الشركة الوطنية لصناعة الكلورين المساهمة العامة المحدودة

NATIONAL CHLORINE INDUSTRIES CO. LTD.

Data : 03/5/2017 NCI / 106 / 2017

To : Jordan Securities Commission

Amman Stocky Exchange

Subject : Audited Financial Statements for the fiscal year ended 31/12/2016

Attached the Audited Financial Statement of National Chlorine Industries CO.LTD for the fiscal year ended 31/12/2016 .

With our respect and appreciation

National Chlorine Industries

G . M : Nassim AL Dissi

هيئة الأوراق المالية
الدائرة الادارية / الديوان
٠٨ أيار ٢٠١٧
الرقم المتسلسل 19698
الجهة المختصة

الشركة الوطنية
لصناعة الكلورين المساهمة العامة المحدودة
عمان - الأردن
National Chlorine Industries Co.
Amman - Jordan

هاتف: ٤٠٥٠٢٩١ / ٢ / ٣ - فاكس: ٤٠٥٠٢٣٨ - ص.ب ٣٧ - سحاب ١١٥١١ - عمان - الاردن

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National Chlorine Industries Company
Public Shareholding Company

Consolidated Financial Statements as at 31 December 2016
Together With
Independent Auditor's Report

Arab Professionals
(Member Firm within Grant Thornton International Ltd.)

National Chlorine Industries Company
Public Shareholding Company

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INDEPENDENT AUDITOR'S REPORT

To The Shareholders of
National Chlorine Industries Company
Amman - Jordan

Report on the Audit of the Consolidated Financial Statements

Opinion

We have audited the consolidated financial statements of **National Chlorine Industries Company PLC**, which comprise the consolidated statement of financial position as at 31 December 2016, and the consolidated statement of comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the year then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies.

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

Basis for Opinion

We conducted our audit in accordance with International Standards on Auditing (ISAs). Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Consolidated 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 ethical requirements that are relevant to our audit of the consolidated financial statements in the Hashemite Kingdom of Jordan, and we have fulfilled our other ethical responsibilities in accordance with these requirements and the IESBA Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

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. We have determined the matters described below to be the key audit matters to be communicated in our report.

(1) Impairment of Receivables

Included in the accompanying Financial Statements at the end of the year 2016 accounts receivables totaling JOD (1,816,835). As the provision of the doubtful portion of these receivables is dependent on the management's estimates of the timing and value of the amounts expected to be collected, the adequacy of the doubtful accounts provision is considered a key audit matter. The audit procedures performed by us to address this key audit matter included inquiring from management about the methodology used in calculating the provision of doubtful accounts and assessing the reasonableness of estimates and assumptions used by the management in calculating the provision amount. We have also inquired about the management's collection procedures and the amounts collected post year end.

(2) **Cost of Finished Goods**

Included in the accompanying Financial Statements at the end of the year 2016 finished goods totaling JOD (527,804). As determining the cost of these goods involve the calculation of an overhead application rate based on the plant normal capacity, we considered determining the cost of finished goods and work in process a key audit matter. The audit procedures performed by us to address this key audit matter included assessing the appropriateness of the underlying data used by management in determining the overhead application rate. We have also inspected sales invoices to assess whether inventory is being sold at a higher value than its cost by comparing sales price to values at which it is held in the Company's inventory records.

Other Information

Management is responsible for the other information. The other information comprises the information included in the annual report, but does not include the consolidated financial statements and our auditor's report thereon.

Our opinion on the consolidated financial statements does not cover the other information and we do 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 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. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Responsibilities of Management for the Consolidated Financial Statements

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

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

Auditor's Responsibilities for the Audit of the Consolidated Financial Statements

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

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

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control.

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.

- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Company to cease to continue as a going concern.

- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

- Obtain sufficient appropriate audit evidence regarding the 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. We remain solely responsible for our audit opinion.

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

We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and 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 period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes 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 and the accompanying consolidated financial statements are in agreement therewith and with the financial data presented in the Board of Director's report.

2 March 2017

Amman - Jordan

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National Chlorine Industries Company
Public Shareholding Company
Consolidated Statement of Financial Position as at 31 December 2016

(In Jordanian Dinar)

	Notes	2016	2015
Assets			
Non - Current Assets			
Property, plant and equipment	3	5,150,267	5,747,566
Projects under construction	4	11,421,208	9,373,207
Total Non - Current Assets		16,571,475	15,120,773
Current Assets			
Inventories	5	839,658	502,684
Spare parts		1,016,699	1,023,700
Letters of credit		41,224	42,944
Other receivables	6	419,127	359,938
Accounts receivable	7	1,610,164	1,436,306
Checks under collection		98,152	46,098
Cash and cash equivalents	8	194,990	510,941
Total Current Assets		4,220,014	3,922,611
Total Assets		20,791,489	19,043,384
Equity and Liabilities			
Equity	9		
Paid-in capital		9,000,000	9,000,000
Statutory reserve		1,202,929	1,202,929
Voluntary reserve		4,334	4,334
Accumulated losses		(1,128,675)	(177,785)
Total Equity		9,078,588	10,029,478
Liabilities			
Non - Current Liabilities			
Bank facilities – long term	10	4,250,895	4,531,529
Current Liabilities			
Bank facilities – short term	10	5,632,977	3,025,232
Accounts payable		1,443,626	1,124,201
Other liabilities	11	385,403	332,944
Total Current Liabilities		7,462,006	4,482,377
Total Liabilities		11,712,901	9,013,906
Total Equity and Liabilities		20,791,489	19,043,384

"The attached notes from (1) to (25) are an integral part of these consolidated financial statements"

National Chlorine Industries Company
Public Shareholding Company
Consolidated Statement of Comprehensive Income for the year ended 31 December 2016

(In Jordanian Dinar)

	Notes	2016	2015
Net sales	12	5,185,727	8,163,578
Cost of sales	13	(4,813,145)	(6,964,743)
Gross profit		**372,582**	**1,198,835**
Selling and distribution expenses	14	(610,332)	(776,067)
Administrative expenses	16	(643,038)	(547,418)
Financing expenses		(111,457)	(90,708)
Impairment of raw materials		-	(10,491)
Net of other revenues and expenses	17	41,355	279,139
Total comprehensive (loss) income for the year		**(950,890)**	**53,290**
Basic and diluted (losses) earnings per share	18	**(0.105)**	**0.006**

"The attached notes from (1) to (25) are an integral part of these consolidated financial statements"

National Chlorine Industries Company
Public Shareholding Company
Consolidated Statement of Changes in Equity for the year ended 31 December 2016

(In Jordanian Dinar)

	Paid - In Capital	Reserves		Accumulated losses	Total
		Statutory	Voluntary		
Balance at 1 January 2016	9,000,000	1,202,929	4,334	(177,785)	10,029,478
Total comprehensive loss for the year	-	-	-	(950,890)	(950,890)
Balance at 31 December 2016	9,000,000	1,202,929	4,334	(1,128,675)	9,078,588
Balance at 1 January 2015	9,000,000	1,197,600	4,334	(225,746)	9,976,188
Total comprehensive income for the year	-	-	-	53,290	53,290
Statutory reserve	-	5,329	-	(5,329)	-
Balance at 31 December 2015	9,000,000	1,202,929	4,334	(177,785)	10,029,478

"The attached notes from (1) to (25) are an integral part of these consolidated financial statements"

National Chlorine Industries Company
Public Shareholding Company
Consolidated Statement of Cash Flows for the year ended 31 December 2016

(In Jordanian Dinar)

	2016	2015
Operating Activities		
(Loss) profit for the year	(950,890)	53,290
Depreciation	806,270	878,226
Gain on sale of property and equipment	(57,284)	(315,215)
Impairment of raw materials	-	10,491
Charges In Operating Activities		
Checks under collection	(52,054)	254,258
Accounts receivable	(173,858)	91,728
Inventories	(336,974)	613,785
Spare parts	7,001	314,265
Letters of credit	1,720	57,865
Other receivables	(59,189)	40,208
Accounts payable	319,425	110,073
Other liabilities	79,146	(6,154)
Income tax paid	(26,687)	(23,313)
Net cash flows (used in) from operating activities	(443,374)	2,079,507
Investing activities		
Property, plant and equipment	(151,687)	253,330
Projects under construction	(2,048,001)	(4,672,610)
Net cash flows used in investing activities	(2,199,688)	(4,419,280)
Financing activities		
Banks facilities	2,327,111	2,820,043
Net change in cash and cash equivalents	(315,951)	480,270
Cash and cash equivalents, beginning of year	510,941	30,671
Cash and cash equivalents, end of year	194,990	510,941

"The attached notes from (1) to (25) are an integral part of these consolidated financial statements"

1. General

National Chlorine Industries Company was established on 9 November 1991 as a Public Shareholding Company and registered at the Ministry of Trade and Industry under number (212). The Company head office is in the Hashemite Kingdom of Jordan. The Company's main objective is manufacturing chlorine, soda and related products.

The accompanying consolidated financial statements were authorized for issue by the Company's Board of Directors in their meeting held on 2 March 2017 and it is subject to the General Assembly approval.

2. Summary of Significant Accounting Policies

Basis of Preparation

The consolidated financial statements of the Company and all its subsidiaries have been prepared in accordance with International Financial Reporting Standards.

The consolidated financial statements have been prepared on a historical cost basis

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

The accounting policies are consistent with those used in the previous year.

Principles of Consolidation

The consolidated financial statements comprise of the financial statements of the Company and its subsidiary where the Company has the power to govern the financial and operating policies of the subsidiary so as to obtain benefits from their activities. The financial statements of the subsidiary are prepared for the same reporting year as the Company using consistent accounting policies. All balances, transactions, income, and expenses between the Company and its subsidiary are eliminated.

Subsidiary are fully consolidated from the date of acquisition, being the date on which the Company obtains control, and continue to be consolidated until the date that such control ceases.

The results of operations of the subsidiary are consolidated in the statement of comprehensive income from the acquisition date which is the date on which control over subsidiary is transferred to the Company. The results of operation of the disposed subsidiary are consolidated in the comprehensive income to the disposal date which is the date on which the Company loses control over the subsidiary.

The following subsidiary has been consolidated:

Company	Legal status	Capital	Ownership	Activity	Registration country
Soda and Chlorine Industries Company	Limited liability	500,000	100%	Industrial	Jordan

Adoption of new and revised IFRS standards

The following standards have been published that are mandatory for accounting periods after 31 December 2016. Management anticipates that the adoption of new and revised Standards will have no material impact on the consolidated financial statements of the Company.

Standard No.	Title of Standards	Effective Date
IFRS 2	Classification and Measurement of Share-based Payment Transactions (Amendments)	1 January 2017
IFRS 15	Revenue from Contracts with Customers	1 January 2018
IFRS 16	Leases	1 January 2019

Use of Estimates

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

Management believes that the estimates are reasonable and are as follows:

- Management reviews periodically the tangible assets in order to assess the depreciation for the year based on the useful life and future economic benefits. Any impairment is taken to the consolidated statement of comprehensive income.

- An estimate of the collectible amount of trade accounts receivable is made when collection of the full amount is no longer probable. For individually significant amounts, this estimation is performed on an individual basis. Amounts which are not individually significant, but which are past due, are assessed collectively and a provision applied according to the length of time past due, based on historical recovery rates.

- Inventories are held at the lower of cost or net realizable value. When inventories become old or obsolete, an estimate is made of their net realizable value. For individually significant amounts this estimation is performed on an individual basis. Amounts which are not individually significant, but which are old or obsolete, are assessed collectively and a provision applied according to the inventory type and the degree of ageing or obsolescence, based on historical selling prices.

Property, Plant and Equipment

Property plant and equipment are stated at cost less accumulated depreciation and accumulated impairment loss. When assets are sold or retired, their cost and accumulated depreciation are eliminated from the accounts and any gain or loss resulting from their disposal is included in the consolidated statement of comprehensive income.

The initial cost of property, plant and equipment comprises its purchase price, including import duties and non-refundable purchase taxes and any directly attributable costs of bringing the asset to its working condition and location for its intended use. Expenditures incurred after the fixed assets have been put into operation, such as repairs and maintenance and overhaul costs, are normally charged to income in the period the costs are incurred. In situations where it can be clearly demonstrated that the expenditures have resulted in an increase in the future economic benefits expected to be obtained from the use of an item of property, plant and equipment beyond its originally assessed standard of performance, the expenditures are capitalized as an additional cost of property, plant and equipment.

Depreciation is computed on a straight-line basis at annual depreciation rates:

Machines and Equipment	3.5 - 7%
Buildings	4%
Vehicles	15%
Others	7-20%

The useful life and depreciation method are reviewed periodically to ensure that the method and period of deprecation are consistent with the expected pattern of economic benefits from items of property plant and equipment.

Projects under construction

Projects under construction are recorded at cost which represents the contractual obligations of the Company for the construction. Allocated costs directly attributable to the construction of the asset are capitalized. The Projects under construction is transferred to the appropriate asset category and depreciated in accordance with the Company's policies when construction of the asset is completed and commissioned.

Inventories, spare part and raw materials

Inventories are stated at the lower of cost or net realizable value. Cost is determined by the weighted average method. The cost of finished goods and work in progress comprises raw materials, direct labor, other direct costs and related production overheads.
Spare parts are stated at the lower of cost or net realizable value. Cost is determined by the weighted average method.

Trade Receivables

Trade Receivables are carried at original invoice amount less an estimate made for doubtful receivables based on a review of all outstanding amounts at the year end. Bad debts are written off when identified.

Cash and Cash Equivalents

Cash and cash equivalents are carried in the consolidated financial statement at cost. For the purposes of the consolidated statement of cash flow, cash and cash equivalents comprise cash on hand, deposits held at call with banks, other short - term highly liquid investments.

Accounts Payable and Accruals

Accounts payable and accrued payments are recognized upon receiving goods or performance of services.

Offsetting

Financial assets and financial liabilities are offset and the net amount reported in the consolidated financial statement when there is a legally enforceable right to offset the recognized amounts and the company intends to either settle them on a net basis, or to realize the asset and settle the liability simultaneously.

Provisions

A provision is recognized when, and only when the Company has a present legal or constructive obligation as a result of a past event and it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation, and a reliable estimate can be made of the amount of the obligation. Provisions are reviewed at each statement of financial position date and adjusted to reflect the current best estimate.

Borrowing costs

Borrowing costs generally are expenses as incurred, borrowing costs related to projects under construction are capitalized until the assets are substantially ready for their intended use.

Revenue Recognition

Sales revenues are recognized upon the transfer of the risk of title to the buyer given that the revenues are dependably measurable.

Other revenues are recognized on the accrual basis.

Foreign Currency

Assets and liabilities denominated in foreign currencies are translated to Jordanian Dinar using the prevailing exchange rates at year end. Foreign currency transactions during the year are recorded using exchange rates that were in effect at the dates of the transactions. Foreign exchange gains or losses are reflected in the consolidated statement of comprehensive income.

Income Taxes

Income tax expenses are accounted for on the basis of taxable income. Taxable income differs from income declared in the financial statements because the latter includes non-taxable revenues or disallowed taxable expenses in the current year but deductible in subsequent years, accumulated losses acceptable by the tax law, and items not accepted for tax purposes or subject to tax.

Taxes are calculated on the basis of the tax rates according to the prevailing laws, regulations, and instructions of the countries where the Company operates.

3. Property, Plant and Equipment

	Land	Machines & Equipment	Buildings	Vehicles	Others	Total
Cost						
Balance as at 1/1/2016	81,473	19,017,069	3,286,700	771,015	1,224,585	24,380,842
Additions	-	116,077	41,209	36,164	23,737	217,187
Disposals	-	(10,506)	-	(104,971)	-	(115,477)
Balance as at 31/12/2016	81,473	19,122,640	3,327,909	702,208	1,248,322	24,482,552
Accumulated depreciation						
Balance as at 1/1/2016	-	15,226,542	1,694,170	624,732	1,087,832	18,633,276
Depreciation	-	588,703	132,322	31,814	53,431	806,270
Disposals	-	(3,567)	-	(103,694)	-	(107,261)
Balance as at 31/12/2016	-	15,811,678	1,826,492	552,852	1,141,263	19,332,285
Net book value as at 31/12/2016	81,473	3,310,962	1,501,417	149,356	107,059	5,150,267
Cost						
Balance as at 1/1/2015	81,473	20,187,022	3,277,854	796,565	1,221,704	25,564,618
Additions	-	177,662	8,846	34,409	2,881	223,798
Disposals	-	(1,347,615)	-	(59,959)	-	(1,407,574)
Balance as at 31/12/2015	81,473	19,017,069	3,286,700	771,015	1,224,585	24,380,842
Accumulated depreciation						
Balance as at 1/1/2015	-	15,763,922	1,563,045	637,848	1,035,896	19,000,711
Depreciation	-	649,245	131,125	45,920	51,936	878,226
Disposals	-	(1,186,625)	-	(59,036)	-	(1,245,661)
Balance as at 31/12/2015	-	15,226,542	1,694,170	624,732	1,087,832	18,633,276
Net book value as at 31/12/2015	81,473	3,790,527	1,592,530	146,283	136,753	5,747,566

4. Projects Under Construction

	2016	2015
Balance at beginning of the year	9,373,207	4,700,597
Additions	2,048,001	4,672,610
Balance at end of the year	11,421,208	9,373,207

This item represents the construction cost over the expansion of chlorine membrane factory which was accomplished at end of year 2016. The construction cost will be transferred to property, plant and equipment at the beginning of year 2017.

5. Inventories

	2016	2015
Raw and chemical materials	400,045	403,559
Finished goods	527,804	187,316
Impairment of raw materials	(88,191)	(88,191)
	839,658	**502,684**

The movement on provision of raw materials was as follow:

	2016	2015
Balance at beginning of the year	88,191	77,700
Additions	-	10,491
	88,191	**88,191**

6. Other Receivables

	2016	2015
Refundable deposits	228,380	228,130
Prepaid expenses	80,124	54,163
Refundable deposits/guarantees	49,364	49,891
Due from Income Tax Department	42,051	15,429
Others	19,208	12,325
	419,127	**359,938**

7. Accounts Receivable

	2016	2015
Accounts receivable	1,689,007	1,454,127
Amounts due from related party (Note 21)	127,828	188,850
Provision for doubtful accounts	(206,671)	(206,671)
	1,610,164	**1,436,306**

The age of receivables past due but not impaired is as follows:

	2016	2015
Less than one year	1,532,593	1,377,589
More than one year	77,571	58,717
	1,610,164	**1,436,306**

Management believes that all the receivables not included in the provision are collectable.

8. Cash and Cash Equivalents

	2016	2015
Cash and checks on hand	160,131	2,038
Cash at current bank	34,859	508,903
	194,990	**510,941**

9. Equity

Paid-in capital

The Company's authorized, subscribed and paid up capital is JOD (9) Millions divided equally into (9) Million shares with par value of JOD (1) for each share as at 31 December 2016 and 2015.

Statutory Reserve

The accumulated amounts in this account represent 10% of the Company's net income before income tax according to the Companies Law. The statutory reserve is not available for distribution to shareholders.

Voluntary Reserve

The accumulated amounts in this account represent 20% of the Company's net income before income tax according to the Companies Law. The voluntary reserve is available for distribution to shareholders

10. Bank Facilities

Credit Type	Currency	Interest rate	Maturity date	Facility Limit / JOD	Outstanding Balance / JOD
Over draft	JOD	8.5%	2017	750,000	1,008,221
Letter of credit loan	USD	3.5%+Libor	2017-2022	5,672,000	5,625,608
Loan	JOD	8.132%	2017	500,000	500,000
Loan	JOD	5.5%	2017	1,000,000	1,004,364
Over draft	JOD	5.5%	2017	1,750,000	1,745,679
					9,883,872

The bank facilities are guaranteed by the personal guarantee of the head of the Board of Directors of the Company, and by endorsing a part of the insurance policy amounting to JOD (8) million.

11. Other Liabilities

	2016	2015
Shareholders' deposits	129,501	150,443
Accrued expenses	107,528	-
Employees' end of services indemnity	96,281	80,464
Amounts due to Sales Tax Department	36,563	60,299
Income tax provision (Note 23)	-	26,687
Others	15,530	15,051
	385,403	332,944

12. Segment Reporting

	2016	2015
Local Sales	3,470,277	5,930,835
Export Sales	1,715,450	2,232,743
	5,185,727	8,163,578

13. Cost of Sales

	2016	2015
Wages and salaries	831,979	691,211
Social security	97,355	84,645
Electricity	1,937,485	2,988,251
Depreciation	771,327	833,691
Raw material used in production	641,836	1,939,501
Industrial water	199,289	166,588
Employees' transportation	83,125	57,711
Waste water	72,681	67,075
General maintenance	64,579	45,860
Factory insurance	40,158	33,854
Health insurance	33,988	33,550
Foreign labor residence	23,002	6,510
Security and safety tools	9,248	8,227
Miscellaneous	7,093	8,069
	4,813,145	6,964,743

14. Selling and Distribution Expenses

	2016	2015
Wages and salaries	48,732	48,959
Social security	4,110	5,095
Selling contracts expenses (Note 15)	405,790	538,885
Shipping, handling and maintenance	100,040	130,832
Depreciation	23,190	34,514
Health insurance	1,212	1,397
Miscellaneous	27,258	16,385
	610,332	776,067

15. Selling contracts expenses

	2016	2015
Shipping and handling	292,362	413,611
Clearance and customs	31,155	6,715
Contract taxes	29,157	20,988
Foreign exchange differences	18,498	5,456
Testing and certificate approval	3,480	857
Letter of guarantees	10,484	11,725
Delay penalties	-	7,650
The Company's share from Al Baha Company expenses	-	35,839
Miscellaneous	20,654	36,044
	405,790	538,885

16. Administrative expenses

	2016	2015
Wages and salaries	390,372	315,088
Social security	46,706	37,145
Board of Director's transportation	37,440	44,850
Legal expenses	21,578	5,902
Professional fees	21,511	22,917
Employees' transportation	20,416	20,485
Fees and license	18,020	12,385
Depreciation	11,753	10,021
Donations	11,620	9,016
Hospitality and cleaning	11,141	7,534
Maintenance	9,887	10,586
Health insurance	6,106	9,765
Marketing and Advertisement	5,029	3,636
Post and Telecommunication	4,120	7,349
Stationery and printings	3,601	2,556
Miscellaneous	23,738	28,183
	643,038	547,418

17. Net of Other Revenues and Expenses

	2016	2015
Gain on sale of property and equipment	57,284	315,215
Others	(15,929)	(36,076)
	41,355	279,139

18. Basic and Diluted (Losses) Earnings per Share

	2016	2015
(Loss) profit for the year	(950,890)	53,290
Weighted average number of shares	9,000,000	9,000,000
	(0.105)	0.006

19. Law suits

The Company contingently liable against some of law suits. Management and legal counsel believe that no provision is required against law suits as the Company has good chance of winning the case.

20. Contingent Liabilities

	2016	2015
Letters of guarantees	488,048	480,213
Letters of credit	37,387	378,621

21. Related Party Transactions

The Company had the following transactions with related party during the year:

Party	Relation	Volume	Nature	Balance
Jordan Chemical Industries Co.	Shareholder	718,439	Commercial	127,828

22. Executive Management Salaries and Remunerations

The remuneration of executive management during the years 2016 and 2015 amounted to JOD (162,923) and JOD (165,424) respectively.

23. Income Tax

The movement on provision for the income tax during the year is as follows:

	2016	2015
Balance at beginning of the year	26,687	50,000
Income tax paid	(26,687)	(23,313)
	-	26,687

- The Company has settled its tax liabilities with the Income Tax Department up to 2014.
- The income tax return for the year 2015 has been filed with the Income Tax Department but the Department has not reviewed the Company's records till the date of this report.
- No income tax provision was calculated for the year 2016 as the Company's deductible expenses exceed its taxable revenues.

Subsidiary Company

- The Company has settled its tax liabilities with the Income Tax Department up to 2014.
- The income tax return for the year 2015 has been filed with the Income Tax Department but the Department has not reviewed the Company's records till the date of this report.
- No income tax provision was calculated for the year 2016 as the Company's deductible expenses exceed its taxable revenues.

24. Financial Instruments

Financial instruments comprise financial assets and financial liabilities. Financial assets of the Company include cash and cash equivalents, checks under collection, receivables and letter of credits. Financial liabilities of the Company include bank facilities and accounts payable.

Fair Value

The fair values of the financial assets and liabilities are not materially different from their carrying values as most of these items are either short-term in nature or re-priced frequently.

Credit Risk

Credit risks are those risks resulting from the default of counterparties to the financial instrument to repay their commitment to the Company. The Company limits its credit risk by only dealing with reputable banks and by setting credit limits for individual customers and monitoring outstanding receivables. The maximum exposure to credit risk is represented by the carrying value of each financial asset.

The Company's most significant customer balance is JOD (758,475) of the accounts receivable at 31 December 2016 (2015: JOD 390,631).

Liquidity Risk

Liquidity risk is the risk that the Company will not be able to meet its net financial obligation. In this respect, the Company's management diversified its funding sources, and managed assets and liabilities taking into consideration liquidity and keeping adequate balances of cash, and cash equivalents.

The table below analyses the Company's financial liabilities into relevant maturity groupings based on the remaining period at the balance sheet to the contractual maturity date.

2016	Less Than One Year	More Than One Year	Total
Bank facilities	5,632,977	4,250,895	9,883,872
Accounts payable	1,443,626	-	1,443,626
Other liabilities	385,403	-	385,403
	7,462,006	4,250,895	11,712,901

2015	Less Than One Year	More Than One Year	Total
Bank facilities	3,025,232	4,531,529	7,556,761
Accounts payable	1,124,201	-	1,124,201
Other liabilities	332,944	-	332,944
	4,482,377	4,531,529	9,013,906

Interest Rate Risk

Interest rate risk is the risk that changes in interest rates will affect the Company's income or the value of its holdings of financial instruments. As most of the Company's financial instruments have fixed interest rate and carried at amortized cost, the sensitivity of the Company's results or equity to movements in interest rates is not considered significant.

Currency Risk

The management considers that the Company is not exposed to significant currency risk. The majority of their transactions and balances are in either Jordanian Dinar or US Dollar. As the Jordanian Dinar is pegged to the US Dollar, balances in US Dollar are not considered to represent significant currency risk and the Company's results or equity to movements in exchange rates is not considered significant.

25. Capital Management

The Board of Directors manages its capital structure with the objective of safeguarding the entity's ability to continue as a going concern and providing an adequate return to shareholders by pricing products and services commensurately with the level of risk.

	2016	2015
Total Debt	9,883,872	7,556,761
Total Equity	9,078,588	10,029,478
Debt to Equity ratio	109%	75%