



بسم الله الرحمن الرحيم  
السيد  
السيد  
السيد  
السيد  
٢٠١٨  
٢٠١٩

الرقم: 38/1/2/102

<p>To: Jordan Securities Commission Amman Stock Exchange Date:-29 /03/2018 Subject: Annual Report</p>	<p>السادة هيئة الأوراق المالية السادة بورصة عمان التاريخ: 2018/03/29 الموضوع: التقرير السنوي الثاني عشر</p>
<p>Enclose CD to the Annual Report of the Jordan International Investment Co.</p>	<p>مرفق لكم CD التقرير السنوي الثاني عشر لشركة الأردن الدولية للاستثمار.</p>
<p>Kindly accept our high appreciation and respect</p>	<p>وتفضلوا بقبول فائق الاحترام...</p>
<p>Jordan International Investment Co.</p>	<p>شركة الأردن الدولية للاستثمار</p>
<p> Sami Gammoh Chairman</p>	<p> سامي قموه رئيس مجلس الإدارة</p>



JORDAN INTERNATIONAL INVESTMENT COMPANY  
(A PUBLIC SHAREHOLDING LIMITED COMPANY)  
AMMAN – THE HASHEMITE KINGDOM OF JORDAN

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

JORDAN INTERNATIONAL INVESTMENT COMPANY  
(A PUBLIC SHAREHOLDING COMPANY)  
AMMAN - THE HASHEMITE KINGDOM OF JORDAN  
DECEMBER 31, 2017

TABLE OF CONTENTS

	<b><u>Page</u></b>
Independent Auditor's Report	1 - 4
Consolidated Statement of Financial Position	5
Consolidated Statement of Income	6
Consolidated Statement of Comprehensive Income	7
Consolidated Statement of Changes in Shareholders' Equity	8
Consolidated Statement of Cash Flows	9
Notes to the Consolidated Financial Statements	10 - 29

## Independent Auditor's Report

AM/ 81448

To the Shareholders of  
Jordan International Investment Company  
(Public Shareholding Limited Company)  
Amman – The Hashemite Kingdom of Jordan

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

#### **Opinion**

We have audited the consolidated financial statements of Jordan International Investment Company (Public Shareholding Limited Company), which comprise the consolidated statement of financial position as at December 31, 2017, and the consolidated statement of income and other comprehensive income, consolidated statement of changes in shareholder's equity and consolidated statement of cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information.

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the consolidated financial position of the Company as of December 31, 2017, and its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with International Financial Reporting Standards.

#### **Basis for Opinion**

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

#### **Key Audit Matters**

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

## **Evaluating Investments Property**

Investments Property represents 87% of the Company's assets. Moreover, the Company should reevaluate its properties when preparing the consolidated financial statements to determine their fair value, and reflect the impact of any impairment in value in the consolidated statement of income, in line with the requirements of the International Financial Reporting Standards. Accordingly, the Company relies on independent real estate experts to determine the fair value of those investments and reflect any impairments in their value in the consolidated statement of income for that period. Consequently, fair value estimation of these assets is a significant matter to our audit.

## **Audit Scope to Address the Risk**

The followed audit procedures include understanding the procedures applied by the Company in evaluating investments property, evaluating the reasonableness of the valuations based on the evaluation of the real estate experts, calculating the average fair value of those evaluations, recording any impairment in value in the consolidated statement of income, if any, and reviewing the appropriateness of the disclosure on the fair value of investments property.

## **Other Matter**

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

## **Other Information**

Management is responsible for other information which comprises information in the annual report excluding the consolidated financial statements and the independent auditor's reflect thereon. Furthermore, we expect the annual audit to be made available to us after the date of our audit report. Our opinion on the consolidated financial statements does not cover other information, and we do not express any type of assurance or conclusion thereon.

In connection with our audit of the consolidated financial statements, our responsibility is to read the other information abovementioned when it becomes available to us. In doing so, we 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 IFRS, and for such internal control as management determines 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 Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Company or to cease operations, or has no realistic alternative but to do so.

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





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

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

As part of an audit in accordance with ISA's, we exercise professional judgement and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than the one resulting from error, as fraud may involve collusion, forgery, intentional omission, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for expressing an opinion on the effectiveness of the internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and based on the audit evidenced 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 disclosure are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Company to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Company to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the Company's audit. We remain solely responsible for our audit opinion.



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

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

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 year and are therefore the key audit matters. We describe these matters in our auditor's report unless law and regulations preclude public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

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

The Company maintains proper accounting records duly organized and in line with the accompanying consolidated financial statements and we recommend to be approved.

Amman – The Hashemite Kingdom of Jordan  
March 18, 2018

  
Deloitte & Touche (M.E.) – Jordan





**JORDAN INTERNATIONAL INVESTMENT COMPANY**  
**(A PUBLIC SHAREHOLDING COMPANY)**  
**AMMAN - THE HASHEMITE KINGDOM OF JORDAN**  
**CONSOLIDATED STATEMENT OF FINANCIAL POSITION**

		December 31,	
	Note	2017	2016
		JD	JD
<b><u>ASSETS</u></b>			
<b><u>Current assets</u></b>			
Cash on hand and at banks	5	970,758	1,083,167
Checks under collection – short term	6	-	10,000
Financial assets at fair value through other comprehensive income	7	114,136	21,436
Accounts receivable and other debit balances	8	84,803	90,713
Due from related parties	16	404	6,808
<b>Total current assets</b>		<b>1,170,101</b>	<b>1,212,124</b>
Investments property - net	9	8,155,406	8,190,315
Deferred tax assets	12/C	32,058	29,256
<b><u>Fixed Assets:</u></b>			
Fixed assets - at cost		79,241	117,045
<u>Less: Accumulated depreciation</u>		<u>48,184</u>	<u>86,706</u>
Net Book Value of Fixed Assets	10	31,057	30,339
<b>TOTAL ASSETS</b>		<b>9,388,622</b>	<b>9,462,034</b>
<b><u>LIABILITIES</u></b>			
<b><u>Current liabilities</u></b>			
Account payables and other credit balances	11	84,521	111,908
<b>Total current liabilities</b>		<b>84,521</b>	<b>111,908</b>
<b><u>Shareholders' Equity</u></b>			
Paid-up capital		10,000,000	10,000,000
Statutory reserve		29,806	29,806
Special reserve		2,225	2,225
Financial assets fair value reserve		(23,539)	(9,252)
Accumulated (losses)		(704,391)	(672,653)
<b>Net Shareholders' Equity</b>		<b>9,304,101</b>	<b>9,350,126</b>
<b>TOTAL LIABILITIES AND NET SHAREHOLDERS' EQUITY</b>		<b>9,388,622</b>	<b>9,462,034</b>

The accompanying notes constitute an integral part of these consolidated financial statements and should be read with them and with the accompanying auditors' report.



**JORDAN INTERNATIONAL INVESTMENT COMPANY**  
**(A PUBLIC SHAREHOLDING COMPANY)**  
**AMMAN - THE HASHEMITE KINGDOM OF JORDAN**  
**CONSOLIDATED STATEMENT OF INCOME**

	<b>Note</b>	<b>For the Year Ended December 31,</b>	
		<b>2017</b>	<b>2016</b>
		<b>JD</b>	<b>JD</b>
Rent revenue – net		24,830	17,210
Gain from sale of investments property	9	12,811	111,971
Recovered from impairment in investments property	9	-	18,708
<u>Add:</u> Gain from sale of fixed assets – net		18,499	-
Other income (losses)-net	13	(6,016)	(4,157)
Interest revenue		41,172	26,026
<u>Less:</u> General and administrative expenses	14	(111,826)	(161,282)
Provision for doubtful debts	8	(14,010)	-
<b>(Loss) / Income for the year before tax</b>		<b>(34,540)</b>	<b>8,476</b>
<u>Less:</u> Tax benefit / (expense)	12/d	2,802	(7,818)
<b>(Loss) / Income for the Year</b>		<b>(31,738)</b>	<b>658</b>
<b>(Losses)/Earnings per Share (Basic and Diluted)</b>	15	<b>(0/0032)</b>	<b>0/0001</b>

The accompanying notes constitute an integral part of these consolidated financial statements and should be read with them and with the accompanying auditors' report.

**JORDAN INTERNATIONAL INVESTMENT COMPANY**  
**(A PUBLIC SHAREHOLDING COMPANY)**  
**AMMAN - THE HASHEMITE KINGDOM OF JORDAN**  
**CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME**

	<b>Note</b>	<b>For the Year Ended</b>	
		<b>December 31,</b>	
		<b>2017</b>	<b>2016</b>
		<b>JD</b>	<b>JD</b>
(Loss) / income for the year		(31,738)	658

**Comprehensive Income Items:**

Items that will not be reclassified subsequently

To the consolidated statement of income:

Net change in financial assets fair value reserve	(14,287)	(4,626)
<b>Total Comprehensive (Loss) for the Year</b>	<b><u>(46,025)</u></b>	<b><u>(3,968)</u></b>

The accompanying notes constitute an integral part of these consolidated financial statements and should be read with them and with the accompanying auditors' report.

**JORDAN INTERNATIONAL INVESTMENT COMPANY**  
**(A PUBLIC SHAREHOLDING COMPANY)**  
**AMMAN – THE HASHEMITE KINGDOM OF JORDAN**  
**CONSOLIDATED STATEMENT OF CHANGES IN SHAREHOLDERS' EQUITY**

	Paid-Up Capital	Statutory Reserve	Special Reserve	Financial Assets Fair Value Reserve	Accumulated (Losses)	Total
	JD	JD	JD	JD	JD	JD
<b>For the Year Ended December 31, 2017</b>						
Balance - beginning of the year	10,000,000	29,806	2,225	(9,252)	(672,653)	9,350,126
Net (loss) for the year	-	-	-	-	(31,738)	(31,738)
Change in fair value reserve	-	-	-	(14,287)	-	(14,287)
Total comprehensive (loss) for the year	-	-	-	(14,287)	(31,738)	(46,025)
Transfer to statutory reserve	-	-	-	-	-	-
<b>Balance - End of the Year</b>	<b>10,000,000</b>	<b>29,806</b>	<b>2,225</b>	<b>(23,539)</b>	<b>(704,391)</b>	<b>9,304,101</b>
<b>For the Year Ended December 31, 2016</b>						
Balance - beginning of the year	10,000,000	28,958	2,225	(4,626)	(672,463)	9,354,094
Net income for the year	-	-	-	-	658	658
Change in fair value reserve	-	-	-	(4,626)	-	(4,626)
Total comprehensive (loss) for the year	-	-	-	(4,626)	658	(3,968)
Transfer to statutory reserve	-	848	-	-	(848)	-
<b>Balance - End of the Year</b>	<b>10,000,000</b>	<b>29,806</b>	<b>2,225</b>	<b>(9,252)</b>	<b>(672,653)</b>	<b>9,350,126</b>

- Accumulated losses include a restricted amount of JD 32,058 against deferred tax assets as of December 31, 2017.

- Financial assets fair value reserve with a negative amount of JD 23,539 as of December 31, 2017 is restricted and may not be utilized as instructed by Jordan Securities Commission.

**The accompanying notes constitute an integral part of these consolidated financial statements  
and should be read with them and with the accompanying auditors' report.**



**JORDAN INTERNATIONAL INVESTMENT COMPANY**  
**(A PUBLIC SHAREHOLDING COMPANY)**  
**AMMAN – THE HASHEMITE KINGDOM OF JORDAN**  
**CONSOLIDATED STATEMENT OF CASH FLOWS**

	Note	For the Year Ended December 31,	
		2017	2016
		JD	JD
<b>Cash Flows from Operating Activities</b>			
(Loss) / income for the year before income tax		(34,540)	8,476
<b>Adjustments for:</b>			
Interest revenue		(41,172)	(26,026)
Depreciation of fixed assets and investment property		16,448	17,145
(Gain) from sale of investments property	9	(12,811)	(111,971)
(Gain) from sale of fixed assets		(18,499)	-
(Recovered) from impairment in investments in property	9	-	(18,708)
<b>Cash Flows (used in) Operations before Changes in Working Capital</b>		<b>(90,574)</b>	<b>(131,084)</b>
Decrease in checks under collection		10,000	57,000
Decrease in accounts receivable and other debit balances		5,910	6,840
Decrease (increase) in due from related parties		6,404	(1,442)
(Decrease) in accounts payable and other credit balances		(27,387)	(46,300)
<b>Net Cash (used in) Operating Activities</b>		<b>(95,647)</b>	<b>(114,986)</b>
<b>Cash Flows from Investing Activities</b>			
Proceeds from sale of investment property	9	34,000	378,000
(Purchase) of investment property		-	(55,586)
Proceeds from sale of fixed assets		18,499	(393)
(Purchase) of fixed assets		(3,446)	-
(Purchase) of financial assets at fair value through other comprehensive income		(106,987)	-
Proceeds from sale of investment property		41,172	26,026
<b>Net Cash (used in) Flows from Investing Activities</b>		<b>(16,762)</b>	<b>348,047</b>
Net (decrease) increase in cash		(112,409)	233,061
Cash on hand and at banks - beginning of the year		1,083,167	850,106
<b>Cash on Hand and at Banks - End of the Year</b>	5	<b>970,758</b>	<b>1,083,167</b>

The accompanying notes constitute an integral part of these consolidated financial statements and should be read with them and with the accompanying auditors' report.

**JORDAN INTERNATIONAL INVESTMENT COMPANY**  
**(A PUBLIC SHAREHOLDING COMPANY)**  
**AMMAN – THE HASHEMITE KINGDOM OF JORDAN**  
**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**

---

**1. General**

- a. Jordan International Investment Company (subsequently herein referred to as "the Company") was established as a Jordanian public shareholding company and registered at the Companies Control Department under Number (412) on July 13, 2006. The Company is the result of the merger between Jordan International Industries Company, a public shareholding limited company, and the Jordan International Company for Tourism and Real Estate Investments, a limited liability company. The Company's paid-up capital is JD 10 million, represented by 10 million shares at a par value of one Jordanian Dinar per share.
- Jordan International Insurance Company has 90.70% ownership of the Company's shares.
- b. The Company's main objectives:
- Acquiring lands and establishing industrial projects, crafts estates, housing cities, touristic hotels and residential buildings.
  - Dealing in movable and immovable properties according to the applicable laws and regulations.
  - Obtaining and implementing commercial agencies and carrying out brokerage activities.
  - Importing, exporting, marketing and distributing all types of commodities by all means.
  - Establishing, purchasing, and fully or partially owning any company, corporation, goodwill, or trade name, whether local or international; and establishing and licensing car park lots.
- d. The Company's Board of Directors approved the consolidated financial statements for the year ended December 31, 2017 in their meeting held on March 12, 2018.

**2. Summary of Significant Accounting Policies**

**Basis of Preparation of the Consolidated Financial statements**

The consolidated financial statements of the Company and its subsidiary are prepared in accordance with International Financial Reporting Standards (IFRS) as issued by International Accounting Standards Board (IASB) and their related interpretations.

The consolidated financial statements have been prepared on the historical cost basis, except for financial assets at fair value through the income statement. These assets are stated at fair value as of the consolidated financial statements date.

The reporting currency of the consolidated financial statements of the Company and its subsidiary is the Jordanian Dinar, which is the functional currency.

### **Basis of Consolidation**

The accompanying consolidated financial statements comprise the financial statements of the Company and its subsidiary after eliminating inter-company transactions and balances:

	<b>Paid up Capital</b>	<b>Percentage Ownership</b>	<b>Principal Activity</b>	<b>Place of Activity</b>	<b>Date of Ownership</b>
	<b>JD</b>	<b>%</b>			
Telal Salem Industrial and Real Estate Company	150,000	100	Industrial/ Real Estate	Amman	2012

The most significant financial information for the subsidiary company for the year 2017 is as follows:

<b>Company's Name</b>	<b>As of December 31, 2017</b>		<b>For the Year 2017</b>	
	<b>Total Assets</b>	<b>Total Liability</b>	<b>Total Revenue</b>	<b>Total Expenses</b>
	<b>JD</b>	<b>JD</b>	<b>JD</b>	<b>JD</b>
Telal Salem Industrial and Real Estate Company	625,150	479,915	-	1,180

Control is achieved when the Company has the ability to control the financial and operating policies of the subsidiaries to obtain benefits from their activities. Additionally, transactions, balances, revenues, and expenses between the Company and its subsidiaries are eliminated.

The results of the subsidiary are incorporated into the consolidated statement of income from the effective date of acquisition (establishment), which is the date on which actual control over the subsidiary is assumed by the Company. Moreover, the operating results of the disposed subsidiary are incorporated into the consolidated statement of income up to the effective date of disposal, which is the date on which the Company loses control over the subsidiary.

The financial statements of the subsidiaries are prepared for the same year of the parent company using the same accounting policies adopted by Jordan International Investment Company. If the accounting policies adopted by the subsidiary are different from those adopted by the parent Company, the necessary adjustments to the financial statements of the subsidiary are made to comply with the accounting policies used by the parent company.

The financial policies adopted in the preparation of the consolidated financial statements are consistent with those used for the year ended December 31, 2016, except for the affect of applying the new and revised financial statements as stated in Note (4-A) below.

The following are the most significant accounting policies adopted by the Company:

#### ***a. Investments Property***

- Investments property are stated at cost less accumulated depreciation and any impairment in their value. The market value of these investments are disclosed. Moreover, they are depreciated over their useful life at an annual rate of 2%, and any impairment in their fair value is taken to the consolidated statement of income. Additionally, the operating income and expenses of these investments are taken to the consolidated statement of income.
- If the fair value of an investment property for which an impairment provision was taken in prior periods increases, the previous impairment is recovered in an amount not exceeding cost.



**b. Fixed Assets**

- Fixed assets are stated at cost less accumulated depreciation and any accumulated impairment losses. Moreover, depreciation is calculated (except for land) when the assets are ready for use on the straight-line basis over the estimated useful lives of these assets at annual rates ranging from 2% to 20%.
- When the carrying amounts of property and equipment exceed their recoverable values, assets are written down, and impairment losses are recorded in the consolidated statement of income.
- The useful lives of property and equipment are reviewed at the end of each year. In case the expected useful life is different from what was determined before, the change in estimate is recorded in the following years, being a change in estimate.
- Fixed assets are derecognized when disposed of or when there is no expected future benefit from their use.

**c. Financial Assets at Fair Value Through Comprehensive Income**

- Upon initial recognition of investments in equity instruments, not held for trading, an irrevocable option may be adopted to present all the changes in the fair value of these investments individually (each share separately) within the other comprehensive income. Under no circumstance, at a subsequent date, may the amounts of these changes, recognized in the statement of comprehensive income, may be classified into profit or loss.
- These financial assets are recognized at fair value plus transaction costs. Subsequently, they are measured at fair value with the gains and losses arising from changes in fair value recognized in the consolidated statement of other comprehensive income and within owner's equity, including the changes in fair value resulting from translation of non-monetary assets stated in foreign currency. Gain or loss from the sale of these investments or part thereof is recognized in the consolidated statement of comprehensive income and within shareholders' equity. Moreover, the reserve balance of the revaluation of investments in the sold equity instruments is transferred directly to retained earnings/accumulated losses not through the consolidated statement of income.
- Dividends revenue is recorded in the consolidated statement of income unless these dividends clearly represent a partial recovery for all the investments.

**d. Date of Financial Assets Recognition**

Financial assets are recognized at the date of trade (the date the Company is liable to sell or purchase financial assets).

**e. Impairment in Financial Assets**

The Company's management reviews the values of financial assets recorded at the date of the consolidated statement of financial position in order to determine if there are any indications of impairment in their value individually or in the form of a portfolio. In case such indication exists, the recoverable value is estimated to determine the impairment loss.

Impairment value is determined as follows:

Impairment of financial assets at amortized cost:

The impairment represents the difference between the recorded book value and the present value of expected cash flows discounted at the original interest rate.

**f. Fair Value**

The closing prices at the date of the consolidated financial statements in active markets represents the fair value of the financial instruments and derivatives that have market prices

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

- Comparison with the present market value of a very similar financial instrument.
- Analysis of future cash flows and expected discounted cash flows at a rate used for a similar financial instrument.
- Adoption of pricing models.

The evaluation methods aim at obtaining a fair value that reflects market expectations. They take into consideration market factors and any expected risks or benefits when estimating the value of financial assets. In case there are financial assets whose fair value cannot be measured reliably, they are stated at cost net of any related impairment.

**g. Rent Revenue**

Revenue from rent of the investment property with operating rent contracts is recognized in accordance with the straight-line method and calculated over the life of the contract. Other expenses are recognized based on the accrual basis of accounting.

**h. Income Tax**

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

**i. Accounts Receivable**

Accounts receivable are presented at net realizable value less allowance for doubtful accounts.

**j. Foreign Currencies**

In preparing the consolidated financial statements of the Company, transactions in currencies other than the Company's functional currency are recorded at the rates of exchange prevailing on the dates of the transactions. At each consolidated financial statements date, monetary items denominated in foreign currencies are retranslated at the rates prevailing on the date of the consolidated statement of income.

**k. Provisions**

Provisions are recognized when the Company has a present obligation (legal or constructive) as a result of a past event, it is probable that the Company will be required to settle the obligation, and a reliable estimate can be made of the amount of the obligation.

**l. Offsetting**

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

**3. Accounting Estimates**

Preparation of the consolidated financial statements and application of the accounting policies require the Company's management to perform assessments and assumptions that affect the amounts of financial assets and financial liabilities and the disclosure of contingent liabilities. Moreover, these assessments and assumptions affect revenue, expenses, and provisions; In particular, this requires the Company's management to issue significant judgments and assumptions to assess future cash flow amounts and their timing. Moreover, the said assessments are necessarily based on assumptions and factors with varying degrees of consideration and uncertainty. In addition, actual results may differ from assessments due to the changes resulting from the conditions and circumstances of those assessments in the future.

The Company's management believes that critical judgments and estimates in the consolidated financial statements are reasonable and mainly include the following:

- A provision for doubtful debts is calculated based on estimates and assumptions approved by the Company's management for estimating the required provision according to International Financial Reporting Standards.
- The Company's management periodically reviews tangible assets for the purpose of calculating annual depreciation based on their general condition and expected future economic benefits. Moreover, any related impairment loss is taken to the consolidated statement of income.



- Investments property is valued by independent real estate experts, and its fair value is disclosed in the consolidated financial statements.
- The income tax expense is recognized according to the prevailing laws and regulations. Accordingly, an income tax provision is taken.
- A provision for lawsuits raised against the Company is taken. This provision is based on a legal study prepared by the Company's legal advisor. Moreover, the study highlights potential risks that the Company may encounter in the future. Such legal assessments are reviewed periodically.
- The Company periodically reviews financial assets presented at cost to estimate any impairment in their value. The impairment is taken to the consolidated statement of income.
- Fair Value hierarchy: the Company is required to determine and disclose the level in the fair value hierarchy into which the fair value measurements are categorized in their entirety, segregating fair value measurements in accordance with the levels defined in the IFRS. Differentiating between Level 2 and Level 3 fair value measurements, i.e., assessing whether inputs are observable and whether the unobservable inputs are significant, may require judgement and a careful analysis of the inputs used to measure fair value, including consideration of factors specific to the asset or liability.

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

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

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

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

The Company has applied these amendments for the first time in the current year. The amendments clarify how an entity should evaluate whether there will be sufficient future taxable profits against which it can utilise a deductible temporary difference. The application of these amendments has had no impact on the Company's financial statements.

##### **Amendments to IAS 7 – Cash Flows Statement - Disclosure Initiative**

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

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

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

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

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

**b New and revised IFRS in issue but not yet effective:**

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

**Annual Improvements to IFRS Standards 2014 – 2016** The improvements include the amendments on IFRS 1 and IAS 28 and they are effective for annual periods beginning on or after January 1, 2018.

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

The improvements include the amendments on IFRS 3, IFRS 11, IAS 12 and IAS 23 and they are effective for annual periods beginning on or after January 1, 2019.

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

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

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

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

**IFRIC 23 *Uncertainty over Income Tax Treatments:***

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

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

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

**Amendments to IFRS 2 *Share Based Payment***

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

**Amendments to IFRS 4 *Insurance Contracts***

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

### **Amendments to IAS 40 *Investment Property***

Paragraph 57 has been amended to state that an entity shall transfer a property to, or from, investment property when, and only when, there is evidence of a change in use.

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

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

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

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

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

### **IFRS 16 *Leases***

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

The Company will apply IFRS 16 on the effective date. The Company is in the process of evaluating the impact of IFRS 16 on the Company's consolidated financial statements.

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

IFRS 9 issued in November 2009 introduced new requirements for the classification and measurement of financial assets.

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

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

- **Classification and measurement:** Financial assets are classified by reference to the business model within which they are held and their contractual cash flow characteristics. The 2014 version of IFRS 9 introduces a 'fair value through other comprehensive income' category for certain debt instruments. Financial liabilities are classified in a similar manner to under IAS 39, however there are differences in the requirements applying to the measurement of an entity's own credit risk.

- **Impairment:** The 2014 version of IFRS 9 introduces an 'expected credit loss' model for the measurement of the impairment of financial assets, so it is no longer necessary for a credit event to have occurred before a credit loss is recognised
- **Hedge accounting:** Introduces a new hedge accounting model that is designed to be more closely aligned with how entities undertake risk management activities when hedging financial and non-financial risk exposures.
- **Derecognition:** The requirements for the derecognition of financial assets and liabilities are carried forward from IAS 39.

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

The amendments are related to disclosures about the initial application of IFRS 9.

The Amendments are effective when IFRS 9 is first applied

#### **IFRS 7 *Financial Instruments: Disclosures***

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

#### **IFRS 17 *Insurance Contracts***

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

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

The amendments are related to the treatment of the sale or contribution of assets from and investor to its associate or joint venture. The Amendments effective date deferred indefinitely and the adoption is still permitted.

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

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



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

This item consists of the following:

	December 31,	
	2017	2016
	JD	JD
Cash on hand	1,157	198
Current accounts	1,000	9,311
Deposits at banks*	968,601	1,073,658
	<b>970,758</b>	<b>1,083,167</b>

- \* This item represents monthly deposits with an interest rate ranging from 1.7% to 5.75% during the year 2017.

**6. Checks under Collection**

This item consists of the following:

	December 31,	
	2017	2016
	JD	JD
Checks under collection - short term	-	10,000
	<b>-</b>	<b>10,000</b>

**7. Financial Assets at Fair Value through other Comprehensive Income**

This item consists of the following:

		<u>December 31,</u>	
	<u>No. of Shares</u>	<u>2017</u>	<u>2016</u>
<u>Shares Listed on Amman Stock Exchange</u>		<u>JD</u>	<u>JD</u>
International Selica Industries Co.*	10,000	21,436	21,436
Cairo Amman Bank	50,000	75,000	-
Electricity Company – Jordan	10,000	17,700	-
		<u>114,136</u>	<u>21,436</u>

- \* These shares have been valued during the year 2017 according to recent information using the discounted cash flow model.

**8. Account Receivable and Other Debit Balances**

This item consists of the following:

	December 31,	
	2017	2016
	JD	JD
Trade receivables*	63,170	60,324
Employees receivable	1,220	309
Refundable deposits	74,927	73,190
Prepaid expenses	2,760	4,303
Accrued interest	2,867	1,328
Advanced payment to Water Authority	2,610	-
	147,554	139,454
<u>Less: Provision for doubtful debts</u>	<u>(62,751)</u>	<u>(48,741)</u>
	<b>84,803</b>	<b>90,713</b>

- \* These receivables represent an amount of JD 62,751 that is due as of December 31, 2017, and aging more than one-year. Moreover, a related provision for doubtful debts is calculated based on management's estimates.
- The movement on the provision for doubtful debts during the year was as follows:

	<b>2017</b>	<b>2016</b>
	<b>JD</b>	<b>JD</b>
Balance at the beginning of the year	48,741	48,741
Additions	14,010	-
Balance at year-end	<b>62,751</b>	<b>48,741</b>

#### **9. Investments Property - Net**

- a. This item consists of the following:

	<b>December 31,</b>	
	<b>2017</b>	<b>2016</b>
	<b>JD</b>	<b>JD</b>
Lands	7,616,643	7,637,832
Buildings	467,119	467,119
Apartments	120,697	120,697
Wadi Saqra office	88,433	88,433
	8,292,892	8,314,081
<u>Less: Accumulated depreciation</u>	(131,360)	(117,640)
Impairment in investments in property*	(6,126)	(6,126)
	<b>8,155,406</b>	<b>8,190,315</b>

- \* The movement on the impairment provision of investment property is as follows:

	<b>2017</b>	<b>2016</b>
	<b>JD</b>	<b>JD</b>
Balance at the beginning of the year	6,126	24,834
Reversal during the year	-	(18,708)
Balance at year-end	<b>6,126</b>	<b>6,126</b>

- b- Investments property (except buildings) has been reevaluated by two accredited real estate appraisers. The estimated average market value amounted to JD 10,617,387 according to the latest available real estate evaluation dated June 30, 2017. Moreover, the fair value of the investments property has been compared to the market value of other similar investments property.
- During the year 2017, land at a cost of JD 21,189 was sold for JD 34,000. This resulted in a profit from sale investments property in amount of JD 12,811, recorded in the consolidated statement of income (JD 111,971 for the year 2016).

## 10. Fixed Assets

The details of this item are as follows:

	Buildings		Machines and Equipment		Furniture and Fixtures		Vehicles		Posters and Water Well		Total
	JD		JD		JD		JD		JD		JD
<b>Cost</b>											
Balance at the beginning of the year	28,710		31,862		7,786		41,623		7,064		117,045
Additions	-		3,446		-		-		-		3,446
Disposals	-		-		-		(41,250)		-		(41,250)
<b>Balance at year-end</b>	<b>28,710</b>		<b>35,308</b>		<b>7,786</b>		<b>373</b>		<b>7,064</b>		<b>79,241</b>
<b>Accumulated Depreciation</b>											
Balance at the beginning of year	6,070		26,995		6,426		41,621		5,594		86,706
Additions	574		1,437		440		-		277		2,728
Disposals	-		-		-		(41,250)		-		(41,250)
<b>Balance at year-end</b>	<b>6,644</b>		<b>28,432</b>		<b>8,866</b>		<b>371</b>		<b>5,871</b>		<b>48,184</b>
Net Book Value as of											
<b>December 31, 2017</b>	<b>22,066</b>		<b>6,876</b>		<b>920</b>		<b>2</b>		<b>1,193</b>		<b>31,057</b>
<b>Cost</b>											
Balance at the beginning of the year	28,710		31,469		7,786		41,623		7,064		116,652
Additions	-		393		-		-		-		393
<b>Balance at year-end</b>	<b>28,710</b>		<b>31,862</b>		<b>7,786</b>		<b>41,623</b>		<b>7,064</b>		<b>117,045</b>
<b>Accumulated Depreciation</b>											
Balance at the beginning of year	5,495		24,997		5,858		41,621		5,060		83,031
Additions	575		1,998		568		-		534		3,675
<b>Balance at year-end</b>	<b>6,070</b>		<b>26,995</b>		<b>6,426</b>		<b>41,621</b>		<b>5,594</b>		<b>86,706</b>
Net Book Value as of											
<b>December 31, 2016</b>	<b>22,640</b>		<b>4,867</b>		<b>1,360</b>		<b>2</b>		<b>1,470</b>		<b>30,339</b>
<b>Annual Depreciation Rate %</b>	2		5-10		10		15		10-20		

Fully depreciated property and equipment amounted to JD 31,402 as of December 31, 2017 (JD 42,272 as of December 31, 2016).

## **11 . Trade Payables and Other Credit Balances**

This item consists of the following:

	<b>December 31,</b>	
	<b>2017</b>	<b>2016</b>
	<b>JD</b>	<b>JD</b>
Water accrued expenses*	-	18,991
Accounts payable	969	5,127
Unearned revenue	4,583	6,133
Contingent liabilities**	68,500	68,500
Accrued expenses	5,020	7,708
Lawsuits provision	5,449	5,449
	<b>84,521</b>	<b>111,908</b>

- \* This item represents water accrued expenses estimated by management for any additional claims by the Water Authority. It is due to the dispute over the classification of Halabat land which used by the Company for planting and producing olives, whether it is industrial or agricultural for. However, all obligations on the Company has been paid during the year 2016. Furthermore, the Company has paid an amount of JD 2,610 as an advanced payment (Note 8).
- \*\* This item represents the Free Zone Corporation's financial claims of JD 68,500, comprising service fees, operational cost, and penalties related to buildings owned by the Company in the Halabat industrial zone. Consequently, the Company filed a lawsuit to preclude a claim at Amman Court of First Instance. The case is presently before the court, the lawsuit is currently going through the appeal phase.

## **12. Income Tax**

### **a. Income Tax Provision**

- A settlement has been reached with the Income and Sales Tax Department up to the end of the year 2014. Moreover, the Company has submitted the income tax return for the years 2015 and 2016 but no final settlement with the Income and Sales Tax Department has been reached yet.
- The Company has reached a final settlement with the Income and Sales Tax Department up to the year 2015 for Telal Salem Company (subsidiary). Moreover, the Company has submitted the income tax return for the year 2016 which hasn't been audited yet by the Income and Sales Tax Department and no final settlement has been reached until this date.
- No income tax booked for the year ended December 31, 2017 were the Company incurred loss.
- In the opinion of the Company's management and its tax consultant, no provision is required where the Company incurred losses.

### **b. Movement on Income Tax Provision was as follows:**

	<b>December 31,</b>	
	<b>2017</b>	<b>2016</b>
	<b>JD</b>	<b>JD</b>
Balance – beginning of the year	-	-
Income tax provision	-	-
Balance – end pf the Year	-	-

- c. **Tax benefit / income tax in the consolidated income statement represents the following:**

	<b>December 31,</b>	
	<b>2017</b>	<b>2016</b>
	<b>JD</b>	<b>JD</b>
Net deferred tax assets for the year	2,802	(7,818)
	<b>2,802</b>	<b>(7,818)</b>

**d. Deferred Tax Assets**

**This item consists of the following:**

					<b>December 31,</b>	
					<b>2017</b>	<b>2016</b>
	<b>Balance – Beginning of the Year</b>	<b>Released Amounts</b>	<b>Additions</b>	<b>Balance – End of the Year</b>	<b>Deferred Tax</b>	
	<b>JD</b>	<b>JD</b>	<b>JD</b>	<b>JD</b>	<b>JD</b>	<b>JD</b>
Provision for doubtful debts	48,741	-	14,010	62,751	12,550	9,748
Impairment in investments property	6,126	-	-	6,126	1,226	1,226
Impairment in the value of the change in financial assets through profit or loss	5,900	-	-	5,900	1,180	1,180
Impairment in the value of the change in financial assets through other comprehensive income	11,564	-	-	11,564	2,312	2,312
Provision for contingent liabilities	68,500	-	-	68,500	13,700	13,700
Provision for lawsuits	5,449	-	-	5,449	1,090	1,090
	<b>146,280</b>	<b>-</b>	<b>14,010</b>	<b>160,290</b>	<b>32,058</b>	<b>29,256</b>

- The movement on deferred tax assets was as follows:

	<b>2017</b>	<b>2016</b>
	<b>JD</b>	<b>JD</b>
Balance – beginning of the year	29,256	35,918
Additions	2,802	1,645
Disposals	-	(8,307)
<b>Balance – End of the Year</b>	<b>32,058</b>	<b>29,256</b>

**13. Other (Losses) - Net**

**This item consists of the following:**

	<b>2017</b>	<b>2016</b>
	<b>JD</b>	<b>JD</b>
Net farm (loss)	(6,016)	(10,406)
Other	-	6,249
	<b>(6,016)</b>	<b>4,157</b>



**14. General and Administrative Expenses**

This item consists of the following:

	<b>2017</b>	<b>2016</b>
	<b>JD</b>	<b>JD</b>
Salaries and employee benefits	36,062	81,063
The Company's share of social security	4,918	5,165
Taxes and customer fees	14,074	14,704
Telecommunication and mail	841	1,446
Hospitality	987	1,783
The Company's car expense	67	389
Stationaries and publications	1,083	1,668
Insurance	5,544	5,493
Consulting	4,080	5,478
Travel and accommodation	71	1,153
Professional fees	14,206	12,760
Depreciation of fixed assets and investments property expense	16,448	17,415
Marketing and advertising	3,428	3,465
Electricity and Water	3,292	2,291
Maintenance	967	542
Subscriptions	629	625
Bank charges	77	310
Others	5,052	5,532
	<b>111,826</b>	<b>161,282</b>

**15. (Losses) / Earnings per Share for the Year**

(Losses) / earnings per share is calculated by dividing the (loss) / profit for the year over the weighted average number of shares during the year as follows:

	<b>2017</b>	<b>2016</b>
	<b>JD</b>	<b>JD</b>
(Loss) / Profit for the year	(31,738)	658
	<b>Shares</b>	<b>Shares</b>
Weighted average number of share	10,000,000	10,000,000
	<b>JD/Share</b>	<b>JD/Share</b>
<b>(Losses) / Earnings per Share (Basic and Diluted)</b>	<b>(0/0032)</b>	<b>0/00010</b>

## **16. Related Parties Balances and Transactions**

The balances and transactions with related parties for the year were as follows:

### **Consolidated Financial Position Items:**

	<b>December 31, 2017</b>		<b>December 31, 2016</b>	
	<b>Due from Related Parties</b>	<b>Due to Related Parties</b>	<b>Due from Related Parties</b>	<b>Due to Related Parties</b>
	<b>JD</b>	<b>JD</b>	<b>JD</b>	<b>JD</b>
Jordan International Insurance Company (Parent Company)	229	-	6,228	-
United Group for Management and Investments (A Company owned by one of the Board Of Directors	-	-	-	-
Board of Directors and their relatives	175	-	580	-
Total	<b>404</b>	<b>-</b>	<b>6,808</b>	<b>-</b>

### **Consolidated Statement of Income and Other Comprehensive Income Items:**

	<b>For the Year Ended December 31,</b>			
	<b>2017</b>		<b>2016</b>	
	<b>Revenue</b>	<b>Expense</b>	<b>Revenue</b>	<b>Expense</b>
	<b>JD</b>	<b>JD</b>	<b>JD</b>	<b>JD</b>
Jordan International Insurance Company (Parent Company)	31,279	5,003	5,500	4,965
	<b>31,279</b>	<b>5,003</b>	<b>5,500</b>	<b>4,965</b>

- During this period, fixed assets were sold of the parent company resulted in profit to JD 18,499.

### **Salaries and bonuses of Executive Management**

The salaries and bonuses of executive management amounted to JD 15,354 for the year ended December 31, 2017 (JD 47,358 for the year ended December 31, 2016).

## **17. Risk Management**

### **a. Capital risk management**

The Company manages its capital to ensure that it will be able to continue as a going concern while maximizing the return to equity holders as well as other stakeholders through optimizing the debt to equity ratio. No changes have been made to the policies since 2016.

The Company adopts a policy of maintaining a reasonable debt-to-equity ratio (calculated by dividing total debts by total equity).

### **b. Liquidity risk**

Liquidity risk, also referred to as funding risk, is the risk that the Company will encounter difficulty in raising funds to meet its commitments. The Company manages liquidity risk by maintaining adequate reserves, continuously monitoring actual cash flows, and matching the maturities of financial assets and financial liabilities. Furthermore, a portion of the Company's funds is invested in cash bank balances which are readily available to meet short-and medium-term funding and liquidity management requirements.

**c. Credit risk**

Credit risk refers to the risk that a counterparty will default on its contractual obligations resulting in financial loss to the Company. The Company has adopted a policy of dealing with only creditworthy counterparties and obtaining sufficient collateral, where appropriate, as a means of mitigating the risk of financial loss from defaults. Management believes that credit risk is not material.

**d. Market risk**

Market risks refers to the losses that might arise from the changes in market prices such as changes in interest rates, foreign currency prices, and prices of equity instruments, and consequently, the fair value of cash flows for financial instruments on- and off-the consolidated statement of financial position.

The following table summarizes the effect of the increase (decrease) in Amman Financial Market index by 5% over the fair value of the financial assets at fair value through other comprehensive income. This is reflected in the statement of equity as of the statement of financial position date. The sensitivity analysis has been prepared on the assumption that the prices of shares move at the same rate of change of the market index:

	+ 5%		- 5%	
	For the Year Ended		For the Year Ended	
	December 31,		December 31,	
	2017	2016	2017	2016
	JD	JD	JD	JD
<b><u>consolidated Statement of Income</u></b>	5,707	1,072	(5,707)	(1,072)

	+ 5%		- 5%	
	December 31,		December 31,	
	2017	2016	2017	2016
	JD	JD	JD	JD
<b><u>Shareholders' Equity</u></b>	5,707	1,072	(5,707)	(1,072)

The Company is not exposed to the risk of fluctuations in foreign currencies exchange rates, as the settlements with clients are made in the local currency. As of the date of the consolidated statement of financial position, the Company did not have any assets in foreign currency, and management believes that the currency risk is immaterial.

**e. Foreign currency risk**

The Company's major foreign currency transactions are denominated in JD. The Company's currency risk relates to changes in exchange rates applicable to the settlements in foreign currencies. However, as the Jordanian Dinar (the Company's functional currency) is pegged to the US Dollar, the Company's management believes that the foreign currency risk is minimal.

**f. Interest rate risk**

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

The Company manages its exposure to interest rate risk continuously and revalues various options such as refinancing, renewal of current positions, alternative financing.

The Company has deposits at banks and monitors market interest rates periodically to determine the feasibility of investing in those deposits. The following is the impact of the increase (decrease) in interest rates on the profit from those investments at the date of the consolidated financial statements:

	2017		2016	
	0.5%	(0.5%)	0.5%	(0.5%)
	JD	JD	JD	JD
Deposits	4,843	(4,843)	5,368	(5,368)

**18. Contingent Liabilities**

- a- As of the condensed consolidated interim financial statements date, the Company had contingent liabilities representing bank letters of guarantees of JD 6,000.
- b- A claim was lodged against the Company by the Free Zone Corporation with an amount of JD 68,500. The claim represents service fees, operational costs, and penalties related to the Company-owned buildings in Halabat Industrial Zone. Consequently, the Company has filed a lawsuit to preclude a claim at the Amman Court of First Instance. Furthermore, a decision was issued prohibiting the Company to claim the above-mentioned amount and dismiss the apprehendable money of the company and guarantee the defendant to take the fees. Moreover, the defendant has presented an appeal and a response on that appeal was made. Therefore, the lawsuit is currently going through the appeal phase. In the opinion of the Company's management and its legal consultant, the Company will not incur any amounts in excess of the provisions taken as of December 31, 2017.

**19. Lawsuits against the Company**

There are lawsuits filed against the Company at courts claiming compensation for labour issues a total amount of JD 2,692 as of December 31, 2017 where the case has been dropped temporarily because the claimant did not attend.

There is a lawsuit against Telal Salem company (Subsidiary). This lawsuit is to terminate the sale of lands' contracts. The case is currently in the court going through the presentation of the evidence. In the opinion of the company's lawyer, no need to book any lawsuits provision against this case since the legal status of the Company is good.

## 20 Fair Value Hierarchy

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

Some financial assets and financial liabilities of the company are evaluated at fair value at the end of each fiscal period. The following table shows the information about how to determine the fair value of these financial assets and liabilities (evaluation methods and inputs used):

Financial Assets / Financial Liabilities	Fair Value as of December 31	The Level of Fair Value	Valuation and Inputs and Technique	Significant Unobservable Inputs	Relationship of Unobservable Inputs to fair Value
	2017				
	JD				
<b>Financial assets at fair value</b>					
Quoted shares	92,700	Level 1	prices announced in Financial Markets	N/A	N/A
Companies Shares	21,436	Level 2	Compared to its current market value with a similar financial instrument	N/A	N/A
Total	<b>114,136</b>				

There were transfers between Level 1 and 2 during the year 2017 and the year 2016.

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

Except for what is detailed in the following table, we believe that the carrying amount of financial assets and financial liabilities shown in the Company's consolidated financial statements approximate their fair value. This is due to the management of the Company believes that the coming amount for the item below is approximately its fair value. This is due to the short-term maturity of financial assets and that their interest rates are repriced during the year.

Financial Assets / Financial Liabilities	December 31, 2017		December 31, 2016		Fair Value Hierarchy
	Book Value	Fair Value	Book Value	Fair Value	
	JD	JD	JD	JD	
<b>Financial assets undermined at fair value</b>					
Deposits at bank	968,601	971,468	1,073,658	1,074,986	Level 2
Investment property	8,155,406	10,617,387	8,190,315	10,757,579	Level 2
<b>Total Financial Assets Non-Specific Fair Value</b>	<b>9,124,007</b>	<b>11,588,855</b>	<b>9,263,973</b>	<b>11,832,565</b>	

The fair value of the above items has been determined for the 2<sup>nd</sup> and 3<sup>rd</sup> level of financial assets and liabilities based on agreed upon pricing models that reflect the credit risk of the other parties that the Company deals with.

## 21. Sectorial and Geographical Distribution

- For management purposes, the Company's activities have been considered within one sector, representing investments comprised of real estate investments and financial investments at fair value through profit and loss.
- All of the Company's assets and activities are inside Jordan.