

شركة الفارس الوطنية للاستثمار والتصدير (المساهمة العامة)

AL-FARIS NATIONAL COMPANY FOR INVESTMENT & EXPORT (P.L.C.)

Ref. 382/2017

Date: 15/05/2017

Messrs. Amman Stock Exchange
Amman – Jordan

Subject: Audited Financial Statements

Dear Sirs,

Reference to the above mentioned subject, Attached you will find the Audited Financial Statements for AlFaris National Company for Investment and Export plc, for the fiscal year ended 31/12/2016.

Kindly accept our high appreciation and respect,



AlFaris National Company for Investment & Export

Majed Sifri
Chief Executive Officer

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شركة الفارس الوطنية م.ع

C.C. File

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الدائرة الإدارية والمالية
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**AL – FARES NATIONAL COMPANY FOR
INVESTMENT AND EXPORT
(PUBLIC SHAREHOLDING COMPANY)**

**CONSOLIDATED FINANCIAL STATEMENTS
AND INDEPENDENT CERTIFIED PUBLIC
ACCOUNTANT'S REPORT
YEAR ENDED DECEMBER 31, 2016**

**AL – FARES NATIONAL COMPANY FOR INVESTMENT & EXPORT
(PUBLIC SHAREHOLDING COMPANY)**

**CONSOLIDATED FINANCIAL STATEMENTS AND INDEPENDENT CERTIFIED
PUBLIC ACCOUNTANT'S REPORT
YEAR ENDED DECEMBER 31, 2016**

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INDEPENDENT CERTIFIED PUBLIC ACCOUNTANT'S REPORT

To the shareholders

AL – Fares National Company for Investment and Export (P .L .C)

Report on auditing the Consolidated Financial Statements

Qualified opinion

We have audited the accompanying consolidated financial statements of AL– Fares National Company for Investment& Export (P.L.C), which comprise of the consolidated statement of financial position as of December 31, 2016, and the related consolidated statements of comprehensive income, consolidated Statement of owners' equity and consolidated statement of cash flows, for the year then ended, notes to the consolidated financial statements and a summary of significant accounting policies and other explanatory information.

In our opinion, with the exception of the possible effects as set out in the qualified opinion paragraph, the consolidated financial statements present fairly, in all material respects, the consolidated statement of financial position of AL– Fares National Company for Investment& Export . (P.L.C) as of December 31,2016, and its consolidated financial performance and consolidated cash flows for the year then ended are in accordance with International Financial Reporting Standards.

Basis for Opinion

In 2014, the Company appointed a financial expert to conduct an impairment examination of the goodwill and developed computer programs amounting to JD (19,394,760). The results of the study showed a decrease in their value by JD (3,966,505). The Board of Directors of the Company decided to deduct a provision for impairment of the amount of (500,000) for each fiscal year starting from the fiscal year 2014 until the full value is completed. Accordingly, JD (1,500,000) has been deducted as a provision for impairment and is charged to profit and loss account until the end of 2016. Deduction of any provision for the remaining balance of impairment JD (2,466,505), up to December 31, 2016, which reduced the company's losses and also inflated the net shareholders' equity of the company by the same amount.

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

Key audit matters

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

-Goodwill and developed computer software

In accordance with International Financial Reporting Standards, the Company has to assess goodwill, developed computer software and impairment testing, where annual impairment is a key audit matter because of the complexity of the accounting requirements and general provisions required in determining the assumption to be used in estimating the recoverable amount. The recoverable amount of the cash-generating units, which is based on the value in use or the fair value, whichever is higher, less costs to sell, is calculated from discounted cash flow models. These models use several basic assumptions including estimates of future sales volume and prices, Operating, end-to-end value and weighted average cost of capital.

-Earned revenue

In accordance with International Financial Reporting Standards, the Company has to periodically review the process of calculating the Earned revenue and ensure that it is collected in subsequent periods. The management estimates the revenue receivable through the use of assumptions and estimates and, because of their importance, is considered an important risk of investigation

-Accounts receivable & checks under collections

In accordance with International Financial Reporting Standards, the Company should review the process of calculation of impairment of accounts receivable through assumptions and estimations, the company assesses the impairment of accounts receivable and considering its importance it's considered one of the significant audit risks and the impairment of accounts receivable provision has been recognized.

Followed procedures within key audit matters.**-Goodwill and developed computer software**

The auditing procedures included evaluating the assumptions and methodologies used by the Company, in particular those relating to the growth of expected income and profit margins. We have also focused on the adequacy of the Company's disclosure of those most sensitive assumptions used in the impairment examination, a significant impact in determining the amount of goodwill and developed computer programs recoverable, where there is a decline in the value of goodwill as referred to the qualified opinion paragraph and as a result the administration conduct studies to examine the impairment in goodwill annually and based on a study examining the impairment for 2016, it shows that there is an impairment amounting to JD (2,369,948), noting that the administration has decided not to recognize the value of a full impairment and deduct the amount of JD (500,000) for each year starting in 2014 based on the decision of the Board of Directors held on that date.

-Property & equipment

The audit procedures included the control procedures used in the verification of existence and completeness, the review of a sample of the receivable income, the conformity with the contracts and the confirmations, and the assurance of their collection in the subsequent period and the confirmation of their validity by assessing the management hypotheses, taking into consideration the available external information on the risks of recognition of accrued income, We have also evaluated the adequacy of the company's disclosures around it.

-Accounts receivable and checks under collections

The auditing procedures included control procedures used by the company for collecting accounts receivables and checks under collection, ascertaining a sample of clients' accounts through direct confirmations, it has been asserted that the account receivable impairment provision is sufficient through evaluating the management assumptions, taking in consideration the available external information about account receivable risks, also we evaluated the sufficiency of the company disclosure about the important estimation in concluding the impairment provision of accounts receivable .

Other Matter

As it is shown in note (6) for the consolidated financial statements: -

1- At the beginning of 2011 the company registered a claim arbitration in the courts of Dubai in the United Arab Emirates regarding the company's stalled (Vision Development Company Information and Computer Services Limited Liability "Saudi Arabia Systems") This was between the support and response from the Legal Counsel of the company that issued the final decision of the arbitrators on January 31, 2015, containing the judgment of the company compensation in the amount of \$ 2,786,825 equivalent to JD 1,978,646 a comprehensive amount of compensation and expenses of arbitration and benefits, and during the year 2016 has been completed on the issue of arbitration and has clearance and judgment of the company compensation in the amount of JD 916,414 we have Jordan after arbitration and interest expenses.

2- As a result of the discontinuation of the business and the operational activity of Al-Vision for the development of Information Systems and Computer Services Limited Liability Company (Saudi Arabia) and Gulf Electronics Technical Solutions Limited Company (Saudi Arabia), the Board of Directors has decided not to consolidate their financial statements with the Company's financial statements. (5) "Non-current Assets Held for Sale and Discontinued Operations". During 2016, the assets and liabilities of Vision for the Development of Information Systems and Computer Services Limited (Saudi Arabia) which was suspended as a result of the termination of the arbitration case and the amount of compensation was taken.

Other information

The management is responsible for other information.

Which includes other information reported in the annual report, but not included in the consolidated financial statements and our audit report on it.

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

Regarding our audit on consolidate financial statements we are obliged to review these other information, and while that, we consider the compatibility of these information with their consolidated financial statements or with the knowledge that we gained through audit procedure or seems to contain significant errors. If we detected based on our audit, the existence of significant errors in the information, we are obliged to report this fact. Regarding this, we have nothing to report.

Management and individuals responsible of governance about the consolidated financial statements

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

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

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

Certified public accountant responsibility

Our objective is to obtain reasonable assurance about whether the Financial Statements are free from material misstatement, 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 International Standards on Auditing 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 decision of users taken on the basis of these consolidated Financial Statements.

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

- Identify and assess the risks of material misstatement of the 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 Company's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the Management.
- Conclude on the appropriateness of the Management's use of the Going Concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the 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.

We communicated with audit committee, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

Legal requirements report

The Company maintains proper books of accounts and the accompanying consolidated financial statements and the consolidated financial statements contained in the report of the board of directors in accordance with the proper books of accounts.

Ghosheh & Co.

Abdul Kafeem Qunais
License No.(496)

Ghosheh & Co. (CPA's)

A member of

Nexia
International

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غوشه و شركاه (محاسبين قانونيين)

Amman - Jordan
February 9, 2017

AL – FARES NATIONAL COMPANY FOR INVESTMENT AND EXPORT
(PUBLIC SHAREHOLDING COMPANY)

CONSOLIDATED STATEMENT OF FINANCIAL POSITION
AS OF DECEMBER 31, 2016
(EXPRESSED IN JORDANIAN DINAR)

	Note	2016	2015
ASSETS			
Non-current assets			
Property and equipment	4	474,727	455,371
Goodwill	5	2,786,888	3,286,888
Investment in developed computer programs	5	15,107,872	15,107,872
Investments in joint ventures	7	126,325	126,325
Total non-current assets		18,495,812	18,976,456
Current assets			
Prepaid expenses and other receivables	8	2,219,187	1,962,704
Inventories	9	546,009	704,763
Unbilled revenue		3,698,252	1,195,238
Accounts receivable	10	4,422,190	5,037,143
Cash and cash equivalents	11	1,315,494	857,204
		12,201,132	9,757,052
Assets related to investment in stalled subsidiary company	6	-	1,384,612
Total current assets		12,201,132	11,141,664
TOTAL ASSETS		30,696,944	30,118,120
LIABILITIES AND SHAREHOLDERS' EQUITY			
Shareholders' equity			
Shares capital	1	6,000,000	16,000,000
Statutory reserve	12	121,459	114,657
Voluntary reserve	12	25,230	25,230
Accumulated losses		(132,662)	(10,193,876)
Total shareholders' equity		6,014,027	5,946,011
Non-current liabilities			
End - of - service indemnities	13	158,551	158,551
Long- term loans	14	3,862,918	4,928,525
Total non-current liabilities		4,021,469	5,087,076
Current liabilities			
Accrued expenses and other liabilities	15	5,089,564	2,960,867
Accounts payable and deferred Checks	16	5,110,207	5,463,589
Short- term loans	14	4,707,638	4,075,873
Banks overdraft	17	4,073,159	3,497,632
		18,980,568	15,997,961
Liabilities related to investment in stalled subsidiary company	6	1,680,880	3,087,072
Total current liabilities		20,661,448	19,085,033
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY		30,696,944	30,118,120

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

AL – FARES NATIONAL COMPANY FOR INVESTMENT AND EXPORT
(PUBLIC SHAREHOLDING COMPANY)

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME
YEAR ENDED DECEMBER 31, 2016
(EXPRESSED IN JORDANIAN DINAR)

	Note	2016	2015
Revenues			
Sales		19,193,320	12,365,656
Service revenues		383,370	432,434
Total revenue		19,576,690	12,798,090
Cost of revenues			
Cost of sales	18	(16,333,580)	(10,452,144)
Cost of service revenue	19	(196,619)	(303,563)
Total cost of revenue		(16,530,199)	(10,755,707)
Gross profit		3,046,491	2,042,383
Selling and administrative expenses	20	(1,602,878)	(1,651,813)
Depreciations		(101,121)	(100,279)
Company's share from joint venture losses	7	-	(516)
Financial charges		(746,682)	(1,040,544)
Impairment of investment in stalled subsidiary company (good will)		(500,000)	(500,000)
Other revenues and expenses		5,792	(35,026)
Different provision		(950,000)	-
Net profit of a pending stalled subsidiary company		916,414	-
Profit / (Loss) for the year		68,016	(1,285,795)
Other comprehensive income		-	-
Total comprehensive income		68,016	(1,285,795)
Earnings /(loss) per share:			
Earnings/(loss) per- share JD/ share		0,004	(0,08)
Weighted average of outstanding share		16,000,000	16,000,000

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

**AL – FARES NATIONAL COMPANY FOR INVESTMENT AND EXPORT
(PUBLIC SHAREHOLDING COMPANY)**

**CONSOLIDATED STATEMENT OF SHAREHOLDERS' EQUITY
YEAR ENDED DECEMBER 31, 2016
(EXPRESSED IN JORDANIAN DINAR)**

	Share capital	Statutory reserve	Voluntary reserve	Accumulated losses	Total
December 31, 2015	16,000,000	114,657	25,230	(8,908,081)	(7,231,806)
Comprehensive income for the year	-	-	-	(1,285,795)	(1,285,795)
December 31, 2015	16,000,000	114,657	25,230	(10,193,876)	5,946,011
Amortization of accumulated loss in capital	(10,000,000)	-	-	10,000,000	-
Comprehensive income for the year	-	-	-	68,016	68,016
Transferred to statutory reserve	-	6,802	-	(6,802)	-
December 31, 2016	6,000,000	121,459	25,230	(132,662)	6,014,027

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

AL – FARES NATIONAL COMPANY FOR INVESTMENT AND EXPORT
(PUBLIC SHAREHOLDING COMPANY)

CONSOLIDATED STATEMENT OF CASH FLOWS
YEAR ENDED DECEMBER 31, 2016
(EXPRESSED IN JORDANIAN DINAR)

	2016	2015
OPERATING ACTIVITIES		
Profit / (Loss) for the year	68,016	(1,285,795)
Adjustments for profit / (Loss)for the year:		
Depreciations	101,121	100,279
Different provision	950,000	-
Impairment of investment in stalled subsidiary company (good will)	500,000	500,000
Return from investment in stalled subsidiary company	(271,580)	-
Company's share from joint venture losses	-	516
Financial charges	746,682	1,040,544
Changes in operating assets and liabilities:		
Accounts receivable & checks under collection	614,953	(1,205,996)
Unbilled revenue	(2,503,014)	493,230
Inventories	158,754	55,562
Prepaid expenses and other receivables	(481,483)	(96,832)
Accounts payables and deferred checks	(353,382)	1,382,767
Accrued expenses and other liabilities	1,653,697	351,617
Cash available from operations	1,183,764	1,335,892
Paid Interest and Financial charges	(746,682)	(1,040,544)
Net cash available from operating activities	437,082	295,348
INVESTING ACTIVITIES		
Changes in Property and equipment	(120,477)	(91,846)
Investment in joint venture	-	(1,276)
Net cash used in investing activities	(120,477)	(93,122)
FINANCING ACTIVITIES		
Loans payment	(433,842)	(1,277,676)
Financing from banks overdraft	575,527	1,011,559
Net cash available from/(used in) financing activities	141,685	(266,117)
Net change in cash and cash equivalents	458,290	(63,891)
Cash and cash equivalents, January 1	857,204	921,095
CASH AND CASH EQUIVALENTS, DECEMBER 31	1,315,494	857,204
Non cash item		
Amortization of accumulated loss in capital	10,000,000	-

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

**AL – FARES NATIONAL COMPANY FOR INVESTMENT AND EXPORT
(PUBLIC SHAREHOLDING COMPANY)**

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
YEAR ENDED DECEMBER 31, 2016
(EXPRESSED IN JORDANIAN DINAR)**

1. ORGANIZATION AND ACTIVITIES

AL – Fares National Company for Investment and Export. P.L.C("the Company") is a Jordanian public shareholding Company registered on November 21, 2005 under the commercial registration number (373) after conducting all legal procedures it has been converted from a limited liability company to a public shareholding, the company's share capital is JD 16,000,000 divided to 16,000,000 share with a nominal value of one JD per share.

As of August 14, 2016 the general authority in an ordinary meeting approved the follow:

A- Decrease of the Company's capital from JD 16,000,000 to JD 6,000,000 by amortization JD 10,000,000 from accumulated losses of JD 10,193,876 as of December 31, 2015.

B- increase the company's capital to JD16,000,000 by issuing 10,000,000 shares at the price of one JD and without a issuance premium and / or as determined by the Jordan Securities Commission to the shareholders of the Company and / or strategic shareholders to be named and their contribution by the Board of Directors of the Company.

The company has completed its capital decrease procedures at the Companies Control Department, where the authorized and paid-up capital of the company has become 6,000,000 JD / share.

The capital decrease procedures were completed on November 28, 2016 with the Companies Control Department, the Securities Commission and the Securities Depository Center and the Amman Stock Exchange on 18 December 2016.

The capital increase procedures have not been completed until the date of preparation of the consolidated financial statements.

AL – FARES NATIONAL COMPANY FOR INVESTMENT AND EXPORT
(PUBLIC SHAREHOLDING COMPANY)

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)
YEAR ENDED DECEMBER 31, 2016
(EXPRESSED IN JORDANIAN DINAR)

The Consolidated Financial Statements as of December 31, 2016 consists of the financial statements of the affiliated companies as follow:

Company	Place of registration	Date of registration	Vote and ownership ratio	Main activity
National Computer Company Ltd. *	Jordan	1983	100%	Programming and analyzing computer systems, sales computer supplies and maintaining computers and electronic device.
Allied Software Company Ltd.	Jordan	2001	92%	Development of software and information systems.
Aregon Ltd - Branch of foreign limited liability company.	Bermuda	2000	100%	Providing of supply chain, management solution, and optimization services.
Advance Training Company Ltd.	Jordan	2001	100%	Providing training courses in the implementation and analysis of various computer programs, execution of training courses, and consulting services related to communications, and development of computer programs and communications.
Incubator Electronics Co. Ltd. (exempt)	Jordan	2007	100%	Manufacture and sale computer software and hardware, contribute of other company and manufacturing the printing machine
Optimiza Computer System Ltd.	Dubai	2009	100%	Computer program and computer supplies and software trading in computer and its supplies
Optimiza Morocco	Kingdom of Morocco	2012	100%	Computer program and computer supplies and software trading in computer and its supplies

AL – FARES NATIONAL COMPANY FOR INVESTMENT AND EXPORT
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NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)
YEAR ENDED DECEMBER 31, 2016
(EXPRESSED IN JORDANIAN DINAR)

* On June 19, 2014 was founded the company's National Computer branch in the Aqaba Special Economic Zone Authority under No. (1114061901), and in accordance with the provisions of the Aqaba Special Economic Zone Law No. (32) Of 2000, as amended, and regulations and instructions issued there under.

The Company's shares in subsidiaries net income as of December 31, 2016 amounting to JD 674,810 (2015: JD (359,575)) determined by the equity method as follows:

	2016	2015
The subsidiary's share in the income of National Computer Company Ltd.	1,288,107	242,255
The subsidiary's share in the income of Allied Software Company. Ltd.	(2,030)	(2,030)
The subsidiary's share in the income of Aregon Ltd - Branch of foreign limited liability company	(318,542)	(386,620)
The subsidiary's share in the income of Advanced Training Company Ltd.	(23,022)	(22,550)
The subsidiary's share in the income of Incubator Electronics Company Ltd. (exempt)	(269,703)	(190,630)
	<u>674,810</u>	<u>(359,575)</u>

The book value of the investment in subsidiaries as of December 31, 2016 amounting to JD 14,280,074 (2015: 13,017,019) determined by the equity method as follows:

	2016	2015
The book value of investment in National Computer Company Ltd.	12,774,901	11,486,794
The book value of investment in Allied Software Company Ltd.	1,149,999	1,152,029
The book value of investment in Aregon Ltd - Branch of foreign limited liability company	-	-
The book value of investment in Advanced Training Company Ltd.	355,174	378,196
The book value of investment in Incubator Electronics Company Ltd. (exempt)	-	-
	<u>14,280,074</u>	<u>13,017,019</u>

AL – FARES NATIONAL COMPANY FOR INVESTMENT AND EXPORT
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NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)
YEAR ENDED DECEMBER 31, 2016
(EXPRESSED IN JORDANIAN DINAR)

As of December 31, the summary of the total assets, liabilities, revenue and income of the subsidiaries and the significant assets and liabilities items are as follows:

A. National Computer Company Ltd.

	2016	2015
Total assets	25,699,722	23,655,414
Total liabilities	14,424,822	13,668,621
Total shareholders' equity	11,274,900	9,986,793
Total revenues	19,414,743	12,610,910
Net income year	1,288,107	242,255
Share Capital	311,482	311,482
Investment in computer programs	10,817,055	10,817,055
Property and equipment	462,514	440,592
Accounts payable and differed checks	3,493,791	3,730,120
Loans	4,377,504	3,880,281
Due to bank	2,648,088	1,696,967

B. Allied Software Company Ltd.

	2016	2015
Total assets	611,627	611,627
Total liabilities	258,573	256,543
Total shareholders' equity	353,054	355,084
Net income year	(2,030)	(2,030)
Share capital paid	800,000	800,000

C. Aregon Ltd - Branch of foreign limited liability company.

	2016	2015
Total assets	234,676	468,849
Total liabilities	5,521,520	5,755,693
Total owners equity	(5,286,844)	(5,286,844)
Net loss for the year	(318,542)	(386,620)
Accounts receivable	76,821	314,892
Share capital	15,488,975	15,488,975

D. Advance Training Company Ltd

	2016	2015
Total assets	177,733	167,301
Total liabilities	139,501	106,047
Total owners equity	38,232	61,254
Total revenues	161,974	187,180
Net loss for the year	(23,022)	(22,550)
Share Capital	320,000	320,000

AL – FARES NATIONAL COMPANY FOR INVESTMENT AND EXPORT
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NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)
YEAR ENDED DECEMBER 31, 2016
(EXPRESSED IN JORDANIAN DINAR)

E. Incubator Electronic Company L.T.D *

	2016	2015
Total assets	1,707,140	3,107
Total liabilities	1,785,032	1,515,375
Total shareholder's equity	(77,892)	(1,512,268)
Account receivable	1,706,901	2,820
Assets related to investment in stalled subsidiary company	1,680,880	(1,430,880)
Net income / loss for the year	(269,703)	(190,630)
Share capital	30,000	30,000

as a result of the cessation of Gulf Electronic Technology Solutions L.L.C (KSA) and its operational activity at the end of 2014, the board of Directors decided not to unify their financial statements with the financial statements of the company, and these investments has been shown, according to the requirements of the international financial reporting standard No. 5 "non-current assets held for sale and discontinued operations."

As of December 31, 2016, the summary of the total assets liabilities revenue for the subsidiary company of Incubator Electronic Company as follows:

-Optimaiza computer system Ltd.

	2016	2015
Total assets	524,924	1,337,429
Total liabilities	1,716,503	1,440,872
Total owners' equity	(1,191,579)	(103,443)
Revenue	1,576,793	1,105,184
Net income for the year	(1,088,136)	(435,101)
Share capital	58,000	58,000

As of December 31, 2016 the summary of the total assets, liability revenue for the subsidiary company of National Computer Company:

- Optimiza Morocco Ltd.

	2016	2015
Total assets	329,488	380,816
Total liabilities	697,581	737,255
Total owners equity	(368,093)	(356,439)
Total revenue	-	38,543
Net loss for the year	(11,654)	(8,122)
Share capital	8,658	8,658

**AL – FARES NATIONAL COMPANY FOR INVESTMENT AND EXPORT
(PUBLIC SHAREHOLDING COMPANY)**

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)
YEAR ENDED DECEMBER 31, 2016
(EXPRESSED IN JORDANIAN DINAR)**

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

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

<u>New Standards</u>	<u>Effective Date</u>
(IFRS) No.9 – Financial Instruments	January 1, 2018
(IFRS) No.15 – Revenue from Contract with Customers	January 1, 2018
(IFRS) No.16 – Leases	January 1, 2019

Board of directors of the company is expecting that the application of these standards and interpretations will not have a substantial impact on the Company's financial statements.

3.SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The preparation of consolidation financial statements

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

The Basics of preparation

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

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

Financial Statement Consolidation Basis

Consolidated Financial Statements were prepared and presented according to the historical cost principle, financial data was presented through adding similar accounts of assets, liabilities, owner's equity, revenues and expenses. Material transactions and balances between the company and its affiliated companies were eliminated. The difference between the acquisition price of the subsidiaries and its net assets on acquisition date was recognized as an increase in the value of investment in computer programs account. The difference between the subsidiaries acquisition price and its fair value on acquisition date was recognized as a goodwill. When the amount, which is recovered from the fair value of both the investment in computer programs account and the goodwill, is less than their book value, that value is then deducted from the reimbursable value, this impairment appears in the income statement.

Revenue recognition

Revenues are recognized upon delivering goods to customers and rendering service and issuing an invoice with the net price after deducting sales or trade discounts

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Expenses

Selling and marketing expenses mainly comprise of costs incurred in the distribution and sale of the Company's products. All other expenses are classified as general and administrative expenses.

General and administrative expenses include both direct and indirect costs not specifically part of production costs as required under generally accepted accounting principles. Allocations between general and administrative expenses and cost of sales are made on a consistent basis when required.

Cash and cash equivalents

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

Accounts receivable

Account receivable are stated at their net realizable value after forming an allowance for doubtful accounts based on a general review at the end of the year, bad debts are written off in the period of recognizing them.

Accounts payable and accrued

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

Non – controlled processes

The non -controlled operation is the operation that include using assets and other resources for the parties involved in the coalition rather than establishing a company or any financial structure separate from the coalition parties themselves and each party of the coalition use his propriety and equipment and incur his own expenses and liability and provide his own funding, the joint venture contract provide the method which enable to split the revenue from joint contract and any expenses incur jointly between coalition parties, the financial statement include the Company share from joint venture business results using the equity method.

Inventories

Inventories are stated at cost or market whichever lower using (FIFO) inventory valuation method.

Investments in computer programs

The fair value of the computer program resulting from acquisition of subsidiaries were reassessed based on the amount that can be recovered, if the value is less than the book value, it would be deducted from reimbursable value, this impairment appears in the income statement.

Goodwill

Goodwill represents increased purchase cost in investment in subsidiary company than the fair value for net assets in date of ownership, and based on the board of director decision taken in 2009, it will amortize the goodwill that come from purchase Vision for Development and Information Systems and Computer Services (P.L.C), and subdue the rest of subsidiary company goodwill for declining test.

The Decline in value of the financial assets

In date of each consolidated financial position statement, values of the financial assets have been reviewed, to determine if their indication to decline in its value.

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As for the financial assets such as trade accounts receivable and assets was evaluated as individual low-value, where evaluated for the decline in the value on a collective basis. The substantive evidence for decline in portfolio of the accounts receivable includes the past experience about the collection of payments. And the increase in the number of the late payments portfolio (which it's beyond the rate of borrowing) also it includes the significant changes in the international and local economic conditions that are related with non-collection of accounts payable.

The Reduce in the listed value of the financial assets is the amount of loss decline of value directly. And this is for all the financial assets except the trade accounts receivable as the listed value have been reduced by provisions accounts. When is one of the accounts receivables are non-collected then write off the amount of this debt and the equal amount from account of provisions?

The changes in the listed value for the provisions account recognized in the consolidated comprehensive income statement.

As for the ownership equity tools which are available for sale, Decline losses are not closed in the recognized value in the profit and loss statement. However, any increase in the fair value becomes after decline loss has recognized directly in the consolidated shareholder's equity statement.

Cancellation of Recognition

The Company cancels the recognition of financial assets only when the contractual rights about receipt of cash flows from the financial assets had ended. And substantially all the risks and benefits of the ownership to another firm, In the case of the company doesn't transfer on retain substantially risks or benefits of the ownership and continue in control of the transferred assets, the company in this case recognize its share retained in the transferred assets and the related liabilities in the limits of the amounts excepted to be paid. In the other case, when the company retained substantially all risks and benefits of ownership of the transferred assets, the company will continue to recognize of the financial assets.

Property and equipment

Property and equipment are stated at cost after deducting accumulated depreciation. Expenditure on maintenance and repairs is expensed while expenditures for developments are capitalized. The acquisition price of assets includes cost of loans taken to finance preparing equipment's and providing necessary improvements to make them ready for use. Depreciation is allocated over the estimated useful lives of the applicable assets using the straight line method. The estimated rates of depreciation of the principal assets using the straight line method, the estimated rates of depreciation of the principal classes of assets are as follows:

	Annual depreciation rate
Machinery and equipment	20%
Furniture	10%
Computer software	25%
Decorations	10-15 %
Vehicles	15%
Tools	15%
Computers	15%
Books	20%

Useful lives and the depreciation method are reviewed periodically to make sure that the method and amortization period appropriate with the expected economic benefits of property and equipment. Impairment test is performed to the value of the property and equipment that appears in the Statement of Financial Position When any events or changes in circumstances shows that this value is non-recoverable.

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

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

The decline in value of the non-current assets

The decline in value of the non-current assets, in the date of each statement of financial position the company review the listed values for its assets to specify if there is an indication to be decline losses of the value. If there indication to that, the recovery value of the asset will be appreciated to determine the loss of decline in the value if it be. In case, in ability to appreciate the recovery value of specific asset, The company estimate the recovery value for unit producing of cash that related in the same asset. When there is ability to determine bases of distribution that is fixed and reasonable, the joint assets distribute to units producing of cash that related in the same asset. when there is ability to determine basic of distribution that is fixed and reasonable, the joint assets distribute to specific units producing of cash or it distribute to specific units producing of cash or it distribute to smallest group from units producing cash that it able to determine basic of distribution fixed and reasonable for it.

The Recovery value is the fair value of asset minus the cost of sale or used value whichever is higher.

In case, the recovery value (or the unit producing of cash) distribute lower than the listed value, reduce the listed value for asset (or unit producing of cash) to the recovery value. Losses of the decline recognize directly in the income statement except the asset that is re-evaluation then record losses of the decline as reduction from re-evaluation provision.

In case, Recovery losses for decline of the value, Increase the listed value of asset (or unit producing of cash) to the fair value of recovery as not to increase the adjusted listed value of asset (or unit producing of cash) as if it had not been calculating the losses of the value decline in the previous years, Record recovery of losses in value decline directly either in the profit or the loss except the asset had been recording in the re-evaluation value. In this case, record recovery of losses in value decline as increase in the re-evaluation provision.

Income tax

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

Leasing

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

Rentals payable under operating leases are recorded in the statement of income on a straight-line basis over the term of the operating leases.

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Provisions

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

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

The use of estimation

The preparation of financial statements and the application of accounting policies required of the Company's management to make estimates that affect the amounts of financial assets and liabilities and disclosure of contingent liabilities, these estimates also affect the revenues, expenses and provisions.

As well as changes in fair value that appears in the owners' equity

In particular, required of the Company's management to issue important judgments to estimate the amounts of future cash flows and its times. Mentioned that the estimates are shown necessarily on the assumptions and multiple factors have a varying degree of appreciation and uncertainty and that actual result may differ from estimates. As a result of changes resulting about the conditions and circumstances of these estimates in the future.

The sector report represents

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

Geographical segment is associated in providing products in particular economic environment subject to risks and returns that are differed from those for sectors to work in economic environment.

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

Foreign currency translation

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

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4. PROPERTY AND EQUIPMENT

	January 1	Additions	Disposal	December 31
Cost:				
Machinery and equipment	2,927,753	89,259	(1,720)	3,015,292
Furniture	809,449	15,418	(7,848)	817,019
Computer software	79,603	-	-	79,603
Decorations	227,262	-	-	227,262
Vehicles	67,785	14,800	-	82,585
Tools	127,564	1,000	-	128,564
Computer	426,037	-	-	426,037
Books	12,237	-	-	12,237
Total cost	4,677,690	120,477	(9,568)	4,788,599
Depreciation:				
Machinery and equipment	2,679,373	45,534	(1,720)	2,723,187
Furniture	749,934	42,683	(7,848)	784,769
Computer software	77,023	774	-	77,797
Decorations	139,475	1,146	-	140,621
Vehicles	22,863	9,230	-	32,093
Tools	116,917	1,224	-	118,141
Computer	424,497	530	-	425,027
Books	12,237	-	-	12,237
Total depreciation	4,222,319	101,121	(9,568)	4,313,872
Book value at January 1	455,371			
Book value at December , 31				474,727

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5. INVESTMENT IN DEVELOPED COMPUTER PROGRAMS AND GOODWILL

During 2005 and 2007 the Company acquire the entire shares of the Company's old partners in subsidiaries, which has been shown in note no. (1) To the financial statements amounting to JD19,937,230 on the basis of net equity for each subsidiary. Agreed on the acquisition date amounting to JD7,925,742 and the difference amounting to JD 12,011,488 have been distributed as follows:

Fair value for developed computer programs *	7,615,437
Goodwill	4,396,051
	<u>12,011,488</u>

The fair value of the computer programs developed and goodwill balance after excluding the ideal company for software services, which was sold in 2010 as well, after excluding the Gulf electronic company Technology Solutions L.L.C (KSA), which ceased to operate at the end of 2014 were as follows:

	Fair value of computer program developed	Goodwill
Balance before disposal	7,615,437	4,396,051
Disposal of the difference of Fair value for computer programs developed and goodwill purchase of ideal for software services	(3,324,620)	(109,163)
	<u>4,290,817</u>	<u>4,286,888</u>
Disposal goodwill purchase of Gulf electronic company Technology Solutions	-	(676,967)
Impairment provision of goodwill purchase of subsidiaries	-	(823,033)
Balance after disposal	<u>4,290,817</u>	<u>2,786,888</u>

In 2014 the company appointed a financial expert to check impairment of goodwill and computer programs developed amounting to JD (19,394,760), where this expert assessment of the value of the amount recovered from the goodwill and computer programs developed have been measured on the basis of value in use, which is calculated using stalled cash flows through discretionary budgets approved by the company management, which covers a period of five years to come on the basis of a discount rate of 13.5 % annually.

where the results of the study showed existence of impairment in their value amount to JD (3,966,505), The Board of Directors has decided to deduct JD (500,000) for each financial year starting from fiscal year 2014 until the completion of the full value and, accordingly, it has been Deducted as an impairment provision and transferred to the profit and loss account for the year ended December 31, 2014, and a JD (500,000) has been deducted as at 31 December 2014, JD (500,000) at 31 December 2015 and JD (500,000) as at 31 December 2016 an impairment provision and transferred to the profit and loss account.

As for the remaining balance of the impairment that amount to JD (2,466,505), the board of director has decided to test impairment of goodwill annually according to International Financial Reporting Standards, & if in case shows a continued impairment, the company informed us that it will deduct JD(500,000) annually & transfer it to profits and losses account till the impairment balance is covered.

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The details of goodwill:

	2016	2015
Balance as of January 1	3,286,888	3,786,888
Provision of impairment of good will	(500,000)	(500,000)
Balance as of December 31	2,786,888	3,286,888

The details of investment in developed computer programs as follows:

	2016	2015
Investment in computer programs developed	10,817,055	10,817,055
Difference of fair value for computer programs developed	4,290,817	4,290,817
	15,107,872	15,107,872

And according to IFRS we must re-evaluate the fair value for computer program as recalculated amount from it, then when the amount less than the fair market value for computer program, we decreasing its value to the recalculated value and record this decrease in consolidated comprehensive income statement.

6. INVESTMENT IN STALLED COMPANY

During 2008 the Company takeover on 70 % of partner share of Vision for development of information system and computer services (Saudi) at JD 11,063,062 (including acquisition cost) on the basis of equity method at the date of contract that agreed in amount of JD 1,459,998 and the difference amount of JD 9,603,064 have been distributed as follow: -

Fair value of computer program developed	7,103,064
Goodwill	2,500,000
	9,603,064

According to the board of director there is an declining in the investment of " computer program developed" and the goodwill which come from the purchasing of "Vision for the development of information system & computer services (KSA)" which was deduct an impairment amounted to JD (5,600,000) for it in the previous years. AS has been a deduction for impairment of goodwill amounted to JD (2,500,000) in the previous years.

As a result of the cessation of (Vision for the development of information system and computer services L.T.D – KSA) and its operation at the beginning of second quarter of 2011 the board of director decided to unconsolidated its financial statement with the company's financial statements starting from the period of 6 months at June 30, 2015 and its classified according to IFRS requirement Number (5) "Non-current Assets Held for Sale and Discontinued Operations".

In 2007 the company has acquired 100% of the shares of partners in the Gulf of electronic technology Solutions L.L.C (KSA) capital at JD 1,004,392 (including acquisition costs) on the basis of net shareholders' equity on agreed purchase amount to JD 327,425, and the difference JD 676,967 has been transferred to goodwill.

According to the board of director there is impairment in goodwill purchase of Gulf of electronic technology Solutions L.L.C (KSA) which a deduction of impairment goodwill was done in 2014 amounted to JD 500,000 & JD 176,967 in 2015.

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As a result of the cessation of Gulf of electronic technology Solutions L.L.C(KSA) and its operation at the end of 2014, the board of director decided to unconsolidated its financial statement with the company's financial statements' at the end of 2014 and its shown &classified according to IFRS requirement Number (5) "Non-current Assets Held for Sale and Discontinued Operations".

The details for investment in stalled subsidiaries companies as follows: -

	Assets	Liability	
	Differences in the fair value of computer program developed	Goodwill from purchase stalled company	Company share of subsidiary net owners' equity
			Total

Vision for the development of information system & computer services *

Cost :				
Balance at purchase date	7,103,064	2,500,000	1,459,998	11,063,062
Addition	-	-	14,200	14,200
Transfer	(118,452)	-	118,452	-
Balance after amendment	6,984,612	2,500,000	1,592,650	11,077,262
Declining				
Balance 1/1	(5,600,000)	(2,500,000)	-	(8,100,000)
declining during the Year	-	-	-	-
Balance at 31/12	(5,600,000)	(2,500,000)	-	(8,100,000)

Share of the result to business

Balance at 1/1 (accumulated loss)	-	-	(3,248,842)	(3,248,842)
Share for the year (loss until 31/3/2015 date of stalled)	-	-	-	-
Balance at 31/12	-	-	(3,248,842)	(3,248,842)
Disposal as result of legal action	(1,384,612)	-	1,656,192	271,580
Net book value	-	-	-	-

Gulf of electronic technology Solutions L.L.C

Cost :				
Balance at purchase date	-	676,967	327,425	1,004,392
Balance after amendment	-	676,967	327,425	1,004,392
Declining				
Balance 1/1	-	(676,967)	-	(676,967)
declining during the Year	-	-	-	-
Balance at 31/12	-	(676,967)	-	(676,967)

Share of the result to business

Balance at 1/1 (accumulated loss)	-	-	(1,758,305)	(1,758,305)
Share for the year	-	-	(250,000)	(250,000)
Balance at 31/12	-	-	(2,008,305)	(2,008,305)
Net book value	-	-	(1,680,880)	(1,680,880)
Total Net book value	-	-	(1,680,880)	(1,680,880)
Total	-	-	(1,680,880)	(1,680,880)

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The Company sent through their legal consultant in 2010 a claim to arbitration to Al.Mealaz group (KSA) and their partners Mr.FahdMubarak, Abdul-Aziz Jazar, Ahmed ALSrie, to compensate the Company for any malfunction or damage in addition to the legal interest of 9 % and arbitration fees, due to violation of contract terms and conditions of Vision for the development of information system and main frame computer services company (subsidiary company of ownership share 70 %).

At the end of first quarter of 2011 the board of directors decided to register an arbitration claim under No. (98/2011) with the competent authorities in the United Arab Emirates biased on what is provided in (vision for the development to information system and main frame computer program) purchase and sales contract about to possibility to asylum to arbitration in Emirates, and the Company appointment its legal consultants to pursue the case and demands Al.Malaz company (K.S.A) to compensation the Company financially for the losses that incurred from purchase contract resulting from violation of terms of the purchase contract.

Based on the legal consultant endorsement, he submitted the list of prosecution at October 30, 2011 which in included company's financial statement and claim the amount of USD 13 066,667 equivalents to JD 9,264,267.

The respondent provides an answer about the list of prosecution and made versus allegation amounted to USD 5,600,000 equivalents to JD 3,970,400 and according to mutually agreed arbitration procedure the date of the hearing sessions have been dated at April 28, 2012 in Dubai, and the company has asked the Arbitral tribunal to appoint an independent accounting expert to support the company's claim.

expert accounting has been appointed and its main office in London by the arbitral tribunal to examine the accounts of the Vision for Development of Information Systems and Computer Services for the fiscal year ended on December 31, 2007 and the expert accounting has proceeded its work and issued a report dated May 31, 2013 that the amount of revenue, costs and profit margin mentioned in accounts Inc. (vision for development of information systems and computer services) by the end of 2007 have been calculated incorrectly material up so that the returns inflated by 10.6% and costs inflated by 9.7% and gross profit inflated by 12.7%, expert accounting indicates that the amount of inflation in net profit based on the mentioned earlier and excluding operating expenses and other expenses amounted to 21% of income before zakah and based on that jury held a joint session on October 10, 2013 within the parties related to the case and their representatives and the expert accounting that had appointed by the arbitral tribunal, during which discusses the expert's report by the parties and in the light of the discussion of the arbitral tribunal decided to postpone the issue to the date of February 15, 2014 in order of parties to provide the final arguments and their pleadings of in that date, we have been informed by the company's lawyer the issuance of the final decision of the arbitrators on January 31, 2015, containing the judgment of the company compensation of USD 2,786,825 the equivalent of JD 1,978,646 overall amount of compensation, benefits and expenses of arbitration During 2016, the arbitration case was completed and the company was awarded compensation in the amount of JD 916,414 after the arbitration and interest expenses.

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7. THE JOINT VENTURE

National Computer Co. "subsidiary" engaged in joint venture agreement with both company (Technical Services For Computer Company and Taqarob for Investment and Technology) in the same ratio of benefit 33.3% for each Company in this joint venture for the implementation of the strategic project for Microsoft Corporation and the Jordan government representative by the Ministry of Communication and Information Technology.

Investment in joint coalition detail as follows: -

	2016	2015
Company share payment for joint venture in beginning of the year	126,325	125,565
Company share payment for joint venture through the year	-	1,276
Company share of business result as equity method	-	(516)
	<u>126,325</u>	<u>126,325</u>

Company share of joint venture assets and liability and revenue and net joint venture as of December 31, 2015 as follows: -

	Company share	Joint venture
Total assets	475,691	1,427,072
Total liability	827,883	(2,483,649)
Sales	-	-
Cost of sales and expenses	-	-
Net loss	-	-

8. PREPAID EXPENSES AND OTHER RECEIVABLES

	2016	2015
Prepaid expenses	143,673	414,298
Bank guarantees deposits	325,641	282,926
Advance payments for suppliers	1,006,440	325,368
Refundable deposits	20,868	14,738
Government deposits	420,719	418,630
Employees receivables	92,202	72,100
Reserved value from the sold of subsidiary *	199,800	424,800
Others **	9,844	9,844
	<u>2,219,187</u>	<u>1,962,704</u>

* During the second quarter of 2010, the company sold its entire shares in Mena I-Tech for Software Services (a subsidiary) at USD 5,600,000 and equivalent of JD 3,964,799, where the book value of the investment in Ideal Software Services (subsidiary) as of December 31, 2009 amounted to JD 4,100,751, agreement provides the existence of the amount of JD 360,000 which is a receivable related to Mena I-Tech (subsidiary) and has been agreed to repay it from within the sales amount, so the company has made losses amounted to JD 495.952 from the sale of this investment, as the agreement provides on booking the amount of JD 424.800 from the sale value for any liabilities that may arise on the company and is not registered in their records before the date of sale. During 2016, a provision of JD 225,000 was made.

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** This item represents the value of computers, have been lost in 2004 at the Customs Department Warehouses, and the Customs Department were accountable for half the amount and the other half at Aramex, During 2012, JD 44,032 was collected from the Jordanian Customs Department and a lawsuit was filed by the Company with the remaining amount of JD 9,844 on Aramex still this a point of disagreement between the both of them

9. INVENTORIES

	2016	2015
Inventory	823,470	1,223,907
Allowance for Stagnant inventory	(277,461)	(519,144)
	<u>546,009</u>	<u>704,763</u>

*Movement on the provision is as follows:

	2016	2015
Balance on 1, January	519,144	519,144
Proceeds during the year	(241,683)	-
	<u>277,461</u>	<u>519,144</u>

10. ACCOUNT RECEIVABLES

	2016	2015
Account receivables **	7,478,020	8,092,973
Impairment of account receivables *	(3,055,830)	(3,055,830)
	<u>4,422,190</u>	<u>5,037,143</u>

*The movement of Impairment of accounts receivables is as follows:

	2016	2015
Beginning Balance	3,055,830	3,055,830
Transfers resulting from the discounted subsidiary	-	-
	<u>3,055,830</u>	<u>3,055,830</u>

** Aging of accounts receivables as of December 31 is as follows:

	2016	2015
1-150 day	1,804,164	2,285,635
151-360 day	1,897,766	2,257,061
361- and more	3,776,090	3,550,277
	<u>7,478,020</u>	<u>8,092,973</u>

11. CASH AND CASH EQUIVALENTS

Cash and cash equivalents includes cash, and demand deposits that can be liquidate in the 3 months

	2016	2015
Checks on hand	201,840	-
Cash on hand	536	3,328
Cash at banks	1,113,118	853,876
	<u>1,315,494</u>	<u>857,204</u>

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12. RESERVES

Statutory reserve:

In accordance with the Companies' Law in the Hashemite Kingdom of Jordan and the Company's Article of Association, the Company has established a statutory reserve by the appropriation of 10% of net income until the reserve equals 100% of the capital. However, the company may, with the approval of the General Assembly to continue to deduct this annual ratio until this reserve is equal to the subscribed capital of the Company in full. This reserve is not available for dividend distribution.

Voluntary reserve:

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

13. END -OF-SERVICE INDEMNITIES

The transactions on end of service indemnity account as following:

	2016	2015
Balance as January 1	158,551	158,551
Payment during the year	-	-
Balance as December 31	158,551	158,551

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14. LOANS

	2016	2015
The Housing Bank for trade and finance loan	4,193,052	4,334,683
Jordan Bank for investment and finance	-	1,175,675
Union Bank	610,281	814,181
Bank of Jordan	-	68,196
SGBJ loan	-	2,028,330
Capital Bank	3,767,223	583,333
Total loans	8,570,556	9,004,398
Deduct: current portion	4,707,638	4,075,873
The long term portion	3,862,918	4,928,525

The Housing Bank for trade and finance loan

the Company has granted a bank facilities from Housing Bank for trade and finance amounting to USD 13,000,000 to finance purchases of 70% of Vision for Development of Information System and Computer Services company share, in the form of bridging loan amounting to USD 6,500,000 and decreasing loan amounting to USD 6,500,000 with Libor interest (3 month + 2%) and with commission 1% , the bridging loan paid within 6 month as a maximum through increasing the company's share capital by JD 9,000,000.

The Company re – scheduled the decreasing loan for 9 years, the first installment is accrued in October 1, 2011 During 2014, the balance of the loan was rescheduled to the first installment on April 1, 2014 with interest rate (Libor 3 month 3.5 %) and minimum rate of 5 % and without commission, this facilities is under guaranteed by National Computer company(subsidiary company) and the chairman of board of director, During 2016, the balance of the loan was rescheduled to the first installment on December 1, 2016 with interest rate (Libor 3 month 3.5 %) and minimum rate of 5 % and without commission.

The Company re-schedule the credit facilities amounted of JD 100,000 and ceiling of funding bids and purchases to be long-term loan with total amount of JD 1,757,195 paid in 9 years and the first installment is accrued in October 1, 2011 and through 2014 the remaining balance has been re-scheduled in which the first installment is accrued on April 1, 2014 with 9% as an interest rate and without commission. At the beginning of 2016, the entire loan balance was repaid through the acquisition of a bank facility under a decline loan of \$ 2,046,000 with interest rate (Libor 3 month 3.5 %) and minimum rate of 4 % and without commission, the first installment is accrued in December 1, 2016.

The subsidiary company (National Computer) has re-scheduled the credit facilities that amounted to JD150,000 and ceiling of bid's funding and purchases to a long-term loan amounted to JD 546,819 paid in 9 years from October 1, 2011 and through 2014 the remaining balance has been re-scheduled in which the first installment is accrued on April 1, 2015 and with 9% as interest rate and without commission these facilities is guaranteed by Al-Fares National company for investment and export. At the beginning of 2016, the entire loan balance was repaid through the acquisition of a bank facility under a decline loan of \$ 544,000 with interest rate (Libor 3 month 3.5 %) and minimum rate of 4 % and without commission, the first installment is accrued in December 1, 2016.

Jordan bank for investment and finance

The company has a loan from Jordan bank for investment and finance amounted to JD 1,500,000, with 9.5% as interest rate and 1% commission. And the company re-scheduled its loan and ceiling bid and purchase for 6 years the first installment will be at December 31, 2011 and through 2014 the remaining balance has been re-scheduled in which the first installment is accrued on February 28, 2015 and with 9.75% as interest rate and without commission these facilities is guaranteed by chairman of the board of director. The company settled the loan payments on August 2016.

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Al-Ithad bank loans

The subsidiary company (National computer) acquired a loan from Al-Ithad bank of JD 750,000 with 9.5% as interest rate and 1% as commission. and the company re-scheduled its credit facility and the loan that amounted to JD 750,000 to a long-term loan amounted to JD1,681,500 for 4 years paid from September 30, 2011 with 8.5% as an interest rate and 1% as commission, and in 2013 the company restructured the loan amounted to JD 937,000 and its paid on 5 years period starting from December 31, 2014 with 10% as interest rate and 1% commission and is this facilities guaranteed by Al-Fares National company for Investment and Export, and in 2015 the company has transferred the loan amounted to JD 814,180 to US currency and its paid on a 4 years period starting from December 31, 2015 with 7.5% as an interest rate in exchange for Al-Fares National company for Investment and Export as a guarantee.

Jordan Bank

National Computer Company (subsidiary) had a loan from Jordan bank amounted 700,000 JD with interest rate 9% and 1% commission, National company made a rescheduling to the loan and current account which amounted 250,000 JD and funding tenders limit to long term loans amounted 953,415 repaid over four years begin in January 31, 2011, during 2014 the company made a rescheduling to the remaining balance which had been paid on a 24 equal installments, the first installment had been deserved at April 30, 2014 with an 9.375% interest rate to be claimed monthly and 1% commission, this facilities was guaranteed by Al-Faris National Company For Investment and export. The company settled the loan payments on 2016.

SGBJ

National Computer Company (subsidiary) had bank facilities from SGBJ in the form of a loan amounted JD 2,000,000 with an interest rate 8.5% claimed monthly and 5% commission, to be paid as one payment at June 30, 2016, this loan was guaranteed by the chairman of the board of directors, the company settled the loan payments on 2016.

Capital Bank

National Computer Company (subsidiary) had bank facilities from Capital bank in the form of a loan Amounted JD 1,000,000 At October 2013, to be paid as one payment after one year of execution the loan, during 2014 the loan has been rescheduled for the duration of 3 years (36 monthly equal installment) first installment had been deserved at September 1, 2014 at an 9% interest rate and without commission, this loan was guaranteed by the chairman of the board of director.

National Computer Company (subsidiary) had bank facilities from Capital bank in the form of a loan Amounted JD 3,545,000 At August 2016, to be paid as one payment after one year of execution the loan, at an 9% interest rate and without commission, this loan was guaranteed by the chairman of the board of director.

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15. ACCRUED EXPENSES AND OTHER LIABILITIES

	2016	2015
Accrued expenses	1,251,664	774,521
Due to governments	221,365	268,339
Due to social committee	7,705	8,061
Due to employees	204,079	227,575
Advanced payments from clients	2,913,694	1,663,759
Contingent liabilities provisions	89,160	14,160
Accrued remuneration	401,897	1,897
Educational vocational, training and technical fund support	-	2,555
	5,089,564	2,960,867

16. ACCOUNTS PAYABLES AND DEFERRED CHECKS

	2016	2015
Accounts payables	3,299,314	3,974,250
Deferred checks	1,019,893	589,005
Due to related parties *	791,000	900,334
	5,110,207	5,463,589

* This amount represent the cash fund that has been acquired from Mr. Rodin Kwar (chairman) for short period liabilities.

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17. BANKS OVERDRAFT

	2016	2015
Arab Bank	446,834	350,312
Housing Bank for Trading And Financing	1,499,895	1,505,263
Al-Ahli Bank	299,778	295,402
Capital Bank	1,826,652	1,346,655
	<u>4,073,159</u>	<u>3,497,632</u>

Arab Bank

The contract of credit facilities related to the National Computer Company (subsidiary) amounting to JD 550,000 with an interest rate of 10 % and with 1% as commission. The facilities have been guaranteed by AL- Fares International Company for investment and export, during 2012 the bank overdraft limit had been decreased to 460,000 JD at an 3.5% interest rate annually and 1% commission in exchange for cash deposit.

Housing Bank for Trade and Finance

The contract of credit facilities was granted from Housing Bank for trade and finance related to the Company amounting to JD 1,500,000 with interest rate of 4 % and without commission and its will be paid by one payment dated at August 1, 2012 as one payment. These facilities guaranteed by the board of director and the payment period has been extended to August 1, 2017.

Union Bank for Saving and Investment

The contract of credit facilities was granted to Excetra in Company (Subsidiary) with limit of JD 25,000 with interest 9.5% annually and without commission, these bank facilities been converted to decreasing loan (note-14), and this amount had been paid during 2015

Jordan Ahli Bank

The Company has rescheduled the loan to be an facilities of 300,000 Jordan Dinar with 5.4% annually interest rate and without commission and it is due at September 1, 2017 guaranteed by chairman of the board of director.

Capital Bank

The contract of credit facilities was granted to National Computer Company (subsidiary) from capital bank as current account with limit of USD 200,000 and was increased by the amount of USD 300,000 to be 500,000 USD with interest rate (5%) and without commission, credit facilities with limit of JD 150,000 with interest (9.%) without commission, these facilities were guaranteed by Al-Fares National Company for investment and export.

-National Computer Company of Aqaba (subsidiary) had bank facilities from Capital bank as revolving loan ceiling to finance sales invoices of \$ 5,700,000 and an interest rate of 5%.

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17. COST OF SALES

	2016	2015
Cost of goods sold	11,362,478	7,063,237
Cost of training courses	148,505	169,279
Direct operation expenses	4,822,597	3,219,628
	16,333,580	10,452,144

18. COST OF SERVICES

	2016	2015
Cost of services contract	6,674	47,205
Services expenses*	189,945	256,358
	196,619	303,563

*The details of services expenses are as follows:

	2016	2015
Salaries and other benefits	182,635	240,146
Training	206	2,294
Traveling and accommodation	3,741	8,078
Others	3,363	5,840
	189,945	256,358

19. SELLING AND ADMINISTRATIVE EXPENSES

	2016	2015
Salaries, wages and other benefits	789,260	979,281
Health insurance	82,998	56,020
Traveling and accommodation	16,132	18,984
General maintenance	10,426	12,868
Rents	141,642	160,476
Post , telegraph and telephone	31,127	36,242
Stationery and supplies	12,138	12,741
Hospitality	5,493	5,451
Subscriptions	33,670	23,366
Electricity ,water and fuel	60,328	57,838
Governmental fees	14,834	20,835
Advertising	9,976	4,314
Professional fees	165,779	125,500
Transportations	27,964	25,911
Bonuses	112,035	87,215
Capital structuring expenses	51,518	-
Other	37,558	24,771
	1,602,878	1,651,813

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21. INCOME TAX

The Company finalized its tax position till 2014 except 2008 the Income and Sales Tax Department issued a decision not to approve and was objected within the legal period and is subject to the Income Tax Court of First Instance. No final decision has been issued as of the date of these consolidated financial statements. For the year 2012 and 2013 and 2014 and 2015, the company provided the self-assessment of the Income and Sales Tax Department but the income tax department did not review it till the date of preparing the consolidated financial statement.

The subsidiary company (National Computer company) finalized its tax position till 2014 except 2007 and 2008 the reform the income tax department decided to pay 268,000 JD The case is still pending in Court of Income Tax, For the year 2015, the company provided the self-assessment of the Income and Sales Tax Department but the income tax department did not review it till the date of preparing the consolidated financial statement.

The self-assessment of Lotus Management Solutions and the termination and settlement of the income tax was not presented since the date of inception on 24 April 2005 until the merger date 6 May 2008.

Ideal Systems Company ended its tax status up to the date of merger with National Computer company except in 2007, which is considered by the Income Tax Court of Appeal.

The subsidiary company (Aregon Jordan) finalized its tax position for 2014, For the year 2015, the company provided the self-assessment of the Income and Sales Tax Department but the income tax department did not review it till the date of preparing the consolidated financial statement.

The subsidiary company (Allied Software Company) finalized its tax position till 2014, For the year 2015, the company provided the self-assessment of the Income and Sales Tax Department but the income tax department did not review it till the date of preparing the consolidated financial statement.

The subsidiary company (Excetrain) finalized its tax position for the year 2014, For the year 2015, the company provided the self-assessment of the Income and Sales Tax Department but the income tax department did not review it till the date of preparing the consolidated financial statement.

The subsidiary company (Incubator Electronics) finalized its tax position till 2014. For the year 2013 and 2014 and 2015, the company provided the self-assessment of the Income and Sales Tax Department but the income tax department did not review it till the date of preparing the consolidated financial statement.

22. RELATED PARTIES

Through the year the company has enrolled the salaries and wages and allowances and benefits for the general manager and the financial manager as follows :

	2016	2015
The general manager salaries and wages and allowances	263,346	262,246
The financial manager salaries and wages and allowances	40,752	36,000

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23. CONTINGENCIES

At December 31, the company has the following contingencies:

	2016	2015
Bank guarantee	2,268,109	2,123,211
Letters of credits	329,067	475,504
	2,597,176	2,598,715

24. FINANCIAL TOOLS

Management of share capital risks

The Company manage its capital to make sure that the Company will continue when it is take the highest return by the best limit for debts and owners' equity balances. The Company's strategy doesn't change from 2015.

Structuring of Company's capital includes debts, which includes owners' equity in the Company, which includes capital, reserves, accumulated losses as it listed in the changes in owners' equity statement.

The typical debt rate

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

The management of the financial risks

The Company's activities might be exposing mainly to the followed financial risks.

Management of the foreign currencies risks

It is the risk of changing the value of financial instruments due to changes in foreign exchange rates, and the Jordanian dinar is the base currency of the company, the Board sets limits on the financial position for each currency the company has, and is reviewing the foreign exchange center on a daily basis and they are following strategies to make sure to keep foreign currencies Center within the approved boundaries.

All the Group's operations are mainly in Jordanian Dinar and the Saudi riyal and UAE dirham, and there is no risk as a result of the company dealing in such currencies as the prices of those fixed currency does not change because it is pegged to the US dollar.

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Management of the interest price risks

Risk related to interest rate result mainly from borrowing money at varying interest rates and short term deposits at fixed interest rates.

Sensitivity of the statement of comprehensive income is the impact of the assumed changes possible prices of interest on the profit of the Company for one year and it is calculated based on the financial liabilities which carry variable interest rates at the end of the year.

The following table shows sensitivity of the statement of comprehensive income for possible changes and reasonable interest rates as of December 31 with all other effective variables constant:

Currency	Interest rate increase	The impact on profit(loss) for the year	
		2016	2015
JD	Percentage points 25	- 31,609	-31,255
Currency	Interest rate decrease	The impact on profit for the year	
		2016	2015
JD	Percentage points 25	+ 31,609	+31,255

Credit risk management

The credit risks represent in one part of the financial instruments contracts has not obligated to pay the contractual obligations and cause of that the Company is exposing financial losses, However, there are no any contracts with any other parts so the Company doesn't expose to different types of the credit risks.

Management of liquidity risks

Board of directors is responsible for management of liquidity risks to manage the cash requirements, short, medium and long term liquidity. The Company managed the liquidity risks through controlling the future cash flow that evaluated permanently and correspond the due dates of assets and liabilities.

The following table represents the contractual eligibilities to non-derivative financial liabilities.

The table has prepared on the non-deducted cash flows to the financial liabilities basis according to the early due dates that may require from the Company to pay or receive.
The table below contains cash flows for major amounts and interests.

	Interest rate	Year or less	More than one year	Total
2016				
Tools without interest	-	11,880,651	158,551	12,039,202
Tools with interest	4 % - 10.25%	8,780,797	3,862,918	12,643,715
Total		20,661,448	4,021,469	24,682,917
2015				
Tools without interest	-	11,511,528	158,551	11,670,079
Tools with interest	4 % - 10.25%	7,573,505	4,928,525	12,502,030
Total		19,085,033	5,087,076	24,172,109

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25. SECTORIAL INFORMATION

The group worked in same operation sector which is information technology system and the group worked in geographical sector inside the Hashemite Kingdom of Jordan and out side the Kingdom, and as follows :-

The details of revenue and profit of the Company's operating sector are as follows:-

	Sector revenue		Profit / (losses) sector	
	2016	2015	2016	2015
Inside	18,137,113	11,654,363	1,167,806	(842,,572)
Outside	1,439,577	1,143,727	(1,099,790)	(443,223)
Total	19,576,690	12,798,090	68,016	(1,285,795)

The total assets and liabilities of the Company are as follows:-

	Sector assets		Sector liabilities	
	2016	2015	2016	2015
Inside	30,204,254	28,220,196	21,912,695	19,574,048
Outside	492,690	1,897,924	2,770,222	4,598,061
Total	30,696,944	30,118,120	24,682,917	24,172,109

26. APPROVAL OF FINANCIAL STATEMENTS

The financial statements were approved by the Board of Directors and authorized for issuance on February 9, 2017 these financial statement require General Assembly approval.

27. COMPARATIVE FIGURES

Certain figures for 2015 have been reclassified to conform with 2016.