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To: Jordan Securities Commission
Amman stock exchange

Subject: The Financial Statements for the year ended December 31/12/2016

After Greetings,

With reference to the above subject and accordance with the laws and the instructions of the issuing company, accounting standards and auditing standards for the year 2004, please find attached the Financial Statements for the year ended December 31/12/2016 and Approved the audit opinion Report of the company's on its financial statements.

Kindly accept our highly appreciation and respect

CFO
Hatem Al - Afifi



- نسخة / بورصة عمان فاكس رقم 5564071
- نسخة / مركز إيداع الأوراق المالية فاكس رقم 5672590



SINIORA FOOD INDUSTRIES COMPANY
(A PUBLIC SHAREHOLDING LIMITED COMPANY)
AMMAN - JORDAN

CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2016
TOGETHER WITH INDEPENDENT
AUDITOR'S REPORT

SINIORA FOOD INDUSTRIES COMPANY
(A PUBLIC SHAREHOLDING LIMITED COMPANY)
AMMAN – JORDAN
DECEMBER 31, 2016

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Independent Auditor's Report

AM/ 32930

To the Shareholders of
Siniora Food Industries Company
(A Public Shareholding Limited Company)
Amman – Jordan

Report on the Audit of the Financial Statements

Opinion

We have audited the financial statements of Siniora Food Industries Company (A Public Shareholding Limited Company) and its subsidiaries (together "the Group") which comprise the consolidated statement of financial position as at December 31, 2016, and the consolidated statement of income and other comprehensive income, consolidated statement of changes in equity, and the consolidated statement of cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information.

In our opinion, the accompanying financial statements present fairly, in all material respects, the consolidated financial position of the Company as at December 31, 2016, and its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards.

Basis for Opinion

We conducted our audit in accordance with International Standards on Auditing. 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 together with the other ethical requirements that are relevant to our audit of the Company's consolidated financial statements in Jordan, and we have fulfilled our other ethical responsibilities. 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, in our professional judgment, are the most significant matters in our audit of the consolidated financial statements of the current year. 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.

Provision for Accounts Receivable

The provision for accounts receivable is a key audit matter. It requires the Company's management to use assumptions to assess the collectability of accounts receivable based on the customers' financial conditions and related credit risks. The balance of net accounts receivable amounted to JD 9,859,737, representing approximately 17% of the assets amount as of December 31, 2016.

The nature and characteristics of accounts receivable are varied. They include export, local receivables and other receivables. This requires making assumptions and using estimates to take the provision for the impairment in those receivables.

Scope of Audit to Address Risks

The followed audit procedures included understanding accounts receivable and the adopted internal control system in following up on and monitoring credit risks. The procedures also included reviewing the internal control procedures relating to calculating the impairment provision for accounts receivable. As such, we have studied and understood the Company's adopted policy for calculating the provision, evaluated the factors affecting the calculation, as well as discussed those factors with Executive Management. We also selected a sample of those receivables after taking into consideration the risks related to payment and guarantees. In addition, we discussed with management some receivables with regard to the customer's expected cash flows and the adequacy of guarantees. Furthermore, we recalculated the provisions to be taken and reviewed the aging of receivables and related disclosure.

Provision for Income Tax.

Calculation of the tax expense and tax provision includes assessments of and judgments on material amounts in the financial statements as a whole. Moreover, the Company conducts broad-based operations within its regular activities, thus making judgements and assessments a key audit matter.

Scope of Audit to Address Risks

Audit procedures included understanding the nature of risks related to income tax, as well as the effectiveness of the Company's adopted control system in assessing and calculating accrued taxes. We also discussed with management the scope of work of the Company's tax consultant to verify his ability to calculate the required provisions. In addition, we discussed with management the accuracy and adequacy of the provisions taken, the reasonableness of the adopted accounting estimates, the Company's adoption of International Standard (12), and the impact of any tax differences with the tax authorities on the financial statements.

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

Management is responsible for the preparation and fair presentation of the financial statements in accordance with IFRS, and for such internal control as management determines 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 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 ISA's, we exercise professional judgement 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 the one resulting from error, as fraud may involve collusion, forgery, intentional omission, 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 expressing an opinion on effectiveness of 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 evidenced 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.
- Obtain sufficient and appropriate audit evidence regarding the financial information of the entities or business activities within the Company to express an opinion on the financial statements. We are responsible for the direction, supervision and performance of the Company's audit. We remain solely responsible for our audit opinion.

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

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

From the matters communicated with those charged with governance, we determine those matters of most significance in the audit of the financial statements of the current year, and are therefore, the key audit matters. We describe these matters in our auditor's report unless law and regulations preclude public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

Report on Other Legal and Regulatory Requirements

The Company maintains proper accounting records duly organized and in line with the accompanying consolidated financial statements. We recommend that the General Assembly of Shareholders approve these consolidated financial statements.

Other Matters

The accompanying consolidated financial statements are a translation of the statutory financial statements which are in the Arabic Language to which references should be made.


Deloitte & Touche (M.E.) – Jordan
Amman – Jordan
March 19, 2017

Deloitte & Touche (M.E.)
Public Accountants
Amman - Jordan

SINIORA FOOD INDUSTRIES COMPANY
(A PUBLIC SHAREHOLDING LIMITED COMPANY)
AMMAN-JORDAN
CONSOLIDATED STATEMENT OF FINANCIAL POSITION

		December 31,	
	Note	2016	2015
		JD	JD
<u>ASSETS</u>			
Current Assets:			
Cash on hand and at banks	3	1,622,833	6,216,172
Cheques under collection	4	524,804	1,157,119
Accounts receivable - net	5	9,859,737	5,283,346
Inventory - net	6	8,141,116	7,115,916
Due from related parties	7	2,170,144	1,182,249
Loans for sister companies	8	460,868	454,370
Other debit balances	9	1,978,916	1,457,415
Total Current Assets		<u>24,758,418</u>	<u>22,866,587</u>
Non-Current Assets:			
Investment in a non-consolidated subsidiary Company	10	1	1
Deferred tax assets	26	154,396	238,832
Intangible assets - net	11	6,382,099	1,979,898
Property and equipment - net	12	27,957,224	24,292,783
Total Non-Current Assets		<u>34,493,720</u>	<u>26,511,514</u>
TOTAL ASSETS		<u>59,252,138</u>	<u>49,378,101</u>
<u>LIABILITIES</u>			
Current Liabilities:			
Notes payable	13	360,675	265,348
Accounts payable		4,825,875	3,847,962
Due to related parties	14	740,780	114,367
Loans from sister companies	15	374,173	374,173
Deposits and accrued expenses	16	2,738,295	2,098,590
Short-term loans	17	3,644,800	1,939,034
Income tax provision	26	324,346	564,490
Total Current Liabilities		<u>13,008,944</u>	<u>9,203,964</u>
Non-Current Liabilities :			
Long-term loans	17	13,132,800	10,415,839
Provision for employees end-of-service indemnity	18	1,560,780	1,040,723
Total Non-Current liabilities		<u>14,693,580</u>	<u>11,456,562</u>
Total liabilities		<u>27,702,524</u>	<u>20,660,526</u>
<u>OWNERS' EQUITY</u>			
Paid-up capital	19/A	18,000,000	15,000,000
Statutory reserve	19/B	3,201,725	2,933,589
Retained earnings	19/C	8,957,685	10,783,986
Total shareholders' equity		30,159,410	28,717,575
Non-controlling interest	20	1,390,204	-
Total Owners' Equity		<u>31,549,614</u>	<u>28,717,575</u>
TOTAL LIABILITIES AND OWNERS' EQUITY		<u>59,252,138</u>	<u>49,378,101</u>

THE ACCOMPANYING NOTES CONSTITUTE AN INTEGRAL PART OF THESE
CONSOLIDATED FINANCIAL STATEMENTS AND SHOULD BE READ WITH THEM.

SINIORA FOOD INDUSTRIES COMPANY
(A PUBLIC SHAREHOLDING LIMITED COMPANY)
AMMAN - JORDAN
CONSOLIDATED STATEMENT OF INCOME
AND COMPREHENSIVE INCOME

		For the Year Ended	
		December 31,	
	Note	2016	2015
		JD	JD
Net Sales		<u>47,854,837</u>	<u>41,850,339</u>
Cost of sales:			
Finished products - beginning of the year	6	1,996,066	2,081,040
Cost of production	21	<u>31,325,296</u>	<u>26,665,688</u>
Cost of products ready for sale		33,321,362	28,746,728
<u>Less:</u> Finished products - end of the year	6	<u>(2,674,509)</u>	<u>(1,996,066)</u>
Cost of Sales		<u>30,646,853</u>	<u>26,750,662</u>
Gross Profit		17,207,984	15,099,677
<u>Less:</u> Selling and distribution expenses	22	<u>(8,455,801)</u>	<u>(5,239,992)</u>
General and administrative expenses	23	<u>(4,755,956)</u>	<u>(3,532,552)</u>
Financing expenses	24	<u>(795,663)</u>	<u>(581,198)</u>
Provision for end-of-service indemnity	18	<u>(310,096)</u>	<u>(159,892)</u>
Provision for doubtful debts	5	<u>(720,492)</u>	<u>(163,620)</u>
Provision for slow-moving inventory	6	<u>(53,732)</u>	<u>(127,800)</u>
Provision for lawsuits and other commitments	16	<u>394,080</u>	<u>(169,880)</u>
Other revenue - Net	25	<u>171,040</u>	<u>429,740</u>
Net Profit for the Year before Income Tax		2,681,364	5,554,483
<u>Less:</u> Income tax expense	26	<u>(320,066)</u>	<u>(649,670)</u>
Profit for the Year		<u><u>2,361,298</u></u>	<u><u>4,904,813</u></u>
<u>Attributable to:</u>			
Company's shareholder's		2,191,835	4,904,813
Non-Controlling interests		<u>169,463</u>	<u>-</u>
		<u><u>2,361,298</u></u>	<u><u>4,904,813</u></u>
Earnings Per Share for the Year (Company's Shareholder)	27	<u>0.12</u>	<u>0.27</u>

THE ACCOMPANYING NOTES CONSTITUTE AN INTEGRAL PART OF THESE
 CONSOLIDATED FINANCIAL STATEMENTS AND SHOULD BE READ WITH THEM.

SINIORA FOOD INDUSTRIES COMPANY
(A PUBLIC SHAREHOLDING LIMITED COMPANY)

AMMAN – JORDAN

CONSOLIDATED STATEMENT OF CHANGES IN OWNERS' EQUITY

	Paid-up Capital	Statutory Reserve **	Retained Earnings *	Controlling Interest	Non-Controlling Interest	Total Owners' Equity
	JD	JD	JD	JD	JD	JD
<u>For the Year Ended December 31, 2016</u>						
Balance - beginning of the year	15,000,000	2,933,589	10,783,986	28,717,575	-	28,717,575
Profit for the year	-	-	2,191,835	2,191,835	169,463	2,361,298
Total Comprehensive Income	-	-	2,191,835	2,191,835	169,463	2,361,298
Increase in paid-up capital*	3,000,000	-	(3,000,000)	-	-	-
Cash dividends **	-	-	(750,000)	(750,000)	-	(750,000)
Transferred to statutory reserve	-	268,136	(268,136)	-	-	-
Non-controlling interest	-	-	-	-	1,220,741	1,220,741
Balance - End of the Year	18,000,000	3,201,725	8,957,685	30,159,410	1,390,204	31,549,614
<u>For the Year Ended December 31, 2015</u>						
Balance - beginning of the year	15,000,000	2,647,059	7,665,703	25,312,762	-	25,312,762
Profit for the year	-	-	4,904,813	4,904,813	-	4,904,813
Total Comprehensive Income	-	-	4,904,813	4,904,813	-	4,904,813
Cash dividends	-	-	(1,500,000)	(1,500,000)	-	(1,500,000)
Transferred to statutory reserve	-	286,530	(286,530)	-	-	-
Balance - End of the Year	15,000,000	2,933,589	10,783,986	28,717,575	-	28,717,575

* The General Assembly approved in its extraordinary meeting held on April 13, 2016 to increase the paid-up capital from 15 million to become 18 million, through transferring 3 million from retained earnings to the paid-up capital and distributing free shares to the shareholders, based on their share of the paid-up capital. The Company has completed the legal procedures related to the capital increase with the regulatory authorities on May 29, 2016.

** The General Assembly approved in its ordinary meeting held on April 13, 2016 to distribute cash dividends amounting to JD 750,000 which is equivalent to 5% of the paid-up capital.

- Retained earnings include an amount of JD 154,396 that is restricted against deferred tax assets as of December 31, 2016, which cannot be utilized through capitalization or distribution unless actually realized.

THE ACCOMPANYING NOTES CONSTITUTE AN INTEGRAL PART OF THESE
CONSOLIDATED FINANCIAL STATEMENTS AND SHOULD BE READ WITH THEM.

SINIORA FOOD INDUSTRIES COMPANY
(A PUBLIC SHAREHOLDING LIMITED COMPANY)
AMMAN - JORDAN
CONSOLIDATED STATEMENT OF CASH FLOWS

		For the Year Ended December 31,	
	Note	2016	2015
CASH FLOWS FROM OPERATING ACTIVITIES:		JD	JD
Net profit for the year before tax		2,681,364	5,554,483
Adjustments:			
Depreciation of property and equipment	12	2,680,437	2,336,547
Amortization of intangible assets	11	43,424	42,885
Provision for doubtful debts	5&7	720,492	163,620
Provision for end-of-service indemnity	18	310,096	159,892
Provision for slow-moving inventory	6	53,732	127,800
(Released) from provision for lawsuits and other commitments	16	(394,080)	169,880
(Gain) from the sale of property and equipment	25	(9,822)	(8,980)
Foreign currency differences		-	(569)
Net Cash Flows from Operating Activities before Changes in Working Capital		6,085,643	8,545,558
Decrease (Increase) in cheques under collection		632,315	(909,134)
(Increase) in accounts receivable		(2,752,575)	(66,872)
(Increase) Decrease in due from related parties		(987,895)	362,860
Decrease in inventory		15,142	639,337
(Increase) in other debit balances		(471,330)	(146,855)
Increase in accounts payable		977,913	760,688
Increase (Decrease) in due to related parties		626,413	(33,884)
(Decrease) in deposits and accrued expenses		(247,397)	(517,002)
Net Cash Flows from Operating Activities before Income Tax and Employees End-of-Service Indemnity Paid		3,878,229	8,634,696
Income tax paid	26	(475,774)	(999,550)
Provision for end-of-service indemnity paid	18	(66,861)	(58,867)
Net Cash Flows from Operating Activities		3,335,594	7,576,279
CASH FLOWS FROM INVESTING ACTIVITIES:			
(Acquisition) of subsidiary company	11	(8,649,702)	-
(Acquisition) of property and equipment	12	(3,350,854)	(7,286,269)
Proceeds from the sale of property and equipment		33,510	12,741
(Acquisition) of intangible assets	11/c	(53,145)	(21,673)
Loans for sister companies		(6,498)	234
Net Cash Flows (used in) Investing Activities		(12,026,689)	(7,294,967)
CASH FLOWS FROM FINANCING ACTIVITIES:			
Notes payable and short-term cheques		95,327	(585,322)
Dividends		(750,000)	(1,500,000)
Loans - net		4,422,727	4,881,605
Net Cash Flows from Financing Activities		3,768,054	2,796,283
Net (Decrease) Increase in Cash		(4,923,041)	3,077,595
Add: Cash on hand and at banks - beginning of the year	3	6,216,172	3,138,577
Cash on hand and at banks from the acquisition of a subsidiary		329,702	-
Cash on Hand and at Banks - End of the Year	3	1,622,833	6,216,172

THE ACCOMPANYING NOTES CONSTITUTE AN INTEGRAL PART OF THESE
CONSOLIDATED FINANCIAL STATEMENTS AND SHOULD BE READ WITH THEM.

SINIORA FOOD INDUSTRIES COMPANY
(A PUBLIC SHAREHOLDING LIMITED COMPANY)
AMMAN – JORDAN
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

1. General

- a. Siniora Food Industries Company was established and registered at the Ministry of Industry and Trade as a limited liability Company under No. (2890) on July 27, 1992 with an authorized and paid-up capital of JD 400,000. The Company's paid-up capital has been increased several times the last increase was in the extraordinary meeting held on April 13, 2016 whereby the General Assembly decided to approve the increase of the Company's capital by JD 3,000,000 to become JD 18,000,000. The Company has completed the legal procedures related to the capital increase with the regulatory authorities on May 29, 2016.
- b. Following the Ministry of Industry and Trade Letter No. msh/2/2890/32377 dated November 11, 2008, which includes the approval of the Minister of Industry and Trade on transforming the legal form of Siniora Food Industries Company from a limited liability company to a public shareholding limited company, the General Assembly approved in its ordinary meeting dated February 4, 2009, the procedures followed to transform the Company's legal form from a limited liability company to a public shareholding limited company. Moreover, the Company has been registered as a public shareholding limited company in the Public Shareholding Companies Register under number (459) on January 8, 2009.
- c. The Company was registered under Number 07/6315110301 to practice industrial activity on the king Abdullah II / Sahab.
- d. The Company is 61/2% owned by Arab Palestinian Investment Company, which is considered the main shareholder of the Company.
- e. The Company's main objectives are producing, selling and buying meat and its byproducts; importing and exporting the necessary raw materials; and producing food products and trading in them.
- f. The accompanying financial statements were approved by the Board of Directors on March 6, 2017.

Basis of Consolidation

- The consolidated financial statements include the financial statements of the Company and the subsidiaries controlled by it. Control is achieved when the Company has the power to govern the financial and operating policies of the subsidiary company so as to obtain benefits from its activities. All intra-group transactions, balances, income and expenses are eliminated.
- The financial statements of the subsidiary companies were prepared using the same accounting policies adopted by the Company. If the accounting policies adopted by the subsidiary are different from those used by the Company, the necessary adjustments to the financial statements of the subsidiary company are made to comply with the accounting policies used by the Company.
- As of December 31, 2016 the Company owns the following subsidiary companies:

Name of Company	Paid-up Capital	Percentage of Ownership	Industry of the Company	Location	Acquisition / Inception Date
Siniora Food Industries Company- Palestine	USD 5,206,791	100%	Manufacturing	Palestine	January 25, 2006
Siniora Food Industries Company- Algeria *	DZD 10 Million	94%	Under Liquidation	Algeria	February 8, 2009
Siniora Food Holding Limited **	AED 1,000	100%	Holding	United Arab Emirates	February 25, 2016

The following most significant financial information for the subsidiary companies for the years 2016 and 2015:

Name of Company	December 31, 2016		For the year 2016	
	Total Assets	Total Liabilities	Total Revenues	Total Expenses
	JD	JD	JD	JD
Siniora Food Industries Company- Palestine	12,247,967	5,501,726	14,554,581	12,317,708
Siniora Food Industries Company- Algeria *	173,314	1,294,549	-	-
Siniora Food Holding Limited **	16,485,048	14,930,030	14,166,015	14,160,923

Name of Company	December 31, 2015		For the year 2015	
	Total Assets	Total Liabilities	Total Revenues	Total Expenses
	JD	JD	JD	JD
Siniora Food Industries Company- Palestine	13,341,655	5,287,287	15,295,470	12,771,534
Siniora Food Industries Company- Algeria *	173,314	1,294,549	-	-

- As of December 31, 2016 Siniora Food Holding Limited owns the following subsidiary companies:

Name of Company	Paid-up Capital	Percentage of Ownership	Industry of the Company	Location	Acquisition / Inception Date
Saudi Siniora Trading Company	SAR 500,000	100%	Trading	Saudi Arabia	August 17, 2009
Diamond Meat Processing Company ***	AED 300,000	70%	Manufacturing	United Arab Emirates	April 5, 2016
Siniora Gulf General Trading Company	AED 1,000,000	100%	Trading	United Arab Emirates	August 6, 2014

- * The Board of Directors resolved in the their meeting held on September 5, 2012 to liquidate Siniora Food Industries Company - Algeria, accordingly, the financial statements of the Company were not consolidated within the consolidated financial statements.

- ** On February 25, 2016, the Company has established Siniora Food Holding Limited (A limited liability Company) in Dubai - United Arab Emirates, the Company has completed the registration procedures with the regulatory authorities on February 25, 2016.

- *** On April 5, 2016, the company has completed the legal procedure related to the acquisition of 70% of Diamond Meat Processing Company which is located in Dubai - United Arab Emirates, the Company's share of the acquisition amounted to AED 44,817,109 (Equivalent to JD 8,649,702).

- The Board of Directors resolved in the their meeting held on December 29, 2016 to unify the subordination of the subsidiary companies in United Arab Emirates and Saudi Arabia to Siniora Food Holding Limited, accordingly, the Company transferred the ownership of Diamond Meat Processing Company, Siniora Gulf for General Trading Company and Saudi Siniora Trading Company to Siniora Food Holding Limited.

- The results of operations of the subsidiary companies are consolidated into the accompanying consolidated statement of income from the effective date of acquisition which is the date on which actual control over the subsidiary company is obtained. Moreover, the results of operations of the disposed of subsidiaries are incorporated into the consolidated statement of income up to the effective date of disposal which is the date on which the Company loses control over the subsidiary companies.

- The non-controlling interest represents the portion of equity ownership in a subsidiary not attributable to the parent company.

2. Significant Accounting Policies

Basis of Preparation of the Consolidated Financial Statements

- The consolidated financial statements have been prepared in accordance with the standards issued by the International Accounting Standards Board and interpretations issued by the International Financial Reporting Interpretation Committee (IFRIC), and prevailing local laws.
- The consolidated financial statements of the Company are presented in Jordanian Dinar, which is also its functional currency.
- The accounting policies adopted in the preparation of the consolidated financial statements are consistent with those applied in the year ended December 31, 2015 except for the effect of adopting the new and modified standards stated in Note (32-a). The following are the most significant accounting policies adopted by the Company:

a. Inventory

- Finished goods and work in process are stated at cost (using the first - in, first - out method) or net realizable value, whichever is lower, net of provision for expired and slow-moving items. Cost includes raw materials cost, direct labor and other manufacturing overheads.
- Consumables and packaging materials are stated at the lower of cost (using the first-in, first-out method) or net realizable value.
- Spare parts are valued at cost (using the first-in, first-out method) or net realizable value, whichever is lower. Spare parts are recognized in the consolidated statement of income when used.

b. Intangible Assets

1- Goodwill

- Goodwill is booked at cost, and represents the excess amount paid to acquire or purchase on investment in a subsidiary over the Company's share of the fair value of the net assets of the subsidiary at the acquisition date. Goodwill resulting from the investment in a subsidiary is booked as a separate item within intangible assets, and reduced subsequently for any impairment loss.
- Goodwill is distributed among cash generating unit(s) for the purpose of impairment test.
- The value of goodwill is reviewed on the date of the consolidated financial statements. Goodwill value is reduced when there is evidence that it is impaired or the recoverable value of the cash generating unit(s) is less than the book value of the cash generating unit(s). The decline in value is booked as an impairment loss and charged to the consolidated statement of income.

2. Other Intangible Assets (Trademarks)

- Intangible assets purchased in an acquisition are stated at fair value at the date of acquisition. Other intangible assets purchased other than through acquisition are recorded at cost.
- Intangible assets are to be classified on the basis of either definite or indefinite useful life. Intangible assets with definite useful lives are amortized over their useful lives and charged to the consolidated statement of income. Intangible assets with indefinite lives are reviewed for impairment as of the consolidated financial statements date, and impairment loss is charged to the consolidated statement of income.
- No capitalization of intangible assets resulting from the Company's operations is made. They are charged to the consolidated statement of income in the year incurred.

- Any indications of impairment in the value of intangible assets as of the consolidated financial statements date are reviewed. Furthermore, the estimated useful lives of the impaired intangible assets are reassessed, and any adjustments are made in the subsequent periods.

c. Property and Equipment

- Property and equipment are stated at cost and depreciated (except for land), using the straight-line method at annual rates ranging from 2% to 25%.
- When the expected recoverable amount of any property and equipment is less than its net book value, the net book value is reduced to the expected recoverable amount, and the impairment loss is taken to the consolidated statement of income.
- Property and equipment's useful lives are reviewed at the end of each year and if the expected useful life differs from the previous estimate, the difference is recorded in subsequent years as a change in accounting estimates.
- Property and equipment are disposed of when there are no expected future benefits from its use or its disposal.

d. Investment in a non-consolidated Subsidiary Company

The investment in a non-consolidated subsidiary companies under liquidation is stated at net realizable value (fair value).

e. Foreign Currencies Translation

Assets and liabilities denominated in foreign currencies are translated at year end to Jordanian Dinar at the average exchange rates prevailing at year-end. Transactions in foreign currencies are translated to Jordanian Dinar using the prevailing rates at the date of the transaction, while exchange differences making profit or loss are taken to the consolidated statement of income.

f. Sales Revenues

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

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

g. Accounts Receivable

Accounts receivable are stated at net realizable value after booking a provision for doubtful debts. The provision is taken in the consolidated statement of income according to management estimates of the recoverable amounts from these receivables. The provision is taken to the consolidated income statement for the year.

h. Interest Revenue and Expenses

Interest revenue and expense are taken to the consolidated statement of income using the accrual basis.

i. Provision for End-of-Service Indemnity

- Provision for contractual and legal commitments relating to employees' end-of-service is booked on the date of the consolidated statement of financial position according to the Company's internal regulations.
- End-of-service indemnity paid to terminated employees is charged to the end-of-service indemnity provision. Moreover, a provision booked for the end-of-service indemnity liability is recorded in the consolidated statement of income.

j. Vacations Provision

A provision is booked against accrued employees' vacations as of the date of the consolidated financial statements. Moreover, the provision booked is taken to the consolidated statement of income.

k. Income Tax

- Income tax expenses represent accrued taxes and deferred taxes.
- Income tax expenses are accounted for on the basis of taxable income. Moreover, taxable income differs from income declared in the financial statements because the latter includes non-taxable revenue or tax expenses not deductible in the current year but deductible in subsequent years, accumulated losses acceptable by the tax authorities, items not accepted for tax purposes or subject to tax.
- Taxes are calculated on the basis of the tax rates prescribed according to the prevailing laws, regulations and instructions of the countries where the Company operates.
- Deferred taxes are taxes expected to be paid or recovered as a result of the temporary timing differences between the value of assets or liabilities in the consolidated financial statements and the value on the basis of which taxable income is calculated. Moreover, deferred taxes are calculated based on the liability method in the consolidated statement of financial position according to the tax rates expected to be applied upon the settlement of the tax liability or realization of the deferred tax assets.
- Deferred tax assets and liabilities are reviewed as of the date of the consolidated financial statements, and reduced in case no benefit is expected to arise therefrom, partially or totally.

l. Provisions

Provisions are recognized when the Company has an obligation on the date of the consolidated financial statements arising from a past event and the costs to settle the obligation are both probable and can be reliably measured.

m. Offsetting

Financial assets and financial liabilities are offset and the net amount reported in the consolidated statement of financial position when there is a legally enforceable right to offset the recognized amounts and the Company intends to either settle them on a net basis or to realize the asset and settle the liability simultaneously.

n. Use of Estimates

Preparation of the consolidated financial statements and application of the accounting policies require the Company's management to perform assessments and assumptions that affect the amounts of financial assets and financial liabilities and to disclose all contingent liabilities. Moreover, these assessments and assumptions affect revenues, expenses, and provisions. In particular, this requires the Company's management to issue significant judgments and assumptions to assess future cash flow amounts and their timing. Moreover, the mentioned assessments are necessarily based on assumptions and factors with varying degrees of consideration and uncertainty. In addition, actual results may differ from assessments due to the changes resulting from the conditions and circumstances of those assessments in the future.

We believe that the estimates adopted in the consolidated financial statements are reasonable and detailed as follows:

- A provision for doubtful debts is taken on the basis and estimates approved by management in conformity with International Financial Reporting Standards (IFRSs).
- The fiscal year is charged with its portion of income tax expense in accordance with the regulations, laws, and International Financial Reporting Standards. Moreover, deferred tax assets and liabilities and the income tax provision are booked.
- Management periodically reassesses the economic useful lives of tangible assets and intangible assets for the purpose of calculating annual depreciation based on the general condition of these assets and the assessment of their useful economic lives expected in the future. Impairment loss is charged to the consolidated statement of income.
- A provision is taken for lawsuits raised against the Company. This provision is subject to an adequate legal study prepared by the Company's legal advisor. Moreover, the study highlights potential risks that the Company may encounter in the future. Such legal assessments are reviewed periodically.
- Provisions are recorded when there are liabilities on the Company as of the consolidated statement of financial position date due to past events, payment of the liabilities is probable, and the liabilities can be measured reliably.

3. Cash on Hand and at Banks

This item consists of the following:

	December 31,	
	2016	2015
	JD	JD
Cash on hand	50,837	22,486
Current accounts at banks	1,557,588	3,805,581
Time deposits – Jordanian Dinar	-	243,767
Time deposits – US Dollars *	14,408	2,144,338
	<u>1,622,833</u>	<u>6,216,172</u>

- * US Dollars currency time deposits are held on monthly basis with a rate of 1 % annually.

4. Cheques under Collection

Cheques under collection due date extends to May 3, 2017.

5. Accounts Receivable - Net

a. This item consists of the following:

	December 31,	
	2016	2015
	JD	JD
Trade receivables	11,104,027	5,818,647
<u>Less: Provision for doubtful debts</u>	<u>(1,244,290)</u>	<u>(535,301)</u>
	<u>9,859,737</u>	<u>5,283,346</u>

The Company adopts the policy of dealing with creditworthy parties in addition to obtaining sufficient guarantees (where appropriate) to mitigate the financial loss of other party's resulted from the inability to settle their obligations. The Company books a provision for uncollected debts for a period exceeding 365 days in case there are no movements or related settlements during the year. The due and impaired receivables amounted to JD 1,244,290 as of December 31, 2016 (JD 535,301 as of December 31, 2015).

The ageing of these receivables is as follows:

	December 31,	
	2016	2015
	JD	JD
Less than 90 days	8,828,152	3,895,140
90 days – 180 days	666,708	836,893
181 days – 270 days	206,343	305,682
271 days – 365 days	179,333	200,031
More than 365 days	1,223,491	580,901
	<u>11,104,027</u>	<u>5,818,647</u>

b. The movement on the provision for doubtful debts during the year is as follows:

	2016	2015
	JD	JD
Balance – beginning of the year	535,301	443,038
<u>Add: Provision booked during the year</u>	<u>720,492</u>	<u>92,300</u>
Foreign currencies translation	1,053	(37)
Effect of the acquisition of a subsidiary	3,865	-
<u>Less: Written-off debts during the year</u>	<u>(16,421)</u>	<u>-</u>
Balance – End of the Year	<u>1,244,290</u>	<u>535,301</u>

6. Inventory - Net

a. This item consists of the following:

	December 31,	
	2016	2015
	JD	JD
Raw materials	4,979,930	4,159,629
Finished products	2,674,509	1,996,066
Detergents and uniforms	13,842	13,129
Spare parts	1,068,803	995,035
	<u>8,737,084</u>	<u>7,163,859</u>
<u>Less: Provision for slow-moving items</u>	<u>(684,168)</u>	<u>(616,776)</u>
	<u>8,052,916</u>	<u>6,547,083</u>
Goods in transit	88,200	568,833
	<u>8,141,116</u>	<u>7,115,916</u>

- b. The movement on the provision for slow-moving items during the year is as follows:

	2016	2015
	JD	JD
Balance - beginning of the year	616,776	488,976
<u>Add: Provision booked during the year</u>	53,732	127,800
Effect of the acquisition of a subsidiary	25,965	-
<u>Less : Written-off inventory</u>	(12,305)	-
Balance - End of the Year	<u>684,168</u>	<u>616,776</u>

7. Due from Related Parties

- a. This item consists of the following:

	December 31,	
	2016	2015
	JD	JD
Siniora Food Industries Company (Algeria) - Subsidiary Company	1,294,549	1,294,549
Unipal General Trading Company – Sister Company	1,870,192	738,292
Arab Shopping Centers Company – Sister Company	41,431	-
Medical Supplies and Services Company	3,470	-
National Aluminum and Profile Company – Sister Company	-	998
Siniora Food Industries Company (Gulf) – Sister Company	-	123,241
The Arab Palestinian Investment Company- Holding Company	-	92,834
Employees receivables	81,737	215,011
	<u>3,291,379</u>	<u>2,464,925</u>
<u>Less: Provision for doubtful debts *</u>	<u>(1,121,235)</u>	<u>(1,282,676)</u>
	<u>2,170,144</u>	<u>1,182,249</u>

The above balances represent trade receivables with no interest bearing and have no repayment schedule.

- * This item represents the provision booked as of December 2016 and 2015 against the balance due from Siniora Food Industries Company – Algeria (a subsidiary company) in which the management believes it is uncollectable as the Company is under liquidation.

- b. The movement on the provision for doubtful debts during the year is as follows:

	2016	2015
	JD	JD
Balance – beginning of the year	1,282,676	1,211,356
<u>Add: Provision booked during the year</u>	-	71,320
<u>Less : Written-off debts during the year</u>	(161,441)	-
Balance – End of the Year	<u>1,121,235</u>	<u>1,282,676</u>

8. Loans for Sister Companies

- This item consists of the following:

	December 31,	
	2016	2015
	JD	JD
Medical Services and Supplies Company*	460,868	454,370
	<u>460,868</u>	<u>454,370</u>

- * Siniora Food Industries Company – Palestine (a subsidiary company) during 2009 and 2011 has entered into two loan agreements with the Medical Services and Supplies Company (MSS) (a sister company) for amounts equivalent to JD 460,868 as of December 31, 2016. In return, MSS granted Siniora Food Industries Company – Palestine USD loans similar to the loans granted to MSS, for the purpose of providing the necessary foreign currency to run the Company's operations. Moreover, these loans bear no interest and have no repayment schedule, and the difference between the debit and credit balances of the exchanged loans represents currency differences. (Note 15).

9. Other Debit Balances

This item consists of the following:

	December 31,	
	2016	2015
	JD	JD
Advances to suppliers	870,535	709,131
Prepayments – Insurance	462,476	350,961
Refundable deposits	314,214	182,848
Prepayments – Rent	87,848	75,542
Prepayments – Bank commissions	16,491	17,305
Prepayments – Maintenance	36,160	14,302
Prepayments – Media and advertising	11,483	33,916
Prepayments – Licenses and fees	1,210	1,543
Other	178,499	71,867
	<u>1,978,916</u>	<u>1,457,415</u>

10. Investment in a Non-Consolidated Subsidiary Company

This item represents the investment in Siniora Food Industries Company – Algeria, the financial statements of this Company were not consolidated for the years ended on December 31, 2016 and 2015 as the Company is under liquidation. And the Board of Directors resolved in their meeting held on September 5, 2012 to liquidate the Company. Accordingly, the Company has booked a full impairment provision against the investment value.

11. Intangible Assets – Net

This item consists of the following:

	December 31,	
	2016	2015
	JD	JD
Goodwill (A)	4,704,010	311,530
Trademarks (B)	1,611,147	1,611,147
Software and programs (C)	66,942	57,221
	<u>6,382,099</u>	<u>1,979,898</u>

A - The movement on the goodwill was as follow:

	For the year ended December 31,	
	2016	2015
	JD	JD
Balance - beginning of the year	311,530	311,530
Additions during the year	4,392,480	-
Balance - Ending of the Year	<u>4,704,010</u>	<u>311,530</u>

Goodwill resulted from the acquisition of shares that exceeds the book value of some of the subsidiaries. The management believes that there is no impairment in their value as described in Note (2) to the consolidated financial statements. During the year ended December 31, 2016 the company acquired 70 % of the shares of Diamond Meat Processing Company, which has resulted in Goodwill amounted to JD 4,392,480, the following are the important information relating to the acquisition (at the date of acquisition):

	JD
Total Assets	6,915,197
Total Liabilities	(833,451)
Net assets	<u>6,081,746</u>
The Company's share in net assets	4,257,222
Amount paid for the acquisition	<u>8,649,702</u>
Goodwill	<u>4,392,480</u>

- b- This item represents the value of the trademarks purchased from Food Quality Co. Ltd. at an amount of JD 1,543,970, in addition to the costs of transferring its ownership.
- c- The movement on the software and programs during the year was as follows:

	For the year ended December 31,	
	2016	2015
	JD	JD
Balance – beginning of the year	57,221	77,901
Additions	53,145	22,205
Amortization for the year	(43,424)	(42,885)
Balance – End of the Year	<u>66,942</u>	<u>57,221</u>
Annual amortization rate %	20 - 25	20 - 25

12 - Property and Equipment

This item consists of the following:

For the year ended December 31, 2016

Cost:	Factory Land	Buildings and Constructions	Furniture and Fixtures	Vehicles	Machinery and Equipment	Tools and Equipment	Payments to Purchase Property and Equipment	Total
	JD	JD	JD	JD	JD	JD	JD	JD
Balance - Beginning of the year	1,216,002	11,475,697	1,301,656	2,048,190	16,067,395	726,988	7,666,440	40,502,368
Additions	-	236,771	131,163	258,708	391,457	49,497	2,283,258	3,350,854
Disposals	-	(7,917)	(21,949)	(18,994)	(88,959)	(508)	-	(138,327)
Transfers	-	4,368,082	694,329	397,949	4,210,629	6,632	(9,677,985)	-
Effect of the acquisition of a subsidiary	-	1,095,560	133,789	286,134	2,865,661	-	-	4,381,144
Balance - Ending of the Year	1,216,002	17,168,193	2,238,988	2,971,987	23,446,547	782,609	271,713	48,096,039
Accumulated Depreciation:								
Balance - Beginning of the year	-	4,054,597	836,083	1,091,440	9,681,687	545,778	-	16,209,585
Additions	-	546,786	242,784	299,024	1,539,136	52,707	-	2,680,437
Disposals	-	(7,917)	(21,487)	(17,636)	(67,091)	(508)	-	(114,639)
Transfers	-	(158,469)	158,469	-	-	-	-	-
Effect of the acquisition of a subsidiary	-	57,336	94,570	239,158	972,368	-	-	1,363,432
Balance - Ending of the Year	-	4,492,333	1,310,419	1,611,986	12,126,100	597,977	-	20,138,815
Net Book Value as of December 31, 2016	1,216,002	12,675,860	928,569	1,360,001	11,320,447	184,632	271,713	27,957,224

For the year ended December 31, 2015

Cost:								
Balance - Beginning of the year	1,216,002	11,378,608	961,415	1,746,391	16,065,095	687,522	1,350,202	33,405,235
Additions	-	40,216	278,406	339,447	153,788	39,466	6,434,946	7,286,269
Disposals	-	-	-	(37,648)	(151,488)	-	-	(189,136)
Transfers	-	56,873	61,835	-	-	-	(118,708)	-
Balance - Ending of the Year	1,216,002	11,475,697	1,301,656	2,048,190	16,067,395	726,988	7,666,440	40,502,368
Accumulated Depreciation:								
Balance - Beginning of the year	-	3,616,561	674,157	888,899	8,391,497	487,299	-	14,058,413
Additions	-	438,036	161,926	237,589	1,440,517	58,479	-	2,336,547
Disposals	-	-	-	(35,048)	(150,327)	-	-	(185,375)
Balance - Ending of the Year	-	4,054,597	836,083	1,091,440	9,681,687	545,778	-	16,209,585
Net Book Value as of December 31, 2015	1,216,002	7,421,100	465,573	956,750	6,385,708	181,210	7,666,440	24,292,783
Annual Depreciation Rates %	-	2 - 20	10 - 25	10 - 20	7 - 25	10 - 20	-	-

- Fully depreciated assets amounted to JD 7,004,008 as of December 31, 2016 (JD 4,358,354 as of December 31, 2015).

13. Notes Payable

The maturity of notes payable extends to February 14, 2017.

14. Due to Related Parties

This item consists of the following:

	December 31,	
	2016	2015
	JD	JD
SKY Advertising, Publication and Promotion Company - Sister Company	92,790	94,520
Arab Palestinian Shopping Center Company Plaza - Sister Company	-	11,109
Arab financial leasing Company - Sister Company	3,976	7,659
Medical Services and Supplies Company MSS - Sister Company	-	564
Palestinian Automobile Company - Sister Company	461	515
Arab Palestinian Investment Company - Holding Company	39,770	-
Partner on Masa for Producing Meats - Subsidy Company	603,783	-
	<u>740,780</u>	<u>114,367</u>

- The above balances represent trade payables which bear no interest and have no repayment schedules.

15. Loans from Sister Companies

This item consists of the following:

	December 31,	
	2016	2015
	JD	JD
Medical Supplies and Services Company (Note 8)	<u>374,173</u>	<u>374,173</u>
	<u>374,173</u>	<u>374,173</u>

16. Deposits and Accrued Expenses

This item consists of the following:

	December 31,	
	2016	2015
	JD	JD
Remunerations and accrued salaries	975,852	561,576
Media and advertising	415,702	5,105
Accrued insurance expenses	273,680	232,884
Accrued customer's sales commissions	249,356	180,986
Provision for paid leaves	141,970	120,633
Advanced payment from customers	137,644	112,913
Professional fees	114,750	96,402
Income tax deposits	101,402	23,328
Accrued utilities and phone expenses	90,594	109,801
Social security deposits	45,455	41,224
Accrued bank interests and commissions	29,556	4,794
Board of directors' remuneration	25,000	25,000
Provision for lawsuits and other commitments *	-	394,080
Other credit balances	137,334	189,864
	<u>2,738,295</u>	<u>2,098,590</u>

* This item includes the provision booked by the Company to meet contingent liabilities that may arise. The movement on this provision during the year was as follows:

	2016	2015
	JD	JD
Balance – beginning of the year	394,080	224,200
Add: Provision during the year	-	169,880
Less: Released from provision	<u>(394,080)</u>	<u>-</u>
Balance – End of the Year	<u>-</u>	<u>394,080</u>

17. Loans

This item consists of the following:

	December 31,			
	2016		2015	
	Short-Term Loans	Long-Term Loans	Short-Term Loans	Long-Term Loans
	JD	JD	JD	JD
Jordan Ahli bank (a)	525,000	1,576,600	525,400	2,108,839
Arab Bank (b) – First Loan	1,846,000	6,461,000	923,000	8,307,000
Arab Bank (c) – Second Loan	1,273,800	5,095,200	-	-
Bank of Palestine limited (d)	-	-	490,634	-
	<u>3,644,800</u>	<u>13,132,800</u>	<u>1,939,034</u>	<u>10,415,839</u>

- a- Siniora Food Industries Company – Jordan obtained credit facilities from Jordan Ahli Bank for USD 3.7 million in order to finance the new production lines, at an interest rate of three months LIBOR + 2.25% with a minimum limit of 3.2 %. The facilities are guaranteed by the mortgage of the new production lines. Moreover the credit facilities are to be repaid in 20 quarterly installments, with a grace period of 15 month from the granting date of the credit facilities.

- b- Siniora Food Industries Company – Jordan signed a loan agreement with Arab Bank for USD 13 million in order to pay the company's obligations to Cairo Amman Bank and to finance the new production lines at an interest rate of 2.25 % + three months LIBOR with a minimum limit of 3.25%. The loan is guaranteed by the mortgage of the factory's land, and by the possessory mortgage on the machinery and equipment related to the Company's factory in Jordan, in addition to the endorsement of an insurance policy on the mortgaged machinery and equipment to the banks' benefit, as well as the guarantee of Siniora Food Industries Company – Jordan. The loan is to be repaid in 20 quarterly installments, the first installment is due on September 4, 2016.
- c - Siniora Food Holding Limited - United Arab Emirates have signed a loan agreement with Arab Bank – United Arab Emirates for AED 33 million, which is equivalent to JD 6,369,000, in order to finance 75% of the purchase deal for a factory located in Dubai - UAE, with an annual interest rate of 3% + three months EIBOR with a minimum limit of 4%. The facilities are guaranteed by the mortgage of Siniora Food Holding Limited shares, in additions to a bank guarantee from Arab Bank –Jordan amounted USD 9 million renewed annually until the full payment of facilities. Moreover, the facilities are to be repaid in 20 quarterly installments, with a grace period of 12 months from the withdrawal date of the credit facilities.
- d- On September 3, 2009, Siniora Food Industries Company – Palestine (a subsidiary company) signed a loan agreement with Bank of Palestine for USD 5 million in order to open Letters of Credit to import machinery and equipment for the factory. The loan is guaranteed by the Company and the Arab Palestinian Investment Company (the holding company) in addition to the possessory mortgage of the to-be-purchased machinery and equipment and assignment of the compensation proceeds from the fire insurance claim occurred during the year 2009. The loan will be repaid in 17 quarterly installments and granted at an interest rate of 5.25%, the first of which was due on August 10, 2010. The Company restructured its debt several times the last of which was during the year 2013, were the Company paid an amount of USD 1,900,000 equivalent to JD 1,347,100 and agreed to pay the remaining balance on quarterly installments starting on July 25, 2015. The loan was repaid on July 20, 2016 and the possessory mortgage on the machinery and equipment was cancelled.

18. Provision for Employees End-of-Service Indemnity

The provision balance relates to Siniora Food Industries Company - Palestine and Siniora Food Holding limited Company (subsidiary companies). The movement on this provision is as follows:

	2016	2015
	JD	JD
Balance - beginning of the year	1,040,723	940,267
Add :Additions during the year	310,096	159,892
Effect of the acquisition of a subsidiary	276,822	-
Less: Paid from the provision	(66,861)	(58,867)
Foreign currency translation	-	(569)
Balance – End of the Year	<u>1,560,780</u>	<u>1,040,723</u>

19. Paid-up Capital and Reserves

- a. The Company's paid-up capital has been increased several times the last increase was in the extraordinary meeting held on April 13, 2016 whereby the General Assembly decided to approve the increase of the Company's capital by JD 3,000,000 to become JD 18,000,000. The Company has completed the legal procedures related to the capital increase with the regulatory authorities on May 29, 2016.

b. Statutory Reserve

This item represents accumulated amounts transferred from the annual net income before tax at a rate of 10% during the year and prior years in Jordan according to the Jordanian Companies Law. The statutory reserve is deducted from the Company and subsidiary companies separately. This reserve cannot be distributed to shareholders.

- c. Retained earnings include an amount of JD 154,396 that is restricted against deferred tax assets as of December 31, 2016, which cannot be utilized through capitalization or distribution unless actually realized. (JD 238,832 as of December 31, 2015).

20. Non-controlling interest

This item represents the other partner's share as of December 31, 2016, which represent 30% from the net of owner's equity from Diamond Meat Processing Company (Subsidiary Company).

21. Cost of Production

This item consists of the following:

	2016	2015
	JD	JD
Raw materials - beginning of the year	4,159,629	5,012,315
Purchases of raw materials and finished inventory during the year	23,764,300	18,369,587
Raw materials available for production	27,923,929	23,381,902
<u>Less:</u> Raw materials - end of the year	(4,979,930)	(4,159,629)
Raw materials used in production	22,943,999	19,222,273
Salaries, wages and other employee benefits	2,624,631	2,128,481
Social security	153,978	129,407
Transportation	25,724	70,485
Training	5,107	7,480
Health insurance	145,172	142,936
	2,954,612	2,478,789
Indirect Industrial Expenses:		
Depreciation of property and equipment	2,074,077	1,877,720
Utilities	1,213,401	958,109
Maintenance	722,829	867,138
Storage and transportation of production supplies	366,396	220,348
Tools, uniform and cleaning	152,802	113,266
Insurance expense	164,587	122,786
Damaged goods	65,093	97,579
Rents	296,417	361,929
Staff meals	64,460	74,406
Laboratory tests	54,342	47,447
Security expenses	41,766	46,795
Research and development	9,867	3,250
Other	200,648	173,853
	5,426,685	4,964,626
Cost of Production	31,325,296	26,665,688

22. Selling and Distribution Expenses

This item consists of the following:

	2016	2015
	JD	JD
Salaries, wages, allowances and benefits	1,854,455	1,245,931
Promotion and advertisement	1,583,877	919,243
Marketing expenses	1,499,726	472,415
Vehicle expenses	1,272,431	896,913
Sales commission	728,634	556,563
Depreciation of property and equipment	417,922	294,653
Exports and tenders expenses	296,792	257,729
Social security	138,686	117,915
Insurance	134,401	125,208
Rent	96,515	85,636
Travel and accommodation expenses	85,715	77,980
Communications	56,023	41,840
Utilities	17,553	17,843
Stationary	6,566	6,408
Other	266,505	123,715
	<u>8,455,801</u>	<u>5,239,992</u>

23. General and Administrative Expenses

This item consists of the following:

	2016	2015
	JD	JD
Salaries, wages, allowances and benefits	2,458,657	1,769,678
Professional fees	309,663	264,959
Travel, accommodation and transport	244,817	163,218
Depreciation of property and equipment	200,324	164,174
Communications	166,149	81,775
APIC expenses *	160,801	160,801
Insurance	176,804	131,953
Utilities	142,984	100,786
Maintenance	113,676	104,129
Donations	103,295	89,999
Memberships, subscriptions and licenses	84,389	25,965
Social security	78,508	68,119
Rent	57,660	39,060
Vehicle expenses	39,029	40,847
Amortization of intangible assets	31,537	42,885
Printing, stationery and computer accessories	28,650	30,706
Hospitality	10,066	30,172
Other	348,947	223,326
	<u>4,755,956</u>	<u>3,532,552</u>

* This item represents the expenses paid by Siniora Food Industries Company – Palestine (a subsidiary company) to Arab Palestinian Investment Company (the Holding Company) for managerial services rendered by the Holding Company.

24. Financing Expenses

This item consists of the following:

	<u>2016</u>	<u>2015</u>
	JD	JD
Interest expense	619,574	430,654
Bank charges and commissions	176,089	150,544
	<u>795,663</u>	<u>581,198</u>

25. Other Revenue (Expenses) – Net

This item consists of the following:

	<u>2016</u>	<u>2015</u>
	JD	JD
Gain (loss) from foreign currency translations	48,051	(19,824)
Gain from the sale of property and equipment	9,822	8,980
Board of Directors' remunerations	(25,000)	(25,000)
Other	138,167	465,584
	<u>171,040</u>	<u>429,740</u>

26. Income Tax

a. Income Tax Provision

The movement on the income tax provision is as follows:

	<u>2016</u>	<u>2015</u>
	JD	JD
Balance - beginning of the year	564,490	845,842
Income tax paid	(475,774)	(999,550)
Accrued income tax on current year's profit	235,630	718,198
Balance – End of the Year	<u>324,346</u>	<u>564,490</u>

b. The income tax expense in the consolidated statement of income consists of the following:

	<u>2016</u>	<u>2015</u>
	JD	JD
Income tax expense for the year	235,630	718,198
Deferred tax assets for the year	(27,683)	(72,652)
Amortization of deferred tax assets	16,974	4,124
The effect of the change in rate *	95,145	-
	<u>320,066</u>	<u>649,670</u>

* According to the income tax law for development zones No. (125) for the year 2016 issued on August 10, 2016 under articles No. (11) and (46) of the investment law No. (30) for the year 2014, the income tax rate of the Company in Jordan has been changed to 5% instead of 14% effective January 1, 2016, due to the fact that the Company is registered in King Abdullah II Development Zone / Sahab.

- Siniora Food Industries - Jordan has reached a final settlement for its income tax up to the end of the year 2014. The company has submitted its tax return for the year of 2015 and paid the declared tax while it has not been reviewed by the Income Tax and Sales Department yet. In the opinion of the Company's managements and its tax advisor, the income tax provision booked in the financial statements is sufficient to meet any future tax liabilities.

- On February 9, 2012, Siniora Food Industries Company - Palestine obtained from Palestine Investment Promotion Agency a full exemption from income tax for five years from January 1, 2010 to December 31, 2014, in addition to a nominal exemption of 50% of income tax for 12 years starting from January 1, 2015 to December 31, 2026 in which the Company will pay taxes at a rate of 7.5%.

- Siniora Food Industries Company - Palestine (a subsidiary company) has reached a final settlement up to the end of the year 2015. In the opinion of the Company's managements and its tax advisor, the income tax provision taken in the financial statements is sufficient to meet any future tax liabilities.

c. Deferred tax assets

This item consists of the following:

Included Items	For the Year Ended December 31, 2016				December 31,	
	JD				2016	2015
						JD
	Balance- Beginning of the Year	Released Amounts	Additional Amounts	Balance- End of the Year	Deferred Tax	Deferred Tax
<u>Assets</u>						
Provision for doubtful debts	440,390	-	280,000	720,390	36,020	61,655
Provision for doubtful debts / Employees Siniora Food Industries Company - Palestine	161,441	(161,441)	-	-	-	12,108
Provision for doubtful debts / Siniora Food Industries Company - Palestine	73,700	-	1,053	74,753	5,606	5,528
Provision for slow-moving inventory	616,776	-	45,200	661,976	33,099	86,349
Provision for end-of-service indemnity – Siniora Food Industries Company - Palestine	975,895	(64,884)	151,261	1,062,272	79,671	73,192
	<u>2,268,202</u>	<u>(226,325)</u>	<u>477,514</u>	<u>2,519,391</u>	<u>154,396</u>	<u>238,832</u>

- The movements on the deferred tax assets account is as follows:

	2016	2015
	JD	JD
Balance- beginning of the year	238,832	170,304
Additions during the year	27,683	72,652
Amortization of deferred tax assets	(16,974)	(4,124)
The effect of change in tax rate	(95,145)	-
Balance- End of the Year	<u>154,396</u>	<u>238,832</u>

27. Earnings per Share for the Company's Shareholders

This item consists of the following:

	2016	2015
	JD	JD
Profit for the year	2,191,835	4,904,813
Weighted average number of shares	<u>18,000,000</u>	<u>18,000,000</u>
Earnings per share for the year relating to the Company's shareholders / basic and diluted	<u>0.12</u>	<u>0.27</u>

- The weighted average number of shares was calculated on the basic and diluted profit attributed to the shareholders of the Company based on the authorized number of shares for the years 2016 and 2015. The figures for the year 2015 were recalculated according to the capital after the increase, in accordance with the International Financial Reporting Standard No. (33).

28. Contingent Liabilities

- a. There are several lawsuit filed against Siniora Food Industries Company – Palestine equivalent to JD 66,221 to cancel the Company's claims against others and labor claims. In the opinion of the Company's legal advisor and its management, no obligations will arise from these lawsuits. s
- b. The Company had contingent liabilities at the date of consolidated statement of financial position, represented in bank guarantees equivalent to JD 116,406 and Letters of credit equivalent to JD 152,520.
- c. Siniora Food Industries Company – Palestine (subsidiary company) had contingent liabilities at the date of the statement of financial position, represented in bank guarantees equivalent to JD 295,372, and bills of collection equivalent to JD 31,240.

29. Balances and Transactions with Related Parties

- a. During the year 2016, the Company entered into transactions with related parties as follows:

	Related party					Total	
	Holding Company	Subsidiary Company	Sister Companies	Employees	Other*	2016	2015
	JD	JD	JD	JD		JD	JD
<u>Consolidated Statement of Financial Position</u>							
Due from related parties	-	173,314	1,915,093	81,737	-	2,170,144	1,182,249
Due to related parties	39,770	-	97,227	-	603,783	740,780	114,367
Loans for sister companies	-	-	460,868	-	-	460,868	454,370
Loans from sister companies	-	-	374,173	-	-	374,173	374,173

- * This item represents the amount due to a Partner in Masa for Meet production - Subsidy Company.

	2016		2015	
	Purchases	Sales	Purchases	Sales
	JD	JD	JD	JD
<u>Consolidated Statement of Income</u>				
Unipal General Trading Company (sister Company)	-	3,664,547	-	4,047,551
Arab Palestinian Shopping Centers Company (sister Company)	-	203,163	-	195,835
Palestine Automobile Company (sister Company)	5,453	-	9,411	-
SKY Advertising, Publication, and Promotion Company (sister Company)	238,595	-	250,522	-
Arab Palestinian Investment Company (holding Company)	160,801	-	160,801	-
Arab financial leasing company	40,431	-	28,166	-

- b. The loans and credit facilities as at December 31, 2016 are guaranteed by the Company and the mortgage on the Company's factory land as well as the possessory mortgage on the machinery and equipment of the Company's factory in Jordan.
- c. The salaries of executive management amounted to JD 981,591 for the year 2016 (JD 907,375 for the previous year).

30. Risk Management

The Company is exposed to various financial risks related to its operations. Moreover, operating risks are inherent in business activities. As such, management endeavors to strike a proper balance between risks and rewards, and works to mitigate the risks probable adverse effects on the Company's financial performance. The most significant risks faced by the Company are credit risks resulting from credit sales, liquidity risks, market risks, and geographic risks. Moreover, the Company's Board of Directors is responsible for setting up the framework for monitoring and managing these risks. Accordingly, the Board of Directors together with executive management periodically follow up on the various risks to monitor and manage the financial risks related to the Company's operations and activities through preparing and issuing internal reports on risk management, thus analyzing the risks to which the Company is exposed.

- Capital Risk Management

The Company manages its capital to ensure its ability to continue as a going concern and to maximize the return to stakeholders through achieving an optimal balance between equity and debts.

The Company has a strategy to maintain a reasonable debt-to-equity ratio.

- Credit Risk

Credit risk refers to the risk that the counterparty will default on its contractual obligations resulting in financial loss to the Company. The Company has adopted a policy to support and guarantee the Company's position of late payment through proper documentation by possessing necessary documents, as appropriate, with the assistance of its legal advisor. Moreover, the Company monitors its credit risk through analysis of the debtors' level of solvency to mitigate the risk of financial loss from defaults, as well as checking that the total accumulated credit related to certain parties is approved by management. Review and approval of the credit limits are performed regularly.

The book value of the financial assets recorded in the Company's financial statements net after discounting the impairment losses represent the maximum risks to which the Company could be exposed.

- Liquidity Risk

Liquidity risk is the risk that the Company will encounter difficulty in raising funds to meet its commitments. The Company mitigates liquidity risk by maintaining reserves and by continuously monitoring actual cash inflows as well as matching the maturities of current assets with current liabilities as follows:

	December 31,	
	2016	2015
	JD	JD
Current Assets	24,758,418	22,866,587
<u>Less : Current Liabilities</u>	<u>13,008,944</u>	<u>9,203,964</u>
Excess in Working Capital	<u>11,749,474</u>	<u>13,662,623</u>

The Company manages liquidity risk through diversifying its sources of finance, managing assets and liabilities and monitoring their maturities, securing a suitable source of finance at the proper time to match the liabilities and payment of operational and investment expenses.

- Foreign Currency Risk

Currency risk is the risk that the value of a financial instrument will fluctuate due to changes in foreign exchange rates. The Jordanian Dinar is the Company's functional currency. The Company also monitors foreign currency positions continually and follows certain strategies to mitigate the effects of these risks.

- Risk Concentration in Geographical Segments

All of the Company's operations are conducted inside the Kingdom and represent local work. Moreover, the Company does not perform any work outside of Jordan. However, the subsidiary companies operate in the countries where they have been founded. As for Siniora Food Industries Company - Palestine (a subsidiary company), the instability of the political and economical situation in the region increases the operating risk and may negatively affect the Company's performance.

Segmental and Geographical Analysis

The following is information on the Company's activities inside and outside the Kingdom:

	Inside the Kingdom	Outside the Kingdom	Total
	JD	JD	
Net sales	19,600,653	28,254,184	47,854,837
Cost of sales	(13,978,810)	(16,668,043)	(30,646,853)
Gross profit	5,621,843	11,586,141	17,207,984
Selling and distribution expenses	(3,403,707)	(5,052,094)	(8,455,801)
General and administrative expenses	(1,729,038)	(3,026,918)	(4,755,956)
Financing expenses	(515,886)	(279,777)	(795,663)
Provision for end-of-service indemnity	-	(310,096)	(310,096)
Provision for doubtful debts	(280,000)	(440,492)	(720,492)
Provision for slow-moving inventory	(45,200)	(8,532)	(53,732)
(Booked) reversal of other commitment provision	394,080	-	394,080
Other (expenses) revenue - net	82,749	88,291	171,040
Net profit for the year before income tax	124,841	2,556,523	2,681,364
Income tax expenses	(124,782)	(195,284)	(320,066)
Profit for the year	59	2,361,239	2,361,298
			December 31,
			2016
			JD
Total Assets			59,252,138
Total Liabilities			27,702,524
			49,378,101
			20,660,526

- The following is the concentration of assets and liabilities as of December 31, 2016 and 2015 according to the currency type:

Jordanian Dinar / 2016, 31 December						
	JD	USD	EUR	SAR	AED	Total
<u>Assets:</u>						
Cash on hand and at banks	643,148	62,859	1,232	148,439	497,103	1,622,833
Cheques under collection	216,649	-	-	-	69,099	524,804
Accounts receivable – net	3,924,850	517,837	-	1,459,713	3,798,103	9,859,737
Inventory – net	4,246,802	-	-	725,743	1,162,860	8,141,116
Due from related parties	-	1,205,300	-	-	-	2,170,144
Loans for sister companies	-	-	-	-	-	460,868
Other debit balances	827,133	91,320	22,343	131,987	829,529	1,978,916
Intangible assets	1,935,850	-	-	-	4,445,242	6,382,099
Investment in a subsidiary Company	1	-	-	-	-	1
Deferred tax assets	69,119	-	-	-	-	85,277
Property and equipment - net	17,941,683	6,845,442	-	253,298	2,916,801	27,957,224
	29,805,235	8,722,758	23,575	2,719,180	13,718,737	59,252,138
<u>Liabilities</u>						
Notes payable	-	124,550	-	-	-	360,675
Accounts payable	1,524,507	899,657	412,796	-	971,523	4,825,875
Due to related parties	-	119,958	-	-	603,783	740,780
Loans from sister companies	-	374,173	-	-	-	374,173
Deposits and accrued expenses	1,204,350	-	-	478,340	510,698	2,738,295
Income tax provision	289,327	-	-	-	-	324,346
Long - term loans	-	10,408,600	-	-	6,369,000	16,777,600
Provision for employees end- of-service	-	-	-	100,355	398,153	1,560,780
	3,018,184	11,926,938	412,796	578,695	8,853,157	27,702,524
Net Position	26,787,051	(3,204,180)	(389,221)	2,140,485	4,865,580	31,549,614

Jordanian Dinar / December 31, 2015

	JD	USD	EUR	SAR	Other	Total
<u>Assets:</u>						
Cash on hand and at banks	4,178,720	569,229	269	110,008	1,357,946	6,216,172
Cheques under collection	196,647	232,611	-	727,861	-	1,157,119
Accounts receivable - net	2,945,845	618,035	-	1,567,664	151,802	5,283,346
Inventory - net	4,152,917	-	-	550,634	2,412,365	7,115,916
Due from related parties	323,511	92,834	-	10,952	754,952	1,182,249
Loans for sister companies	-	-	-	-	454,370	454,370
Other debit balances	1,109,096	132,848	1,835	125,829	87,807	1,457,415
Intangible assets	1,967,004	12,894	-	-	-	1,979,898
Investment in a subsidiary Company	1	-	-	-	-	1
Deferred tax assets	148,004	-	-	-	90,828	238,832
Property and equipment - net	16,972,822	7,152,217	-	167,744	-	24,292,783
	31,994,567	8,810,668	2,104	3,260,692	5,310,070	49,378,101
<u>Liabilities</u>						
Notes payable	-	265,348	-	-	-	265,348
Accounts payable	2,430,032	813,766	292,203	48,518	263,443	3,847,962
Due to related parties	-	114,367	-	-	-	114,367
Loans from sister companies	-	-	-	-	374,173	374,173
Deposits and accrued expenses	1,246,456	588,691	-	-	263,443	2,098,590
Income tax provision	502,653	61,837	-	-	-	564,490
Long - term loans	11,864,239	490,634	-	-	-	12,354,873
Provision for employees end-of-service	-	-	-	64,828	975,895	1,040,723
	16,043,380	2,334,643	292,203	113,346	1,876,954	20,660,526
Net Position	15,951,187	6,476,025	(290,099)	3,147,346	3,433,116	28,717,575

Interest Rate Risk

The sensitivity analysis for the accounts exposed to interest rate risk according to currency is as follows:

Sensitivity Analysis for the year 2016		Sensitivity Analysis for the year 2015	
Effect of the increase in interest rate by 1% on the Statement of Income	Effect of the decrease in interest rate by 1% on the Statement of Income	Effect of the increase in interest rate by 1% on the Statement of Income	Effect of the decrease in interest rate by 1% on the Statement of Income
JD	JD	JD	JD
(167,776)	167,776	(99,667)	99,667

Foreign Currency Risk

The sensitivity analysis for the year 2016 is as follows:

Currency	Effect of the Increase in the exchange Rate by 5% on the Statement of Income	Effect of the Decrease in the exchange Rate by 5% on the Statement of Income
	JD	JD
EURO – EUR	(19,461)	19,461
Saudi Riyal - SAR	107,024	(107,024)
AED	243,279	(243,279)
Other currencies	66,970	(66,970)

The sensitivity analysis for the year 2015 is as follows:

Currency	Effect of the Increase in the exchange Rate by 5% on the Statement of Income	Effect of the Decrease in the exchange Rate by 5% on the Statement of Income
	JD	JD
EURO - EUR	(14,505)	14,505
Saudi Riyal - SAR	157,367	(157,367)
Other currencies	171,656	(171,656)

Regarding the risk of fluctuations in currency exchange rates which applies to payments the Company's management believes that the foreign currency risk is immaterial due to the Jordanian Dinar is pegged to the US

31. Fair Value Hierarchy

A. The fair value of financial assets and financial liabilities of the Company specified at fair value on an ongoing basis:

Some financial assets and liabilities of the Company are evaluated at fair value at the end of each fiscal period, the following table shows the information about how to determine the fair value of these financial assets and liabilities (evaluation methods and inputs used).

Financial Assets/Financial Liabilities	Note	Fair Value as at		The Level of Fair Value	Evaluation Method and Inputs used	Important Intangible Inputs	Relation between the fair value and the Important Intangible inputs
		December 31st	2015				
		2016	2015				
		JD	JD				
Financial Assets at Fair Value							
Investment in a subsidiary company		1	1	Level II	Financial Statements	N/A	N/A
Loans to sister companies		460,868	454,370	Level I	Foreign Exchange Rates	N/A	N/A
Total		460,868	454,371				
Financial Liabilities at Fair Value							
Loans from sister companies		374,173	374,173	Level I	Foreign Exchange Rates	N/A	N/A
Total Financial Liabilities at Fair Value		374,173	374,173				

N/A: Not Applicable

There were no transfers between level I and level II during the year 2016.

B -The fair value of financial assets and financial liabilities of the bank (non-specific fair value on an ongoing basis):

We believe that the carrying amount of financial assets and liabilities shown in the consolidated financial statements of the Company approximate their fair value.
We believe that the book value of the items is equivalent to the fair value. That is, it will be due on short-term basis or the interest rates will be reprised during the year.

32. Adoption of New and Revised International Financial Reporting Standards (IFRSs)

32. a. New and revised IFRSs applied with no material effect on the financial statements:

The following new and revised IFRSs, which became effective for annual periods beginning on or after January 1, 2016, have been adopted in these financial statements. The application of these revised IFRSs has not had any material impact on the amounts reported for the current and prior years but may affect the accounting for future transactions or arrangements.

- IFRS 14 Regulatory Deferral Accounts.
- Amendments to IAS 1 Presentation of Financial Statements relating to Disclosure initiative.
- Amendments to IFRS 11 Joint arrangements relating to accounting for acquisitions of interests in joint operations.
- Amendments to IAS 16 Property, Plant and Equipment and IAS 38 Intangible Assets relating to clarification of acceptable methods of depreciation and amortisation.
- Amendments to IAS 16 Property, Plant and Equipment and IAS 41 Agriculture: Bearer Plants.
- Amendments to IAS 27 Separate Financial Statements relating to accounting investments in subsidiaries, joint ventures and associates to be optionally accounted for using the equity method in separate financial statements.
- Amendments to IFRS 10 Consolidated Financial Statements, IFRS 12 Disclosure of Interests in Other Entities and IAS 28 Investment in Associates and Joint Ventures relating to applying the consolidation exception for investment entities.
- Annual Improvements to IFRSs 2012 – 2014 Cycle covering amendments to IFRS 5, IFRS 7, IAS 19 and IAS 34.

32. b. New and revised IFRSs in issue but not yet effective and not early adopted

The Company has not yet applied the following new and revised IFRSs that have been issued but are not yet effective:

<u>New and revised IFRSs</u>	<u>Effective for annual periods beginning on or after</u>
Annual Improvements to IFRS Standards 2014 – 2016 Cycle amending IFRS 1, IFRS 12 and IAS 28.	The amendments to IFRS 1 and IAS 28 are effective for annual periods beginning on or after January 1, 2018, the amendment to IFRS 12 for annual periods beginning on or after January 1, 2017.
Amendments to IAS 12 <i>Income Taxes</i> relating to the recognition of deferred tax assets for unrealized losses.	January 1, 2017
Amendments to IAS 7 <i>Statement of Cash Flows</i> to provide disclosures that enable users of financial statements to evaluate changes in liabilities arising from financing activities.	January 1, 2017

IFRIC 22 *Foreign Currency Transactions and Advance Consideration*

January 1, 2018

The interpretation addresses foreign currency transactions or parts of transactions where:

- there is consideration that is denominated or priced in a foreign currency;
- the entity recognises a prepayment asset or a deferred income liability in respect of that consideration, in advance of the recognition of the related asset, expense or income; and
- the prepayment asset or deferred income liability is non-monetary.

Amendments to IFRS 2 *Share Based Payment* regarding classification and measurement of share based payment transactions

January 1, 2018

Amendments to IFRS 4 *Insurance Contracts*: Relating to the different effective dates of IFRS 9 and the forthcoming new insurance contracts standard.

January 1, 2018

Amendments to IAS 40 *Investment Property*: Amends paragraph 57 to state that an entity shall transfer a property to, or from, investment property when, and only when, there is evidence of a change in use. A change of use occurs if property meets, or ceases to meet, the definition of investment property. A change in management's intentions for the use of a property by itself does not constitute evidence of a change in use. The paragraph has been amended to state that the list of examples therein is non-exhaustive.

January 1, 2018

Amendments to IFRS 7 *Financial Instruments: Disclosures* relating to disclosures about the initial application of IFRS 9
IFRS 7 *Financial Instruments: Disclosures* relating to the additional hedge accounting disclosures (and consequential amendments) resulting from the introduction of the hedge accounting chapter in IFRS 9

When IFRS 9 is first applied
When IFRS 9 is first applied

IFRS 16 *Leases*

January 1, 2019

IFRS 16 specifies how an IFRS reporter will recognise, measure, present and disclose leases. The standard provides a single lessee accounting model, requiring lessees to recognise assets and liabilities for all leases unless the lease term is 12 months or less or the underlying asset has a low value. Lessors continue to classify leases as operating or finance, with IFRS 16's approach to lessor accounting substantially unchanged from its predecessor, IAS 17.

Amendments to IFRS 10 *Consolidated Financial Statements* and IAS 28 *Investments in Associates and Joint Ventures* (2011) relating to the treatment of the sale or contribution of assets from and investor to its associate or joint venture.

Effective date deferred indefinitely

IFRS 9 *Financial Instruments* (revised versions in 2009, 2010, 2013 and 2014).

January 1, 2018

IFRS 9 issued in November 2009 introduced new requirements for the classification and measurement of financial assets. IFRS 9 was subsequently amended in October 2010 to include requirements for the classification and measurement of financial liabilities and for derecognition, and in November 2013 to include the new requirements for general hedge accounting. Another revised version of IFRS 9 was issued in July 2014 mainly to include a) impairment requirements for financial assets and b) limited amendments to the classification and measurement requirements by introducing a 'fair value through other comprehensive income' (FVTOCI) measurement category for certain simple debt instruments.

A finalised version of IFRS 9 which contains accounting requirements for financial instruments, replacing IAS 39 *Financial Instruments: Recognition and Measurement*. The standard contains requirements in the following areas:

- **Classification and measurement:** Financial assets are classified by reference to the business model within which they are held and their contractual cash flow characteristics. The 2014 version of IFRS 9 introduces a 'fair value through other comprehensive income' category for certain debt instruments. Financial liabilities are classified in a similar manner to under IAS 39, however there are differences in the requirements applying to the measurement of an entity's own credit risk.
- **Impairment:** The 2014 version of IFRS 9 introduces an 'expected credit loss' model for the measurement of the impairment of financial assets, so it is no longer necessary for a credit event to have occurred before a credit loss is recognised
- **Hedge accounting:** Introduces a new hedge accounting model that is designed to be more closely aligned with how entities undertake risk management activities when hedging financial and non-financial risk exposures.
- **Derecognition:** The requirements for the derecognition of financial assets and liabilities are carried forward from IAS 39.

Amendments to IFRS 15 *Revenue from Contracts with Customers* to clarify three aspects of the standard (identifying performance obligations, principal versus agent considerations, and licensing) and to provide some transition relief for modified contracts and completed contracts.

January 1, 2018

IFRS 15 *Revenue from Contracts with Customers*

January 1, 2018

In May 2015, IFRS 15 was issued which established a single comprehensive model for entities to use in accounting for revenue arising from contracts with customers. IFRS 15 will supersede the current revenue recognition guidance including IAS 18 *Revenue*, IAS 11 *Construction Contracts* and the related interpretations when it becomes effective.

The core principle of IFRS 15 is that an entity should recognize revenue to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services. Specifically, the standard introduces a 5-step approach to revenue recognition:

- Step 1: Identify the contract(s) with a customer.
- Step 2: Identify the performance obligations in the contract.
- Step 3: Determine the transaction price.
- Step 4: Allocate the transaction price to the performance obligations in the contract.
- Step 5: Recognise revenue when (or as) the entity satisfies a performance obligation.

Under IFRS 15, an entity recognises when (or as) a performance obligation is satisfied, i.e. when 'control' of the goods or services underlying the particular performance obligation is transferred to the customer. Far more prescriptive guidance has been added in IFRS 15 to deal with specific scenarios. Furthermore, extensive disclosures are required by IFRS 15.

Management anticipates that these new standards, interpretations and amendments will be adopted in the Bank's financial statements as and when they are applicable and adoption of these new standards, interpretations and amendments, except for IFRS 9, IFRS 15 and IFRS 16, may have no material impact on the financial statements of the Bank in the period of initial application.

Management anticipates that IFRS 15 and IFRS 9 will be adopted in the Bank's financial statements for the annual period beginning 1 January 2018 and that IFRS 16 will be adopted in the Bank's financial statements for the annual period beginning 1 January 2019.

The application of IFRS 15 and IFRS 9 may have significant impact on amounts reported and disclosures made in the Bank's financial statements in respect of revenue from contracts with customers and the Bank's financial assets and financial liabilities and the application of IFRS 16 may have significant impact on amounts reported and disclosures made in the Bank's financial statements in respect of its leases.

However, it is not practical to provide a reasonable estimate for the implications of applying these standards until the Company performs its studies in this regards.

33. Proposed Dividends

The Board of Directors recommended in their meeting held on March 6, 2017 to the General Assembly to distribute cash dividends by 6% of the Company paid-up capital which is equivalent to JD 1,080,000 in addition to increase the Company's paid up capital from 18 million shares / Jordanian Dinar to become 22 million shares / Jordanian Dinar, by increasing 4,000,000 shares, by distributing free shares, cash according to his share of the capital.