



عمان في ٢٠١٧/٥/١٨

الرقم ٢٤٩/٢

محرره

٥/١٨

٤٤

السادة هيئة الاوراق المالية المحترمين

عمان

تحية طيبه وبعد ،

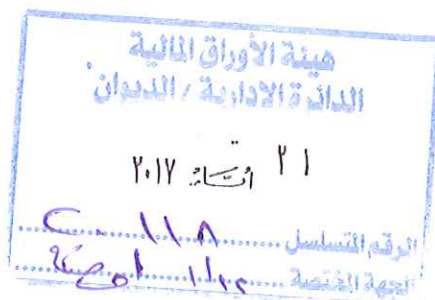
إشارة إلى تعميمكم رقم س ب/١٧/١٩٧/١/١٢ تاريخ ٢٠١٧/١/٢٥ نرفق  
طيه نسخة من القوائم المالية السنوية باللغة الانجليزية وذلك كما في تاريخ ٢٠١٦/١٢/٣١ .

وتفضلوا بقبول فائق الاحترام ،،،

سمير علمات

المدير العام

شركة مصانع الأجواخ الاردنية  
المساهمة العامة المحدودة  
عمان - الاردن



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

CONSOLIDATED FINANCIAL STATEMENTS  
FOR THE YEAR ENDED DECEMBER 31, 2016  
TOGETHER WITH INDEPENDENT  
AUDITOR'S REPORT

JORDAN WORSTED MILLS COMPANY  
RUSAIFH – THE HASHEMITE KINGDOM OF JORDAN  
DECEMBER 31, 2016

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## Independent Auditor's Report

AM/ 3664

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

### **Report on the Audit of the Financial Statements**

#### **Opinion**

We have audited the consolidated financial statements of Jordan Worsted Mills Company and its subsidiary (together "the Group") which comprise the consolidated statement of financial position as at December 31, 2016, and the consolidated statement of income and comprehensive income, consolidated statement of changes in equity, and the consolidated statement of cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information.

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

#### **Basis for Opinion**

We conducted our audit in accordance with International Standards on Auditing. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are independent of the Company in accordance with the International Ethics Standards Board for Accountants' Code of Ethics for Professional Accountants together with the other ethical requirements that are relevant to our audit of the Company's consolidated financial statements in Jordan, and we have fulfilled our other ethical responsibilities. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.



## **Key Audit Matters**

Key audit matters, in our professional judgment, are the most significant matters in our audit of the consolidated financial statements of the current year. These matters were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters:

### **Valuation of Unquoted investments in Regulated Markets**

The unquoted investments in regulated markets are revalued on Fair Value Basis in light of available inputs, and this fair value is disclosed along with the revaluation basis mentioned in note (11) and (31). In doing so, The Group uses the audited or reviewed financial statements of the Investees company to estimate the fair value for these investments.

### **Scope of Audit to Address Risks**

Due to the lack of quoted prices for these investments, the revaluation process is subject to a material uncertainty related to measurement. Accordingly, the revaluation method for these investments is key to our audit. This is carried out by reviewing the available documents with management that support the revaluation of the investments. The latest audited or reviewed financial statements for those Companies as a good approximation of the fair value as this basis is adopted by the Company management.

## **Other Information**

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

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

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

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

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

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



## **Auditor's Responsibilities for the Audit of the Financial Statements**

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

As part of an audit in accordance with ISA's, we exercise professional judgement and maintain professional skepticism throughout the audit. We also:

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

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

We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguard procedures.

From the matters communicated with those charged with governance, we determine those matters of most significance in the audit of the consolidated financial statements of the current year, and are therefore, the key audit matters. We describe these matters in our auditor's report unless law and regulations preclude public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

#### **Report on Other Legal and Regulatory Requirements**

The Group maintains proper accounting records duly organized and in line with the accompanying consolidated financial statements. We recommend that the General Assembly of Shareholders approve these consolidated financial statements.

#### **Other Matter**

The accompanying consolidated financial statements are a translation of the statutory financial statements which are in the Arabic Language to which references should be made.

  
Deloitte & Touche (M.E.) – Jordan  
Amman – Jordan  
February 5, 2017





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

		December 31,	
	Note	2016	2015
		JD	JD
<u>ASSETS</u>			
Cash on hand and at banks	5	1,865,060	3,584,656
Financial assets at fair value through statement of income	6	3,036,375	3,296,048
Accounts receivable and other debt balances	7	405,803	338,056
Military and security receivables	8	4,096,080	2,669,153
Finished goods- Net	9	3,699,936	3,431,036
Goods under process		507,867	442,138
Yarn		3,138,731	2,672,574
Spare parts- Net	10	374,316	382,761
Goods in transit		143,056	290,862
Total Current Assets		<u>17,267,224</u>	<u>17,107,284</u>
Financial assets at fair value through comprehensive income	11	56,047,384	57,334,389
Investment in affiliate company	12	1,428,480	1,428,480
Total Investments		<u>57,475,864</u>	<u>58,762,869</u>
Fixed Assets:	13		
Land at cost		85,404	96,321
Fixed assets at cost		<u>5,180,768</u>	<u>5,462,484</u>
(Less): Accumulated depreciation		<u>(4,986,503)</u>	<u>(5,005,464)</u>
Total fixed assets excluding Land		<u>194,265</u>	<u>457,020</u>
Total Fixed Assets		<u>279,669</u>	<u>553,341</u>
Total Assets		<u>75,022,757</u>	<u>76,423,494</u>
<u>LIABILITIES</u>			
Due to banks	14	432,345	421,369
Payables and other credit balances	15	641,083	908,550
Income tax provision	26	271,905	338,045
Total Current Liabilities		<u>1,345,333</u>	<u>1,667,964</u>
End-of service indemnity provision	16	1,054,424	997,696
Total Liabilities		<u>2,399,757</u>	<u>2,665,660</u>
<u>OWNERS' EQUITY</u>			
Paid-up capital	17	15,000,000	15,000,000
Additional paid-in capital		50,000	50,000
Statutory reserve	17	12,532,243	12,532,243
Voluntary reserve	17	10,000,000	10,000,000
Special reserve	17	7,333,000	7,333,000
Yarn rising prices reserve	17	2,000,000	1,850,000
Investment revaluation reserve		8,099,525	8,844,545
Retained earnings	19	12,715,333	13,343,239
Total Shareholders' Equity		<u>67,730,101</u>	<u>68,953,027</u>
Non-controlling Interests	20	4,892,899	4,804,807
Total Owners' Equity		<u>72,623,000</u>	<u>73,757,834</u>
Total Liabilities and Owners' Equity		<u>75,022,757</u>	<u>76,423,494</u>
Chairman of Board of Directors		General Manager	

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



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

	Note	For the Year Ended	
		December 31,	
		2016	2015
		JD	JD
Net sales		<u>7,270,974</u>	<u>8,615,883</u>
Cost of Sales:			
Finished goods-Beginning of the year	9	3,681,036	3,765,204
Cost of production	21	<u>4,012,577</u>	<u>4,283,180</u>
Cost of goods available for sale		7,693,613	8,048,384
<u>Less:</u> Finished goods-End of the year	9	<u>3,949,936</u>	<u>3,681,036</u>
Cost of sales		<u>3,743,677</u>	<u>4,367,348</u>
Gross profit		3,527,297	4,248,535
Selling and distribution expenses	22	<u>(79,557)</u>	<u>(108,873)</u>
Profit from sales		3,447,740	4,139,662
General and administrative expenses	23	<u>(1,779,375)</u>	<u>(1,329,595)</u>
Operating Income		1,668,365	2,810,067
Net (loss) gain on financial assets at fair value through statement of income	24	(116,393)	105,589
Dividends revenue from financial assets at fair value through comprehensive income		2,845,776	2,734,352
Returns from financial assets at amortized cost		-	32,696
Other net income	25	<u>401,135</u>	<u>414,580</u>
Profit for the year before income tax		4,798,883	6,097,284
Income tax provision	26	<u>(387,000)</u>	<u>(488,763)</u>
Profit for the year		<u>4,411,883</u>	<u>5,608,521</u>
Attributable to:			
Shareholders		3,850,307	4,911,156
Non-controlling interests		<u>561,576</u>	<u>697,365</u>
		<u>4,411,883</u>	<u>5,608,521</u>
Earnings per share for the year attributable to shareholders	27	<u>-\257</u>	<u>-/327</u>

Chairman of the Board of Directors

General Manager

THE ACCOMPANYING NOTES CONSTITUTE AN INTEGRAL PART OF THESE  
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JORDAN WORSTED MILLS COMPANY

(A PUBLIC SHAREHOLDING LIMITED COMPANY)

RUSAIFEH - THE HASHEMITE KINGDOM OF JORDAN

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

	For the Year Ended	
	December 31,	
Note	2016	2015
	JD	JD
Profit for the Year	4,411,883	5,608,521
Other comprehensive income items:		
Items not subsequently transferable to the income statement:		
Changes in investment revaluation reserve	(709,623)	(3,473,075)
(Losses) from sale of financial assets at fair value through		
Comprehensive income	(587,094)	-
Total Comprehensive Income	<u>3,115,166</u>	<u>2,135,446</u>
Total comprehensive income is attributable to:		
Shareholders	2,527,074	1,529,923
Non-controlling interests	<u>588,092</u>	<u>605,523</u>
	<u>3,115,166</u>	<u>2,135,446</u>

Chairman of the Board of Directors

General Manager

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

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

**CONSOLIDATED STATEMENT OF CHANGES IN OWNERS' EQUITY**

	Note	Shareholders' Equity										Non-controlling Interests	Total Equity
		Paid - up Capital	Additional Paid-in Capital	Statutory Reserve	Voluntary Reserve	Special Reserve	Yarn Rising Price Reserve	Investment Valuation Reserve	Retained Earnings**	Total			
		JD	JD	JD	JD	JD	JD	JD	JD	JD	JD		
For the Year Ended December 31, 2016													
Balance - beginning of the year		15,000,000	50,000	12,532,243	10,000,000	7,333,000	1,850,000	8,844,545	13,343,239	68,953,027	4,804,807	73,757,834	
Profit for the year		-	-	-	-	-	-	-	3,850,307	3,850,307	561,576	4,411,883	
Change in investment revaluation reserve (Losses) from sale of financial assets at fair value through comprehensive income		-	-	-	-	-	-	(745,020)	-	(745,020)	35,397	(709,623)	
Total Comprehensive Income		-	-	-	-	-	-	-	(578,213)	(578,213)	(3,881)	(587,094)	
Dividends *		-	-	-	-	-	-	(745,020)	3,272,094	2,527,074	588,092	3,115,166	
Transferred to statutory reserve ***		-	-	-	-	-	150,000	-	(3,750,000)	(3,750,000)	(500,000)	(4,250,000)	
Balance - End of the year	17	15,000,000	50,000	12,532,243	10,000,000	7,333,000	2,000,000	8,099,525	12,715,333	67,730,101	4,892,899	72,623,000	
For the Year Ended December 31, 2015													
Balance - beginning of the year		15,000,000	50,000	11,712,044	10,000,000	7,333,000	1,700,000	12,225,778	13,152,282	71,173,104	4,699,284	75,872,388	
Profit for the year		-	-	-	-	-	-	-	4,911,156	4,911,156	697,365	5,608,521	
Change in investment revaluation reserve		-	-	-	-	-	-	(3,381,233)	-	(3,381,233)	(91,842)	(3,473,075)	
Total Comprehensive Income		-	-	-	-	-	-	(3,381,233)	4,911,156	1,529,923	605,523	2,135,446	
Dividends *		-	-	-	-	-	-	-	(3,750,000)	(3,750,000)	(500,000)	(4,250,000)	
Transferred to statutory reserve ***	17	-	-	820,199	-	-	150,000	-	(970,199)	-	-	-	
Balance - End of the year		15,000,000	50,000	12,532,243	10,000,000	7,333,000	1,850,000	8,844,545	13,343,239	68,953,027	4,804,807	73,757,834	

\* According to the resolution of the General Assembly convened on March 30, 2016, the Board of Directors' resolution was approved to distribute 25% of capital as cash dividends to shareholders, i.e. JD 3,750 thousand (JD 3,750 thousand for the year 2014).

\*\* Retained earnings includes JD 1,343,922 as of December 31, 2016, representing unrealized earnings restricted as per the Jordan Securities Commission's instructions (JD 1,498,727 as of December 31, 2015) against the cumulative change in fair value transferred to retained earnings as a result of applying International Financial Reporting Standard No. (9).

\*\*\*The Company transferred to statutory reserve during the past years an amount equal to 10 % of income before income tax according to the results of the Company and the Subsidiary on an individual basis.

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



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

	Note	For the Year Ended December 31,	
		2016	2015
		JD	JD
CASH FLOWS FROM OPERATING ACTIVITIES:			
Profit for the year before income tax		4,798,883	6,097,284
Adjustments for:			
Bonus		124,419	-
Depreciation of fixed assets	13	137,243	137,584
(Gains) from sale of lands and fixed assets	25	(439,402)	(472,487)
Losses (Gains) from revaluation of financial assets at fair value through statement of income	24	214,673	(41,115)
Dividends revenue from financial assets at fair value through comprehensive income		(2,845,776)	(2,722,706)
End-of-service indemnity provision	16	57,601	101,662
Cash Flows from Operating Activities before Changes in Working Capital items		2,047,641	3,100,222
Decrease (Increase) in current assets:			
Financial assets at fair value through statement of income		45,000	-
Accounts receivable and other debit balances		(67,747)	128,599
Military and security receivables		(1,426,927)	(1,299,739)
Finished goods		(268,900)	84,168
Goods under process		(65,729)	219,056
Yarn		(466,157)	(843,498)
Spare parts - Net		8,445	24,068
Goods in transit		147,806	196,237
(Decrease) Increase in current liabilities:			
Payables and other credit balances		(283,548)	56,377
Net Cash Flows (used in) Operating Activities before Income tax and End of service Indemnity Paid		(330,116)	1,665,490
Income tax paid	26	(453,140)	(497,227)
End of service indemnity paid	16	(873)	(36,305)
Net Cash Flows (Used in) from Operating Activities		(784,129)	1,131,958
CASH FLOWS FROM INVESTING ACTIVITIES:			
(Purchase) of Financial assets at fair value through comprehensive income		(9,712)	(329,175)
Investment in Affiliate		-	(252,574)
Maturities and amortization of financial assets at amortized cost		-	800,000
Dividends from financial assets at fair value through comprehensive income		2,845,776	2,734,352
(Purchase) of fixed assets	13	(14,653)	(222,165)
Proceeds from sale of lands and fixed assets		466,065	485,924
Net Cash Flows from Investing Activities		3,287,476	3,216,362
CASH FLOWS FROM FINANCING ACTIVITIES:			
Increase (Decrease) in due to banks		10,976	(1,519,998)
Non Controlling Interest dividends paid		(500,000)	(500,000)
Dividends Paid		(3,733,919)	(3,512,394)
Net Cash Flows (Used in) Financing Activities		(4,222,943)	(5,532,392)
Net (decrease) in Cash		(1,719,596)	(1,184,072)
Cash on hand and at banks - beginning of year		3,584,656	4,768,728
Cash on Hand and at Banks - End of year	5	1,865,060	3,584,656

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

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

1. General

- a. The Jordan Worsted Mills Company was registered as a public shareholding limited company under number (41) on September 17, 1964 with its head office located in Rusaifeh - Awajan District – The Hashemit Kingdom of Jordan, P.O.BOX 6060 Amman 11118 - Jordan. The Company's main objectives are to invest in shares of listed and unlisted companies; to manufacture and produce worsted in all shapes and types; to manufacture worsted; and to build, equip, and manage a factory / factories to manufacture worsted and trade in it.
- b. The Company owns 80% of Jordan Fabric and Worsted Mills Private Limited Shareholding Company, whose head office is in Rusaifeh, Awajan, The Hashemit Kingdom of Jordan. Its postal address is P.O. Box 6060 Amman 11118 – Jordan. The main objectives of this company are to manufacture and produce worsted, yarn, and mills in various shapes and kinds; to produce and sew various kinds of finished clothes; to use them as well as their accessories; and to trade in them. The main objectives also include building, preparing, and managing a factory / factories to manufacture the aforementioned and trade in them. The subsidiary had assets equal to JD 26,003,774 and liabilities equal to JD 1,572,435 as of December 31, 2016. Moreover, revenues equaled JD 8,038,632, and cost of sales and expenses amounted to JD 5,230,753 for the year ended December 31, 2016.
- c. The consolidated financial statements were approved and authorized by the Board of Directors' in its resolution number (334) on January 18, 2017.

2. Basis of Consolidation

- The consolidated financial statements encompasses the financial statements of Jordan worsted mills company and the financial statements of its subsidiary, Jordan Fabric and Worsted Mills company, a private limited shareholding company after eliminating balances and transactions between the two companies.

3. Basis of Preparation of the Consolidated Financial Statements

- The consolidated financial statements have been prepared in accordance with the standards issued by the International Accounting Standards Board and interpretations issued by the International Financial Reporting Interpretation Committee (IFRIC), and prevailing local laws.
- The consolidated financial statements have been prepared under the historical cost principle except for financial assets and financial liabilities shown at fair value at the date of the consolidated financial statements.
- The consolidated financial statements of the Company are presented in Jordanian Dinar, which is also its functional currency.
- The accounting policies adopted in the preparation of the consolidated financial statements are consistent with those applied in the year ended December 31, 2015 except for the effect of adopting the new and modified standards stated in Note (35-a) related to consolidated financial statements.



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

a. Inventory

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

b. Financial assets at fair value through statement of income

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

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

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

d. Fair Value

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

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

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



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

e. Financial Assets at Amortized Cost

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

f. Fixed Assets

- Fixed assets are stated at cost net of accumulated depreciation (except for Land) and any accumulated impairment. Moreover, fixed assets (except for land) are depreciated, when ready for their intended use, according to the straight-line method over their estimated useful lives using rates ranging from 2% to 20%.
- When the expected recoverable amount of any fixed assets is less than its net book value, the net book value is reduced to the expected recoverable amount, and the impairment loss is taken to the consolidated statement of income.
- Fixed assets useful lives are reviewed at the end of each year and if the expected useful life differs from the previous estimate, the difference is recorded in subsequent years as a change in accounting estimates.
- Fixed assets are disposed of when there are no expected future benefits from its use or its disposal.

g. Provision for End-of-Service Indemnity

- End-of-service indemnity paid to terminated employees is charged to the end-of-service indemnity provision. Moreover, a provision booked for the end-of-service indemnity liability is recorded in the consolidated statement of income.

h. Income Tax

- Income tax expenses represent accrued taxes and deferred taxes.
- Income tax expenses are accounted for on the basis of taxable income. Moreover, taxable income differs from income declared in the consolidated financial statements because the latter includes non-taxable revenue or tax expenses not deductible in the current year but deductible in subsequent years, accumulated losses acceptable by the tax authorities, items not accepted for tax purposes or subject to tax.
- Taxes are calculated on the basis of the tax rates prescribed according to the prevailing laws, regulations and instructions of the countries where the Company operates.

- Deferred taxes are taxes expected to be paid or recovered as a result of the temporary timing differences between the value of assets or liabilities in the consolidated financial statements and the value on the basis of which taxable income is calculated. Moreover, deferred taxes are calculated based on the liability method in the consolidated statement of financial position according to the tax rates expected to be applied upon the settlement of the tax liability or realization of the deferred tax assets. Moreover, the Company did not recognize deferred tax assets because they were deemed immaterial and not possible to use. The Company did not recognize deferred tax liability for the investment revaluation reserve as the Company's investment revenue is not taxable.

i. Foreign Currency Transactions

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

j. Dividends revenue

Companies' dividends revenue are booked when realized (approved by the general assembly).

k. Interest Revenue and Expenses

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

l. Sales

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

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

m. Investment in affiliate

Affiliate companies are companies over which the Company exercises significant influence related to financial and operational policies without controlling, with an ownership between 20%- 50 % of voting rights. Investment in affiliates is stated at an amount equal to the Company's share in the affiliates' net assets and the degree of the company's participation in the affiliate. This is done by adjusting the investment account for the change in the affiliate's net assets caused by the company's share in the affiliate's profit or loss according to the latest audited or reviewed financial statements.



#### 4. Use of Estimates

Preparation of the consolidated financial statements and application of the accounting policies require the Company's management to perform assessments and assumptions that affect the amounts of financial assets and financial liabilities and to disclose all contingent liabilities. Moreover, these assessments and assumptions affect revenues, expenses, and provisions. In particular, this requires the Company's management to issue significant judgments and assumptions to assess future cash flow amounts and their timing. Moreover, the mentioned assessments are necessarily based on assumptions and factors with varying degrees of consideration and uncertainty. In addition, actual results may differ from assessments due to the changes resulting from the conditions and circumstances of those assessments in the future.

We believe that the estimates adopted in the consolidated financial statements are reasonable and detailed as follows:

- Management periodically reassesses the economic useful lives of fixed assets for the purpose of calculating annual depreciation based on the general condition of these assets and the assessment of their useful economic lives expected in the future. Impairment loss is charged to the consolidated statement of income (if any).
- Management periodically revalue the financial assets stated at cost to estimate any impairment in value. This impairment (if applicable) is taken to consolidated statement of income.
- The fiscal year is charged with its portion of income tax expense in accordance with the regulations, laws, and International Financial Reporting Standards.
- A provision is taken for slow moving inventory based on management's estimate related to the amount of impairment.
- A provision is taken for lawsuits raised against the Company. This provision is subject to an adequate legal study prepared by the Company's legal advisor. Moreover, the study highlights potential risks that the Company may encounter in the future. Such legal assessments are reviewed periodically.
- A provision is taken for employees' End of service Indemnity according to the laws and regulations.
- Fair value hierarchy: The Company is required to determine and disclose the level in the fair value hierarchy into which the fair value measurements are categorized in their entirety, segregating fair value measurements in accordance with the levels defined in IFRS. Differentiating between Level 2 and Level 3 fair value measurements, i.e. assessing whether inputs are observable and whether the unobservable inputs are significant, may require judgement and a careful analysis of the inputs used to measure fair value, including consideration of factors specific to the asset or liability.



5. Cash on Hand and at Banks

This item consists of the following:

	December 31,	
	2016	2015
	JD	JD
Cash on hand	4,138	5,151
Current accounts - Jordanian Dinar	251,327	357,040
Time deposit at Jordan Ahli Bank – member of the Board of Directors *	1,099,335	2,714,070
Current account- Euro	10,260	8,395
Cash collaterals against credit facilities **	500,000	500,000
	<u>1,865,060</u>	<u>3,584,656</u>

\* The time deposit is for one-month term, automatically renewable, and bears interest at 3.375% per annum.

\*\* This item represents cash collateral against credit facilities granted to Jordan Worsted Mills Company (Parent Company) deposited at Jordan Ahli Bank (member of the Board of Directors) at an annual interest rate of 3.375 %.

6. Financial assets at fair value through the statement of income

a. This item consists of the following:

	December 31,	
	2016	2015
	JD	JD
Financial assets listed at Amman Stock Exchange	<u>3,036,375</u>	<u>3,296,048</u>

7. Receivables and other debit balances

This item consists of the following:

	December 31,	
	2016	2015
	JD	JD
Trade receivables	12,159	7,685
Employees receivables	7,310	5,665
Prepaid expenses	263,043	246,502
Refundable deposits and customs deposits	10,769	10,769
Sales tax	112,522	67,435
	<u>405,803</u>	<u>338,056</u>

8. Military and security receivables

This item represents military and security receivables in light of knowing that the Company applies a policy of dealing with credit worthy parties in order to abate the risk of financial loss from defaulting on liabilities, although the receivables are of less than one year.

9. Finished goods-Net

This item consists of the following:

	December 31,	
	2016	2015
	JD	JD
Finished Goods	3,949,936	3,681,036
(Less): Allowance for slow moving inventory	<u>(250,000)</u>	<u>(250,000)</u>
	<u>3,699,936</u>	<u>3,431,036</u>

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

	2016	2015
	JD	JD
Balance at the beginning of the year	250,000	250,000
Balance at the end of the year	250,000	250,000

#### 10. Spare parts and various supplies - Net

This item consists of the following:

	December 31,	
	2016	2015
	JD	JD
Spare parts	801,076	832,439
Raw materials and various supplies	13,907	13,454
	814,983	845,893
(Less): Provision for slow-moving items	(500,000)	(500,000)
	314,983	345,893
Packaging department assets and sampling and processing books	19,733	14,873
Factory assets	39,600	21,995
	374,316	382,761

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

	December 31,	
	2016	2015
	JD	JD
Balance at the beginning of the year	500,000	500,000
Balance at the end of the year	500,000	500,000

#### 11. Financial assets at fair value through comprehensive income

This item consists of the following:

	December 31,	
	2016	2015
	JD	JD
Financial assets listed at Amman Stock Exchange	42,076,179	43,252,099
Unlisted Financial assets *	13,971,205	14,082,290
	56,047,384	57,334,389

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

## 12. Investment in Affiliate Company

- This item represents the cost of the investment of the Company and its subsidiary in Arabic International Real Estate Company, representing 40% of the Investee's capital of JD 3.6 million. The affiliate company amortized accumulated losses amounting to JD 176,434 in the capital account during the second half of the year 2015 and increased the capital account by JD 631,434. In this regard. The company and its subsidiary contributed to the affiliates capital increase by JD 150,581 and JD 101,993 respectively. The affiliate was established on June 28, 2007, and its main objectives are to develop investments in various areas of tourism and real estate; to develop and manage construction, housing, and real estate projects and markets; to buy, sell, and invest real estates and lands inside and outside the city planning; and to manage housing, commercial, and other complexes. This amount represents the Company's share in the affiliate's net assets. It is also equivalent to the investment in the affiliate adjusted by the changes in the Company's share in the affiliate's net assets and by the amount of the Company's share in the affiliate's profits and losses based on the latest audited or reviewed financial statements. Moreover, the financial statements for the year 2015 were adopted as the last audited financial statements by the affiliate company.

Summary of the financial information related to the affiliate company follows:

	December 31,	
	2016	2015
	JD	JD
Assets	3,574,988	3,574,988
Liabilities	(3,861)	(3,861)
Net assets	<u>3,571,127</u>	<u>3,571,127</u>
Company's share in the affiliate company's net assets	<u>1,428,480</u>	<u>1,428,480</u>



13. Fixed assets

2016	Lands*	Buildings	Factory machines	Tools and equipment	air conditioner	Fire Extinguishment Devices	Computer Devices and software	Factory equipment and supplies	Furniture	Electrical Extensions and Appliances	Vehicles	Well and Water Purification Unit	Total Excluding Lands	Total
cost:	JD	JD	JD	JD	JD	JD	JD	JD	JD	JD	JD	JD	JD	JD
Balance-Beginning of the year	96,321	401,186	3,737,712	11,775	307,860	39,246	57,112	105,236	108,378	103,360	488,840	97,779	5,462,484	5,558,805
Additions	-	-	-	2,048	-	-	10,655	-	1,950	-	-	-	14,653	14,653
Disposals	(10,917)	-	(31,966)	(2,897)	-	-	(17,946)	(579)	(2,134)	(380)	(240,467)	-	(296,369)	(307,286)
Balance-End of the year	85,404	401,186	3,705,746	10,926	307,860	39,246	49,821	108,657	108,194	102,980	248,373	97,779	5,180,768	5,266,172
Accumulated Depreciation:														
Balance-Beginning of the year	-	372,862	3,639,320	9,716	307,520	34,293	55,561	99,380	103,571	101,581	227,861	43,799	5,005,464	5,005,464
Additions	-	5,421	55,414	898	291	3,302	1,630	1,993	1,324	1,779	62,010	3,181	137,243	137,243
Disposals	-	-	(31,966)	(2,845)	-	-	(17,946)	(570)	(2,130)	(380)	(100,367)	-	(156,204)	(156,204)
Balance-End of the year	-	378,283	3,662,768	7,769	307,811	37,595	39,245	100,803	102,765	102,980	199,504	46,980	4,986,503	4,986,503
Net Book Value	85,404	22,903	42,978	3,157	49	1,651	10,576	7,854	5,429	-	48,869	50,799	194,265	279,669
2015														
cost:														
Balance-Beginning of the year	109,724	401,186	3,727,570	16,137	314,934	39,246	59,454	110,806	130,598	103,360	466,035	97,779	5,467,105	5,576,829
Additions	-	-	10,349	-	-	-	1,540	9,450	2,827	-	197,999	-	222,165	222,165
Disposals	(13,403)	-	(207)	(4,362)	(7,074)	-	(3,882)	(11,020)	(25,047)	-	(175,194)	-	(226,786)	(240,189)
Balance-End of the year	96,321	401,186	3,737,712	11,775	307,860	39,246	57,112	109,236	108,378	103,360	488,840	97,779	5,462,484	5,558,805
Accumulated Depreciation:														
Balance-Beginning of the year	-	367,440	3,583,982	13,344	314,303	30,992	59,034	107,536	125,991	98,827	352,565	40,618	5,094,632	5,094,632
Additions	-	5,422	55,545	726	291	3,301	409	2,864	2,601	2,754	60,490	3,181	137,584	137,584
Disposals	-	-	(207)	(4,354)	(7,074)	-	(3,882)	(11,020)	(25,021)	-	(175,194)	-	(226,752)	(226,752)
Balance-End of the year	-	372,862	3,639,320	9,716	307,520	34,293	55,561	99,380	103,571	101,581	237,861	43,799	5,005,464	5,005,464
Net Book Value	96,321	28,324	98,392	2,059	340	4,953	1,551	9,856	4,807	1,779	250,979	53,980	457,020	553,341
% Annual Depreciation Rate	-	2 - 4	15	10 - 15	15	10	20	10 - 15	10 - 15	15	15	4_10		

- Fixed assets include fully depreciated assets amounting to JD 4,286,582 as of December 31, 2016 ( JD 4,321,899 as of December 31, 2015).

\* The Company sold Lands during the year 2016 according to the resolutions of the Board of Directors held in 2016. Gains from the sale were recorder under other revenue item (note 25)

#### 14. Bank Loans

This item consists of the following:

	December 31,	
	2016	2015
	JD	JD
Jordan Ahli Bank – Overdraft*	337,953	335,237
Jordan Ahli Bank – Overdraft**	91,685	80,662
Arab Bank – Overdraft**	2,707	5,470
	<u>432,345</u>	<u>421,369</u>

- \* The Company was granted an overdraft facility with a ceiling of JD 500,000 at an annual interest rate of 4.875% from Jordan Ahli Bank (member of the Board of Directors). The loan is guaranteed by the Company, and the overdraft is due on October 30, 2017.
- \*\* The Company was granted overdraft facilities with a ceiling of JD 2 million by Jordan Ahli Bank (member of the Board of Directors) and JD 2 million by Arab Bank (member of the Board of Directors). These credit facilities are guaranteed by the Company and bear interest at an annual interest rate of 7.25% from Jordan Ahli Bank and 8% for Arab Bank. Moreover, the overdrafts are due on October 30, 2017 and May 23, 2017, respectively.

#### 15. Payables and Other Credit Balances

This item consists of the following:

	December 31,	
	2016	2015
	JD	JD
Accounts Payable	199,637	489,504
Shareholders' deposits	277,446	255,046
Accrued expenses	64,000	64,000
Board of Directors' remuneration for the parent and subsidiary	100,000	100,000
	<u>641,083</u>	<u>908,550</u>

#### 16. End-of Service Indemnity Provision

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

	2016	2015
	JD	JD
Balance at the beginning of the year	997,696	932,339
Additions	57,601	101,662
Payments during the year	(873)	(36,305)
Balance at the end of the year	<u>1,054,424</u>	<u>997,696</u>

17. Capital and Reserves

a. Capital

The paid-up capital amounted to JD 15 million distributed over 15,000,000 shares with a par value of JD 1 as of December 31, 2016 and 2015.

b. Statutory Reserve

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

c. Voluntary Reserve

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

d. Special Reserve

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

e. Yarn Rising Prices Reserve

This item represents Yarn rising prices reserve that is appropriated according to the Board of Directors' resolutions due to price rising for Yarn in global markets and the fixed sale contracts that the Company is committed to for years to come. Moreover, The Company increased the reserve balance by JD 150 thousand during the year 2016 appropriated from retained earnings, subject to the approval of the general assembly.

18. Proposed Dividends

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



#### 19. Retained Earnings

This item consists of the following:

	For the year ended December 31, 2016			For the year ended December 31, 2015		
	Retained Earnings			Retained Earnings		
	Realized	Unrealized *	Total	Realized	Unrealized *	Total
	JD	JD	JD	JD	JD	JD
Balance-Beginning of the year	11,844,512	1,498,727	13,343,239	11,694,670	1,457,612	13,152,282
(Losses)from financial assets at fair value through comprehensive income	(578,213)	-	(578,213)	-	-	-
Realized cumulative change in fair value during the year	(59,868)	59,868	-	-	-	-
Profit for the year	4,064,980	(214,673)	3,850,307	4,870,041	41,115	4,911,156
Distributed dividends	(3,750,000)	-	(3,750,000)	(3,750,000)	-	(3,750,000)
Deduction for Reserve	(150,000)	-	(150,000)	(970,199)	-	(970,199)
Balance-End of the year	<u>11,371,411</u>	<u>1,343,922</u>	<u>12,715,333</u>	<u>11,844,512</u>	<u>1,498,727</u>	<u>13,343,239</u>

\* Restricted as in use as of December 31, 2016 in according with the directives of the Jordan Securities Commission.

#### 20. Non-Controlling interest

This item encompasses the rights of Kingdom Investment Group (Limited Liability) which is 20% owned by the Jordanian armed force. In the equity of Jordan fabric and Worsteds Mills private Shareholding Company (The Subsidiary) as of December 31, 2016 and December 31, 2015.

## 21. Cost of Production

This item consists of the following:

	2016	2015
	JD	JD
Yarn used in production:		
Yarn - beginning of the year	2,672,574	1,829,076
Yarn purchases	3,178,139	3,505,156
(Less): Yarn - End of the year	(3,138,731)	(2,672,574)
Cost of yarn used in production	2,711,982	2,661,658
Salaries and wages for Factory and Maintenance	575,052	594,982
Overtime wages	17,087	24,772
Health insurance and medical expenses	63,462	46,459
Company`s share in social security	60,242	54,750
Maintenance and spare parts	77,277	80,796
Factory vehicles expenses	16,092	17,686
Buildings Maintenance	12,550	9,188
Factory cleaning	17,998	17,041
Fees, Permits, and Taxes	111,841	78,143
Electricity	87,781	89,170
Supplies	12,175	17,218
Buildings and Devices insurance premiums	28,283	27,305
Company`s contribution to workers` bufet	12,235	14,161
Rents	7,620	7,620
Fuel and Oil	109,201	129,462
Transportation	9,545	11,091
Travel Expenses	-	27,952
Workers uniform and other expenses	1,965	2,634
Stationery and printings	548	934
Water and water inspection fees	28,827	29,965
Fabric inspection fees	15,000	16,900
End-of-Service Indemnity provision	13,554	15,609
Depreciation-Factory Buildings	4,620	4,620
Depreciation-Machinery, Devices, and factory furniture and equipment	67,025	69,168
Depreciation-factory vehicles	16,146	14,627
Other	198	213
Total	4,078,306	4,064,124
Work in process inventory - Beginning of the year	442,138	661,194
Work in process inventory - End of the year	(507,867)	(442,138)
Cost of production	4,012,577	4,283,180

## 22. Selling and distribution expenses

This item consists of the following:

	2016	2015
	JD	JD
Promotion, advertisement, designing, development, and samples	41,671	40,180
Sales stamping stamps	32,474	58,880
Jordan universities` fees on sales	5,412	9,813
	79,557	108,873

23. General and administrative expenses

This item consists of the following:

	2016	2015
	JD	JD
Management employees' salaries	594,900	586,418
Representation allowance	125,000	125,000
Donations and Subsidies *	181,645	147,793
Transportation	86,947	85,473
End-of-Service Indemnity provision	44,048	88,955
Fees, Permits, and Taxes	98,928	43,225
Vehicles expenses	21,969	22,978
Vehicles depreciation	45,864	45,863
Professional fees	28,305	27,105
Post, Telephone, and Import Stamps	17,942	21,253
Stationery, Printings, and maintenance for office equipment	22,607	19,641
Health insurance and management employees' medication	26,475	22,379
Company's share in social security	16,421	14,172
Hospitality	7,150	30,319
Overtime salaries for management employees	12,032	13,038
Depreciation - furniture, office equipment, and Computers	2,787	2,504
Bonuses	424,419	-
Other expenses	5,982	16,140
Rents	4,375	4,375
Commissions	7,384	8,070
Promotion and Advertisements	3,396	4,092
Depreciation- Office buildings	801	802
	<u>1,779,375</u>	<u>1,329,595</u>

\* This item represents donations and subsidies paid according to the resolutions of the Board of Directors to Charity and Not-For profit Organizations.

24. Net (Losses) gains from financial assets at fair value through statement of income

This item consists of the following:

	2016	2015
	JD	JD
Dividends revenue	123,280	64,474
(Losses) from sale of financial assets at fair value through statement of income	(25,000)	-
(Losses) gains from revaluation of financial assets at fair value through statement of income- Unrealized	(214,673)	41,115
	<u>(116,393)</u>	<u>105,589</u>



25. Other Revenue- Net

	2016	2015
	JD	JD
Parent`s and subsidiary`s Board of Directors remunerations	(100,000)	(100,000)
Interest and bank fees expense	(18,766)	(50,377)
Interest income	77,547	91,681
Gain on sale of Lands and fixed assets	439,402	472,487
Other revenues	2,952	789
	<u>401,135</u>	<u>414,580</u>

26. Income Tax

a. Income Tax Provision

The movement on the income tax provision is as follows:

	For the Year ended December 31,	
	2016	2015
	JD	JD
Balance - beginning of the year	338,045	346,509
Income tax paid	(453,140)	(497,227)
Income Tax differences on past years	-	(5,737)
Provision for income taxes taken during the year	387,000	494,500
Balance – End of the Year	<u>271,905</u>	<u>338,045</u>

Balance of the provision in the consolidated statement of income is as follows:

	For the year ended December 31	
	2016	2015
	JD	JD
Income tax differences on prior years	-	5,737
Income tax provision taken during the year	(387,000)	(494,500)
	<u>(387,000)</u>	<u>(488,763)</u>

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

27. Earnings per Share for the Year attributable to Shareholders

This item consists of the following:

	2016	2015
	JD	JD
Profit for the year for the Year attributable to shareholders	3,850,307	4,911,156
Number of shares	15,000,000	15,000,000
Earnings per share for the year	<u>-\257</u>	<u>-\327</u>

## 28. Deferred Taxes

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

## 29. Financial Derivatives

The Company has entered into forward contracts with one of the local banks (related party) to buy euros in exchange of American dollars of around JD 2,654 thousand through forward contracts maturing during the period from March 21, 2016 up to April 15, 2017. These contracts are reported at cost as these cover purchases of Yarn during the years 2017 and 2016. Moreover, revaluation differences as of December 31, 2016 are immaterial.

## 30. Risk Management

### a. Capital Risk Management

The Company manages its capital to ensure its ability to continue as a going concern and to maximize the return to stakeholders through achieving an optimal balance between equity and debts. The Company's Policy hasn't changed during the year.

### b. Market risks

Market risks are risks are the risks of losses in value resulting from market price changes such as interest rates, Foreign Exchange rates, Equity instruments, and subsequently changes in the present value of financial instruments inside and outside the Consolidated financial position.

#### 1. Exchange rate risks

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

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

#### 2. Shares price change risks

- Share price change risks are categorized in the decline in fair value due to changes in price indexes and individual share prices.
- The following table illustrates the effect of a 5% increase (decrease) in Amman Stock Exchange index, In which the shares are traded on the profits and equity as of the Consolidated financial statements date

2016	Change in Index	Effect on equity profit \ (loss)	Effect on Net income profit \ (loss)
		JD	JD
Financial Markets	5% Increase	2,103,809	151,819
Financial Markets	5% Decrease	(2,103,809)	(151,819)



### 3. Interest rate risks

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

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

	+ 5%		- ( 5 )%	
	2016 JD	2015 JD	2016 JD	2015 JD
Profit (Loss) for the year	5,835	13,964	(5,835)	(13,964)
Consolidated owner's equity	5,835	13,964	(5,835)	(13,964)

### 4. Liquidity risks

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

	December 31	
	2016	2015
	Less than one year JD	Less than one year JD
Due to Bank	432,345	421,369
Payables and other credit balances	641,083	908,550
Income tax provision	271,905	338,045
	<u>1,345,333</u>	<u>1,667,964</u>

### d. Credit risks

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

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



### 31. Fair Value Hierarchy

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

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

Financial Assets	Fair Value as at		The Level of	Evaluation Method	Important	Relation between
	Note	December 31,				
	2016	2015				
	JD	JD	Fair Value	and Inputs used	Inputs	Important Intangible inputs

#### Financial Assets at Fair Value through statement of income:

Companies Share	3,036,375	3,296,048	Level I	Prices listed in Financial Markets	N/A	N/A
	<u>3,036,375</u>	<u>3,296,048</u>				

#### Financial Assets at Fair Value through comprehensive income:

Quoted Shares	42,076,179	43,252,099	Level I	Prices listed in Financial Markets	N/A	N/A
Unquoted Shares	13,971,205	14,082,290	Level II	Equity method, Based on the latest audited or reviewed financial statements	N/A	N/A
	<u>56,047,384</u>	<u>57,334,389</u>				
<b>Total Financial Assets at Fair Value</b>	<b><u>59,083,759</u></b>	<b><u>60,630,437</u></b>				

There were no transfers between level I and level II during the year 2016.

#### b. Fair Value of Financial Assets and Financial Liabilities Continuously Undetermined at Fair Value

We believe that the carrying amount of financial assets and liabilities shown in the consolidated financial statements of the Company approximate their fair value.

### 32. Contingent Liabilities

As of the date of the Consolidated Financial Position, The Company was contingently liable as follows:

	December 31,	
	2016	2015
	JD	JD
Letters Of guarantees	650,000	650,000
Letters Of credit	-	113,971
Forward contracts - financial instruments	753,369	140,584

### 33. Balances of and Transactions with Related Party

Details of the related party's balances and transactions with the related parties (Companies and Corporations represented by the Board of Directors) as of the end of the year:

	December 31	
	2016	2015
	JD	JD
<u>Item of the Consolidated Financial Position:</u>		
Time deposit at Jordan Ahli Bank – Member of the Board of Directors	1,099,335	2,714,070
Cash guarantees at Jordan Ahli Bank – Member of the Parent Company`s Board of Directors	500,000	500,000
Military Receivables – Member of the Board of Directors	4,096,080	2,669,153
Bank(creditor)-Arab Bank-member of the Board of Directors	(2,707)	(5,470)
Bank(creditor)-Jordan Ahli bank-member of the Board of Directors	(337,953)	(335,237)
Bank(creditor)-Jordan Ahli bank-member of the Board of Directors	(91,685)	(80,662)
Current accounts-Arab Bank-member of the Board of Directors	292	1,554
Current accounts-Jordan Ahli Bank-member of the Board of Directors	250,612	354,447
Current accounts-Euro-Jordan Ahli Bank-member of the Board of Directors	10,260	8,395

#### Off- Consolidated statement of financial position items:

Letters of Guarantees – Arab Bank- member of the Board of Directors	150,000	150,000
Letters of Guarantees – Jordan Ahli Bank- member of the Board of Directors	500,000	500,000
Letters of Credit - Jordan Ahli Bank- member of the Parent Company`s Board of Directors	-	113,971
Forward contracts-Jordan Ahli Bank-member of the Parent Company`s Board of Directors	753,369	140,584

For the Year Ended December 31,	
2016	2015
JD	JD
Military sales-board of directors	7,267,411
Debit interest and commissions	18,766
Credit interest	77,547

#### Consolidated Statement of Income Items:

Military sales-board of directors	7,267,411	8,588,767
Debit interest and commissions	18,766	50,377
Credit interest	77,547	91,681

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

Salaries, rewards, and other benefits for the Board of directors and higher executive management equaled to JD 1,215,591 for the year 2016, Including Bonuses of JD 424 thousand for the prior Chief Executive Officer according to the approvals of the Board of Directors at their meeting held during the seconds half of the year 2016 for each of the Parent and the Subsidiary, note (23) (JD 777,334 for the year 2015).

#### 34. Segment and Geographical analysis

The following is information about the Company's business sector, broken by activities:

	Manufacturing	Investing *	Total	
			For the year ended	
			December 31,	
	JD	JD	2016	2015
			JD	JD
Sales	7,270,974	-	7,270,974	8,615,883
Cost of sales	(3,743,677)	-	(3,743,677)	(4,367,348)
Company's business sector results	3,527,297	-	3,527,297	4,248,535
Selling and distribution expenses	(79,557)	-	(79,557)	(108,873)
General and administrative expenses	(1,020,519)	(758,856)	(1,779,375)	(1,329,595)
Financial assets income - net	709,982	2,019,401	2,729,383	2,872,637
Other income - net	57,676	343,459	401,135	414,580
Net profit for the year before income tax	3,194,879	1,604,004	4,798,883	6,097,284
Income tax expenses	(387,000)	-	(387,000)	(488,763)
Profit for the year	<u>2,807,879</u>	<u>1,604,004</u>	<u>4,411,883</u>	<u>5,608,521</u>

\* Net after excluding the Company's share of the distributed Subsidiary's profits during the year 2016 of JD 2 million from this sector.

<u>Other Information</u>	Manufacturing	Investing	December 31	
			2016	2015
	JD	JD	JD	JD
Sector Assets	26,003,774	49,018,983	75,022,757	76,423,494
Sector Liabilities	1,572,435	827,322	2,399,757	2,665,660

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



35. Adoption of New and Revised International Financial Reporting Standards (IFRSs)

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

The following new and revised IFRSs, which became effective for annual periods beginning on or after January 1, 2016, have been adopted in these consolidated financial statements. The application of these revised IFRSs has not had any material impact on the amounts reported for the current and prior years but may affect the accounting for future transactions or arrangements.

- IFRS 14 Regulatory Deferral Accounts.
- Amendments to IAS 1 Presentation of Financial Statements relating to Disclosure initiative.
- Amendments to IFRS 11 Joint arrangements relating to accounting for acquisitions of interests in joint operations.
- Amendments to IAS 16 Property, Plant and Equipment and IAS 38 Intangible Assets relating to clarification of acceptable methods of depreciation and amortisation.
- Amendments to IAS 16 Property, Plant and Equipment and IAS 41 Agriculture: Bearer Plants.
- Amendments to IAS 27 Separate Financial Statements relating to accounting investments in subsidiaries, joint ventures and associates to be optionally accounted for using the equity method in separate financial statements.
- Amendments to IFRS 10 Consolidated Financial Statements, IFRS 12 Disclosure of Interests in Other Entities and IAS 28 Investment in Associates and Joint Ventures relating to applying the consolidation exception for investment entities.
- Annual Improvements to IFRSs 2012 – 2014 Cycle covering amendments to IFRS 5, IFRS 7, IAS 19 and IAS 34.

35. b. New and revised IFRSs in issue but not yet effective and not early adopted

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

**New and revised IFRSs**

**Effective for annual periods beginning on or after**

Annual Improvements to IFRS Standards 2014 – 2016 Cycle amending IFRS 1, IFRS 12 and IAS 28.

The amendments to IFRS 1 and IAS 28 are effective for annual periods beginning on or after January 1, 2018, the amendment to IFRS 12 for annual periods beginning on or after January 1, 2017.

Amendments to IAS 12 *Income Taxes* relating to the recognition of deferred tax assets for unrealized losses.

January 1, 2017

Amendments to IAS 7 <i>Statement of Cash Flows</i> to provide disclosures that enable users of financial statements to evaluate changes in liabilities arising from financing activities.	January 1, 2017
IFRIC 22 <i>Foreign Currency Transactions and Advance Consideration</i> The interpretation addresses foreign currency transactions or parts of transactions where: <ul style="list-style-type: none"> <li>• there is consideration that is denominated or priced in a foreign currency;</li> <li>• the entity recognises a prepayment asset or a deferred income liability in respect of that consideration, in advance of the recognition of the related asset, expense or income; and</li> <li>• the prepayment asset or deferred income liability is non-monetary.</li> </ul>	January 1, 2018
Amendments to IFRS 2 <i>Share Based Payment</i> regarding classification and measurement of share based payment transactions	January 1, 2018
Amendments to IFRS 4 <i>Insurance Contracts</i> : Relating to the different effective dates of IFRS 9 and the forthcoming new insurance contracts standard.	January 1, 2018
Amendments to IAS 40 <i>Investment Property</i> : Amends paragraph 57 to state that an entity shall transfer a property to, or from, investment property when, and only when, there is evidence of a change in use. A change of use occurs if property meets, or ceases to meet, the definition of investment property. A change in management's intentions for the use of a property by itself does not constitute evidence of a change in use. The paragraph has been amended to state that the list of examples therein is non-exhaustive.	January 1, 2018
Amendments to IFRS 7 <i>Financial Instruments: Disclosures</i> relating to disclosures about the initial application of IFRS 9	When IFRS 9 is first applied
IFRS 7 <i>Financial Instruments: Disclosures</i> relating to the additional hedge accounting disclosures (and consequential amendments) resulting from the introduction of the hedge accounting chapter in IFRS 9	When IFRS 9 is first applied



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

January 1, 2018

IFRS 9 issued in November 2009 introduced new requirements for the classification and measurement of financial assets. IFRS 9 was subsequently amended in October 2010 to include requirements for the classification and measurement of financial liabilities and for derecognition, and in November 2013 to include the new requirements for general hedge accounting. Another revised version of IFRS 9 was issued in July 2014 mainly to include a) impairment requirements for financial assets and b) limited amendments to the classification and measurement requirements by introducing a 'fair value through other comprehensive income' (FVTOCI) measurement category for certain simple debt instruments.

A finalised version of IFRS 9 which contains accounting requirements for financial instruments, replacing IAS 39 *Financial Instruments: Recognition and Measurement*. The standard contains requirements in the following areas:

- **Classification and measurement:** Financial assets are classified by reference to the business model within which they are held and their contractual cash flow characteristics. The 2014 version of IFRS 9 introduces a 'fair value through other comprehensive income' category for certain debt instruments. Financial liabilities are classified in a similar manner to under IAS 39, however there are differences in the requirements applying to the measurement of an entity's own credit risk.
- **Impairment:** The 2014 version of IFRS 9 introduces an 'expected credit loss' model for the measurement of the impairment of financial assets, so it is no longer necessary for a credit event to have occurred before a credit loss is recognised
- **Hedge accounting:** Introduces a new hedge accounting model that is designed to be more closely aligned with how entities undertake risk management activities when hedging financial and non-financial risk exposures.
- **Derecognition:** The requirements for the derecognition of financial assets and liabilities are carried forward from IAS 39.

Amendments to IFRS 15 *Revenue from Contracts with Customers* to clarify three aspects of the standard (identifying performance obligations, principal versus agent considerations, and licensing) and to provide some transition relief for modified contracts and completed contracts.

January 1, 2018

IFRS 15 *Revenue from Contracts with Customers*

In May 2015, IFRS 15 was issued which established a single comprehensive model for entities to use in accounting for revenue arising from contracts with customers. IFRS 15 will supersede the current revenue recognition guidance including IAS 18 *Revenue*, IAS 11 *Construction Contracts* and the related interpretations when it becomes effective.

January 1, 2018



The core principle of IFRS 15 is that an entity should recognize revenue to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services. Specifically, the standard introduces a 5-step approach to revenue recognition:

- Step 1: Identify the contract(s) with a customer.
- Step 2: Identify the performance obligations in the contract.
- Step 3: Determine the transaction price.
- Step 4: Allocate the transaction price to the performance obligations in the contract.
- Step 5: Recognise revenue when (or as) the entity satisfies a performance obligation.

Under IFRS 15, an entity recognises when (or as) a performance obligation is satisfied, i.e. when 'control' of the goods or services underlying the particular performance obligation is transferred to the customer. Far more prescriptive guidance has been added in IFRS 15 to deal with specific scenarios. Furthermore, extensive disclosures are required by IFRS 15.

Amendments to IFRS 15 *Revenue from Contracts with Customers* to clarify three aspects of the standard (identifying performance obligations, principal versus agent considerations, and licensing) and to provide some transition relief for modified contracts and completed contracts.

January 1,  
2018

#### IFRS 16 *Leases*

IFRS 16 specifies how an IFRS reporter will recognise, measure, present and disclose leases. The standard provides a single lessee accounting model, requiring lessees to recognise assets and liabilities for all leases unless the lease term is 12 months or less or the underlying asset has a low value. Lessors continue to classify leases as operating or finance, with IFRS 16's approach to lessor accounting substantially unchanged from its predecessor, IAS 17.

January 1,  
2019

Amendments to IFRS 10 *Consolidated Financial Statements* and IAS 28 *Investments in Associates and Joint Ventures* (2011) relating to the treatment of the sale or contribution of assets from and investor to its associate or joint venture.

Effective date  
deferred  
indefinitely

Management anticipates that these new standards, interpretations and amendments will be adopted in the Company's consolidated financial statements as and when they are applicable and adoption of these new standards, interpretations and amendments, except for IFRS 9, IFRS 15 and IFRS 16, may have no material impact on the consolidated financial statements of the Company in the period of initial application.

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

The application of IFRS 15 and IFRS 9 may have significant impact on amounts reported and disclosures made in the Company's consolidated financial statements in respect of revenue from contracts with customers and the Company's financial assets and financial liabilities and the application of IFRS 16 may have significant impact on amounts reported and disclosures made in the Company's consolidated financial statements in respect of its leases.

However, it is not practical to provide a reasonable estimate for the implications of applying these standards until the Company performs its studies in this regards.