

**INJAZ FOR DEVELOPMENT AND PROJECTS  
(PUBLIC SHAREHOLDING COMPANY)**

**CONSOLIDATED FINANCIAL STATEMENTS  
AND INDEPENDENT CERTIFIED PUBLIC  
ACCOUNTANT'S REPORT  
FOR THE YEAR ENDED DECEMBER 31, 2017**

**INJAZ FOR DEVELOPMENT AND PROJECTS  
(PUBLIC SHAREHOLDING COMPANY)**

**CONSOLIDATED FINANCIAL STATEMENTS AND INDEPENDENT CERTIFIED  
PUBLIC ACCOUNTANT'S REPORT  
FOR THE YEAR ENDED DECEMBER 31, 2017  
(EXPRESSED IN JORDANIAN DINAR)**

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## **CERTIFIED PUBLIC ACCOUNTANT'S REPORT**

To the shareholders  
Injaz for Development and Projects Company P.L.C

### **Report on the Consolidated Financial Statements**

#### **Opinion**

We have audited the accompanying consolidated financial statements of Injaz for Development and Projects Company P.L.C, which comprise of the consolidated statement of financial position as of December 31, 2017, and the related consolidated statements of Comprehensive income, consolidated statement of Other Comprehensive income, consolidated Statement of owners' equity and 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 consolidated financial statements present fairly, in all material respects, the consolidated statement of financial position of Injaz for Development and Projects Company P.L.C as of December 31, 2017, and its financial performance and cash flows for the year then ended are in accordance with International Financial Reporting Standards.

#### **Basis for Opinion**

We conduct our audit in accordance with International Standards on Auditing. Our responsibilities under those standards are further described in Auditor's Responsibilities for the audit of the consolidated Financial Statements. We are independent of the company in accordance with International Standard Board Code of Ethics for professional accountants ("the code") and we have fulfilled our other ethical responsibilities in accordance with the code.

We believe that the audit evidence we have obtained are sufficient and appropriate to provide basis for our audit opinion.

#### **Key audit matters**

Key audit matters, according to our professional judgment are matters that had the significant importance in our auditing procedures that we performed to the consolidated financial statement. The basic auditing matters have been addressed in our auditing workflow to financial standards as we do not express separate opinions.

#### **- Goodwill**

According to International Financial Reporting Standards, the Company must evaluate the goodwill and examine impairment, the goodwill, as of December 31, 2017 was 27,508,872 JD.

The annual goodwill impairment is a significant auditing matter, considering the requirement of recoverable value estimation. The recoverable amount for cash generation units, which is the value in use for cash generating units, which is the value in use or fair value less cost of sales which is higher. Which is calculated using the discounted expected cash and methods These methods use several assumptions as in sales and future prices estimation, operating cost.

## **Key Audit matters procedures**

### **Goodwill**

- The auditing procedures that we have performed include evaluating assumptions and methods used by the company, especially matters related to expected revenues and profit margin, we have also focused on the efficiency of the disclosures of the most sensitive assumption that are used by the company for impairment test that are of significant influence to determine the recoverable amount of goodwill.

### **Other Matter**

The financial statement for subsidiary (Arab Tower Contracting Company (Ltd)) for year ended December 31, 2017 whose financial statement represent 85% of total assets and 100% of the total revenue of the consolidated financial statement have been reviewed by another auditor and he issued his unqualified opinion on February 28, 2018.

### **Other information**

The management is responsible for other information. Which includes other information reported in the final report, but not included in the consolidated financial statements and our audit report on it.

Our opinion does not include these other information, and we do not express any assertion over it regarding our consolidated financial statement we are obliged to review these other information, and while that, we consider the compatibility of these information with their consolidated financial statement. If we detected based on our audit, the existence of significant errors in the information, we are obliged to report this fact. Regarding this, we have nothing to report.

### **Management and individuals responsible of governance about the consolidated financial statements**

Management is responsible for the preparation and fair presentation of these consolidated financial statements in accordance with International Financial Reporting Standards. And for such internal control, management is determined 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, the 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 the management either intend to liquidate the company or to cease operations or have no realistic alternative but to do so.

Individuals responsible of governance are responsible of supervising the preparation of consolidated financial statements.

### **Certified public accountant responsibility**

Our responsibility is to express an opinion on these consolidated financial statements based on our audit. We conducted our audit in accordance with International Standards on Auditing. Those standards require us to comply with ethical requirements and plan and perform the audit to obtain reasonable assurance whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the consolidated financial statements 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 entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements.

*As part of an audit in accordance with The International Standards on Auditing, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:*

- Identify and assess the risks of material misstatement of the initial 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 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 the Management.
- Conclude on the appropriateness of the Management's use of the Going Concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the Financial Statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our Auditor's Report. However, future events or conditions may cause the Company to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the initial consolidated Financial Statements, including the disclosures, and whether the initial Financial Statements represent the underlying transactions and events in a manner that achieves Fair Presentation.
- We communicated with audit committee 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.

#### **Legal requirements report**

The Company maintains proper books of accounting records which are in agreement with the accompanying consolidated financial statements and with the financial information included in the Board of Directors report, and we recommend the Board of directors to approve the consolidated financial statements.

Ghosheh & Co.

Walid M Taha  
License No.(703)



Amman-Jordan  
March 19, 2018

**INJAZ FOR DEVELOPMENT AND PROJECTS**  
(PUBLIC SHAREHOLDING COMPANY)

**CONSOLIDATED STATEMENT OF FINANCIAL POSITION**  
**AS OF DECEMBER 31, 2017**  
(EXPRESSED IN JORDANIAN DINAR)

	Note	2017	2016
<b>ASSETS</b>			
<b>Non-current assets</b>			
Goodwill	13	27,508,872	27,508,872
Property and equipment	4	23,988,272	24,146,420
Long-term projects retentions	5	6,879,227	3,243,195
Financial assets designated at fair value through other comprehensive income		234,221	241,391
<b>Total non-current assets</b>		<b>58,610,592</b>	<b>55,139,878</b>
<b>Current assets</b>			
Prepaid expenses and other receivables	8	4,608,928	9,210,336
Inventories		9,136,363	9,044,049
Projects under construction		7,997,965	2,868,149
Amount due from customers on construction contract		40,071,117	43,998,321
Accounts receivable and checks under collection	7	43,027,847	50,205,082
Short-term projects retentions	5	8,663,752	8,716,802
Cash and cash equivalents	6	6,097,773	7,164,168
<b>Total current assets</b>		<b>119,603,745</b>	<b>131,206,907</b>
<b>TOTAL ASSETS</b>		<b>178,214,337</b>	<b>186,346,785</b>
<b>LIABILITIES AND OWNERS' EQUITY</b>			
<b>Owners' equity</b>			
Share capital	1	37,720,000	35,250,000
Issuance premium	15	-	2,470,000
Statutory reserve	15	1,468,614	1,143,193
Special reserve	15	21,906	21,906
Fair value reserve		(106,314)	(99,144)
Retained earnings	16	7,014,446	7,610,661
<b>Equity attributable to equity holders of the parent company</b>		<b>46,118,652</b>	<b>46,396,616</b>
Non- controlling interest		6,257,994	4,724,668
<b>Total owners' equity</b>		<b>52,376,646</b>	<b>51,121,284</b>
<b>Current liabilities</b>			
Accrued expenses and other liabilities	12	6,463,880	4,165,048
Payments received in advance from construction contract		14,752,832	27,202,582
Accounts payable and deferred checks	9	58,889,730	53,319,802
Notes payable		429,650	516,788
Short-term loans	10	29,498,048	40,478,676
Banks overdraft	11	15,803,551	9,542,605
<b>Total current liabilities</b>		<b>125,837,691</b>	<b>135,225,501</b>
<b>TOTAL LIABILITIES AND OWNERS' EQUITY</b>		<b>178,214,337</b>	<b>186,346,785</b>

The accompanying notes are an integral part of these consolidated financial statements

**INJAZ FOR DEVELOPMENT AND PROJECTS**  
(PUBLIC SHAREHOLDING COMPANY)

**CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME**  
**AS OF DECEMBER 31, 2016**  
(EXPRESSED IN JORDANIAN DINAR)

	Note	2017	2016
Revenues		229,838,792	182,342,946
Cost of revenues	17	(220,350,658)	(174,416,614)
<b>Gross profit</b>		<b>9,488,134</b>	<b>7,926,332</b>
General and administrative expenses	18	(2,587,746)	(2,264,168)
Financial charges		(1,425,061)	(2,512,630)
Realized losses from sell of financial assets designated at fair value through statement of comprehensive income		-	(5,138)
Other revenues and expenses		242,054	2,084,237
<b>Income before income tax</b>		<b>5,717,381</b>	<b>5,228,633</b>
Income tax	12	(929,849)	(907,170)
<b>INCOME FOR THE YEAR</b>		<b>4,787,532</b>	<b>4,321,463</b>
<b>Attributable to:</b>			
Equity holders of the parent company		3,254,206	3,115,489
Non-controlling interests		1,533,326	1,205,974
		<b>4,787,532</b>	<b>4,321,463</b>
<b>Earning pershare</b>			
<b>Earning pershare- JD/ share</b>		<b>0,09</b>	<b>0,10</b>
<b>Outstanding weighted average share</b>		<b>36,690,833</b>	<b>30,979,166</b>

The accompanying notes are an integral part of these consolidated financial statements

**INJAZ FOR DEVELOPMENT AND PROJECTS**  
**(PUBLIC SHAREHOLDING COMPANY)**

**CONSOLIDATED STATEMENT OF OTHER COMPREHENSIVE INCOME**  
**FOR THE YEAR ENDED DECEMBER 31, 2017**  
**(EXPRESSED IN JORDANIAN DINAR)**

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	<u>2017</u>	<u>2016</u>
<b>Income for the year</b>	<b>4,787,532</b>	<b>4,321,463</b>
Other comprehensive income items:	-	-
<b>Total other comprehensive income to be reclassified to retained earnings in</b>	<b>4,787,532</b>	<b>4,321,463</b>
Change in fair value reserve	<b>(7,170)</b>	<b>(99,144)</b>
<b>Total other comprehensive income for the year</b>	<b>4,780,362</b>	<b>4,222,319</b>
<b>Attributable to:</b>		
Equity holders of the parent	<b>3,247,036</b>	<b>3,016,345</b>
Non-controlling interests	<b>1,533,326</b>	<b>1,205,974</b>
	<b>4,780,362</b>	<b>4,222,319</b>

The accompanying notes are an integral part of these consolidated financial statements

**INJAZ FOR DEVELOPMENT AND PROJECTS  
(PUBLIC SHAREHOLDING COMPANY)**

**CONSOLIDATED STATEMENT OF OWNERS' EQUITY  
FOR THE YEAR ENDED DECEMBER 31, 2017  
(EXPRESSED IN JORDANIAN DINAR)**

	Note	Share capital	Issuance premium	Statutory reserve	Special reserve	Fair value reserve	Retained earnings	Equity attributable to equity holders of the parent company	Non-Controlling Interest	Total Owners' equity
Balance at January 1, 2016		25,000,000	1,035,000	831,644	21,906	-	4,806,721	31,695,271	-	31,695,271
Increase in Share capital	1	10,250,000	1,435,000	-	-	-	-	11,685,000	-	11,685,000
Non-Controlling Interest before increasing capital contribution in subsidiary		-	-	-	-	-	-	-	5,770,659	5,770,659
Comprehensive income for the year		-	-	-	-	(99,144)	3,115,489	3,016,345	1,205,974	4,222,319
Transfer to statutory reserves		-	-	311,549	-	-	(311,549)	-	-	-
Non-Controlling Interest in result of increasing capital contribution in subsidiary		-	-	-	-	-	-	-	(2,251,965)	(2,251,965)
Balance at December 31, 2016		35,250,000	2,470,000	1,143,193	21,906	(99,144)	7,610,661	46,396,616	4,724,668	51,121,284
Increase in Share capital	1	2,470,000	(2,470,000)	-	-	-	-	-	-	-
Dividend		-	-	-	-	-	(3,525,000)	(3,525,000)	-	(3,525,000)
Comprehensive income for the year		-	-	-	-	(7,170)	3,254,206	3,247,036	1,533,326	4,780,362
Transfer to statutory reserves		-	-	325,421	-	-	(325,421)	-	-	-
Balance at December 31, 2017		37,720,000	-	1,468,614	21,906	(106,314)	7,014,446	46,118,652	6,257,994	52,376,646

The accompanying notes are an integral part of these consolidated financial statements

**INJAZ FOR DEVELOPMENT AND PROJECTS**  
(PUBLIC SHAREHOLDING COMPANY)

**CONSOLIDATED STATEMENT OF CASH FLOWS**  
**FOR THE YEAR ENDED DECEMBER 31, 2017**  
(EXPRESSED IN JORDANIAN DINAR)

	2017	2016
<b>OPERATING ACTIVITIES</b>		
Income for the year	5,717,381	5,228,633
Adjustments on income for the year		
Depreciation	4,049,034	3,873,204
Gain on disposal of property, plant and equipment	(28,727)	(121,122)
Financial charges	1,425,061	2,512,630
Realized losses from sell of financial assets designated at fair value through statement of comprehensive income	-	5,138
Changes in operating assets and liabilities:		
Prepaid expenses and other receivables	4,601,408	(5,310,580)
Projects retentions	(3,582,982)	(3,612,837)
Accounts receivable and checks under collection	7,177,235	172,151
Amount due from customers on construction contract	3,927,204	(445,675)
Inventory	(92,314)	(3,085,826)
Accrued expenses and other liabilities	(5,129,816)	159,756
Projects under construction	1,368,983	
Payment received in advance from construction contract	(12,449,750)	(898,005)
Accounts payable and deferred checks	5,569,928	(7,432,964)
<b>Cash available from /(used in) operating activities</b>	<b>12,552,645</b>	<b>(8,955,497)</b>
Financial charge paid	(1,425,061)	(2,512,630)
<b>Net cash available from /(used in) operating activities</b>	<b>11,127,584</b>	<b>(11,468,127)</b>
<b>INVESTING ACTIVITIES</b>		
Financial assets designated at fair value through statement of comprehensive income	-	55,657
Goodwill	-	(9,402,640)
Proceeds from sale of property, plant and equipment	49,318	475,675
Purchase property and equipment	(3,911,477)	(10,272,200)
<b>Net cash used in investing activities</b>	<b>(3,862,159)</b>	<b>(19,143,508)</b>
<b>FINANCING ACTIVITIES</b>		
Banks overdraft	6,260,946	(266,845)
Short -term loans	(10,980,628)	18,886,826
Notes payable	(87,138)	516,788
Increase in share capital	-	10,250,000
Issuance premium	-	1,435,000
Non-Controlling Interest	-	(2,251,965)
Dividend	(3,525,000)	-
<b>Net cash (used in)/ available from financing activities</b>	<b>(8,331,820)</b>	<b>28,569,804</b>
<b>Net change in cash and cash equivalents</b>	<b>(1,066,395)</b>	<b>(2,041,831)</b>
Cash and cash equivalents, January 1	7,164,168	9,205,999
<b>Cash and cash equivalents, December 31</b>	<b>6,097,773</b>	<b>7,164,168</b>
<b>Non-monetary items</b>		
Increase capital through issuance bonus	2,470,000	-

The accompanying notes are an integral part of these consolidated financial statements

**INJAZ FOR DEVELOPMENT AND PROJECTS**  
(PUBLIC SHAREHOLDING COMPANY)

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED DECEMBER 31, 2017**  
(EXPRESSED IN JORDANIAN DINAR)

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**1. ORGANIZATION AND ACTIVITIES**

Injaz for Development and Projects is a Jordanian public shareholding Company ("the Company"), registered on January 1, 1976 under Commercial registration number (104). The Company's share capital is JD 25,000,000 divided into 25,000,000 shares, the par value is one JD per share.

On April 23, 2015 the general assembly decided in its extraordinary meeting to increase its declared capital from 25,000,000 shares/JD to 35,250,000 shares/JD by offering 10,250,000 shares each for 1 JD or 90% from closing price on the date of the agreement of Jordan Securities Commission which is higher. In which the closing price of the shares on the date of the agreement of Jordan Securities Commission (1.27) Jd for the share to the shareholder Eng. Ziad Khalaf Manaseer the processes of capital increase have been completed at the Ministry of Industry, Trade and Supply on May 18, 2016, and the processes of shares of capital increase registration in Jordan Securities Commission on May 30, 2016 in reference to Jordan Securities Commission NO (138/2016), and the declared and paid capital has become 35,250,000 shares/JD.

On April 25, 2017, the General Assembly of the Company decided at its extraordinary meeting to increase the capital from 35,250,000 shares / dinars to 37,720,000 shares / dinars by capitalizing the issue premium of 2,470,000 shares / dinars. The Securities Authority approved on May 22, 2017, Securities Commission No. 143/2017.

The Company's principal activity is purchase and develop lands and real-estate trading it as well as investing in shares and bonds.

The Company's headquarter is in Amman.

The consolidated financial statements as at December 31, 2017 include the financial statements of the following subsidiaries:

Name of subsidiary	Place of registration	Registration year	Vote and equity percentage	The main activity
<i>Arab Tower Contracting Company (Ltd)</i>	Hashemite Kingdom of Jordan	2007	68.75%	<i>Civil construction and related activities</i>

**2- NEW AND REVISED STANDARDS AND AMENDMENTS TO IFRSs IN ISSUE BUT NOT YET EFFECTIVE:-**

The following new standards and amendments to the standards have been issued but are not yet effective and the Company intends to adopt these standards, where applicable, when they become effective.

**New Standards**

**Effective Date**

(IFRS) No.9 – Financial Instruments

January 1, 2018

(IFRS) No.15 – Revenue from Contract with Customers

January 1, 2018

(IFRS) No.16 – Leases

January 1, 2019

Board of directors of the Company is expected that the application of these standards and interpretations will not have a substantial impact on the company's financial statements.

**INJAZ FOR DEVELOPMENT AND PROJECTS**  
(PUBLIC SHAREHOLDING COMPANY)

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS(Continued)**  
**FOR THE YEAR ENDED DECEMBER 31, 2017**  
(EXPRESSED IN JORDANIAN DINAR)

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**3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

The preparation of the consolidated financial statements in accordance with International Accounting Standard.

**Basis of preparation**

The consolidated financial statements are presented in Jordanian Dinar (JD) as this is the currency in which the majority of the Company's transactions are recorded.

The consolidated financial statements have been prepared on historical cost principle, However financial assets and financial liabilities are stated at fair value. The following is a summary of significant accounting policies applied by the Company:

**Basis of Consolidation Financial Statements**

The Consolidated Financial Statements incorporate the financial statements of injaz for development and projects Company (Public Shareholding Company) and the subsidiaries controlled by the Company.

Control is achieved where the Company:

- Ability to exert power over the investee.
- Exposure, or rights, to variable returns from its involvement with the investee.
- Ability to exert power over the investee to affect the amount of the investor's returns.

The Company reassesses whether or not it controls an investee if facts and circumstances indicate that there are changes to one or more of the three elements of control described in the accounting policy for subsidiaries above.

When the Company has less than a majority of the voting, The Company shall have control over the investee when the voting rights sufficient to give it the ability to direct relevant activities of the investee individually.

When The Company reassesses whether or not it controls an investee, it consider all the relevant facts and circumstances which includes:

- Size of the holding relative to the size and dispersion of other vote holders
- Potential voting rights, others vote-holders, and Other parties
- Other contractual rights
- Any additional facts and circumstances may indicate that the company has, or does not have, the current ability to direct the activities related to the time needed to make decisions, including how to vote at previous shareholders' meetings.

**INJAZ FOR DEVELOPMENT AND PROJECTS**  
**(PUBLIC SHAREHOLDING COMPANY)**

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)**  
**FOR THE YEAR ENDED DECEMBER 31, 2017**  
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The consolidation process begins when the company's achieve control on the investee enterprise (subsidiary), while that process stops when the company's loses control of the investee (subsidiary). In particular Income and expenses of subsidiaries acquired or disposed of during the year are included in the consolidated income statement, and the consolidated comprehensive income statement from the effective date of acquisition and up to the effective date of which it loses control of a subsidiary company.

Profit or loss and each component of other comprehensive income are attributed to the owners of the Company and to the non-controlling interests. Total comprehensive income of subsidiaries is attributed to the owners of the Company and to the non-controlling interests even if this results in the non-controlling interests having a deficit balance.

When necessary, adjustments are made to the financial statements of subsidiaries to bring their accounting policies into line with the Croup's accounting policies.

All intergroup assets and liabilities, equity, income, expenses and cash flows relating to transactions between members of the Group are eliminated in full on consolidation.

**Financial assets designated at fair value through statement of comprehensive income**

Financial assets are classified as at fair value through statement of income when either the financial asset is held for trading or it is designated as at fair value through statement of income. A financial asset is classified as held for trading if:

- It has been acquired principally for the purpose of selling it in the near term; or
- On initial recognition it is part of a portfolio of identified financial instruments that the Company manages together and has a recent actual pattern of short-term profit-taking; or
- It is a derivative that is not designated and effective as a hedging instrument.

A financial asset other than a financial asset held for trading may be designated as at fair value through statement of income upon initial recognition if:

- such designation eliminates or significantly reduces a measurement or recognition inconsistency that would otherwise arise; or
- the financial asset forms part of a group of financial assets or financial liabilities or both, which is managed and its performance is evaluated on a fair value basis, in accordance with the Company's documented risk management or investment strategy, and information about the grouping is provided internally on that basis; or
- It forms part of a contract containing one or more embedded derivatives, and IAS 39 *Financial Instruments: Recognition and Measurement* permits the entire combined contract (asset or liability) to be designated as at fair value through statement of income.

Financial assets at fair value through statement of income are stated at fair value, with any gains or losses arising on remeasurement recognised in profit or loss. The net gain or loss recognised in profit or loss incorporates any dividend or interest earned on the financial asset and is included in the 'other gains and losses' line item in the consolidated income statement.

**INJAZ FOR DEVELOPMENT AND PROJECTS  
(PUBLIC SHAREHOLDING COMPANY)**

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)  
FOR THE YEAR ENDED DECEMBER 31, 2017  
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**Financial assets designated at fair value through statement of other comprehensive income**

Specific financial assets at fair value through statement of other comprehensive income are non-derivative financial assets, the purpose of the acquisition is to keep them as available for sale until the date of maturity, not for trading.

Differences in the change in fair value of financial assets specified at fair value through other comprehensive income statement are recorded in other comprehensive income statement.

Financial assets specified at fair value through statement of other comprehensive income that is have a market prices stated at fair value after deducting any accumulated Impairment losses in its fair value.

Financial assets specified at fair value through statement of other comprehensive income that is do not have a market prices and cannot determine the fair value stated at cost and any Decline in its value recorded in other comprehensive income statement.

Profits and losses resulting from differences of foreign currency translation for the debt instruments are recorded within the financial assets specified at fair value through other comprehensive income statement in the statement of other comprehensive income, while differences from foreign currency translation for the debt instruments are recorded in the accumulated change in fair value in owners' equity.

**Cash and cash equivalents**

Cash and cash equivalents include cash, demand deposits, and highly liquid investments with original maturities of three months or less and which are not exposed to a significant risk of value change.

**Accounts receivable**

Accounts receivable are stated at the fair value of the consideration given and are carried at amortized cost after provision for doubtful debts.

**Accounts payable and accruals**

Accounts payable are recognized against the value of obligation for services or goods received, whether billed or not billed by the supplier.

**Revenue from construction contracts**

Where the outcome of a construction contract can be estimated reliably, revenue and costs are recognized reference to the stage of completion of the contract activity at the reporting date, as the proportion of contract costs incurred for work performed to date to the estimated total contract costs. Variations in contract work are recognized the extent that it is probable that they will result in revenue and such revenue can be reliably measured. Claims and incentive payments are included to the extent that it is probable that the customer will accept the claim and the amount can be measured reliably.

Changes in estimates used in the determination of the amount of revenue and expenses are recognized in the consolidated statements of profit and loss in the period in which the change is made.

Where the outcome of a construction contract cannot be estimated reliably, contract revenue is recognised to the extent of contract costs incurred that it is probable will be recoverable. Contract costs are recognised as expenses in the period in which these are incurred. When it is probable that total contract costs will exceed total contract revenue, the expected loss is recognised as an expense immediately.

**INJAZ FOR DEVELOPMENT AND PROJECTS**  
**(PUBLIC SHAREHOLDING COMPANY)**

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)**  
**FOR THE YEAR ENDED DECEMBER 31, 2017**  
**(EXPRESSED IN JORDANIAN DINAR)**

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**Expenses**

General and administrative expenses include direct and indirect costs not specifically part of cost of revenues as required under generally accepted accounting principles

**Goodwill**

International Accounting Standards Board issued International Financial Reporting Standard No.3 (Integration).

The recorded increase purchase cost over the fair value of invested as goodwill. When the recoverable amount of this goodwill less that the net book value, goodwill is reduced to the recoverable amount and the value of the declining are recorded in the consolidated income statement.

Resulting Goodwill on acquisition of subsidiary or joint control of an entity represents the purchase cost for the company's share in the net fair value of the assets, liabilities and contingent liabilities of the subsidiary identified and recognized as at the date of purchasing. First, goodwill recorded as an asset on the basis of cost, then measured later on the basis of cost less accumulated decline in value.

For the purpose of impairment testing, goodwill is allocated to each of the Group's cash-generating units expected to benefit from the synergies of the combination. Cash-generating units to which goodwill has been allocated are tested for impairment annually, or more frequently when there is an indication that the unit may be impaired. If the recoverable amount of the cash-generating unit is less than the carrying amount of the unit, the impairment loss is allocated first to reduce the carrying amount of any goodwill allocated to the unit and then to the other assets of the unit pro-rata on the basis of the carrying amount of each asset in the unit. Impairment loss recognised for goodwill is not reversed in a subsequent period.

On disposal of a subsidiary or a jointly controlled entity, the attributable amount of goodwill is included in the determination of the profit or loss on disposal.

**Inventories**

Inventories are stated at the lower of cost and net realizable value. Cost comprises direct materials, production and conversion costs, and other costs necessary to bring the inventory to the Group's location and condition. In the case of manufactured inventory and work in progress, cost includes an appropriate share of production overheads based on normal operating capacity. Cost is calculated using the weighted average method, Net realizable value represents the estimated selling price less all estimated costs of completion and costs necessary to make the sale.

When the net realizable value of the inventories is lower than the cost, they provides for an allowance for the decline in the value of the inventory and recognizes the write-down as an expense in profit or loss.

**The Decline in value of the financial assets**

In date of each statement of financial position, values of the financial assets have been reviewed, to determine if there indication to decline in its value

As for the financial assets such as trade accounts receivable and assets was evaluated as individual low-value, where evaluated for the decline in the value on a collective basis. The substantive evidence for decline in portfolio of the accounts receivable includes the past experience about the collection of payments. And the increase in the number of the late payments portfolio (which it's beyond the rate of borrowing) also it includes the significant changes in the international and local economic conditions that are related with non-collection of accounts payable.

The Reduce in the listed value of the financial assets is the amount of loss decline of value directly. And this is for all the financial assets except the trade accounts receivable as the listed value have been reduced by provisions accounts. When is one of the accounts receivables are non-collected then write off the amount of this debt and the equal amount from account of the provisions.

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The changes in the listed value for the provisions account are recognized in comprehensive income.

As for the ownership equity tools which are available for sale, decline losses are not closed in the recognized value in the profit and loss statement. However, any increase in the fair value becomes after decline loss has recognized directly in shareholder's equity statement.

**De-recognition**

The Company cancels the recognition of financial assets only when the contractual rights about receipt of cash flows from the financial assets had ended. Substantially all the risks and benefits of the ownership to another firm. In the case of the company doesn't transfer on retain substantially risks or benefits of the ownership and continue in control of the transferred assets, the company in this case recognize it's share retained in the transferred assets and the related liabilities in the limits of the amounts excepted to be paid. In the other case, when the company retained substantially all risks and benefits of owner ship of the transferred assets, the company will continue to recognize of the financial assets.

**The decline in value of the non-current assets**

The decline in value of the non-current assets in the date of each balance sheet the company review the listed values for its assets to specify if there is an indication to be decline losses of the value. If their indication to that, the recovery value of the asset will be appreciated to determine the loss of decline in the value if it be. In case, in ability to appreciate the recovery value of specific asset. The Company estimate the recovery value for unit producing of cash that related in the same asset. when there is ability to determine basis of distribution that is fixed and reasonable, the joint assets distribute to units producing of cash that related in the same asset. when there is ability to determine basic of distribution that is fixed and reasonable, the joint assets distribute to specific units producing of cash or it distribute to smallest group from units producing cash that it able to determine basic of distribution fixed and reasonable for it.

The Recovery value is the fair value of asset minus the cost of sale or used value whichever is higher.

In case, the recovery value (or the unit producing of cash) distribute lower than the listed value, reduce the listed value for asset (or unit producing of cash) to the recovery value. Losses of the decline recognize directly in the income statement except the asset that is reevaluation then record losses of the decline as reduction from re-evaluation provision

**Property and equipment**

Property and equipment are stated at cost less accumulated depreciation. Expenditures on maintenance and repairs are expensed. While expenditures for betterment are capitalized. Depreciation is provided over the estimated useful lives of the applicable assets using the straight-line method. The estimated rates of depreciation of the principal classes of assets are as follows:

	<u>Annual depreciation rate</u>
Buildings	2%
Finished Buildings	20%
Vehicles	10%
Machines and equipment	10-20%
Surveying equipment	10-20%
Stud system	20%
Electrical supplies	10-20%
Tools	10-20%
Woods	40%
Office Supplies	10%

Useful lives and the depreciation method are reviewed periodically to make sure that the method and amortization period appropriate with the expected economic benefits of property and equipment.

Impairment test is performed to the value of the property and equipment that appears in the consolidated Statement of Financial Position When any events or changes in circumstances shows that this value is non-recoverable.

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In case of any indication to the low value, impairment losses are calculated according to the policy of the low value of the assets

At the exclusion of any subsequent property and equipment recognize the value of gains or losses resulting. Which represents the difference between the net proceeds of exclusion and the value of the property and equipment that appears in the consolidated Statement of Financial Position. Gross Profit and loss.

**Provisions**

The provisions had been formed, when the company has a present obligation (legal or expected) from past events which its cost of repayment consider accepted and it has ability to estimate it reliably.

The provision had been measured according to the best expectations of the required alternative to meet the obligation as of the balance sheet date after considering the risks and not assured matters about the obligation. When the provision had been measured with the estimated cash flows to pay the present obligation, then the accounts receivable had been recognized as asset in case of receipt and replacement of the amount is certain and it able to measure the amount reliably.

**The use of estimation**

The preparation of financial statements and the application of accounting policies required of the Company's management to make estimates that affect the amounts of financial assets and liabilities and disclosure of contingent liabilities, these estimates also affect the revenues, expenses and provisions.

As well as changes in fair value that appears in the owners' equity

In particular, required of the company's management to issue important judgments to estimate the amounts of future cash flows and its times Mentioned that the estimates are shown necessarily on the assumptions and multiple factors have a varying degree of appreciation and uncertainty and that actual result may differ from estimates As a result of changes resulting about the conditions and circumstances of these estimates in the future

**Segment reporting**

A business segment is a group of assets and operation engaged in providing products or services that are subject to risks and returns that are different from those of other business segments, and segment is engaged in providing products or services within a particular economic environment

and Company include significant business sectors in the purchase, develop and trade of lands and real estate in addition to investing in securities and bonds, the company operates only in the Hashemite Kingdom of Jordan.

**Offsetting**

Financial assets and financial liabilities are offset, and the net amount is reflected in the statement of financial position only when there are legal rights to offset the recognized amounts, the Company intends to settle them on a net basis, or assets are realized and liabilities settled simultaneously.

**Income Tax**

The Company is subject to Income Tax Law, its subsequent amendments and the regulations issued by the Income Tax Department in the Hashemite Kingdom of Jordan and provided on accrual basis, Income Tax is computed based on adjusted net income, According to International Accounting Standard No. (12), the Company may have deferred taxable assets resulting from the differences between the accounting value and tax value of the assets and liabilities related to the provisions, these assets are not shown in the periodic financial statements since it's immaterial.

**Foreign currency transactions**

Foreign currency transactions translated into Jordanian Dinars at the rates of exchange prevailing at the time of the transactions. The operation occurs during the year are translated at weighted average rates at time of transaction. Gains and Losses from settlement and transaction of foreign currency transaction are included in the statement of comprehensive income.

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**4. PROPERTY AND EQUIPMENT**

	January 1	Additions	Disposals	December 31
<b>Cost:</b>				
Lands	5,428,766	413,469	-	5,842,235
Buildings	4,181,132	9,528	-	4,190,660
Finished Buildings	775,224	37,335	-	812,559
Vehicles	5,066,911	395,603	(75,498)	5,387,016
Machinery and equipment	20,713,170	1,715,652	(31,907)	22,396,915
Surveying Equipment	171,839	23,300	-	195,139
Stud system	5,207,364	291,666	-	5,499,030
Electrical Supplies	731,898	127,854	(960)	858,792
Tools	1,660,487	386,249	(1,897)	2,044,839
Woods	2,657,907	475,340	-	3,133,247
Office Supplies	263,353	35,481	(2,328)	296,506
<b>Total cost</b>	<b>46,858,051</b>	<b>3,911,477</b>	<b>(112,590)</b>	<b>50,656,938</b>
<b>Depreciation:</b>				
Buildings	549,507	85,027	-	634,534
Finished Buildings	546,464	75,776	-	622,240
Vehicles	1,986,559	454,463	(59,227)	2,381,795
Machinery and equipment	12,067,758	1,776,785	(31,905)	13,812,638
Surveying Equipment	124,876	16,885	-	141,761
Stud system	4,282,418	527,394	-	4,809,812
Electrical Supplies	337,331	119,112	(824)	455,619
Tools	779,908	327,934	(43)	1,107,799
Woods	1,905,467	638,275	-	2,543,742
Office Supplies	131,343	27,383	-	158,726
<b>Total depreciation</b>	<b>22,711,631</b>	<b>4,049,034</b>	<b>(91,999)</b>	<b>26,668,666</b>
<b>Net book value January 1</b>	<b>24,146,420</b>			
<b>Net book value December 31</b>				<b>23,988,272</b>

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**5. PROJECTS RETENTIONS**

	<u>2017</u>	<u>2016</u>
Total project retentions	15,542,979	11,959,997
Less: Short-term projects retentions	8,663,752	8,716,802
Long-term projects retentions	<u>6,879,227</u>	<u>3,243,195</u>

**6. CASH AND CASH EQUIVALENTS**

	<u>2017</u>	<u>2016</u>
Cash on hand	20,472	2,196
Cash at banks	6,077,301	7,161,972
	<u>6,097,773</u>	<u>7,164,168</u>

**7. ACCOUNTS RECEIVABLE AND CHECKS UNDER COLLECTION**

	<u>2017</u>	<u>2016</u>
Account receivables *	5,828,063	5,358,811
Checks under collection	-	14,525,000
Due from related parties (Note – 14)	37,199,784	30,321,271
	<u>43,027,847</u>	<u>50,205,082</u>

\* Account receivables are less than three months.

**8. PREPAID EXPENSES AND OTHER RECEIVABLES**

	<u>2017</u>	<u>2016</u>
Prepaid expenses	47,342	45,481
Purchases advance payment	1,134,581	2,931,987
Letter of credit	1,270,042	2,858,314
Refundable deposits	2,095,541	3,337,718
Due from Employee	24,383	12,283
Others	37,039	24,553
	<u>4,608,928</u>	<u>9,210,336</u>

**9. ACCOUNTS PAYABLE AND DEFERRED CHECKS**

	<u>2017</u>	<u>2016</u>
Accounts payable	21,960,491	19,875,855
Deferred checks	16,332,817	23,255,754
Due to related parties (Note-14)	20,596,422	10,188,193
	<u>58,889,730</u>	<u>53,319,802</u>

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**10. SHORT-TERM LOANS**

	2017	2016
Arab Bank	16,859,543	23,159,427
Bank of Jordan	-	6,229,517
Bank al Etihad	906,356	1,258,560
Jordan Kuwait Bank	7,572,095	7,734,808
Jordan Ahli Bank	4,160,054	2,096,364
	<u>29,498,048</u>	<u>40,478,676</u>

**Arab Bank**

The company obtained loans from Arab Bank with ceiling of 17,169,000 JD, interest rate 4% without commission and by guaranteeing waiver of project receivables .

And the company obtained loans from Arab Bank with ceiling of 36,000,000 JD, interest rate 8,5% without commission and by guaranteeing waiver of project receivables

**Bank of Jordan**

The company obtained loans from Bank of Jordan with ceiling of 10,400,000 JD, interest rate 8% without commission and by guaranteeing waiver of project receivables, During 2017, the entire loan balance was repaid .

**Bank al Etihad**

The company obtained loans from Bank al Etihad with ceiling of 5,500,000 JD, interest rate 9% without commission and by guaranteeing waiver of project receivables .

**Jordan Kuwait Bank**

The company obtained loans from Jordan Kuwait Bank with ceiling of 33,200,000 JD, interest rate 7,25% without commission and by guaranteeing waiver of project receivables .

**Jordan Ahli Bank**

The company obtained loans from Jordan Ahli Bank with ceiling of 6,000,000 JD, interest rate 7,625% without commission and by guaranteeing waiver of project receivables .

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**11. BANK OVERDRAFT**

	<u>2017</u>	<u>2016</u>
Arab Bank	9,053,624	6,229,958
Bank of Jordan	879,367	1,123,375
Bank al Etihad	1,114,872	886,854
Jordan Ahli Bank	422,978	1,028,885
Jordan Kuwait Bank	2,908,453	228,268
Housing Bank	1,424,257	45,265
	<u>15,803,551</u>	<u>9,542,605</u>

**Arab Bank**

The company obtained facilities from Arab Bank with ceiling of 6,000,000 JD, interest rate 8,5% without commission by shareholder guarantee .

**Bank of Jordan**

The company obtained facilities from Bank of Jordan with ceiling of 1,000,000 JD, interest rate 8,75% without commission by shareholder guarantee .

**Bank al Etihad**

The company obtained facilities from Bank al Etihad with ceiling of 1,000,000 JD, interest rate 9% without commission by shareholder guarantee .

**Jordan Ahli Bank**

The company obtained facilities from Jordan Ahli Bank with ceiling of 1,000,000 JD, interest rate 7,25% without commission by shareholder guarantee .

**Jordan Kuwait Bank**

The company obtained facilities from Jordan Kuwait Bank with ceiling of 1,000,000 JD, interest rate 7% without commission by shareholder guarantee .

**Housing Bank**

The company obtained facilities from Housing Bank with ceiling of 500,000 JD, interest rate 8,25% without commission by shareholder guarantee .

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**12. ACCRUED EXPENSES AND OTHER LIABILITIES**

	2017	2016
Accrued expenses	103,548	39,148
Accrued Salaries	4,487,407	2,793,227
Due to income and Sales tax	51,116	30,420
Income tax provision*	774,849	867,170
Due to Social securiy	954,902	422,180
Others	92,058	12,903
	<b>6,463,880</b>	<b>4,165,048</b>

\* the details of income tax provision as on December 31, are as follows :-

	2017	2016
Beginning balance	867,170	741,412
Paid during the year	(1,022,170)	(781,412)
Provision for the year	929,849	907,170
	<b>774,849</b>	<b>867,170</b>

The company ended its tax status with the Income and Sales Tax Department until 2016.

Arab Towers Contracting Company (a subsidiary) ended its tax status with the Income and Sales Tax Department until 2015 and for the year 2016 the self-assessment of the department was submitted. The company's accounting records were not reviewed until the date of the company's financial statements

**13. GOODWILL**

On January 1, 2012 the company purchased 25% of Arab Tower Contracting Company (Ltd) share capital based on equity method and the cost of aquire amounted of 13,500,000 Jordanian Dinar.

During 2014 the Company increased its share capital in Arab Tower Contracting Company (Ltd) by 23,75% turn out to be the total percentage of shares capital 48,75% and the cost of aquire the additional an amount of 11,500,000 Jordanian Dinar

During 2016 the Company increased its share capital in Arab Tower Contracting Company (Ltd) by 20% turn out to be the total percentage of shares capital 68,75% and the cost of aquire the additional an amount of 10,250,000 Jordanian Dinar. And as a result of that the financial statements were consolidated with Arab Tower Contracting Company (Ltd) .

**The total cost of acquisition as follows :-**

The cost of aquiring 25% of shares	13,500,000
The cost of aquiring 23,75% of shares	11,500,000
The cost of aquiring 20% of shares	10,250,000
<b>Total</b>	<b>35,250,000</b>
Add: Legal title transfer fees	211,705
The total cost of aquiring 68,75% of shares	<b>35,461,705</b>
Legal title transfer fees Amortization	(211,705)
<b>Net acquisition cost</b>	<b>35,250,000</b>

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The fair value of Assets and liabilities of Arab Tower Contracting Company (Subsidiary) as follows :-

<b>Assets</b>	<b>Fair value</b>	<b>Book value at acquisition</b>
Property and equipment	18,101,977	18,101,977
Inventories	5,958,223	5,958,223
Accounts receivable and checks under collection	50,377,233	50,377,233
projects retentions	8,347,160	8,347,160
Amount due from customers on construction contract	43,552,646	43,552,646
Financial assets designated at fair value through other comprehensive income	340,535	340,535
Prepaid expenses and other receivables	6,767,905	6,767,905
Cash and cash equivalents	9,205,895	9,205,895
<b>Total assets</b>	<b>142,651,574</b>	<b>142,651,574</b>
<b>Liabilities</b>		
Short-term loans	21,591,850	21,591,850
Banks overdraft	9,809,450	9,809,450
Payment received in advance from construction contract	28,100,587	28,100,587
Accounts payable and deferred checks	68,824,944	66,563,489
Accrued expenses and other liabilities	3,064,921	3,064,921
<b>Total liabilities</b>	<b>131,391,752</b>	<b>129,130,297</b>
<b>Net owned assets</b>	<b>11,259,822</b>	<b>13,521,277</b>
<b>Company share of Net owned assets after declaration (68,75%)</b>	<b>7,741,128</b>	
<b>Cash paid (Investment cost until acquisition date)</b>	<b>35,250,000</b>	
<b>Goodwill as a result of acquisition</b>	<b>27,508,872</b>	

**Annual test for impairment:**

During the financial year parent company has assessed the recoverable amount of the goodwill, and has been identified that there is no impairment in the value of the goodwill associated with the subsidiary, which is working with construction contracting.

The recoverable amount of cash generating unit (construction contracting) measured on the basis of value in use. Were calculating using the expected cash flows through the budgets and approved by the directors of the company which covers the next five years on the basis of a discount rate of 13,8% (2016:12%annually).

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**14. RELATED PARTIES TRANSACTIONS**

Transactions with related parties consist of transactions with companies that are jointly controlled by the Chairman of the Board of Directors and transactions with the Chairman of the Board of Directors and its associates. The policies and conditions relating to the transactions with related parties are approved by the Company's management. Transactions with related parties A relationship other than the owner company or the chairman of the board of directors are transactions of a commercial nature. Transactions with the owner company or the chairman of the board of directors of the owning company are of a financing nature

The significant transactions with all related companies and related amounts as of December 31, are as follows:

	<u>2017</u>	<u>2016</u>
Project Revenues	59,439,204	44,197,121
Project purchases	25,676,856	20,892,323

\*Revenues and purchases from related parties are as follows:

	<u>2017</u>	<u>2016</u>
Revenues	%26	%24
purchases	%17	%16

During the year , the company entered into transaction with the following related parties :

<u>NAME</u>	<u>RELATIONSHIP</u>
Manaseer Group for Industrial and Commercial Investments	Holding Company
Eng. Hisham EL Wadi	Partner of Subsidiary company
Jordan Modern for Information Technology Co.	Sister
Developed Crushes Co.	Sister
Jordan Modern for Oil and Fuel Services Co.	Sister
Jordan Modern for Cement and Mining Co.	Sister
Al Addeiat Al Sareeah for machinery trading Co.	Sister
Architectural Lines for Housing (Ltd)	Sister
Manaseer for Trade Services	Sister
Jordan Modern for Import and Export	Sister
Jordan Modern Ready Mix Concrete	Sister
AL-Bunyan For Cement And Concrete Products Manufacturing	Sister
Advanced Transportation and Shipping Services	Sister
Trust Industrial Concrete Co.	Sister
United Iron And Steel Manufacturing Co.	Sister
Vision For Maintenance and Spare Parts Co.	Sister

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**Due from related parties as at December 31 as follows:-**

	<b>2017</b>	<b>2016</b>
Manaseer Group for Industrial and commercial Investment	-	860,283
Jordan Modern for Information Technology Co.	<b>262,690</b>	89,860
Developed Crushes Co.	<b>877,492</b>	2,289,144
Jordan Modern for Oil and Fuel Services Co.	-	4,119,729
Jordan Modern for Cement & Mining Co.	<b>12,117,004</b>	3,960,660
Al Addeiat Al Sareeah for machinery trading Co.	<b>1,729,755</b>	1,746,655
Architectural Lines for Housing (Ltd)	<b>5,489,348</b>	640,530
United Iron And Steel Manufacturing Co	-	33,161
Manaseer for Trade Services	<b>16,674,817</b>	16,577,245
Jordan Modern for Import and Export	<b>4,004</b>	4,004
AL-Bunyan For Cement And Concrete Products Manufacturing	<b>44,674</b>	-
	<b>37,199,784</b>	<b>30,321,271</b>

**Due to related parties as at December 31 as follows:-**

	<b>2017</b>	<b>2016</b>
Eng. Hisham EL Wadi	<b>5,723,321</b>	8,854,821
Jordan Modern Ready Mix Concrete	<b>7,590,186</b>	382,334
AL-Bunyan For Cement And Concrete Products Manufacturing	-	38,659
Advanced Transportation and Shipping Services	<b>2,956,052</b>	78,946
Trust Industrial Concrete	<b>108,525</b>	831,648
Vision For Maintenance And Spare Parts	<b>1,854</b>	1,785
Manaseer Group for Industrial and commercial Investment	<b>832,748</b>	-
United Iron And Steel Manufacturing Co	<b>803,251</b>	-
Jordan Modern for Oil and Fuel Services Co.	<b>2,467,705</b>	-
Jordan Modern Company for Goods Clearance	<b>112,780</b>	-
	<b>20,596,422</b>	<b>10,188,193</b>

**15. ISSUANCE PREMIUM AND RESERVS**

**Issuance premium**

The amounts in this account represent those received and resulting from the difference between the issue price and the par value for as result of share capital increase during the year.

**Statutory reserve**

In accordance with the Companies' Law in the Hashemite Kingdome of Jordan and the Company's Article of Association, the Company has established a statutory reserve by the appropriation of 10% of net income until the reserve equals 25% of the capital. However, the Company may, with the approval of the General Assembly continue deducting this annual ratio until this reserve is equal to the subscribed capital of the Company in full. This reserve is not available for dividends distribution.

**Special reserve**

In accordance with the Companies' Law in the Hashemite Kingdome of Jordan and the Company's Article of Association, the Company can establish a special reserve by an appropriation no more than 20% of net income. This reserve is for the expansion of the Company's financial position and is available for dividend distribution till the approval of the Company's Board of Directors.

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**16- DISTRIBUTABLE PROFITS**

Under the instructions of the Securities Commission, the distributable profits are as follows

	<b>2017</b>	<b>2016</b>
Retained earnings	7,014,446	7,610,661
Downwards: Unrealized profits	-	-
Profits earned	7,014,446	7,610,661
Decreased: Negative fair value reserve	-	-
Distributable profit	<b>7,014,446</b>	<b>7,610,661</b>

**17 . COST OF REVENUES**

	<b>2017</b>	<b>2016</b>
Cost of construction projects revenue	216,301,624	170,543,410
Depreciation for the property and equipment	4,049,034	3,873,204
	<b>220,350,658</b>	<b>174,416,614</b>

**18. GENERAL AND ADMINISTRATIVE EXPENSES**

	<b>2017</b>	<b>2016</b>
Salaries ,wages and other benefits	2,005,932	1,576,224
Government fees and subscriptions	50,162	73,137
Vehicles expenses	46,260	58,495
Electricity ,water, telephone and internet	59,015	64,984
Stationary and printing	43,427	89,656
Travel and accommodation	86,968	79,819
Professional fees and consultancies	43,684	24,900
Rent	85,739	102,980
Transportation and donations	25,760	10,533
Bids expenses	8,275	7,000
Maintenance	12,447	21,180
Insurance	30,563	14,974
Cleaning	2,738	6,382
Increasing share capital fees	12,461	51,355
Other expenses	74,315	82,549
	<b>2,587,746</b>	<b>2,264,168</b>

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**19. NON-MONETARY ITEMS**

As a result of the increase of company's ownership in Arab Tower Contracting Company (Ltd), so that has become 68.75 %, the financial statements were consolidated with Arab Tower Contracting Company (Ltd) on the basis of January 1, 2016 balances which result the following non-monetary items :-

Goodwill	18,106,232
Property and equipment	18,101,977
Projects retentions	8,347,160
Financial assets designated at fair value through other comprehensive income	340,535
Investment in associates	(32,214,100)
Prepaid expenses and other receivables	6,767,905
Inventories	5,958,223
Amount due from customers on construction contract	43,552,646
Accounts receivable and checks under collection	50,377,233
Cash and cash equivalents on January, 1	9,205,895
Non-controlling interest	(5,770,659)
Accrued expenses and other liabilities	(3,064,921)
Payment received in advance from construction contract	(28,100,587)
Accounts payable and deferred checks	(60,206,239)
Short-term loans	(21,591,850)
Banks overdraft	(9,809,450)

**20. THE LEGAL STATUS OF THE COMPANY**

**Summary of cases filed against the Company and its subsidiary :**

The value of cases filed by third parties against the Company and its subsidiary (Arab Towers Contracting Company) amounted to JD 1,340,825

**Summary of Cases Submitted by the Subsidiary to Others:**

The value of the cases filed by the subsidiary (Arab Towers Contracting Co.) amounted to 40,600JD.

**21. FINANCIAL INSTRUMENTS**

**The Fair Value**

The fair value of financial assets and financial liabilities include financial assets; cash and cash equivalents, checks under collection, receivables, securities, and include financial liabilities; accounts payable, credit facilities, loans, credits and other financial liabilities.

**First level:** The market prices stated in active markets for the same financial instruments.

**Second Level:** Assessment methods depend on the input affect the fair value and can be observed directly or indirectly in the market.

**Third Level:** Valuation techniques based on inputs affect the fair value cannot be observed directly or indirectly in the market.

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<u>December 31, 2017</u>	<u>level one</u>	<u>Second Level</u>	<u>Third level</u>	<u>Total</u>
Financial assets designated at fair value through statement of comprehensive income	-	-	-	-
Financial assets designated at fair value through statement of other comprehensive income	234,221	-	-	234,221
	<u>234,221</u>	<u>-</u>	<u>-</u>	<u>234,221</u>
<u>December 31, 2016</u>	<u>level one</u>	<u>Second Level</u>	<u>Third level</u>	<u>Total</u>
Financial assets designated at fair value through statement of comprehensive income	-	-	-	-
Financial assets designated at fair value through statement of other comprehensive income	241,391	-	-	241,391
	<u>241,391</u>	<u>-</u>	<u>-</u>	<u>241,391</u>

The value set out in the third level reflect the cost of buying these assets rather than its fair value due to the lack of an active market for them, this is the opinion of Directors that the purchase cost is the most convenient way to measure the fair value of these assets and that there was no impairment.

**Management of share capital risks**

The Company manages its capital to make sure that the Company will continue when it takes the highest return by the best limit for debts and owners equity balances. The Company's strategy doesn't change from 2016.

Structuring of Company's capital includes debt which includes borrowing, and the owners' equity in the Company which includes share capital, statutory reserve, partners' current account and accumulated losses as it listed in the changes in owners' equity statement.

**The debt rate**

The board of directors is reviewing the share capital structure periodically, as a part of this reviewing, the board of directors consider the cost of share capital and the risks that is related in each faction from capital and debt factions. The Company capital structure includes debts from borrowing. The Company's doesn't determine the highest limit of the debt rate during 2018.

**The management of the financial risks**

The Company's activities might be exposing mainly to the followed financial risks:

**Management of the foreign currencies risks**

The company is not exposed to significant risks related to foreign currency price changes, so there is no need to effective management for this exposure.

**Interest rate risk**

The Company is exposed to interest rate risk on its interest bearing assets and liabilities (bank deposits, interest bearing loans and borrowings).

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The sensitivity of the statement of comprehensive income is the effect of the assumed changes in interest rates on the Company's profit for one year, and it is calculated based on the financial liabilities which carry variable interest rates at the end of the year.

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

<u>Currency</u>	<u>Interest rate increase</u>	<u>The impact on profit for the year</u>	
JD	(Percentage points)	<b>2017</b>	<b>2016</b>
	25	<b>- 113,254</b>	<b>- 125,053</b>
<u>Currency</u>	<u>Interest rate decrease</u>	<u>The impact on profit for the year</u>	
JD	(Percentage points)	<b>2017</b>	<b>2016</b>
	25	<b>+ 113,254</b>	<b>+ 125,053</b>

**Other price risk**

The Company exposes to price risks resulting from its investments in owners' equity to other companies. The Company keeps investments in other company's owner's equity for strategic purposes and not for trading purposes.

The Company has no trading activity in those investments.

**Credit risk management**

The credit risks represent in one part of the financial instruments contracts has not obligated to pay the contractual obligations and cause of that the Company is exposing financial losses, However, there are no any contracts with any other parts so the Company doesn't expose to different types of the credit risks, The significant credit exposed for any parts or group of parts that have a similar specification have been disclosed in note No.14. The Company classified the parts which have similar specifications as a related parties. Except the amounts which are related in the cash money. The credits risks that are resulting from the cash money are specific because the parts that are dealing with it are local banks have good reputations and have been controlled from control parties.

**Management of liquidity risks**

Board of directors is responsible for management of liquidity risks to manage the cash requirements, short, medium and long term liquidity. The Company managed the liquidity risks through controlling the future cash flow that evaluated permanently and correspond the due dates of assets and liabilities.

The following table represents the contractual eligibilities to non-derivative financial liabilities.

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The table has prepared on the non-deducted cash flows to the financial liabilities basis according to the early due dates that may require from the Company to pay or receive.  
The table below contains cash flows for major amounts and interests.

	<u>Year or less</u>	<u>More than one year</u>	<u>Total</u>
<b>2017</b>			
Tools without interest	<b>80,536,092</b>	-	<b>80,536,092</b>
Tools with interest	<b>45,301,599</b>	-	<b>45,301,599</b>
<b>Total</b>	<b>125,837,691</b>	-	<b>125,837,691</b>
<b>2016</b>			
Tools without interest	85,204,220	-	85,204,220
Tools with interest	50,021,281	-	50,021,281
<b>Total</b>	<b>135,225,501</b>	-	<b>135,225,501</b>

**Liquidity risk**

Are the risks of inability to pay the financial obligations that were settled by receiving cash or another financial assets.

Liquidity risk management by control on cash flows and comparing them with maturities of assets and financial liabilities.

**22. APPROVAL OF CONSOLIDATED FINANCIAL STATEMENTS**

The consolidated financial statements were approved by the Directors and authorized for issuance on March 19, 2018.