



عمان في ٢٠١٨/٣/٢٠

الرقم ١٧٥/٢

السادة هيئة الاوراق المالية المحترمين

عمان

للمرسل
مدير مكتب عمان
م. السيد
السيد
السيد دران
السيد عبد الله

٢/٢٠ -

تحية طيبة وبعد ،،

الموضوع : البيانات المالية السنوية المدققة للسنة المنتهية في ٢٠١٧/١٢/٣١

مرفق طيه نسخه من البيانات المالية المدققة لشركة (مصانع الاجواخ الاردنية المساهمة المحدودة)

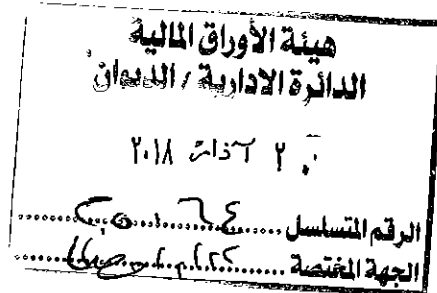
عن السنة المالية المنتهية في ٢٠١٧/١٢/٣١.

وتفضلوا بقبول فائق الاحترام ،،،

سمير علمات

المدير العام

شركة مصانع الاجواخ الاردنية
المساهمة العامة المحدودة
عمان - الاردن



JORDAN WORSTED MILLS COMPANY
(A PUBLIC SHAREHOLDING LIMITED COMPANY)
RUSAIFEH - THE HASHEMITE KINGDOM OF JORDAN

CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2017
TOGETHER WITH INDEPENDENT
AUDITOR'S REPORT

JORDAN WORSTED MILLS COMPANY
RUSAIFH – THE HASHEMITE KINGDOM OF JORDAN
DECEMBER 31, 2017

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Independent Auditor's Report

AM/ 3664

To the Shareholders of
Jordan Worsted Mills Company
(A Public Shareholding Limited Company)
Rusaifeh – The Hashemite Kingdom Of Jordan

Report on the Audit of the Financial Statements

Opinion

We have audited the consolidated financial statements of Jordan Worsted Mills Company and its subsidiary (together "the Group") which comprise the consolidated statement of financial position as at December 31, 2017, and the consolidated statement of income and 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, 2017, 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 consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters:

Valuation of Unquoted Investments in Regulated Markets

The unquoted investments in regulated markets are revalued on a Fair Value Basis in light of available inputs, and this fair value is disclosed along with the revaluation basis mentioned in Notes (11) and (32). In doing so, the Group uses the audited or reviewed financial statements of the Investee companies to estimate the fair value of these investments.

Scope of Audit to Address Risks

Due to the lack of quoted prices for these investments, the revaluation process is subject to a material uncertainty related to measurement. Accordingly, the revaluation method for these investments is key to our audit. This is carried out through reviewing the documents in the possession of management that support the revaluation of the investments. The latest audited or reviewed financial statements of those companies have been relied on as a good approximation of the fair value, and this basis has been adopted by the Company's management.

Other Information

Management is responsible for other information which comprises information in the annual report excluding the consolidated financial statements and the independent auditor's report thereon. Furthermore, we expect the annual report to be made available to us after the date of our audit report. Our opinion on the consolidated financial statements does not cover other information, and we do not express any form of assurance or conclusion thereon.

In connection with our audit of the consolidated financial statements, our responsibility is to read the other information when it becomes available to us. In doing so, we consider whether the other information is materially inconsistent with the consolidated financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated.

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

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

In preparing the consolidated financial statements, management is responsible for assessing the Group'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 Group or to cease operations, or has no realistic alternative but to do so.

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

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the consolidated 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 consolidated 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 consolidated 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 evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group'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 consolidated 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 Group to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient and appropriate audit evidence regarding the consolidated financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the Company's and its subsidiary's audit. We remain solely responsible for our audit opinion.

Deloitte.

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.

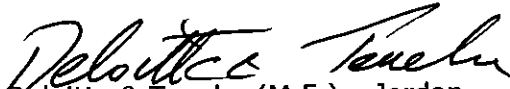
From the matters communicated with those charged with governance, we determine those matters of most significance in the audit of the consolidated financial statements of the current year, and are therefore, the key audit matters. We describe these matters in our auditor's report unless law and regulations 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 Group 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 Matter

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
February 14, 2018



JORDAN WORSTED MILLS COMPANY
(A PUBLIC SHAREHOLDING LIMITED COMPANY)
RUSAIFEH - THE HASHEMITE KINGDOM OF JORDAN
CONSOLIDATED STATEMENT OF FINANCIAL POSITION

	Note	December 31,	
		2017	2016
		JD	JD
ASSETS			
Cash on hand and at banks	5	374,300	1,865,060
Financial assets at fair value through statement of Income	6	2,756,308	3,036,375
Accounts receivable and other debt balances	7	366,661	405,803
Military and security receivables	8	5,450,384	4,096,080
Finished goods- Net	9	3,248,783	3,699,936
Goods under process		482,118	507,867
Yarn		2,723,166	3,138,731
Spare parts- Net	10	299,417	374,316
Goods in transit		3,064	143,056
Total Current Assets		<u>15,704,201</u>	<u>17,267,224</u>
Financial assets at fair value through comprehensive income	11	54,783,331	56,047,384
Financial assets at amortized cost	12	1,500,000	-
Investment in affiliate company	13	1,428,480	1,428,480
Total Investments		<u>57,711,811</u>	<u>57,475,864</u>
Fixed Assets:	14		
Land at cost		85,404	85,404
Fixed assets at cost		5,193,965	5,180,768
(Less): Accumulated depreciation		<u>(4,960,390)</u>	<u>(4,986,503)</u>
Total fixed assets excluding land		233,575	194,265
Total Fixed Assets		<u>318,979</u>	<u>279,669</u>
Total Assets		<u>73,734,991</u>	<u>75,022,757</u>
LIABILITIES			
Due to banks	15	85,783	432,345
Short-term loans	16	1,072,605	-
Payables and other credit balances	17	437,613	641,083
Income tax provision	28	282,337	271,905
Total Current Liabilities		<u>1,878,338</u>	<u>1,345,333</u>
End-of service Indemnity provision	18	1,131,204	1,054,424
Total Liabilities		<u>3,009,542</u>	<u>2,399,757</u>
OWNERS' EQUITY			
Paid-up capital	19	15,000,000	15,000,000
Additional paid-in capital		50,000	50,000
Statutory reserve	19	12,532,243	12,532,243
Voluntary reserve	19	10,000,000	10,000,000
Special reserve	19	7,333,000	7,333,000
Yarn rising prices reserve	19	2,000,000	2,000,000
Investment revaluation reserve		6,408,325	8,099,525
Retained earnings	21	12,416,813	12,715,333
Total Shareholders' Equity		65,740,381	67,730,101
Non-controlling Interests	22	4,985,068	4,892,899
Total Owners' Equity		<u>70,725,449</u>	<u>72,623,000</u>
Total Liabilities and Owners' Equity		<u>73,734,991</u>	<u>75,022,757</u>

Chairman of Board of Directors

General Manager

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

JORDAN WORSTED MILLS COMPANY
(A PUBLIC SHAREHOLDING LIMITED COMPANY)
RUSAIFEH - THE HASHEMITE KINGDOM OF JORDAN
CONSOLIDATED STATEMENT OF INCOME

	Note	For the Year Ended	
		December 31,	
		2017	2016
		JD	JD
Net sales		8,357,707	7,270,974
Cost of Sales:			
Finished goods-Beginning of the year	9	3,949,936	3,681,036
Cost of production	23	3,926,986	4,012,577
Cost of goods available for sale		7,876,922	7,693,613
<u>Less: Finished goods-End of the year</u>	9	<u>3,498,783</u>	<u>3,949,936</u>
Cost of sales		<u>4,378,139</u>	<u>3,743,677</u>
Gross profit		3,979,568	3,527,297
Selling and distribution expenses	24	<u>(83,947)</u>	<u>(79,557)</u>
Profit from sales		3,895,621	3,447,740
General and administrative expenses	25	<u>(1,624,081)</u>	<u>(1,779,375)</u>
Operating Income		2,271,540	1,668,365
Net (loss) on financial assets at fair value through statement of income	26	(130,273)	(116,393)
Dividends revenue from financial assets at fair value through comprehensive income		2,312,921	2,845,776
Returns from financial assets at amortized cost		75,945	-
(Expenses) other net income	27	<u>(130,530)</u>	<u>401,135</u>
Profit for the year before income tax		4,399,603	4,798,883
Income tax provision	28	<u>(429,374)</u>	<u>(387,000)</u>
Profit for the year		<u>3,970,229</u>	<u>4,411,883</u>
Attributable to:			
Shareholders		3,403,696	3,850,307
Non-controlling interests		<u>566,533</u>	<u>561,576</u>
		<u>3,970,229</u>	<u>4,411,883</u>
Earnings per share for the year attributable to shareholders	29	<u>-\227</u>	<u>-\257</u>

Chairman of the Board of Directors

General Manager

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

JORDAN WORSTED MILLS COMPANY

(A PUBLIC SHAREHOLDING LIMITED COMPANY)

RUSAIFEH - THE HASHEMITE KINGDOM OF JORDAN

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

	For the Year Ended	
	December 31,	
	Note	
	2017	2016
	JD	JD
Profit for the Year	3,970,229	4,411,883
Other comprehensive income items:		
Items not subsequently transferable to the income statement:		
Changes in investment revaluation reserve	(1,665,302)	(709,623)
Gains (losses) from sale of financial assets at fair value through comprehensive income	47,522	(587,094)
Total Comprehensive Income	2,352,449	3,115,166
Total comprehensive income is attributable to:		
Shareholders	1,760,280	2,527,074
Non-controlling interests	592,169	588,092
	2,352,449	3,115,166

Chairman of the Board of Directors

General Manager

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

JORDAN WORSTED MILLS COMPANY
(A PUBLIC SHAREHOLDING LIMITED COMPANY)
BUSAIFFAH - THE HASHEMITE KINGDOM OF JORDAN
CONSOLIDATED STATEMENT OF CHANGES IN OWNERS' EQUITY

	Shareholders' Equity																		
	Paid - up Capital		Statutory Reserve		Voluntary Reserve		Special Reserve		Yarn Rising Prices Reserve		Investment Valuation Reserve		Retained Earnings**		Non-controlling Interests		Total Equity		
	JD		JD		JD		JD		JD		JD		JD		JD				
For the Year Ended December 31, 2012																			
Balance - beginning of the year	15,000,000		50,000		12,532,243		10,000,000		7,333,000		2,000,000		8,099,525		12,715,333		67,730,101	4,892,899	72,623,000
Profit for the year	-		-		-		-		-		-		-		3,403,696		3,403,696	566,533	3,970,229
Change in Investment revaluation reserve (Losses) from sale of financial assets at fair value through comprehensive income	-		-		-		-		-		-		(1,691,200)		-		(1,691,200)	25,898	(1,665,302)
Total Comprehensive Income	-		-		-		-		-		-		-		47,784		47,784	(262)	47,522
Dividends =	-		-		-		-		-		-		(1,691,200)		3,451,480		1,760,280	592,169	2,352,449
Balance - End of the year	15,000,000		50,000		12,532,243		10,000,000		7,333,000		2,000,000		6,408,325		12,416,813		65,740,381	4,985,068	70,725,449
For the Year Ended December 31, 2016																			
Balance - beginning of the year	15,000,000		50,000		12,532,243		10,000,000		7,333,000		1,850,000		8,844,545		13,343,239		68,953,027	4,804,807	73,757,834
Profit for the year	-		-		-		-		-		-		-		3,850,307		3,850,307	561,576	4,411,883
Change in Investment revaluation reserve (Losses) from sale of financial assets at fair value through comprehensive income	-		-		-		-		-		-		(745,020)		-		(745,020)	35,397	(709,623)
Total Comprehensive Income	-		-		-		-		-		-		-		(578,213)		(578,213)	(8,881)	(587,094)
Dividends =	-		-		-		-		-		-		(745,020)		3,272,094		2,527,074	588,092	3,115,166
Transferred to statutory reserve ***	-		-		-		-		-		150,000		-		(3,750,000)		(3,750,000)	(500,000)	(4,250,000)
Balance - End of the year	15,000,000		50,000		12,532,243		10,000,000		7,333,000		2,000,000		8,099,525		12,715,333		67,730,101	4,892,899	72,623,000

= According to the resolution of the General Assembly convened on March 27, 2017, the Board of Directors' resolution was approved to distribute 25% of capital as cash dividends to shareholders, i.e. JD 3,750 thousand (JD 3,750 thousand for the prior year).

** Retained earnings includes JD 1,063,855 as of December 31, 2017, representing unrealized earnings restricted as per the Jordan Securities Commission's instructions (JD 1,343,922 as of December 31, 2016) against the cumulative change in fair value transferred to retained earnings as a result of applying International Financial Reporting Standard No. (3).

*** During the past years, the Company transferred to statutory reserve an amount equal to 10 % of Income before Income tax according to the results of the Company and its Subsidiary on an individual basis.

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

JORDAN WORSTED MILLS COMPANY
(A PUBLIC SHAREHOLDING LIMITED COMPANY)
RUSAIFEH - THE HASHEMITE KINGDOM OF JORDAN
CONSOLIDATED STATEMENT OF CASH FLOWS

	Note	For the Year Ended December 31,	
		2017	2016
		JD	JD
CASH FLOWS FROM OPERATING ACTIVITIES:			
Profit for the year before income tax		4,399,603	4,798,883
Adjustments for:			
Provision for spare parts and various supplies	10	50,000	-
Bonus		-	124,419
Depredation of fixed assets	14	89,977	137,243
(Recovered) from accrued expenses	27	(64,000)	-
(Gains) from sale of lands and fixed assets	27	(21,000)	(439,402)
Losses from revaluation of financial assets at fair value through statement of Income	26	280,067	214,673
Dividends revenue from financial assets at fair value through comprehensive Income		(2,312,921)	(2,845,776)
End-of-service indemnity provision	18	81,859	57,601
Cash Flows from Operating Activities before Changes in Working Capital Items		2,503,585	2,047,641
Decrease (Increase) in current assets:			
Financial assets at fair value through statement of Income		-	45,000
Accounts receivable and other debit balances		39,142	(67,747)
Military and security receivables		(1,354,304)	(1,426,927)
Finished goods		451,153	(268,900)
Goods under process		25,749	(65,729)
Yarn		415,565	(466,157)
Spare parts - Net		24,899	8,445
Goods in transit		139,992	147,806
(Decrease) in current liabilities:			
Payables and other credit balances		(163,318)	(283,548)
Net Cash Flows from (used in) Operating Activities before Income tax and End-of-service Indemnity Paid		2,082,463	(330,116)
Income tax paid	28	(418,942)	(453,140)
End-of-service indemnity paid	18	(5,079)	(873)
Net Cash Flows (Used in) from Operating Activities		1,658,442	(784,129)
CASH FLOWS FROM INVESTING ACTIVITIES:			
(Purchase) of financial assets at fair value through comprehensive Income		(353,727)	(9,712)
(Purchase) of financial assets at amortized cost		(1,500,000)	-
Dividends from financial assets at fair value through comprehensive Income		2,312,921	2,845,776
(Purchase) of fixed assets	14	(129,287)	(14,653)
Proceeds from sale of lands and fixed assets		21,000	466,065
Net Cash Flows from Investing Activities		350,907	3,287,476
CASH FLOWS FROM FINANCING ACTIVITIES:			
(Decrease) Increase in due to banks		(346,562)	10,976
Increase in short-term loans		1,072,605	-
Non-Controlling Interest dividends paid		(500,000)	(500,000)
Dividends Paid		(3,726,152)	(3,733,919)
Net Cash Flows (Used in) Financing Activities		(3,500,109)	(4,222,943)
Net (decrease) in Cash		(1,490,760)	(1,719,596)
Cash on hand and at banks - beginning of year		1,865,060	3,584,656
Cash on Hand and at Banks - End of year	5	374,300	1,865,060

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

JORDAN WORSTED MILLS COMPANY
(A PUBLIC SHAREHOLDING LIMITED COMPANY)
RUSAIFH – THE HASHEMITE KINGDOM OF JORDAN
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

1. General

- a. The Jordan Worsted Mills Company was registered as a public shareholding limited company under number (41) on September 17, 1964 with its head office located in Rusaifeh - Awajan District - The Hashemit Kingdom of Jordan, P.O.BOX 6060 Amman 11118 - Jordan. The Company's main objectives are to invest in shares of listed and unlisted companies; to manufacture and produce worsted in all shapes and types; to manufacture worsted; and to build, equip, and manage a factory / factories to manufacture worsted and trade in it.
- b. The Company owns 80% of Jordan Fabric and Worsted Mills Private Limited Shareholding Company, whose head office is in Rusaifeh, Awajan, The Hashemit Kingdom of Jordan. Its postal address is P.O. Box 6060 Amman 11118 - Jordan. The main objectives of this company are to manufacture and produce worsted, yarn, and mills in various shapes and kinds; to produce and sew various kinds of finished clothes; to use them as well as their accessories; and to trade in them. The main objectives also include building, preparing, and managing a factory / factories to manufacture the aforementioned and trade in them. The subsidiary had assets equal to JD 26,389,157 and liabilities equal to JD 1,496,970 as of December 31, 2017. Moreover, revenues equaled JD 8,998,079, and cost of sales and expenses amounted to JD 6,165,412 for the year ended December 31, 2017.
- c. The consolidated financial statements were approved and authorized by the Board of Directors' in its resolution number (341) on February 14, 2018. These financial statements are subject to the General Assembly's approval.

2. Basis of Consolidation

- The consolidated financial statements encompass the financial statements of Jordan Worsted Mills Company and the financial statements of its subsidiary, Jordan Fabric and Worsted Mills Company, a private limited shareholding company after eliminating intercompany balances and transactions.

3. 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 have been prepared under the historical cost principle except for financial assets and financial liabilities shown at fair value at the date of the consolidated financial statements.
- 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, 2016 except for the effect of adopting the new and modified standards stated in Note (36-a) related to the consolidated financial statements.

The following are the most significant accounting policies adopted by the Company:

a. Inventory

Finished goods and spare parts are stated at cost (using the first – in, first – out method) net of a provision for expired and slow-moving items or net realizable value, whichever is lower. Moreover, work in process inventory and yarn are stated at cost.

b. Financial Assets at Fair Value through the Statement of Income

- Financial assets at fair value through the statement of income represent shares and bonds held by the Company for trading and achieving gains from short-term fluctuations in market prices or gains from margin trading.
- Financial assets at fair value through the statement of income are initially stated at fair value on the acquisition date (purchase costs are recorded in the consolidated statement of income upon purchase). They are subsequently re-measured to fair value. Moreover, changes in fair value are recorded in the consolidated statement of income, including the fair value change resulting from the translation of non-monetary assets denominated in foreign currencies. Gains or losses resulting from the sale of these financial assets, or part thereof, are taken to the consolidated statement of income.
- Dividends and interest from these financial assets are recorded in the consolidated statement of income.

c. Financial Assets at Fair Value through the Statement of Comprehensive Income

- These financial assets represent strategic investments in companies' stocks for the purpose of keeping them in the long term and not for trading.
- Financial assets at fair value through the statement of comprehensive income are stated at fair value plus acquisition expenses at the date of acquisition. Moreover, these assets are revalued at fair value. The change in fair value is stated in the statement of comprehensive income and within shareholders' equity, including the change in fair value resulting from the exchange differences arising from non-monetary assets denominated in foreign currencies. In case these assets, or part thereof, are sold, the gains / losses arising therefrom are taken to the consolidated statement of comprehensive income and within shareholders' equity. Furthermore, the financial assets revaluation reserve balance relating to equity instruments is directly taken to retained earnings / accumulated losses but not through the consolidated statement of income.
- These assets are not subject to impairment test.
- Dividends are taken to the consolidated income statement.

d. Fair Value

Fair value represents the closing market price (acquisition of assets/ sale of liabilities) on the date of the consolidated financial statements in active markets for financial assets and financial derivatives with a market value.

In case declared market prices do not exist, active trading of some financial assets is not available, or the market is inactive, fair value is estimated by one of several methods including the following:

1. Comparison with the fair value of another financial asset with similar terms and conditions.
2. Analysis of the present value of expected future cash flows for similar instruments.
3. Adoption of the option pricing models.

The evaluation methods aim at providing a fair value reflecting the expectations of the market, expected risks, and expected benefits. Moreover, financial assets, the fair value of which cannot be reliably measured, are stated at cost.

e. Financial Assets at Amortized Cost

- Financial assets at amortized cost are financial assets:
 - The purpose of holding these assets within the context of the business model is to collect contractual cash inflows.
 - According to the contractual terms of these assets, the cash flows arise on defined dates and represent only principal and interest payments on these assets.
- Financial assets at amortized cost are recorded at cost upon purchase plus acquisition expenses. Moreover, the issue premium / discount is amortized, using the effective interest rate method, and recorded to interest or in its account. Any provisions resulting from the decline in value of these investments resulting in no recovery of the assets, or part thereof, are deducted, and any impairment is taken to the consolidated statement of income.
- Impairment in financial assets recorded at amortized cost is determined on the basis of the difference between the carrying amount and the present value of the expected cash flows discounted at the effective interest rate.

f. Fixed Assets

- Fixed assets are stated at cost net of accumulated depreciation (except for Land) and any accumulated impairment. Moreover, fixed assets (except for land) are depreciated, when ready for their intended use, according to the straight-line method over their estimated useful lives using rates ranging from 2% to 20%.
- When the expected recoverable amount of any fixed assets 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.
- Fixed assets 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.
- Fixed assets are disposed of when there are no expected future benefits from their use or disposal.

g. Provision for End-of-Service Indemnity

- 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.

h. 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 consolidated 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. Moreover, the Company did not recognize deferred tax assets because they were deemed immaterial and not possible to use. The Company did not recognize deferred tax liability for the investment revaluation reserve as the Company's investment revenue is not taxable.

i. Foreign Currency Transactions

Assets and liabilities denominated in foreign currencies are translated to Jordanian Dinar at the exchange rates prevailing at year-end. Transactions in foreign currencies are recorded at the exchange rates prevailing at the date of the transactions. Exchange gains or losses resulting therefrom are recorded in the consolidated statement of income.

j. Dividends revenue

Companies' dividends revenue are booked when realized (approved by the General Assembly).

k. Interest Revenue and Expenses

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

l. Sales

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

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

m. Investment in Affiliate

Affiliate companies are companies over which the Company exercises significant influence related to financial and operational policies but does not control, with ownership between 20%- 50 % of voting rights. Investment in affiliates is stated at an amount equal to the Company's share in the affiliates' net assets and the degree of the Company's participation in the affiliate. This is done by adjusting the investment account for the change in the affiliate's net assets caused by the change in the Company's share in the affiliate's profit or loss according to the latest audited or reviewed financial statements.

4. 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:

- Management periodically reassesses the economic useful lives of fixed 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 (if any).
- Management periodically revalue the financial assets stated at cost to estimate any impairment in value. This impairment (if applicable) is taken to consolidated statement of income.
- The fiscal year is charged with its portion of income tax expense in accordance with the regulations, laws, and International Financial Reporting Standards.
- A provision is taken for slow-moving inventory based on management's estimate related to the amount of impairment.
- 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.
- A provision is taken for employees' End of service Indemnity according to the laws and regulations.
- Fair value hierarchy: The Company is required to determine and disclose the level in the fair value hierarchy into which the fair value measurements are categorized in their entirety, segregating fair value measurements in accordance with the levels defined in IFRS. Differentiating between Level 2 and Level 3 fair value measurements, i.e. assessing whether inputs are observable and whether the unobservable inputs are significant, may require judgement and a careful analysis of the inputs used to measure fair value, including consideration of factors specific to the asset or liability.

5. Cash on Hand and at Banks

This item consists of the following:

	December 31,	
	2017	2016
	JD	JD
Cash on hand	2,911	4,138
Current accounts - Jordanian Dinar	110,441	251,327
Time deposit at Jordan Ahli Bank - member of the Board of Directors *	260,473	1,099,335
Current account- Euro	475	10,260
Cash collaterals against credit facilities **	-	500,000
	<u>374,300</u>	<u>1,865,060</u>

* The time deposit is for one-month term, automatically renewable, and bears interest at 3.25% per annum.

** The subsidiary company has transferred and used the cash collaterals, as the credit facilities granted to Jordan Worsted Mills Company (the parent company) have not been utilized. The collateralized cash was deposited at Jordan Ahli Bank (member of the Board of Directors) at an annual interest rate of 3.375%.

6. Financial Assets at Fair Value through the Statement of Income

a. This item consists of the following:

	December 31,	
	2017	2016
	JD	JD
Financial assets listed at Amman Stock Exchange	<u>2,756,308</u>	<u>3,036,375</u>

7. Receivables and other Debit Balances

This item consists of the following:

	December 31,	
	2017	2016
	JD	JD
Trade receivables	41,082	12,159
Accrued revenue	35,034	-
Employees receivables	6,034	7,310
Prepaid expenses	190,900	263,043
Refundable deposits and customs deposits	10,769	10,769
Sales tax	82,842	112,522
	<u>366,661</u>	<u>405,803</u>

8. Military and Security Receivables

This item represents military and security receivables, and the Company applies a policy of dealing with credit worthyparties in order to mitigate the risk of financial loss from defaults.

9. Finished Goods-Net

This item consists of the following:

	December 31,	
	2017	2016
	JD	JD
Finished Goods	3,498,783	3,949,936
(Less): Allowance for slow-moving inventory	(250,000)	(250,000)
	<u>3,248,783</u>	<u>3,699,936</u>

- Movement on the allowance for slow-moving inventory is as follows:

	2017	2016
	JD	JD
Balance at the beginning of the year	250,000	250,000
Balance at the end of the year	250,000	250,000

10. Spare Parts and Various Supplies - Net

This item consists of the following:

	December 31,	
	2017	2016
	JD	JD
Spare parts	794,032	801,076
Raw materials and various supplies	8,982	13,907
	803,014	814,983
(Less): Provision for slow-moving items	(550,000)	(500,000)
	253,014	314,983
Packaging department assets and sampling and processing books	14,903	19,733
Factory assets	31,500	39,600
	299,417	374,316

- Movement on the provision for slow-moving items is as follows:

	December 31,	
	2017	2016
	JD	JD
Balance at the beginning of the year	500,000	500,000
Addition during the year	50,000	-
Balance at the end of the year	550,000	500,000

11. Financial Assets at Fair Value through Comprehensive Income

This item consists of the following:

	December 31,	
	2017	2016
	JD	JD
Financial assets listed at Amman Stock Exchange	41,031,166	42,076,179
Unlisted Financial assets *	13,752,165	13,971,205
	54,783,331	56,047,384

- * The fair value of the unlisted investments has been determined based on the equity method and latest audited or reviewed set of the financials statements. This is deemed to be the best tool available to measure the fair value of those investments.

12. Financial Assets at Amortized Cost

This item consists of the following:

	Number of bonds	December 31, 2017 JD	Number of bonds	December 31, 2016 JD
Arab International Hotels Company's bonds *	1500	1,500,000	-	-

- * The Arab International Hotels Company's bonds mature on January 22, 2022. They bear interest at a fixed annual rate of 5/5%. The bonds are payable in two instalments on January 22 and July 22 every year.

13. Investment In Affiliate Company

This item represents the cost of the investment of the Company and its subsidiary in the Arab International Real Estate Company, representing 40% of the investee's capital of JD 3.6 million. The affiliate was established on June 28, 2007, and its main objectives are to develop investments in various areas of tourism and real estate; to develop and manage construction, housing, and real estate projects and markets; to buy, sell, and invest real estates and lands inside and outside the city planning; and to manage housing, commercial, and other complexes. This amount represents the Company's share in the affiliate's net assets. It is also equivalent to the investment in the affiliate adjusted by the changes in the Company's share in the affiliate's net assets and by the amount of the Company's share in the affiliate's profits and losses based on the latest audited or reviewed financial statements.

The financial information related to the affiliate company is as follows:

	December 31,	
	2017	2016
	JD	JD
Assets	3,573,814	3,574,988
Liabilities	(2,530)	(3,861)
Net assets	3,571,284	3,571,127
Company's share in the affiliate company's net assets	1,428,480	1,428,480

14. Fixed assets

2017	Lands*	Buildings	Factory machines	Tools and equipment	Air Condition	Fire Extinguishment Devices	Computer Devices and Software	Factory Equipment and Supplies	Furniture	Electrical Extensions and Appliances	Vehicles	Well and Water Purification Unit	Total Excluding Lands	Total
Cost:	JD	JD	JD	JD	JD	JD	JD	JD	JD	JD	JD	JD	JD	JD
Balance-Beginning of the year	85,404	401,186	3,705,746	10,926	307,860	39,246	49,821	108,657	108,194	102,980	248,373	97,779	5,180,768	5,266,172
Additions	-	-	-	-	-	-	250	-	517	-	128,520	-	129,287	129,287
Disposals	-	-	(58,690)	-	-	-	-	-	-	-	(57,400)	-	(116,090)	(116,090)
Balance-End of the year	85,404	401,186	3,647,056	10,926	307,860	39,246	50,071	108,657	108,711	102,980	319,493	97,779	5,193,965	5,279,369
Accumulated Depreciation:														
Balance-Beginning of the year	-	378,283	3,662,768	7,769	307,811	37,595	39,245	100,803	102,765	102,980	199,504	46,980	4,986,503	4,986,503
Additions	-	5,406	37,286	634	49	1,651	2,488	999	933	-	37,350	3,181	89,977	89,977
Disposals	-	-	(58,690)	-	-	-	-	-	-	-	(57,400)	-	(116,090)	(116,090)
Balance- End of the year	-	383,689	3,641,364	8,403	307,860	39,246	41,733	101,802	103,698	102,980	179,454	50,161	4,960,390	4,960,390
Net Book Value	85,404	17,497	5,692	2,523	-	-	8,338	6,855	5,013	-	140,039	47,618	233,575	318,979
2016														
Cost:														
Balance-Beginning of the year	96,321	401,186	3,737,712	11,775	307,860	39,246	57,112	109,236	108,378	103,360	488,840	97,779	5,462,484	5,558,805
Additions	-	-	-	2,048	-	-	10,655	-	1,950	-	-	-	14,653	14,653
Disposals	(10,917)	-	(31,966)	(2,897)	-	-	(17,946)	(579)	(2,134)	(380)	(240,467)	-	(296,369)	(307,286)
Balance-End of the year	85,404	401,186	3,705,746	10,926	307,860	39,246	49,821	108,657	108,194	102,980	248,373	97,779	5,180,768	5,266,172
Accumulated Depreciation:														
Balance-Beginning of the year	-	372,862	3,639,320	9,716	307,520	34,295	55,561	99,380	103,571	101,581	237,861	43,799	5,005,464	5,005,464
Additions	-	5,421	55,414	898	291	3,302	1,630	1,993	1,324	1,779	62,010	3,181	137,243	137,243
Disposals	-	-	(31,966)	(2,845)	-	-	(17,946)	(570)	(2,130)	(380)	(100,367)	-	(156,204)	(156,204)
Balance- End of the year	-	378,283	3,662,768	7,769	307,811	37,595	39,245	100,803	102,765	102,980	199,504	46,980	4,986,503	4,986,503
Net Book Value	85,404	22,903	42,978	3,157	49	1,651	10,576	7,854	5,429	-	48,869	50,799	194,265	279,669
% Annual Depreciation Rate	-	2 - 4	15	10 - 15	15	10	20	10 - 15	10 - 15	15	15	4_10	-	-

- Fixed assets include fully depreciated assets of JD 4,218,581 as of December 31, 2017 (JD 4,286,582 as of December 31, 2016).

* The Company sold lands during the year 2016 according to the resolutions of the Board of Directors in 2016. Gains from the sale were recorded under other revenue (Note 27)

15. Due to Banks

This item consists of the following:

	December 31,	
	2017	2016
	JD	JD
Bank of Jordan*	141	-
Jordan Ahli Bank – Overdraft**	-	337,953
Jordan Ahli Bank – Overdraft***	85,642	91,685
Arab Bank – Overdraft***	-	2,707
	<u>85,783</u>	<u>432,345</u>

- * The Company's subsidiary was granted an overdraft facility with a limit of JD 100,000 at an annual interest rate of 7.75% by the Bank of Jordan. The loan is guaranteed by the Company, and the overdraft is due on April 8, 2018.
- ** The Company was granted an overdraft facility with a ceiling of JD 500,000 at an annual interest rate of 7.25% by Jordan Ahli Bank (member of the Board of Directors). The loan is guaranteed by the Company, and the overdraft is due on October 31, 2018.
- *** The Company was granted overdraft facilities with a ceiling of JD 2 million by Jordan Ahli Bank (member of the Board of Directors) and JD 1 million by Arab Bank (member of the Board of Directors). These credit facilities are guaranteed by the Company and bear interest at an annual interest rate of 7.75% for Jordan Ahli Bank and 8.625% for Arab Bank. Moreover, the overdrafts are due on October 31, 2018 and May 23, 2018, respectively.
- There are unused credit facilities granted to the Company, in the form of an overdraft, with a ceiling of JD 1.5 million, by Arab Bank.
- There are no non-cash transactions for the above overdraft facilities.

16. Short-term Loans

The parent company and its subsidiary have obtained revolving loans from Societe General Bank - Jordan of JD 2 million for financing the Company's operations with a maturity period of 365 days (renewable) from the loan date with variable interest of 6.5% annually for each of the parent company and its subsidiary. These loans have been granted without guarantees.

- There are no non-cash transactions for the above revolving loans.

17. Payables and Other Credit Balances

This item consists of the following:

	December 31,	
	2017	2016
	JD	JD
Accounts Payable	57,661	199,637
Shareholders' deposits	276,932	277,446
Accrued expenses	3,020	64,000
Board of Directors' remuneration for the parent and subsidiary	100,000	100,000
	<u>437,613</u>	<u>641,083</u>

18. End-of Service Indemnity Provision

Movement of the provision for end-of service indemnity during the year is as follows:

	2017	2016
	JD	JD
Balance at the beginning of the year	1,054,424	997,696
Additions	81,859	57,601
Payments during the year	(5,079)	(873)
Balance at the end of the year	<u>1,131,204</u>	<u>1,054,424</u>

19. Capital and Reserves

a. Capital

The paid-up capital amounted to JD 15 million distributed over 15,000,000 shares with a par value of JD 1 as of December 31, 2017 and 2016.

b. Statutory Reserve

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

c. Voluntary Reserve

This item represents accumulated amounts transferred from the profits of the parent company at a rate not exceeding 20%. Voluntary reserve is used for the purposes approved by the Board of Directors, and the General Assembly has the right to distribute all or part of this amount as dividends to shareholders.

d. Special Reserve

This item represents the cumulative amounts transferred from appropriable profits according to the bylaws which state the following: "Based on a proposal by the Board of Directors, the General Assembly has the right to appropriate any percentage of annual profits to the account of any other reserves deemed necessary for the Company's interests, without regard to the labels of those accounts".

e. Yarn Rising Prices Reserve

This item represents Yarn rising prices reserve that is appropriated according to the Board of Directors' resolutions due to the rising prices of yarn in the markets and the fixed sale contracts that the Company is committed to for years to come.

18. Proposed Dividends

The Board of Directors recommended the distribution of 25%, of the current year's profits, equivalent to JD 3.75 million, subject to the approval of the General Assembly as dividends to shareholders for the current year. In the previous year, dividends equal to 25% of capital, equivalent to JD 3.75 million were distributed.

21. Retained Earnings

This item consists of the following:

	For the Year Ended December 31, 2017			For the Year Ended December 31, 2016		
	Retained Earnings			Retained Earnings		
	Realized	Unrealized *	Total	Realized	Unrealized *	Total
	JD	JD	JD	JD	JD	JD
Balance-Beginning of the year	11,371,411	1,343,922	12,715,333	11,844,512	1,498,727	13,343,239
Gains (losses) from financial assets at fair value through comprehensive income	47,784	-	47,784	(578,213)	-	(578,213)
Realized cumulative change in fair value during the year	-	-	-	(59,868)	59,868	-
Profit for the year	3,683,763	(280,067)	3,403,696	4,064,980	(214,673)	3,850,307
Distributed dividends	(3,750,000)	-	(3,750,000)	(3,750,000)	-	(3,750,000)
Reduction for Reserve	-	-	-	(150,000)	-	(150,000)
Balance-End of the year	<u>11,352,958</u>	<u>1,063,855</u>	<u>12,416,813</u>	<u>11,371,411</u>	<u>1,343,922</u>	<u>12,715,333</u>

* Restricted as of December 31, 2017 in according with the directives of the Jordan Securities Commission.

22. Non-Controlling Interest

This item encompasses the rights of Kingdom Investment Group (Limited Liability) which is 20% owned by the Jordanian Armed Forces, in the equity of Jordan Fabric and Worsted Mills Private Shareholding Company (the Subsidiary) as of December 31, 2017 and December 31, 2016.

23. Cost of Production

This item consists of the following:

	2017	2016
	JD	JD
Yarn used in production:		
Yarn - beginning of the year	3,138,731	2,672,574
Yarn purchases	2,040,346	3,178,139
(Less): Yarn - End of the year	(2,723,166)	(3,138,731)
Cost of yarn used in production	2,455,911	2,711,982
Salaries and wages for Factory and Maintenance	596,658	575,052
Overtime wages	14,873	17,087
Health insurance and medical expenses	68,367	63,462
Company's share in social security	60,025	60,242
Maintenance and spare parts	97,441	77,277
Factory vehicles expenses	15,763	16,092
Buildings maintenance	1,685	12,550
Factory cleaning	17,943	17,998
Fees, permits, and taxes	81,013	111,841
Electricity	85,584	87,781
Supplies	26,349	12,175
Buildings and devices insurance premiums	33,794	28,283
Company's contribution to workers' buffet	8,819	12,235
Rents	7,620	7,620
Fuel and Oil	150,979	109,201
Transportation	10,439	9,545
Provision for spare parts and various supplies	50,000	-
Workers' uniform and other expenses	1,783	1,965
Stationery and printings	654	548
Water and water inspection fees	23,088	28,827
Fabric Inspection fees	15,000	15,000
End-of-service indemnity provision	20,502	13,554
Depreciation-Factory buildings	4,605	4,620
Depreciation-machinery, devices, and Factory furniture and equipment	43,928	67,025
Depreciation-Factory vehicles	8,278	16,146
Other	136	198
Total	3,901,237	4,078,306
Work-In-process inventory - Beginning of the year	507,867	442,138
Work-In-process inventory - End of the year	(482,118)	(507,867)
Cost of production	3,926,986	4,012,577

24. Selling and Distribution Expenses

This item consists of the following:

	2017	2016
	JD	JD
Promotion, advertisement, designing, development, and samples	15,236	41,671
Sales stamping stamps	58,895	32,474
Jordan universities' fees on sales	9,816	5,412
	83,947	79,557

25. General and Administrative Expenses

This item consists of the following:

	2017	2016
	JD	JD
Management employees' salaries	612,836	594,900
Representation allowance	125,000	125,000
Donations and subsidies *	471,465	181,645
Transportation	105,359	86,947
End-of-service indemnity provision	61,357	44,047
Fees, permits, and taxes	44,470	98,928
Vehicles expenses	15,791	21,969
Vehicles depreciation	29,072	45,864
Professional fees	29,105	28,305
Post, telephone, and import stamps	31,449	17,942
Stationery, printings, and maintenance for office equipment	23,453	22,606
Health insurance and management employees' medication	17,154	26,475
Company`s share in social security	14,713	16,421
Hospitality	13,835	7,150
Overtime salaries for management employees	10,104	12,032
Depreciation - furniture, office equipment, and computers	3,292	2,787
Bonuses	-	424,419
Other expenses	3,836	5,982
Rents	4,375	4,375
Commissions	-	7,384
Promotion and advertisements	6,614	3,396
Depreciation- Office buildings	801	801
	<u>1,624,081</u>	<u>1,779,375</u>

- * This item represents donations and subsidies paid according to the resolutions of the Board of Directors to charities, governmental bodies, and not-for-profit organizations.

26. Net (Losses) from Financial Assets at Fair Value through the Statement of Income

This item consists of the following:

	2017	2016
	JD	JD
Dividends revenue	149,794	123,280
(Losses) from sale of financial assets at fair value through statement of income	-	(25,000)
(Losses) from revaluation of financial assets at fair value through statement of income- Unrealized	(280,067)	(214,673)
	<u>(130,273)</u>	<u>(116,393)</u>

27. (Expenses) Other Revenue- Net

	2017	2016
	JD	JD
Parent`s and subsidiary`s Board of Directors` remunerations	(100,000)	(100,000)
Interest and bank fees expense	(127,571)	(18,766)
Interest income	9,859	77,547
Gain on sale of lands and fixed assets	21,000	439,402
Recovered from accrued expenses	64,000	-
Other revenues	2,182	2,952
	<u>(130,530)</u>	<u>401,135</u>

28. Income Tax

a. Income Tax Provision

The movement on the income tax provision is as follows:

	For the year ended December 31,	
	2017	2016
	JD	JD
Balance - beginning of the year	271,905	338,045
Income tax paid for the year and past year	(418,942)	(453,140)
Income tax differences on past years	11,374	-
Provision for income taxes taken during the year	418,000	387,000
Balance – End of the Year	<u>282,337</u>	<u>271,905</u>

The provision balance in the consolidated statement of income is as follows:

	For the year ended December 31	
	2017	2016
	JD	JD
Income tax differences on prior years	(11,374)	-
Income tax provision taken during the year	(418,000)	(387,000)
	<u>(429,374)</u>	<u>(387,000)</u>

- b. The income tax for the Company has been settled up to the end of the year 2014, and for its subsidiary up to the end of the year 2015. Moreover, the tax returns for the year 2016 were filed on time, and an income tax provision has been calculated and recorded for the year ended December 31, 2017. In the opinion of management and its tax consultant, the provisions taken are adequate, and no additional provisions are required for the Company and its subsidiary as of December 31, 2017.

29. Earnings per Share for the Year Attributable to Shareholders

This item consists of the following:

	2017	2016
	JD	JD
Profit for the year attributable to shareholders	3,403,696	3,850,307
Number of shares	15,000,000	15,000,000
Earnings per share for the year	<u>-\227</u>	<u>-\257</u>

30. Deferred Taxes

The deferred tax assets resulting from timing differences of taxes paid on the recorded provisions were not shown as required according to International Accounting Standard Number (12), as the parent company practices a non-taxable investing activity and is not expected to use these assets in the near future.

31. Risk Management

a. 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's policy has not changed during the year.

b. Market Risks

Market risks are risks are the risks of losses in value resulting from market price changes such as interest rates, foreign exchange rates, equity instruments, and subsequently changes in the present value of financial instruments off-and on- the consolidated financial position.

1. Exchange Rate Risks

Exchange rate risk is related to changes in the value of financial instrument due to changes in foreign exchange prices.

The Company's main operations are in Jordanian Dinar. Moreover, the foreign currency risk arises from the fluctuations in the exchange rates related to foreign currency payments. As for transactions denominated in USD, the Company's management believes that the foreign currency risk related to the USD is immaterial, as the Jordanian Dinar (the Company's functional Currency) is pegged to the US Dollar.

2. Share Price Fluctuation Risk

- Share price fluctuation risk represents the decline in fair value due to changes in price indexes and individual share prices.
- The following table illustrates the effect of a 5% increase (decrease) in the index of Amman Stock Exchange, in which the shares are traded as of the consolidated financial statements date

2017	Change in Index	Effect on Equity Profit \ (Loss) JD	Effect on Net Income Profit \ (Loss) JD
Financial Markets	5% Increase	2,051,558	137,815
Financial Markets	5% Decrease	(2,051,558)	(137,815)

3. Interest Rate Risks

Interest rate risk represents the risks resulting from changes in the financial instrument as a result of the change in average interest rates prevailing in the market. Moreover, the Company and its subsidiaries continually manage their exposure to interest risk, and all varied considerations such as financing and renewal of the current positions are revalued continually.

The sensitivity analysis below is determined according to the exposure to interest rates related to bank deposits and due to banks as of the date of the consolidated statement of financial position. Furthermore, the analysis was prepared on the assumption that the outstanding amount as of the date of the consolidated statement of financial position was outstanding during the whole year. An increase or decrease of 0/5%, which represents the Company's and its subsidiary's management's assessment of the likely and acceptable change in interest rates, is used.

	+ 5%		- (5)%	
	2017	2016	2017	2016
	JD	JD	JD	JD
(Loss) Profit for the year	(4,490)	5,835	4,490	(5,835)
Consolidated owners' equity	(4,490)	5,835	4,490	(5,835)

4. Liquidity Risks

Liquidity risk, also known as financing risk, is the inability of the Company and its subsidiary to provide the funding necessary to perform its obligations on the due dates. The Company manages liquidity risks by keeping reserves, continuously controlling cash flows, and matching the maturities of financial assets and liabilities. Part of cash is invested in cash balances at banks and financial assets at fair value through the statement of income and, thus, is available to meet short-term and mid-term obligations and liquidity management requirements.

	December 31	
	2017	2016
	Less than one year	Less than one year
	JD	JD
Due to banks	85,783	432,345
Short-term loans	1,072,605	-
Payables and other credit balances	437,613	641,083
Income tax provision	282,337	271,905
	<u>1,878,338</u>	<u>1,345,333</u>

d. Credit Risks

Credit risk is the risk of failure of the other party to fulfil its contractual obligations, causing losses to the Company and its subsidiary. Moreover, the Company and its subsidiary follow the policy of dealing with only creditworthy parties, so as to reduce the risk of financial losses resulting from failure to meet commitments.

The Company's and its Subsidiary's financial assets consist mainly of Military and security agencies receivables. Moreover, The financial assets and cash and cash equivalents do not represent high concentration of credit risks, as the Military is comprised of more than one party.

32. Fair Value Hierarchy

A. The fair value of financial assets evaluated at fair value on a recurring basis:

Some financial assets are evaluated at fair value at the end of each fiscal period. The following table shows how the fair value of these financial assets is determined (evaluation methods and inputs used).

Financial Assets	Fair Value		Fair Value Level	Evaluation Method and Inputs Used	Significant Intangible Inputs	Relation between Fair Value and Significant Intangible Inputs
	December 31,					
	2017	2016				
Financial Assets at Fair Value through Statement of Income	JD	JD				
Companies' shares	2,756,308	3,036,375	Level One	Prices quoted on financial markets	Not Applicable	Not Applicable
	2,756,308	3,036,375				
Financial Assets at Fair Value through Comprehensive Income						
Quoted shares	41,031,166	42,076,179	Level One	Prices quoted on financial markets	Not Applicable	Not Applicable
Unquoted shares	13,752,165	13,971,205	Level Two	Equity method based on the last audited/ reviewed financial statements	Not Applicable	Not Applicable
	54,783,331	56,047,384				
Total Financial Assets at Fair Value	57,539,639	59,083,759				

- There were no transfers between level I and level II during the years 2017 and 2016.

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

Except for what is set out in the table below, we believe that the carrying amount of financial assets and liabilities reflected in the consolidated financial statements of the Company approximates their fair values. Moreover, the management believes that the carrying amount of the items below approximates their fair value due to either short-term maturity or repricing of interest rates during the year.

Financial Assets not Valued at Fair Value Total Financial Assets at Amortized Cost Total Financial Assets not Valued at Fair Value	December 31, 2017		December 31, 2016	
	Carrying Value	Fair value	Carrying Value	Fair value
	JD	JD	JD	JD
	1,500,000	1,535,034	-	-
	1,500,000	1,535,034	-	-
				Level Two

The fair value of financial assets for Level 2 has been determined in accordance with agreed pricing models that reflect the credit risk of the counterparties. We believe that the carrying amount of financial assets and liabilities shown in the consolidated financial statements of the Company approximates their fair value.

33. Contingent Liabilities

As of the date of the consolidated statement of financial position, the Company was contingently liable as follows:

	December 31,	
	2017	2016
	JD	JD
Letters of guarantees	650,000	650,000
Forward contracts - financial instruments	-	753,369

34. Balances of and Transactions with Related Parties

The details of the balances and transactions with related parties (Companies and Corporations represented by the Board of Directors) as of the end of the year are as follows:

	December 31	
	2017	2016
	JD	JD
<u>On-Consolidated Statement of Financial Position Items:</u>		
Time deposit at Jordan Ahli Bank – Member of the Board of Directors	260,473	1,099,335
Cash guarantees at Jordan Ahli Bank – Member of the Parent Company`s Board of Directors	-	500,000
Military receivables – Member of the Board of Directors	5,450,384	4,096,080
Bank(creditor)-Arab Bank-member of the Board of Directors	-	(2,707)
Bank(creditor)-Jordan Ahli Bank-member of the Board of Directors	(85,641)	(337,953)
Bank(creditor)-Jordan Ahli Bank-member of the Board of Directors	-	(91,685)
Current accounts-Arab Bank-member of the Board of Directors	483	292
Current accounts-Jordan Ahli Bank-member of the Board of Directors	109,958	250,612
Current accounts-Euro-Jordan Ahli Bank-member of the Board of Directors	475	10,260
<u>Off- Consolidated Statement of Financial Position Items:</u>		
Letters of Guarantee – Arab Bank- member of the Board of Directors	150,000	150,000
Letters of Guarantee – Jordan Ahli Bank- member of the Board of Directors	500,000	500,000
Forward contracts-Jordan Ahli Bank-member of the Parent Company`s Board of Directors	-	753.369

	For the Year Ended December 31,	
	2017	2016
<u>Consolidated Statement of Income Items:</u>	JD	JD
Military sales-Board of Directors	8,309,476	7,267,411
Donations*	300,000	-
Debit interest and commissions	127,571	18,766
Credit interest	9,859	77,547

* Pursuant to the Board of Directors' resolution, the Company donated to the Families of the Martyrs Support Fund of the Jordan Armed Forces and Security Department an amount of JD 100,000, and to the Headquarters of the Jordan Armed Force - Military Support Fund an amount of JD 200,000.

There are unused credit facilities granted to the Company, in the form of an overdraft, with a ceiling of JD 1.5 million, by Arab Bank.

The Jordan Armed Forces and Security Department mentioned above are considered the main consumer of the subsidiary's products according to the terms of the signed agreements between the two parties, and the purchase of their yarn is agreed upon in the purchase contracts.

Salaries, bonuses, and other benefits for the Board of Directors and executive management amounted to JD 817,127 for the year 2017 (JD 1,215,591 for the year 2016).

On August 10, 2017, the Company received a letter from the Defence Purchasing Director/General Headquarters of the Jordanian Armed Forces/ Arab Army No. M SH 7/12/2010, Worsted/10038, dated August 8, 2017, informing the Company that agreement No. M SH 7/12/2010/ Worsted/22, which relates to purchasing military fabric from the subsidiary company (Jordan Fabric and Worsted Mills Private Shareholding Company) will not be extended after the year 2020.

35. Segmental and Geographical Analysis

The following is information about the Company's business sector according to activities:

	Manufacturing	Investing *	Total	
			For the year ended	
			December 31,	
	JD	JD	2017	2016
Sales	8,357,707	-	8,357,707	7,270,974
Cost of sales	(4,378,139)	-	(4,378,139)	(3,743,677)
Company's business sector results	3,979,568	-	(3,979,568)	3,527,297
Selling and distribution expenses	(83,947)	-	(83,947)	(79,557)
General and administrative expenses	(1,226,314)	(397,767)	(1,624,081)	(1,779,375)
Financial assets income - net	-	2,258,593	2,258,593	2,729,383
(Expenses) Other income - net	(47,638)	(82,892)	(130,530)	401,135
Net profit for the year before income tax	2,621,669	1,777,934	4,399,603	4,798,883
Income tax expenses	(429,374)	-	(429,374)	(387,000)
Profit for the year	2,192,295	1,777,934	3,970,229	4,411,883

* Net after excluding the Company's share of the Subsidiary's distributed profits during the year 2017 of JD 2 million from this sector.

Other Information	Manufacturing	Investing	December 31	
			2017	2016
	JD	JD	JD	JD
Sector Assets	16,023,180	57,711,811	73,734,991	75,022,757
Sector Liabilities	1,496,971	1,512,571	3,009,542	2,399,757

- All the assets and operations of the Company and its Subsidiary are within the Hashemite Kingdom of Jordan.

36. Application of new and revised International Financial Reporting Standards (IFRS)

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

The following new and revised IFRSs, which became effective for annual periods beginning on or after January 1, 2017, have been adopted in these consolidated financial statements.

Amendments to IAS 12 Income Taxes Recognition of Deferred Tax Assets for Unrealised Losses

The Company has applied these amendments for the first time in the current year. The amendments clarify how an entity should evaluate whether there will be sufficient future taxable profits against which it can utilise a deductible temporary difference.

The application of these amendments has had no impact on the Company's consolidated financial statements.

Amendments to IAS 7 Disclosure Initiative

The Company has applied these amendments for the first time in the current year. The amendments require an entity to provide disclosures that enable users of the consolidated financial statements to evaluate changes in liabilities arising from financing activities, including both cash and non-cash changes. The application of these amendments has had no impact on the Company's consolidated financial statements.

Annual Improvements to IFRS Standards 2014-2016 Cycle – Amendments to IFRS 12

The Company has applied the amendments to IFRS 12 included in the Annual Improvements to IFRSs 2014-2016 Cycle for the first time in the current year. The other amendments included in this package are not yet mandatorily effective and they have not been early adopted by the Group (see note 36 - b).

IFRS 12 states that an entity need not provide summarised financial information for interests in subsidiaries, associates or joint ventures that are classified (or included in a disposal group that is classified) as held for sale. The amendments clarify that this is the only concession from the disclosure requirements of IFRS 12 for such interests.

The application of these amendments has had no effect on the Company's consolidated financial statements as none of the Group's interests in these entities are classified, or included in a disposal group that is classified, as held for sale.

b. New and revised IFRS in issue but not yet effective

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

Annual Improvements to IFRS Standards 2014 – 2016 Cycle amending IFRS 1 and IAS 28

The Improvements include the amendments on IFRS 1 and IAS 28, and they are effective for annual periods beginning on or after January 1, 2018.

Annual Improvements to IFRS Standards 2015-2017

The Improvements include the amendments on IFRS 3, IFRS 11, IAS 12 and IAS 23, and they are effective for annual periods beginning on or after January 1, 2018.

IFRIC 22 Foreign Currency Transactions and Advance Consideration

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.

The interpretation is effective for annual periods beginning on or after January 1, 2018.

IFRIC 23 Uncertainty over Income Tax Treatments

The interpretation addresses the determination of taxable profit (tax loss), tax bases, unused tax losses, unused tax credits and tax rates, when there is uncertainty over income tax treatments under IAS 12. It specifically considers:

- Whether tax treatments should be considered collectively;
- Assumptions for taxation authorities' examinations;
- The determination of taxable profit (tax loss), tax bases, unused tax losses, unused tax credits and tax rates; and
- The effect of changes in facts and circumstances.

The interpretation is effective for annual periods beginning on or after January 1, 2019.

Amendments to IFRS 2 Share Based Payment

The amendments are related to classification and measurement of share-based payment transactions, and they are effective for annual periods beginning on or after January 1, 2018.

Amendments to IFRS 4 Insurance Contracts

The amendments relating to the different effective dates of IFRS 9 and the forthcoming new insurance contracts standard, and they are effective for annual periods beginning on or after January 1, 2018.

Amendments to IAS 40 Investment Property

Paragraph 57 has been amended 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.

The Amendments are effective for annual periods beginning on or after January 1, 2018.

Amendments to IAS 28 Investment in Associates and Joint Ventures

The amendments are related to long-term interests in associates and joint ventures. These amendments clarify that an entity applies IFRS 9 Financial Instruments to long-term interests in an associate or joint venture that form part of the net investment in the associate or joint venture but to which the equity method is not applied.

The Amendments are effective for annual periods beginning on or after January 1, 2019.

IFRS 16 Leases

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.

The Company will apply IFRS 16 at the effective date which is the annual periods beginning on or after January 1, 2019. The Company is in the process of evaluating the impact of IFRS 16 on the Company's consolidated financial statements.

Amendments to IFRS 9 Financial Instruments

The amendments are related to prepayment features with negative compensation. This amends the existing requirements in IFRS 9 regarding termination rights in order to allow measurement at amortised cost (or, depending on the business model, at fair value through other comprehensive income) even in the case of negative compensation payments.

The Amendments are effective for annual periods beginning on or after January 1, 2019.

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

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.

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The Company will apply IFRS 16 at the effective date which is the annual periods beginning on or after January 1, 2019. The Company is in the process of evaluating the impact of IFRS 16 on the Company's consolidated financial statements.

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- **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.

The Company adopted IFRS 9 (phase 1) that was issued in 2009 related to the classification and measurement of financial assets. The Company will adopt the finalised version of IFRS 9 from the effective date of January 1, 2018, apply it retrospectively, and recognize the cumulative effect of initially applying this standard as an adjustment to the opening balance of retained earnings as of January 1, 2018.

The Company is continuing to analyze the impact of the changes and currently does not consider it likely to have a major impact therefrom. This assessment is based on currently available information and is subject to changes that may arise when the Company presents its first financial statements as of December 31, 2018 that includes the effects of its application from the effective date.

IFRS 15 Revenue from Contracts with Customers

In May 2014, 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.

IFRS 15 may be adopted retrospectively, by restating comparative figures and adjusting retained earnings at the beginning of the earliest comparative period. Alternatively, IFRS 15 may be adopted as of the application date on January 1, 2018, by adjusting retained earnings at the beginning of the first reporting year (the cumulative effect approach).

The Company intends to adopt the standard using the cumulative effect approach, which means that the Company will recognize the cumulative effect of initially applying this standard as an adjustment to the opening balance of retained earnings of the annual reporting period that includes the date of initial application. The Company is continuing to analyze the impact of the changes, and the related impact will be disclosed in the first consolidated financial statements as of December 31, 2018 that includes the effects of its application from the effective date.

Amendments to IFRS 15 Revenue from Contracts with Customers

The amendments are 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.

The Amendments are effective for annual periods beginning on or after January 1, 2018.

Amendments to IFRS 7 Financial Instruments: Disclosures

The amendments are related to disclosures about the initial application of IFRS 9. The Amendments are effective when IFRS 9 is first applied

IFRS 7 Financial Instruments: Disclosures

The amendments are related to the additional hedge accounting disclosures (and consequential amendments) resulting from the introduction of the hedge accounting chapter in IFRS 9. The Amendments are effective when IFRS 9 is first applied

IFRS 17 Insurance Contracts

IFRS 17 requires insurance liabilities to be measured at a current fulfillment value and provides a more uniform measurement and presentation approach for all insurance contracts. These requirements are designed to achieve the goal of a consistent, principle-based accounting for insurance contracts. IFRS 17 supersedes IFRS 4 *Insurance Contracts* as of January 1, 2021.

Amendments to IFRS 10 Consolidated Financial Statements and IAS 28 Investments in Associates and Joint Ventures (2011)

The amendments are related to the treatment of the sale or contribution of assets from an investor to its associate or joint venture.

The Amendments effective date is deferred indefinitely, and the adoption is still permitted.

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

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

37. Lawsuits

There are no lawsuits against the Company as of December 31, 2017. In the opinion of the Company's management, there is no need to book any provisions.