

التاريخ : ٢٠١٧/٠٥/١٥  
إشارة رقم: ٢٠١٧/ ١٧١

السادة / بورصة عمان المحترمين،،

عمان - الأردن

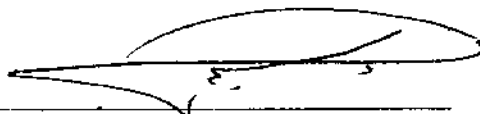
الموضوع / البيانات المالية السنوية لعام ٢٠١٦ بالانجليزي  
البيانات المالية الربع سنوية لعام ٢٠١٧ بالانجليزي

تحية طيبة وبعد،،

بالإشارة إلى الموضوع المبين أعلاه ، نرفق لكم نسخة من القوائم المالية الموحدة للشركة الأردنية للإدارة والاستشارات م.ع.م وتقرير المحاسب القانوني المستقل للشركة عن السنة المالية ٢٠١٦ كما في ٢٠١٦/١٢/٣١ باللغة الانجليزية ، وكذلك نسخة من القوائم المالية المرحلية للشركة وتقرير المحاسب القانوني المستقل عن الربع الاول من عام ٢٠١٧ كما في ٢٠١٧/٠٣/٣١ باللغة الانجليزية .

وتفضلوا بقبول فائق الاحترام،،

الشركة الأردنية للإدارة والاستشارات



عضو مجلس الادارة العضو المنتدب  
وسيم وائل زعرب

<b>بورصة عمان</b>	
<b>الدائرة الإدارية والمالية</b>	
<b>الديوان</b>	
١٥ نيسان ٢٠١٧	
الرقم المتسلسل	3132
رقم الملف	31252
الجهة المختصة	٢٠١٧/٠٣/٣١

JORDAN FOR MANAGEMENT AND CONSULTANCY-

PUBLIC SHAREHOLDING COMPANY

CONSOLIDATED FINANCIAL STATEMENTS

31 DECEMBER 2016

**INDEPENDENT AUDITOR'S REPORT**  
**To the Shareholders of Jordan for Management and Consultancy Company**  
**Report on the Audit of the Financial Statements**

**Opinion**

We have audited the consolidated financial statements of Jordan for Management and Consultancy Company, a 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 or loss, consolidated 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 Company 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 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.



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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**

Revenue is a key performance measures at the Group. The Group's main sources of revenue are from medical claims managements, and installment loans.

Our audit procedures included, amongst others, considering the appropriateness of the Group's revenue recognition accounting policies and assessing compliance with the policies in terms of applicable accounting standards. We have evaluated the control environment and tested the internal controls over the completeness, measurement and occurrence of revenue recognized.

We obtained a representative sample of transactions and tested proper recording and recognition. In addition, we selected a sample at the cutoff period to check proper recognition. We performed as well substantive analytical procedures for the gross margin and sales revenues on a monthly basis.

Refer to note (17, 18) on the consolidated financial statements for more details about this matter.

### **Provision for impairment in notes receivable**

Judgment is required to assess the appropriate level of provisioning for outstanding notes receivable requires high level of judgement. As the Group has large number of borrowers and a significant balance of notes receivable, an increased risk of improper notes receivable provision exists.

We tested the methodology for calculating the provisions for doubtful notes receivable, assessed the basis of provisioning criteria and assumptions used in identifying doubtful notes receivable. In doing so, we selected a sample and tested the payment history of the notes receivable and accuracy of their ageing and evaluated the sufficiency of the provision against doubtful notes receivable.

Refer to note (4) on the consolidated financial statements for more details about this matter.

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

Other information consists of the information included in The Group's 2016 Annual Report other than the consolidated financial statements and our auditor's report thereon. Management is responsible for the other information. The Group's 2016 Annual Report is expected to be made available to us after the date of this auditor's report.

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

In connection with our audit of the consolidated financial statements, our responsibility is to read the other information identified above when it becomes available 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.

## **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's 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.



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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 exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However future events or conditions may cause the 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.

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 reasonable 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 consolidated financial statements are in agreement therewith.

Ernst & Young / Jordan

Mohammad Ibrahim Al-Karaki  
License No. 882

Amman – Jordan  
29 March 2017

A handwritten signature in cursive script that reads 'Ernst &amp; Young'.

**JORDAN FOR MANAGEMENT AND CONSULTANCY PUBLIC SHAREHOLDING COMPANY**  
**CONSOLIDATED STATEMENT OF FINANCIAL POSITION**  
**AS AT 31 DECEMBER 2016**

<b>ASSETS</b>	<b>Notes</b>	<b>2016 JD</b>	<b>2015 JD</b>
<b>Non-current assets</b>			
Property and equipment, net	3	121,795	79,867
Payments on investment in a subsidiary		-	52,158
Long term notes receivable	4	2,472,380	2,269,230
Financial assets at fair value through other comprehensive income	5	14,200	9,600
		<u>2,608,375</u>	<u>2,410,855</u>
<b>Current assets</b>			
Due from related parties	20	1,332,507	1,684,267
Inventory	6	10,376	-
Other current assets	7	114,599	81,180
Accounts receivables, net	8	584,976	1,118,277
Short term notes receivables	4	2,278,946	1,984,283
Cheques under collection	9	1,371,190	616,382
Cash at banks	14	319,223	504,793
		<u>6,011,817</u>	<u>5,989,182</u>
		<u>8,620,192</u>	<u>8,400,037</u>
<b>Total Assets</b>			
<b>EQUITY AND LIABILITIES</b>			
<b>Shareholders' equity</b>			
Paid in capital	10	2,300,000	2,300,000
Statutory reserve	10	446,455	394,186
Voluntary reserve	10	872,658	768,120
Fair value reserve		1,005	(3,595)
Retained earnings		<u>1,229,148</u>	<u>1,018,035</u>
		<u>4,849,266</u>	<u>4,476,746</u>
		<u>(2,965)</u>	<u>-</u>
Non-controlling interest		<u>4,846,301</u>	<u>4,476,746</u>
<b>Non-current liability</b>			
Deferred revenue from long term installments	12	<u>252,613</u>	<u>245,964</u>
<b>Current liabilities</b>			
Other current liabilities	13	328,217	189,842
Deferred revenue form short term installments	12	470,348	417,084
Medical claims	16	690,831	701,364
Accounts payable		1,238,014	1,601,193
Current portion of long term loan	11	400,000	300,000
Bank overdraft	14	171,176	277,716
Due to related parties		14,001	-
Income tax provision	15	<u>208,691</u>	<u>190,128</u>
		<u>3,521,278</u>	<u>3,677,327</u>
		<u>3,773,891</u>	<u>3,923,291</u>
<b>Total Liabilities</b>		<u>8,620,192</u>	<u>8,400,037</u>
<b>Total Equity and Liabilities</b>			

The attached notes from 1 to 27 form part of these consolidated financial statements



**JORDAN FOR MANAGEMENT AND CONSULTANCY PUBLIC SHAREHOLDING COMPANY**  
**CONSOLIDATED STATEMENT OF PROFITS AND LOSSES**  
**FOR THE YEAR ENDED 31 DECEMBER 2016**

	<u>Notes</u>	<u>2016</u> JD	<u>2015</u> JD
<b>Revenues</b>			
Management and medical services revenues	17	942,176	1,016,807
Installments revenues	18	891,105	753,505
Vehicles maintenance		214,697	-
Others		109,754	56,090
<b>Total revenues</b>		<u>2,157,732</u>	<u>1,826,402</u>
Cost of vehicles maintenance		(130,465)	-
General and administrative expenses	19	(1,363,465)	(1,064,246)
Interest expense		(61,988)	(50,822)
Provision for impairment in notes receivable	4	(73,756)	(59,198)
Provision for doubtful debts	8	-	(25,690)
Provision for incorrect medical coverage	13	(5,368)	(3,038)
<b>Income before tax for the year</b>		<u>522,690</u>	<u>623,408</u>
Income tax	15	(187,735)	(176,108)
<b>Profit for the year</b>		<u>334,955</u>	<u>447,300</u>
<b>Attributable to:</b>			
Shareholders of the Group		367,920	-
Non- controlling interests		(32,965)	-
		<u>334,955</u>	<u>447,300</u>
		<u>Fils / JD</u>	<u>Fils / JD</u>
<b>Basic and diluted earnings per share, from the profit attributable to Company's shareholders</b>		<u>0/160</u>	<u>0/194</u>

The attached notes from 1 to 27 form part of these consolidated financial statements

**JORDAN FOR MANAGEMENT AND CONSULTANCY PUBLIC SHAREHOLDING COMPANY**  
**CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME**  
**FOR THE YEAR ENDED 31 DECEMBER 2016**

	2016	2015
	JD	JD
Profit for the year	334,955	447,300
<b>Add: Other comprehensive income not to be reclassified to profit or loss in subsequent periods</b>		
Change in fair value for financial assets at fair value through other comprehensive income	4,600	2,400
<b>Total comprehensive income for the year</b>	<b>339,555</b>	<b>449,700</b>
<b>Attributable to:</b>		
Shareholders of the Group	372,520	-
Non- controlling interests	(32,965)	-
	<b>339,555</b>	<b>449,700</b>

The attached notes from 1 to 27 form part of these consolidated financial statements

**JORDAN FOR MANAGEMENT AND CONSULTANCY PUBLIC SHAREHOLDING COMPANY**  
**CONSOLIDATED STATEMENT OF CHANGES IN EQUITY**  
**FOR THE YEAR ENDED 31 DECEMBER 2016**

	Paid in capital	Statutory reserve	Voluntary reserve	Fair value reserve	Retained earnings*	Non-controlling interest		Total
	JD	JD	JD	JD	JD	JD	JD	JD
<b>2016</b>								
<b>Balance at 1 January 2016</b>	2,300,000	394,186	768,120	(3,595)	1,018,035	-	-	4,476,746
Non-controlling interest subsidiary's paid in capital	-	-	-	-	-	-	30,000	30,000
Profit for the year	-	-	-	-	367,920	-	(32,965)	334,955
Other comprehensive income	-	-	-	4,600	-	-	-	4,600
Total comprehensive income for the year	-	-	-	4,600	367,920	-	(2,965)	369,555
Transfers to reserves	-	52,269	104,538	-	(156,807)	-	-	-
<b>Balance at 31 December 2016</b>	<b>2,300,000</b>	<b>446,455</b>	<b>872,658</b>	<b>1,005</b>	<b>1,229,148</b>	<b>(2,965)</b>	<b>(2,965)</b>	<b>4,846,301</b>
<b>2015</b>								
<b>Balance at 1 January 2015</b>	2,300,000	331,846	643,440	(5,995)	987,755	-	-	4,257,046
Profit for the year	-	-	-	-	447,300	-	-	447,300
Other comprehensive income	-	-	-	2,400	-	-	-	2,400
Total comprehensive income for the year	-	-	-	2,400	447,300	-	-	449,700
Increase in paid in capital (Note 1)	-	-	-	-	(230,000)	-	-	(230,000)
Transfers to reserves	-	62,340	124,680	-	(187,020)	-	-	-
<b>Balance at 31 December 2015</b>	<b>2,300,000</b>	<b>394,186</b>	<b>768,120</b>	<b>(3,595)</b>	<b>1,018,035</b>	<b>-</b>	<b>-</b>	<b>4,476,746</b>

\* According to Jordan Securities Commission instructions, an amount of retained earnings is restricted against the negative fair value reserve.

**The attached notes from 1 to 27 form part of these consolidated financial statements**

**JORDAN FOR MANAGEMENT AND CONSULTANCY PUBLIC SHAREHOLDING COMPANY**  
**CONSOLIDATED STATEMENT OF CASH FLOWS**  
**FOR THE YEAR ENDED 31 DECEMBER 2016**

	Notes	2016 JD	2015 JD
<b><u>OPERATING ACTIVITIES</u></b>			
Income before tax for the year		522,690	623,408
<b>Adjustments for:</b>			
Depreciation	3	48,800	46,464
Interest expense		61,988	50,822
Provision for impairment in notes receivable	4	73,756	59,198
Provision for doubtful debts	8	-	25,690
Provision for incorrect medical coverage	13	5,368	3,038
<b>Working capital adjustments:</b>			
Inventory		(10,376)	-
Accounts receivable		527,933	676,044
Notes receivable		(571,569)	(251,657)
Due from related parties		349,158	(66,056)
Due to related parties		16,603	-
Other current assets		18,739	(420)
Cheques under collection		(754,808)	(172,636)
Accounts payable		(363,179)	(104,633)
Medical claims		(10,533)	34,938
Deferred revenue from installments		59,913	24,881
Other current liabilities		138,375	(63,804)
		<u>112,858</u>	<u>885,277</u>
Paid provision for incorrect medical coverage		-	(1,669)
Paid income tax	15	(169,172)	(151,841)
<b>Net cash flows (used in) from operating activities</b>		<u>(56,314)</u>	<u>731,767</u>
<b><u>INVESTING ACTIVITIES</u></b>			
Advance payment on investments in subsidiaries		-	(45,000)
Purchases of property, plant and equipment	3	(90,728)	(17,047)
<b>Net cash flows used in investing activities</b>		<u>(90,728)</u>	<u>(62,047)</u>
<b><u>FINANCING ACTIVITIES</u></b>			
Loan		100,000	100,000
Interest expenses paid		(61,988)	(50,822)
Dividends		-	(230,000)
Non-controlling interest in subsidiary's paid in capital		30,000	-
<b>Net cash flows from (used in) financing activities</b>		<u>68,012</u>	<u>(180,822)</u>
<b>Net (decrease) increase in cash and cash equivalents</b>		<u>(79,030)</u>	<u>488,898</u>
Cash and cash equivalents at the beginning of the year		227,077	(261,821)
<b>Cash and cash equivalents at the end of the year</b>	14	<u>148,047</u>	<u>227,077</u>

The attached notes from 1 to 27 form part of these consolidated financial statements

**JORDAN FOR MANAGEMENT AND CONSULTANCY PUBLIC SHAREHOLDING COMPANY**  
**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**  
**31 DECEMBER 2016**

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**(1) GENERAL**

Jordan Management And Consultancy Ltd. Is a Jordanian Public Shareholding (the "Company") was registered on 26 February 2006 to the Companies General Controller at the Ministry of Trading and Industry under no. (386). The Company obtained the permit for operations on 3 October 2006 from the Ministry of Trading and Industry. The authorized paid in capital is JD 1,500,000 divided into 1,500,000 shares, and the paid in capital is JD 1,400,000 divided into 1,400,000 shares at par value of JD 1 each.

The General Assembly resolved during its extraordinary meeting held on 28 April 2011, to increase the Company's paid in capital from JD/Share 1,400,000 to become JD/Share 1,540,000 through capitalizing 10% of retained earnings as share dividends. On 5 May 2011, the resolution was approved by the Ministry of Trading and Industry (Companies Control Department). On 18 July 2011, Jordan Securities Commission approved the capital increase.

The General Assembly resolved in its extraordinary meeting held on 24 April 2012 to increase the Company's paid in capital from JD/Shares 1,540,000 to become JD/Shares 2,000,000 through private offering to the Company's shareholders.

The General Assembly resolved in its extraordinary meeting held on 28 April 2014 to increase the Company's paid in capital to become JD 2,300,000 through capitalizing 15% of the retained earnings as share dividends. On 20 May 2014, Jordan Securities Commission has approved registering the capital increase amounted by shares 300,000.

The Company's main activities are represented in establishing, contributing, managing and owning Company with various types and objectives, in addition to purchasing, selling, trading, importing and exporting products and materials such as machines, equipment and vehicles whether for sale, installment sale or financial leasing. The Company and its subsidiaries are located in Amman.

The consolidated financial statements have been approved by Board of Directors in their meeting held on 26 March 2016, those consolidated financial statements require the General Assembly approval.

## **(2-1) BASIS OF PREPARATION**

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

The consolidated financial statements are prepared in accordance with International Financial Reporting Standards ("IFRS").

The consolidated financial statements are presented in Jordanian Dinars, which represents the functional Currency of the Company.

## **(2-2) BASIS OF CONSOLIDATION**

The consolidated financial statements comprise the financial statements of the Company and its subsidiaries (the "Group") as at 31 December 2016:

	<u>Activity</u>	<u>Country</u>	<u>Ownership</u>
Specialized Medical Insurance Company	Insurance management	Jordan	100%
Specialized Auto Services Company	Vehicles maintenance	Jordan	70%

Consolidation of a subsidiary begins when the Group obtains control over the subsidiary and ceases when the Group loses control of the subsidiary. 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. 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.

The financial statements of the Company and subsidiaries are prepared for the same reporting period and using the same accounting policies.

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:

- Derecognizes the assets (including goodwill) and liabilities of the subsidiary
- Derecognizes the carrying amount of any non-controlling interests
- Derecognizes the cumulative translation differences recorded in equity
- Recognizes the fair value of the consideration received
- Recognizes the fair value of any investment retained
- Recognizes any surplus or deficit in profit or loss

### **Shareholders who have significant influence over the Group:**

Al Tanmya for Securities, Jordan French Insurance Company and Employees Saving Fund of Jordan French Insurance Company own 6.5%, 18.4% and 24.8% of the Company's shares, respectively.

### **(2-3) CHANGES IN ACCOUNTING POLICIES**

The accounting policies used in the preparation of the consolidated 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.

The implementation of the new amendments did not have impact on the Group's consolidated financial position or performance.



## **(2-4) 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.

## **(2-5) SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

### **Cash and cash equivalents**

For the purpose of the consolidated statement of cash flow, cash and cash equivalents consists of cash on hand and at banks and short-term deposit which matures within three months, net of outstanding bank overdrafts, if any.

### **Segment Reporting**

For the purpose of reporting to management and the decision makers in the Group, 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.

For the purpose of reporting to management and the decision makers in the Group, a geographical segment is engaged in providing products or services within particular economic environment that are subject to risks and returns that are different from those of segments operating in other economic environments.

### **Property and equipment**

Property and equipment are recorded at cost less accumulated depreciation and any impairment in value. Depreciation is calculated on a straight-line basis over the estimated useful lives of the assets using the following annual depreciation rates:

	<u>%</u>
Furniture and fixtures	10
Office machines & equipment	15
Computers	25
Vehicles	15
Banners	15

When the carrying value of property and equipment exceed the estimated recoverable amount, the assets are written down to their recoverable amount, and the impairment is recorded in the consolidated statement of profit and losses.

The useful lives and methods of depreciation 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.

Any item of property and equipment is derecognized on disposal or when no future benefits are expected from its use or disposal.

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

These financial instruments represent equity investments being held for sale in the long term.

These financial assets are initially recognized at fair value plus attributable transaction costs and subsequently measured at fair value. The change in fair value of those assets is presented in the consolidated statement of comprehensive income within equity, including the change in fair value resulting from the foreign exchange differences of non-monetary assets. In case those assets – or part of them – were sold, the resultant gain or loss is recorded in the consolidated statement of comprehensive income within equity and the fair value reserve for the sold assets is directly transferred to the retained earnings and not through the consolidated statement of profit or loss.

#### **Fair value measurement**

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 categorized 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 recognized in the financial statements on a recurring basis, the Company determines whether transfers have occurred between levels in the hierarchy by re-assessing categorization (based on the lowest level input that is significant to the fair value measurement as a whole) at the end of each reporting period.

For the purpose of fair value disclosures, the Company has determined classes of assets and liabilities on the basis of the nature, characteristics and risks of the asset or liability and the level of the fair value hierarchy as explained above.

#### **Impairment of financial assets**

The Group assesses, at each reporting date, whether there is objective evidence that a financial asset or a Group of financial assets is impaired. An impairment exists if one or more events that has occurred since the initial recognition of the asset (an incurred 'loss event'), has an impact on the estimated future cash flows of the financial asset or the group of financial assets that can be reliably estimated. Evidence of impairment may include indications that the debtors or a group of debtors is experiencing significant financial difficulty, default or delinquency in interest or principal payments, the probability that they will enter bankruptcy or other financial reorganisation and observable data indicating that there is a measurable decrease in the estimated future cash flows, such as changes in arrears or economic conditions that correlate with defaults.

#### **Impairment of non-financial assets**

The Group assesses, at each reporting date, whether there is an indication that an asset may be impaired. If any indication exists, or when annual impairment testing for an asset is required, the Group estimates the asset's recoverable amount. An asset's recoverable amount is the higher of an asset's or cash-generating unit's (CGU) fair value less costs of disposal and its value in use. Recoverable amount is determined for an individual asset, unless the asset does not generate cash inflows that are largely independent of those from other assets or group of assets. When the carrying amount of an asset or CGU exceeds its recoverable amount, the asset is considered impaired and is written down to its recoverable amount. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. In determining fair value less costs of disposal, recent market transactions are taken into account. If no such transactions can be identified, an appropriate valuation model is used. These calculations are corroborated by valuation multiples, quoted share prices for publicly traded companies or other available fair value indicators.

**Accounts receivable**

Accounts receivable are stated at original invoice amount less an allowance for any uncollectible amounts. An estimate for doubtful debts is made when collection of any amount is no longer probable. Bad debts are written off when there is no possibility of recovery.

**Notes receivables**

Notes receivables are presented at the amortized cost and the effective interest rate is used in determining their value at the date of the consolidated financial statements. The interest revenue is recognized on timely basis.

**Provisions**

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

**Accounts payable and accruals**

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

**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 rate of exchange ruling at the consolidated statement of financial position date. All differences are taken to the consolidated statement of profits and losses.

**Income tax**

Income tax expense represents current year income tax and deferred income tax.

Current income tax is calculated based on the tax rates and laws that are applicable at the statement of financial position date. Accrued tax expenses are calculated based on taxable income, which may be different from accounting income as it may include tax-exempt income, nondeductible expenses in the current year that are deductible in subsequent years, tax-accepted accumulated losses or tax-deductible items.

Taxes are calculated according to tax rates determined by laws, regulations and instructions.

Deferred income taxation is provided using the liability method on all temporary differences at the statement of financial position date. Deferred income tax assets and liabilities are measured at the tax rates that are expected to apply to the period when the asset is realized or the liability is settled, based on laws that have been enacted at the statement of financial position date.

The carrying values of deferred income tax assets are reviewed at each consolidated statement of financial position date and reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the deferred income tax asset to be utilized.

**Revenue and expense recognition**

Revenue is recognized to the extent that it is probable that the economic benefits will flow to the Group and the revenue can be reliably measured.

Revenue is measured at the fair value of the consideration received or receivable, taking into account contractually defined terms of payment and excluding taxes or duty. The Group has concluded that it is the principal in all of its revenue arrangements since it is the primary obligor in most of the revenue arrangements, it has pricing latitude and is also exposed to inventory and credit risks.

**Offsetting**

Financial assets and financial liabilities are only offset and the net amount reported in the consolidated statement of financial position when there is a legally enforceable right to set off the recognized amounts and the Group intends to either settle on a net basis, or to realize the asset and settle the liability simultaneously.

**(3) PROPERTY AND EQUIPMENT, NET**

	Furniture and fixtures JD	Machines and office equipment JD	Computers JD	Vehicles JD	Banners JD	Total JD
<b>2016</b>						
<b>Cost:</b>						
Balance as of 1 January 2016	93,241	85,027	441,804	19,000	15,841	654,913
Additions	5,425	51,738	8,065	25,500	-	90,728
Disposals	(12,294)	-	(35,258)	(19,000)	-	(66,550)
Balance as at of December 2016	86,372	136,765	414,613	25,500	15,841	679,091
<b>Accumulated depreciation:</b>						
Balance as of 1 January 2016	65,257	62,734	412,214	19,000	15,841	575,046
Depreciation	5,932	20,866	19,623	2,379	-	48,800
Disposals	(12,294)	-	(35,256)	(19,000)	-	(66,550)
Balance as of 31 December 2016	58,895	83,600	396,581	2,379	15,841	557,296
<b>Net book value at 31 December 2016</b>	<b>27,477</b>	<b>53,165</b>	<b>18,032</b>	<b>23,121</b>	<b>-</b>	<b>121,795</b>
<b>2015</b>						
<b>Cost:</b>						
Balance as of 1 January 2015	88,515	81,704	432,806	19,000	15,841	637,866
Additions	4,726	3,323	8,998	-	-	17,047
Balance as of 31 December 2015	93,241	85,027	441,804	19,000	15,841	654,913
<b>Accumulated depreciation:</b>						
Balance as of 1 January 2015	60,052	52,670	381,019	19,000	15,841	528,582
Depreciation	5,205	10,064	31,195	-	-	46,464
Balance as of 31 December 2015	65,257	62,734	412,214	19,000	15,841	575,046
<b>Net book value At 31 December 2015</b>	<b>27,984</b>	<b>22,293</b>	<b>29,590</b>	<b>-</b>	<b>-</b>	<b>79,867</b>

**(4) NOTES RECEIVABLE**

	2016	2015
	JD	JD
Notes receivable	5,154,245	4,582,676
Allowance for impairment in notes receivable*	(402,919)	(329,163)
Total	4,751,326	4,253,513
Short term notes receivable	2,278,946	1,984,283
Long term notes receivable	2,472,380	2,269,230
Total	4,751,326	4,253,513

\* The movement on impairment in notes receivable is as follows:

	2016	2015
	JD	JD
Balance as of 1 January	329,163	269,965
Provision for the year	73,756	59,198
Balance as of 31 December	402,919	329,163

The Group mortgage cars as guarantees against the notes receivable until they receive all amounts due to the Company.

**(5) FINANCIAL ASSETS AT FAIR VALUE THROUGH OTHER COMPREHENSIVE INCOME**

	2016	2015
	JD	JD
Investment in a quoted company	9,600	13,195
Fair value reserve	4,600	(3,595)
	14,200	9,600

**(6) INVENTORY**

	2016	2015
	JD	JD
Painting and spare parts	10,376	-

**(7) OTHER CURRENT ASSETS**

	2016 JD	2015 JD
Prepaid expenses	71,860	40,087
Refundable deposits	2,700	735
Margins on letters of guarantee	24,360	26,860
Employees receivables	167	1,398
Plastic cards and medical forms	15,512	11,090
Other	-	1,010
	<u>114,599</u>	<u>81,180</u>

**(8) ACCOUNTS RECEIVABLE, NET**

	2016 JD	2015 JD
Accounts receivable *	881,978	1,418,277
Less : Allowance for doubtful debts **	<u>(297,002)</u>	<u>(300,000)</u>
	<u>584,976</u>	<u>1,118,277</u>

\* This item includes an amount of JD 78,459 as at 31 December 2016 (2015: JD 305,000), which represents December claims estimation from Jordan French Insurance Company (Note 16).

\*\* The movement on the allowance for doubtful debts as at 31 December 2016 is as follows:

	2016 JD	2015 JD
Balance at 1 January	300,000	274,310
(Utilized) provision for the year	<u>(2,998)</u>	<u>25,690</u>
Balance at 31 December	<u>297,002</u>	<u>300,000</u>

As of 31 December, the aging of unimpaired trade receivables was as follows:

	Neither post due nor impaired JD	1-30 Days JD	31-90 Days JD	91-120 Days JD	Over than 120 Days JD	Total JD
2016	-	95,941	161,835	37,182	290,018	584,976
2015	-	160,389	196,337	134,826	626,725	1,118,277

Based on the Group's management estimates, unimpaired receivables are fully recoverable.



**(9) CHEQUES UNDER COLLECTION**

Cheques under collection \*

<u>2016</u>	<u>2015</u>
JD	JD
<u>1,371,190</u>	<u>616,382</u>

\* Maturity dates for cheques under collection are up to to January 2017, This amount includes cheques under collection from Jordan French Insurance Company amounted to JD 1,370,640.

**(10) EQUITY**

**Paid in capital**

Paid in capital comprised of JD 2,300,000 divided into 2,300,000 shares at par value JD 1 each.

**Statutory reserve**

This amount represents the appropriations at 10% of net income before tax. This reserve is not available for distribution to the shareholders.

**Voluntary reserve**

This amount represents the appropriations up to 20% of net income before tax. This reserve is available for distribution to the shareholders.

**(11) LOAN**

**Invest Bank Loan**

During 2013, the Group obtained a declining loan amounting to JD 400,000 at an interest rate of 10%, the loan is repayable on semi-annual installments of JD 50,000 each. The first installment was due on 30 June 2013 and the last installment was due on 30 December 2016.

**Invest Bank (2) (Revolving)**

During 2015, the Group obtained a revolving loan amounting to JD 600,000 at an interest rate of 7.75% to finance the Group's purchases. The loan is repayable within six months from the withdrawal date. The loan is guaranteed with bills at 125% of the granted facilities ceiling.

The details of the loan balance as of 31 December 2016 and 31 December 2015 are as follows:

	2016 JD	2015 JD
Invest Bank Loan	-	100,000
Invest Bank Loan (2) (Revolving)	400,000	200,000
	<u>400,000</u>	<u>300,000</u>

**(12) DEFERRED REVENUE FROM INSTALLMENTS**

The details for deferred installment revenue at 31 December 2016 and 31 December 2015 are as follows:

	31 December 2016 Installment revenue		31 December 2015 Installment revenue	
	Short term JD	Long term JD	Short term JD	Long term JD
Deferred revenues from installments	<u>470,348</u>	<u>252,613</u>	<u>417,084</u>	<u>245,964</u>

**(13) OTHER CURRENT LIABILITIES**

	2016 JD	2015 JD
Accrued expenses	27,578	13,368
Sales tax deposits	13,941	-
Social security deposits	5,683	-
Income tax deposits	24,732	9,035
Shareholder's deposits	18,703	33,108
Accrued bonus	30,230	18,500
Provision for improper medical coverage *	5,488	13,283
Other provisions	133,605	94,081
Postdated cheques	59,306	-
Other	8,951	8,467
	<u>328,217</u>	<u>189,842</u>

\* The movement on the provision for incorrect medical coverage as at 31 December is as follows:

	2016 JD	2015 JD
Balance as of 1 January	13,283	11,914
Provision for the year	5,368	3,038
Paid during the year	<u>(13,163)</u>	<u>(1,669)</u>
Balance as of 31 December	<u>5,488</u>	<u>13,283</u>

#### **(14) CASH AND CASH EQUIVALENT**

Cash and cash equivalents in the consolidated statement of cash flows represents the following balances presented in the consolidated statement of financial position:

	<u>2016</u>	<u>2015</u>
	JD	JD
Cash and cash at banks	319,223	504,793
Bank overdraft*	<u>(171,176)</u>	<u>(277,716)</u>
	<u>148,047</u>	<u>227,077</u>

\* The Group obtained an overdraft facility from Invest Bank with a ceiling of JD 300,000 at an interest rate of 8% and commission of 1% paid on monthly basis and guaranteed by commercial bills at 125% of the loans amount, this percentage should not be less than the loan balance.

#### **(15) INCOME TAX**

The movement on income tax provision is as follows:

	<u>2016</u>	<u>2015</u>
	JD	JD
Balance as of 1 January	190,128	165,861
Paid during the year	<u>(169,172)</u>	<u>(151,841)</u>
Provision for the year	187,735	176,108
Balance as of 31 December	<u>208,691</u>	<u>190,128</u>

Income tax presented in the statement of profit or loss is as follow:

	<u>2016</u>	<u>2015</u>
	JD	JD
Income tax for the year	<u>187,735</u>	<u>176,108</u>

Summary of accounting profit and taxable profit for the Parent Company:

	2016 JD	2015 JD
Accounting profit	512,112	562,630
Add: Non-deductible expenses	168,658	132,296
Less: Non-taxable revenues	(79,968)	(214,385)
Taxable income	600,802	480,541
Income tax	144,192	115,130
Statutory income tax rate	24%	24%
Effective income tax rate	28.1%	20.5%

The reconciliation between accounting profit and taxable profit for Med Service Company (The Subsidiary):

	2016 JD	2015 JD
Accounting profit	200,430	269,163
Add: Nondeductible expenses for tax purposes	17,285	34,728
Taxable income	217,715	303,891
Income tax	43,543	60,778
Statutory income tax rate	20%	20%
Effective income tax rate	20.7%	22.6%

The Parent Company reached a final settlement with Income and Sales Tax Department until the year 2015.

Med Service Limited Liability Company (the subsidiary) reached a final settlement with Income and Sales Tax Department until the year 2015.

The Company had not calculated an income tax provision for the Specialized Auto Services (a subsidiary), from the period since inception to 31 December 2016 as it's expenses exceeded taxable income.

The Group did not record deferred tax assets, as it is not material and there is no certainty to utilize it in the near future.

**(16) MEDICAL CLAIMS**

This item represents medical institution claims, which are related to December but are not received yet up to the date of the consolidated financial statements. The Management estimates the amount of those claims as of the financial statements date according to the available information for claims amounts due to medical institution on the Company's customers.

**(17) MANAGEMENT AND MEDICAL SERVICES REVENUES**

	<u>2016</u>	<u>2015</u>
	JD	JD
Medical revenue	568,182	587,800
Insurance contracts revenue	230,078	318,809
Medical claims revenue	51,231	55,956
Others	92,685	54,242
	<u>942,176</u>	<u>1,016,807</u>

**(18) INSTALLMENTS REVENUES**

	<u>2016</u>	<u>2015</u>
	JD	JD
Profits	648,561	564,228
Commissions	76,890	64,847
Service fees	165,654	124,430
	<u>891,105</u>	<u>753,505</u>

**(19) GENERAL & ADMINISTRATIVE EXPENSES**

	2016	2015
	JD	JD
Salaries and wages	755,485	518,405
Company's share in social security	64,755	56,923
Transportation	10,500	10,500
Insurance	46,995	39,363
Bonus	136,330	93,083
Other provisions	36,876	29,598
Training courses	190	250
Depreciation	48,800	46,464
Printing and stationary	16,183	15,660
Rent	49,395	43,450
Mail and telephones	23,553	22,004
License fees	8,584	3,009
Water and electricity	17,342	18,975
Cleaning	8,032	8,633
Professional fees	34,261	27,210
Hospitality	7,002	13,540
Maintenance	31,550	31,136
Subscriptions	16,225	16,368
Transportation	4,636	3,382
Governmental fees	840	840
Advertisements	1,402	1,420
Medical forms	17,192	25,266
Medical insurance cards	14,271	25,373
Bank charges	4,314	1,504
General assembly expenses	2,924	3,153
Others	5,828	8,737
	<u>1,363,465</u>	<u>1,064,246</u>

## **(20) RELATED PARTIES TRANSACTIONS**

Related parties represent associated companies and major shareholders. Pricing policies and terms of these transactions are approved by the Group's management.

### **Statement of financial position items :**

	<u>2016</u>	<u>2015</u>
	JD	JD
Jordan French Insurance Company (Shareholder)*	1,325,774	1,667,489
Med Service Company – Egypt (under inception)	1,430	6,965
Top management receivables	5,303	9,813
	<u>1,332,507</u>	<u>1,684,267</u>
Financial assets at fair value through other comprehensive income (Jordan French Insurance company)	<u>14,200</u>	<u>9,600</u>
Cheques under collection (Jordan French Insurance Company)	<u>1,370,640</u>	<u>615,282</u>

\* Jordan French Insurance Company receivable includes an amount of JD 845,601 as of 31 December 2016 (2015: JD 664,000) which represents the estimated claim for December (Note 15).

### **Statement of profits or losses items :**

	<u>2016</u>	<u>2015</u>
	JD	JD
Medical institutions revenue – Jordan French Insurance company (shareholder)	523,650	404,525
Insurance contracts revenues – Jordan French Insurance Company (shareholder)	226,869	307,150
	<u>750,519</u>	<u>711,675</u>

Compensation of key management personnel of the Company is as follows:

	<u>2016</u>	<u>2015</u>
	JD	JD
Key management salaries, wages and benefits	<u>288,717</u>	<u>245,118</u>

## **(21) OPERATIONAL SECTORS**

The presentation of main sectors has been determined based on the fact that risks and rewards related to the Group are significantly affected by changing in these sectors products and services. Those sectors are organized and managed separately based on the nature of provided products and services. Each sector is measured separately based on reports used by the chief financial officer and the primary decision maker of the Group.

For managerial purposes, the Group is organized through operational sectors as follows:

- Installment revenues
- Medical insurance management
- Vehicles maintenance

The Group monitors operational sectors separately for performance evaluation purposes. The performance is evaluated based on operational profit or loss for each sector.

Revenues, profits, assets and liabilities according to operational sectors are as follows:

	Instalments revenues JD	Medical insurance management JD	Vehicles maintenance JD	Total JD
<b>As at 31 December 2016-</b>				
<b>Revenues:</b>				891,105
Installments revenues	891,105	-	-	
Management and medical services		942,176	-	942,176
revenue	-	-	214,697	214,697
Vehicles maintenance's revenue	-	109,754	-	109,754
Other income	-	-	-	
<b>Business results:</b>				334,955
Profit (loss) for the year	287,952	156,887	(109,884)	
<b>Other sector information:</b>				90,728
Capital expenditure	455	31,884	58,389	
Depreciation	1,477	34,708	12,615	48,800
<b>As at 31 December 2015-</b>				
<b>Revenues:</b>				753,505
Installments revenues	753,505	-	-	
Management and medical services		1,016,807	-	1,016,807
revenue	-	56,032	-	56,090
Other income	58	-	-	
<b>Business results:</b>				447,300
Profit for the year	238,915	208,385	-	
<b>Other sector information:</b>				17,047
Capital expenditure	3,838	13,209	-	
Depreciation	1,445	45,019	-	46,464
<b>As at 31 December 2016-</b>				
<b>Assets and liabilities -</b>				8,620,192
Sector assets	4,800,984	3,669,054	150,154	
Sector liabilities	1,705,877	1,979,742	88,272	3,773,891
<b>As at 31 December 2015-</b>				
<b>Assets and liabilities -</b>				8,400,037
Sector assets	4,342,680	4,057,357	-	
Sector liabilities	1,549,932	2,373,359	-	3,923,291



**(22) PARTIALLY OWNED SUBSIDIARIES:**

Below are the financial statements for Specialized Auto Services Company Ltd (subsidiary) (before eliminating intercompany balances and transactions), including non-controlling shares in this Company:

	2016	2015
	70%	-
Group's ownership	Jordan	Jordan
Country of incorporation and operation		
Non-controlling accumulated balance (JD)	32,965	-
Non-controlling share of (loss) (JD)	32,965	-
	JD	JD
<b>Summarized statement of financial position</b>		
Current assets	104,378	-
Non-current assets	45,776	-
Current liabilities	(160,038)	-
Non-current liabilities	-	-
	9,884	-
<b>Owner's equity</b>		
Attributable to:		
Shareholders of the Group	(76,919)	-
Non-controlling interests	(32,965)	-
<b>Summarized statement of profit or loss:</b>		
Revenues	214,697	-
Operating cost	(128,240)	-
General and administrative expenses	(183,726)	-
Depreciation	(12,615)	-
	(109,884)	-
<b>(Loss) for the year</b>	(109,884)	-
<b>Total comprehensive income</b>	(32,965)	-
Attributable to non-controlling interests	-	-
<b>Non-controlling interests dividends</b>	-	-
<b>Summarized statement of cash flows :</b>		
Operating activities	(36,357)	-
Investing activities	(58,391)	-
Financing activities	100,000	-
<b>Net increase in cash and cash equivalents</b>	5,252	-

## **(23) RISK MANAGEMENT**

### **Interest Rate Risk**

Interest rate risk that results from the fluctuation fair value on future cash flows of financial instruments due to change in interest rates.

The Group is exposed to interest rate risk on its interest bearing assets and liabilities such as bank deposits, bank overdrafts and loans.

The sensitivity of the consolidated statement of profit or loss is the effect of the assumed changes in interest rates on the Company's profit for one year, based on the floating rate financial assets and financial liabilities held at 31 December 2016.

The following table demonstrates the sensitivity of the consolidated statement of profit or loss to reasonably possible changes in interest rates as of 31 December 2016, with all other variables held constant.

	<i>Increase in interest rate</i>	<i>Effect on profit</i>
	<i>(Basis points)</i>	<i>JD</i>
<b>2016-</b>		
<b>Currency</b>		
Jordanian Dinar	25	(1,428)
	<i>Increase in interest rate</i>	<i>Effect on profit</i>
	<i>(Basis points)</i>	<i>JD</i>
<b>2015-</b>		
<b>Currency</b>		
Jordanian Dinar	25	(1,444)

In the case of a negative change in the indicator, the effect would equal the changes in the opposite sign above.

## Share Price Risk

The below table illustrates the sensitivity of fair value reserve as a result of changes in shares prices, assuming the stability for other indicators:

2016-

Indicator	<u>Change in the indicator</u> %	<u>Effect on equity</u> JD
Amman Stock Exchange	10	1,420

2015-

Indicator	<u>Change in the indicator</u> %	<u>Effect on equity</u> JD
Amman Stock Exchange	10	960

In the case of a negative change in the indicator, the effect would equal the changes in the opposite sign above.

## Credit Risk

Credit risk is the risk that counterparty will not meet its obligations under a financial instrument or a customer contract, leading to a financial loss.

The Group seeks to limit its credit risk with respect to banks by only dealing with reputable banks and by setting credit limits for majority of customers and monitoring outstanding receivables.

The Group provides its services to a large number of customers. None of the customers forms 10% of accounts receivables as at 31 December 2016 and 2015.

## Liquidity Risk

Liquidity risk is the risk that the Company will not meet its obligations under its financial liabilities when it's due.

The Group Limits its liquidity risk by ensuring bank facilities are available.

The table below summarizes the maturities of the Group's (undiscounted) financial liabilities as of 31 December for the years 2016 based on contractual payment dates and current market interest rates:

Year ended 31 December 2016	Less than 3 months	3 to 12 months	1 to 3 years	Total
	JD	JD	JD	JD
Accounts payable	1,238,014	-	-	1,238,014
Loans and bank overdraft	-	611,447	-	611,447
Other credit balances	148,498	63,895	115,824	328,217
Total	<u>1,386,512</u>	<u>675,342</u>	<u>115,824</u>	<u>2,177,678</u>

Year ended 31 December 2015	Less than 3 months	3 to 12 months	1 to 5 years	Total
	JD	JD	JD	JD
Accounts payable	1,601,193	-	-	1,601,193
Loans and bank overdraft	-	627,710	-	627,710
Other credit balances	40,903	27,050	121,889	189,842
Total	<u>1,642,096</u>	<u>654,760</u>	<u>121,889</u>	<u>2,418,745</u>

## Foreign Currency Risk

Foreign currency risk is the risk that the fair value of future cash flows of financial instruments will fluctuate because of changes in foreign currency exchange rates.

Most of the Group's transactions is in Jordanian Dinar and U.S. Dollar and do not give rise to foreign currency risk since the Jordanian Dinar is pegged to the U.S. Dollar (USD 1.41 for each one JD), therefore foreign currency risk on the consolidated financial statements is not material.

## **(24) CONTINGENT LIABILITIES**

### **(A) Letter of guarantees**

At the date of consolidated financial statements, the Group has contingent liabilities represented in bank guarantees by an amount of JD 24,000 (2015: JD 27,000).

### **(B) Lawsuits**

The Group has no outstanding litigations as of the date of the financial statements.

## **(25) FAIR VALUE OF FINANCIAL INSTRUMENTS**

The financial instruments are represented by financial assets and financial liabilities.

Financial assets consist of cash on hand and at bank, trade receivables, financial assets and other current assets. Financial liabilities consist of accounts payable, bank overdraft, loans and other current liabilities.

The fair values of financial instruments are not materially different from the carrying value of these instruments.

## **(26) 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 shareholder value.

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

Capital comprises paid in capital, statutory and voluntary reserves, fair value reserve and retained earnings, totaling JD 4,846,301 as of 31 December 2016 (2015: JD 4,476,746).

## **(27) STANDARDS AND INTERPRETATION 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:

### **IFRS 9 Financial Instruments**

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". The Company has implemented the first phase of IFRS 9 as issued during 2009. The date of initial implementation of the first phase of IFRS 9 was 1 January 2011. The new version of IFRS 9 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 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.

### **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.

### **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.