



شركة الصناعات البتروكيمياوية الوسيطة المساهمة العامة المحدودة  
INTERMEDIATE PETROCHEMICALS INDUSTRIES CO. LTD.

التاريخ : 2017/5/31  
الرقم : 2017/190/اع

السادة هيئة الاوراق المالية المحترمين ،،،

تحية طيبة وبعد ،،،

الموضوع: البيانات المالية باللغة الانجليزية للشركة كما هي في 2016/12/31

استناداً لتعليمات افصاح الشركات المصدرة والمعايير المحاسبية ، نرفق لكم نسخة باللغة الانجليزية للبيانات المالية للشركة للسنة المالية المنتهية في 2016/12/31.

وتفضلوا بقبول فائق الاحترام ،،،

المدير العام  
المهندس مصعب الزعبي



نسخة بورصة عمان ✓  
نسخة مركز ايداع الاوراق المالية ✓

بورصة عمان
الدائرة الإدارية والمالية
الديوان
٥ - جيرة ٢٠١٧
الرقم المتسلسل: 3392
رقم الملف: 41717
الجهة المختصة: 2017/190/اع



**INTERMEDIATE PETROCHEMICAL INDUSTRIES COMPANY**  
**PUBLIC SHAREHOLDING COMPANY**  
**FINANCIAL STATEMENTS**  
**31 DECEMBER 2016**

**INTERMEDIATE PETROCHEMICAL INDUSTRIES COMPANY  
PUBLIC SHAREHOLDING COMPANY  
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RSM Jordan

Amman 69 Queen Rania St.  
P.O.BOX 963699  
Amman 11196 JordanT +962 6 5673001  
F +962 6 5677706[www.rsm.jo](http://www.rsm.jo)**Independent Auditors' Report**

**TO THE SHAREHOLDERS  
INTERMEDIATE PETROCHEMICAL INDUSTRIES COMPANY  
PUBLIC SHAREHOLDING COMPANY  
AMMAN, JORDAN**

**Opinion**

We have audited the financial statements of Intermediate Petrochemical Industries Company, which comprise the statement of financial position as of 31 December 2016, the statement of income, the statement of comprehensive income, statement of changes in equity, and cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information.

In our opinion, the financial statements present fairly, in all material respects, the financial position of Intermediate Petrochemical Industries Company as of 31 December 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 (IESBA Code) together with the other ethical requirements in Jordan that are relevant to our audit of the company financial statements, 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 are those matters that, in our professional judgment, were of most significance in our audit of the consolidated financial statements of the current year. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters:

**Provision for Accounts Receivable**

The provision for accounts receivable is considered a key audit matter for our audit. It requires the Company's management to use assumptions to assess the collectability of accounts receivable based on the customers' financial conditions and related credit risks. The balance of net accounts receivable amounted to JD 730 166 as of December 31, 2016. This requires making assumptions and using estimates to take the provision for the impairment in those receivables.

**Scope of Audit to Address Risks**

The followed audit procedures included understanding accounts receivable and testing the adopted internal control system in following up on and monitoring credit risks. The procedures also included reviewing the internal control procedures relating to calculating the impairment provision for accounts receivable. As such, we have studied and understood the Company's adopted policy for calculating the provision, evaluated the factors affecting the calculation, as well as discussed those factors with Executive Management. We also selected a sample of those receivables after taking into consideration the risks related to payment and guarantees. In addition, we discussed with management some receivables with regard to the customer's expected cash flows and the adequacy of guarantees. Furthermore, we recalculated the provisions to be taken and reviewed the aging of receivables and related disclosure.

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### **Valuation of Inventories**

The evaluation of inventories to net realizable value is considered a key audit matter for our audit. It requires the Company's management to use assumptions to assess the comparing the recoverable amount of the inventories with the book value. The Company has large values of inventories which increases the risk of having impairment of these amounts the balance of inventories amounted to JD 3 360 253 as of December 31, 2016. This requires making assumptions and using estimates to take the provision for the impairment in those inventories.

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

The followed audit procedures included understanding inventories and testing evaluation of inventories to net realizable value. As such, we have studied and understood the Company's adopted policy for pricing the inventories Comparison with historical cost.

### **Other Information**

Management is responsible for the other information. The other information comprises of the information stated in the Annual Report and does not include the consolidated financial statements and our auditor's report thereon. The Annual Report is expected to be made available to us after the date of this auditor's report. Our opinion on the consolidated financial statements does not cover the other information and we will not express any form of assurance 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 and, in doing so, 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 Financial Statements**

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

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

Those charged with governance are responsible for overseeing the company financial reporting process.

### **Auditor's 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 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 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 they, individually or in the aggregate, 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 risk, 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 the purpose of expressing an opinion on the effectiveness of the company 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 company ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the company to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient 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 group audit and 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 material 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 to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the 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 Company maintains proper accounting records, duly organized and in line with the accompanying financial statements, and we recommend that they be approved by the General Assembly shareholders.

**Amman – Jordan**

**26 March 2017**



**INTERMEDIATE PETROCHEMICAL INDUSTRIES COMPANY**  
**PUBLIC SHAREHOLDING COMPANY**  
**STATEMENT OF FINANCIAL POSITION**  
**31 DECEMBER 2016**

		<b>2016</b>	<b>2015</b>
	<b>Note</b>	<b>JD</b>	<b>JD</b>
<b>Assets</b>			
<b>Current assets</b>			
Cash and cash equivalents	3	19 593	49 799
Checks under collection		79 901	267 467
Accounts receivable	4	730 166	368 417
Inventory	5	3 360 253	3 109 437
Other debit balances	6	121 561	68 966
<b>Total Current Assets</b>		<b>4 311 474</b>	<b>3 864 086</b>
<b>Non-current Assets</b>			
Financial assets at fair value through comprehensive Income	7	21 487	21 382
Property, plant and equipment	8	6 773 895	6 751 432
Projects under constructions		41 607	165 114
<b>Total Non-Current Assets</b>		<b>6 836 989</b>	<b>6 937 928</b>
<b>Total Assets</b>		<b>11 148 463</b>	<b>10 802 014</b>
<b>Owners' Equity and Liabilities</b>			
<b>Liabilities</b>			
<b>Current liabilities</b>			
Banks overdraft	9	3 580 052	3 017 311
Postdated checks		37 772	16 857
Accounts payable		181 278	79 799
Other Credit balances	10	232 760	212 388
<b>Total liabilities</b>		<b>4 031 862</b>	<b>3 326 355</b>
<b>Equity</b>	11		
Share capital		7 000 000	7 000 000
Statutory reserve		69 486	69 486
Voluntary reserve		1 009 940	1 009 940
Fair value reserve		(7 513)	(7 618)
Accumulated losses		(955 312)	(596 149)
<b>Total Owners' Equity</b>		<b>7 116 601</b>	<b>7 475 659</b>
<b>Total Liabilities and Equity</b>		<b>11 148 463</b>	<b>10 802 014</b>

The accompanying notes from 1 to 24 are part of these financial statements and should read with them

**INTERMEDIATE PETROCHEMICAL INDUSTRIES COMPANY**  
**PUBLIC SHAREHOLDING COMPANY**  
**STATEMENT OF INCOME**  
**31 DECEMBER, 2016**

	Note	2016 JD	2015 JD
Sales	12	2 277 947	2 099 529
Cost of sales	13	(2 037 879)	(2 184 556)
<b>Gross profit (loss)</b>		<b>240 068</b>	<b>(85 027)</b>
Selling and distribution expenses	14	(56 466)	(38 197)
Administrative expenses	15	(336 199)	(323 783)
Financing expenses		(168 087)	(163 529)
Other revenues		10 261	26 642
Provision for doubtful accounts	4	(6 988)	(31 194)
Provision for slow-moving inventories	5	(41 307)	-
Income tax for previous years		(445)	-
<b>Loss for the year</b>		<b>(359 163)</b>	<b>(615 088)</b>
<b>Basic and diluted loss per share</b>		<b>(0.051) JD</b>	<b>(0.088) JD</b>

The accompanying notes from 1 to 24 are part of these financial statements and should read with them



**INTERMEDIATE PETROCHEMICAL INDUSTRIES COMPANY**  
**PUBLIC SHAREHOLDING COMPANY**  
**STATEMENT OF COMPREHENSIVE INCOME**  
**31 DECEMBER, 2016**

	<b>2016</b>	<b>2015</b>
	<b>JOD</b>	<b>JOD</b>
Loss for the year	(359 163)	(615 088)
Change in fair value of financial assets	105	1 395
<b>Loss and comprehensive income for the year</b>	<b>(359 058)</b>	<b>(613 693)</b>

The accompanying notes from 1 to 24 are part of these financial statements and should read with them

**INTERMEDIATE PETROCHEMICAL INDUSTRIES COMPANY**  
**PUBLIC SHAREHOLDING COMPANY**  
**STATEMENT OF CHANGES IN EQUITY**  
**31 DECEMBER, 2016**

	Share capital JD	Statutory reserve JD	Voluntary reserve JD	Fair value reserve JD	Accumulated losses JD	Total JD
<b>31 December 2014</b>	<b>7 000 000</b>	<b>69 486</b>	<b>1 009 940</b>	<b>(9 013)</b>	<b>18 939</b>	<b>8 089 352</b>
Loss and comprehensive income for the year	-	-	-	1 395	(615 088)	(613 693)
<b>31 December 2015</b>	<b>7 000 000</b>	<b>69 486</b>	<b>1 009 940</b>	<b>(7 618)</b>	<b>(596 149)</b>	<b>7 475 659</b>
Loss and comprehensive income for the year	-	-	-	105	(359 163)	(359 058)
<b>31 December 2016</b>	<b>7 000 000</b>	<b>69 486</b>	<b>1 009 940</b>	<b>(7 513)</b>	<b>(955 312)</b>	<b>7 116 601</b>

The accompanying notes from 1 to 24 are part of these financial statements and should read with them

**INTERMEDIATE PETROCHEMICAL INDUSTRIES COMPANY**  
**PUBLIC SHAREHOLDING COMPANY**  
**STATEMENT OF CASH FLOWS**  
**31 DECEMBER, 2016**

	Note	2016 JOD	2015 JOD
<b>Operating Activities</b>			
Loss and comprehensive income for the year		(359 163)	(615 088)
<b>Adjustments:</b>			
Depreciation	8	200 635	192 257
Financing expenses		168 087	163 529
Gain from sale of property, plant and equipment		(10 261)	-
Provision for doubtful accounts	4	6 988	31 194
<b>Changes in operating assets and liabilities</b>			
Checks under collection		187 566	91 349
Account receivables		(368 737)	388 905
Inventory		(250 816)	676 692
Other debit balances		(52 595)	24 593
Accounts payable		101 479	(53 117)
Other Credit balances		20 372	(95 399)
<b>Net Cash (used in) from Operating Activities</b>		<b>(356 445)</b>	<b>804 915</b>
<b>Investing activities</b>			
Purchase of property, plant and equipment	8	(223 837)	(37 047)
Sales of property, plant and equipment		11 000	-
Projects under constructions		123 507	(20 700)
<b>Net Cash (used in) investing activities</b>		<b>(89 330)</b>	<b>(57 747)</b>
<b>Financing activities</b>			
Banks overdraft		562 741	(487 535)
Postdated checks		20 915	(92 836)
Paid financing expenses		(168 087)	(154 045)
<b>Net Cash from (used in) financing activities</b>		<b>415 569</b>	<b>(734 416)</b>
<b>Net change in cash and cash equivalents</b>		<b>(30 206)</b>	<b>12 752</b>
Cash and cash equivalents – beginning of the year	3	49 799	37 047
<b>Cash and Cash Equivalents – ending of the Year</b>	<b>3</b>	<b>19 593</b>	<b>49 799</b>

The accompanying notes from 1 to 24 are part of these financial statements and should read with them

**INTERMEDIATE PETROCHEMICAL INDUSTRIES COMPANY  
PUBLIC SHAREHOLDING COMPANY  
NOTES TO THE FINANCIAL STATEMENT  
31 DECEMBER 2016**

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**1) General**

The company was registered in the Register of Public Shareholding Companies in the Ministry of Industry and Trade under No (421) on 28 April 1980

The accompanying financial statements were approved by the Board of Directors in its meeting on 26 March 2017 and are subject to the approval of the General Assembly of Shareholders.

**2) Basis of Preparation**

The accompanying financial statements of the Company have been prepared in Accordance with International Financial Reporting Standards issued by the International Accounting Standards Board (IASB) and their related interpretations issued by IASB.

The financial information was prepared in accordance with the historical cost principle, except for certain financial assets and financial liabilities which are stated at fair value as of the date of the financial information.

The financial statements are presented in Jordanian Dinar which is the functional currency of the Company.

The accounting policies adopted in the preparation of the financial information are consistent with those adopted for the year ended 31 December 2015 except for the effect of the adoption new standards and interpretations as Note (23A).

**Segment reporting**

Business segments represent distinguishable components of the Company that are engaged in providing products or services which are subject to risks and rewards that are different from those of other segments and are measured based on the reports sent to the chief operating decision maker.

Geographical segments are associated to products and services provided within a particular economic environment, which are subject to risks and rewards that are different from those of other economic environments.

**Cash and Cash Equivalents**

Cash and cash equivalents comprise cash on, and balances at banks and deposits at banks maturing within three months, less bank overdrafts and restricted balances.

**Accounts Receivable**

Accounts receivable are stated at net realizable value after deducting a provision for doubtful debts.

A provision for doubtful debts is booked when there is objective evidence that the Company will not be able to recover whole or part of the due amounts at the end of the year. When the Company collects previously written-off debts, it recognizes the collected amounts in other revenues in the statement of income and comprehensive Income. Furthermore, revenue and commission from doubtful debts are suspended and recognized as revenue upon collection.

Moreover, debts are written-off when they become uncollectible or are derecognized

**Inventories**

Inventories are stated at the lower of cost or net realizable value

Inventories are stated at the lower of cost or net realizable value.

The costs incurred for each item of goods calculated as follows:

Raw materials and spare parts cost is determined by using the weighted average cost.

Finished goods, raw material cost and other indirect expense based on the manufacturing stage (production) by using the weighted average cost.

Net realizable value is based on estimated selling price less any further costs expected to be incurred on completion.

**Significant Accounting Policies:**

**Financial assets at fair value through comprehensive Income**

- These financial assets represent the investments in equity instruments held for the long term.
- These financial assets are recognized at fair value plus transaction costs at purchase date and are subsequently measured at fair value in the statement of comprehensive income and within owner's equity including the changes in fair value resulting from translation of non-monetary assets stated in foreign currency. Gain or loss from the sale of these investments or part of them should be recognized in the statement of comprehensive income and within owner's equity and the balance of the revaluation reserve for these assets should be transferred directly to the retained earnings not to the statement of income.
- No impairment testing is required for these assets.
- Dividends are recorded in the statement of income.

**Property and Equipment**

Property and equipment are stated at cost net of accumulated depreciation and any impairment loss in its value. Moreover Property and Equipment (except for land) are depreciated according to the straight- line method over the estimated useful lives when ready for use of these assets using the following annual rates

	%
Buildings	2
Machinery and equipment	2,275
Furniture	10
vehicles	15
Devices and Software	25 – 20

- When the carrying amount of property and equipment exceeds their recoverable value, assets are written down and impairment loss is recorded in the statement of income.
- The useful lives of property and equipment are reviewed at the end of each year, in case the expected useful life is different from what was determined before the change in estimate is recorded in the following years being a change in estimates.
- Property and equipment are derecognized when disposed or when there is no expected future benefit from their use.

**Projects under construction**

Projects in progress are stated at cost, which represents cost of constructions, equipment and direct costs. Projects in progress are not depreciated until they become ready for use where it is transferred to property and equipment or investment properties.

**Accounts Payable and Accruals**

Liabilities are recognized for amounts to be paid in the future for goods or services received, whether billed by the supplier or not.

**Offsetting**

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

**Provisions**

Provisions are recognized when the Company has an obligation as of the date of the financial statements as a result of past events, the obligation is likely to be settled, and a reliable estimate can be made of the amount of the obligation.

**Provision for employees' end-of-service indemnity**

The required provision for end-of-service indemnity for the year is recorded in the statement of income while payments to departing employees are deducted from the provision amount, Indemnities paid in excess of the provision is taken to the statement of income upon payment while the required provision for end-of-service indemnities for the year is recorded in the statement of income.

#### **Employees Benefits**

The pension obligation is measured at the present value of estimated future cash flows using a discount rate that is similar to the interest rate on government bonds.

The Company records the accrued benefits which mature during the year after the date of the financial statements within current liabilities and records the accrued benefits which mature after one year of the date of the financial statements within non-current liabilities.

#### **Revenue recognition and expenses realization**

Sales are recognized upon delivery of products and customer acceptance, if any, or on the performance of services. Sales are shown net of sales taxes and discounts, and after eliminating sales within the company.

Other income is realized and recognized on the accrual basis.

Dividends are recognized when the shareholders' right to receive payment is established.

Expenses are recognized on an accrual basis.

#### **Income taxes**

Income tax expenses represent current and deferred taxes for the year.

Income tax expense is measured based on taxable income. Taxable income differs from income reported in the financial statements, as the latter includes non-taxable revenue, tax expenses not deductible in the current year but deductible in subsequent years, accumulated losses approved by tax authorities and items not accepted for tax purposes or subject to tax.

Taxes are calculated based on the enacted tax rates according to the prevailing laws, regulations and instructions of The Hashemite Kingdom of Jordan.

Deferred taxes are Taxes expected to be incurred or recovered as a result of temporary timing differences between the value of the assets and liabilities in the financial statements and their respective tax basis. Deferred taxes are calculated based on the liability method, and according to the rates expected to be enacted when it is anticipated that the liability will be settled or when tax assets are recognized. Income tax expenses represent current and deferred taxes for the year.

Income tax expense is measured based on taxable income. Taxable income differs from income reported in the financial statements, as the latter includes non-taxable revenue, tax expenses not deductible in the current year but deductible in subsequent years, accumulated losses approved by tax authorities and items not accepted for tax purposes or subject to tax.

Taxes are calculated based on the enacted tax rates according to the prevailing laws, regulations and instructions of The Hashemite Kingdom of Jordan. Deferred taxes are Taxes expected to be incurred or recovered as a result of temporary timing differences between the value of the assets and liabilities in the financial statements and their respective tax basis. Deferred taxes are calculated based on the liability method, and according to the rates expected to be enacted when it is anticipated that the liability will be settled or when tax assets are recognized.

#### **Foreign currency**

Items included in the financial statements are measured using the currency of the primary economic environment in which the entity operates ('the functional currency'). The financial statements are presented in 'Jordanian Dinar', which is the Company's functional and presentation currency.

Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the dates of the transactions or valuation where items are re-measured.

#### **Accounting estimates**

Preparation of the financial statements and the application of the accounting policies requires the management to perform assessments and assumptions that affect the amounts of financial assets, financial liabilities, and fair value reserve and to disclose contingent liabilities. Moreover, these assessments and assumptions affect revenues, expenses, provisions, and changes in the fair value shown in the statement of other comprehensive income and owners' equity. 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 said 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.

INTERMEDIATE PETROCHEMICAL INDUSTRIES COMPANY  
PUBLIC SHAREHOLDING COMPANY  
NOTES TO THE FINANCIAL STATEMENT  
31 DECEMBER 2016

3) Cash and cash equivalents

	2016 JD	2015 JD
Cash on hand	1 394	825
Current accounts at banks	18 199	48 974
	<b>19 593</b>	<b>49 799</b>

4) Accounts receivable

	2016 JD	2015 JD
Trade receivable	1 192 073	814 622
Less: Provision for doubtful accounts	(493 464)	(486 476)
	<b>698 609</b>	<b>328 146</b>
Advance payments to suppliers	31 557	40 271
	<b>730 166</b>	<b>368 417</b>

The movement of the provision for doubtful accounts was as follow:

	2016 JD	2015 JD
Balance at the beginning of the year	486 476	455 282
Provision for the year	6 988	31 194
Balance at ending of the year	<b>493 464</b>	<b>486 476</b>

5) Inventories

	2016 JD	2015 JD
Raw materials	2 051 311	1 804 767
Finished goods	942 613	904 767
Spare parts	333 612	330 809
Packing and wrapping materials	74 024	69 094
	<b>3 401 560</b>	<b>3 109 437</b>
Provision for slow-moving inventories	(41 307)	-
	<b>3 360 253</b>	<b>3 109 437</b>

The movement on a slow-moving inventory was as follow:

	2016 JD	2015 JD
Balance at the beginning of the year	-	-
Provision for the year	41 307	-
Balance at ending of the year	<b>41 307</b>	-

6) Other debit balances

	2016 JD	2015 JD
Letters of credit	51 826	-
Prepaid expenses	8 726	8 022
Other receivables	22 191	22 191
Refundable deposit	14 091	14 091
Cash margin	14 349	14 349
Income tax deposit	10 041	10 041
Other deposit	337	272
	<b>121 561</b>	<b>68 966</b>

7) Financial assets at fair value through comprehensive income

	2016 JD	2015 JD
Unquoted financial assets	<b>21 487</b>	<b>21 382</b>

INTERMEDIATE PETROCHEMICAL INDUSTRIES COMPANY  
PUBLIC SHAREHOLDING COMPANY  
NOTES TO THE FINANCIAL STATEMENT  
31 DECEMBER 2016

8) Property and equipment

	Lands JD	Buildings JD	Machinery & equipment JD	vehicles JD	Tools JD	Furniture JD	Devices & Software JD	Total JD
<b>Cost</b>								
31 December 2015	1 239 611	2 135 613	4 465 942	118 997	127 751	25 446	71 443	8 184 803
Additions	-	36 534	113 374	40 477	33 407	45	-	223 837
Disposals	-	-	-	19 705	-	-	-	19 705
31 December 2015	<u>1 239 611</u>	<u>2 172 147</u>	<u>4 579 316</u>	<u>139 769</u>	<u>161 158</u>	<u>25 491</u>	<u>71 443</u>	<u>8 388 935</u>
<b>Accumulated depreciation</b>								
31 December 2015	-	395 724	841 937	74 377	97 666	18 521	5 146	1 433 371
Depreciation	-	47 778	106 401	15 975	27 894	2 587	-	200 635
Disposals	-	-	-	18 966	-	-	-	18 966
31 December 2016	<u>-</u>	<u>443 502</u>	<u>948 338</u>	<u>71 386</u>	<u>125 560</u>	<u>21 108</u>	<u>5 146</u>	<u>1 615 040</u>
<b>Book value</b>								
31 December 2015	1 239 611	1 739 889	3 624 005	44 620	30 085	6 925	66 297	6 751 432
31 December 2016	<u>1 239 611</u>	<u>1 728 645</u>	<u>3 630 978</u>	<u>68 383</u>	<u>35 598</u>	<u>4 383</u>	<u>66 297</u>	<u>6 773 895</u>

The factory's land and buildings are mortgaged in favor the Housing Bank for Trade and Finance in return for the facilities granted to the Company.

9) Due to banks

	Interest rate %	Celling facilities JD	2016 JD	2015 JD
Revolving loan	4.5	4 900 000	3 123 442	2 391 789
Bank overdraft	8.25	500 000	423 602	503 247
Check under collection loan	8.25	800 000	8 596	122 275
SGBJ loan	7.25	-	24 412	-
			<u>3 580 052</u>	<u>3 017 311</u>

10) Other credit balances

	2016 JD	2015 JD
Shareholders deposits	95 572	95 784
Sales tax payable	58 369	24 244
Accrued expenses	37 953	33 396
Advance payments	21 500	21 500
Remunerations of Board of Directors	14 802	16 200
Social security payable	4 234	3 596
Others	330	8 184
Accrued bank fees	-	9 484
	<u>232 760</u>	<u>212 388</u>



**INTERMEDIATE PETROCHEMICAL INDUSTRIES COMPANY**  
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**11) Equity**

**Capital**

The authorized and share capital of the Company is JD7 000 000 divided into 7 000 000 shares at JD 1 per share.

**Statutory reserve**

Statutory reserve is allocated according to the Jordanian Companies Law by deducting 10% of the annual net profit until the reserve equals one quarter of the Company's subscribed capital. However, the Company may, with the approval of the General Assembly, continue to deduct this annual ratio until this reserve equals the subscribed capital of the Company in full. Such reserve is not available for dividends distribution.

**Voluntary reserve**

This account represents cumulative appropriations not exceeding 20% of the annual profit before taxation per year. This reserve is available for distribution to shareholders.

**12) Sales**

The main activity of the Company is intermediate chemical industry. The table below summarizes the Company's sales by sector distribution:

	<b>2016</b>	<b>2015</b>
	<b>JD</b>	<b>JD</b>
Local sales	2 020 805	1 774 161
Export sales	257 142	325 368
	<b>2 277 947</b>	<b>2 099 529</b>

**13) Cost of sales**

	<b>2016</b>	<b>2015</b>
	<b>JD</b>	<b>JD</b>
Raw materials used in production	1 505 757	1 256 686
Packing and wrapping material	31 670	28 955
Manufacturing expenses (1/13)	239 681	278 272
Depreciation	155 853	154 243
<b>Cost of goods manufactured</b>	<b>1 932 961</b>	<b>1 718 156</b>
Finished goods at the beginning of the year	1 047 530	1 371 167
Finished goods at the end of the year	(942 612)	(904 767)
	<b>2 037 879</b>	<b>2 184 556</b>

**Manufacturing expenses (1/13)**

	<b>2016</b>	<b>2015</b>
	<b>JD</b>	<b>JD</b>
Salaries and related benefits	140 157	165 907
Electricity and water	59 172	62 489
Fuel	12 241	17 070
Insurance	8 845	10 049
Maintenance	8 131	8 242
Vehicles	4 681	7 341
Hospitality and cleaning	3 927	4 741
Other	2 527	2 433
	<b>239 681</b>	<b>278 272</b>

**INTERMEDIATE PETROCHEMICAL INDUSTRIES COMPANY**  
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**14) Selling and distribution expenses**

	2016 JD	2015 JD
Salaries and related benefits	24 884	10 273
Transport and Shipping	23 244	19 230
Electricity and water	2 727	2 839
Other	2 679	1 841
Vehicles	2 492	3 356
Stamps and fees	440	658
	<u>56 466</u>	<u>38 197</u>

**15) Administrative expenses**

	2016 JD	2015 JD
Salaries and related benefits	185 584	185 608
Depreciation	44 784	38 014
Government fees	22 913	18 815
Board of Directors transportation allowance	14 802	16 200
Office of the company's management	12 677	13 209
Professional fees	11 169	12 855
Vehicles	8 362	7 433
Electricity and water	8 212	8 517
Telephone and postage	6 039	5 977
Insurance	4 944	3 957
Bank fees	4 535	575
Other	4 424	2 632
Maintenance	3 231	2 350
Shareholders Meeting	1 491	1 257
Stationary	1 226	1 522
Transportation	643	536
Expenses of previous years	490	1 200
Hospitality and cleaning	388	1 461
Penalties	285	1 206
Advertising	-	459
	<u>336 199</u>	<u>323 783</u>

## 16) Risk management

### Interest rate risk

Interest rate risk is the risk that the value of a financial instrument will fluctuate due to changes in market interest rates. Moreover, the Company manages interest rate risks through applying the sensitivity analysis of interest rate instruments in a manner that does not negatively affect net interest income. The Company also manages its interest rate risk regularly by evaluating the different alternatives such as funding and renewing current positions and alternative funding.

### Currency Risks

The Company main operations are in Jordanian Dinar. Moreover, currency risk relates to the risk of changes in currency rates that relate to payments denominated in foreign currencies. As for transactions in US Dollars, management believes that the foreign currency risk relating to the US Dollar is immaterial as the Jordanian Dinar (the functional currency) is pegged to the US Dollar.

### Credit Risk

Credit risk relates to the other party's inability to meet its contractual obligations leading to the incurrence of losses by the company. Moreover, the Company adopts a policy of dealing with creditworthy parties in order to mitigate the financial losses arising from the Company default on its liabilities.

The carrying amount of the financial assets represents the maximum credit exposure. The maximum exposure to credit risk at the reporting date was as follows:

	2016 JD	2015 JD
Current accounts at bank	18 199	48 974
Checks under collection	79 901	267 467
Accounts receivable	730 166	368 417
Other debit balances	112 835	60 944
	<b>941 101</b>	<b>745 802</b>

### Liquidity Risk

Liquidity risk is the risk that the Company will encounter difficulty in meeting the obligations associated with its financial liabilities that are settled by delivering cash or another financial asset.

The Company approach to managing liquidity is to ensure, as far as possible, that it will always have sufficient liquidity to meet its liabilities when due, under both normal and stressed conditions, without incurring unacceptable losses or risking damage to the Company reputation.

The following are the contracted maturities of financial liabilities:

	less than a year JD	Total JD
<b>31 December 2016</b>		
Banks overdraft	3 580 052	3 580 052
Postdated checks	37 772	37 772
Accounts payable	181 278	181 278
Other Credit balances	232 760	232 760
	<b>4 031 862</b>	<b>4 031 862</b>
<b>31 December 2015</b>		
Banks overdraft	3 017 311	3 017 311
Postdated checks	16 857	16 857
Accounts payable	79 799	79 799
Other Credit balances	212 388	212 388
	<b>3 326 355</b>	<b>3 326 355</b>

**17) Fair value of financial instruments**

**Fair Value of Financial Instruments**

Financial instruments comprise of financial assets and financial liabilities.

Financial assets consist of cash on hand and banks, checks under collection, receivables, and Due from related parties, some other debit balances and financial assets at fair value through comprehensive income. Financial liabilities consist of Postdate checks, account payable, and Advance payments in assets held for sale, and Provision for income tax, and some other credit balances, Capital lease obligations, and Murabaha financing facility

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

**18) Income tax**

No income tax provision has been calculated for the year ended 31 December 2016 due to accumulated losses

The tax return for the year 2015, has been submitted, however, the return has not been reviewed by the Income and Sales Tax Department until the date of these financial statements.

The Income and Sales Tax Department accepted the tax returns for the years 2014, 2013 and 2012 according to the sampling system.

The company has reached to a final settlement with the income and sales tax department for the year 2011.

The Company submitted the tax returns for the years 2010, 2009, and 2008, the Income and Sales Tax Department reviewed the Company's records. The review resulted in tax differences of approximately JD 163 440. Consequently, the Company filed a lawsuit objecting to the review, which is still pending based on the expert's report. the opinion of the Company's tax consultant, Therefore, the Company will not have further liabilities toward the Income and Sales Tax Department, and no additional provisions are required.

The Company submitted the tax returns for the year 2007, the Income and Sales Tax Department was accepted the losses amounted to JD 42 778 from total accumulated losses amounted to JD 3 474 182. Consequently, the Company filed a lawsuit objecting to the review, in this respect, the Income and Sales Tax Department appointed an expert they submitted the report accepted the losses amounted to JD 310 071 from total accumulated losses.

The Company has reached final settlement with the Income and Sales Tax Department up to the end of the year 2006.

**19) Contingent liabilities**

As of the date of the consolidated financial statements, the Group is contingently liable in accordance with a bank guarantee amounting to JD 67 310 as of 31 December 2016

**20) Related parties' transactions**

Related parties represent major shareholders, directors and key management personnel of the company, and entities controlled or significantly influenced by such parties.

**Compensation of key management personnel**

The salaries and other benefits of the Board of Directors and executive management amounted to JD 127,200 as of 31 December 2016 (JD 108,000 as of 31 December 2015).

**21) Capital management**

The primary objective of the Company's capital management is to ensure that it maintains capital ratios in order to support its business and maximize shareholder value.

The Company manages its capital structure and makes adjustments to it in light of changes in business conditions.

No changes were made in the objectives, policies or processes during the years ended 31 December 2016 and 2015.

Capital comprise of share capital, statutory reserve, voluntary reserve and Fair value reserve of financial assets and accumulated losses and is measured as of 31 December 2016 JD 7,116,601 (JD 7,475,659 as of 31 December 2015).

## 22) Fair Value Levels

The Company uses the following hierarchy for determining and disclosing the fair value of financial instruments by valuation technique:

### Level 1

Quoted (unadjusted) market prices in active markets for identical assets or liabilities

### Level 2

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

### Level 3

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

	Level 1 JD	Level 2 JD	Level 3 JD	Total JD
<b>2016</b>				
Financial assets at fair value	-	21 487	-	21 487
<b>2015</b>				
Financial assets at fair value	-	21 382	-	21 382

## 23) Adoption of New and Revised International Financial Reporting Standards (IFRSs)

### A) New and revised IFRSs applied with no material effect on the financial statements:

The following new and revised IFRSs have been adopted in the preparation of the Company financial statements for which they did not have any material impact on the amounts and disclosures of the financial statements; however, they may affect the accounting for future transactions and arrangements.

#### Disclosure Initiative (Amendments to IAS 1)

Amends IAS 1 'Presentation of Financial Statements' to address perceived impediments to preparers exercising their judgment in presenting their financial reports by making the following changes:

- Clarification that information should not be obscured by aggregating or by providing immaterial information, materiality considerations apply to the all parts of the financial statements, and even when a standard requires a specific disclosure, materiality considerations do apply;
- clarification that the list of line items to be presented in these statements can be disaggregated and aggregated as relevant and additional guidance on subtotals in these statements and clarification that an entity's share of OCI of equity-accounted associates and joint ventures should be presented in aggregate as single line items based on whether or not it will subsequently be reclassified to profit or loss;
- additional examples of possible ways of ordering the notes to clarify that understandability and comparability should be considered when determining the order of the notes and to demonstrate that the notes need not be presented in the order so far listed in paragraph 114 of IAS 1.

#### Accounting for Acquisitions of Interests in Joint Operations (Amendments to IFRS 11)

Amends IFRS 11 'Joint Arrangements' to require an acquirer of an interest in a joint operation in which the activity constitutes a business (as defined in IFRS 3 'Business Combinations') to:

- apply all of the business combinations accounting principles in IFRS 3 and other IFRSs, except for those principles that conflict with the guidance in IFRS 11
- disclose the information required by IFRS 3 and other IFRSs for business combinations.
- The amendments apply both to the initial acquisition of an interest in joint operation, and the acquisition of an additional interest in a joint operation (in the latter case, previously held interests are not remeasured).

**Clarification of Acceptable Methods of Depreciation and Amortisation (Amendments to IAS 16 and IAS 38)**

Amends IAS 16 'Property, Plant and Equipment' and IAS 38 'Intangible Assets' to:

- clarify that a depreciation method that is based on revenue that is generated by a use activity that includes the use of an asset is not appropriate for property, plant and equipment
- introduce a rebuttable presumption that an amortisation method that is based on the revenue generated by an activity that includes the use of an intangible asset is inappropriate, which can only be overcome in limited circumstances where the intangible asset is expressed as a measure of revenue, or when it can be demonstrated that revenue and the consumption of the economic benefits of the intangible asset are highly correlated
- add guidance that expected future reductions in the selling price of an item that was produced using an asset could indicate the expectation of technological or commercial obsolescence of the asset, which, in turn, might reflect a reduction of the future economic benefits embodied in the asset.

**Agriculture: Bearer Plants (Amendments to IAS 16 and IAS 41)**

Amends IAS 16 'Property, Plant and Equipment' and IAS 41 'Agriculture' to:

- include 'bearer plants' within the scope of IAS 16 rather than IAS 41, allowing such use assets to be accounted for a property, plant and equipment and measured after initial recognition on a cost or revaluation basis in accordance with IAS 16
- introduce a definition of 'bearer plants' as a living plant that is used in the production or supply of agricultural produce, is expected to bear produce for more than one period and has a remote likelihood of being sold as agricultural produce, except for incidental scrap sales
- clarify that produce growing on bearer plants remains within the scope of IAS 41.

**Equity Method in Separate Financial Statements (Amendments to IAS 27)**

Amends IAS 27 'Separate Financial Statements' to permit investments in subsidiaries, joint ventures and associates to be optionally accounted for using the equity method in separate financial statements

**Annual Improvements 2012-2014 Cycle**

Makes amendments to the following standards:

- IFRS 5 – Adds specific guidance in IFRS 5 for cases in which an entity reclassifies an asset use from held for sale to held for distribution or vice versa and cases in which held-for-distribution accounting is discontinued
- IFRS 7 – Additional guidance to clarify whether a servicing contract is continuing involvement in a transferred asset, and clarification on offsetting disclosures in condensed interim financial statements
- IAS 19 – Clarify that the high quality corporate bonds used in estimating the discount rate for post-employment benefits should be denominated in the same currency as the benefits to be paid
- IAS 34 – Clarify the meaning of 'elsewhere in the interim report' and require a cross-reference

**Investment Entities: Applying the Consolidation Exception (Amendments to IFRS 10, IFRS 12 and IAS 28)**

Amends IFRS 10 'consolidated Financial Statements', IFRS 12 'Disclosure of Interests in Other Entities' and IAS 28 'Investments in Associates and Joint Ventures' (2011) to address issues that have arisen in the context of applying the consolidation exception for investment entities by clarifying the following points:

- The exemption from preparing consolidated financial statements for an intermediate parent entity is available to a parent entity that is a subsidiary of an investment entity, even if the investment entity measures all of its subsidiaries at fair value.
- A subsidiary that provides services related to the parent's investment activities should not be consolidated if the subsidiary itself is an investment entity.
- When applying the equity method to an associate or a joint venture, a non-investment entity investor in an investment entity may retain the fair value measurement applied by the associate or joint venture to its interests in subsidiaries.

**Recognition of Deferred Tax Assets for Unrealised Losses (Amendments to IAS 12)**

Amends IAS 12 'Income Taxes' to clarify the following aspects:

- Unrealised losses on debt instruments measured at fair value and measured at cost for tax purposes give rise to a deductible temporary difference regardless of whether the
- Debt instrument's holder expects to recover the carrying amount of the debt instrument by sale or by use.
- The carrying amount of an asset does not limit the estimation of probable future taxable profits.
- Estimates for future taxable profits exclude tax deductions resulting from the reversal of deductible temporary differences.
- An entity assesses a deferred tax asset in combination with other deferred tax assets. Where tax law restricts the utilisation of tax losses, an entity would assess a deferred tax asset in combination with other deferred tax assets of the same type.

**IFRS 14 Regulatory Deferral Accounts**

IFRS 14 permits an entity, which is a first-time adopter of International Financial Standards to continue to account, with some limited changes, for 'regulatory deferral account balances' in accordance with its previous GAAP, both on initial adoption of IFRS 14 in its first IFRS financial statements must continue to apply it in subsequent financial statements. IFRS 14 cannot be applied by entities that have already adopted IFRSs.

Entities which are eligible to apply IFRS 14 are not required to do so, and so can chose to apply only the requirements of IFRS 1 First-time Adoption of International Financial Reporting Standards when first applying IFRSs. However, an entity that elects to apply IFRS 14 in its first IFRS financial statements must continue to apply it in subsequent financial statements. IFRS 14 cannot be applied by entities that have already adopted IFRSs.

(Effective for annual periods beginning on or after 1 January 2016)

**B) New and Revised IFRSs issued but not yet effective**

The Company has not applied the following new and revised IFRSs that are available for early application but are not effective yet:

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

Amends IFRS 2 'Share-based Payment' to clarify the standard in relation to the accounting for cash-settled share-based payment transactions that include a performance condition, the classification of share-based payment transactions with net settlement features, and the accounting for modifications of share-based payment transactions from cash-settled to equity-settled.

**Applying IFRS 9 'Financial Instruments' with IFRS 4 'Insurance Contracts' (Amendments to IFRS 4)**

Amends IFRS 4 'Insurance Contracts' provide two options for entities that issue insurance contracts within the scope of IFRS 4:

- An option that permits entities to reclassify, from profit or loss to other comprehensive income, some of the income or expenses arising from designated financial assets; this is the so-called overlay approach;
- An optional temporary exemption from applying IFRS 9 for entities whose predominant activity is issuing contracts within the scope of IFRS 4; this is the so-called deferral approach.

The application of both approaches is optional and an entity is permitted to stop applying them before the new insurance contracts standard is applied.

**Disclosure Initiative (Amendments to IAS 7)**

Amends IAS 7 'Statement of Cash Flows' to clarify that entities shall provide disclosures that enable users of financial statements to evaluate changes in liabilities arising from financing activities.

#### **IFRS 9 Financial 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 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 recognized.
- 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
- (Effective for annual periods beginning on or after 1 January 2018)

#### **IFRS 15 Revenue from Contracts with Customers**

IFRS 15 provides a single, principles based five-step model to be applied to all contracts the five steps in the model are as follows:

- identify the contract with the customer;
- identify the performance obligations in the contract;
- determine the transaction price;
- allocate the transaction price to the performance obligations in the contracts; and
- recognise revenue when (or as) the entity satisfies a performance obligation.

Guidance is provided on topics such as the point in which revenue is recognised, accounting for variable consideration, costs of fulfilling and obtaining a contract and various related matters. New disclosures about revenue are also introduced.

(Effective for annual periods beginning on or after 1 January 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 have 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. New disclosures about leases are also introduced.

(Effective for annual periods beginning on or after 1 January 2019)

Management anticipates that these new and revised standards, interpretations and amendments will be adopted in the Company financial statements 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 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 financial statements for the annual year beginning 1 January 2018 and IFRS 16 for the annual year beginning on or after 1 January 2019. The application of IFRS 15 and IFRS 9 may have significant impact on amounts reported and disclosures made in the Company financial statements in respect of revenue from contracts with customers and the Company financial assets and financial liabilities. However, it is not practicable to provide a reasonable estimate of effects of the application of these standards until the Company performs a detailed review.

#### **24) Comparative Figures**

Some of the comparative figures for the year 2015 have been reclassified to correspond with the period ended 31 December 2016 presentation and it did not result in any change to the last year's operating results.