Al - Rakaez Investment Co.
(R.I.C.)
الركائز للإستثمار

الرقم : 94 / م هـ / 18

التاريخ : 2018/04/14

السادة / بورصة عمان المحترمين

الموضوع / الميزانية السنوية العامه والحسابات الختامية لعام 2017

تحية طيبة و بعد،،،

استنادا لأحكام المادة (13 / ب / 11) من تعليمات إدراج الأوراق المالية لعام 2016 ، نرفق لكم طيا البيانات المالية باللغه الإنجليزية كما في 31 / 12 / 2017 والمراجعة من قبل مدقق الحسابات الخارجي السادة شركة طلال أبو غزالة ومشاركوه الدولية .

وتقبلوا فائق الاحترام و التقدير

المرفقات/

- البيانات المالية باللغه الإنجليزيه

مي سمور

نائب المدير العام

بورصة عمان
الدائرة الإدارية والمالية
الديوان
١٥ نيسان ٢٠١٨
الرقم المتسلسل: ٢٠٥٠
رقم الملف: ٦١٢٦١٢
الجهة المختصة: ٦١ الادراج

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Al-Rakaez Investment Company
Public Shareholding Company
Amman – The Hashemite Kingdom of Jordan

Financial Statements and
Independent Auditor's Report
for the year ended December 31, 2017

Al-Rakaez Investment Company
Public Shareholding Company
Amman – The Hashemite Kingdom of Jordan

Index

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Independent Auditor's Report

To Messrs. Shareholders
Al-Rakaez Investment Company
Public Shareholding Company
Amman – The Hashemite Kingdom of Jordan

Report on the Audit of the Financial Statements

Opinion

We have audited the financial statements of Al-Rakaez Investment Company (Public Shareholding Company), which comprise the statement of financial position as at December 31, 2017, the statement of comprehensive income, statement of changes in equity and statement of cash flows for the year 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 December 31, 2017, and of its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards (IFRS).

Basis for Opinion

We conducted our audit in accordance with International Standards on Auditing. Our responsibilities under those standards are further described in the *Auditors' Responsibilities for the Audit of the Financial Statements* section of our report.

We are independent of the Company in accordance with the International Ethics Standards Board for Accountants' Code of Ethics for Professional Accountants (IESBA Code) together with the ethical requirements that are relevant to our audit of the financial statements, 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 financial statements of the current period. These matters were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

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مبنى مجموعة طلال أبوغزاله، رقم ١٠٤
شـــارع مكـــة، أم أذينـــة
هاتف: ٦٠٠ ٥١٠٠ ٦ ٩٦٢+
فاكس: ٦٠١ ٥١٠٠ ٦ ٩٦٢+
ص.ب: ٣٩٦٦، عمان ١١٩٥٣ الأردن

Adequacy of provision for doubtful trade receivables	Scope of audit
Trade receivables and outstanding checks balance amounted to JD 271,973 and the company management has estimated an allowance for doubtful debts of JD 85,000 as of December 31, 2017.	Audit procedures included verifying the control procedures used by management on the collection process of receivables, and we have also reviewed the aging reports of trade receivables in addition to their subsequent collections, guaranteed obtained against the receivables, and examined the sufficiency of the provision provided for the receivables through evaluating management hypotheses. We evaluated the adequacy of the company's disclosures about significant estimates made for providing the doubtful provision.

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

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

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

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

Auditors' Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with International Standards on Auditing (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 financial statements.

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

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by 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 Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditors' report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditors' report. However, future events or conditions may cause the Company to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.
- We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and 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 financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditors' 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 reasonably be expected to outweigh the public interest benefits of such communication.

Report on Other Legal and Regulatory Requirements

The Company has proper accounting records which are, in all material respects, consistent with the accompanying financial statements, accordingly, we recommend to approve these financial statements by the general assembly.

طلال أبوغزاله وشركاه الدولية
Talal Abu-Ghazaleh & Co. Intl.

Talal Abu-Ghazaleh & Co. International

Aziz Abdelkader
(License # 867)

Amman, on February 10, 2018

Al-Rakaez Investment Company
Public Shareholding Company
Amman – The Hashemite Kingdom of Jordan

Statement of financial position as at December 31, 2017

	Notes	2017	2016
ASSETS		JD	JD
Non-current Assets			
Property and equipment	3	12,042,131	12,490,428
Total Non-current Assets		12,042,131	12,490,428
Current Assets			
Inventory		42,684	46,477
Accounts receivable and other debit balances	4	250,767	263,946
Cash and cash equivalents	5	23,761	60,070
Total Current Assets		317,212	370,493
TOTAL ASSETS		12,359,343	12,860,921
EQUITY AND LIABILITIES			
Equity			
Capital	1	12,500,000	12,500,000
Statutory reserve		86,187	86,187
Accumulated losses		(891,138)	(699,904)
Net Equity		11,695,049	11,886,283
Liabilities			
Current Liabilities			
Accounts payable and other credit balances	6	528,034	756,054
Bank overdraft	7	136,260	-
Loans - current portion	8	-	199,984
Income tax provision	9	-	18,600
Total Liabilities		664,294	974,638
TOTAL EQUITY AND LIABILITIES		12,359,343	12,860,921

Al-Rakaez Investment Company
Public Shareholding Company
Amman – The Hashemite Kingdom of Jordan

Statement of comprehensive income for the year ended December 31, 2017

	Notes	2017	2016
		JD	JD
Revenues			
Hotel revenues	10	2,101,589	2,479,285
Rents		180,313	188,074
Total Revenues		2,281,902	2,667,359
Expenses			
Operating expenses	11	(1,793,646)	(1,849,633)
Other operating expenses	12	(20,360)	(25,165)
Administrative expenses	13	(175,007)	(172,170)
Depreciation	3	(487,153)	(450,972)
Total Expenses		(2,476,166)	(2,497,940)
Operating (Loss) profit		(194,264)	169,419
Other revenues, net		23,295	20,686
Financing costs		(20,265)	(66,062)
(Loss) profit before income tax		(191,234)	124,043
Income tax expense		-	(18,600)
(Loss) profit		(191,234)	105,443
Weighted average number of shares		12,500,000	12,500,000
Basic earning per share from (loss) profit		JD -/015	JD -/010

Statement of changes in equity for the year ended December 31, 2017

	Capital	Statutory reserve	Accumulated losses	Total
	JD	JD	JD	JD
Balance as at January 1, 2016	12,500,000	73,783	(792,943)	11,780,840
Comprehensive income	-	-	105,443	105,443
Transferred to statutory reserve	-	12,404	(12,404)	-
Balance as at December 31, 2016	12,500,000	86,187	(699,904)	11,886,283
Comprehensive income	-	-	(191,234)	(191,234)
Balance as at December 31, 2017	12,500,000	86,187	(891,138)	11,695,049

Al-Rakaez Investment Company
Public Shareholding Company
Amman – The Hashemite Kingdom of Jordan

Statement of cash flows for the year ended December 31, 2017

	2017	2016
CASH FLOWS FROM OPERATING ACTIVITIES	JD	JD
(Loss) profit	(191,234)	124,043
Adjustments for:		
Depreciation of property and equipment	487,153	450,972
(Profit) Loss on disposal of property and equipment	(7,831)	752
Change in operating assets and liabilities:		
Inventory	3,793	5,579
Accounts receivable and other debit balances	13,179	29,569
Accounts payable and other credit balances	(228,020)	176,209
	77,040	787,124
Income tax paid	(18,600)	-
Net cash from operating activities	58,440	787,124
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchase of property and equipment	(42,525)	(7,092)
Proceeds from sale of property and equipment	11,500	-
Net cash from investing activities	(31,025)	(7,092)
CASH FLOWS FROM FINANCING ACTIVITIES		
Bank overdraft	136,260	-
Loan	(199,984)	(16)
Corporate bonds	-	(800,000)
Net cash from financing activities	(63,724)	(800,016)
Net change in cash and cash equivalents	(36,309)	(19,984)
Cash and cash equivalents - beginning of year	60,070	80,054
Cash and cash equivalents - end of year	23,761	60,070

Notes to the financial statements

1. Status and activities

- Al-Rakaez Investment Company was established as a public shareholding company and registered in the register of public shareholding companies under number (418) on September 27, 2006.
- The main objectives of the Company are:
  - Buying and selling of real estate inside and outside the Kingdom, and building residential units, commercial complex, towers, and tourist resorts.
  - Developing, deepening and settling different investments in the Kingdom through investing in all economic sectors inside and outside the Kingdom, and establishing, acquisition or owning shares in companies or in different projects.
  - Investing available liquidity in deposits, shares and investment portfolios.
  - Obtaining brands as agent, performing brokerage and trade representation.
- On April 24, 2008, the Commission of Investment Incentives granted the company an exemption from governmental fees and taxes under the provisions of the Investment Promotion Law No. (16) For the year 1995. This law includes exempting the company from income tax for 25% of taxable income for a period of ten years starting from the date of initial operation on June 1, 2011.
- On June 1, 2011, the soft opening of the hotel was held, and the business started on that date. The Company signed a contract with a foreign company to manage the hotel to operate under the trade mark (Quality Suites) for a period of five years starting from the date of initial operation on June 1, 2011.
- On December 30, 2012, the Extraordinary General Assembly decided the following:
  1. Increasing of the company's capital by (2.5) Million shares. to become (12.5) Million shares through private offering.
  2. Adding (establishing suites and hotels) as a new objective of the company to its articles of association and bylaws.
  3. Adding (establishing halls for meetings, conferences, special events, parties, dining, wedding, restaurants, health and athletic club, body care and skin and nails center, coffee shop, training courses, and establish beauty salons and swimming pool) as new objectives for the company to its articles of association and bylaws.
- Legal procedures were completed on June 4, 2013.
- On Mach 27, 2014 the General Assembly decided to terminate the contract of the commercial name for the Quality Suites hotel starting from the current contract expiry date on June 30, 2014 an replacing it by the commercial name of Ayas Suites and Hotel owned by Ayas motors without any cost for using this name.
- The financial statements were approved by the Company's board of directors in its session held on February 10, 2018, and they are subject to the General Assembly of shareholder's approval.

2. Basis for preparation of financial statements and significant accounting policies

- **Financial statements preparation framework**

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

- **Measurement bases used in preparing the financial statements**

  The financial statements have been prepared on the historical cost basis except for measurement of certain items at bases other than historical cost.

- **Functional and presentation currency**

  The financial statements have been presented in Jordanian Dinar (JD) which is the functional currency of the entity.

- Using of estimates
  - When preparing of financial statements, management uses judgments, assessments and assumptions that affect applying the accounting policies and carrying amounts of assets, liabilities, revenue and expenses. Actual result may differ from these estimates.
  - Change in estimates shall be recognized in the period of the change, and future periods if the change affects them.
  - For example, estimates may be required for doubtful and bad debts, inventory obsolescence, useful lives of depreciable property and equipment, provisions, and any legal cases against the entity.

- Property and equipment
  - Property and equipment are initially recognized at their cost being their purchase price plus any other costs directly attributable to bringing the assets to the location and condition necessary for them to be capable of operating in the manner intended by management.
  - After initial recognition, the property and equipment are carried, in the statement of financial position, at their cost less any accumulated depreciation and any accumulated impairment losses. Land is not depreciated.
  - The depreciation charge for each year is recognized as expense. Depreciation is calculated on a straight line basis, which reflects the pattern in which the asset's future economic benefits are expected to be consumed by the Company over the estimated useful life of the assets using the following annual rates:

Category	%
Hotel building	2
Residential apartment	2
Swimming pool	10
Elevators	7
Heating, cooling and pumps	7
Vehicles	15
Furniture	10
Electrical equipment and computers	10

  - The estimated useful lives are reviewed at each year-end, with the effect of any changes in estimate accounted for on a prospective basis.
  - The carrying values of property and equipment are reviewed for impairment when events or changes in the circumstances indicate the carrying value may not be recoverable. If any such indication of impairment exists, impairments losses are calculated in accordance with impairment of assets policy.
  - On the subsequent de recognition of the property and equipment, the resulting gain or loss, being the difference between the net disposals proceed, if any, and the carrying amount, is included in profit or loss.

- Impairment of assets
  - At each statement of financial position date, management reviews the carrying amounts of its assets to determine whether there is any indication that those assets have been impaired.
  - If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss, if any, being the amount by which the carrying amount of the asset exceeds its recoverable amount. The recoverable amount is the higher of asset's fair value less costs to sell and the value in use. The asset's fair value is the amount for which that asset could be exchanged between knowledgeable, willing parties in arm's length transaction. The value in use is the present value of the future cash flows expected to be derived from the asset.
  - An impairment loss is recognized immediately as loss.
  - Where an impairment loss subsequently reverses, the carrying amount of the asset is increased to the revised estimate of its recoverable amount, but the increased carrying amount due to reversal should not be more than what the depreciated historical cost would have been if the impairment had not been recognized in prior years. A reversal of an impairment loss is recognized immediately as income.

- . **Inventory**

  - Inventories are measured at the lower of cost and net realizable value.
  - Inventory costs comprise all costs of purchase, costs of conversion and other costs incurred in bringing the inventories to their present location and condition.
  - The cost of inventory is assigned by using weighted-average cost formula.
  - Net realizable value is the estimated using price in the ordinary course of business less the estimated costs of completion and the estimated costs necessary to make the use.

- **Financial instruments**

  A financial instrument is any contract that gives rise to a financial asset of one entity and financial liabilities or equity instrument of another entity

  - **Financial assets**

    - A financial asset is any asset that is:
      (a) Cash;
      (b) An equity instrument of another entity;
      (c) A contractual right to receive cash or another financial asset from another entity, or to exchange financial assets or financial liabilities with another entity under conditions that are potentially favorable to the entity.
      (d) A contract that will or may be settled in the entity's own equity instruments.
    - Financial assets are initially measured at fair value plus, in the case of a financial asset not at fair value through profit or loss, transaction costs that are directly attributable to the acquisition of the financial asset.
    - All recognized financial assets are subsequently measured either at amortized cost or fair value, on the basis of both:
      (a) The entity's business model for managing the financial assets, and
      (b) The contractual cash flow characteristics of the financial assets.
    - A financial asset is measured at amortized cost if both of the following conditions are met:
      (a) The asset is held within a business model whose objective is to hold assets in order to collect contractual cash flows.
      (b) The contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.
    - All other financial assets are subsequently measured at fair value.
    - A gain or loss on a financial asset that is measured of fair value and is not part of a hedging relationship is recognized in profit or loss unless the financial asset is an investment in an equity instrument and the entity has elected to present gains and losses on that investment in other comprehensive income.

  Trade receivables

  - Trade receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market.
  - Trade receivables are stated at invoices amount net of allowance for doubtful receivables which represents the collective impairment of receivables.

  Impairment of financial assets

  - Financial assets, other than those at fair value through profit or loss, are assessed for indicators of impairment at the end of each period.
  - For financial assets carried at amortized cost, the amount of impairment loss is the difference between the asset's carrying amount and the present value of estimated future cash flows, discounted at the financial asset's original effective interest rate. The carrying amount of the financial asset is reduced by the impairment loss directly for all financial assets. The amount of the impairment loss shall be recognized as loss.

Cash and cash equivalents

- Cash comprises cash on hand, current accounts and demand deposits with banks.
- Cash equivalents are short - term, highly liquid investments that are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value.

- Financial liabilities

- A financial liability is any liability that is:
  (a) A contractual obligation to deliver cash or another financial asset to another entity, or to exchange financial assets or financial liabilities with another entity under conditions that are potentially unfavorable to the entity; or
  (b) Contract that will or may be settled in the entity own equity instruments.
- Financial liabilities are initially recognized at fair value plus transaction costs, directly attributable to the acquisition or issue of those liabilities, except for the financial liabilities classified as at fair value through profit or loss, which are initially measured at fair value.
- After initial recognition, the entity measures all financial liabilities at amortized cost using the effective interest method, except for financial liabilities at fair value through profit or loss which are measured at fair value and other determined financial liabilities which are not measured under amortized cost method.
- Financial liabilities at fair value through profit or loss are stated at fair value, with any resulting gain or loss from change in fair value is recognized through profit or loss.

Trade payables and accruals

Trade payables and accruals are liabilities to pay for goods or services that have been received or supplied and have been either invoiced or formally agreed with the suppliers or not.

- Statutory reserve

Statutory reserve is allocated according to the Jordanian Companies Law by deducting 10% of the annual net profit until the reserve equals one quarter of the Company's subscribed capital. However, the Company may, with the approval of the General Assembly, continue to deduct this annual ratio until this reserve equals the subscribed capital of the Company in full. Such reserve is not available for dividends distribution.

- Revenue recognition

Revenue is measured at the fair value of the consideration received or receivable.

Sale of goods

Revenue from the sale of goods is recognized when all the following conditions are satisfied:

- The entity has transferred to the buyer the significant risks and rewards of ownership of the goods.
- The entity retains neither continuing managerial involvement to the degree usually associated with ownership nor effective control over the goods sold.
- The amount of revenue can be measured reliably.
- It is probable that the economic benefits associated with the transaction will flow to the entity.
- The costs incurred or to be incurred in respect of the transaction can be measured reliably.

Rendering of services

- Revenue from a contract to provide services is recognized by reference to the stage of completion of the transaction at the statement of financial position date.
- The outcome of the transaction can be estimated reliably when all the following conditions are satisfied:
  - The amount of revenue can be measured reliably.
  - It is probable that the economic benefits will flow to the entity.
  - The stage of completion at the statement of financial position date can be measured reliably.
  - The costs incurred, or to be incurred, in respect of the transaction can be measured reliably.
- When the above criteria are not met, revenue arising from the rendering of services is recognized only to the extent of the expenses recognized are recoverable.

- Borrowing costs

  - Borrowing costs in relation to the acquisition, construction and production of the qualifying assets are treated as part of the cost of the relevant assets. Qualifying assets are those assets that take a substantial period of time to get ready for their intended use.
  - The borrowing costs eligible for capitalization are the actual borrowing costs incurred on the borrowing less any investment income on the temporary investment of those borrowings.
  - The borrowing costs eligible for capitalization are determined by applying capitalization rate to the expenditures on the qualifying assets. The capitalization rate is the weighted average of the borrowing applicable to the borrowings of the entity that are outstanding during the period/year, other than borrowings made specifically for the purpose of obtaining the qualifying assets.
  - Capitalization of borrowing costs commence when:
    - Expenditures for the qualifying assets are being incurred
    - Borrowing costs are being incurred, and
    - Activities that are necessary to prepare the qualifying assets for their intended use or sale are in progress.
  - Borrowing costs are interest and other cost that an entity incurs in connection with the borrowing of funds.
  - Borrowing costs are expensed in the period in which they are incurred.

- Basic earnings per share

  Basic earnings per share is calculated by dividing profit or loss, attributable to ordinary shareholders, by the weighted average number of ordinary shares outstanding during year.

- Foreign currencies

  - In preparing the financial statements, transactions in currencies other than the functional currency (foreign currencies) are recorded at the rates of exchange prevailing at the dates of the transactions. At each statement of financial position date, monetary items denominated in foreign currencies are retranslated at the rates prevailing at the statement date (closing rate). Non-monetary items that are measured in terms of historical cost in a foreign currency are translated using the exchange rate at the date of the transaction. Non-monetary items that are measured at fair value in foreign currency are translated using the exchange rates at the date when the fair value was determined.
  - Exchange differences arising on the settlement of monetary items or on translating monetary items at rates different from those at which they were translated on initial recognition during the year or in previous financial statements shall be recognized in profit or loss in the year in which they arise.

- Contingent liabilities

  - Contingent liabilities are possible obligations depending on whether some uncertain future events occur, or they are present obligations but payments are not probable or the amounts cannot be measured reliably.
  - Contingent liabilities are not recognized in the financial statements.

3. Property and equipment

2017	Land	Hotel building	Residential apartment	Swimming pool	Elevators	Heating, cooling and pumps	Vehicles	Furnitures	Electrical equipment and computers	Total
	JD	JD	JD	JD	JD	JD	JD	JD	JD	JD
Cost										
Beginning of year balance	3,177,747	8,765,096	105,000	16,731	184,015	115,260	27,966	1,431,946	1,030,554	14,854,315
Additions	-	-	-	-	-	2,900	12,000	7,035	20,590	42,525
Disposals	-	-	-	-	-	-	(20,966)	-	-	(20,966)
End of year balance	3,177,747	8,765,096	105,000	16,731	184,015	118,160	19,000	1,438,981	1,051,144	14,875,874
Accumulated depreciation										
Beginning of year balance	-	957,992	6,300	8,495	65,939	36,475	21,148	740,705	526,833	2,363,887
Depreciation	-	175,301	2,100	1,674	12,882	26,196	1,200	172,000	95,800	487,153
Disposals	-	-	-	-	-	-	(17,297)	-	-	(17,297)
End of year balance	-	1,133,293	8,400	10,169	78,821	62,671	5,051	912,705	622,633	2,833,743
Net	3,177,747	7,631,803	96,600	6,562	105,194	55,489	13,949	526,276	428,511	12,042,131
2016										
Cost										
Beginning of year balance	3,177,747	8,765,096	105,000	16,731	184,015	115,260	27,966	1,431,286	1,025,732	14,848,833
Additions	-	-	-	-	-	-	-	660	6,432	7,092
Disposals	-	-	-	-	-	-	-	-	(1,610)	(1,610)
End of year balance	3,177,747	8,765,096	105,000	16,731	184,015	115,260	27,966	1,431,946	1,030,554	14,854,315
Accumulated depreciation										
Beginning of year balance	-	782,691	4,200	6,822	53,058	28,407	16,953	589,537	432,105	1,913,773
Depreciation	-	175,301	2,100	1,673	12,881	8,068	4,195	151,168	95,586	450,972
Disposals	-	-	-	-	-	-	-	-	(858)	(858)
End of year balance	-	957,992	6,300	8,495	65,939	36,475	21,148	740,705	526,833	2,363,887
Net	3,177,747	7,807,104	98,700	8,236	118,076	78,785	6,818	691,241	503,721	12,490,428

4. Accounts receivable and other debit balances

	2017	2016
	JD	JD
Trade receivables (*)	240,092	271,068
Checks under collection	31,881	10,867
Less: allowance for doubtful receivables	(85,000)	(85,000)
Net	186,973	196,935
Prepaid expenses	50,007	52,385
Social security claim-work injury compensation	7,787	7,578
Employees receivable	2,797	5,600
Margin guarantee	2,700	480
Refundable deposits	360	360
Stamps	143	608
Total	250,767	263,946

(*) Trade receivables are concentrated at one customer represent 43% of total trade receivables balance as at December 31, 2017.

5. Cash and cash equivalents

	2017	2016
	JD	JD
Current accounts at banks	16,299	43,968
Cash on hand	7,462	16,102
Total	23,761	60,070

6. Accounts payable and other credit balances

	2017	2016
	JD	JD
Trade payables (*)	195,487	227,373
Postdated checks	85,943	37,045
Sales tax deposits	72,629	151,182
Unearned revenues	65,655	58,817
Accrued expenses	52,385	91,288
Uncleared checks	20,463	-
Deposits	14,725	15,695
Provisions (**)	11,940	33,422
Services deposits (10%)	8,646	7,858
Others	161	374
Al- Jazeera for Trading Co - related party (***)	-	133,000
Total	**528,034**	**756,054**

(*) Trade payable are concentrated of five vendors represent 37% of the total trade payables as of December 31, 2017.

(**) Movement of provisions during the year was as following:

	Beginning of year balance	Provided	Paid	Recovery of provision	End of year balance
	JD	JD	JD	JD	JD
Vacations povision	21,422	-	9,482	-	11,940
Board of directors reward provision	10,500	-	3,500	7,000	-
Remuneration provision	1,500	-	1,000	500	-
Total	33,422	-	13,982	7,500	11,940

(***) Transactions with related parties consist of transactions with main shareholders and the companies which shareholders have control over them. Transactions with related parties are of financing nature.

7. Bank overdraft

This represents facilitations granted to the company from the Jordan Commercial Bank with a ceiling of JD 200,000 at an interest rate of 8.5%, the facilities was granted by the guarantee of the Shanholder Mr. Mazen Khairee Ayass , and a first class mortgage on the land that is fully owned by the company.

8. Loan

This item represent the loan amounting to JD 250,000 which was acquired from the Commercial Bank on May 19, 2015, with an interest rate of 8.5%. The loan will be settled at once on December 31, 2017. An amount of JD 200,000 was withdrawn for the purpose of expanding a number of rooms. The Loan was granted by pledging the Hotel building against that.

9. **Income tax provision**

	2017	2016
	JD	JD
Beginning of the year balance	18,600	-
Provided	-	18,600
Paid	(18,600)	-
End of year balance	-	18,600

- The company settled its income tax for 2014, and tax returns for 2015 and 2016 were submitted within the legal period, Income and Sales Tax Department didn't audit the accounts of the company and issue its final decision yet.
- According to the tax consultant, there is no need to make a provision for income tax for the year 2017 because there is an acceptable taxable losses.

10. **Hotel revenues**

	2017	2016
	JD	JD
Rooms	1,280,851	1,368,905
Food and beverage	703,147	879,089
Other	117,591	231,291
Total	2,101,589	2,479,285

11. Operating expenses

	2017	2016
	JD	JD
Salaries, wages and employees' benefits	922,043	918,396
Utilities	237,272	237,447
Food and beverage	184,706	214,702
Credit card charges	89,798	74,622
Consumables	60,972	46,351
Maintenance	56,392	44,556
Guest services	38,811	42,147
Rent	30,000	22,500
Cleaning	27,027	30,216
Stationery	22,719	28,936
Governmental fees	19,191	31,330
Professional fees	14,344	13,700
Accommodation and transportation	12,966	24,147
Advertising and promotion	11,028	16,820
Miscellaneous	10,882	12,321
Communication	10,039	12,856
Subscriptions	9,529	10,069
Hospitality	7,120	17,989
Uniforms	6,779	4,046
Ramadan tent expenses	5,593	32,447
Insurance	5,855	6,064
Training	5,454	1,503
Bank charges	2,005	918
Tourism companies commission	1,697	3,781
Stamps	1,424	1,769
Total	1,793,646	1,849,633

12. Other operating expenses

	2017	2016
	JD	JD
Property and sales tax	20,360	20,040
Billboard	-	5,125
Total	20,360	25,165

13. Administrative expenses

	2017	2016
	JD	JD
Salaries, wages and employees benefits (*)	98,628	87,681
Board of directors transportation	21,000	21,000
Professional fees	17,316	11,917
Governmental fees	14,116	17,688
General assembly meeting	9,403	8,842
Insurance	4,155	6,709
Vehicles	2,586	2,586
Design and supervision	2,030	-
Communication	1,505	1,569
Advertising and promotion	1,200	600
Maintenance	843	302
Stamps	679	825
Hospitality	451	490
Miscellaneous	404	694
Stationery	270	260
Uniforms	211	-
Bank charges	175	167
Transportation	35	340
Board of directors remuneration	-	10,500
Total	175,007	172,170

(*) This item includes salaries of executive management amounting to JD 52,493 for the year ended December 31, 2017 (JD 43,800 for the year ended December 31, 2016).

14. Contingent liabilities

There are guarantees on the company amounting to JD 3,000 as of December 31, 2017, with a cash margin of JD 2,700.

15. Legal cases

As stated in the lawyer's letter, there are legal cases raised by the Company against others amounting to JD 1,000, and there are legal cases raised by the others against the Company amounting to JD 20,293 and the cases are still outstanding in the related courts.

16. Risk management

a) <u>Capital risk</u>

Regularly, the capital structure is reviewed and the cost of capital and the risks associated with capital are considered. In addition, capital is managed properly to ensure continuing as a going concern while maximizing the return through the optimization of the debt and equity balance.

b) Currency risk

- Currency risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in foreign exchange rates.
- The risk arises on certain transactions denominated in foreign currencies, which imposes sort of risk due to fluctuations in exchange rates during the year.
- Certain procedures to manage the exchange rate risk exposure are maintained.
- Most of foreign currency transactions are in USD, and JD exchange rate is fixed against USD.
- The following is a statement of foreign currency accounts as at December 31, 2017:

Description	Currency	Exchange rate	Amount in foreign currency	Amount in local currency
Current account at bank	USD	0/708	604	428

c) Interest rate risk

- Interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates.
- The risk arises on exposure to a fluctuation in market interest rates resulting from borrowings and depositing in banks.
- The risk is managed by maintaining an appropriate mix between fixed and floating interest rates balances during the financial year.
- The following table shows the sensitivity of profit or loss and equity to changes in interest rates paid by the entity on borrowing from bank:

Description	Change in interest	Effect on equity
	%	JD
Bank overdraft	0.5 ±	681

d) Other price risk

- Other price risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market prices (other than those arising from interest rate risk or currency risk), whether those changes are caused by factors specific to the individual financial instrument or its issuer, or factors affecting all similar financial instruments traded in the market.
- The risk arises from investing in equity instruments.
- The Company is not exposed to other price risk.

e) Credit risk

- Credit risk is the risk that one party to a financial instrument will cause a financial loss for the other party by failing to discharge an obligation.
- Regularly, the credit ratings of debtors and the volume of transactions with those debtors during the year are monitored.
- Ongoing credit evaluation is performed on the financial condition of debtors.
- The carrying amount of financial assets recorded in the financial statements represents the maximum exposure to credit risk without taking into account the value of any collateral obtained.

f) Liquidity risk

- Liquidity risk is the risk of encountering difficulty in meeting obligations associated with financial liabilities that are settled by delivering cash or another financial assets.
- Liquidity risk is managed through monitoring cash flows and matching with maturity dates of the financial assets and liabilities.

- The following table shows the maturity dates of financial assets and liabilities as of December 31:

Description	Less than one year		1 year and above	
	2017	2016	2017	2016
	JD	JD	JD	JD
Financial assets:				
Accounts recievable and other debit balances	200,760	211,561	-	-
Cash and cash equivalents	23,761	60,070	-	-
Total	224,521	271,631	-	-
Financial liabilities:				
Accounts payable and other credit balances	450,439	663,815	-	-
Loan	-	199,984	-	-
Bank overdraft	136,260	-	-	-
Total	586,699	863,799	-	-

17. Standards and Interpretations issued but not yet effective

Up to the date of these financial statements, the following Standards and Interpretations were issued by the International Accounting Standards Board but not yet effective:

Standard or Interpretation No.	Description	Effective date
IFRS (9) - New	Financial Instruments.	Jan 1, 2018 or after
IFRS (15) – New	Revenue from contracts with customers.	Jan. 1, 2018 or after
IFRS (16) – New	Leases – all leases are being recognized in the statement of financial position, without distinctions between operating and finance leases.	Jan 1, 2019 or after
IFRS (17) - New	Insurance contracts.	Jan 1, 2021 or after
IFRIC No. (22)	Foreign currency transactions.	Jan 1, 2018 or after
IFRIC No. (23)	Uncertainty over income tax treatments.	Jan 1, 2019 or after

Management anticipates that the adoption of these Standards and Interpretations in current or future periods may not have material impact on the financial statements.