

شركة الحمه المعدنية الأردنية (م.ع.م)  
Jordan Himmeh Mineral Co. Ltd.

م.ع.م  
شركة الحمه المعدنية الأردنية  
العمان  
3/4/2017

Amman 3/4/2017  
Ref:MS/243/2017

Messrs. Jordan Securities Commission  
Amman - Jordan

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

Attached the English Audited Financial Statements of Jordan Himmeh Mineral Company for the fiscal year ended 31/12/2016.

Kindly accept our highly appreciation and respect

Ahmad I. Jamjoum  
Director – General Manager

شركة الحمه المعدنية الأردنية  
م.ع.م  
Jordan Himmeh Mineral  
Co. Ltd.



JORDAN HIMMEH MINERAL COMPANY

PUBLIC SHAREHOLDING COMPANY

FINANCIAL STATEMENTS

31 DECEMBER 2016

## **INDEPENDENT AUDITOR'S REPORT**

**To the Shareholders of**

**Jordan Himmeh Mineral Company – Public Shareholding Company**

**Amman – Jordan**

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

#### **Opinion**

We have audited the financial statements of Jordan Himmeh Mineral Company (the "Company"), which comprise the statement of financial position as at 31 December 2016, and the 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. Based on our audit, we have determined that there are no key audit matters to communicate in our report.

## **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. The Company's annual report is expected to be made available to us after the date of this auditor's report.

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.

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## **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 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 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 exists, 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  
License No. 592

Amman – Jordan  
26 March 2017

**JORDAN HIMMEH MINERAL COMPANY – PUBLIC SHAREHOLDING COMPANY**  
**STATEMENT OF FINANCIAL POSITION**  
**AS AT 31 DECEMBER 2016**

	<u>Notes</u>	<u>2016</u> JD	<u>2015</u> JD
<b><u>ASSETS</u></b>			
<b>Non-current assets -</b>			
Property and equipment	6	682,619	682,619
Projects in progress	7	8,427	5,235
		<u>691,046</u>	<u>687,854</u>
<b>Current assets -</b>			
Receivables and other current assets	8	26,028	25,279
Cash on hand and at banks	9	326,069	509,558
		<u>352,097</u>	<u>534,837</u>
<b>Total Assets</b>		<u><u>1,043,143</u></u>	<u><u>1,222,691</u></u>
<b><u>EQUITY AND LIABILITIES</u></b>			
<b>Equity -</b>			
	10		
Paid-in capital		500,000	500,000
Share premium		570,026	570,026
Statutory reserve		64,989	64,989
Voluntary reserve		66,440	66,440
Accumulated losses		(175,340)	(148,821)
<b>Net equity</b>		<u>1,026,115</u>	<u>1,052,634</u>
<b>Liabilities -</b>			
<b>Current liabilities</b>			
Payables and other current liabilities	11	17,028	170,057
<b>Total Equity and Liabilities</b>		<u><u>1,043,143</u></u>	<u><u>1,222,691</u></u>

The accompanying notes from 1 to 20 form part of these financial statements

**JORDAN HIMMEH MINERAL COMPANY – PUBLIC SHAREHOLDING COMPANY**  
**STATEMENT OF COMPREHENSIVE INCOME**  
**FOR THE YEAR ENDED 31 DECEMBER 2016**

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	<u>Notes</u>	<u>2016</u> JD	<u>2015</u> JD
Interest income		9,422	16,079
Administrative expenses	12	<u>(35,941)</u>	<u>(38,042)</u>
<b>Loss for the year</b>		(26,519)	(21,963)
Add: Other comprehensive income items		-	-
<b>Total comprehensive income for the year</b>		<u>(26,519)</u>	<u>(21,963)</u>
		<u>JD / Fils</u>	<u>JD / Fils</u>
<b>Basic and diluted loss per share</b>	14	<u>(0/053)</u>	<u>(0/044)</u>

The accompanying notes from 1 to 20 form part of these financial statements



**JORDAN HIMMEH MINERAL COMPANY – PUBLIC SHAREHOLDING COMPANY**  
**STATEMENT OF CHANGES IN EQUITY**  
**FOR THE YEAR ENDED 31 DECEMBER 2016**

	Paid-in capital	Share premium	Statutory reserve	Voluntary reserve	Accumulated losses	Net equity
	JD	JD	JD	JD	JD	JD
<b>2016 -</b>						
<b>Balance at 1 January 2016</b>	500,000	570,026	64,989	66,440	(148,821)	1,052,634
Total comprehensive income for the year	-	-	-	-	(26,519)	(26,519)
<b>Balance at 31 December 2016</b>	<u>500,000</u>	<u>570,026</u>	<u>64,989</u>	<u>66,440</u>	<u>(175,340)</u>	<u>1,026,115</u>
<b>2015 -</b>						
<b>Balance at 1 January 2015</b>	500,000	570,026	64,989	66,440	(126,858)	1,074,597
Total comprehensive income for the year	-	-	-	-	(21,963)	(21,963)
<b>Balance at 31 December 2015</b>	<u>500,000</u>	<u>570,026</u>	<u>64,989</u>	<u>66,440</u>	<u>(148,821)</u>	<u>1,052,634</u>

The accompanying notes from 1 to 20 form part of these financial statements

**JORDAN HIMMEH MINERAL COMPANY – PUBLIC SHAREHOLDING COMPANY**  
**STATEMENT OF CASH FLOWS**  
**FOR THE YEAR ENDED 31 DECEMBER 2016**

	<u>Notes</u>	<u>2016</u>	<u>2015</u>
		<u>JD</u>	<u>JD</u>
<b><u>OPERATING ACTIVITIES</u></b>			
Loss for the year		(26,519)	(21,963)
<b>Adjustments for:</b>			
Provision for end of service indemnity	11	810	1,489
Interest income		(9,422)	(16,079)
<b>Changes in working capital:</b>			
Receivables and other current assets		(999)	(1,617)
Payables and other current liabilities		(6,060)	6,666
End of service indemnity paid	11	(18,810)	-
<b>Net cash flows used in operating activities</b>		<u>(61,000)</u>	<u>(31,504)</u>
<b><u>INVESTING ACTIVITIES</u></b>			
Projects in progress		(3,192)	(5,235)
Interest received		9,672	16,259
<b>Net cash flows from investing activities</b>		<u>6,480</u>	<u>11,024</u>
<b><u>FINANCING ACTIVITIES</u></b>			
Related parties		(128,969)	21,504
<b>Net cash flows (used in) from financing activities</b>		<u>(128,969)</u>	<u>21,504</u>
<b>Net (decrease) increase in cash and cash equivalents</b>		(183,489)	1,024
Cash and cash equivalents as at 1 January		509,558	508,534
<b>Cash and cash equivalents as at 31 December</b>	9	<u>326,069</u>	<u>509,558</u>

The accompanying notes from 1 to 20 form part of these financial statements

**(1) GENERAL**

Jordan HimmeH Mineral Company (the "Company") was established on 24 June 1964 as a Public Shareholding Company. The Company's paid in capital increased throughout the years to become JD 500,000 divided into 500,000 shares, each having a par value of JD 1.

The Company's principal activities are to acquire mineral water sites in Al-Makhiba and surrounding areas, as well as to construct hotels, public baths, restaurants and coffee shops.

The Company stopped trading its shares on Amman Stock Exchange on 13 August 2006 due to the demolition and suspension of the old project.

The financial statements were approved by the Company's Board of Directors on 16 March 2017. These financial statements require the approval of the General Assembly of the shareholders of the Company.

**(2) BASIS OF PREPARATION**

The accompanying financial statements of the Company have been prepared in accordance with International Financial Reporting Standards (IFRS) as issued by International Accounting Standards Board.

The financial statements have been prepared on a historical cost convention.

The financial statements have been presented in Jordanian Dinar "JD", which is the functional currency of the Company.



### **(3) 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.

**(4) 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 as well as fair value changes reported in equity. 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.

**(5) SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

The principal accounting policies adopted in preparing these financial statements are as follows:

**Property and equipment**

Property and equipment is stated at cost, net of accumulated depreciation.

Property and equipment (except for land) is depreciated using the straight-line method over their estimated useful lives using the following annual depreciation rates:

	<u>Year</u>
Furniture and fixture	4-7
Computers	5
Others	5-6

The assets' residual values, useful lives and methods of depreciation are reviewed at each financial year end and adjusted prospectively, if appropriate.

Asset's carrying amount is written down to its recoverable amount if the assets carrying amount is greater than its estimated recoverable amount. The loss is recognized in the statement of comprehensive income.

**Projects in progress**

Projects in progress are stated at cost. This includes the cost of construction and other direct costs. Projects in progress are not depreciated unless completed and available for use.

**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 any amount is no longer probable.

**Cash and cash equivalents**

Cash and cash equivalent in the statement of financial position comprise cash at banks and on hand and short term deposits with a maturity of three months or less.

**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 recognition**

Revenues are recognized upon rendering services.

Other revenues are recognized on an accrual basis.

Dividends are recognized upon declaration by the investee.

Rental income is recognized on a straight line basis over lease term as other income.

### **Income Taxes**

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

Tax expense comprises current tax and deferred taxes. Deferred tax is provided on temporary differences at each reporting date between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes. Deferred tax assets and liabilities are measured at the tax rates that are expected to apply in the period when the asset is realized or the liability is settled.

The carrying values of deferred income tax assets are reviewed at each reporting date and reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the deferred income tax asset to be utilized.

### **Foreign currency**

Foreign currency transactions during the year are recorded using exchange rates that were in effect at the dates of the transactions. Assets and liabilities denominated in foreign currencies are translated to Jordanian Dinars using the prevailing exchange rates at year end. Foreign exchange gains or losses are reflected in the statement of comprehensive income.

**(6) PROPERTY AND EQUIPMENT**

	Land	Furniture and fixtures	Computers	Others	Total
	JD	JD	JD	JD	JD
<b>2016-</b>					
<b>Cost -</b>					
At 1 January 2016	682,617	1,714	5,498	605	690,434
<b>At 31 December 2016</b>	<u>682,617</u>	<u>1,714</u>	<u>5,498</u>	<u>605</u>	<u>690,434</u>
<b>Accumulated depreciation -</b>					
At 1 January 2016	-	1,713	5,497	605	7,815
<b>At 31 December 2016</b>	<u>-</u>	<u>1,713</u>	<u>5,497</u>	<u>605</u>	<u>7,815</u>
<b>Net book value -</b>					
At 31 December 2016	<u>682,617</u>	<u>1</u>	<u>1</u>	<u>-</u>	<u>682,619</u>
<b>2015-</b>					
<b>Cost -</b>					
At 1 January 2015	682,617	1,714	5,498	605	690,434
<b>At 31 December 2015</b>	<u>682,617</u>	<u>1,714</u>	<u>5,498</u>	<u>605</u>	<u>690,434</u>
<b>Accumulated depreciation -</b>					
At 1 January 2015	-	1,713	5,497	605	7,815
<b>At 31 December 2015</b>	<u>-</u>	<u>1,713</u>	<u>5,497</u>	<u>605</u>	<u>7,815</u>
<b>Net book value -</b>					
At 31 December 2015	<u>682,617</u>	<u>1</u>	<u>1</u>	<u>-</u>	<u>682,619</u>



**(7) PROJECTS IN PROGRESS**

This item represents the cost of executed work, studies and engineering design related to the project in Al-Himmeh area. The estimated cost to complete the projects in progress is JD 2,000,000. Management expects to complete the projects within 30 months from the starting date.

Movement on the projects in progress is as follows:

	<u>2016</u> JD	<u>2015</u> JD
Beginning balance	5,235	-
Additions	3,192	5,235
Ending balance	<u>8,427</u>	<u>5,235</u>

**(8) RECEIVABLES AND OTHER CURRENT ASSETS**

This item consists of the following:

	<u>2016</u> JD	<u>2015</u> JD
Prepaid expenses	125	128
Accrued interest	350	600
Due from Sales Tax	11,031	10,136
Due from Income Tax	14,151	13,667
Others	371	748
	<u>26,028</u>	<u>25,279</u>

**(9) CASH ON HAND AND AT BANKS**

	<u>2016</u> JD	<u>2015</u> JD
Deposits*	325,000	507,991
Current accounts	819	1,373
Cash on hand	250	194
	<u>326,069</u>	<u>509,558</u>

\* Term deposits represent deposits held with local banks in Jordanian Dinars with maturities of three months and less, with an interest rate of 2,77% per annum.

**(10) EQUITY**

**Paid in Capital –**

The Company's authorized and paid in capital is 500,000 shares with par value of JD 1 per share.

**Share premium –**

The amount accumulated in this account represents the difference between the proceeds of share issuances and the par value of the shares the par value of the shares

**Statutory Reserve –**

The accumulated amounts in this account represent cumulative appropriations of 10% of the net income before income tax. The statutory reserve is not available for distribution to the shareholders. The Company is allowed to stop the yearly transfer when the reserve amount reaches 25% of the share capital.

**Voluntary Reserve –**

The accumulated amounts in this account represent cumulative appropriations not exceeding 20% of annual profits before tax. This reserve is available for distribution to the shareholders.

**(11) PAYABLES AND OTHER CURRENT LIABILITIES**

	<u>2016</u>	<u>2015</u>
	JD	JD
Due to related parties (Note 15)	1,463	130,432
Trade payables	2,528	8,573
Accrued expenses	2,250	2,250
Dividends payable	4,642	4,642
End of service indemnity provision*	1,830	19,830
Provision for lawsuits	4,177	4,177
Others	138	153
	<u>17,028</u>	<u>170,057</u>

**JORDAN HIMMEH MINERAL COMPANY – PUBLIC SHAREHOLDING COMPANY**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**31 DECEMBER 2016**

\* Movement on end of service indemnity provision is as follows:

	2016	2015
	JD	JD
Beginning balance	19,830	18,341
Additions during the year	810	1,489
Paid during the year	(18,810)	-
Ending balance	<u>1,830</u>	<u>19,830</u>

**(12) ADMINISTRATIVE EXPENSES**

	2016	2015
	JD	JD
Salaries and wages	12,592	20,604
Professional fees	9,200	5,700
Maintenance	385	719
Subscriptions	2,109	2,062
General assembly meeting and annual report	1,819	2,129
End of service indemnity	810	1,489
Employees bonuses	4,335	1,935
Property tax	56	56
Water and electricity	622	525
Telephone and fax	601	642
Social security	347	362
Overtime	566	470
Employees vacation	923	-
Public liability insurance	426	426
Governmental expenses	320	286
Others	830	637
	<u>35,941</u>	<u>38,042</u>

**(13) INCOME TAX**

No income tax provision was calculated for the Company for years 2016 and 2015 due to the excess of deductible expenses over taxable revenues, in accordance with Income Tax Law No. (34) of 2014.

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

The Income and Sales Tax Department has not reviewed the accounting records of the Company for 2016 and 2015 up to the date of the financial statements.

**(14) BASIC AND DILUTED LOSS PER SHARE**

	<u>2016</u>	<u>2015</u>
Loss for the year (JD)	(26,519)	(21,963)
Number of shares (Share)	<u>500,000</u>	<u>500,000</u>
	<u>JD / Fils</u>	<u>JD / Fils</u>
Basic and diluted loss per share	<u>(0/053)</u>	<u>(0/044)</u>

Basic and diluted loss per share for the year are equal.

**(15) RELATED PARTIES**

Related parties represent the holding company, sister companies, directors and key management personnel of the Company:

Balances with related parties included in the statement of financial position are as follows:

	<u>2016</u>	<u>2015</u>
	JD	JD
Zara Investment Holding Company – Parent Company (Note 11)	<u>1,463</u>	<u>130,432</u>

Summary of key management salaries, remunerations, and other benefits is as follows:

	<u>2016</u>	<u>2015</u>
	JD	JD
Salaries, remunerations and others benefits	<u>27,602</u>	<u>14,108</u>



**(16) LITIGATIONS**

As of 31 December 2016, the Company is a defendant in a number of lawsuits amounting to JD 26,338 (2015: JD 26,338). The Company's management and its legal advisor believe that no material obligation would arise against these lawsuits except for what has been recognized in this financial statements.

**(17) FAIR VALUE OF FINANCIAL INSTRUMENTS**

Financial instruments comprise of financial assets and financial liabilities.

Financial assets consist of cash on hand and at banks, accounts receivable, and some other current assets. Financial liabilities consist of accounts payable, and some other current liabilities.

Fair value of financial instruments does not materially differ from their book value.

**(18) RISK MANAGEMENT**

**Interest rate risk**

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

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

2016 - Currency	Increase in interest rate (Basis Points)	Effect on loss for the year before tax JD
JD	25	813
2015 - Currency	Increase in interest rate (Basis Points)	Effect on loss for the year before tax JD
JD	25	1,270

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

### Credit risk

Credit risk is the risk that one party to a financial instrument will fail to discharge an obligation and cause the other party to incur a financial loss. The Company is exposed to credit risk on its bank balances, receivables and certain other assets as reflected in the statement of financial position.

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

### Liquidity risk

The Company limits its liquidity risk by ensuring bank facilities are available.

The table below summarises the maturities of the Company's undiscounted financial liabilities based on contractual payment dates.

	Less than 3 months JD	Total JD
<b>As of 31 December 2016 -</b>		
Payable and other current liabilities	<u>17,028</u>	<u>17,028</u>
<b>As of 31 December 2015 -</b>		
Payable and other current liabilities	<u>170,057</u>	<u>170,057</u>

### Currency risk

Most of the Company's transactions are in Jordanian Dinars and US Dollars. The Jordanian Dinar exchange rate is fixed against US Dollars (US\$ 1.41 for JD 1). Therefore, the impact of currency fluctuation risk is immaterial on the Company's financial statements.

## **(19) 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 partners 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 and 31 December 2015.

Capital comprises paid in capital, share premium, statutory reserve, voluntary reserve and accumulated losses, and is measured at JD 1,026,115 as at 31 December 2016 (2015: JD 1,052,634).



**(20) 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.