

MANASEER
Iron & Steel

To: Jordan Securities Commission

Amman Stock exchange

Date: 14 May 2017

Subject: Yearly report as of 31 Dec. 2016

Attached the Yearly report of united iron and steel as of 31 Dec. 2016.

Kindly accept our highly appreciation and respect.

United Iron and steel Co.

Eng. Mohammad Issa Al-Kharabsheh

Managing Director

بورصة عمان الدائرة الإدارية والمالية الديوان
١٥ أيار ٢٠١٧
الرقم التسلسلي: 3078
رقم الملف: 41220
الجهة المختصة: 2110461


الشركة المسماة بالحدود العامة والمالية
United Iron & Steel Mfg. Co.

United Iron & Steel Manufacturing Co. P.L.C

(Manaseer Group)

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**UNITED IRON AND STEEL MANUFACTURING
COMPANY
(PUBLIC SHAREHOLDING COMPANY)**

**CONSOLIDATED FINANCIAL STATEMENTS
AND CERTIFIED PUBLIC ACCOUNTANT'S
REPORT
YEAR ENDED DECEMBER 31, 2016**

UNITED IRON AND STEEL MANUFACTURING COMPANY
(PUBLIC SHAREHOLDING COMPANY)

**CONSOLIDATED FINANCIAL STATEMENTS AND INDEPENDENT CERTIFIED PUBLIC
ACCOUNTANT'S REPORT**
YEAR ENDED DECEMBER 31, 2016

INDEX	PAGE
Certified Public Accountant's Report	1 – 4
Consolidated Statement of Financial Position	5
Consolidated Statement of Comprehensive Income	6
Consolidated Statement of Owners' Equity	7
Consolidated Statement of Cash Flows	8
Notes to the Consolidated Financial Statements	9 – 23

CERTIFIED PUBLIC ACCOUNTANT'S REPORT

To the Shareholders of
United Iron And Steel Manufacturing Company

Report on auditing the Consolidated Financial Statements

We have audited the accompanying consolidated financial statements of United Iron and Steel Manufacturing Company (P.L.C.), which comprise of the consolidated statement of financial position as of December 31, 2016, and the related consolidated statements of comprehensive income, consolidated Statement of owners' equity and consolidated statement of cash flows, for the year then ended, notes to the consolidated financial statements and a summary of significant accounting policies and other explanatory information.

In our opinion, the consolidated financial statements present fairly, in all material respects, the consolidated statement of financial position of United Iron And Steel Manufacturing Company. (P.L.C.) as of December 31, 2016, and its consolidated financial performance and consolidated cash flows for the year then ended are in accordance with International Financial Reporting Standards.

Basis for Opinion

We conduct our audit in accordance with International Standards on Auditing. Our responsibilities under those standards are further described in Auditor's Responsibilities for the audit of the Financial Statements. We are independent from the Company in accordance with International Standard Board Code of Ethics for professional accountants ("the code") and we have fulfilled our other ethical responsibilities in accordance with the code.

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

Key audit matters

Key audit matters, according to our professional judgement, are matters that had the significant importance in our auditing procedures that we performed to the consolidated financial statement. The basic auditing matters have been addressed in our auditing workflow to consolidated financial statements as we do not express separate opinions.

Inventory

In accordance with International Financial Reporting Standards, the Company must ascertain that the value of inventory is reported based on the lower of cost or net realizable value and determining the impairment of inventory (if any) and ascertaining that there is no slow moving inventory which influences the net realizable value.

Property & equipment

In accordance with IFRS, the Company has to review the useful life and method of depreciation and perform a test of impairment for the value of the property and equipment in the financial position and when any events or changes in circumstances indicate that this value is not recoverable impairment losses are recognized as a result of the impairment policy. The management estimates impairment of property and equipment by using assumptions and estimates(if any), and due to its significance, it is considered an important audit risk.

Accounts receivable & checks under collections

In accordance with International Financial Reporting Standards, the Company should review the process of calculation of impairment of accounts receivable through assumptions and estimations, the company assesses the impairment of accounts receivable and considering its importance it's considered one of the significant audit risks and the impairment of accounts receivable provision has been recognized .

Followed procedures within key audit matters.

Inventory

The auditing procedures included the procedures of inspecting and ascertaining the existence of inventory that has been recorded in the company's books in the warehouses, and ascertaining that the existing inventory in the warehouses which belongs to the company has been recorded up until the date of preparation of the financial statements, and that the company asserts that the recorded inventory is recorded based on the lower of cost or net realizable value considering that the cost of finished goods and good in process are determined based on the Weighted-average, which include the cost of materials, labors, and a percentage of indirect industrial expenses, in which the raw materials and spare parts are reported based on cost which is also determined based on the Weighted-average.

Property & equipment

The audit procedures included examining the control procedures used in the verification of existence and completeness, reviewing the purchase of assets and selling them during the year and ensuring the calculation of depreciation expense, matching the inventory in terms of presence and ensuring that the property and equipment are productive and there is no decrease in the value they appear in. Management, taking into account the available external information about the risk of impairment of property and equipment, and we have also focused on the adequacy of the Company's disclosures about property and equipment.

Accounts receivable and checks under collections

The auditing procedures included control procedures used by the company for collecting accounts receivables and checks under collection, ascertaining a sample of clients accounts through direct confirmations, it has been ascertend that the account receivable impairment provision is sufficient through evaluating the management assumptions, taking in consideration the available external information about account receivable risks, also we evaluated the sufficiency of the company disclosure about the important estimation in concluding the impairment provision of accounts receivable.

Other information

The management is responsible for other information.

Which includes other information reported in the annual report, but not included in the consolidated financial statements and our audit report on it.

Our opinion does not include these other information, and we do not express any assertion over it.

Regarding our audit on consolidate financial statements we are obliged to review these other information, and while that, we consider the compatibility of these information with their consolidated financial statements or with the knowledge that we gained through audit procedure or seems to contain significant errors. If we detected based on our audit, the existence of significant errors in the information, we are obliged to report this fact. Regarding this, we have nothing to report.

Management and individuals responsible of governance about the consolidated financial statements

Management is responsible for the preparation and fair presentation of these consolidated financial statements in accordance with International Financial Reporting Standards, and for such internal control, management is determined to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the Financial Statements, the 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 the management either intend to liquidate the company or to cease operations or have no realistic alternative but to do so.

Individuals responsible of governance are responsible of supervising the preparation of consolidated financial statements.

Certified public accountant responsibility

Our objective is to obtain reasonable assurance about whether the Financial Statements are free from material misstatement, and to issue an auditor's report that includes our opinion.

Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with International Standards on Auditing 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 decision of users taken on the basis of these consolidated Financial Statements.

As part of an audit in accordance with The International Standards 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 the Management.
- Conclude on the appropriateness of the Management's use of the Going Concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated Financial Statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our Auditor's Report. However, future events or conditions may cause the Company to cease to continue as a going concern.

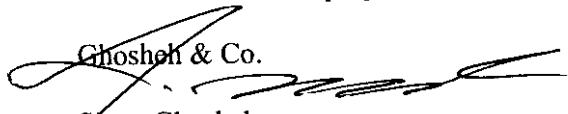
- Evaluate the overall presentation, structure and content of the consolidated Financial Statements, including the disclosures, and whether the consolidated Financial Statements represent the underlying transactions and events in a manner that achieves Fair Presentation.

We communicated with audit committee 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.

Legal requirements report

The Company maintains proper books of accounts and the accompanying consolidated financial statements and the consolidated financial statements contained in the report of the board of directors in accordance with the proper books of accounts.

Ghosheh & Co.


Sinan Ghosheh
License No.(580)

Amman-Jordan
March 5 , 2017

UNITED IRON AND STEEL MANUFACTURING COMPANY
(PUBLIC SHAREHOLDING COMPANY)

THE STATEMENT OF CONSOLIDATED FINANCIAL POSITION
AS OF DECEMBER 31, 2016
(EXPRESSED IN JORDANIAN DINARS)

	Note	2016	2015
ASSETS			
Non-current assets			
Property and equipments	4	15,937,883	16,689,628
Financial assets designated at fair value through other comprehensive income	5	18,631,263	-
Total non-current assets		34,569,146	16,689,628
Current assets			
Prepaid expenses and other receivables	6	2,625,188	1,854,498
Inventory and spare parts	7	29,837,187	20,612,489
Due from related parties	8	981,311	13,701,239
Accounts receivable and checks under collection	9	13,941,975	10,700,810
Cash and cash equivalents	10	3,476,158	2,984,903
Total current assets		50,861,819	49,853,939
TOTAL ASSETS		85,430,965	66,543,567
LIABILITIES AND OWNERS' EQUITY			
Owners' equity			
Share capital	1	32,165,176	32,165,176
Statutory reserve	11	2,256,359	2,201,750
Accumulated losses		(8,999,279)	(9,490,758)
Total owners' equity		25,422,256	24,876,168
Current liabilities			
Accrued expenses and other liabilities	13	1,800,156	1,570,095
Due to related parties	8	5,975,039	4,112,043
Accounts payable		5,519,784	2,218,393
Current portion of long term loans	12	-	225,946
Short term loans	12	6,600,000	5,000,000
Banks overdraft	14	7,482,839	9,760,985
Deferred letter of credit	15	32,630,891	18,779,937
Total current liabilities		60,008,709	41,667,399
TOTAL LIABILITIES AND OWNERS' EQUITY		85,430,965	66,543,567

The accompanying notes are an integral part of these financial statements

UNITED IRON AND STEEL MANUFACTURING COMPANY
(PUBLIC SHAREHOLDING COMPANY)

STATEMENT OF CONSOLIDATED COMPREHENSIVE INCOME
YEAR ENDED DECEMBER 31, 2016
(EXPRESSED IN JORDANIAN DINAR)

	Note	2016	2015
Sales		52,732,644	33,259,760
Cost of Sales	17	(49,562,481)	(34,825,426)
Gross Profit/(loss)		3,170,163	(1,565,666)
Selling and Marketing expenses		(241,434)	(255,972)
General and Administrative expenses	18	(1,329,039)	(1,245,749)
Financial Charges		(1,073,924)	(1,159,041)
Other Revenues and expenses		20,322	9,135
INCOME / (LOSS) FOR THE YEAR		546,088	(4,217,293)
Other Comprehensive Income :			
TOTAL COMPREHENSIVE INCOME FOR THE YEAR		546,088	(4,217,293)
Earning\ (loss) per Share:			
Earning\ (loss) per Share JD/Share		0,017	(0,13)
Weighted Average of Outstanding Shares		32,165,176	32,165,176

The accompanying notes are an integral part of these financial statements

UNITED IRON AND STEEL MANUFACTURING COMPANY
(PUBLIC SHAREHOLDING COMPANY)

STATEMENT OF CONSOLIDATED OWNERS' EQUITY
YEAR ENDED DECEMBER 31, 2016
(EXPRESSED IN JORDANIAN DINAR)

	Share capital	Statutory reserve	Accumulated losses	Total
Balance at January 1, 2015	32,165,176	2,201,750	(5,273,465)	29,093,461
Comprehensive income	-	-	(4,217,293)	(4,217,293)
December 31, 2015	32,165,176	2,201,750	(9,490,758)	24,876,168
Comprehensive income	-	-	546,088	546,088
Transfer to Statutory Reserves	-	54,609	(54,609)	-
Balance at December 31, 2016	32,165,176	2,256,359	(8,999,279)	25,422,256

The accompanying notes are an integral part of these financial statements
7

UNITED IRON AND STEEL MANUFACTURING COMPANY
(PUBLIC SHAREHOLDING COMPANY)

STATEMENT OF CONSOLIDATED CASH FLOWS
YEAR ENDED DECEMBER 31, 2016
(EXPRESSED IN JORDANIAN DINAR)

	2016	2015
Operating Activities		
Profit / (loss) Before Income Tax	546,088	(4,217,293)
Adjustments for Profit / (loss) Before Income Tax:		
Depreciation	1,211,660	1,259,126
Financial charges	1,073,924	1,159,041
Changes in operating assets and liabilities :		
Accounts receivables and checks under collection	(3,241,165)	(5,056,903)
Due from related parties	12,719,928	9,847,744
Inventory and spare parts	(9,224,698)	(13,975,150)
Prepaid expenses and other receivables	(770,690)	(303,129)
Accounts payable	3,180,850	(4,657,185)
Due to related parties	1,862,996	117,368
Accrued expenses and other liabilities	350,602	942,027
Cash available from/(used in) operating activities	7,709,495	(14,884,354)
Financial charges paid	(1,073,924)	(1,159,041)
Net cash available from/(used in) operating activities	6,635,571	(16,043,395)
Investing Activities		
Changes in property and equipments	(459,915)	(813,678)
Financial assets designated at fair value through other comprehensive income	(18,631,263)	-
Net cash used in investing activities	(19,091,178)	(813,678)
Financing Activities		
Bank overdraft and deferred letter of credit	11,572,808	19,779,205
Loans	1,374,054	(2,172,866)
Net cash available from financing activities	12,946,862	17,606,339
Net increase in cash and cash equivalents	491,255	749,266
Cash and cash equivalents, January 1	2,984,903	2,235,637
Cash and cash equivalents, December 31	3,476,158	2,984,903

The accompanying notes are an integral part of these financial statements

UNITED IRON AND STEEL MANUFACTURING COMPANY
(PUBLIC SHAREHOLDING COMPANY)

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
YEAR ENDED DECEMBER 31, 2016
(EXPRESSED IN JORDANIAN DINAR)

1. ORGANIZATION AND ACTIVITY

The United Iron and Steel Manufacturing Company is a Public Shareholding Company (the "Company") registered as Public Shareholding Companies on September 30, 2007 under No. (445) It is the direct result of converting the company's legal status from a limited liability company to a Public Shareholding Company, and it was registered in the register of Public Shareholding Companies under No. (2852) on June 27, 1992, the Company's authorized and paid up capital is JD 32,165,176 divided into 32,165,176 shares each for of JD 1.

The principal activity of the Company is to produce, manufacture all kinds of iron and steel.

The Company's headquarter is in Amman.

The consolidated financial statements as of December 31, 2016 include the financial statements of the following subsidiary company (Al-Majal Modern for Scrap Iron L.T.D) :

Subsidiary Company	Registration place	Registration years	Ownership and dates interest (%)	Principal activity
Al-Majal Modern for Scrap Iron L.T.D	Hashemite Kingdom of Jordan	2015	100%	Scrap iron trading

The Company has not performed any operational activity up until the date of these consolidated financial statements.

As of December 31, the summary of the total assets, liabilities items are as follows:

	2016	2015
Total assets	30,000	30,000
Total owners equity	30,000	30,000
Cash and cash equivalents	30,000	30,000
Capital	30,000	30,000

2. NEW AND REVISED STANDARDS AND AMENDMENTS TO IFRSs IN ISSUE BUT NOT YET EFFECTIVE:-

The following new standards and amendments to the standards have been issued but are not yet effective and the Company intends to adopt these standards, where applicable, when they become effective.

<u>New Standards</u>	<u>Effective Date</u>
(IFRS) No.9 – Financial Instruments	January 1,2018
(IFRS) No.15 – Revenue from Contract with Customers	January 1,2018
(IFRS) No.16 – Leases	January 1,2019

Board of directors of the company is expecting that the application of these standards and interpretations will not have a substantial impact on the Company's financial statements.

**UNITED IRON AND STEEL MANUFACTURING COMPANY
(PUBLIC SHAREHOLDING COMPANY)**

**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (continued)
YEAR ENDED DECEMBER 31, 2016
(EXPRESSED IN JORDANIAN DINAR)**

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The preparation of financial statements

The accompanying consolidated financial statements have been prepared in accordance with the International Financial Reporting Standards .

The Basics of preparation

These consolidated financial statements , were presented in Jordanian Dinar as the majority of transactions recorded in Jordanian Dinar.

The consolidated financial statements have been prepared on the historical cost basis , However financial assets and financial liabilities are stated at fair value. The following is a summary of significant accounting policies applied by the company as follows :

Sales

Sales are realized when the goods are delivered and the invoice is issued, and they are shown net of trade discount or quantity discount.

Expenses

Selling and marketing expenses are mainly comprised of costs incurred from the distribution and sale of the Company's products. All other expenses are classified as general and administrative expenses.

General and administrative expenses include both direct and indirect costs not specifically part of production costs as required under generally accepted accounting principles. Allocations between general and administrative expenses and cost of sales are made on a consistent basis when required.

Cash and cash equivalents

Cash and cash equivalent include cash, demand deposits, and highly liquid investments with original maturities of three months or less.

Accounts Receivables

Accounts receivable are stated at original invoice amount less a provision for any uncollectable amounts. An estimate for impairment of account receivable is made when there is a subjective evidence that the collection of the full amount is no longer probable..

Accounts Payable and Accrued Liabilities

Accounts payable are stated at the obligation amounts for received services and goods, whether billed by the suppliers or not.

Projects Under Constructions

Projects under constructions are shown at cost and any borrowings costs including loans used for financing these projects must be capitalized.

Inventory

Inventories are valued at cost or net realizable value, whichever is lower, which includes the cost of purchase, costs of conversion and other costs expended in order to bring it to warehouses, and cost is determined on the basis of the weighted average method.

UNITED IRON AND STEEL MANUFACTURING COMPANY
(PUBLIC SHAREHOLDING COMPANY)

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (continued)
YEAR ENDED DECEMBER 31, 2016
(EXPRESSED IN JORDANIAN DINAR)

Impairment in the Value of Financial Assets

On the date of each financial position, values of the financial assets have been reviewed, to determine if there is any indication of decline in its values.

As for financial assets such as trade receivables and assets assessed individually as not impaired, are assessed for impairment on a collective basis, the objective evidence of the decline in the value of a portfolio of receivables could include the previous experience of the company with respect to the collection of payments, and an increase in the number of late payments which exceeds the average loan period and may also include observed changes in local and global economic conditions that are correlated with defaults on accounts payable.

The carrying amount of the financial asset is reduced by the amount of the impairment loss directly for all financial assets with the exception of trade receivables, where the carrying amount is reduced through the use of a provision accounts. When a receivable is uncollectible, the amount of the provision and the corresponding amount are written off in the provisions account.

The changes in the carrying amount for the provisions account recognized in profit and loss account.

For available-for-sale equity instruments, previously recognized impairment losses are not reversed through the statement of comprehensive income. Any increase in fair value after impairment loss is recognized directly in the statement of equity.

Derecognition

The Company cancels the derecognizing the financial assets only when the contractual rights about the receipt of cash flows from the financial assets had ended, and substantially all the risks and benefits of the ownership that belong to another firm. In the case of the Company doesn't transfer or retain substantially the risks and benefits of the ownership and continues its control of the transferred assets, the Company in this case recognizes its share retained in the transferred assets and the related liabilities in the limits of the amounts expected to be paid. In the other case, when the Company retained substantially all risks and benefits of the ownership of the transferred assets, the Company will continue to recognize the financial assets.

Property and Equipments

Property and equipment are stated at cost less accumulated depreciation and any impairment in value. Depreciation is calculated on a straight-line basis except power plant and equipment and machinery (melting furnace) depreciation is calculated on production capacity basis, the depreciation percentage for the assets as follows:

	<u>Annual depreciation rate</u>
Buildings and constructions	4%-10%
Equipments and machinery	10%
Power plant	4%-10%
Electrical transfer station	4%-15%
Electrical interconnection station	10%
Vehicles	15%
Furniture and office equipments	10%-20%
Tools	10%-20%

UNITED IRON AND STEEL MANUFACTURING COMPANY
(PUBLIC SHAREHOLDING COMPANY)

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (continued)
YEAR ENDED DECEMBER 31, 2016
(EXPRESSED IN JORDANIAN DINAR)

Useful lives and the depreciation method are reviewed periodically to make sure that the method and depreciation period appropriate with the expected economic benefits of property and equipment. Impairment test is performed to the value of the property and equipment that appears in the Statement of Financial Position when any events or changes in circumstances shows that this value is non-recoverable.

In case of any indication to the low value, Impairment losses are calculated according to the policy of the low value of the assets

At any subsequent exclusion of property and equipment, the value of gains or losses resulting recognized, Which represents the difference between the net proceeds of exclusion and the value of the property and equipment that appears in the Statement of Financial Position, Gross Profit and loss.

Impairment in the Value of Non-Current Assets

On the date of each consolidated statement of financial position the company review the listed values for it's assets to specify if there is an indication to be decline losses of the value. if there is indication to that, the recovery value of the asset will be estimated to determine the loss of decline in the value if it be. In case , Inability to estimate the recovery value of specific asset. The Company estimate the recovery value for cash producing unit that related in the same asset .when there is ability to determine basis of distribution that is fixed and reasonable , the joint assets distribute to units producing of cash that related in the same asset . the joint assets distribute to specific cash producing unit or it distribute to specific cash producing unit or it distribute to smallest group from cash producing unit that it is able to determine basic fixed and resonable distribution for it.

The Recovery value is the fair value of asset minus the cost of sale or used value whichever is higher. In case, the recovery value (or the cash producing unit) estimated to be lower than the carrying value , the carryig value for asset (or cash producing unit) is reduced to the recovery value. Losses of the decline recognized directly in the consolidated statement of comprehensive income except if the asset that is re-evaluted then it is recorded as losses of the decline as reduction from re-evaluation provision.

In case, Recovery losses for decline of the value, Increase the listed value of asset (or unit producing of cash) to the fair value of recovery as not to increase the adjusted listed value of asset (or unit producing of cash) as if it had not been calculating the losses of the value decline in the previous years. Record recovery of losses in value decline directly either in the profit or the loss except the asset had been recording in the re-evaluation value. In this case, record recovery of losses in value decline as increase in the re-evaluation provision.

Leasing

Leases are classified as capital lease whenever the terms of the lease transfer substantially all of the risks and rewards of ownership to the lessee. All other leases are classified as operating leases.

Assets held under capital leases are recognized as an asset of the Company at the present value of the minimum lease payments or the fair market value of the asset at the date of the inception of the lease, whichever is less.

The Finance costs, which represent the difference between total obligations leases and the present value of minimum lease payments or the fair market value of the asset at the date of inception lease, whichever is less, are recorded to the income statement during the period of the lease and to reach a fixed rate for the residual amounts of obligations for each accounting period.

The accrued leases under operating leases are recorded on income statement during the period of the operating lease by using the straight- line method.

**UNITED IRON AND STEEL MANUFACTURING COMPANY
(PUBLIC SHAREHOLDING COMPANY)**

**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (continued)
YEAR ENDED DECEMBER 31, 2016
(EXPRESSED IN JORDANIAN DINAR)**

Provisions

Provisions are recognised when the Company has a present obligation (legal or constructive) as a result of a past event, it is probable that the Company will be required to settle the obligation, and reliable estimate can be made regarding the amount of the obligation.

The amount recognised as provision is the best estimate of the consideration required to settle the present obligation at the end of the reporting period, taking into account the risks and uncertainties surrounding the obligation. When a provision is measured using the cash flow estimated to settle the present obligation.

When some or all of the economic benefits required to settle a provision are expected to be recovered from a third party, a receivable is recognised an asset if it is virtually certain that reimbursement will be received and the amount of the receivable can be measured reliably.

Use of estimates

The preparation of the financial statements and the application of accounting policies require management to make estimates and judgments that affect the amounts of financial assets and liabilities and disclose potential liabilities. These estimates and judgments also affect income, expenses and provisions, as well as changes in fair value that appear in the statement of income. the company management issue significant judgments and provisions to estimate the amounts of future cash flows and times, the estimates are necessarily based on assumptions and factors with varying degrees of judgment and uncertainty and actual results D differ from estimates due to the changes resulting from the conditions and circumstances of those estimates in the future.

We believe that our estimates in the financial statements are reasonable and detailed as follows:

Provision for impairment of receivables where impairment provision review within the foundations established by the management and International Financial Reporting Standards and are allocated according to the foundations of the most stringent calculation.

- The management estimated useful lives of the adoption of the tangible assets periodically for the purposes of calculating depreciation provision for these assets and estimates of the expected useful lives in the future, and is taken impairment loss (if any) in the statement of comprehensive income.

Segment report

The business sector represents a collection of assets and operation engaged together in providing product or services subjected to risks and returns that are different from those of other business sectors, which are measured according to the reports that are used by the executive director and the main decision – makers in the Company.

Geographical segment is associated in providing products in partieular economic environment subject to risks and returns that are differred from those for sectors to work in economic environment.

UNITED IRON AND STEEL MANUFACTURING COMPANY
(PUBLIC SHAREHOLDING COMPANY)

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (continued)
YEAR ENDED DECEMBER 31, 2016
(EXPRESSED IN JORDANIAN DINAR)

Offsetting

Financial assets and financial liabilities are offset, and the net amount is reflected in the consolidated statement of financial position only when there are legal rights to offset the recognized amounts, and when intends to settle them on a net basis, or assets are realized and liabilities settled simultaneously.

Income tax

The Company is subject to the Income Tax Law for the year and its subsequent amendments and the regulations issued by the Income Tax Department in the Hashemite Kingdom of Jordan and provided on accrual basis, Income Tax is computed based on adjusted net income. According to International Accounting Standard number (12), the company may have deferred taxable assets resulting from the differences between the accounting value and tax value of the assets and liabilities related to the provisions, these assets are not shown in the financial statements since it's immaterial.

Foreign currency translation

Foreign currency transaction are translated into Jordanian Dinars at the rates of exchange prevailing at the time of the transactions. Monetary assets and liabilities denominated in foreign currencies at the consolidated financial position are translated at the exchange rates prevailing at that date. Gains and losses from settlement and translation of foreign currency transactions are be included in the comprehensive income statement

4 – PROPERTY & EQUIPMENT

	January 1	Additions	Disposals	December 31
Cost:				
Lands*	932,020	299,320	-	1,231,340
Buildings and constructions	13,333,064	39,529	-	13,372,593
Equipments and machinery **	12,846,739	30,930	-	12,877,669
Power plant	6,744,467	-	-	6,744,467
Electrical transfer station	558,710	-	-	558,710
Electrical interconnection station **	5,005,374	-	-	5,005,374
Vehicles	1,030,073	62,221	-	1,092,294
Furniture and office equipments	609,729	27,915	-	637,644
Tools	628,374	-	-	628,374
Total cost	41,688,550	459,915	-	42,148,465
Depreciation:				
Buildings and constructions	6,495,620	398,128	-	6,893,748
Equipments and machinery	8,790,327	378,602	-	9,168,929
Power plant	4,773,449	134,890	-	4,908,339
Electrical transfer station	526,172	3,206	-	529,378
Electrical interconnection station	2,715,430	157,056	-	2,872,486
Vehicles	708,220	88,792	-	797,012
Furniture and office equipments	488,888	29,232	-	518,120
Tools	500,816	21,754	-	522,570
Total depreciation	24,998,922	1,211,660	-	26,210,582
Net book value January 1	16,689,628			
Net book value December 31				15,937,883

* There is a land of the factory lands mortgaged to the Arab Bank for granted facilities from it.

UNITED IRON AND STEEL MANUFACTURING COMPANY
(PUBLIC SHAREHOLDING COMPANY)

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (continued)
YEAR ENDED DECEMBER 31, 2016
(EXPRESSED IN JORDANIAN DINAR)

This item represents the value of land purchased in Aqaba Special Economic Zone Basin No. (139) Union (31) of the laboratories and warehouses area in Aqaba.

** Equipments and machinery and electrical interconnection station are mortgaged for Dubai Islamic Bank at 5 million Jordanian Dinar.

5. FINANCIAL ASSETS DESIGNATED AT FAIR VALUE THROUGH OTHER COMPREHENSIVE INCOME

On February 7, 2017 (subsequent period), the Company collected the outstanding amounts of JD 18,631,263 from Al Manaseer Group Industrial Trade Investments, which has waived the investments in favor of the United Iron and Steel Manufacturing Company, as follows:

	Number of Shares	Cost
Afaq for realstate invstment and development	5,603,300	8,996,658
Afaq for energy	3,898,870	8,998,787
Enjaz for Development and Multi Projects	480,000	635,818
Total		<u>18,631,263</u>

6. PREPAID EXPENSES AND OTHER RECEIVABLES

	2016	2015
Prepaid expenses	102,881	99,243
Letter of credit	197,277	379,018
Refundable deposits	661,690	658,490
Sales tax deposits	-	507,647
Due from employees	96,859	118,523
Income tax deposits	114,100	91,577
Other receivables	1,452,381	-
	<u>2,625,188</u>	<u>1,854,498</u>

7. INVENTORY AND SPARE PARTS

	2016	2015
Raw material – Scrap	1,247,897	566,898
Raw material – Billets	16,051,039	8,589,196
Added material	1,600,756	844,531
Finished goods	9,013,648	8,843,401
Cut & bend warehouse	239,067	90,347
Spare parts	1,540,867	1,561,800
Fuel oil	143,913	116,316
	<u>29,837,187</u>	<u>20,612,489</u>

UNITED IRON AND STEEL MANUFACTURING COMPANY
(PUBLIC SHAREHOLDING COMPANY)

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (continued)
YEAR ENDED DECEMBER 31, 2016
(EXPRESSED IN JORDANIAN DINAR)

8. RELATED PARTY TRANSACTIONS

During the year, the Company made the executed transactions with the related parties :-

NAME	RELATIONSHIP
Jordan Modern Steel Scrap Co.	Sister
Jordan Modern Oil and Fuel Services Co.	Sister
Jordan Modern Readymix concrete Co.	Sister
Al- Manaseer Crusher Co.	Sister
Jordan Modern High Technology Co.	Sister
Developed Crushers Co.	Sister
Arab tower contractors Co.	Sister
Al-Bunyan for Cement and Concrete Products Manufacturing Co.	Sister
Al-Manaseer Group for Trading and Manufacturing Investment Co	Sister
Jana for Dates Co.	Sister
Manaseer for Trade ServicesCo	Sister
Jordan Modern International Trade CO.	Sister
Jordan Modern Food Industries Co.	Sister
Modern Cement and Mining Co	Sister
AL-Adyat Al Sareeah for Equipment TradeCo	Sister
Rome for Shipping agents Co	Sister
Advanced Transportation and Shipping ServicesCo	Sister
Jordan Modern for Cargo Clearance Co	Sister
Vision For Maintenance And Spare Parts Co	Sister
Ziad Al-Manaseer Association Co	Sister
The mediterranean and Gulf Insuracce Co	Sister
Modern for Mining Co.	Sister
Eng. Ziad AL-Manaseer	Shareholder
Mr.Alexi Latchekov	Shareholder
Mr. Yasser AL-Manaseer	Shareholder

The significant transaction and the amounts related to as the following:

	2016	2015
Scrap raw material, oil and fuel purchases	7,622,802	4,111,389
Rebar sales	5,330,769	4,756,823

Due from related parties at December 31 conations as the following:

	2016	2015
Ziad Al-Manaseer Association Co	3,983	-
Eng. Ziad AL-Manaseer	275,923	-
Al-Manaseer Group for Trading and Manufacturing Investment Co	-	13,636,749
Jordan Modern Ready mix concrete Co.	-	39
Developed Crushers Co.	161,873	-
Jordan Modern Steel Scrap Co.	273,433	-
Jordan Modern Food Industries Co.	22,838	-
Jordan Modern for Mining Co.	215,976	64,451
Modern Cement and Mining Co	25,150	-
AL-Adyat Al Sareeah for Equipment Trade Co	2,135	-
	981,311	13,701,239

UNITED IRON AND STEEL MANUFACTURING COMPANY
(PUBLIC SHAREHOLDING COMPANY)

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (continued)
YEAR ENDED DECEMBER 31, 2016
(EXPRESSED IN JORDANIAN DINAR)

Due to related parties at December 31 contains the following:

	<u>2016</u>	<u>2015</u>
Jordan Modern Steel Scrap Co.	-	836,734
Jordan Modern Oil and Fuel Services Co.	3,024,235	1,643,927
Jordan Modern International Trade CO.	1,368	147,822
Jordan Modern Food Industries Co.	-	16,365
Al-Bunyan for Cement and Concrete Products Manufacturing Co.	22,527	11,346
Jordan Modern High Technology Co.	8,926	9,342
Modern Cement and Mining Co	-	45,856
Manaseer for Trade Services Co	78,005	38,356
Al-Manaseer Group for Trading and Manufacturing Investment	1,023,735	-
Jana for Dates Co.	800	-
Eng. Ziad AL-Manaseer	-	178,032
AL-Adyat Al Sareeah for Equipment Trade Co	-	2,029
Developed Crushers Co.	-	33,104
Rome for Shipping agents Co	-	108,122
Advanced Transportation and Shipping Services Co	1,081,054	333,027
Mr. Alexi Latcheko	495,023	495,023
Jordan Modern Ready mix concrete Co.	4,120	-
Jordan Modern for Cargo Clearance Co	105,549	-
Vision For Maintenance And Spare Parts Co	5,019	116
The mediterranean and Gulf Insurance Co	124,678	211,442
Mr. Yasser AL-Manaseer	-	1,400
	<u>5,975,039</u>	<u>4,112,043</u>

During the year, the Company recorded the following remunerations and salaries for the board of directors and the general managers :

	<u>2016</u>	<u>2015</u>
General manager salaries	65,000	65,000
The Financial manager salaries	38,016	28,600

9. ACCOUNTS RECEIVABLE AND CHECKS UNDER COLLECTION

	<u>2016</u>	<u>2015</u>
Trade receivables	9,521,949	6,698,125
Checks under collection	5,404,886	4,987,545
Account receivables impairment provision	(984,860)	(984,860)
	<u>13,941,975</u>	<u>10,700,810</u>

The amount of checks under collection from related parties as of December 31, 2016 is as follows:

	<u>2016</u>	<u>2015</u>
Al-Manaseer Group for Trading and Manufacturing Investment	4,398,450	4,598,450
	<u>4,398,450</u>	<u>4,598,450</u>

UNITED IRON AND STEEL MANUFACTURING COMPANY
(PUBLIC SHAREHOLDING COMPANY)

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (continued)
YEAR ENDED DECEMBER 31, 2016
(EXPRESSED IN JORDANIAN DINAR)

10. CASH AND CASH EQUIVALENT

The cash and cash equivalent include cash and demand deposits which can be liquidated in three months or less.

	2016	2015
Cheques and cash on hands	3,399,118	2,883,593
Cash at banks	77,040	101,310
	<u>3,476,158</u>	<u>2,984,903</u>

11. Statutory reserve

In accordance with the Companies Law in the Hashemite Kingdom of Jordan and the Company's Article of Association, the Company has established a statutory reserve by the appropriation of 10% of net income until the reserve equals 25% of the capital. However, the company may, with the approval of the General Assembly, continue this deduction until this reserve is equal to the subscribed capital of the Company in full. This reserve is not available for dividend distribution.

12. LOANS

A- Long -term loans

Islamic Dubai Bank

The company obtained a loan of JD 5 million and an interest rate of 8.5% and by 24 installments and a grace period up to 6 months from March 24, 2013 to start paying, with guarantee of the mortgage machinery and equipment worth JD 5 million in addition to the personal and guaranteed by Mr. Ziad Khalaf Mohammed AL-Manaseer.

The loan balance at December 31 :

	2016	2015
Islamic Dubai Bank	-	225,946
Less: Current portion of the long term loan	-	225,946
Long- term loan	-	-

B- Short-term loans

Loan Arab Banking Corporation (Short-Term)

The company obtained a revolving loan from Arab Banking Corporation (ABC) to finance the LCs and foreign and local purchases. The loan consists of a revolving loan of JD 1,000,000 and foreign and local purchases of JD 1,500,000 at an interest rate of 7% with the guarantee of Eng. Ziad Khalaf Al Manaseer (CEO). The company also obtained an Industrial Loan of JD 5,000,000 with an interest rate of 5.75%, under the guarantee of Eng. Ziad Khalaf Al Manaseer (CEO), to finance the LCs and foreign and local purchases.

Al-Ahli Bank

The company obtained a loan from Al-Ahli Bank amounting to JD 3,600,000 at an interest rate of 7.25% which is paid through 3 installments, with the guarantee of Eng. Ziad Khalaf Al Manaseer.

UNITED IRON AND STEEL MANUFACTURING COMPANY
(PUBLIC SHAREHOLDING COMPANY)

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (continued)
YEAR ENDED DECEMBER 31, 2016
(EXPRESSED IN JORDANIAN DINAR)

The loan balance at December 31 :

	2016	2015
Arab Banking Corporation (ABC)	5,000,000	5,000,000
Al-Ahli Bank	1,600,000	-
	<u>6,600,000</u>	<u>5,000,000</u>

13. ACCRUED EXPENSES AND OTHER LIABILITIES

	2016	2015
Due to Employees	13,404	6,045
Accrued expenses	1,028,416	1,536,100
Due to social security	31,895	27,517
Due to Sales Tax	726,008	-
Technical , vocational employment training and education fund	433	433
	<u>1,800,156</u>	<u>1,570,095</u>

14. BANKS OVERDRAFT

Arab Bank:-

This item represents the amount of facilities granted from the Arab Bank guaranteed by Eng. Zaid Khalaf Mohammed Al-Manaseer, composed on current debt account in Jordanian Dinar, and ceiling of JD 3,000,000 and an interest rate of 8,75% with on current debt account in Jordanian Dinar.

Housing Bank

The company obtained bank facilities in the form of overdraft and amounting to JD 3,000,000 with interest rate of 8% , the size of the facilities has increased to become JD 5,000,000 with interest rate of 8,65% with the guarantee of Eng. Ziad Khalaf Mohammed Al-Manaseer.

Arab Banking Corporation

The company obtained a bank facilities in the form of overdraft amounting to JD 500,000 at 7,85% interest rate and without commission with the guarantee of Eng. Ziad Khalaf Mohammed Al-Manaseer.

15. DEFERRED LETTER OF CREDIT

The company obtained guaranteed withdrawals from number of local banks as follows:-
Details of Facilities as of December 31 is as follows:

	2016	2015
Al-Etihad Bank	8,862,854	-
Arab Banking Corporation	-	5,135,797
Jordan Kuwait Bank	8,748,060	8,369,906
Jordan Bank	15,019,977	5,274,234
	<u>32,630,891</u>	<u>18,779,937</u>

16. INCOME TAX

The income tax transaction is as follows:

	2016	2015
January 1	-	44,349
Payments during the year	-	(44,349)
Provision for the year	-	-
December 31	<u>-</u>	<u>-</u>

UNITED IRON AND STEEL MANUFACTURING COMPANY
(PUBLIC SHAREHOLDING COMPANY)

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (continued)
YEAR ENDED DECEMBER 31, 2016
(EXPRESSED IN JORDANIAN DINAR)

The company's income tax with the Income and Sales Tax Department settled until the end of 2014. The financial statements have been audited by the Income and Sales Tax Department in 2011 and an objection was made to the tax auditor and the commission objection, and the issue is currently held on tax court. As of 2015, the tax declaration has been submitted and the financial statements have not been audited by the Income and Sales Tax Department until the date of preparation of the financial statements.

17. COST OF SALES

	2016	2015
Direct material used in goods sold	36,198,021	23,752,752
Salaries, wages and other benefits	1,958,555	1,825,543
Manufacturing expenses :		
Depreciation	1,211,660	1,259,126
Employees safety	27,685	21,462
Fuel	1,844,594	1,737,289
Spare parts and maintenance	1,251,352	866,764
Rental machines	225,724	164,300
Water and electricity	4,465,007	4,671,784
Employees food and hospitality	101,765	61,499
Vehicles expenses	99,593	65,030
Manufacturing wages expenses	1,693,864	59,896
Insurance expenses	36,179	29,671
Additional tax	69,414	45,311
Medical insurance	81,891	95,403
Transportation and travel	32,894	38,307
Linking and modifying	82,239	67,542
Cargo and shipment	141,465	48,420
Others	40,579	15,327
	<u>49,562,481</u>	<u>34,825,426</u>

18. GENERAL AND ADMINISTRATIVE EXPENSES

	2016	2015
Salaries, wages and related other benefits	843,970	756,474
Advertising	29,800	7,227
Donations	42,527	38,209
Water, electricity and fuel	71,751	74,377
Governmental fees and subscriptions	40,950	51,015
Telephone and post	31,937	29,220
Fines	10,041	53,412
Employees Food	19,043	12,038
Professional fees, consulting and research	70,186	25,477
Rents	24,640	24,640
Travel and transportations	9,769	15,724
Stationary and printings	27,370	27,458
Hospitality	13,764	8,291
Vehicles expenses	17,223	28,593
Maintenance	30,902	37,296
Others	45,166	56,298
	<u>1,329,039</u>	<u>1,245,749</u>

UNITED IRON AND STEEL MANUFACTURING COMPANY
(PUBLIC SHAREHOLDING COMPANY)

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (continued)
YEAR ENDED DECEMBER 31, 2016
(EXPRESSED IN JORDANIAN DINAR)

19. FINANCIAL INSTRUMENTS

Management of share capital risks

The Company manages its capital to make sure that the Company will continue when it is take the highest return by the best limit for debts and shareholders equity balances. The Company's strategy doesn't change from 2015.

Structuring of Company's capital includes debts, which includes the disclosed borrowings in note No.12, and 14 and 15, and the shareholders equity in the Company which includes share capital, reserves, and retained earnings as it listed in the changes in owners' equity statement.

Debt-to-equity ratio

The board of directors is reviewing the share capital structure periodically. As a part of this reviewing, the board of directors consider the cost of share capital and the risks that is related in each faction from capital and debt factions. The Company's capital structure includes debts from the borrowing. The Company doesn't determine the highest limit of the typical debt rate and it doesn't expect increase in the Debt-to-equity ratio by issuing a new debt during 2013.

	<u>2016</u>	<u>2015</u>
Debts	46,713,730	33,766,868
Shareholders equity	25,422,256	24,876,168
Debt/ shareholders equity rate	%1,84	%1,36

This increase in the debt rates is due to the Company re-newed the facilities loan.

The management of the financial risks

Market risks

The Company's activities might be exposed mainly to the followed market risks:

Management of the foreign currencies risks

The company maybe exposed to significant risks related with the foreign currencies changing, especially with regard to the procurement of iron albelt by (EUR) where the effective mangement for this exposed.

Management of the interest price risks

Risk related to interest rate result mainly from borrowing money at varying interest rates and short term deposits at fixed interest rates.

Sensitivity of the statement of comprehensive income is the impact of the assumed changes possible prices of interest on the profit of the Company for one year and it is calculated based on the financial liabilities which carry variable interest rates at the end of the year.

UNITED IRON AND STEEL MANUFACTURING COMPANY
(PUBLIC SHAREHOLDING COMPANY)

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (continued)
YEAR ENDED DECEMBER 31, 2016
(EXPRESSED IN JORDANIAN DINAR)

The following table shows sensitivity of the statement of comprehensive income for possible changes and reasonable interest rates as of December 31 with all other effective variables constant:

<u>Currency</u>	<u>Interest rate increase</u>	<u>The impact on profit for the year</u>	
		<u>2016</u>	<u>2015</u>
JOD	Percentage points 25	-116,874	- 84,417
<u>Currency</u>	<u>Interest rate decrease</u>	<u>The impact on profit for the year</u>	
		<u>2016</u>	<u>2015</u>
JOD	Percentage points 25	+116,784	+ 84,417

Credit risk management

The credit risks represent in one part of the financial instruments contracts has not obligated to pay the contractual obligations and cause of that the Company is exposing financial losses, However, there are no any contracts with any other parts so the Company doesn't expose to different types of the credit risks, The significant credit exposed for any parts or group of parts that have a similar specification have been disclosed in note No.8. The Company classified the parts which have similar specifications as a related parties. Except the amounts which are related in the cash money. The credit risks that are resulting from the cash money are specific because the parts that are dealing with it are local banks have good reputations and have been controlled from control parties.

The amounts had listed in the financial statements data represents the highest credit risk expose to the trade accounts receivable and to the cash and cash equivalent.

Management of liquidity risks

Board of directors is responsible for management of liquidity risks to manage the cash requirements, short, medium and long term liquidity. The Company managed the liquidity risks through controlling the future cash flow that evaluated permanently and correspond the due dates of assets and liabilities.

The following table represents the contractual eligibilities to non-derivative financial liabilities.

The table has prepared on the non-deducted cash flows to the financial liabilities basis according to the early due dates that may required from the Company to pay or receive.

UNITED IRON AND STEEL MANUFACTURING COMPANY
(PUBLIC SHAREHOLDING COMPANY)

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (continued)
YEAR ENDED DECEMBER 31, 2016
(EXPRESSED IN JORDANIAN DINAR)

The table below contains cash flows for major amounts and interests.

2016	<u>Interest rate</u>	<u>Year or less</u>	<u>More than year</u>	<u>Total</u>
Instruments without interest		13,294,979	-	13,294,979
Instruments with interest	7,50% - 8,75%	46,713,730	-	46,713,730
Total		60,008,709	-	60,008,709
2015				
Instruments without interest		7,900,531	-	7,900,531
Instruments with interest	8% - 8,75%	33,766,868	-	33,766,868
Total		41,667,399	-	41,667,399

20.SEGMENT INFORMATION

The Company operates in the main work sector which contains manufacturing and producing all kinds of iron and steel. The Company work in one geographic sector is the Hashemit Jordanian kingdom.

21.APPROVAL OF CONSOLIDATED FINANCIAL STATEMENTS

The financial statements were approved by the Board of Directors and authorized for issuance on March 5, 2017, and these financial statements require the approval of the General Assembly for shareholders.

22.COMPARATIVE FIGURES

Certain figures for 2015 have been reclassified to conform the presentation in the current year.