

SOCIAL SECURITY CORPORATION - SOCIAL SECURITY
INVESTMENT FUND
CONSOLIDATED FINANCIAL STATEMENTS
31 DECEMBER 2016

SOCIAL SECURITY CORPORATION - SOCIAL SECURITY INVESTMENT FUND
CONSOLIDATED STATEMENTS OF FINANCIAL POSITION
FOR THE YEAR ENDED 31 DECEMBER 2016

(In Thousands of Jordanian Dinars)

	Notes	2016	2015
Assets			
Cash and bank balances	3	120,188	17,207
Deposits at banks and financial institutions	4	822,713	993,873
Financial assets at fair value through revenues and expenses	5	133,926	125,874
Loans and granted debts, net	6	121,842	112,525
Financial asset at fair value through other comprehensive income	7	1,456,472	1,443,450
Investments in associates	8	448,016	509,094
Financial assets at amortized cost	9	4,184,238	3,412,255
Subscribers' contribution and rural files assets	10	173,969	169,997
Projects in progress	11	89,991	77,176
Inventory	12	33,083	28,147
Property and equipment, net	13	330,506	326,427
Investment properties	14	637,659	591,753
Investments in joint operations	15	2,001	1,431
Due from related parties	36	-	9,288
Intangible assets, net	16	69,861	72,937
Other assets	17	320,676	297,272
Total assets		8,945,141	8,188,706
Liabilities and Equity			
Liabilities			
Subscribers' contributions and rural files liabilities	10	173,969	169,997
Electricity service subscribers' deposits	18	54,575	48,813
Advance payments from electricity subscribers	19	18,676	18,030
Due to National Electric Power Company	20	190,244	173,211
Loans	21	65,213	68,695
Income tax provision	43	4,150	2,669
End of service indemnity provision	22	13,151	10,810
Due to banks	23	39,238	34,789
Other liabilities	24	112,475	112,447
Total liabilities		671,691	639,461
Equity			
Social Security Corporation equity:			
Social security corporation account		4,686,968	4,173,560
Social security corporation account – unemployment fund	27	236,114	184,951
Property and equipment revaluation reserve	25	31,812	31,812
Fair value reserve, net	26	335,371	447,026
Cumulative surplus of revenues over expenses		2,926,991	2,657,342
Total Social Security Corporation equity		8,217,256	7,494,691
Non-Controlling interests	28	56,194	54,554
Total Equity		8,273,450	7,549,245
Total liabilities and equity		8,945,141	8,188,706

This attached note from 1 to 46 represent part of these Consolidated financial statements

SOCIAL SECURITY CORPORATION - SOCIAL SECURITY INVESTMENT FUND
CONSOLIDATED STATEMENTS OF REVENUES AND EXPENSES
FOR THE YEAR ENDED 31 DECEMBER 2016

(In Thousands of Jordanian Dinars)

	Notes	2016	2015
Revenues -			
Hotels sector		34,036	33,201
Press and publication sector		16,379	17,067
Energy sector		548,607	531,018
Commercial sector		61,070	54,777
Other sectors		1,803	2,004
Total revenues		661,895	638,067
Cost of revenues		(532,805)	(534,602)
Net operating revenues	29	129,090	103,465
Interest income	30	219,578	212,634
Gain of financial assets at fair value through revenues	31	3,276	232
and expenses			
Group's share of associates' profit	8	21,244	17,562
Gain on investment properties, net	32	21,719	2,797
Dividends income		55,763	42,419
Impairment losses of investments in associates	34	(53,936)	-
Other revenues		23,198	18,376
Net revenues		419,932	397,485
General and Administrative expenses	33	(84,072)	(73,323)
Energy and maintenance expenses		(7,944)	(8,737)
Selling and distribution expenses		(6,641)	(6,443)
Depreciation of property and equipment	13	(30,889)	(30,569)
Amortization of intangible assets	16	(3,111)	(3,462)
Provision for doubtful debts	17	(1,151)	(811)
Provision for slow moving inventory	12	(551)	(587)
Pre-opening expenses for Crown Plaza Resort-Dead Sea		(587)	(2,162)
and other expenses			
Total expenses		(134,946)	(126,094)
Surplus of revenues over expenses for the year before		284,986	271,391
income tax			
Income tax expense	43	(4,629)	(2,399)
Surplus of revenues over expenses for the year		280,357	268,992
Attributable to:			
Social Security Investment Fund		267,644	263,066
Non-Controlling interests		12,713	5,926
		280,357	268,992

This attached note from 1 to 46 represent part of these Consolidated financial statements

SOCIAL SECURITY CORPORATION - SOCIAL SECURITY INVESTMENT FUND
CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME
FOR THE YEAR ENDED 31 DECEMBER 2016

(In Thousands of Jordanian Dinars)

	Note	2016	2015
Surplus of revenues over expenses for the year		280,357	268,992
Add: other comprehensive income not to be reclassified to revenues and expenses in subsequent periods			
Net change in fair value reserve	26	(111,655)	15,126
Total comprehensive income for the year		<u>168,702</u>	<u>284,118</u>
Attributable to:			
Social Security Investment Fund		155,989	278,192
Non-Controlling interests		12,713	5,926
		<u>168,702</u>	<u>284,118</u>

Consolidated Statements of Changes in Equity

	Social Security Corporation account	Social Security Corporation account – unemployment fund	Property and equipment revaluation reserve	Fair value reserve, net	Cumulative surplus of revenues over expenses	Total Social Security Corporation equity	Non-controlling interests	Total
2016:								
Balance at 1 January 2016	4,173,560	184,951	31,812	447,026	2,657,342	7,494,691	54,554	7,549,245
Total comprehensive income for the year	-	-	-	(100,935)	267,644	166,709	12,713	179,422
Transfers during the year, net	513,408	42,448	-	-	-	555,856	-	555,856
Transfer from/ to unemployment fund, net	-	8,715	-	-	(8,715)	-	-	-
Realized gains on sale of financial assets at fair value through other comprehensive income	-	-	-	(10,720)	10,720	-	-	-
Net change in non-controlling interests	-	-	-	-	-	-	(11,073)	(11,073)
Balance at 31 December 2016	<u>4,686,968</u>	<u>236,114</u>	<u>31,812</u>	<u>335,371</u>	<u>2,926,991</u>	<u>8,217,256</u>	<u>56,194</u>	<u>8,273,450</u>
2015:								
Balance at 1 January 2015	3,738,799	135,625	31,812	431,900	2,406,000	6,744,136	51,735	6,795,871
Prior years adjustments	-	-	-	-	(1,811)	(1,811)	(258)	(2,069)
Non – controlling interests contribution (Note 44)	-	-	-	-	(3,000)	(3,000)	3,000	-
Adjusted balance at 1 January 2015	3,738,799	135,625	31,812	431,900	2,401,189	6,739,325	54,477	6,793,802
Total comprehensive income for the year	-	-	-	15,126	263,066	278,192	5,926	284,118
Transfers during the year	434,761	42,413	-	-	-	477,174	-	477,174
Transfer to (from) unemployment fund, net	-	6,913	-	-	(6,913)	-	-	-
Adjustments to prior year differences	-	-	-	-	-	-	(2,262)	(2,262)
Net change in non-controlling interests	-	-	-	-	-	-	(3,587)	(3,587)
Balance at 31 December 2015	<u>4,173,560</u>	<u>184,951</u>	<u>31,812</u>	<u>447,026</u>	<u>2,657,342</u>	<u>7,494,691</u>	<u>54,554</u>	<u>7,549,245</u>

SOCIAL SECURITY CORPORATION - SOCIAL SECURITY INVESTMENT FUND
CONSOLIDATED STATEMENTS OF CASH FLOWS
AS OF 31 DECEMBER 2016

(In Thousands of Jordanian Dinars)

	Notes	2016	2015
Operating activities			
Surplus of revenues over expenses for the year before income tax		284,986	271,391
Adjustments for:			
Depreciation of property and equipment	13	30,889	30,569
Amortization of intangible assets	16	3,111	3,462
End of service indemnity provision	22	3,206	1,747
Share of associates' profit	8	(21,244)	(17,562)
Impairment losses of investments in associates	34	53,936	-
Provision for doubtful rents		177	303
Gains from revaluation of financial assets at fair value through revenues and expenses	31	(3,256)	(202)
Realized gain on sale of financial assets at fair value through revenues and expenses	31	(41)	(60)
Provision for slow moving inventory	12	551	587
Provision for doubtful accounts	17	1,151	811
Gains from changes in fair value of investments properties	14,32	(20,627)	(1,824)
Gain on disposal of property and equipment		(274)	(200)
Contribution to non - controlling interests		-	(3,000)
Gain on sales of subsidiaries		-	(10)
Working capital changes:			
Deposits at Banks and financial institutions with maturity of more than 3 months		189,204	(101,962)
Financial assets at fair value through revenues and expenses		(4,755)	(8,419)
Inventory		(5,487)	4,282
Other assets		(24,732)	(41,876)
Related parties , net		9,288	(3,515)
Electricity service subscribers' deposits		5,762	4,782
Advance payments form electricity subscribers		646	485
Due to National Electric Power Company		17,033	31,636
Other liabilities		28	8,331
Net cash flows from operating activities before income tax and end of service indemnity fund paid		519,552	179,756
Income tax paid	43	(3,148)	(2,568)
Paid end of service indemnity	22	(865)	(1,479)
Net cash flows from operating activities		515,539	175,709
Investing activities			
Financial assets at fair value through other comprehensive income		(113,957)	27,888
Financial assets at amortized cost		(771,983)	(416,597)
Investment in associates		15,520	(35,597)
Dividends from associates		12,866	19,773
Investment properties	14	(25,279)	(127,413)
Property & equipment and projects in progress, net		(49,742)	(48,942)
Loans and granted debts		(9,317)	26,527
Intangible assets	16	(35)	(43)
Proceeds from sale of property and equipment		2,233	3,049
Investments in joint operations		(570)	-
Net cash flows used in investing activities		(940,264)	(551,355)
Financing activities			
Net of amounts transferred from social security corporation		555,856	479,414
Loans		(3,482)	27,587
Due to banks		4,449	16,719
Change in non-controlling interests		(11,073)	(239)
Prior year adjustments		-	(4,535)
Adjustments on prior years difference		-	(2,262)
Net cash flows from financing activities		545,750	516,684
Net increase in cash and cash equivalents		121,025	141,038
Cash and cash equivalents at 1 January		598,722	457,684
Cash and cash equivalents at 31 December	35	719,747	598,722

This attached note from 1 to 46 represent part of these Consolidated financial statements

(In Thousands of Jordanian Dinars)

(1) General

Social Security Investment Fund was established in accordance with Social Security Fund's Investment Law No. (111) for the year 2001 and in conjunction with article (76) of the Social Security Law No. (19) for the year 2001. The date 1 January 2003 was considered the date for commencing the Fund's activities, and in accordance with the Social Security Corporation's Board of Directors Decision No. 1/2003 dated 2 January 2003, the balances of investment accounts and their other related accounts were transferred from the Social Security Corporation records to the records of the Social Security Investment Fund.

In accordance with Social Security temporary law No. (7) For the year 2010 the name of the investment fund was modified to become "Social Security Investment Fund" "The Fund". The fund's registered address is Mecca St., P.O.Box 85033, Amman 11185, The Hashemite Kingdom of Jordan.

The Fund's main activity is to manage the investments of Social Security Corporation in a manner that ensures the development of its financial resources, and in order to achieve the Social Security Corporation's objectives, the Fund undertakes the following tasks:

- Establishing projects in cooperation with the public and private sectors on Corporation investments.
- Under writing purchasing and selling of bonds, bills and other securities.
- Investing in cash deposits with the banking system with appropriate returns.
- Contributing in mutual funds.
- Contributing in the financing of national projects of economic feasibility by providing long-term loans and against appropriate guarantees.
- Purchase, sale and development of properties for the purpose of acquisition, participation, investment or trading.
- Carry out any investment activities approved by the Investment Board and approved by the Board of Directors of the Social Security Corporation.
- Conducting economic feasibility studies for the projects it intends to invest in, and in this field, to use the role of experts and specialists.
- Follow-up on the performance of the institutions in which the corporation contributes, and report on the performance of these companies, along with recommendations to the Board of Investment.

The consolidated financial statements of the Social Security Investment Fund for the year 2016 have been approved by the Board of Investment on its meeting held on 11 July 2017.

(2) Accounting policies

(2-1) Basis Of Preparation

The consolidated financial statements are prepared in accordance with the International Financial Reporting Standards (IFRS).

The consolidated financial statements have been prepared in accordance with historical cost convention, except for the financial assets at fair value through revenues and expenses, financial assets at fair value through other comprehensive income and investment properties which have been measured at fair value at the date of these consolidated financial statements.

The consolidated financial statements have been presented in Jordanian Dinars "JD" which is the functional currency of the Group.

(In Thousands of Jordanian Dinars)

(2-2) Basis of consolidation

The consolidated financial statements comprise the financial statements of the Social Security Investment Fund and the financial statements of its subsidiaries "the Group" as of 31 December 2016.

Following are the subsidiaries that have been included in the consolidated financial statements:

	Paid in capital	Sector	Percentage of Ownership	
			%	%
			2015	2016
Jordan Press Foundation PLC/Al-Rai	10,000,000	Press and publication	55	55
Jordan Duty Free PLC	7,500,000	Trading	56.5	56.5
Al-Daman for Investment PLC	10,000,000	Investments and leasing	61.4	61.4
Rama for Investments and saving LLC	3,310,000	Investments	100	100
National Company for Touristic Development LLC	2,050,000	Tourism	100	100
United Travelling Center LLC	4,600,000	Leasing	100	100
Daman for Zone Development private shareholding company*	40,000,000	Leasing	100	100
Daman for Energy Investments private shareholding company**	20,000,000	Energy distribution	100	100
Jordan Daman Company for International operations***	100,000	Investment	100	100

* The financial statements of Daman for Zone Development Private Shareholding Company include the following subsidiaries:

	Percentage of Ownership	Country of Incorporation
Al-Mafraq Development Company	80%	Jordan
North Development Company	100%	Jordan

** The financial statements of Daman for Energy Investments Private Shareholding Company include the following subsidiary:

	Percentage of Ownership	Country of Incorporation
Kingdom Electricity Energy Investments Private Shareholding Company	70%	Jordan

*** The financial statements of Jordan Daman Company for International Operations include the following subsidiary:

	Percentage of Ownership	Country of Incorporation
Jordan Daman Company for International Operations	100%	Jordan

(In Thousands of Jordanian Dinars)

Following are the hotels and resorts that have been included in the consolidated financial statements and are fully owned by the Fund:

Crowne Plaza Hotel - Amman

Crowne Plaza Hotel Petra and its Rest House

Intercontinental Hotel - Aqaba

Amman Cham Palace Hotel – Amman

Holiday Inn Hotel – Dead Sea

Crowne Plaza Resort – Dead Sea

(2-2) Basis of consolidation (continued)

The financial statements of the Fund and its subsidiaries are prepared using the same accounting period as the Funds and using the same accounting policies, except for the following:

- 1- Land owned by National Company for Touristic Development (fully owned) is stated at cost and presented as part of property and equipment. However, according to the accounting policies of the fund it is classified as part of investment properties at fair value and proper reconciliations are prepared in the Fund's consolidated financial statements.
- 2- Investment properties for AI - Daman for Investments are presented at cost. However, it is presented at fair value in the consolidated financial statements and proper reconciliations are prepared in the Fund's consolidated statements.

Control is achieved when the Group is exposed, or has the rights, to variable returns from its involvement with the subsidiaries, and has the ability to affect those returns through its power over the investee. Control over the investee is exercised when the following factors exist:

- Power over the investee (i.e., existing rights that give it the current ability to direct the relevant activities of the investee).
- Exposure, or rights, to variable returns from its involvement with the investee.
- The ability to use its power over the investee to affect its returns.

When the Group owns less than a majority of the voting rights in an investee, in this case, the Corporation considers all factors and circumstances to determine whether it has control over the investee, which include the following:

- Contractual agreements with shareholders that have voting rights in the investee
- Rights resulting from other contractual arrangements
- The Group's voting rights and potential voting rights

The Group re-assesses 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. Consolidation of a subsidiary begins when the Group obtains control over the subsidiary and ceases when the Group loses control of the subsidiary. Assets, liabilities, income and expenses of a subsidiary acquired or disposed of during the year are included in the consolidated financial statements from the date the Group obtain control until the date the Group ceases to control the subsidiary.

Profit or loss and each component of OCI are attributed to the equity holders of the parent of the Group 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 Group's accounting policies. All intra-group assets and liabilities, equity, income, expenses and cash flows relating to transactions between members of the Group are eliminated in full.

(In Thousands of Jordanian Dinars)

A change in the ownership interest of a subsidiary, without a loss of control, is accounted for as an equity transaction. If the Group loses control over a subsidiary, it :

- Derecognises the assets (including goodwill) and liabilities of subsidiary.
- Derecognises the carrying amount of any non-controlling interest.
- Derecognises the cumulative translation differences recorded in equity.
- Recognises the fair value of the consideration received.
- Recognises the fair value of any investment retained by subsidiary.
- Recognises any gains or losses as a result of losing control.
- Reclassifies the Group's share of components previously recognised in OCI to profit or loss.

(2-2) Basis of consolidation (continued)

A change in the ownership interest of a subsidiary, without a loss of control, is accounted for as an equity transaction. If the Group loses control over a subsidiary, it derecognises the related assets (including goodwill), liabilities, non-controlling interest and other components of equity, while any resultant gain or loss is recognised in profit or loss. Any investment retained is recognised at fair value.

(2-3) Changes in accounting policies

The accounting policies used in the preparation of the consolidated financial statements are consistent with those used in the preparation of the annual financial statements for the year ended 31 December 2015, except that the Group had implemented the following amendments starting 1 January 2016:

Equity Method in Separate Financial Statements (Amendments to IAS 27 and IFRS 1)

In August 2014, the IASB amended IAS 27 Separate Financial Statements which restore the option for entities, in the separate financial statements, to account for investments in subsidiaries, associates and joint ventures using the equity method as described in IAS 28 Investments in Associates and Joint Ventures. A consequential amendment was also made to IFRS 1 First-time Adoption of International Financial Reporting Standards. The amendment to IFRS 1 allows a first-time adopter accounting for investments in the separate financial statements using the equity method, to apply the IFRS 1 exemption for past business combinations to the acquisition of the investment.

IAS 1 Presentation of Financial Statements – Amendments to IAS 1

The amendments to IAS 1 include narrow-focus improvements related to :

- Materiality
- Disaggregation and subtotals
- Notes structure
- Disclosure of accounting policies
- Presentation of items of other comprehensive income (OCI) arising from equity accounted investments

Investment entities (Amendments to IFRS 10 and IAS 28)

The amendments address the issues arising in practice in the application of the investment entities consolidation exception and clarify that:

- The exemption from presenting consolidated financial statements applies to a parent entity that is a subsidiary of an investment entity, when the investment entity measures all of its subsidiaries at fair value.
- Subsidiary that is not an investment entity itself and provides support services to the investment entity is consolidated.

(In Thousands of Jordanian Dinars)

All other subsidiaries of an investment entity are measured at fair value.

- Application of the equity method by a non-investment entity that has an interest in an associate or joint venture that is an investment entity: The amendments to IAS 28 Investments in Associates and Joint Ventures allow the investor, when applying the equity method, to retain the fair value measurement applied by the investment entity associate or joint venture to its interests in subsidiaries.

(2-3) Changes in accounting policies (continued)

Amendments to IAS 16 and IAS 38: Clarification of Acceptable Methods of Depreciation and Amortization

The amendments clarify the principle in IAS 16 and IAS 38 that revenue reflects a pattern of economic benefits that are generated from operating a business (of which the asset is part) rather than the economic benefits that are consumed through use of the asset. As a result, a revenue-based method cannot be used to depreciate property, plant and equipment and may only be used in very limited circumstances to amortize intangible assets.

Amendments to IFRS 11 Joint Arrangements: Accounting for Acquisitions of Interests

The amendments to IFRS 11 require that a joint operator accounting for the acquisition of an interest in a joint operation, in which the activity of the joint operation constitutes a business, must apply the relevant IFRS 3 principles for business combinations accounting. The amendments also clarify that a previously held interest in a joint operation is not remeasured on the acquisition of an additional interest in the same joint operation while joint control is retained. In addition, a scope exclusion has been added to IFRS 11 to specify that the amendments do not apply when the parties sharing joint control, including the reporting entity, are under common control of the same ultimate controlling party.

The amendments apply to both the acquisition of the initial interest in a joint operation and the acquisition of any additional interests in the same joint operation.

The implementation of the new amendments did not have impact on the Company's financial position or performance and became effective for annual periods which started from 1 January 2016.

(2-4) Summary of Significant Accounting Policies

Financial assets at amortized cost

Financial assets that the Group's management aims, according to its business model to hold the assets to collect their contractual cash flows and that the contractual terms of the financial asset give rise, on specified dates, to cash flows constituting solely principal and interest on the outstanding principal amounts.

Debt instruments meeting these criteria are initially measured at amortized cost plus transaction costs. Subsequently they are amortized using the effective interest rate method less allowance for impairment. The losses arising from impairment are recognized in the consolidated statement of revenues and expenses.

The amount of the impairment consists of the difference between the book value and present value of the expected future cash flows discounted at the original effective interest rate.

No assets may be reclassified from/to this item except in the cases specified in IFRS and, (if any such asset is sold before its maturity date, the result of the sale is recognized in the consolidated statement of revenues and expenses in a separate line and disclosed in accordance with the requirements of International Financial Reporting Standards in particular).

(2-4) Summary of Significant Accounting Policies (continued)

Financial assets at fair value through revenues and expenses

These assets represent investments in the Companies' shares for trading purposes and are intended to generate profits from fluctuations in short-term market prices or trading profit margins.

(In Thousands of Jordanian Dinars)

Financial assets at fair value through revenues and expenses are initially measured at cost, subsequently, these assets are revalued at fair value. Gains or losses arising on subsequent measurement of these financial assets including the change in fair value arising from non-monetary assets in foreign currencies are recognized in the consolidated statement of revenues and expenses. When these assets or portion of these assets are sold, the gain or loss arising is recorded in the consolidated statement of revenues and expenses.

Dividend and interest income are recorded in the consolidated statement of revenues and expenses.

Financial assets at fair value through other comprehensive income

These assets represent investments in equity instruments for the purpose of retention over the long-term.

These financial instruments are initially measured at their fair value plus transaction costs. Subsequently, they are measured at fair value. Gains or losses arising on subsequent measurement of these equity investments including the change in fair value arising from non-monetary assets in foreign currencies are recognized in the consolidated statement of comprehensive income. In case of sale of such asset or part of it, the gain or loss is recorded at the consolidated statement of comprehensive income and in the statement of changes in equity and the valuation reserve balance for sold assets will be transferred directly to retained earnings and not through the consolidated statement of profit or loss.

It is not permitted to reclassify assets to/from this item except in certain circumstances determined in IFRS.

These financial assets are not subject to impairment testing.

Dividend income is recognized in the consolidated statement of revenues and expenses.

Loans and granted debts

Provision for impairment of direct loans and granted debts is recognized when there is an objective event that has a negative impact on the estimated future cash flows of the facilities and that can be reliably estimated. The impairment is charged to the consolidated statement of revenues and expenses.

Interest and commissions on the non-performing and doubtful granted loans and debts are suspended.

Loans and the related provision for impairment are written off when collection procedures become ineffective according to the applicable regulations through deduction from the booked provision. The excess in the allowance of possible loan losses, if any, is transferred to consolidated statement of revenues and expenses, and cash recoveries of loans previously written off are credited to income.

(2-4) Summary of Significant Accounting Policies (continued)

Fair value

The Group evaluates its financial instruments such as financial assets at fair value through other comprehensive income at the date of the consolidated financial statements as disclosed in (Note 37).

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date.

The fair value measurement is based on the presumption that the transaction to sell the asset or transfer the liability takes place in the principal market for the asset or liability. In the absence of a principal market, most advantageous market for the asset or liability is used. The principal or the most advantageous market must be accessible by the Group.

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

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

(In Thousands of Jordanian Dinars)

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

The Group uses the following valuation methods and alternatives in measuring and recording the fair value of financial instruments:

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

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

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

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

(2-4) Summary of Significant Accounting Policies (continued)

Impairment of financial assets

The Group assesses, at each reporting date, whether there is an indication that an asset may be impaired. If any indication exists or when annual impairment testing for an asset is required, the Group estimates the asset's recoverable amount. An asset's recoverable amount is the higher of an asset's or CGU's fair value less costs of disposal and its value in use. The recoverable amount is determined for an individual asset, unless the asset does not generate cash inflows that are largely independent of those from other assets or groups of assets.

When the carrying amount of an asset or CGU exceeds its recoverable amount, the asset is considered impaired and is written down to its recoverable amount.

In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. In determining fair value less costs of disposal, recent market transactions are taken into account. If no such transactions can be identified, an appropriate valuation model is used. Impairment loss is recognised in the consolidated statement of revenues and expenses.

An assessment is made at each reporting date to determine whether there is an indication that previously recognised impairment losses no longer exist or have decreased. If such indication exists, the Group estimates the asset's or CGU's recoverable amount. A previously recognised impairment loss is reversed only if there has been a change in the assumptions used to determine the asset's recoverable amount since the last impairment loss was recognised. Such reversal is recognised in the consolidated statement of revenues and expenses.

Impairment testing procedures:

- Goodwill: goodwill is tested for impairment annually at least, or when circumstances indicate that the carrying value may be impaired. The impairment losses for goodwill cannot be recovered.
- Intangible assets with indefinite useful life: indefinite useful life intangible assets are tested for impairment annually at least, or when circumstances indicate that the carrying value may be impaired.

(In Thousands of Jordanian Dinars)

(2-4) Summary of Significant Accounting Policies (continued)

Property and equipment

Property and equipment are measured at cost less accumulated depreciation and accumulated impairment in value. Depreciation is calculated using the straight-line method, (except for lands), to write down the cost of property and equipment to their residual values over their estimated useful lives, when the assets become ready to use. Depreciation rates used are as follows

	%
Buildings	2-10
Furniture and fixtures	9-25
Machinery and equipment	3-20
Vehicles	15-20
Additions and improvements	15
Computers	20-25
Electromechanical equipment	15
Sanitary extensions	15
Others	10-20

When the recoverable value of property and equipment is less than their carrying amount, assets are written down to its recoverable amount and impairment losses are recognised in the consolidated statement of revenues and expenses.

Useful lives of property and equipment are reviewed at the end of each year. If the expectations of useful lives are different from the previous estimates, the change is accounted for as changes in estimate in future periods.

Goodwill

Goodwill is initially measured at cost which represent the excess of the cost of acquisition or purchase of investment in an associate or subsidiary company over the Group's share in the net fair value of the identifiable assets at the date of acquisition. Goodwill arising from the investment in subsidiaries is separately presented within intangible assets, while goodwill arising from the investment in associates is recognised within investment in associates and subsequently adjusted for any impairment losses.

Goodwill is allocated to each of the Group's cash-generating units, or groups of cash generating units for the purpose of impairment testing.

Goodwill is reviewed for impairment at the date of the consolidated of the financial statements, if events or conditions indicate that the estimated recoverable amount of a cash-generating unit or group of cash-generating units is less than their carrying amount, impairment losses are recognised in the consolidated statement of revenues and expenses.

(2-4) Summary of Significant Accounting Policies (continued)

Intangible assets are classified based on the assessment of their useful life to definite and indefinite. Intangible assets with definite lives are amortized over the useful economic life, while intangible assets with indefinite useful lives are assessed for impairment at each reporting date and impairment loss is recognized in the consolidated statement of revenues and expenses.

Internally generated intangible assets are not capitalized and are expensed in the consolidated statement of revenues and expenses.

(In Thousands of Jordanian Dinars)

Indications of impairment of intangible assets are reviewed and their useful economic lives are reassessed at each reporting date. Adjustments are reflected in the subsequent periods.

Investment properties

Investment properties are stated at cost including the acquisition costs and is measured subsequently at fair value which primarily reflects the conditions and market prices as of the date of the consolidated financial statements.

Gains and losses resulting from changes in the fair value of investment properties are recognised in the consolidated statement of revenues and expenses.

Investment properties are valued using assumptions that reflects the market prices using the average valuation amounts for five real estate experts after excluding the highest and lowest valuations.

End of service indemnity provision

Provision for end of service indemnity is calculated for the period of service accrued on the basis of the last salary and allowances paid by the employee multiplied by the accumulated service period less periodic contributions paid by the Company to the Social Security corporation for the period of service up to the date of the consolidated financial statements.

Revenue and expense recognition

Revenues and expenses are recognized on an accrual basis, except for interest and commissions of non-performing loans which are not recognized as revenue and are recorded as interest in suspense account.

Interest income is computed based on an accrual basis, accrued time periods, the original amounts and the interest rates.

(2-4) Summary of Significant Accounting Policies (continued)

Revenue and expense recognition (Continued)

Dividend income is recognised when it is realized (declared and approved by the Shareholders' General Assembly).

Newspapers and magazines revenues are recognised when the sale process is completed by the distribution agents and invoices are issued to the agents.

Advertisement revenues are recognised when posted and the invoices are issued to the customer.

Printing revenues are recognised upon the delivery of publications and the issuance of invoices to the customer.

Hotels and rest houses revenues are recognised as follows:

Rooms revenues are recognised on an accrual basis.

Food and beverage and other departments revenues are recognised when the services is rendered.

Energy revenues are recognized when consumed by the customer and the invoice is issued.

Sales

Sales revenue is measured at fair value of the consideration received or receivable, excluding sales tax, when all of the following conditions are satisfied:

- The Group has transferred to the buyer all significant risks and rewards of ownership of the goods;
- The Group does not retain either continuing managerial involvement to the degree usually associated with ownership or effective control over the goods sold;
- The amount of revenue can be reliably measured;
- It is probable that the economic benefits associated with the transaction will flow to the Group; and

(In Thousands of Jordanian Dinars)

- The costs incurred or to be incurred in respect of the transaction can be measured reliably.

Recognition of financial assets

Purchases and sales of financial assets are recognised at the trade date (the date that the Group commits to purchase or sell the asset).

(2-4) Summary of Significant Accounting Policies (continued)

Derivative financial instruments

Trading financial derivatives are stated at fair value (such as future interest rates, swaps agreements and foreign currency option contracts) in the consolidated statement of financial position within other assets or other liabilities, fair value is measured according to the prevailing market prices, the change in their fair value is recognised in the consolidated statement of revenues and expenses.

Repurchase and resale agreements

Assets sold with a corresponding commitment to repurchase them at a future date continue to be recognised in the consolidated financial statements as a result of the Group's continuous control over these assets and as the related risks and benefits are transferred to the Group upon occurrence. They also continue to be measured in accordance with the adopted accounting policies. Amounts received against these contracts are recorded within liabilities under borrowed funds. The difference between the sale price and the purchase price is recognised as an interest expense amortized over the contract period using the effective interest rate.

Purchased assets with corresponding commitment to sell at a specific future date are not recognised in the consolidated financial statements because the Group has no control over such assets and the related risks and benefits are not transferred to the Group upon occurrence. Payments related to these contracts are recorded under deposits at banks and other financial institutions or loans and granted debts in accordance with the nature of each case. The difference between the purchase price and resale price is recorded as interest revenue amortized over the life of the contract using the effective interest rate method.

Investments in associates

An associate is an entity over which the Group has significant influence. Significant influence is the power to participate in the financial and operating policy decisions of the investee. The Group's investments in associates are accounted for using equity method.

Under equity method, investment in an associate is initially recognised at cost. The carrying amount of the investment is adjusted to recognise changes in the Group's share of net assets of the associate since the acquisition date. Goodwill relating to the associate is included in the carrying amount of the investment and is not tested for impairment individually.

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

(2-4) Summary of Significant Accounting Policies (continued)

Inventory

Inventory is valued at the lower at cost or net realizable value. Net realizable value is the estimated selling price in the ordinary course of business, less estimated costs of completion and the estimated costs necessary to make the sale.

Income tax

- Income tax expense represents accrued tax and deferred tax.

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- Income tax expenses are accounted for on the basis of taxable income. Taxable income differs from income declared in the consolidated financial statements as the declared income includes non-taxable revenue or not deductible expenses in the current year, but deductible in subsequent years, accumulated losses acceptable by the tax authorities, and items not accepted for tax purposes or subject to tax.
- Taxes are calculated on the basis of the tax rates prescribed according to the prevailing laws, regulations and instructions of the Hashemite kingdom of Jordan. Social Security Corporation revenues is exempted from income tax by law except for the rental revenue, revenue of some hotels and foreign investment revenue.
- Deferred income tax is provided using the liability method on temporary differences at the reporting date between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes.
- Deferred tax assets and liabilities are reviewed as of the date of the consolidated financial statements, and reduced in case it is expected that no benefit will arise therefrom, partially or totally.

Foreign currencies

Transactions in foreign currencies during the year are recorded at the exchange rates prevailing at the date of the transaction.

Financial assets and financial liabilities denominated in foreign currencies are translated at the average rates prevailing on the date of the consolidated statement of financial position as declared by the Central Bank of Jordan.

Gains or losses resulting from foreign currency translation are charged to the consolidated statement of revenues and expenses.

Translation differences for non-monetary assets and liabilities denominated in foreign currencies (such as equity securities) are recorded as part of the change in fair value.

Cash and cash equivalents

Cash and cash equivalents comprise cash on hand, balances with central banks and balances with banks and financial institutions maturing within three months.

(2-4) Summary of Significant Accounting Policies (continued)

Subscribers' contributions assets and liabilities

These assets are stated separately based on the Energy and Mineral Regulatory Commission regulations within non-current assets, with a similar contra liability account under non-current liabilities with the same amount.

Amortization is calculated on a straight line basis at an annual rate of 4%. The amortization of assets and liabilities of subscribers contributions are offset, and accordingly has no impact on the consolidated statement of revenues and expenses.

Rural files assets

This term represents the infrastructure assets used to connect the electricity Company to rural areas. It is recorded as non-current asset under the term "Rural files assets", and is offset with a liability under the term "Rural files liabilities" carrying the same amount, and that is to conform with the legislations. Amortization is calculated on a straight-line basis at annual rate of 4%. The amortization of assets and liabilities of rural files are offset, and accordingly has no impact on the consolidated statement of revenues and expenses.

Investment in joint operations

Joint operations are a contractual agreement between the Fund and other parties in jointly controlled economic activities where financial, operational and strategic policy decisions on project activities require the unanimous approval of the parties involved in the control.

(In Thousands of Jordanian Dinars)

Assets, liabilities, revenues and expenses related to joint operations are recognized by the Group according to the percentage of ownership.

Offsetting

Financial assets and financial liabilities are offset and the net amount is reported in the consolidated statement of financial position if there is a currently enforceable legal right to offset the recognised amounts and there is an intention to settle on a net basis, to realise the assets and settle the liabilities simultaneously.

(2-5) Use of estimates

The preparation of the consolidated financial statements requires management to make estimates and assumptions that affect the reported amounts of financial assets and liabilities and the disclosure of contingent liabilities. These estimates and assumptions also affect the revenues and expenses, In particular, considerable judgment by management is required in the estimation of the amount and timing of future cash flows when determining the level of provisions required. Such estimates are necessarily based on assumptions about several factors involving varying degrees of judgment and uncertainty and actual results may differ resulting in future changes in such provisions.

(3) Cash and bank balances

This item consists of the following:

	2016	2015
Cash on hand	456	395
Balances at Central Bank of Jordan	-	-
Current accounts and demand deposits*	119,732	16,812
	120,188	17,207

- As of 31 December 2016, current accounts include JD 5 Thousands at Jordan International Bank (2015: JD Zero).
- There were no restricted balances as of 31 December 2016 and 2015.

(4) Deposits At Banks And Financial Institutions

This item consists of the following:

	2016	2015
Deposits maturing within 3 months or less	599,559	581,515
Deposits maturing within 3 to 6 months	211,454	400,658
Deposits maturing within 6 to 12 months	11,700	11,700
	822,713	993,873

- Interest rates on Jordanian Dinar deposits range between 1.35% to 5.75% for the year ended 31 December 2016 (2015: from 4% to 7.35%)
- Interest rate on Sterling Pound deposits is 0.5%.
- There are no balances with foreign banks and financial institutions and there are no restricted balances as of 31 December 2016 and 2015.
- Deposits include an amount of JD 111 Million; this amount represents deposits against the mortgage of government bonds for the benefit of the Fund held at Societe Generale Bank Jordan.

(In Thousands of Jordanian Dinars)

(5) Financial Assets at Fair Value Through Revenue and Expense

This item consists of the following:

Quoted shares	2016	2015
Local	124,483	115,490
Foreign	9,443	10,384
	133,926	125,874

(6) Loans and Granted Debts, net

This item consists of the following:

	2016	2015
Direct loans	66,933	55,064
Syndicated loans	54,597	57,232
Housing and other loans*	1,072	1,037
	122,602	113,333
Impaired provision for loans and granted debts	(760)	(808)
Loans and granted debts, net	121,842	112,525

During 2013, housing loans accounts were separated from the Fund accounts in accordance with the Civil Service bylaws for public sector. These amounts were presented in the consolidated financial statements within housing fund deposits included in other current assets (Note 17).

Provision for impaired loans

The movement on provision for impaired loans is as follows:

	2016	2015
Balance as of 1 January	808	808
Recovery for the year	(48)	-
Balance as of 31 December	760	808

The table below illustrates interest rates, maturity dates, and collaterals for the aforementioned loans:

	Balance	Interest rate	Maturity rates	Guarantees
		%		
Direct loans	66,933	5.4 – 7.75	31 march 2024	Governmental, real estates, legal
Syndicated loans	54,597	2.08 – 10.75	18 October 2025	Governmental, pledge of shares, legal

(In Thousands of Jordanian Dinars)

Housing and other loans	1,072			Real estate, life insurance for borrower
	122,602			

Non-performing loans and debts amounted to JD 750 thousand representing 0.6% of loans and granted debts as of 31 December 2016 compared to JD 750 thousand representing 0.5% of loans and granted debts at 31 December 2015. A provision was provided for against the full amount.

(7) Financial Assets at Fair Value Through Other Comprehensive Income

This item consists of the following:

	2016	2015
Financial Assets- Quoted Shares:		
Quoted shares – local	1,301,629	1,294,065
Quoted shares – foreign	65,522	56,519
	1,367,151	1,350,584
Financial Assets- Unquoted Shares:		
	70,365	75,385
Other financial assets- Unquoted		
Investments in mutual fund – USD	18,956	17,481
Total financial assets at fair value through other comprehensive income	1,456,472	1,443,450

*The fair value of unquoted shares and mutual funds was determined using several methods that comply with the corporation's business nature. These methods include net book value, discounted cash flows and net assets.

Quoted Financial Assets at fair value though other comprehensive income distributed according to sectors:

	%	2016	%	2015
Banking sector	77.5	1,060,656	84	1,087,277
Manufacturing sector	19.9	271,404	13.2	170,904
Services sector	2.4	32,336	2.6	89,587
Insurance sector	0.2	2,755	0.2	2,816
		1,367,151		1,350,584

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(8) Investments in associates

This item consists the following:

	Number of shares capital	No. of shares owned by the Corporation	Ownership percentage	Nature of business	Last issued audited financial statements	Balance using equity method at the beginning of the year
Listed in Amman stock exchange			%			
Jordan Kuwait Bank	100,000,000	21,041,644	21,042	Banking	31 December 2016	93,265
Jordan Petroleum Refinery Co.	75,000,000	15,105,468	20,14	Petrochemical	31 December 2016	41,427
Jordan Cement Factory	60,444,460	13,197,226	21,85	Construction	31 December 2016	19,835
Jordan Telecommunication Co.	250,000,000	72,200,000	28,88	Telecommunication	31 December 2016	292,564
Jordan Vorsted Mill Factories	15,000,000	3,000,000	20,03	Textiles	31 December 2016	13,198
Jordan Press and Publishing / Al- Dastour**	4,500,000	1,347,000	30	Press and Publishing	31 December 2016	-
East Company for Investments	16,000,000	4,183,178	26.15	Hotel services	31 December 2016	5,367
Jordan Electricity Company	75,600,000	15,331,196	20.28	Energy	31 December 2016	36,634
						<u>502,290</u>
Unlisted in Amman stock exchange						
South Dead Sea Development Co.	17,000,000	5,100,000	30	Investment	31 December 2016	5,564
Monya Company for Resorts	20,000,000	5,200,000	26	Investment	31 December 2016	-
salam Industrial Development and Investment Company*	1,400,000	700,000	50	Investment	31 December 2016	-
Jordan Saudi company for Mafraq Development	100,000	50,000	50	Investment	31 December 2016	-
Jordan Magnesia co. *	10,000,000	2,333,333	33	Mining	31 December 2016	-
Electrical Equipment Industries co.	3,750,000	881,250	23,5	Manufacturing	31 December 2016	1,091
Al Zanaq Company	167,000	50,100	30	Electricity generation	31 December 2016	43
Zahrat Al salam Company	167,000	50,100	30	Electricity generation	31 December 2016	42
Alward Aljoury Company	167,000	50,100	30	Electricity generation	31 December 2016	43
Jordan solar Company	167,000	30,000	30	Electricity generation	31 December 2016	21
Arab Engineering Industries*	1,816,990	376,363	20,71	Building and engineering	31 December 2016	-
						<u>6,804</u>
						<u>509,094</u>

* These investments are recorded at JD 1 as a result that the accumulated losses exceeded the paid in capital.

** The financial statements of Jordan Press and Publishing for the year ended 2016 were not issued up the date of the consolidated financial statements.

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	Purchase/ Capital increase	Sale/ Capital decrease	Cash dividends received	Share of profit (loss) of associate	Share of fair value reserve	2016		2015	
						Balance using equity method at year end	Fair market value at year end	Balance using equity method at year end	Fair market value at year end
	-	-	(4,208)	6,259	321	95,637	82,904	93,265	86,271
	-	-	(1,102)	6,890	(28)	47,187	68,881	41,427	64,198
	-	-	-	(928)	(3)	18,904	20,588	19,835	17,024
	-	(71,986)	(4,621)	5,220	-	221,177	125,087	292,564	253,423
	-	-	(750)	770	(149)	13,069	11,910	13,198	12,420
	-	-	-	-	-	-	-	-	418
	-	-	(208)	140	(30)	5,269	8,328	5,367	-
	<u>2,041</u>	<u>-</u>	<u>(1,599)</u>	<u>2,715</u>	<u>-</u>	<u>39,791</u>	<u>40,144</u>	<u>36,634</u>	<u>4,628</u>
	<u>2,041</u>	<u>(71,986)</u>	<u>(12,488)</u>	<u>21,066</u>	<u>111</u>	<u>441,034</u>	<u>357,842</u>	<u>502,290</u>	<u>438,382</u>
	-	-	-	(5)	-	5,559	8,007	5,564	8,480
	-	-	-	-	-	-	-	-	-
	-	-	-	-	-	-	-	-	-
	-	-	-	-	-	-	-	-	-
	-	-	-	-	-	-	-	-	-
	-	-	-	140	-	1,231	-	1,091	-
	-	-	-	10	-	53	-	43	-
	-	-	-	19	-	61	-	42	-
	-	-	-	17	-	60	-	43	-
	-	-	-	(3)	-	18	-	21	-
	-	-	-	-	-	-	-	-	-
	<u>-</u>	<u>-</u>	<u>-</u>	<u>178</u>	<u>-</u>	<u>6,982</u>	<u>8,007</u>	<u>6,804</u>	<u>8,480</u>
	<u>2,041</u>	<u>(71,986)</u>	<u>(12,488)</u>	<u>21,244</u>	<u>111</u>	<u>448,016</u>	<u>365,849</u>	<u>509,094</u>	<u>446,862</u>

(In Thousands of Jordanian Dinars)

(8) Investments in Associates (continued)

The following schedules illustrate summarized financial information for the Corporation's major investments in associates:

	Jordan Kuwait Bank	
	2016	2015
Assets	2,739,985	2,844,732
Liabilities	(2,274,811)	(2,390,478)
Non-Controlling Interest	(5,482)	(5,675)
Total Equity	459,692	448,579
Percentage of ownership	21%	21%
Net investment as of 31 December	95,637	93,265
Interest revenues, commissions and foreign currency, Net	107,561	106,435
Losses on financial assets at fair value through the statement of income	(66)	(633)
Cash dividends at fair value through other comprehensive income	1,097	870
Provision for direct credit facilities impairment	(19,784)	(20,979)
Employees expenditures	(25,454)	(23,134)
Other expenses, Net	(33,348)	(23,147)
Profit for the year	30,006	39,412
Attributable to Bank's Shareholders	29,747	38,558
Attributable to Non-Controlling interests	259	854
Group's share of profit	6,259	8,113

(8) Investments in Associates (continued)

	Jordan Petroleum Refinery	
	2016	2015
Current assets	1,085,071	1,121,152
Non-current assets	158,162	162,047
Current liabilities	(997,769)	(1,052,052)
Non-Current liabilities	(48,393)	(61,575)
Non-Controlling interest	(4,812)	(3,425)
Total equity	192,259	166,147
Percentage of ownership	20.1%	20.1%
Net investment as of 31 December	47,187	41,427
Sales	1,762,068	2,618,175
Cost of Sales	(1,520,676)	(2,325,255)
Bank interests and commissions	(17,588)	(31,374)
Selling and distribution expenses	(51,593)	(66,861)
Profit settlement with the government	(155,040)	(153,635)
Other revenues (expenses), Net	16,895	(9,702)
Profit for the year	34,066	31,348
Attributable to the Company's share holders	33,749	31,132
Attributable to Non-Controlling interests	317	216
Group's share of profit	6,797	6,270

(In Thousands of Jordanian Dinars)

(8) Investments in Associates (continued)

	Jordan Cement Factory	
	2016	2015
Current assets	65,236	66,101
Non-Current assets	122,227	128,910
Current liabilities	(72,408)	(82,646)
Non-Current liabilities	(33,941)	(22,635)
Non-Controlling interests	(7,747)	(8,148)
Total equity	73,367	81,582
Percentage of ownership	21.8%	21.8%
Net investment as of 31 December	18,904	19,835
Sales	91,547	104,164
Cost of Sales	(74,425)	(80,994)
Administrative expenses	(9,611)	(8,541)
Selling and distribution expenses	(1,211)	(1,226)
Finance cost	(2,024)	(2,280)
Other expenses, Net	(5,988)	(1,359)
(Loss) Gain for the year	(1,712)	9,764
Attributable to Company's shareholders	(4,251)	6,943
Attributable to Non-Controlling interests	2,539	2,821
Group's share of profit	(928)	1,517

(In Thousands of Jordanian Dinars)

(8) Investments in Associates (continued)

	Jordan Telecommunication Company	
	2016	2015
Current assets	162,922	218,598
Non-Current assets	461,307	358,945
Current liabilities	(266,181)	(245,176)
Non-Current liabilities	(89,834)	(3,727)
Total equity	268,214	328,640
Percentage of ownership	28.9%	28.9%
Net investment as of 31 December	221,177	292,564
Sale	344,061	337,849
Cost of sales	(167,283)	(158,802)
Administrative expenses	(25,446)	(21,951)
Selling and marketing expenses	(43,155)	(45,185)
Interest income	1,210	2,301
Other expenses, Net	(91,343)	(98,106)
Profit for the year	18,074	16,106
Attributable to Company's shareholders	18,074	16,106
Attributable to Non-Controlling interests		-
Group's share of profit	5,220	4,651

(In Thousands of Jordanian Dinars)

(8) Investments in Associates (continued)

	Jordan Worsted Mill Factory	
	2016	2015
Current assets	17,267	17,107
Non-Current assets	57,756	59,316
Current liabilities	(1,345)	(1,668)
Non-Current liabilities	(1,054)	(998)
Non-Controlling interest	(4,893)	(4,805)
Total equity	67,731	68,952
Percentage of ownership	20%	20%
Net investment as of 31 December	13,069	13,198
Sales	7,271	8,615
Cost of sales	(3,744)	(4,367)
Administrative expenses	(1,779)	(1,330)
Selling and marketing expenses	(80)	(109)
Other revenue, net	2,744	2,799
Profit for the year	4,412	5,608
Attributable to Company's shareholders	3,850	4,911
Attributable to Non-Controlling interests	562	697
Group's share of profit	770	983

(In Thousands of Jordanian Dinars)

(8) Investments in Associates (continued)

	East Company for Investments Projects	
	2016	2015
Current assets	5,235	5,335
Non-Current assets	15,241	15,493
Current liabilities	(668)	(643)
Total equity	19,808	20,185
Percentage of ownership	26%	26%
Net investment as of 31 December	5,269	5,367
Operating revenues	4,758	5,225
Operating expenses	(1,669)	(1,685)
Administrative expenses, maintenance, marketing and depreciation	(2,538)	(2,680)
Other revenues	147	768
Profit for the year before tax	698	1,628
Income tax expense	(133)	(264)
Profit for the year	565	1,364
Group's share of profit	140	357

(8) Investments in Associates (continued)

	Jordan Electricity Company	Jordan Electricity Company
	2016	2015
Current assets	389,478	386,774
Non-Current assets	538,703	517,132
Current liabilities	(413,138)	(451,991)
Non-Current liabilities	(400,432)	(342,478)
Net equity	114,611	109,437
Percentage of ownership	21.3%	20.3%
Net investment as of 31 December	39,791	36,634
Operating revenues	996,441	989,379
Operating expenses	(877,132)	(868,798)
Administrative expenses, maintenance, marketing and depreciation	(94,949)	(89,954)
Other revenues and (expenses), net	(4,871)	(2,677)
Profit for the year before tax	19,489	27,950
Income tax expense	(6,755)	(5,141)
Profit for the year	12,734	22,809
Group's share of profit	2,715	391

(In Thousands of Jordanian Dinars)

(9) Financial Assets at Amortized Cost

This item consists of the following:

	Average interest rates %	2016	2015
A- Government and public institution bonds			
guaranteed by government:			
Treasury bonds	2.75 – 8.60	4,081,227	3,295,874
Public institution bonds	3.96 – 7.70	54,511	60,431
		4,135,738	3,356,305
B- Bonds, debts and other securities:			
Private companies bonds and	2.65 – 9.75	49,067	56,517
Provision for doubtful bonds		(567)	(567)
		48,500	55,950
		4,184,238	3,412,255

(10) Subscribers and Rural Fils Contribution Assets and Liabilities

This item represents the infrastructure constructed by the subsidiaries of Al Daman for Energy Investment (Subsidiary) to connect customer's rural areas to electricity. The cost of infrastructures paid by Subscribers and Jordanian Rural Fills Fund Project and recognized as assets and liabilities in the consolidated statement of financial position. Movement on this account was as follows:

	2016	2015
Cost		
Balance as of 1 January	284,698	267,863
Addition during the year	15,745	16,835
Balance at 31 December	300,443	284,698

	2016	2015
Accumulated amortization		
Balance as of 1 January	114,701	103,539
Amortization for the year*	11,773	11,162
Balance at 31 December	126,474	114,701
Net book value at 31 December	173,969	169,997

* Subscribers and rural fils contribution assets are amortized at 4% annually and subscribers and rural fils contributions liabilities are amortized at the same rate, accordingly there is no effect on the financial performance of the Group. Details of subscribers and rural fils contributions liabilities are as follows as of 31 December:

	2016	2015
Subscribers contribution liability	127,261	123,314
Rural fils liabilities	46,708	46,683
	173,969	169,997

(In Thousands of Jordanian Dinars)

(11) Projects in progress

This item consists of the following:

	2016	2015
Al-Mafraq project's land infrastructure costs*	27,441	24,120
Electricity connection projects	17,285	8,701
Crowne Plaza Hotel – Dead Sea	1,602	2,424
Amra Crowne Plaza rehabilitation – Amman	323	1,045
Crowne Plaza Resort rehabilitation – Petra	859	831
Intercontinental Hotel rehabilitation – Aqaba	113	403
Duty free rehabilitation on cross borders	2,479	719
Aqaba Touristic Beach Project**	32,123	32,067
Holding Inn Resort – Dead Sea Project	-	419
Infrastructure costs for Irbid Projects***	2,928	1,668
Amman Al-Sham Hotel	197	292
Projects in progress for the remaining hotels and resorts***	4,641	4,487
	89,991	77,176

*This project is estimated to be completed in 2030 with a total estimated cost of JD 180 million as of 31 December 2016. It is estimated that the cost of completion for the development per meter square is 15/880 JD after distributing the estimated cost on the total space of the lands amounting to 11,3 Squared kilometers. The study was updated by an Architecture company and supported by two studies done by the architecture department where the estimated value for completing the project amounts to JD 180 million as of 26 November 2015. Management believes that the valuation is reasonable and reflects the value and cost of developing the infrastructure for the year 2011 till 2016. The registered area under the company's name granted by the government for the project purpose is 19,8 Squared kilometers and it's recorded under a nominal value of JD 1.

**The estimated cost for the completion of this project is JD 32,067 thousand, which represents the value of Aqaba touristic beach project. This project is estimated to be completed in 2017 with a total estimated value of JD 466 thousand.

***This project is estimated to be completed in 2030 and with an estimated cost of completion of JD 48 million and was valued by the architecture department in the company as of 6 November 2013. Management believes that the valuation is reasonable and reflects the value and cost of developing the infrastructure for the years 2011 till 2016. The additions on land development amounted to JD 33,249 thousand as of 31 December 2016 (2015: Zero). The area of the land granted by the government for the Irbid Project is 1,196 acres and is registered under the company's name with a nominal value of JD 1.

(In Thousands of Jordanian Dinars)

(12) Inventory

This item consists of the following:

	2016	2015
Raw materials	3,371	3,242
Electricity tools and material – Al Daman for Energy Investments Co.	16,717	13,961
Food and beverage	303	291
Kitchen tools	37	60
Supplies and operational tools	45	61
Finished goods – Duty free	10,741	8,266
Goods in transit	162	102
Others	4,342	5,555
Less: provision for slow moving inventory	(2,635)	(3,391)
	33,083	28,147

Movements on provision for slow moving inventory were as follows:

	2016	2015
Balance as of 1 January	3,391	3,277
Provision for the year	551	587
Inventory write off	(1,307)	(473)
Balance as of 31 December	2,635	3,391

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(13) property and equipment, net

This item consists of the following:

	Land	Buildings	Furniture and fixtures	Machinery and equipment	Vehicles	Additions and improvements	Computers	Electromechanical equipment	Sanitary extensions	Others	Total
2016:											
Cost											
Balance as of 1 January 2016	16,367	161,040	44,886	285,576	14,197	6,553	16,838	45,174	11,378	7,751	609,760
Additions	277	1,855	664	21,003	2,380	-	1,606	1,004	158	59	29,006
Disposal	-	(24)	(29)	(3,869)	(342)	-	(202)	-	-	-	(4,466)
Transfers from projects in progress	210	304	1,138	6,795	-	-	22	-	-	-	8,469
Balance at 31 December 2016	<u>16,854</u>	<u>163,175</u>	<u>46,659</u>	<u>309,505</u>	<u>16,235</u>	<u>6,553</u>	<u>18,264</u>	<u>46,178</u>	<u>11,536</u>	<u>7,810</u>	<u>642,769</u>
Accumulated depreciation and impairment											
Balance as of 1 January 2016	-	40,737	30,819	133,771	9,149	6,533	13,615	33,536	8,957	6,216	283,333
Depreciation for the year	-	3,415	3,277	15,859	1,459	7	1,393	3,763	1,015	701	30,889
Disposal	-	11	(15)	(1,512)	(296)	-	(147)	-	-	-	(1,959)
Balance at 31 December 2016	-	<u>44,163</u>	<u>34,081</u>	<u>148,118</u>	<u>10,312</u>	<u>6,540</u>	<u>14,861</u>	<u>37,299</u>	<u>9,972</u>	<u>6,917</u>	<u>312,263</u>
Net book value at 31 December 2016	<u>16,854</u>	<u>119,012</u>	<u>12,578</u>	<u>161,387</u>	<u>5,923</u>	<u>13</u>	<u>3,403</u>	<u>8,879</u>	<u>1,564</u>	<u>893</u>	<u>330,506</u>
2015:											
Cost											
Balance as of 1 January 2015	15,381	158,128	43,208	260,474	11,745	6,554	15,282	44,991	11,354	7,670	574,787
Additions	986	2,411	743	17,970	2,697	-	1,333	327	24	81	26,572
Disposal	-	(92)	(109)	(4,034)	(245)	(1)	(128)	(144)	-	-	(4,753)
Transfers from projects in progress	-	593	1,044	11,166	-	-	351	-	-	-	13,154
Balance at 31 December 2015	<u>16,367</u>	<u>161,040</u>	<u>44,886</u>	<u>285,576</u>	<u>14,197</u>	<u>6,553</u>	<u>16,838</u>	<u>45,174</u>	<u>11,378</u>	<u>7,751</u>	<u>609,760</u>
Accumulated depreciation and impairment											
Balance as of 1 January 2015	-	37,429	27,637	119,866	8,070	6,527	12,395	29,476	7,848	5,432	254,680
Depreciation for the year	-	3,355	3,281	15,197	1,290	7	1,346	4,200	1,109	784	30,569
Disposal	-	(47)	(99)	(1,292)	(211)	(1)	(126)	(140)	-	-	(1,916)
Balance at 31 December 2015	-	<u>40,737</u>	<u>30,819</u>	<u>133,771</u>	<u>9,149</u>	<u>6,533</u>	<u>13,615</u>	<u>33,536</u>	<u>8,957</u>	<u>6,216</u>	<u>283,333</u>
Net book value at 31 December 2015	<u>16,367</u>	<u>120,30</u>	<u>14,067</u>	<u>151,805</u>	<u>5,048</u>	<u>20</u>	<u>3,223</u>	<u>11,638</u>	<u>2,421</u>	<u>1,535</u>	<u>326,427</u>

(In Thousands of Jordanian Dinars)

(14) Investment properties

This item consists of the following:

	2016	2015
Land held for investment	614,517	574,388
Buildings held for investment	19,405	15,857
Advanced payments to purchase investment properties	3,737	1,508
	637,659	591,753

Movements on investment properties for the year were as follows:

	2016	2015
Balance as of 1 January	591,753	462,516
purchases of property investments	25,004	127,413
Disposals of property investments	(192)	(6)
Transferred from projects in progress	467	-
Gain on valuation of investment properties at fair value	20,627	1,830
Balance as of 31 December	637,659	591,753

(15) Investment in joint operations

This item represents investment in joint operations with the housing and urban development Corporation for the purpose of building housing units. The housing and urban development corporation sold part of these housing units, however, ownership was not transferred to the buyers. Thus, amounts received were recognized as differed income, the Fund recognizes these amounts as revenues when ownership is transferred. During 2013, Al-Zaytuna project (1) was completed. And accordingly, net profit of JD 1.2 Million was recognized in the statement of revenue and expenses. Furthermore, the investments in joint operations is stated at cost as of 31 December 2016, the details of the projects were as follows:

	2016	2015
Al-Zaytuna project (1)	1,004	-
Al-Zaytuna project (2)	997	997
Foara land projects*	-	434
	2,001	1,431

* During 2016, the project was transferred to investment properties.

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(16) intangible assets, net

2016:	<u>Exclusive right*</u>	<u>Licenses**</u>	<u>Right of passing ***</u>	<u>Right to use and operate ****</u>	<u>Goodwill*****</u>	<u>Total</u>
Cost						
At 1 January 2016	8,000	39,397	8,224	4,135	28,014	87,770
Additions	-	-	34	1	-	35
At 31 December 2016	<u>8,000</u>	<u>39,397</u>	<u>8,258</u>	<u>4,136</u>	<u>28,014</u>	<u>87,805</u>
Accumulated amortization						
At 1 January 2016	5,733	5,910	1,944	1,246	-	14,833
Amortization for the year	400	1,979	418	314	-	3,111
Balance at 31 December 2016	<u>6,133</u>	<u>7,889</u>	<u>2,362</u>	<u>1,560</u>	<u>-</u>	<u>17,944</u>
Net book value at 31 December 2016	<u>1,867</u>	<u>31,508</u>	<u>5,896</u>	<u>2,576</u>	<u>28,014</u>	<u>69,861</u>
2015:	<u>Exclusive right*</u>	<u>Licenses**</u>	<u>Right of passing ***</u>	<u>Right to use and operate ****</u>	<u>Goodwill*****</u>	<u>Total</u>
Cost						
Balance as of 1 January 2015	8,000	39,397	8,208	4,108	28,014	87,727
Additions	-	-	16	27	-	43
Balance as of 31 December 2015	<u>8,000</u>	<u>39,397</u>	<u>8,224</u>	<u>4,135</u>	<u>28,014</u>	<u>87,770</u>
Accumulated amortization						
At 1 January 2015	5,333	3,940	1,150	948	-	11,371
Amortization for the year	400	1,970	794	298	-	3,462
Balance at 31 December 2015	<u>5,733</u>	<u>5,910</u>	<u>1,944</u>	<u>1,246</u>	<u>-</u>	<u>14,833</u>
Net book value at 31 December 2015	<u>2,267</u>	<u>33,487</u>	<u>6,280</u>	<u>2,889</u>	<u>28,014</u>	<u>72,937</u>

* This item represents amounts paid by the Jordan Duty Free PLC (subsidiary) to the Jordanian Treasury Department in return for the exclusive right to establish duty free shops within land borders and marine ports for the period of 10 years starting from 30 August 2001 where the company is committed to pay 8% (9% starting from September 2011) of its total sales as a return to the Jordanian Treasury Department. During 2009, the Company paid an amount of JD 2 million for extending the exclusive right for 20 years instead of 10 years in addition to the payment of JD 2 million during February 2010 to comply with the agreement terms.

** This item includes an amount of JD 39,397 thousand, which represents the fair value of Electricity Distribution License granted by the Energy Regulatory Commission to the subsidiaries. These licenses are amortized over the remaining life of the license of 19 years. During 2015, the amount of JD 102 thousand was disposed which represents the license's value of Jordan Dubai for Communication and Technology Company as 90% of the company's stocks were sold during 2015.

(In Thousands of Jordanian Dinars)

(16) intangible assets, net (continued)

*** This item represents compensations paid by a subsidiary of Al-Daman for Energy Investments to land lords for damages caused by the passage of power lines over their property as per the specialized court's decision or the decrease in market value of these properties. The Group started to amortize the passing rights starting from 2015 over the remaining useful life of the license

**** This item represents amounts paid by United Traveling Center Company for the construction and improvement of infrastructure to obtain a use and operation right (License). Amounts paid were recognized as intangible assets in accordance with IFRIC (12) (service concession arrangements) as the amounts paid represent the right (License) to use and operate for 20 years.

***** Details of this item is as follows:

- 1- Goodwill resulting from acquisition of Electricity Distribution Company with a total amount of JD 5,271 Thousand. This Company was identified as a cash – generating unit for the purpose of Goodwill impairment testing. Where Al Daman for Energy investment Co. performed a goodwill impairment test as of 31 December 2016 as follows:

The Recoverable amount for Irbid Electricity Distribution Company was determined based on the recoverable amount of the projected cash flows using the financial budget of 2016 that was approved by the Board of Directors. Cash flows after the year 2016 was calculated using a growth rate of 5%. Management believes that the growth rate is appropriate considering the nature of the business and overall inflation in the region. The projected cash flow was discounted at a rate of 11.74%, no impairment losses were recognized. Management believes that there are no predicted changes on the basic assumptions used to determine the value in use that can reduce the recoverable amount against the net book value.

- 2- Goodwill resulting from acquisition of Al Daman for Energy Investment Private Shareholding Company (previously, Jordan Dubai for Electricity Distribution Investment Company) by Social Security Investment Fund with a total amount of JD 22,743 Thousand in 2011, which represents the amount of the revaluation difference.

The Recoverable amount for Al Daman for Energy Investments was determined based on the recoverable amount for Kingdom Electricity Company (Subsidiary of Daman for Energy Investments) which was calculated based on the projected cash flow. This Company was identified as a cash – generating unit for the purpose of Goodwill impairment testing. The projected cash flows was performed using a 12.18% discount rate and a growth rate of 3.3%. Based on the impairment test results, no impairment losses was recognized.

(17) Other Assets

This item consists of the following:

	2016	2015
Accrued revenues and interests	55,624	52,784
Prepaid expenses and other current assets	24,169	24,349
Deferred tax assets	579	2,628
Trade receivables	248,617	226,673
Checks under collection	2,882	978
Housing fund deposits (Note 6)	3,321	3,451
Others	3,247	3,048
Less: provision for doubtful debts	(17,790)	(16,639)
	320,676	297,272

(In Thousands of Jordanian Dinars)

Movements on provision for doubtful debts were as follows:

	2016	2015
Balance as of 1 January	16,639	15,828
Provision for the year	1,151	811
Balance as of 31 December	17,790	16,639

The balance of the allowance for doubtful debts was JD 16,639 Thousand as of 31 December 2016 (2015: JD 15,828).

As of 31 December, the aging of unimpaired trade receivables is as follows:

Past due but not impaired						
	1 – 30 days	31 – 60 days	61 – 90 days	91 – 120 days	More than 120 days	Total
2016	81,530	257	26,865	13,899	108,276	230,827
2015	94,936	642	295	11,170	104,571	211,614

Management of the Group expects unimpaired receivables to be collected in full. Guarantees are obtained against these receivables.

(18) Electricity service Subscribers' Deposits

This item represents amounts received by the subsidiaries of AL-Daman for Energy Investments (Subsidiary) from the subscribers as cash deposits for electricity connection services, based on the instructions of delivery costs of the Electricity Regulatory Commission.

(19) Advance Payments From Electricity Subscribers

This item represents the amounts received in advance by the subsidiaries of AL-Daman for energy investments (subsidiary) from the subscribers for electricity connecting services based on the Energy Regulatory Commission Instructions.

(20) Due to National Electric Power Company

This item represents the amounts due on the subsidiaries of Al-Daman for Energy Investments (Subsidiary) in addition to interest on late payments related to purchased energy from National Electric Power Company (NEPCO). Interest penalties amounted to JD 27,405 Thousand as of 31 December 2016 (2015: JD 19,364 Thousand).

(In Thousands of Jordanian Dinars)

(21) Loans

This item consists of the following:

	31 December 2016		
	Short term	Long term	Total
Arab Bank (1)	365	-	365
Arab Bank (2)	636	875	1,511
Jordan Kuwait Bank	-	28,000	28,000
Housing Bank	6,000	25,201	31,201
Jordan Kuwait Bank Loan (US Dollar)	4,136	-	4,136
	<u>11,137</u>	<u>54,076</u>	<u>65,213</u>

	31 December 2015		
	Short term	Long term	Total
Arab Bank (1)	1,100	165	1,265
Arab Bank (2)	550	1,475	2,025
Jordan Kuwait Bank	-	28,000	28,000
Housing Bank	2,000	29,201	31,201
Jordan Kuwait Bank Loan (Dollar)	2,068	4,136	6,204
	<u>5,718</u>	<u>62,977</u>	<u>68,695</u>

(21) Loans (continued)

Arab Bank (1)

This amount represents the loan amount granted to Jordan Press Foundation / Al Rai (subsidiary) on 18 September 2012, the company obtained a loan with a ceiling JD 7,000,000, bearing a fixed interest of 6.25% for the first two years starting from the granting date. Interest rate will be adjusted thereafter based on the announced lending rates of Arab Bank's top clients after a deduction of 1.1% with a condition not to pledge any of the company's assets or to obtain any other facilities without obtaining prior written approval from the bank, and to use the loan proceed for its specified purpose. The loan is repayable over 48 monthly installments of JD 146 thousand, the first installment was due on 30 July 2012 and the last installment was due on 30 July 2016. The loan was granted to finance the printing press complex.

Arab Bank (2)

This amount represents the loan amount granted to Jordan Press Foundation / Al Rai (subsidiary) on 13 March 2014, the company obtained a loan with a ceiling of JD 3.5 million, bearing an interest rate of 8.625% and repayable over 44 monthly installments of JD 80 thousand, except for the last installment amounting to JD 60 thousand. First installment was due on 1 April 2014 and the last installment will due on 1 November 2017. The purpose of the loan is to finance the remaining printing press complex project and support the working capital and finance other administrative expenses.

(In Thousands of Jordanian Dinars)

Jordan Kuwait Bank – Jordanian Dinar

This item represents the loan amount granted to Kingdom Electricity Company for Energy Investments in May 2015 from Jordan Kuwait Bank amounting to JD 28,000,000 with a grace period of 3 years after the first withdrawal, to finance the company's capital and operating projects.

The loan is repayable over 18 semi-annual installments with an amount of JD 1,555,555 including the interest due. Interest payable based on applicable interest rate on deposits with the Central Bank of Jordan plus a margin of a maximum rate of 2.65%, the minimum applicable interest rate is 5.3% annually.

Jordan Kuwait Bank – Dollar

This item represents the loan amount granted to Al-Daman for Energy Investments (subsidiary) in May 2015 from Jordan Kuwait Bank with an amount of USD 8,750,000 (JD 6,203,750) for the period of 2.5 years with a grace period of one and a half years after the first withdrawal to fund company's projects in renewable energy.

The loan is repayable over 3 semi-annual installments with an amount of JD 2,067,917 for each installment. bearing an interest rate of 3.5% plus 6 months LIBOR, the minimum applicable interest rate is 4.5% annually. The first installment will be due on 1 November 2016 and the last one on 1 November 2017.

(21) Loans (continued)

Housing Bank for Trade and Finance – Jordanian Dinar

This item represents loan amount granted to Electricity Distribution Company on 24 November 2015 from the Housing Bank for Trade and Finance with an amount of JD 31,201,190, and a ceiling of JD 40,000,000, with a grace period of one year, bearing an interest rates between is 5% to 5.4% or the granted rate to the bank's top customers less 3% whichever is lower for the first five years of the loan life, and starting from the sixth year of the loan life till the maturity date, with an interest rate as the granted rate to the bank's top customers less 3% with a minimum rate of 5.25% annually. The loan is repayable over 20 equal semi-annual installments, the first installment will be due on 1 December 2016, the interest is repayable every six months.

(22) End of Service Indemnity Provision

Movements on end of service indemnity provision were as follows:

	2016	2015
Balance as of 1 January	10,810	10,542
Provision for the year *	3,206	1,747
Payments during the year	(865)	(1,479)
Balance at 31 December	13,151	10,810

* AL-Daman for Energy Investments (subsidiary) capitalized an amount JD 627,000 on project in progress as of 31 December 2016 (2015: JD 321,000).

(In Thousands of Jordanian Dinars)

The employees end of service indemnity provision during the year was distributed as follow:

	2016	2015
Expenses in the statement of revenues	2,579	1,426
Capitalized to projects in progress	627	321
Balance at 31 December	3,206	1,747

(23) Due to Banks

This item represents credit facilities granted to AL-Daman for Energy Investments and its subsidiaries from local banks, in addition to amounts granted to Jordan Press Foundation / AL-Rai and United Travelling Center bearing annual interest rates that ranges between 5% to 10%. The ceilings for these facilities amounted to JD 63.6 Thousand as of 31 December 2016.

(24) Other Liabilities

This item consists of the following:

	2016	2015
Revenues and grants received in advance	39,332	38,816
Contractors payables and retentions	645	4,810
Governmental provisions and fees	3,704	3,860
Trade payables	13,965	11,822
Projects deposits	2,957	2,957
Accrued expenses	3,441	2,195
Waste fees	5,625	4,128
Due to the ministry of Finance – television fees	2,629	2,463
Rural files payable	4,467	3,996
Accrued additional payments*	2,613	2,613
Brokers payables	91	9,301
Other liabilities	33,006	25,486
	112,475	112,447

* This item represents the expected adjustment on the purchase price of the subsidiaries of AL-Daman for Energy Investments (Electricity Distribution Company and Irbid District Electricity Company) in accordance with the purchase agreement signed with the Government of the Hashemite Kingdom of Jordan on 18 November 2008.

(25) Property and Equipment Revaluation Reserve

The land owned by the National Company for Touristic and Development (subsidiary) is stated at cost as part of Property and Equipment. However, it was classified in accordance with the Group's accounting policies as part of Investment Properties at fair value and the necessary reconciliations were prepared in the consolidated financial statements. The difference between the book value and the fair value at the reclassification date on 1 January 2006 was recorded in the consolidated statement of Owners Equity as Property and Equipment Revaluation Reserve.

(In Thousands of Jordanian Dinars)

(26) Fair value Reserve, net

The movement on fair value reserve is as follows:

	2016	2015
Balance as of 1 January	447,026	431,900
Net change in fair value reserve	(111,655)	15,126
Balance as of 31 December	335,371	447,026

(27) Social Security Corporation Account, Unemployment Fund

Based on the Corporation's Board of Directors' decision No. 14/2013 dated February 4, 2013, the investments related to the Unemployment Fund were separated into a safe portfolio in an independent manner of other insurance funds. Accordingly, amounts related to the Unemployment Fund were transferred from the accounts of the Corporation to a separate account within the Fund's accounts during the year 2013, those amounts to be invested in Jordanian treasury bonds based on the decision of the Board of Investment, on 26 June 2013.

Movements during the years 2016 and 2015 were as follows:

	2016	2015
Balance as of 1 January	184,951	135,625
Unemployment Fund's share of amounts transferred from the Corporation	42,448	42,413
Unemployment fund's share of Investment Fund's returns	8,715	6,913
Balance as of 31 December	236,114	184,951

(28) Material partially-owned subsidiaries

Financial information of material partially-owned subsidiaries with material non-controlling interest balance, were as follows:

	Country	Nature of activity	Percentage of non-controlling interest	
			2016	2015
Jordan Press Foundation / AL-Rai	Jordan	Press and publishing	45.08%	45.08%
Jordan Duty Free	Jordan	Trading	43.5%	43.5%
AL-Daman for Investment	Jordan	Investment and Renting	38.6%	38.6%

condensed financial information of these subsidiaries is provided below. This information is based on amounts before intercompany elimination.

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	2016	2015
Accumulated balance for non-controlling interests		
Jordan Press Foundation / AL-Rai	14,040	15,072
Jordan Duty Free	22,608	20,661
AL-Daman for Investment	4,055	4,187

	2016	2015
Material (loss) profit attributable to non-controlling interests		
Jordan Press Foundation / AL-Rai	(1,032)	(1,000)
Jordan Duty Free	7,658	7,018
AL-Daman for Investment	73	112

(28) Material partially-owned subsidiaries (continued)

	Jordan Press Foundation / AL-Rai	
	2016	2015
Condensed statement of financial position		
Current assets	6,226	5,810
Non-current assets	37,045	39,659
Current liabilities	(10,851)	(9,889)
Non-current liabilities	(1,275)	(2,146)
Total equity	31,145	33,434
Non-controlling interests in equity	14,040	15,072
Condensed statement of comprehensive income		
Revenue	16,379	17,067
Cost of revenues	(13,117)	(13,934)
Administrative expenses	(4,302)	(3,993)
Selling and distribution expenses	(718)	(814)
Other revenues and expenses, net	(532)	(541)
Loss for the year before income tax	(2,290)	(2,215)
Income tax expense	-	(4)
Total comprehensive income for the year	(2,290)	(2,219)
Total comprehensive income attributable to non-controlling interests	(1,032)	(1,000)
Condensed statement of cash flows		
Operating activities	1,579	1,300
Investing activities	(55)	(133)
Financing activities	(2,025)	(1,681)
Net decrease in cash and cash equivalents	(501)	(514)

(In Thousands of Jordanian Dinars)

(28) Material partially-owned subsidiaries (continued)

	Jordan Duty Free	
	2016	2015
Condensed statement of financial position		
Current assets	44,042	41,767
Non-current assets	12,897	9,562
Current liabilities	(4,173)	(3,036)
Non-current liabilities	(801)	(804)
Total equity	51,965	47,489
Non-controlling interests in equity	22,608	20,661
Condensed statement of comprehensive income		
Sales	67,074	60,184
Cost of sales	(41,265)	(31,017)
Administrative expenses	(3,950)	(3,384)
Selling and distribution expenses	(4,287)	(3,984)
Other revenues and expenses, net	287	(5,438)
Profit for the year before tax	17,859	16,361
Income tax provision	(258)	(228)
Profit for the year	17,601	16,133
Other comprehensive income	-	-
Total comprehensive income for the year	17,601	16,133
Total comprehensive income attributable to non-controlling interests	7,658	7,018
Condensed statement of cash flows		
Operating activities	16,494	15,412
Investing activities	(5,169)	(7,642)
Financing activities	(13,125)	(11,250)
Net decrease in cash and cash equivalents	(1,800)	(3,480)

(In Thousands of Jordanian Dinars)

(28) Material partially-owned subsidiaries (continued)

Condensed statement of financial position	AL-Daman for Investment	
	2016	2015
Current assets	2,944	3,209
Non-current assets	7,694	7,822
Current liabilities	(133)	(185)
Total equity	10,505	10,846
Non-controlling interests in equity	4,055	4,187
Condensed statement of comprehensive income		
Operating revenues	437	334
Operating expenses	(311)	(335)
Administrative expenses	(206)	(189)
Share of profit of associate	140	363
Other revenues and expenses, net	129	176
Profit for the year before income tax	189	349
Income tax expense	-	-
Profit for the year	189	349
Other comprehensive income items	(30)	(60)
Total comprehensive income for the year	159	289
Total comprehensive income attributable to non-controlling interests	73	112
Condensed statement of cash flows		
Operating activities	29	(21)
Investing activities	(2,223)	(2,100)
Financing activities	(500)	-
Net decrease in cash and cash equivalents	(2,694)	(2,121)

(29) Net operating revenues

2016:	Hotels sector*	Press & publishing sector	Power sector	Commercial sector	Other sectors	Total
Operating revenues	34,036	16,379	548,607	61,070	1,803	661,895
Operating expenses	(14,577)	(10,526)	(472,195)	(35,261)	(246)	(532,805)
Net operating revenues	<u>19,459</u>	<u>5,853</u>	<u>76,412</u>	<u>25,809</u>	<u>1,557</u>	<u>129,090</u>

(In Thousands of Jordanian Dinars)

* The net operating revenues for the hotel sector consists of the following:

	Amman AL Sham Palace Hotel	Intercon- tinental Hotel Aqaba	Crown Plaza Hotel – Amman	Crown Plaza Resort- Petra	Crown Plaza – Dead Sea	Holiday Inn Dead Sea	Total
Operating revenues	1,050	8,191	9,528	2,150	8,369	4,748	34,036
Operating expenses	(527)	(3,596)	(3,512)	(949)	(3,784)	(2,209)	(14,577)
	523	4,595	6,016	1,201	4,585	2,539	19,459

2015:	Hotels sector	Press & publishing sector	Power sector	Commercial sector	Other sectors	Total
Operating revenues	33,201	17,067	531,018	54,777	2,004	638,067
Operating expenses	(14,182)	(11,244)	(477,509)	(31,017)	(650)	(534,602)
Net operating revenues	19,019	5,823	53,509	23,760	1,354	103,465

(30) Interest Income

This item consists of the following:

	2016	2015
Balances and deposits at banks and financial institutions	30,433	31,529
Bonds and treasury bills	183,397	174,101
Loans	5,748	7,004
	219,578	212,634

(31) Gain of Financial Assets at Fair Value through Revenues and Expenses

This item consists of the following:

	2016	2015
Realized gains	41	60
Unrealized revaluation gains	3,256	202
Commission on purchasing and selling financial assets at fair value through revenues and expenses	(21)	(30)
	3,276	232

(In Thousands of Jordanian Dinars)

(32) Gain on Investment Properties – Net

This item consists of the following:

	2016	2015
Revenues:		
Leased properties revenue	1,628	1,513
Expenses:		
Management fees and other expenses	(359)	(237)
Allowance for doubtful rents receivables	(177)	(303)
	1,092	973
Change in fair value of investment properties	20,627	4,462
Loss on property investments / Lawsuits	-	(2,638)
	21,719	2,797

(33) General and Administrative Expenses

This item consists of the following:

	2016	2015
Salaries, wages and employees' benefits	45,993	40,851
Training expense	316	369
Telephone and mail	920	836
Stationery and printings	372	341
Rent	207	198
Electricity, water and Fuel	980	923
Repair and maintenance	113	94
Insurance expense	692	645
Consultancy and professional fees	1,635	1,231
Board of director's remuneration and transportation	760	645
Vehicles and transportation expense	2,693	2,457
Spare parts and material	565	480
Governmental licenses and fees	1,549	1,430
End of service compensation	2,579	1,426
Hotels supervision and operating fees	937	784
Bank charges, interest, and commission*	16,562	13,762
Others	7,199	6,851
	84,072	73,323

* This item includes interest penalty on late payments of energy invoices for AL-Daman for Energy Investments (subsidiary) amounting to JD 9,813 Thousand as of 31 December 2016 (2015: JD 8,041 Thousand).

(In Thousands of Jordanian Dinars)

(34) Impairment Losses of Investments in Associates

The General assembly of the Jordan Telecommunications Company (Associate) had resolved in its extraordinary meeting held on 19 April 2016 to decrease the Company's capital by 25%, which in return lead to recording an impairment loss with an amount of JD 54 Million as a result of that capital decrease.

(35) Cash and cash equivalents

This item consists of the following:

	2016	2015
Cash and balances at the central bank that mature within three months	-	-
Cash on hand and current accounts with local banks	120,188	17,207
Deposits mature within three months	599,559	581,515
	719,747	598,722

(In Thousands of Jordanian Dinars)

(36) Related Parties Transactions

The Group entered into transactions with associates and subsidiaries in its normal course of business with normal pricing, policies and terms. All loans granted to related parties are considered performing loans and no provisions were taken against these loans.

The following is a summary of related parties transactions during the year:

Consolidated Statements of financial position items	2016			2015
	Associates	Others	Total	Total
Assets and liabilities:				
Bank balances and deposits-				
Jordan Kuwait Bank	-	-	-	40,601
Investments in shares-				
Cash dividends				
Jordan Petroleum Refinery Co.	1,511	-	1,511	2,266
The Jordan Worsted Mills Factory	750	-	750	751
Jordan Telecommunication Co.	4,621	-	4,621	12,130
Jordan Kuwait Bank	4,208	-	4,208	4,208
East Company for Investment projects	208	-	208	418
Jordanian Electric Power Co.	1,599	-	1,599	440
Due from related parties-				
Development and Investment projects fund– Jordan Armed Forces*	-	-	-	7,079
Jordanian Electric Power	-	-	-	2,209
AL-Sham Company for hotel management	-	19	19	-
Intercontinental Hotel Jordan	-	365	365	-
Consolidated statement of revenues and expenses				
Executive management salaries and remuneration	-	694	694	522
Investment Board remuneration	-	110	110	102

* This item represents the amount requested from the development and investment projects fund– Jordan Armed Forces for a full purchase of subsidiary company of the AL-Daman Company for zone development (Business Complex Company - Private Shareholding Company.)

(In Thousands of Jordanian Dinars)

(37) Fair Values of Financial Instruments

Financial instruments comprise of financial assets and financial liabilities.

Financial assets consist of cash and bank balances, deposits at banks and financial institutions deposits, financial assets at fair value through revenues and expenses, loans and granted debts, financial assets at fair value through other comprehensive income, investments in associates, financial assets at amortized cost, investment properties, investments in joint operations and other assets. Financial liabilities consist of due to banks, loans, due to related parties and other liabilities.

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

(38) Risk Management

The Group manages financial risks through a systematic methodology and a comprehensive strategy to identify the sources, types of risks and the mechanism of measuring, analyzing and planning to mitigate and manage the risk by reducing the effect of such risks and the probability of occurrence through available hedging instruments.

Risk management represents a continuous process where the Group monitors the risks and the handle the variances that exceed the allowable limits.

In addition, the Group also ensures the compliance with laws and regulations that governs the Group's activities which is reflected it in its policies and procedures.

Risk management function is performed by specialized risk management and measurement compliance department, in addition to the existing supporting committees such as investment committee and assets and liabilities committee, perform risk management.

Credit Risk

Credit risk is the risk that one party to financial instrument will fail to discharge an obligation and cause the other party to incur a financial loss.

The Group performs necessary financial and credit analysis when acquiring any bonds for public or private shareholding companies or when granting loans. The Fund sets deposit ceiling for the local banks based on defined methodology and the credit rating of the bank in addition to setting a ceiling for the volume of transactions with the brokers based on a defined methodology. Also, the Fund limits its risk by dealing with reputable banks.

(38) Risk Management (continued)

Operating Risk

Operating risk is the risk that may arise during the execution of transactions and may be caused by internal factors related to employees, support services or information technology systems.

The Group issues policies and procedures to ensure proper execution of the transactions in addition to providing the best information systems and specialized technical personnel and to develop plans to maintain business continuity under any emergency circumstances.

(In Thousands of Jordanian Dinars)

Market Risk

Market risk arises from fluctuations in the value of investment instruments, especially the fluctuations in stock prices and investment properties value, where the Group measures the risk through known statically measures (standard deviation, variance and covariance, coherence, beta, value at risk) and thus determines levels of acceptable risks based on approved strategic investment policy.

To mitigate the impact of such risks, especially in the absence of necessary hedging instruments, the Group increases the level of diversification in its portfolio and decreases the grade of correlation between the portfolio tools through proper sector distribution, and geographical distribution through approaching markets and investments less correlated.

Interest Rate Risk

Interest rate risk is the risk that results from changes in market value or future cash flows of financial instruments as a result of changes in interest rate.

The Group manages such risk through increasing or decreasing the recovery period of the investment instrument portfolio which is affected directly by the interest rates such as deposits and bonds based on the Group's expectations of interest rate trends.

The Group performs analysis on the gaps of the investment instruments maturities and links it with the investment maturities and other liabilities which is performed by assets and liabilities committee, by allocating cash market management portfolio and bonds portfolio to fit its maturities with the Group's liabilities.

(38) Risk Management (continued)

The sensitivity of the consolidated statement of revenues and expenses is affected by the assumed changes in interest rates on the Group's profit for one year, and calculated for financial assets and financial liabilities with floating rates held at 31 December.

The following table demonstrates the sensitivity of the consolidated statement of revenues and expenses to reasonably possible changes in interest rate as of 31 December while other variables held constant:

2016:

Currency	Increase in interest rate	Impact on surplus of revenue over expenses for the year	Impact on owners' equity
	%	JD	JD
JD	1	51,739	51,739
USD	1	750	750

2015:

Currency	Increase in interest rate	Impact on surplus of revenue over expenses for the year	Impact on owners' equity
	%	JD	JD
JD	1	42,182	42,182
USD	1	549	549

The effect of decrease in interest rates with same percentage is expected to be equal and opposite to the effect of the increase shown above.

(In Thousands of Jordanian Dinars)

Share price risk

This represents the risk resulting from changes in fair value of investment in shares. The Group manages these risks by diversifying investments in several economic sectors and geographical areas. The investment in shares included within the consolidated financial statements are mainly listed in Amman Stock Exchange.

(38) Risk Management (continued)

The following table demonstrates the sensitivity of the consolidated statement of revenues and expenses (financial assets at fair value through statement of revenues and expenses) and fair value reserve (financial at fair value through other comprehensive income) as a result of reasonable changes in share prices, assuming that other variables held constant.

2016:

Indicator	Change in indicator	Effect on surplus of revenue over expenses for the year	Effect on owners' equity
	%		
Amman stock exchange	5	6,224	71,305
Palestine stock exchange	5	472	472
London stock exchange	5	-	3,276
		6,696	75,053

2015:

Indicator	Change in indicator	Effect on surplus of revenue over expenses for the year	Effect on owners' equity
	%		
Amman stock exchange	5	5,774	70,477
Palestine stock exchange	5	519	519
London stock exchange	5	-	2,826
		6,293	73,822

The effect of decreases in share prices with the same percentage is expected to be equal and opposite to the effect of the increases shown above.

Foreign Currency Risk

Foreign currency risk is the risk that the value of a financial instrument will fluctuate due to the changes in foreign exchange rates. The Group's functional currency is the Jordanian Dinars, and US Dollar is considered as the base currency for foreign investments. Therefore, due to the fact the Jordanian Dinar is fixed against the US Dollar, the Fund is not exposed to significant currencies risk in relation to the US Dollar. Furthermore, the Fund does not have any obligations in foreign currencies, accordingly, no hedging were performed against their obligations.

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(38) Risk Management (continued)

Liquidity Risk

Liquidity risk is defined as the Group's inability to cover its obligations at their respective due dates. Since the Group does not have short term and middle term obligations, the liquidity is managed to provide the required funding for investing activities to balance between the maturities of investment instruments and investment obligations.

The following table summarizes the maturities of assets, liabilities and equity:

2016	Up to one month	One to three months	Three to six months	More than six months up to a one year	More than one year up to three years	More than three years	Without maturity	Total
Assets								
Cash and Bank balances	120,188	-	-	-	-	-	-	120,188
Deposits at bank and financial institutions	269,606	329,953	211,454	11,700	-	-	-	822,713
Financial assets at fair value through revenue and expense	-	-	-	10,462	-	-	133,926	133,926
Loans and granted debts, net	6,356	2,669	1,597	-	33,976	66,782	-	121,842
Financial asset at fair value through comprehensive income	-	-	-	-	-	-	1,456,472	1,456,472
Investments in associates	-	-	-	151,760	-	-	448,016	448,016
Financial assets at amortized cost	13,000	100,762	150,511	-	1,686,774	2,081,431	-	4,184,238
Subscribers' contribution and rural files assets	-	-	-	-	-	173,969	-	173,969
Projects in progress	-	-	-	-	-	-	89,991	89,991
Investment properties	-	-	-	-	-	-	637,659	637,659
Investments in joint operations	-	-	-	-	-	-	2,001	2,001
Inventory, net	-	-	-	-	-	-	33,083	33,083
Property and equipment, net	-	-	-	-	-	-	330,506	330,506
Intangible assets, net	-	-	-	-	-	-	69,861	69,861
Other assets	-	-	-	-	-	-	320,676	320,676
Total Asset	409,150	433,384	363,562	173,922	1,720,750	2,322,182	3,522,191	8,945,141
Liability and equity								
Liability								
Subscribers' contribution and rural files assets	-	-	-	-	-	173,969	-	173,969
Electricity service subscribers' deposits	-	-	-	-	-	54,575	-	54,575
Advance payments from electricity subscribers	-	-	-	-	-	18,676	-	18,676
Due to National Electric Power Company	-	-	-	-	-	190,244	-	190,244
Loans	-	-	-	-	-	54,077	-	65,213
Income tax provision	-	-	-	11,136	-	-	-	4,150
End of service indemnity provision	-	-	4,150	-	-	13,151	-	13,151
Due to banks	39,238	-	-	-	-	-	-	39,238
Other liabilities	-	-	-	-	-	112,475	-	112,475
Total liabilities	39,238	-	4,150	11,136	-	617,167	-	671,691
Equity								
Social security corporation equity								
Social security corporation account	-	-	-	-	-	-	4,686,968	4,686,968
Social security corporation account – unemployment fund	-	-	-	-	-	-	236,114	236,114
Fair value reserve, net	-	-	-	-	-	-	335,371	335,371
Property and equipment revolution reserve	-	-	-	-	-	-	31,812	31,812
Cumulative surplus of revenue operation	-	-	-	-	-	-	2,926,991	2,926,991
Total social security sectors corporation equity	-	-	-	-	-	-	8,217,256	8,217,256
Non-controlling interests	-	-	-	-	-	-	56,194	56,194
Total liabilities and equity	39,238	-	4,150	11,136	-	617,167	8,273,450	8,945,141

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(38) Risk Management (continued)

Liquidity RISK (continued)

2015	Up to one month	One to three months	Three to six months	More than six months up to a one year	More than one year up to three years	More than three years	Without maturity	Total
Assets								
Cash and Bank balances	17,207	-	-	-	-	-	-	17,207
Deposits at bank and financial institutions	577,671	3,844	400,658	11,700	-	-	-	993,873
Financial assets at fair value through revenue and expense	-	-	-	-	-	-	125,874	125,874
Loans and granted debts, net	5,663	267	4,964	10,730	44,717	46,184	-	112,525
Financial asset at fair value through comprehensive income	-	-	-	-	-	-	1,443,450	1,443,450
Investments in associates	-	-	-	-	-	-	509,094	509,094
Due from related parties	-	-	-	-	-	9,288	-	9,288
Financial assets at amortized cost_	19,266	319,609	130,450	419,419	742,929	1,780,582	-	3,412,255
Subscribers' contribution and rural files assets	-	-	-	-	-	169,997	-	169,997
Projects in progress	-	-	-	-	-	-	77,176	77,176
Inventory	-	-	-	-	-	-	28,147	28,147
Property and equipment, net	-	-	-	-	-	-	326,427	326,427
Investment properties	-	-	-	-	-	-	591,753	591,753
Investments in joint operations	-	-	-	-	-	-	1,431	1,431
Intangible assets, net	-	-	-	-	-	-	72,937	72,937
Other assets	-	-	-	-	-	-	297,272	297,272
Total Asset	619,807	323,720	536,072	441,849	787,646	2,006,051	3,473,561	8,188,706
Liability and equity								
Liability								
Subscribers' contribution and rural files assets	-	-	-	-	-	169,997	-	169,997
Electricity service subscribers deposits	-	-	-	-	-	48,813	-	48,813
Advance payment from electricity	-	-	-	-	-	18,030	-	18,030
Due to National Electric Power Company	-	-	-	-	-	173,211	-	173,211
Loans	-	-	-	5,718	-	62,977	-	68,695
Income tax provision	-	-	2,669	-	-	-	-	2,669
End of service indemnity provision	-	-	-	-	-	10,810	-	10,810
Due to related parties	-	-	-	-	-	-	-	-
Due to banks	34,789	-	-	-	-	-	-	34,789
Other liabilities	-	-	-	-	-	112,447	-	112,447
Total liabilities	34,789	-	2,669	5,718	-	596,285	-	639,461
Equity								
Social security corporation equity								
Social security corporation account	-	-	-	-	-	-	-	-
Social security corporation account – unemployment fund	-	-	-	-	-	-	-	-
Property and equipment revolution reserve	-	-	-	-	-	-	-	-
Fair value reserve, net	-	-	-	-	-	-	-	-
Cumulative surplus of revenue operation	-	-	-	-	-	-	2,657,342	2,657,342
Total social security sectors corporation equity	-	-	-	-	-	-	7,494,691	7,494,691
Non-controlling interests	-	-	-	-	-	-	54,554	54,554
Total liabilities and equity	34,789	-	2,669	5,718	-	596,285	7,549,245	8,188,706

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(38) Risk Management (continued)

Sensitivity of interest prices were as follows:

2016	Up to one month	One to three months	Three to six months	More than six months up to a year	More than one year up to three years	More than three years	Non interest bearing	Total
Assets								
Cash and Bank balances	120,188	-	-	-	-	-	-	120,188
Deposits at bank and financial institutions	269,606	329,953	211,454	11,700	-	-	-	822,713
Financial assets at fair value through revenue and expense	-	-	-	-	-	-	133,926	133,926
Loans and granted debts, net	6,356	2,669	1,597	10,462	33,976	66,782	-	121,842
Financial asset at fair value through comprehensive income	-	-	-	-	-	-	1,456,472	1,456,472
Investments in associates	-	-	-	-	-	-	448,016	448,016
Financial assets at amortized cost	13,000	100,762	150,511	151,760	1,686,774	2,081,431	-	4,184,238
Subscribers' contribution and rural files assets	-	-	-	-	-	-	173,969	173,969
Projects in progress	-	-	-	-	-	-	89,991	89,991
Investment properties	-	-	-	-	-	-	637,659	637,659
Investments in joint operations	-	-	-	-	-	-	2,001	2,001
Inventory, net	-	-	-	-	-	-	33,083	33,083
Property and equipment, net	-	-	-	-	-	-	330,506	330,506
Intangible assets, net	-	-	-	-	-	-	69,861	69,861
Other assets	-	-	-	-	-	-	320,676	320,676
Total Asset	409,150	433,384	363,562	173,922	1,720,750	2,148,213	3,696,160	8,945,141
Liability and equity								
Liability								
Subscribers' contributions and rural files assets	-	-	-	-	-	173,969	-	173,969
Electricity service subscribers deposits	-	-	-	-	-	54,575	-	54,575
Advance payment from electricity subscribers	-	-	-	-	-	18,676	-	18,676
Due to National Electric Power Company	-	-	-	-	-	190,244	-	190,244
Loans	-	-	-	11,136	-	54,077	-	65,213
Income tax provision	-	-	-	-	-	-	4,150	4,150
End of service indemnity provision	-	-	-	-	-	-	13,151	13,151
Due to banks	39,238	-	-	-	-	-	-	39,238
Other liabilities	-	-	-	-	-	-	112,475	112,475
Total liabilities	39,238	-	-	11,136	-	491,541	129,776	671,691
Equity								
Social security corporation equity:								
Social security corporation account	-	-	-	-	-	-	4,686,968	4,686,968
Social security corporation account – unemployment fund	-	-	-	-	-	-	236,114	236,114
Fair value reserve, net	-	-	-	-	-	-	335,371	335,371
Property and equipment revaluation reserve	-	-	-	-	-	-	31,812	31,812
Cumulative surplus of revenues over expenses	-	-	-	-	-	-	2,926,991	2,926,991
Total Social Security Corporation equity	-	-	-	-	-	-	8,217,256	8,217,256
Non-Controlling interests	-	-	-	-	-	-	56,194	56,194
Total liabilities and equity	39,238	-	-	11,136	-	491,541	8,273,450	8,273,450
Sensitivity variance	369,912	433,384	363,562	162,786	1,720,750	1,656,672	(4,707,066)	-
Cumulative sensitivity variance	369,912	803,296	1,166,858	1,329,643	3,050,394	4,707,066	-	-

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(38) Risk Management (continued)

Liquidity Risk (continued)

2015	Up to one month	One to three months	Three to six months	More than six months up to a year	More than one year up to three years	More than three years	Non interest bearing	Total
Assets								
Cash and Bank balances	17,207	-	-	-	-	-	-	17,207
Deposits at bank and financial institutions	577,671	3,844	400,658	11,700	-	-	-	993,873
Financial assets at fair value through revenue and expense	-	-	-	-	-	-	125,874	125,874
Loans and granted debts, net	5,663	267	4,964	10,730	44,717	46,184	-	112,525
Financial asset at fair value through comprehensive income	-	-	-	-	-	-	1,443,450	1,443,450
Investments in associates	-	-	-	-	-	-	509,094	509,094
Due from related parties	-	-	-	-	-	9,288	-	9,288
Financial assets at amortized cost	19,266	319,609	130,450	419,419	742,929	1,780,582	-	3,412,255
Subscribers' contribution and rural files assets	-	-	-	-	-	169,997	-	169,997
Projects in progress	-	-	-	-	-	-	77,176	77,176
Inventory, net	-	-	-	-	-	-	28,147	28,147
Property and equipment, net	-	-	-	-	-	-	326,427	326,427
Investment properties	-	-	-	-	-	-	591,753	591,753
Investments in joint operations	-	-	-	-	-	-	1,431	1,431
Intangible assets, net	-	-	-	-	-	-	72,937	72,937
Other assets	-	-	-	-	-	-	297,272	297,272
Total Asset	619,807	323,720	536,072	441,849	787,646	2,006,051	3,473,561	8,188,706
Liability and equity								
Liability								
Subscribers' contribution and rural files assets	-	-	-	-	-	169,997	-	169,997
Electricity service subscribers' deposits	-	-	-	-	-	48,813	-	48,813
Advance payment from electricity subscribers	-	-	-	-	-	18,030	-	18,030
Due to National Electric Power Company	-	-	-	-	-	173,211	-	173,211
Loans	-	-	-	5,718	-	62,977	-	68,695
Income tax provision	-	-	-	-	-	-	2,669	2,669
End of service indemnity provision	-	-	-	-	-	-	10,810	10,810
Due to related parties	-	-	-	-	-	-	-	-
Due to banks	34,789	-	-	-	-	-	-	34,789
Other liabilities	-	-	-	-	-	-	112,447	112,447
Total liabilities	34,789	-	-	5,718	-	473,028	125,926	639,461
Equity								
Social security corporation equity:								
Social security corporation account	-	-	-	-	-	-	4,173,560	4,173,560
Social security corporation account – unemployment fund	-	-	-	-	-	-	184,951	184,951
Property and equipment revaluation reserve	-	-	-	-	-	-	31,812	31,812
Fair value reserve, net	-	-	-	-	-	-	447,026	447,026
Cumulative surplus of revenues over expenses	-	-	-	-	-	-	2,657,342	2,657,342
Total Social Security Corporation equity	-	-	-	-	-	-	7,494,691	7,494,691
Non-Controlling interests	-	-	-	-	-	-	54,554	54,554
Total liabilities and equity	34,789	-	-	5,718	-	473,028	7,675,171	8,188,706
Sensitivity variance	585,018	323,720	536,072	436,131	787,646	1,533,023	(4,201,610)	-
Total sensitivity variance	585,018	908,738	1,444,810	1,880,941	2,668,587	4,201,610	-	-

(In Thousands of Jordanian Dinars)

(39) Segment Information

The Group and its subsidiaries mainly operate in the Hashemite Kingdom of Jordan and its assets and liabilities are concentrated according to the following geographical distribution:

	31 December 2016		31 December 2015	
	Assets	Liabilities	Assets	Liabilities
Geographical region				
Jordan	8,870,176	671,691	8,121,804	639,461
Arabian countries	9,443	-	10,384	-
Europe	65,522	-	56,518	-
	<u>8,945,141</u>	<u>671,691</u>	<u>8,188,706</u>	<u>639,461</u>

The assets and liabilities are concentrated according to the following economic distribution:

	31 December 2016		31 December 2015	
	Assets	Liabilities	Assets	Liabilities
Economic sector				
Investment	7,868,882	3,960	7,170,497	16,390
Hotels	133,253	4,905	143,135	4,702
Press and publishing	43,271	12,126	45,469	12,034
Energy	672,600	611,176	621,817	567,294
Trading	56,939	4,974	51,330	3,841
Other	170,196	34,550	156,458	35,200
	<u>8,945,141</u>	<u>671,691</u>	<u>8,188,706</u>	<u>639,461</u>

(40) Contingent Liabilities

Letters of Guarantee and Letters of Credit

As of 31 December 2016, the outstanding letters of credit and letters of guarantee were JD 5,455 Thousand (2015: JD 4,346 Thousand).

Contracted Obligations

	2016	2015
Swap Contracts	76,611	97,199

(In Thousands of Jordanian Dinars)

(40) Contingent Liabilities (continued)

Capital Commitments

The remaining capital expenditures to complete projects in progress for subsidiaries and Hotels owned by the Fund as of 31 December 2016 amounted to JD 244,964 Thousand (2015: JD 272,842 Thousand).

Operating Lease

- Operating lease commitment for Al Daman for energy investments – subsidiary:

Al Daman for Energy investments and its subsidiaries signed a lease agreement on 1 May 2011 for a period of 15 years with a total amount of JD 110 Thousand in addition to some short-term contracts. The minimum future lease payments as of 31 December were as follow:

	2016	2015
Less than 1 year	127	169
1 to 5 years	615	621
Over 5 years	830	962
	<u>1,572</u>	<u>1,752</u>

- Operating lease commitment for Al Daman for investments – subsidiary:

On 30 September 1998, the Company has signed a lease agreement for Aqaba Gate Land with an annual amount of JD 66 thousand for a period of 30 years and will be renewed twice with a written request from the Company.

Starting from the 11th year, an increase of a 4% or increase equivalent to the change in living costs in accordance with the official publications of the Central Bank of Jordan for the past year will be applied, whichever is lower.

- Operating lease commitment for United Travelling Center :

On 30 January 2007, the Company signed a construction and operation agreement for the land owned by the General Transport Regulatory Commissions. The annual lease payment amounted to JD 30 thousand for a period of 20 years from the date of commencement of the service, lease payment term will increase every 5 years through extrapolating the inflation rate reported by the official agencies for the last 5 years. The date on which the service will be rendered is still not agreed upon up to the date of the consolidated financial statements.

(In Thousands of Jordanian Dinars)

(41) Fair Value Hierarchy

The following table illustrates the fair value measurement hierarchy for financial instruments. The Group uses the following methods:

- Level (1): quoted (unadjusted) market prices in active markets for identical assets or liabilities.
- Level (2): valuation techniques for which the lowest level input that is significant to the fair value measurement is directly or indirectly observable.
- Level (3): valuation techniques for which the lowest level input that is significant to the fair value measurement is not observable

2016-	Level 1	Level 2	Level 3	Total
Financial assets:				
Financial assets through revenues and expenses	133,926	-	-	133,926
Financial assets through other comprehensive income	<u>1,367,151</u>	<u>89,321</u>	<u>-</u>	<u>1,456,472</u>
Total financial assets	<u>1,501,077</u>	<u>89,321</u>	<u>-</u>	<u>1,590,398</u>

2015-	Level 1	Level 2	Level 3	Total
Financial assets:				
Financial assets through revenues and expenses	125,874	-	-	125,874
Financial assets through other comprehensive income	<u>1,350,584</u>	<u>92,866</u>	<u>-</u>	<u>1,443,450</u>
Total financial assets	<u>1,476,458</u>	<u>92,866</u>	<u>-</u>	<u>1,569,324</u>

(42) Litigations

Social Security Investment Fund

There are lawsuits against the Fund with an approximate amount of JD 325 thousand as of 31 December 2015 (2014: JD 790 thousand), Management and legal counsel believes that no liabilities will arise from these lawsuits.

Jordan Press Foundation – Al Rai - Subsidiary

Jordan Press Foundation – Al Rai (subsidiary) is a defendant in a lawsuit within the ordinary course of business amounting of JD 4,022 as of 31 December 2016 (2015: JD 13,050,410) Management and legal counsel believe that no liabilities shall arise from these lawsuits.

(In Thousands of Jordanian Dinars)

Jordan Duty Free Shops - Subsidiary

- There are labor lawsuits raised against Jordan Duty Free Company (Subsidiary) with an amount of JD 91 thousand as of 31 December 2016, Management and legal counsel believe that the existing provision is sufficient against these lawsuits.
- There are custom lawsuit raised against the Company with an amount of JD 170 thousand, Management and legal counsel believe that no liabilities will arise from these lawsuits.

National Company for Tourism Development - Subsidiary

There are lawsuits against the Company amounting to JD 17 Thousand as of 31 December 2016 related to claims by the lessees.

Daman for Development Zone- Subsidiary

There is a lawsuit against the Company and other parties at Irbid court where the claimant is claiming for land repossession and cancelation of selling contracts and compensation of JD 10 Thousand as of 31 December 2016, Management and legal counsel believe that the case is still at early stages and no liabilities will arise from these lawsuits.

Daman for Energy Investments - Subsidiary

There are lawsuits against the subsidiaries of Daman for Energy Investments related to its activities with a total amount of JD 737 Thousand as of 31 December 2016 (2015: JD 11,030 Thousand), Management and legal counsel believe that the current lawsuit provision amounting to JD 423 Thousand recognized by the Group is sufficient at the date of the consolidated financial statements.

AI Daman for Investments - Subsidiary

There were no lawsuits against the Company as of 31 December 2016 (2015: JD 11 Thousand).

Lawsuits filed by the company against others amounted to JD 214 Thousand as of 31 December 2016 (2015: JD 89 Thousand).

(42) Litigations (continued)

Crowne Plaza Resort – Dead Sea – Fully Owned Hotel

There are lawsuits raised against the resort amounting to JD 21 Thousand as of 31 December 2016 (2015: JD 4 Thousand), these lawsuits are still in its early stages; Management and legal counsel believe that no additional provisions should be recognized against these lawsuits.

Intercontinental Resort – Aqaba - Fully Owned Hotel

There are lawsuits raised against the resort amounting to JD 83 Thousand as of 31 December 2016 (2015: JD 83 thousand) related to the resort activities, risks related to these lawsuits and its probability of occurrence were analyzed despite the fact that the results cannot be identified accurately, Management and legal counsel believe that no liabilities will arise from these lawsuits.

Holiday Inn Resort - Dead Sea – Fully Owned Hotel

There are lawsuits raised against the resort amounting to JD 6 Thousand as of 31 December 2016 (2015: JD 6 thousand) related to the resort activities, risks related to these lawsuits and its probability of occurrence were analyzed,

(In Thousands of Jordanian Dinars)

management and its legal counsel believe that no liabilities will arise from these lawsuits.

During the year 2014, the hotel was sued for causing death and the offense of causing harm lawsuit that is registered under No. 4018/2014. The case is still pending and in its early stages, Management and legal counsel believe that it will not result in any material obligations.

Amman Al- Sham Palace Hotel - Fully Owned Hotel

The Hotel is defendant in lawsuits amounting to JD 3 Thousand as of 31 December 2016 (2015: JD 3 Thousand) related to the Hotel activities. In the opinion of management and legal counsel no liabilities will arise from these lawsuits.

Crowne Plaza Hotel – Dead Sea – Fully Owned Hotel

There are lawsuits raised against the hotel amounting to JD 52 Thousand as of 31 December 2016 (2015: JD 57 Thousand), Management and the Legal Counsel believe that no additional provisions should be recognized against these lawsuits.

Crowne Plaza Hotel Petra - Fully Owned Hotel

There are lawsuits raised against the hotel amounting to JD 16 Thousand as of 31 December 2016, Management and the Legal Counsel believe that no additional provisions should be recognized against these lawsuits.

(43) Income Tax Provision

Movements on income tax provision were as follows:

	2016	2015
Balance as of 1 January	2,669	2,838
Prior years income tax	(253)	(277)
Provision for the year	4,882	2,676
Income tax paid	(3,148)	(2,568)
Balance as of 31 December	4,150	2,669

Income tax presented in consolidated statement of revenue and expense were as follows:

	2016	2015
Provision for the year	4,882	2,676
Change in deferred tax assets	(253)	(277)
	4,629	2,399

Tax Position of the Group

Social Security Investment Fund

The income tax provision for the year ended 31 December 2016 has been calculated in accordance with income tax law No. (34) of 2014. Management believes that the provision amounting to JD 393 Thousand is sufficient and there is no need to recognize additional provision. Noting that most of the fund activities are tax exempted in accordance with Income Tax Law.

(In Thousands of Jordanian Dinars)

The fund submitted its tax declarations for the year 2016. The Income Tax Department has not reviewed the records up to the date of the consolidated financial statements.

The fund obtained a final income tax clearance with the Income Tax Department up to the year 2015.

Irbid Districted Electricity Company public shareholding Company – Subsidiary of Al Daman for Energy Investments

The income tax provision for the year ended 31 December 2016 has been calculated in accordance with income tax law No. (34) of 2014.

The Company obtained a final tax clearance up to the year 2014. The Income and Sales Tax Department has not reviewed the Company's records for the year 2015 up to the date of the consolidated financial statements.

(43) Income Tax Provision (continued)

Electricity Distribution Company public shareholding company – subsidiary of Al Daman for Energy Investments

The Company has obtained a final clearance from the Income and Sales Tax Department up to the year 2014. The Company submitted its tax declarations to the Income and Sales Tax Department for the year 2015.

Jordan Press Foundation – Al Rai

Income tax provision was not calculated for the two years ended 31 December 2015 and 2016 due to the excess of expenses over taxable income in accordance with the Income Tax Law No. (34) of 2014.

The Company reached a final settlement with the Income and Sales Tax Department up to the year 2014.

The Company submitted its tax declarations for the year 2015; The Income and Sales Tax Department has not reviewed the records up to the date of the consolidated financial statements.

Jordan Duty free public shareholding Company

Income tax on other revenues for the years ended 31 December 2016 and 2015 has been calculated in accordance with income tax law No. (34) of 2014.

The Council of ministers had resolved in its decision dated 10 April 2016 to extend the exemption of the company's profit from Income and Social Service Tax, Based on the agreement signed on 30 August 2001 between the Company and Free Zones Corporation.

Income tax for the Company was settled up to the years 2005 and 2007 and for the years from 2010 to 2014.

As for the year 2006, the Company filed a lawsuit with the Tax Court to prevent the Income and Sales Tax Department from claiming income tax on other revenues. The overall aggregated disputed tax amount JD 130,030.

Taxes on the Group were estimated at JD 481 Thousand for the years 2008 and 2009. The Income and Sales Tax Department has subjected interest and other income to income tax. The Group objected to that decision and the Group's objection was rejected by the Income and Sales Tax Department. The Group filed a lawsuit against the Department at the Court of Instance. The case is in its final stage as it is filed for a final decision by the Taxation Court.

(43) Income Tax Provision (continued)

Taxes on the Group were estimated at JD 480,785 for the years 2008 and 2009. The Income and Sales Tax Department has subjected interest and other income to income tax. The Group objected to that decision and the Group's objection

(In Thousands of Jordanian Dinars)

was rejected by the Income and Sales Tax Department. The Group filed a lawsuit against the Department at the Tax Court. The case is in its final stage as it is filed for a final decision by the Tax Court.

The Company submitted its tax declarations for the year 2015, and the Income and Sales Tax Department still hasn't reviewed those declarations.

The Company registered in the Income and Sales Tax Department with a retrospective effect starting 1 January 2014 to benefit from decision of the Council of Ministers to exempt the Company from penalties in the case the principle of tax amounts was paid in full.

National Company for Touristic Development

The Company obtained a final tax clearance from the Income and Sales Tax Department up to the end of 2014, after the Company had paid tax differences for the years 2008 up to 2013 amounting to JD 25 thousand.

The Company has submitted its tax declarations for the year 2015 and the Income and Sales Tax Department still hasn't reviewed those declarations.

The Income and Sales Tax Department has audited the Company's branch in Aqaba from the years 2011 up to 2013, and no decision has yet been made.

The Company submitted its tax declarations for the years 2014 and 2015, and the Income and Sales Tax Department still hasn't reviewed those declarations.

Al-Daman for Investments

Income tax for the year ended 31 December 2016 was not calculated due to the company having accumulated losses in accordance with income tax law No. (34) of 2014.

The Company obtained a final tax clearance from the Income and Sales Tax Department for the Company's activities in Amman up to the end of the year 2014 except for the year 2010, which is under appeal and still pending before the court. In addition, the company obtained a tax clearance for the Company's activities in Aqaba up to the year 2012. Tax declarations related to the Company's activities in Aqaba were submitted for the years 2012, 2013, 2014 and 2015. The Income and Sales Tax Department did not review the Company's records until the date of the consolidated financial statement. The Company's management did not recognize the deferred tax assets since it's not significant and will not benefit the Company in the near future.

(43) Income Tax Provision (continued)

Rama for Investing and Saving Company

The company has obtained the final clearance from the Income and Sales Tax Department up to 2014 except for the year 2012. Declarations for the years 2011, 2013 and 2014 were accepted through the sampling system

Al-Daman for Zone Development

The company has calculated its income tax provision for the year ended 31 December 2016 in accordance with Income Tax Law No. (34) of 2014, and in accordance with the zones development law No. (12) of 2008.

United Travelling Center

Income tax provision was not calculated for the two year ended 31 December 2016 due to the excess of expenses over taxable income in accordance with the Income Tax Law No. (34) of 2014. The Company has submitted its tax records

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up to the year 2011, and the Company obtained a tax clearance with the Income and Sales Tax Department up until that year.

The Company submitted its income tax declarations for the two years ended 31 December 2015, 2014, 2013 and 2012 within the legal time period, and the Income and Sales Tax Department has not reviewed the records up to the date of the consolidated financial statements.

(44) Non-Controlling interest contribution

In 2007, the Government of the Hashemite Kingdom of Jordan and the Investment Fund of the Social Security Corporation appropriated the shares in the Mafrq Development Company would be 80% for Al-Daman Company for the Zone Development, 10% for the Hashemite Development Fund for Badia and 10% for the King Abdullah Development Fund.

Based on the decision of the Management Committee of the "Investment Fund" of the Social Security Corporation No. 14/14/2007 at its meeting No. 14 of 2007 on 19 August 2007, which provided that the capital of Mafrq Development Company should be 20 million Jordanian dinars, paid in full by the investment Fund which later became the "Daman for Zone Development" as its legal successor in that agreement. An amount of JD 3 Million was recognized in the Company's accumulated losses account, representing the amount paid by Daman for Zone Development during the year 2015 for the shares of the non-controlling interests according to the aforementioned ratios after paying JD15 million to Mafrq Development Company to raise the capital according to the agreement.

(45) Standards Issued but not Yet Effective

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

IFRS 9 Financial Instruments (Implemented IFRS 9)

During July 2014, the IASB issued IFRS 9 "Financial Instruments" with all the three phases. IFRS 9 sets out the requirements for recognizing and measuring financial assets, financial liabilities and some contracts to buy or sell non-financial items. IFRS 9 replaces IAS 39 "Financial Instruments: Recognition and Measurement". The Company has implemented the first phase of IFRS 9 as issued during 2009. The date of initial implementation of the first phase of IFRS 9 was 1 January 2011. The new version of IFRS 9 will be implemented at the mandatory date on 1 January 2018, which will have an impact on the recognition and measurement of financial assets.

IFRS 15 Revenue from Contracts with Customers

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

(In Thousands of Jordanian Dinars)

IFRS 16 Leases

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

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

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

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

(45) Standards Issued but not Yet Effective (continued)

IAS 7 Disclosure Initiative – Amendments to IAS 7

The amendments to IAS 7 Statement of Cash Flows are part of the IASB's Disclosure Initiative and require an entity to provide disclosures that enable users of financial statements to evaluate changes in liabilities arising from financing activities, including both changes arising from cash flows and non-cash changes. On initial application of the amendment, entities are not required to provide comparative information for preceding periods. The amendments will be effective for annual periods beginning on or after 1 January 2017, with early application permitted. The application of amendments will result in adding limited amount of disclosure information.

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

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

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

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

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

(In Thousands of Jordanian Dinars)

Transfers of Investment Property (Amendments to IAS 40)

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

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

(45) Standards Issued but not Yet Effective (continued)

IFRIC Interpretation 22 Foreign Currency Transactions and Advance Consideration

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

(46) Comparative Figures

Some of 2015 balances were reclassified to correspond with the 2016 presentation. The reclassification had no effect on the profit and equity for the year 2015.



SSIF Corporate Governance

Corporate governance aims to ensure that the administration of a corporation serves the interests of the corporation's owners and stakeholders, and that the incentives stipulated in legislation, administrative systems, and contracts work effectively to promote sound management of the corporation.

The Asian Development Bank (ADB) defines governance as “the way in which authority is exercised in managing the state's economic and social resources for development.» The World Bank refers to governance as consisting of the traditions and institutions through which authority is exercised in a country. The Organization for Economic Co-operation and Development (OECD) defines [corporate] governance in the private sector as system by which commercial enterprises are managed and directed, and their performance monitored. Governance sets out frameworks that determine the relationship between the management of the enterprise and its board of directors, shareholders, and other stakeholders.

1. Governance structure

The SSIF's governance structure consists of several levels: The first is the Board of Directors of the Social Security Corporation, chaired by His Excellency the Minister of Labor, and whose membership includes the Chairman of the Social Security Investment Fund and the Director General of the Social Security Corporation. The Board is mainly concerned with approving the Fund's overall investment policies, annual budget, and the strategic distribution of the investment portfolios drawn by the SSIF.

The next level is the SSIF Investment Board, which oversees the implementation of investment policy and takes investment decisions. The Investment Board consists of nine people: The Chairman of the Investment Fund, a representative of workers, a representative of employers, the SSC Director General, and five persons of competence, including the Chairman of the Investment Board, appointed by the Council of Ministers. There are several Investment Board committees that are independent of the SSIF Executive Management, whose responsibility is to ensure that the SSIF follows the best practices of governance at all levels. These committees are:

- A - Audit Committee
- B - Investment Governance Committee
- C - Investment Risk Committee

Members of the Investment Board are required to fill forms disclosing any conflicts of interest on their appointment as members of the SSIF Investment Board and before attending the first meeting, in accordance with the provisions of Article 10, Paragraph A of the Social Security Investment Fund and Investment Board Bylaw No. 97 for the year 2014. In addition to that there is a fixed item on the agenda of the Investment Board that requires disclosure of any conflict of interest on the subjects before the Board.



2. Investment decision-making mechanism

For the purpose of regulating the powers of investment decision-making in order to ensure the integrity and soundness of the SSIF's investment decisions, the process of decision-making is governed by tools of institutional work; instructions and decision-making powers are in place starting at the level of investment departments that are concerned with examining every available opportunity separately, to ensure its compatibility with the Fund's overall investment objectives.

The [findings of these] opportunity studies are then submitted to the Investment Committee, which in turn, in light of the results of the financial, technical and legal studies, submits its recommendations to the Investment Board to take the appropriate decision within its powers and within the general framework of the Fund's investment policy, as approved by the Board of Directors of the Social Security Corporation.

The Investment Committee consists of (4) department managers as well as an observer from the Risk and Strategic Planning Department, and it is presided over by the SSIF Chairman. The Committee examines all recommendations received from the Fund's departments and takes the necessary decisions within its powers, in accordance with the legislation in force.

3. Corporate Governance Guidelines

In the context of social security organizations, the International Social Security Association (ISSA) defines governance as "The method by which the competent authority exercises its powers to achieve the objectives of the organization by drawing, implementing, and devising innovative policies, rules, systems and processes that regulate the work of the organization and establishing the appropriate frameworks for integrating and involving all stakeholders. Good governance of social security organizations looks at the practices of the competent authority from five principal perspectives: Accountability, transparency, predictability, stability, participation and dynamism."

The Social Security Corporation/ SSIF issued the first guidelines for good governance in 2008 to establish the appropriate standards and set rules, mechanisms and practices aimed at the best implementation of governance at the SSC and the SSIF in a manner which ensures that the corporation's administration serves the interests of the insured retirees and other stakeholders by stimulating good management. The Corporation / Fund reviews and updates the guidelines periodically to keep abreast with international best practices in governance and transparency, the latest amendment to these guidelines was made in 2015.



4. Managing the representation of the Social Security Corporation on the boards of companies

The SSIF ensures that the best practices in good corporate governance are implemented in all its activities and investment operations, including management of the SSC investments in the companies where the SSC is an investor in a way that benefits the corporation and the company. The Fund implements an integrated system of legislation and internal control systems through its commitment to implementing the provisions of the relevant legislations, including the Social Security Law, the Companies Law, and the Securities Commission Law among others, in addition to the executive instructions issued pursuant to these laws.

The provisions of the Social Security Law in force, and the Social Security Investment Fund (SSIF) and Investment Board Bylaw issued pursuant thereto, define the structure of corporate governance in the management and organization of the representation of SSC on the boards of directors of companies. Governance committees of the SSC Board of Directors and the Investment Board establish instructions to organize and control the representation of the Corporation on the boards of directors of these companies, in a manner that provides a comprehensive database of all candidates for representing the Corporation and their qualifications. These rules determine the basis for classifying companies and the basis for selecting and classifying candidates for representing the Corporation, including academic degrees, technical knowledge particularly in financial and administrative matters, and practical experience, in order to choose the representative who is suitable for the nature of the company's work. These instructions also regulate the attendance of the representative of meetings of the board of directors and his submission of periodic and quarterly reports on the company's performance in order to ensure the timely arrival of the required information and data to the SSIF.

The representatives are also advised on the need to inform the Fund of any important and significant developments at the companies where there are investments in order to directed the representative of the Corporation with regard to these developments so they may to take decisions in coordination with the Fund. No representative may continue to represent the Corporation if he/ she fails to attend board meetings or to submit reports in accordance with the instructions stipulated.