



شركة مصانع الزيوت النباتية الأردنية م.ع.م.
Jordan Vegetable Oil Industries Co. Ltd.

Date : 29/03/2017

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التاريخ : 2017/03/29

أشارتنا : 2017/37/مساهمين

To: Jordan Securities Commission

السادة هيئة الأوراق المالية المحترمين

Subject: Audited Financial Statements for the
fiscal year ended 31/12/2016

الموضوع : البيانات المالية السنوية المدققة للسنة المنتهية
في 2016/12/31

According to our letter no. 11/2017/Shareholders
dated 09/03/2017 Please find Attached the
Audited Financial Statements of Jordan Vegetable
Oil Industries Co.Ltd. for the fiscal year ended
31/12/2016 in English.

لاحقا لكتابنا المرسى لكم رقم 11/2017/مساهمين
بتاريخ 2017/03/09 سرفق طيه نسخة من البيانات
المالية المدققة لشركة مصانع الزيوت النباتية الأردنية
م.ع.م عن السنة المالية المنتهية في 2016/12/31
باللغة الانجليزية.

Kindly accept our high appreciation and respect

وتفضلوا بقبول فائق الاحترام

Shareholders Liaison Officer

Basem Kokash



ضابط ارتباط المساهمين

باسم كوكاش

JORDAN VEGETABLE OILS INDUSTRIES
PUBLIC SHAREHOLDING COMPANY

FINANCIAL STATEMENTS

31 DECEMBER 2016

INDEPENDENT AUDITOR'S REPORT

To the Shareholders of Jordan Vegetable Oils Industries Company
Amman – Jordan

Report on the Audit of the Financial Statements

Opinion

We have audited the financial statements of Jordan Vegetable Oils Industries Company (the Company), which comprise the statement of financial position as at 31 December 2016, 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 2016, and its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards (IFRSs).

Basis for Opinion

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

Key Audit Matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the financial statements for the year ended 31 December 2016. 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. For each matter below, our description of how our audit addressed the matter provided in that context.

Recognition of revenue

The Company owns and operates vegetable oil and margarine manufacturing facility.

Revenues are mainly generated from the sale of vegetable oils and margarine products to customers. We focused on this area because there is a risk that billing to customers may be done for products that are not delivered or products delivered but not billed or recorded and hence will result in an overstatement or understatement of revenue.

How the key audit matter was addressed in the audit

As a response to this matter, we tested the key internal controls on the timing and approval of revenue recognition. Our audit procedures included, amongst others, testing sales transactions taking place close before or after the cutoff date as of 31 December 2016 to assess whether those transactions were recognized in the correct year. In addition, we performed detailed analytical procedures for the gross margin on a monthly basis for each main product. We also tested key customers reconciliations and manual journal entries posted to ensure that revenue journals were approved and corroborated with supporting evidence.

Disclosures of recognition of revenue are detailed in note (2-4) and note (12) to the financial statements.

The valuation of trade receivables

The determination as to whether a trade receivable is collectable involves management judgment. Management considers specific factors including the age of the balance, existence of disputes, recent historical payment patterns and any other available information concerning the creditworthiness of counterparties. Management uses this information to determine whether a provision for impairment is required either for a specific transaction or for a customer's balance overall.

We focused on this area since it requires a high level of management judgment and since the completeness of allowance for doubtful accounts receivable may have a significant impact on the Company's profit.

How the key audit matter was addressed in the audit

We have obtained external confirmations of customer balances on a sample basis and reviewed reconciliations in case of any discrepancies in the confirmations. Moreover, we tested the aging of accounts receivable where no provision was recognized to check that there were no indicators of impairment. This included verifying if payments had been received since the year-end, reviewing historical payment patterns and any correspondence with customers on expected settlement dates.

We selected a sample of the larger trade receivable balances where a provision for impairment of trade receivables was recognized and understood the rationale behind management's judgment. In order to evaluate the appropriateness of these judgments we verified whether balances were overdue, the customer's historical payment patterns and whether any post year-end payments had been received up to the date of completing our audit procedures. We also obtained corroborative evidence including correspondence supporting any disputes between the parties involved, attempts by management to recover the amounts outstanding and on the credit status of significant counterparties where available.

In assessing the appropriateness of the overall provision for impairment, we considered the consistency of management's application of policy for recognizing provisions with the prior year.

Disclosures of valuation of trade receivables are detailed in note (2-4) and note (7) to the financial statements.

Litigations and contingent liabilities

The recognition and measurement of provisions, the measurement and disclosure of contingent liabilities in respect of litigation, regulatory actions and customer remediation (together 'legal and regulatory matters') require significant judgments. Due to the significance of these matters and the difficulty in assessing and measuring the amount of provision from any resulting obligations, this is considered a key audit risk.

How the key audit matter was addressed in the audit

We assessed litigations held against the Company where we obtained management assessment related to unfavorable outcome of litigations and assessed the appropriateness and completeness of recorded related provisions. We also obtained confirmation from the external legal counsel of the Company.

We validated the completeness and appropriateness of the related disclosures through assessing that the disclosure of the litigation and contingent liabilities in note (19) to the financial statements.

We have fulfilled the responsibilities described in the Auditor's responsibilities for the audit of the 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 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 financial statements.

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

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

Our opinion on the 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 financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the 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 Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with IFRSs, 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.

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

Bishr Ibrahim Baker
Registration No. 592

Amman – Jordan
7 March 2017

JORDAN VEGETABLE OILS INDUSTRIES
PUBLIC SHAREHOLDING COMPANY
STATEMENT OF FINANCIAL POSITION
AS AT 31 DECEMBER 2016

<u>ASSETS</u>	<u>Notes</u>	<u>2016</u>	<u>2015</u>
		JD	JD
Non-current assets -			
Property and equipment	3	932,912	975,473
Investment properties	4	495,459	497,683
Financial assets at fair value through other comprehensive income	5	299,060	182,674
		<u>1,727,431</u>	<u>1,655,830</u>
Current assets -			
Inventories	6	854,368	899,364
Accounts receivable and other current assets	7	2,380,290	2,771,064
Cash on hand and at banks	9	1,925,770	1,054,474
		<u>5,160,428</u>	<u>4,724,902</u>
Total assets		<u><u>6,887,859</u></u>	<u><u>6,380,732</u></u>
<u>EQUITY AND LIABILITIES</u>			
Equity -			
Paid in capital	8	4,000,000	4,000,000
Statutory reserve	8	1,000,000	947,531
Fair value reserve	5	44,620	24,298
Retained earnings		614,299	502,660
Total Equity		<u><u>5,658,919</u></u>	<u><u>5,474,489</u></u>
Current liabilities -			
Accounts payable and other current liabilities	11	1,085,341	758,990
Due to related parties	20	2,020	29,167
Income tax provision	17	141,579	118,086
Total liabilities		<u><u>1,228,940</u></u>	<u><u>906,243</u></u>
Total equity and liabilities		<u><u>6,887,859</u></u>	<u><u>6,380,732</u></u>

The attached notes from 1 to 25 form part of these financial statements

JORDAN VEGETABLE OILS INDUSTRIES
PUBLIC SHAREHOLDING COMPANY
STATEMENT OF PROFIT OR LOSS
FOR THE YEAR ENDED 31 DECEMBER 2016

	<u>Notes</u>	<u>2016</u> JD	<u>2015</u> JD
Sales	12	<u>5,303,856</u>	<u>5,091,275</u>
Cost of Sales -			
Finished goods- beginning balance	6	288,630	226,624
Cost of goods manufactured and purchase	13	3,268,357	3,313,938
Finished goods- ending balance	6	<u>(269,976)</u>	<u>(288,630)</u>
Cost of Sales		<u>3,287,011</u>	<u>3,251,932</u>
Gross Profit		2,016,845	1,839,343
Selling and distribution expenses	14	(162,741)	(196,136)
Administrative expenses	15	(497,731)	(574,369)
Provision for doubtful debts	7	(410,000)	(330,000)
Provision for slow moving items	6	(38,000)	(38,000)
Provision for lawsuits		<u>(421,064)</u>	<u>(210,531)</u>
Operating Profit		487,309	490,307
Bank Interest and commission		(91)	(3,036)
Gain from disposal of property and equipment		1,612	1,599
Other Income	16	<u>63,111</u>	<u>20,988</u>
Profit for the year before tax		551,941	509,858
Income tax	17	<u>(187,973)</u>	<u>(146,529)</u>
Profit for the year		<u>363,968</u>	<u>363,329</u>
		<u>Fils/ JD</u>	<u>Fils/ JD</u>
Basic and diluted earnings per share	18	<u>0/091</u>	<u>0/091</u>

The attached notes from 1 to 25 form part of these financial statements

JORDAN VEGETABLE OILS INDUSTRIES
PUBLIC SHAREHOLDING COMPANY
STATEMENT OF COMPREHENSIVE INCOME
FOR THE YEAR ENDED 31 DECEMBER 2016

	<u>Notes</u>	<u>2016</u>	<u>2015</u>
		JD	JD
Profit for the year		363,968	363,329
Other comprehensive income items			
Other comprehensive income not to be reclassified to profit or loss in subsequent periods:			
Gain on sale from financial assets at fair value through other comprehensive income		140	-
Change in fair value of financial assets at fair value through other comprehensive income		<u>20,322</u>	<u>13,368</u>
Net other comprehensive income items not to be reclassified to profit or loss in subsequent periods:		<u>20,462</u>	<u>13,368</u>
Total comprehensive income for the year, net of tax		<u>384,430</u>	<u>376,697</u>

The attached notes from 1 to 25 form part of these financial statements

JORDAN VEGETABLE OILS INDUSTRIES
PUBLIC SHAREHOLDING COMPANY
STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED 31 DECEMBER 2016

	Paid in capital JD	Statutory Reserve JD	Fair Value Reserve JD	Retained Earnings JD	Total JD
2016 -					
Balance at 1 January 2016	4,000,000	947,531	24,298	502,660	5,474,489
Profit for the year	-	-	-	363,968	363,968
Other comprehensive Income for the year	-	-	20,322	140	20,462
Total comprehensive Income for the year	-	-	20,322	364,108	384,430
Dividends (note 21)	-	-	-	(200,000)	(200,000)
Transfer to reserves	-	52,469	-	(52,469)	-
Balance at 31 December 2016	4,000,000	1,000,000	44,620	614,299	5,658,919
2015 -					
Balance at 1 January 2015	4,000,000	896,545	10,930	470,317	5,377,792
Profit for the year	-	-	-	363,329	363,329
Other comprehensive Income for the year	-	-	13,368	-	13,368
Total comprehensive Income for the year	-	-	13,368	363,329	376,697
Dividends (note 21)	-	-	-	(280,000)	(280,000)
Transfer to reserves	-	50,986	-	(50,986)	-
Balance at 31 December 2015	4,000,000	947,531	24,298	502,660	5,474,489

The attached notes from 1 to 25 form part of these financial statements

JORDAN VEGETABLE OILS INDUSTRIES
PUBLIC SHAREHOLDING COMPANY
STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED 31 DECEMBER 2016

	<u>Note</u>	<u>2016</u> JD	<u>2015</u> JD
<u>OPERATING ACTIVITIES</u>			
Profit for the year before income tax		551,941	509,858
Non-cash Adjustments:-			
Depreciation and amortization		96,283	115,646
Bank interest and commission		91	3,036
Provision for doubtful debts		410,000	330,000
Provision for slow moving items		38,000	38,000
Provision for lawsuits		421,064	210,531
Gain from disposal of property and equipment		(1,612)	(1,599)
Interest Income		(14,054)	-
Working capital changes:			
Inventories		6,996	30,170
Accounts receivable and other current assets		(19,226)	425,155
Related parties		(27,147)	2,747
Accounts payable and other current liabilities		(105,805)	87,886
Income tax paid		(164,480)	(105,498)
Net cash flows from operating activities		1,192,051	1,645,932
<u>INVESTING ACTIVITIES</u>			
Purchase of Investments properties		(4,779)	-
Purchase of property, plant and equipment		(48,107)	(40,630)
Proceeds from disposal of property, plant and equipment		3,000	1,600
Purchase of financial assets through other comprehensive income		(229,734)	(151,368)
Proceeds from sale of financial assets through other comprehensive income		133,810	-
Interest received		14,054	-
Net cash flows used in investing activities		(131,756)	(190,398)
<u>FINANCING ACTIVITIES</u>			
Bank Interests and commissions paid		(91)	(3,036)
Related parties		-	(97,471)
Dividends paid		(188,908)	(249,414)
Net cash flows used in financing activities		(188,999)	(349,921)
Net increase in cash and cash equivalents		871,296	1,105,613
Cash and cash equivalents, beginning of the year		1,054,474	(51,139)
Cash and cash equivalents, end of the year	9	1,925,770	1,054,474

The attached notes from 1 to 25 form part of these financial statements

JORDAN VEGETABLE OILS INDUSTRIES
PUBLIC SHAREHOLDING COMPANY
NOTES TO THE FINANCIAL STATEMENTS
AS AT 31 DECEMBER 2016

(1) GENERAL

Jordan Vegetable Oils Industries (the Company) was established in 1953 and registered as a Public Shareholding Company with an authorized and paid capital of JD 500,000 divided into 500,000 shares at par value of JD 1 each. The Company increased its paid in capital through the years to become JD 4,000,000 in 2010 divided into 4,000,000 shares at par value of JD 1.

The Company's main activity is to produce vegetable oils and other related and complimentary products.

The financial statements were authorized for issuance by the Company's board of directors in its meeting held on 27 February 2017, and it is subject to the approval of the general assembly.

(2-1) BASIS OF PREPARATION

The financial statements have been prepared on a historical cost basis, except for financial assets at fair value through other comprehensive income that have been measured at fair value.

The financial statements have been prepared in accordance with International Financial Reporting Standards as issued by the International Accounting Standard Board.

The financial statements are presented in Jordanian Dinar, which represents the functional currency of the Company.

(2-2) SIGNIFICANT 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 2015 except for the followings:

Equity Method in Separate Financial Statements (Amendments to IAS 27 and IFRS 1)

In August 2014, the IASB amended IAS 27 Separate Financial Statements which restore the option for entities, in the separate financial statements, to account for investments in subsidiaries, associates and joint ventures using the equity method as described in IAS 28 Investments in Associates and Joint Ventures. A consequential amendment was also made to IFRS 1 First-time Adoption of International Financial Reporting Standards. The amendment to IFRS 1 allows a first-time adopter accounting for investments in the separate financial statements using the equity method, to apply the IFRS 1 exemption for past business combinations to the acquisition of the investment.

IAS 1 *Presentation of Financial Statements – Amendments to IAS 1*

The amendments to IAS 1 include narrow-focus improvements related to:

- Materiality
- Disaggregation and subtotals
- Notes structure
- Disclosure of accounting policies
- Presentation of items of other comprehensive income (OCI) arising from equity accounted investments

Investment entities (Amendments to IFRS 10 and IAS 28)

The amendments address the issues arising in practice in the application of the investment entities consolidation exception and clarify that:

- The exemption from presenting consolidated financial statements applies to a parent entity that is a subsidiary of an investment entity, when the investment entity measures all of its subsidiaries at fair value.
- Subsidiary that is not an investment entity itself and provides support services to the investment entity is consolidated. All other subsidiaries of an investment entity are measured at fair value.
- Application of the equity method by a non-investment entity that has an interest in an associate or joint venture that is an investment entity: The amendments to IAS 28 Investments in Associates and Joint Ventures allow the investor, when applying the equity method, to retain the fair value measurement applied by the investment entity associate or joint venture to its interests in subsidiaries.

Amendments to IAS 16 and IAS 38: *Clarification of Acceptable Methods of Depreciation and Amortization*

The amendments clarify the principle in IAS 16 and IAS 38 that revenue reflects a pattern of economic benefits that are generated from operating a business (of which the asset is part) rather than the economic benefits that are consumed through use of the asset. As a result, a revenue-based method cannot be used to depreciate property, plant and equipment and may only be used in very limited circumstances to amortize intangible assets.

Amendments to IFRS 11 *Joint Arrangements: Accounting for Acquisitions of Interests*

The amendments to IFRS 11 require that a joint operator accounting for the acquisition of an interest in a joint operation, in which the activity of the joint operation constitutes a business, must apply the relevant IFRS 3 principles for business combinations accounting. The amendments also clarify that a previously held interest in a joint operation is not remeasured on the acquisition of an additional interest in the same joint operation while joint control is retained. In addition, a scope exclusion has been added to IFRS 11 to specify that the amendments do not apply when the parties sharing joint control, including the reporting entity, are under common control of the same ultimate controlling party.

The amendments apply to both the acquisition of the initial interest in a joint operation and the acquisition of any additional interests in the same joint operation .

The implementation of the new amendments did not have impact on the Company's financial position or performance and became effective for annual periods which started from 1 January 2016.

(2-3) Use of estimates

The preparation of the 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.

Judgments, estimates and assumptions in the financial statements are detailed below:

- A provision of doubtful debt is estimated by the management based on their principles and assumptions according to International Financial Reporting Standards.
- The financial year is charged with its related income tax in accordance with regulations.
- The management periodically reviews the useful lives of property and equipment in order to calculate the annual depreciation expense on the general conditions of the property and equipment and estimate the future useful lives accordingly. Any impairment losses of property and equipment are recognized in the statement of profit or loss.
- Legal provisions are provided for lawsuits raised against the Company based on the Company's legal advisor opinion.

(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 computed on a straight-line basis over the estimated useful lives of the assets using annual depreciation rates ranging from 1% to 33%.

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

The useful life and depreciation method 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.

Investment Properties

Investment properties are stated at cost less accumulated depreciation, and are depreciated (excluding land) using the straight-line depreciation method over the forecasted useful life at a rate of 2.5%.

Investments properties are written off upon their disposal or retirement. Gains or losses arising from the disposal are recognized in the statement of profit or loss.

Financial assets at fair value through other comprehensive income

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

These financial assets are no longer subject to impairment testing and dividends are recognized in the statement of profit or loss.

Inventories

Inventories are valued at the lower of cost and net realizable value.

Costs incurred in bringing each product to its present location and conditions are accounted for as follows:

Raw materials– purchase cost on weighted average basis.

Finished goods and work in progress – cost of direct materials and labor depreciation and a proportion of manufacturing overheads.

Net realizable value is the estimated selling price in the ordinary course of business, less estimated costs of completion and the estimated costs necessary to make the sale.

Accounts receivable

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

Cash and cash equivalents

For cash flow purpose cash and cash equivalents comprise cash balances with banks and financial institutions maturing within three months, less bank overdrafts and restricted funds.

Accounts payable 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 Company has a present obligation (legal or constructive) arising from a past event and the costs to settle the obligation are both probable and able to be reliably measured.

Revenue and expenses recognition

Revenue from the sale of goods is recognized when significant risks and rewards of ownership of the goods have passed to the buyer.

Rent revenues are recognized over the rent contract period using straight line method.

Other revenues are recognized on accrual basis.

Expenses are recognized on accrual basis.

Foreign currencies

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

All differences are taken to the statement of profit or loss.

Income taxes

The income tax provision is calculated in accordance with the Income Tax Law No. 34 of 2014 and IAS 12.

Deferred income tax is provided on temporary differences at the statement of financial position date between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes.

(3) PROPERTY AND EQUIPMENT

	Lands	Buildings		Machinery	Tools and equipment		Furniture and fixtures		Office equipment and Computers		vehicles		Projects in progress		Total
	JD	JD	JD	JD	JD	JD	JD	JD	JD	JD	JD	JD	JD	JD	JD
2016 -															
Cost															
Balance at 1 January 2016	285,272	1,288,169		5,121,527	109,566	158,194	241,220	244,877	214						7,449,039
Additions	-	-		7,902	30	-	4,720	37,309	-						49,961
Disposals	-	-		(6,803)	-	-	-	(16,910)	-						(23,713)
Transfers	-	-		-	-	-	214	-	(214)						-
Balance at 31 December 2016	<u>285,272</u>	<u>1,288,169</u>		<u>5,122,626</u>	<u>109,596</u>	<u>158,194</u>	<u>246,154</u>	<u>265,276</u>	<u>-</u>						<u>7,475,287</u>
Accumulated depreciation -															
Balance at 1 January 2016	-	957,037		4,975,629	87,296	155,267	157,090	141,247	-						6,473,566
Depreciation charge for the year	-	33,630		27,482	802	711	10,018	16,637	-						89,280
Disposals	-	-		(3,562)	-	-	-	(16,909)	-						(20,471)
Balance at 31 December 2016	<u>-</u>	<u>990,667</u>		<u>4,999,549</u>	<u>88,098</u>	<u>155,978</u>	<u>167,108</u>	<u>140,975</u>	<u>-</u>						<u>6,542,375</u>
Net book value-															
At 31 December 2016	<u>285,272</u>	<u>297,502</u>		<u>123,077</u>	<u>21,498</u>	<u>2,216</u>	<u>79,046</u>	<u>124,301</u>	<u>-</u>						<u>932,912</u>

	Lands	Buildings		Machinery	Tools and equipment		Furniture and fixtures		Office equipment and Computers		Motor vehicles		Projects in progress		Total
	JD	JD	JD	JD	JD	JD	JD	JD	JD	JD	JD	JD	JD	JD	JD
2015 -															
Cost -															
Balance at 1 January 2015	285,272	1,288,169	5,121,527	109,566	158,194	239,919	240,597	-	7,443,244						
Additions	-	-	-	-	-	1,301	39,115	214	40,630						
Disposals	-	-	-	-	-	-	(34,835)	-	(34,835)						
Balance at 31 December 2015	<u>285,272</u>	<u>1,288,169</u>	<u>5,121,527</u>	<u>109,566</u>	<u>158,194</u>	<u>241,220</u>	<u>244,877</u>	<u>214</u>	<u>7,449,039</u>						
Accumulated depreciation -															
Balance at 1 January 2015	-	922,787	4,927,261	86,474	154,332	147,507	161,393	-	6,399,754						
Depreciation charge for the year	-	34,250	48,368	822	935	9,583	14,688	-	108,646						
Disposals	-	-	-	-	-	-	(34,834)	-	(34,834)						
Balance at 31 December 2015	<u>-</u>	<u>957,037</u>	<u>4,975,629</u>	<u>87,296</u>	<u>155,267</u>	<u>157,090</u>	<u>141,247</u>	<u>-</u>	<u>6,473,566</u>						
Net book value-															
At 31 December 2015	<u>285,272</u>	<u>331,132</u>	<u>145,898</u>	<u>22,270</u>	<u>2,927</u>	<u>84,130</u>	<u>103,630</u>	<u>214</u>	<u>975,473</u>						

(4) INVESTMENT PROPERTIES

	<u>Lands</u>	<u>Buildings</u>	<u>Total</u>
	JD	JD	JD
2016 -			
Cost -			
Balance at 1 January 2016	284,616	265,302	549,918
Additions	-	4,779	4,779
Balance at 31 December 2016	<u>284,616</u>	<u>270,081</u>	<u>554,697</u>
Accumulated depreciation -			
Balance at 1 January 2016	-	52,235	52,253
Depreciation charge for the year	-	7,003	7,003
Balance at 31 December 2016	<u>-</u>	<u>59,238</u>	<u>59,238</u>
Net book value at 31 December 2016	<u>284,616</u>	<u>210,843</u>	<u>495,459</u>
2015 -			
Cost -			
Balance at 1 January 2015	284,616	265,302	549,918
Balance at 31 December 2015	<u>284,616</u>	<u>265,302</u>	<u>549,918</u>
Accumulated depreciation -			
Balance at 1 January 2015	-	45,235	45,235
Depreciation charge for the year	-	7,000	7,000
Balance at 31 December 2015	<u>-</u>	<u>52,235</u>	<u>52,235</u>
Net book value at 31 December 2015	<u>284,616</u>	<u>213,067</u>	<u>497,683</u>

The fair value of investments properties is not materially different from its book value as at 31 December 2016 and 2015.

(5) FINANCIAL ASSETS THROUGH OTHER COMPREHENSIVE INCOME

This item represents the Company's investments in the stocks of the following companies:

	<u>2016</u>	<u>2015</u>
	<u>JD</u>	<u>JD</u>
Amman Stock Exchange -		
Cairo Amman Bank	33,300	40,800
Bank of Jordan	197,810	-
Arab Bank	-	141,874
Jordan Petroleum Refinery	34,200	-
	<u>265,310</u>	<u>182,674</u>
Palestine Stock Exchange -		
Arab Palestinian Investment Company	33,750	-
	<u>299,060</u>	<u>182,674</u>

The movement on fair value reserve is as follows:

	<u>2016</u>	<u>2015</u>
	<u>JD</u>	<u>JD</u>
Beginning Balance	24,298	10,930
Change in fair value	20,322	13,368
Ending Balance	<u>44,620</u>	<u>24,298</u>

(6) INVENTORIES

	<u>2016</u>	<u>2015</u>
	<u>JD</u>	<u>JD</u>
Raw and packaging materials	472,077	427,267
Finished goods	269,976	288,630
Purchased finished goods	25,642	14,983
Spare parts	197,158	198,183
Goods in transit	70,791	113,577
Provision for raw materials and slow moving spare parts	(181,276)	(143,276)
	<u>854,368</u>	<u>899,364</u>

The movement on the provision for raw materials and slow moving spare parts is as follows:

	<u>2016</u> JD	<u>2015</u> JD
Balance at 1 January	143,276	105,276
Provision for the year	38,000	38,000
Balance at 31 December	<u>181,276</u>	<u>143,276</u>

(7) ACCOUNTS RECEIVABLE AND OTHER CURRENT ASSETS

	<u>2016</u> JD	<u>2015</u> JD
Trade receivables	5,422,220	5,330,013
Less : Provision for doubtful debts	<u>(3,606,847)</u>	<u>(3,196,847)</u>
	1,815,373	2,133,166
Checks under collection	549,293	614,467
Employees receivables	220	-
Prepaid expenses	4,787	4,137
Refundable deposits	7,255	7,255
Advances to suppliers	-	12,039
Social Security deposits	3,362	-
	<u>2,380,290</u>	<u>2,771,064</u>

As 31 December 2016 trade receivables at nominal value of JD 3,606,847 were impaired (2015: JD 3,196,847).

The movement on provision for doubtful debts is as follows:

	<u>2016</u> JD	<u>2015</u> JD
Balance at 1 January	3,196,847	2,866,847
Provision for the year	410,000	330,000
Balance at 31 December	<u>3,606,847</u>	<u>3,196,847</u>

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

	Past-due but not impaired				Total JD
	1-30 days JD	31-60 days JD	61-90 days JD	More than 90 days JD	
2016	110,635	322,591	38,068	1,344,079	1,815,373
2015	286,881	83,897	47,282	1,715,106	2,133,166

The management expects to collect all unimpaired trade receivables. The Company has raised litigations against impaired trade receivables and the Company has obtained guarantees from a limited number of customers; the Company does not have any guarantees against the rest of unimpaired trade receivables.

(8) EQUITY

Paid in capital -

The Company's authorized and paid in capital is JD 4,000,000 as at 31 December 2016 divided into 4,000,000 shares at a par value of JD 1 each.

Statutory reserve -

This amount represents appropriations at 10% of net income before income tax during this year and prior years. This reserve is not available for distribution to shareholders.

(9) CASH AND CASH EQUIVALENTS

The cash and cash equivalents that appear in the statement of cash flows represent the following:

	<u>2016</u>	<u>2015</u>
	JD	JD
Cash on hand and at banks	1,412,628	1,054,474
Bank deposits*	513,142	-
	<u>1,925,770</u>	<u>1,054,474</u>

* This represents a deposit at Cairo Amman Bank, its interest matures on monthly basis at a rate of 3% per annum.

(10) UNUTILIZED CREDIT FACILITIES

The details of the Company's unutilized credit facilities as at 31 December 2016 are as follows:

- Over draft from the Arab Bank with a ceiling of JD 2,000,000 and an interest rate of 8.125% (2015: 8.75%).
- Deferred letter of credit from the Arab Bank with a ceiling of JD 1,000,000 and an interest rate of 8.125% (2015: 8.75%).
- Over draft from Al - Etihad Bank with a ceiling of JD 200,000 and an interest rate of 8.5% (2015: ceiling JD 500,000 and interest rate 8.5%).
- Letter of credit from Al - Etihad Bank with a ceiling of JD 1,000,000 and interest rate of 8.5% (2015: ceiling JD 1,000,000 and interest rate 8.5%).

(11) ACCOUNTS PAYABLE AND OTHER CURRENT LIABILITIES

	2016	2015
	JD	JD
Accounts Payable	119,993	155,881
Unpaid dividends	48,175	114,426
Accrued expenses	77,836	53,565
Provision for law suits	631,595	234,841
Provision for end of service and leaves	70,288	62,493
Income tax deposits	9,245	8,918
Sales tax deposits	22,099	22,222
Social security deposits	7,346	6,702
Post dated checks	97,582	98,486
Others	1,182	1,456
	<u>1,085,341</u>	<u>758,990</u>

(12) SALES

	2016	2015
	JD	JD
Local Sales	5,162,644	4,820,655
Export Sales	141,212	270,620
	<u>5,303,856</u>	<u>5,091,275</u>

(13) PRODUCTION AND PURCHASING COST

	2016	2015
	JD	JD
Raw and packaging materials used in production	2,917,584	2,947,555
Salaries and wages	185,933	180,006
Social security contribution	21,007	18,520
Medical expenses	3,806	4,283
Depreciation	63,076	85,167
Maintenance and repairs	6,122	6,960
Cleaning costs	1,775	2,619
Electricity, water and fuel	35,484	38,199
Insurance	4,549	5,384
Others	29,021	25,245
	<u>3,268,357</u>	<u>3,313,938</u>

(14) SELLING AND DISTRIBUTION EXPENSES

	2016	2015
	JD	JD
Salaries and wages	102,296	125,098
Social security contribution	13,326	17,636
Medical expenses	2,350	2,028
Export sales expenses	301	785
Vehicles expenses	18,919	22,468
Banks commissions	6,448	2,951
Sample testing expenses	865	3,295
Advertising and promotion	7,243	8,632
Commissions	5,727	10,573
Others	5,266	2,670
	<u>162,741</u>	<u>196,136</u>

(15) ADMINISTRATIVE EXPENSES

	2016	2015
	JD	JD
Salaries and wages	276,004	284,547
Social security contribution	24,986	22,542
Medical expenses	5,346	9,758
Stationary	1,154	1,556
Depreciation	33,207	30,479
Post and telephone	2,857	2,651
Board of directors remuneration and transportation	51,800	51,600
Consulting fees	24,000	22,000
Legal fees	33,906	68,639
Memberships and subscriptions	9,615	8,639
Vehicles expenses	9,735	8,060
Customs fees	-	39,243
Others	25,121	24,655
	<u>497,731</u>	<u>574,369</u>

(16) OTHER INCOME

	2016	2015
	JD	JD
Interest on bank deposits	14,054	-
Storage and scrap income	2,064	3,353
Rent income	-	8,800
Dividends income	8,883	813
Manufacturing services income	35,450	-
Other income	2,660	8,022
	<u>63,111</u>	<u>20,988</u>

(17) INCOME TAX

Income tax provision was calculated for the year ended 31 December 2016 and 2015 in accordance with Income Tax Law No. (34) of 2014.

The Company reached a final settlement with the Income Tax Department up to the year 2014.

In the opinion of the Company's management, the income tax provision recorded as at 31 December 2016 is sufficient to meet future tax obligations.

The Company does not record deferred taxes until ensuring of the possibility of recovery.

A summary of the reconciliation between taxable profit and accounting profit is as follows:

	2016	2015
	JD	JD
Accounting profit	551,941	509,858
Add: Nondeductible expenses	869,064	613,801
Deduct: export profit	78,483	77,021
Taxable Profit	<u>1,342,522</u>	<u>1,046,638</u>
Income tax for the year	187,973	146,529
Effective Income tax rate	34.06%	28.74%
Statutory income tax rate	14%	14%

The movement on income tax provision is as follows:

	2016 JD	2015 JD
Balance as at 31 January	118,086	77,055
Income tax expense for the year	187,973	146,529
Income tax paid	(164,480)	(105,498)
Balance as at 31 December	<u>141,579</u>	<u>118,086</u>

(18) EARNINGS PER SHARE

	2016	2015
Profit for the year (JD)	363,968	363,329
Weighted average number of shares (shares)	<u>4,000,000</u>	<u>4,000,000</u>
Basic Earnings per share (JD/ files)	<u>0/091</u>	<u>0/091</u>

Diluted earnings per share equals the basic earnings per share.

(19) CONTINGENT LIABILITIES

Guarantees –

As at 31 December 2016, the Company has contingent liabilities which represented in letter of guarantees with an amount of JD 221,880 (2015: JD 175,832).

Law suits against the company –

The Company is a defendant in number law suits representing legal action and claims related to its ordinary course of business amounting to JD 23,439 as at 31 December 2016 (2015: JD 24,310). The management and legal advisor believe that the lawsuit provision recorded of as at 31 December 2016 JD 24,439 (2015: JD 24,310) is sufficient to meet obligations may arise from the lawsuits.

A decision from the federal court of the Republic of Iraq to compel the Company to pay JD 631,595 for the General Company for Food Trading, the Company was not notified of this decision until the date of these financial statements. The management and legal advisor believe that the provision recorded for this lawsuit is sufficient to meet obligations may arise.

Lawsuits raised by the company –

As at 31 December 2016 lawsuits raised by the Company amounted to JD 2,494,282 (2015: JD 2,502,571) representing accounts receivable, and returned checks related to its ordinary course of business.

(20) RELATED PARTIES

Related parties represent sister companies, major shareholders and key management personnel of the Company and other companies where the directors or senior managers are principal owners.

Pricing policies and terms of these transactions are approved by the Company's management.

A summary of related party balances as shown in the statement of financial position:

	<u>2016</u>	<u>2015</u>
	<u>JD</u>	<u>JD</u>
Due to related parties		
Vegetable Oils Industries Co. Ltd. – Nablus (Sister company)	2,020	29,167
	<u>2,020</u>	<u>29,167</u>

Balances with related parties arise from normal operations and are not subject to interest.

A summary of related party balances as shown in the profit or loss:

	<u>2016</u>	<u>2015</u>
	<u>JD</u>	<u>JD</u>
Sales of goods		
Astra Food Company – Saudi Arabia (Sister company)	<u>38,083</u>	<u>5,640</u>
Raw materials purchases		
Vegetable Oils Industries Co. Ltd. – Nablus (Sister company)	<u>42,400</u>	<u>84,800</u>
Board of directors transportation and remuneration	<u>51,800</u>	<u>51,600</u>
Salaries and benefits	<u>186,735</u>	<u>179,031</u>

(21) DIVIDENDS

During its meeting held on 4 February 2017 the Board of Directors approved the distribution of cash dividends for the year 2016 of 7% of the Company's paid in capital and are subject to the approval of the general assembly.

The General assembly approved in its ordinary meeting held on 27 April 2016 to distribute cash dividends for the year 2016 with a percentage of 5% from paid in capital.

The General assembly approved in its ordinary meeting held on 22 April 2015 to distribute cash dividends for the year 2015 with a percentage of 7% from paid in capital.

(22) RISK MANAGEMENT

Interest rate risk –

The Company is exposed to interest rate risk on its assets which are bearing interest such as bank deposits.

The sensitivity of the statement of comprehensive income is the effect of the assumed changes in interest rates on the Company's profit for one year based on the floating rate financial assets as at 31 December 2016 and 2015.

The following table demonstrates the sensitivity of the statement of comprehensive income to reasonably possible changes in interest rates as at 31 December 2016 and 2015, with all other variables held constant.

2016 -	Increase in Interest rate	Effect on Profit for the year
	Point	JD
Currency JD	50	2,566
	Decrease in Interest rate	Effect on Profit for the year
	Point	JD
Currency JD	50	(2,566)

2015 -	<u>Increase in Interest rate Point</u>	<u>Effect on Profit for the year JD</u>
Currency JD	50	-

	<u>Decrease in Interest rate Point</u>	<u>Effect on Profit for the year JD</u>
Currency JD	50	-

Equity price risk –

The following table shows the sensitivity of profits and losses and fair value reserve as a result of the expected reasonable changes on stock prices, with all other variables held constant:

2016 -	<u>Change in index (%)</u>	<u>Effect on Profit for the year JD</u>	<u>Effect on Equity JD</u>
Amman Stock Exchange	10	-	29,906

2015 -	<u>Change in index (%)</u>	<u>Effect on Profit for the year JD</u>	<u>Effect on Equity JD</u>
Amman Stock Exchange	10	-	18,267

If there is a negative change in the index, the effect is equal to the change noted above in the opposite direction.

Credit risk –

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

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

The largest customer accounts for 56% of sales for the year ended 31 December 2016 (2015: 55%).

Liquidity risk –

Liquidity risk is the risk that the Company will not meet its obligations under its financial liabilities based on contractual maturity dates.

The Company monitors its liquidity by ensuring availability of funds to meet its obligations at their maturity date.

The table below summarizes the maturities of the Company's undiscounted financial liabilities at 31 December 2016 and 2015 based on contractual payment dates and current market interest rates:

	Less than 3 months JD	3 to 12 months JD	Total JD
31 December 2016			
Accounts payable and other current liabilities	174,428	130,012	304,440
Due to related parties	-	2,020	2,020
Total	174,428	132,032	306,460
	Less than 3 months JD	3 to 12 months JD	Total JD
31 December 2015			
Accounts payable and other current liabilities	284,439	122,196	406,635
Due to related parties	-	29,167	29,167
Total	284,439	151,363	435,802

Currency risk –

The Company's transactions in U.S. Dollar have negligible currency risk since the Jordanian Dinar is fixed against the U.S. Dollar (USD 1.41 for each one JD).

(23) FAIR VALUES OF FINANCIAL ASSETS

Financial assets comprise of financial assets and financial liabilities.

Financial assets consist of cash and bank balances, accounts receivable, financial assets at fair value through OCI, and some other current assets. Financial liabilities consist of accounts payable, due to related parties and some other current liabilities

The Company uses the following methods and alternatives of valuating and presenting the fair value of financial instruments:

- 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.

	31 December 2016 First Level JD	31 December 2015 First Level JD
Financial assets at fair value through other comprehensive income:		
Stocks	299,060	182,674

(24) CAPITAL MANAGEMENT

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

The Company manages its capital structure and makes adjustments to it in light of changes in business conditions. No changes were made in the objectives, policies or processes during the years ended 31 December 2016.

Capital comprises paid in capital, statutory reserve, fair value reserve and retained earnings, and is measured at JD 5,658,919 as at 31 December 2016 (31 December 2015: JD 5,474,489).

(25) STANDARDS ISSUED BUT NOT YET EFFECTIVE

IFRS 9 Financial Instruments

During July 2014, the IASB issued IFRS 9 "Financial Instruments" with all the three phases. IFRS 9 sets out the requirements for recognizing and measuring financial assets, financial liabilities and some contracts to buy or sell non-financial items. IFRS 9 replaces IAS 39 "Financial Instruments: Recognition and Measurement". The Company has implemented the first phase of IFRS 9 as issued during 2009. The date of initial implementation of the first phase of IFRS 9 was 1 January 2011. The new version of IFRS 9 will be implemented at the mandatory date on 1 January 2018, which will have an impact on the recognition and measurement of financial assets.

IFRS 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 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.

IAS 7 Disclosure Initiative – Amendments to IAS 7

The amendments to IAS 7 Statement of Cash Flows are part of the IASB's Disclosure Initiative and require an entity to provide disclosures that enable users of financial statements to evaluate changes in liabilities arising from financing activities, including both changes arising from cash flows and non-cash changes. On initial application of the amendment, entities are not required to provide comparative information for preceding periods. The amendments will be effective for annual periods beginning on or after 1 January 2017, with early application permitted. The application of amendments will result in adding limited amount of disclosure information.

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

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

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

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

Transfers of Investment Property (Amendments to IAS 40)

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

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

IFRIC Interpretation 22 Foreign Currency Transactions and Advance Consideration

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