العربية لصناعة المواسير المعدنية
Arabian Steel Pipes Manufacturing

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للإيضاح
مدير عمان
السيد

Date: 29/03/2018
Our ref: 1/48/ 038481

M/S: Jordan Securities Commission

2/12

Subject: Audited Financial Statements for the fiscal year ended 31/12/2017

Attached the Audited Financial Statements of Arabian steel pipes manufacturing corporation ltd for the fiscal year ended 31/12/2017

Kindly accept our high appreciation and respect

Best Regards,

GENERAL MANAGER

Eng. MAZEN KHANJI

هيئة الأوراق المالية
الدائرة الإدارية / الديوان
١٢ نيسان ٢٠١٨
الرقم التسلسل ......
الجهة المختصة ......

**ARABIAN STEEL PIPES MANUFACTURING
COMPANY AND ITS SUBSIDIARY (GROUP)
(PUBLIC LIMITED SHAREHOLDING COMPANY)
AMMAN - JORDAN**

**CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2017
TOGETHER WITH INDEPENDENT
AUDITORS' REPORT**

ARABIAN STEEL PIPES MANUFACTURING COMPANY AND ITS SUBSIDIARY (GROUP)
(PUBLIC LIMITED SHAREHOLDING COMPANY)
AMMAN – JORDAN

FOR THE YEAR ENDED DECEMBER 31, 2017

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Kawasmy & Partners CO.
Amman - Jordan
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INDEPENDENT AUDITORS' REPORT ON THE CONSOLIDATED FINANCIAL STATEMENTS

To the General Assembly of
Arabian Steel Pipes Manufacturing
(Public Limited Shareholding Company)
Amman – Jordan

Opinion

We have audited the consolidated financial statements of Arabian Steel Pipes Manufacturing Company - public limited shareholding Company - and its subsidiary ("the Group"), which comprise the consolidated statement of financial position as at December 31, 2017 and the related consolidated statements of profit or loss and other comprehensive income, changes in shareholders' equity and cash flows for the year then ended, and notes comprising significant accounting policies and other explanatory information.

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the consolidated financial position of the Group as at December 31, 2017, and its consolidated financial performance and its consolidated 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 (ISAs). Our responsibilities under those standards are further described in the Auditors' Responsibilities for the Audit of the consolidated Financial Statements section of our report. We are independent of the Group in accordance with the ethical requirements that are relevant to our audit of the consolidated financial statements in accordance with International Ethics Standards Board for Accountants Code of Ethics, and we have fulfilled our other ethical responsibilities in accordance with these requirements.

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.

KPMG Kawasmy & Partners Co., a registered Jordanian partnership under No. (226),
is a member firm of KPMG International, a Swiss cooperative

The key audit matters descriptions are as follows:

1- Inventory Impairment

Description of Key Audit matter	How the Matter was Addressed in Our Audit
A- There are indicators on inventory impairment due to the existence of a significant part of the ending balance of finished goods that was produced to meet specific customers' requirements or specific characteristics and these requirements are no longer valid. This is a risk that the group will not be able to recover the value of this inventory which is present if the inventory is not in demand for other customers or at rate lower than the main products produced by the Company and if there are demand issues related to the specific requirements determined by the customer's limited products. B- The Company won't need part of the balance of spare parts and consumables inventory for being obsolete and irrelevant to the use of the existing machines.	• We analyzed inventory balances and discussed the Group's assumptions of the expected usage based on our understanding and experience of the industry in which the Group operates; • We tested the adequacy of the Group's provisions against the impairment of inventory by assessing the Management's assumptions, taking account of subsequent events after end of the financial year; We assessed whether provision recorded against old and slow moving inventory in accordance with the Company's accounting policy and we considered the reasonableness of the provision policy using historical trend analysis and annual depreciation. We also inspected samples of subsequent sales invoices to assess whether the finished goods inventory is being sold at value higher than cost by comparing sales price to values at which it is held in the Group's inventory records; regarding to the raw materials, spare parts and consumables, we obtained and inspected samples of suppliers quotations or we checked the Global websites to assess whether there is an impairment over these inventories categories or not. • We considered the adequacy of the Company's disclosures about the degree of estimation involved in arriving at the inventory impairment provision. Based on our work done, we found the key assumptions used and the resulted estimate and valuation of inventory are appropriate assumptions.

2- Accounts Receivables and Cheques Under Collection Impairment

Description of Key Audit matter	How the Matter was Addressed in Our Audit
The Company has accounts receivable and cheques under collection as at December 31, 2017 in amount of JD 3.4 million and JD 473,000 respectively compared with as of 31 December 2016 the amount was JD 3.4 million and JD 462,000, this increase resulted from increase the credit limit provided to certain customers, in addition to the presence of new tenders gained by the Company during 2017. The impairment loss for accounts receivables is considered one of the matters that have an impact	Our audit procedures includes the assessment of the Company's internal controls over the collection processes for receivables and cheques under collection including the gained tenders; testing the receipt of cash subsequent to year end, testing the sufficiency of the Company's provisions against receivables and cheques under collection by assessing the management's assumptions, taking account of externally available data on trade credit exposures and our own knowledge of recent bad debt experience in this sector. We have also considered the adequacy of the Company's disclosures about the degree

over the Company's results and require a significant judgment and estimates from management to determine the default and accordingly the existence of impairment. Following the requirements of IFRS, the management exercise the judgment and estimates over the observable inputs to determine the impairment including the date of default, the financial position of the customers and the position of the legal cases held against these customers. Accordingly, there is recoverability risk of the accounts receivable and cheques under collection balances and on calculating impairments over them and this is consider a key audit matter.	of estimation involved in arriving at the provision recognized against the accounts receivables and the disclosures over the movement of doubtful debts provision.

Other Information

Management is responsible for the other information. The other information does not include the consolidated financial statements and our auditors' report on the consolidated financial statements.

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 were not provided with the annual report of the group or any other information as it relates to this paragraph until the date of this report.

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

Management is responsible for the preparation and fair presentation of the consolidated financial statements in accordance with IFRS, and for such internal control as management determines 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 Group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Group or to cease operations, or has no realistic alternative but to do so.

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

Auditors' 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 auditors' report that includes our opinion.

Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs will always detect a material misstatement when it exists.

Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

As part of an audit in accordance with 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 Group'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 Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditors' 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 auditors' report. However, future events or conditions may cause the Group to cease to continue as a going concern.

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

Obtain sufficient 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 on audit of the consolidated financial statements.

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

We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related 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 auditors' 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 Group maintains proper accounting records. The accompanying consolidated financial statements are, in all material aspects, in agreement with the Group's accounting records, and we recommend that the Group's General Assembly approves these consolidated financial statements.

KPMG Kawasmy and Partners

Hatem Kawasmy
License no. (656)

Amman - Jordan
26 February 2018

KPMG
Kawasmy & Partners Co.

ARABIAN STEEL PIPES MANUFACTURING
COMPANY AND ITS SUBSIDIARY (Group)
(PUBLIC LIMITED SHAREHOLDING COMPANY)
AMMAN - JORDAN

CONSOLIDATED STAEMENT OF FINANCIAL POSITION

Jordanian Dinar		As of December 31, 2017	2016
Assets			
Non-current assets			
Property, plants and equipment	6	4,057,670	4,087,212
Projects under construction	7	59,139	-
Intangible assets	8	1,843	3,620
Financial assets at fair value through other comprehensive income	9	851,842	784,215
Deferred tax assets	19	11,884	19,273
Total non-current assets		**4,982,378**	**4,894,320**
Current assets			
Other debit balances	10	184,593	217,245
Inventory	11	6,475,012	6,373,590
Due from related parties	12	-	2,246
Accounts receivable	13	3,459,780	3,473,579
Cheques under collection	14	473,000	462,014
Cash and cash equivalents	15	1,398,702	984,515
Total current assets		**11,991,087**	**11,513,189**
Total assets		**16,973,465**	**16,407,509**
Equity and liabilities			
Equity			
Share capital	1	9,000,000	9,000,000
Retained earnings		1,653,675	1,237,988
Statutory reserve	16	2,400,000	2,400,000
Voluntary reserve	17	1,061,503	1,061,503
Fair value reserve	9	86,835	19,208
Total equity		**14,202,013**	**13,718,699**
Liabilities			
Current liabilities			
Other credit balances	18	346,735	300,027
Income tax payable	19	11,714	14,030
Accounts payable		249,440	358,383
Notes payable due within a year	20	2,163,563	2,016,370
Total current liabilities		**2,771,452**	**2,688,810**
Total liabilities		**2,771,452**	**2,688,810**
Total equity and liabilities		**16,973,465**	**16,407,509**

* The accompanying notes on pages from (10) to (35) are an integral part of these consolidated financial statements.
The financial statements on pages (6) to (9) were approved by the board of directors on 12 February 2018 and authorized by:

General Manager **Chairman of Board** **Financial Manager**

ARABIAN STEEL PIPES MANUFACTURING COMPANY AND ITS SUBSIDIARY (Group)
(PUBLIC LIMITED SHAREHOLDING COMPANY)
AMMAN - JORDAN

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

		For the year ended December 31,	
Jordanian Dinar	Note	2017	2016
Revenues	21	8,408,484	8,326,771
Cost of revenues	22	(6,699,946)	(6,876,085)
Gross profit		**1,708,538**	**1,450,686**
Administrative expenses	23	(410,719)	(472,809)
Selling and distribution expenses	24	(247,695)	(228,365)
Morabaha expenses		(124,610)	(161,040)
Impairment losses on receivables	13	(35,000)	(20,000)
Reversal of slow moving items provision	11	21,063	32,001
Loss from selling Subsidiary		-	(80,168)
Investment Portfolio Gains		23,680	46,818
Board of directors and subsidiary management committee bonuses		(34,014)	(34,233)
Dividends from financial assets at fair value through other comprehensive income		5,550	27,390
Other revenues	25	1,500	11,007
Profit before income tax		**908,293**	**571,287**
Income tax for the year	19	(42,606)	(30,104)
Profit for the year		**865,687**	**541,183**
Other comprehensive income item			
Items that will never be reclassified to profit or loss			
Changes in fair value of financial assets at fair value through other comprehensive income	9	67,627	(67,829)
Total comprehensive income for the year		**933,314**	**473,354**
Profit for the year attributable to:-			
Group Shareholders		865,687	533,410
Non-controlling interests		-	7,773
Total		**865,687**	**541,183**
Total comprehensive income attributable to:-			
Shareholders		933,314	465,581
Non-controlling interests		-	7,773
Total		**933,314**	**473,354**
Weighted average of shares number		9,000,000	9,000,000
Basic and diluted earnings per share (JOD/Share)	26	**0.096**	**0.060**

* The accompanying notes on pages from (10) to (35) are an integral part of these consolidated financial statements.
The financial statements on pages (6) to (9) were approved by the board of directors on 12 February 2018 and authorized by:

General Manager **Chairman of Board** **Financial Manager**

ARABIAN STEEL PIPES MANUFACTURING COMPANY AND ITS SUBSIDIARY (Group)
(PUBLIC LIMITED SHAREHOLDING COMPANY)
AMMAN - JORDAN

CONSOLIDATED STATEMENT OF CHANGES IN SHARHOLDERS' EQUITY

	Total equity of the owners								
Jordanian Dinar	**Share capital**	**Retained earnings**	**Statutory reserve**	**Voluntary reserve**	**Fair value reserve ***	**Proposed dividends**	**Total equity of the owners**	**Non-controlling interest**	**Total**
For the year ended December 31, 2017									
Balance as of January 1, 2017	9,000,000	1,237,988	2,400,000	1,061,503	19,208	-	13,718,699	-	13,718,699
Profit for the year	-	865,687	-	-		-	865,687	-	865,687
Change in fair value of financial assets designated at fair value through other comprehensive income	-	-	-	-	67,627	-	67,627	-	67,627
Dividends paid-note (27)	-	(450,000)	-	-	-	-	(450,000)	-	(450,000)
Balance as of December 31, 2017	**9,000,000**	**1,653,675**	**2,400,000**	**1,061,503**	**86,835**	**-**	**14,202,013**	**-**	**14,202,013**
For the year ended December 31, 2016									
Balance as of January 1, 2016	9,000,000	1,131,223	2,442,885	1,061,503	87,037	-	13,722,648	134,095	13,856,743
Profit for the year	-	533,410	-	-	-	-	533,410	7,773	541,183
Change in fair value of financial assets designated at fair value through other comprehensive income	-	-	-	-	(67,829)	-	(67,829)	-	(67,829)
Disposal of subsidiary	-	23,355	(42,885)	-	-	-	(19,530)	(141,868)	(161,398)
Dividends paid-note (27)	-	(450,000)	-	-	-	-	(450,000)	-	(450,000)
Balance as of December 31, 2016	**9,000,000**	**1,237,988**	**2,400,000**	**1,061,503**	**19,208**	**-**	**13,718,699**	**-**	**13,718,699**

* The fair value reserve is resulting from changes in fair value and impairment of equity instruments at fair value through other comprehensive income. According to Jordan securities commission it is forbidden to dispose of fair value reserve credit balance whether by distribution, capitalization, losses amortization or any other means.

* The retained earnings as of December 31, 2017 include deferred tax assets amounting to JD 11,884 that is prohibited to be disposed of or distributed to shareholders according to the instructions of the Securities Commission.

* The accompanying notes on pages from (10) to (35) are an integral part of these consolidated financial statements.

ARABIAN STEEL PIPES MANUFACTURING COMPANY AND ITS SUBSIDIARY (Group)
(PUBLIC LIMITED SHAREHOLDING COMPANY)
AMMAN - JORDAN

CONSOLIDATED STATEMENT OF CASH FLOWS

Jordanian Dinar	Note	For the year ended December 31, 2017	2016
Cash flows from operating activities			
Profit for the year before income tax		908,293	571,287
Adjustments:			
Gain from sale of property, plants and equipment		(1,191)	(9,648)
Dividends from financial assets at fair value through other comprehensive income		(5,550)	(27,390)
Depreciation and amortization		305,419	326,311
Morabaha expenses		124,610	161,040
Impairment losses on Receivables	13	35,000	20,000
Reversal of slow moving items provision	11	(21,063)	(32,001)
Loss from selling Subsidiaries		-	80,168
Operating profits before changes in working capital items		**1,345,518**	**1,089,767**
Changes in working capital items:			
Other debit balances		3,318	(201,341)
Inventory		(80,359)	1,823,014
Due from related parties		17,245	-
Accounts receivable		(21,201)	(1,465,006)
Cheques under collection		(10,986)	260,882
Other credit balances		46,708	128,790
Due to related parties		(14,999)	260,116
Accounts payable		(108,943)	217,010
Income tax paid		(8,199)	(7,875)
Net cash flows from operating activities		**1,168,102**	**2,105,357**
Cash flows from investing activities:			
Acquisition of property, plants and equipment	6	(274,100)	(81,027)
Proceeds from sale of property, plants and equipment	6	1,191	13,203
Dividends received from financial assets at fair value through other comprehensive income		5,550	27,390
Proceeds from Selling Subsidiaries		-	104,000
Purchases of projects under construction		(59,139)	-
Net cash flows (used in) from investing activities		**(326,498)**	**63,566**
Cash flows from financing activities:			
Note payable Morabaha		147,193	(1,400,484)
Dividends		(450,000)	(450,000)
Morabaha expenses paid		(124,610)	(161,040)
Net cash flows used in financing activities		**(427,417)**	**(2,011,524)**
Net increase in cash and cash equivalents		414,187	157,399
Net Cash Disposed from Selling Subsidiary		-	(174,386)
Cash and cash equivalents, beginning of the year		984,515	1,001,502
Cash and cash equivalents, end of the year	15	**1,398,702**	**984,515**

The accompanying notes on pages from (10) to (35) are an integral part of these consolidated financial statements.

1) GENERAL

Arabian Steel Pipes Manufacturing Company was established under the Companies Act of 1964 as a private shareholding Company and recorded in the Companies Registration department under number 1185 dated June 12, 1983, and its status has been adjusted as a limited liability on June 5, 1989 under the Companies Act No. 1 of 1989 with the aim to manufacture steel pipes for water, electricity works and, blacksmithing and selling it, the company's commercial production began on February 15, 1989.

Based on General Assembly decision at its extraordinary meeting held on November 4, 1993 to convert the company into a public shareholding company ,the company obtained the approval of the Minister of Industry and Trade to transfer the legal status of the company to public shareholding company on April 19, 1994 and recorded in the Public Shareholding Companies registration department under registration number 251 on August 3, 1994 under the companies Act of 1989, the company was given the right to commence work on November 2, 1994.

On March 9, 2016 the company signed an agreement requiring the company to sell its share in Net Arabic Romanian Electromechanical Contracting Company's Assets for the total amount of 104,000 JD.

The main objective of the Company:

- Pipe manufacturing with different diameters (2/1-6)
- Import and export
- General Trading
- Producing electricity pillars including its different types such as; tubular and polygonal , telecommunication towers ,in addition to processing platelet boards, and producing the components of metal structures for personal use
- Isolate pipes using all insulation methods

- The company's main address is the industrial city, Amman - The Hashemite Kingdom of Jordan.
- The financial statements were authorized for issuance by the Board of Directors in its meeting held on February 12, 2018 and it's subject to the general assembly's approval.

The company owns, as of December 31, the following subsidiary:

1. **Arabian Column pipes Company**

Arabian Column Pipes Company was established as a limited liability company on April 27, 1999, and registered in the Companies Registration department under number (5681) at the Ministry of Industry and Trade, with a capital of 150,000 JD

The main objective of the Company:

Manufacturing, trade, import and export of column pipes.
Manufacture of Electric poles for high and low voltage.

2) BASIS OF PREPARATION

(a) Statement of compliance

The consolidated financial statements have been prepared in accordance with international financial reporting standards (IFRS).

(b) BASIS OF CONSOLIDATION OF THE FINACIAL STATEMENTS

The consolidated financial statements represent the financial statements of the Arabian Steel Pipes company (parent company) and the company's subsidiary under their control, the subsidiaries are companies controlled by the parent company, the parent company controls the company when it has the right to variable returns from its involvement with the company and have the ability to affect those returns through the control of the company. The financial statements of subsidiaries in the consolidated financial statements are included from the date on which the control started until the date in which control is loss.

The consolidated financial statements of the subsidiaries are prepared at the same fiscal year of the parent company and using the same parent company's accounting policies.

The company owns, as of December 31, 2017 the following subsidiary:

Company name	Authorized Paid-up capital	Company ownership percentage	Nature of company business	Workplace
		%		
Arabian Column Pipes Company	150,000	100	Manufacturing	Jordan

The following table shows the financial position and financial performance of the subsidiary as of December 31, 2017:

	December 31, 2017			
In Jordanian Dinar	Total Assets	Total Liablites	Total Revnue	Loss for the year
Arabian Column Pipes Company	317,050	1,392	-	(4,216)

	December 31, 2016			
In Jordanian Dinar	Total Assets	Total Liablites	Total Revnue	Profit for the year
Arabian Column Pipes Company	334,731	14,857	587,917	12,851

The Group recognize the consolidation of the business by using the merger method and this happens when the control is transmitted to the group and the transferred benefits resulted from merger are measured at fair value, and it is determined by the net asset value. In the case of arising goodwill, an impairment test must be done annually
Benefits resulting from the merger does not include the amounts resulting from the settlement of relations that existed before the merger. And these amounts are recognized in the consolidated profit or loss and other Consolidated Comprehensive income.

Contingent liabilities are measured at fair value at the acquisition date if it is classified as equity, and transactions is treated within equity. Subsequent recognition are otherwise in the fair value of the contingent, rather than in the consolidated statement of profit or loss and other comprehensive income.

The rights of non-controlling interest are measured on acquisition date at their share of the net assets.

Upon loss of control, the group cease the recognition of assets and liabilities of the subsidiary and any rights to non-controlling and other elements of equity relating to the subsidiary company, and it will be excluded from the consolidated financial statements. The recognition of any surplus or deficit resulting from the loss of control will be reflected in the consolidated statement of profit or loss and other Comprehensive income.

Balances, transactions and profits earned and expenses arising from transactions within the group are excluded, when these consolidated financial statement are prepared.

(c) Basis of measurement

The consolidated financial statements have been prepared on the historical cost basis, except for the financial assets at the fair value through other comprehensive income are measured at fair value and other financial assets and liabilities measured at amortized cost.

(d) Functional and presentation currency

The consolidated financial statements are presented in Jordanian Dinar, which is the Group's functional currency.

(e) Use of Judgments and estimates

The preparation of financial statements in conformity with IFRSs requires the management to make judgments, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets, liabilities, income and expenses. Actual results may differ from these estimates.

Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognized in the year in which the estimates are revised and in any future years affected.

In particular, information about significant areas of estimation uncertainties and critical judgments in applying accounting policies that have the most significant effect on the amounts recognized in the financial statements is summarized as follows:

- A provision for impairment on account receivables is taken on the basis and estimates approved by management in conformity with International Financial Reporting Standards (IFRS).
- Management estimates the provision for income tax in accordance with the prevailing laws and regulations and Financial Reporting Standards (IFRS).
- Management periodically reassesses the economic useful lives of property, plant and equipment based on the general condition of these assets and the expectation for their useful economic lives in the future.
- Management frequently reviews the lawsuits raised against the Company based on a legal study prepared by the Company legal advisors. This study highlights potential risks that the Company may incur in the future.

- The group uses the percentage of completion method in recognizing the fixed price construction contracts, following this method require the management to estimate the delivered work till the date of the financial statements as percentage of the total work to be delivered.
- Management estimates the provision to decrease inventory to net realizable value if the cost of inventory may not be recoverable, damaged, wholly or partially obsolete, and it selling price to fall below cost or any other factors that causes the recoverable amount to be lower than its carrying amount.

- **Fair value measurement :**

The group has to identify and detect the level of fair value structure , in which the fair value measurement is entirely classified ,and the separation of the fair value measurement in accordance with the levels set out in the international of financial reporting standards, in addition the group has to distinguish between level 2 and level 3 fair value measurement meaning that the assessment of whether the inputs are observable and whether the unobservable inputs is important to the financial statements ,and that may require judgment and careful analysis of inputs used to measure fair value including the study of determent factors of assets and liabilities.

Management believes that the assumptions and estimates are reasonable and sufficient.

3) SIGNIFICANT ACCOUNTING POLICIES

The group has early adopted the international financial reporting standard No. 9 on the measurement and classification of financial assets in the preparation of consolidated financial statements for the year ended January 1, 2011 based on the instructions of the Jordan securities commission, note that the compulsory adoption at January 1, 2018.

The accounting policies applied by the Company in these consolidated financial statements for the year ended December 31, 2017 are the same as those applied by the Company in its consolidated financial statements for the year ended December 31, 2016, except for the following International Financial Reporting Standards amendments and improvements that become effective after January 1, 2017:

New Currently Effective Requirements

- Amendments on IAS (7) : Disclosure Initiative.
- Amendments on IAS (12) : Recognition of Deferred Tax Assets for Unrealized Losses.
- Amendments on IFRS (12) : Ownership of other firms disclosure: Annual Improvements to IFRSs 2014 – 2016 Cycle.

The application of these amended standards did not have a significant effect on the Company’s consolidated financial statements.

a) Financial instruments

- **Financial assets and liabilities at amortized cost**

Financial assets are held within the Group in order to collect contractual cash flows, which represent payments of principal and interest on the principal amount outstanding with fixed or determinable payments that are not quoted in an active market and the Group does not intend to sell immediately or in the near term.

When purchasing these assets they are recognized at cost plus acquisition costs, where premium / discount are amortized using the effective interest method, recording or to the interest account, where any provisions resulted from the impairment in its amount leads to the inability to recover the principal or part of it are deducted, any impairment in its amount to be recognized at the consolidated statement of profit or loss and other comprehensive income.

The impairment amount in the value of these assets represents the difference between the value recorded at the books and the present value of the expected discounted cash flows at the original effective interest rate.

Financial assets at amortize cost includes: Cash and cash equivalent, other debit balances and due from related party.

Reclassification any of the financial assets to/from this category is permitted when the objective and the management of this assets changes.

- **Financial assets at fair value through other comprehensive income**

These assets represent investments in equity instruments with the intention to keep them as a long term investments.

When purchasing these assets they are recognized at fair value including acquisition expenses then to be re-evaluated later at fair value, where changes in the fair value appears in the consolidated statement of profit or loss and other comprehensive income and owners' equity including the change in fair value resulting from the differences in conversion of non-monetary assets items in foreign currencies, in case of selling such assets or part thereof profits or losses to be recorded in the consolidated statement of profit or loss and other comprehensive income and owners' equity where the valuation reserve balance of the sold assets should be directly transferred to the retained earnings and losses and not through the consolidated statement of profit or loss and other comprehensive income.

These assets are not subject to impairment loss testing.
Dividends are recorded as a separate line item in the consolidated statement of profit or loss and other comprehensive income.

b) Intangible Assets

Intangible assets, which have finite useful lives, are amortized over their useful lives. Amortization is recognized in the consolidated statement of profit or loss and other comprehensive income; however, intangible assets without definite useful lives should not be amortized and are required to be tested for impairment as of the date the financial statement. Impairment loss shall be recognized in the consolidated statement of profit or loss and other comprehensive income.

The estimated useful lives of intangible assets for current year same as previous year, and the amortization percent as follows:

Intangible Asset	Amortization %
Computers software and program	20-33

c) Property, plant and equipment

Recognition and measurement:

Items of property, plant and equipment are measured at cost less accumulated depreciation and accumulated impairment losses, except for land which is not depreciated.

Cost includes all expenditures that are directly attributable to the acquisition of the asset.

When parts of an item of property, plant and equipment have different useful lives, they are accounted for as separated items of property, plant and equipment.

Gains and losses on disposal of an item of property, plant and equipment are determined by comparing the proceeds from disposal with the carrying amount of property, plant and equipment and are recognized on a net basis within "other income" in the statement of profit or loss and other comprehensive income.

- **Subsequent costs:**
The cost of replacing part of an item of property, plant and equipment is recognized in the carrying amount of the item if it is probable that the future economic benefits embodied within the part will flow to the Company and its cost can be measured reliably. The carrying amount of the replaced part is derecognized.

The costs of the day – to – day servicing of property and equipment are recognized in the statement of comprehensive income as incurred

- **Depreciation:**
Depreciation is recognized in the consolidated statement of profit or loss and other comprehensive income on a straight line basis over the estimated useful lives of each part of an item of property, plant and equipment, except for lands which is not depreciated.

- The estimated annual depreciation rates of property and equipment for the current and previous year are as follows:

Plant, property and equipment	Annual Depreciation Rate%
Building	3
Machinery and Equipment	6,67
Tools	30-35
Vehicles	15
Computers	12-20
Furniture	10
Office equipment	10-20

d) **Impairment**
Financial Assets

- A financial asset is assessed at each reporting date to determine whether there is objective evidence that it is impaired.
- A financial asset is impaired if objective evidence indicates that a loss event has occurred after the initial recognition of the asset, and that the loss event had a negative effect on the estimated future cash flows of that asset that can be estimated reliably.
- An impairment loss in respect of a financial asset measured at amortized cost is calculated as the difference between its carrying amount and the present value of the estimated future cash flows discounted at the asset's original effective interest rate.
- Individually significant financial assets are tested for impairment on an individual basis.
- An impairment loss is reversed if the reversal can be related objectively to an event occurring after the impairment loss was recognized. For financial assets measured at amortized cost, the reversal is recognized in the statement of profit or loss.

Non-Financial Assets
- The carrying amounts of the Company's non-financial assets are reviewed at each reporting date to determine whether there is any indication of impairment. If any such indication exists, then the asset's recoverable amount is estimated.
- An impairment loss is recognized if the carrying amount of an asset or cash generating unit exceeds its estimated recoverable amount.
- Recoverable amount is the higher of an asset's fair value less costs to sell and its value in use.
- All impairment losses are recognized in the statement of profit or loss and other comprehensive income.

e) Construction revenues

Contract revenue includes the initial amount agreed in the contract plus any variations in contract work, claims and incentive payments, to the extent that it is probable that they will result in revenue and can be measured reliably. As soon as the outcome of a construction contract can be estimated reliably, contract revenue is recognized in the statement of profit or loss and other comprehensive income in proportion to the stage of completion of the contract.

f) Revenues

Revenue from the sale of goods is recognized when all the following conditions are satisfied: The company has transferred to the buyer the significant risks and rewards of ownership of the goods; The company retains neither continuing managerial involvement to the degree usually associated with ownership nor effective control over the goods sold; It is probable that the economic benefits associated with the transaction will flow to the entity; and The costs incurred or to be incurred in respect of the transaction can be measured reliably. Other revenue realized based on accrual basis.

g) Inventory

Inventory is measured at the lower of cost or net realizable value. The cost of inventory is determined based on the weighted average method.

Net realizable value is the estimated selling price in the ordinary course of the business, less the estimated selling expenses.

h) Foreign currencies

Monetary assets and liabilities denominated in foreign currencies at the reporting date are translated to Jordanian Dinar at the exchange rate at that date.
Transactions in foreign currencies during the year are translated at exchange rates at the dates of the transactions.

i) Earnings per share

The Group presents basic and diluted earnings per share (EPS) data for its ordinary shares. Basic EPS is calculated by dividing the profit or loss after consolidation with the subsidiaries attributable to ordinary shareholders of the Group by the weighted average number of ordinary shares outstanding during the year.

j) Fair value for financial assets

Fair values represent the amount with which an asset could be exchanged, or a liability settled, in a transaction between knowledgeable, willing parties in an arm's length transaction.

The closing prices (purchase of assets \ sale of liabilities) on consolidated financial statements date in effective markets, represents the fair value of financial assets and liabilities that have market prices.

In the absence of quoted prices or lack of active trading of some financial assets or the in absence of an active market, fair value is determined by comparing with current market value of financial instrument, or by using the discounted future cash flows discounted at the rate of similar financial instrument or by use the net assets value method of investments.

k) Finance expenses

Finance expenses comprise Murabaha expense on borrowings. All borrowing costs are recognized in the consolidated statement of profit or loss and other comprehensive income using the effective Murabaha method.

l) Offsetting

Financial liabilities are set off against financial assets, and the net amount is shown in the consolidated financial position only when the obliging legal rights are available or when settled on net basis or the realization of assets or settlement of liabilities is done at the same time.

m) Provisions

A provision is recognized if, as a result of a past event, the Group has a present legal or constructive obligation that can be estimated reliably, and it is probable that an outflow of economic benefits will be required to settle the obligation. Provisions are determined by discounting the expected future cash flows at a rate that reflects current market assessments of the time value of money and the risks specific to the liability.

n) Income tax

Income tax expense comprises current and deferred tax. Current tax and deferred tax are recognized in statement of profit or loss and other Comprehensive income except to the extent that it relates to a business combination, or items recognized directly in profit or loss and other Comprehensive income or in other consolidated comprehensive income.

Current tax is the expected tax payable or receivable on the taxable income or loss for the year, using tax rates enacted or substantively enacted at the reporting date, and any adjustment to tax payable in respect of previous years.

Deferred tax is recognized in respect of temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes.

Deferred tax is measured at the tax rates that are expected to be applied to temporary differences when they reverse, based on the laws that have been enacted or substantively enacted by the consolidated reporting date.

Deferred tax assets and liabilities are offset if there is a legally enforceable right to offset current tax liabilities and assets, and they relate to income taxes levied by the same tax authority on the same taxable entity, or on different tax entities, but they intend to settle current tax liabilities and assets on a net basis or their tax assets and liabilities will be realized simultaneously.

A deferred tax asset is recognized for unused tax losses, tax credits and deductible temporary differences, to the extent that it is probable that future taxable profits will be available against which they can be utilized.

Deferred tax assets are reviewed at each reporting date and are reduced to the extent that it is no longer probable that the related tax benefit will be realized.

Current tax payable for the parent company and its subsidiary Arabian Column Pipes'' is calculated at tax rate of 5% in accordance with the new prevailing income tax law in Jordan for the development areas and in accordance with investment commission law requirement.

4) New standards and interpretations not yet adopted

The following new and revised IFRSs have been issued but are not effective yet and will be applied on the year after January 1, 2017, the Company has not applied the following new and revised IFRSs that are available for early application but are not effective yet:

New Standards

- International Financial Reporting Standards (9): Financial Instruments (effective on January 1st, 2018 except for Insurance Companies which will be effective on January 1st, 2021 with earlier application permitted).
- International Financial Reporting Standards (15): Revenue from Contracts with Customers (effective on January 1st, 2018 with earlier application permitted).
- International Financial Reporting Standards (16): Leases (effective on January 1st, 2019 with earlier application permitted).

Amendments

- IFRS (2): Classification and Measurements of Share-Based Payments (effective on January 1st, 2018 with earlier application permitted).
- IFRS (10) and IAS (28): Sale or Contribution of Assets between and Investor and its Associate or Joint Venture. (date to be determined).
- IAS (40): Clarify Transfers or Property to, or from, Investment Property (effective on January 1st, 2018).
- Annual Improvements to IFRSs 2014 –2016 Cycle – Amendments on IFRS (12) Ownership of other firms disclosure.
- Annual Improvements to IFRSs 2014 –2016 Cycle – Amendments on IFRS (1) adopting IFRS for the first time and IAS (28) Investment in associate and joint venture (effective on Jan 1st 2018).
- IFRIC 22 Foreign Currency Transactions and Advance Consideration
- IFRIC 23 Uncertainty over Income Tax Treatments

The Group's Management anticipates that each of the above standards and interpretations (amendments) will be adopted in the financial statements by its date mentioned above without having any material impact on the Company's financial statements except for adopting IFRS (9) Financial Insturments and IFRS (15) Revenue from Customers Contracts.

Effect of application of International Financial Reporting standard No. (9):

The Group is required to apply IFRS 9 "Financial Instruments" starting from January 1st, 2018. Accordingly, the Group has working to estimate the expected impact of the adoption of the standard on the consolidated financial statements which as not yet been completed. The Group will book the full-expected impact taking into consideration the full estimates and tests required by the standard when issuing the Group's consolidated interim condensed financial statements for the period ending March 31, 2018.

The following are the most important aspects of application:

A- Classification and measurement of financial assets:

Management anticipates that there is no material impact on the application of the Standard as stated in paragraph C. The Group has early dopted phase one of IFRS 9 as of January 1, 2011 based on the request of the Jordanian Security Exchange Commission..

B- Classification and measurement of financial liabilities:

IFRS (9) has retained the requirements of IAS (39) regarding the classification of financial liabilities. IAS 39 (Revised) requires recognition of the differences in the assessment of financial liabilities classified as financial liabilities at fair value through profit or loss in the statement of profit or loss, whereas IFRS (9) requires:

- Recognition of differences in the assessment of financial liabilities classified as financial liabilities at fair value through statement of profit or loss as a result of changes in credit risk in the consolidated statement of comprehensive income.

- The remaining amount of fair value valuation differences is recognized in the consolidated statement of profit or loss.

The Group has not classified any financial liabilities in financial liabilities at fair value through profit or loss. Moreover, there is no intention by the management to classify any financial liabilities in this category. Therefore, there is no impact from the application of IFRS (9) to the consolidated financial statements.

C- Impairment of financial assets

IFRS (9) replaces the 'incurred loss' model in IAS (39) with a forward-looking 'expected credit loss' model. Which requires the use of estimates and judgments to estimate economic factors. The model will be applied to all financial assets - debt instruments which classified as amortized cost or at fair value through statement of comprehensive income or at fair value through profit or loss.

Impairment losses will be calculated in accordance with the requirements of IFRS (9) in accordance with the following rules:

- 12 month impairment loss: The expected impairment will be calculated for the next 12 months from the date of the financial statements.
- Impairment losses for the lifetime of the instrument: The expected impairment of the life of the financial instrument will be calculated until the maturity date from the date of the financial statements.

The expected credit loss mechanism depends on the probability of default (PD), which is calculated according to the credit risk and future economic factors, the loss in default (LGD), which depends on the value of the existing collateral, the exposure at default (EAD).

The following table presents the expected effect of the application of the new standard compared to the records of the Group according to the instructions of the Securities Commission:

		Expected Effect	
	31 December 2017	**Application of IFRS (9)**	**1 January 2018**
Retained Earnings	1,653,675	(477,956)	1,175,719

D- Disclosures

IFRS (9) requires detailed disclosures, particularly with regard to hedge accounting, credit risk and expected credit losses. The Company is working to provides all the necessary details for these disclosures to be presented in the subsequent consolidated financial statements after application.

E- Implementation

The Company will take advantage of the exception provided by the standard at the implementation on January 1st, 2018 by recording potential effects (if any) on the opening balances of retained earnings, provisions and non-controlling interests rather than restating the figures of the consolidated financial statements for the year ended December 31, 2017 and earlier.

5) SEGMENT REPORTING

Segment is a group of components of the Company affected by risks and returns that distinguish it from others and engages in producing products or services known as operating segments or engages in producing products or services within economic environments known as geographical segments

A. Operating Segment

Jordanian Dinar **As of December 31, 2017**	Manufacturing	Contracting	Others	Total
Segment revenue	8,408,484	-	51,793	8,460,277
Total Segment Revenue	**8,408,484**	**-**	**51,793**	**8,460,277**
Capital expenditure	274,101	-	-	274,101
Murabaha expenses	(124,610)	-	-	(124,610)
Depreciation and amortization	(305,419)	-	-	(305,419)
Income tax	(42,602)	-	-	(42,602)
Segment Profit	**813,894**	**-**	**51,793**	**865,687**
Total Segment Assets	**16,921,672**	**-**	**851,842**	**16,973,465**
Total Segment Liabilities	**(2,771,452)**	**-**	**-**	**(2,771,452)**
Shareholders' equity	**13,350,171**	**-**	**851,842**	**14,202,013**

*The group ceased from constructing activity through the sale of Romanian Arab Contracting Company as shown in Note 24

Jordanian Dinar **As of December 31, 2016**	Manufacturing	Contracting	Others	Total
Segment revenue	8,796,860	192,012	117,216	9,106,088
Sales between segments	(662,101)	-	-	(662,101)
Total Segment Revenue	**8,134,759**	**192,012**	**117,216**	**8,443,987**
Capital expenditure	81,027	-	-	81,027
Murabaha expenses	(161,040)	-	-	(161,040)
Depreciation and amortization	(308,091)	(7,073)	-	(315,164)
Income tax	(25,940)	(4,164)	-	(30,104)
Segment Profit	**424,746**	**16,657**	**117,216**	**541,183**
Total Segment Assets	**15,623,294**	**-**	**784,215**	**16,407,509**
Total Segment Liabilities	**(2,688,810)**	**-**	**-**	**(2,688,810)**
Shareholders' equity	**12,934,484**	**-**	**784,215**	**13,718,699**

B. Geographical Segment

Comprise of the group’s activities inside Jordan.

6) PROPERTY, PLANTS AND EQUIPMENT

Jordanian Dinar	Lands	Management and factory Buildings	Machinery and Equipment	Tools	Vehicles	Computers	Furniture	Office equipment	Total
Cost									
Balance as of January 1, 2017	927,462	2,471,804	6,426,240	281,292	489,145	141,211	133,358	33,646	10,904,158
Addition	-	1,065	-	4,000	-	6,602	1,778	-	13,445
Disposal	-	-	(10,475)	-	-	-	-	-	(10,475)
Transferred from projects under construction	-	-	260,655	-	-	-	-	-	260,655
Balance as of December 31, 2017	**927,462**	**2,472,869**	**6,676,420**	**285,292**	**489,145**	**147,813**	**135,136**	**33,646**	**11,167,783**
Balance as of January 1, 2016	927,462	2,471,804	6,583,644	280,245	612,190	146,593	158,545	42,388	11,222,871
Addition	-	-	12,198	1,110	67,023	175	346	175	81,027
Disposal	-	-	(80,137)	-	(75,399)	(2,660)	(2,793)	(1,637)	(162,626)
Disposal of a subsidiary	-	-	(89,465)	(63)	(114,669)	(2,897)	(22,740)	(7,280)	(237,114)
Balance as of December 31, 2016	**927,462**	**2,471,804**	**6,426,240**	**281,292**	**489,145**	**141,211**	**133,358**	**33,646**	**10,904,158**
Accumulated Depreciation									
Balance as of January 1, 2017	-	976,423	4,959,480	280,501	318,772	131,103	120,181	30,486	6,816,946
Depreciation	-	74,245	182,401	592	38,169	4,676	2,056	1,503	303,642
Disposal	-	-	(10,475)	-	-	-	-	-	(10,475)
Balance as of December 31, 2017	-	**1,050,668**	**5,131,406**	**281,093**	**356,941**	**135,779**	**122,237**	**31,989**	**7,110,113**
Balance as of January 1, 2016	-	902,197	4,888,061	280,201	398,023	130,966	131,408	36,418	6,767,274
Depreciation	-	74,226	185,363	300	37,780	5,458	1,948	1,513	306,588
Disposal	-	-	(77,910)	-	(74,446)	(2,654)	(2,465)	(1,596)	(159,071)
Disposal of a subsidiary	-	-	(36,034)	-	(42,585)	(2,667)	(10,710)	(5,849)	(97,845)
Balance as of December 31, 2016	-	**976,423**	**4,959,480**	**280,501**	**318,772**	**131,103**	**120,181**	**30,486**	**6,816,946**
Net Book Value As of:									
December 31, 2017	**927,462**	**1,422,201**	**1,546,050**	**4,262**	**142,998**	**12,256**	**14,805**	**2,202**	**4,057,670**
December 31, 2016	**927,462**	**1,495,381**	**1,466,760**	**791**	**170,373**	**10,108**	**13,177**	**3,160**	**4,087,212**

7) PROJECTS UNDER CONSTRUCTION

	As of December 31,	
Jordanian Dinar	**2017**	**2016**
Addition during the year	319,794	-
Transferred to Property, Plant and Equipment	(260,655)	-
Balance as of 31 December	**59,139**	**-**

8) INTANGIBLE ASSETS

Jordanian Dinar	**Computer Software**	**Total**
Cost		
Balance as of January 1, 2017	196,962	196,962
Balance as of December 31, 2017	**196,962**	**196,962**
Cost		
Balance as of January 1, 2016	211,406	211,406
Disposal of a subsidiary effect	(14,444)	(14,444)
Balance as of December 31, 2016	**196,962**	**196,962**
Accumulated amortization		
Balance as of January 1, 2017	193,342	193,342
Amortization	1,777	1,777
Balance as of December 31, 2017	**195,119**	**195,119**
Balance as of January 1, 2016	183,758	183,758
Disposal of a subsidiary	(10,139)	(10,139)
Amortization	19,723	19,723
Balance as of December 31, 2016	**193,342**	**193,342**
Net Book Value As of:		
December 31, 2017	**1,843**	**1,843**
December 31, 2016	**3,620**	**3,620**

9) FINANCIAL ASSETS AT FAIR VALUE THROUGH OTHER COMPREHENSIVE INCOME:

The movement on financial assets at fair value through other comprehensive income during the year was as follows:

	As of December 31,	
Jordanian Dinar	**2017**	**2016**
Balance as of January 1,	784,215	852,044
Change in the Fair Value	67,627	(67,829)
Balance As of December 31,	**851,842**	**784,215**

Financial assets at fair value through other comprehensive income include 5,000 shares of ALAmeen Investment Company and 1,000 shares of Islamic Insurance Company reserved against the membership of the Board of Directors of the both companies, where the fair value of these reserved shares as of December 31, 2017 were JD 3,200 and JD 1,360 respectively.

FAIR VALUE RESERVE

Jordanian Dinar	As of December 31, 2017	2016
Balance as of January	19,208	87,037
Net change in Fair Value Reserve	67,627	(67,829)
	86,835	**19,208**

10) OTHER DEBIT BALANCES

Jordanian Dinar	As of December 31, 2017	2016
Prepaid expenses	45,598	56,239
Guarantees deposits	55,205	62,951
Refundable Deposits	83,599	69,955
Income tax deposits	191	28,100
	184,593	**217,245**

11) INVENTORY

Jordanian Dinar	As of December 31, 2017	2016
Raw Materials	2,118,865	2,227,354
Finished goods	3,907,429	3,690,499
Supplies and tools	707,657	687,600
Goods in Transit	-	48,136
Total	**6,733,951**	**6,653,589**
Provision for slow moving items*	(258,936)	(279,999)
	6,475,012	**6,373,590**

*The movement for Slow Moving Item Provision during the year as follows:

Jordanian Dinar	2017	2016
Beginning Balance	279,999	312,000
Reversal during the year	(21,063)	(32,001)
Ending Balance	**258,936**	**279,999**

12) RELATED PARTIES

(12-1) RELATED PARTIES BALANCES

Jordanian Dinar **Due from related parties**	Nature of Relation	Nature of Transaction	As of December 31, 2017	2016
Amman Investment and Securities Company	Member of the Board of Directors	Investment	-	2,246
			-	**2,246**

*The Company received financing from the Jordan Islamic Bank – main shareholder - (board member) against Murabaha notes payables where the Murabaha expense recognized during the year ended December 31, 2017 in amount of 124,610 JD, compared to the amount of (161,040 JD for the year ended December 31, 2016).

** The Board of director's decided in January 22, 2018 to voluntary liquidate the subsidiary "Arabian Column Pipes Company".

(12-2) Key management benefits

Board of director's, management directors and Executive management salaries and benefits during the year amounted to JD 193,145 for the year ended December 31, 2017 (Compared to 2016: JD 190,980).

13) ACCOUNTS RECEIVABEL

	As of December 31,	
Jordanian Dinar	**2017**	**2016**
Tenders Receivables	2,761,359	2,543,269
Export Receivables	329,196	859,947
Trade receivables	169,729	157,489
Other Receivables	374,496	52,874
Total	**3,634,780**	**3,613,579**
Less : Provision of doubtful debts*	(175,000)	(140,000)
	3,459,780	**3,473,579**

* The movement of the provision for doubtful debts is as follows

	As of December 31,	
Jordanian Dinar	**2017**	**2016**
Balance at 1 of January	140,000	220,000
Provision for the year	35,000	20,000
Subsidiary disposal effect	-	(100,000)
Balances at 31 December	**175,000**	**140,000**

The Company is dealing with credit qualified clients to avoid risks resulting from failure to collect receivables. Provision for doubtful debts are taken by 100% on the receivables older than 365 days with the exception of active receivables during the year, taking into account the litigation and guarantees against receivables.

The following is the receivables aging schedule :

	Account receivables					
Jordanian Dinar	**Total**	**0-60 days**	**61-120 days**	**121-180 days**	**181-365 days**	**More than 365 days**
December 31, 2017						
Tenders Receivables	2,761,359	2,220,273	62,046	-	-	479,040
Export Receivables	329,196	95,227	-	14,149	-	219,820
Trade receivables	169,729	107,185	50,438	12,106	-	-
Other Receivables	374,496	374,496	-	-	-	-
Total	**3,634,780**	**2,797,181**	**112,484**	**26,255**	**-**	**698,860**

	Account receivables					
Jordanian Dinar	**Total**	**0-60 days**	**61-120 Days**	**121-180 days**	**181-365 days**	**More than 365 days**
December 31, 2016						
Tenders Receivables	2,543,269	2,505,452	3,750	-	20,177	13,890
Export Receivables	859,947	613	451,634	-	-	407,700
Trade receivables	157,489	69,251	20,250	10,902	-	57,086
Other Receivables	52,874	6,302	12,623	22,577	11,372	-
Total	**3,613,579**	**2,581,618**	**488,257**	**33,479**	**31,549**	**478,676**

14) CHEQUES UNDER COLLECTION

This item represents the checks under collection received from customers due within a year from the date of the consolidated financial statement.

15) CASH AND CASH EQUIVALENT

	As of December 31,	
Jordanian Dinar	**2017**	**2016**
Cash on hand	6,000	6,448
Cash at banks	392,702	228,067
Bank deposit*	1,000,000	750,000
	1,398,702	**984,515**

*The Murabaha rate of return during the year ended 31 December 2017 was JD 23,680 (2016: JD 46,818).

16) STATUORY RESERVE

As required by the Jordanian Companies Law, 10% of the profit before tax is to be transferred to statutory reserve. This reserve is not available for distribution to the shareholder, which was 25% of the company's paid up capital. The Board of Directors and the General Assembly agreed to stop deducting this reserve, which reached the ceiling permitted to be deducted under the Jordanian Companies Law, which is 25% of the capital.

Regarding to the subsidiary, and in accordance with article 70 from Jordanian companies law NO.(22) for the year 1997, the limited liability company shall deduct 10% from its annual net profit and transfer it to statutory reserve account and it should continue deduct this amount each year until it equal the company's capital. This deduction should not distributed on the partners.

17) VOLUNTARY RESERVE

The amounts collected in this account was transferred from annual profit before taxes and by percentage not exceed 20% during the year This reserve is used for the purposes determined by the Board of Directors and is entitled the General Assembly for a full or partial distribution to shareholders.

18) OTHER CEDIT BALANCES

Jordanian Dinar	As of December 31, 2017	2016
Sales tax deposits	159,555	114,315
Employee vacation provision	57,116	49,117
Board of directors and management directors Bonuses provision	34,014	34,233
Shareholders Deposits	21,297	26,678
Social security deposit	17,854	17,893
Accrued expenses	9,497	3,051
End of services provision	547	-
Other	46,855	54,740
	346,735	**300,027**

19) INCOME TAX PROVISION

The movement for income tax provision as follows:

Jordanian Dinar	For the year ended December 31, 2017	2016
Beginning Balance	14,030	16,951
Provision for the year	35,217	18,864
Subsidiary disposal effect	-	(6,332)
Income tax provision deposits	(29,334)	750
Tax paid during the year	(8,199)	(7,875)
Ending balance	**11,714**	**14,030**

Deferred tax Assets

Balance at 31 December 2017	Deferred tax Assets				
Items that resulted in deferred tax assets	**Balance at 1 January**	**Addition**	**Disposal**	**Ending balance**	**Balance at 31 December 2016**
Slow moving item	336,336	-	(155,857)	180,479	9,024
End services provision	-	83	-	83	4
Employee vacation provision	49,117	15,059	(7,060)	57,116	2,856
	385,453	**15,142**	**(162,917)**	**237,678**	**11,884**

Balance at 31 December 2016	Deferred tax Assets				
Items that resulted in deferred tax assets	**Balance at 1 January**	**Addition**	**Disposal**	**Ending balance**	**Balance at 31 December 2015**
Slow moving item	502,046	-	(165,710)	336,336	16,817
End services provision	46,800	-	(46,800)	-	-
Employee vacation provision	61,411	-	(12,294)	49,117	2,456
	610,257	**-**	**(224,804)**	**385,453**	**19,273**

The Accounting profit reconciliation with Tax profit as follows:

	For the year ended December 31,	
Jordanian Dinar	**2017**	**2016**
Accounting profit (loss)	293	571,287
Add: unacceptable tax expenses - temporary differences	-	121,833
Less: gains from sale of financial assets at fair value	(4,162)	(30,667)
Less: expenses and losses of non-taxable income	(130,137)	(256,804)
Tax exemptions - permanent differences	(69,659)	(28,369)
Tax profit (loss)	**704,335**	**377,280**
Income Tax expense for the year	**(35,217)**	**(18,864)**
Tax surplus for the year	**(7,389)**	**(11,240)**
The effective tax rate to the accounting profit	**%4.7**	**%5.3**
Legal Income Tax Rate	**%5**	**%5**

- The parent company got final Clearance from Income and Sales Tax Department until the end of the year 2013, and it provided income tax returns for 2014, 2015 and 2016 to the Investment Commission and it has been not reviewed until the date of the financial statements.
- The Group calculated provision for income tax of financial results for the year ended 31 December 2017 in accordance with the income tax Law.

* The details of the income tax expense shown in the consolidated financial statements are as follows:

	For the year ended December 31,	
Jordanian Dinar	**2017**	**2016**
Income Tax Expense	(35,217)	(18,864)
Reversal of tax surplus for the year	(7,389)	(11,240)
	(42,606)	**(30,104)**

20) NOTES PAYABLE

This Item represents the value of issued notes payable in favor of Jordan Islamic Bank (Main shareholder) against raw materials purchases, as the maturity of all of these notes payable during 2018. All the notes payable guaranteed by the Company's name.

21) REVENUE

	For the year ended December 31,	
Jordanian Dinar	**2017**	**2016**
Local sales	3,385,221	2,454,979
Export sales	739,668	721,177
Tenders Sales	4,283,595	4,958,603
Contracting revenues	-	192,012
	8,408,484	**8,326,771**

22) COST OF REVENUES

Jordanian Dinar	For the year ended December 31, 2017	2016
Beginning raw materials	2,227,354	2,665,396
Raw Materials purchases	4,758,973	3,069,423
Ending raw materials	(2,118,865)	(2,227,354)
Manufacturing cost	**4,867,462**	**3,507,465**
Manufacturing expenses (22-1)	2,049,414	1,848,008
Cost of goods manufactured	**6,916,876**	**5,355,473**
Beginning finished goods	3,690,499	5,070,032
Ending finished goods	(3,907,429)	(3,690,499)
Cost of sales	**6,699,946**	**6,735,006**
Cost of contracting revenues	-	141,079
Total cost of revenue	**6,699,946**	**6,876,085**

(22-1) MANUFACTURING EXPENSES

Jordanian Dinar	For the year ended December 31, 2017	2016
Salaries and wages	966,811	889,168
Companies Share in social security	115,415	107,240
Deposits and Subscriptions	13,236	10,575
Health Insurance and General Safety	28,281	19,623
Depreciation and amortization	288,518	281,628
Hospitality and cleaning Expenses	4,573	2,278
Utilities	340,431	297,072
Security expenses	23,670	18,510
General Maintenance and Spare Parts	74,642	64,633
Tools and Supplies	127,843	109,534
Vehicle and Forklifts	64,928	46,648
Stationary and Office Supplies	1,066	1,099
	2,049,414	**1,848,008**

23) ADMINISTRATIVE EXPENSES

Jordanian Dinar	For the year ended December 31, 2017	2016
Salaries, wages and bonuses	258,184	304,550
Social security	26,929	25,064
Deprecation	14,388	42,117
Board of Directors transportation	25,975	17,324
Travel and accommodation	4,445	5,822
Professional fees and consulting	18,714	17,567
Subscriptions	14,500	13,538
Vehicles expenses	9,647	7,920
Hospitality and General Assembly expenses	4,809	8,115
Deposits	3,284	4,559
Telecommunication	8,241	8,021
Stationary and publications	2,686	3,162
Secretariat of the Board of Directors	2,400	2,550
Security	4,490	3,575
Cleaning ,fuels and heating expenses	563	330
Stamps and governmental fees	5,350	3,926
Commissions and bank guarantees	2,004	1,548
Newspaper and magazines	363	578
Maintenance	2,631	1,547
Donations	675	570
Advertising expenses	441	426
	410,719	**472,809**

24) SELLING AND DISTRIBUTION EXPENSES

Jordanian Dinar	For the year ended December 31, 2017	2016
Salaries, wages, social security	35,332	25,059
Tenders expenses	77,943	83,840
Delivery expenses	67,380	87,853
Stamps and governmental fees	30,516	-
Maintenance, cars fuel and transportation	8,684	5,303
Advertising expenses any exhibitions	15,459	10,008
Fright and clearance	7,308	7,940
Depreciation	2,756	2,566
Trucks expenses and timbers for tenders	2,167	5,346
Telecommunications	-	450
Others	150	-
	247,695	**228,365**

25) OTHER REVENUES

Jordanian Dinar	For the year ended December 31, 2017	2016
Gain from sale of property, plant and equipment	1,191	9,648
Currency exchange	-	120
Others	309	1,239
	1,500	**11,007**

26) BASIC AND DILUTED EARNINGS PER SHARE OF PROFIT OF THE YEAR

Jordanian Dinar	For the year ended December 31, 2017	2016
Profit for the year attributable to shareholders of the group	865,687	533,410
weighted average number of shares	9,000,000	9,000,000
	0.096	**0.060**

BASIC AND DILUTED EARNINGS PER SHARE OF OTHER COMPREHENSIVE INCOME ATTRIBUTABLE TO THE SHARE HOLDERS ARE AS FOLLOWS:

Jordanian Dinar	For the year ended December 31, 2017	2016
Profit for the year attributable to shareholders of the group	933,314	465,581
weighted average number of shares	9,000,000	9,000,000
	0.104	**0.052**

27) CONTINGENT LIABILITIES

The group had contingent liabilities on the consolidated financial statements as follows :

Jordanian Dinar	As of December 31, 2017	2016
Letters of credit	107,480	444,126
Bank guarantees	552,050	699,616
	659,530	**1,143,742**

There is deposits against bank guarantees amounting to JD 55,205 (2016: deposits against bank guarantees amounting to 72,807 JD and guaranteed deposits amounting to 44,436 JD).

28) SUBSEQUENT EVENTS

The Board of Directors decided in January 8,2018 to voluntary liquidate the subsidiary ”Arabian Colom Pipes Company”.

29) FINANCIAL RISK MANAGEMENT

Overview

The Group has exposure to the following risks from its use of financial instruments.

- Credit risk
- Liquidity risk
- Market risk
- Capital management

This note presents information about the Group's exposure to each of the above risks, the Group's objectives, policies and processes for measuring and managing risk, and the Group management of capital.

Risk management framework

The management has overall responsibility for the establishment and oversight of Group's risk management framework.

The Group's risk management policies are established to identify and analyses the risks faced by the Group, to set appropriate risk limits and controls, and to monitor risks and adherence to limits.

Risk management policies and systems are reviewed regularly to reflect changes in market conditions and the Group's activities. The Group, through its training and management standards and procedures, aims to develop a disciplined and constructive control environment in which all employees understand their roles and obligations.

The Group's Board of directors oversees how management monitors compliance with the Group's risk management policies and procedures, and reviews the adequacy of the risk management framework in relation to the risks faced by the Group.

- **Credit risk**

Credit risk is the risk of financial loss to the Group if a customer or counterparty to a financial instrument fails to meet its contractual obligations, and arises principally from the Group receivables, other receivables, due from related parties, cheques under collection and cash at banks.

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:

	For the year ended December 31,	
Jordanian Dinar	**2017**	**2016**
Cash on banks	1,392,702	978,067
Checks under collection	473,000	462,014
Account receivables	3,459,780	3,473,579
Due from related parties	-	2,246
Other credit balances	138,995	161,006
	5,464,477	**5,076,912**

The Group exposure to credit risk is influenced mainly by the individual characteristics of each customer. The demographics of the Group customer base, including the default risk of the industry and country in which customer operate, has less of an influence on credit risk.

The most important five customers for the Group from 90% (2016: 95%) from trade receivable balance.

The Group has established a credit policy under which each new customer is analyzed individually for creditworthiness before the Group's standard payment and delivery terms and conditions are offered. The Group's review includes external ratings, when available, and in some cases bank references. Credit limits are established for each customer, which represents the maximum open amount without requiring approval from the Group; these limits are reviewed regularly. Customers that fail to meet the Group's benchmark creditworthiness may transact with the Group only on a prepayment basis.

- **Liquidity risk**

- Liquidity risk is the risk that the Group will encounter difficulty in meeting the obligations associated with its financial liabilities that are settled by delivering cash or another financial asset.
- The Group's 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 Group reputation.

- The following are the contracted maturities of financial liabilities:

Jordanian Dinar	Book value	Contracted cash flows	6 months or lees	6-12 months	More than one year
As of December 31, 2017					
Other credit balances	346,735	(346,735)	(346,735)	-	-
Account payable	249,440	(249,440)	(249,440)	-	-
Notes payable	2,163,563	(2,163,563)	(530,274)	(1,633,289)	-
Total	**2,759,738**	**(2,759,738)**	**(1,126,449)**	**(1,633,289)**	**-**
As of December 31, 2016					
Other credit balances	300,027	(300,027)	(300,027)	-	-
Account payable	358,383	(358,383)	(358,383)	-	-
Notes payable	2,016,370	(2,177,410)	(1,691,197)	(325,173)	-
Total	**2,674,780**	**(2,835,820)**	**(2,349,607)**	**(325,173)**	**-**

- **Market risk**

Market risk is the risk that changes in market prices, such as foreign exchange rates, interest rate and equity prices will affect the Group profit or the value of its holdings of financial instruments.

The objective of market risk management is to manage and control market risk exposures within acceptable parameters, while optimizing the return.

- **Currency Risk**

Most of the Group's financial assets and liabilities are in US Dollar. Most of the Group transactions in general are in US Dollar.

The summary of quantitative data about the Group exposure to foreign currency risk provided to management of the Group based on its risk management policy was as follows:

The risk of Murabaha price volatility

The Group monitors and reduce its exposure to changes in Murabaha rates through management control of the volatility in the Murabaha market rates.

Financial assets and liabilities appear as at the date of the consolidated financial statements as follows:

Jordanian Dinar	As of December 31, 2017	2016
Financial instrument at fixed Murabaha rate		
Financial liabilities	2,163,563	2,016,370
	2,163,563	**2,016,370**

Fair value sensitivity analysis for financial instruments at fixed Murabaha rate
The Group does not address with any financial assets and financial liabilities with fixed Murabaha rate at fair value through profit and losses and it does not address the group of derivatives as hedging instruments using the fair value model, so the change in Murabaha rate at the date of the consolidated financial statements will not affect the profit and losses.

Risk of stock prices changes
The following table demonstrates the sensitivity of the consolidated statement of comprehensive income and accumulated change in fair value as a result of reasonably possible changes in stock prices, with all other variables held constant:

The increase in prices of 10% would lead to an increase of other comprehensive income as follows:

	change in index	Impact on consolidated other comprehensive income
	%	
As of December 31, 2017		
Amman Stock Exchange	10	84,556
Palestine Securities Market	10	628
As of December 31, 2016		
Amman Stock Exchange	10	77,930
Palestine Securities Market	10	492

- The decline in prices by 10% would lead to a decrease in Consolidated other comprehensive income in the same amounts above .

- **Capital management**

The Group 's policy is to maintain a strong capital base so as to maintain investor, creditor and market confidence and to sustain future development of the business. Capital consists of ordinary shares, accumulated losses of the Group.

The management monitors the return on capital, which the management defined as net operation income divided by total shareholders' equity.

The management seeks to maintain a balance between the higher returns that might be possible with higher levels of borrowings and the advantages and security afforded by a sound capital position.

There have been no changes in the Group 's approach to capital management during the year neither the Group is subject to externally imposed capital requirements.

FAIR VALUES

The table below analyses financial instruments carried at fair value, by valuation method. The different levels have been defined as follows:

Level 1: quoted prices (unadjusted) in active markets for identical assets or liabilities
Level 2: inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (i.e., as prices) or indirectly (i.e., derived from prices). Prices quoted in active markets for similar instruments or through the use of valuation model that includes inputs that can be traced to markets, these inputs good be defend directly or indirectly.
Level 3: inputs for the asset or liability that are not based on observable market data (unobservable inputs).

a. Financial assets and liabilities that are measured at fair value on a recurring basis:

Jordanian Dinar	Carrying Amount	Fair value Level 1	Level 2	Level 3
As of December 31, 2017				
Financial assets at fair value through other comprehensive income	851,842	851,842	-	-
As of December 31, 2016				
Financial assets at fair value through other comprehensive income	784,215	784,215	-	-

Financial assets and liabilities that are not measured at fair value:

With the exception of the table below, the Group 's management believes that the carrying value of financial assets and liabilities approximate their fair value below as result of the maturity of these assets and liabilities in the short term

Jordanian Dinar	Carrying Amount	Fair value Level 1	Level 2	Level 3
As of December 31, 2017				
Cash and cash equivalent	1,398,702	1,398,702	-	-
Checks under collection	473,000	-	473,000	-
Account receivables	3,459,780	-	3,459,780	-
Other debit balances	138,995	-	138,995	-
Other credit balances	(346,735)	-	(346,735)	-
Account payables	(249,440)	-	(249,440)	-
Murabaha notes payable	(2,163,563)	-	(2,163,563)	-

Jordanian Dinar	Carrying Amount	Fair value Level 1	Level 2	Level 3
As of December 31, 2016				
Cash and cash equivalent	984,515	984,515	-	-
Checks under collection	462,014	-	462,014	-
Account receivables	3,473,579	-	3,473,579	-
Other debit balances	161,006	-	161,006	-
Due from related parties	2,246	-	2,246	-
Other credit balances	(300,027)	-	(300,027)	-
Account payables	(358,383)	-	(358,383)	-
Murabaha notes payable	(2,016,370)	-	(2,016,370)	-

For items illustrated above, level 2 fair values for financial assets and liabilities have been determined based on effective Interest rates and the agreed upon pricing models, which reflects credit risks for parties dealing with the Group. Management believes that the carrying amount of these financial assets approximate their fair value due to their short term maturities.

The Group must disclose any transfers between Level 1 and Level 2 of the fair value and the reason behind this conversion and the Group 's policy that determines when switching between the fair value levels hold.

Debt to Adjusted Capital Ratio

	As of December 31,	
Jordanian Dinar	**2017**	**2016**
Total debt	2,771,452	2,688,810
(Deduct) Cash and cash equivalents	(1,398,702)	(984,515)
Net debt	**1,372,750**	**1,704,295**
Net shareholders' equity	14,202,013	13,718,699
Adjusted Capital	**14,202,013**	**13,718,699**
Debt to Adjusted Capital Ratio	**10%**	**12%**