

Deposit Insurance Corporation
Legal entity with financial and administrative independence
Amman-The Hashemite Kingdom of Jordan

Financial Statements and
Independent Auditor's Report
for the year ended December 31, 2017

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Legal entity with financial and administrative independence
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Independent auditor's report

To Messrs. Board of Directors
Deposit Insurance Corporation
Legal entity with financial and administrative independence
Amman - The Hashemite Kingdom of Jordan

Opinion

We have audited the financial statements of Deposit Insurance Corporation (Legal entity with financial and administrative independence), which comprise the statement of financial position as at December 31, 2017, and the statements of comprehensive income, changes in equity and cash flows for the year then ended, and notes to the financial statements comprising significant accounting policies.

In our opinion, the accompanying financial statements present fairly, in all material respects of the financial position of the Corporation as at December 31, 2017, and of its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards.

Basis for Opinion

We conducted our audit in accordance with International Standards on Auditing. Our responsibilities under those standards are further described in the *Auditors' Responsibilities for the Audit of the Financial Statements* section of our report. We are independent of the Corporation in accordance with the International Ethics Standards Board for Accountants' Code of Ethics for Professional Accountants (IESBA Code) together with the ethical requirements that are relevant to our audit of the financial statements, and we have fulfilled our other ethical responsibilities in accordance with these requirements and the IESBA Code.

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

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

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

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

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

Auditors' Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with International Standards on Auditing will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

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

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Corporation's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Corporation's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditors' report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditors' report. However, future events or conditions may cause the Corporation to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

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



Talal Abu-Ghazaleh & Co. International

Mohammad Alazraq

License # (1000)

Amman, March 27, 2018

Deposit Insurance Corporation
Legal entity with financial and administrative independence
Amman-The Hashemite Kingdom of Jordan

Statement of financial position as at December 31, 2017

	Notes	2017	2016
		JD	JD
ASSETS			
Current Assets			
Current account at Central Bank of Jordan		23,481,236	10,516,789
Accrued interests of financial assets at amortized cost		9,410,650	7,402,987
Other debit balances		6,950	6,844
Financial assets at amortized cost - short term	3	157,267,970	142,284,320
Total Current Assets		190,166,806	160,210,940
Non-current Assets			
Financing and loans of employees housing fund	4	1,051,107	930,798
Financial assets at amortized cost	3	499,270,109	450,804,051
Property and equipment	5	3,768,460	3,877,127
Total Non-Current Assets		504,089,676	455,611,976
TOTAL ASSETS		694,256,482	615,822,916
LIABILITIES AND EQUITY			
Liabilities			
Other credit balances	6	62,404	104,346
EQUITY			
Capital	7	3,300,000	3,300,000
Reserves	8	690,894,078	612,418,570
Total Equity		694,194,078	615,718,570
TOTAL LIABILITIES AND EQUITY		694,256,482	615,822,916

Deposit Insurance Corporation
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Statement of revenues and expenses for the year ended December 31, 2017

	Notes	2017	2016
Revenues		JD	JD
Membership fees	9	48,874,231	49,277,237
Interests of financial assets at amortized cost		30,753,204	27,129,954
Employee financing revenues		14,975	15,264
Employee loans interests		4,695	4,581
Others		449	1,350
Total revenues		79,647,554	76,428,386
Administrative expenses	10	(1,172,046)	(1,190,583)
Surplus		78,475,508	75,237,803

Deposit Insurance Corporation
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Statement of changes in equity for the year ended December 31, 2017

	Capital	Reserves	Total
	JD	JD	JD
Balance as at January 1, 2016	3,300,000	537,180,767	540,480,767
Surplus	-	75,237,803	75,237,803
Balance as at December 31, 2016	3,300,000	612,418,570	615,718,570
Surplus	-	78,475,508	78,475,508
Balance as at December 31, 2017	3,300,000	690,894,078	694,194,078

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Statement of cash flows for the year ended December 31, 2017

	2017	2016
	JD	JD
Cash Flows From Operating Activities		
Surplus	78,475,508	75,237,803
Adjustments for:		
Depreciation	116,017	124,587
Gain on sale of property and equipment	(449)	-
Interest revenues	(30,753,204)	(27,129,954)
Changes in operating assets and liabilities:		
Other debit balances	(106)	(25)
Other credit balances	(41,942)	62,458
Net cash from operating activities	47,795,824	48,294,869
Cash Flows From Investing Activities		
Financial assets at amortized cost	(63,449,708)	(65,096,921)
Financing and loans of employees housing fund	(120,309)	(14,501)
Interests received	28,745,541	26,741,567
Proceeds from the sale of property and equipment	458	-
Purchase of property and equipment	(7,359)	(118,887)
Net cash from investing activities	(34,831,377)	(38,488,742)
Net change in cash and cash equivalents	12,964,447	9,806,127
Cash and cash equivalents - beginning of year	10,516,789	710,662
Cash and cash equivalents - end of year	23,481,236	10,516,789

Deposit Insurance Corporation
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Notes to the Financial Statements

1. Legal status and activities

- The Corporation was established on September 17, 2000 as legal entity with financial and administrative independence by virtue of law number 33 for the year 2000.
- The major purposes of the Corporation are to protect depositors with banks by insuring their deposits in accordance with the provision of the Corporation law in order to encourage savings and strengthen confidence in the Kingdom's banking system. Consequently, the Corporation promptly reimburses depositors of member banks within certain limits, when any banks has been decided to be liquidated, which aims at reimbursing all depositors alongside the continuous supervision by the Central Bank of Jordan.
- The following deposits are not subjected to the law:
 - Government deposits.
 - Interbank deposits.
 - Cash collaterals within the limits of the value of the extended facilities guaranteed by the said collaterals.
- The Corporation only insure deposits in Jordanian dinars that not exceeding fifty thousand Jordanian Dinars per depositor in each member bank, the member banks in the Corporation are all Jordanian banks and branches of foreign banks operating in the Kingdom, except:
 - Branches of Jordanian banks operating outside the Kingdom.
 - Islamic banks licensed to work in the Kingdom unless it decides to join the Corporation to insure its deposits.
- The Corporation insure deposits in any foreign currency subjected by the Central Bank to this law.
- The Corporation source of fund as follow:
 - The annual membership fees paid by banks to the corporation.
 - The returns on the investments of the corporation's funds.
 - Any loans obtained by the corporation in accordance with the provision of this law.
 - Any financial grants given to the corporation with the approval of the central bank's board of directors. The council of ministers approval must also be obtained if the grant is given by a non-Jordanian agency.

2. Basis for preparation of financial statements and significant accountant policies

Financial statements preparation framework

The financial statements have been prepared in accordance with International Financial Reporting Standards.

Measurement bases used in preparing the financial statements

The financial statements have been prepared on the historical cost basis.

Functional and presentation currency

The financial statements have been presented in Jordanian Dinar (JD), which is the functional currency of the entity.

Using of estimates

- When preparing of financial statements, management uses judgments, assessments and assumptions that affect applying the accounting policies and carrying amounts of assets, liabilities, revenue and expenses. Actual result may differ from these estimates.
- Change in estimates shall be recognized in the period of the change, and future periods if the change affects them.
- For example, estimates may be required for doubtful and bad debts, inventory obsolescence, useful lives of depreciable assets, provisions, projects reserve any legal cases against the entity.

Financial instruments

Financial instrument is any contract that gives rise to a financial asset of one entity and financial liability or equity instrument of another entity.

Financial assets

- A financial asset is any asset that is:
 - (a) Cash; or
 - (b) An equity instrument of another entity; or
 - (c) A contractual right to receive cash or another financial asset from another entity, or to exchange financial assets or financial liabilities with another entity under conditions that are potentially favorable to the entity.
 - (d) A contract that will or may be settled in the entity's own equity instruments.
- Financial assets are initially measured at fair value plus, in the case of a financial asset not at fair value through profit or loss, transaction costs that are directly attributable to the acquisition of the financial asset.
- All recognized financial assets are subsequently measured either at amortized cost or fair value, on the basis of both:
 - (a) The entity's business model for managing the financial assets, and
 - (b) The contractual cash flow characteristics of the financial assets.
- A financial asset is measured at amortized cost if both of the following conditions are met:
 - (a) The asset is held within a business model whose objective is to hold assets in order to collect contractual cash flows.
 - (b) The contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.
- All other financial assets are subsequently measured at fair value.
- A gain or loss on a financial asset that is measured of fair value and is not part of a hedging relationship is recognized in profit or loss unless the financial asset is an investment in an equity instrument and the entity has elected to present gains and losses on that investment in other comprehensive income.

Cash and cash equivalents

- Cash comprises cash on hand, current accounts and demand deposits with banks.
- Cash equivalents are short- term, highly liquid investments that are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value.

Loans

- Housing loans/ financing are given for the following purposes:
 - To build a house within the kingdom on land owned wholly or in a roof owned for this purpose
 - Buy a house or an apartment in the Kingdom.
 - Buy land and build a house in the Kingdom.
 - Buy partner shares on land or property in order to full ownership except buying shares of husband of wife.
 - Maintenance owned house or make improvement on it.
 - Pay banking loans or loans of any public parties provided that loan has been given for above purposes.
- Loan and its interests should be repaid during a period not exceeding 30 years from the date of granting, provided that employee age should not exceed seventy years old at end of the this period.

Impairment of financial assets

- Financial assets, other than those at FVTPL, are assessed for indicators of impairment at the end of each period.
- The carrying amount of the financial asset is reduced by the impairment loss directly for all financial assets. The amount of the impairment loss shall be recognized as loss.

- Property and equipment

- Property and equipment are initially recognized at their cost being their purchase price plus any other costs directly attributable to bringing the assets to the location and condition necessary for them to be capable of operating in the manner intended by management.
- After initial recognition, the property and equipment are carried, in the statement of financial position, at their cost less any accumulated depreciation and any accumulated impairment. Land is not depreciated.
- The depreciation charge for each period is an expense. Depreciation is calculated on a straight line basis, which reflects the pattern in which the asset's future economic benefits are expected to be consumed over the estimated useful life of the assets using the following rates :

Category	Depreciation rate
	%
Building	3
Computers and telecommunication	10-25
Furniture and decorations	10-15
Vehicles	15

- The estimated useful lives are reviewed at each year-end, with the effect of any changes in estimate accounted for on a prospective basis.
- The carrying values of property and equipment are reviewed for impairment when events or changes in the circumstances indicate the carrying value may not be recoverable. If any such indication of impairment exists, impairments losses are calculated in accordance with impairment of assets policy.
- On the subsequent derecognition (sale or retirement) of the property and equipment, the resulting gain or loss, being the difference between the net disposal proceed, if any, and the carrying amount, is included in profit or loss.
- Amounts paid to construct a property and equipment item are first charged to projects in progress account. When projects become ready to use, it is transferred to the related property and equipment caption.

- Impairment of assets

- At each statement of financial position date, management reviews the carrying amounts of its assets to determine whether there is any indication that those assets have been impaired.
- If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss, if any, being the amount by which the carrying amount of the asset exceeds its recoverable amount. The recoverable amount is the higher of asset's fair value less costs to sell and the value in use. The asset's fair value is the amount for which that asset could be exchanged between knowledgeable, willing parties in arm's length transaction. The value in use is the present value of the future cash flows expected to be derived from the asset.
- An impairment loss is recognized immediately as loss.
- Where an impairment loss subsequently reverses, the carrying amount of the asset is increased to the revised estimate of its recoverable amount, but the increased carrying amount due to reversal should not be more than what the depreciated historical cost would have been if the impairment had not been recognized in prior years. A reversal of an impairment loss is recognized immediately as income.

- Revenue recognition

Revenue is measured at the fair value of the consideration received or receivable.

Rendering of services

- Revenue from a contract to provide services is recognized by reference to the stage of completion of the transaction at the statement of financial position date.
- The outcome of the transaction can be estimated reliably when all the following conditions are satisfied:
 - The amount of revenue can be measured reliably.
 - It is probable that the economic benefits will flow to the entity.

Interest revenue

Interest revenue is accrued on a time basis, by reference to the principal outstanding and at the effective interest rate applicable.

3. Financial assets at amortized cost

- The maturity of treasury bills and bonds extends as follows:

	Short term		Long term									Total	
	2018	2019	2020	2021	2022	2023	2024	2026	2027	2032	Total	2017	2016
	JD	JD	JD	JD	JD	JD	JD	JD	JD	JD	JD	JD	JD
Treasury bonds	145,300,000	128,602,272	73,800,000	81,500,000	74,868,602	15,000,000	22,500,000	20,000,000	17,999,235	8,000,000	442,270,109	537,570,109	567,304,051
Treasury bills	9,867,970	-	-	-	-	-	-	-	-	-	-	9,867,970	15,664,320
Public institutions bonds	2,100,000	-	-	3,000,000	20,000,000	-	10,000,000	-	-	-	33,000,000	35,100,000	10,100,000
National Electric Power Company	-	-	-	-	24,000,000	-	-	-	-	-	24,000,000	24,000,000	-
	157,267,970	128,602,272	73,800,000	84,500,000	118,868,602	15,000,000	32,500,000	20,000,000	17,999,235	8,000,000	499,270,109	606,538,079	593,068,371

- The average interest rates on bonds ranges between 2,787% - 7,999% per year for 2017 (between 2,409% and 7,703% for 2016).
- The average interest rate on treasury bills ranges between 2,897% - 3,277% for 2017 (between 2,075% and 2,462% for 2016).

4. Financing and loans of employees housing fund

The movement in financing and loans of employees housing fund is as follows:

	2017	2016
	JD	JD
Financing and loans balance at beginning of year	930,798	916,297
The amount of financing and loans provided during the year	243,750	81,772
Islamic financing	14,976	15,264
Interests added on loans balance during the year	4,695	4,581
The amount of financing and loans collected during the year	(143,112)	(87,116)
Financing and loans balance at end of year	<u>1,051,107</u>	<u>930,798</u>

5. Property and equipment

	2017	Land	Building	Computers and telecommunication	Furniture and decorations	Vehicles	Project under construction - solar power	Total
		JD	JD	JD	JD	JD	JD	JD
Cost								
Balance - beginning of year	1,157,050		3,733,783	122,413	184,237	57,657	68,091	5,323,231
Additions	-		-	6,759	-	-	600	7,359
Transfers	-		2,443	-	-	-	(2,443)	-
Disposals	-		-	(11,868)	-	-	-	(11,868)
Balance - end of year	1,157,050		3,736,226	117,304	184,237	57,657	66,248	5,318,722
Accumulated depreciation								
Balance - beginning of year	-		1,096,453	108,864	183,132	57,655	-	1,446,104
Depreciation	-		112,087	3,608	322	-	-	116,017
Disposals	-		-	(11,859)	-	-	-	(11,859)
Balance - end of year	-		1,208,540	100,613	183,454	57,655	-	1,550,262
Net	1,157,050		2,527,686	16,691	783	2	66,248	3,768,460
2016								
Cost								
Balance - beginning of year	1,157,050		3,689,559	116,079	183,999	57,657	-	5,204,344
Additions	-		44,224	6,334	238	-	68,091	118,887
Balance - end of year	1,157,050		3,733,783	122,413	184,237	57,657	68,091	5,323,231
Accumulated depreciation								
Balance - beginning of year	-		985,751	104,242	173,869	57,655	-	1,321,517
Depreciation	-		110,702	4,622	9,263	-	-	124,587
Balance - end of year	-		1,096,453	108,864	183,132	57,655	-	1,446,104
Net	1,157,050		2,637,330	13,549	1,105	2	68,091	3,877,127

6. Other credit balances

	2017	2016
	JD	JD
Accrued expenses	35,714	34,917
Deposits	26,690	69,129
Cash deposits	-	300
Total	62,404	104,346

7. Capital

	2017	2016
	JD	JD
Government contribution	1,000,000	1,000,000
Non-refundable establishment fee (*)	2,300,000	2,300,000
Total	3,300,000	3,300,000

(*) Non-refundable establishment fee of JD 100,000 is taken from banks that joined the corporation.

8. Reserves

According to articles 18 and 19 of the Corporation's law number 33 for the year 2000, the Corporation must:

- Form reserves for itself amounting to 3% of total deposits that are subject to provision of this law the council of ministers based on the recommendation of the corporation's board of directors may increase limit of reserves, if corporations reserve don't reach the limit within ten years from the effectiveness of this law, or if reserves decrease below limits after it has been reached, or if a bank liquidation has been decided before corporation reserves reach limit, the Corporation's Board of Directors may increase the bank's annual membership fee to not more than double of the annual membership fee.
- If the Corporation's reserves exceed the established limit, the Corporation's Board of Directors may decrease the annual membership fee or exempt banks from paying the fee for one year or more as appropriate.
- Knowing that the ratio of the corporation to the total deposits that are subject to the law as at December 31, 2017 reached 3.6%, which exceeded the legal limited percentage amounted to 3%.

9. Membership fees

This item represents the amount of the bank annual membership fee paid to the Corporations at the rate of 2.5 per thousand of the total deposits that are subject to the provisions of the law. The following excluded from the deposits subject to the provisions of the law:

- Government deposits.
- Interbank deposits.
- Cash collaterals within the limits of the value of the extended facilities guaranteed by the said collaterals.

10. Administrative expenses

	2017	2016
	JD	JD
Salaries, wages and related benefits	504,381	511,184
End of service indemnity	124,166	160,052
Depreciation	116,017	124,587
Electricity and water	79,242	78,806
Social security contribution	57,343	50,578
Health insurance and medical treatments	55,303	50,404
Corporation's contribution on saving fund	39,845	37,188
Subscriptions	26,491	22,622
Security	21,514	20,053
Board of directors remunerations	18,600	18,574
Training	16,793	13,988
Advertisements	15,722	15,576
Professional fees	15,400	15,000
Cleaning	14,474	14,111
Maintenance	12,733	13,214
Insurance	9,872	8,984
Corporation's contribution on social activity committee	9,768	6,894
Fuel	7,709	6,296
Travel and transportation	7,691	4,258
Government fees	5,760	5,760
Hospitality	4,016	3,576
Stationery and printings	3,751	3,975
Communications	3,347	3,159
Miscellaneous	2,108	1,744
Total	1,172,046	1,190,583

11. Risk management

a) Capital risk (equity)

Reserves is managed properly to ensure continuing as a going concern while maximizing the return through the optimization of the center liabilities return.

b) Currency risk:

- Currency risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in foreign exchange rates.
- The risk arises on certain transactions denominated in foreign currencies, which imposes sort of risk due to fluctuations in exchange rates during the year.
- Certain procedures to manage the exchange rate risk exposure are maintained.
- The entity is not exposed to currency risk.

c) Interest rate risk:

- Interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates.
- The risk arises on exposure to a fluctuation in market interest rates resulting from depositing in banks.
- The risk is managed by maintaining an appropriate mix between fixed and floating interest rates balances during the financial year.

d) Other price risk:

- Other price risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market prices (other than those arising from interest rate risk or currency risk), whether those changes are caused by factors specific to the individual financial instrument or its issuer, or factors affecting all similar financial instruments traded in the market.
- The risk arises from investing in equity investments. However, this risk is insignificant since no active trading on these investments is occurred.
- The entity is not exposed to other price risk.

e) Credit risk:

- Credit risk is the risk that one party to a financial instrument will cause a financial loss for the other party by failing to discharge an obligation.
- Regularly, the credit ratings of debtors and the volume of transactions with those debtors during the year are monitored.
- Ongoing credit evaluation is performed on the financial condition of debtors.
- The carrying amount of financial assets recorded in the financial statements represents the maximum exposure to credit risk without taking into account the value of any collateral obtained.
- The entity is not exposed to other credit risk.

f) Liquidity risk:

- Liquidity risk is the risk of encountering difficulty in meeting obligations associated with financial liabilities that are settled by delivering cash or another financial assets.
- Liquidity risk is managed through monitoring cash flows and matching with maturity dates of the financial assets and liabilities.
- The following table shows the maturity dates of financial assets and liabilities as of December 31:

Description	Less than one year		One year and more	
	2017	2016	2017	2016
	JD	JD	JD	JD
Financial assets:				
Current account at Central Bank of Jordan	23,481,236	10,516,789	-	-
Accrued interests of financial assets at amortized cost	9,410,650	7,402,987	-	-
Other debit balances	865	865	-	-
Financial assets at amortized cost	157,267,970	142,284,320	499,270,109	450,804,051
Financing and loans of employees housing fund	-	-	1,051,107	930,798
Total	190,160,721	160,204,961	500,321,216	451,734,849
Financial liabilities:				
Other credit balances	62,404	104,346	-	-
Total	62,404	104,346	-	-

12. Standards and Interpretations issued but not yet effective

Up to the date of these financial statements, the following Standards and Interpretations were issued by the International Accounting Standards Board but not yet effective:

Standard or Interpretation No.	Description	Effective date
IFRS (9) - New	Financial Instruments.	Jan 1, 2018 or after
IFRS (15) - New	Revenue from contracts with customers.	Jan. 1, 2018 or after
IFRS (16) - New	Leases – all leases are being recognized in the statement of financial position, without distinctions between operating and finance leases.	Jan 1, 2019 or after
IFRS (17) - New	Insurance contracts.	Jan 1, 2021 or after
IFRIC No. (22)	Foreign currency transactions.	Jan 1, 2018 or after
IFRIC No. (23)	Uncertainty over income tax treatments.	Jan 1, 2019 or after

Management anticipates that the adoption of these Standards and Interpretations in current or future periods may not have material impact on the financial statements.

13. Reclassification

Certain 2016 balances were reclassified to conform with the classification used in 2017.