

الشركة الوطنية لصناعة الصلب م.ع.م
NATIONAL STEEL INDUSTRY CO. LTD.



التاريخ: 2018/3/28

أشارتنا: م/6/ ٨٤ - ٢٠١٨

السادة هيئة الأوراق المالية
السادة بورصة عمان

الموضوع: البيانات المالية السنوية المدققة للسنة المنتهية في 2017/12/31

نرفق طيه نسخة من البيانات المالية المدققة للشركة الوطنية لصناعة الصلب م.ع.م عن السنة المالية المنتهية في 2017/12/31 والتقرير السنوي الثامن والثلاثون لمجلس الإدارة .

وتفضلوا بقبول فائق الاحترام

المدير العام
ص.ب. ٢٠٥٩
الشركة الوطنية لصناعة الصلب
(مساهمة عامة محدودة)

بورصة عمان
الدائرة الإدارية والمالية
الديوان
٢٩ آذار ٢٠١٨
١٦٩٦
الرقم المتسلسل:
٤١٥١١
رقم الملف:
٢٠١٨/٦/١
الجهة المختصة:



Ref: m/71 86-2018

ملف ٥٨٨٤
National Steel Industry
Co.Ltd.

National Steel Industry

Public Shareholding Company
Amman – The Hashemite Kingdom of Jordan

Financial Statements and Independent Auditor's Report
for the year ended December 31, 2017

**National Steel Industry
Public Shareholding Company**

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Independent Auditors Report

To Shareholders
National Steel Industry Public Shareholding Company
Amman - The Hashemite Kingdom of Jordan

Report on the Audit of the financial Statements

Opinion

We have audited the financial statements of National Steel Industry Company (Public Shareholding Company), which comprise the statement of financial position as at December 31, 2017, and the consolidated statement of comprehensive income, statement of changes in equity and statement of cash flows for the year then ended, and notes to financial statements, including summary of significant accounting policies.

In our opinion, the accompanying financial statements present fairly, in all material aspects, the financial position of the Company as at December 31, 2017, and of its financial performance and its 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 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 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 consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Impairment of receivables	The audit procedures included:
Impairment of receivables activities to customers is a highly subjective area due to the level of judgment applied by the management in determining the extent of credit losses which is dependent on the credit risk related to such receivables. The judgments applied by management in determining the level of impairment for receivables include the identification of events that could possibly result in impairment, an appropriate valuation of the related collateral, the assessment of customers that are likely to default, and the future cash flows relating to receivables.	Our audit procedures included the assessment of controls over the granting, booking and monitoring processes of receivables, and impairment provisioning process, including consideration of requirements, to validate the operating effectiveness of the key controls in place, which identify the impaired receivables and the required provisions against them. As part of the control testing procedures, we assessed whether the key controls in the above processes were designed, implemented and operated effectively. We also assessed whether the consolidated financial statement disclosures appropriately reflect the requirements of IFRS (Note 11).
Evaluation of Unquoted Investments in Regulated Markets	The audit procedures included:
The management has estimated the impairment in value of the shares through the expected assumptions and, given their importance, is considered an important risk and a provision for impairment has been recognized against that impairment.	The followed audit procedures include understanding the internal procedures to determine the fair value of financial assets not quoted in financial markets, testing their effectiveness, assessing the reasonableness of the assumptions and estimates adopted by management for determining the fair value of unquoted financial assets. Moreover, these estimates have been compared with the requirements of International Financial Reporting Standards in light of the available information.

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 consolidated financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the consolidated financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the 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.

Responsibility of Management and Those Charged with Governance for the Financial Statements

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

In preparing the 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.

Auditor's Responsibility for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with 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 aggregate, they could reasonably be expected to influence the economic decision of users taken on this basis of these financial statements.

As part of an audit in accordance with 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 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 one resulting from error, as fraud may involve collusion, forgery, intentional omission, 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 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 auditors' report to the related disclosures in the 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 the content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- 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 the internal control that we identify during our audit.

AUDIT BUREAU
Ibrahim Yassin & Co.

Public Accountants & Management Consultants

دار التدقيق

شركة ابراهيم ياسين وشركاه
محاسبون قانونيون ومستشارون إداريون

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 financial statements by the general assembly.

Audit Bureau

Ibrahim Salim Yassin
(License # 255)

Amman - February 25, 2018

**National Steel Industry
Public Shareholding Company
Statement of Financial Position as at December 31, 2017**

ASSETS		31 DEC 2017	31 DEC 2016
Non Current Assets		JD	JD
Property, Plant and Equipment	6	5,661,350	5,340,226
Work Under Progress	7	51,433	-
Financial Assets at Fair Value	8	266,651	283,651
Deferred Tax Assets	9	356,544	443,890
Subsidiaries under liquidation		-	1
Non Current Assets Total		6,335,978	6,067,768
Current Assets			
Inventory	10	3,104,500	4,888,736
Trade Receivables	11	149,710	122,413
Other Debt Balances	12	748,716	297,349
Cash on Hand and at Banks	13	142,992	105,275
Current Assets Total		4,145,918	5,413,773
ASSETS TOTAL		10,481,896	11,481,541
EQUITY AND LIABILITIES		JD	JD
Equity			
Capital	14	2,941,768	2,941,768
Issuance Premium	14	(92,459)	(123,278)
Statutory Reserve	15	709,888	647,361
Retained Earnings (Losses)		587,254	112,051
Change in Fair Value in Financial As-			
sets	8	(17,000)	-
Net Equity		4,129,451	3,577,902
Liabilities			
Non Current Liabilities			
Long Term Loan	16	850,802	877,901
Current Liabilities			
Due to Related Parties	20	3,091,600	3,509,586
Trade Payables		300,590	293,157
Other Credit balances	17	1,825,854	2,682,896
Non realized Revenue	16	-	256,498
Loans – Current portion	16	283,599	283,601
Current Liabilities Total		5,501,643	7,025,738
Total Liabilities		6,352,445	7,903,639
TOTAL EQUITY AND LIABILITIES		10,481,896	11,481,541

- Notes from number 1 to 25 forms an integral part of these financial statements-

**National Steel Industry
Public Shareholding Company
Statement of Comprehensive Income for the year ended December 31, 2017**

	<u>Notes</u>	<u>2017</u>	<u>2016</u>
		JD	JD
Net Sales		23,105,443	12,498,101
Cost of Sales	21	<u>(22,001,288)</u>	<u>(11,161,969)</u>
Gross Profit		1,104,155	1,336,132
Administrative Expenses	18	(435,486)	(404,357)
Depreciation		(8,500)	(25,245)
Reserve for Doubtful Debts	11	(12,000)	-
Amortization of Issuance Premium		(30,819)	(30,819)
Other Revenue		7,918	11,099
Profit (Loss) before tax		<u>625,268</u>	<u>886,810</u>
Income Tax Expense	9	<u>(87,538)</u>	<u>(124,153)</u>
Profit (Loss) after tax		<u>537,730</u>	<u>762,657</u>
Other Comprehensive Income			
Change in Fair Value of Financial Assets		<u>(17,000)</u>	<u>-</u>
Total Comprehensive profit (Loss) for the period		<u>520,730</u>	<u>762,657</u>
		<u>JD/shar</u>	<u>JD/shar</u>
Earnings per Share	19	<u>0.177</u>	<u>0.259</u>

- Notes from number 1 to 25 forms an integral part of these financial statements-

National Steel Industry – Public Shareholding Company
Statement of Changes in Equity
For the year ended December 31, 2017

	Capital	Issuance Premium	Statutory Reserve	Changes in Fair value of Financial Assets	Retained Earnings (Losses)	Total	Non Con- trolling In- terest	Total Equity
	JD	JD	JD	JD	JD	JD	JD	JD
Year 2017:								
Balance as at January 1st 2017	2,941,768	(123,278)	647,361	-	112,051	3,577,902		3,577,902
Comprehensive Income for the year					537,730	537,730		537,730
Statutory Reserve			62,527		(62,527)	-		-
Amortization of Issuance Premium		30,819				30,819		30,819
Changes in Fair value				(17,000)		(17,000)		(17,000)
Balance as at December 31st 2017	<u>2,941,768</u>	<u>(92,459)</u>	<u>709,888</u>	<u>(17,000)</u>	<u>587,254</u>	<u>4,129,451</u>	<u>-</u>	<u>4,129,451</u>
Year 2016:								
Balance as at January 1st 2016	2,941,768	(154,097)	558,680	(131,272)	(430,653)	2,784,426	23,798	2,808,224
Comprehensive Income for the year					762,657	762,657		762,657
Statutory Reserve			88,681		(88,681)	-		-
Amortization of Issuance Premium		30,819				30,819		30,819
Non Controlling Interest							(23,798)	(23,798)
Changes in Fair value				131,272	(131,272)	-		-
Balance as at December 31st 2016	<u>2,941,768</u>	<u>(123,278)</u>	<u>647,361</u>	<u>-</u>	<u>112,051</u>	<u>3,577,902</u>	<u>-</u>	<u>3,577,902</u>

- Notes from number 1 to 25 forms an integral part of these financial statements-

National Steel Industry – Public Shareholding Company
Statement of Cash Flows
For the year ended December 31,2017

	<u>2017</u>	<u>2016</u>
	JD	JD
Operational Activities		
Profit (Loss) for the year before tax	625,268	886,810
Adjustments:		
Depreciation	137,753	125,364
Amortization of Issuance Premium	30,819	30,819
Tax On Imports2%	(191)	
Change in Working Capital		
Inventory	1,784,236	(4,493,755)
Trade receivables	(27,297)	(54,872)
Other debt balances	(451,367)	274,569
Trade Payables	7,433	(93,253)
Other Credit balances	(857,042)	2,137,323
Net cash flow from operational activities	<u>1,249,612</u>	<u>(1,186,995)</u>
Investment Activity		
Purchase of Plant, Property and equipment	(462,576)	(563,152)
Exclude of Plant, Property and equipment	3,698	-
Work under Progress	(51,433)	-
Sale of Financial Assets	-	18,647
Subsidiaries under liquidation	1	-
Net cash flow from investment activities	<u>(510,310)</u>	<u>(544,505)</u>
Finance Activities		
Due to banks	-	(265)
Long term Loans	(27,099)	-
Non Realized Revenue	(256,498)	
Loans – Current portion	(2)	-
Due to related parties	(417,986)	1,849,306
Non Controlling interest	-	(23,798)
Net cash flow from finance activities	<u>(701,585)</u>	<u>1,825,243</u>
Net Changes in Cash and equivalents	37,717	93,743
Cash and cash equivalents at Jan.1	<u>105,275</u>	<u>11,532</u>
Cash and cash equivalents at December 31,2017	<u><u>142,992</u></u>	<u><u>105,275</u></u>

- Notes from number 1 to 25 forms an integral part of these financial statements-

**National Steel Industry
Public Shareholding Company
Notes to the financial statements
December 31, 2017**

(1) General

National Steel Industry Public Shareholding Company "the Company" was established in January 1st 1979 as a public shareholding company and registered at the Ministry of Trade and Industry under registration number (125). The company's authorized capital is JD 3,000,000, paid up capital is JD 2,941,768 less issuance premium balance of JD 123,097

Many changes on capital incurred since incorporating the company till December 31, 2013 the capital reached JD 1,171,281. On March 4, 2014 the board of commissioners of Jordan Securities Commission agreed additional capital of JD 1,000,000 of a non public offering allocated to Nasri Mufleh and Partners Commercial Company.

On April 29, 2014 the general assembly agreed to capitalize part of shareholders credit balances of JD 616,390 related to DR.Ghassan Mufleh and Nasri Mufleh and Partners Commercial Company. The company finalized the legal requirements with Ministry of Industry and Trade and added to the capital shares of 770,487 with issuance value of JD 0.8.

On August 10, 2015 Jordan Securities Commission agreed to increase capital to JD 2,941,768.

Principal activities of the company are production of steel bars and pipes by melting and extruding and to import requirement to facilitate its activities.

The company head office and production facilities are located in Zarqa – Hashemite kingdom of Jordan.

The financial statements have been approved by the Board of Directors in their meeting held No. 40/2018 Date 15 FEB 2018.

(2) Summary of Accounting Policies

2.1 Basis of Preparation

The financial statements for National Steel Industry Public Shareholding Company have been prepared in accordance with International Financial Reporting Standards issued by the International Accounting Standards Boards and the interpretations issued by IFRIC.

The financial statements are prepared under the historical cost convention.

The financial statements are presented in Jordanian Dinars which represent the functional currency of the company.

Preparation of financial statements in accordance with international accounting standards requires certain accounting estimates and require management of the company to express an opinion on applied accounting policies. Areas require certain levels of complications or judgments are disclosed in note (4)

**National Steel Industry
Public Shareholding Company
Notes to the financial statements
December 31, 2017**

2.2 Changes in accounting policies and disclosures

a. Standards adopted by the company for the first time and applicable for the year starting January 1st 2015

- Amendments to International Financial Reporting Standards for 2010-2012 and 2011-2013.
- Amendments to International Accounting Standard no. 19 : Employee Benefits – Defined benefits plan.
- Amendments to International Financial Reporting Standards for 2012-2014.
- Amendments to International Financial Reporting Standard no. 1 – Disclosures.

Above amendments are only for clarifications of current requirements, and has no effect of accounting policies of the company or required disclosures.

b. Standards in Interpretations issued not yet effective

The following Standards and Interpretations were issued by the International Accounting Standards Board but not yet adopted. Management evaluates the impact of these standards in interpretations to the financial statements:

- International Financial Reporting Standard no. 9: Financial Instruments – Effective date: January 1, 2018 or later.
- International Financial Reporting Standard no. 15: Revenue from Contract with Customers – Effective date: January 1, 2018 or later.

No other not yet effective standards that may have material impact on the company's current or future financial statements.

2.3 Foreign Currency Translation

Items in the financial statements are valued by currency of the economic environment the company operates within "operational currency".

Transactions in foreign currency are recorded at the rate prevailing at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies are translated at the exchange rate prevailing at the statement of financial position date. Differences are taken to the statements of comprehensive income. The financial statements are presented in Jordanian Dinars which represent the operational currency of the company.

2.4 Property, Plant and Equipment

Property, plant and equipment are stated at cost net of accumulated depreciation. Such cost includes expenses related to acquiring property, plant and equipment.

Subsequent costs are allocated to these assets or separated in a proper method when expecting future economic benefits from its use and can be measured reasonably. An item is derecognized

**National Steel Industry
Public Shareholding Company
Notes to the financial statements
December 31, 2017**

upon disposal or replacement. Repair and maintenance expenses are recognized in the statement of income.

Depreciation is calculated on a straight – line basis and for produced units over the estimated production capacity of useful lives of the assets. Estimated useful lives are reviewed at each year end, with the effect of any changes in estimates accounted for on a prospective basis.

When the carrying value property, plant and equipment indicate that it may not be recoverable, assets are written down to their recoverable amount (note 2.7).

Gains or losses arising from derecognizing of property, plant and equipment are recognized in the income statement by the difference between the net book value and related proceeds.

2.5 Work Under Progress

Work under progress is stated at cost, which represent cost of construction, equipment and direct expenses. Work under progress is not depreciated until the works are completed and the asset is ready for use.

2.6 Impairment of non financial assets

Non financial assets are reviewed for impairment in value when indications arise for not realizing the book value. Impairment is the amount the book value exceeds the recoverable amount . Recoverable amount is the fair value of the assets net of selling costs or the value of usage whichever is higher. In order to determine if there are any indications of impairment, assets are grouped in a form of portfolio that have cash flows can be defined individually. Impaired non financial assets are reviewed for any surplus the date of financial statements.

2.7 Financial Assets available for sale

Represents financial assets (other than financial derivatives) classified as noncurrent assets when no plan for sale within 12 months from the date of financial statements. Financial assets available for sales are stated at fair value including acquisition costs upon purchase, and subsequently re-measured to fair value at the date of financial statements. Changes in fair value are recorded in the statement of comprehensive income.

Financial assets available for sale, if sold or reduced value, changes in fair value is transferred from shareholders' equity to income statement as gains or losses from investments.

Financial assets with no reliable method to determine its fair value are stated at cost. Changes in value are recorded at income statement.

2.8 Deferred tax asset

Deferred taxes are taxes expected to be paid or recovered due to temporary timing differences between the tax base and the assets in the financial statements.

**National Steel Industry
Public Shareholding Company
Notes to the financial statements
December 31, 2017**

2.9 Inventory

Inventory is valued at cost or net realizable value whichever is lower. Cost is determined by first in first out method. Finished goods inventory includes raw material costs, salaries and wages and indirect overheads. Net realizable value generally equal to the selling price of the inventory goods, in a normal course of business, less the selling costs.

2.10 Trade receivables

Trade receivables are cash claims from customers against goods sold in a normal course of business. Trade receivables are classified as current assets when due for collection within one year or less and as noncurrent assets when due for collection for more than one year.

Trade receivables are stated at fair value and subsequently measured at amortized cost using the effective interest rate method net of any provision for uncollectible amounts.

2.11 Impairment in Financial Assets

Financial assets are reviewed at the date of financial statements for indications on impairment in value individually or in a form of portfolio. Recoverable value is estimated so as to determine the impairment loss.

A provision for impairment in trade receivables is made when collection of full or part of the amount is no longer probable. Customers financial hardships, restructure or delayed payments are indications of impairment on trade receivables. Provision amount is the difference between the book value and the net present value for expected cash flows discounted at the market interest rate. Loss is recorded in the income statement. Bad debts are written off when there is no possibility of recovery in the provision. Subsequent collection of written off debts are recorded as revenue in the income statement.

2.12 Cash and cash equivalents

Cash and cash equivalents comprise of cash on hand and at banks with a maturity of three months or less.

2.13 Trade Payables

Trade payables are obligations to pay against goods or services acquired in a normal course of business from suppliers. Trade payables are classified as current liability when due for payment within one year or less and as noncurrent liability when due for payment for more than one year. Trade payables are stated at fair value and subsequently measured at amortized cost using the effective interest rate method.

2.14 Provisions

Provisions are recognized when the company has a present or probable legal obligation as a result of a past event, and it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and reliable estimates can be made of the amount of the obligation.

**National Steel Industry
Public Shareholding Company
Notes to the financial statements
December 31, 2017**

2.15 Loans

Loans are recognized at fair value, net of fees and costs and subsequently measured at amortized cost. Gains and losses are recognized in the statement of comprehensive income through the effective interest rate method.

2.16 Revenue recognition

Revenues are realized when cash or claims to cash (receivable) are received in exchange for goods or services in a normal course of business. Revenues are realizable when assets received in such exchange are readily convertible to cash or claim to cash, net of taxes, discounts or returns. Revenues are earned when such goods and legal ownership are transferred to customers.

2.17 Income tax

Income tax expense is calculated on net income subject to tax. Taxable income differs from income declared in the financial statements, because the latter includes non-taxable revenues or non-deductible expenses in the current year but deductible in subsequent years, accumulated losses acceptable by the tax authorities, as well as unallowable and non taxable items. Taxes are calculated on the basis of tax rates prescribed according to the prevailing laws, regulations and instructions.

2.18 Employees benefits

The company is committed by law to contribute to retirement fund managed by governmental body (Social Security Corporation). No other commitments on the company other than that. The contribution is recorded as social security expense when due.

2.19 Financial Instruments

	2017	2016
	JD	JD
Assets per statement of financial position		
Trade Receivables	149,710	122,413
Other debt Balances (net of advances for purchases and deposits)	590,166	103,338
Cash on hand and at banks	142,992	105,275
	<u>882,868</u>	<u>331,026</u>
Liabilities per statement of financial position (amortized costs)		
Loans	1,134,401	1,161,502
Due to Related Parties	3,091,600	3,509,586
Trade Payables	300,590	293,157
Other Credit balance (net of legal commitments)	1,746,467	2,625,005
	<u>6,273,058</u>	<u>7,589,250</u>

**National Steel Industry
Public Shareholding Company
Notes to the financial statements
December 31, 2017**

(3) Financial Risk Management

1-3 Financial Risk Elements

The company is exposed to various financial risks through its' business cycle. Overall risk management program is intended to reduce the probable negative impacts on financial results to the minimum.

a. Market Risk

Most of the company transactions are in Jordanian Dinars and the US Dollars. The exchange rate between the two currencies is fixed, so the impact of currency risk is not material to the financial statements.

b. Credit Risk

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. The company do not foresee any major losses resulting from other parties failing to commit to their obligation.

c. Liquidity Risk

Liquidity risk is the risk of encountering difficulty in meeting obligations associated with financial liabilities that are settled by delivering cash or another financial asset. Liquidity risk is managed through cash facilities provided from the strategic partner and Jordan Enterprise Development Corporation loan.

The table below analyzes the Company's financial liabilities (undiscounted) as at the balance sheet date at 31 December 2017; based on the maturity date for the remaining periods

	Less Than 1 Year	More Than 1 Year
	JD	JD
As at 31 December 2017		
Loans	-	850,802
Due to Related Parties	3,091,600	-
Trade Payables	300,590	-
Other Credit balance (net of legal commitments)	1,746,467	-
As at 31 December 2016		
Loans	-	877,901
Due to Related Parties	3,509,586	-
Trade Payables	293,157	-
Other Credit balance (net of legal commitments)	2,625,005	-

2-3 Capital Risk Management

Capital structure is reviewed regularly to ensure continuing as a going concern while maximizing the return and reducing the cost of capital through optimization of the debt and equity balances.

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Notes to the financial statements
December 31, 2017**

The company manages the capital structure through monitoring the debt ratio. Debt Ratio represents percentage of net debt to total capital. Net debt is total loans and dues to related parties net of cash on hand and at banks. Total capital is shareholders equity added to net debt.

Debt ratio as follows:

	2017	2016
	JD	JD
Total Loans	4,226,001	4,671,088
Cash and cash equivalents	(142,992)	(105,275)
Net Debts	4,083,009	4,565,813
Equity	4,129,451	3,577,902
Total Capital	8,212,460	8,143,715
Debt ratio	%50	%56

3-3 Fair Value

The table below represents the fair value of the financial instruments using valuation method with the following three different levels:

- Level 1: Listed prices for assets and liabilities in active markets.
- Level 2: Listed prices for similar assets and liabilities in active markets, or inputs derived from prices directly or indirectly
- Level 3: Inputs for assets and liabilities is not based on comparable market data that can be observed.

	Level 1	Level 2	Level 3	Total
	JD	JD	JD	JD
December31,2017				
Financial assets available for sale	-	-	266,651	266,651
December31,2016				
Financial assets available for sale	-	-	283,651	283,651

Financial instruments comprise of financial assets and financial liabilities. Financial assets consist of cash on hand and at banks, accounts receivable and other debt balances. Financial liabilities consist of accounts payable, loans and other credit balances.

The fair value of financial instruments are not materially different from their carrying values at year end.

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(4) Judgments, Estimates and Assumptions

The company maintains a continuous evaluation process of the accounting estimates based on previous experience and other factors including anticipating of future events assumed to be reasonable based on current circumstances.

Accounting estimates are rarely equals related actual results. Such judgments, estimates and assumptions that may result in major risk and requires material adjustments on book values of assets and liabilities during a fiscal year are as follows:

a. Allowance for Doubtful debts

The company provides for the decrease in trade receivables value as per the accounting policies (note 2-12). Realized values from trade receivables are compared to recorded values of these receivables in order to determine the provision amount. These calculations require judgmental efforts.

b. Fair value of financial assets

The company assess the fair value of financial assets when listed prices are not available by:

- Comparison with the market value of a very similar instrument.
- Analysis of future cash flows discounted by a rate used in a very similar instrument.

c. Income Tax

The company is subject to income tax which requires major judgments to determine tax provision. The company identifies income tax liability based on wither tax assessment process will produce extra taxes. If the final assessment differs from identified liability, then variance will affect current year income tax at the time those variances arise.

(5) Subsidiaries under liquidation

The company completed the procedures for liquidation of the National Company for Iron Technology. The company expired on 23 March 2017 under the Letter from Ministry of Industry and Trade No. (م ش / 2/13900/26829)

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(6) **Property, Plant and Equipment:** The opening balance of the old machine cost has been adjusted at its net book value and the accumulated depreciation has also been adjusted to JD 208088

	Land	Building and construction	Machines and equipment	Vehicles	Furniture and Fix- ture	Total
2017 Cost						
Balance – beginning of the year	1,409,835	662,288	3,484,452	14,000	21,668	5,592,243
Additions	-	225	457,227	3,698	1,426	462,576
Exclusions	-	-	(3,698)	-	-	(3,698)
Balance – end of the year	1,409,835	662,513	3,937,981	17,698	23,094	6,051,121
Accumulated depreciation						
Balance – beginning of the year	-	66,625	162,147	10,354	12,892	252,018
Depreciation	-	11,884	118,474	3,540	3,855	137,753
Balance – end of the year	-	78,509	280,621	13,894	16,747	389,771
Net Book Value 2017	1,409,835	584,004	3,657,360	3,804	6,347	5,661,350
2016 Cost						
Balance – beginning of the year	1,409,835	509,98	1,146,691	14,000	17,390	3,097,896
Additions	-	59,304	499,570	-	4,278	563,152
Completed Work in progress	-	93,004	2,046,280	-	-	2,139,284
Balance – end of the year	1,409,835	662,288	3,692,541	14,000	21,668	5,800,332
Accumulated depreciation						
Balance – beginning of the year	-	50,453	270,116	7,000	7,173	334,742
Depreciation	-	16,172	100,119	3,354	5,719	125,364
Balance – end of the year	-	66,625	370,235	10,354	12,892	460,106
Net Book Value 2016	1,409,835	595,663	3,322,306	3,646	8,776	5,340,226

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(7) Work in Progress

	<u>2017</u>	<u>2016</u>
	JD	JD
Balance – beginning of the year	-	2,139,284
Expenses For Upgrading Transformers	20,133	-
Al-Motamayzoon Company's Contracting	13,500	
Low Thickness Line	17,800	
Transferred to property, plant and equipment	-	(2,139,284)
Balance – ending of the year	<u>51,433</u>	<u>-</u>

(8) Financial Assets at fair Value

	<u>2017</u>	<u>2016</u>	<u>2017</u>	<u>2016</u>
	No. of shares	No. of shares	JD	JD
Non listed prices				
Jordanian Iron & Steel Industry Co	163,859	163,859	266,651	283,651
Total			<u>266,651</u>	<u>283,651</u>

Financial assets with non listed prices are recorded at fair value.

- Indications of decrease in its value as at December 31, 2017, were about JD 17000.
- All financial assets are available for sale in Jordan Dinars.

(9) Deferred Tax Assets

For the year 2017, the company realized a profit with a tax of JD 87,538. This amount has been deducted from the deferred Tax assets

	<u>2017</u>	<u>2016</u>
	JD	JD
Deferred Tax Assets		
Balance – beginning of the year	443,890	568,043
Tax On Imports	191	-
IncomTax 14%	(87,537)	(124,153)
Balance – ending of the year	<u>356,544</u>	<u>443,890</u>

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(10) Inventory

	<u>2017</u>	<u>2016</u>
	JD	JD
Finished Goods	1,977,236	2,622,632
Raw Material	684,268	1,889,088
Scrap and Iron Fillings	55,472	53,327
Production support materials	22,662	33,898
Spare parts and tools	364,862	289,791
	<u>3,104,500</u>	<u>4,888,736</u>

(11) Trade Receivables

	<u>2017</u>	<u>2016</u>
	JD	JD
Accounts receivables	563,122	523,825
Allowance for doubtful debts	<u>(413,412)</u>	<u>(401,412)</u>
	<u>149,710</u>	<u>122,413</u>

Fair value of accounts receivables equals the book value of those receivables as at December 31, 2017. Credit risk exposure at the date of financial statements is the fair value of each category of accounts receivable.

(12) Other Debt Balances

	<u>2017</u>	<u>2016</u>
	JD	JD
Advance payments against Raw Material	489,873	164,635
Prepaid Expenses	7,692	43,080
Refundable Deposits	31,375	29,376
Sales Tax Deposits	119,483	-
Letters of Credit and Orders	42,033	30,962
Others	58,260	29,296
	<u>748,716</u>	<u>297,349</u>

(13) Cash on hand and at Banks

	<u>2017</u>	<u>2016</u>
	JD	JD
Cash & Checks on hand	65,997	72,342
Cash at banks	76,995	32,933
	<u>142,992</u>	<u>105,275</u>

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(14) Shareholders Equity

****Paid up Capital**

The company's authorized capital is JD 3,000,000, paid up capital is JD 2,941,768 less issuance premium balance of JD 123,097

Many changes on capital incurred since incorporating the company till December 31,2013 the capital reached JD 1,171,281. On March 4, 2014 the board of commissioners of Jordan Securities Commission agreed additional capital of JD 1,000,000 of a non public offering allocated to Nasri Mufleh and Partners Commercial Company.

On April 29,2014 the general assembly agreed to capitalize part of shareholders credit balances of JD 616,390 related to DR.Ghassan Mufleh and Nasri Mufleh and Partners Commercial Company. The company finalized the legal requirements with Ministry of Industry and Trade and added to the capital shares of 770,487 with issuance value of JD 0.8.

On August 10,2015 Jordan Securities Commission agreed to increase capital to JD 2,941,768 .

****Issuance Premium**

The issuance premium value of JD 0.2 Per Shar, $(770,487 \times 0.2) = 154,097$, this Issuance Premium value will be amortized over five years.

(15) Statutory Reserve

As required by the Jordanian Law, 10% of the annual profit before taxation is to be transferred to statutory reserve. The reserve is not available for distribution to shareholders.

	2017	2016
	JD	JD
Balance – beginning of the year	647,361	558,680
10% of the annual profit before taxation	62,527	88,681
Balance – ending of the year	709,888	647,361

(16) Long term Loan

During 2014, the company obtained a concessional loan from Jordan Enterprise Development Corporation (JEDCO), a governmental agency, There is a Murabaha on this loan at 25% and equal to 354,500 capitalized on the assets concerned with the funding financed from this loan

	2017	2016
	JD	JD
Balance Of Loans – beginning of the year		
Long term Loan	850,802	1,134,399
Current portion – Long term loan	283,599	283,601
Balance Of Loans –ending of the year	1,134,401	1,418,000
Premiums paid 2017	283,601	-

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(17) Other Credit balances

	<u>2017</u>	<u>2016</u>
	JD	JD
Deferred Checks	498,660	1,767,514
Shareholders Deposits	79,387	79,897
Collected performance bond	269,296	269,296
Other Accrued expenses	20,105	15,582
Senior Management Salaries	499,520	412,042
Social Security Institution	5,560	4,730
General Sales Tax Department	0	50,052
Jordan Electricity Company	175,092	83,783
Long Term Murabaha	226,161	0
Short Term Murabaha	52,073	0
	<u>1,825,854</u>	<u>2,682,896</u>

(18) Administrative Expenses

	<u>2017</u>	<u>2016</u>
	JD	JD
Salaries and wages	281,174	292,898
Social security	14,839	12,827
Guards	24,022	22,390
Subscriptions and governmental fees	32,074	18,431
Transportation	25,353	15,117
Professional fees	22,309	16,133
Hospitality and cleaning	4,485	6,212
Electricity	11,815	3,000
PTT	1,750	2,437
Stationary and printing	6,539	3,467
Maintenance	2,061	1,497
Insurance	7,092	4,687
Others	1,973	5,261
	<u>435,486</u>	<u>404,357</u>

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(19) Earnings per Share

	2017	2016
	JD	JD
Net profit (loss) for the year	520,730	762,657
Weighted average of shares	2,941,768	2,941,768
Earning per share (JD/Share)	0.177	0.259

(20) Related party transactions

Related parties include major shareholders, board members, and top executives of the company and its' associated that have material influence, directly or indirectly.

Related parties:

	2017	2016
	JD	JD
a. Amounts due to related parties		
Nasri Mufleh and Partners Commercial Company	3,091,600	3,509,586
	3,091,600	3,509,586

(21) Cost of Sales

	2017	2016
	JD	JD
Raw Material	18,564,563	11,623,025
Manufacturing expenses	2,423,291	1,947,425
Production Cost	20,987,854	13,570,450
Finished goods – beginning of the year	2,675,960	267,479
The goods available for sale	23,663,814	13,837,929
Finished goods – ending of the year	(1,747,738)	(2,675,960)
Cost of sales (Finished goods)1	21,916,076	11,161,969
Commercial activity-beginning of the year	-	-
Commercial activity-Purchases	370,182	-
Commercial activity-ending of the year	(284,970)	-
Cost of sales (Commercial activity)2	85,212	-
Cost of sales (1) + (2)	22,001,288	11,161,969

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(22) Contingent Liability

There is no contingent liability at the date of financial statements

(23) Law suit

The company has raised a compensation case with the International Tribunal of 500 thousand JD against the Indian company executing the modernization and development of the factory for violating the terms of the contract.

(24) Tax station

The years 2012, 2013 and 2014 were accepted by tax department.

The year 2015, the Income Tax Department reviewed the tax declaration submitted by the company without any obligations on the company. The year 2016, the company submitted the tax declaration on time.

(25) Comparative Figures

Some of year 2016 balances have been reclassified to conform with 2017, with no effect on equity or profit for the year.