



حديد الاردن
JORDAN STEEL

Date:

٢٠١٧/١٠/٣٠

التاريخ

Ref.

١٨/١٧/٢١

الاشارة

السادة/ هيئة الاوراق المالية المحترمين
السادة/ مركز ايداع الاوراق المالية المحترمين
السادة/ سوق عمان المالي (البورصة) المحترمين
عمان - الأردن

تحية و بعد ،

استناداً لاحكام المادة رقم (٨/أ) من تعليمات الافصاح، يرجى العلم بأن مجلس الادارة في جلسته رقم (٢٠١٧/٩) والمنعقدة بتاريخ ٢٠١٧/١٠/٣٠، قد ناقش البيانات المالية الموحدة (غير المدققة) لمجموعة شركات حديد الاردن عن الفترة من ١ كانون الثاني ٢٠١٧ ونهاية ٣٠ ايلول ٢٠١٧، وأقر النتائج المالية المتحققة، حيث بلغت الخسارة بعد اقتطاع مخصص ضريبة الدخل حوالي (٦٦٦,٧٤٥) دينار أردني (فقط ستمائة وستة وستون ألف وسبعمائة وخمسة وأربعون دينار أردني).

مرفق نسخة من البيانات المالية الموحدة (غير المدققة) للتسعة اشهر المنتهية في ٢٠١٧/٠٩/٣٠، لإجراء اتكم.

وتفضلوا بقبول فائق الاحترام

م. محمد الطراونه

رئيس مجلس الادارة

بورصة عمان	
الدائرة الإدارية والمالية	
الديوان	
٦ تشرين الثاني ٢٠١٧	
الرقم المتسلسل:	5307
رقم الملف:	41070
الجهة المختصة:	2017/11

Jordan Steel Company and Its Subsidiaries

Public Shareholding Company

Zarga – The Hashemite Kingdom of Jordan

Interim Condensed Consolidated

Financial Statements (Unaudited)

and the Independent Auditor's Review Report

For the nine months period ended on 30 September 2017

Jordan Steel Company and Its Subsidiaries
Public Shareholding Company
Zarga – The Hashemite Kingdom of Jordan

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Independent Auditors' Review Report
Shareholders' of Jordan Steel Company and Its Subsidiaries
Public Shareholding Company
Zarqa – The Hashemite Kingdome of Jordan

Introduction

We have reviewed the accompanying interim condensed consolidated financial statements of Jordan Steel Company (Public shareholding company) and Its Subsidiaries as at 30 September 2017 comprising the interim consolidated statement of financial position as at 30 September 2017, and the related interim consolidated statements of comprehensive income, interim consolidated statements of changes in shareholders equity, interim consolidated statements of cash flows for nine months period then ended and certain explanatory notes. Management is responsible for the preparation of these interim condensed consolidated financial statements in accordance with the International Accounting Standards No (34) "Interim Financial Reporting". Our responsibility is to express a conclusion on these interim condensed consolidated financial statements based on our review.

Scope of review

We conducted our review in accordance with International Standard on Review Engagements 2410, "Review of Interim Financial Information Performed by the Independent Auditor of the Entity". A review of the interim financial information consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with International Standards on Auditing and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

Basis for qualified conclusion

The management of Consolidated Jordan Company for Steel Industry LTD-Subsidiary - did not calculate the deprecation expenses of the spare parts at a value of 123,574 JD from the date of plant suspension until 30 September 2017. Also the company did not calculate the depreciation expenses of buildings, roads, constructions, squares, furniture, fixtures, Vehicles and trucks for year 2015, which amounted to JD 171,165 and for for the period ended on 30 September 2017, with a value of 128,374 JD, This is a violation of IAS 16 Property, plant and equipment and effects the increase in the value of the loss with the same amounts.

Qualified conclusion

Based on our review, and except of the effect of matter described in the basis for qualified conclusion of our report, Nothing has come to our attention that causes us to believe that the accompanying interim condensed consolidated financial statements are not presented fairly, in all material respects, in accordance with International Accounting Standard No (34) Interim Financial Report.

Emphasis of matters

- As indicated in Note (4), Trade Receivable The management of Consolidated Jordanian Company for Steel Industry (Subsidiary) calculated a provision for doubtful amounts 225,000 to cover a receivable in the amount of 1,116,856 JD.
- As indicated in Note No (5) Contingent Liabilities there are a legal case raised against the Company is pending in the competent Jordanian court. As of the date of issuing this report, no final judgment has been issued in relation to this lawsuit.

Other matter

- As stated in Note 5, the Board of Directors has decided to re-operate the melting plant. Accordingly the spare parts have been reclassified under property, plant and equipment amounting to JD 1,123,391, The depreciation ratio was determined as 4%, and the management has not calculated the depreciation expenses for this.
- Based on the General Assembly extraordinary meeting No (2/ 2014) which held on 30 June 2014, it was voluntary decided to liquidate Jordan Steel Engineering Industries (Limited Liability Subsidiary Company), the legal procedures have not been completed for the liquidation at the Ministry of Industry, Trade and supply and relevant official bodies until the date of issuance these consolidated financial statement.

PKF – Jordan
Khattab & Co.


Mohammed Khattab
(License No.730)

PKF
Khattab & Co.

Amman – The Hashemite Kingdom of Jordan
23 October 2017

Jordan Steel Company and Its Subsidiaries
Public Shareholding Company
Zarga – The Hashemite Kingdom of Jordan

Interim Consolidated Statements of financial position as of September 30, 2017 (Unaudited)

Exhibit – A

	<u>Notes</u>	<u>30, September 2017 JD (Unaudited)</u>	<u>31 December 2016 JD (Audited)</u>
<u>Assets</u>			
Non-Current Assets			
Property, plants and equipment	3	40,218,867	39,329,798
Investment lands		934,131	934,131
Total Non-Current Assets		41,152,998	40,263,929
Current Assets			
Inventory		18,004,768	17,231,182
Other debit balances		3,755,417	3,303,525
Trade receivable	4	5,349,133	5,274,770
Cash and cash equivalents		51,562	775,249
Total Current Assets		27,160,880	26,584,726
Total Assets		68,313,878	66,848,655
<u>Shareholders' Equity and Liabilities</u>			
Shareholders' Equity			
Authorized, issued and paid – in capital		35,000,000	35,000,000
Issuance premium		1,509,320	1,509,320
Statutory reserve		6,088,720	6,088,720
Accumulated losses		(3,350,911)	(2,684,166)
Net Shareholders' Equity		39,247,129	39,913,874
Current liabilities			
Provision of legal obligation		472,869	668,628
Due to shareholders		1,307,009	1,323,711
Other credit balances		2,583,193	7,940,667
Trade payables		4,984,441	1,680,949
Banks overdraft		19,719,237	15,320,826
Total liabilities		29,066,749	26,934,781
Total liabilities and Shareholders' Equity		68,313,878	66,848,655

The accompanying notes from 1 to 5 constitute an integral part of these consolidated financial statements

Jordan Steel Company and Its Subsidiaries
Public Shareholding Company
Zarga – The Hashemite Kingdom of Jordan

Interim Consolidated Statement of Comprehensive Income for the nine months ended on
30 September 2017 (Unaudited)

Exhibit – B

	For the nine months ended		For the three months ended	
	30 September 2017	30 September 2016	30 September 2017	30 September 2016
	JD	JD	JD	JD
Sales	21,701,228	28,624,234	9,768,008	9,151,792
Cost of sales	(21,056,647)	(26,971,258)	(9,410,832)	(8,644,065)
Gross profit	644,581	1,652,976	357,176	507,727
Other revenues	428,178	441,338	18,605	97,158
Selling expenses	(30,338)	(61,006)	(10,406)	(29,161)
Administrative expenses	(880,627)	(985,708)	(260,907)	(522,722)
Finance cost	(797,944)	(550,144)	(370,114)	(159,488)
Loss from impairment of inventory	-	(30,000)	-	(30,000)
(Loss) profit for the period before tax	(636,150)	467,456	(265,646)	(136,486)
Income tax	(29,632)	(10,250)	(12,477)	(5,188)
Prior years income tax paid	(963)	-	(664)	-
Comprehensive income for the period	(666,745)	457,206	(278,787)	(141,674)
	JD/ Share	JD/ Share		
Earnings per share from (loss) profit	(0,019)	0,013		

The accompanying notes from 1 to 5 constitute an integral part of these consolidated financial statements

Jordan Steel Company and Its Subsidiaries

Public Shareholding Company

Zarqa – The Hashemite Kingdom of Jordan

Interim Consolidated Statement of Changes in Shareholder's Equity for the nine months ended on

30 September 2017 (unaudited)

Exhibit – C

For the nine months ended on 30 September 2016

	Capital	Issuance premium	Statutory reserve	Accumulated losses	Total
	JD	JD	JD	JD	JD
Balance as at January 1, 2016	35,000,000	1,509,320	6,075,043	(2,373,259)	40,211,104
Comprehensive income for the period	-	-	-	457,206	457,206
Balance as at September 30, 2016	35,000,000	1,509,320	6,075,043	(1,916,053)	40,668,310

For the nine months ended on 30 September 2017

	Capital	Issuance premium	Statutory reserve	Accumulated losses	Total
	JD	JD	JD	JD	JD
Balance as at January 1, 2017	35,000,000	1,509,320	6,088,720	(2,684,166)	39,913,874
Comprehensive income for the period	-	-	-	(666,745)	(666,745)
Balance as at September 30, 2017	35,000,000	1,509,320	6,088,720	(3,350,911)	39,247,129

Jordan Steel Company and Its Subsidiaries
Public Shareholding Company
Zarga – The Hashemite Kingdom of Jordan

Interim Consolidated Statement of Cash Flows nine months ended on
30 September 2017 (Unaudited)

Exhibit – D

	Notes	For the nine months ended	
		30 September	30 September
		2017	2016
		JD	JD
<u>Operating Activities</u>			
(Loss) profit for the period before tax		(636,150)	467,456
Adjustments:			
Loss from impairment of inventory		-	30,000
Depreciation	3	379,636	770,164
Finance cost		797,944	550,144
Working capital changes:			
Inventory		(1,901,330)	1,580,479
Trade receivables		(74,363)	1,045,200
Other debit balances		(451,892)	369,360
Due to shareholders		(16,702)	(87,845)
Trade payables		3,303,492	(1,830,089)
Other credit balances		(5,357,474)	1,640,223
Income tax paid		(16,230)	(27,868)
Provision of legal obligation		(195,759)	-
Net cash flows (used in) from operating activities		(4,168,828)	4,507,224
<u>Investing Activities</u>			
Purchase of property, plants and equipment	3	(155,326)	(696,053)
Proceeds from sale of property and equipment		-	70,433
Investment lands		-	(4,097)
Net cash flows used in investing activities		(155,326)	(629,717)
<u>Financing Activities</u>			
Banks overdraft		3,600,467	(4,370,360)
Net cash flows from (used in) financing activities		3,600,467	(4,370,360)
Net change in cash and cash equivalents during the period		(723,687)	(492,853)
Cash and cash equivalents at the beginning of the period		775,249	921,158
Cash and cash equivalents at the end of the period		51,562	428,305
Information about non cash activity			
Transferred from property, plants and equipment to inventory		4,353	-
Transferred from inventory to property plants and equipment		1,123,391	-

The accompanying notes from 1 to 5 constitute an integral part of these consolidated financial statements

Jordan Steel Company and Its Subsidiaries
Public Shareholding Company
Zarga - The Hashemite Kingdom of Jordan

Notes to the interim condensed consolidated financial statements

1) General

Jordan Steel Company was established on 29 March 1993 as a public shareholding company under No (226), at the Ministry of Industry and trade before the general controller of companies.

The company main activities are production of iron and steel of all types and forms.

2) Basis of preparation for the interim condensed financial statement

- The interim condensed consolidated financial statements have been prepared in accordance with international accounting standard No (34) "Interim Financial Reporting".
- The interim condensed consolidated financial statements are prepared according to historical cost basis.
- The Interim Condensed Consolidated Financial Statements are presented in Jordanian Dinars which the functional currency of the company.

2 - A Basis of preparation for the interim condensed financial statement

- The interim condensed consolidated financial statement for the nine months period ended on 30 September 2017 have been prepared in accordance with the International Accounting Standard No (34) "Interim Financial Reporting".
- The interim condensed consolidated financial statements do not include an information and disclosures required in the annual consolidated financial statements which are prepared in accordance with the International Financial Reporting Standards, and should be read in conjunction with the group's annual report as at 31 December 2016.
- The activities results for the nine months ended 30 September 2017 are not necessarily indicative of the expected results for the year ending as of 31 December 2017.

2 - B Basis of consolidating the interim condensed consolidated financial statements

The interim condensed consolidated financial statements include the financial statements of parent company and financial statements of its subsidiaries (the group) as follow:

Name of subsidiary	Legal status	Ownership	Paid capital	Total	Total	(Accumulated losses)	(Losses) Profit of
		percentage		Assets	liabilities	Retained Earnings	the period
		%					
Consolidated Jordanian Company	Private						
for Steel Industry	shareholding	100	26,000,000	41,480,914	1,108,529	(2,753,561)	(188,507)
Jordan Steel Engineering Industries	Limited liability	100	100,000	302,408	11,079	91,329	(475)
Modern Wire Mesh Company	Limited liability	100	500,000	1,020,064	185,240	275,430	181,957
Ammon Steel Trading Company	Limited liability	100	5,000	605,814	582,896	12,918	1,339

The interim condensed consolidated financial statements include financial statements of the parent company and financial statements of its subsidiaries (the group) as of 30 September 2017. Subsidiaries are fully consolidated from the date of acquisition; the date the parent company obtained control and consolidation of subsidiaries continues to until the date of loss of control. Control is achieved when the parent is able to control the financial and operating policies of the subsidiaries in order to obtain benefits from its activities.

The financial statements of the subsidiaries are prepared for the same fiscal year of the company using the same accounting policies implemented. If the subsidiaries follow different accounting policies from those implemented in the company necessary adjustments to the financial statements of the subsidiaries are made to conform the accounting policies used in the company.

Transactions, balances unrealized revenues and expenses and profits are entirely excluded between the parent company and its subsidiaries.

Non-controlling interest represents that is part-owned by the company from equity in subsidiaries. losses are recorded dating back to those non-controlling interest even if the balance is negative.

The change in ownership of a subsidiaries company which does not lead to loss of control is registered as a movement in equity. If the parent company lost control of a subsidiary, the company whereupon the following:

- Exclude of assets (including goodwill) and liabilities of the subsidiary.
- Exclude any book value of non-controlling interest.
- Exclude accumulated currency translation differences account existing in equity.
- Recognize the fair value of what has been received.
- Recognize the fair value of the investment that has been kept.
- Recognize any surplus or deficit in the consolidated statement of comprehensive income.
- Reclassify the company's share in the items that were previously recognized in the consolidated statement of comprehensive income or accumulated profits, according to what is appropriate.

3) Property, Plants and Equipments

Based on the Board of Directors of Consolidated Jordanian Company for Steel Industry LTD – subsidiary in its meeting No (1/ 2015) dated January 12, 2015 made a decision to stop the production, close the factory and terminate the services of all employees. The company has adopted IFRSs (5) – Non – Current Assets held for sale and discontinued operations and had reclassified the Non Current Assets to Non Current Assets held for sale. IFRSs (5) requires measurement of these assets at the lower of carrying amount and Fair Value less cost to sell, accordingly the inventory are to be recorded at the lower of cost or net realizable value, on other hand property, plant and equipment and projects under construction are to be recorded at lower of carrying amount or recoverable value.

On January 27, 2016, the Board of Directors in its meeting No (1/ 2016) decided to re - operate the factory during 2016. On the basis of that resolution:

- Development of an integrated plan, for which the implementation has already started, implementation, to execute the decision of the Board of directors regarding re-operating the plant.
- Adjustment of spare parts associated with property, and machines amounting to JD 1,123,391 and reclassify it under property plants and equipment with deprecation rate of 4% annually.

The parent company and its subsidiaries have purchased property, plant and equipment during the nine months period ended on 30 September 2017, at a value of 155,326 JD (30 September 2016 646,053 JD), and the depreciation of property, plant and equipment of the parents company and its subsidiaries for the period of nine months ended on 30 September 2017, was 374,636 JD (30 September 2016: 770,164 JD).

4) Trade receivable

	30 September 2017 JD	30 September 2016 JD
Trade receivables	6,417,333	6,152,093
Cheques under collection	-	197,677
Deduct: Allowance for doubtful receivable debts (*)	(1,068,200)	(1,075,000)
Net	5,349,133	5,274,770

(*) The Consolidated Jordanian Company for Steel Industry LTD subsidiary has recognized the provision for doubtful debts against the debt balance of the Trust for iron and Scrap Trade Company. The Consolidated Jordanian Company for Steel Industry has filed a lawsuit against the Trust for Iron and Scrap Trade Company due to fraud and cheques forgery in the amount of 1,300,000 JD. The balance of the Trust Company as of 30 September 2017 was amounted to 1,116,856 JD. The Consolidated Jordanian Company for Steel Industry company recognized a provision for doubtful debts amounting to 225,000 JD against the debt in the same date but it did not recognize a provision against the receivable total Balance based on the Board of Directors decision in its session held on 11 February 2015. The court decided to close the trail by its decision to convert the defend and of three years imprisonment of the hearing held on October 10, 2017. On July 9, 2017 the company management registered a lawsuit for material and moral damage and loss of profits by the plaintiff " consolidated Jordanian company for steel industry " against Arab Banking corporation (ABC) for two hundred thousand dinars for a purpose of fees, under the number of (2261/ 2017) before the department of (first court instance) of Amman court. The defendant "ABC" bank submitted respondent statement and a list of data and requested to dismiss this lawsuit in cause of prescription. The lawyer's office is working to provide a response to these legal notes.

Based on the company's lawyer there is a good chance for the plaintiff to obtain good compensation from the defendant in the above mentioned case. The final decision in this case is subject to the authority of the trail judge.

5) Contingent liabilities

As indicated by the Lawyer in his letter dated 27 July 2017 regarding lawsuit number (4284/2015) filed by Arab Investors Company and Andalusia Company against Jordan Steel for the claim of a remuneration of (1,800,000 JD) one million and eight hundred thousand Jordanian Dinars; we have submitted request number (1544 /2015) for the dismissal of the lawsuit, the court rendered a decision to stop hearing the original lawsuit and see the request, then it ruled to dismiss the request by Jordan Steel and see the lawsuit. We have appealed the court's ruling in request number (1544/2015) to the Court of Appeal to dismiss the case on grounds of time limitation, the appeal was submitted under number (12419/2015); the court issued a ruling to dismiss the appeal and return the lawsuit documents to the first degree court to resume the hearing from the point the court reached. We have appealed before the Court of Cassation; the appeal has not taken a number yet until this date, noting that we find that the Memorandum of Understanding which the plaintiff is using as evidence in the lawsuit is "void" and does not reflect any legal effect upon the Company in addition to other legal defenses we will raise in this lawsuit. We see that the Company's legal status in this lawsuit is good and there is potential of it winning the lawsuit.