



الشركة الشاهمة للاستثمارات العقارية والمالية المساهمة العامة المحدودة
ALSHAMEKHA FOR REAL ESTATE AND FINANCIAL INVESTMENTS CO.LTD
سجل الشركات ٢٠١٦ / ١٠٤٠٠٠٢٠٠

2017/11/1/56

رقم

2017/05/16

سجل

To: Jordan Securities Commission
Amman Stock Exchange

Date: 16/05/2017

Subject: Quarterly financial
statements for the period ended
31/12/2016

السادة هيئة الأوراق المالية المعترمين

السادة بورصة عمان المعترمين

التاريخ : 2017/05/16

الموضوع : البيانات المالية الربع سنوية للفترة
المنتهية بتاريخ 2016/12/31

Attached is a copy of the audited
financial statements of Al Shamekha
Real Estate Investments and Financial
Company for the period ended
31/12/2016 in English.

مرفق طية نسخة من البيانات المالية المراجعة لشركة
الشاهمة للاستثمارات العقارية و المالية المساهمة
العامة عن الفترة المالية المنتهية بتاريخ
2016/12/31 باللغة الانجليزية.

Kindly accept our high appreciation
and respect.

وتفضلوا بقبول فائق الاحترام ،،،،،

Chairman & General Manager
"Mohammad Ameen" salem Abu

رئيس مجلس الإدارة/المدير العام

محمد أمين سالم أبو عساف

Assaf

الشركة الشاهمة للاستثمارات العقارية والمالية المحدودة

هيئة الأوراق المالية
الإدارة العامة

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الرقم السلسل ١٤٩
الجهة المصدرة ١٤٥٠١٠٤

مواضع
سجل
٢٥
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SHAMAKHA REAL ESTATE AND FINANCIAL INVESTMENTS
Public Shareholding Company
Amman - Jordan

Financial Statements
Together with
Independent Auditors' Report
For the year ended 31 December 2016

Researchers
Public Accountants & Consultants

SHAMAKHA REAL ESTATE AND FINANCIAL INVESTMENTS
Public Shareholding Company
Amman - Jordan

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INDEPENDENT AUDITORS' REPORT

To the Shareholders of

SHAMAKHA REAL ESTATE AND FINANCIAL INVESTMENTS
Public Shareholding Company
Amman - Jordan

Report on the Audit of the Financial Statements

Opinion

We have audited the financial statements of SHAMAKHA REAL ESTATE AND FINANCIAL INVESTMENTS (Public Shareholding Company), which comprise the statement of financial position as of December 31, 2016, and the statement of comprehensive income, statement of changes in equity and statement of cash flows for the year then ended, and notes to the financial statements, including a summary of significant accounting policies.

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

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 Auditors' 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, 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.

| The Main Audit Order | How To Handle It In Our Audit |
|--|---|
| 1. Valuation of Real Estate Investments (Lands) | |
| <p>Property investments (land), its fair valuations and its value Depreciation estimate may be affected by:</p> <ul style="list-style-type: none"> • The use of wrong methodology for decrease value estimation procedures. • The use of valuation models, discount rates, values and / or inappropriate, unrealistic and impractical assumptions. • Not to take into account the increase in the supply or competition, which led to decrease of the occupancy or less of revenues, this based on assumptions may affected in accordance to the economical market conditions. • The verification of the lack of depreciation is of great importance to the audit of the financial statements because the balance of real estate investments (land) was material as it amounted to 566,920 JD as on 31 December 2016 and constitutes 24% of the total assets as shown in Notes 5 and 7 of The attached financial statements. | <p>Our audit procedures included the following:</p> <ul style="list-style-type: none"> • Audit of the internal controls assessments as well as our examination of the accuracy of the evaluation models and the assessment of the assumptions used in those assessments. • The value of real estate investments (land) is measured at fair value by taking into account the valuation of Authorized Real Estate Evaluators to verify that there is no depreciation in value • We have evaluated the adequacy of the Company's disclosures in the attached financial statements. |
| 2. The Adequacy of Low Doubtful Receivable | |
| <p>The total receivables, collection checks and the notes receivable amounted to JD 153,790 and the Company estimated the depreciation of doubtful debts in the amount of 124,153 JD as on 31 December, 2016. As explained in Note (11/a) and (11/e) of the attached financial statements.</p> | <ul style="list-style-type: none"> • Valuation of the management methodology used to determine the value of depreciation. • Examine a sample of receivables classified by the management as troubled to evaluate the reasonableness of their classification • Examine some of the procedures and relevant internal control systems followed by management. • Audit of the aging of receivables and collection in the subsequent period and the guarantees relating to those receivables and the adequacy of the allowance for depreciation of doubtful debts by valuation management assumptions to determine the amount of depreciation as on 31 December 2016. • We have evaluated the adequacy of the Company's disclosures in the attached financial statements. |

Other Information

Management is responsible for the other information. The other information comprises the information included in the annual report 2016, but does not include the financial statements and our auditors' report thereon. We have not been provided with any other information until the date of our report, which is expected to be provided after this date.

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 IFRS, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

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

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

Auditors' 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 auditors' report that includes our opinion.

Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs will always detect a material misstatement when it exists.

Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

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

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
 - Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control.
 - Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
 - Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditors' 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 auditors' 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.
- In the case of a group audit we shall also include the following:

- Obtain sufficient appropriate audit evidence regarding the 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 group audit. We remain solely responsible for our audit opinion.

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

We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related 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 auditors' 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 reasonably be expected to outweigh the public interest benefits of such communication.

Report on Other Legal and Regulatory Requirements

The Company has proper accounting records which are, in all material respects, consistent with the accompanying financial statements, accordingly, we recommend approving these financial statements by the general assembly.

**Researchers
Public Accountants & Consultants**



Rami Amasha
License No. (803)

Researchers
Public Accountants & Consultants

Amman- Jordan
11 February 2017

SHAMAKHA REAL ESTATE AND FINANCIAL INVESTMENTS
Public Shareholding Company
Amman - Jordan

Balance Sheet
As of 31 December 2016

| | <u>Note</u> | <u>2016</u> <u>JD</u> | <u>2015</u> <u>JD</u> |
|---|-------------|--------------------------|--------------------------|
| <u>Assets</u> | | | |
| <u>Non-current assets</u> | | | |
| Equipment & property less accumulated depreciation | 5 | 99,777 | 107,058 |
| Net Real estate investments | 6 | 210,640 | 222,632 |
| Projects in process | 7 | 501,505 | 1,412,093 |
| Financial assets at fair value through other comprehensive income | 8 | <u>235,694</u> | <u>238,388</u> |
| Total non - current assets | | <u>1,047,616</u> | <u>1,980,171</u> |
| <u>Current assets</u> | | | |
| Other debit balances | 9 | 13,123 | 17,214 |
| Apartments ready for sale | 10 | 740,143 | - |
| Net receivables | 11 | 29,637 | 250,976 |
| Cash & cash equivalent | 12 | <u>568,343</u> | <u>303,763</u> |
| Total current assets | | <u>1,351,246</u> | <u>571,953</u> |
| Total assets | | <u>2,398,862</u> | <u>2,552,124</u> |
| <u>Equity and liabilities</u> | | | |
| <u>Equity</u> | | | |
| Paid Capital | 13 | 1,200,000 | 1,200,000 |
| Statutory reserve | 13 | 927,166 | 926,976 |
| Optional reserve | 13 | 68,887 | 68,792 |
| Cumulative change in the fair value of Financial assets | | (130,647) | (127,953) |
| Retained Earnings | | <u>105,876</u> | <u>104,258</u> |
| Net equity | | <u>2,171,282</u> | <u>2,172,073</u> |
| <u>Current liabilities</u> | | | |
| Accounts payable | | 5,050 | 175,883 |
| Payments on ready apartments for sale | | 20,000 | - |
| Other Provision | 14 | 137,687 | 132,736 |
| Other credit balances | 15 | <u>64,843</u> | <u>71,432</u> |
| Total current liabilities | | <u>227,580</u> | <u>380,051</u> |
| Total liabilities and equity | | <u>2,398,862</u> | <u>2,552,124</u> |

The accompanying notes on pages (1) to (23) are an integral part of these financial statements.

SHAMAKHA REAL ESTATE AND FINANCIAL INVESTMENTS
Public Shareholding Company
Amman - Jordan

Comprehensive Income Statement
For the year ended 31 December 2016

| | <u>Note</u> | <u>2016</u> <u>JD</u> | <u>2015</u> <u>JD</u> |
|--|-------------|--------------------------|--------------------------|
| Rental income | | 114,079 | 115,385 |
| Revenue from services | | 917 | 1,700 |
| Net realized income from sale of apartments | 16 | <u>62,456</u> | <u>-</u> |
| Total revenue | | 177,452 | 117,085 |
| Interest Avenues | | 7,154 | 11,827 |
| Administrative and General expenses | 17 | (124,143) | (124,270) |
| Impairment of bad debts | 11/E | (35,687) | - |
| Depreciation of property and equipment | | (19,273) | (19,228) |
| Realized profits from sale of fixed assets | | - | 4,600 |
| Board of Directors' remuneration | | <u>(3,600)</u> | <u>-</u> |
| Profit (loss) for the year before tax | | 1,903 | (9,986) |
| Recovery of income tax of previous years | | - | 6,072 |
| Income tax for the year | 19 | - | - |
| Profit (loss) for the year | | <u>1,903</u> | <u>(3,914)</u> |
| Add: Other comprehensive income items | | | |
| Change in fair value reserve for financial assets at fair value through other comprehensive income | | <u>(2,694)</u> | <u>(372)</u> |
| Total comprehensive income (loss) for the year | | <u>(791)</u> | <u>(4,286)</u> |
| | | <u>Files/JD</u> | <u>Files/JD</u> |
| The basic and diluted portion of the share of profit(loss) for the year | 18 | <u>0/002</u> | <u>(0/003)</u> |

The accompanying notes on pages (1) to (23) are an integral part of these financial statements.

SHAMAKHA REAL ESTATE AND FINANCIAL INVESTMENTS
Public Shareholding Company
Amman - Jordan

Changes in Equity Statement
For the year ended 31 December 2016

| <u>Statement</u> | <u>Capital</u> | | <u>Statutory reserve</u> | | <u>Optional reserve</u> | | <u>Cumulative change in fair value</u> | | <u>Retained Earnings</u> | | <u>Total</u> | |
|--|------------------|----------------|--------------------------|-----------|-------------------------|------------------|--|----------------|--------------------------|------------------|--------------|-----------|
| | <u>JD</u> | <u>JD</u> | <u>JD</u> | <u>JD</u> | <u>JD</u> | <u>JD</u> | <u>JD</u> | <u>JD</u> | <u>JD</u> | <u>JD</u> | <u>JD</u> | <u>JD</u> |
| Balance as of 1 Jan.2016 | 1,200,000 | 926,976 | 68,792 | | | (127,953) | | 104,258 | | 2,172,073 | | |
| Total Comprehensive income (loss) for the year | - | - | - | | | (2,694) | | 1,903 | | (791) | | |
| Converted to Reserves | - | 190 | 95 | | | - | | (285) | | - | | |
| Balance as on 31 Dec. 2016 | <u>1,200,000</u> | <u>926,976</u> | <u>68,887</u> | | | <u>(130,647)</u> | | <u>105,876</u> | | <u>2,171,282</u> | | |
| Balance as on 1 Jan 2015 | 1,200,000 | 926,976 | 68,792 | | | (127,581) | | 252,172 | | 2,320,359 | | |
| Total comprehensive income for the year | - | - | - | | | (372) | | (3,914) | | (4,286) | | |
| Dividends paid | - | - | - | | | - | | (144,000) | | (144,000) | | |
| Balance as on 31 Dec 2015 | <u>1,200,000</u> | <u>926,976</u> | <u>68,792</u> | | | <u>(127,953)</u> | | <u>104,258</u> | | <u>2,172,073</u> | | |

The accompanying notes on pages (1) to (23) are an integral part of these financial statements.

SHAMAKHA REAL ESTATE AND FINANCIAL INVESTMENTS
Public Shareholding Company
Amman - Jordan

Cash Flows Statement
For the year ended 31 December 2016

| | <u>2016</u> | <u>2015</u> |
|---|-----------------------|-------------------------|
| | <u>JD</u> | <u>JD</u> |
| <u>Cash flow from operating activities</u> | | |
| (Loss) profit for the year before tax and provisions | 1,903 | (9,986) |
| Depreciation | 19,273 | 19,228 |
| Realized income from sale of apartments | - | (4,600) |
| Recovery of income tax for previous years | - | <u>6,072</u> |
| Operating profit before changes in assets and liabilities | <u>21,176</u> | <u>10,714</u> |
| Other receivables | 4,091 | 311 |
| Receivables | 221,339 | (868) |
| Accounts payable | (170,833) | 10,756 |
| Payments on ready apartments for sale | 20,000 | - |
| Other provisions | 4,951 | (28,876) |
| Other credit balances | <u>(6,589)</u> | <u>14,681</u> |
| Net cash flow from operating activities | <u>94,135</u> | <u>6,718</u> |
| <u>Cash flow from investment activities</u> | | |
| Sale of property and equipment | - | 4,600 |
| Purchase of property and equipment | - | (1,300) |
| Projects in process | 910,588 | (586,205) |
| Apartments ready for sale | <u>(740,143)</u> | <u>-</u> |
| Net cash flow from investment activities | <u>170,445</u> | <u>(582,905)</u> |
| <u>Cash flow from financing activities</u> | | |
| Dividends paid | - | (144,000) |
| Net cash flow from financing activities | <u>-</u> | <u>(144,000)</u> |
| Net increase in cash and cash equivalents | 264,580 | (720,187) |
| Cash and cash equivalents at the beginning of the year | <u>303,763</u> | <u>1,023,950</u> |
| Cash and cash equivalents at the end of the year | <u>568,343</u> | <u>303,763</u> |

The accompanying notes on pages (1) to (23) are an integral part of these financial statements.

SHAMAKHA REAL ESTATE AND FINANCIAL INVESTMENTS
Public Shareholding Company
Amman - Jordan

Notes to the financial statements
31 December 2016

1 Overview

- a. The company was established as a public shareholding company and registered with the Ministry of Industry and Trade under No. (78) On 11 June 1974 with an authorized and paid up capital of JD 1,200,000.
- b. **Objectives of the company:**
 - Investment in real estate and lands through purchase, sell, invest, develop, maintain, renovate and modernize real estate and lands.
 - Construction of housing projects and reconstruction of all types and purposes thereof either residential, commercial, industrial and investment.
 - Investment in all economic fields, whether financial, industrial, real estate, tourism, commercial, agricultural or service industries, through the establishment of investment projects.
- c. The company's shares are listed at Amman Stock Exchange - Jordan.
- d. The accompanying financial statements have been approved by the Board of Directors of the Company in its meeting held on 11/2/2017. These financial statements require the approval of the General Assembly of Shareholders.

2 Basis of preparing the financial statements

a. Compliance Statement

The financial statements have been prepared in accordance with International Financial Reporting Standards, interpretations issued by the International Accounting Standards Board (IASB), relevant legislation and historical cost basis except for certain financial assets and liabilities that are stated at fair value, financial assets and financial liabilities at amortized cost.

The Jordanian Dinar is the currency of the presentation of the financial statements, which represents the Company's functional currency.

SHAMAKHA REAL ESTATE AND FINANCIAL INVESTMENTS
Public Shareholding Company
Amman - Jordan

Notes to the financial statements
31 December 2016

b. Use of estimates

The preparation of the financial statements and the application of accounting policies require management to make estimates and judgments that affect the amounts of financial assets and liabilities and disclose potential liabilities. These estimates also affect the income, expenses and provisions as well as the reserve for the valuation of financial assets at fair value and in particular require management to make judgments to estimate the amounts and timing of future cash flows and their timing arising from the future circumstances of those estimates. These estimates are necessarily based on multiple hypotheses and factors with varying degrees of estimation and uncertainty and actual results may differ from estimates as a result of future changes in the conditions and circumstances of those provisions.

The following is a summary of the significant issues in which uncertainty estimates and interpretations of accounting policies are applied that significantly affect the amounts in the financial statements.

- The management periodically recalculates the production age of the tangible assets based on the overall condition of these assets and management's expectations for future production.
- The management reviews the cases against the company on a continuous basis, based on a legal study prepared by the company's legal advisor, which indicates the potential risks that the company may incur in the future due to these cases.
- The management makes provision for doubtful debts based on its estimate of the possibility of recovery of such receivables in accordance with International Financial Reporting Standards.
- The management estimates the recoverable amount of other financial assets to determine whether there is any impairment in value.
- The department estimates income tax expense in accordance with applicable laws and regulations.

SHAMAKHA REAL ESTATE AND FINANCIAL INVESTMENTS
Public Shareholding Company
Amman - Jordan

Notes to the financial statements
31 December 2016

3 Significant accounting policies

The Company has early adopted (IFRS) standard 9 regarding the measurement and classification of financial assets in the preparation of the financial statements from January 1, 2011 on the instructions of the JSC, with the mandatory application of 1 January 2018.

The accounting policies adopted in the preparation of the financial statements for the year ended 31 December 2016 are consistent with the accounting policies adopted in the preparation of the financial statements for the year ended 31 December 2015.

a. Financial Instruments

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

- These assets represent investments in equity instruments for the purpose of long term retention.
- These assets are recognized at fair value plus acquisition costs and are subsequently revalued at fair value. The change in fair value is reflected in other comprehensive income and in equity, including changes in fair value arising from translation differences on non-monetary items in foreign currencies; if the asset is sold or part thereof, the resulting gain or loss is recognized in other comprehensive income and in equity. The balance of the asset valuation reserve sold is transferred directly to retained earnings and not through the statement of comprehensive income.
- These assets are not subject to impairment losses .
- Dividends distributed are recognized in profit and loss statement and other comprehensive income on a separate item.

b. Property and equipment

Recognition and measurement

Property and equipment are stated at cost less accumulated depreciation and accumulated impairment losses.

SHAMAKHA REAL ESTATE AND FINANCIAL INVESTMENTS

Public Shareholding Company

Amman - Jordan

Notes to the financial statements

31 December 2016

Cost includes expenses directly attributable to the acquisition of property and equipment.

Where the recoverable amount of any property and equipment is less than its net book value, the carrying amount thereof is reduced to its recoverable amount and the impairment loss is recognized in the comprehensive income statement.

The useful life of property and equipment is reviewed at the end of each year. If the forecast of The useful life was different from previous estimates, the change in estimate for subsequent years is recognized as a change in estimates.

Property and equipment are excluded when disposed of or when no future benefits are expected from their use or disposition.

Profits and losses arising from the disposal of items of property and equipment are determined by comparing the receipts from the disposal with the carrying amount of those items, and these profits and losses are recognized as 'other income' or 'other expenses' in the comprehensive income statement.

Subsequent costs

The cost of the replaced part of any item of property and equipment is recognized in the carrying amount of that item if the economic benefits will flow to the Company in the future. In addition to the possibility of measuring the cost of that part reliably. The listed valued of the replaced part are written off.

All daily costs and expenses incurred by the Company for the maintenance and operation of property and equipment are recognized in the comprehensive income statement.

Depreciation

Depreciation is recognized in the interim statement of comprehensive income on a straight-line basis over the estimated useful life of each item of property and equipment.

The estimated percentage of property and equipment depreciation during the

current year is the same as the previous year as follows:

SHAMAKHA REAL ESTATE AND FINANCIAL INVESTMENTS

Public Shareholding Company

Amman - Jordan

Notes to the financial statements

31 December 2016

Property and equipment Estimated useful lives in years

| | |
|-----------------------|----|
| Buildings | 50 |
| Furniture | 12 |
| Cars | 10 |
| Electrical appliances | 10 |
| Air conditioners | 10 |
| Decors | 20 |

c. Impairment

*** Financial assets**

At the end of the financial year, the Company reviews the registered amounts of financial assets other than those financial assets through the profits and loss statement of to determine whether there is objective evidence that the financial asset is impaired. The financial asset is impaired in the event of objective evidence indicating an event that resulted in a loss after the initial recognition of the financial asset. The impairment is recognized when the book value becomes greater than the amount expected to be recovered from the financial asset in accordance with International Financial Reporting Standards. The amount of impairment is determined as follows:

Financial assets are assessed at the end of each reporting period to determine whether there is objective evidence that the asset is impaired.

The financial asset is impaired if objective evidence indicates that a loss event has a negative impact on the estimated future cash flows from those assets.

Impairment of financial assets carried at their recoverable amount is calculated by taking the difference between their listed value and the present value of estimated future cash flows discounted at the effective original interest rate.

Impairment of significant financial assets is tested on an individual basis.

Impairment loss is reversed if it is objectively related to a justified event occurring after the impairment loss is recognized and the reversal of the impairment loss relating to the financial asset at the recoverable amount is

recognized in the statement of comprehensive income.

SHAMAKHA REAL ESTATE AND FINANCIAL INVESTMENTS

Public Shareholding Company

Amman - Jordan

Notes to the financial statements

31 December 2016

*** Non-financial assets**

The carrying amounts of the company non financial assets, are reviewed at the end of the fiscal year , except the inventory , to determine whether there is any indication of impairment. If any such indication exists, then the asset's recoverable amount is estimated. The Recoverable amount is the higher of an asset's fair value less costs to sell and its value in use . An impairment loss is recognized if the carrying amount of an asset exceeds its estimated recoverable amount. All impairment losses are recognized in the statement of income.

d. Real estate investments

Real estate investment is a property that acquired either to earn rental income or for an increase in its value or both, but not for the purpose of selling it through the normal activities of the company. It is not used in production or supply of goods or services or for administrative purposes. Real estate investments are presented at cost after deducting accumulated depreciation and amortization Real estate investments (except land) when they are ready for use on a straight-line basis over the expected production life of 2%.

e. Projects in process

Projects in process are represented at cost and include the cost of construction and direct expenses. Projects are not depreciated under construction unless the related assets are ready for use or are ready for sale in order to recognize their cost in the statement of income on disposal.

f. Receivables

Receivables are financial assets with fixed or determinable payments that are not traded in an active market. Such assets are initially recognized at fair value plus any transaction costs directly associated thereof . Subsequently the initial recognition, the receivables are measured at amortized cost less any impairment losses Accounts receivable comprise trade and other

receivables that are required from related parties.

SHAMAKHA REAL ESTATE AND FINANCIAL INVESTMENTS
Public Shareholding Company
Amman - Jordan

Notes to the financial statements
31 December 2016

g. Cash and cash equivalents

Cash represents through the maturities of not more than three months that do not include the risk of change in fair value and are used by the Company to meet its short-term liabilities.

h. Recognition of revenues and expenses

- Revenues and expenses recognition are recognized in accordance with the accrual basis.
- Rental income from real estate investments is recognized as income on a straight-line basis over the period of the contract.
- Interest income is recognized when due.

i. Transactions in foreign currencies

Assets and liabilities denominated in foreign currencies at the end of the financial year are translated into Jordanian Dinars using the average prevailing rates at the end of the financial year. All foreign currency transactions are transformed into Jordanian Dinars using the prevailing rates at the date of such transactions and net foreign exchange gains or losses income list.

j. Provisions

Provisions are recognized when the Company has obligations as of the date of the statement of financial position arising from past events and the payment of liabilities is probable and can be reliably measured.

The amounts recognized as provisions represent the best estimate of the amounts required to settle the obligation at the reporting date, taking into account the risks and uncertainties associated with the obligation. When the amount of the provision is determined on the basis of the estimated cash flows to settle the present obligation, its carrying amount represents the present value of these cash flows.

When it is expected to recover some or all of the economic benefits required from other parties to settle the provision, the receivable is recognized in the asset if the receipt of the awards is effectively confirmed and its value can be

measured reliably.

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k. Income tax

- The Company is subject to Income Tax Law No. 34 for the year 2014 and its subsequent amendments and instructions issued by the Income Tax Department of the Hashemite Kingdom of Jordan. The income tax is calculated on the basis of the adjusted net profit and the income tax rate of 20%.
- Income tax expense includes current taxes and deferred taxes. Income tax expense is recognized in the statement of comprehensive income and the tax relating to items recognized directly under other income is recognized in the statement of comprehensive income.
- The current tax represents the expected tax payable on the tax profit for the year using the tax rate prevailing at the date of the financial statements in addition to any adjustments in the tax due in respect of previous years.
- Deferred taxes are recognized in respect of temporary differences between the carrying amounts of assets and liabilities in the financial statements and the amounts determined for tax purposes.
- Deferred taxes are calculated on the basis of tax rates expected to be applied to temporary differences when they are reversed based on the laws prevailing at the reporting date.
- Deferred tax assets and liabilities are offset if there is a legal right that is required to shorten existing tax assets and liabilities and relate to income tax that is collected by the same tax authorities on the same taxable company and may settle current liabilities and tax assets net, the tax liability will be realized at the same time.
- Deferred tax assets are recognized when tax profits are likely to be realized in the future and temporary differences can be utilized.
- Deferred tax assets are reviewed at the end of each financial year and are reduced when the tax benefits associated with them are not probable.

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4 Changes in accounting policies

The accounting policies adopted in the preparation of the financial statements are consistent with those followed in the preparation of the financial statements for the year which ended on 31 December 2015, except for the application of the following amended standards:

| New and amended standards and interpretations not yet implemented | Effective for annual periods beginning on |
|--|--|
| *IFRS 9 Financial Instruments | 1 January 2018 |
| *IFRS14 Deferred organizational accounts | 1 January 2016 |
| *IFRS 15 - Customer Contract Revenue | 1 January 2018 |
| *IAS 11 - Joint Arrangements | 1 January 2016 |
| *IAS 16 and 38 - Clarification of Initial and Liquidation Methods | 1 January 2016 |
| *IAS 27 - Methods of Equity in Separate Financial Statements | 1 January 2016 |

The Company has not applied any of them earlier, except for the early adoption of IFRS standard no.9 on the measurement and classification of financial assets in the preparation of the financial statements for the year ended on January 1, 2011, subject to the instructions of the Securities Commission. Its mandatory application is due on 1 January 2018. The application of these standards and interpretations in subsequent periods will not have a material financial impact on the Company's financial statements.

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5 Equipment & property less accumulated depreciation

This item consists of the following:

| <u>2016</u> <u>Cost:</u> | <u>Muwaggar land*</u> <u>JD</u> | <u>Furniture</u> <u>JD</u> | <u>Cars</u> <u>JD</u> | <u>Electrical Equip</u> <u>JD</u> | <u>Ac</u> <u>JD</u> | <u>Décor</u> <u>JD</u> | <u>Total</u> <u>JD</u> |
|--|------------------------------------|-------------------------------|--------------------------|--------------------------------------|------------------------|---------------------------|---------------------------|
| Balance at the beginning of the year | 65,415 | 5,214 | 39,350 | 10,350 | 4,415 | 41,609 | 166,253 |
| Additions | - | - | - | - | - | - | - |
| (Exclusions) | - | - | - | - | - | - | - |
| Balance as on 31 Dec. 2016 | <u>65,415</u> | <u>5,214</u> | <u>39,250</u> | <u>10,350</u> | <u>4,415</u> | <u>41,609</u> | <u>166,253</u> |
| Accumulated depreciation: | | | | | | | |
| Accumulated depreciation at the beginning of the year: | - | 3,932 | 23,550 | 7,376 | 3,533 | 20,804 | 59,195 |
| Consumption of the year | - | 422 | 3,925 | 411 | 442 | 2,081 | 7,281 |
| (Exclusions) | - | - | - | - | - | - | - |
| Accumulated depreciation as on 31 December 2016 | - | <u>4,354</u> | <u>27,475</u> | <u>7,787</u> | <u>3,975</u> | <u>22,885</u> | <u>66,476</u> |
| Net book value as on 31 December 2016 | <u>65,415</u> | <u>860</u> | <u>11,775</u> | <u>2,563</u> | <u>440</u> | <u>18,724</u> | <u>99,777</u> |

The fair value of the land plot No. (851) basin No. (4) of the land of Muwaqqar with an area of (10.365) square meters amounted to 49.061 JD on 31 December 2016, ie the fair value of these investments is less than the book value with a value of 65.415 JD, with a difference of 16.354 JD which did not take a significant adverse impact on the financial statements. The fair value was estimated by more than one real estate expert.

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| 2015 | Muwagar land* | Furniture | Cars | Electrical equip | Ac | Décor | Total |
|--|----------------------|------------------|---------------|-------------------------|--------------|---------------|----------------|
| Cost: | JD | JD | JD | JD | JD | JD | JD |
| Balance at the beginning of the year | 65,415 | 5,214 | 63,118 | 9,050 | 4,415 | 41,609 | 188,821 |
| Additions | - | - | - | 1,300 | - | - | 1,300 |
| (Exclusions) | - | - | (23,868) | - | - | - | (23,868) |
| Balance as on 31 Dec. 2015 | <u>65,415</u> | <u>5,214</u> | <u>39,250</u> | <u>10,350</u> | <u>4,415</u> | <u>41,609</u> | <u>166,253</u> |
| Accumulated depreciation: | | | | | | | |
| Accumulated depreciation at the beginning of the year. | - | 3,501 | 43,492 | 7,020 | 3,091 | 18,724 | 75,828 |
| Consumption of the year (Exclusions) | - | 431 | 3,926 | 356 | 442 | 2,080 | 7,235 |
| Accumulated depreciation as on 31 December 2015 | - | - | (23,868) | - | - | - | (23,868) |
| Net book value as on 31 December 2015 | <u>65,415</u> | <u>3,932</u> | <u>23,550</u> | <u>7,376</u> | <u>3,533</u> | <u>20,804</u> | <u>59,195</u> |
| | | <u>1,282</u> | <u>15,700</u> | <u>2,974</u> | <u>882</u> | <u>20,805</u> | <u>107,058</u> |

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6 Real estate investments

This item consists of the following:

| <u>31/12/2016</u> | <u>Land*</u> | <u>Building</u> | <u>Electrical work</u> | <u>Elevator</u> | <u>Constructions and buildings in Aqaba</u> | <u>Total</u> |
|---|---------------|-----------------|------------------------|-----------------|---|----------------|
| <u>Cost:</u> | <u>JD</u> | <u>JD</u> | <u>JD</u> | <u>JD</u> | <u>JD</u> | <u>JD</u> |
| Balance as on 1 Dec 2016 | 48,916 | 534,511 | 4,859 | 13,023 | 281,846 | 883,155 |
| Additions | - | - | - | - | - | - |
| (Exclusions) | - | - | - | - | - | - |
| Balance as on 31 Dec. 2016 | <u>48,916</u> | <u>534,511</u> | <u>4,859</u> | <u>13,023</u> | <u>281,846</u> | <u>883,155</u> |
| Accumulated depreciation: | | | | | | |
| Accumulated depreciation at the beginning of the year | - | 364,529 | 4,859 | 9,290 | 281,845 | 660,523 |
| Consumption of the year | - | 10,690 | - | 1,302 | - | 11,992 |
| (Exclusions) | - | - | - | - | - | - |
| Accumulated depreciation as on 31 Dec 2016 | - | <u>375,219</u> | <u>4,859</u> | <u>10,592</u> | <u>281,845</u> | <u>672,515</u> |
| Net book value as on 31 December 2016 | <u>48,916</u> | <u>159,292</u> | <u>-</u> | <u>2,431</u> | <u>1</u> | <u>210,640</u> |

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| <u>31/12/2015</u> | <u>Land*</u> | <u>Building</u> | <u>Electrical work</u> | <u>Elevator</u> | <u>Constructions buildings in Aqaba</u> | <u>Total</u> |
|---|---------------|-----------------|------------------------|-----------------|---|----------------|
| <u>Cost:</u> | <u>JD</u> | <u>JD</u> | <u>JD</u> | <u>JD</u> | <u>JD</u> | <u>JD</u> |
| Balance as on 1 Dec 2015 | 48,916 | 534,511 | 4,859 | 13,023 | 281,846 | 883,155 |
| Additions | - | - | - | - | - | - |
| (Exclusions) | - | - | - | - | - | - |
| Balance as on 31 Dec. 2015 | <u>48,916</u> | <u>534,511</u> | <u>4,859</u> | <u>13,023</u> | <u>281,846</u> | <u>883,155</u> |
| Accumulated depreciation | - | - | - | - | - | - |
| Accumulated depreciation at the beginning of the year | - | 353,838 | 4,859 | 7,988 | 281,845 | 648,530 |
| Consumption of the year | - | 10,691 | - | 1,302 | - | 11,993 |
| (Exclusions) | - | - | - | - | - | - |
| Accumulated depreciation as on 31 Dec 2015 | - | <u>364,529</u> | <u>4,859</u> | <u>9,290</u> | <u>281,845</u> | <u>660,523</u> |
| Net book value as on 31 December 2015 | <u>48,916</u> | <u>169,982</u> | <u>-</u> | <u>3,733</u> | <u>1</u> | <u>222,632</u> |

- This item represents the cost of the commercial complex located on Plot No. (1456) and the total area of the building is (5720)square meters. The Board of Directors has taken a decision No. (43) in its session (105) and the decision of the General Assembly at its annual meeting which was held on 15 March 2009 with the approval of the sale of warehouses and offices of the company building located in Jabal Al-Husseini, where the total sales to this date was (711) square meters.
- This item represents the cost of construction on a plot of land leased in Aqaba and its entirely consumed according to the book value. Most of them were demolished by the authority of the Aqaba region and have no future value. A lawsuit has been filed against Aqaba Economic Zone Authority. The case is still pending before the Court to claim compensation

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7 Projects in process:
This item consists of the following:

| | <u>2016</u> | <u>2015</u> |
|---------------------------------|----------------|------------------|
| | <u>JD</u> | <u>JD</u> |
| <u>Plot No. (1169)*</u> | | |
| Cost of land | - | 308,346 |
| Construction work | - | 340,100 |
| Works and expenses | - | <u>262,244</u> |
| Total | - | 910,690 |
| <u>Plot No. (1168)**</u> | | |
| Cost of land | 491,380 | 491,278 |
| Construction work | - | - |
| Works and expenses | <u>10,125</u> | <u>10,125</u> |
| Total | <u>501,505</u> | <u>501,403</u> |
| | <u>501,505</u> | <u>1,412,093</u> |

* The plot of land No. (1169) and an area of (1164) square meters, and the Board of Directors took a decision to establish a residential project on this piece and was named Jewel of JabalAl-Hussein. It was finished at the beginning of 2016 and the cost was converted to apartments ready for sale. Note No. (10).

** The plot of land No. (1168) with an area of (1854) square meters. The Board of Directors took a decision to establish a project on this piece and directly preparing the necessary plans for the establishment of commercial housing project.

The fair value of the real estate investments for plot No. (1168) with an area of (1854) square meters was 679,800 JD on 31 December 2016. The fair value of these investments is higher than the book value of 501,505 JD. The fair value was estimated by many real estate experts.

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8 comprehensive income

This item consists of the following:

| | <u>2016</u> <u>JD</u> | <u>2015</u> <u>JD</u> |
|--|--------------------------|--------------------------|
| Investments in shares of listed local companies distributed as follows: | | |
| Sherco Securities Company | 234,000 | 234,000 |
| Royal Jordanian | <u>4,388</u> | <u>4,760</u> |
| Total | 238,388 | 238,760 |
| Fair value adjustments | <u>(2,694)</u> | <u>(372)</u> |
| Total | <u>235,694</u> | <u>238,388</u> |

9 Other debit balances

This item consists of the following:

| | <u>2016</u> <u>JD</u> | <u>2015</u> <u>JD</u> |
|-----------------------------|--------------------------|--------------------------|
| Rents and fees for services | 8,736 | 12,191 |
| Refunds | 200 | 1200 |
| Prepaid expenses | 1,000 | 1,000 |
| Income tax secretariats | <u>3,187</u> | <u>2,823</u> |
| Total | <u>13,123</u> | <u>17,214</u> |

10 Apartments ready for sale

The residential project on the plot No. (1169) with an area of (1164) square meters, called the Jewel of Jabal Al Hussein project, has been completed and it consists of 18 apartments.

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11 Net receivables

a. This item consists of the following:

| | <u>2016</u> <u>JD</u> | <u>2015</u> <u>JD</u> |
|------------------------------------|--------------------------|--------------------------|
| Receivables | 125,403 | 356,156 |
| Receipt papers | 1,300 | - |
| Checks for collection | 7,603 | 165 |
| Lease holdings of the Aqaba Garage | <u>19,484</u> | <u>19,484</u> |
| Total | 153,790 | 375,805 |
| Impairment of doubtful debts | <u>(124,153)</u> | <u>(124,829)</u> |
| Total | <u>29,637</u> | <u>250,976</u> |

- b. Receivables include 213,387 JD relating to Safi Salt Company (under liquidation). According to the agreement between Al-Shamekha Real Estate and Financial Investments, International Barter and the Consolidated Transport and Logistics Company. The net proceeds of the liquidation of Al-Safi Jordan Company (under liquidation) will be distributed according to the percentage of participation, knowing that the balance of the International Barter Company and the Consolidated Transport and Logistics Company is recorded in the accounts payable until the actual liquidation amount is determined
- c. Receivables include 137,521 JD for the Unified Transport and Logistics Company, and a verdict has been issued by the Court in favor of the Company and is being executed by the Court.
- d. On 24 December 2016, based on a letter from the Liquidation Committee of Safi Salt Company, "under liquidation", 48,920 JD were received representing 23% of the total indebtedness. The proceeds of this amount were distributed according to the agreement between Al Shamekha Real Estate and Financial Investments Company, International Barter Company and Consolidated Transport and Logistics Company, which is the result of the

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liquidation of Safi Salt Company (under liquidation). The settlement of the balance of the international barter company, and logistics services that were recorded in accounts payable with the actual liquidation product.

- e. **The movement is calculated at the expense of the impairment of doubtful debts by:**

| | <u>2016</u> | <u>2015</u> |
|----------------------------------|--------------------|--------------------|
| | <u>JD</u> | <u>JD</u> |
| Balance as at 1 January | 124,829 | 124,829 |
| Additions | 35,687 | - |
| Disputed debts during the year * | <u>(36,363)</u> | <u>-</u> |
| Balance as at 31 December | <u>124,153</u> | <u>124,829</u> |

* Safi Salt Company "under liquidation".

12 Cash & cash equivalent

This item consists of the following:

| | <u>2016</u> | <u>2015</u> |
|---------------------------|--------------------|--------------------|
| | <u>JD</u> | <u>JD</u> |
| Cash in Fund | 500 | 500 |
| Cash in banks | 567,843 | 53,263 |
| Cash with banks – deposit | <u>-</u> | <u>250,000</u> |
| Total: | <u>568,343</u> | <u>303,763</u> |

13 Equity

Paid Capital

The authorized and paid-up capital of the Company is 1,200,000, JD divided into 1,200,000 shares with a nominal value of 1JD per share.

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Statutory reserve

In accordance with the requirements of the Jordanian Companies Law and the Company's internal laws, the Company shall deduct 10% of the annual net profits and transfer them to the compulsory reserve. This deduction shall continue for each year, provided that the total amount of the reserve shall not exceed 25% of the Company's capital. Yet, with the approval of the General Assembly of the Company, it's allowed to continue to deduct this annual percentage until such reserve equals the amount of the authorized capital of the company.

In accordance with a decision of the General Authority on 4/3/2004 to approve the continuation of the deduction of 10% of the net profit and transfer to the compulsory reserve until the equivalent of the authorized capital of the company.

For the purposes of this Law, net profit represents profit before deduction of the income tax charge and fees and this reserve is not available for distribution to shareholders.

Optional reserve

In accordance with the requirements of the Jordanian Companies Law and the Company's Policy, the Company may create an optional reserve of no more than 5% of the net profit based on the decision of its Board of Directors, this reserve is available for distribution as a dividend to the shareholders after approval by the General Assembly of the Company.

14 Other Provision

This item consists of the following:

| | <u>2016</u> | <u>2015</u> |
|---|----------------|----------------|
| | <u>JD</u> | <u>JD</u> |
| Provision for end of service indemnity | 3,382 | 2,031 |
| Provision for compensation of cases | 127,099 | 127,099 |
| Provision for income tax payments | 3,606 | 3,606 |
| Board of Directors' remuneration reward | 3,600 | - |
| Total | <u>137,687</u> | <u>132,736</u> |

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15 Other credit balances

This item consists of the following:

| | <u>2016</u> | <u>2015</u> |
|-----------------------------|--------------------|--------------------|
| | <u>JD</u> | <u>JD</u> |
| Shareholders' trusts | 36,850 | 48,460 |
| Rents on Aqaba tenants | 19,484 | 19,484 |
| Rents received in advance | 5,395 | 513 |
| Expenses payable and unpaid | 2,694 | 2,610 |
| Safe for others | 420 | 365 |
| Total | <u>64,843</u> | <u>71,432</u> |

16. Net realized income from sale of apartments

This item consists of the following:

| | <u>2016</u> | <u>2015</u> |
|----------------------------|--------------------|--------------------|
| | <u>JD</u> | <u>JD</u> |
| Sales apartments | 277,500 | - |
| Cost of selling apartments | (215,044) | - |
| Total | <u>62,456</u> | <u>-----</u> |

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17 Administrative and general expenses

a. This item consists of the following:

| | <u>2016</u> | <u>2015</u> |
|---|--------------------|--------------------|
| | <u>JD</u> | <u>JD</u> |
| Salaries, wages | 59,334 | 56,769 |
| Movement of members of the Board of Directors | 21,600 | 21,600 |
| Fees and subscriptions | 16,856 | 15,423 |
| Stationery and prints | 971 | 801 |
| Maintenance and car fuel | 5,247 | 5,860 |
| Advertising | 683 | 2,586 |
| Transportation | 234 | 226 |
| Prose and hospitality | 716 | 764 |
| Maintenance and repairs | 3,295 | 1,945 |
| telegraph, mail and telephone | 1,837 | 3,265 |
| Heating, electricity and water | 3,850 | 4,017 |
| Lawyer fees | 3,000 | 4,150 |
| Audit fees | 4,500 | 4,500 |
| Charges of cases | 1,640 | 1,547 |
| Insurance against fire | 380 | 317 |
| Training courses | - | <u>500</u> |
| Total | <u>124,143</u> | <u>124,270</u> |

b. Salaries and benefits of senior management

Salaries, emoluments and transfers of senior management and members of the Board of Directors amounted to 47,800 JD for the year 2016 and 37,800 JD for the year 2015.

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18 Basic and diluted earnings (losses) per share

| | <u>2016</u> | <u>2015</u> |
|-----------------------------------|------------------|------------------|
| | <u>JD</u> | <u>JD</u> |
| Profit (loss) for the year | 1,903 | (3,914) |
| Weighted average number of shares | <u>1,200,000</u> | <u>1,200,000</u> |
| | <u>0/002</u> | <u>(0/003)</u> |

19 Income tax

- a. The following is a summary of the reconciliation between accounting profit and tax profit:

| | <u>2016</u> | <u>2015</u> |
|---------------------------------|-----------------|--------------|
| | <u>JD</u> | <u>JD</u> |
| Accounting profit (loss) | 1,903 | (9,986) |
| Expenses not taxable | <u>45,815</u> | <u>9,456</u> |
| | 47,718 | (530) |
| Rounded Tax losses | <u>(35,866)</u> | - |
| Taxable profit (loss) | 11,852 | (530) |
| Tax percentage | <u>20%</u> | <u>20%</u> |
| Income tax expense for the year | 2,370 | - |
| Tax paid on property | <u>(2,370)</u> | - |
| Income tax for the year | <u>-</u> | <u>-</u> |

- b. The company reached a final agreement with the sales and income tax Department until the end of 2014, resulting in the acceptance of the resolutions and the recycling of losses from previous years for the years 2013 and 2014 of 35,866 JD, which was deducted from taxable profits for the year 2016. The Company has also submitted an approval for the income tax for the year 2015, while no final settlement has been reached with the Income and Sales Tax Department, and no date has been set for its review. In the opinion of the Company's management, there will be no tax liability imposed on the Company for 2015 due to a taxable loss and tax paid for property (tax roof) and deductions for the deposit tax.

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20 legal situation

The company is involved in cases filed against it but still pending before the Jordanian courts with the amount of 127,099 JD. The company also filed law cases against other parties with the amount of 42,410 JD and they are pending before the Jordanian courts.

21 Risk management policies

The Company is exposed to a variety of financial risks due to its activities, and operational risks are an inevitable result of real estate transactions. Management strives to achieve an appropriate balance between risk and return achieved and minimizes the potential negative impact on the Company's financial performance. The main risks facing the Company are credit risk arising from forward contracts, liquidity risk and market risk. Management is responsible for setting up a framework to oversee and manage these risks. Management periodically monitors risk types to monitor and manage financial risks related to the operations and activities of the Company. During the issuance and preparation of internal reports on the management of financial risks through which the analysis of the risks to which the company is a standard.

*** Capital risk management**

The Board of Directors manages the capital structure in order to ensure that it is able to continue, and maximize return on equity by achieving the optimal balance between equity and debt. There has also been no change in the Company's policy. The Company follows a policy to maintain a reasonable rate of debt attributable to equity. Debt to equity ratio of the company at the end of the report period was as follows:

| | <u>2016</u> | <u>2015</u> |
|-------------------------|--------------------|--------------------|
| | <u>JD</u> | <u>JD</u> |
| Total indebtedness | 227,580 | 380,051 |
| Net equity | <u>2,171,282</u> | <u>2,172,073</u> |
| Ratio of debt to equity | <u>10%</u> | <u>17%</u> |

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* **Credit risk**

Credit risk is the inability of the counterparty to meet its obligations to the Company, resulting in losses. The Company has adopted a policy of documenting its debts to third parties with the required documentation, which can track any legally delayed funds with the assistance of its legal counsel. The Company monitors its exposure to credit risk by examining the level of financial adequacy of debtors, in addition to ensuring that the cumulative value of the credit relates to parties approved by the administration, and by following the limits of credit granted where it is reviewed and approved by administration periodically.

The book value of financial assets recorded in the financial statements of net value after impairment losses discount in value represents the maximum credit risk is possible that the company is exposed to.

* **Liquidity risk**

Liquidity risk appears when the Company is a not be able to provide the necessary funding to meet its obligations on due dates. To minimize risks, the management diversifies sources of finance, manages and adjusts assets and liabilities, provides timely and adequate financing and maintains sufficient cash and prudent balances to meet commitments and pay operational expenses and investment.

* **Foreign currency risk**

Foreign currency risk is the risk of change in financial tools due to changes in foreign exchange rates. The Jordanian Dinar is the base currency of the Company. The Company's management monitors the foreign currency position periodically and adopts strategies to hedge these risks.

SHAMAKHA REAL ESTATE AND FINANCIAL INVESTMENTS
Public Shareholding Company
Amman - Jordan

Notes to the financial statements
31 December 2016

22 FAIR VALUE

The fair value of financial assets and liabilities is not materially different from their book value at the company's financial position list.

23 Comparative figures

Certain figures of the financial statements for 2015 have been reclassified to conform to the figures for the financial statements for 2016. The reclassification did not result in any effect on profit or equity.