718,682**
Vehicles	4,825,464	**352,489**	-	**5,177,953**
Laboratories	7,452,172	**397,387**	-	**7,849,559**
Parking, roads and landscapes	1,057,060	**116,712**	-	**1,173,772**
Books, tools and others	1,472,264	**141,601**	-	**1,613,865**
Total cost	28,888,340	**3,267,526**	-	**32,155,866**
Book value at January1	43,187,040			
Book value at December 31				**42,810,869**

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* The land is first class mortgaged to the International Islamic Arab bank by JD 350,000 for the granted Murabaha facilities.

5. CASH AND CASH EQUIVALENTS

	2019	2018
	711	600
	1,425,080	2,157,800
	1,425,791	2,158,400

6. PREPAID EXPENSES AND OTHER RECEIVABLES

	2019	2018
Prepaid expenses	93,199	200,800
Refundable deposits	39,204	39,204
Guarantee deposits	273,452	278,452
Employees accounts	210,730	214,418
Other receivables	73,867	112,965
Provision for impairment of other receivables *	(88,511)	(81,153)
	601,941	764,686

* PROVISION FOR IMPAIRMENT OF OTHER RECEIVABLES

	2019	2018
Beginning Balance	81,153	-
Additions	7,358	81,153
	88,511	81,153

7. ACCRUED REVENUES

	2019	2018
Accrued revenues to university *	2,794,468	2,797,094
Accrued revenues to Azzarqa university	1,051,992	1,099,602
Revenues receivable blue technical college	28,995	19,750
Provision for impairment of accrued receivables **	(167,267)	(155,749)
	3,708,188	3,760,697

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* This item represents the rest of the revenues for the first semester in which it ended within the beginning of 2017, the second and summer semesters and uncollected revenues from students until the date of this consolidated financial statement.

** PROVISION FOR IMPAIRMENT OF ACCRUED RECEIVABLES

	2019	2018
Beginning Balance	**155,749**	-
Additions	**11,518**	155,749
	167,267	155,749

8. ACCOUNTS RECEIVABLE AND CHECKS UNDER COLLECTION

	2019	2018
Checks under collection	**153,149**	421,535
Accounts receivable	**192,010**	167,086
Account receivable provision*	**(95,806)**	(98,152)
	249,353	490,469

* ACCOUNT RECEIVABLE PROVISION

	2019	2018
Beginning Balance	**98,152**	25,000
Additions	**-**	73,152
Disposals	**(2,346)**	-
	95,806	98,152

9 . RESERVES

Statutory reserve:

In accordance with the Companies' Law in the Hashemite Kingdome of Jordan and the Company's Article of Association, the Company has established a statutory reserve by the appropriation of 10% of net income until the reserve equals 25% of the capital. However, the Company may, with the approval of the General Assembly continue deducting this annual ratio until this reserve is equal to the subscribed capital of the Company in full. This reserve is not available for dividends distribution.

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Voluntary reserves:

In accordance with the Companies' Law in the Hashemite Kingdome of Jordan and the Company's Article of Association, The Company can establish a voluntary reserve by an appropriation no more than 20% of net income. The company's Board of Directors resolved to allocate 20% of the net income during the year. This reserve is not available for dividend distribution till the approval of the Company's General Assembly.

Special reserve:

In accordance with the Companies' Law in the Hashemite Kingdome of Jordan and the Company's Article of Association, the Company can establish a special reserve by an appropriation no more than 20% of net income. This reserve is for the expansion of the Company's financial position and is available for dividend distribution till the approval of the Company's General Assembly.

10. UNEARNED AND DEFERRED REVENUES

	2019	2018
Unearned and deferred revenues to university*	**3,132,887**	3,983,984
Unearned and deferred revenues to Azzarqa university	**1,890,846**	1,908,147
Unearned and deferred revenues to zarqa technical college	**14,745**	7,568
	5,038,478	5,899,699

* This item represents the amount tutorial expenses and student transportation from the first semester for 2019 which have been deferred to be recognized considering the extend of the first semester between 2018 and 2019 and unearned revenues for the second semester which begins and ends in 2020.

11. NOTES PAYABLE

The Company obtained Murabaha facilities as in notes payable during the previous and current year in between (4-4.55%) and the last payment is due between January 1, 2020 to October 1, 2024.

The notes for payable as of December 31, are as follows:

	2019	2018
Notes payable	**8,970,271**	9,772,773
Less: short term	**2,644,949**	3,415,461
Long term	**6,325,322**	6,357,312

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12. ACCRUED EXPENSES AND OTHER PAYABLE

	2019	2018
Accrued expenses	**57,534**	99,591
Accrued vacations	**81,712**	67,449
End of service remunerations	**201,732**	230,766
Income Tax (Note-15)	**209,939**	227,820
Board of directors remunerations	**55,000**	55,000
Receivables staff	**67,005**	93,432
	672,922	774,058

13. MISCELANOUS DEPOSITS

	2019	2018
Students refundable deposits	**1,161,185**	1,056,629
Saving account deposits	**46,109**	46,109
Shareholder deposits and others	**165,463**	155,669
	1,372,757	1,258,407

14. ACCOUNTS PAYABLE AND DEFEERED CHECKS

	2019	2018
Accounts payable	**1,618,424**	1,152,690
Employees payable	**52,685**	261,000
	1,671,109	1,413,690

15. INCOME TAX

	2019	2018
Balance as of January 1	**227,820**	411,467
Paid during the year	**(163,918)**	(395,300)
Provision	**136,184**	211,653
National contribution account	**9,853**	-
Balance as of December 31	**209,939**	227,820

- Summary of accounting profit adjustment with tax profit

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	2019	2018
Accounting profit	**874,380**	1,062,966
Add: rejected expenses	**376,741**	740,834
Less: subjected expenses	**(265,850)**	(345,333)
Deductable income	**985,271**	1,458,467
Income tax before property tax	**197,054**	291,693
Less: property tax	**(59,635)**	(80,040)
Less: Deposit tax 5%	**(1,235)**	-
Income tax within income statement	**136,184**	211,653
National Contribution Tax	**9,853**	-
	146,037	211,653
Legal income tax	**20%**	20%
Actual income tax	**15%**	20%

The Company settled its tax position with Income and tax department until 2016. As for the year 2017, the self- assessed tax report has been submitted by the company and has not been reviewed through the Income and Sales Tax Department until the date of this consolidated financial statement.

16. TRANSACTIONS WITH RELATED PARTIES

	2019	2018
Board of Directors remunerations	**55,000**	55,000
Transportations to the Board of Directors	**71,350**	74,575
Salaries of Board of Directors	**120,000**	120,000
Salaries, remunerations and premiums of the general manager	**9,600**	9,600

	2019	2018
Remunerations and transportations to the Board of trustees	**66,399**	58,170
Salaries of university's head manager	**72,000**	72,000

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17. ADMINISTRATIVE AND OTHER OPERATING EXPENSES

	2019	2018
Board of Directors transportation	**71,350**	74,575
Board of Directors transportation and remuneration	**66,399**	58,170
Subscriptions and fees	**431,464**	437,356
Stationary and Stamps	**191,552**	223,477
Cleaning	**319,506**	289,022
Scientific research and conferences	**625,413**	758,242
Advertisement	**513,043**	551,478
Post mail and telephone	**60,814**	62,097
Insurance	**70,468**	87,504
Student Activities and training	**152,245**	138,557
Graduation fees	**101,425**	90,458
Hospitality	**35,926**	57,006
Registration fees	**243,800**	190,860
Professional fees	**40,280**	54,725
Donations	**54,500**	22,890
End of service remuneration	**56,669**	75,810
Vacations expenses	**30,604**	29,309
Traveling and transportation	**22,750**	66,102
Rents	**108,960**	-
Projects amortization in turkey	**-**	397,139
Miscellaneous	**295,622**	264,481
	3,492,790	3,929,258

18. CONTINGENT LIABILITIES

	2019	2018
Bank Guarantees	305,403	305,403
	305,403	305,403

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19. THE LEGAL STATUS OF THE COMPANY

Summary of Cases filed against the Company by third parties:

The value of cases filed by third parties for the Company amounted to JD 350,320 .

Summary of Cases Submitted by the Company and Subsidiary to Others:

The value of the cases filed by the Company amounted to JD 67,391 .

20. IMPACT OF ADOPTION OF IFRS 9 FINANCIAL INSTRUMENTS

IFRS9 Financial Instruments provides requirements for the identification and measurement of financial assets and liabilities and certain contracts for the purchase or sale of non-financial items. This Standard supersedes IAS 39 Financial Instruments: «Recognition and Measurement“

The Company has adopted IFRS 9 as of January 1, 2018. The Company has chosen not to adjust the comparative figures and the changes in the effective date have been included in the carrying amounts of the financial assets and liabilities within the opening balances of the retained earnings.

The net effect arising from the application of IFRS 9 as of 1 January 2018 is a decrease in retained earnings of JD 189,782.

Accounts receivable and other receivables and accrued income previously classified as loans and receivables under IAS 39 are now classified at amortized cost. An additional impairment allowance of JD 189,782 for these receivables was recognized and recognized as part of the opening balance of retained earnings as at 1 January 2018 when IFRS 9 was applied.

21. FINANCIAL INSTRUMENTS

The fair value

The fair value of financial assets and financial liabilities Financial assets include cash and cash equivalents and checks under collection and receivables, securities, and include accounts payable, credit facilities and loans and credits and other financial liabilities.

First level: the market prices stated in active markets for the same financial instruments.

Level II: assessment methods depend on the input affect the fair value and can be observed directly or indirectly in the market.

Level III: valuation techniques based on inputs affect the fair value cannot be observed directly or indirectly in the market.

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December 31, 2019	**level one**	**Second Level**	**third level**	**Total**
Financial assets designated at fair value through statement of comprehensive income	**64,697**	-	-	**64,697**
Financial assets designated at fair value through statement of other comprehensive income	-	-	-	-
	64,697	-	-	**64,697**
December 31, 2018				
Financial assets designated at fair value through statement of comprehensive income	59,893	-	-	59,893
Financial assets designated at fair value through statement of other comprehensive income	-	-	-	-
	59,893	-	-	59,893

The value set out in the third level reflect the cost of buying these assets rather than its fair value due to the lack of an active market for them, this is the opinion of Directors that the purchase cost is the most convenient way to measure the fair value of these assets and that there was no impairment.

Risk management

Include the risks those they my be exposed to the Company's market risk, credit and liquidity, which is managed by the Company as follow.

Market risk

Market risk is defined as the risk that the fair value or future cash of a financial instrument will fluctuate because of changes in market prices. It comprises the following risks:

Currency risk

Currency risk is defined as the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in foreign exchange rates, risks related to the financial instruments denominated in USD are low due to the constancy of exchange rate of JD against USD, while risks related to other foreign currencies were reflected in the consolidated of comprehensive income statement.

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Interest rates risk

Interest rate risk is defined as the risk that fair value or future cash flows of a financial instrument will fluctuate because of changes in market rates, the financial instruments in the consolidated statement of financial position are not subject to interest rate risk with the exception of due to banks and loans that are subject to current market interest rates.

The following tables shows the sensitivity of profit or loss and owner equity to changes interest rate changed by the facility or there deposits at banks and on interest rates paid by the entity to borrow from banks.

Capital risk

The contains of capital are reviewed on a regular basis and are taking in consideration the cost of capital and risks related with it , as capital is controlled to ensure continuity of business and increase revenue by achieving an optimal balance between owner's equity and debts.

Management of share capital risks

The Company manages its capital to make sure that the Company will continue when it is take the highest return by the best limit for debts and owners equity balances. The Company's strategy doesn't change from 2018.

Structuring of Company's capital includes debts that consist of loans as shown in (note 16, 17) and the owner's equity in the Company which includes share capital, statutory reserve, and retained earnings as it listed in the changes in consolidated owners' equity statement.

The debt ratio

The board of directors is reviewing the share capital structure periodically. As a part of this reviewing, the board of directors consider the cost of share capital and the risks that is related in each faction from capital and debt factions. The Company's capital structure includes debts from the borrowing. The Company doesn't determine the highest limit of the debt ratio and it doesn't expect increase in the debt ratio.

	2019	2018
Debts	**8,970,271**	9,772,773
Owners equity	**31,475,518**	31,635,375
Debt/ owners equity rate	**28%**	31%

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This decrease in the debt ratio for 2014 is attributed to the decrease in debts from payment of facilities with ceiling.

Exchange price risks

Are the risks resulting from fluctuation in the fair value or future cash flow of the financial instrument to the change in the price of foreign exchange.

Exchange price risks arises as a result of the implementation of the commercial transactions in foreign currencies, which imposes a kind of the risk as a result to fluctuation in exchange prices of these currencies during the year.

Most transaction in foreign currency and represent these transaction in U.S dollar as the exchange price of the Jordanian dinar is constant opposite of U.S Dollar.

Other price risk

Other price risk is defined as the risk that the fair value or future cash flows of financial instrument will fluctuate because of changes in market prices (other than those arising from interest rate risk or currency risk), whether those changes are caused by factors specific to the individual instrument or its issuer of factors all similar financial instruments traded in the market, the financial instruments in the consolidated statement of financial position are not subject to other pricing risk with the exception of investments.

Sensitivity analysis of the owner investments prices

Sensitivity analysis followed based on that the Company exposed to investments prices risks in owners' equity of other companies at the date of the financial statements.

In case investments prices in owners' equity of other companies higher/ lower by 5%:

The Company's owners' equity reserves become higher/ lower of 3,235 JOD (2018: higher/ lower of JOD 2,995) resulting from the company›s portfolio that classified as financial assets classified at fair value through comprehensive income.

The Company›s sensitivity to investments prices in owners› equity of others companies have changed substantially compared with the previous year are resulting to the disposal of important part from the investments portfolio during the year .

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Credit risk

Credit risk is defined as the risk that one party of a financial instrument will cause a financial loss for the other party by failing to discharge an obligation, the Company maintains cash at financial institutions with suitable credit rating, the Company looks forward to reduce the credit risk by maintaining a proper control over the customer's credit limits and collection process and take provisions for doubtful accounts.

Liquidity risk

Are the risks of inability to pay the financial obligations that were settled by receiving cash or another financial assets.

Liquidity risk management by control on cash flows and comparing them with maturities of assets and financial liabilities.

The following table shows the maturities of assets and financial liabilities as December 31,

2019

Description	Murabaha rate	Less than a year (JD)	One year and more (JD)	Total (JD)
Financial liabilities:				
Tools without Interest		**8,755,266**	**-**	**8,755,266**
Tools with Interest	4%4,55% -	**2,644,949**	**6,325,322**	**8,970,271**
Total		**11,400,215**	**6,325,322**	**17,725,537**

2018

Description	Murabaha rate	Less than a year (JD)	One year and more (JD)	Total (JD)
Financial liabilities:				
Tools without Interest		9,345,854	-	9,345,854
Tools with Interest	4%4,55% -	3,415,461	6,357,312	9,772,773
Total		12,761,315	6,357,312	19,118,627

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22- SECTOR ANALYSIS

The Company operates in one geographical area which is the Hashemite Kingdom of Jordan.

	Sector Revenue		Sector Gains	
	2019	2018	**2019**	2018
University Sector	**13,883,006**	14,040,479	**(201,224)**	(38,934)
Company Sector	**3,687,552**	4,030,694	**1,087,009**	1,117,115
School Sector	**2,625,395**	2,675,473	**(123,702)**	(41,336)
Space and broadcasting sector	**74,656**	54,560	**(96,940)**	(185,532)
Total	**20,270,609**	20,801,206	**665,143**	851,313

	Sector Assets		Sector Liabilities	
	2019	2018	**2019**	2018
University Sector	**34,791,451**	35,734,606	**5,713,376**	6,207,207
Company Sector	**2,723,548**	4,613,639	**8,113,226**	8,919,827
School sector	**8,872,083**	7,395,594	**2,127,130**	2,120,538
Space and broadcasting sector	**2,813,973**	3,010,163	**1,771,805**	1,871,055
Total	**49,201,055**	50,754,002	**17,725,537**	19,118,627

23. APPROVAL OF CONSOLIDATED FINANCIAL STATEMENTS

The Consolidated financial statements were approved by the Board of Directors and authorized for issuance on January 28, 2020.

24. COMPARTIVE FIGURES

Certain figures for 2016 have been reclassified to confirm presentation on the current year.