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الرقم : 863 /12/4

التاريخ : 2017/3/29

السادة/ هيئة الأوراق المالية المحترمين  
عمان - الأردن

تحية وبعد،،،

سنداً لأحكام المادة (140) من القانون، نرفق لكم طياً ما يلي :-  
الميزانية السنوية العامة وحساباتها الختامية وتقرير مدقي الحسابات للسنة المالية المنتهية في  
2016/12/31 باللغة الانجليزية .

وتفضلوا بقبول فائق الإحترام،،،،،

الرئيس التنفيذي

هيثم المجالي



JORDANIAN DUTY FREE SHOPS  
PUBLIC SHAREHOLDING COMPANY  
CONSOLIDATED FINANCIAL STATEMENTS  
31 DECEMBER 2016

## **INDEPENDENT AUDITOR'S REPORT**

**To the Shareholders of Jordan Duty Free Shops Public Shareholding Company  
Amman- Jordan**

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

#### **Opinion**

We have audited the consolidated financial statements of Jordan Duty Free Shops Public Shareholding Company (the Company) and its subsidiaries (the Group), which comprise the consolidated statement of financial position as at 31 December 2016, and the consolidated statement of profit and loss, statement of comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the year then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects the financial position of the Group as at 31 December 2016, and its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards (IFRSs).

#### **Basis for Opinion**

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

## **Key Audit Matters**

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

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

### **Revenue recognition**

We have considered revenue recognition as key audit matter as there is a risk of misstatement of revenue due to high volume of revenues with low value transactions. In addition the Group focuses on revenue targets as a key performance measure which may create an incentive for revenue to be recognized before delivering the goods and may result in overstating revenues.

In our audit procedures we considered the appropriateness of the Group's revenue recognition policies and assessed compliance with the policies in terms of applicable accounting standards. In our audit procedures we tested the Group's controls around revenue recognition and key controls in the revenue cycle. We have also performed analytical procedures for the gross margin on a monthly basis.

We also performed substantive analytical procedures that enabled us to build expectations about the revenue figures for the year. We also selected and tested a representative sample of journal entries.

Refer to note 23 to the consolidated financial statements for more details and note 2 for significant accounting policies and significant judgements and estimates applicable to revenue account.

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## **Inventory valuation and existence**

We have considered this area as a key audit matter as there is a risk of inventory obsolescence as well as misappropriation of assets due to the high volume of inventory held at several operating shops of the Group.

The Group holds inventory at the main warehouse as well as in all the 12 shops around the Kingdom.

In our audit procedures, we tested the Group's controls around completeness and existence of inventory and key controls of the inventory cycle. In addition, we observed the stock counts held at the Group's shops. Also, we selected a sample before and after the cutoff date of 31 December 2016 to assess whether the inventory was recorded in the correct period.

We tested the basis for inventory obsolescence to validate management estimates over inventories valuation. We tested the ageing profile of inventory and historical loss rates.

Disclosure of the inventories are detailed in note 9 to the consolidated financial statements and note 2 for significant accounting policies and significant judgements and estimates applicable to inventory account.

## **Other information included in the Group's 2016 annual report.**

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

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

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

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

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

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

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

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

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

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

As part of an audit in accordance with ISAs, we exercise professional judgment and maintain professional 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 for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.



- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exist, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However future events or conditions may cause the Group to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

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

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

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

### **Report on Other Legal and Regulatory Requirements**

The Company maintains proper books of accounts and the accompanying consolidated financial statements and financial information presented in the Board of Directors' report are in agreement therewith.



Ernst & Young/ Jordan

Mohammad Ibrahim Al- Karaki  
License No. 882

Amman – Jordan  
23 February 2017



JORDANIAN DUTY FREE SHOPS  
PUBLIC SHAREHOLDING COMPANY  
CONSOLIDATED STATEMENT OF FINANCIAL POSITION  
AT 31 DECEMBER 2016

	Notes	2016 JD	2015 JD
<b><u>ASSETS</u></b>			
<b>Non - Current assets</b>			
Property and equipment	3	4,912,894	5,059,944
Projects in progress	4	2,479,019	419,217
Intangible assets	5	1,866,667	2,266,667
Advances on land purchase	6	3,629,410	1,807,210
Financial assets at fair value through other comprehensive income	7	1,550	1,550
Other receivables		7,666	7,666
<b>Total non – current assets</b>		<b>12,897,206</b>	<b>9,562,254</b>
<b>Current assets</b>			
Trade receivables	8	250,034	222,940
Inventories	9	10,572,301	8,097,334
Other receivables	10	1,318,855	1,487,103
Cash in hand and at banks	11	31,900,766	31,959,937
		<b>44,401,956</b>	<b>41,767,314</b>
<b>Total assets</b>		<b>56,939,162</b>	<b>51,329,568</b>
<b><u>EQUITY AND LIABILITIES</u></b>			
<b>Equity</b>			
Paid in capital	1	7,500,000	7,500,000
Statutory reserve	12	7,500,000	7,500,000
Voluntary reserve	12	7,500,000	7,500,000
Cumulative change in fair value	7	(4,150)	(4,150)
Retained earnings		29,469,203	24,993,083
<b>Total Equities</b>		<b>51,965,053</b>	<b>47,488,933</b>
<b><u>LIABILITIES</u></b>			
<b>Non – Current liabilities</b>			
Other commitments provision	13	801,079	804,216
<b>Current liabilities</b>			
Trade payables	14	2,312,442	1,244,576
Other payables	15	1,860,588	1,791,843
		<b>4,173,030</b>	<b>3,036,419</b>
<b>Total liabilities</b>		<b>4,974,109</b>	<b>3,840,635</b>
<b>TOTAL EQUITY AND LIABILITIES</b>		<b>56,939,162</b>	<b>51,329,568</b>

The attached notes 1 to 30 form part of these consolidated financial statements

**JORDANIAN DUTY FREE SHOPS**  
**PUBLIC SHAREHOLDING COMPANY**  
**CONSOLIDATED STATEMENT OF PROFIT AND LOSS**  
**YEAR ENDED 31 DECEMBER 2016**

	Notes	2016 JD	2015 JD
Sales		67,073,723	60,183,707
Less: service fees		(6,004,196)	(5,406,664)
Net sales		61,069,527	54,777,043
Cost of sales		(35,261,141)	(31,016,862)
<b>Gross profit</b>		25,808,386	23,760,181
Other income	16	481,403	369,224
Interest income		931,798	855,414
Sales and distribution expenses	17	(4,287,148)	(3,999,241)
Administrative expenses	18	(3,950,388)	(3,369,030)
Other commitments provision	13	-	(204,429)
Damaged goods expenses		(55,173)	(31,543)
Board of Directors benefits		(45,000)	(45,000)
Depreciation and amortization		(1,024,851)	(973,971)
<b>Profit before income tax</b>		17,859,027	16,361,605
Income tax expenses	21	(257,907)	(228,245)
<b>Profit for the year</b>		17,601,120	16,133,360
		JD/Fills	JD/Fills
<b>Basic and diluted earnings per share attributable to the Company's shareholders</b>	19	2/347	2/151

The attached notes 1 to 30 form part of these consolidated financial statements

JORDANIAN DUTY FREE SHOPS  
PUBLIC SHAREHOLDING COMPANY  
CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME  
YEAR ENDED 31 DECEMBER 2016

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	2016	2015
	JD	JD
<b>Profit for the year</b>	17,601,120	16,133,360
Add: other comprehensive income items after tax not to be realised in profit and loss subsequently:		
Change in fair value of financial assets at fair value through other comprehensive income	-	-
<b>Total comprehensive income for the year</b>	<u>17,601,120</u>	<u>16,133,360</u>

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The attached notes 1 to 30 form part of these consolidated financial statements

**JORDANIAN DUTY FREE SHOPS**  
**PUBLIC SHAREHOLDING COMPANY**  
**CONSOLIDATED STATEMENT OF CHANGES IN EQUITY**  
**YEAR ENDED 31 DECEMBER 2016**

	Paid in capital	Statutory reserve	Voluntary reserve	Cumulative change in fair value	Retained earnings	Total
<u>2016</u>	JD	JD	JD	JD	JD	JD
<b>Balance as of 1 January 2016</b>	7,500,000	7,500,000	7,500,000	(4,150)	24,993,083	47,488,933
Total comprehensive income for the year	-	-	-	-	17,601,120	17,601,120
Dividends	-	-	-	-	(13,125,000)	(13,125,000)
<b>Balance as of 31 December 2016</b>	<u>7,500,000</u>	<u>7,500,000</u>	<u>7,500,000</u>	<u>(4,150)</u>	<u>29,469,203</u>	<u>51,965,053</u>
<u><b>2015</b></u>						
<b>Balance as of 1 January 2015</b>	7,500,000	7,500,000	7,500,000	(4,150)	20,109,723	42,605,573
Total comprehensive income for the year					16,133,360	16,133,360
Dividends	-	-	-	-	(11,250,000)	(11,250,000)
<b>Balance as of 31 December 2015</b>	<u>7,500,000</u>	<u>7,500,000</u>	<u>7,500,000</u>	<u>(4,150)</u>	<u>24,993,083</u>	<u>47,488,933</u>

The attached notes 1 to 30 form part of these consolidated financial statements



JORDANIAN DUTY FREE SHOPS  
PUBLIC SHAREHOLDING COMPANY  
CONSOLIDATED STATEMENT OF CASH FLOWS  
YEAR ENDED 31 DECEMBER 2016

	Note	2016 JD	2015 JD
<b><u>Operating Activities</u></b>			
Profit for the year before income tax		17,859,027	16,361,605
<b>Adjustments for:</b>			
Depreciation and amortization		1,024,851	973,971
Damaged goods expenses		55,173	31,543
Other commitments provision		-	204,429
Interest income		(931,798)	(855,414)
Gains on sale of Property and equipment		(115)	(26,127)
<b>Working capital changes</b>			
Inventories		(2,530,140)	938,612
Trade receivables		(27,094)	79,699
Other receivables		168,248	(83,915)
Trade payables		1,067,866	(647,762)
Other payables		33,046	208,955
Paid from other commitments provision		(3,137)	(1,628,771)
Income tax paid		(222,208)	(145,125)
<b>Net cash flows from operating activities</b>		<b>16,493,719</b>	<b>15,411,700</b>
<b><u>Investing Activities</u></b>			
Purchase of property and equipment and projects in progress		(2,537,608)	(1,074,913)
Proceeds from sale of property and equipment		120	38,378
Advances on land purchase		(1,822,200)	(375,880)
Deposits		(1,741,489)	(7,084,628)
Interest received		931,798	855,414
<b>Net cash flows used in investing activities</b>		<b>(5,169,379)</b>	<b>(7,641,629)</b>
<b><u>Financing Activities</u></b>			
Dividends		(13,125,000)	(11,250,000)
<b>Net cash flows used in financing activities</b>		<b>(13,125,000)</b>	<b>(11,250,000)</b>
<b>Decrease in cash and cash equivalents</b>			
Cash and cash equivalents, beginning of the year		6,817,374	10,297,303
<b>Cash and cash equivalents, end of the year</b>	25	<b>5,016,714</b>	<b>6,817,374</b>

The attached notes 1 to 30 form part of these consolidated financial statements

JORDANIAN DUTY FREE SHOPS  
PUBLIC SHAREHOLDING COMPANY  
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENT  
YEAR ENDED 31 DECEMBER 2016

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**1 GENERAL**

Jordan Duty Free Shops PLC was established as a Public Shareholding Company on 28 September 1996 with an authorized and paid capital of JD 5,000,000, divided into 5,000,000 shares with a par value of JD 1 per share. The general assembly approved in its extraordinary meeting held on 17 March 2011 to increase its capital to become JD 7,500,000 by capitalizing part of the retained earnings. The share capital increase was approved by the Ministry of Industry and Trade on 29 March 2011 and by Jordan Securities Commission on 4 May 2011.

The Group's major activity is to establish, operate, manage and invest in duty-free shops on border crossings and any other location allowed by official authorities.

The Group's Board of Directors have approved the consolidated financial statements on 19 February 2017.

The Groups' financial statements are consolidated as part of the consolidated financial statements of Social Security Corporation as the corporation has the control over the Group.

**2-1 BASIS OF PREPARATION**

The consolidated financial statements are prepared under the historical cost convention except for financial assets at fair value through other comprehensive income which are presented at fair value as of the date of the consolidated financial statements.

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

The consolidated financial statements have been presented in Jordanian Dinar, which is the functional currency of the Group.

**Basis of consolidation of financial statements**

The consolidated financial statements comprise the financial statements of the Company and its subsidiaries as follows (referred to them collectively as the Group) as of 31 December 2016.

Name of the company	Share capital	Ownership percentage	Location
First Shops Company L.L.C	6,000,000	100%	Aqaba
International Jordan Duty Free Shops (under liquidation)	30,000	100%	Free zone/airport
Second Shops General Trading L.L.C	50,000	100%	Amman



The control exists when the Company controls the subsidiaries significant and relevant activities and is exposed, or has rights, to variable returns from its involvement with the subsidiaries and has the ability to affect those returns through its power over the subsidiaries.

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

Specifically, the Group controls an investee if and only if the Group has:

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

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

- The contractual arrangement with the other vote holders of the investee.
- Rights arising from other contractual arrangements.
- The Group's voting rights and potential voting rights.

The Group re-assesses whether or not it controls an investee if facts and circumstances indicate that there are changes to one or more of the three elements of control.

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

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

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

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

## **2-2 CHANGES IN ACCOUNTING POLICIES**

The accounting policies used in the preparation of the financial statements are consistent with those used in the preparation of the annual financial statements for the year ended 31 December 2015 except for the followings:

### **Equity Method in Separate Financial Statements (Amendments to IAS 27 and IFRS 1)**

In August 2014, the IASB amended IAS 27 Separate Financial Statements which restore the option for entities, in the separate financial statements, to account for investments in subsidiaries, associates and joint ventures using the equity method as described in IAS 28 Investments in Associates and Joint Ventures. A consequential amendment was also made to IFRS 1 First-time Adoption of International Financial Reporting Standards. The amendment to IFRS 1 allows a first-time adopter accounting for investments in the separate financial statements using the equity method, to apply the IFRS 1 exemption for past business combinations to the acquisition of the investment.

### **IAS 1 *Presentation of Financial Statements* – Amendments to IAS 1**

The amendments to IAS 1 include narrow-focus improvements related to :

- Materiality
- Disaggregation and subtotals
- Notes structure
- Disclosure of accounting policies
- Presentation of items of other comprehensive income (OCI) arising from equity accounted investments



### **Investment entities (Amendments to IFRS 10 and IAS 28)**

The amendments address the issues arising in practice in the application of the investment entities consolidation exception and clarify that:

- The exemption from presenting consolidated financial statements applies to a parent entity that is a subsidiary of an investment entity, when the investment entity measures all of its subsidiaries at fair value.
- Subsidiary that is not an investment entity itself and provides support services to the investment entity is consolidated. All other subsidiaries of an investment entity are measured at fair value.
- Application of the equity method by a non-investment entity that has an interest in an associate or joint venture that is an investment entity: The amendments to IAS 28 Investments in Associates and Joint Ventures allow the investor, when applying the equity method, to retain the fair value measurement applied by the investment entity associate or joint venture to its interests in subsidiaries.

### **Amendments to IAS 16 and IAS 38: *Clarification of Acceptable Methods of Depreciation and Amortization***

The amendments clarify the principle in IAS 16 and IAS 38 that revenue reflects a pattern of economic benefits that are generated from operating a business (of which the asset is part) rather than the economic benefits that are consumed through use of the asset. As a result, a revenue-based method cannot be used to depreciate property, plant and equipment and may only be used in very limited circumstances to amortize intangible assets.

### **Amendments to IFRS 11 *Joint Arrangements: Accounting for Acquisitions of Interests***

The amendments to IFRS 11 require that a joint operator accounting for the acquisition of an interest in a joint operation, in which the activity of the joint operation constitutes a business, must apply the relevant IFRS 3 principles for business combinations accounting. The amendments also clarify that a previously held interest in a joint operation is not remeasured on the acquisition of an additional interest in the same joint operation while joint control is retained. In addition, a scope exclusion has been added to IFRS 11 to specify that the amendments do not apply when the parties sharing joint control, including the reporting entity, are under common control of the same ultimate controlling party.

The amendments apply to both the acquisition of the initial interest in a joint operation and the acquisition of any additional interests in the same joint operation.

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The implementation of the new amendments did not have impact on the Company's financial position or performance and became effective for annual periods, which started from 1 January 2016.

## **2-3 USE OF ESTIMATES**

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

### **Useful life of properties, plant and equipment**

The Group's management estimates the useful life for its tangible and intangible assets for the purpose of calculating depreciation by depending on the expected useful life of these assets. Management reviews the remaining book value and useful life annually impairment is recorded in the consolidation of profit and loss (if any).

## **2-4 SIGNIFICANT ACCOUNTING POLICIES**

### **Property and equipment**

Property and equipment are stated at cost less accumulated depreciation and any impairment in value. Depreciation is calculated on a straight line basis over the estimated useful life of assets as follows:

Buildings	2-10%
Furniture and fixtures	15%
Vehicles	15%
Machinery and equipment	15%
Computers	20%

The carrying values of property and equipment are reviewed for impairment when events or changes in circumstances indicate the carrying values may not be recoverable. If any such indication exists and where that the carrying values exceed the estimated recoverable amount, the assets are written down to their recoverable amount.

The useful lives and depreciation methods are reviewed periodically to ensure that the method and period of depreciation are consistent with the expected pattern of economic benefits from items of property and equipment.



### **Projects in progress**

Projects in progress are stated at cost. This includes the cost of materials, direct salaries and wages on the projects and other direct costs.

### **Intangible assets**

Intangible assets are carried at cost less any accumulated amortization. Intangible assets represents the license of oil distribution based on agreement signed with Ministry of Energy and Natural Resources.

Intangible assets are being amortized over the agreement period of 10 years which were extended in 2009 to be 20 years from 30 August 2001.

### **Financial assets at fair value through other comprehensive income**

Financial assets at fair value through other comprehensive income are recorded at fair value plus acquisition costs at the date of acquisition and subsequently measured at fair value. Changes in fair value are reported as a separate component in the consolidated statement of other comprehensive income and in the statement of equity including the change in fair value resulting from conversion differences of non-cash items of assets at foreign currencies. In case of sale of such assets or part of it, the gain or loss is recorded at the consolidated statement of profit and loss and in the statement of equity and the valuation reserve balance for sold assets will be transferred directly to retained earnings.

These assets are not subject to impairment testing and dividends received are recognised in the consolidated statement of profit and loss when declared.

### **Inventories**

Inventories are valued at the lower of cost or net realizable value. Cost is determined using the weighted average method.

Management estimates slow moving inventory and damaged goods and a provision is created against the same based on the age of inventory from the purchase date.

### **Trade receivables**

Trade receivables are stated at original invoice amount less allowance for any uncollectible amounts. An estimate for doubtful debts is made when collection of the full amount is no longer probable.

### **Cash and cash equivalents**

For the purpose of cash flow statement, cash and cash equivalents consist of cash at banks and on hand and short term deposits with an original maturity of three months or less.

### **Fair value**

The Group measures financial instruments such as financial assets at fair value through other comprehensive income at fair value on the date of the financial statements.

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The fair value measurement is based on the presumption that the transaction to sell the asset or transfer the liability takes place either:

- In the principal market for the asset or liability, or
- In the absence of a principal market, in the most advantageous market for the asset or liability

The principal or the most advantageous market must be accessible to by the Group.

The fair value of an asset or a liability is measured using the assumptions that market participants would use when pricing the asset or liability, assuming that market participants act in their economic best interest.

A fair value measurement of a non-financial asset takes into account a market participant's ability to generate economic benefits by using the asset in its highest and best use or by selling it to another market participant that would use the asset in its highest and best use.

The Group uses valuation techniques that are appropriate in the circumstances and for which sufficient data are available to measure fair value, maximising the use of relevant observable inputs and minimising the use of unobservable inputs.

All assets and liabilities for which fair value is measured or disclosed in the consolidated financial statements are categorised within the fair value hierarchy, described as follows, based on the lowest level input that is significant to the fair value measurement as a whole:

Level 1 - Quoted (unadjusted) market prices in active markets for identical assets or liabilities

Level 2 - Valuation techniques for which the lowest level input that is significant to the fair value measurement is directly or indirectly observable

Level 3 - Valuation techniques for which the lowest level input that is significant to the fair value measurement is unobservable



For assets and liabilities that are recognised in the consolidated financial statements on a recurring basis, the Group determines whether transfers have occurred between levels in the hierarchy by re-assessing categorisation (based on the lowest level input that is significant to the fair value measurement as a whole) at the end of each reporting period.

### **Impairment of financial assets**

The Company assesses at each financial position date whether there is any objective evidence that a financial asset or a group of financial assets are impaired. A financial asset or a group of financial assets are considered impaired when there is objective evidence of impairment as a result of one or more events (loss event) that occur after the asset's initial measurement, that will have a direct and reasonably estimated impact on its future cash flows. Permanent impairment indicators could comprise of indications that the borrower or a group of borrowers are facing significant financial difficulties, or neglect, or default in making interest or principal payments, and are likely to be subject to bankruptcy or financial restructuring. Furthermore, permanent impairment indicators exist when observable data indicates the existence of a measurable decrease in estimated cash flows such as changes in the Group's economic conditions due to negligence.

### **Trade payables and accruals**

Liabilities are recognized for amounts to be paid in the future for goods or services received, whether billed by the supplier or not.

### **Provisions**

Provisions are recognized when the Group has a present obligation (legal or constructive) arising from a past event and the cost to settle the obligation is both probable and able to be reliably measured.

### **Income tax**

Income tax is calculated in accordance with the Income Tax Law No. (34) of 2014.

Deferred tax assets are recognised in respect of tax losses to the extent that it is probable that future taxable profit will be available against which the losses can be utilised. Although, in the Company, tax losses can be utilized within five years. Judgement is required to determine the amount of deferred tax assets that can be recognised, based on the likely timing and level of future taxable profits, together with future tax-planning strategies.

### **Revenue recognition**

Revenue from sale of goods is recognized when the sale transaction is completed and the invoice is issued to customers.

Revenues from shelves rental is recognised on accrual basis.

Interest revenue is recognised on accrual basis.

### **Offsetting**

Offsetting between financial assets and financial liabilities and presenting the net amount on the consolidated statement of financial position is performed only when there are legally-enforceable rights to offset, the settlement is on a net basis, or the realization of the assets and satisfaction of the liabilities is simultaneous.

### **Foreign currencies**

Transactions in foreign currencies are recorded at the rate ruling at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies are retranslated at the rates of exchange ruling at the statement of financial position date. All differences are taken to the income statement.

### **Segment reporting**

A business segment is a group of assets and operations engaged in providing products or services that are subject to risks and returns that are different from those of other business segments which are measured based on the reporting to management and the decision makers in the Group,

A geographical segment is engaged in providing products or services within a particular economic environment that are subject to risks and return that are different from those of segments operating in other economic environments.

**JORDANIAN DUTY FREE SHOPS**  
**PUBLIC SHAREHOLDING COMPANY**  
**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENT**  
**YEAR ENDED 31 DECEMBER 2016**

**3 PROPERTY AND EQUIPMENT**

<b><u>2016 -</u></b>	<b>Land</b>	<b>Building</b>	<b>Furniture</b>	<b>Vehicles</b>	<b>Machinery</b>	<b>Computers</b>	<b>Total</b>
	JD	JD	and fixtures	JD	and	JD	JD
<b>Cost</b>					equipment		
Balance at 1 January 2016	411,210	6,572,485	1,256,372	781,328	686,366	799,530	10,507,291
Additions	-	6,300	31,791	163,886	98,888	46,835	347,700
Disposals	-	-	(1,281)	-	(415)	-	(1,696)
Transfer from work in progress	-	100,971	23,313	-	5,822	-	130,106
<b>Balance at 31 December 2016</b>	<b>411,210</b>	<b>6,679,756</b>	<b>1,310,195</b>	<b>945,214</b>	<b>790,661</b>	<b>846,365</b>	<b>10,983,401</b>
<b>Accumulated depreciation</b>							
Balance at 1 January 2016	-	3,009,463	1,016,814	340,071	426,068	654,931	5,447,347
Depreciation for the year	-	310,505	68,529	108,058	84,780	52,979	624,851
disposals	-	-	(1,279)	-	(412)	-	(1,691)
<b>Balance at 31 December 2016</b>	<b>-</b>	<b>3,319,968</b>	<b>1,084,064</b>	<b>448,129</b>	<b>510,436</b>	<b>707,910</b>	<b>6,070,507</b>
<b>Net book value</b>							
<b>At 31 December 2016</b>	<b>411,210</b>	<b>3,359,788</b>	<b>226,131</b>	<b>497,085</b>	<b>280,225</b>	<b>138,455</b>	<b>4,912,894</b>



**JORDANIAN DUTY FREE SHOPS**  
**PUBLIC SHAREHOLDING COMPANY**  
**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENT**  
**YEAR ENDED 31 DECEMBER 2016**

<b>2015 -</b>	<b>Land</b>	<b>Building</b>	<b>Furniture and fixtures</b>	<b>Vehicles</b>	<b>Machinery and equipment</b>	<b>Computers</b>	<b>Total</b>
	JD	JD	JD	JD	JD	JD	JD
<b>Cost</b>							
Balance at 1 January 2015	411,210	6,283,093	1,154,710	605,564	631,382	761,300	9,847,259
Additions	-	234,902	113,903	264,476	58,609	38,936	710,826
Disposals	-	(6,178)	(12,336)	(88,712)	(3,625)	(761)	(111,612)
Transfer from work in progress	-	60,668	95	-	-	55	60,818
<b>Balance at 31 December 2015</b>	<b>411,210</b>	<b>6,572,485</b>	<b>1,256,372</b>	<b>781,328</b>	<b>686,366</b>	<b>799,530</b>	<b>10,507,291</b>
<b>Accumulated depreciation</b>							
Balance at 1 January 2015	-	2,720,549	967,701	332,945	359,100	592,442	4,972,737
Depreciation for the year	-	291,073	59,340	91,352	69,171	63,035	573,971
disposals	-	(2,159)	(10,227)	(84,226)	(2,203)	(546)	(99,361)
<b>Balance at 31 December 2015</b>	<b>-</b>	<b>3,009,463</b>	<b>1,016,814</b>	<b>340,071</b>	<b>426,068</b>	<b>654,931</b>	<b>5,447,347</b>
<b>Net book value</b>							
<b>At 31 December 2015</b>	<b>411,210</b>	<b>3,563,022</b>	<b>239,558</b>	<b>441,257</b>	<b>260,298</b>	<b>144,599</b>	<b>5,059,944</b>



JORDANIAN DUTY FREE SHOPS  
PUBLIC SHAREHOLDING COMPANY  
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENT  
YEAR ENDED 31 DECEMBER 2016

**4 PROJECTS IN PROGRESS**

	2016	2015
	JD	JD
Boulevard Amman shop project	1,606,919	364,385
First Shops project (Aqaba)	155,995	7,225
King Hussain Bridge Shop project	283,259	-
Warehouse management system project	171,536	45,413
Omari Shop project	147,947	-
Al Thawra project	79,166	-
Others	34,197	2,194
	<u>2,479,019</u>	<u>419,217</u>

Expected cost to complete the projects in progress as of 31 December 2016 is approximately JD 13,464,000 and it is expected to complete such projects by end of 2018.

Movement in projects in progress was as follows:

	2016	2015
	JD	JD
Balance as at 1 January	419,217	115,947
Additions	2,189,908	364,087
Transfers to property and equipment	(130,106)	(60,818)
Balance as at 31 December	<u>2,479,019</u>	<u>419,217</u>

**5 INTANGIBLE ASSETS**

Intangible assets represents the amount paid to General Treasury for the exclusive rights to establish duty-free shops on border crossings for 10 years starting from 30 August 2001; the Company should pay 8% of its gross sales as service fees to the General Treasury in return for such rights. During 2009, the exclusive rights agreement was extended for additional 10 years starting from 31 August 2011 until 30 August 2021 for a payment of JD 4,000,000 and payment of 9% of its gross monthly sales as service fees to the General Treasury effective from the date of rights extension except for the sales from Special Economic Zone as it is subject to Aqaba Special Economic Zone regulations.

JORDANIAN DUTY FREE SHOPS  
PUBLIC SHAREHOLDING COMPANY  
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENT  
YEAR ENDED 31 DECEMBER 2016

	2016 JD	2015 JD
<b>Cost-</b>		
Balance as at 1 January	8,000,000	8,000,000
Additions	-	-
Balance as at 31 December	8,000,000	8,000,000
<b>Accumulated amortization-</b>		
Balance as at 1 January	5,733,333	5,333,333
Amortization for the year	400,000	400,000
Balance as at 31 December	6,133,333	5,733,333
<b>Net Book Value as at 31 December</b>	<b>1,866,667</b>	<b>2,266,667</b>

**6 ADVANCES ON LAND PURCHASE**

This item represents the balance paid by First Shops Company (subsidiary) for the purchase of land plot from Aqaba Development Company as per agreement between parties signed in September 2015.

In September 2016, the subsidiary purchased additional land plot next to the original plot from Aqaba Development Company with a value of JD 1,822,200 as per amendment to the agreement. Hence total land value is JD 3,629,410 as of 31 December 2016.

The ownership of the land will transfer to the subsidiary upon completion of developing 40% of the land as per terms of the contract and its amendment.

**7 FINANCIAL ASSETS AT FAIR VALUE THROUGH OTHER COMPREHENSIVE INCOME**

	2016 JD	2015 JD
Jordan Press & Publishing Company - Addustour	1,550	1,550
	1,550	1,550

JORDANIAN DUTY FREE SHOPS  
PUBLIC SHAREHOLDING COMPANY  
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENT  
YEAR ENDED 31 DECEMBER 2016

---

The movements on the cumulative change in fair value is as follows:

	2016 JD	2015 JD
Balance as at 1 January	(4,150)	(4,150)
Change during the year	-	-
Balance as at 31 December	<u>(4,150)</u>	<u>(4,150)</u>

## 8 TRADE RECEIVABLES

	2016 JD	2015 JD
Trade receivables	428,157	401,063
Allowance for doubtful debt	<u>(178,123)</u>	<u>(178,123)</u>
	<u>250,034</u>	<u>222,940</u>

Impaired trade receivables balances amounted to JD 178,123 as of 31 December 2016 and JD 178,123 as of 31 December 2015.

As at 31 December, the ageing of unimpaired receivables is as follows:

		Past due but not impaired				
	Total	1- 30 Days	30 – 60 days	31 – 90 days	91 – 120 days	121-180 days
	JD	JD	JD	JD	JD	JD
2016	250,034	250,034	-	-	-	-
2015	222,940	221,961	-	-	-	979

The management expects to collect all unimpaired receivables balances.



JORDANIAN DUTY FREE SHOPS  
PUBLIC SHAREHOLDING COMPANY  
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENT  
YEAR ENDED 31 DECEMBER 2016

---

**9 INVENTORIES**

	2016	2015
	JD	JD
Inventories	10,741,345	8,266,378
Provision for obsolete inventories	(169,044)	(169,044)
Provision for damaged inventories	-	-
	<u>10,572,301</u>	<u>8,097,334</u>

The movements on the provision for obsolete inventories are as follows:

	2016	2015
	JD	JD
Balance as at 1 January	-	56,425
Provided during the year	-	-
Write-off	-	(56,425)
Balance as at 31 December	<u>-</u>	<u>-</u>

**10 OTHER RECEIVABLES**

	2016	2015
	JD	JD
Accrued interest income	418,207	214,805
Prepaid expenses	262,219	228,270
Other accrued income	352,749	-
Advances to vendors	225,485	847,988
Guarantees margins	183	150,759
Refundable Deposit	5,425	5,425
Employees receivable	8,158	18,525
Others	46,429	21,331
	<u>1,318,855</u>	<u>1,487,103</u>

JORDANIAN DUTY FREE SHOPS  
PUBLIC SHAREHOLDING COMPANY  
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENT  
YEAR ENDED 31 DECEMBER 2016

**11 CASH IN HAND AND AT BANKS**

	2016	2015
	JD	JD
Cash on hand	15,634	12,024
Cash at banks – current accounts	5,001,080	6,805,350
Cash at banks – Deposits*	26,884,052	25,142,563
	<u>31,900,766</u>	<u>31,959,937</u>

\*Deposits are from three months to one year bearing annual interest rates ranging from 3,75% to 4,1% for the year 2016 (2015: 3,4% to 4%)

**12 RESERVES**

**Statutory reserve -**

The accumulated amounts in this account represent cumulative appropriations of 10% of the net income before income tax. The statutory reserve is not available for distribution to the shareholders.

**Voluntary reserve -**

The accumulated amounts in this account represent cumulative appropriations not exceeding 20% of the annual profit before tax. This reserve is available for distribution to the shareholders.

**13 OTHER COMMITMENTS PROVISION**

The movement on other commitments provision is as follow:

	2016	2015
	JD	JD
Beginning balance	804,216	2,228,558
Additions	-	204,429
Paid during the year	(3,137)	(1,628,771)
Ending balance	<u>801,079</u>	<u>804,216</u>

JORDANIAN DUTY FREE SHOPS  
PUBLIC SHAREHOLDING COMPANY  
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENT  
YEAR ENDED 31 DECEMBER 2016

---

**14 TRADE PAYABLES**

	2016	2015
	JD	JD
Local vendors	1,733,473	1,086,960
Foreign vendors	578,969	157,616
	<u>2,312,442</u>	<u>1,244,576</u>

**15 OTHER PAYABLES**

	2016	2015
	JD	JD
Accrued expenses	204,157	199,680
Treasury fees payable	846,713	753,088
Board of Directors benefits payable	45,000	45,000
Accrued bonus	442,043	521,678
Due to social security corporation	105,163	82,345
Stamps fees payable	34,601	48,930
Income tax payable (note 21)	118,819	83,120
Sales tax payable	59,953	47,251
Others	4,139	10,751
	<u>1,860,588</u>	<u>1,791,843</u>

**16 OTHER INCOME**

	2016	2015
	JD	JD
Shelves rental income	288,712	303,709
Commercial income	44,238	25,632
Stock compensation income	68,958	-
Target incentives income	49,700	-
Gain on sale of property and equipment	115	26,127
Warehouse rental income	9,983	9,983
Others	19,697	3,773
	<u>481,403</u>	<u>369,224</u>



JORDANIAN DUTY FREE SHOPS  
PUBLIC SHAREHOLDING COMPANY  
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENT  
YEAR ENDED 31 DECEMBER 2016

---

**17 SALES AND DISTRIBUTION EXPENSES**

	2016	2015
	JD	JD
Salaries, wages and other benefits	2,648,742	2,326,108
Health insurance expenses	227,936	227,524
Social security contribution	271,670	247,238
Shops rent expenses	168,336	201,921
Travel and transportation expenses	131,668	223,210
Water and electricity	281,482	269,926
Advertising expense	335,549	234,573
Maintenance expenses	42,636	30,181
Housing allowances expenses	43,842	108,248
Transportation allowances expense	35,983	50,075
Security expenses	32,475	32,872
Hospitality	16,958	8,589
Clothing expenses	42,896	23,241
Others	6,975	15,535
	<u>4,287,148</u>	<u>3,999,241</u>

JORDANIAN DUTY FREE SHOPS  
PUBLIC SHAREHOLDING COMPANY  
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENT  
YEAR ENDED 31 DECEMBER 2016

**18 ADMINISTRATIVE EXPENSES**

	2016	2015
	JD	JD
Salaries, wages and other benefits	2,237,086	1,882,275
Social security contribution	208,308	193,674
Maintenance expenses	46,259	37,266
Travel and transportation expenses	289,528	200,851
Water and electricity	70,966	79,116
Printing and stationary	56,319	33,071
Postal and communication expenses	93,664	80,445
Insurance	74,228	55,182
Professional services	44,086	86,442
Security expenses	12,094	10,067
Donations	95,181	100,000
Rent expenses	89,245	76,065
Hospitality expenses	43,457	43,711
Board of Directors transportation allowances and benefits	224,705	166,200
Government fees and licenses	18,196	20,686
Health insurance expenses	148,195	122,513
Bank charges	25,243	30,319
Training expenses	72,100	53,202
Projects incentives	150	15,700
Consulting and research expenses	-	2,700
Stamps expenses	13,527	24,885
Meeting expenses	17,403	15,051
Programs license expenses	26,843	25,352
Archiving expenses	14,000	-
Others	29,605	14,257
	<u>3,950,388</u>	<u>3,369,030</u>

**19 EARNINGS PER SHARE**

	2016	2015
Profit for the year (JD)	17,601,120	16,133,360
Weighted average number of shares (share)	7,500,000	7,500,000
Basic and diluted earnings per share (JD/ Fils)	<u>2/347</u>	<u>2/151</u>

## 20 DIVIDEND

The general assembly approved in its ordinary meeting held on 9 March 2016, the distribution of cash dividends amounted to JD 13,125,000 representing 175% of the paid in capital.

## 21 INCOME TAX

Income tax is calculated on other income for the years ended 31 December 2016 and 31 December 2015 in accordance with the Income Tax Law No. (34) of 2014.

Based on the Council of Ministers decision in their meeting held on 10 April 2016, the exemption on goods and services from the main activity of the Group was renewed.

The Group reached a final settlement with the Income and Sales Tax Department up to the year 2005 and for the year 2007 and for the years from 2010 to 2014.

For the year 2006, the Group has filed a lawsuit against the Income and Sales Tax Department at the Tax Court of First Instance for preventing the claim that all other income items are subject to income tax the value of the taxes objected by the Group amounted to JD 130,030 after experience.

An amount of JD 480,785 was estimated as tax claim for the years 2008 and 2009, whereby the Income and Sales Tax Department included the interest income and other income as part of the income tax calculation. The tax claim was rejected and the rejection was refused by the Income Tax Department, and hence the Group has filed a lawsuit against the Income and Sales Tax Department at the Tax Court of First Instance and the Court has decided to cancel the claim; The Income Tax Department appealed the judgment and no final decision was made by the Tax Appeals Court yet.

The Income Tax Department has not reviewed the income tax declaration for the year 2015 up to the date of these consolidated financial statements.

The Group registered in the sales tax retroactively from 1 January 2014 in order to benefit from the decision of the Council of Ministers to exempt from fines in case of payment of the original tax amounts.

The movement for income tax provision is as follow:

	2016	2015
	JD	JD
Beginning balance	83,120	-
Income tax expense	257,907	228,245
Income tax paid	(222,208)	(145,125)
Income tax provision	<u>118,819</u>	<u>83,120</u>



## 22 LAWSUITS

- a. There are number of labour lawsuits against the Group amounting to JD 91,823 as of 31 December 2016. In the opinion of the Group's management and law consultant, provisions for these lawsuits are sufficient.
- b. There are custom lawsuits against the Group amounting to JD 170,269 as of 31 December 2016. In the opinion of the Group's management and law consultant, provisions for these lawsuits are sufficient.

## 23 SEGMENTAL INFORMATION

Below schedule summarises the segments in formation based on geographical areas for the Group's sales:

	Amman	North of Kingdom	South of Kingdom	Kingdom center	Total
	JD	JD	JD	JD	JD
<b>For the year ended 31 December 2016</b>					
Net revenue	6,365,527	1,760,005	18,287,066	34,656,929	61,069,527
Cost of sales	(3,933,938)	(1,004,494)	(19,855,962)	(10,466,747)	(35,261,141)
Unallocated expenses					(9,362,560)
Other income and interest income					1,413,201
Income tax expense					(257,907)
Profit for the year					17,601,120
<b>For the year ended 31 December 2015</b>					
Net revenue	6,036,016	1,654,376	18,565,193	28,521,458	54,777,043
Cost of sales	(3,751,142)	(981,691)	(10,940,333)	(15,343,696)	(31,016,862)
Unallocated expenses					(8,623,214)
Other income and interest income					1,224,638
Income tax expense					(228,245)
Profit for the year					16,133,360

## 24 TRANSACTIONS WITH RELATED PARTIES

Related parties represent associated companies, major shareholders, directors and key management personnel of the Group, and entities controlled, jointly controlled or significantly influenced by such parties. Pricing policies and terms of these transactions are approved by the Group's management.

**Transactions with related parties included in the consolidated statement of profit or loss are as follows:**

	Nature of relationship	2016 JD	2015 JD
<b>CASH AT BANKS</b>			
Current accounts – Jordan Investment Bank	Shareholder	1,339,227	3,425,315
Deposits – Jordan Investments Bank	Shareholder	4,000,000	1,500,000
Margins on guarantees – Jordan Investments Bank	Shareholder	183	150,759
<b>TRADE PAYABLES</b>	Shareholders	368,088	304,995
<b>OFF BALANCE SHEET ITEMS:</b>			
Bank guarantees- Jordan Investments Bank	Shareholder	1,399,512	1,507,586

Transactions with related parties included in the separate statement of comprehensive income were as follows:

	2016 JD	2015 JD
Interest income –Jordan Investment Bank(shareholder)	71,274	186,294
Purchases (shareholders)	1,000,340	1,298,912
Salaries, wages and other benefits- Group executive management	219,623	232,876
Salaries, wages and other benefits- Board of Directors members	463,763	413,915

JORDANIAN DUTY FREE SHOPS  
PUBLIC SHAREHOLDING COMPANY  
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENT  
YEAR ENDED 31 DECEMBER 2016

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**25 CASH AND CASH EQUIVALENTS**

Cash and cash equivalent shown in the consolidated statement of cash flow represents amounts in the consolidated statement of financial positions as follows:

	2016	2015
	JD	JD
Cash on hand and at banks	31,900,766	31,959,937
Less: deposits at banks due from three months to one year	(26,884,052)	(25,142,563)
Cash and cash equivalent	5,016,714	6,817,374

**26 CONTINGENT LIABILITIES**

At 31 December 2016, the Group had outstanding letters of guarantee amounting to JD 1,399,512 (2015: JD 1,507,586) with related margins of JD 183 (2015: JD 150,759).

**27 FAIR VALUE OF FINANCIAL INSTRUMENTS**

Financial instruments comprise of financial assets and financial liabilities.

Financial assets consist of cash on hand and at banks, accounts receivable, available for sale investment, and other current assets. Financial liabilities consist of accounts payable, due to banks, loans and other current liabilities.

The Group uses the following hierarchy for determining and disclosing the fair value of financial instruments by valuation technique:

**Level 1:** Quoted (unadjusted) prices in active markets for identical assets or liabilities.

**Level 2:** Other techniques for which all inputs that have a significant effect on the recorded fair value are observable, either directly or indirectly.

**Level 3:** Techniques that use inputs that have a significant effect on the recorded fair value that are not based on observable market data.



**JORDANIAN DUTY FREE SHOPS**  
**PUBLIC SHAREHOLDING COMPANY**  
**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENT**  
**YEAR ENDED 31 DECEMBER 2016**

---

**Assets measured at fair value**

<b>2016-</b>	<u>Level 1</u>	<u>Total</u>
	<i>JD</i>	<i>JD</i>

Financial assets at fair value through other comprehensive income	1,550	1,550
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<b>2015-</b>	<u>Level 1</u>	<u>Total</u>
	<i>JD</i>	<i>JD</i>

Financial assets at fair value through other comprehensive income	1,550	1,550
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**28 RISK MANAGEMENT**

**Interest rate risk**

The Group is exposed to interest rate risk on its interest bearing assets and liabilities such as cash at banks.

The following table demonstrates the sensitivity of the consolidated statement of comprehensive income to reasonably possible changes in interest rates, with all other variables held constant.

	<u>Increase in interest rates</u>	<u>Effect on profit for the year</u>
	<i>Basis points</i>	<i>JD</i>
<b>2016</b>		
JD	50	134,420
<b>2015</b>		
JD	50	125,713

The effect of decrease in interest rates is expected to be equal and opposite to the effect of the increase shown above.

**Credit risk**

Credit risk is the risk that one party to a financial instrument will fail to discharge an obligation and cause the other party to incur a financial loss.

The Group is not exposed to significant credit risk as majority of the Group's sales are in cash.

The Group seeks to limit its credit risk with respect to banks by only dealing with reputable banks.

### Liquidity risk

The Group limits its liquidity risk by ensuring adequate financing is available from banks facilities.

The table below summarizes the maturities of the Group's undiscounted financial liabilities at 31 December, based on contractual payment dates and current market interest rates:

	Less than 3 months JD
<b>2016-</b>	
Accounts payable	2,312,442
	Less than 3 months JD
<b>2015-</b>	
Accounts payable	1,244,576

### Currency risk

Most of the Group's transactions are in US Dollars and JOD Dinars. The Jordanian Dinar exchange rate is fixed against the US Dollar (US \$ 1.41 for 1 USD). Accordingly, the Group is not exposed to significant currency risk

## 29 CAPITAL MANAGEMENT

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

The Group manages its capital structure and makes adjustments to it in light of changes in business conditions. No changes were made by the Group on the objectives, policies or processes for the current year and previous year.

Capital comprises of paid in capital, statutory reserve, voluntary reserve, cumulative change in fair value and retained earnings, and is measured at an amount of JD 51,965,053 as at 31 December 2016 (2015: JD 47,488,933).

### **30 STANDARDS ISSUED BUT NOT YET EFFECTIVE**

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

#### **IFRS 9 Financial Instruments (Did not implement IFRS 9)**

During July 2014, the IASB issued IFRS 9 "Financial Instruments" with all the three phases. IFRS 9 sets out the requirements for recognizing and measuring financial assets, financial liabilities and some contracts to buy or sell non-financial items. IFRS 9 replaces IAS 39 "Financial Instruments: Recognition and Measurement". IFRS 9 as issued in July 2014 will be implemented at the mandatory date on 1 January 2018, which will have an impact on the recognition and measurement of financial assets.

#### **IFRS 16 Leases**

During January 2016, the IASB issued IFRS 16 "Leases" which sets out the principles for the recognition, measurement, presentation and disclosure of leases.

IFRS 16 substantially carries forward the lessor accounting requirements in IAS 17. Accordingly, a lessor continues to classify its leases as operating leases or finance leases, and to account for those two types of leases differently.

IFRS 16 introduced a single lessee accounting model and requires a lessee to recognize assets and liabilities for all leases with a term of more than 12 months, unless the underlying asset is of low value. A lessee is required to recognize a right-of-use asset representing its right to use the underlying leased asset and a lease liability representing its obligation to make lease payments.

The new standard will be effective for annual periods beginning on or after 1 January 2019. Early application is permitted.

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

IFRS 15 specifies the accounting treatment for all revenue arising from contracts with customers. It applies to all entities that enter into contracts to provide goods or services to their customers, unless the contracts are in the scope of other IFRSs, such as IAS 17 Leases. IFRS 15 supersedes IAS 11 Construction Contracts, IAS 18 Revenue, IFRIC 13 Customer Loyalty Programmes, IFRIC 15 Agreements for the Construction of Real Estate, IFRIC 18 Transfers of Assets from Customers; and SIC-31 Revenue—Barter Transactions Involving Advertising Services. The standard is effective for annual periods beginning on or after 1 January 2018, and early adoption is permitted.

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

The amendments to IAS 7 Statement of Cash Flows are part of the IASB's Disclosure Initiative and require an entity to provide disclosures that enable users of financial statements to evaluate changes in liabilities arising from financing activities, including both changes arising from cash flows and non-cash changes. On initial application of the amendment, entities are not required to provide comparative information for preceding periods. The amendments will be effective for annual periods beginning on or after 1 January 2017, with early application permitted. The application of amendments will result in adding limited amount of disclosure information.



## **IFRS 2 Classification and Measurement of Share-based Payment Transactions - Amendments to IFRS 2**

The IASB issued amendments to IFRS 2 Share-based Payment that address three main areas: the effects of vesting conditions on the measurement of a cash-settled share-based payment transaction; the classification of a share-based payment transaction with net settlement features for withholding tax obligations; and accounting where a modification to the terms and conditions of a share-based payment transaction changes its classification from cash settled to equity settled.

Entities may apply the amendments prospectively and are effective for annual periods beginning on or after 1 January 2018, with early application permitted.

## **Amendments to IFRS 4 Applying IFRS 9 Financial Instruments with IFRS 4 Insurance Contracts**

In September 2016, the IASB issued amendments to IFRS 4 to address issues arising from the different effective dates of IFRS 9 and the upcoming new insurance contracts standard (IFRS 17). The amendments introduce two alternative options for entities issuing contracts within the scope of IFRS 4, a temporary exemption from implementing IFRS 9 to annual periods beginning before 1 January 2021 at latest and an overlay approach that allows an entity applying IFRS 9 to reclassify between profit or loss and other comprehensive income an amount that results in the profit or loss at the end of the reporting period for the designated financial assets being the same as if an entity had applied IAS 39 to these designated financial assets.

## **Transfers of Investment Property (Amendments to IAS 40)**

The amendments clarify when an entity should transfer property, including property under construction or development into, or out of investment property. The amendments state that a change in use occurs when the property meets, or ceases to meet, the definition of investment property and there is evidence of the change in use. A mere change in management's intentions for the use of a property does not provide evidence of a change in use.

Entities should apply the amendments prospectively and effective for annual periods beginning on or after 1 January 2018. Early application of the amendments is permitted and must be disclosed.

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

The interpretation clarifies that in determining the spot exchange rate to use on initial recognition of the related asset, expense or income (or part of it) on the derecognition of a non-monetary asset or non-monetary liability relating to advance consideration, the date of the transaction is the date on which an entity initially recognises the nonmonetary asset or non-monetary liability arising from the advance consideration. Entities may apply the amendments on a fully retrospective or prospective basis. The new interpretation will be effective for annual periods beginning on or after 1 January 2018. Early application of interpretation is permitted and must be disclosed.

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