



المسوق الحرة الأردنية  
JORDANIAN DUTY FREE SHOPS

الرقم : ١٢/٤ / ٢٠١٨

التاريخ : ٢٠١٩/٣/١٩

السادة / بورصة عمان المحترمين

تحية وبعد،،،،

ارفق لكم طيا القوائم المالية المرحلية المختصرة الموحدة باللغة الانجليزية كما في ٣١ كانون ثاني ٢٠١٨ مع تقرير المراجعة.

وتفضلوا بقبول فائق الاحترام،،،،،

الرئيس التنفيذي

الهيثم المجالي

بورصة عمان	
الدائرة الإدارية والمالية	
الديوان	
٢١ آذار ٢٠١٩	
الرقم التسلسلي:	١٣٤٨
رقم الملف:	٣١٥٢٢
الجهة المختصة:	١١/١١/١١

✓  
٢٠١٩  
١١/١١/١١

JORDANIAN DUTY FREE SHOPS  
PUBLIC SHAREHOLDING COMPANY  
CONSOLIDATED FINANCIAL STATEMENTS  
31 DECEMBER 2018



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## **INDEPENDENT AUDITOR'S REPORT**

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

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

#### **Opinion**

We have audited the financial statements of Jordan Duty Free Shops (Public Shareholding Company) and its subsidiaries (the Group), which comprise the consolidated statement of financial position as at 31 December 2018, and the consolidated income statement, 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 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 Company as at 31 December 2018, and its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards (IFRSs).

#### **Basis for Opinion**

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



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## 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 for the year ended 31 December 2018. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters. For each matter below, our description of how our audit addressed the matter provided in that context .

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

### Key Audit Matter 1: Revenue recognition

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

Our audit procedures included considering the appropriateness of the Group's revenue recognition policy and assessing compliance with the policy in terms of applicable accounting standards. We also tested the Group's controls around revenue recognition and key controls in the revenue cycle. We have also performed analytical procedures for the gross margin on a monthly basis.

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

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



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## **Other information included in the Group's 2018 annual report.**

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

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

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

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

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

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

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

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

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

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



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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 consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However future events or conditions may cause the Group to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

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



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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.

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 which are in agreement with the financial statements.

The partner in charge of the audit resulting in this auditor's report was Waddah Isam Barkawi; license number 591.

Amman – Jordan  
18 February 2019

*Ernst & Young*

**JORDANIAN DUTY FREE SHOPS**  
**PUBLIC SHAREHOLDING COMPANY**  
**CONSOLIDATED STATEMENT OF FINANCIAL POSITION**  
**AT 31 DECEMBER 2018**

	<u>Notes</u>	<u>2018</u> JD	<u>2017</u> JD
<b><u>ASSETS</u></b>			
<b>Non – current assets</b>			
Property and equipment	3	7,313,302	7,290,345
Projects in progress	4	3,321,748	1,149,087
Intangible assets	5	1,066,667	1,466,667
Advances on land purchase	6	3,629,410	3,629,410
Financial assets at fair value through other comprehensive income	7	1,550	1,550
<b>Total non – current assets</b>		<u>15,332,677</u>	<u>13,537,059</u>
<b>Current assets</b>			
Trade receivables	8	263,356	260,298
Inventories	9	16,122,140	10,254,832
Other receivables	10	2,064,944	1,709,699
Cash in hand and at banks	11	42,736,516	39,909,377
		<u>61,186,956</u>	<u>52,134,206</u>
<b>Total assets</b>		<u>76,519,633</u>	<u>65,671,265</u>
<b><u>EQUITY AND LIABILITIES</u></b>			
<b>Equity</b>			
Paid in capital	1	22,500,000	22,500,000
Statutory reserve	12	7,500,000	7,500,000
Voluntary reserve	12	2,578,582	2,578,582
Fair value reserve	7	(4,150)	(4,150)
Retained earnings		38,538,132	28,161,600
<b>Total Equities</b>		<u>71,112,564</u>	<u>60,736,032</u>
<b><u>LIABILITIES</u></b>			
<b>Non – current liabilities</b>			
Other commitments provision	13	513,913	668,463
<b>Current liabilities</b>			
Trade payables	14	2,330,131	1,393,243
Other payables	15	2,563,025	2,873,527
		<u>4,893,156</u>	<u>4,266,770</u>
<b>Total liabilities</b>		<u>5,407,069</u>	<u>4,935,233</u>
<b>TOTAL EQUITY AND LIABILITIES</b>		<u>76,519,633</u>	<u>65,671,265</u>



**JORDANIAN DUTY FREE SHOPS  
PUBLIC SHAREHOLDING COMPANY  
CONSOLIDATED INCOME STATEMENT  
FOR THE YEAR ENDED 31 DECEMBER 2018**

	<u>Notes</u>	<u>2018</u> <u>JD</u>	<u>2017</u> <u>JD</u>
Sales	23	101,831,043	94,773,102
Less: service fees		(10,680,104)	(9,929,108)
Net sales	23	91,150,939	84,843,994
Less: cost of sales	23	(52,897,335)	(49,999,388)
Gross profit		38,253,604	34,844,606
Other income	16	641,834	919,342
Interest income		1,932,123	1,194,472
Sales and distribution expenses	17	(5,545,550)	(5,149,490)
Administrative expenses	18	(4,977,975)	(4,686,733)
Damaged goods expenses		(24,399)	(60,424)
Board of Directors benefits		(45,000)	(45,000)
Depreciation and amortization		(1,375,712)	(1,230,951)
Profit before income tax		28,858,925	25,785,822
Income tax expenses	21	(482,393)	(391,837)
Profit for the year		28,376,532	25,393,985
		<u>JD/Fills</u>	<u>JD/Fills</u>
Basic and diluted earnings per share attributable to the Company's shareholders	19	1/261	1/129

JORDANIAN DUTY FREE SHOPS  
PUBLIC SHAREHOLDING COMPANY  
CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME  
YEAR ENDED 31 DECEMBER 2018

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	<u>2018</u> JD	<u>2017</u> JD
<b>Profit for the year</b>	28,376,532	25,393,985
Add: other comprehensive income items after tax not to be realised in profit and loss subsequently:		
Change in fair value of financial assets at fair value through other comprehensive income	-	-
<b>Total comprehensive income for the year</b>	<u><u>28,376,532</u></u>	<u><u>25,393,985</u></u>

**JORDANIAN DUTY FREE SHOPS**  
**PUBLIC SHAREHOLDING COMPANY**  
**CONSOLIDATED STATEMENT OF CHANGES IN EQUITY**  
**YEAR ENDED 31 DECEMBER 2018**

	Paid in capital	Statutory reserve	Voluntary reserve	Fair value reserve	Retained earnings	Total
	JD	JD	JD	JD	JD	JD
<b>2018</b>						
Balance as of 1 January 2018	22,500,000	7,500,000	2,578,582	(4,150)	28,161,600	60,736,032
Total comprehensive income for the year	-	-	-	-	28,376,532	28,376,532
Dividends (note 20)	-	-	-	-	(18,000,000)	(18,000,000)
Balance as of 31 December 2018	22,500,000	7,500,000	2,578,582	(4,150)	38,538,132	71,112,564
<b>2017</b>						
Balance as of 1 January 2017	7,500,000	7,500,000	7,500,000	(4,150)	29,469,203	51,965,053
Total comprehensive income for the year	-	-	-	-	25,393,985	25,393,985
Capital increase (Note 1)	15,000,000	-	(7,500,000)	-	(7,500,000)	-
Capital increase expenses	-	-	-	-	(123,006)	(123,006)
Dividends (note 20)	-	-	-	-	(16,500,000)	(16,500,000)
Transfer to reserves	-	-	2,578,582	-	(2,578,582)	-
Balance as of 31 December 2017	22,500,000	7,500,000	2,578,582	(4,150)	28,161,600	60,736,032

The attached notes 1 to 31 form part of these consolidated financial statements

JORDANIAN DUTY FREE SHOPS  
PUBLIC SHAREHOLDING COMPANY  
CONSOLIDATED STATEMENT OF CASH FLOWS  
YEAR ENDED 31 DECEMBER 2018

	<u>Notes</u>	<u>2018</u> JD	<u>2017</u> JD
<b><u>Operating Activities</u></b>			
Profit for the year before income tax		28,858,925	25,785,822
<b>Adjustments for:</b>			
Depreciation and amortization	3,5	1,375,712	1,230,951
Damaged goods expenses		24,399	60,424
Interest income		(1,932,123)	(1,194,472)
Gains on sale of Property and equipment		(36,370)	(4,896)
<b>Working capital changes</b>			
Inventories		(5,891,707)	257,045
Trade receivables		(3,058)	(10,264)
Other receivables		(310,857)	(42,581)
Trade payables		936,888	(919,199)
Other payables		(291,663)	895,575
Paid from other commitments provision		(154,550)	(132,616)
Income tax paid		(501,232)	(274,473)
<b>Net cash flows from operating activities</b>		<u>22,074,364</u>	<u>25,651,316</u>
<b><u>Investing Activities</u></b>			
Purchase of property and equipment and projects in progress		(3,218,372)	(1,925,260)
Proceeds from sale of property and equipment		83,412	51,686
Deposits		(4,030,142)	(6,746,186)
Interest received		1,887,735	853,875
<b>Net cash flows used in investing activities</b>		<u>(5,277,367)</u>	<u>(7,765,885)</u>
<b><u>Financing Activities</u></b>			
Dividends		(18,000,000)	(16,500,000)
Capital increase expenses		-	(123,006)
<b>Net cash flows used in financing activities</b>		<u>(18,000,000)</u>	<u>(16,623,006)</u>
(Decrease) increase in cash and cash equivalents		(1,203,003)	1,262,425
Cash and cash equivalents, beginning of the year		6,279,139	5,016,714
<b>Cash and cash equivalents, end of the year</b>	25	<u>5,076,136</u>	<u>6,279,139</u>

JORDANIAN DUTY FREE SHOPS  
PUBLIC SHAREHOLDING COMPANY  
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENT  
YEAR ENDED 31 DECEMBER 2018

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**1 GENERAL**

Jordan Duty Free Company was established as a Public Shareholding Company on 28 September 1996 with an authorized and paid capital of JD 5,000,000 divided into 5,000,000 shares at a nominal value of JD 1 per share. The general assembly approved in its extraordinary meeting held on 17 March 2011 to increase the Company's capital to JD 7,500,000 by capitalizing part of the retained earnings. In addition, the general assembly approved in its extraordinary meeting held on 21 December 2017 to increase the Company's capital to JD 22,500,000 by capitalizing JD 7,500,000 of the retained earnings and JD 7,500,000 from the voluntary reserve. The share capital increase was approved by the Ministry of Industry and Trade on 26 December 2017 and the Securities Commission on 7 January 2018.

The Group's major activity is to establish, operate, manage and invest in duty-free shops at border crossings and any other location allowed by the official authorities where the Company obtained the exclusive rights to establish duty-free shops on border crossings for 10 years starting from 30 August 2001; the Company should pay 8% of its gross sales as service fees to the General Treasury in return for such rights. During 2009, the exclusive rights agreement was extended for additional 10 years starting from 31 August 2011 until 30 August 2021 for a payment of JD 4,000,000 and payment of 9% of its gross monthly sales as service fees to the General Treasury effective from the date of rights extension except for the sales from Special Economic Zone as it is subject to Aqaba Special Economic Zone regulations, starting from 1 January 2017 the Company should pay 10.5% of its monthly gross sales to Ministry of Finance.

The Group's Board of Directors have approved the consolidated financial statements on 11 February 2019.

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

**2-1 BASIS OF PREPARATION**

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

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

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

JORDANIAN DUTY FREE SHOPS  
PUBLIC SHAREHOLDING COMPANY  
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENT  
YEAR ENDED 31 DECEMBER 2018

**Basis of consolidation of financial statements**

The consolidated financial statements comprise the financial statements of the Company and its subsidiaries as follows (referred to them collectively as the Group) as of 31 December 2018.

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

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

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

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

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

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

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

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

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

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

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

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

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

The accounting policies used in the preparation of the financial statements are consistent with those used in the preparation of the annual financial statements for the year ended 31 December 2017 except for the followings:

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

IFRS 15 supersedes IAS 11 Construction Contracts, IAS 18 Revenue and related Interpretations and it applies to all revenue arising from contracts with customers, unless those contracts are in the scope of other standards. The new standard establishes a five-step model to account for revenue arising from contracts with customers. Under IFRS 15, revenue is recognised at an amount that reflects the consideration to which an entity expects to be entitled in exchange for transferring goods or services to a customer.

The standard requires entities to exercise judgement, taking into consideration all of the relevant facts and circumstances when applying each step of the model to contracts with their customers. The standard also specifies the accounting for the incremental costs of obtaining a contract and the costs directly related to fulfilling a contract.

The Company adopted IFRS 15 using the modified retrospective approach.

There was no effect on the financial statements upon implementing IFRS 15.

### **IFRS 9 Financial Instruments**

IFRS 9 Financial Instruments replaces IAS 39 Financial Instruments: Recognition and Measurement for annual periods beginning on or after 1 January 2018, bringing together all three aspects of the accounting for financial instruments: classification and measurement; impairment; and hedge accounting.

The Company had previously 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 standard has been applied retrospectively and, in line with IFRS 9, comparative amounts have not been restated.

IFRS 9 requires the Company to record an allowance for expected credit loss (ECL) for all debt instruments measured at amortized cost

The standard eliminates the use of the IAS 39 incurred loss impairment model approach, uses the revised hedge accounting framework, and the revised guidance on the classification and measurement requirements.

#### **Impairment**

The adoption of IFRS 9 has changed the Company's accounting for impairment losses for financial assets by replacing IAS 39's incurred loss approach with a forward-looking expected credit loss (ECL) approach.

For all debt instruments, the Company has applied the simplified approach and has calculated ECL based on lifetime expected credit losses. The Company has established a provision matrix that is based on the Company's historical credit loss experience, adjusted for forward-looking factors specific to the debtors and the economic environment.

This implementation of expected credit loss approach does not have any material impact on the Group's financial statements.

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

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 non-monetary asset or non-monetary liability arising from the advance consideration. If there are multiple payments or receipts in advance, then the entity must determine a date of the transactions for each payment or receipt of advance consideration.

This Interpretation does not have any impact on the Company's financial statements.



**Amendments to IAS 40 Transfers of Investment Property**

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.

These amendments do not have any impact on the Company's financial statements.

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

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. On adoption, entities are required to apply the amendments without restating prior periods, but retrospective application is permitted if elected for all three amendments and other criteria are met.

These amendments do not have any impact on the Company's financial statements.

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

The amendments address concerns arising from implementing the new financial instrument standard, IFRS 9, before implementing IFRS 17 *insurance contracts*, which replaces IFRS 4.

The amendments introduce two options for entities issuing contracts: a temporary exemption from applying IFRS 9 and an overlay approach.

These amendments do not have any impact on the Company's financial statements.

**Amendments to IAS 28 Investments in Associates and Joint Ventures - Clarification that measuring investees at fair value through profit or loss is an investment-by-investment choice**

The amendments clarify that an entity that is a venture capital organisation, or other qualifying entity, may elect, at initial recognition on an investment-by-investment basis, to measure its investments in associates and joint ventures at fair value through profit or loss. If an entity, that is not itself an investment entity, has an interest in an associate or joint venture that is an investment entity, the entity may, when applying the equity method, elect to retain the fair value measurement applied by that investment entity associate or joint venture to the investment entity associate's or joint venture's interests in subsidiaries. This election is made separately for each investment entity associate or joint venture, at the later of the date on which:

- (a) the investment entity associate or joint venture is initially recognised;
- (b) the associate or joint venture becomes an investment entity;
- (c) the investment entity associate or joint venture first becomes a parent.

These amendments do not have any impact on the Company's financial statements.

**2-3 USE OF ESTIMATES**

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

**Allowance for expected credit loss**

Allowance for expected credit loss on receivables is reviewed in accordance with the simplified approach and under the principles and assumptions approved by the Group's management to estimate the allowance amount in accordance with IFRS requirements.

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

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

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

### **Property and equipment**

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

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

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

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

### **Projects in progress**

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

### **Intangible assets**

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

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

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

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

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

### **Inventories**

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

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

### **Trade receivables**

Trade receivables are stated at original invoice amount less allowance for the expected credit loss. The expected credit loss provision is calculated using the simplified approach of IFRS (9).

### **Cash and cash equivalents**

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

### **Fair value**

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

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

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

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

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

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

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

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

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

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

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

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

#### **Trade payables and accruals**

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

### **Provisions**

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

### **Income tax**

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

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

### **Revenue recognition**

Revenue recognized in accordance with the five-step model of IFRS 15 which includes identifying the contract with the customer, identifying all the individual performance obligations within the contract, determining the transaction price, allocating the price to the performance obligations, and recognize revenue as the performance obligations are fulfilled. Where revenue is recognized for the sale of goods when the sale transaction is completed and the invoice is issued to customers, which usually takes place at a certain point of time.

Interest revenue is recognized on accrual basis.

### **Offsetting**

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

### **Foreign currencies**

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

### **Segment reporting**

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

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

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**3. PROPERTY AND EQUIPMENT**

<u>2018 -</u>	<u>Land</u> JD	<u>Building</u> JD	<u>Furniture and fixtures</u> JD	<u>Vehicles</u> JD	<u>Machinery and equipment</u> JD	<u>Computers</u> JD	<u>Total</u> JD
<b>Cost</b>							
Balance at 1 January 2018	411,210	9,121,265	1,572,618	996,363	930,647	1,101,490	14,133,593
Additions	-	-	13,768	179,661	80,604	122,700	396,733
Disposals	-	-	(121,309)	(152,676)	(10,278)	(25,786)	(310,049)
Transfer from work in progress	-	425,981	118,104	-	82,450	22,443	648,978
<b>Balance at 31 December 2018</b>	<b>411,210</b>	<b>9,547,246</b>	<b>1,583,181</b>	<b>1,023,348</b>	<b>1,083,423</b>	<b>1,220,847</b>	<b>14,869,255</b>
<b>Accumulated depreciation</b>							
Balance at 1 January 2018	-	3,779,825	1,165,244	506,540	602,458	789,181	6,843,248
Depreciation for the year	-	572,654	90,017	123,651	91,537	97,853	975,712
Disposals	-	-	(120,775)	(121,779)	(7,483)	(12,970)	(263,007)
<b>Balance at 31 December 2018</b>	<b>-</b>	<b>4,352,479</b>	<b>1,134,486</b>	<b>508,412</b>	<b>686,512</b>	<b>874,064</b>	<b>7,555,953</b>
<b>Net book value</b>							
<b>At 31 December 2018</b>	<b>411,210</b>	<b>5,194,767</b>	<b>448,695</b>	<b>514,936</b>	<b>396,911</b>	<b>346,783</b>	<b>7,313,302</b>

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<b>2017 -</b>		<b>Land</b>		<b>Building</b>		<b>Furniture and fixtures</b>		<b>Vehicles</b>		<b>Machinery and equipment</b>		<b>Computers</b>		<b>Total</b>	
<b>Cost</b>		<b>JD</b>		<b>JD</b>		<b>JD</b>		<b>JD</b>		<b>JD</b>		<b>JD</b>		<b>JD</b>	
Balance at 1 January 2017		411,210		6,679,756		1,310,195		945,214		790,661		846,365		10,983,401	
Additions		-		2,350		14,240		152,433		78,251		39,457		286,731	
Disposals		-		-		(3,509)		(101,284)		(207)		-		(105,000)	
Transfer from work in progress		-		2,439,159		251,692		-		61,942		215,668		2,968,461	
Balance at 31 December 2017		411,210		9,121,265		1,572,618		996,363		930,647		1,101,490		14,133,593	
Accumulated depreciation															
Balance at 1 January 2017		-		3,319,968		1,084,064		448,129		510,436		707,910		6,070,507	
Depreciation for the year		-		459,857		84,689		112,905		92,229		81,271		830,951	
Disposals		-		-		(3,509)		(54,494)		(207)		-		(58,210)	
Balance at 31 December 2017		-		3,779,825		1,165,244		506,540		602,458		789,181		6,843,248	
Net book value															
At 31 December 2017		411,210		5,341,440		407,374		489,823		328,189		312,309		7,290,345	



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**4 PROJECTS IN PROGRESS**

	2018	2017
	JD	JD
First Shops project (Aqaba)	2,440,415	585,314
Admin Building Expansion	329,120	168,644
Warehouse management system project	204,815	-
Wadi Araba Project / Arrivals	117,128	79,015
Omari Shop project	103,891	58,995
AL Karamah Shop Project	93,569	73,469
King Hussain Bridge Shop project	-	73,038
Sheikh Hussain Shop Project	-	70,844
Others	32,810	39,768
	<u>3,321,748</u>	<u>1,149,087</u>

Expected cost to complete the projects in progress as of 31 December 2018 is approximately JD 14,485,410 and it is expected to complete such projects during 2019.

Movement in projects in progress was as follows:

	2018	2017
	JD	JD
Balance as at 1 January	1,149,087	2,479,019
Additions	2,821,639	1,638,529
Transfers to property and equipment	(648,978)	(2,968,461)
Balance as at 31 December	<u>3,321,748</u>	<u>1,149,087</u>

**5 INTANGIBLE ASSETS**

Intangible assets represents the amount paid to General Treasury for the exclusive rights to establish duty-free shops on border crossings for 10 years starting from 30 August 2001; the Company should pay 8% of its gross sales as service fees to the General Treasury in return for such rights. During 2009, the exclusive rights agreement was extended for additional 10 years starting from 31 August 2011 until 30 August 2021 for a payment of JD 4,000,000 and payment of 9% of its gross monthly sales as service fees to the General Treasury effective from the date of rights extension except for the sales from Special Economic Zone as it is subject to Aqaba Special Economic Zone regulations, starting from 1 January 2017 the Company should pay 10.5% of its monthly gross sales to the Ministry of Finance as follows:

- 9% as Service Fees to General Treasury.
- 1.5% as Operating Expenses to Jordanian Customs.

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	2018 JD	2017 JD
<b>Cost-</b>		
Balance as at 1 January	8,000,000	8,000,000
Additions	-	-
Balance as at 31 December	8,000,000	8,000,000
<b>Accumulated amortization-</b>		
Balance as at 1 January	6,533,333	6,133,333
Amortization for the year	400,000	400,000
Balance as at 31 December	6,933,333	6,533,333
<b>Net Book Value as at 31 December</b>	<b>1,066,667</b>	<b>1,466,667</b>

#### 6 ADVANCES ON LAND PURCHASE

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

In September 2016, the subsidiary purchased additional land plot next to the original plot from Aqaba Development Company with a value of JD 1,822,200 as per amendment to the agreement. Hence total land value is JD 3,629,410 as of 31 December 2018.

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

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

	2018 JD	2017 JD
Jordan Press and Publishing Company – Al Dustour	1,550	1,550
	1,550	1,550

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

	<u>2018</u> JD	<u>2017</u> JD
Balance as at 1 January	(4,150)	(4,150)
Change during the year	-	-
Balance as at 31 December	<u>(4,150)</u>	<u>(4,150)</u>

**8 TRADE RECEIVABLES**

	<u>2018</u> JD	<u>2017</u> JD
Trade receivables	441,479	438,421
Less: provision for expected credit loss	<u>(178,123)</u>	<u>(178,123)</u>
	<u>263,356</u>	<u>260,298</u>

Provision for expected credit loss balance amounted to JD 178,123 as of 31 December 2018 and 2017.

As at 31 December, the ageing of receivables net of expected credit loss is as follows:

	<u>Past due but not impaired</u>				<u>Total</u> JD
	<u>1- 30</u> Days JD	<u>31 – 90</u> days JD	<u>91 – 120</u> days JD	<u>121-180</u> days JD	
2018	123,277	8,241	20,624	111,214	263,356
2017	129,073	-	-	131,225	260,298

**9 INVENTORIES**

	<u>2018</u> JD	<u>2017</u> JD
Inventories	16,195,158	10,327,850
Provision for slow moving items	<u>(73,018)</u>	<u>(73,018)</u>
	<u>16,122,140</u>	<u>10,254,832</u>

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Movement on the provision for slow moving item as follows:

	2018	2017
	JD	JD
Balance as of 1 January	73,018	169,044
Reversal of provision	-	(96,026)
Balance as of 31 December	73,018	73,018

**10 OTHER RECEIVABLES**

	2018	2017
	JD	JD
Accrued interest income	714,416	758,804
Prepaid expenses	590,439	492,383
Other accrued income	74,262	165,152
Advances to vendors	577,530	234,766
Refundable deposit	32,172	13,425
Sales Tax receivable	840	-
Employees receivable	50,353	19,772
Others	24,932	25,397
	2,064,944	1,709,699

**11 CASH IN HAND AND AT BANKS**

	2018	2017
	JD	JD
Cash on hand	40,173	16,595
Cash at banks – current accounts	5,035,963	6,262,544
Cash at banks – deposits*	37,660,380	33,630,238
	42,736,516	39,909,377

\* Deposits are from three months to one year bearing annual interest rates ranging from 4,35% to 6% for the year 2018 (2017: 3,75% to 4,1%)

**12 RESERVES**

**Statutory reserve -**

The accumulated amounts in this account represent cumulative appropriations of 10% of the net income before income tax during the current year and prior years in accordance with the Jordanian Companies Law. The Company may discontinue such annual transfer if the balance of the statutory reserve reaches 25% of the Company's capital. However, with the approval of the General Assembly, the Company may continue to accumulate this annual percentage until the statutory reserve is equal to the authorized capital of the Company. The statutory reserve is not available for distribution to the shareholders.

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**Voluntary reserve -**

The accumulated amounts in this account represent cumulative appropriations not exceeding 20% of the annual profit before tax. This reserve is available for distribution to the shareholders. The general assembly approved in its extraordinary meeting held on 21 December 2017 to increase its capital to become JD 22,500,000 by capitalizing 7,500,000 part of the voluntary reserve and capitalizing 7,500,000 part of retained earnings. The share capital increase was approved by the Ministry of Industry and Trade on 26 December 2017 and by Jordan Securities Commission on 7 January 2018.

**13 OTHER COMMITMENTS PROVISION**

The movement on other commitments provision is as follow:

	<u>2018</u>	<u>2017</u>
	JD	JD
Beginning balance	668,463	801,079
Paid during the year	(154,550)	(132,616)
Ending balance	<u>513,913</u>	<u>668,463</u>

**14 TRADE PAYABLES**

	<u>2018</u>	<u>2017</u>
	JD	JD
Local vendors	935,371	935,589
Foreign vendors	1,394,760	457,654
	<u>2,330,131</u>	<u>1,393,243</u>

**15 OTHER PAYABLES**

	<u>2018</u>	<u>2017</u>
	JD	JD
Accrued expenses	220,145	172,009
Treasury fees payable	1,045,554	1,174,944
Board of Directors benefits payable	45,000	45,000
Accrued bonus	866,624	1,016,062
Due to social solidarity fund	144,232	162,291
Stamps fees payable	10,118	28,174
Income tax payable (note 21)	217,344	236,183
Sales tax payable	10,172	34,938
Others	3,836	3,926
	<u>2,563,025</u>	<u>2,873,527</u>

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**16 OTHER INCOME**

	2018	2017
	JD	JD
Shelves rental income	300,305	343,202
Commercial income	58,060	59,425
Stock compensation income	154,685	237,462
Target incentives income	80,322	221,783
Gain on sale of property and equipment	36,370	4,896
Others	12,092	52,574
	<u>641,834</u>	<u>919,342</u>

**17 SALES AND DISTRIBUTION EXPENSES**

	2018	2017
	JD	JD
Salaries, wages and other benefits	3,240,309	3,179,371
Health insurance expenses	206,151	142,778
Social security contribution	346,563	318,360
Shops rent expenses	493,909	488,684
Travel and transportation expenses	123,146	115,058
Water and electricity	308,442	314,325
Advertising expense	493,214	373,427
Maintenance expenses	45,617	32,789
Housing allowances expenses	66,832	50,480
Transportation allowances expense	36,933	37,755
Security expenses	34,600	33,798
Communications	72,149	39,657
Hospitality	13,109	15,742
Clothing expenses	59,174	-
Others	5,402	7,266
	<u>5,545,550</u>	<u>5,149,490</u>

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**18 ADMINISTRATIVE EXPENSES**

	2018	2017
	JD	JD
Salaries, wages and other benefits	2,754,872	2,715,203
Social security contribution	274,037	253,769
Maintenance expenses	49,041	62,895
Travel and transportation expenses	396,648	305,157
Water and electricity	87,681	77,694
Printing and stationary	68,837	68,173
Postal and communication expenses	81,301	83,641
Insurance	75,891	80,525
Professional fees	53,810	72,609
Security expenses	20,955	15,803
Donations	194,284	168,220
Rent expenses	125,148	125,804
Hospitality expenses	50,310	45,427
Board of Directors transportation allowances and benefits	155,271	159,450
Government fees and licenses	23,394	21,779
Health insurance expenses	172,071	193,223
Bank charges	52,187	34,959
Training expenses	144,609	95,598
Projects incentives	2,600	7,230
Stamps expenses	85,856	23,400
Meeting expenses	20,224	19,950
Programs license expenses	38,708	27,656
Others	50,240	28,568
	<u>4,977,975</u>	<u>4,686,733</u>

**19 EARNINGS PER SHARE**

	2018	2017
Profit for the year (JD)	28,376,532	25,393,985
Weighted average number of shares (share)	22,500,000	22,500,000
Basic and diluted earnings per share (JD/ Fils)	<u>1/261</u>	<u>1/129</u>

## 20 DIVIDENDS

The general assembly approved in its ordinary meeting held on 12 April 2018, the distribution of cash dividends amounted to JD 18,000,000 representing 80% of the paid in capital for the year 2018 (2017: JD 16,500,000).

## 21 INCOME TAX

Income tax is calculated on interest income and other income for the years ended 31 December 2018 and 31 December 2017 at a rate of 20% in accordance with the Income Tax Law No. (34) of 2014.

Based on the Council of Ministers decision in their meeting held on 10 April 2017, the exemption on goods and services from the main activity of the Group was renewed where income tax is calculated on interest income and other income only.

The Group reached a final settlement with the Income and Sales Tax Department for the years 2004 up to the year 2016.

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

The Income Tax Department has not reviewed the income tax declaration for the year 2017 up to the date of these consolidated financial statements.

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

The movement for income tax provision is as follow:

	<u>2018</u>	<u>2017</u>
	JD	JD
Beginning balance	236,183	118,819
Income tax expense	482,393	391,837
Income tax paid	(501,232)	(274,473)
Income tax provision	217,344	236,183
Effective tax rate	1.67%	1.52%
Statutory tax rate	20%	20%



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**22 LAWSUITS**

- There are number of labour lawsuits against the Group amounting to JD 17,175. In the opinion of the Group's management and law consultant, provisions for these lawsuits are sufficient.
- There are custom lawsuits against the Group amounting to JD 17,948. In the opinion of the Group's management and law consultant, provisions for these lawsuits are sufficient.

**23 SEGMENTAL INFORMATION**

The below schedule summarizes the sales:

	2018	2017
	JD	JD
Tobacco	91,031,537	83,657,514
Alcohol	5,783,366	5,280,486
Others	5,016,140	5,835,102
	<u>101,831,043</u>	<u>94,773,102</u>

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

	Amman	North of Kingdom	South of Kingdom	Kingdom center	Total
	JD	JD	JD	JD	JD
<b>For the year ended 31 December 2018</b>					
Net sales	9,485,084	3,367,658	26,097,633	52,200,564	91,150,939
Cost of sales	(5,918,659)	(1,988,531)	(14,661,250)	(30,328,895)	(52,897,335)
Unallocated expenses					(11,968,636)
Other income and interest income					2,573,957
Income tax expense					(482,393)
Profit for the year					<u>28,376,532</u>
<b>For the year ended 31 December 2017</b>					
Net sales	8,093,261	1,661,217	29,047,913	46,041,603	84,843,994
Cost of sales	(5,058,611)	(958,188)	(16,976,622)	(27,005,967)	(49,999,388)
Unallocated expenses					(11,172,598)
Other income and interest income					2,113,814
Income tax expense					(391,837)
Profit for the year					<u>25,393,985</u>

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**24 TRANSACTIONS WITH RELATED PARTIES**

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

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

	<u>Nature of relationship</u>	<u>2018 JD</u>	<u>2017 JD</u>
<b>CASH AT BANKS</b>			
Current accounts – Jordan Investment Bank	Shareholder	2,340,884	1,088,536
Deposits – Jordan Investments Bank	Shareholder	13,000,000	6,000,000
<b>TRADE PAYABLES</b>	Shareholders	8,519	35,626
<b>OFF BALANCE SHEET ITEMS:</b>			
Bank guarantees- Jordan Investments Bank	Shareholder	3,035,739	2,105,108

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

	<u>2018 JD</u>	<u>2017 JD</u>
Interest income –Jordan Investment Bank(shareholder)	494,701	168,785
Purchases (shareholders)	1,450,114	1,006,501
Salaries, wages and other benefits- Group executive management	568,070	488,636
Salaries, wages and other benefits- Board of Directors members	499,705	429,617

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**25 CASH AND CASH EQUIVALENTS**

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

	<u>2018</u>	<u>2017</u>
	JD	JD
Cash on hand and at banks	42,736,516	39,909,377
Less: deposits at banks due from three months to one year	<u>(37,660,380)</u>	<u>(33,630,238)</u>
Cash and cash equivalent	<u>5,076,136</u>	<u>6,279,139</u>

**26 CONTINGENT LIABILITIES**

At 31 December 2018, the Group had outstanding letters of guarantee amounting to JD 3,035,739 (2017: JD 2,105,108) without cash margin as of 31 December 2018 and 2017.

**27 FAIR VALUE OF FINANCIAL INSTRUMENTS**

Financial instruments comprise of financial assets and financial liabilities.

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

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

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

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

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

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Assets measured at fair value  
2018-

Level 1	Total
JD	JD

Financial assets at fair value through other  
comprehensive income

1,550 1,550

2017-

Level 1	Total
JD	JD

Financial assets at fair value through other  
comprehensive income

1,550 1,550

## 28 RISK MANAGEMENT

### Interest rate risk

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

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

2018 -

Currency	Increase in interest rates	Effect on profit for the year
	Basis points	JD

JD 50 188,302

Currency	Decrease in interest rates	Effect on profit for the year
	Basis points	JD

JD (50) (188,302)

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2017 –

Currency	Increase in interest rates	Effect on profit for the year
	Basis points	JD
JD	50	168,151

Currency	Decrease in interest rates	Effect on profit for the year
	Basis points	JD
JD	(50)	(168,151)

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

#### Credit risk

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

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

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

#### Liquidity risk

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

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

	Less than 3 months JD
<b>2018-</b>	
Trade payables	<u>2,330,131</u>
	Less than 3 months JD
<b>2017-</b>	
Trade payables	<u>1,393,243</u>

#### Currency risk

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

## 29 CAPITAL MANAGEMENT

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

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

Capital comprises of paid in capital, statutory reserve, voluntary reserve, cumulative change in fair value and retained earnings, and is measured at an amount of JD 71,112,564 as at 31 December 2018 (2017: JD 60,736,032).

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

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

#### **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.

#### ***Transition to IFRS 16***

The Group has the option to adopt IFRS 16 retrospectively and restate each prior reporting period presented or using the modified retrospective approach by applying the impact as an adjustment on the opening retained earnings. The Group will elect to apply the standard to contracts that were previously identified as leases applying IAS 17 and IFRIC 4.

The Group will adopt IFRS 16 using the modified retrospective approach. During 2018, the Group has performed a detailed impact assessment of IFRS 16. The Company expect the effect of adopting IFRS 16 to be around JD 6,100,000 on the total assets and total liabilities.

### **IFRS 17 Insurance Contracts**

IFRS 17 provides a comprehensive model for insurance contracts covering the recognition and measurement and presentation and disclosure of insurance contracts and replaces IFRS 4 - Insurance Contracts. The standard applies to all types of insurance contracts (i.e. life, non-life, direct insurance and re-insurance), regardless of the type of entities that issue them, as well as to certain guarantees and financial instruments with discretionary participation features. The standard general model is supplemented by the variable fee approach and the premium allocation approach.

The new standard will be effective for annual periods beginning on or after 1 January 2021. Early application is permitted.

### **IFRIC Interpretation 23 Uncertainty over Income Tax Treatment**

The Interpretation addresses the accounting for income taxes when tax treatments involve uncertainty that affects the application of IAS 12 and does not apply to taxes or levies outside the scope of IAS 12, nor does it specifically include requirements relating to interest and penalties associated with uncertain tax treatments. An entity must determine whether to consider each uncertain tax treatment separately or together with one or more other uncertain tax treatments.

The interpretation is effective for annual reporting periods beginning on or after 1 January 2019, but certain transition reliefs are available.

### **Amendments to IFRS 10 and IAS 28: Sale or Contribution of Assets between an Investor and Its Associate or Joint Venture**

The amendments address the conflict between IFRS 10 and IAS 28 in dealing with the loss of control of a subsidiary that is sold or contributed to an associate or joint venture. The amendments clarify that the gain or loss resulting from the sale or contribution of assets that constitute a business, as defined in IFRS 3, between an investor and its associate or joint venture, is recognised in full. Any gain or loss resulting from the sale or contribution of assets that do not constitute a business, however, is recognised only to the extent of unrelated investors' interests in the associate or joint venture.

The IASB has deferred the effective date of these amendments indefinitely, but an entity that early adopts the amendments must apply them prospectively. The Group will apply these amendments when they become effective.



#### **Amendments to IAS 28: Long-term interests in associates and joint ventures**

The amendments clarify that an entity applies IFRS 9 to long-term interests in an associate or joint venture to which the equity method is not applied but that, in substance, form part of the net investment in the associate or joint venture (long-term interests). This clarification is relevant because it implies that the expected credit loss model in IFRS 9 applies to such long-term interests.

The amendments also clarified that, in applying IFRS 9, an entity does not take account of any losses of the associate or joint venture, or any impairment losses on the net investment, recognised as adjustments to the net investment in the associate or joint venture that arise from applying IAS 28 Investments in Associates and Joint Ventures.

The amendments should be applied retrospectively and are effective from 1 January 2019, with early application permitted.

#### **31 COMPARATIVE FIGURES**

Some of 2017 balances were reclassified to correspond with those of 2018 presentations. The reclassification has no effect on the profit and equity of the year 2017.