

**COMPREHENSIVE LEASING COMPANY
(PUBLIC SHAREHOLDING COMPANY LIMITED)**

CONSOLIDATED FINANCIAL STATEMENTS

31 DECEMBER 2019

**COMPREHENSIVE LEASING COMPANY
(PUBLIC SHAREHOLDING COMPANY LIMITED)**

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**INDEPENDENT AUDITORS' REPORT
TO THE SHAREHOLDERS OF COMPREHENSIVE LEASING COMPANY
(PUBLIC SHAREHOLDING COMPANY)**

REPORT ON THE AUDIT OF THE CONSOLIDATED FINANCIAL STATEMENTS

Opinion

In our opinion, the consolidated financial statements present fairly, in all material respects, the consolidated financial position of Comprehensive Leasing Company (the "Company") and its subsidiaries (together "the Group") as at 31 December 2019 and its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with International Financial Reporting Standards.

What we have audited

We have audited the Group's consolidated financial statements that comprise:

- The consolidated statement of financial position as at 31 December 2019;
- The consolidated statement of comprehensive income for the year then ended;
- The consolidated statement of changes in shareholders' equity for the year then ended;
- The consolidated statement of cash flows for the year then ended; and
- The notes to the consolidated financial statements, which include a summary of significant accounting policies.

Basis of opinion

We conducted our audit in accordance with International Standards on Auditing (ISAs). Our responsibilities under those standards are further described in the *Auditors' responsibilities for the audit of the consolidated financial statements* section of our report.

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

Independence

We are independent of the Group in accordance with the International Ethics Standards Board for Accountants' Code of Ethics for Professional Accountants (IESBA Code). We have fulfilled our other ethical responsibilities in accordance with the IESBA Code.



**Independent Auditor's Report to the shareholders of Jordan Trade Facilities Company
(a public limited shareholding company) (continued)**

Our audit approach

Overview

Key audit matter	Provision for expected credit loss in finance lease contracts and instalment sale receivables
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As part of designing our audit, we determined materiality and assessed the risks of material misstatement in the consolidated financial statements. In particular, we considered where management made subjective judgements; for example, in respect of significant accounting estimates that involved making assumptions and considering future events that are inherently uncertain. As in all of our audits, we also addressed the risk of management override of internal controls, including among other matters, consideration of whether there was evidence of bias that represented a risk of material misstatement due to fraud.

We tailored the scope of our audit in order to perform sufficient work to enable us to provide an opinion on the consolidated financial statements as a whole, taking into account the structure of the Group, the accounting processes and controls, and the industry in which the Group operates.

Key audit matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the consolidated financial statements of the current period. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Key audit matter	How we responded to key audit matter
<p><u>Provision for expected credit loss in finance lease contracts and instalment sale receivables</u></p> <p>As explained in the accounting policy (2.10) and note 4 "Critical Accounting Estimates and Judgments", the management determines the amount of the provision for impairment of investment in finance lease contracts and instalment sale receivables using the accounting policy (2.10) as the management reviews contracts individually or as a group to determine whether there are indications of impairment, like the debtor's inability to pay for a certain period of time. If such indications exist, the management estimates the impairment based on the expected recoverable amount of the assets mortgaged for the Group.</p>	<p>We followed the below steps to evaluate the reasonability of the management's estimation of the provision for expected credit loss in finance lease contracts and instalment sale receivables:</p> <ul style="list-style-type: none"> • We involved our internal specialists to assess the following areas: <ul style="list-style-type: none"> - The conceptual framework used in setting the Group's impairment policy in the context of its commitment to the requirements of IFRS 9. - The methodology of the expected credit loss model and the calculations used to calculate PD and LGDs at the Group. - The reasonableness of the assumptions used when preparing the model framework, including the assumptions used to assess future scenarios and the significant increase in credit risk.



Independent Auditor’s Report to the shareholders of Comprehensive Leasing Company (Public Shareholding Company) (continued)

<p>There is the risk of inaccurately estimating this provision by the management leading to a material misstatement in the consolidated financial statements which might result in the inappropriate use of the available information to determine the provision value.</p> <p>As explained in notes 9 and 10 of the consolidated financial statements, the management estimated the value of the provision for expected credit loss in finance lease contracts and instalment sale receivables at JD 1,767,113. The Group's net investment in finance lease contracts and instalment sale receivables amounted to JD 82,387,433 which equals 89.7% of the Group's total assets as at 31 December 2019.</p> <p>Measurement of ECL is considered as a key audit matter as the Group applies significant judgments and makes a number of assumptions applied to the financial instruments as well as in developing ECL models for calculating its impairment provisions.</p>	<ul style="list-style-type: none"> • Examine a sample of sales of certain assets mortgaged by the management and compare the amounts collected with the management's previous estimations. • We tested the completeness and accuracy of the information used in calculating the expected credit losses. <p>Examining certain relevant procedures and internal control systems used by the management.</p>
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Other information

The management is responsible for the other information. The other information comprises all the other information included in the Group's annual report for the year 2019 (but does not include the consolidated financial statements and our auditor's report therein), which is expected to be made available to us after the date of this auditor's report..

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

In connection with our audit of the consolidated financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the consolidated financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated.

When we read the other information not yet received, if we conclude that there is a material misstatement therein, we are required to communicate the matter to those charged with governance.



**Independent Auditor's Report to the shareholders of Comprehensive Leasing Company
(Public Shareholding Company) (continued)**

**Responsibilities of management and those charged with governance for the
consolidated financial statements**

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

In preparing the consolidated financial statements, management is responsible for assessing the Group'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 financial reporting process.

Auditor's responsibilities for the audit of the consolidated financial statements

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

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

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those 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 the Group's internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.



Independent Auditor's Report to the shareholders of Comprehensive Leasing Company (Public Shareholding Company) (continued)

- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group'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 consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the Group audit. We remain solely responsible for our audit opinion.

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

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

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

Report on other legal and regulatory requirements

The Group maintains proper accounting records which are consistent, in all material aspects, with the accompanying financial statements. We recommend the General Assembly to approve them.

For and on behalf of PricewaterhouseCoopers, Jordan" L.L.C.


Omar Kalanzi
License No. (1015)



Amman - Jordan
4 February 2020

**COMPREHENSIVE LEASING COMPANY
(PUBLIC SHAREHOLDING COMPANY LIMITED)
CONSOLIDATED STATEMENT OF FINANCIAL POSITION
AS AT 31 DECEMBER 2019**

	Note	2019 JD	2018 JD
Assets			
Non-current assets			
Intangible assets	5	41,215	35,916
Property and equipment	6	2,921,867	2,897,015
Investment properties	7	3,200,470	3,306,380
Properties acquired against debts	8	1,867,750	737,000
Right of use lease assets		540,160	-
Non-current portion of net investment in finance lease	9	26,317,791	28,878,896
Non-current portion of net investment in instalment sale receivables	10	11,510,250	6,565,740
		<u>46,399,503</u>	<u>42,420,947</u>
Current assets			
Current portion of net investment in finance lease contracts	9	32,400,621	27,391,870
Current portion of net investment in instalment sale receivables	10	12,158,771	9,549,484
Financial assets at fair value through statement of income	11	294,897	328,418
Other receivables	12	408,262	165,115
Cash on hand and at banks	13	195,936	296,470
		<u>45,458,487</u>	<u>37,731,357</u>
Total assets		<u>91,857,990</u>	<u>80,152,304</u>
Shareholders' equity and liabilities			
Shareholders' equity			
Share capital	14	10,000,000	10,000,000
Statutory reserve		2,500,000	2,243,102
Retained earnings		5,645,105	3,901,274
Total shareholders' equity		<u>18,145,105</u>	<u>16,144,376</u>
Liabilities			
Non-current liabilities			
Long-term loans	15	32,310,280	26,924,062
Liabilities on use of lease assets		412,194	-
		<u>32,722,474</u>	<u>26,924,062</u>
Current liabilities			
Current portion of long-term borrowings	15	27,387,068	23,765,135
Bank overdrafts	16	10,573,666	10,982,448
Trade and other payables	17	1,650,171	1,212,548
Liabilities on use of short-term lease assets		125,842	-
Rentals and finance income received in advance		151,672	167,087
Provision for income tax	18	1,101,992	956,648
		<u>40,990,411</u>	<u>37,083,866</u>
Total liabilities		<u>73,712,885</u>	<u>64,007,928</u>
Total shareholders' equity and liabilities		<u>91,857,990</u>	<u>80,152,304</u>

The attached notes from 1 to 28 are an integral part of these consolidation financial statements

**COMPREHENSIVE LEASING COMPANY
(PUBLIC SHAREHOLDING COMPANY LIMITED)
CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME
FOR THE YEAR ENDED 31 DECEMBER 2019**

	Note	2019 JD	2018 JD
Revenue			
Net revenue from finance lease contracts	19	10,016,113	8,956,748
Net revenue from instalment sale	20	3,796,255	2,791,115
Total revenues		<u>13,812,368</u>	<u>11,747,863</u>
Administrative expenses	21	(1,726,745)	(1,571,792)
Other income	22	243,250	204,014
Other profits	23	2,370	11,764
Interests receivable		(6,001,558)	(5,006,667)
Expenses for expected credit losses		(698,162)	(454,158)
Profit for the year before tax		<u>5,631,523</u>	<u>4,931,024</u>
Income tax	18	(1,430,794)	(1,146,403)
Profit for the year		<u>4,200,729</u>	<u>3,784,621</u>
Other comprehensive income		-	-
Total comprehensive income for the year		<u>4,200,729</u>	<u>3,784,621</u>
Earnings per share:			
Basic and diluted earnings per share			
From the profit for the year attributable to the Company's shareholders	28	<u>0,420</u>	<u>0,378</u>

The attached notes from 1 to 28 are an integral part of these consolidation financial statements

**COMPREHENSIVE LEASING COMPANY
(PUBLIC SHAREHOLDING COMPANY LIMITED)
CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED 31 DECEMBER 2019**

	Share capital	Statutory	Voluntary	Retained	Total
	JD	reserve	reserve	earnings	JD
2019					
Balance as at 1 January 2019	10,000,000	2,243,102	-	3,901,274	16,144,376
Dividends distribution (note 27)	-	-	-	(2,200,000)	(2,200,000)
Transferred to statutory reserve	-	256,898	-	(256,898)	-
Comprehensive income for the year	-	-	-	4,200,729	4,200,729
Balance as at 31 December 2019	<u>10,000,000</u>	<u>2,500,000</u>	<u>-</u>	<u>5,645,105</u>	<u>18,145,105</u>
2018					
Balance as at 1 January 2017	7,000,000	1,750,000	21,549	5,128,206	13,899,755
Capital increase	3,000,000	-	(21,549)	(2,978,451)	-
Dividends distribution (note 27)	-	-	-	(1,540,000)	(1,540,000)
Transferred to statutory reserve	-	493,102	-	(493,102)	-
Comprehensive income for the year	-	-	-	3,784,621	3,784,621
Balance as at 31 December 2018	<u>10,000,000</u>	<u>2,243,102</u>	<u>-</u>	<u>3,901,274</u>	<u>16,144,376</u>

The attached notes from 1 to 28 are an integral part of these consolidation financial statements

**COMPREHENSIVE LEASING COMPANY
(PUBLIC SHAREHOLDING COMPANY LIMITED)
CONSOLIDATED STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED 31 DECEMBER 2019**

	2019 JD	2018 JD
Operating activities		
Profit for the year before tax	5,631,523	4,931,024
Adjustments for:		
Depreciation and amortization	221,490	91,494
Depreciation of investment properties	55,910	55,911
Expense of provision for expected credit loss in finance lease contracts and instalment sale receivables	698,162	454,158
Interests receivable	6,035,319	5,006,667
Dividend income	(20,036)	-
Realised gains from sale of financial assets at fair value	(3,203)	(15,154)
Unrealised losses from revaluation of financial assets at fair value through the statement of income	33,521	24,968
Unrealised losses from revaluation of investments properties	50,000	-
(Gains) losses on sale of property and equipment	(4,600)	944
Changes in working capital:		
Net investment in finance lease contracts	(4,576,558)	(14,271,055)
Net investment in instalment sale receivables	(7,553,797)	3,205,446
Other receivables	(243,147)	16,306
Rent received in advance	(15,415)	(3,004)
Accounts payable and other payable balances	437,623	90,011
Cash flows generated from (used in) operating activities before income tax paid	746,792	(412,284)
Income tax paid	(1,285,450)	(904,369)
Net cash flows used in operating activities	(538,658)	(1,316,653)
Investing activities		
Purchase of financial assets at fair value	-	(106,389)
Proceeds from sale of financial assets at fair value	3,203	36,291
Purchase of software	(21,010)	(12,500)
Proceeds from sale of properties acquired against debts	300,000	-
Proceeds from sale of property and equipment	40,000	3,138
Purchases of property and equipment	(171,371)	(579,412)
Dividends received	20,036	-
Net cash flows from (used in) Investing activities	170,858	(658,872)
Financing activities		
Borrowings	9,008,151	7,448,483
Interest paid	(6,001,558)	(5,006,667)
Dividends paid	(2,200,000)	(1,540,000)
Payment of liabilities on the right of use of leased assets	(130,545)	-
Net cash flows generated from financing activities	676,048	901,816
Net change in cash and cash equivalents	308,248	(1,073,709)
Cash and cash equivalents as at 1 January	(10,685,978)	(9,612,269)
Cash and cash equivalents as at 31 December (Note 13)	(10,377,730)	(10,685,978)
Non-monetary transactions during the year		
Transfer from investment in finance lease contracts to properties acquired against debts	1,430,750	737,000

The attached notes from 1 to 28 are an integral part of these consolidation financial statements

**COMPREHENSIVE LEASING COMPANY
(PUBLIC SHAREHOLDING COMPANY LIMITED)
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
31 DECEMBER 2019**

(1) GENERAL INFORMATION

Comprehensive Leasing Company was established as a limited liability company on 14 April 2004 under No. (8730) with a share capital of JD 1.000.000. On 12 September 2006, the Company's legal status was changed to a public shareholding company and was registered with the Ministry of Industry and Trade under No. (415). In 2018, the Company increased its share capital according to the resolution of the Extraordinary General Assembly held on 25 February 2018. The share capital was increased by JD 3,000,000 by capitalising the voluntary reserve by JD 21,549 and distributing bonus shares to the shareholders in the amount of JD 2,978,451 by capitalising the retained earnings. Hence, the share capital of the Company became JD 10,000,000 with a nominal value of JD 1 each as at 31 December 2019 (31 December 2018: JD 10,000,000). The share capital increase procedures were completed with the Ministry of Industry and Trade on 9 April 2018.

The Company's main activities are represented in the following:

- Finance lease.
- Investment of the Company's funds in the economic, industrial, agricultural and real estate fields.
- Purchase, own, lease and manage movable and immovable funds for the purposes of the Company.
- Mortgage of movable and immovable funds.
- Development of land by providing the necessary services and fragmentation of the land.
- Import and export.
- Touristic investment.
- Obtain patents.
- Obtain contracts of rights and privileges from any government, entity, authority, company, institution or individual concerned by the objectives of the Company, enter into commercial and governmental bids and tenders, both locally and internationally, and register the company's trademarks.

On 24 July 2012, the Company established a branch in the Kurdistan Region of Iraq under the number (15297). The branch commenced its operational activities during the first quarter of 2013, according to the provisions of item No. (5 - third) of the regulation of establishing branches of offices of foreign companies and economic institutions No. (5) of 1989 related to the Kurdistan Region of Iraq.

The Comprehensive Leasing Company is a public shareholding company, and its shares are listed in Amman Stock Exchange. The registered address of the Company is 207 Zahran St. - Amman, the Hashemite Kingdom of Jordan.

The consolidated financial statements were approved by the Management on 3 February 2020 and are subject to the approval of the General Assembly of shareholders.

(2) SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The significant accounting policies applied by the Group's management in the preparation of these consolidated financial statements are set out below. These policies have been consistently applied to all the years presented, unless otherwise stated.

2.1 Basis of preparation

The consolidated financial statements of the Group have been prepared in accordance with the International Financial Reporting Standards (IFRS) and the International Financial Reporting Interpretations Committee (IFRIC) as issued by the International Accounting Standards Board (IASB).

The presentation currency in the financial statements is the Jordanian dinar, which is the functional currency of the Group.

The financial statements have been prepared according to the historical cost convention except for the financial assets at fair value through the statement of income which are recognised at fair value at the date of the consolidated financial statements.

The preparation of the consolidated financial statements in conformity with IFRS requires the use of certain critical accounting estimates. It also requires management to exercise its judgment in the process of applying the accounting policies of the Group. The areas involving a higher degree of judgment or complexity, or areas where assumptions and estimates are significant to the consolidated financial statements, are disclosed in Note (4).

2.2 Basis of consolidation of financial statements

Subsidiaries

The financial statements of the Group include the financial statements of the company and its subsidiaries fully owned and controlled by the company. The control is achieved when the company is able to manage the main activities of the subsidiary; exposed to varying returns from its investment in the subsidiary or has rights in these returns; and is able to affect these returns through its control over the subsidiary. However, transactions, balances, revenues and expenses between the company and subsidiary shall be eliminated.

Subsidiaries are consolidated from the date on which control is transferred to the Parent Company and de-consolidated from the date on which the control ceases.

The Company uses the acquisition method to account for business combinations. The cost of acquisition is measured at fair value of acquired assets and liabilities for the previous owners of the Company and equity issued by the company. All direct costs related to the acquisition shall be charged to the income statement as expenses. The assets and liabilities (actual and potential) shall be recognised and measured by the fair value at the date of acquisition. Non-controlling interests are recognised for each individual acquisition, whether at the fair value or the proportionate share of non-controlling interests in net acquired assets.

**COMPREHENSIVE LEASING COMPANY
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If the business combination is carried out in phases, the carrying amount of the previously owned investment at the date of new acquisition is re-measured at fair value, and the difference is recognised in the income statement.

Inter-company balances and transactions shall be eliminated upon consolidation of the financial statements. Unrealised profits or losses resulted from inter-company transactions shall also be eliminated.

The increase of the paid consideration over the net fair value of assets at the acquisition date shall be recognised as a goodwill on the date of acquisition.

The Company incorporated two companies in Jordan. It registered Comprehensive Vehicle Trading Company on 21 July 2011 and Comprehensive International Company for Financial Consulting during October 2017. The subsidiaries details are as follows:

Name of the company	Legal status	Share capital JD	Shareholding percentage %
Comprehensive Vehicle Trading Company LLC	Limited liability company	500,000	100
Comprehensive International Company for Financial Consulting	Limited liability company	10,000	100

2.3 Changes in accounting policies and disclosures

The accounting policies are consistent with those adopted in preparation of the consolidated financial statements for the year ended 31 December 2018, except for the implementation of what is stated in Note 2.3.1.

2.3.1 New and amended standards and interpretations issued and adopted by the Company in the financial year beginning on 1 January 2019:

- **IFRS 16, "Leases**

Nature of change: IFRS 16 was issued in January 2016. The standard recognised all leases in the statement of financial position, where the distinction between operating and financing leases is removed. Under this standard, the asset (the right to use the leased item) and the financial liability for lease payments will be recognised except for short-term and low-value leases. With respect to accounting of lessors, there is no significant change.

Impact: The standard will primarily affect the accounting of the Company's operating leases.

Mandatory date of application: Mandatory for financial years beginning on or after 1 January 2019. The Company has applied the simplified transition approach so that the comparative amounts for the previous year have not been restated.

All contracts that are processed within this standard represent the locations of the Company's branches.

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Assets that are included in the statement of financial position are amortised using the straight-line method over the expected period of time to use the asset and for each asset separately.

Leases were previously treated as operating leases in accordance with IAS (17) and recorded as lease expense for the period in the statement of income.

As at 1 January 2019, the Company had non-cancellable operating lease obligations of JD 741,514.

The Company has registered the right of use of leased assets in the amount of JD 638,574, and obligations were recorded against leases in the amount of JD 571,773.

The impact on the statement of income is to reduce the lease expense by an amount of JD 110,944, increase depreciation expense and interest expense by an amount of JD 128,421.

Leases are recognised as the right of use assets and corresponding liabilities are recognised on the date that the leased assets are available for the Company's use. Each lease payment is distributed between the obligation and finance cost. Finance cost is charged to profit or loss over the term of the lease to obtain a constant periodic rate of interest payable on the remaining balance of liabilities for each period. Depreciation is calculated on the right to use assets over the useful life of the asset or lease term, whichever is shorter, using the straight-line method.

Assets and liabilities arising from leases are measured based on the present value. Lease assets include the net present value of the following lease payments:

- Fixed payments (including substantially fixed payments), less any outstanding lease incentives.
- Variable lease payments based on index or rate.
- Amounts expected to be paid by the lessee under residual value guarantees.
- The exercise price of the call option in case the lessee is reasonably sure of exercising this option.
- Payments for lease termination penalties, if the lease terms indicate the lessee's use of this option.

Operating lease commitments are measured at the present value of the remaining lease payments, where the lease payments are deducted using the interest rate included in the lease. If this rate cannot be determined, the additional borrowing rate of the lessee, which is the rate at which the lessee must pay to borrow funds to obtain an asset of similar value in a similar economic environment, is used on similar terms and conditions.

The right of use assets are asset measured at cost, which includes the following:

- The initial measurement amount of the lease liability.
- Any lease payments made on or before the starting date less any lease incentives received.
- Any direct initial costs.
- Costs of repairs to return the leased asset to its condition prior to lease.

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Payments relating to short term leases and low value assets are recognised on a straight line basis as an expense in profit or loss. Short-term leases are 12 months or less.

The Company implemented IFRS (16) with a future effect as at 1 January 2019 and the Company did not reissue the 2018 consolidated financial statements under the transitional provisions specified in the standard.

The impact of the implementation of IFRS (16) (as at 1 January 2019 (increase/ (decrease)) is as follows:

	31 December 2019 <u>JD</u>
Statement of Financial Position	
Assets	
Right of use	
Balance as at 1 January 2019	634,820
Amortisation expense	<u>(94,660)</u>
Balance as at 31 December 2019	<u>540,160</u>
Liabilities	
Operating lease commitments	
Balance as at 1 January 2019	634,820
Interest expense	33,761
Paid during the year	<u>(130,545)</u>
Balance as at 31 December 2019	<u>538,036</u>
Impact on the statement of income (increase/(decrease)) for the year ended 31 December 2019 is as follows:	
	31 December 2019 <u>JD</u>
Statement of comprehensive income	
Recording of amortisation expense	(94,660)
Recording of Interest expense	(33,761)
Reduction of lease expense	<u>110,944</u>
Impact of adopting the standard	<u>(17,477)</u>

2.3.2 New and amended standards and interpretations issued but not effective for the financial year beginning on 1 January 2019 and have not been early adopted by the Company:

- Amendments to IFRS 10, "Consolidated financial Statements and IAS 28" investments in Associates and joint ventures regarding the accounting treatment of the sale of assets or the granting of them from an investor to their associate or joint venture, the effective date is deferred indefinitely.
- Amendments to IFRS 3, "Business combination", to clarify the definition of a business, effective date 1 January 2020.
- Amendments to IAS 1, "Presentation of financial statements" relative to the definition of materiality, effective date 1 January 2020.

There are no other IFRSs or IFRIC interpretations that are ineffective and have a significant impact on the Group's financial statement.

2.4 Foreign currency translation

(a) Functional and presentation currency of the consolidated financial statements

Items included in the consolidated financial statements are measured using the currency of the primary economic environment in which each company at the Group operates ('the functional currency'). The consolidated financial statements are presented in 'Jordanian Dinar', which is the Group's functional and presentation currency.

(b) Transactions and balances

Foreign currency transactions are translated into the Jordanian Dinar using the exchange rates prevailing at the dates of the transactions. Cash assets and liabilities denominated in foreign currencies are translated into the Jordanian Dinar at prevailing year-end exchange rates. Foreign exchange gains and losses resulting from that are recognised in the statement of income. Non-monetary items measured under historical cost in a foreign currency are not translated.

2.5 Intangible assets

Intangible assets are classified on the basis of their lifetime for a definite or indefinite period. Intangible assets that have a definite lifetime are amortised during this lifetime and are recognised in the statement of income. For intangible assets that have an indefinite lifetime, their impairment is reviewed in the consolidated financial statements and any impairment shall be recognised in the statement of income.

Computer software and systems as shown in note (5) are amortised using the straight-line method over a period not exceeding five years from the date of purchase.

2.6 Investment properties

Investment properties are initially recognised at cost plus acquisition expenses. The Group adopts the cost model to account for its investment properties as described in the accounting policy (2-7). Investment properties carrying amount is written down to its recoverable amount if the asset's net carrying amount is greater than its estimated recoverable amount. The amount of write-down is recognised in the statement of income. Revaluation gains are not recognised.

Gains and losses on disposals are determined by comparing the proceeds with the carrying amount and are recognised in the statement of income.

2.7 Property and equipment

Property and equipment are recorded at historical cost, less depreciation. Historical cost includes expenses related to the acquisition of these property and equipment.

Subsequent costs are included in the asset's value or recognised as a separate asset, as appropriate, when it is probable that future economic benefits associated with the additions will flow to the Group and the cost of the addition can be measured reliably. The book value of the replaced part is derecognised. All other repairs and maintenance expenses are charged to the statement of comprehensive income when incurred.

Lands are not depreciated. Depreciation is calculated using the straight-line method to allocate the property and equipment cost over their estimated useful lives. The main useful lives used for that purpose are as follows:

	Useful lives (Years)
Buildings	25 - 50
Furniture and fixtures	10
Solar system	10
Computers	3
Electronic and electrical equipment	4 - 5
Decorations	4
Motor vehicles	5

The assets' residual values and useful lives are reviewed, and adjusted if appropriate, at the end of each financial period.

The value of an item of property and equipment is written down to its recoverable amount if its net carrying amount is greater than its recoverable amount. Decrease is recognised in the consolidated statement of income.

Gains and losses arising on disposal of property and equipment are determined by comparing the proceeds with the book value and are recognised in the statement of income.

2.8 Impairment of non-financial assets

Assets that are subject to amortisation are reviewed for impairment loss whenever events or changes in circumstances indicate that the book value may not be recoverable. An impairment loss is recognised for the amount by which the asset's book value exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs to sell or value in use. For the purposes of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash flows (cash-generating units). Non-financial assets that suffered from impairment except goodwill are reviewed for possible reversal of impairment at each reporting date.

2.9 Financial assets

2.9.1 Classifications

The Group classifies its financial assets into the following categories: financial assets at fair value through the income statement, loans and receivables. Such classifications are determined based on the purpose for which these financial assets were acquired. The management determines its classification of the financial assets at initial recognition.

(a) Financial assets at fair value through statement of income

Financial assets at fair value through the statement of income are financial assets held for trading. A financial asset is classified under this category if it is purchased primarily to be sold in a short period of time. Such assets are classified in this category under current assets, if the Group expects to sell them within 12 months from the date of the statement of financial position, otherwise they are classified as non-current assets.

Loans and Receivables

Loans and receivables are financial assets (other than financial derivatives) with fixed or determinable payments that are not included in the financial market. These assets are classified as current assets unless they have maturities over 12 months after the statement of financial position date, as these are classified as non-current assets.

2.9.2 Recognition and measurement

Purchases and sales of financial assets are recognised on the trade-date – the date on which the Group commits to purchase or sell the asset. Investments are recognised at fair value while costs associated with purchases and sales are recognised the statement of income.

2.10 Impairment of financial assets

The Group reviews stated values of financial assets at the date of the statement of financial position determine whether objective indications of their impairment exist, individually or in the aggregate. If such indications exist, recoverable amount is estimated to determine impairment.

The criteria that the Group uses to determine that there is objective evidence of an impairment loss include:

- The debtor is experiencing significant financial difficulty.
- A breach of contract, such as a default or delinquency in interest or principal payments.
- The Group, for economic or legal reasons relating to the borrower's financial difficulty, granting to the borrower a concession that the lender would not otherwise consider.
- It becomes probable that the borrower will enter bankruptcy or other financial reorganisation.
- The disappearance of an active market for that financial asset because of financial difficulties.
- Observable data indicating that there is a measurable decrease in the estimated future cash flows from a portfolio of financial assets since the initial recognition of those assets, including:
 - a) Adverse changes in the payment status of borrowers in the portfolio.
 - b) National or local economic conditions that correlate with defaults on the assets in the portfolio.

The Group first assesses whether objective evidence of impairment exists.

For loans and receivables category, the amount of the loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows (excluding future credit losses that have not been incurred) discounted at the financial asset's original effective interest rate. The carrying amount of the asset is reduced and the amount of the loss is recognised in the statement of income.

If, in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognised (such as an improvement in the debtor's credit rating), the reversal of the previously recognised impairment loss is recognised in the statement of income.

2.11 Lease

Leases are classified as finance leases when the risks and benefits of ownership are significantly transferred by the lease terms to the lessee. Other types of leases are classified as operating leases.

Rental income from operating leases is recognised using the straight line method based on the respective lease term.

As per the lease, the lessor transfers, in return of payments, the usufruct of an asset to the lessee for a defined period of time that ends with the ownership transfer to the lessee.

Investment in finance leases is shown at the net present value of finance lease payments less the provision for doubtful receivables (if any). All direct costs of finance leases are shown under the net present value of investment in finance leases.

Finance lease payments are divided between leases income and the principal payment so that the finance lease income is allocated over the contract period reflecting a constant interest rate on the net Group's existing investment during the lease period.

2.12 Investment in instalment sale contracts

As per the instalment sale contract, the Group purchases an asset and registers it in the beneficiary's name in return of payments and mortgage of the asset sold to the Group until settling all due payments.

Investments in instalment sale contracts are initially recognised at fair value and subsequently measured at amortised cost using the effective interest method, less provision for impairment. A provision is made for impairment of trade receivables when there is an evidence that the Group will not be able to collect all amounts due according to the original terms of debt. Significant financial difficulties of the debtor, probability that the debtor will enter bankruptcy or financial reorganisation, and default or delinquency in payments are considered indicators that the receivable is impaired. The amount of the provision is the difference between the asset's book value and the present value of estimated future cash flows, discounted at market interest rate. The book value of the asset is reduced using a provision, and the loss is recognised in the statement of comprehensive income. Non-collectible trade receivables are written off in the provision for impairment of trade receivables account. Subsequent recoveries of amounts previously written off are credited under other revenue in the statement of comprehensive income.

2.13 Cash and cash equivalents

For the purposes of preparation the statement of cash flows, cash includes deposits held at call with banks with original maturities of three months or less and bank overdrafts.

2.14 Share capital

The Group's ownership interests are included within equity.

2.15 Trade payables

Trade payables are obligations to pay for goods or services acquired in the ordinary course of business of the Group. Trade payables are classified as current liabilities if payment is due within one year or less. If not, they are classified as non-current liabilities.

Trade payables are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method.

2.16 Borrowings

Borrowings are recognised initially at fair value, net of transaction costs incurred. Borrowings are subsequently carried at amortised cost. Any difference between the received amounts (net of transaction costs) and the redemption value is recognised in the statement of comprehensive income over the period of the borrowings using the effective interest method.

Borrowings are classified as current liabilities unless the Group has an unconditional right to defer settlement of the liabilities for at least twelve months after the statement of financial position date.

2.17 Revenue recognition

Interest revenues are recognised using the effective interest method.

Transaction costs that are directly associated with obtaining new contracts are initially recognised at fair value and recorded under the value of investment in finance leases or instalment sale receivables according to the nature of its respective transaction and is subsequently allocated over the related contract term using the effective interest method.

2.18 Income tax

Tax expenses represent amounts of tax payable.

Payable tax expenses are calculated based on taxable profits. Taxable profits are different from profits disclosed in the consolidated financial statements, as disclosed profits include revenue that is not subject to tax, expenses that are not recognisable in the financial year but in subsequent years or accumulated losses that are accepted in terms of tax or items that are not taxable or recognisable for tax purposes.

Taxes are calculated as per the tax rates established by the laws, regulations and instructions.

2.19 Properties reverted to the Company in settlement of due debts

Properties reverted to the Company are recognised in the statement of financial position within the "Properties acquired against debts" item at the lower of the value reverted to the Company and the fair value, and are revaluated at fair value separately. Any impairment is recorded as a revenue in the statement of income and the increase is not recognised as revenue. Subsequent increase is included in the statement of revenue to the extent that impairment value does not exceed the previously recorded value.

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2.20 Provisions

Provisions are recognised when the Group has a present legal or constructive obligation as a result of past events; it is probable that a cash flow of resources will be required to settle the obligation; and the amount can be reliably estimated.

2.21 Employees' benefits

For defined benefit plans, the Group mandatorily pays contributions to the pension insurance fund managed by a government entity (the Social Security Corporation). The Group has no further payment obligations once the contributions are paid. Such contributions are recognised as social security expense as they fall due.

2.22 Dividend distribution

Dividends to the Group's shareholders are recognised as obligations in the consolidated financial statements in the period when such dividends are announced and approved by the Group's shareholders.

2.23 Geographic segments

The principle activity of the Group is distributed over more than one economic environment (geographic segment) which are normally exposed to different risks and returns.

2.24 Financial instruments by category

	<u>2019</u> JD	<u>2018</u> JD
Assets as per the statement of financial position		
Financial assets at fair value through the statement of income	294,897	328,418
Loans and Receivables		
Net investment in finance lease contracts	58,718,412	56,270,766
Net investment in instalment sale receivables	23,669,021	16,115,224
Other receivables (excluding repaid expenses and prepayments)	55,459	86,982
Cash and cash equivalents	<u>195,936</u>	<u>296,470</u>
	<u>82,933,725</u>	<u>73,097,860</u>
Liabilities as per the statement of financial position		
Financial liabilities at amortised cost		
Borrowings and bank overdrafts	70,271,014	61,671,645
Accounts payable and other payable balances (excluding statutory liabilities and advances)	<u>974,388</u>	<u>416,046</u>
	<u>71,245,402</u>	<u>62,087,691</u>

(3) FINANCIAL RISK MANAGEMENT

3.1 Financial risk factors

The Group's activities expose it to a variety of financial risks, including the risks of fluctuation in the market (which includes currency translation risk and cash flow and fair value interest rate risk), liquidity risk and credit risk. The Group's overall risk management programme focuses on the minimising potential adverse effects on the Group's financial performance.

(a) Market risk

- Foreign exchange risk

The Group is exposed to risks arising from foreign currency transactions, primarily with respect to the US Dollar. There has been no change in the rate of exchange between the US Dollar and the Jordanian Dinar during the year.

- Cash flow and fair value interest rate risk

The Group's interest rate risk arises from bank borrowings. Borrowings granted to the Group at variable interest rates expose the Group to cash flow interest rate risk, whereas borrowings issued at fixed interest rates expose the Group to fair value interest rate risk.

As at 31 December 2019, borrowings granted to the Group at a variable interest rate consisted of bank loans and bank overdrafts granted in Jordanian Dinar and U.S. Dollar (Notes 15 & 16).

If interest rates on borrowings and facilities change by 1% on the assumption that other variables are constant, the effect on the statement of comprehensive income will be an increase in interest expense at JD 702,710 as at 31 December 2019 (2018: JD 616,716).

(b) Liquidity risk

Liquidity risk is the risk that the Company will encounter difficulty in meeting its financial commitments.

The Company manages liquidity risk through the availability of the necessary cash through borrowing and credit facilities. The Company also monitors cash flows of due instalments from customers.

The table below analyses the financial liabilities of the Company (that are not discounted) to certain categories as at the statement of financial position date based on the maturity date of the remaining periods.

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	Less than one year year JD	Over one year JD
As at 31 December 2019		
Bank overdrafts	11,501,746	-
Bank loans	29,766,008	35,116,867
Trade and other payables	1,650,171	-
As at 31 December 2018		
Bank overdrafts	11,958,388	-
Bank loans	25,821,809	29,254,115
Trade and other payables	1,212,548	-

(c) Credit risk

The Group does not have significant concentration of credit risk. Financial assets that are exposed to credit risk are limited to instalment sale contracts, finance lease contracts and some other receivables.

Instalment sale and finance lease contracts are executed after evaluating the financial solvency of the clients. The credit position of the clients is re-evaluated regularly. Also, the credit risk concentration is mitigated as all of the assets sold to clients by instalment or finance lease are first class mortgaged for the Group until the full settlement of the due amount. Contractually, if the remaining contractual commitments are not fully met, the Group may keep the asset or sell it to cover part or all of the amount due to the Group.

The Group only deals with financial institutions of acceptable credit solvency.

3.2 Capital risk management

The Group monitors capital by monitoring the gearing ratio. This ratio is calculated as net debt divided by total capital. Net debt is calculated as total borrowings, which include borrowings and bank overdrafts, less cash and cash equivalents as shown in the statement of financial position. Total capital is calculated as equity plus net debt as shown in the statement of financial position.

Gearing ratio was as follows:

	2019 JD	2018 JD
Total borrowings and bank overdrafts	70,271,014	61,671,645
Cash and cash equivalents	(195,936)	(296,470)
Net debt	70,075,078	61,375,175
Net shareholders' equity	18,145,105	16,144,376
Total capital	88,220,183	77,519,551
Gearing ratio	79%	79%

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3.2 Fair value

The following table represents financial instruments carried at fair value based on the valuation method, where different levels are defined as follows:

Level 1: quoted prices (unadjusted) of assets and liabilities in active markets.

Level 2: quoted prices of similar financial assets and liabilities in active markets, or other price valuation techniques whose significant inputs are based on market data.

Level 3: pricing methods where not all significant inputs are based on observable market data.

The following table shows the Group's financial assets which are measured at fair value:

	<u>2019</u>	<u>2018</u>
	JD	JD
Financial instruments in level 1		
Financial assets at fair value through statement of income		
Shares traded in Amman Stock Exchange	<u>294,897</u>	<u>328,418</u>

Financial instruments in level 1

The fair value of financial instruments traded in active markets is the market value at the consolidated financial statements date. A market is regarded as active if quoted prices are readily and regularly available through a market, financial brokers or any regulatory agency, and those prices represent the actual price resulting from transactions on an arm's length basis.

3.4 Price risk

The Group is exposed to risks resulting from changes in share prices within the financial assets portfolio at fair value through the statement of income. The Group manages such risks by analysing the value that is exposed to losses and diversifying investment portfolios. The following table shows the impact of any increase/decrease in the index of Amman Stock Exchange in which the Group invests on the profit for the year and shareholders' equity after income tax, assuming that the change is by 5%:

	<u>The effect of change of the statement of Income</u>	<u>Effect on Shareholders' equity</u>
	JD	JD
31 December 2019		
Amman Stock Exchange	<u>14,745</u>	<u>14,745</u>
31 December 2018		
Amman Stock Exchange	<u>16,421</u>	<u>16,421</u>

The financial effect of a decrease in the market index by the same percentage is expected to be equal and opposite to the effect shown above.

(4) CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS

Accounting estimates and judgements are constantly evaluated by the Group and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under current circumstances.

The Group makes estimates and assumptions concerning the future. The resulting accounting estimates will, by definition, rarely equal the related actual results. The estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are outlined below:

- **Provision for impairment of investment in finance lease contracts**

An impairment provision is made for investment in finance lease contracts on bases and assumptions approved by the Group's management to estimate the provision to be made under IFRS 9.

- **Provision for impairment of instalment sale receivables**

A provision is made for impairment of instalment sale receivables depending on bases and assumptions approved by the the Group's management to estimate the provision to be made under IFRS 9.

- **Properties classifications**

In classifying properties, the management exercised significant judgements to determine whether a property is qualified for classification as property investment, property and equipment or property held for resale.

- **Income tax**

The Group is subject to income tax, which requires making judgements in determining the provision for income tax. The Group recognises income tax liabilities depending on its expectations on whether the taxation audit will result in any additional tax. If the final tax estimation is different from what was recorded, such differences will affect the current income tax in the period when recognising that such differences exist.

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(5) INTANGIBLE ASSETS

	<u>Software</u>
	JD
2019	
Cost	
Balance as at 1 January	120,749
Additions	21,010
Balance as at 31 December	<u>141,759</u>
Accumulated amortization	
Balance as at 1 January	84,833
Additions	15,711
Balance as at 31 December	<u>100,544</u>
Book value as at 31 December	<u>41,215</u>
2018	
Cost	
Balance as at 1 January	111,276
Additions	12,500
Disposals	(3,027)
Balance as at 31 December	<u>120,749</u>
Accumulated amortization	
Balance as at 1 January	75,365
Additions	12,495
Disposals	(3,027)
Balance as at 31 December	<u>84,833</u>
Book value as at 31 December	<u>35,916</u>

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(6) PROPERTY AND EQUIPMENT

2019 Cost	Land*	Buildings	Furniture and fixtures	Solar system	Devices software	Electronic and electrical equipment	Decorations	Motor vehicles	Total
	JD	JD	JD	JD	JD	JD	JD	JD	JD
Balance as at 1 January	1,541,495	1,024,869	90,026	-	49,190	149,652	15,618	197,714	3,068,564
Additions	-	27,325	8,736	25,000	15,270	5,440	29,600	60,000	171,371
Disposals	-	-	-	-	-	-	-	(59,000)	(59,000)
Balance as at 31 December	1,541,495	1,052,194	98,762	25,000	64,460	155,092	45,218	198,714	3,180,935
Accumulated Depreciation									
Balance as at 1 January	-	10,242	18,899	-	27,359	19,840	6,137	89,072	171,549
Additions	-	20,650	9,524	1,458	13,464	15,631	9,352	41,040	111,119
Disposals	-	-	-	-	-	-	-	(23,600)	(23,600)
Balance as at 31 December	-	30,892	28,423	1,458	40,823	35,471	15,489	106,512	259,068
Book value as at 31 December	1,541,495	1,021,302	70,339	23,542	23,637	119,621	29,729	92,202	2,921,867

The above owned land (mortgaged against a loan in favour of Arab Jordan Investment Bank).

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	Land	Buildings	Furniture and fixtures	Projects under construction (*)	Devices software	Electronic and electrical equipment	Decorations	Motor vehicles	Total
	JD	JD	JD	JD	JD	JD	JD	JD	JD
2018									
Cost									
Balance as at 1 January	1,541,495	-	121,547	674,828	65,535	40,324	81,904	197,714	2,723,347
Additions	-	350,041	66,958	-	20,682	133,531	8,200	-	579,412
Transfers from investment properties item	-	674,828	-	(674,828)	-	-	-	-	-
Disposals	-	-	(98,479)	-	(37,027)	(24,203)	(74,486)	-	(234,195)
Balance as at 31 December	1,541,495	1,024,869	90,026	-	49,190	149,652	15,618	197,714	3,068,564
Accumulated Depreciation									
Balance as at 1 January	-	-	107,019	-	55,458	34,588	74,580	51,018	322,663
Additions	-	10,242	7,481	-	8,928	9,009	5,285	38,054	78,999
Disposals	-	-	(95,601)	-	(37,027)	(23,757)	(73,728)	-	(230,113)
Balance as at 31 December	-	10,242	18,899	-	27,359	19,840	6,137	89,072	171,549
Book value as at 31 December	1,541,495	1,014,627	71,127	-	21,831	129,812	9,481	108,642	2,897,015

(*): Such amounts are related to the construction cost of the Group's new building under construction, noting that this project was completed during 2018.

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(7) INVESTMENT PROPERTIES

The Group has property investments as follows:

Investments in lands of JD 2,411,698 as follows:

A land in Sahab with a total cost of JD 827,998 (mortgaged against a loan in favour of Housing Bank - Bahrain branch to finance the operating activities of the company's branch in Iraq).

A land in Jizza with a total cost JD 92,114

A land in southern Amman (Al-Qunaitira) with a cost of JD 1,450,000.

A land in southern Amman (Al-Zafraan) with a cost of JD 41,586.

Investments in buildings at a net amount of JD 788,772 after depreciation as follows:

A building with a cost of JD 1,168,656 on a land leased for 18 years and 3 months starting from 1 July 2004 and ending on 1 October 2022. The building is depreciated over the asset life. The accumulated depreciation amounted to JD 719,385 as at 31 December 2019 (2018: JD 672,639).

A building in Sahab with a cost of JD 458,200 depreciated over 50 years. The accumulated depreciation amounted to JD 118,699 as at 31 December 2019 (2018: JD 109,535).

The movement in the investment properties balance during the year is as follows:

	<u>2019</u>	<u>2018</u>
	JD	JD
Cost		
Balance as at 1 January	4,088,554	4,088,554
Revaluation of investment properties	(50,000)	-
Balance as at 31 December	<u>4,038,554</u>	<u>4,088,554</u>
Accumulated depreciation		
Balance as at 1 January	782,174	726,263
Additions	55,910	55,911
Balance as at 31 December	<u>838,084</u>	<u>782,174</u>
Net book value as at 31 December	<u>3,200,470</u>	<u>3,306,380</u>

There is no impairment in investment properties as at 31 December 2019, except for impairment in the value of one of the lands amounting to JD 50,000, as all items of investment properties have been valued by independent real estate experts where the average fair value of investment properties exceeded their book value.

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(8) PROPERTIES ACQUIRED AGAINST DEBTS

Below is the movement of properties transferred to the Company in settlement of outstanding debts:

	<u>2019</u> JD	<u>2018</u> JD
Cost		
Balance as at 1 January	737,000	-
Additions during the year	1,430,750	737,000
Sales during the year	(300,000)	-
Balance as at 31 December	<u>1,867,750</u>	<u>737,000</u>

The Company valued such properties during 2019, and there was no impairment in the value of acquired properties as at 31 December 2019.

(9) NET INVESTMENT IN FINANCE LEASE CONTRACTS

This item represents investments in finance lease contracts relating to vehicles and properties. The details of this item are as follows:

	<u>2019</u> JD	<u>2018</u> JD
Total investment in long-term finance lease contracts (over one year)	29,477,780	34,517,068
Total investment in short-term finance lease contracts	<u>38,374,848</u>	<u>30,928,410</u>
Total	67,852,628	65,445,478
Deferred revenues	<u>(8,529,861)</u>	<u>(8,535,649)</u>
Total before provision	59,322,767	56,909,829
Provision for ECL in finance lease contracts	<u>(604,355)</u>	<u>(639,063)</u>
Current value of the minimum finance lease contracts	58,718,412	56,270,766
Less: Net investment in long-term finance lease contracts	<u>(26,317,791)</u>	<u>(28,878,896)</u>
Net investment in finance lease contracts that are due in a year	<u>32,400,621</u>	<u>27,391,870</u>

Analysis of net investment in finance lease contracts as at 31 December is as follows:

	<u>2019</u> JD	<u>2018</u> JD
Not past due	54,609,632	51,116,935
Past due but not impaired (over 90 days)	4,108,780	5,153,831
Past due and impaired (over 90 days)	604,355	639,063
Total net investment in finance lease contracts	<u>59,322,767</u>	<u>56,909,829</u>

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The movement in the provision for finance lease contracts during the year is as follows:

	<u>2019</u> JD	<u>2018</u> JD
Balance as at 1 January	639,063	580,604
Expense of provision for expected credit loss	250,000	150,000
Bad debts	<u>(284,708)</u>	<u>(91,541)</u>
Balance as at 31 December	<u>604,355</u>	<u>639,063</u>

(10) NET INVESTMENT IN INSTALMENT SALE RECEIVABLES

This item represents investments in instalment sale contracts relating to vehicles and properties. The details of this item are as follows:

	<u>2019</u> JD	<u>2018</u> JD
Total investment in long-term instalment sale contracts (over one year)	13,160,967	12,175,397
Total investment in short-term instalment sale contracts	<u>15,533,271</u>	<u>7,452,066</u>
Total	28,694,238	19,627,463
Deferred revenues	<u>(3,862,459)</u>	<u>(2,273,804)</u>
Total before provision	24,831,779	17,353,659
Provision for expected credit loss in instalment sale contracts	<u>(1,162,758)</u>	<u>(1,238,435)</u>
	23,669,021	16,115,224
Less: Net investment in long-term instalment sale contracts	<u>(11,510,250)</u>	<u>(6,565,740)</u>
Net investment in instalment sale contracts that are due during the year	<u>12,158,771</u>	<u>9,549,484</u>

Analysis of instalment sale contracts as at 31 December is as follows:

	<u>2019</u> JD	<u>2018</u> JD
Not past due	22,666,701	14,769,612
Past due but not impaired (over 90 days)	1,002,320	1,345,612
Past due and impaired (over 90 days)	<u>1,162,758</u>	<u>1,238,435</u>
Total instalment sale receivables	<u>24,831,779</u>	<u>17,353,659</u>

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The movement in the provision for instalment sale contracts during the year is as follows:

	<u>2019</u> JD	<u>2018</u> JD
As at 1 January	1,238,435	1,267,164
Expense of provision for expected credit loss	448,162	304,158
Bad debts	<u>(523,839)</u>	<u>(332,887)</u>
As at 31 December	<u>1,162,758</u>	<u>1,238,435</u>

Receivables do not include concentration risk.

All instalment sale receivables are granted in the Jordanian Dinar and U.S. Dollar.

(11) FINANCIAL ASSETS AT FAIR VALUE THROUGH STATEMENT OF INCOME

Financial assets at fair value through the statement of income represents shares in public shareholding companies listed in Amman Stock Exchange. The details are as follows:

	<u>2019</u> JD	<u>2018</u> JD
Shares of listed companies	<u>294,897</u>	<u>328,418</u>

The change in the value of financial assets at fair value through the statement of income is recorded in change in working capital in the consolidated statement of cash flows.

The change in the value of financial assets at fair value through the statement of income is recorded in other profits item in the consolidated statement of comprehensive income.

(12) OTHER RECEIVABLES

	<u>2019</u> JD	<u>2018</u> JD
Advance payments to establish a subsidiary*	331,055	-
Prepayments	21,748	78,133
Employees' receivables	15,689	14,706
Refundable deposits	8,964	19,673
Guarantees deposits	650	650
Other	<u>30,156</u>	<u>51,953</u>
	<u>408,262</u>	<u>165,115</u>

- * On 13 June 2019, the General Assembly decided to establish a subsidiary in Egypt, and the Group paid a advance amount to establish this company. The amount was not recorded as the Company's share capital to the date of these consolidated financial statements, as the Company is still under construction and has not exercised any commercial activity. The Management confirmed that it will commence its activities during 2020.

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(13) CASH AND CASH EQUIVALENTS

	<u>2019</u> JD	<u>2018</u> JD
Cash on hand	18,810	133,098
Cash at banks	<u>177,126</u>	<u>163,372</u>
	<u>195,936</u>	<u>296,470</u>

For the purpose of the statement of cash flows, cash and cash equivalents comprise cash on hand and at banks less bank overdrafts as follows:

	<u>2019</u> JD	<u>2018</u> JD
Cash on hand and at banks	195,936	296,470
Bank overdrafts	<u>(10,573,666)</u>	<u>(10,982,448)</u>
	<u>(10,377,730)</u>	<u>(10,685,978)</u>

(14) SHAREHOLDERS' EQUITY

Paid-in capital

As at 31 December 2019, the authorised and paid-up capital of the Company amounted to JD 10,000,000 (2018: JD 10,000,000) divided into 10,000,000 shares (2018: 10,000,000 shares) with a par value of JD 1 per share.

In 2018, the Company increased its share capital according to the resolution of the extraordinary General Assembly held on 25 February 2018. The share capital was increased by JD 3,000,000 by capitalising the voluntary reserve by JD 21,549 and distributing bonus shares to the shareholders in the amount of JD 2,978,451 by capitalising the retained earnings where the Company's share capital reached JD 10,000,000. The share capital increase procedures were completed with the Ministry of Industry and Trade on 9 April 2018.

Statutory reserve

According to the Jordanian Companies Law and the Company's by-laws, the Company should deduct 10% of its annual net profit to transfer to the statutory reserve, and continue do so each year provided that the total deducted amounts for the reserve do not exceed 25% of the Company's capital. For the purposes of this law, net profits represent profits before the income tax provision deduction. This reserve is not available for distribution to shareholders.

Voluntary reserve

According to the Jordanian Companies Law and the Company's by-laws, the Company may establish a voluntary reserve up to 20% of the net profit based on the resolution of its board of directors. The Board of Directors has decided not to deduct any amount for the voluntary reserve during the year from the net profit of the Company. This reserve is available for distribution to shareholders after the approval of the General Assembly of the Company. During the year 2018, the Company has capitalised the voluntary reserve balance of the Company as at 31 December 2017 amounting to JD 21,549 to increase the Company's share capital in accordance with the resolution of the Extraordinary General Assembly held on 25 February 2018.

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(15) LOANS

	2019			2018		
	rate Interest rate	Credit limit	Balance	rate Interest rate	Credit limit	Balance
	%	JD	JD	%	JD	JD
Bank Al Etihad	8,75%	6,500,000	6,060,026	9,00%	4,000,000	3,742,157
Capital Bank of Jordan	9,00%	8,000,000	6,589,082	9,00%	8,000,000	6,428,244
Societe Generale	8,50%	3,750,000	3,520,799	9,25%	1,750,000	1,747,110
Jordan Commercial Bank	8,75%	6,700,000	6,471,966	8,75%	6,700,000	6,036,716
Housing bank for trade and finance	8,55%	9,266,000	7,925,538	8,75%	7,516,000	5,306,490
Bank Audi	9,25%	2,500,000	2,242,187	8,00%	2,500,000	2,367,728
Jordan Kuwait Bank Arab Jordan	9,25%	11,930,000	11,036,581	9,50%	10,930,000	10,138,465
Investment Bank Arab Jordan	8,50%	9,360,000	6,653,814	8,50%	7,960,000	4,182,069
Investment Bank National Bank of Abu Dhabi	7,00%	1,667,000	1,667,454	7,10%	2,292,325	2,168,081
Invest Bank	-	-	-	8,00%	2,000,000	1,446,852
Egyptian Arab Land Bank	9,25%	5,541,600	5,311,922	9,50%	5,812,527	5,068,844
	8,75%	2,250,000	2,217,979	8,50%	2,250,000	2,056,441
Total borrowings		<u>67,464,600</u>	<u>59,697,348</u>		<u>61,710,852</u>	<u>50,689,197</u>
Less: Current portion			<u>(27,387,068)</u>			<u>(23,765,135)</u>
Long-term portion			<u>32,310,280</u>			<u>26,924,062</u>

*: This loan is granted against land mortgage as explained in note (7).

In respect of other bank loans, these loans are granted against a deposit of bank cheques and bills provided by the Group.

The ceiling of the loans granted to the Group in USD amounted to USD 13,600,000, which is utilised by the Group's branches located in Iraq, and the utilised amount reached USD 8,478,827 as at 31 December 2019. This amount appears within the total amount of loans above.

The fair value of the above loans are not materially different from their carrying values as at 31 December 2019. The bank interest rates on bank loans above approximate the market interest rates prevailing in the market.

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(16) BANK OVERDRAFTS

	2019			2018		
	rate Interest rate %	Credit limit JD	Balance JD	rate Interest rate %	Credit limit JD	Balance JD
	Bank Al Etihad	8,75%	1,050,000	945,458	9,00%	1,050,000
Capital Bank of Jordan	9,00%	2,750,000	2,417,013	9,00%	2,750,000	2,524,994
Societe Generale	8,50%	450,000	235,151	9,25%	250,000	260,243
Jordan Commercial Bank	8,75%	1,800,000	1,742,960	8,75%	1,800,000	1,671,651
Housing bank for trade and finance	8,55%	1,963,000	1,518,245	8,75%	1,713,000	1,649,358
Bank Audi	9,25%	500,000	467,705	9,00%	500,000	472,730
Jordan Kuwait Bank	9,25%	1,763,000	1,611,882	9,50%	1,763,000	1,341,078
Arab Jordan Investment Bank	8,50%	705,000	560,764	8,50%	605,000	512,504
National Bank of Abu Dhabi	-	-	-	8,00%	200,000	179,496
Invest Bank	9,25%	650,000	437,386	9,50%	650,000	615,366
Egyptian Arab Land Bank	8,75%	750,000	637,102	8,50%	750,000	744,884
		<u>12,381,000</u>	<u>10,573,666</u>		<u>12,031,000</u>	<u>10,982,448</u>

Settlement of net borrowings

The analysis of net borrowings and the related movement during the current year is as follows:

	2019 JD
Cash and cash equivalents	195,936
Borrowings and bank overdrafts payable within one year	(37,960,734)
Borrowings payable within more than one year	(32,310,280)
Net borrowings	(70,075,078)
Net cash	195,936
Total borrowings/ variable interest	(70,271,014)
Net borrowings	(70,075,078)

	Cash and bank overdrafts JD	Bank commitments		Total JD
		Borrowings within one year JD	Borrowings within more than one year JD	
Net borrowings as at 1 January 2019	(10,685,978)	(23,765,135)	(26,924,062)	(61,375,175)
Cash flows	308,248	(3,621,933)	(5,386,218)	(8,699,903)
Net borrowings as at 31 December 2018	<u>(10,377,730)</u>	<u>(27,387,068)</u>	<u>(32,310,280)</u>	<u>(70,075,078)</u>

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(17) TRADE AND OTHER PAYABLES

	<u>2019</u>	<u>2018</u>
	JD	JD
Account payable	790,206	284,797
Prepayments - finance lease contracts	517,447	600,850
Prepayments- instalment sale contracts	125,269	142,814
Unpaid accrued expenses	66,158	85,123
Employees' receivables	65,076	18,734
Board of directors remunerations	25,000	-
Amounts due to related parties (Note 25)	17,217	10,839
Sales tax deposits	13,572	38,163
Social security deposits	13,194	10,231
Income tax deposits	6,301	4,444
Shareholders' deposits	4,420	4,420
Post-dated cheques	4,385	10,362
Social committee deposits	1,926	1,771
	<u>1,650,171</u>	<u>1,212,548</u>

(18) INCOME TAX

The movement in income tax in Jordan is as follows:

	<u>2019</u>	<u>2018</u>
	JD	JD
Balance as at 1 January	946,618	700,470
Paid during the year	(1,275,688)	(890,225)
Provision added during the year	1,417,793	1,136,373
Balance as at 31 December	<u>1,088,723</u>	<u>946,618</u>

The movement in the income tax of the company's branch in Kurdistan- Iraq is as follows:

	<u>2019</u>	<u>2018</u>
	JD	JD
Balance as at 1 January	10,030	14,144
Paid during the year	(9,762)	(14,144)
Provision added during the year	13,001	10,030
Balance as at 31 December	<u>13,269</u>	<u>10,030</u>

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Therefore, the total income tax expense for the current year and the income tax provision as at 31 December are as follows:

	<u>2019</u>	<u>2018</u>
	JD	JD
Income tax expense	<u>1,430,794</u>	<u>1,146,403</u>
Provision for income tax	<u>1,101,992</u>	<u>956,648</u>

A provision for income tax was calculated for the year ended 31 December 2019 in accordance with the Income Tax Law no. (38) of 2019. The statutory income tax rate on Comprehensive Leasing Company is 28% and on Comprehensive Company for Vehicle Sale and Comprehensive International Company for Financial Consulting is 21%. In relation with the Company's branch in Kurdistan-Iraq region, the statutory income tax reached 15%.

The Company obtained a final clearance from the Income and Sales Tax Department until the end of 2018. Other than for the year 2017, the self-assessment was submitted and audited but no final decision was issued by the Income and Sales Tax Department concerning this year until the date of approval of these consolidated financial statements.

The Comprehensive Company for Vehicle Sale (subsidiary) obtained a final clearance from the Income Tax Department until the end of 2018.

In respect of the Comprehensive International Company for Financial Consulting (a subsidiary), it commenced operations in October 2016. Accordingly, a self-assessment for 2017 and 2018 has been submitted and the Income and Sales Tax Department has not inspected the same as at the date of preparation of these consolidated financial statements.

For the Company's branch in Kurdistan- Iraq, the Group has submitted a self-assessment for the years 2014, 2015, 2016, 2017 and 2018 and obtained a final clearance.

(19) NET INCOME FROM FINANCE LEASE CONTRACTS

	<u>2019</u>	<u>2018</u>
	JD	JD
Total income from finance lease contracts	10,213,195	9,293,732
Less:		
Insurance fees	(422)	(538)
Maintenance and repair	(16,716)	(319)
Fees, licenses, stamps and commissions	<u>(179,944)</u>	<u>(336,127)</u>
	<u>10,016,113</u>	<u>8,956,748</u>

(20) NET REVENUE FROM INSTALMENT SALE

	<u>2019</u>	<u>2018</u>
	JD	JD
Revenue from instalment sale	3,947,414	2,836,908
Less: cost of insurance, stamps, commissions and transfer of the ownership of instalment sale assets	<u>(151,159)</u>	<u>(45,793)</u>
	<u>3,796,255</u>	<u>2,791,115</u>

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(21) ADMINISTRATIVE EXPENSES

	<u>2019</u> JD	<u>2018</u> JD
Salaries and wages	959,974	816,456
Advertisement	148,607	170,744
Depreciations and amortisations	126,830	91,494
Social security	97,380	74,352
Depreciation of the rights of use of leased assets	94,660	-
Professional fees and consultation	36,992	39,137
Governmental fees	36,397	43,923
Interests on rights of use of leased assets	33,761	-
Voyage expenses	27,432	39,588
Board of directors remunerations	25,000	32,000
Telephone and post	20,975	15,165
Stationary	20,602	19,949
Maintenance	17,473	16,473
Electricity and water	15,892	20,980
Transportation and vehicle expenses	14,936	14,126
Leases	9,798	144,247
Medical insurance	9,202	6,768
Training courses	8,160	4,453
Hospitality	6,622	8,582
Other	16,052	13,355
	<u>1,726,745</u>	<u>1,571,792</u>

(22) OTHER INCOME

This item represents net income from investment properties as follows:

	<u>2019</u> JD	<u>2018</u> JD
Rental income	362,920	317,801
Less cost:		
Depreciations	(55,910)	(55,910)
Depreciation of rights of use of lands	(48,852)	-
Interests on rights of use	(14,070)	-
Insurance fees	(838)	(877)
Lands rental	-	(57,000)
	<u>243,250</u>	<u>204,014</u>

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(23) OTHER PROFITS

	<u>2019</u> JD	<u>2018</u> JD
Loss of change in the fair value of financial assets through the statement of income	(33,521)	(24,968)
Dividend income	20,036	-
Profit from sale of financial assets at fair value through the statement of income	(3,203)	15,154
Other profits	19,058	21,578
	<u>2,370</u>	<u>11,764</u>

(24) GEOGRAPHIC SEGMENT

The Group's activities are concentrated in Jordan and Iraq. The financial information of Iraq which are included in the Group's statement of financial position as at 31 December are as follows:

	<u>2019</u> JD	<u>2018</u> JD
Assets		
Property and equipment	5,808	11,600
Rights of use of lease assets	31,981	-
Software	-	142
Net investment in finance lease contracts	3,235,975	2,029,425
Instalment sale receivables	1,965,329	2,395,560
Other receivables	1,739	2,784
Cash and cash equivalents	34,857	67,245
Total assets	<u>5,275,689</u>	<u>4,506,756</u>
Equity and liabilities		
Equity		
Head Office Account	(1,495,223)	(255,445)
Total equity	<u>(1,495,223)</u>	<u>(255,445)</u>
Liabilities		
Borrowings	6,019,967	3,974,722
Bank overdrafts	594,614	707,888
Liabilities of use of leased assets	32,773	-
Accounts payable and other payable balances	110,289	69,561
Provision for income tax	13,269	10,030
Total liabilities	<u>6,770,912</u>	<u>4,762,201</u>
Total equity and liabilities	<u>5,275,689</u>	<u>4,506,756</u>

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The financial information of Iraq which are included in the Group's statement of comprehensive income is as follows:

	<u>2019</u>	<u>2018</u>
	JD	JD
Net revenue from finance lease contracts	328,964	157,613
Net revenue from instalment sale	<u>379,118</u>	<u>521,750</u>
Gross profit	708,082	679,363
Administrative expenses	(260,586)	(352,707)
Other (losses) income	(111)	1,327
Interests receivable	<u>(360,713)</u>	<u>(261,113)</u>
Profit for the year before tax	86,672	66,870
Income tax	<u>(13,001)</u>	<u>(10,030)</u>
Profit for the year	73,671	56,840
Other comprehensive income	-	-
Total comprehensive income for the year	<u>73,671</u>	<u>56,840</u>

The financial information of Iraq representing the details of administrative expenses of the Group is as follows:

	<u>2019</u>	<u>2018</u>
	JD	JD
Salaries and wages	165,846	210,340
Depreciation of the rights of use of leased assets	17,526	-
Voyage expenses	13,720	29,775
Advertisement	12,563	40,578
Professional fees and consultation	11,112	9,723
Leases	9,798	28,242
Depreciations and amortisations	6,083	9,133
Electricity and water	4,620	4,700
Social security	3,219	3,920
Transportation and vehicle expenses	3,115	3,734
Telephone and post	2,731	2,938
Governmental fees	2,645	2,486
Interests on rights of use of leased assets	2,011	-
Hospitality	805	2,471
Stationary	766	748
Training courses	-	297
Medical insurance	-	114
Miscellaneous	4,026	3,508
	<u>260,586</u>	<u>352,707</u>

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(25) RELATED PARTY TRANSACTIONS

Related parties include the Group's major shareholders, directors, entities controlled by them, their families or entities over which they exercise significant administrative influence, as well as key management personnel.

- (a) The following transactions were carried out with related parties represented by companies owned by some of the major shareholders during the year ended 31 December:

	<u>2019</u>	<u>2018</u>
	JD	JD
Instalments received for finance lease contracts	221,726	355,690
Instalments received for instalment sale contracts	258,460	1,217,800
Lease revenue	<u>330,550</u>	<u>317,801</u>

During the year, the Group recognised the following remuneration, allowances and benefits for the directors and general manager:

	<u>2019</u>	<u>2018</u>
	JD	JD
Board of directors remunerations	25,000	32,000
Salaries, bonuses and remunerations received by the General Manager	<u>219,432</u>	<u>217,864</u>

- (b) Details of balances with related parties as at 31 December were as follows:

Due to related parties (Note 17):

	<u>2019</u>	<u>2018</u>
	JD	JD
Nicola Abu Khader & Sons Co, Ltd,	14,617	-
The Leading Vehicles Co, Ltd,	1,500	10,839
Motor Vehicles Trading Company Ltd,	1,100	-
	<u>17,217</u>	<u>10,839</u>

(26) CONTINGENT LIABILITIES

As at 31 December 2019, the Group had contingent liabilities for bank guarantees at JD 6,500 (2018: JD 6,500).

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(27) DIVIDENDS DISTRIBUTION

The general assembly approved in their extraordinary meeting held on the 24 February 2019, to distribute an amount of JD 2,200,000 as cash dividends to the partners which represents 22% of the paid-in capital as at 31 of December 2018.

In respect of the previous year 2018, the General Assembly of shareholders on 25 February 2018 decided to distribute dividends in the amount of JD 1,540,000 of the retained earnings for 2017 equivalent to 22% of the Company's share capital, and were fully paid.

(28) EARNINGS PER SHARE FROM THE PROFIT FOR THE YEAR

	<u>2019</u> JD	<u>2018</u> JD
Profit for the year	<u>4,200,729</u>	<u>3,784,621</u>
Weighted average number of shares / (share) during the year	<u>10,000,000</u>	<u>10,000,000</u>
Basic and diluted earnings per share from profit for the year (JD/ share)	<u>0,420</u>	<u>0,378</u>

The basic earnings per share from the net profit for the year equals the diluted earnings per share as the Company did not issue any financial instruments that may have an impact on the basic earnings per share.