ARAB WEAVERS UNION CO . P.L.C

شركة اتحاد النساجون العرب م.ع.م

التاريخ : 28/03/2017

الرقم : أ ن ع / 2017/27

السادة / هيئة الاوراق المالية المحترمين

عمان - الاردن

تحية وبعد ،

نرفق لكم النسخة الاصلية من الميزانية الموحده لشركة اتحاد النساجون العــرب لعام ٢٠١٦/ وباللغة الانجليزية

وتفضلوا بقبول فائق الاحترام ،،،

شركة اتحاد النساجون العـرب

شركة اتحاد النساجون العرب م.ع.م

ARAB WEAVERS UNION Co. P.L.C

هيئة الأوراق المالية
الدائرة الادارية / الديوان

٣٠ آذار ٢٠١٧

الرقم المتسلسل ١٨٥

الجهة المختصة الإفصاح

King Abdallah 2nd Industrial City-Sahab - P.O.Box 116 - Amman 11512 Jordan - TEL: 962-6-4022792 - FAX: 962-6-4022794
Web Site : www.kaloutigroup.com E-mail: carpet@kaloutigroup.com E-mail: yarn@kaloutigroup.com

Arab Weavers Union Company
and It's Subsidiary
Public shareholding Company
Amman - The Hashemite Kingdom of Jordan

Consolidated Financial Statement
and Independent Auditor's Report
for the year ended December 31, 2016

Arab Weavers Union Company
and It's Subsidiary
Public shareholding Company
Amman - The Hashemite Kingdom of Jordan

Index

105180306

Independent Auditor's Report

To Messrs. Shareholders
Arab Weavers Union Company
Public shareholding Company
Amman – The Hashemite Kingdom of Jordan

Report on the Audit of the consolidated Financial Statements

Opinion

We have audited the consolidated financial statements of **Arab Weavers Union Company and it's Subsidiary (Public shareholding Company)**, which comprise the consolidated statement of financial position as at December 31, 2016, and the consolidated statement of comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows for the year then ended, and notes to the financial consolidated statements, including a summary of significant accounting policies.

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

Basis for Opinion

We conducted our audit in accordance with International Standards on Auditing. Our responsibilities under those standards are further described in the *Auditors' Responsibilities for the Audit of the Consolidated Financial Statements* section of our report.

We are independent of the Company in accordance with the International Ethics Standards Board for Accountants' Code of Ethics for Professional Accountants (IESBA Code) together with the ethical requirements that are relevant to our audit of the consolidated financial statements, and we have fulfilled our other ethical responsibilities in accordance with these requirements and the IESBA Code.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Key Audit Matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the financial statements of the current period. These matters were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Adequacy of allowance for doubtful debts	Scope of audit
The balance of trade receivables amounting to JD 1,974,904 the management of the company estimated the amount of allowance for doubtful debts to JD 622,855 as at December 31, 2016.	Audit procedures included examination of control procedures used by management for the collection of trade receivables and its related guarantees, and an examination on the adequacy of allowance for doubtful receivables through evaluating the hypotheses of the management. We have evaluated the adequacy of the company's disclosure about significant estimates in order to calculate the allowance for doubtful receivables.

Other Information

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

Our opinion on the 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 financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Responsibilities of Management 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 International Financial Reporting Standard, and for such internal control as management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

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

Those charged with governance are responsible for overseeing the Company'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 International Standards on Auditing (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 International Standard on Auditing, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

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

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our 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 Company to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the group to express an opinion on the group consolidated financial statement. we are responsible for the direction, supervision and performance of the group audit. we remain solely responsible for our audit opinion.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any 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 Company has proper accounting records which are, in all material respects, consistent with the accompanying financial statements, accordingly, we recommend to approve these consolidated financial statements by the general assembly.

Talal Abu-Ghazaleh & Co. International

طلال أبوغزاله وشركاه الدولية
Talal Abu-Ghazaleh & Co. Intl.

Mohammad Alazraq
(License # 1000)

Amman – March 8, 2017

Arab Weavers Union Company
and It's Subsidiary
Public shareholding Company
Amman – The Hashemite Kingdom of Jordan

Consolidated statement of financial position as at December 31, 2016

	Note	2016	2015
ASSETS		JD	JD
Non-current Assets			
Property and equipment	3	5,828,541	6,215,299
Investment lands	4	-	1,033,438
Financial asset at fair value through other comprehensive income		24,613	25,674
Total Non-current Assets		5,853,154	7,274,411
Current Assets			
Inventory	5	4,538,656	4,378,614
Other debit balances	6	284,441	291,588
Trade receivables	7	1,974,904	2,913,045
Cash and cash equivalents	8	1,779,278	1,366,717
Total Current Assets		8,577,279	8,949,964
TOTAL ASSETS		14,430,433	16,224,375
EQUITY AND LIABILITIES			
Equity			
Capital		12,000,000	12,000,000
Statutory reserve		3,089,701	3,087,296
Voluntary reserve		129,122	129,122
Cumulative change in fair value of financial asset at fair value through other comprehensive income		(1,061)	-
Accumulated losses		(2,148,755)	(156,474)
Total equity attributable to the shareholders of the parent company		13,069,007	15,059,944
Non-controlling interest		225,502	251,716
Total Equity		13,294,509	15,311,660
Current Liabilities			
Other credit balances	9	1,023,823	727,872
Trade payables		112,101	184,843
Total Current Liabilities		1,135,924	912,715
TOTAL EQUITY AND LIABILITIES		14,430,433	16,224,375

Arab Weavers Union Company
and It's Subsidiary
Public shareholding Company
Amman - The Hashemite Kingdom of Jordan

Consolidated statement of comprehensive income for the year ended December 31, 2016

	Notes	2016	2015
		JD	JD
Net sales	10	5,261,752	8,112,150
Cost of goods sold	11	(5,390,012)	(7,945,585)
Gross income		(128,260)	166,565
Other revenues, net		22,913	12,210
Sales and distribution expenses	12	(108,683)	(146,195)
Administrative expenses	13	(534,380)	(529,153)
Loss of sale of property and equipment		(91,562)	-
Donations		(1,127,040)	(108,742)
Finance expenses		(3,460)	(5,458)
Loss before tax		(1,970,472)	(610,773)
Income tax	9	(5,618)	(26,545)
Loss		(1,976,090)	(637,318)
Other compreheasive income			
Change in fair value of financial asset at fair value through other comprehensive income		(1,061)	(3,165)
Comprehensive income		(1,977,151)	(640,483)
Loss attributable to:			
Parent company shareholders		(1,989,876)	(642,573)
Non-controlling interest		13,786	5,255
Total		(1,976,090)	(637,318)
Comprehensive income attributable to:			
Parent company shareholders		(1,990,937)	(645,738)
Non-controlling interest		13,786	5,255
Total		(1,977,151)	(640,483)
Loss per share attributable to the shareholders of the parent company	14	JD (-\166)	JD (-\054)

- Control is presumed to exist when the investor is exposed, or has rights, to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee, unless, in exceptional circumstances, it can be clearly demonstrated that such ownership does not constitute control.
- Intergroup balances, transactions, income and expenses among the group (the parent and the subsidies company) shall be eliminated in full.
- Non-controlling interests represent the equity in a subsidiary not attributable, directly or indirectly, to the parent.

- <u>Property and equipment</u>

- Property and equipment are initially recognized at their cost being their purchase price plus any other costs directly attributable to bringing the assets to the location and condition necessary for them to be capable of operating in the manner intended by management.
- After initial recognition, the property and equipment are carried, in the statement of financial position, at their cost less any accumulated depreciation and any accumulated impairment. Land is not depreciated.
- The depreciation charge for each period is recognized as expense. Depreciation is calculated on a straight line basis, which reflects the pattern in which the asset's future economic benefits are expected to be consumed over the estimated useful life of the assets using the following rates:

Category	Depreciation rate
	%
Machinery and equipment	7-20
Hangar, constructions and building improvements	4
Vehicles	11-15
Extensions and electrical equipment	10-15
Furniture and office equipment	5-20
Computer hardware and software	10-20
Tools	20
Billboards	20

- The estimated useful lives are reviewed at each year-end, with the effect of any changes in estimate accounted for on a prospective basis.
- The carrying values of property and equipment are reviewed for impairment when events or changes in the circumstances indicate the carrying value may not be recoverable. If any such indication of impairment exists, impairments losses are calculated in accordance with impairment of assets policy.
- On the subsequent derecognition (sale or retirement) of the property and equipment, the resulting gain or loss, being the difference between the net disposal proceed, if any, and the carrying amount, is included in profit or loss.
- Amount paid to build up the property or plant or equipment are initially carried to projects under construction account. When the project becomes ready for use, it will be transferred to its own account under property, plant and equipments.

- <u>Investment property</u>

- Investment property is property (land or building- or part of a building- or both):
  - Held by the entity to earn rentals,
  - For capital appreciation, or both, rather than for use in production or supply of goods or services or for administrative purposes, or for sale in the ordinary course of business.
- Investment property is measured initially at its cost, including transaction costs.
- The carrying values of investments property are reviewed for impairment when events or changes in the circumstances indicate the carrying value may not be recoverable. If any such indication of impairment exists, impairments losses are calculated in accordance with impairment of assets policy.
- On the subsequent derecognition (sale or retirement) of the investment property, the resulting gain or loss, being the difference between the net disposal proceed, if any, and the carrying amount, is included in profit or loss.

- Inventories

  - Inventories are measured at the lower of cost and net realizable value.
  - Inventory costs comprise all costs of purchase, costs of conversion and other costs incurred in bringing the inventories to their present location and condition.
  - The cost of inventory is assigned by using the weighted-average cost formula.
  - Net realizable value is the estimated selling price in the ordinary course of business less the estimated costs of completion and the estimated costs necessary to make the sale.

- Financial instruments

  Financial instrument is any contract that gives rise to a financial asset of one entity and financial liability or equity instrument of another entity.

  - Financial assets

    - A financial asset is any asset that is:
      (a) Cash;
      (b) An equity instrument of another entity;
      (c) A contractual right to receive cash or another financial asset from another entity, or to exchange financial assets or financial liabilities with another entity under conditions that are potentially favorable to the entity.
      (d) A contract that will or may be settled in the entity's own equity instruments.
    - Financial assets are initially measured at fair value plus, in the case of a financial asset not at fair value through profit or loss, transaction costs that are directly attributable to the acquisition of the financial asset.
    - All recognized financial assets are subsequently measured either at amortized cost or fair value, on the basis of both:
      (a) The entity's business model for managing the financial assets, and
      (b) The contractual cash flow characteristics of the financial assets.
    - A financial asset is measured at amortized cost if both of the following conditions are met:
      (a) The asset is held within a business model whose objective is to hold assets in order to collect contractual cash flows.
      (b) The contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.
    - All other financial assets are subsequently measured at fair value.
    - A gain or loss on a financial asset that is measured of fair value and is not part of a hedging relationship is recognized in profit or loss unless the financial asset is an investment in an equity instrument and the entity has elected to present gains and losses on that investment in other comprehensive income.

    Cash and cash equivalents

    - Cash comprises cash on hand, current accounts and demand deposits with banks.
    - Cash equivalents are short- term, highly liquid investments that are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value.

    Trade receivables

    - Trade receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market.
    - Trade receivables are stated at invoices amount net of allowance for doubtful receivables which represents the collective impairment of receivables.

- <u>Impairment of financial assets</u>
  - Financial assets, other than those at fair value through profit or loss (FVTPL), are assessed for indicators of impairment at the end of each period.
  - The carrying amount of the financial asset is reduced by the impairment loss directly for all financial assets. Impairment loss is recognized in the losses.

- <u>Financial liabilities</u>
  - A financial liability is any liability that is:
    (a) A contractual obligation to deliver cash or another financial asset to another entity, or to exchange financial assets or financial liabilities with another entity under conditions that are potentially unfavorable to the entity; or
    (b) A contract that will or may be settled in the entity's own equity instruments.
  - Financial liabilities are initially recognized at fair value plus transaction costs, directly attributable to the acquisition or issue of those liabilities, except for the financial liabilities classified as at fair value through profit or loss, which are initially measured at fair value.
  - After initial recognition, the entity measures all financial liabilities at amortized cost using the effective interest method, except for financial liabilities at fair value through profit or loss which are measured at fair value and other determined financial liabilities which are not measured under amortized cost method.
  - Financial liabilities at fair value through profit or loss are stated at fair value, with any resulting gain or loss from change in fair value is recognized through profit or loss.

  <u>Trade payables and accruals</u>

  Trade payables and accruals are liabilities to pay for goods or services that have been received or supplied and have been either invoiced or formally agreed with the suppliers or not.

- <u>Impairment of assets</u>
  - At each statement of financial position date, management reviews the carrying amounts of its assets to determine whether there is any indication that those assets have been impaired.
  - If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss, if any, being the amount by which the carrying amount of the asset exceeds its recoverable amount. The recoverable amount is the higher of asset's fair value less costs to sell and the value in use. The asset's fair value is the is the price that would be received to sell an asset or paid to transfer liability in an orderly transaction between market participants at the measurement date. The value in use is the present value of the future cash flows expected to be derived from the asset.
  - An impairment loss is recognized immediately as loss.
  - Where an impairment loss subsequently reverses, the carrying amount of the asset is increased to the revised estimate of its recoverable amount, but the increased carrying amount due to reversal should not be more than what the depreciated historical cost would have been if the impairment had not been recognized in prior years. A reversal of an impairment loss is recognized immediately as income.

- <u>Provisions</u>
  - Provisions are present obligations (legal or constructive) resulted from past events, the settlement of the obligations is probable and the amount of those obligations can be estimated reliably. The amount recognized as a provision is the best estimate of the expenditure required to settle the present obligation at the statement of financial position date.
  - Provisions reviewed and adjusted at each statement of financial position date. If outflows, to settle the provisions, are no longer probable, reverse of the provision is recorded as income.

- Reserves

  - Statutory reserve

    Public Shareholding Company (Parent Company)

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

    Limited Liability Company (Subsidiary)

    Statutory reserve is allocated according to the Jordanian Companies Law by deducting 10% of the annual net profit until the reserve equals of the Company's subscribed capital. Such reserve is not available for dividends distribution.

  - Voluntary reserve

    This reserve is determined in accordance with the Jordanian Companies Law by allocating not more than 20% annually of the profit to this reserve.

- Revenue recognition

  - Revenue is measured at the fair value of the consideration received or receivable.
  - Revenue is reduced for amount of any trade discounts and volume rebates allowed by the entity.

  Sale of goods

  Revenue from the sale of goods is recognized when all the following conditions are satisfied:

  - The entity has transferred to the buyer the significant risks and rewards of ownership of the goods.
  - The entity retains neither continuing managerial involvement to the degree usually associated with ownership nor effective control over the goods sold.
  - The amount of revenue can be measured reliably.
  - It is probable that the economic benefits associated with the transaction will flow to the entity.
  - The costs incurred or to be incurred in respect of the transaction can be measured reliably.

  Dividend

  - Dividend revenue from investments is recognized when the shareholder's right to receive payment is established.

- Income tax

  Income tax is calculated in accordance with laws and regulations applicable in Jordan

- Earnings per share

  Basic earnings per share is calculated by dividing profit or loss, attributable to ordinary shareholders, by the weighted average number of ordinary shares outstanding during the year.

- Foreign currencies
  - In preparing the financial statements, transactions in currencies other than the functional currency (foreign currencies) are recorded at the rates of exchange prevailing at the dates of the transactions. At each statement of financial position date, monetary items denominated in foreign currencies are retranslated at the rates prevailing at the statement date (closing rate). Non-monetary items that are measured in terms of historical cost in a foreign currency are translated using the exchange rate at the date of the transaction. Non-monetary items that are measured at fair value in foreign currency are translated using the exchange rates at the date when the fair value was determined.
  - Exchange differences arising on the settlement of monetary items or on translating monetary items at rates different from those at which they were translated on initial recognition during the period or in previous financial statements shall be recognized in profit or loss in the period in which they arise.

- Contingent liabilities
  - Contingent liabilities are possible obligations depending on whether some uncertain future events occur, or they are present obligations but payments are not probable or the amounts cannot be measured reliably.
  - Contingent liabilities are not recognized in the financial statements.

3. Property, plant and equipment

2016	Land (**)	Machinery and equipment	Hangar, constructions and building improvements (**)	Vehicles	Extensions and electrical equipment	Furniture and office equipment	Computer hardware and software	Tools	Billboards	Project under construction	Total
	JD	JD	JD	JD	JD	JD	JD	JD	JD	JD	JD
Cost											
Balance - beginning of year	1,940,135	8,658,135	3,235,460	405,509	133,103	345,759	132,728	145,260	56,406	-	15,052,495
Additions	-	390,947	4,732	25,340	33,942	700	681	-	-	1,755	458,097
Disposals	-	(446,532)	-	(15,580)	-	-	-	-	-	-	(462,112)
Balance - end of year	1,940,135	8,602,550	3,240,192	415,269	167,045	346,459	133,409	145,260	56,406	1,755	15,048,480
Accumulated depreciation											
Balance - beginning of year	-	6,478,785	1,330,586	291,882	77,529	336,421	127,235	138,371	56,387	-	8,837,196
Depreciation (*)	-	575,243	129,383	18,850	8,857	2,007	1,683	1,664	-	-	737,687
Disposals	-	(339,364)	-	(15,580)	-	-	-	-	-	-	(354,944)
Balance - end of year	-	6,714,664	1,459,969	295,152	86,386	338,428	128,918	140,035	56,387	-	9,219,939
Net	1,940,135	1,887,886	1,780,223	120,117	80,659	8,031	4,491	5,225	19	1,755	5,828,541
2015											
Cost											
Balance - beginning of year	1,940,135	8,548,262	3,235,035	363,549	133,103	343,209	132,666	145,260	56,406	-	14,897,625
Additions	-	109,873	425	41,960	-	2,550	62	-	-	-	154,870
Balance - end of year	1,940,135	8,658,135	3,235,460	405,509	133,103	345,759	132,728	145,260	56,406	-	15,052,495
Accumulated depreciation											
Balance - beginning of year	-	5,882,016	1,209,360	272,395	70,488	326,572	125,647	136,659	56,387	-	8,079,524
Depreciation (*)	-	596,769	121,226	19,487	7,041	9,849	1,588	1,712	-	-	757,672
Balance - end of year	-	6,478,785	1,330,586	291,882	77,529	336,421	127,235	138,371	56,387	-	8,837,196
Net	1,940,135	2,179,350	1,904,874	113,627	55,574	9,338	5,493	6,889	19	-	6,215,299

(*) Depreciation expense has been allocated on the statement of comprehensive income during the year as follows:

	2016	2015
	JD	JD
Manufacturing expenses	718,329	741,171
Selling and distribution expenses	376	376
Administrative expenses	18,982	16,125
Total	737,687	757,672

(**) There are lands, buildings and constructions at a cost of JD 3,282,588 mortgaged to Arab Bank as it is shown in note number (15).

4. Investment lands

The movement of investment lands is as follows:

	2016	2015
	JD	JD
Balance - beginning of year	1,033,438	1,033,438
Disposals during the year (*)	(1,033,438)	-
Balance - end of year	-	1,033,438

(*) Based on the board of directors meeting number (5) on October 18, 2015 it has been decided to donate these lands to The Ministry of Awqaf and Islamic Affairs.

5. Inventory

	2016	2015
	JD	JD
Finished goods	2,364,291	1,999,533
Raw material	1,285,603	1,453,813
Spare parts	731,268	689,408
Letters of credit	150,020	235,860
Goods in process	7,474	-
Total	4,538,656	4,378,614

6. **Other debit balances**

	2016	2015
	JD	JD
Refundable deposits	99,125	100,453
Employees receivable	63,163	80,077
Prepaid expense	59,142	54,250
Bank margins	50,000	50,000
Prepaid to Sales and Income Tax Department	7,381	3,820
Work injuries	4,760	-
Others	870	2,988
Total	284,441	291,588

7. **Trade receivables**

	2016	2015
	JD	JD
Trade receivable (*)	1,750,037	2,263,827
Checks under collection at bank	791,369	1,227,988
Issued bills	25,394	25,394
Checks on hand	20,017	18,691
Issued checks	10,942	-
Less: Allowance for doubtful debts	(622,855)	(622,855)
Total	1,974,904	2,913,045

(*) The accounts receivable aging based on the issued invoices is as follows:

	2016	2015
	JD	JD
1 - 30 days	423,314	864,845
31 - 90 days	461,446	460,939
More than 91 days	865,277	938,043
Total	1,750,037	2,263,827

8. Cash and cash equivalents

	2016	2015
	JD	JD
Current account at bank - Jordan dinars	806,932	374,932
Deposit at bank (*)	498,107	787,933
Current account at bank - foreign currencies	469,732	193,615
Cash on hand	4,507	10,237
Total	**1,779,278**	**1,366,717**

(*) The above deposit fixed for the period form six months up to one year and murabaha has been calculated on a rate of 3 – 3.1%.

9. Other credit balances

	2016	2015
	JD	JD
Promissory and notes receivable	389,344	137,629
Client advances	198,603	136,414
Income and Sales Tax Department deposits	139,574	188,398
Employees Provident Fund deposits	134,847	150,939
Accrued expenses	69,178	21,879
Other deposits	26,231	3,940
Social security deposits	16,582	1,129
End of service indemnity provision (*)	15,790	13,690
Employees income tax withheld	14,890	8
Others	11,783	65,965
Income tax provision (**)	5,848	7,637
Employees receivable	1,153	244
Total	**1,023,823**	**727,872**

(*) End of service indemnity provision during the year was as follows:

	2016	2015
	JD	JD
Balance - beginning of year	13,690	11,690
Provided during the year	2,100	2,000
Balance - end of year	15,790	13,690

(**) The movement of income tax provision during the year is as follows:

	2016	2015
	JD	JD
Balance - beginning of year	7,637	71,555
Provided during the year	5,618	26,545
Paid during the year	(7,407)	(90,463)
Balance - end of year	5,848	7,637

(***) The sales and income tax status has been settled for the parent company and for the subsidiary until 2014, and according to the management and tax consultant opinion, the provision is adequate.

10. Net sales

	2016			2015
	Local	External	Total	Total
	JD	JD	JD	JD
Sales of carpets	2,862,085	262,012	3,124,097	5,426,496
Sales of yarns	783,148	553,560	1,336,708	1,957,101
Sales of carton rolls	696,834	-	696,834	660,153
Miscellaneous	82,038	22,075	104,113	68,400
Total	4,424,105	837,647	5,261,752	8,112,150

11. Cost of goods sold

	2016	2015
	JD	JD
Raw materials - beginning of year	1,453,813	1,428,002
Purchases of raw materials	3,451,499	3,689,083
Raw materials - end of year	(1,285,603)	(1,453,813)
Cost of raw materials used in production	3,619,709	3,663,272
Goods in process - beginning of year	-	22,126
Manufacturing expenses (*)	2,142,535	2,521,385
Goods in process - end of year	(7,474)	-
Cost of goods manufactured	5,754,770	6,206,783
Finished goods - beginning of year	1,999,533	3,738,335
Less: finished goods - end of year	(2,364,291)	(1,999,533)
Net	5,390,012	7,945,585

(*) Manufacturing expenses consist of the following:

	2016	2015
	JD	JD
Depreciation	718,329	741,171
Salaries, wages and related benefits	674,960	806,454
Electricity and water	411,684	520,358
Social security contribution	92,994	95,713
Maintenance and spare parts	79,354	127,464
Fuel and oil	46,216	109,534
Insurance	30,279	36,106
Vehicles expenses	23,969	20,729
Rents	21,519	21,519
Provident fund contribution	19,709	21,242
Treatment and medicine	7,258	6,445
Hospitality	3,818	6,690
Protection and safety	2,615	2,053
Miscellaneous	2,544	868
Travel and transportation	1,996	495
Stationery and printings	1,964	1,933
Waste transportation	1,293	1,421
Bonuses	900	-
Governmental fees and licenses	697	1,001
Communication	437	189
Total	2,142,535	2,521,385

12. Selling and distribution expenses

	2016	2015
	JD	JD
Marketing, transport and export fees	42,353	65,335
Salaries and wages and related benefits	32,075	37,273
Vehicles expenses	7,495	7,866
Consumables	7,473	10,652
Fuel	6,585	10,874
Social security contribution	3,604	3,738
Travel and transportation	3,588	2,534
Miscellaneous	2,022	3,326
Employees Provident Fund deposits	1,254	1,411
Governmental fees	1,089	2,012
Insurance	769	798
Deprecation	376	376
Total	108,683	146,195

13. Administrative expenses

	2016	2015
	JD	JD
Salaries, wages and related benefits	350,692	353,712
Social security contribution	41,021	39,247
Maintenance	25,162	17,196
Professional and consulting fees	23,300	23,360
Deprecation	18,982	16,125
Subscriptions, license, and stamps	17,919	28,031
Currency difference	10,100	8,269
Fuel	9,092	9,676
Employees Provident Fund deposits	9,011	8,886
Hospitality	6,249	4,024
Communication	4,728	4,521
Treatment and medicine	3,453	3,927
Travel and transportation	2,543	103
Miscellaneous	2,508	2,497
End of service indemnity	2,100	2,000
Stationery and printings	2,083	1,763
Fellowship fund contribution	1,200	1,200
Perdiems	1,200	-
Electricity and water	1,066	1,239
Cleaning	840	908
Advertisement	586	1,180
Insurance	545	1,289
Total	534,380	529,153

14. Loss per share for the shareholders of the parent company

	2016	2015
	JD	JD
Loss	(1,989,876)	(642,573)
Weighted average number of share	12,000,000	12,000,000
Loss per share	JD (-/166)	JD (-/054)

15. **Mortgages**

There are first class mortgages to the Arab bank amounted to JD 3,282,588 and it is detailed as follows:

- First class mortgages on the land piece number (114) basin (10) Mwaris Al-Dar\ Sahab amounted to JD 806,867 and on buildings and constructions built on the same land amounted to JD 2,475,721
- Knowing that those mortgages are for facilities with a ceiling of JD 2,000,000 and a revolving loan amounted to USD 1,000,000 unexploited by the company.

16. **Legal cases**

According to the lawyer letter there are legal cases raised by the company against others amounting to JD 106,333 and those legal cases are still pending with the special courts.

17. **Contingent liabilities**

	Amount of the obligation
	JD
Letters of credit	599,345

18. **Risk management**

a) <u>Capital risk:</u>

- Regularly, the capital structure is reviewed and the cost of capital and the risks associated with capital are considered. In addition, capital is managed properly to ensure continuing as a going concern while maximizing the return through the optimization of the debt and equity balance.

b) <u>Currency risk:</u>

- Currency risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in foreign exchange rates.
- The risk arises on certain transactions denominated in foreign currencies, which imposes sort of risk due to fluctuations in exchange rates during the year.
- Certain procedures to manage the exchange rate risk exposure are maintained.
- The following table illustrates the accounts related to foreign currencies as at December 31, 2016:

Description	Exchange risk	Exchange rate	Amount in foreign currency	Amount in local currency
Current accounts	US Dollar	0/709	68,574	48,619
Current accounts	Euro	0/862	186,010	160,341
Current accounts	Saudi riyal	0/188	8,170	1,536
Trade receivables	Euro	0/862	45,000	38,790
Trade receivables	US Dollar	0/709	343,002	243,189
Trade payables	US Dollar	0/71	39,621	28,131

c) <u>Interest rate risk:</u>

- Interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates.
- The risk arises on exposure to a fluctuation in market interest rates resulting from borrowings and depositing in banks.
- The risk is managed by maintaining an appropriate mix between fixed and floating interest rates balances during the financial year.
- The entity is not exposed to interest rate risk.

d) <u>Other price risk:</u>

- Other price risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market prices (other than those arising from interest rate risk or currency risk), whether those changes are caused by factors specific to the individual financial instrument or its issuer, or factors affecting all similar financial instruments traded in the market.
- The risk arises from investing in equity investments

e) <u>Credit risk:</u>

- Credit risk is the risk that one party to a financial instrument will cause a financial loss for the other party by failing to discharge an obligation.
- Regularly, the credit ratings of debtors and the volume of transactions with those debtors during the year are monitored.
- Ongoing credit evaluation is performed on the financial condition of debtors, also adequate provisions for doubtful receivables is taken.
- The carrying amount of financial assets recorded in the financial statements represents the - maximum exposure to credit risk without taking into account the value of any collateral obtained.

f) <u>Liquidity risk:</u>

- Liquidity risk is the risk of encountering difficulty in meeting obligations associated with financial liabilities that are settled by delivering cash or another financial assets.
- Liquidity risk is managed through monitoring cash flows and matching with maturity dates of the financial assets and liabilities.
- The following table shows the maturity dates of financial assets and liabilities as of December 31:

	Less than a year		More than a year	
Description	2016	2015	2016	2015
	JD	JD	JD	JD
Assets				
Financial asset at fair value through other comprehensive income	-	-	24,613	25,674
Other debit balances	225,299	237,338	-	-
Trade receivables	1,974,904	2,913,045	-	-
Cash and cash equivalents	1,779,278	1,366,717	-	-
Total	3,979,481	4,517,100	24,613	25,674
Liabilities				
Other credit balances	803,582	570,131	-	-
Trade payables	112,101	184,843	-	-
Total	915,683	754,974	-	-

19. Fair value of financial instruments

- The entity shall classify measuring fair value methods using fair value hierarchy that reflects the significance of inputs used in making the measurements. The hierarchy of fair value of financial instruments have the following levels:
- Level 1: listed prices (unadjusted) in active markets for identical assets or liabilities.
- Level 2: inputs rather than prices listed in level 1 and observable for the asset or liability, either directly (as prices) or indirectly (derived from prices).
- Level 3: inputs for the asset or liability is not based on comparable market data that can be observed (non-observable inputs).

As December 31, 2016	Levels			
	1	2	3	Total
Financial assets	JD	JD	JD	JD
Financial assets at fair value through other comprehensive income	24,613	-	-	24,613

20. Standards and Interpretations issued but not yet effective

Up to the date of these financial statements, the following Standards and Interpretations were issued by the International Accounting Standards Board but not yet effective:

Standard or Interpretation No.	Description	Effective date
IFRS (9) - New	Financial Instruments	Jan 1, 2018 or after
IFRS (15) – New	Revenue from contracts with customers	Jan. 1, 2018 or after
IFRS (16) – New	Leases – all leases are being recognized in the statement of financial position, without distinctions between operating and finance leases	Jan 1, 2019 or after
IAS (7) - Amendments	Additional disclosures enables users of financial statement to assess the required changes arising from financial operation	Jan 1, 2017 or after
IAS (12) - Amendments	Recognition to deferred tax assets for unrealized losses	Jan 1, 2017 or after

Management anticipates that the adoption of these Standards and Interpretations in current or future periods may not have material impact on the financial statements.