



شركة الصناعات البتروكيمياوية الوسيطة المساهمة العامة المحدودة
Intermediate Petrochemicals Industries Co. Ltd

الإفصاح

بموجب

القرار رقم ٤٠٠٠

التاريخ : 2019/3/31
الرقم : 2019/090/03/أع

٢٠١٩

السادة/ هيئة الأوراق المالية المحترمين،،،
دائرة الإفصاح ،،،

الموضوع : ميزانية 31 كانون اول 2018

تحية طيبة و بعد،،،
تطبيقاً لتعليمات الإفصاح الخاصة بالشركات المساهمة العامة ، نرفق لكم طيه نسخة
مطبوعه وعلى CD ، من الميزانية لعام 2018 باللغة الانجليزية .
وتفضلوا بقبول فائق الاحترام ،،،

شركة الصناعات البتروكيمياوية الوسيطة

محمّد



هيئة الأوراق المالية الدائرة الإدارية / الشؤون ٢٠١٩ آذار ٣١ الرقم التسلسلي ١٠٦٨٩ الجهة المستفيدة ١١١٨١ عمان



Intermediate Petrochemical Industries Co.

" Public Shareholding Company"

Zarqa - The Hashemite Kingdom of Jordan

Final Financial Statements & Independent Auditor's Report

For The Year Ended December 31, 2018

Intermediate Petrochemical Industries Co.

" Public Shareholding Company"

Zarqa - The Hashemite Kingdom of Jordan

Index

<u>Table of Contents</u>	<u>Page</u>
Independent Auditor's Report	3-7
Statement of the Financial Position as at December 31, 2018	8
Statement of Comprehensive Income for year ended 31 December , 2018	9
Statement of changes in Shareholder's Equity for year ended 31 December , 2018	10
Statement of Cash flow for year ended 31 December , 2018	11
Accounting Policies	12-16
Notes to the Final Financial Statements	26-17

To The Shareholders
Intermediate Petrochemical Industries Company
Public Shareholding Company
Zarqa - Jordan

Opinion

We have audited the financial statements of **Intermediate Petrochemical Industries Company "Public Shareholding Company"**, which consist of the financial position statement as at 31 December 2018, as well as the statements of Comprehensive income, changes in equity and cash flows for the year then ended, and the related notes to the financial statements, along with a summary on the most significant accounting policies.

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the Company as at December 31, 2018, and of its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards (IFRS).

Basis for Opinion

We conducted our audit in accordance with International Standards on Auditing. Our responsibilities under those standards are further described in the Auditors' Responsibilities for the Audit of the Financial Statements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Independency

We are independent from the company as per the requirements of the International Ethics Standards Board for Accountants "Guide Code of Ethics for Professional Accountants" and the ethical requirements related to our audit of the financial statements, and we have met our other ethical responsibilities in accordance with those requirements.

Key Audit Matters

Key audit matters are, in our professional discretion, of great importance to our audit of the financial statements for the current year; these matters have been taken into consideration in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, rather than for the purpose of giving a detailed opinion on these matters.

- **Decrease in Accounts receivable:**

Description for the important audit matters	How the important audit matter are handled in our audit
Reference to note number (5) in the financial statement of the Company, the Accounts receivable at the end of 2018 "1,087,272" JD and an estimated amount of Decrease in commercial receivables of "614,347" JD was allocated as provision for doubtful debts. the management uses assumptions and predictions to estimate the decrease in commercial receivables. Based on the forgoing, we believe that the commercial receivables item and its provision are the important audit matters.	<ul style="list-style-type: none"> - Study the control measures at the Company to verify and collect Accounts receivable. - Verify the in-kind balance of clients' debts through receiving direct supporting documents. - Examine the sufficiency of the provision allocated by evaluating the management assumptions; taking into consideration the external information available about the risks of deferred Accounts receivable. - Evaluate the fullness and correctness of disclosures relevant to this item and monitor compliance to the disclosure requirements of the IFRS.

- **Inventory:**

Description for the important audit matters	How the important audit matter are handled in our audit
<ul style="list-style-type: none"> - Reference to note number (6) at the Company's financial statement, the amount of Inventory at the end of 2018 was valued at "2,688.881" JD. A provision allocation for stagnant and slow stock was set for the amount of 963.161 JD. - The inventory recording according to the cost or sale value, which is less, implies measuring the sale value and compare it to the original stock value and recognizing any losses when the sale value drops lower than the cost, adding to that the stagnant or slow stock provision. - The Inventory at the company, composed mainly of raw materials, finished products and spare parts, is an important audit matters and must be recorded according to IFRS whether according to the costs or net sale value, which is less. 	<ul style="list-style-type: none"> - The procedures include understanding the nature of the Inventory, examining the purchase and inventory operations. They also include measuring the sale value of the stock and calculating allocations. / provision, evaluating all factors affecting the calculation of stock and discuss such factors with the management, evaluate the assumptions based on which the calculations were made. - We have evaluated the disclosures fullness and correctness and compliance to the requirement of disclosure in the IFRS.

- **Property and equipment :**

Description for the important audit matters	How the important audit matter are handled in our audit
<p>- The book value of the Property and equipment at the end of 2018 is 5.629,364 JD. The Property and equipment shows the cost after deducting the accumulated depreciation and (except for the lands) depreciated using the fixed installment and for the estimated production life. The life span of the assets, Property and equipment is reviewed at the end of each year. In case of discrepancies with the previous estimate, the book value depreciation will be calculated based on the remaining production age as of the re-estimated year. If the amount refundable for any of the assets, Property and equipment decrease below the book value, then the value will be adjusted accordingly and that adjusted value in the statement of income.</p>	<p>During our audit of assets, Property and equipment items, the following were done:</p> <ul style="list-style-type: none"> - Evaluate the fullness and correctness of disclosures related to Property and equipment and evaluate the compliance to the disclosure requirements according to the IFRS. - Evaluate the management estimates to the production life of the consumables, factories and equipment, verify the correctness of calculation of annual depreciation and verifying the registration of purchase and other transactions related thereto.

Other Information

The management is responsible for other information. Other information includes all information stated in the annual report of the company on 2018, except for the financial statements and the auditor's report. No other information has been provided to us up to the date of our report, as it is expected to provide us with other information after this date.

Our opinion on the financial statements does not cover the other information, and we do not and will not express any affirmative conclusion thereon. In auditing the financial statement, our responsibility involves reading the other information, through which we are to determine whether the other information is materially inconsistent with the financial statements or the knowledge we have obtained during the auditing process, or whether it appears to contain material misstatements.

Responsibility of Management and Person in Charge of Governance for the Financial Statements

The management is responsible for the preparation and presentation of the financial statements in a fair manner in accordance with the International Financial Reporting Standards, and for the internal control that the management deems necessary for enabling it from preparing financial statements free from any material misstatements, whether resulting from an error or fraud.

Furthermore, responsibility of the management at preparing the financial statement includes an evaluation of the ability of company to continue, and the disclosing, as the case may be, of the matters related to the continuity of the company, and using the accounting continuity assumption unless the managements intended to liquidate the company or cease its operations, or if it has no other reasonable alternative for the same.

Other Matters:

A financial statement of 2017 is audited by other audit who issued its unqualified opinion on March 27, 2018. The General Assembly of the Company held its session on September 15, 2018 didn't endorse that statement.

Therefore, the Companies Controller formed a committee of experts and auditors to examine the issues and reasons of the General Assembly refusal to endorse the 2017 financial statements.

The former audit re-issued its unqualified opinion on January 16, 2019 and the General Assembly approved the adjusted statements of 2017 on February 16, 2019.

Auditor's Responsibility for Auditing the Financial Statements

Our aim is to obtain reasonable assurance as to whether the financial statements are free of any material misstatements, whether resulting from an error or fraud, and to issue the auditor's reports that contains our opinion thereon.

Reasonable assurance is a high level of confirmation, yet not a guarantee that the audit we have conducted in accordance with the International Auditing Standards would always detect any material misstatement, if any.

As part of the auditing process in accordance with the International Auditing Standards, we use professional judgment and maintain the application of professional doubt principle in all aspect of the audit, in addition to :

- Determining and evaluating the risks of material misstatements in the financial statements, whether resulting from an error or fraud, designing and performing auditing procedures responsive to such risks; and obtaining sufficient and suitable to provide a basis for our opinion. The risk of failure to detect any material misstatements resulting from fraud is higher than the result of the misstatement. Furthermore, fraud may involve collusion, forgery, intentional omission, misrepresentations or violation of internal controls.
- Obtaining an understanding of the internal controls related to auditing with a view to design suitable audit procedures under circumstances, but not for the purpose of expressing an opinion on the effectiveness of the company's internal controls.
- Evaluating the appropriateness of the applicable accounting policies and the reasonableness of significant estimates and relevant notes made by the management.
- Reaching a conclusion as to the appropriateness of the use of the accounting ongoing concern assumption by the management and, based on the auditing evidence we have obtained, whether there is a material uncertainty related to events or circumstances that may give rise to major doubts on the ability of the company to continue as an ongoing concern. If we conclude that there is a material uncertainty, we are required to draw attention in our auditor's report to the related notes in the financial statements; or to adjust our opinion if the disclosure of such information was insufficient. Our conclusions depend on the auditing evidence that we have obtained up to the date of our auditor's report; however, future events or circumstances may cause the company to cease as an ongoing concern.
- Evaluating the general presentation, form and content of the financial statements, including the notes, and whether the financial statements represent transactions and events in a manner achieving fair representation.

- Obtaining sufficient and suitable auditing evidence on the financial information of the entities or business activities within the group in order to express opinion on the financial statement. We are responsible for directing, supervising and completing the audit of the group, and we remain absolutely responsible for the auditor's report.
- We have communicated with the persons in charge of governance with a statement of our compliance with the requirements of professional conduct related to independency, and have informed them of all relations and other matters that may affect our independency and the precautions, if any.
- With the matters communicated to those in charge of governance, we have defined the most important matters to our auditing of the financial statements for the current year, and thus they are basic auditing matters. We describe these matters in our report unless there is a law or legislation that prevents us from disclosing the same, or in rare cases, if we decide not to disclose the same in our report due to adverse effects that are expected to exceed the general benefits from such disclosures.

Report on Legal Requirements

The company keeps regular accounting entries and records, and the financial statements are consistent with them in all material sides. We recommend attestation of these financial statements.

Amman- The Hashemite Kingdom of Jordan

09 / 03 /2019

Scientific Office for Auditing, Accounting & Consulting

Jamal Mohammed Falah

License No. "285"

Signed and Sealed

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Public Accountants

Intermediate Petrochemical Industries Company
" Public Shareholding Company "
Zarga - The Hashemite Kingdom of Jordan
Statement of the Financial Position as at 31 December 2018

<u>Description</u>	<u>Note</u>	<u>2018</u> <u>JD</u>	<u>2017</u> <u>JD</u>
<u>Current Assets</u>			
Cash on hand and at banks	3	273,411	153,008
Checks under collection		150,937	75,907
Related parties acc.	4	95,915	98,618
Accounts receivable	5	472,925	381,728
Inventory	6	1,725,720	3,478,768
Other current assets	7	534,292	461,002
Total current assets		3,253,200	4,649,031
<u>Non-current assets</u>			
Financial assets at the fair value through comprehensive income	8	21,810	21,810
Property and equipment, net	9	5,629,364	6,049,693
Projects under constructions		226,210	185,538
Total non-current assets		5,877,384	6,257,041
Total assets		9,130,584	10,906,072
<u>Liabilitie's and Shareholder's Equity</u>			
<u>Shareholder's Equity</u>			
Capital		7,000,000	7,000,000
Complosry reserve		69,486	69,486
Voluntary reserve		1,009,940	1,009,940
Fair value reserve		(7,190)	(7,190)
Retarned losses		(3,988,726)	(2,728,382)
Net Shareholder's Equity	10	4,083,510	5,343,854
<u>Liabilitie's</u>			
<u>Current liabilitie's</u>			
Banks overdraft	11	4,374,274	4,946,984
Accounts payable		146,029	109,487
Other current liabilitie's	12	526,771	505,747
Total current liabilitie's		5,047,074	5,562,218
Total liabilitie's and Shareholder's Equity		9,130,584	10,906,072

The accompanying notes constitute an integral part of this statement

Intermediate Petrochemical Industries Company

" Public Shareholding Company "

Zarqa - The Hashemite Kingdom of Jordan

Statement of Comprehensive Income for year ended 31 December 2018

<u>Description</u>	<u>Note</u>	<u>2018</u> <u>JD</u>	<u>2017</u> <u>JD</u>
Sales	13	4,373,551	2,929,514
Cost of sales	14	(4,762,168)	(2,841,723)
Gross profit (losses)		(388,617)	87,791
Selling and distribution exp.	15	(109,712)	(80,041)
Administrative and general exp.	16	(472,419)	(427,490)
Financing exp.		(279,705)	(230,804)
Inventory price differences		(20,501)	-
Profit on sale of property and equipment		9,897	-
Other revenues		713	288
Provision for doubtful accounts	5	-	(133,790)
Provision for slow - moving inventories	6	-	(973,024)
Losses for the year before tax		(1,260,344)	(1,757,070)
Income tax		-	-
Losses for the year after tax		(1,260,344)	(1,757,070)
<u>Comprehensive Income Items</u>			
Change in fair value of financial assets		-	323
Comprehensive loss of the year		(1,260,344)	(1,756,747)
		<u>JD / Fils</u>	<u>JD / Fils</u>
Earnings per share (basic and Diluted)			
Weighted average for shares number		(0.180)	(0.250)

The accompanying notes constitute an integral part of this statement

(9 / 26)

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Intermediate Petrochemical Industries Company

" Public Shareholding Company "

Zarqa - The Hashemite Kingdom of Jordan

Statement of changes in Shareholders' Equity for year ended 31 December , 2018

<u>Description</u>	<u>Capital</u>	<u>Compulsory</u>	<u>Voluntary</u>	<u>Fair value</u>	<u>Retained</u>	<u>Total</u>
	<u>JD</u>	<u>reserve</u> <u>JD</u>	<u>reserve</u> <u>JD</u>	<u>reserve</u> <u>JD</u>	<u>losses</u> <u>JD</u>	<u>JD</u>
Balance at 31 December 2016	7,000,000	69,486	1,009,940	(7,513)	(955,312)	7,116,601
Loss and comprehensive income for the year	-	-	-	323	(1,757,070)	(1,756,747)
Adjustments	-	-	-	-	(16,000)	(16,000)
Balance at 31 December 2017	7,000,000	69,486	1,009,940	(7,190)	(2,728,382)	5,343,854
Loss and comprehensive income for the year	-	-	-	-	(1,260,344)	(1,260,344)
Balance at 31 December 2018	7,000,000	69,486	1,009,940	(7,190)	(3,988,726)	4,083,510

The accompanying notes constitute an integral part of this statement

(10 /26)

Intermediate Petrochemical Industries Company
" Public Shareholding Company "
Zarqa - The Hashemite Kingdom of Jordan
Statement of Cash flow for year ended 31 December 2018

<u>Description</u>	<u>2018</u> <u>JD</u>	<u>2017</u> <u>JD</u>
<u>Cash flows from operational activities</u>		
Loss of the year	(1,260,344)	(1,757,070)
Depreciation	408,327	443,743
Financing exp.	279,705	230,804
Adjustment of previous year	-	(16,000)
Provision for legal cases	-	30,800
Provision for doubtful accounts	-	973,024
Provision for slow - moving inventories	-	133,790
Profit (losses) from operational activities	(572,312)	39,091
<u>Changes in the working capital items</u>		
Checks under collection	(75,030)	3,994
Accounts receivable	(88,494)	116,030
Inventory	1,753,048	(1,091,539)
Other currents assets	(73,290)	(339,441)
Accounts payable	36,542	(71,791)
Other currents liabilities	21,024	204,415
Net cash from operational activities	1,001,488	(1,139,241)
<u>Cash flows from investment activities</u>		
Property and equipment purchase	(21,100)	(7,947)
Exclusions and transfers of property and equipment	33,102	288,517
Projects under constructions	(40,672)	(144,042)
Net cash flows from investment activities	(28,670)	136,528
<u>Cash flows from financing activities</u>		
Banks overdraft	(572,710)	1,366,932
Financing expenses paid	(279,705)	(230,804)
Net cash flow from financing activities	(852,415)	1,136,128
Change in the cash	120,403	133,415
cash on 1 january 2018	153,008	19,593
Cash at 31 December 2018	273,411	153,008

The accompanying notes constitute an integral part of this statement.

Intermediate Petrochemical Industries Co.
" Public Shareholding Company"
Zarga - The Hashemite Kingdom of Jordan

Most Important Accounting Policies

- Principles for preparation of the financial statements

- The financial statement were prepared in accordance with the historical cost method except for the financial assets specified at fair value that are presented at fair value through the Comprehensive income statement.
- The financial statement were prepared in accordance with the International Financial Reporting Standards.
- The Followed accounting policies for the current year are similar to those principles followed in the last year.
- The Jordanian Dinar is the currency of presentation of the financial statements which represents the main currency of the company.

- Use of Estimations:

The preparation of the financial statements and the application of the accounting policies require the management of the company to make certain estimations and discretions that affect the financial statements and the notes therewith enclosed. Such estimations are based on assumptions subject to variable degrees of accuracy and certainty. Thus, the actual results in the future may vary from the estimations of the management due to the change in conditions and circumstances of the assumptions on which those estimations were based.

The most important estimations used in preparing the financial statements are indicated below:

- The management periodically revaluates useful life of tangible assets for the purposes of calculating annual depreciations based on the general conditions of those assets and the useful life estimations expected in the future. The impairment loss (if any) is also taken into account in the income statement.
- The management performs a periodical review of the financial assets which is expressed at cost to estimate any impairment in the value thereof where such impairment is taken into account in the income statement of the year.
- The management of the company estimates the value of the provision for doubtful debts taking into consideration the potential for collecting these Receivables.

(12 / 26)

Intermediate Petrochemical Industries Co.
" Public Shareholding Company"
Zarqa - The Hashemite Kingdom of Jordan

- **Cash on hand and at banks:**

This is represented in the cash in hand and at banks under the current accounts where the company does not ensure the risks of change in the value.

- **Accounts Receivable:**

Accounts receivable are presented at cost after deducting the accumulated provision for doubtful debts. Accounts receivable are written off in case of inability to collect them by means of deducting from the allocated provision where the amounts collected from written off debts are then added to the revenues.

- **Fair Value:**

Closure prices (purchase of assets/ sale of liabilities) at the date of the financial statements in active markets represent the fair value of financial instruments with market prices.

In case that there are no announced prices, absence of active trading in certain financial instruments, or lack of active market, the fair value thereof is estimated in several methods, including :

- Comparing the current market value thereof of a financial management of substantially similar nature.
- Analyzing the future cash flows and deducting the expected cash flows at a rate used in a similar financial management.
- Option pricing models.

Methods of evaluation aim at obtaining a fair value that reflect the expectations of the market and take into account the market factors and any expected risks or benefits at evaluating the value of the financial instruments. In the event that there are financial instruments whose value cannot be reliably measured, they are presented at cost after deducting any impairment in the value thereof.

Intermediate Petrochemical Industries Co.
" Public Shareholding Company"
Zarqa - The Hashemite Kingdom of Jordan

Financial Assets at Fair Value through Other Comprehensive Income:

Change differences in fair value of financial assets specified at fair value are recorded through the other Comprehensive income statement. The financial assets of specified value are presented through the other Comprehensive income statement for which market prices in active markets are available at fair value after deducting the accumulated losses of impairment in their fair value.

Financial assets specified at fair value are presented through the other Comprehensive income statement for which there are no market prices in active markets and whose fair value cannot be reliably determined at cost, where any impairment in the value thereof is recorded in the other Comprehensive income statement.

Profits and losses resulting from differences in foreign currency exchange of debt instruments bearing interests are recorded within the financial assets specified at fair value through the other Comprehensive income statement, while differences in foreign currency exchange of equity instruments are recorded in the line of accumulated change in fair value within the equity.

Property and equipment and Accumulated Depreciation:

Property, equipment and machinery are presented at cost after deducting the accumulated depreciation. Property and equipment are depreciated when ready for use by the fixed installment method throughout the expected useful life thereof at the following rates :

Furniture, furnishings and decorations	20 %
Office equipment and computers	15 %

When the revocable amount of any property and equipment becomes lower than the net book value thereof, their value is imperil below that previously estimated. The remaining book value shall be depreciated over the remaining useful life after re-estimation as of the year in which re-estimation has been made

Intermediate Petrochemical Industries Co.
" Public Shareholding Company"
Zarga - The Hashemite Kingdom of Jordan

- Accounts Payable and accrued Amounts:

Accounts payable and accrued amounts are recorded at benefiting from the service by the company, whether claimed by the supplier or not.

- Off Set :

An off set between the financial assets and financial liabilities is made and the net amount is presented in the financial statements when the legal rights requiring the same exist, as well as when the same is settled on off set basis or when the realization of assets and settlement of liabilities are concurrent.

- Provisions:

Provisions are recorded whenever the company incurs legal liabilities or expected liabilities as a result of previous events, where the company would probably pay cash amounts to settle these liabilities. The provisions are reviewed at the date of the financial position and the value thereof is adjusted based on the latest information available to the management.

- Recognition of Revenues:

Revenues from commissions are realized upon completing the purchase and sale of shares for the clients of the company and issuing the invoice to the client.

Revenues of interests are realized on a time basis so that to reflect the actual return on assets.

Other revenues are realized on the basis of maturity principle.

Dividend's investment revenues are realized when declared by the investee general assembly

Intermediate Petrochemical Industries Co.
" Public Shareholding Company"
Zarqa - The Hashemite Kingdom of Jordan
Notes to the Final Financial Statements

Date of Recognition of Financial Assets:

Purchase and sale of financial asset are recognized at the date of trading (date of commitment of the company to sell or purchase financial assets.)

Impairment of Financial Assets:

The company reviews the value of the financial assets recorded in the books of the company at the date of the financial statements to determine whether there are indicators to the existence of impairment in the value thereof. In case that such indicators are available, the redeemable fair value of the assets shall be estimated with a view to determining the impairment loss in case of decrease in the revocable value below the book value as recorded in the books of the company. The decrease value is recorded in the Comprehensive income statement.

Income Tax:

The company is governed by the Income Tax Law, as subsequently amended, and the instructions issued by the Income Tax Department of the Hashemite Kingdom of Jordan. Settlement thereof is made according to the maturity principle where the provision for income tax is calculated on the basis of the adjusted profit.

Noting that the company delivers self-assessment returns on annual basis to the Income and Sales Tax Department, where the returns submitted to the Department had been accepted up to 2014.

Intermediate Petrochemical Industries Co.
" Public Shareholding Company"
Zarqa - The Hashemite Kingdom of Jordan
Notes to the Final Financial Statements

1- General :

The Intermediate Petrochemical Industries (IPI) was established under number (421) after the merge of International Taif Plastics and Colorants LLC, registered under number (4124) dated August 26, 1995 with Intermediate Petrochemical Industries PLC (IPI) registered under number 134 dated April 28, 1980. The Ministry of Industry and Trade has approved to consider the balance as in January as an opening balance for the merged companies, based on extra-ordinary decisions of the two companies general assemblies and the merger contract. During 2007, the Company's capital was raised to reach seven [7] million JD / share.

The company's main objectives are petrochemicals and product marketing

The accompanying financial statements were approved by the board of directors in its meeting on 09/03/2019 and recommended to the General Assembly for approval of these financial statements .

Intermediate Petrochemical Industries Company
" Public Shareholding Company "
Zarqa - The Hashemite Kingdom of Jordan
Notes to the final financial statements

3- Cash on hand and at banks :

<u>Description</u>	<u>2018</u> <u>JD</u>	<u>2017</u> <u>JD</u>
Cash on hand	246,278	771
Cash at banks	27,133	152,237
Total	<u>273,411</u>	<u>153,008</u>

4- Related parties acc. :

Transactions with related parties represent transactions with major shareholders and senior management of the company in which they are major shareholders .

Nature of the relationship

<u>Nature of the relationship</u>	<u>Volume of</u> <u>dealing</u> <u>2018</u>	<u>Nature of</u> <u>dealing</u>	<u>2018</u> <u>JD</u>	<u>2017</u> <u>JD</u>
Arab Electrical Industries	78,705	Purchase of goods	95,915	98,618
Total			<u>95,915</u>	<u>98,618</u>

The General Manager of the Arab Company for Electrical Industries is at the same time a member of the Board of Directors of Intermediate Petrochemical Industries Company . .

5- Accounts Receivable :

<u>Description</u>	<u>2018</u> <u>JD</u>	<u>2017</u> <u>JD</u>
Trade receivable	1,087,272	968,000
Less provision for doubtful debts	(614,347)	(627,254)
Total	<u>472,925</u>	<u>340,746</u>
Advance payments to suppliers	-	40,982
Total	<u>472,925</u>	<u>381,728</u>

The movement on the provision for doubtful debts during the year is as follows :

<u>Description</u>	<u>2018</u> <u>JD</u>	<u>2017</u> <u>JD</u>
Balance of the beginning of the year	627,254	493,464
New provision	-	133,790
Adjustments	(12,907)	-
Total	<u>614,347</u>	<u>627,254</u>

Intermediate Petrochemical Industries Company
" Public Shareholding Company "
Zarqa - The Hashemite Kingdom of Jordan
Notes to the final financial statements

6- Inventory :

<u>Description</u>	<u>2018</u> <u>JD</u>	<u>2017</u> <u>JD</u>
Raw materials	1,356,051	2,579,579
Finished goods	958,746	1,441,709
Spare parts	332,223	340,694
Packaging	41,861	89,810
Total	2,688,881	4,451,792
Provision for slow moving items	(963,161)	(973,024)
Total	1,725,720	3,478,768

The movement on the provision for slow moving items during the year is as follows :

<u>Description</u>	<u>2018</u> <u>JD</u>	<u>2017</u> <u>JD</u>
Balance of the beginning of the year	973,024	41,307
New provision	-	973,024
Adjustment	(9,863)	(41,307)
Total	963,161	973,024

7- Other Current Assets :

<u>Description</u>	<u>2018</u> <u>JD</u>	<u>2017</u> <u>JD</u>
Insurance claims	391,337	391,337
Note receivable	89,381	-
Other deposit	-	22,191
Guarantees insurance	12,687	14,349
Refundable deposit	13,691	14,091
Income tax	-	10,060
Pre-paid Expenses	10,957	5,225
Letters of credit	15,313	3,412
Other	926	337
Total	534,292	461,002

Intermediate Petrochemical Industries Company
" Public Shareholding Company "
Zarga - The Hashemite Kingdom of Jordan
Notes to the final financial statements

8- Financial Assets at Fair Value through Other Comprehensive Income :

<u>Description</u>	<u>2018</u> <u>JD</u>	<u>2017</u> <u>JD</u>
Financial assets not available market price	21,810	21,810
Total	21,810	21,810

The Company's share of the results of the investee company's activities has not been included due to the non-issuance of its financial statements up to the date of preparing the financial statements of Intermediate Petrochemical Industries Company .

Intermediate Petrochemical Industries Company
" Public Shareholding Company "

Zarqa - The Hashemite Kingdom of Jordan
Notes to the final financial statements

9- Property and equipment - Net :

<u>Description</u>	<u>Land</u>		<u>Laboratory & buildings</u>		<u>Machinery and equipment</u>		<u>Veichels</u>		<u>Devices and tools</u>		<u>furniture</u>		<u>Scientific Library</u>		<u>Total</u>	
	<u>JD</u>	<u>JD</u>	<u>JD</u>	<u>JD</u>	<u>JD</u>	<u>JD</u>	<u>JD</u>	<u>JD</u>	<u>JD</u>	<u>JD</u>	<u>JD</u>	<u>JD</u>	<u>JD</u>	<u>JD</u>	<u>JD</u>	<u>JD</u>
<u>Cost</u>																
Balance as at December 31, 2017	1,239,611	2,092,447		4,201,791	190,411	266,091	25,491	8,414	8,024,256							
Additions	-	-	-	7,631	1,007	5,919	6,543	-	21,100							
Exclusions	-	-	-	-	(90,367)	-	-	-	(90,367)							
Balance as at December 31, 2018	1,239,611	2,092,447		4,209,422	101,051	272,010	32,034	8,414	7,954,989							
<u>Accumulated depreciation</u>																
Balance as at December 31, 2017	-	501,949	-	1,113,557	141,259	183,895	25,490	8,413	1,974,563							
Additions	-	83,698	-	294,259	16,377	13,838	155	-	408,327							
Exclusions	-	-	-	-	(57,265)	-	-	-	(57,265)							
Balance as at December 31, 2018	-	585,647	-	1,407,816	100,371	197,733	25,645	8,413	2,325,625							
Book value as at December 31, 2018	1,239,611	1,506,800		2,801,606	680	74,277	6,389	1	5,629,364							
Book value as at December 31, 2017	1,239,611	1,590,498		3,088,234	49,152	82,196	1	1	6,049,693							

The land and buildings of the factory are mortgaged to the Housing Bank for Trade and Finance in return for the facilities granted to the company .

Intermediate Petrochemical Industries Co.
" Public Shareholding Company"
Zarqa - The Hashemite Kingdom of Jordan
Notes to the Final Financial Statements

10- Shareholders Equity:-

Capital :-

The Authorized, subscribed and paid in capital is 7,000,000 JD/share.

Compulsory Reserve:-

The accumulate amounts in this account represent the transferred of the annual profits before tax within 10% during the year and the previous years and un distributable to Shareholders.

Voluntary Reserve:-

The accumulate amounts in this account represent the transferred of the annual profits before tax which doesn't exceed 20% during the year and distributable to Shareholders.

11- Banks overdraft :

<u>Description</u>	<u>Interest rate %</u>	<u>Ceiling facilities</u> <u>JD</u>	<u>2018</u> <u>JD</u>	<u>2017</u> <u>JD</u>
Revolving loan	5.68%	4,900,000	3,874,326	4,496,774
Bank overdraft	9.45%	500,000	499,944	431,515
SGBJ loan	7.25%	-	4	18,695
Total			4,374,274	4,946,984

The land and buildings of the factory are mortgaged to the Housing Bank for Trade and Finance in return for the facilities granted to the company .

12- Other Current Liabilities :

<u>Description</u>	<u>2018</u> <u>JD</u>	<u>2017</u> <u>JD</u>
Outstanding payable	280,073	280,073
Shareholders acc.	94,578	94,766
Accrued expenses	25,200	42,806
Sales tax acc.	37,934	32,300
Provision for legal cases	30,800	30,800
Social security	5,212	4,077
Stamps provision	3,500	3,500
Other deposits	1,570	776
Income tax provision - previous year	47,904	-
Board of Directors fees acc.	-	15,779
Deferred checks	-	870
Total	526,771	505,747

Intermediate Petrochemical Industries Company
" Public Shareholding Company "
Zarqa - The Hashemite Kingdom of Jordan
Notes to the final financial statements

13- Sales :

<u>Description</u>	<u>2018</u> <u>JD</u>	<u>2017</u> <u>JD</u>
Local sales	2,288,137	1,390,258
Export sales	2,085,414	1,539,256
Total	4,373,551	2,929,514

14- Cost of sales :

<u>Description</u>	<u>2018</u> <u>JD</u>	<u>2017</u> <u>JD</u>
Raw materials	3,561,373	2,674,280
Packing material	50,654	27,517
Industrial expenses (1/14)	289,930	239,805
Property, plant and equipment depreciation	377,248	399,217
Cost of manufactured goods	4,279,205	3,340,819
Finished goods at the beginning of the year	1,441,709	942,613
Finished goods at the end of the year	(958,746)	(1,441,709)
Total	4,762,168	2,841,723

14/1- Industrial Expenses :

<u>Description</u>	<u>2018</u> <u>JD</u>	<u>2017</u> <u>JD</u>
Salaries and wages	160,867	135,361
Electricity and water	70,890	63,041
Fuel	18,508	10,765
Maintenance	18,566	10,592
Insurance	7,047	8,199
Vehicles	3,705	6,001
Hospitality and cleaning	6,627	4,176
Others	3,720	1,670
Total	289,930	239,805

15- Selling and distribution Expenses :

<u>Description</u>	<u>2018</u> <u>JD</u>	<u>2017</u> <u>JD</u>
Salaries and wages	22,564	12,868
Transport and shipping	71,713	55,861
Electricity and water	3,230	2,891
Vehicles	3,745	2,727
Sales commission	5,367	2,556
Others	711	1,615
Stamps exp.	2,382	1,523
Total	109,712	80,041

Intermediate Petrochemical Industries Company
" Public Shareholding Company "
Zarqa - The Hashemite Kingdom of Jordan
Notes to the final financial statements

16- Administrative and General Expenses :

<u>Description</u>	<u>2018</u>	<u>2017</u>
	<u>JD</u>	<u>JD</u>
Salaries and wages	163,184	192,809
Depreciation	31,076	44,526
Lawyers' fees and judicial expenses	37,123	-
Fees, licenses and subscriptions	22,779	24,085
Board of directors transportation allowance	17,925	15,779
Previous year income tax	92,139	19,500
Vehicles exp.	6,131	14,404
Company's management office	6,059	12,527
Professional fees	26,236	28,131
Electricity and water	10,039	8,695
Phone & internet	5,278	6,079
Maintenance	14,412	5,043
Bank commision	3,703	4,773
Penalties	545	3,471
Insurance	1,836	2,349
Stationary	3,509	2,177
Hospitality and cleaning	3,302	1,861
Shareholders meeting	4,038	1,703
Others	1,548	967
Transportation	2,057	510
Experts Committee fees	19,500	-
Legal expense (provision)	-	30,800
Annual vacations allowance	-	7,301
Total	<u>472,419</u>	<u>427,490</u>

Intermediate Petrochemical Industries Co.
" Public Shareholding Company "
Zarqa - The Hashemite Kingdom of Jordan
Notes to the Final Financial Statements

17- Income tax:

- The company's file was not discussed with the Income and Sales Tax Department for the years 2008 and 2009 .
- The company's tax file for 2010 is still not finalized and the income tax court.
- The Company's operation results were discussed and settled with the Income Taxes Department until the end of 2015 except for the Above years.
- The self-assessment of the Company's operation results of 2016 , 2017 was submitted, and the Income & Sales Taxes Department did not review the Company's records of those years until this date.

18- Lawsuits Against the Company:

- The lawsuit brought against the company by the plaintiff Rayyan Transport Company, a file case numbered 499/2009 before the West Amman Court claiming transportation fees unpaid by IPI for the amount of "5,800" Dinar in addition to legal fees and expenses, attorney fees and legal interest. The Court decision is final; the Company has cautionary allocated, according to the experts committee recommendations, a reserve of the full value in 2017.
- The lawsuit brought against the Company by the attorney the late Baha'a Hikmat, seen before the "Attorney Fees Estimation Committee" under number 1/2009; The decision that the Company must pay the amount of "25,000" Dinar, the Company's management has cautionary allocated, according to the experts committee recommendations, a reserve of the full value in 2017.
- The lawsuit brought against the Company by the attorney Nidhal Saleh, a file case numbered 499/2009 before the West Amman Court claiming the amount of 2,250 Dinar; the lawsuit is still pending decision, the Company's management has cautionary allocated, according to the experts committee recommendations, a reserve of the full value in 2017.

Intermediate Petrochemical Industries Co.
" Public Shareholding Company"
Zarqa - The Hashemite Kingdom of Jordan
Notes to the Final Financial Statements

19- Risk Management :

Interest Rate Risks:

Interest rate risks result from the potential effect of changes in interest rates on profits of the company or the fair value of financial instruments. Since most of the financial instruments bear fixed interest rate and are represented at amortized cost, the sensitivity of the profits of the company and equity to changes in interest rate is considered immaterial.

Credit Risks:

Credit risks are risks resulting from inability or failure of the other party of the Financial Management to meet the obligations thereof to the company the matter that may result in occurrence of losses. The company works on minimizing credit risks by means of dealing with reputable banks.

Foreign Currency Rates Risks:

Foreign currency risks are represented in the risk of fluctuation of the value of the financial instruments due to the fluctuations of foreign currency rates. Since most of the transactions of the company are in Jordanian Dinar, with some in US Dollar, the sensitivity of the profits of the company and equity to changes in foreign exchange rates is considered immaterial.

Share Price Risks:

Share price risks result from change in the fair value of investment in shares, where the company works on managing such risks by means of diversification of investments in several geographic zones and economic sectors.

Liquidity Risks:

Liquidity risks are represented in the inability of the company to provide necessary funding for performing its obligations at maturity dates. With a view to avoid these risks, the company diversifies the sources of funding, manages assets and liabilities and reconciles the terms thereof.

20- Capital Management:

The Board of Directors is managing the capital structure to preserve the shareholders rights, sustainability of its business and fulfilling its commitments toward third parties by the investment of the company's assets in a way that provide an acceptable revenue to the shareholders.