



الأسواق الحرة الأردنية
JORDANIAN DUTY FREE SHOPS

للمرسل
بواسطة
السيد
ع (٢)

الرقم : ٩٠١ / ١٢ / ٤

التاريخ : ٢٠١٨ / ٣ / ٢٩

السادة / هيئة الأوراق المالية المحترمين

تحية وبعد،،،

ارفق لكم طيا القوائم المالية المرحلية المختصرة الموحدة باللغتين العربية و الانجليزية كما
في ٣١ كانون اول ٢٠١٧ مع تقرير المراجعة.

وتفضلوا بقبول فائق الاحترام،،،،،

المدير التنفيذي لادارة الشؤون المالية

عادل فراج



JORDANIAN DUTY FREE SHOPS
PUBLIC SHAREHOLDING COMPANY
CONSOLIDATED FINANCIAL STATEMENTS
31 DECEMBER 2017

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 statement of financial position as at 31 December 2017, and the statement of profit or loss, statement of comprehensive income, statement of changes in equity and 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 financial statements present fairly, in all material respects, the financial position of the Company as at 31 December 2017, and its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards (IFRSs).

Basis for Opinion

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

Key Audit Matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the consolidated financial statements for the year ended 31 December 2017. 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.

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

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

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

Other information included in the Group's 2017 annual report.

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

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

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

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

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

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

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

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

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

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

As part of an audit in accordance with ISAs, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exist, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However future events or conditions may cause the Group to cease to continue as a going concern.

- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

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

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

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.

 Ernst & Young / Jordan

Mohammad Ibrahim Al- Karaki
License No. 882

JORDANIAN DUTY FREE SHOPS
PUBLIC SHAREHOLDING COMPANY
CONSOLIDATED STATEMENT OF FINANCIAL POSITION
AT 31 DECEMBER 2017

	<u>Notes</u>	<u>2017</u> JD	<u>2016</u> JD
<u>ASSETS</u>			
Non - Current assets			
Property and equipment	3	7,290,345	4,912,894
Projects in progress	4	1,149,087	2,479,019
Intangible assets	5	1,466,667	1,866,667
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
Total non – current assets		<u>13,537,059</u>	<u>12,889,540</u>
Current assets			
Trade receivables	8	260,298	250,034
Inventories	9	10,254,832	10,572,301
Other receivables	10	1,709,699	1,326,521
Cash in hand and at banks	11	39,909,377	31,900,766
		<u>52,134,206</u>	<u>44,049,622</u>
Total assets		<u>65,671,265</u>	<u>56,939,162</u>
<u>EQUITY AND LIABILITIES</u>			
Equity			
Paid in capital	1	22,500,000	7,500,000
Statutory reserve	12	7,500,000	7,500,000
Voluntary reserve	12	2,578,582	7,500,000
Fair value reserve	7	(4,150)	(4,150)
Retained earnings		28,161,600	29,469,203
Total Equities		<u>60,736,032</u>	<u>51,965,053</u>
<u>LIABILITIES</u>			
Non – Current liabilities			
Other commitments provision	13	668,463	801,079
Current liabilities			
Trade payables	14	1,393,243	2,312,442
Other payables	15	2,873,527	1,860,588
		<u>4,266,770</u>	<u>4,173,030</u>
Total liabilities		<u>4,935,233</u>	<u>4,974,109</u>
TOTAL EQUITY AND LIABILITIES		<u>65,671,265</u>	<u>56,939,162</u>

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

JORDANIAN DUTY FREE SHOPS
PUBLIC SHAREHOLDING COMPANY
CONSOLIDATED STATEMENT OF PROFIT AND LOSS
YEAR ENDED 31 DECEMBER 2017

	<u>Notes</u>	<u>2017</u> JD	<u>2016</u> JD
Sales		94,773,102	67,073,723
Less: service fees		(9,929,108)	(6,004,196)
Net sales		84,843,994	61,069,527
Cost of sales		(49,999,388)	(35,261,141)
Gross profit		34,844,606	25,808,386
Other income	16	919,342	481,403
Interest income		1,194,472	931,798
Sales and distribution expenses	17	(5,149,490)	(4,287,148)
Administrative expenses	18	(4,686,733)	(3,950,388)
Damaged goods expenses		(60,424)	(55,173)
Board of Directors benefits		(45,000)	(45,000)
Depreciation and amortization		(1,230,951)	(1,024,851)
Profit before income tax		25,785,822	17,859,027
Income tax expenses	21	(391,837)	(257,907)
Profit for the year		25,393,985	17,601,120
		<u>JD/Fills</u>	<u>JD/Fills</u>
Basic and diluted earnings per share attributable to the Company's shareholders	19	1/129	0/782

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

JORDANIAN DUTY FREE SHOPS
PUBLIC SHAREHOLDING COMPANY
CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME
YEAR ENDED 31 DECEMBER 2017

	<u>2017</u>	<u>2016</u>
	JD	JD
Profit for the year	25,393,985	17,601,120
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	<u>-</u>	<u>-</u>
Total comprehensive income for the year	<u><u>25,393,985</u></u>	<u><u>17,601,120</u></u>

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

**JORDANIAN DUTY FREE SHOPS
PUBLIC SHAREHOLDING COMPANY
CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
YEAR ENDED 31 DECEMBER 2017**

<u>2017</u>	<u>Paid in capital</u> JD	<u>Statutory reserve</u> JD	<u>Voluntary reserve</u> JD	<u>Fair value reserve</u> JD	<u>Retained earnings</u> JD	<u>Total</u> JD
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

2016

Balance as of 1 January 2016	7,500,000	7,500,000	7,500,000	(4,150)	24,993,083	47,488,933
Total comprehensive income for the year	-	-	-	-	17,601,120	17,601,120
Dividends	-	-	-	-	(13,125,000)	(13,125,000)
Balance as of 31 December 2016	7,500,000	7,500,000	7,500,000	(4,150)	29,469,203	51,965,053

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

JORDANIAN DUTY FREE SHOPS
PUBLIC SHAREHOLDING COMPANY
CONSOLIDATED STATEMENT OF CASH FLOWS
YEAR ENDED 31 DECEMBER 2017

	<u>Note</u>	<u>2017</u>	<u>2016</u>
<u>Operating Activities</u>		<u>JD</u>	<u>JD</u>
Profit for the year before income tax		25,785,822	17,859,027
Adjustments for:			
Depreciation and amortization		1,230,951	1,024,851
Damaged goods expenses		60,424	55,173
Interest income		(1,194,472)	(931,798)
Gains on sale of Property and equipment		(4,896)	(115)
Working capital changes			
Inventories		257,045	(2,530,140)
Trade receivables		(10,264)	(27,094)
Other receivables		(383,178)	168,248
Trade payables		(919,199)	1,067,866
Other payables		895,575	33,046
Paid from other commitments provision		(132,616)	(3,137)
Income tax paid		(274,473)	(222,208)
Net cash flows from operating activities		<u>25,310,719</u>	<u>16,493,719</u>
<u>Investing Activities</u>			
Purchase of property and equipment and projects in progress		(1,925,260)	(2,537,608)
Proceeds from sale of property and equipment		51,686	120
Advances on land purchase		-	(1,822,200)
Deposits		(6,746,186)	(1,741,489)
Interest received		1,194,472	931,798
Net cash flows used in investing activities		<u>(7,425,288)</u>	<u>(5,169,379)</u>
<u>Financing Activities</u>			
Dividends		(16,500,000)	(13,125,000)
Capital increase expenses		(123,006)	-
Net cash flows used in financing activities		<u>(16,623,006)</u>	<u>(13,125,000)</u>
Increase (decrease) in cash and cash equivalents		<u>1,262,425</u>	<u>(1,800,660)</u>
Cash and cash equivalents, beginning of the year		<u>5,016,714</u>	<u>6,817,374</u>
Cash and cash equivalents, end of the year	25	<u>6,279,139</u>	<u>5,016,714</u>

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

1 GENERAL

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

The 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.

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

The Group's Board of Directors have approved the consolidated financial statements on 13 February 2018.

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 2017

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 2017.

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 2016 except for the followings:

Amendments to IAS 7 Statement of Cash Flows: Disclosure Initiative

Limited amendments which require entities to provide disclosures about changes in their liabilities arising from financing activities, including both changes arising from cash flows and non-cash changes (such as foreign exchange gains or losses). However, the adoption of these amendments have no impact on the Group's consolidated financial statements.

Amendments to IAS 12 Income Taxes: Recognition of Deferred Tax Assets for Un-recognised Losses

Limited amendments to clarify that an entity needs to consider whether tax law restricts the sources of taxable profits against which it may make deductions on the reversal of that deductible temporary difference and some other limited amendments, the adoption of these amendments have no impact on the Group's consolidated 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.

Useful life of properties, plant and equipment

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

2-4 SIGNIFICANT ACCOUNTING POLICIES

Property and equipment

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

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

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

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

Projects in progress

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

Intangible assets

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

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

Financial assets at fair value through other comprehensive income

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

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

Inventories

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

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

Trade receivables

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

Cash and cash equivalents

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

Fair value

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

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

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

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

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

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

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

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

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

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

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

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

Impairment of financial assets

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

Trade payables and accruals

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

Provisions

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

Income tax

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

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

Revenue recognition

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

Revenues from shelves rental is recognised on accrual basis.

Interest revenue is recognised on accrual basis.

Offsetting

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

Foreign currencies

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

Segment reporting

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

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

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3 PROPERTY AND EQUIPMENT

2017 -	Land	Building	Furniture	Vehicles	Machinery	Computers	Total
	JD	JD	and fixtures	JD	and equipment	JD	JD
Cost							
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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2016 -	Land	Building	Furniture and fixtures	Vehicles	Machinery and equipment	Computers	Total
	JD	JD	JD	JD	JD	JD	JD
Cost							
Balance at 1 January 2016	411,210	6,572,485	1,256,372	781,328	686,366	799,530	10,507,291
Additions	-	6,300	31,791	163,886	98,888	46,835	347,700
Disposals	-	-	(1,281)	-	(415)	-	(1,696)
Transfer from work in progress	-	100,971	23,313	-	5,822	-	130,106
Balance at 31 December 2016	411,210	6,679,756	1,310,195	945,214	790,661	846,365	10,983,401
Accumulated depreciation							
Balance at 1 January 2016	-	3,009,463	1,016,814	340,071	426,068	654,931	5,447,347
Depreciation for the year	-	310,505	68,529	108,058	84,780	52,979	624,851
Disposals	-	-	(1,279)	-	(412)	-	(1,691)
Balance at 31 December 2016	-	3,319,968	1,084,064	448,129	510,436	707,910	6,070,507
Net book value							
At 31 December 2016	411,210	3,359,788	226,131	497,085	280,225	138,455	4,912,894

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4 PROJECTS IN PROGRESS

	<u>2017</u>	<u>2016</u>
	JD	JD
Boulevard Amman shop project	-	1,606,919
First Shops project (Aqaba)	585,313	155,995
King Hussain Bridge Shop project	73,038	283,259
Warehouse management system project	-	171,536
Omari Shop project	-	147,947
Al Thawra project	-	79,166
Others	490,736	34,197
	<u>1,149,087</u>	<u>2,479,019</u>

Expected cost to complete the projects in progress as of 31 December 2017 is approximately JD 14,878,000 and it is expected to complete such projects during 2019.

Movement in projects in progress was as follows:

	<u>2017</u>	<u>2016</u>
	JD	JD
Balance as at 1 January	2,479,019	419,217
Additions	1,638,529	2,189,908
Transfers to property and equipment	(2,968,461)	(130,106)
Balance as at 31 December	<u>1,149,087</u>	<u>2,479,019</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 gross sales as service fees to general treasury.

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	<u>2017</u> JD	<u>2016</u> JD
Cost-		
Balance as at 1 January	8,000,000	8,000,000
Additions	-	-
Balance as at 31 December	<u>8,000,000</u>	<u>8,000,000</u>
Accumulated amortization-		
Balance as at 1 January	6,133,333	5,733,333
Amortization for the year	400,000	400,000
Balance as at 31 December	<u>6,533,333</u>	<u>6,133,333</u>
Net Book Value as at 31 December	<u><u>1,466,667</u></u>	<u><u>1,866,667</u></u>

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 2017.

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

	<u>2017</u> JD	<u>2016</u> JD
Jordan Press and Publishing Company – Al Dustour	1,550	1,550
	<u>1,550</u>	<u>1,550</u>

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

	<u>2017</u> JD	<u>2016</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>2017</u> JD	<u>2016</u> JD
Trade receivables	438,421	428,157
Allowance for doubtful debt	<u>(178,123)</u>	<u>(178,123)</u>
	<u>260,298</u>	<u>250,034</u>

Impaired trade receivables balances amounted to JD 178,123 as of 31 December 2017 and JD 178,123 as of 31 December 2016.

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

	<u>Total</u> JD	<u>Past due but not impaired</u>				
		<u>1- 30</u> <u>Days</u> JD	<u>30 – 60</u> <u>days</u> JD	<u>31 – 90</u> <u>days</u> JD	<u>91 – 120</u> <u>days</u> JD	<u>121-180</u> <u>days</u> JD
2017	260,298	129,073	-	-	-	131,225
2016	250,034	250,034	-	-	-	-

The management expects to collect all unimpaired receivables balances.

9 INVENTORIES

	<u>2017</u> JD	<u>2016</u> JD
Inventories	10,327,850	10,741,345
Provision for obsolete inventories	<u>(73,018)</u>	<u>(169,044)</u>
	<u>10,254,832</u>	<u>10,572,301</u>

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Movement on the provision for slow moving item as follows:

	2017	2016
	JD	JD
Balance as of 1 January	169,044	169,044
Reversal of provision	(96,026)	-
Balance as of 31 December	73,018	169,044

10 OTHER RECEIVABLES

	2017	2016
	JD	JD
Accrued interest income	758,804	418,207
Prepaid expenses	492,383	262,219
Other accrued income	165,152	352,749
Advances to vendors	234,766	225,485
Guarantees margins	-	183
Refundable deposit	13,425	5,425
Employees receivable	19,772	8,158
Others	25,397	54,095
	1,709,699	1,326,521

11 CASH IN HAND AND AT BANKS

	2017	2016
	JD	JD
Cash on hand	16,595	15,634
Cash at banks – current accounts	6,262,544	5,001,080
Cash at banks – deposits*	33,630,238	26,884,052
	39,909,377	31,900,766

* Deposits are from three months to one year bearing annual interest rates ranging from 3,75% to 4,1% for the year 2017 (2016: 3,4% to 4%)

12 RESERVES

Statutory reserve -

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

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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>2017</u>	<u>2016</u>
	JD	JD
Beginning balance	801,079	804,216
Paid during the year	(132,616)	(3,137)
Ending balance	<u>668,463</u>	<u>801,079</u>

14 TRADE PAYABLES

	<u>2017</u>	<u>2016</u>
	JD	JD
Local vendors	935,589	1,733,473
Foreign vendors	457,654	578,969
	<u>1,393,243</u>	<u>2,312,442</u>

15 OTHER PAYABLES

	<u>2017</u>	<u>2016</u>
	JD	JD
Accrued expenses	172,009	204,157
Treasury fees payable	1,174,944	846,713
Board of Directors benefits payable	45,000	45,000
Accrued bonus	1,016,062	442,043
Due to social security corporation	162,291	105,163
Stamps fees payable	28,174	34,601
Income tax payable (note 21)	236,183	118,819
Sales tax payable	34,938	59,953
Others	3,926	4,139
	<u>2,873,527</u>	<u>1,860,588</u>

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16 OTHER INCOME

	<u>2017</u>	<u>2016</u>
	JD	JD
Shelves rental income	343,202	288,712
Commercial income	59,425	44,238
Stock compensation income	237,462	68,958
Target incentives income	221,783	49,700
Gain on sale of property and equipment	4,896	115
Warehouse rental income	-	9,983
Others	52,574	19,697
	<u>919,342</u>	<u>481,403</u>

17 SALES AND DISTRIBUTION EXPENSES

	<u>2017</u>	<u>2016</u>
	JD	JD
Salaries, wages and other benefits	3,179,371	2,648,742
Health insurance expenses	142,778	227,936
Social security contribution	318,360	271,670
Shops rent expenses	488,684	168,336
Travel and transportation expenses	115,058	131,668
Water and electricity	314,325	281,482
Advertising expense	373,427	335,549
Maintenance expenses	32,789	42,636
Housing allowances expenses	50,480	43,842
Transportation allowances expense	37,755	35,983
Security expenses	33,798	32,475
Communications	39,657	-
Hospitality	15,742	16,958
Clothing expenses	-	42,896
Others	7,266	6,975
	<u>5,149,490</u>	<u>4,287,148</u>

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18 ADMINISTRATIVE EXPENSES

	2017	2016
	JD	JD
Salaries, wages and other benefits	2,715,203	2,237,086
Social security contribution	253,769	208,308
Maintenance expenses	62,895	46,259
Travel and transportation expenses	305,157	289,528
Water and electricity	77,694	70,966
Printing and stationary	68,173	56,319
Postal and communication expenses	83,641	93,664
Insurance	80,525	74,228
Professional fees	72,609	44,086
Security expenses	15,803	12,094
Donations	168,220	95,181
Rent expenses	125,804	89,245
Hospitality expenses	45,427	43,457
Board of Directors transportation allowances and benefits	159,450	224,705
Government fees and licenses	21,779	18,196
Health insurance expenses	193,223	148,195
Bank charges	34,959	25,243
Training expenses	95,598	72,100
Projects incentives	7,230	150
Stamps expenses	23,400	13,527
Meeting expenses	19,950	17,403
Programs license expenses	27,656	26,843
Archiving expenses	-	14,000
Others	28,568	29,605
	<u>4,686,733</u>	<u>3,950,388</u>

19 EARNINGS PER SHARE

	2017	2016
Profit for the year (JD)	25,393,985	17,601,120
Weighted average number of shares (share)	22,500,000	22,500,000
Basic and diluted earnings per share (JD/ Fils)	<u>1/129</u>	<u>0/782</u>

20 DIVIDENDS

The general assembly approved in its ordinary meeting held on 9 March 2017, the distribution of cash dividends amounted to JD 16,500,000 representing 220% of the paid in capital (2016: JD 13,125,000).

21 INCOME TAX

Income tax is calculated on other income for the years ended 31 December 2017 and 31 December 2016 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.

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

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

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

The Income Tax Department has not reviewed the income tax declaration for the year 2016 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>2017</u>	<u>2016</u>
	JD	JD
Beginning balance	118,819	83,120
Income tax expense	391,837	257,907
Income tax paid	(274,473)	(222,208)
Income tax provision	<u>236,183</u>	<u>118,819</u>

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22 LAWSUITS

- a. There are number of labour lawsuits against the Group amounting to JD 91,823 as of 31 December 2017. In the opinion of the Group's management and law consultant, provisions for these lawsuits are sufficient.
- b. There are custom lawsuits against the Group amounting to JD 172,266 as of 31 December 2017. In the opinion of the Group's management and law consultant, provisions for these lawsuits are sufficient.

23 SEGMENTAL INFORMATION

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

	Amman	North of Kingdom	South of Kingdom	Kingdom center	Total
	JD	JD	JD	JD	JD
For the year ended 31 December 2017					
Net revenue	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					25,393,985
For the year ended 31 December 2016					
Net revenue	6,365,527	1,760,005	18,287,066	34,656,929	61,069,527
Cost of sales	(3,933,938)	(1,004,494)	(19,855,962)	(10,466,747)	(35,261,141)
Unallocated expenses					(9,362,560)
Other income and interest income					1,413,201
Income tax expense					(257,907)
Profit for the year					17,601,120

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>2017</u> JD	<u>2016</u> JD
CASH AT BANKS			
Current accounts – Jordan Investment Bank	Shareholder	1,088,536	1,339,227
Deposits – Jordan Investments Bank	Shareholder	6,000,000	4,000,000
Margins on guarantees – Jordan Investments Bank	Shareholder	-	183
TRADE PAYABLES	Shareholders	35,626	368,088
OFF BALANCE SHEET ITEMS:			
Bank guarantees- Jordan Investments Bank	Shareholder	2,105,108	1,399,512

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

	<u>2017</u> JD	<u>2016</u> JD
Interest income –Jordan Investment Bank(shareholder)	168,785	71,274
Purchases (shareholders)	1,006,501	1,000,340
Salaries, wages and other benefits- Group executive management	488,636	412,720
Salaries, wages and other benefits- Board of Directors members	429,617	463,763

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>2017</u>	<u>2016</u>
	JD	JD
Cash on hand and at banks	39,909,377	31,900,766
Less: deposits at banks due from three months to one year	<u>(33,630,238)</u>	<u>(26,884,052)</u>
Cash and cash equivalent	<u>6,279,139</u>	<u>5,016,714</u>

26 CONTINGENT LIABILITIES

At 31 December 2017, the Group had outstanding letters of guarantee amounting to JD 2,105,108 (2016: JD 1,507,586) without margin as of 31 December 2017 (2016: JD 150,759).

27 FAIR VALUE OF FINANCIAL INSTRUMENTS

Financial instruments comprise of financial assets and financial liabilities.

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

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

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

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

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

Assets measured at fair value

2017-	Level 1	Total
	JD	JD
Financial assets at fair value through other comprehensive income	1,550	1,550
2016-		
	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.

	Increase in interest rates	Effect on profit for the year
	Basis points	JD
2017		
JD	50	150,651
2016		
JD	50	134,420

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
2017-	
Trade payables	1,393,243
	Less than 3 months JD
2016-	
Trade payables	2,312,442

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 60,736,032 as at 31 December 2017 (2016: JD 51,965,053).

30 STANDARDS ISSUED BUT NOT YET EFFECTIVE

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

IFRS 9 Financial Instruments

In July 2014, the IASB issued the final version of IFRS 9 Financial Instruments that replaces IAS 39 Financial Instruments: Recognition and Measurement and all previous versions of IFRS 9. IFRS 9 brings together all three aspects of the accounting for financial instruments project: classification and measurement, impairment and hedge accounting. The Company has implemented the first phase of IFRS 9 as issued during 2009. The date of initial implementation of the first phase of IFRS 9 was 1 January 2011.

The new version of IFRS 9 is effective for annual periods beginning on or after 1 January 2018, with early application permitted. Except for hedge accounting, retrospective application is required; but providing comparative information is not mandatory. For hedge accounting, the requirements are generally applied prospectively, with some limited exceptions

The Company plans to adopt the remaining phases on the effective date and will not restate comparative information.

(a) Classification and Measurement

The Company does not expect a material impact on its balance sheet or equity on applying the new classification and measurement category of IFRS 9.

Loans as well as trade receivables are held to collect contractual cash flows and are expected to give rise to cash flows representing solely payments of principal and interest. The Company analysed the contractual cash flow characteristics of those instruments and concluded that they meet the criteria for amortised cost measurement under IFRS 9. Therefore, reclassification for these instruments is not required.

(b) Impairment

IFRS 9 requires the Company to record expected credit losses on all of its debt securities, loans and trade receivables, either on a 12-month or lifetime basis. The Company will apply the simplified approach and record lifetime expected losses on all trade receivables. The Company has estimated that the additional provision to be recorded resulting from the expected credit loss from its trade receivables will not be material compared to the current requirements of provisioning for doubtful trade receivables.

IFRS 15 Revenue from Contracts with Customers

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

During 2017, the Company has performed an impact assessment of IFRS 15. This assessment is based on currently available information and may be subject to changes arising from further reasonable and supportable information being made available to the Company in 2018 when the Company adopts IFRS 15, whereas,

The Group/Company does not expect a material impact on its balance sheet or equity on applying the requirements of IFRS 15.

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.

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

The IASB issued amendments to IFRS 2 Share-based Payment that address three main areas: the effects of vesting conditions on the measurement of a cash-settled share-based payment transaction; the classification of a share-based payment transaction with net settlement features for withholding tax obligations; and accounting where a modification to the terms and conditions of a share-based payment transaction changes its classification from cash settled to equity settled. Entities may apply the amendments prospectively and are effective for annual periods beginning on or after 1 January 2018, with early application permitted.

IFRS 16 Leases

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

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

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

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

IFRS 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.

Transfers of Investment Property (Amendments to IAS 40)

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

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

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

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

IFRIC Interpretation 22 Foreign Currency Transactions and Advance Consideration

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

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.