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*M/S: Amman Stock Exchange.*

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

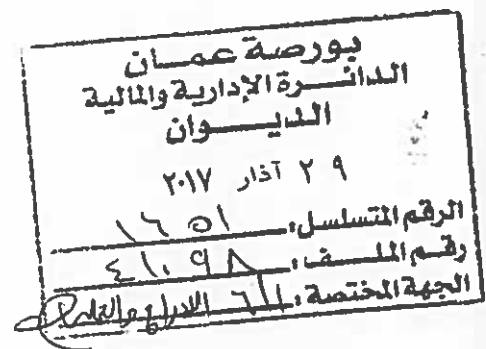
Attached the Audited Financial Statements of Arabian steel pipes manufacturing corporation ltd for the fiscal year ended 31/12/2016

Kindly accept our high appreciation and respect

*Best Regards,*

**GENERAL MANAGER**

**Eng. MAZEN KHANJI**



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

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

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

**FOR THE YEAR ENDED DECEMBER 31, 2016**

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<b>Contents</b>	<b>Page</b>
A Translation Of The Independent Auditors' Report On The Consolidated Financial Statements Originally Issued In Arabic	1 - 5
Consolidated Statement of Financial Position	6
Consolidated Statement of Profit or Loss and Other Comprehensive Income	7
Consolidated Statement of Changes In shareholders' Equity	8
Consolidated Statement of Cash Flows	9-34



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**A TRANSLATION OF THE INDEPENDENT AUDITORS' REPORT ON THE  
CONSOLIDATED FINANCIAL STATEMENTS ORIGINALLY ISSUED IN  
ARABIC**

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

**Opinion**

We have audited the consolidated financial statements of Arabian Steel Pipes Manufacturing Company - public shareholding Company - and its subsidiary ("the Group"), which comprise the consolidated statement of financial position as at December 31, 2016 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, 2016, 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.



The key audit matters descriptions are as follow:

**1- Sale of the Company's investment in Arabian Romanian Company**

Description of Key Audit matter	How the Matter was Addressed in Our Audit
On March 9, 2016 the Arabian Steel Pipes Manufacturing Company sold its investment in the subsidiary "Arabian Romanian for Electromechanical Construction Company" in amount of JD 104,000. The sale of investment resulted of a losses in amount of JD 80,168 and disposition of the subsidiary's assets and liabilities as stated in note 26 to the consolidated financial statements.	We have reviewed the Board of Director's decision stated on the Board's approval for the sale of the Company's investment in the subsidiary. Also, we have reviewed the sale agreement signed between the Company and the buyer, and we ensured from the transfer of the Subsidiary's ownership to the buyer at the Companies Control Department.  This study showed that the losses resulted from the sale process is similar to the losses recognized by the Company.

**2- Inventory Impairment**

Description of Key Audit matter	How the Matter was Addressed in Our Audit
<p>A- There are indicators on inventory impairment due to existence of significant part of ending balance finished goods 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 is demand issues related to the specific requirements determined by the customer.</p> <p>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.</p>	<p>We have performed the following procedures:</p> <ul style="list-style-type: none"> <li>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;</li> <li>we tested the adequacy of the Group's provisions against inventory by assessing the Management's assumptions, taking account of subsequent events after end of the financial year;</li> </ul> <p>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 impairment over these inventories categories or not.</p> <ul style="list-style-type: none"> <li>We considered the adequacy of the Company's disclosures about the degree of estimation involved in arriving at the inventory impairment provision.</li> </ul> <p>Based on our work done, we found the key assumptions used and the resulted estimate and valuation of inventory are appropriate assumptions.</p>



### 3- Accounts Receivables and Cheques Under Collection Impairment

Description of Key Audit matter	How the Matter was Addressed in Our Audit
<p>The Company has accounts receivable and cheques under collection as at December 31, 2016 in amount of JD 3.4 million and JD 462,000 respectively, Compared with JD 2.1 million and JD 722,000 respectively as at 31 December 2015, 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 2016.</p> <p>The impairment loss for accounts receivables is considered one of the matters that have an impact 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.</p>	<p>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 of estimation involved in arriving at the provision recognized against the accounts receivables and the disclosures over the movement of doubtful debts provision.</p>

#### *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  
February 13, 2017



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

**CONSOLIDATED STATEMENT OF FINANCIAL POSITION**

<b>Jordanian Dinar</b>		<b>As of December 31,</b>	
		<b>2016</b>	<b>2015</b>
<b>Assets</b>			
<b>Non-current assets</b>			
Property, plants and equipment	6	4,087,212	4,455,597
Intangible assets	7	3,620	27,648
Financial assets at fair value through other comprehensive income	8	784,215	852,044
Deferred tax assets	18	19,273	30,513
<b>Total non-current assets</b>		<b>4,894,320</b>	<b>5,365,802</b>
<b>Current assets</b>			
Other debit balances	9	217,245	691,958
Inventory	10	6,373,590	8,164,603
Due from related parties	11	2,246	2,246
Accounts receivable	12	3,473,579	2,186,290
Cheques under collection	13	462,014	722,896
Cash and cash equivalents	14	984,515	1,001,502
<b>Total current assets</b>		<b>11,513,189</b>	<b>12,769,495</b>
<b>Total assets</b>		<b>16,407,509</b>	<b>18,135,297</b>
<b>Equity and liabilities</b>			
<b>Equity</b>			
Share capital	1	9,000,000	9,000,000
Retained earnings		1,237,988	1,131,223
Statutory reserve	15	2,400,000	2,442,885
Voluntary reserve	16	1,061,503	1,061,503
Fair value reserve	8	19,208	87,037
<b>Equity attributable to owners of the group</b>		<b>13,718,699</b>	<b>13,722,648</b>
Non-controlling interests		-	134,095
<b>Total equity</b>		<b>13,718,699</b>	<b>13,856,743</b>
<b>Liabilities</b>			
Notes payable due for more than one year	19	-	863,162
<b>Total non-current liabilities</b>		<b>-</b>	<b>863,162</b>
<b>Current liabilities</b>			
Other credit balances	17	300,027	618,148
Income tax payable	18	14,030	16,951
Due to related parties	11	-	31,491
Accounts payable		358,383	149,505
Notes payable due within a year	19	2,016,370	2,599,297
<b>Total current liabilities</b>		<b>2,688,810</b>	<b>3,415,392</b>
<b>Total liabilities</b>		<b>2,688,810</b>	<b>4,278,554</b>
<b>Total equity and liabilities</b>		<b>16,407,509</b>	<b>18,135,297</b>

\* The accompanying notes on pages from (10) to (34) are an integral part of these financial statements.  
The financial statements on pages (6) to (9) were approved by the board of directors on 2 February 2017 and authorized by:

General Manager

Chairman of Board

Financial Manager

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

**CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME**

<i>Jordanian Dinar</i>		<b>For the year ended December 31,</b>	
		<b>2016</b>	<b>2015</b>
Revenues	20	8,326,771	8,512,938
Cost of revenues	21	(6,876,085)	(7,482,278)
Inventory impairment		-	(502,046)
<b>Gross profit</b>		<b>1,450,686</b>	<b>528,614</b>
Administrative expenses	22	(472,809)	(687,868)
Selling and distribution expenses	23	(228,365)	(128,959)
Morabaha expenses		(161,040)	(160,496)
Receivables impairment expense		(20,000)	
(Reversal) of slow moving items provision	10	32,001	(312,000)
Loss from selling Subsidiary	26	(80,168)	-
Investment Portfolio Gains		46,818	-
Board of directors and subsidiary management committee bonuses		(34,233)	(15,000)
Dividends from financial assets at fair value through other comprehensive income		27,390	43,491
Other revenues	24	11,007	81,693
<b>Profit (Loss) before tax</b>		<b>571,287</b>	<b>(650,525)</b>
Income tax	18	(30,104)	20,490
<b>Profit (Loss) for the year</b>		<b>541,183</b>	<b>(630,035)</b>
<b>Other comprehensive income item</b>			
<b>Items that will never be reclassified to profit or loss</b>			
Changes in fair value of financial assets at fair value through other comprehensive income	8	(67,829)	(91,864)
<b>Total comprehensive income (loss) for the year</b>		<b>473,354</b>	<b>(721,899)</b>
<b>Profit for the year attributable to:-</b>			
Shareholders		533,410	(635,360)
Non-controlling interests		7,773	5,325
<b>Total</b>		<b>541,183</b>	<b>(630,035)</b>
<b>Total comprehensive income (loss) attributable to:-</b>			
Shareholders		465,581	(727,224)
Non-controlling interests		7,773	5,325
<b>Total</b>		<b>473,354</b>	<b>(721,899)</b>
Weighted average of shares number		9,000,000	9,000,000
<b>Basic and diluted earnings per share (JOD/Share)</b>	25	<b>0.061</b>	<b>(0.071)</b>

\* The accompanying notes on pages from (10) to (34) are an integral part of these financial statements.

General Manager

Chairman of Board

Financial Manager

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

**CONSOLIDATED STATEMENT OF CHANGES IN SHAREHOLDERS EQUITY**

<i>Jordanian Dinar</i>	Total equity of the owners					Non- controlling interest	Total
	Share capital	Retained earnings	Statutory reserve	Voluntary reserve	Proposed dividends	Fair value reserve *	Total equity of the owners
<b>For the year ended December 31, 2016</b>							
Balance as of January 1, 2016	9,000,000	1,131,223	2,442,885	1,061,503	-	87,037	13,722,648
Profit for the year	-	533,410	-	-	-	-	533,410
Change in fair value of financial assets designated at fair value through other comprehensive income	-	-	-	-	-	(67,829)	(67,829)
Disposal of subsidiary-note (26)	-	23,355	(42,885)	-	-	(19,530)	(161,398)
Dividends paid	-	(450,000)	-	-	-	-	(450,000)
<b>Balance as of December 31, 2016</b>	<b>9,000,000</b>	<b>1,237,988</b>	<b>2,400,000</b>	<b>1,061,503</b>	<b>-</b>	<b>19,208</b>	<b>13,718,699</b>
<b>For the year ended December 31, 2015</b>							
Balance as of January 1, 2015	9,000,000	1,618,010	2,441,458	1,211,503	900,000	178,901	15,349,872
Loss for the year	-	(635,360)	-	-	-	-	(635,360)
Change in fair value of financial assets designated at fair value through other comprehensive income	-	-	-	-	-	(91,864)	(91,864)
Transfer from voluntary reserve to retained earning	-	150,000	-	(150,000)	-	-	-
Transfer from statutory reserve	-	(1,427)	1,427	-	-	-	-
Dividends paid	-	-	-	-	(900,000)	-	(900,000)
<b>Balance as of December 31, 2015</b>	<b>9,000,000</b>	<b>1,131,223</b>	<b>2,442,885</b>	<b>1,061,503</b>	<b>-</b>	<b>87,037</b>	<b>13,722,648</b>
							<b>13,856,743</b>

\* The accompanying notes on pages from (10) to (34) are an integral part of these financial statements.

\* 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, 2016 include deferred tax assets amounting to JD 19,273 that is prohibited to be disposed of or distributed to shareholders according to the instructions of the Securities Commission.

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

**CONSOLIDATED STATEMENT OF CASH FLOWS**

<i>Jordanian Dinar</i>	<b>For the year ended December 31,</b>	
	<b>2016</b>	<b>2015</b>
<b>Cash flows from operating activities</b>		
Profit (loss) for the year before income tax	571,287	(650,525)
<b>Adjustments:</b>		
Gain from sale of property, plants and equipment	(9,648)	(26,977)
Dividends from financial assets at fair value through other comprehensive income	(27,390)	(43,491)
Depreciation and amortization	326,311	355,323
Morabaha expenses	161,040	160,496
Doubtful debt expenses	20,000	-
Slow moving provision	(32,001)	312,000
Loss from selling Subsidiaries	80,168	-
Inventory impairment	-	502,046
<b>Operating profits before changes in working capital items</b>	<b>1,089,767</b>	<b>608,872</b>
<b>Changes in working capital items:</b>		
Other debit balances	(201,341)	55,352
Inventory	1,823,014	740,733
Due from related parties	-	129,754
Accounts receivable	(1,465,006)	311,299
Cheques under collection	260,882	451,075
Other credit balances	138,536	(347,102)
Due to related parties	260,116	(31,950)
Accounts payable	217,010	(671,799)
Income tax paid	(17,621)	(101,433)
<b>Net cash flows from operating activities</b>	<b>2,105,357</b>	<b>1,144,801</b>
<b>Cash flows from investing activities:</b>		
Financial assets at fair value through other comprehensive income	-	(129,624)
Acquisition of intangible assets	-	(2,136)
Acquisition of property, plants and equipment	(81,027)	(143,721)
Proceeds from sale of property, plants and equipment	13,203	28,617
Dividends received from financial assets at fair value through other comprehensive income	27,390	43,491
Proceeds from Selling Subsidiaries	104,000	-
<b>Net cash flows from (used in) investing activities</b>	<b>63,566</b>	<b>(203,373)</b>
<b>Cash flows from financing activities:</b>		
Note payable –Paid	(1,400,484)	6,195
Dividends	(450,000)	(900,000)
Morabaha expenses paid	(161,040)	(160,496)
<b>Net cash flows used in financing activities</b>	<b>(2,011,524)</b>	<b>(1,054,301)</b>
Net increase (decrease) in cash and cash equivalents	157,399	(112,873)
Net Cash Disposed from Selling Subsidiary	(174,386)	-
Cash and cash equivalents, beginning of the year	1,001,502	1,114,375
<b>Cash and cash equivalents, end of the year</b>	<b>984,515</b>	<b>1,001,502</b>

The accompanying notes on pages from (10) to (34) are an integral part of these financial statements.

**ARABIAN STEEL PIPES MANUFACTURING  
COMPANY AND ITS SUBSIDIARY  
(PUBLIC SHAREHOLDING COMPANY)  
AMMAN – JORDAN  
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**

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**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 in 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 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 of its different types, tubular and polygonal, and telecommunication towers, in addition to processing platelet boards and producing the components of metal structures for personal use
- General Galvanizing
- Manufacturing of iron towers and all necessary parts to extend electricity networks for medium voltage, high voltage in addition to communication and lighting towers.
- Isolate pipes using all isolation 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 2, 2017 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.

**ARABIAN STEEL PIPES MANUFACTURING  
COMPANY AND ITS SUBSIDIARY  
(PUBLIC SHAREHOLDING COMPANY)  
AMMAN – JORDAN  
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**

**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 FINANCIAL 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 they have the right to variable returns from 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 when control is lost.

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, 2016 the following subsidiary:

<b>Company name</b>	<b>Authorized Paid-up capital</b>	<b>Company ownership percentage %</b>	<b>Nature of company business</b>	<b>Workplace</b>
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, 2016:

<b>In Jordanian Dinar</b>	<b>December 31, 2016</b>			
	<b>Total Assets</b>	<b>Total Liabilities</b>	<b>Total Revenue</b>	<b>Profit for the year</b>
Arabian Column Pipes Company	334,731	1,357	587,917	12,851

<b>In Jordanian Dinar</b>	<b>December 31, 2015</b>			
	<b>Total Assets</b>	<b>Total Liabilities</b>	<b>Total Revenue</b>	<b>Profit for the year</b>
Arabian Column Pipes Company	949,963	629,440	762,067	183,003

The Group recognizes the consolidation of the business by using the method of merger when the control is transferred to the group and the transferred benefits resulting from the merger are measured at fair value, and it is determined by net asset value. In the case of arising goodwill, an impairment test must be done annually.

Benefits resulting from the merger do 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 are treated within equity. Subsequent recognition is 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.

**ARABIAN STEEL PIPES MANUFACTURING  
COMPANY AND ITS SUBSIDIARY  
(PUBLIC SHAREHOLDING COMPANY)  
AMMAN – JORDAN  
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**

---

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.

**ARABIAN STEEL PIPES MANUFACTURING  
COMPANY AND ITS SUBSIDIARY  
(PUBLIC SHAREHOLDING COMPANY)  
AMMAN – JORDAN  
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**

**- 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 deterrent 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 financial statements for the year ended December 31, 2016 are the same as those applied by the Company in its financial statements for the year ended December 31, 2015, except for the following International Financial Reporting Standards amendments and improvements that become effective after January 1, 2016:

**New Currently Effective Requirements**

<u>Standards</u>	<u>Effective Date</u>
Amendments to IFRS 10, IFRS 12, and IAS 28 Investment Entities: Applying the Consolidation Exception	January 1st, 2016
Amendments to IFRS 11, Accounting for Acquisition of Interests in Joint Operations	January 1st, 2016
Amendment to IAS 1 Disclosures Initiatives	January 1st, 2016
Amendments to IAS 16 and IAS 38 Clarification of Acceptable Methods of Depreciation and Amortization	January 1st, 2016
Amendments to IAS 16 and IAS 41 Agriculture: Bearer Plants	January 1st, 2016
Amendments to IAS 27 Separate Financial Statements	January 1st, 2016
Annual Improvements to IFRSs 2012- 2014 Cycle	January 1st, 2016
IFRS 14 Regulatory Deferral Accounts	January 1st, 2016

The application of these amended standards did not have a significant effect on the Company's 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.

**ARABIAN STEEL PIPES MANUFACTURING  
COMPANY AND ITS SUBSIDIARY  
(PUBLIC SHAREHOLDING COMPANY)  
AMMAN – JORDAN  
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**

---

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:

<u>Intangible Asset</u>	<u>Amortization %</u>
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.

**ARABIAN STEEL PIPES MANUFACTURING  
COMPANY AND ITS SUBSIDIARY  
(PUBLIC SHAREHOLDING COMPANY)  
AMMAN – JORDAN  
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**

---

- **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:

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

**ARABIAN STEEL PIPES MANUFACTURING  
COMPANY AND ITS SUBSIDIARY  
(PUBLIC SHAREHOLDING COMPANY)  
AMMAN – JORDAN  
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**

---

**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) Sales Revenue**

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 Company 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 Company 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.

**ARABIAN STEEL PIPES MANUFACTURING  
COMPANY AND ITS SUBSIDIARY  
(PUBLIC SHAREHOLDING COMPANY)  
AMMAN – JORDAN  
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**

---

**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, except for Arabian Romanian Company which is subject to income tax rate by 20%.

**ARABIAN STEEL PIPES MANUFACTURING  
COMPANY AND ITS SUBSIDIARY  
(PUBLIC SHAREHOLDING COMPANY)  
AMMAN – JORDAN  
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**

---

**4) New standers and interpretations not yet adopted**

The following new and revised IFRSs have been issued but are not effective yet, 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 1<sup>st</sup>, 2018 except for Insurance Companies which will be effective on January 1<sup>st</sup>, 2021 with earlier application permitted).
- International Financial Reporting Standards (15): Revenue from Contracts with Customers (effective on January 1<sup>st</sup>, 2018 with earlier application permitted).
- International Financial Reporting Standards (16): Leases (effective on January 1<sup>st</sup>, 2019 with earlier application permitted).

**Amendments to Standards:**

- IFRS (2): Classification and Measurements of Share-Based Payments (effective on January 1<sup>st</sup>, 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 (7): Disclosure Initiative (effective on January 1<sup>st</sup>, 2017 with earlier application permitted).
- IAS (12): Recognition of Deferred Tax Assets for Unrealized Losses (effective on January 1<sup>st</sup>, 2017 with earlier application permitted).
- IAS (40): Clarify Transfers or Property to, or from, Investment Property (effective on January 1<sup>st</sup>, 2018)
- Annual Improvements to IFRSs 2014 –2016 Cycle – Amendments to IFRS 12 disclosure of interest of other entities (effective on January 1st, 2017).
- Annual Improvements to IFRSs 2014 –2016 Cycle – Amendments to IFRS 1 First-Time Adoption of IFRSs and IAS 28 Investments in Associates and Joint Ventures (effective on January 1st, 2018)

The Group anticipates that each of the above standers and interpretations (amendments) will be adopted in the consolidated financial statements by its date mentioned above without having any material impact on the Group's financial statements.

**ARABIAN STEEL PIPES MANUFACTURING  
COMPANY AND ITS SUBSIDIARY  
(PUBLIC SHAREHOLDING COMPANY)  
AMMAN – JORDAN  
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**

**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**

<i>Jordanian Dinar</i>	<b>Manufacturing</b>	<b>Contracting</b>	<b>Others</b>	<b>Total</b>
<b>As of December 31, 2016</b>				
Segment revenue	8,796,860	192,012	99,780	9,088,652
Sales between segments	(662,101)	-	-	(662,101)
<b>Total Segment Revenue</b>	<b>8,134,759</b>	<b>192,012</b>	<b>99,780</b>	<b>8,426,551</b>
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)
<b>Segment Profit</b>	<b>424,746</b>	<b>16,657</b>	<b>99,780</b>	<b>541,183</b>
<b>Total Segment Assets</b>	<b>15,623,294</b>	<b>-</b>	<b>784,215</b>	<b>16,407,509</b>
<b>Total Segment Liabilities</b>	<b>(2,688,810)</b>	<b>-</b>	<b>-</b>	<b>(2,688,810)</b>
<b>Shareholders' equity</b>	<b>12,934,484</b>	<b>-</b>	<b>784,215</b>	<b>13,718,699</b>

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

<i>Jordanian Dinar</i>	<b>Manufacturing</b>	<b>Contracting</b>	<b>Others</b>	<b>Total</b>
<b>As of December 31, 2015</b>				
Segment revenue	7,553,158	1,041,473	43,491	8,638,122
Sales between segments	221,578	(221,578)	-	-
<b>Total segment revenue</b>	<b>7,774,736</b>	<b>819,895</b>	<b>43,491</b>	<b>8,638,122</b>
Capital expenditure	106,470	39,387	-	145,857
Murabaha expenses	(160,496)	-	-	(160,496)
Depreciation and amortization	(331,592)	(23,731)	-	(355,323)
Income tax	23,344	(2,854)	-	20,490
<b>Segment Profit</b>	<b>(679,613)</b>	<b>6,087</b>	<b>43,491</b>	<b>(630,035)</b>
<b>Total segment assets</b>	<b>16,251,360</b>	<b>1,031,893</b>	<b>852,044</b>	<b>18,135,297</b>
<b>Total Segment Liabilities</b>	<b>(3,845,557)</b>	<b>(432,997)</b>	<b>-</b>	<b>(4,278,554)</b>
<b>Shareholders' equity</b>	<b>12,405,803</b>	<b>598,896</b>	<b>852,044</b>	<b>13,856,743</b>

**Segment revenue reconciliation to total revenues**

*Jordanian Dinar*

	<b>As of December 31,</b>	
	<b>2016</b>	<b>2015</b>
Segment revenue	8,426,551	8,638,122
Less: Dividends on financial assets at fair value through other comprehensive income	(27,390)	(43,491)
Other revenue	(72,390)	(81,693)
<b>Total Revenue</b>	<b>8,326,771</b>	<b>8,512,938</b>

**B. Geographical Segment**

Comprise of the group's activities inside Jordan.

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

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**

**6) PROPERTY, PLANTS AND EQUIPMENT**

<i>Jordanian Dinar</i>	<u>Lands</u>	<u>Building</u>	<u>Machinery and Equipment</u>	<u>Tools</u>	<u>Vehicles</u>	<u>Computers</u>	<u>Furniture</u>	<u>Office equipment</u>	<u>Total</u>
<u>Cost</u>									
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)
<b>Balance as of December 31, 2016</b>	<b>927,462</b>	<b>2,471,804</b>	<b>6,426,240</b>	<b>281,292</b>	<b>489,145</b>	<b>141,211</b>	<b>133,358</b>	<b>33,646</b>	<b>10,904,158</b>
Balance as of January 1, 2015	927,462	2,471,804	6,487,962	280,245	710,646	142,869	154,088	43,135	11,218,211
Addition	-	-	95,682	-	36,258	3,724	4,457	3,600	143,721
Disposal	-	-	-	-	(134,714)	-	-	(4,347)	(139,061)
<b>Balance as of December 31, 2015</b>	<b>927,462</b>	<b>2,471,804</b>	<b>6,583,644</b>	<b>280,245</b>	<b>612,190</b>	<b>146,593</b>	<b>158,545</b>	<b>42,388</b>	<b>11,222,871</b>
<u>Accumulated Depreciation</u>									
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)
<b>Balance as of December 31, 2016</b>	<b>-</b>	<b>976,423</b>	<b>4,959,480</b>	<b>280,501</b>	<b>318,772</b>	<b>131,103</b>	<b>120,181</b>	<b>30,486</b>	<b>6,816,946</b>
Balance as of January 1, 2015	-	827,971	4,695,950	280,201	479,238	123,353	127,446	36,409	6,570,568
Depreciation	-	74,226	192,111	-	53,495	7,613	3,962	2,720	334,127
Disposal	-	-	-	-	(134,710)	-	-	(2,711)	(137,421)
<b>Balance as of December 31, 2015</b>	<b>-</b>	<b>902,197</b>	<b>4,888,061</b>	<b>280,201</b>	<b>398,023</b>	<b>130,966</b>	<b>131,408</b>	<b>36,418</b>	<b>6,767,274</b>
<u>Net Book Value As of:</u>									
December 31, 2016	927,462	1,495,381	1,466,760	791	170,373	10,108	13,177	3,160	4,087,212
December 31, 2015	927,462	1,569,607	1,695,583	44	214,167	15,627	27,137	5,970	4,455,597

ARABIAN STEEL PIPES MANUFACTURING  
COMPANY AND ITS SUBSIDIARY  
(PUBLIC SHAREHOLDING COMPANY)  
AMMAN – JORDAN  
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

7) INTANGIBLE ASSETS

<i>Jordanian Dinar</i>	<u>Computer Software</u>	<u>Total</u>
<u>Cost</u>		
Balance as of January 1, 2016	211,406	211,406
Disposal of a subsidiary effect	(14,444)	(14,444)
<b>Balance as of December 31, 2016</b>	<b>196,962</b>	<b>196,962</b>
Balance as of January 1, 2015	209,270	209,270
Addition	2,136	2,136
<b>Balance as of December 31, 2015</b>	<b>211,406</b>	<b>211,406</b>
<u>Accumulated amortization</u>		
Balance as of January 1, 2016	183,758	183,758
Disposal of a subsidiary	(10,139)	(10,139)
Amortization	19,723	19,723
<b>Balance as of December 31, 2016</b>	<b>193,342</b>	<b>193,342</b>
Balance as of January 1, 2015	162,562	162,562
Amortization	21,196	21,196
<b>Balance as of December 31, 2015</b>	<b>183,758</b>	<b>183,758</b>
<u>Net Book Value As of:</u>		
<b>December 31, 2016</b>	<b>3,620</b>	<b>3,620</b>
<b>December 31, 2015</b>	<b>27,648</b>	<b>27,648</b>

8) 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:

<i>Jordanian Dinar</i>	<u>As of December 31,</u>	
	<u>2016</u>	<u>2015</u>
Balance as of January 1, 2016	852,044	814,284
Net investment movement during the year	-	124,797
Change in the Fair Value	(67,829)	(87,037)
<b>Balance as of December 31, 2016</b>	<b>784,215</b>	<b>852,044</b>

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, 2016 were 3,250 dinars and 1,430 dinars respectively.

**ARABIAN STEEL PIPES MANUFACTURING  
COMPANY AND ITS SUBSIDIARY  
(PUBLIC SHAREHOLDING COMPANY)  
AMMAN – JORDAN  
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**

**FAIR VALUE RESERVE**

	<b>As of December 31,</b>	
<i>Jordanian Dinar</i>	<b>2016</b>	<b>2015</b>
Balance as of January 1, 2016	87,037	178,901
Net change in Fair Value Reserve	(67,829)	(91,864)
	<b>19,208</b>	<b>87,037</b>

**9) OTHER DEBIT BALANCES**

	<b>As of December 31,</b>	
<i>Jordanian Dinar</i>	<b>2016</b>	<b>2015</b>
Project Retentions	-	392,459
Prepaid expenses	56,239	78,711
Guarantees deposits	62,951	107,240
Refundable Deposits	69,955	47,976
Accrued income from customers on contracting work	-	37,429
Income tax deposits	28,100	28,143
	<b>217,245</b>	<b>691,958</b>

**10) INVENTORY**

	<b>As of December 31,</b>	
<i>Jordanian Dinar</i>	<b>2016</b>	<b>2015</b>
Raw Materials	2,227,354	2,665,396
Finished goods	3,690,499	5,070,032
Supplies and tools	687,600	713,972
Goods in Transit	48,136	27,203
Slow moving provision	(279,999)	(312,000)
	<b>6,373,590</b>	<b>8,164,603</b>

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

<i>Jordanian Dinar</i>	<b>2016</b>	<b>2015</b>
Beginning Balance	312,000	-
(Reversal) Additions during the year	(32,001)	312,000
Ending Balance	<b>279,999</b>	<b>312,000</b>

**11) RELATED PARTIES**

**(11-1) RELATED PARTIES TRANSACTION**

The Company do Transaction in the normal course of business with other companies within the definition of related parties included in IAS 24.

Related Parties represent the Parent company, branches, affiliates and subsidiaries and key partners, managers and staff of the senior management of the company. The Company's management agree the pricing policies and terms of transactions with related parties.

**ARABIAN STEEL PIPES MANUFACTURING  
COMPANY AND ITS SUBSIDIARY  
(PUBLIC SHAREHOLDING COMPANY)  
AMMAN – JORDAN  
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**

<i>Jordanian Dinar</i>	<b>Nature of Relation</b>	<b>Nature of Transaction</b>	<b>As of December 31,</b>	
			<b>2016</b>	<b>2015</b>
Amman Investment and securities Company	Member of the Board of Directors	brokerage	-	129,624
<b>(11-2) RELATED PARTIES BALANCES</b>				
<i>Jordanian Dinar</i>	<b>Nature of Relation</b>	<b>Nature of Transaction</b>	<b>As of December 31,</b>	
<b>Due from related parties</b>			<b>2016</b>	<b>2015</b>
Amman Investment and securities Company	Member of the Board of Directors	Investment	2,246	2,246
			<b>2,246</b>	<b>2,246</b>
<b>Due to related parties</b>				
Room-electro Company	Partner in subsidiary	Finance	-	17,893
Salman ALSotare	Partner in subsidiary	Expense	-	13,598
			<b>-</b>	<b>31,491</b>

\*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, 2016 in amount of 161,040 JD, compared to the amount of (160,496 JD for the year ended December 31, 2015).

**(11-3) Key management benefits**

Board of director's, management directors and Executive management salaries and benefits during the year amounted to JD 190,980 for the year ended December 31, 2016 (Compared to 2015: JD 418,681).

**12) ACCOUNTS RECEIVABLE**

<i>Jordanian Dinar</i>	<b>As of December 31,</b>	
	<b>2016</b>	<b>2015</b>
Tenders Receivables	2,543,269	1,530,493
Export Receivables	859,947	706,313
Trade receivables	157,489	127,875
Other Receivables	52,874	41,609
Less: Provision for doubtful debts *	(140,000)	(220,000)
	<b>3,473,579</b>	<b>2,186,290</b>

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

<i>Jordanian Dinar</i>	<b>As of December 31,</b>	
	<b>2016</b>	<b>2015</b>
Balance at 1 of January	220,000	220,000
Additions	20,000	-
Subsidiary disposal effect	(100,000)	-
<b>Balances at 31 December</b>	<b>140,000</b>	<b>220,000</b>

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.

**ARABIAN STEEL PIPES MANUFACTURING  
COMPANY AND ITS SUBSIDIARY  
(PUBLIC SHAREHOLDING COMPANY)  
AMMAN – JORDAN  
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**

The following is the receivables aging schedule :

<i>Jordanian Dinar</i>	<b>Account receivables</b>					<b>More than 365 days</b>
	<b>Total</b>	<b>0-60 days</b>	<b>61-120 days</b>	<b>121-180 days</b>	<b>181-365 days</b>	
<b>December 31, 2016</b>						
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	-

<i>Jordanian Dinar</i>	<b>Account receivables</b>					<b>More than 365 days</b>
	<b>Total</b>	<b>0-60 days</b>	<b>61-120 days</b>	<b>121-180 days</b>	<b>181-365 days</b>	
<b>December 31, 2015</b>						
Tenders Receivables	1,530,493	728,265	639,537	8,908	-	153,783
Export Receivables	706,313	351,052	23,171	-	49,771	282,319
Trade receivables	127,875	67,816	3,500	-	-	56,559
Other Receivables	41,609	26,109	11,000	4,500	-	-

**13) 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.

**14) CASH AND CASH EQUIVALENT**

<i>Jordanian Dinar</i>	<b>As of December 31,</b>	
	<b>2016</b>	<b>2015</b>
Cash on hand	6,448	6,230
Cash at banks	228,067	995,272
Bank deposit	750,000	-
	<b>984,515</b>	<b>1,001,502</b>

**15) 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 shareholders.

**16) VOLUNTART 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.

ARABIAN STEEL PIPES MANUFACTURING  
COMPANY AND ITS SUBSIDIARY  
(PUBLIC SHAREHOLDING COMPANY)  
AMMAN – JORDAN  
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

17) OTHER CREDIT BALANCES

<i>Jordanian Dinar</i>	As of December 31,	
	2016	2015
Accrued expenses	3,051	20,954
Employees payables	-	64,048
Employee vacation provision	49,117	61,411
Board of directors and management directors Bonuses provision	34,233	15,000
End of services provision	-	46,800
Shareholders Deposits	26,678	31,969
Sales tax deposits	114,315	69,772
Social security deposit	17,893	3,096
Other provisions	-	250,000
Other	54,740	55,098
	<b>300,027</b>	<b>618,148</b>

18) INCOME TAX PROVISION

The movement for income tax provision as follows:

<i>Jordanian Dinar</i>	For the year ended December 31,	
	2016	2015
Beginning Balance	16,951	108,361
Provision for the year	18,864	10,023
Subsidiary disposal effect	(10,496)	-
Income tax provision deposits	750	-
Tax paid during the year	(12,039)	(101,433)
Ending balance	<b>14,030</b>	<b>16,951</b>

Deferred tax Assets

Balance at 31  
December 2016

Items that resulted in deferred tax assets	Deferred tax Assets				Balance at 31 December 2016
	Balance at 1 January	Addition	Disposal	Ending balance	
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
	<b>610,257</b>	<b>-</b>	<b>(224,804)</b>	<b>385,453</b>	<b>19,273</b>

Balance at 31  
December 2015

Items that resulted in deferred tax assets	Deferred tax Assets				Balance at 31 December 2015
	Balance at 1 January	Addition	Disposal	Ending balance	
Slow moving item	-	502,046	-	502,046	25,102
End services provision	41,250	5,550	-	46,800	2,340
Employee vacation provision	68,225	13,445	(20,259)	61,411	3,071
	<b>109,475</b>	<b>521,041</b>	<b>(20,259)</b>	<b>610,257</b>	<b>30,513</b>

**ARABIAN STEEL PIPES MANUFACTURING  
COMPANY AND ITS SUBSIDIARY  
(PUBLIC SHAREHOLDING COMPANY)  
AMMAN – JORDAN  
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**

The Accounting profit reconciliation with Tax profit as follows:

<i>Jordanian Dinar</i>	<b>For the year ended December 31,</b>	
	<b>2016</b>	<b>2015</b>
Accounting profit (loss)	571,287	(650,525)
Add: unacceptable tax expenses - temporary differences	121,833	855,110
Less: gains from sale of financial assets at fair value	(30,667)	-
Less: expenses and losses of non-taxable income	(256,804)	-
Tax exemptions - permanent differences	(28,369)	(4,125)
<b>Tax profit (loss)</b>	<b>377,280</b>	<b>200,460</b>
<b>Income Tax expense for the year</b>	<b>(18,864)</b>	<b>(10,023)</b>
<b>Tax surplus for the year</b>	<b>(11,240)</b>	<b>30,513</b>
<b>The effective tax rate to the accounting profit</b>	<b>%2.2</b>	<b>%5</b>
<b>Legal Income Tax Rate</b>	<b>%5</b>	<b>%5</b>

- The parent company got the final Clearance from Income and Sales Tax Department until the end of the year 2013, and it provided income tax returns for 2014 and 2015 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 2016 in accordance with the income tax Law.
- \* The details of the income tax surplus (income tax expense) shown in the consolidated financial statements are as follows:

<i>Jordanian Dinar</i>	<b>For the year ended December 31,</b>	
	<b>2016</b>	<b>2015</b>
Income Tax Expense	(18,864)	(10,023)
Tax surplus for the year	(11,240)	30,513
	<b>(30,104)</b>	<b>20,490</b>

**19) 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 2017. All the notes payable guaranteed by the Company's name.

**20) REVENUE**

<i>Jordanian Dinar</i>	<b>For the year ended December 31,</b>	
	<b>2016</b>	<b>2015</b>
Local sales	2,454,979	2,578,024
Export sales	721,177	1,157,433
Tenders Sales	4,958,603	3,736,008
Contracting revenues	192,012	1,041,473
	<b>8,326,771</b>	<b>8,512,938</b>

ARABIAN STEEL PIPES MANUFACTURING  
COMPANY AND ITS SUBSIDIARY  
(PUBLIC SHAREHOLDING COMPANY)  
AMMAN – JORDAN  
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

21) COST OF REVENUES

<i>Jordanian Dinar</i>	For the year ended December 31,	
	2016	2015
Beginning raw materials	2,665,396	3,612,194
Raw Materials purchases	3,069,423	3,487,678
Ending raw materials	(2,227,354)	(2,665,396)
<b>Manufacturing cost</b>	<b>3,507,465</b>	<b>4,434,476</b>
Manufacturing expenses (21-1)	1,848,008	2,008,403
<b>Cost of goods manufactured</b>	<b>5,355,473</b>	<b>6,442,879</b>
Beginning finished goods	5,070,032	5,381,611
Ending finished goods	(3,690,499)	(5,070,032)
<b>Cost of sales</b>	<b>6,735,006</b>	<b>6,754,458</b>
The cost of contracting revenues	141,079	727,820
<b>Total cost of revenue</b>	<b>6,876,085</b>	<b>7,482,278</b>

(21-1) MANUFACTURING EXPENSES

<i>Jordanian Dinar</i>	For the year ended December 31,	
	2016	2015
Salaries and wages	889,168	993,994
Social security	107,240	112,769
Depreciation and amortization	281,126	282,591
Utilities	297,072	305,285
Vehicles expenses and fuel	21,180	41,220
equipment maintenance	130,293	143,166
Production Supplies	37,346	17,855
General safety	4,161	10,006
Medical insurance	30,935	46,081
Security expenses	18,510	19,825
License, vehicle insurance and expenses	7,074	7,922
Other	23,903	27,689
	<b>1,848,008</b>	<b>2,008,403</b>

**ARABIAN STEEL PIPES MANUFACTURING  
COMPANY AND ITS SUBSIDIARY  
(PUBLIC SHAREHOLDING COMPANY)  
AMMAN – JORDAN  
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**

**22) ADMINISTRATIVE EXPENSES**

<i>Jordanian Dinar</i>	<b>For the year ended December 31,</b>	
	<b>2016</b>	<b>2015</b>
Salaries, wages and bonuses	304,550	436,692
Social security	25,064	24,755
Deprecation	42,117	63,425
Board of Directors transportation	17,324	34,400
Travel and accommodation	5,822	7,828
Professional fees and consulting	17,567	19,305
Subscriptions	13,538	18,575
Vehicles expenses	7,920	11,198
Hospitality and General Assembly expenses	8,115	10,129
Insurance	4,559	7,052
Telecommunication	8,021	7,907
Stationary and publications	3,162	5,947
Secretariat of the Board of Directors	2,550	3,000
Security	3,575	4,615
Rent expense	-	5,354
Cleaning ,fuels and heating expenses	330	4,405
Stamps and governmental fees	3,926	4,724
Commissions and bank guarantees	1,548	8,555
Newspaper and magazines	578	2,843
Maintenance	1,547	1,469
Donations	570	3,259
Advertising expenses	426	1,235
Tax Fines and other expenses	-	1,196
	<b>472,809</b>	<b>687,868</b>

**23) SELLING AND DISTRIBUTION EXPENSES**

<i>Jordanian Dinar</i>	<b>For the year ended December 31,</b>	
	<b>2016</b>	<b>2015</b>
Salaries, wages, social security	25,059	22,182
Tenders expenses	83,840	71,005
Maintenance, cars fuel and transportation	5,303	3,809
Advertising expenses any exhibitions	10,008	4,079
Fright and clearance	7,940	7,346
Delivery expenses	87,853	2,835
Obstacles	2,566	2,999
Trucks expenses and timbers for tenders	5,346	13,174
Telecommunications	450	1,530
	<b>228,365</b>	<b>128,959</b>

**24) OTHER REVENUES**

<i>Jordanian Dinar</i>	<b>For the year ended December 31,</b>	
	<b>2016</b>	<b>2015</b>
Gain from sale of property and equipment	9,648	26,977
Currency exchange	120	1,783
Others	1,239	52,933
	<b>11,007</b>	<b>81,693</b>

ARABIAN STEEL PIPES MANUFACTURING  
COMPANY AND ITS SUBSIDIARY  
(PUBLIC SHAREHOLDING COMPANY)  
AMMAN – JORDAN  
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

**25) BASIC AND DILUTED EARNINGS PER SHARE OF PROFIT (LOSS) OF THE YEAR**

<i>Jordanian Dinar</i>	<b>For the year ended December 31,</b>	
	<b>2016</b>	<b>2015</b>
Profit (loss) for the year attributable to shareholders of the group	533,410	(635,360)
weighted average number of shares	9,000,000	9,000,000
	<b>0.061</b>	<b>(0,071)</b>

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

<i>Jordanian Dinar</i>	<b>For the year ended December 31,</b>	
	<b>2016</b>	<b>2015</b>
Profit (loss) for the year attributable to shareholders of the group	465,581	(727,224)
weighted average number of shares	9,000,000	9,000,000
	<b>0.052</b>	<b>(0,081)</b>

**26) LOSSES ON SALE OF INVESTMNET IN SUBSIDIARY**

On March 9, 2016 and the company signed an agreement to sell it's share in the subsidiary Arabian Romanian Company's net assets with amount of 104,000. The amount will be fully paid on transferring ownership date with regarding to that the ownership of the company's share was transferred on April 4, 2016 .The effect of this disposal is as follows:

<i>Jordanian Dinar</i>	<b>2016</b>
Other debit balances	676,054
Accounts receivable	157,717
Cash and cash equivalents	174,386
Intangible assets	7,828
Property, plants and equipment	129,175
Other credit balances	(454,500)
Due to related parties	(291,607)
Accounts payable	(8,132)
Murabaha notes payable	(45,605)
<b>The Company's net assets</b>	<b>345,316</b>
The Group's share of the subsidiary's net assets	(184,168)
Proceed from sale of the subsidiary	104,000
<b>Losses from Sale of the subsidiary</b>	<b>(80,168)</b>

**ARABIAN STEEL PIPES MANUFACTURING  
COMPANY AND ITS SUBSIDIARY  
(PUBLIC SHAREHOLDING COMPANY)  
AMMAN – JORDAN  
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**

Following is the financial results of the Arabian Romanian Electromechanical Contracting Company for the period ended March 9, 2016 a subsidiary was sold during the year 2016:

<i>Jordanian Dinar</i>	<b>For the year ended December 31, 2016</b>
Revenues	192,012
Cost of revenues	(156,301)
<b>Gross profit</b>	<b>35,711</b>
Administrative expenses	(14,890)
<b>Profit before tax</b>	<b>20,821</b>
Income tax	(4,164)
<b>Profit for the year</b>	<b>16,657</b>

The Group has recognized its share in the subsidiary's revenues and expenses until the date of sale where the percentage of ownership in the net assets of the subsidiary was 53.33%.

**27) CONTINGENT LIABILITIES**

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

<i>Jordanian Dinar</i>	<b>As of December 31,</b>	
	<b>2016</b>	<b>2015</b>
Letters of credit	444,126	234,300
Bank guarantees	699,616	1,094,481
	<b>1,143,742</b>	<b>1,328,781</b>

There are outstanding litigation against more than sixty companies, including the treasury of the Hashemite Kingdom of Jordan and the Ministry of Trade and Industry and the Institution of industrial cities and general manager of land Department in addition to his job to recover the stakes in the land case number (3) of the basin no. (15) of Sahab territory, mentioned that the Arabian Steel Pipes Company one of these defendants companies, the value of the case was not assessed and is still under consideration, the management believes that there is no need to take any provisions with regard to this issue.

There is deposits against bank guarantees amounting to JD 72,807 dinars and letter of credit deposits in amount of 44,436 JD (2015: deposits against bank guarantees amounting to 103,062 JD and letter of credit deposits in the amount of 16,635 JD)

**28) SUBSEQUENT EVENTS**

There is no significant events occurring after the date of the consolidated statement of financial position could affect these consolidated financial statements.

**29) FINANCIAL RISK MANAGEMENT**

**Overview**

The Company 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 Company's exposure to each of the above risks, the Company's objectives, policies and processes for measuring and managing risk, and the Company management of capital.

**ARABIAN STEEL PIPES MANUFACTURING  
COMPANY AND ITS SUBSIDIARY  
(PUBLIC SHAREHOLDING COMPANY)  
AMMAN – JORDAN  
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**

**Risk management framework**

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

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

**- Credit risk**

Credit risk is the risk of financial loss to the Company if a customer or counterparty to a financial instrument fails to meet its contractual obligations, and arises principally from the Company 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:

<i>Jordanian Dinar</i>	<b>For the year ended December 31,</b>	
	<b>2016</b>	<b>2015</b>
Cash on banks	228,067	995,272
Checks under collection	462,014	722,896
Account receivables	3,473,579	2,186,290
Due from related parties	2,246	2,246
Other credit balances	161,006	613,247
	<b>4,326,912</b>	<b>4,519,951</b>

The Company exposure to credit risk is influenced mainly by the individual characteristics of each customer. The demographics of the Company 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 Company from 95% (2015:85%) from trade receivable balance.

The Company has established a credit policy under which each new customer is analyzed individually for creditworthiness before the Company's standard payment and delivery terms and conditions are offered. The Company'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 company; these limits are reviewed regularly. Customers that fail to meet the Company's benchmark creditworthiness may transact with the Company only on a prepayment basis.

**- Liquidity risk**

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

**ARABIAN STEEL PIPES MANUFACTURING  
COMPANY AND ITS SUBSIDIARY  
(PUBLIC SHAREHOLDING COMPANY)  
AMMAN – JORDAN  
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**

- The following are the contracted maturities of financial liabilities:

<i>Jordanian Dinar</i> <b>As of December 31, 2016</b>	<b>Book value</b>	<b>Contracted cash flows</b>	<b>6 months or less</b>	<b>6-12 months</b>	<b>More than one year</b>
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)	(1,088,705)	(1,088,705)	-
Income tax provision	14,030	(14,030)	(14,030)	-	-
<b>Total</b>	<b>2,688,810</b>	<b>(2,849,850)</b>	<b>(1,761,145)</b>	<b>(1,088,705)</b>	<b>-</b>
<b>As of December 31, 2015</b>					
Other credit balances	368,148	(368,148)	(368,148)	-	-
Account payable	31,491	(31,491)	(31,491)	-	-
note payable	149,505	(149,505)	(149,505)	-	-
Income tax provision	3,462,459	(3,622,955)	(478,714)	(2,281,079)	(863,162)
Other credit balances	16,951	(16,951)	(16,951)	-	-
<b>Total</b>	<b>4,028,554</b>	<b>(4,189,050)</b>	<b>(1,044,809)</b>	<b>(2,281,079)</b>	<b>(863,162)</b>

- **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 Company 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 Company's financial assets and liabilities are in US Dollar. Most of the Company transactions in general are in Sudanese pound and US Dollar.

The summary of quantitative data about the Company exposure to foreign currency risk provided to management of the Company 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:

<i>Jordanian Dinar</i>	<b>As of December 31,</b>	
	<b>2016</b>	<b>2015</b>
<b><u>Financial instrument at fixed Murabaha rate</u></b>		
Financial liabilities	2,016,370	3,462,459
	<b>2,016,370</b>	<b>3,462,459</b>

**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.

**ARABIAN STEEL PIPES MANUFACTURING  
COMPANY AND ITS SUBSIDIARY  
(PUBLIC SHAREHOLDING COMPANY)  
AMMAN – JORDAN  
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**

**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:

	<u>change in index</u>	<u>Impact on consolidated other comprehensive income</u>
	<u>%</u>	
<b>As of December 31, 2016</b>		
Amman Stock Exchange	10	77,930
Palestine Securities Market	10	492
<b>As of December 31, 2015</b>		
Amman Stock Exchange	10	84,691
Palestine Securities Market	10	513

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

**- Capital management**

The Company'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 Company.

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 Company's approach to capital management during the year neither the Company 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*

	<u>Carrying Amount</u>	<u>Fair value</u>		
		<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>
<b>As of December 31, 2016</b>				
Financial assets at fair value through other comprehensive income	784,215	784,215	-	-
<b>As of December 31, 2015</b>				
Financial assets at fair value through other comprehensive income	852,044	852,044	-	-

**ARABIAN STEEL PIPES MANUFACTURING  
COMPANY AND ITS SUBSIDIARY  
(PUBLIC SHAREHOLDING COMPANY)  
AMMAN – JORDAN  
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**

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

With the exception of the table below, the Company'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

	Carrying Amount	Fair value		
		Level 1	Level 2	Level 3
<i>Jordanian Dinar</i>				
<b><u>As of December 31, 2016</u></b>				
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	217,245	-	217,245	-
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)	-

<i>Jordanian Dinar</i> <u>As of December 31, 2015</u>	Carrying Amount	Fair value		
		Level 1	Level 2	Level 3
Cash and cash equivalent	1,001,502	1,001,502	-	
Checks under collection	722,896	-	722,896	
Account receivables	2,186,290	-	2,186,290	
Other debit balances	691,958	-	691,958	
Due from related parties	2,246	-	2,246	
Other credit balances	(618,148)	-	(618,148)	
Due to related parties	(31,491)	-	(31,491)	
Account payables	(149,505)	-	(149,505)	
Murabaha notes payable	(3,462,459)	-	(3,462,459)	

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 Company. Management believes that the carrying amount of these financial assets approximate their fair value due to their short term maturities.

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

**Debt to Adjusted Capital Ratio**

<i>Jordanian Dinar</i>	As of December 31, 2016	
	2016	2015
Total debt	2,688,810	4,278,554
(Deduct) Cash and cash equivalents	(984,515)	(1,001,502)
Net debt	1,704,295	3,277,052
Net shareholders' equity	13,718,699	13,856,743
Adjusted Capital	13,718,699	13,856,743
Debt to Adjusted Capital Ratio	12%	%24