

Date: 15/04/2018

Ref.: PBP/032/2018

**Jordan Securities Commission  
Amman Stock Exchange**


Subject: Audited Financial Statements

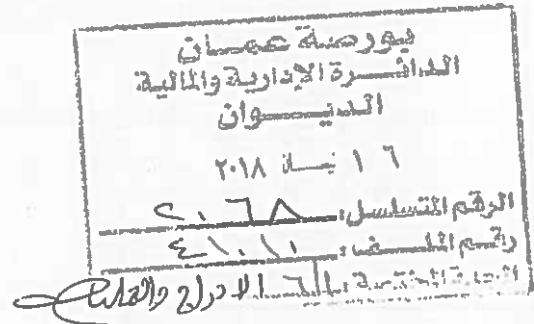
for the year ended 31/12/2017

Dear Sir,

Please find attached the audited financial statements of Premier Business and Projects company for the year ended 31/12/2017.

Best regards,

  
Basim Muasher  
Chairman



PREMIER FOR BUSINESS AND PROJECTS

(PUBLIC SHAREHOLDING COMPANY)

FINANCIAL STATEMENTS

31 DECEMBER 2017

## **INDEPENDENT AUDITOR'S REPORT**

**To the Shareholders of Premier Business and Projects Public Shareholding Company  
Amman- Jordan**

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

#### **Opinion**

We have audited the financial statements of Premier Business and Projects a Public Shareholding Company (the Company), which comprise the statement of financial position as at 31 December 2017, and the income statements, 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 2017, and its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards (IFRSs).

#### **Basis for Opinion**

We conducted our audit in accordance with International Standards on Auditing (ISAs). Our responsibilities under those standards, are further described in the Auditor's Responsibilities for the Audit of the 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 of the current period. These matters were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters. For each matter below, our description of how our audit addressed the matter provided in that context .

We have fulfilled the responsibilities described in the Auditor's responsibilities for the audit of the financial statements section of our report, including in relation to these matters. Accordingly, our audit included the performance of procedures designed to respond to our assessment of the risks of material misstatement of the financial statements. The results of our audit procedures, including the procedures performed to address the matters below, provide the basis for our audit opinion on the accompanying financial statements.

<b>Revenue recognition: Share of income from associate</b>	
<b>Key Audit matter</b>	<b>How the key audit matter was addressed in the audit</b>
At 31 December 2017, the Company has associate investments amounting to JD 2,656,080, with share of profits recorded during the year 2017 amounted to JD 10,459 which represent the main source of income to the Company. The Company focus on income from associate, as a key performance measure, which could create an incentive to overstate income, and accordingly this area was considered a key audit matter for the audit.	Our audit procedures included, amongst others, obtaining the financial statements from associates as of 31 December 2017 and audit the implementation of the equity method of accounting related to the associate including the recalculation of the Company's share of income and net assets from the associate based on their financial statements.  Refer to the accounting policies and notes (5),(7) on the financial statements.

#### **Other information included in the Company's 2017 annual report.**

Other information consists of the information included in the annual report, other than the financial statements and our auditor's report thereon. Management is responsible for the other information. Our opinion on the financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

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



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

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

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

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

## **Auditor's Responsibilities for the Audit of the Financial Statements**

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

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

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

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exist, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However future events or conditions may cause the Company to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

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

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

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

## Report on Other Legal and Regulatory Requirements

The Company maintains proper books of accounts which are in agreement with the financial statements.

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Amman - Jordan

Waddah Isam Barkawi  
License No. 591

Amman-Jordan  
27 March 2018



**PREMIER FOR BUSINESS AND PROJECTS  
PUBLIC SHAREHOLDING COMPANY  
STATEMENT OF FINANCIAL POSITION  
AS AT 31 DECEMBER 2017**

	Notes	2017 JD	2016 JD
<b>ASSETS</b>			
<b>Non-current assets -</b>			
Financial assets at fair value through other comprehensive income	6	593,776	663,323
Investment in associates	7	2,656,080	3,205,621
Property and equipment	9	593,064	659,337
Investment properties	8	81,509	86,528
		<u>3,924,429</u>	<u>4,614,809</u>
<b>Current assets -</b>			
Other debit balances	10	21,587	20,285
Due from related parties	17	732	5,798
Cash on hand and at banks		2,475	2,335
		<u>24,794</u>	<u>28,418</u>
<b>Total assets</b>		<b><u>3,949,223</u></b>	<b><u>4,643,227</u></b>
<b>SHAREHOLDERS' EQUITY AND LIABILITIES</b>			
<b>Shareholders equity -</b>			
Paid-in capital	11	1,500,000	1,330,008
Statutory reserve	11	784,554	784,554
Voluntary reserve	11	511,279	511,279
Fair value reserve	6	(946,631)	(877,081)
Retained earnings		911,981	1,544,761
<b>Net equity</b>		<b><u>2,761,183</u></b>	<b><u>3,293,521</u></b>
<b>Liabilities -</b>			
<b>Non-current liability -</b>			
Bank loan	13	-	387,500
<b>Current liabilities -</b>			
Short-term bank loan	13	625,091	433,374
Shareholders deposits		113,244	98,102
Income tax provision	16	18,020	18,020
Other credit balances	12	156,246	244,096
Other provisions	18	218,931	154,181
Due to related parties	17	56,508	14,433
<b>Total current liabilities</b>		<b><u>1,188,040</u></b>	<b><u>962,206</u></b>
<b>Total liabilities</b>		<b><u>1,188,040</u></b>	<b><u>1,349,706</u></b>
<b>Total shareholders' equity &amp; liabilities</b>		<b><u>3,949,223</u></b>	<b><u>4,643,227</u></b>

The accompanying notes from 1 to 24 represent an integral part of these financial statements and should be read with them.

**PREMIER FOR BUSINESS AND PROJECTS  
PUBLIC SHAREHOLDING COMPANY  
INCOME STATEMENT  
FOR THE YEAR ENDED 31 DECEMBER 2017**

	Notes	2017 JD	2016 JD
<b>Revenues :</b>			
Gain on selling shares in an associate	7	-	735,658
Gain on selling shares in a subsidiary	15	-	786,328
Dividends from financial assets at fair value through other comprehensive income.		40,154	36,001
Share of profit from the associates	7	10,459	540,384
Other revenues		59,467	76,631
<b>Total Revenues</b>		<u>110,080</u>	<u>2,175,002</u>
<b>Expenses</b>			
Administrative expenses	14	(214,910)	(304,082)
Financing expenses		(88,916)	(87,493)
Other provisions	18	(64,750)	(36,068)
Impairment losses of investment properties	8	(5,019)	(6,057)
Depreciation	9	(66,273)	(66,455)
<b>Total Expenses</b>		<u>(439,868)</u>	<u>(500,155)</u>
<b>(Loss) profit before income tax</b>		<u>(329,788)</u>	<u>1,674,847</u>
Income tax	16	-	-
<b>(Loss) profit for the year</b>		<u>(329,788)</u>	<u>1,674,847</u>
		Fils/Dinar	Fils/Dinar
<b>Basic and diluted (loss) earnings per share</b>		<u>(0/219)</u>	<u>1/116</u>

The accompanying notes from 1 to 24 represent an integral part of these financial statements and should be read with them.



**PREMIER FOR BUSINESS AND PROJECTS  
PUBLIC SHAREHOLDING COMPANY  
STATEMENT OF COMPREHENSIVE INCOME  
FOR THE YEAR ENDED 31 DECEMBER 2017**

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	Notes	2017 JD	2016 JD
<b>(Loss) profit for the year</b>		<b>(329,788)</b>	<b>1,674,847</b>
<b>Add: Other comprehensive income after income tax</b>			
Change in the fair value reserve of financial assets at fair value through other comprehensive income	6	(69,550)	(206,195)
(Loss) on selling financial assets at fair value through other comprehensive income		-	(72,187)
<b>Total other comprehensive income</b>		<b>(69,550)</b>	<b>(278,382)</b>
<b>Total comprehensive income for the year</b>		<b>(399,338)</b>	<b>1,396,465</b>

The accompanying notes from 1 to 24 represent an integral part of these financial statements and should be read with them.

**PREMIER FOR BUSINESS AND PROJECTS  
PUBLIC SHAREHOLDING COMPANY  
STATEMENT OF CHANGES IN EQUITY  
FOR THE YEAR ENDED 31 DECEMBER 2017**

	Paid in capital	Reserves		Fair value reserve	Retained earnings	Total
		Statutory	Voluntary			
2017 -	JD	JD	JD	JD	JD	JD
<b>Balance at 1 January 2017</b>	1,330,008	784,554	511,279	(877,081)	1,544,761	3,293,521
Loss for the year	-	-	-	-	(329,788)	(329,788)
Other comprehensive income for the year	-	-	-	(69,550)	-	(69,550)
Total comprehensive income	-	-	-	(69,550)	(329,788)	(399,338)
Increase in capital (Note 19)	169,992	-	-	-	(169,992)	-
Dividends paid (Note 19)	-	-	-	-	(133,000)	(133,000)
<b>Balance at 31 January 2017</b>	<u>1,500,000</u>	<u>784,554</u>	<u>511,279</u>	<u>(946,631)</u>	<u>911,981</u>	<u>2,761,183</u>
<b>2016-</b>						
<b>Balance at 1 January 2016</b>	1,330,008	784,554	511,279	(670,886)	(57,899)	1,897,056
Profit of the year	-	-	-	-	1,674,847	1,674,847
Other comprehensive income for the year	-	-	-	(206,195)	(72,187)	(278,382)
Total comprehensive income	-	-	-	(206,195)	1,602,660	1,396,465
<b>Balance at 31 December 2016</b>	<u>1,330,008</u>	<u>784,554</u>	<u>511,279</u>	<u>(877,081)</u>	<u>1,544,761</u>	<u>3,293,521</u>

\* The Company cannot use a restricted amount of JD 946,631 as of 31 December 2017 (31 December 2016: JD 877,081) which represents the negative fair value reserve.

\* The retained earnings include a restricted amount of JD 351,802 as of 31 December 2017, which represents the profit from revaluating the investment in associate.

The accompanying notes from 1 to 24 represent an integral part of these financial statements and should be read with them.

**PREMIER FOR BUSINESS AND PROJECTS  
PUBLIC SHAREHOLDING COMPANY  
STATEMENT OF CASH FLOWS  
FOR THE YEAR ENDED 31 DECEMBER 2017**

	<u>Notes</u>	<u>2017</u> <u>JD</u>	<u>2016</u> <u>JD</u>
<b><u>Operating Activities</u></b>			
(Loss) profit before income tax		<u>(329,788)</u>	<u>1,674,847</u>
<b>Adjustments for -</b>			
Depreciation	9	66,273	66,455
Impairment losses of investment properties	8	5,019	6,057
Share of profit from associates	7	(10,459)	(540,384)
Dividends from financial assets at fair value through other comprehensive income		(40,154)	(36,001)
Gain on selling shares in a subsidiary	15	-	(786,328)
Gain on selling shares in an associate	7	-	(735,658)
Other provisions	18	64,750	36,068
Financing costs		88,916	87,493
<b>Working capital changes:</b>			
Notes receivable		-	37,355
Other debit balances		(1,302)	(229)
Other credit balances		<u>(123,148)</u>	<u>178,845</u>
<b>Net cash flows (used in) operating activities</b>		<u>(279,893)</u>	<u>(11,480)</u>
<b><u>Investing Activities</u></b>			
Proceed from selling shares in an associate		-	1,287,419
Proceed from selling shares in a subsidiary		-	482,723
Dividends from financial assets at fair value through other comprehensive income		40,154	36,001
Proceeds from selling financial assets at fair value through other comprehensive income		-	(411,976)
Cash generated from disposal of a subsidiary	15	-	(200,063)
Dividends from associates	7	560,000	-
Investment in an associate	7	-	(450,000)
<b>Net cash flows from investing activities</b>		<u>600,154</u>	<u>744,104</u>
<b><u>Financing Activities</u></b>			
Bank loan		(195,783)	(305,841)
Due from/to related parties		47,141	(420,606)
Financing costs paid		(53,621)	(87,493)
Dividends paid to shareholders		<u>(117,858)</u>	<u>(590)</u>
<b>Net cash flows used in financing activities</b>		<u>(320,121)</u>	<u>(814,530)</u>
Net increase (decrease) in cash and cash equivalents		140	(81,906)
Cash and cash equivalents at the beginning of the year		<u>2,335</u>	<u>84,241</u>
<b>Cash and cash equivalents at the end of the year</b>		<u>2,475</u>	<u>2,335</u>

The accompanying notes from 1 to 24 represent an integral part of these financial statements and should be read with them.

**(1) GENERAL**

Arab Chemical Detergent Industries Co., Ltd. was established in 1973 and registered as a public shareholding company with a capital of JD 250,000. Several amendments were made to the share capital, the last was during 2017 for which the authorized and paid in capital of the company reached JD 1,500,000 at a par value of 1 JD per share.

On the extraordinary general assembly held its meeting on 25 April 2007 approved to change the objectives and the name of the company, to become Premier for Business and Projects public shareholding limited company.

The objectives of the company are to invest in companies of all kinds and to buy and sell lands, real estates and movable and immovable property.

The audited financial statements were approved by the board of directors on 27 March 2018, and these financial statements require the approval of the general assembly of shareholders.

**(2) BASIS OF PREPARATION AND SIGNIFICANT ACCOUNTING POLICIES**

**BASIS OF PREPARATION**

The financial statements are prepared under the historical cost convention except for financial assets at fair value through other comprehensive income which stated at fair value at the date of the financial statements.

The financial statements have been prepared in accordance with International Financial Reporting Standards (IFRS)

The financial statements are presented in Jordanian Dinar, 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 2016 except for the followings:

**Amendments to IAS 7 Statement of Cash Flows: Disclosure Initiative**

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

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

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

**(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 and in particular, considerable judgment by management is required in the estimation of the amount and timing of future cash flows. 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) SIGNIFICANT ACCOUNTING POLICIES**

**Financial assets at fair value through other comprehensive income**

These are financial assets limited to equity instruments and the management intends to retain those assets in the long term.

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

**Investment in associates**

An associate is an entity over which the Company has significant influence. Significant influence is the power to participate in the financial and operating policy decisions of the investee, but is not control or joint control over those policies.

The Company's investments in its associate are accounted for using the equity method.

Under the equity method, the investment in an associate is initially recognised at cost. The carrying amount of the investment is adjusted to recognise changes in the Company's share of net assets of the associate since the acquisition date. Goodwill relating to the associate is included in the carrying amount of the investment and is neither amortised nor individually tested for impairment.

The income statement reflects the Company's share of the results of operations of the associate. Any change in OCI of those investees is presented as part of the Company's OCI. In addition, when there has been a change recognised directly in the equity of the associate , the Company recognises its share of any changes, when applicable, in the statement of changes in equity. Gains and losses resulting from transactions between the Company and the associate are eliminated to the extent of the interest in the associate .

The aggregate of the Company's share of profit or loss of an associate is shown on the face of the income statement outside operating profit and represents profit or loss after tax and non-controlling interests in the subsidiaries of the associate .

The financial statements of the associate are prepared for the same reporting period as the Company.

After application of the equity method, the Company determines whether it is necessary to recognise an impairment loss on its investment in its associate. At each reporting date, the Company determines whether there is objective evidence that the investment in the associate is impaired. If there is such evidence, the Company calculates the amount of impairment as the difference between the recoverable amount of the associate and its carrying value, then recognises the loss as 'Share of profit of associates in the income statement.

Upon loss of significant influence over the associate, the Company measures and recognises any retained investment at its fair value. Any difference between the carrying amount of the associate upon loss of significant influence and the fair value of the retaining investment and proceeds from disposal is recognised in income statement.

#### **Property, plant and equipment**

Property, plant and equipment are stated at cost less accumulated depreciation and any impairment in value except for land.

Depreciation is computed on a straight-line basis over the estimated useful lives of assets at the following annual rates:

<u>Category</u>	<u>Depreciation %</u>
Buildings	4
Leasehold improvements	9
Decorations	9
Furniture	10
Equipment and tools	12
Vehicles	20

When the expected recoverable value is less than the net carrying value, the assets are written down to their recoverable amount, and the impairment is recorded in the statement of other comprehensive income.

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



**Investment properties**

Investment properties is stated at cost less accumulated depreciation and any impairment provision. Investment property (except lands) is depreciated using the straight-line method over the useful life of the properties.

**Accounts receivable**

Accounts receivable are stated at original invoice amount less an allowance for any uncollectible amounts. A provision for doubtful debts is made when there is an objective evidence indicating that the collection of any amount is no longer probable.

**Cash and cash equivalents**

Cash and short-term deposits in the statement of financial position comprise cash at banks and on hand and short-term deposits with an original maturity of three months or less, less due to banks.

**Loans and borrowings**

All loans and borrowings are initially recognized at fair value. After initial recognition, interest-bearing loans and borrowings are subsequently measured at amortized cost using the effective interest method.

**Account payable and accruals**

Liabilities are recognized based on the amount to be paid in the future for goods received or services rendered, whether billed or not yet billed by the supplier.

**Provisions**

Provisions are recognized when the Company has an obligation (legal or constructive) arising from a past event, and the costs to settle the obligation are both probable and reliably measured.

**Fair value measurement**

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

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

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

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

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

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

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

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

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

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

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

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

### **Revenue and expense recognition**

Revenue is recognized to the extent that is probable that the economic benefits will flow to the company and the revenue can be reliably measured.

Other income are recognised using the accrued basis of accounting

Expenses are recognized on an accrual basis of accounting.



### **Impairment of financial assets**

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

### **Impairment of non-financial assets**

The Company assesses at each reporting date whether there is an indication that an asset may be impaired. If any such indication exists, or when annual impairment testing for an asset is required, the Company makes an estimate of the asset's recoverable amount. An asset's recoverable amount is the higher of an asset's or cash-generating unit's fair value less costs to sell and its value in use and is determined for an individual asset, unless the asset does not generate cash inflows that are largely independent of those from other assets or groups of assets. Where the carrying amount of an asset exceeds its recoverable amount, the asset is considered impaired and is written down to its recoverable amount. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. In determining fair value less costs to sell, an appropriate valuation model is used. These calculations are corroborated by valuation multiples, quoted share prices for publicly traded subsidiaries or other available fair value indicators.

### **Foreign currencies**

Transactions in foreign currencies during the year are recorded in the functional currency rate prevailing at the date of transaction. Financial assets and liabilities denominated in foreign currency are translated at the functional currency rate of exchange prevailing on the date of the statement of financial position.

Gains or loss resulting from foreign currency transactions are charged to the income statement.

### **Income taxes**

The income tax provision is calculated in accordance with the Income Tax Law No. 34 of 2014 and IAS 12 which requires the recognition of deferred taxes resulting from the differences between the carrying amount of an asset or liability and its tax base.



**(6) FINANCIAL ASSETS AT FAIR VALUE THROUGH OTHER COMPREHENSIVE INCOME**

	<u>2017</u>	<u>2016</u>
	JD	JD
Investments in quoted shares	<u>593,776</u>	<u>663,323</u>

The movement on the fair value reserve is as follows

	<u>2017</u>	<u>2016</u>
	JD	JD
<b>Balance – Beginning of the year</b>	(877,081)	(670,886)
Unrealized losses	(69,550)	(278,382)
Realized losses	-	72,187
<b>Balance – End of the Year</b>	<u>(946,631)</u>	<u>(877,081)</u>

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**(7) INVESTMENTS IN ASSOCIATES**

This item consists of the following:

	Ownership interest		Activity	2017	2016
	2017	2016		JD	JD
Henkel Comany – Jordan	40%	40%	Marketing and distribution	2,114,752	2,302,494
Obeji for consumer products Company (Note 15)	50%	50%	Marketing and distribution	541,328	903,127
				<u>2,656,080</u>	<u>3,205,621</u>

**Henkel Company- Jordan**

**Statement of financial position**

	Henkel Company - Jordan	
	2017	2016
	JD	JD
Current assets	5,168,332	7,149,608
Non- current assets	779,580	645,989
Current liabilities	(964,164)	(2,342,494)
<b>Net equity</b>	<u>4,983,748</u>	<u>5,453,103</u>
Company's share from net equity	<u>1,993,499</u>	<u>2,181,241</u>
Add: embedded Goodwill	<u>121,253</u>	<u>121,253</u>
Total	<u>2,114,752</u>	<u>2,302,494</u>
Ownership percentage	<u>40%</u>	<u>40%</u>

**Statement of comprehensive income**

	2017	2016
	JD	JD
Revenues	8,636,636	12,595,782
Operating expenses	(3,748,378)	(5,239,446)
Administrative expenses	(3,957,613)	(6,138,193)
Profit for the year	<u>930,645</u>	<u>1,218,143</u>
Company's share from the profit in associate	<u>372,258</u>	<u>487,257</u>

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**Obeji for consumer products - Jordan**

Statement of financial positions	Obeji for consumer products - Jordan	
	2017	2016
	JD	JD
Current assets	6,144,690	6,250,949
Non- current assets	618,978	527,722
Current liabilities	(6,384,616)	(5,676,021)
Net equity	<u>379,052</u>	<u>1,102,650</u>
Company's share from net equity	<u>189,526</u>	<u>551,325</u>
Ownership percentage	<u>50%</u>	<u>50%</u>
Add: embedded Goodwill	<u>351,802</u>	<u>351,802</u>
Total	<u>541,328</u>	<u>903,127</u>
	2017	2016
	JD	JD
<b>Statement of comprehensive income</b>		
Revenues	14,145,067	13,901,447
Operating expenses	(11,834,523)	(11,664,271)
Administrative expenses	(3,048,909)	(2,130,922)
Profit for the year	<u>(738,365)</u>	<u>106,254</u>
Company's share from the profit of the associate	<u>(361,799)</u>	<u>53,127</u>

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Movement on investments in an associate is as follows:

	31 December 2017 JD	31 December 2016 JD
Balance at 1 January	3,205,621	2,366,995
Company's share of Henkel Co. profit	372,258	487,257
Company's share of Obeji Co. profit (Loss)	(361,799)	53,127
Contribution in Obeji Co. capital increase***	-	450,000
Transferred from an investment in a subsidiary (Note 15)*	-	400,000
Selling shares of investment in an associate**	-	(551,758)
Received dividends – Henkel Co	(560,000)	-
Balance at 31 December	<u>2,656,080</u>	<u>3,205,621</u>

\* This item represents the company's remaining share after losing control over the subsidiary (Obeji for consumer products) due to the sale of 50% of its share, which was recorded at fair value at the date of sale.

\*\* On 21 April 2016 the Company sold 315,000 shares, equivalent to 9% in Henkel Jordan to Henkel AG & Co, for JD 1,300,000 resulting in a gain of JD 735,658 after direct expenses of JD 12,584.

\*\*\* On 27 December 2016 the company contributed in the capital increase of Obeji for consumer products Co, by JD 450,000, while maintaining the same ownership share.

**(8) INVESTMENT PROPERTIES**

This item represents an investment in land owned by the Company in Al Muwaqar area, section number 820 block number 4 and section number 529 block number 4. According to the real estate valuation, the fair value of these lands amounted to JD 81,509 as at 31 December 2017.

This item consists of the following:

	2017 JD	2016 JD
Balance as at 1 January	86,528	92,585
Impairment loss	(5,019)	(6,057)
Balance as at 31 December	<u>81,509</u>	<u>86,528</u>



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**(9) Property & Equipment**

	Buildings	Vehicles	Leasehold Improvements	Decoratio ns	Furniture	Equipment	Total
<b>2017-</b>	JD			JD	JD	JD	JD
<b>Cost:-</b>							
<b>Balance at 1 January 2017</b>	703,513	-	-	304,648	107,146	460	1,115,767
<b>Balance at 31 December 2017</b>	703,513	-	-	304,648	107,146	460	1,115,767
<b>Accumulated Depreciation:-</b>							
<b>Balance at 1 January 2017</b>	197,061	-	-	188,565	70,344	460	456,430
Depreciation for the year	28,141	-	-	27,419	10,713	-	66,273
<b>Balance at 31 December 2017</b>	225,202	-	-	215,984	81,057	460	522,703
<b>Net Book Value at</b>							
<b>31 December 2017</b>	478,311	-	-	88,664	26,089	-	593,064
	Buildings	Vehicles	Leasehold Improvements	Decorations	Furniture	Equipment	Total
<b>2016-</b>	JD	JD	JD	JD	JD	JD	JD
<b>Cost:-</b>							
<b>Balance at 1 January 2016</b>	703,513	149,470	21,218	304,648	112,250	15,944	1,307,043
Disposal of a subsidiary (Note15)	-	(149,470)	(21,218)	-	(5,104)	(15,484)	(191,276)
<b>Balance at 31 December 2016</b>	703,513	-	-	304,648	107,146	460	1,115,767
<b>Accumulated Depreciation:-</b>							
<b>Balance at 1 January 2016</b>	168,844	30,976	3,959	161,071	59,651	11,927	436,428
Depreciation for the year	28,217	-	-	27,494	10,744	-	66,455
Disposal of a subsidiary (Note15)	-	(30,976)	(3,959)	-	(51)	(11,467)	(46,453)
<b>Balance at 31 December 2016</b>	197,061	-	-	188,565	70,344	460	456,430
<b>Net Book Value at</b>							
<b>31 December 2016</b>	506,452	-	-	116,083	36,802	-	659,337

\*The Company's buildings are mortgaged against the Jordan Kuwait Bank loan (note 13).



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**(10) OTHER DEBIT BALANCES**

	<u>2017</u>	<u>2016</u>
	JD	JD
Prepaid expenses	5,692	5,049
Refundable deposits	11,385	11,385
Income tax receivable	3,158	3,158
Others	1,352	693
	<u>21,587</u>	<u>20,285</u>

**(11) EQUITY**

**Paid in capital**

The authorized and paid in capital amounted to JD 1,500,000 divided into 1,500,000 shares at a par value of JD 1 per share.

**Statutory reserve**

As required by the Law, 10% of the net profit of the year before tax is transferred to the statutory reserve. This reserve is not available for distribution to shareholders.

**Voluntary reserve**

This reserve represents amounts transferred from the net profit of the year before tax at a rate not exceeding 20% and its available for distribution to shareholders.

**(12) OTHER CREDIT BALANCES**

	<u>2017</u>	<u>2016</u>
	JD	JD
End of service provision	31,250	25,000
General manager and board of directors remuneration provision	31,250	165,000
Accrued expenses	51,300	45,080
Sales tax payable	4,223	6,969
Accrued interest	35,295	-
Other	2,928	2,047
	<u>156,246</u>	<u>244,096</u>

**(13) BANK LOAN**

	instalments within one year	Long Term Instalments	Total
	JD	JD	JD
2017- Jordan Kuwait Bank	625,091	-	625,091
2016- Jordan Kuwait Bank	433,374	387,500	820,874

The loan is repayable in quarterly installments of JD 200,000 per installment after having been scheduled several times during the previous years at an interest rate of 9.75% (2016: 9%). The loan was restructured and increased by JD 336,840 to become JD 775,000 in 2016. The loan is repayable after two years and in two installments, the first installment is due on 30 July 2017 and the second on 30 July 2018. The loans are secured by the Chairman personal guarantee and first class mortgage on the Company's offices.

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**(14) ADMINISTRATIVE EXPENSES**

	<u>2017</u>	<u>2016</u>
	JD	JD
Salaries and benefits	108,600	60,000
Social security contribution	4,788	4,125
Board of directors transportation allowance	21,600	21,600
Board of directors and general manager remunerations	31,250	165,000
End of service indemnity	6,250	2,500
Professional fees	12,200	18,778
Stamps, fees and licenses	12,200	16,879
Stationery and printings	2,517	2,111
Office services	2,180	2,862
Others	8,881	7,216
Insurance	1,283	1,216
Traveling and accommodation	1,200	1,200
Telecommunications and mails	1,961	595
	<u>214,910</u>	<u>304,082</u>

**(15) SALE OF SHARE IN A SUBSIDIARY**

On 15 June 2016, the Company signed an agreement to sell 50% of its shares in the wholly owned subsidiary Premier for Marketing and Distribution Private Shareholding Company as of 1 January 2016 to Obeji for Consumer Products Holding for JD 510,000. As a result of this, the Company lost control of the subsidiary with the ability to have significant influence on its decisions and activities under the shareholders agreement, whereby the management of the Company transfers the control to the buyer for the purpose of preparing the interim financial statements. On 1 January 2016 the Company lost control over the subsidiary and its remaining share in the company was reclassified after being revalued to an investment in an associate in an amount of JD 400,000.



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The table below summarizes the net assets of the subsidiary at the date of disposal (1 January 2016).

	JD
<b>Current assets</b>	
Finished goods	220,728
Other debit balances	132,008
Due from related parties	429,973
Accounts receivable	1,843,229
Notes receivable	300,658
Cash and bank balances	200,063
	<u>3,126,659</u>
<b>Non-current assets</b>	
Property and equipment - Net	144,823
Financial assets at fair value through other comprehensive income	317,051
	<u>461,874</u>
<b>Current liabilities</b>	
Short term loans	389,852
Income tax provision	14,355
Accounts payable	62,257
Accruals and other current liabilities	123,535
Unearned revenues	21,059
Other provisions	29,953
Dues to related parties	2,851,127
	<u>3,492,138</u>
Net assets at disposal date	<u>96,395</u>
<b><u>Gain on sale</u></b>	
Selling price of the company's 50% share in the subsidiary	510,000
Legal and consulting fees	(27,277)
Book value of the shares sold	(48,197)
	<u>434,526</u>
<b><u>Cash generated from the sale of a subsidiary</u></b>	
Cash at the subsidiary at the date of disposal	<u>(200,063)</u>
<b><u>Gain from valuation of the remaining share of the investment</u></b>	
Fair value of the remaining share (note 7)	400,000
Book value of the remaining share	(48,198)
	<u>351,802</u>
<b><u>Gain on disposal of shares in the subsidiary</u></b>	
Realized gain	434,526
Revaluation gain	351,802
	<u>786,328</u>

**(16) INCOME TAX**

Income tax provision was calculated for the year ended 2017 according to Income tax law (34) 2014.

The Company received a final clearance from the Income Tax Department up to 2015, the tax declarations were submitted for 2016 and 2017 and have not yet been reviewed yet.

The movements on the income tax liability is as follows:

	<u>2017</u>	<u>2016</u>
	JD	JD
At 1 January	18,020	32,375
Disposal of a subsidiary (note 15)	-	(14,355)
At 31 December	<u>18,020</u>	<u>18,020</u>
Income tax rate	20%	20%

**(17) RELATED PARTIES TRANSACTION**

Related parties represent associate companies, major shareholders, directors and key management personnel and entities controlled or significantly influenced by such parties.

The balances of related parties included in the statement of financial position are as follows:

	<u>2017</u>	<u>2016</u>
	JD	JD
<b>Due from related parties:</b>		
Henkel Co. – Jordan (Associate)	732	732
Chairman of board of directors	-	5,066
	<u>732</u>	<u>5,798</u>
<b>Due to related parties:</b>		
Obeji for Consumer Products – Jordan (Associate)	53,452	14,068
Obeji for Consumer Products Holding (Associate)	365	365
Chairman of board of directors	2,691	-
	<u>56,508</u>	<u>14,433</u>

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	2017	2016
	JD	JD
<b>Financial assets in fair value through other comprehensive income:</b>		
Financial Investments	359,186	391,817
	2017	2016
	JD	JD
<b>Realized gain on selling shares in subsidiaries and associates:</b>		
Realized gain on selling shares in an associate	-	735,658
Realized gain on selling shares in a subsidiary	-	786,328
	-	1,521,986
	2017	2016
	JD	JD
<b>Other revenues:</b>		
Rent income—Henkel Jordan	33,075	33,075
Management fees –Henkel Jordan	26,392	43,556
	59,467	76,631

**Guarantees:**

There are personal guarantees provided by the Chairman against the company's loan.

The following benefits (the salaries, bonuses and incentives) for executive management:

	2017	2016
	JD	JD
General manager and Board of directors remunerations	127,850	195,000



**(18) Other provisions**

Movement on the provision is as follows:

	<u>2017</u>	<u>2016</u>
	JD	JD
Balance at the beginning of the year	154,181	148,066
Additions during the year	64,750	36,068
Disposal of a subsidiary (Note 15)	-	(29,953)
Ending balance	<u>218,931</u>	<u>154,181</u>

**(19) DIVIDENDS**

The general assembly of the shareholders approved in its meeting on 6 April 2017 cash dividends to shareholders for the year ended 31 December 2016 profits by 10% per share. In addition approved in its extra ordinary meeting held on 6 April 2017 to increase the Company's share capital from 1,330,008 share / JD to 1,500,000 share / JD through the capitalization of JD 169,992 from retained earnings and distribute it as share dividend to shareholders by 12.78% per share. The capital increase procedures were completed on 24 April 2017.

**(20) Contingencies and commitments**

The Company has contingent liabilities in the form of a bank guarantee amounting to JD 10,000 as at 31 December 2017 (31 December 2016: JD 62,686).

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

Financial instruments consist of financial assets and financial liabilities.

Financial assets consist of cash on hand and balances at banks, due from related parties, financial assets at fair value through other comprehensive income and some other debit balances. Financial liabilities consist of loans, due to related parties and some other credit balances.

The fair values of financial instruments are not materially different from their carrying values.

**(22) RISK MANAGEMENT**

**Interest rate risk**

The Company is exposed to interest rate risk on its interest bearing assets and liabilities (Bank loans).

The following table demonstrates the sensitivity of the statement of profit or loss as of 31 December 2017 and 2016 to reasonably possible changes in interest rates, with all other variables held constant.

The sensitivity of the statement of profit or loss is the effect of the assumed changes in interest rates on the Company's profit for one year, based on the floating rate financial assets and financial liabilities held at 31 December.

**2017-**

Currency	Increase in interest rate (Basis points)	Effect on profit before tax JD
JD	50+	(3,125)

Currency	Decrease in interest rate (Basis points)	Effect on profit before tax JD
JD	50-	3,125

**2016-**

Currency	Increase in interest rate (Basis points)	Effect on profit before tax JD
JD	50+	(4,104)

Currency	Decrease in interest rate (Basis points)	Effect on profit before tax JD
JD	50-	4,104

### Share Price Risk

The table below indicates the sensitivity of the fair value reserve of the financial assets through other comprehensive income for possible reasonable changes on the share prices, with keeping all other variables constant:

#### 2017 -

<u>Index</u>	<u>change in index</u> %	<u>Effect on statement of equity</u> JD
Amman Stock Exchange	10	59,378

#### 2016 -

<u>Index</u>	<u>change in index</u> %	<u>Effect on statement of equity</u> JD
Amman Stock Exchange	10	66,332

In the event of an opposite change in the index, the effect will be the same but with an opposite sign.

### 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 seeks to mitigate the credit risks by maintaining its balances in reputable financial institutions.

### Liquidity risk

Liquidity risk is the risk that the Company will encounter difficulty in meeting obligations from its financial liabilities.

The Company limits its liquidity risk by ensuring funding from bank loans.



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The table below summarizes the maturities of the Company's (undiscounted) financial liabilities as at 31 December, based on contractual payment dates and current market interest rates.

<b>31 December 2017</b>	Less than 3 months JD	3 to 12 months JD	More than 12 months JD	Total JD
Other credit balances	124,996	31,250	-	156,246
Bank loans	-	686,037	-	686,037
Due to related parties	-	56,508	-	56,508
<b>Total</b>	<u>124,996</u>	<u>773,795</u>	<u>-</u>	<u>898,791</u>

**31 December 2016**

Other credit balances	244,096	-	-	244,096
Bank loans	-	433,374	424,312	857,686
Due to related parties	-	14,433	-	14,433
<b>Total</b>	<u>244,096</u>	<u>447,807</u>	<u>424,312</u>	<u>1,116,215</u>

**Currency risk**

Most of the Company transactions are in Jordanian Dinars and U.S. dollars. The Jordanian Dinar is fixed against the U.S dollar (USD 1.41 for each one Jordanian Dinar). The transactions are not considered to represent significant currency risk

**(23) CAPITAL MANAGEMENT**

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

The Company manages its capital structure and makes adjustments in light of changes in business conditions. No changes were made by the company during the year.

The underlying items of Capital structuring comprises paid in capital, statutory reserve, voluntary reserve, retained earnings and fair value reserve and is measured at JD 2,761,183 as at 31 December 2017 against JD 3,293,521 as at 31 December 2016.

**(24) STANDARDS ISSUED BUT NOT YET EFFECTIVE**

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

**IFRS 9 Financial Instruments**

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

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

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

**(a) Classification and Measurement**

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

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



**(b) Impairment**

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

**IFRS 15 Revenue from Contracts with Customers**

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

During 2017, the Company has performed an impact assessment of IFRS 15. This assessment is based on currently available information and may be subject to changes arising from further reasonable and supportable information being made available to the Company in 2018 when the Company adopts IFRS 15, whereas, the Company does not expect a material impact on its balance sheet or equity on applying the requirements of IFRS 15.

**Amendments to IFRS 10 and IAS 28: Sale or Contribution of Assets between an Investor and Its Associate or Joint Venture**

The amendments address the conflict between IFRS 10 and IAS 28 in dealing with the loss of control of a subsidiary that is sold or contributed to an associate or joint venture. The amendments clarify that the gain or loss resulting from the sale or contribution of assets that constitute a business, as defined in IFRS 3, between an investor and its associate or joint venture, is recognised in full. Any gain or loss resulting from the sale or contribution of assets that do not constitute a business, however, is recognised only to the extent of unrelated investors' interests in the associate or joint venture.



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

The IASB issued amendments to IFRS 2 Share-based Payment that address three main areas: the effects of vesting conditions on the measurement of a cash-settled share-based payment transaction; the classification of a share-based payment transaction with net settlement features for withholding tax obligations; and accounting where a modification to the terms and conditions of a share-based payment transaction changes its classification from cash settled to equity settled.

Entities may apply the amendments prospectively and are effective for annual periods beginning on or after 1 January 2018, with early application permitted.

## **IFRS 16 Leases**

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

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

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

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

## **IFRS 17 Insurance Contracts**

IFRS 17 provides a comprehensive model for insurance contracts covering the recognition and measurement and presentation and disclosure of insurance contracts and replaces IFRS 4 - Insurance Contracts. The standard applies to all types of insurance contracts (i.e. life, non-life, direct insurance and re-insurance), regardless of the type of entities that issue them, as well as to certain guarantees and financial instruments with discretionary participation features. The standard general model is supplemented by the variable fee approach and the premium allocation approach.

The new standard will be effective for annual periods beginning on or after 1 January 2021. Early application is permitted.

### **Transfers of Investment Property (Amendments to IAS 40)**

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

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

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

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

### **IFRIC Interpretation 22 Foreign Currency Transactions and Advance Consideration**

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

### **IFRIC Interpretation 23 Uncertainty over Income Tax Treatment**

The Interpretation addresses the accounting for income taxes when tax treatments involve uncertainty that affects the application of IAS 12 and does not apply to taxes or levies outside the scope of IAS 12, nor does it specifically include requirements relating to interest and penalties associated with uncertain tax treatments. An entity must determine whether to consider each uncertain tax treatment separately or together with one or more other uncertain tax treatments. The interpretation is effective for annual reporting periods beginning on or after 1 January 2019, but certain transition reliefs are available.