

ملاصق  
موجهة  
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اشارتنا رقم : 2018/47/ب ر/م ر  
التاريخ: 2018/ 03 /29

الساده / هيئة الأوراق المالية المحترمين

تحية طيبة وبعد ،

مرفق طيه البيانات المالية عن الفترة كما في 2017/12/31 باللغة  
الانجليزية .

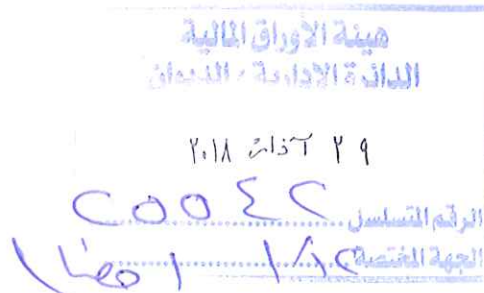
وتفضلوا بقبول فائق الاحترام،،،،،

رئيس مجلس الإدارة

الدكتور محمد أبو حمور



Acc2018/mr/acc108



SALAM INTERNATIONAL TRANSPORT  
AND TRADING COMPANY  
(A PUBLIC SHAREHOLDING LIMITED COMPANY)  
AQABA – JORDAN

CONSOLIDATED FINANCIAL STATEMENTS  
FOR THE YEAR ENDED  
DECEMBER 31, 2017 TOGETHER  
WITH INDEPENDENT AUDITOR'S REPORT

SALAM INTERNATIONAL TRANSPORT  
AND TRADING COMPANY  
(A PUBLIC SHAREHOLDING LIMITED COMPANY)  
AQABA – JORDAN  
DECEMBER 31, 2017

TABLE OF CONTENTS

	<u>Page</u>
Independent Auditor's Report	1 - 5
Consolidated Statement of Financial Position	6
Consolidated Statement of Income	7
Consolidated Statement of Comprehensive Income	8
Consolidated Statement of Changes in Owners' Equity	9
Consolidated Statement of Cash Flows	10
Consolidated Notes to the Financial Statements	11 - 46

## INDEPENDENT AUDITOR'S REPORT

AM \ 81552

To the Shareholders of  
Salam International Transport and Trading Company  
Public Shareholding Limited Company  
Amman – The Hashemite Kingdom of Jordan

### Report on the Audit of the Consolidated Financial Statements

#### Qualified Opinion

We have audited the consolidated financial statements of Salam International Transport and Trading Company "The Company", and its subsidiaries, which comprise the consolidated statement of financial position as at December 31, 2017, and the consolidated statement of income and other comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information.

In our opinion, except for the possible effects of the matters described in the "Basis of Qualified Opinion" paragraphs (1 & 2), the accompanying consolidated financial statements present fairly, in all material respects, the consolidated financial position of the Company as at December 31, 2017, and its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with International Financial Reporting Standards.

#### Basis of Qualified Opinion

1. There is a due from the Housing and Urban Development Corporation amounted to around JD 9 million as of December 31, 2017 and 2016. In addition to related project developers costs payable, deferred income and capitalized interest amounting to approximately JD 2.5 million, JD 3.1 million and JD 300 thousand at December 31, 2017 and 2016, respectively. We did not receive a confirmation for these balances and were unable to obtain sufficient appropriate audit evidence by performing alternative audit procedures. Consequently, we were unable to determine whether any adjustments to those balances were necessary.
2. Included in the fixed assets and inventory balances shown on the statement of financial position are amounts of JD 995K as of December 31, 2017 (2016: JD 1.20 million) that have not been impaired in accordance with International Accounting Standard 36 Impairment of Assets or written down to net realisable value in accordance with International Accounting Standard (2) Inventories. It is not possible to determine with reasonable certainty the exact value of the impairment as the Company has not performed an impairment review. In these circumstances, we are unable to quantify the effect of the departure from the accounting standard.



## **Emphasis of Matters**

Without further qualifying our opinion, we draw attention to the following:

1. As stated in Notes (16) to the accompanying consolidated financial statements, which refers to projects under construction which are not completed yet.
2. As stated in Note (11) to the accompanying consolidated financial statements, which refers to advance payment to acquire land in which its ownership is not transferred to the Company yet.

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

## **Key Audit Matters**

Key audit matters are those matters that, in our professional judgment, were most significant to our audit of the consolidated financial statements for the current year. 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. In addition to the matters described in paragraphs (1&2) within the "Basis for Qualified Opinion" section, we have determined the matters described below to be the key audit matters to be communicated in our report.

### **The Company's Share of Associates Company Profits**

The Company's share of associates Company Profits represent a major part of the Company's revenue, where the Company books its share from these companies' profits based on the equity method as per the latest available audited or reviewed financial statements.

### **Scope of Audit to Address Risk**

The audit procedures included understanding the Company's procedures related to calculation of its share from the associates' profits based on the equity method. We also requested management to provide us with the most recent available audited or reviewed financial statements, and recalculated the Company's share from those companies' profits, and reviewed the adequacy of the related disclosures included in note (15)

### **Payments on Account of Acquiring Land and Projects under Construction**

The consolidated financial statements include payments on account of acquiring plots of land and projects under construction, totaling JD 5,516,731 as of December 31, 2017. These projects include the value of work in progress and related costs. Moreover, direct costs of these projects are deferred until their completion.

According to International Financial Reporting Standards, the Company should determine the recoverable value of these amounts.

### **Scope of Audit to Address Risk**

The audit procedures included obtaining the contracts of those plots of land; reviewing payments on account of their acquisition; and discussing with management recoverability of the related payments and completion of the projects in the future or recoverability of the related payments.



**Valuation of Real Estate Investments**

Real estate investments comprise around 12.3% of the Company's assets. Moreover, the Company should reevaluate those investments at the time of preparation of the consolidated financial statements to determine their fair value and record the effect any impairment in the consolidated statement of income as per International Financial Reporting Standards. Consequently, the Company obtains assistance from independent real estate appraisers to determine their fair value and reflect any impairment in the consolidated statement of income for that period. Thus, assessment of the fair value of the real estate investments is significant to our audit.

**Scope of Audit to Address Risks**

The followed audit procedures included understanding the procedures applied by the Company in evaluating real estate investments, testing the procedures, for evaluating the reasonableness of the judgments based on the evaluation of the real estate appraisers, calculating the average fair value of those evaluations, recording any impairment in value, if any, and reviewing the appropriateness of the disclosure on the fair value of real estate investments, included in note (14).

**Other Matter**

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

**Other Information**

Management is responsible for the other information. The other information comprises the information in the Annual Report, other than the consolidated financial statements, and the auditor's report thereon. The Annual Report 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 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 when it becomes available and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated.

**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 IFRS, and for such internal control as management determines necessary to enable 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 Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Company or to cease operations, or has no realistic alternative but to do so.

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



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

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

As part of an audit in accordance with ISA's, we exercise professional judgement and maintain professional skepticism 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 the one resulting from error, as fraud may involve collusion, forgery, intentional omission, 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 internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting, and based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty 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 Company to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Company to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the Company's 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 safeguard procedures.

From the matters communicated with those charged with governance, we determine those matters that were of most significance to the audit of the consolidated financial statements for the current year and are therefore key audit matters. We describe these matters in our auditor's report unless law and 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 Company maintains proper accounting records, which are in agreement with the accompanying financial statements. We recommend that the General Assembly of the Shareholders approve these consolidated financial statements, taking into consideration the possible effect of what is mentioned in paragraphs (1 & 2) within the "Basis of Qualified Opinion" section and the effect of what is mentioned in paragraphs (1 & 2) within the "Emphasis of Matters" section.

**Deloitte & Touche (Middle East) – Jordan**

**Amman – Jordan**

**March 29, 2018**





SALAM INTERNATIONAL TRANSPORT AND TRADING COMPANY  
(A PUBLIC SHAREHOLDING LIMITED COMPANY)  
AOABA - JORDAN  
CONSOLIDATED STATEMENT OF FINANCIAL POSITION

	Note	December 31,	
		2017	2016
		JD	JD
<b>ASSETS</b>			
<u>Current Assets:</u>			
Cash on hand and at banks	5	278,463	156,733
Accounts receivable-net	6	874,309	547,467
Due from related parties	25/a	1,796,725	977,197
Accounts receivable - "Decent Housing for Decent Living" project	7	8,957,230	8,957,230
Residential units available for sale	8	519,974	910,183
Checks under collection and notes receivable - short term	9	451,591	610,578
Financial assets at fair value through profit or loss	10	10,866	10,068
Inventory - net	11	507,161	502,619
Other debit balances	12	611,342	839,548
Total Current Assets		14,007,661	13,511,623
<u>Non-Current Assets:</u>			
Checks under collection and notes receivable - long term	9	154,560	115,157
Financial assets at fair value through other comprehensive income	13	678,219	673,643
Investment properties - net	14	4,825,596	11,989,195
Investments in associates	15	12,618,590	13,060,149
Projects under construction	16	2,369,914	2,588,130
Advance payments for land acquisition	17	3,146,817	6,682,952
Advance payments for acquiring investment in companies	18	150,494	150,494
Property and equipment - net	19	1,286,294	1,410,381
Total Non-Current Assets		25,230,484	36,670,101
TOTAL ASSETS		39,238,145	50,181,724
<b>LIABILITIES AND OWNERS' EQUITY</b>			
<u>Current Liabilities:</u>			
Due to banks	20	728,856	1,224,297
Accounts payable	21	4,751,234	4,835,546
Due to related parties	25/b	2,984,650	4,866,116
Loans - current portion	22	2,069,525	2,580,364
Deferred checks and notes payable - short term		432,985	786,983
Income tax provision	23	71,557	61,762
Other credit balances	24	2,737,852	2,967,948
Total Current Liabilities		13,776,659	17,323,016
<u>Non-Current Liabilities:</u>			
Deferred checks and notes payable - long term		-	72,143
Shareholder's current account	25/b	274,085	1,596,389
Long-term Loans	22	2,960,938	7,346,962
Total Non-Current Liabilities		3,235,023	9,015,494
Total Liabilities		17,011,682	26,338,510
<u>OWNERS' EQUITY</u>			
<u>SHAREHOLDERS' EQUITY</u>			
Paid-up capital	26	18,000,000	18,000,000
Share discount	26	(1,349,998)	(1,349,998)
Statutory reserve	27	1,970,514	1,970,514
Voluntary reserve	27	48,024	48,024
Financial assets at fair value revaluation reserve	29	(151,214)	(143,453)
Accumulated (losses)	30	(1,394,796)	(1,895,423)
Net Shareholders' Equity		17,122,530	16,629,664
Non-controlling interests		5,103,933	7,213,550
Net Owners' Equity		22,226,463	23,843,214
TOTAL LIABILITIES AND OWNERS' EQUITY		39,238,145	50,181,724

General Manager

Chairman of the Board of Directors

THE ACCOMPANYING NOTES CONSTITUTE AN INTEGRAL PART OF THESE  
CONSOLIDATED FINANCIAL STATEMENTS AND SHOULD BE READ WITH THEM AND WITH  
THE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT.



SALAM INTERNATIONAL TRANSPORT AND TRADING COMPANY

(A PUBLIC SHAREHOLDING LIMITED COMPANY)

AOABA - JORDAN

CONSOLIDATED STATEMENT OF INCOME

	Note	For the Year Ended	
		December 31,	
		2017	2016 (Represented)
		JD	JD
Revenue	31	5,172,543	4,306,782
<u>Less: Cost of revenue</u>	32	<u>(3,590,307)</u>	<u>(2,864,416)</u>
Gross Profit		1,582,236	1,442,366
<u>Less: General and administrative expenses</u>	33	<u>(1,463,822)</u>	<u>(1,530,204)</u>
Loss from canceled contracts related to project under construction	16	(441,730)	-
Marketing expenses		(44,044)	(53,577)
Borrowing costs		(612,580)	(769,482)
Company's share of associated companies' profits	15	978,810	920,028
Gain from selling part of the Investments in associate company	15	467,987	-
Gain from valuation of financial assets at fair value through profit or loss		799	14,563
Cash dividends		20,348	13,562
Other Income - Net	34	<u>241,172</u>	<u>47,384</u>
Income before Income Tax Expense from Continuing Operations		729,176	84,640
<u>Less: Income tax expense</u>	23	<u>(42,201)</u>	<u>(45,173)</u>
Income for the Year from Continuing Operations		686,975	39,467
Net (Loss) for the year from discontinued operations	40	<u>(748,569)</u>	<u>(450,457)</u>
(Loss) for the Year		<u>(61,594)</u>	<u>(410,990)</u>
Attributable to:			
The Company's shareholders		540,987	168,890
Non-controlling interests		<u>(602,581)</u>	<u>(579,880)</u>
Total		<u>(61,594)</u>	<u>(410,990)</u>
Earnings per Share for the year from continuing operations attributable to the Company's Shareholders	35	<u>0.072</u>	<u>0.010</u>
Earnings per Share for the year from continuing and discontinuing operations attributable to the Company's Shareholders	35	<u>0.030</u>	<u>0.009</u>

General Manager

Chairman of the Board of Directors

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SALAM INTERNATIONAL TRANSPORT AND TRADING COMPANY

(A PUBLIC SHAREHOLDING LIMITED COMPANY)

AQABA - JORDAN

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

	For the Year	
	Ended December 31,	
	2017	2016
	JD	JD
(Loss) for the year	(61,594)	(410,990)
<u>Comprehensive Income Items:</u>		
<u>Items not to be subsequently transferred to consolidated statement of income :</u>		
Change in fair value of financial assets at fair value through comprehensive income	(7,761)	20,993
Total Comprehensive (Loss) for the Year	(69,355)	(389,997)
Total Comprehensive ( Loss ) for the Year Attributable to:		
Company's shareholders	533,226	189,883
Non- controlling interests	(602,581)	(579,880)
Total	(69,355)	(389,997)

THE ACCOMPANYING NOTES CONSTITUTE AN INTEGRAL PART OF THESE  
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**SALAM INTERNATIONAL TRANSPORT AND TRADING COMPANY**  
(A PUBLIC SHAREHOLDING LIMITED COMPANY)

AQABA - JORDAN

**CONSOLIDATED STATEMENT OF CHANGES IN SHAREHOLDERS' EQUITY**

Company's Shareholders' Equity												
Note	Financial Assets											
	Paid-up Capital	Share Discount	Statutory Reserve	Voluntary Reserve	at Fair Value		Accumulated (Losses)		Total	Non-Controlling Interests		Total
					Revaluation Reserve	Realized	Unrealized	JD		JD	JD	
42	18,000,000	(1,349,998)	1,970,514	48,024		(143,453)	(3,812,032)	1,916,609	(1,895,423)	16,629,664	7,213,550	23,843,214
	-	-	-	-	-	-	(40,360)	-	-	(40,360)	-	(40,360)
	18,000,000	(1,349,998)	1,970,514	48,024		(143,453)	(3,852,392)	1,916,609	(1,935,783)	16,589,304	7,213,550	23,802,854
	-	-	-	-	-	-	540,987	-	540,987	540,987	(602,581)	(61,594)
	-	-	-	-	-	(7,761)	-	-	-	(7,761)	-	52,239
	-	-	-	-	-	(7,761)	540,987	-	540,987	533,226	(602,581)	(9,355)
	18,000,000	(1,349,998)	1,970,514	48,024		(151,214)	(3,311,405)	1,916,609	(1,394,796)	17,122,530	(1,507,036)	(1,507,036)
	18,000,000	(1,349,998)	1,970,514	48,024		(164,446)	(3,899,401)	1,916,609	(1,982,792)	16,521,302	6,183,297	22,704,599
42	-	-	-	-	-	-	(81,521)	-	(81,521)	(81,521)	-	(81,521)
	18,000,000	(1,349,998)	1,970,514	48,024		(164,446)	(3,980,922)	1,916,609	(2,064,313)	16,439,781	6,183,297	22,623,078
	-	-	-	-	-	-	168,890	-	168,890	168,890	(579,880)	(410,990)
	-	-	-	-	-	20,993	-	-	-	20,993	-	20,993
	-	-	-	-	-	20,993	168,890	-	168,890	189,883	(579,880)	(389,997)
	18,000,000	(1,349,998)	1,970,514	48,024		(143,453)	(3,812,032)	1,916,609	(1,895,423)	16,629,664	7,213,550	23,843,214

For the Year Ended December 31, 2017

Balance - beginning of the year

Prior years' adjustments

Adjusted balance - beginning of the year

(Loss) for the year

Change in fair value of financial assets at fair value

Total Comprehensive (Loss) for the Year

Effect of disposal of subsidiary - Note (40)

Balance - End of the Year

For the Year Ended December 31, 2016

Balance - beginning of the year

Prior years' adjustments

Adjusted balance - beginning of the year

(Loss) for the year

Change in fair value of financial assets at fair value

Total Comprehensive (Loss) for the Year

Net change in non - controlling interests in subsidiaries

Balance - End of the Year

- An amount equivalent to the negative balance of financial assets revaluation reserve is restricted according to the Jordan Securities Commission's instructions.

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SALAM INTERNATIONAL TRANSPORT AND TRADING COMPANY  
(A PUBLIC SHAREHOLDING LIMITED COMPANY)  
AOABA - JORDAN  
CONSOLIDATED STATEMENT OF CASH FLOWS

Note	For the Year Ended December 31,	
	2017 JD	2016 JD
<b>CASH FLOWS FROM OPERATING ACTIVITIES:</b>		
Gain for the year before income tax	729,176	84,640
Adjustments:		
Investment properties depreciation	14 71,994	151,951
Property and equipment depreciation	19 183,207	251,101
(Gain) from selling part of the investments in associate company	15 (467,987)	-
Loss from sale of property and equipment	7,431	-
Company's share of associated companies (profits)	15 (978,810)	(920,028)
Lawsuits provision no longer needed	24 (86,115)	-
(Gain) from valuation of financial assets at fair value through statement of income	(799)	(15,561)
Lawsuits provision	24 32,251	78,622
Borrowing costs	612,580	1,045,210
Net Cash flows from Operating Activities before Changes in Working Capital	102,928	675,935
(Increase) in accounts receivable	(326,842)	(158,591)
Decrease in checks under collection and notes receivable	119,584	401,565
(Increase) in inventory	(4,542)	(42,017)
Decrease (increase) in other debit balances	159,621	(43,662)
(Decrease) in accounts payable	(84,312)	(228,278)
Increase (decrease) in other credit balances	276,262	(39,842)
Net Cash Flows from Operating Activities before Income Tax Paid	242,699	565,110
Income tax paid	23 (32,406)	(104,302)
Paid lawsuits	24 (100,000)	-
Net Cash Flows from Operating Activities	110,293	460,808
<b>CASH FLOWS FROM INVESTING ACTIVITIES:</b>		
(Increase) in financial assets at fair value through other comprehensive income	(4,576)	(18,024)
Decrease in residential units available for sale	390,209	296,790
Decrease in investments in associates	778,005	592,752
Proceed from selling part of the investments in associate company	1,110,351	-
(Increase) in projects under constructions	(223,514)	(210,088)
(Increase) in investments properties	14 -	(145,044)
Decrease in advance payments for land acquisition	3,536,135	-
(Purchase) of property and equipment	19 (166,934)	(33,612)
Proceeds from selling property and equipment	87,356	266,264
Net Cash Flows from Investing Activities	5,507,032	749,038
<b>CASH FLOWS FROM FINANCING ACTIVITIES:</b>		
Borrowing costs (paid)	(612,580)	(1,045,210)
(Increase) in deferred checks and notes payable	(426,141)	(160,209)
Change in due from/to related parties	(2,058,884)	616,907
(Decrease) increase in due to banks	(495,441)	84,719
Proceed from loans and borrowings	751,154	-
Repayment of loans and borrowings	(2,648,087)	(2,065,655)
Increase in non-controlling interests	-	1,074,633
Net Cash flows (used in) from Financing Activities	(5,489,979)	(1,494,815)
Net Increase (decrease) in Cash	127,346	(284,969)
Cash on hand and at banks - beginning of the year	156,733	441,702
Effect of disposal of a subsidiary	40 (5,616)	-
Cash on Hand and at Banks - End of the Year	5 278,463	156,733
<b>Non-Cash Transactions:</b>		
(Decrease) in due to related parties	-	(535,500)
Increase in non-controlling interests as a result of amortized subsidiary's loss	-	535,500
Changes in non-controlling interests	(1,507,036)	-
Decrease in investment properties	7,091,605	-
Change in property and equipment	13,027	-
Decrease in loans	(2,999,930)	-
Decrease in projects under constructions	441,730	-
Change in due from/to related parties	(490,602)	-
Decrease in other debit balances	81,613	-
Decrease in other credit balances	(380,243)	-

THE ACCOMPANYING NOTES CONSTITUTE AN INTEGRAL PART OF THESE  
CONSOLIDATED FINANCIAL STATEMENTS AND SHOULD BE READ WITH THEM



**SALAM INTERNATIONAL TRANSPORT AND  
TRADING COMPANY  
(A PUBLIC SHAREHOLDING LIMITED COMPANY)  
AQABA – JORDAN  
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**

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**1. General**

- a. Salam International Transport and Trading Company was established and registered as a Public Shareholding Limited Company on January 30, 1997 under registration No. (326), with a paid-up capital of JD 1,200,000. The Company's paid-up capital was gradually increased to JD 15,000,000, distributed over 15 million shares at JD 1 par value per share. In its extraordinary meeting held on April 22, 2014, the Company's General Assembly approved increasing the Company's capital of JD 15 million so that authorized and paid-up capital would become JD 18 million through public underwriting to the Company's shareholders.
- On September 13, 2011, the Company was registered at the Aqaba Special Economic Zone according to Law No. (32) for the Year 2000.
  - The Company's Head Office is located in Aqaba – Jordan.
- b. The Parent Company's and its Subsidiaries' main objectives include the following:
- Conducting all types of marine activity (transporting passengers and various types of goods, in addition to touristic marine transportation).
  - Possessing, managing, operating and leasing ships of all kinds.
  - Obtaining maritime agencies, brokering, and representing international rating agencies.
  - Obtaining commercial agencies and tendering.
  - Renting marine maintenance workshops of all kinds, including repairing ships.
  - Conducting land transport, business and related tendering.
  - Conducting real estate activities (buying and selling real estates and other real estate-related activities).
  - Providing services, operating touristic restaurants, and supplying hotels with food.
  - Guaranteeing others while benefiting the Company.
  - Transporting crude oil.
  - Investing in other companies.
  - Borrowing funds from banks to finance its activities.
- c. The consolidated financial statements have been approved by the Board of Directors on March 12, 2018.

**2. Significant Accounting Policies**

**a. Basis of Preparation of the Consolidated Financial Statements**

- The accompanying consolidated financial statements have been prepared in accordance with International Financial Reporting Standards and related interpretations.
- The consolidated financial statements have been prepared under the historical cost principle, except for financial assets and financial liabilities, which are stated at fair value through the statement of income, and financial assets at fair value through comprehensive income, stated at fair value on the date of the consolidated financial statements. Furthermore, hedged financial assets and financial liabilities are also stated at fair value.



- The reporting currency of the consolidated financial statements is the Jordanian Dinar, which is the functional currency of the Company.
- The accounting principles adopted for the consolidated financial statements for the year are consistent with those used in the prior year ended December 31, 2016, except for what is mentioned in Note (3-a) to the consolidated financial statements.

**b. Basis of Consolidation of the Financial Statements**

- The consolidated financial statements include the financial statements of the Company (Salam International Transport and Trading Company), its subsidiaries, and entities under its control. Moreover, control is achieved when the Company has the ability to control the financial and operating policies of the subsidiary companies to obtain benefits from their activities. Transactions, balances, revenue, and expenses between the Company and its subsidiaries are eliminated.
- The consolidated financial statements of the subsidiary companies are prepared for the same fiscal year of the Company using the same accounting policies of the Company. If the accounting policies adopted by the subsidiaries differ from those adopted by the Company, the necessary adjustments to the subsidiary companies' consolidated financial statements are made so that their accounting policies match those of the Company.
- Non-controlling interests represent the portion of the subsidiaries equity not owned by the parent Company.

- The Company owns the following subsidiary companies as of December 31, 2017:

Company's Name	Paid-up Capital JD	Ownership Percentage %	Nature of Activity	Place of Work	Date of Ownership	Total Assets JD	Total Liabilities JD	Total Revenue JD	Total Expenses JD
Farah International Catering Service Company	1,000,000	99.86	Trading	Jordan	September 21, 1992	2,362,650	455,133	3,125,167	2,900,111
Golden State For Commercial Services Company	204,874	99.86	Trading	Jordan	September 4, 2005	13,197	12,830	-	-
Mada'en Al - Noor Investment and Real Estate Development	6,000,000	75	Real estate	Jordan	June 3, 2004	18,690,729	11,377,892	1,764,027	2,203,327
Al - Ibtikar Land Transportation	2,600,000	70	Transportation	Jordan	March 9, 2005	1,037,318	1,273,401	10,060	223,580
Afaq Supply and Storage Company	500,000	90	Supply & storage	Jordan	February 18, 2008	1,046,686	897,733	467,987	19,734
Amman River Transport and Supply Company	1,000	100	Trading	Jordan	August 31, 2008	2,851	3,230	-	-
Mada'en Al - Bahr Investment and Real Estate Development	1,000,000	87.5	Trading	Jordan	September 5, 2010	1,947,718	1,274,018	-	97,608
Technical for Construction and Real Estate Services	1,000,000	98.75	Real estate	Jordan	September 1, 1992	3,507,684	289,021	320,629	197,323
Mada'en Al - Shorouq Investment Real Estate Company	6,660,000	69.99	Real estate	Jordan	November 20, 2006	8,568,203	995,675	413,500	536,677
Mada'en Al - Aqaba Investment Real Estate Company	2,500,000	60	Real estate	Jordan	September 6, 2007	1,720,153	4,718	-	459,477
Mada'en Al - Salam Construction Company	250,000	80	Real estate	Jordan	May 15, 2006	1,326,162	563,128	83,615	70,734

- Subsidiaries' results of operations are included in the consolidated statement of income effective from the acquisition date, which is the date of transferring control over the subsidiary by the Group. The results of operations of subsidiaries disposed of during the year were included in the consolidated statement of income up to the effective date of disposal, which is the date of losing control over the subsidiary

- On June 22, 2017 an agreement was signed between Mada'en Al -Noor for Investment and Real Estate Development and Aqaba Development Company (ADC) which states that Mada'en Al Noor should sell all its shares in Al Aqaba for Markets Development amounted to 2,467,500 share in Al Aqaba for Markets Development for the beneficiary, the partner Aqaba Development Company, in an exchange on JD 995,000 which was collected in July 23, 2017. This transaction resulted in a loss amounted around JD 749 thousand was booked in the consolidated statement of income. Accordingly, all Al Aqaba for Market Development balances were eliminated from Salam International Transport and Trading Company consolidated financial statements (Note 40).

c. Segments Information

- The business segment represents a set of assets and operations that jointly provide products and services subject to risks and returns different from those of other business segments, measured according to the reports used by the executive manager and the Company's key decision makers.
- The geographic segment is associated with providing products or services in a defined economic environment subject to risks and returns different from those of other economic environments.

d. Accounts Receivable

Accounts receivable are stated at net realizable value after booking a provision for doubtful debts.

e. Residential Units Available for Sale

Residential units available for sale are stated at the lower of cost or net realizable value (NRV). The actual cost for each unit is determined using specific identification method, where cost includes lands cost, construction materials costs, direct wages and benefits, and other direct costs.

f. Inventory

Inventories are stated at the lower of cost or net realizable value. Cost is determined using the first-in, first-out method. Net realizable value is the estimated selling price of inventory less the estimated cost of necessary to make the sale.

g. Financial Assets at Fair Value through Profit or Loss

- These financial assets represent investments in companies' stocks and bonds for trading purposes, and they are kept to generate gains from the fluctuations in market prices in the short term or trading margins.
- These financial assets are initially stated at fair value at the acquisition date, (transaction costs are expensed in the consolidated statement of income), and subsequently, measured at fair value. Moreover, changes in fair value are recorded in the consolidated statement of income, including the change in fair value resulting from the translation of non-monetary assets stated at foreign currency. Gains or losses resulting from the sale of these financial assets are taken to the consolidated statement of income.
- It is not allowed to reclassify any financial assets to/from this category except for the cases specified in International Financial Reporting Standards.
- Dividends and interest from these financial assets are recorded in the consolidated statement of income.



#### h. Financial Assets at Fair Value Through Other Comprehensive Income

- These financial assets represent investments in equity instruments held for generating gains in the long term and not for trading purposes.
- Financial assets at fair value through other comprehensive income are initially stated at fair value plus transaction costs at the purchase date. They are subsequently measured at fair value, and the gains or losses arising from the changes in fair value are recognized in the consolidated statement of changes in owners' equity, including the changes in fair value resulting from the translation of non-monetary assets stated in foreign currency. The gain or loss from the sale of these investments should be recognized in the consolidated statement of comprehensive income and within owners' equity, and the balance of the revaluation reserve for these assets should be transferred directly to retained earnings, and not to the consolidated statement of income.
- These assets are not subject to impairment testing.
- Dividends are recorded in the consolidated statement of other comprehensive income in a separate - line item.

#### i. Fair Value

Fair value represents the closing market price (purchase of assets / sale of liabilities) of financial assets and derivatives on the date of the consolidated financial statements.

In case declared market prices do not exist, active trading of some financial assets and derivatives is not available, or the market is inactive, fair value is estimated by one of several methods including the following:

- Comparison with the fair value of another financial asset with similar terms and conditions.
- Analysis of the future cash flows, using the discounted cash flows technique, through adopting a discount rate used in a similar instrument.
- Option pricing models.
- Long-term assets and liabilities that bear no interest are evaluated in accordance with the discounted cash flows technique, using the effective interest rate. Premiums and discounts are amortized within interest revenues or expenses in the consolidated statement of income.

The valuation methods aim to obtain a fair value that reflects the market expectations, taking into consideration market factors and any expected risks and benefits upon estimating the value of financial assets. Moreover, financial assets the fair value of which cannot be reliably measured are stated at cost net of any impairment in their value.

j. Impairment in the Value of Financial Assets

The Company reviews the values of financial assets, on the date of the consolidated statement of financial position, in order to determine if there are any indications of impairment in their value, individually or in the form of a portfolio. In case such indications exist, the recoverable value is estimated so as to determine the impairment loss.

Impairment loss is determined as follows:

- Impairment loss in financial assets recorded at amortized cost represents the difference between the book value and the present value of the expected cash flows discounted at the original interest rate.
- Impairment loss in value is recorded in the consolidated statement of income. Any surplus in the following period resulting from previous declines in the fair value of financial assets held at amortized costs is taken to the consolidated statement of income.

k. Investments in Associates and Companies Subject to Joint Control

Associated companies are those companies whereby the Company exercises significant influence over their financial and operating policies but does not control them, and whereby the Company owns between 20% to 50% of the voting rights. Moreover, associates are established through contractual agreements and their operating and financial decisions require unanimous approval.

Investments in associated companies are accounted for according to the equity method, and initially recognized at cost which includes all acquisition costs.

The consolidated financial statements include the Company's share of the profit and loss from the investment in associated companies, according to the equity method, after the required necessary adjustments are made to comply with the accounting policies adopted by the parent company.

As of December 31, 2017, the details of investments in associates are as follows:

<u>Company's Name</u>	<u>Percentage of Ownership</u> %	<u>Business Location</u>
Jordanian Marine Real Estate Investment Complex Company	26	Jordan
Jordan National Shipping Lines Company	22.96	Jordan
Jordanian Academy for Marine Studies	25	Jordan
Jordanian National Line for Ships Operation Company***	50	Jordan
Maset Al Aqaba for Ships Building Company***	50	Jordan
Aqaba Storing Chemicals Company	*	Jordan
Al Maha Real Estate Development Company	33.33	Jordan
Marine Lines for Storage and Port Services Company***	50	Jordan
Arabian Ships Management Company	20	Jordan
Maset Al Salam Company - Sudan	46	Sudan
Al Shams Economics Company	30	Jordan
Sea Star for Shipping and Logistics Company***	50	Jordan
Haqel al Aqaba for Investment**	33.33	Jordan



- \* During the third quarter of 2017, Afaq Supply and Storage Company (a subsidiary) sold 50% of its investments in Aqaba Storing Chemicals Company (an associate) to a strategic partner. The new partner ownership reached 55% of the Company's shares. The remaining shares in Aqaba Chemical Storage Company are in the process of being transferred to Haqel Al Aqaba for Investment Company (an associate).
- \*\* Haqel al Aqaba for investment Company was established by a group of Aqaba Storing Chemicals Company partners, and will have significant influence over the financial and operating policies of the Aqaba Storing Chemicals Company.
- \*\*\* The Company does not exercise a significant influence over the decisions related to the operational and financial policies of those companies.

#### l. Investment Property

Investment property is property held to earn rental income, for capital appreciation, or for both, but not for sale in the ordinary course of business. Investment properties are carried at cost less accumulated depreciation. Their fair values are disclosed in the notes to the consolidated financial statements, and they are revaluated annually, by independent real-estate experts, based on market values at the end of the year.

#### m. Property and Equipment

- Property and equipment are stated at cost less accumulated depreciation and impairment losses. Property and equipment (except for land) are depreciated over their useful lives, using the straight-line method at annual rates as follows:

	%
Building and hangars	2 - 4
Furniture and fixtures	15 - 20
Devices and equipment	10 - 15
Cars and trucks	5 - 15
Computers	20

- When the recoverable amount of property and equipment is less than the carrying amount, their value is reduced to the recoverable amount, and the impairment loss is recorded in the consolidated statement of income.
- The useful lives of property and equipment are reviewed at year-end. If they differ from previously prepared expectations, the difference in estimate for the upcoming years is recorded, as a change in estimate.
- Property and equipment are derecognized when disposed of or when there is no expected future benefit from their use or disposal.

#### n. Projects under construction

This item represents the value of works on the project plus related costs. Moreover, direct costs are deferred and charged to the project upon its completion.

#### o. Provisions

Provisions are recognized at the date of the consolidated statement of financial position only when a past event has created a legal or constructive obligation, an outflow of resources is probable, and the amount of the obligation can be reliably estimated.

p. 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 Company intends to settle them on a net basis, or assets are realized and liabilities settled simultaneously.

q. Income Tax

- Income tax expenses represent accrued taxes and deferred taxes.
- Income tax expenses are accounted for on the basis of taxable income. Moreover, income subject to tax differs from income declared in the consolidated financial statements because the latter includes non-taxable revenue or tax expenses not deductible in the current year but deductible in subsequent years, accumulated losses acceptable by the tax authorities, as well as unallowable and non-taxable items.
- Taxes are calculated on the basis of the tax rates prescribed by the prevailing laws, regulations, and instructions of the countries where the Company operates.
- Deferred taxes are taxes expected to be paid or recovered as a result of temporary timing differences between the value of the assets and liabilities in the consolidated financial statements and the value of the taxable amount. Moreover, deferred taxes are calculated, according to the consolidated statement of financial position liability method, at the tax rates expected to be applied at the tax settlement date or the realization of the deferred tax assets or liabilities.
- Deferred tax assets and liabilities are reviewed as of the date of the consolidated statement of financial position, and reduced in case it is expected that no benefit will arise therefrom, partially or totally.

r. Revenue Recognition

Revenue from the sale of apartments and goods is measured at the fair value of the consideration received or receivable, net of sales tax, when all of the following conditions are satisfied:

- The Company has transferred to the buyer the significant risks and rewards of ownership of the goods;
- The Company retains neither continuing managerial involvement to the degree usually associated with ownership nor effective control over the goods sold;
- The amount of revenue can be measured reliably;
- It is probable that the economic benefits associated with the transaction will flow to the Company; and
- The costs incurred or to be incurred in respect of the transaction can be measured reliably.

Revenue from services is recorded in the consolidated statement of income in accordance with the completion of the service, whose stages are evaluated according to previous studies.



s. Rental Contracts

Rental contracts revenue from investment in properties is recognized in the consolidated statement of income over the rental period, using the straight-line basis.

t. Contract Revenue

Contract revenue is recognized in the consolidated income statement in accordance with the completion stage. Moreover, expenses incurred are recognized unless project-activity-related assets arise in the future. Moreover, the completion stages are evaluated according to previous studies.

u. Date of Recognition of Financial Assets

Purchase and sale of financial assets are recognized on the trade date (the date on which the Company commits itself to sell or purchase financial assets).

v. Borrowing Costs

Finance expenses comprise of interest expense on borrowings. All borrowing costs are recognized in the consolidated statement of income, using the effective interest method.

w. Foreign Currencies

- Transactions in foreign currencies during the year are recorded at the exchange rates prevailing at the date of the transaction.
- Financial assets and liabilities denominated in foreign currencies are translated at the date of the consolidated statement of financial position, using the average exchange rates prevailing as of that date.
- Non-financial assets and liabilities denominated in foreign currencies are presented at fair value, using the rates prevailing at the date of their evaluation.
- Gains or losses resulting from foreign currency translation are recorded in the consolidated statement of income.
- Differences resulting from the translation of non-financial assets and liabilities denominated in foreign currencies, such as equity shares, are recorded as part of the change in fair value.
- Upon consolidation, the financial assets and financial liabilities of the Company and its subsidiaries are translated from the local currency to the reporting currency at the average exchange rates prevailing at the date of the consolidated financial position. Moreover, profit and loss items are translated at the average exchange rates prevailing during the year. Exchange differences are recorded in a separate item in the consolidated comprehensive income statement and within owners' equity. In case one of the subsidiaries is sold, the exchange differences are recorded within revenues and expenses in the consolidated statement of income.

### 3. Application of new and revised International Financial Reporting Standards (IFRS)

#### **3.a New and revised IFRSs applied with no material effect on the consolidated financial statements**

The following new and revised IFRSs, which became effective for annual periods beginning on or after January 1, 2017, have been adopted in these consolidated financial statements.

##### **Amendments to IAS 12 Income Taxes Recognition of Deferred Tax Assets for Unrealised Losses**

The Company has applied these amendments for the first time in the current year. The amendments clarify how an entity should evaluate whether there will be sufficient future taxable profits against which it can utilise a deductible temporary difference.

The application of these amendments has had no impact on the Company's consolidated financial statements.

##### **Amendments to IAS 7 Disclosure Initiative**

The Company has applied these amendments for the first time in the current year. The amendments require an entity to provide disclosures that enable users of the consolidated financial statements to evaluate changes in liabilities arising from financing activities, including both cash and non-cash changes.

The Company's liabilities arising from financing activities consist of borrowings (note 22). A reconciliation between the opening and closing balances of these items. Consistent with the transition provisions of the amendments, the Company has not disclosed comparative information for the prior period. Apart from the additional disclosure in (note 22), the application of these amendments has had no impact on the Company's consolidated financial statements.

##### **Annual Improvements to IFRS Standards 2014–2016 Cycle – Amendments to IFRS 12**

The Company has applied the amendments to IFRS 12 included in the Annual Improvements to IFRSs 2014-2016 Cycle for the first time in the current year. The other amendments included in this package are not yet mandatorily effective and they have not been early adopted by the Group.

IFRS 12 states that an entity need not provide summarised financial information for interests in subsidiaries, associates or joint ventures that are classified (or included in a disposal group that is classified) as held for sale. The amendments clarify that this is the only concession from the disclosure requirements of IFRS 12 for such interests.

The application of these amendments has had no effect on the Company's consolidated financial statements as none of the Group's interests in these entities are classified, or included in a disposal group that is classified, as held for sale.

#### **3.b New and revised IFRS in issue but not yet effective**

The Company has not yet applied the following new and revised IFRSs that have been issued but are not yet effective:

##### **Annual Improvements to IFRS Standards 2014 – 2016 Cycle amending IFRS 1 and IAS 28**

The improvements include the amendments on IFRS 1 and IAS 28 and they are effective for annual periods beginning on or after January 1, 2018.



**Annual Improvements to IFRS Standards 2015–2017**

The improvements include the amendments on IFRS 3, IFRS 11, IAS 12 and IAS 23 and they are effective for annual periods beginning on or after January 1, 2018.

**IFRIC 22 Foreign Currency Transactions and Advance Consideration**

The interpretation addresses foreign currency transactions or parts of transactions where:

- there is consideration that is denominated or priced in a foreign currency;
- the entity recognises a prepayment asset or a deferred income liability in respect of that consideration, in advance of the recognition of the related asset, expense or income; and
- the prepayment asset or deferred income liability is non-monetary.

The interpretation is effective for annual periods beginning on or after January 1, 2018.

**IFRIC 23 Uncertainty over Income Tax Treatments**

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

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

The interpretation is effective for annual periods beginning on or after January 1, 2019.

**Amendments to IFRS 2 Share Based Payment**

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

**Amendments to IFRS 4 Insurance Contracts**

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

**Amendments to IAS 40 Investment Property**

Paragraph 57 has been amended to state that an entity shall transfer a property to, or from, investment property when, and only when, there is evidence of a change in use. A change of use occurs if property meets, or ceases to meet, the definition of investment property. A change in management's intentions for the use of a property by itself does not constitute evidence of a change in use. The paragraph has been amended to state that the list of examples therein is non-exhaustive.

The Amendments are effective for annual periods beginning on or after January 1, 2018.

**Amendments to IAS 28 Investment in Associates and Joint Ventures**

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

The Amendments are effective for annual periods beginning on or after January 1, 2019.



### **IFRS 16 Leases**

IFRS 16 specifies how an IFRS reporter will recognise, measure, present and disclose leases. The standard provides a single lessee accounting model, requiring lessees to recognise assets and liabilities for all leases unless the lease term is 12 months or less or the underlying asset has a low value. Lessors continue to classify leases as operating or finance, with IFRS 16's approach to lessor accounting substantially unchanged from its predecessor, IAS 17.

The Company will apply IFRS 16 in the effective date which is the annual periods beginning on or after January 1, 2019. The Company is in the process of evaluating the impact of IFRS 16 on the Company's consolidated financial statements.

### **Amendments to IFRS 9 Financial Instruments**

The amendments are related to prepayment features with negative compensation. This amends the existing requirements in IFRS 9 regarding termination rights in order to allow measurement at amortised cost (or, depending on the business model, at fair value through other comprehensive income) even in the case of negative compensation payments.

The Amendments are effective for annual periods beginning on or after January 1, 2019.

### **IFRS 9 Financial Instruments (revised versions in 2009, 2010, 2013 and 2014)**

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

A finalised version of IFRS 9 which contains accounting requirements for financial instruments, replacing IAS 39 *Financial Instruments: Recognition and Measurement*. The standard contains requirements in the following areas:

- **Classification and measurement:** Financial assets are classified by reference to the business model within which they are held and their contractual cash flow characteristics. The 2014 version of IFRS 9 introduces a 'fair value through other comprehensive income' category for certain debt instruments. Financial liabilities are classified in a similar manner to under IAS 39, however there are differences in the requirements applying to the measurement of an entity's own credit risk.
- **Impairment:** The 2014 version of IFRS 9 introduces an 'expected credit loss' model for the measurement of the impairment of financial assets, so it is no longer necessary for a credit event to have occurred before a credit loss is recognised.
- **Hedge accounting:** Introduces a new hedge accounting model that is designed to be more closely aligned with how entities undertake risk management activities when hedging financial and non-financial risk exposures.
- **Derecognition:** The requirements for the derecognition of financial assets and liabilities are carried forward from IAS 39.



The Company adopted IFRS 9 (phase 1) that was issued in 2009 related to classification and measurement financial assets, the company will adopt the finalised version of IFRS 9 from the effective date of January 1, 2018; apply it retrospectively and recognize the cumulative effect of initially applying this standard as an adjustment to the opening balance of retained earnings as of January 1, 2018.

The Company is continuing to analyze the impact of the changes and currently does not consider it likely to have a major impact on its adoption. This assessment is based on currently available information and is subject to changes that may arise when the Company presents its first financial statements as on December 31, 2018 that includes the effects of its application from the effective date.

#### **IFRS 15 Revenue from Contracts with Customers**

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

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

- Step 1: Identify the contract(s) with a customer.
- Step 2: Identify the performance obligations in the contract.
- Step 3: Determine the transaction price.
- Step 4: Allocate the transaction price to the performance obligations in the contract.
- Step 5: Recognise revenue when (or as) the entity satisfies a performance obligation.

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

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

The Company intends to adopt the standard using the cumulative effect approach, which means that the Company will recognize the cumulative effect of initially applying this standard as an adjustment to the opening balance of retained earnings of the annual reporting period that includes the date of initial application. The Company is continuing to analyze the impact of the changes and its impact will be disclosed in the first consolidated financial statements as of December 31, 2018 that includes the effects of its application from the effective date.

#### **Amendments to IFRS 15 Revenue from Contracts with Customers**

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

The Amendments are effective for annual periods beginning on or after January 1, 2018.



**Amendments to IFRS 7 Financial Instruments: Disclosures**

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

**IFRS 7 Financial Instruments: Disclosures**

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

**IFRS 17 Insurance Contracts**

IFRS 17 requires insurance liabilities to be measured at a current fulfillment value and provides a more uniform measurement and presentation approach for all insurance contracts. These requirements are designed to achieve the goal of a consistent, principle-based accounting for insurance contracts. IFRS 17 supersedes IFRS 4 *Insurance Contracts* as of January 1, 2021.

**Amendments to IFRS 10 Consolidated Financial Statements and IAS 28 Investments in Associates and Joint Ventures (2011)**

The amendments are related to the treatment of the sale or contribution of assets from and investor to its associate or joint venture.

The Amendments effective date deferred indefinitely and the adoption is still permitted.

Management anticipates that these new standards, interpretations and amendments will be adopted in the [Company / Group]'s [consolidated] financial statements as and when they are applicable and adoption of these new standards, interpretations and amendments, except for IFRS 9, IFRS 15 and IFRS 16 as highlighted in previous paragraphs, may have no material impact on the financial statements of the Company in the period of initial application.

Management anticipates that IFRS 15 and IFRS 9 will be adopted in the Company's financial statements for the annual period beginning January 1, 2018 and that IFRS 16 will be adopted in the Company's financial statements for the annual period beginning January 1, 2019.

**4. Accounting Estimates**

Preparation of the consolidated financial statements and the application of the accounting policies require from the Company's management to perform estimates and judgments that affect the amounts of the consolidated financial assets, liabilities, and disclosures on contingent liabilities. These estimates and judgments impact revenue, expenses, provisions and financial assets at fair value revaluation reserve. In particular, this requires from the Company's management to issue significant judgments for estimating the amounts of future cash flows and their timing. These estimates are necessarily based on several assumptions and factors with varying degrees of consideration and uncertainty. Actual results may differ from estimates due to the changes arising from the conditions and circumstances of those estimates in the future.

Management believes that the estimates in the consolidated financial statements are reasonable. The details are as follows:

- A provision is set for lawsuits raised against the Company based on an adequate legal study prepared by the Company's legal advisor. Moreover, the study highlights potential risks that may be encountered in the future. Such legal assessments are reviewed periodically.



- A provision is set for accounts receivable based on the policies and estimates approved by the Company's management for estimating the provision according to International Financial Reporting Standards.
- A provision is taken against impairment of inventory items "decline in inventory prices" based on the assumptions approved by the Company's management for estimating the provision required according to International Financial Reporting Standards.
- Management periodically reassesses the economic useful lives of tangible assets for the purpose of calculating annual depreciation based on the general condition of these assets and the assessment of their useful economic lives expected in the future. Impairment loss (if any) is taken to the consolidated statement of income.
- The Company's management periodically reviews the investment property to estimate any improvement in its value. Impairment loss is taken to the consolidated statement of income.
- Income tax provisions: the financial statement is charged with its portion from income tax expense according to the prevailing laws, regulations, and accounting standards; and the necessary provision is recorded.
- Fair value hierarchy  
The level in the fair value hierarchy is determined and disclosed into which the fair value measurements are categorized in their entirety, segregating fair value measurements in accordance with the levels defined in IFRS. The difference between Level 2 and Level 3 fair value measurements represents whether inputs are observable and whether the unobservable inputs are significant, which may require judgment and a careful analysis of the inputs used to measure fair value, including consideration of factors specific to the asset or liability, the Company uses information from the market, if available, and in the absence of the first level inputs, the Company deals with the independent and qualified parties to prepare evaluation studies. Appropriate methods of assessment and input used to prepare the evaluation are reviewed by management.

#### 5. Cash on Hand and at Banks

This item consists of the following:

	2017	2016
	JD	JD
Cash on hand	39,263	48,256
Current accounts at banks	239,200	108,477
	<u>278,463</u>	<u>156,733</u>

#### 6. Accounts Receivable - Net

This item consists of the following:

	December 31,	
	2017	2016
	JD	JD
Trade receivables *	1,104,159	780,206
Employees' receivable	21,311	18,422
<u>Less : Allowance for doubtful receivables **</u>	<u>(251,161)</u>	<u>(251,161)</u>
Net Accounts receivable	<u>874,309</u>	<u>547,467</u>

- \* The Company's accounts receivable mainly consists of trade receivables. Moreover, the Company follows the interaction policy with qualified parties in addition to getting sufficient guarantees wherever is appropriate to decrease the financial losses risk resulted from obligations that might not be met. The Company books a provision for the receivables aging more than 360 days if no related collections are made during the period/year. Furthermore, the accounts accrued and impaired amounted to JD 251,161 as of the date of the condensed consolidated interim financial statements.

\*\* Allowance for doubtful receivables movement during the year is as follows:

	2017	2016
	JD	JD
Balance – beginning of year	251,161	276,098
Add : Written off debts*	-	(24,937)
Balance – End of Year	251,161	251,161

\* According to the General Assembly's Board meeting of Al-Ibtikar Land Transport Company (subsidiary) as of March 1, 2016, approval was issued to write off the drivers' debts which are less than JD 300 which amounted JD 24,937.

7. Accounts Receivable - "Decent Housing for Decent Living" Project

This item represents receivables from the Housing and Urban Development Corporation on the "Decent Housing for Decent Living" project of around JD 9 million as of December 31, 2017 and 2016, including an amount of around JD 3 million, booked as unearned revenues and subcontractors payable at the end of the year 2014. During the year 2013, the Company capitalized interest and fees of around JD 300 thousand incurred on a loan which the Company has obtained to finance the project. The Company has opted to go to arbitration against The Housing and Urban Development Corporation for the amounts due, and arbitration proceedings are still ongoing.

8. Residential Units Available for Sale

This item represents residential units available for sale in ZARQA and ABU - NSAIR as of December 31, 2017 and 2016.

Movement on the residential units available for sale during the year is as follows:

	2017	2016
	JD	JD
Balance – beginning of year	910,183	1,206,973
Less: Cost of apartments sold	(390,209)	(296,790)
Balance – End of Year	519,974	910,183

- The selling price of residential units available for sale exceeds their book value as of December 31, 2017 and 2016.

9. Cheques Under Collection and Notes Receivable

The item consists of the following:

	December 31,	
	2017	2016
	JD	JD
Short term	451,591	610,578
Long term	154,560	115,157
	606,151	725,735



**10. Financial Assets at Fair Value through Profit or Loss**

The item consists of the following:

	December 31,	
	2017	2016
	JD	JD
Shares quoted in active markets	10,866	10,068
	<u>10,866</u>	<u>10,068</u>

**11. Inventory-net**

The item consists of the following:

	December 31,	
	2017	2016
	JD	JD
Spare parts	340,089	340,089
Food inventory	239,476	232,638
Others	11,452	13,748
	<u>591,017</u>	<u>586,475</u>
<u>Less: Provision for slow - moving inventory *</u>	<u>(83,856)</u>	<u>(83,856)</u>
	<u>507,161</u>	<u>502,619</u>

\* Movement on the provision for slow -moving inventory during the year is as follows:

	2017	2016
	JD	JD
Balance at the beginning of the year	83,856	83,856
Balance at the End of the Year	<u>83,856</u>	<u>83,856</u>

**12. Other Debit Balances**

The item consists of the following:

	December 31,	
	2017	2016
	JD	JD
Prepaid expenses	30,595	77,940
Refundable deposits	73,802	132,333
Guarantees	240,383	254,543
Insurance claims	121,854	121,854
Sales and income tax deposit	91,306	82,606
Cash box	51,923	154,969
Other	1,479	15,303
	<u>611,342</u>	<u>839,548</u>

**13. Financial Assets at Fair Value through Other Comprehensive Income**

The item consists of the following:

	December 31,	
	2017	2016
	JD	JD
Quoted stocks in active market	356,219	291,643
Unquoted stocks in active markets	322,000	382,000
	<u>678,219</u>	<u>673,643</u>



**14. Investment Properties - Net**

The movement on this item during the year is as follows:

	<u>2017</u>	<u>2016</u>
	JD	JD
<u>Cost</u>		
Balance at the beginning of the year	9,459,477	9,314,433
Effect of disposal of a subsidiary – Note (40)	(5,859,781)	-
Additions	-	145,044
Balance at the End of the Year	<u>3,599,696</u>	<u>9,459,477</u>
<u>Accumulated depreciation</u>		
Balance at the beginning of the year	747,263	560,312
Effect of disposal of a subsidiary – Note (40)	(143,453)	-
Depreciation during the year	<u>71,994</u>	<u>186,951</u>
Balance at the End of the Year	<u>675,754</u>	<u>747,263</u>
Net Book Value	<u>2,923,942</u>	<u>8,712,214</u>
<u>Add: Lands*</u>		
Balance at the beginning of the year	3,276,981	3,276,981
Effect of disposal of a subsidiary – Note (40)	(1,375,277)	-
Balance at the End of the Year	<u>1,901,704</u>	<u>3,276,981</u>
	<u>4,825,596</u>	<u>11,989,195</u>

- The fair value of the investment properties according to the latest real estate independent appraisers' assessment was JD 5.7 million as of December 31, 2017.
- Investment properties were mortgaged to banks in order to obtain credit facilities directly granted to the Company (Note 22).

### 15. Investment in Associates

This item consists of the following:

Company's name	Percentage of Contribution	Movement during the year											
		Investments under Equity Method at the Beginning of the Year		Increase in Capital	Cash Dividends		Disposal of Investment in associate company	Share of Companies' (Losses)	Portion from Valuation of Financial Assets at Fair Value Reserve	2017		2016	
		JD	JD		JD	JD				Investments under Equity Method at the End of the Year	Investments under Equity Method at the End of the Year	Share of Companies (Losses)	Share of Companies (Losses)
Jordan National Shipping Lines Company	22.96	5,047,541	-	(516,551)	-	-	765,849	-	-	5,296,839	5,047,541	698,872	
Jordanian Marine Real Estate Investment Complex Company	26	1,459,992	-	-	-	-	(197,221)	-	-	1,262,771	1,459,992	(328,898)	
Jordanian Academy for Marine Studies	25	827,720	-	(125,000)	-	-	160,738	-	-	863,458	827,720	169,317	
Jordanian National Line for Shipping Operations' Company	50	448,493	-	-	-	-	49,935	-	15,314	513,742	448,493	27,784	
Maset Al Aqaba for Ships Building Company	50	208,126	-	-	-	-	(1,321)	-	-	206,805	208,126	(1,135)	
Aqaba Chemicals Storage Company *	***	939,130	-	-	(640,799)	-	32,914	-	-	331,245	939,130	99,101	
Al Maha Real Estate Development Company	33.33	3,297,222	-	-	-	-	(10,668)	-	-	3,286,554	3,297,222	(10,944)	
Marine Lines for Storage and Port Services Company	50	310,824	-	-	-	-	6,581	-	-	317,405	310,824	2,881	
Arabian Ships Management Company	20	140,167	-	(40,000)	-	-	35,098	-	-	135,265	140,167	42,000	
Sea Star for Shipping and Logistics' Services Company	50	233,550	-	(130,000)	-	-	136,905	-	-	240,455	233,550	221,050	
Haqel al Aqaba for investment **	33.33	-	16,667	-	-	-	-	-	-	16,667	-	-	
Investment in Maset Al Salam Company – Sudan*	46	140,184	-	-	-	-	-	-	-	140,184	-	-	
Investment in Shams Economics Company *	30	7,200	-	-	-	-	-	-	-	7,200	-	-	
		13,060,149	16,667	(811,551)	(640,799)	-	978,810	15,314	-	12,618,550	13,060,154	920,028	

\* The company's net share of associate companies profit is calculated for the year ended December 31, 2017 based on the latest financial information prepared by these companies managements.

\*\* Haqel al Aqaba for Investment Company was established by a group of Aqaba Chemical Storage Company partners, and will have significant influence over the financial and operating policies of the Aqaba Chemical Storage Company.

\*\*\* During the third quarter of 2017, Alad supply and storage Company (a subsidiary) sold 50% of its investments in Aqaba Storin Chemicals Company (an associate) to a strategic partner. The new partner ownership reached 55% of the Company's shares. The remaining shares in Aqaba Storing Chemicals Company are in the process of being transferred to Haqel Al Aqaba for Investment Company (an associate).

#### 16. Projects under Construction

This item consists of the following:

	December 31,	
	2017	2016
	JD	JD
Al Shouroq City Project *	490,204	490,204
Construction tourist resorts project - Aqaba **	-	441,730
Dead Sea project *	1,879,710	1,655,583
Others*	-	613
	<u>2,369,914</u>	<u>2,588,130</u>

\* Projects under construction mentioned above are not completed yet. However, the recovery of these amounts depends on executing the future plans of the subsidiaries to complete the projects and obtain the necessary funding.

\*\* On June 21, 2017, a final agreement was signed related to the cancellation of the sale and development contract between Mada'en al Aqaba for Real Estate and Development (subsidiary company) and Aqaba Development Company (ADC), where the two original agreements along with their appendices have been cancelled for which their capitalized amounts within to the projects under construction amounted to JD 441,730 were written off and recorded in the consolidated statement of income.

According to the Department of Land and Survey, the market value based on the price of the plot, of land on which Al Shorouq City Project and Dead Sea Project are erected, for these projects under construction, including the value of the land on which the projects are built exceeds their book value as of December 31, 2017.

#### 17. Advance Payments for Land Acquisition

This item consists of the following:

	December 31,	
	2017	2016
	JD	JD
Advance payments related to contracts for Mada'en Al Shorouq *	3,146,817	3,146,817
Advance payments related to contracts for Mada'en Al Aqaba **	-	3,536,135
	<u>3,146,817</u>	<u>6,682,952</u>

\* This item represents JD 3,164,817 as of December 31, 2017 which is advance payments related to contracts with Madaen Al Shorouq Real Estate Investment and Development Company (subsidiary company) to purchase land from the National Resources Investment and Development Corporation, for development and construction purposes. The Company is still completing the terms of the contract to conclude the transfer of ownership.

\*\* On June 21, 2017, a final agreement was signed related to the cancellation of sale and development contract between Mada'en al Aqaba for Real Estate and Development (subsidiary company) and Aqaba Development Company (ADC), whereby the two original agreements along with their appendices have been cancelled. Accordingly, the second team returned the land price amounted to JD 3,536,135 to the first team on July 23, 2017.

#### 18. Advance Payments for Acquiring Investment in Companies

This item represents advance payments against investing in Maset Al - Salam Company-Sudan (Private Shareholding Company) as of December 31, 2017 and 2016.



19. Property and Equipment - Net

This item consists of the following:

Year 2017	Land	Buildings and Hangar	Furniture and Fixtures	Devices and Equipment	Vehicles and Trucks	Computers	Total
Cost:	JD	JD	JD	JD	JD	JD	JD
Balance - beginning of the year	204,874	354,726	452,782	652,698	1,277,180	231,602	3,173,862
Effect of loss control of subsidiary - Note (40)	-	-	(3,703)	-	-	(17,655)	(21,358)
Additions	-	-	22,284	-	118,421	10,530	166,934
Disposals	-	(166,778)	-	15,699	-	-	(166,778)
Balance - End of the Year	204,874	187,948	471,363	668,397	1,395,601	224,477	3,152,660
Accumulated Depreciation:							
Balance - beginning of the year	-	180,920	436,274	585,424	339,229	221,634	1,763,481
Effect of loss control of subsidiary - Note (40)	-	-	(2,074)	-	-	(6,257)	(8,331)
Depreciation for the year	-	35,313	24,036	36,567	84,089	3,202	183,207
Disposals	-	(71,991)	-	-	-	-	(71,991)
Balance - End of the Year	-	144,242	458,236	621,991	423,318	218,579	1,866,366
Net Book Value as of							
December 31, 2017	204,874	43,706	13,127	46,406	972,283	5,898	1,286,294
Year 2016							
Cost:							
Balance - beginning of the year	204,874	500,278	452,782	645,927	1,588,615	229,503	3,621,979
Additions	-	-	-	6,771	24,742	2,099	33,612
Disposals	-	(145,552)	-	-	(336,177)	-	(481,729)
Balance - End of the Year	204,874	354,726	452,782	652,698	1,277,180	231,602	3,173,862
Accumulated Depreciation:							
Balance - beginning of the year	-	220,535	408,426	544,409	344,134	210,341	1,727,845
Depreciation for the year	-	60,798	27,848	41,015	110,147	11,293	251,101
Disposals	-	(100,413)	-	-	(115,052)	-	(215,465)
Balance - End of the Year	-	180,920	436,274	585,424	339,229	221,634	1,763,481
Net Book Value as of							
December 31, 2016	204,874	173,806	16,508	67,274	937,951	9,968	1,410,381
Annual Depreciation Rates %	-	2 - 4	15 - 20	10 - 15	5 - 15	20	

- Property and equipment includes fully depreciated assets of JD 1,455,175 as of December 31, 2017.

20. Due to Banks

This item consists of the following:

	December 31,	
	2017	2016
	JD	JD
Current overdrawn accounts	36,756	39,161
Overdraft *	692,100	1,185,136
	728,856	1,224,297

- \* This item represents direct credit facilities in the form of an overdraft account, granted by several local banks, with a ceiling of JD 2,425,000 and an interest rate ranging from 7.5% to 9.5%. The purpose of these facilities is to finance the normal activities of the Company, and they have been granted against the personal guarantee of Mr. Ahmed Helmi Armoush. During the year 2016 the Company was granted from one of the local banks with additional credit facilities with a ceiling of JD 70,000. Moreover, during the first half of 2015 the overdraft account was rescheduled with Standard Chartered Bank, and the related agreement was signed on April 23, 2015.

21. Accounts Payable

This item consists of the following:

	December 31,	
	2017	2016
	JD	JD
Trade payables	2,255,145	2,339,457
Developers payable *	2,496,089	2,496,089
	4,751,234	4,835,546

- \* Developers payable represent amounts due to the developers who assisted in the construction of "Decent Housing for Decent Living" Project in favor of the owner of the project, The Housing and Urban Development Corporation, including JD 901,308 recorded at the end of 2014. Moreover, the Company will pay these amounts upon receipt of the financial dues from the Housing and Urban Development Corporation.

## 22. Loans

This item consists of the following:

Granting Party	Loan Principle	Remaining Installments	Interest Rate	December 31, 2017				December 31, 2016			
				Due	Due during	Total	Due during	Due	Due during	Total	Due during
				Installment	the Year		the Year	Installment	the Year		More than a Year
	JOD		%	JOD	JOD	JOD	JOD	JOD	JOD	JOD	JOD
Egyptian Arab Land Bank - loan (1) - (Note 40)	3,000,000	95	8/75	-	-	-	-	87,471	321,543	409,014	2,590,916
Egyptian Arab Land Bank - loan (2)	2,050,000	6	9/25	-	-	-	-	71,527	291,286	362,813	813,616
Housing Bank for Trade and Finance - loan (1) **	2,650,000	101	8	69,624	240,018	309,642	1,950,000	33,269	240,016	273,285	2,150,000
Ethiad Bank	1,446,209	23	8/75	-	300,000	300,000	305,182	-	300,000	300,000	580,182
Arab Banking Corporation	600,000	-	9/75	-	-	-	-	-	5,187	5,187	-
Standard Chartered Bank ***	3,566,192	10	6/5	115,000	1,154,569	1,269,569	-	-	1,020,000	1,020,000	1,016,289
Housing Bank for Trade and Finance - loan (2) ****	400,000	33	8/5	-	100,468	100,468	99,602	-	100,468	100,468	155,959
Housing Bank for Trade and Finance - loan (3) ****	250,000	38	8	-	64,846	64,846	130,000	-	-	-	-
Housing Bank for Trade and Finance - loan (4) *****	501,154	48	7/75	-	25,000	25,000	476,154	-	-	-	-
Capital Bank of Jordan *	700,000	-	8/75	-	-	-	-	-	109,597	109,597	-
				184,624	1,884,901	2,069,525	2,960,938	192,267	2,388,097	2,580,364	7,346,982

\* During the year 2012, the loan of the Capital Bank of Jordan has been rescheduled to be repaid in monthly installments starting on January 30, 2013 until August 30, 2018, to put in order the liquidity position of the Company. During the year 2017, the amount was fully paid.

\*\* During the third quarter of the year 2013, the Company has changed the due bill into a loan, the first installment of which matures on January 1, 2014 to put in order the liquidity position of the Company. During the year 2015, the Company signed an agreement with the Housing Bank for Trade and Finance to defer the settlement of the installments that mature during 2015 to February 1, 2016 until February 1, 2027.

\*\*\* During the first half of the year 2015, the loan has been rescheduled and merged with the overdraft account, and the agreement was signed on April 23, 2015.

\*\*\*\* At the beginning of 2017, the Company was granted a reducing loan from Housing Bank for Trade and Finance in the amount of JOD 250,000 with annual interest rate 8%, the loan shall be repaid over 50 installments where the first is due on January 1, 2017 and the other installments are due at the beginning of each month.

\*\*\*\*\* During the year 2017, the overdraft account was rescheduled and converted to a loan to be repaid in 48 equal monthly installments and the remaining balance will be repaid in one payment in five years, including a grace period, in which the first installment will be on August 1, 2018.

\*\*\*\*\* During the year 2017, the Company was granted discounted loan from Housing Bank for Trade and Finance in the amount of JOD 4000,000 with annual interest rate 8.5%, the loan shall be repaid over 38 installments the first is due on August 1, 2017 and the other installments are due at the beginning of each month.

The guarantees against the direct credit facilities above represent personal guarantee of Mr. Ahmed Helmi Amoush (major shareholder) and mortgages of listed shares at fair value amounted to JOD 3,657,073 as of December 31, 2017.

The movement on the loans during the years 2017 and 2016 is as follows:

	2017	2016
Balance at the beginning of the year	9,927,326	11,992,981
Effect of disposal of subsidiary - Note (40)	(2,595,930)	-
Issuance of loan	751,154	-
Extinguishment of loan	(2,648,087)	(7,045,655)
Balance at the End of the Year	5,030,463	9,927,326



### 23. Income Tax

#### a. Income Tax Provision:

The movement on the income tax provision is as follows:

	<u>2017</u>	<u>2016</u>
	JD	JD
Balance beginning of the year	61,762	138,286
Provision for the year	42,201	45,173
Provision no longer needed-subsiary	-	(17,395)
Income tax paid during the year	<u>(32,406)</u>	<u>(104,302)</u>
Balance - End of the Year	<u>71,557</u>	<u>61,762</u>

#### b. Income Tax Expense:

Income tax expense shown in the consolidated statement of income represents the following:

	<u>2017</u>	<u>2016</u>
	JD	JD
Income tax expense for the year	<u>42,201</u>	<u>45,173</u>
	<u>42,201</u>	<u>45,173</u>

#### c. Income Tax Status:

##### Salam International Transport and Trading Company (Parent):

##### a. Aqaba:

The Company has reached a final settlement with the Income and Sales Tax Department up to the year 2013. Furthermore, the Company has submitted its tax returns for the years 2014 til 2016, and according to the company's management and the legal consultants there are no due balances on the Company.

##### b. Amman:

The Company has reached a final settlement with the Income and Sales Tax Department up to the end of the year 2014 and submitted its tax returns for the years 2015 and 2016, and according to the company's management and the legal consultants there are no due balances on the Company.

**Subsidiaries:**

The following schedule shows the tax situation of each subsidiary:

<u>Company</u>	<u>Tax Returns up to Year</u>	<u>Final Settlement up to Year</u>
Farah International Catering Service Company	2016	2012
Golden State for Commercial Services Company	2016	2011
Mada'en Al - Noor Investment and Real Estate Development Company	2016	2014
Al-Ibtikar Land Transportation Company	2016	2014 except for 2013
Farah International Transport and Trading Company	2016	2009
Afaq Supply and Storage Company	2016	No settlement yet
Mada'en Al - Bahr Investment and Real Estate Development Company	2016	No settlement yet
Technical for Construction and Real Estate Services Company	2016	2015
Mada'en Al - Shorouq Investment Real Estate Company	2016	2015
Mada'en Al - Aqaba Real Estate Investment and Development Company	2016	2014
Mada'en Al - Salam Construction Company	2016	2014

- In the opinion of the Company's management and tax consultant, the income tax provision for the Company and its subsidiaries is sufficient to settle any potential tax liability arising therefrom as of the date of the consolidated financial statements.

**24. Other Credit Balances**

This item consists of the following:

	<u>December 31,</u>	
	<u>2017</u>	<u>2016</u>
	<u>JD</u>	<u>JD</u>
Shareholders' deposits	98,425	98,425
Accrued expenses	286,539	223,957
Income tax deposits	5,709	5,709
Sales tax deposits	6,165	11,829
Social security deposits	41,475	59,073
Advanced receipts from customers	-	115,886
Unearned revenue	105,085	104,751
Lawsuits provision **	-	153,864
Unearned revenue-Decent Housing for Decent Living*	2,194,454	2,194,454
	<u>2,737,852</u>	<u>2,967,948</u>

- \* This item represents unearned revenue arising from the differences relating to the "Decent Housing for Decent Living" project at the end of the years 2017 and 2016, and is due from the Housing and Urban Development Corporation.

- \*\* The movement on the lawsuits provision is as follows:

	<u>2017</u>	<u>2016</u>
	<u>JD</u>	<u>JD</u>
Balance at the beginning of the year	153,864	75,242
Provision Booked	32,251	78,622
Provision no longer needed	(86,115)	-
Paid during the year	(100,000)	-
Balance at the End of the Year	<u>-</u>	<u>153,864</u>

- \* This represents a provision booked for an arbitration case against Mada'en Al - Salam Real Estate Development and Investment Company (subsidiary) by one of the subcontractors executing Mada'en, Markets project. In this regard, the Arbitration Tribunal issued a decision obligating Mada'en Al - Salam Real Estate Development and Investment Company to pay JD 145,978, in addition to the legal interest of 9% annually effective from September 6, 2014 until the full settlement date, noting that during the year 2017, the company reached to a settlement with the contractor under which the Company paid an amount of JD 100,000 by issuing checks under the name of the contractor - Note (36).



## 25. Balances and Transactions with Related Parties

### a. Due from related parties at the end of the year:

	Nature of Relationship	Nature of Transaction	December 31,	
			2017	2016
			JD	JD
Jordanian Marine Real Estate Investment Complex Company	Associate Company	Financing	259,174	154,524
Al Maha Real Estate Development Company	Associate Company	Financing	759,197	722,880
Zahret AL Ordoon Clearance Company	Sister Company	Financing	28,360	22,910
Armouh Tourist Investment	Sister Company	Financing	41,734	-
Aqaba for Chemical Storage	Associate Company	Financing	668,116	-
Nahdah for Trading Services	Sister Company	Expenses	5,380	5,380
Emad Abu Tabanja	Sister's GM	Expenses	-	34,000
Others	Sister company	Expenses	34,764	37,503
<b>Total</b>			<b>1,796,725</b>	<b>977,197</b>

- Due from related party with maturity exceeding 360 days amounted to JD 882,784 as of December 31, 2017, representing payments to related parties as of the same date. Moreover, no decision has been made to pay it, or capitalize it in part or in whole, and no provision is needed thereon.

### b. Due to related parties at the end of the year

	Nature of Relationship	Nature of Transaction	December 31,	
			2017	2016
			JD	JD
Partner Current Account -Ahmad Armosh	Shareholder	Financing	274,085	1,596,390
Jordanian Academy for Marine Studies	Associate Company	Expenses	1,386	39,483
Jordanian National Line for Ships Operating Company	Associate Company	Financing	353,979	340,926
Marine Lines for Storage and Port Services Company	Associate Company	Financing	300,048	274,431
Jordanian National Shipping Lines Company	Associate Company	Financing	3,667	51,074
Al Madar Al Watani for Transportation and Trade Services Company	Sister Company	Expenses	105,517	740,545
Aqaba Development Corporation	Shareholder in subsidiary	Financing	-	475,000
Arabian Ships Management Company	Associate Company	Expenses	-	22,131
CMA CGM Company	Sister Company	Expenses	664,851	682,480
Maset Al Aqaba Ships Building Company	Associate Company	Financing	201,568	204,128
Jordan - Dubai for Properties Company	Associate Company	Financing	532,000	602,000
Sun General Investments Company	Sister company	Financing	39,998	539,625
Petra Company	Sister company	Expenses	709,248	712,027
Armouh Tourist Investment	Sister company	Expenses	-	13,790
Sea Star for Shipping and Logistics' Company	Associate Company	Financing	16,431	129,870
Others	Sister company	Expenses	57,343	38,606
<b>Total</b>			<b>2,986,036</b>	<b>4,866,116</b>

- The above accounts are non - Interest bearing and have no repayment schedule.

- The total earnings for National Orbit for Transportation and Trade Services Company (Sister company) amounted to JD 164,744 for the year 2017 (JD 219,467 for the year 2016).

- The total earnings of management and supervision from Sea Star for Shipping and Logistics' Company (Associate Company) is JD 15,375 as of December 31, 2017 (JD 43,565 as of December 31, 2016) .

- The total earnings of management and supervision from Aqaba Storing Chemical Company (Associate Company) is JD 174,305 as of December 31, 2017

- Under a bill of waiver (sale of shares) signed between Mada'en Al Noor for Investment and Real Estate Company (Subsidiary Company) and Aqaba for Development (ADC) Mada'en Al Noor for Real Estate and Development on 8 August 2017, was sold the entire shares amounted to 2,467,500 share owned by Mada'en Al Noor for Investment and Real Estate Company in Al Aqaba for Markets Development are to be sold to the beneficiary, the partner Aqaba Development Company. Accordingly, all Al Aqaba for Market Development balances were eliminated from Salam International Transport and Trading Company consolidated financial statements.

- During the third quarter of 2017, Afaq Supply and Storage Company (a subsidiary) sold 50% of its investments in Aqaba Chemical Storage Company (an associate) to a strategic partner. The new partner ownership reached 55% of the Company's shares.

- Haqel al Aqaba for investment Company was established by a group of Aqaba Chemical Storage Company partners, and will have significant influence over the financial and operating policies of the Aqaba Chemical Storage Company.

### Executive management's salaries and remunerations

Executive management's salaries amounted to JD 104,244 for the year ended December 31, 2017 (JD 141,660 for the year ended December 31, 2016).

**26. Subscribed and Paid-up Capital Issuance Discount**

In its extraordinary meeting held on April 22, 2014, the Company's General Assembly resolved to increase the Company's capital from JD 15 million, so as for authorized and paid-up capital to become JD 18 million with a par value of JD 1 per share through private underwriting by the Company's shareholders with a shares issuance discount not exceeding 50% of the par value amount. In the same resolution, the General Assembly authorized the Board of Directors to determine the issuance discount amount. In its meeting held on August 3, 2014, the Board of Directors has resolved to set the discount amount at 450 fils per share. On April 16, 2015, the Jordan Securities Commission approved the increase in capital through underwriting 572,038 shares. Accordingly, the authorized and paid - up capital reached JD 18 million, and the shares discount to JD 1,349,998 as of December 31, 2017 and 2016.

**27. Legal Reserves**

The details of the reserve as of December 31, 2017 and 2016 are as follows:

**a. Statutory Reserve**

The accumulated balances in this account represent appropriations from net income before tax at 10% during previous years according to the Jordanian Companies Law.

**b. Voluntary Reserve**

The accumulated balances in this account represent appropriations from net income before tax at a maximum of 20% during previous years. The voluntary reserve can be used for the purposes decided by the Board of Directors. Moreover, the General Assembly of Shareholders has the right to distribute it as dividends to shareholders, in part or in full.

The Company has not booked legal reserves for the years ended December 31, 2017 and 2016, as the Company incurred losses during those years.

**28. Dividends**

The Company has not declared any dividends for the years 2017 and 2016, as the Company incurred losses during those years.

**29. Financial Assets at Fair Value Revaluation Reserve**

The movement on this item is as follows:

	2017	2016
	JD	JD
Balance - beginning of the year	(143,453)	(164,446)
Unrealized (loss) profits	(7,761)	20,993
Balance at the End of the Year	<u>(151,214)</u>	<u>(143,453)</u>

**30. Accumulated (Losses)**

The movement on this item is as follows:

	2017	2016
	JD	JD
Balance - beginning of the year	(1,895,423)	(1,982,792)
Prior years' adjustments - Note (42)	(40,360)	(81,521)
Income for the year - Shareholders	540,987	168,890
Balance at the End of the Year	<u>(1,394,796)</u>	<u>(1,895,423)</u>

**31. Revenue**

The movement on this item is as follows:

	2017	2016
	JD	JD
Sales of residential units	413,500	317,500
Projects revenue	394,567	29,608
Rented buildings revenue	647,869	625,195
Restaurants and cafeteria revenue	3,104,819	2,783,319
Transportation and supervision revenue	611,788	551,160
	<u>5,172,543</u>	<u>4,306,782</u>

**32. Cost of Revenue**

The Company's main revenue consists of the following:

	2017	2016
	JD	JD
Cost of residential units	390,209	296,790
Projects cost	366,164	14,335
Rented buildings cost	389,779	233,173
Cost of sale of restaurants and cafeteria	2,316,037	1,984,699
Transportations cost	128,118	335,418
	<u>3,590,307</u>	<u>2,864,416</u>

**33. General and Administrative Expenses**

The movement on this item is as follows:

	2017	2016
	JD	JD
Salaries and wages	525,775	544,826
Social security contribution	61,269	67,490
Medical insurance	20,937	24,707
Rent	189,402	171,639
Depreciation	102,105	138,011
Telephone, postage and internet	29,713	40,602
Travel and transportation	71,184	59,730
Professional fees	124,157	152,577
Hospitality	10,493	12,765
Subscriptions, stamps and governmental fees	94,304	38,139
Computer expenses	2,362	2,890
Maintenance	20,481	14,891
Stationery	10,153	9,091
Advertising	5,115	9,728
Bank charges	3,193	5,223
Training and courses	4,384	2,659
Board of Directors' remunerations	22,276	18,000
Water and electricity	43,808	48,494
Lawsuits' provision	32,251	78,622
Other	90,460	90,120
	<u>1,463,822</u>	<u>1,530,204</u>

**34. Other Income - Net**

This item consists of the following:

	2017	2016
	JD	JD
Management and supervision	189,680	43,565
Other income - net	51,492	3,819
	<u>241,172</u>	<u>47,384</u>

\* This item represents revenue from management and supervision from associate companies note (25).



### 35. Earnings per Share for the Year Attributable to the Company's Shareholders

	For the Year Ended December 31,	
	2017	2016
	JD	JD
<u>From continuing operations</u>		
Income for the year attributable to the shareholders of the Company	1,289,556	261,304
Weighted average number of shares	18,000,000	18,000,000
Earnings per share for the year attributable to the Company's Shareholders	JD/Share 0.072	JD/Share 0.01
	For the Year Ended December 31,	
	2017	2016
	JD	JD
<u>From continuing and discontinued operations</u>		
Income for the year attributable to the shareholders of the Company	540,987	168,890
Weighted average number of shares	18,000,000	18,000,000
Earnings per share for the year attributable to the Company's Shareholders	JD/Share 0.03	JD/Share 0.009

### 36. Lawsuits Against the Company

- According to the legal counsel's letter at the parent Company, there are no claims raised against the Company as of December 31, 2017. In the opinion of the Company's management, its legal consultants, and its subsidiaries, the claims provision included in other credit balances are sufficient for any contingent liabilities as of the date of the consolidated financial statements.
- Mada'en Al – Noor Investment and Real Estate Development Company has raised a claim of arbitration against the Housing and Urban Development Corporation – "Decent Housing for Decent Living" project, and arbitrators were designated to follow the arbitration procedures, as the arbitration decision has not been issued as of the date of the consolidated financial statements.
- There is an arbitration claim issued against the subsidiary Mada'en Al – Salam Real Estate Development and Investment Company by one of the constructors of the Mada'en Markets Project, which has been executed by Mada'en Al Salam Real Estate Development and Investment Company. Arbitrators were designated to follow the arbitration procedures, based on the Arbitration Tribunal's decision to obligate the subsidiary to pay JD 145,897, in addition to the legal interest of 9% annually as of September 6, 2014 until the date of full settlement, noting that during the year 2017, the company reached to a settlement with the contractor under which the Company paid an amount of JD 100,000 by issuing checks under the name of the contractor.

### 37. Contingent Liabilities

The Company had contingent liabilities as of the date of the consolidated financial statements as follows:

	December 31,	
	2017	2016
	JD	JD
Letters of guarantees	1,290,054	1,255,054

### 38. Segmental Distribution

a. The following is information on the Company's business segments distributed according to activities:

	Projects and Investments	Real Estate and Construction	Services	Transportation	2017	2016
	JD	JD	JD	JD	JD	JD
Gross revenue	1,042,436	413,500	3,104,819	611,788	5,172,543	4,306,782
Less: Cost of revenue	(755,943)	(390,209)	(2,316,037)	(128,118)	(3,590,307)	(2,864,416)
Gross Profit	286,493	23,291	788,782	483,670	1,582,236	1,442,366
Less: Expenses allocated to segments						
General and administrative expenses	(583,775)	(238,409)	(567,971)	(73,667)	(1,463,822)	(1,530,204)
Marketing expenses	-	(44,044)	-	-	(44,044)	(53,577)
Profit (loss) from Operations	(297,282)	(259,162)	220,811	410,003	74,370	(141,415)
Profit (loss) from investments and other	1,678,672	(441,730)	20,384	10,060	1,267,386	995,537
Financing expenses	(295,339)	(291,574)	-	(25,667)	(612,580)	(769,482)
Income (loss) for the Year before tax	1,086,051	(992,466)	241,195	394,396	729,176	84,640
Less: Income tax for the year	-	(26,104)	(16,097)	-	(42,201)	(45,173)
Income (loss) for the Continuing Operations	1,086,051	(1,018,570)	225,098	394,396	686,975	39,467
Net (Loss) for the year Discontinued Operations	-	(748,569)	-	-	(748,569)	(450,457)
(Loss) for the Year	1,086,051	(1,767,139)	225,098	394,396	(61,594)	(410,990)

	December 31,	
	2017	2016
	JD	JD
Segment Assets	13,345,633	22,551,634
	2,363,560	1,037,318
	39,298,145	50,181,724
Segment Liabilities	4,846,978	10,436,170
	455,133	1,273,401
	17,011,682	26,338,510

b. The following is information on the Company's business segments based on geographical distribution:

All of the companies are based inside the kingdom except as shown in the table below:

Company's Name	Geographical Area	For the Year Ended December 31, 2017		December 31, 2017	
		Revenue	Expenses	Assets	Liabilities
		JD	JD	JD	JD
Maset Al - Salam Company - Sudan	Sudan	-	-	290,678	-

Company's Name	Geographical Area	For the Year Ended December 31, 2016		December 31, 2016	
		Revenue	Expenses	Assets	Liabilities
		JD	JD	JD	JD
Maset Al - Salam Company - Sudan	Sudan	-	-	290,678	-

### 39. Fair Value Hierarchy

#### a. The fair value of financial assets and financial liabilities of the Company specified at fair value on an ongoing basis:

Some financial assets and liabilities of the Company are evaluated at fair value at the end of each fiscal period. Moreover, the following table shows information on how the fair value of these financial assets and liabilities is determined (valuation methods and inputs used).

Financial Assets	Fair Value		Level of Fair Value	Valuation Method and Inputs Used	Relation between the	
	December 31, 2017	December 31, 2016			Important Intangible Inputs	Fair Value and the Important Intangible Inputs
	JD	JD				
Financial assets at fair value						
Financial assets at fair value through profit or loss						
Companies' shares						
Total	10,866	10,068	Level I	Quoted Shares	N/A	N/A
	10,866	10,068				
Financial assets at fair value through comprehensive income						
Quoted shares	356,219	291,643	Level I	Quoted Shares	N/A	N/A
Unquoted shares	382,000	382,000	Level II	Compared with the market value of a similar instrument	N/A	N/A
Total	738,219	673,643				
Total Financial Assets at Fair Value	749,085	683,711				

There were no transfers between Level I and Level II during the year 2017.



b. The fair value of financial assets and financial liabilities of the Company (non-specific fair value on an ongoing basis):

Except for what is mentioned in the table below, we believe that the carrying amount of the financial assets and liabilities shown in the consolidated financial statements of the Company approximate their fair value. Moreover, the Company's management believes that the book value of the items is equivalent to their fair value. That is, they will be due on a short-term basis, and interest rates will be repriced during the year.

	December 31, 2017		December 31, 2016		The Level of
	Book Value	Fair Value	Book Value	Fair Value	
Financial Assets with no fair value	JD	JD	JD	JD	
Real estate investments	4,825,596	5,730,404	11,989,195	13,993,394	Through real estate evaluators
Total Financial Assets with No Fair Value	4,825,596	5,730,404	11,989,195	13,993,394	
Financial Liabilities with No Fair Value					
Loans	5,030,463	5,215,087	9,927,326	9,961,043	Level II
Total Financial Liabilities with No Fair Value	5,030,463	5,215,087	9,927,326	9,961,043	

For the items mentioned above, the fair value of financial assets and financial liabilities was determined for the second and third levels, in accordance with agreed-upon pricing forms, and reflects the credit risk of the parties that the Company deals with.

#### 40. Losing Control of a Subsidiary Company and Discontinued operation

In accordance with board of directors of Mada'en Al Noor for investment and real estate development second meeting held on 5 February 2017, it was agreed to sign an agreement with the Aqaba Development Company (ADC) related to waving all Mada'en Al Noor shares in Aqaba Markets Development and Real Estate to Aqaba Development Company (ADC).

On June 22, 2017, an agreement was signed between Mada'en Al -Noor for Investment and Real Estate Development and Aqaba Development Company (ADC) Private Shareholding Company, which states that Mada'en Al Noor should waive all its shares in Al Aqaba for Markets Development to the benefit of Aqaba Development Company (ADC). Accordingly, a loss of around JD 749 thousand resulted which was recorded in the condensed consolidated interim income statement for the year 2017. Moreover, all Al Aqaba for Market Development balances were eliminated from Salam International Transport and Trading Company consolidated financial statements.

The details for assets and liabilities for Aqaba for Markets Development as of January 1<sup>st</sup> 2017 are as follows:

	<u>January 1<sup>st</sup> 2017</u> JD
<b><u>Assets</u></b>	
Cash on hand and at bank	5,616
Due from related party	24,398
Other debit balances	81,613
Real estate investment -net	7,091,605
Property, plant and equipment	13,027
Total Assets	<u>7,216,259</u>
<b><u>Liabilities</u></b>	
Loan	2,999,930
Due to related party	515,000
Account payables and other credit balances	380,243
Total Liabilities	<u>3,895,173</u>
<b><u>Shareholder Equity</u></b>	
Paid up capital	4,700,000
Accumulated (losses)	(1,378,914)
Net Shareholder equity	<u>3,321,086</u>
Total Liabilities and Net Shareholder Equity	<u>7,216,259</u>

Net loss for the year 2016 from discontinued operations is as follows:

	<u>Amount</u> JD
<b><u>Statement of income</u></b>	
Rented buildings revenue	142,678
<u>Less:</u> Operating expenses	<u>(41,111)</u>
Rent revenue - net	101,567
<u>Less:</u> General and administrative expenses	<u>(264,013)</u>
Marketing expenses	(12,282)
Interest and commission	(275,729)
(Loss) for the year	<u>(450,457)</u>

Net loss from discontinued operations for the year 2017 including the company share from losing control of a subsidiary Company is as follows:

	Amount
	JD
Net Selling price	995,000
Less: book value of the investment - Net	(1,743,569)
	<u>(748,569)</u>

#### 41. Risks Management

##### a. Capital risk management

The Company manages its capital to ensure its continuity as a going concern while maximizing the return to its partners through achieving an optimal balance between debt and equity. Moreover, there has been no change in the Company's policies since the year 2016.

The Company's strategy is to maintain an acceptable debt to owners' equity ratio (calculated by dividing total debt over total owners' equity) where the total debt does not exceed 200%.

The following table shows the total debt in respect to equity as follows:

	December 31,	
	2017	2016
	JD	JD
Total Liabilities	17,011,682	26,338,510
Total Owners' equity	22,226,463	23,843,214
Debt to Equity Ratio	77%	111%

##### b. Foreign currency risk

Foreign currency risk is the risk that the value of a financial instrument will fluctuate due to changes in foreign exchange rates. The Company's major foreign currency transactions are denominated in Jordanian Dinar and US Dollar.

Currency risk arises from the changes in the foreign currency exchange rates related to foreign currency - denominated payments. As the Jordanian Dinar (the Company's functional currency) is pegged to the US Dollar, management of the Company believes that the foreign currency risk related to the US Dollar is immaterial.

##### c. Liquidity risk

Liquidity risk, also referred to as funding risk, is the risk that the Company will encounter difficulty in raising funds to meet commitments. Moreover, the Company manages liquidity risk through maintaining adequate reserves and continuously monitoring forecast and actual cash flows, in addition to matching the maturities of financial assets with those of financial liabilities.

The quick ratio comparing cash and cash at banks balances and accounts receivable, excluding Decent Housing for Decent Living Project balance as of December 31, 2017 and 2016 is as follows:

	December 31,	
	2017	2016
	JD	JD
Cash and cash at banks	278,463	156,733
Checks under collection and notes receivable - short term	451,591	610,578
Accounts receivable-net	874,309	547,467
Financial assets at fair value through profit or loss	10,866	10,068
Due from related parties	1,796,725	977,197
Total	<u>3,411,954</u>	<u>2,302,043</u>
Current Liabilities	(13,776,659)	(17,323,016)
Deficit in working capital	<u>(10,364,705)</u>	<u>(15,020,973)</u>



The Company's liquidity position as December 31, 2017 and 2016 is as follows:

	December 31,	
	2017	2016
	JD	JD
Current assets	14,007,661	13,511,623
Less: Current liabilities	(13,776,659)	(17,323,016)
Surplus/(deficit) in Working Capital	231,002	(3,811,393)

Management believes that the liquidity risk is not significant as of the date of the condensed consolidated interim financial statements, as current liabilities include JD 2,984,650 in the form of due to related parties as of December 31, 2017 (JD 4,866,116 as of December 31, 2016).

The Company estimates the liquidity risk monthly, based on long-term future projections. Moreover, the Company evaluates capital and finance requirements periodically, and the availability of liquidity depends on the support from the related parties plus banking finance.

d. Credit risk

Credit risk refers to the risk that the counterparty will default on its contractual obligations resulting in financial loss to the Company. Moreover, the Company has adopted a policy of dealing with only creditworthy counterparties in addition to obtaining sufficient guarantees, where appropriate, as a means of mitigating the risk of financial loss from defaults.

The Company's financial assets mainly consist of accounts receivable, financial assets at fair value through the consolidated income statement, financial assets at fair value through the consolidated statements of comprehensive income, cash on hand and at banks, and other receivables. Furthermore, trade receivables represent debt due from local customers and employees, and the Company does not follow the policy of obtaining guarantees from them. Consequently, the receivables are not guaranteed. The Company's management believes that the percentage of uncollectible or partially irrecoverable receivables is minimal, as strict credit control and continuous monitoring are maintained on both customer's debt as well as credit limits.

e. Market risk

Market risks are losses resulting from the changes in market prices such as the changes in interest rates, exchange rates, and equity instruments, and consequently, the change in the fair value of the cash flows of the financial instruments inside and outside the consolidated statement of financial position.

f. Interest rate risk

Interest rate risk is the risk that the value of a financial instrument will fluctuate due to changes in market interest rates.

Interest rate risk arises from the changes in the value of a financial instrument as a result of changes in market interest rates. Moreover, the sensitivity analysis below has been determined based on the exposure to interest rates for bank borrowings at the consolidated statement of financial position date. The analysis is prepared assuming that the amount of liability outstanding at the statement of financial position date has been outstanding for the whole year. A 0.5% increase or decrease is used:

	+0.5%	-0.5%
	JD	JD
Outstanding credit facilities -(loss)/profit	28,797	(28,797)
	28,797	(28,797)

The Company manages its interest rate exposure on a dynamic basis. Various scenarios are assessed such as refinancing, renewal of existing positions, and alternative financing.

#### 42. The Impact of Previous Years' Adjustments

The Company has corrected some accounting errors by adjusting the opening balances for some items of assets and equity as of January 1, 2017 and 2016, representing mainly reclassification of non-controlling interests, prior years' expenses, and others. Moreover, the Company has adjusted the opening balance of accumulated losses as it is not practical to adjust previous years' figures.

The following schedule shows the impact of prior years' adjustments as of January 1<sup>st</sup>, 2017 and 2016, as follows:

As of January 1, 2017			
	Stated Balance	Adjustment	Adjusted Balance
	JD	JD	JD
<b><u>Liabilities</u></b>			
Other credit balances	2,697,492	40,360	2,737,852
<b><u>Owners' Equity</u></b>			
(Accumulated losses)	(1,895,423)	(40,360)	(1,935,783)

As of January 1, 2016			
	Stated Balance	Adjustment	Adjusted Balance
	JD	JD	JD
<b><u>Liabilities</u></b>			
Other credit balances	2,757,563	81,521	2,839,084
<b><u>Owners' Equity</u></b>			
(Accumulated losses)	(1,982,792)	(81,521)	(2,064,313)