



حديد الأردن  
JORDAN STEEL

Date: .....

التاريخ

2019/03/31

Ref: .....

الاشارة

1062/19/FI

السادة هيئة الأوراق المالية المحترمين

ياسر عمار

تحية واحترام وبعد.

مرفق طيه القوائم المالية الموحدة وتقرير المحاسب القانوني المستقل للسنة المنتهية في 2018/12/31 لشركة حديد الأردن المساهمة العامة المحدودة باللغة الانجليزية.

وتفضلوا بقبول فائق الاحترام

رأفت العمري

المدير المالي



بورصة عمان  
الدائرة الإدارية والمالية  
الديوان

٣١ آذار ٢٠١٩

الرقم المتسلسل: ١٦٧٨

رقم الملف: ٤١٠٢١

التحريك: ٤١٠٢١

21 MAR

قسم الأوراق



BMB  
CERT

شركة حديد الأردن المساهمة العامة المحدودة هاتف : ٤٦١٩٣٨٠ فاكس : ٤٦١٩٣٨٤ ص.ب ٣٥١٦٥ عمان ١١١٨٠ الأردن  
JORDAN STEEL P.L.C. Tel: 962-6-4619380 Fax: 962-6-4619384 P.O.Box 35165 Amman 11180 Jordan Email: info@jordansteelplc.com

**JORDAN STEEL COMPANY  
(PUBLIC SHAREHOLDING COMPANY)**

**CONSOLIDATED FINANCIAL STATEMENTS  
AND INDEPENDENT CERTIFIED PUBLIC  
ACCOUNTANT'S REPORT  
FOR THE YEAR ENDED DECEMBER 31, 2018**

**JORDAN STEEL COMPANY  
(PUBLIC SHAREHOLDING COMPANY)**

**CONSOLIDATED FINANCIAL STATEMENTS AND INDEPENDENT CERTIFIED  
PUBLIC ACCOUNTANT'S REPORT  
FOR THE YEAR ENDED DECEMBER 31, 2018  
(EXPRESSED IN JORDANIAN DINAR)**

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**CERTIFIED PUBLIC ACCOUNTANT'S REPORT**

To the shareholders  
Jordan Steel Company P.L.C

**Report on the Consolidated Financial Statements****Opinion**

We have audited the accompanying consolidated financial statements of Jordan Steel Company P.L.C, which comprise of the consolidated statement of financial position as of December 31, 2018, and the related consolidated statements of Comprehensive income, consolidated statement of owners' equity and consolidated statement of cash flows and notes for the consolidated financial statements, for the year then ended, 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 Jordan Steel Company P.L.C as of December 31, 2018, and its financial performance and 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 consolidated Financial Statements. We are independent of 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 are sufficient and appropriate to provide basis for our audit opinion.

**Other Matter**

1. The Consolidated Financial Statements as of December 31, 2017 have been audited by another auditor, who issued his qualified report on March 12, 2018.
2. Based on the General Assembly extraordinary Meeting No. (2/2014) on March 2014, it was voluntary to liquidate Jordan Steel Industries Engineering Company, the legal procedures have not been completed for the liquidation at the Ministry of Industry, trade, supply and the relevant official parties until the date of issuing the consolidated financial statements.
3. The Company's working capital deficit amounted to JD 5,736,855 as of December 31, 2018, which shows a state of uncertainty regarding the Company's ability to meet its obligations to creditors within the next 12 months.

**Key audit matters**

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

**Audit . Tax . Advisory**

## Basic auditing matters

### Inventory and spare parts

In accordance with International Financial Reporting Standards, the Company must ensure 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 or waste inventory which influences the net realizable value.

### Property, plant and equipment

In accordance with the international financial reporting standards, the company has to review the useful life and depreciation method and perform an impairment test to the reported amount of property, plant and equipment in the financial position, and in case of any impairment indications in the recoverable amount, the losses are calculated according to the impairment policy in which the company determines the impairment in property, plant and equipment by using assumptions and evaluations (if any) and due to its importance, it is considered one of the key audit matters.

### Accounts receivable and checks under collections

In accordance with International Financial Reporting Standards, the Company is required to review the allowance for impairment of receivables. Management estimates impairment in receivables through the use of assumptions and estimates and, because of their significance, is considered an important audit risk.

### We emphasized on this matter because :

IFRS 9 Financial Instruments applied by the Company on January 1, 2018.

- Requires complex accounting treatments, including the use of significant estimates and judgments based on the determination of modifications to the transition.

- Resulted in significant changes in treatments, data and controls that should have been tested for the first time

The amendment to the Company's retained earnings on the transition to IFRS 9 was JD 1,921,675.

## The following is a description of our auditing procedures

### Inventory and spare parts

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 consolidated 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 work 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, plant and equipment

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

### Accounts receivable and checks under collections

The audit procedures included the control procedures used by the Company for the collection of receivables and checks on the collection fee, the verification of the balances of a sample of customer receivables through receipt of direct confirmation, and the adequacy of the provision for impairment related to receivables was examined by assessing the management assumptions taking into consideration the available external information on receivables risk. We have also assessed the adequacy of the Company's disclosures about significant estimates of impairment.

### Our audit procedures included, inter alia:

- Evaluate the appropriateness of choosing accounting policies.
- Examining the appropriateness of the transition approach and practical methods applied.
- Evaluate the management's approach to testing the "expected credit loss" methodology.
- Studying the management's approach and the controls applied to ensure the completeness and accuracy of the transition modifications and accuracy.
- Identify and test relevant controls.
- Evaluate the appropriateness of judgments and major estimates made by management in preparing transition amendments, particularly those related to the amendment to the future factor.
- Involving financial risk management specialists to consider key assumptions / judgments regarding future amendments and definition of default using the net flow method.
- Evaluate the completeness, accuracy and appropriateness of the data used in the preparation of transitional amendments.
- Evaluating the adequacy of the company's disclosures.



**Other information**

The management is responsible for other information. Which includes other information reported in the final 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 consolidated financial statement we are obliged to review these other information, and while that, we consider the compatibility of these information with their consolidated financial statement or with the knowledge we gained through auditing. 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 consolidated 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 responsibility is to express an opinion on these consolidated financial statements based on our audit. We conducted our audit in accordance with International Standards on Auditing. Those standards require us to comply with ethical requirements and plan and perform the audit to obtain reasonable assurance whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the consolidated financial statements 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 entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the 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 initial 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 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, we will 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 initial consolidated Financial Statements, including the disclosures, and whether the initial consolidated Financial Statements represent the underlying transactions and events in a manner that achieves Fair Presentation.

We communicated with audit committee regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

#### **Legal requirements report**

The Company maintains the appropriate accounting records, the accompanying consolidated financial statements and the consolidated financial statements in the report of the Board of Directors in accordance with the correct accounts records, and recommends that the General Assembly approve them.

Modern Accountants

Abdul Karim Qunais  
Licence No.(496)

Amman-Jordan  
March 18, 2019

**Modern Accountants**



**JORDAN STEEL COMPANY**  
(PUBLIC SHAREHOLDING COMPANY)

**CONSOLIDATED STATEMENT OF FINANCIAL POSITION**  
**AS OF DECEMBER 31, 2018**  
(EXPRESSED IN JORDANIAN DINAR)

	Note	December 31, 2018	January 1, 2018 (restated)	December 31, 2017 (Before restated)
<b>ASSETS</b>				
<b>Non-current assets</b>				
Property, plant and equipment	4	40,074,434	40,430,915	40,430,915
Investments in lands	5	154,784	934,131	934,131
Long term -checks under collection	6	132,817	102,000	102,000
<b>Total non-current assets</b>		<b>40,362,035</b>	<b>41,467,046</b>	<b>41,467,046</b>
<b>Current assets</b>				
Prepaid expenses and other receivables	7,20	5,932,787	4,225,838	4,225,838
Inventory and spare parts	8,19	9,930,985	10,986,501	11,442,892
Accounts receivable and checks under collection	9,20	4,815,391	7,791,209	7,791,209
Cash and cash equivalents	10	974,493	184,131	184,131
<b>Total current assets</b>		<b>21,653,656</b>	<b>23,187,679</b>	<b>23,644,070</b>
<b>TOTAL ASSETS</b>		<b>62,015,691</b>	<b>64,654,725</b>	<b>65,111,116</b>
<b>LIABILITIES AND OWNERS' EQUITY</b>				
<b>Owners' equity</b>				
Share capital	1	35,000,000	35,000,000	35,000,000
Issuance premium	15	1,509,320	1,509,320	1,509,320
Statutory reserve	15,19	6,075,043	6,075,043	6,113,139
Accumulated losses	19	(7,959,183)	(4,091,181)	(3,672,886)
<b>Total Owners' equity</b>		<b>34,625,180</b>	<b>38,493,182</b>	<b>38,949,573</b>
<b>Current liabilities</b>				
Accrued expenses and other Payables	11	1,983,610	2,326,018	2,326,018
Notes payable		-	2,048,192	2,048,192
Accounts payable and deferred checks	12	5,291,493	4,910,971	4,910,971
Due to related parties	13	47,901	365,962	365,962
Bank overdrafts	14	20,067,507	16,510,400	16,510,400
<b>Total current liabilities</b>		<b>27,390,511</b>	<b>26,161,543</b>	<b>26,161,543</b>
<b>TOTAL LIABILITIES AND OWNERS' EQUITY</b>		<b>62,015,691</b>	<b>64,654,725</b>	<b>65,111,116</b>

Chairman of Board of Directors

General Director

Chief Financial Officer

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



**JORDAN STEEL COMPANY**  
(PUBLIC SHAREHOLDING COMPANY)

**CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME**  
**FOR THE YEAR ENDED DECEMBER 31, 2018**  
(EXPRESSED IN JORDANIAN DINAR)

	Note	2018	2017(restated)
Sales		38,717,873	31,516,359
Cost of sales	16,19	(38,646,145)	(31,396,728)
<b>Gross profit</b>		<b>71,728</b>	<b>119,631</b>
Selling and distribution expenses		(158,449)	(61,400)
General and administrative expenses	17	(835,398)	(917,507)
Financial charges		(1,348,950)	(1,066,421)
Return of legal provision		-	91,628
Gain on sale of investments in land		276,653	-
Loss of disposal of property, plant and equipment		(6,407)	-
Other revenues and expenses		54,496	447,561
<b>Loss before income tax</b>		<b>(1,946,327)</b>	<b>(1,386,508)</b>
Income tax	18	-	(34,184)
<b>Loss for the year</b>		<b>(1,946,327)</b>	<b>(1,420,692)</b>
<b>Loss per share</b>			
<b>Loss per share- JD/ share</b>		<b>(0,056)</b>	<b>(0,041)</b>
<b>Outstanding weighted average share</b>		<b>35,000,000</b>	<b>35,000,000</b>

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

**JORDAN STEEL COMPANY**  
(PUBLIC SHAREHOLDING COMPANY)

**CONSOLIDATED STATEMENT OF OWNERS' EQUITY**  
**FOR THE YEAR ENDED DECEMBER 31, 2018**  
(EXPRESSED IN JORDANIAN DINAR)

	Note	Share capital	Issuance premium	Statutory reserve	Accumulated losses	Total
Balance at January 1, 2017 (restated)		35,000,000	1,509,320	6,075,043	(2,670,489)	39,913,874
Comprehensive income for the year	19	-	-	-	(1,420,692)	(1,420,692)
Balance at December 31, 2017 (restated)		35,000,000	1,509,320	6,075,043	(4,091,181)	38,493,182
Impact of expected credit loss 'ECL' IFRS 9	20	-	-	-	(1,921,675)	(1,921,675)
Balance at January 31, 2018		35,000,000	1,509,320	6,075,043	(6,012,856)	36,571,507
Comprehensive income for the year		-	-	-	(1,946,327)	(1,946,327)
Balance at December 31, 2018		35,000,000	1,509,320	6,075,043	(7,959,183)	34,625,180

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

**JORDAN STEEL COMPANY**  
(PUBLIC SHAREHOLDING COMPANY)

**CONSOLIDATED STATEMENT OF CASH FLOWS**  
**FOR THE YEAR ENDED DECEMBER 31, 2018**  
(EXPRESSED IN JORDANIAN DINAR)

	2018	2017(restated)
<b>OPERATING ACTIVITIES</b>		
Loss before income tax for the year	(1,946,327)	(1,386,508)
Adjustments on loss before income tax for the year:		
Depreciation	1,287,011	575,048
Financial charges	1,348,950	1,066,421
Loss on disposal of property, plant and equipment	6,407	-
Gain on sale of investments in land	(276,653)	-
Return of legal provision	-	(91,628)
Changes in operating assets and liabilities:		
Prepaid expenses and other receivables	(1,724,894)	(997,113)
Inventory and spare parts	1,178,064	5,121,290
Accounts receivable and checks under collection	1,040,473	(2,611,639)
Accounts payable and deferred checks	380,522	2,071,229
Due to related parties	(318,061)	365,962
Accrued expenses and other liabilities	(341,610)	(36,334)
<b>Cash available from operating activities</b>	<b>633,882</b>	<b>4,076,728</b>
Financial charge paid	(1,348,950)	(1,066,421)
<b>Net cash (used in) \ available from operating activities</b>	<b>(715,068)</b>	<b>3,010,307</b>
<b>INVESTING ACTIVITIES</b>		
Purchase property, plant and equipment	(1,073,722)	(568,145)
Proceeds from sale of property, plant and equipment	14,237	15,371
Proceeds from sale of investments in land	1,056,000	-
<b>Net cash used in investing activities</b>	<b>(3,485)</b>	<b>(552,774)</b>
<b>FINANCING ACTIVITIES</b>		
Banks overdraft	(2,048,192)	(4,238,225)
Notes payable	3,557,107	1,189,574
<b>Net cash available from \ (used in) financing activities</b>	<b>1,508,915</b>	<b>(3,048,651)</b>
<b>Net change in cash and cash equivalents</b>	<b>790,362</b>	<b>(591,118)</b>
Cash and cash equivalents, January 1	184,131	775,249
<b>Cash and cash equivalents, December 31</b>	<b>974,493</b>	<b>184,131</b>
<b>Non-monetary items</b>		
Transfer of property, plant and equipment to sister companies	-	1,123,391
Transferred from property, plant and equipment to the inventory	122,548	68,000

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

**JORDAN STEEL COMPANY**  
(PUBLIC SHAREHOLDING COMPANY)

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED DECEMBER 31, 2018**  
(EXPRESSED IN JORDANIAN DINAR)

**1. ORGANIZATION AND ACTIVITY**

The Jordan Steel Company is a Public Shareholding Company (the "Company") registered at the ministry of industry and trade as Public Shareholding Company on March 29, 1993 under No. (226). The Company's capital is JD 35,000,000 divided into 35,000,000 shares each for of JD 1.

The Main activity of the Company is to produce reinforcing steel and pull through steel without heating to produce steel bars and for the production of iron skewers contributing to other companies, importing, exporting, marketing, concluding contracts and trade agreements and borrowing the necessary funds from banks.

The Company's headquarter is in Az zarqa.

The consolidated financial statements as of December 31, 2018 include the financial statements of the following subsidiary company .

Subsidiary Company	Legal title	Registration years	Ownership and dates interest (%)	Principal activity
Jordan Iron Industries Co. - under liquidation	Limited liability company	2003	100%	Production of iron and steel in all its forms and types
Al - Etlafor Iron and Steel Industry Company	Limited Private company	2005	100%	Production of iron and steel in all its forms and types
Modern Wire Mesh Co	Limited liability company	2005	100%	Production of iron and steel in all its forms and types
Ammon for Iron and Metal Trading Company	Limited liability company	2011	100%	Production of iron and steel in all its forms and types

**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.

**New Standards**

**Effective Date**

(IFRS) No.16 – Leases

January 1,2019

**JORDAN STEEL COMPANY**  
(PUBLIC SHAREHOLDING COMPANY)

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS(Continued)**  
**FOR THE YEAR ENDED DECEMBER 31, 2018**  
(EXPRESSED IN JORDANIAN DINAR)

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**3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

The preparation of the consolidated financial statements in accordance with International Accounting Standard.

**Basis of preparation**

The consolidated financial statements are presented in Jordanian Dinar (JD) as this is the currency in which the majority of the Company's transactions are recorded.

The consolidated financial statements have been prepared on historical cost principle, However financial instruments and investment in properties are stated at fair value. The following is a summary of significant accounting policies applied by the Company:

**Basis of Consolidation Financial Statements**

The Consolidated Financial Statements incorporate the financial statements of Jordan Steel Company (Public Shareholding Company) and the subsidiaries controlled by the Company.

Control is achieved where the Company:

- Ability to exert power over the investee.
- Exposure, or rights, to variable returns from its involvement with the investee.
- Ability to exert power over the investee to affect the amount of the investor's returns.

The Company reassesses whether or not it controls an investee if facts and circumstances indicate that there are changes to one or more of the three elements of control described in the accounting policy for subsidiaries above.

When the Company has less than a majority of the voting, The Company shall have control over the investee when the voting rights sufficient to give it the ability to direct relevant activities of the investee individually.

When The Company reassesses whether or not it controls an investee, it consider all the relevant facts and circumstances which includes:

- Size of the holding relative to the size and dispersion of other vote holders
- Potential voting rights, others vote-holders, and Other parties
- Other contractual rights
- Any additional facts and circumstances may indicate that the company has, or does not have, the current ability to direct the activities related to the time needed to make decisions, including how to vote at previous shareholders' meetings.



**JORDAN STEEL COMPANY**  
(PUBLIC SHAREHOLDING COMPANY)

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)**  
**FOR THE YEAR ENDED DECEMBER 31, 2018**  
(EXPRESSED IN JORDANIAN DINAR)

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The consolidation process begins when the company's achieve control on the investee enterprise (subsidiary), while that process stops when the company's loses control of the investee (subsidiary). In particular Income and expenses of subsidiaries acquired or disposed of during the year are included in the consolidated income statement, and the consolidated comprehensive income statement from the effective date of acquisition and up to the effective date of which it loses control of a subsidiary company.

Profit or loss and each component of other comprehensive income are attributed to the owners of the Company and to the non-controlling interests. Total comprehensive income of subsidiaries is attributed to the owners of the Company and to the non-controlling interests even if this results in the non-controlling interests having a deficit balance.

When necessary, adjustments are made to the financial statements of subsidiaries to bring their accounting policies into line with the Group's accounting policies.

All intra-entity assets and liabilities, equity, income, expenses and cash flows relating to transactions between members of the Group are eliminated in full on consolidation.

**Equity instruments at FVTOCI**

Investments in equity instruments at FVTOCI are initially measured at fair value plus transaction costs. Subsequently, they are measured at fair value with gains and losses arising from changes in fair value recognized in other comprehensive income and accumulated in the cumulative changes in fair value of securities reserve. The cumulative changes or loss will not be reclassified investments. But reclassified to retained earnings. The Company has designated all instruments that are not held for trading as at FVTOCI

Dividends on these investments in equity instruments are recognized in profit or loss when the Company right to receive the dividends is established, unless the dividends clearly represent a recovery of a part of the cost of the investments. Other net gains and losses are recognized in OCI and are never reclassified to profit or loss.

**Debt instruments at amortized cost or at FVTOCI**

The Company assesses the classification and measurement of the cash flow characteristics of the contractual asset and the Company's business model for managing the asset

For an asset to classified and measured at amortized cost or at FVTOCI, is contractual terms should give rise to cash flows that are solely represent payments of principal and interest on the principal outstanding (SPPI)

At initial recognition of a financial asset, the Company determines whether newly recognized financial assets are part of an existing business model or whether they reflect the commencement of a new business model. The Company reassess its business models each reporting period to determine whether the business models have changed since the preceding period. For the current and prior reporting period the Company has not identified a change in its business models.

When a debt instrument measured a FVTOCI is derecognized, the cumulative gain or loss previously recognized in OCI is reclassified from equity to profit or loss. In contrast, for an equity investment designated as measured FVTOCI, the cumulative gain/loss previously recognized in OCI is not subsequently reclassified to profit or loss but transferred within equity

Debt instruments that are subsequently measured at amortized cost or FVTOCI are subject to impairment.

**JORDAN STEEL COMPANY**  
(PUBLIC SHAREHOLDING COMPANY)

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)**  
**FOR THE YEAR ENDED DECEMBER 31, 2018**  
(EXPRESSED IN JORDANIAN DINAR)

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**Reclassifications**

If the business model under which the Company holds financial assets changes. The financial assets affected are reclassified. The classification and measurement requirements related to the new category apply prospectively from the first day of the first reporting period following the change in business model that results in reclassifying the Company's financial assets. During the current financial year and previous accounting period, there was no change in the business model under which the Company holds financial assets and therefore no reclassifications were made

**Impairment**

IFRS 9 replaces the "incurred loss" model in IAS 39 with an expected credit loss model (ECLs). The Company recognizes loss allowance for expected credit losses on the following financial instruments that are not measured at FVTPL

- Cash and bank balances;
- Trade and other receivables;
- Due from related party.

With the exception of purchased or originated credit impaired (POCI) financial assets (which are considered separately below), ECLs are required to be measured through a loss allowance at an amount equal to:

- 12 Month ECL, i.e. lifetime ECL that results from those default events on the financial instrument that are possible within 12 months after the reporting date (referred to as stage1); or
- Full lifetime ECL, i.e. Lifetime ECL that results from all possible default events over the life of the financial instruments, (referred to as stage2 and stage3).

A loss allowance for full lifetime ECL is required for a financial instrument if the credit risk on that financial instrument has increased significantly since initial recognition. For all other financial instruments, ECLs are measured at an amount equal to the 12-month ECL.

The Company has selected to measure loss allowances of cash and bank balances, Trade and other receivables, and due from a related party at an amount equal to life time ECLs.

ECLs are probability-weighted estimate of the present value of credit losses. These are measured as the present value of the difference between the cash flow to the Company under the contract and the cash flows that the Company expects to receive arising from weighting of multiple future economic scenarios. Discounted at the asset's EIR.

Loss allowance for financial investments measured at amortized costs are deducted from gross carrying amount of assets. For debt securities at FVTOCI, the loss allowance is recognized in the OCI, instead of reducing the carrying amount of the asset.

When determining whether the credit risk of a financial asset has increased significantly since initial recognition and when estimating ECLs, the Company considers reasonable and supportable information that is relevant and available without undue costs or effort. This includes both quantitative and qualitative including forward-looking information.

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For certain categories of financial assets, assets that are assessed not to be impaired individually are. In addition, assessed for impairment on a collective basis. Objective evidence of impairment for a portfolio of receivables could include the Company's past experience of collecting payments, an increase in the number of delayed payments in the portfolio as well as observable changes in national or local economic conditions that correlate with default on receivables.

Impairment losses related to cash and bank balances, trade and other receivables and due from a related party, are presented separately in the statement of income and other comprehensive income

The Company considers a debt security to have low credit risk when its credit risk rating is equivalent to the globally understood definition of the grade of the investment

**Measurement of ECL**

The Company employs statistical models for ECL calculations. ECLs are a probability-weighted estimate of credit losses. For measuring ECL under IFRS 9, the key input would be the term structure of the following variables.

- Probability of default (PD);
- Loss given default (LGD); and
- Exposure at default (EAD).

These parameters will be derived from our internally developed statistical models and other historical data. They will be adjusted to reflect forward – looking information.

**Credit-impaired financial assets**

A financial asset is credit-impaired when one or more events that have a detrimental impact on the estimated future cash flows of the financial assets have occurred. Credit-impaired financial assets are referred to stage 3 assets. At each reporting date, the Company assesses whether financial assets carried at amortized costs and debt securities at FVTOCI at credit-impaired. A financial asset is credit impaired when one or more events that have a detrimental impact in the estimated future cash flows of the financial asset have occurred.

**DE-recognition of financial assets**

The Company de-recognizes a financial asset only when the contractual rights to the cash flows from the asset expire, or when it transfers the financial asset and substantially all the risks and rewards of ownership of the asset to another entity. If the Company neither transfers nor retains substantially all the risks and rewards of ownership and continues to control the transferred asset, the Company recognizes its retained interest in the asset and an associated liability for amounts it may have to pay. If the Company retains substantially all the risks and rewards of ownership of a transferred financial asset, the Company continues to recognize the financial asset and also recognizes a collateralized borrowing for the proceeds received.

On DE recognition of a financial asset measured at amortized cost or measured at FVTPL, the difference between the asset's carrying amount and the sum of the consideration received and receivable is recognized in profit or loss

On DE recognition of a financial asset that is classified as FVTOCI, the cumulative gain or loss previously accumulated in the cumulative changes in fair value of securities reserve is not reclassified to profit or loss, but is reclassified to retained earnings.

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**Presentation of allowance for ECL are presented in the financial information**

**Loss allowances for ECL are presented in the financial information as follows:**

For financial assets measured at amortized cost (loans and advances, cash and bank balances): as a deduction from the gross carrying amount of the assets

For debt instruments measured at FVTOCI no loss allowance is recognized in the consolidated statement of financial position as the carrying amount is at fair value. However, the less allowance is included as part of the revaluation amount in re-evaluation reserve and recognized in other comprehensive income.

**Revenue recognition**

IFRS 15 "Revenue from contracts with customers" outlines a single comprehensive model of accounting for revenue arising from contracts with customers and supersedes current revenue recognition guidance found across several standards and Interpretation within IFRSs. It establishes a new five-step model that will apply to revenue arising from contracts with customers.

**Step1: identify the contract with customer:** A contract is defined as an agreement between two or more parties that creates enforceable rights and obligations and sets out the criteria for each of those rights and obligations.

**Step 2: Identify the performance obligations in the contract:** performance obligation in a contract is a promise to transfer a good or service to the customer

**Step 3: Determine the transaction price** Transaction price is the amount of consideration to which the Company expects to be entitled in exchange for transferring the goods and services to a customer excluding amount collected on behalf of third parties.

**Step 4: Allocate the transaction price to the performance obligations in the contract:** For a contract that has more than one performance obligation the Company will allocate the transaction price to each performance obligation in an amount that depicts the consideration to which the Company expects to be entitled in exchange for satisfying each performance obligation.

**Step 5: Recognize revenues as and when the entity satisfies the performance obligation**

The Company recognizes revenue over time if any one of the following criteria is met:

- The customer simultaneously receives and consumes the benefits provided by the Company performance as The Company performs.
- The Company performance creates or enhances an asset that the customer controls as the asset is created or enhanced or
- The Company performance does not create an asset with an alternative use to the Company and the entity has an enforceable right to payment for performance obligation completed to date.
- The Company allocates the transaction price to the performance obligations in a contract based on the input method which requires the revenue recognition on the basis of the Company efforts or inputs to the satisfaction of the performance obligations. The Company estimates the total costs to complete the projects in order to determine amount of revenue to be recognized.

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-When the Company satisfies a performance obligation by delivering the promised goods and services, it creates a contract asset based on the amount of consideration earned by the performance. Where the amount of consideration received from the customer exceeds the amount of revenue recognized this gives rise to a contract liability

-Revenue is measured at the fair value of consideration received or receivable, taking into account the contractually agreed terms of payment. The Company assesses its revenue arrangements against specific criteria to determine if it is acting as a principal or agent and has concluded that it is acting as a principal in all of its revenue arrangements.

-Revenue is recognized in the consolidated financial statements to the extent that it is probable that the economic benefits will flow to the Company and the revenue and costs, if and when applicable, can be measured reliably.

**Critical accounting judgments and key sources of estimation uncertainty**

The preparation of consolidated financial statements requires management to make judgments, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets and liabilities, income and expense. Actual results may differ from these estimates.

In preparing these consolidated financial statements, the significant judgments made by management in applying the Company accounting policies and the key sources of estimation uncertainty were the same as those that applied to the audited annual financial consolidated statements for the year ended December 31, 2017, except for the adoption of IFRS 9 which has resulted in changes in accounting judgments for recognition of financial assets and Liabilities and impairment of financial assets, as set out below.

**Critical judgments in applying the Company's accounting policies in respect of IFRS 9**

**Business model assessment:** Classification and measurement of financial assets depends on the results of the SPPI and the business model test. The Company determines the business model at a level that reflects how the Company's financial assets were managed together to achieve a particular business objective. This assessment includes judgments reflecting all relevant evidence including how the performance of the assets is evaluated and their performance measured, the risks that affect the performance of the assets and how these are managed and how the managers of the assets are compensated. Monitoring is part of the Company's continuous assessment of whether the business model for which the remaining financial assets are held continues to be appropriate and if it is not appropriate whether there has been a change in business model and so a prospective change to the classification of those assets.

**Significant increase of credit risk**

ECLs are measured as an allowance equal to 12-month ECL for stage 1 assets, or lifetime ECL assets for stage 2 or stage 3 assets. An asset moves to stage 2 when its credit risk has increased significantly since initial recognition. IFRS 9 does not define what constitutes a significant increase in credit risk. In assessing whether the credit risk of an asset has significantly increased the Company takes into account qualitative and quantitative reasonable and supportable forward looking information.



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**Establishing a groups of assets with similar credit risk characteristics**

When ECLs are measured on a collective basis, the financial instruments of the Company are collected on the basis of shared risk characteristics (e.g., instrument type, credit risk grade, collateral type, date of initial recognition, remaining term to maturity, industry, geographic location of the borrower, etc.). The Company monitors the appropriateness of the credit risk characteristics on an ongoing basis to assess whether they continue to be similar. This is required in order to ensure that should credit risk characteristics change there is appropriate re-segmentation of the assets. This may result in new portfolios being created or assets moving to an existing portfolio that better reflects the similar credit risk characteristics of that Company of assets. Re-segmentation of portfolios and movement between portfolios is more common when there is a significant increase in credit risk (or when that significant increase reverses) and so assets move from 12-month to lifetime ECLs, or vice versa, but it can also occur within portfolios that continue to be measured on the same basis of 12-month or lifetime ECLs but the amount of the ECLs changes because the credit risk of the portfolios differ.

**Models and assumptions used**

The Company uses various models and assumptions in measuring fair value of financial assets as well as in estimating ECL. Judgment is applied in identifying the most appropriate model for each type of asset, as well as for determining the assumptions used in these models, including assumptions that relate to key drivers of credit risk.

**Key sources of estimation uncertainty in respect of IFRS 9**

The following are key estimations that the management has used in the process of applying the Company's accounting policies and that have the most significant effect on the amounts recognized in consolidated financial statements

Establishing the number and relative weightings of forward-looking scenarios for each type of product /market determining the forward looking information relevant to each scenario: When measuring ECL the Company uses reasonable and supportable forward looking information, which is based on assumptions for the future movement of different economic drivers and how these drivers will affect each other.

**Probability of Default**

PD constitutes a key input in measuring ECL. PD is an estimate of the likelihood of default over a given time horizon, the calculation of which includes historical data, assumptions and expectations of future conditions.

**Loss Given to Default**

LGD is an estimate of the loss arising on default. It is based on the difference between the contractual cash flows due and those that the lender would expect to receive, taking into account cash flows from collateral and integral credit enhancements.

**Cash and cash equivalents**

Cash and cash equivalents include cash, demand deposits, and highly liquid investments with original maturities of three months or less and which are not exposed to a significant risk of value change.

**Accounts payable and accruals**

Accounts payable are recognized against the value of obligation for services or goods received, whether billed or not billed by the supplier.

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**Accounts receivable**

Receivables are stated at fair value and are stated at amortized cost after deducting provision for doubtful debts.

**Expenses**

General and administrative expenses include direct and indirect costs not specifically part of cost of revenues as required under generally accepted accounting principles

**Inventories**

Inventories are stated at the lower of cost and net realizable value. Cost comprises direct materials, production and conversion costs, and other costs necessary to bring the inventory to the Group's location. In the case of manufactured inventory and work in progress, cost includes an appropriate share of production overheads based on normal operating capacity. Cost is calculated using the weighted average method. Net realizable value represents the estimated selling price less all estimated costs of completion and costs necessary to make the sale.

When the net realizable value of the inventories is lower than the cost, they provides for an allowance for the decline in the value of the inventory and recognizes the write-down as an expense in profit or loss.

**Property, plant and equipment**

Property, plant and equipment are stated at cost less accumulated depreciation. Expenditures on maintenance and repairs are expensed. While expenditures for betterment are capitalized. Depreciation is provided over the estimated useful lives of the applicable assets using the straight-line method. The estimated rates of depreciation of the principal classes of assets are as follows:

	<u>Annual depreciation rate</u>
Buildings, constructions and tanks	2%-10%
Equipments and machinery	5%-15%
Electricity and communication network	5%-12%
Transportation means	15%
Tools and supplies	10%-15%
Furniture and office equipments	9%-15%
Computer Devices	10%-40%

Useful lives and the depreciation method are reviewed periodically to make sure that the method and amortization period appropriate with the expected economic benefits of property, plant and equipment.

Impairment test is performed to the value of the property, plant and equipment that appears in the consolidated 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 the exclusion of any subsequent property, plant and equipment recognize the value of gains or losses resulting which represents the difference between the net proceeds of exclusion and the value of the property, plant and equipment that appears in the consolidated Statement of Financial Position. Gross Profit and loss.

**Provisions**

The provisions had been formed, when the company has a present obligation (legal or expected) from past events which its cost of repayment consider accepted and it has ability to estimate it reliably.

The provision had been measured according to the best expectations of the required alternative to meet the obligation as of the balance sheet date after considering the risks and not assured matters about the obligation. When the provision had been measured with the estimated cash flows to pay the present obligation, then the accounts receivable had been recognized as asset in case of receipt and replacement of the amount is certain and it able to measure the amount reliably.

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**Segment reporting**

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 a particular economic environment subject to risks and returns that are different from those for sectors to work in economic environment.

**Offsetting**

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

**Income Tax**

The Company is subject to Income Tax Law, 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 No. (12), the Company may have deferred taxable assets resulting from the temporary differences between the accounting value and tax value of the assets and liabilities related to the provisions, these assets are not shown in the periodic financial statements since it's immaterial.

**Foreign currency transactions**

Foreign currency transactions translated into Jordanian Dinars at the rates of exchange prevailing at the time of the transactions. The operation occurs during the year are translated at weighted average rates at time of transaction. Gains and Losses from settlement and transaction of foreign currency transaction are included in the statement of comprehensive income.

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**4. PROPERTY, PLANT AND EQUIPMENT**

	January 1	Additions	Disposals	Transfer	December 31
<b>Cost:</b>					
Lands, buildings, constructions and tanks	9,661,926				
Equipments and machinery*	65,627,602	40,395	(5,700)	-	9,696,621
Electricity and communication network	575,170	-	-	(187,715)	65,883,141
Transportation means	1,664,764	142,440	(236,169)	-	575,170
Tools and supplies	1,455,280	4,915	-	-	1,571,035
Furniture and office equipments	737,072	8,064	(11,409)	-	1,460,195
Computer Devices	373,648	21,435	(1,476)	(3,657)	733,727
Projects under construction	4,248	412,098	-	(4,248)	389,950
<b>Total cost</b>	<b>80,099,710</b>	<b>1,073,722</b>	<b>(255,875)</b>	<b>(195,620)</b>	<b>80,721,937</b>
<b>Depreciation:</b>					
buildings, constructions and tanks	2,976,566	290,241	(439)	-	3,266,368
Equipments and machinery*	32,737,752	826,064	(312)	(70,034)	33,493,470
Electricity and communication network	496,748	11,163	-	-	507,911
Transportation means	1,334,012	100,350	(224,724)	-	1,209,638
Tools and supplies	1,188,165	10,704	-	-	1,198,869
Furniture and office equipments	584,724	41,095	(8,708)	-	617,111
Computer Devices	350,828	7,394	(1,048)	(3,038)	354,136
<b>Total depreciation</b>	<b>39,668,795</b>	<b>1,287,011</b>	<b>(235,231)</b>	<b>(73,072)</b>	<b>40,647,503</b>
<b>Net book value January 1</b>	<b>40,430,915</b>				
<b>Net book value December 31</b>					<b>40,074,434</b>

\* The equipments and machinery include a fair value difference of JD 16,244,345. The difference resulted from the Company's ownership of Al-Etlaf for Iron and Steel Company in 2008, the book value of these difference amounted to JD 9,116,006 on the date of the consolidated financial statements.

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**5 - INVESTMENTS IN LANDS**

	2018	2017
Beginning balance	934,131	934,131
Additions	-	-
Disposals	(779,347)	-
Ending balance	154,784	934,131

**6. CHECKS UNDER COLLECTION**

	2018	2017
Checks under collection	1,261,552	3,454,276
Current portion of Checks under collection (Note – 9)	1,128,735	3,352,276
Checks under collection -long term	132,817	102,000

**7. PREPAID EXPENSES AND OTHER RECEIVABLES**

	2018	2017
Due from sales tax	4,715,218	3,160,929
Refundable deposits	688,866	688,866
Due from employees	50,749	143,461
Due from Income Tax	159,453	117,916
Claims of the Social Security Corporation - Workers' injuries	76,630	76,473
Prepaid expenses	15,903	32,481
Work advanced payments	3,940	10,201
Insurance of bank guarantees	108,943	2,311
Due from Social Security corporation	134,328	-
Provision for impairment of other receivables	(21,243)	(6,800)
	5,932,787	4,225,838

**8. INVENTORY AND SPARE PARTS**

	2018	2017 (restated)
Spare parts	5,186,053	4,893,616
Finished goods	2,107,508	4,450,898
Oils, greases and consumables	1,969,179	1,106,627
Raw materials	650,181	442,074
Goods in transit	18,064	93,286
	9,930,985	10,986,501

**9. ACCOUNTS RECEIVABLE AND CHECKS UNDER COLLECTION**

	2018	2017
Account receivables	6,659,384	5,507,133
Checks under collection- short term (Note – 6)	1,128,735	3,352,276
Less: Provision for doubtful debts	(2,972,728)	(1,068,200)
	4,815,391	7,791,209



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**10. CASH AND CASH EQUIVALENTS**

	2018	2017
Cash on hand	3,500	10,741
Cash at banks	970,993	173,390
	<u>974,493</u>	<u>184,131</u>

**11. ACCRUED EXPENSES AND OTHER PAYABLES**

	2018	2017
Accrued expenses	400,034	411,066
Due to shareholders	1,269,341	1,305,645
Income tax provision (Note - 18)	32,465	66,664
Savings Fund	189,178	63,405
Due to social Security	44,542	36,777
Provision of labor issues	14,100	396,241
Due to employees	16,183	18,855
Provision for end of service benefits	10,707	10,707
Due to Income Tax Department -employees	1,884	3,226
Others	5,176	13,432
	<u>1,983,610</u>	<u>2,326,018</u>

**12. ACCOUNTS PAYABLE AND DEFERRED CHECKS**

	2018	2017
Deferred checks	1,034,445	3,076,142
Accounts payable	4,257,048	1,834,829
	<u>5,291,493</u>	<u>4,910,971</u>

**13. TRANSACTIONS WITH RELATED PARTIES**

Transactions with related parties consist of transactions with companies that are jointly controlled by the Chairman of the Board of Directors and transactions with the Chairman of the Board of Directors.

Regarding the policies and conditions relating to transactions with related parties, they are approved by the Company's management.

Due to related parties at December 31 transactions as the following:

	2018	2017
Al-Awon for Advanced Contracting Co	47,901	365,962
	<u>47,901</u>	<u>365,962</u>

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**14. BANK OVERDRAFT**

	2018	2017
Housing Bank for Trade and Finance	9,606,548	7,765,372
JordanCommercial Bank	1,031,190	1,287,124
Arab Bank	712,577	1,224,441
Invest Bank	41,703	49,800
Arab Banking Corporation (ABC)	8,675,489	6,183,663
	<b>20,067,507</b>	<b>16,510,400</b>

**Investment Bank**

The company has obtained bank facilities as form of current debt with a ceiling amounting of JD 400,000 and an interest rate of 8% without commission.

**Arab Banking Corporation (ABC)**

1-The Company has obtained a bank facility as a form of current debt with a ceiling amounting of JD 5,500,000, with an interest of 7.75% and without commission, for financing the opening of letter of credits

2-The Company has obtained a bank facility as a form of current debt with a ceiling amounting of JD 2,130,000, at an interest rate of 7% and without a commission, and against checks for the Bank's order showing a transfer of ownership.

3-The company has obtained a bank facility as a form of current debt with a ceiling amounting of JD 975,000 Jordanian dinars and interest 7.25% without commission, for financing the working capital of the company.

4 - The company has obtained bank facilities as a form of current debt with a ceiling amounting of JD 900,000 and interest rate of 7.25% and without commission.

**Housing Bank for Trade and Finance**

1- The company has obtained bank facilities as a form of current debt with a ceiling amounting of JD 6,000,000. The debit balance is subject to a rate of (1.5% - LIBOR) calculated on the daily balance and added to the account monthly. Interests are paid monthly.

2- The company has obtained a bank facility as a form of current debt with a ceiling amounting of US \$ 5,000,000 to finance local purchases and letter of credit in US dollars. The debit balance is subject for LIBOR 3 months plus a margin of 2.5% and in a minimum limit of 4%) is calculated on the daily balance and added to the account monthly and interest is paid monthly.

**JordanCommercial Bank**

The company has obtained a bank facility as a form of current debt with a ceiling amounting of US \$ 5,000,000. Any withdrawal within the ceiling shall be paid in one installment after 6 months from the date of exploitation. The interest shall be (6 months + LIBOR) plus a margin of 1.4% and in a minimum limit of 3%.

**Arab Bank**

The company has a bank facility in the form of a current debtor with a ceiling of US \$ 2,000,000 and an interest rate of 2% plus a minimum margin of 4%.

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**15. ISSUANCE PREMIUM AND RESERVS**

**Issuance premium**

The amounts in this account represent those received and resulting from the difference between the issuance price and the par value for as result of share capital increase during the year.

**Statutory reserve**

In accordance with the Companies' Law in the Hashemite Kingdome 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 to continue to deduct this annual ratio until this reserve is equal to the Authorized capital of the Company in full. This reserve is not available for dividend distribution, The General Assembly is entitled to decide, in its extraordinary meeting, to amortize its losses by the accumulated statutory reserve against being rebuilt in accordance with the provisions of the enacted law.

**16. COST OF SALES**

	2018	2017 (restated)
Direct material used in goods sold	23,253,897	25,009,169
Water, electricity and fuels	6,431,897	2,480,026
Salaries, wages and other benefits	2,882,014	1,898,399
Spare parts , maintenance and chemical materials	2,265,803	811,257
Refractories, lime, oven and casting machine	392,301	75,555
Electrode expenses	1,469,474	145,921
Depreciation	1,269,281	555,766
Health insurance and treatments	237,654	218,398
Vehicles expenses and transportation	117,421	59,881
Fees and Licenses	6,775	7,809
Catering expense	71,086	28,296
Insurance expenses	21,254	22,330
Hospitality and Cleaning	110,982	16,985
Stationery and prints	8,162	4,745
Telephone and post	10,478	6,190
Municipality taxes	62,864	42,746
testing samples	2,153	1,696
Research & Development	1,502	1,680
Others	31,147	9,879
	<b>38,646,145</b>	<b>31,396,728</b>

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**17. GENERAL AND ADMINISTRATIVE EXPENSES**

	2018	2017
Salaries ,wages and other benefits	553,394	492,596
Company's share from Social security ex.	51,160	58,382
Company's share in the Savings fundex.	12,927	19,848
Government fees, licenses and subscriptions	27,084	34,664
Professional and judicial fees	51,528	69,450
Rents	8,576	27,349
Security expenses	-	1,125
Cases charges	48,406	60,396
Research & Development	200	26,000
Depreciation	17,730	19,283
Water, electricity and fuel	477	7,010
Vehicles expenses	22,753	11,756
Health insurance and treatments	10,956	12,708
Maintenance	698	2,337
Travel and transportation	1,630	9,886
Donations	4,125	8,882
Board of Directors transportation	-	8,400
Telephone and post	5,485	7,758
Development Studies	450	15,217
General Assembly Meetings corporate controllerex.	-	5,498
Insurance	196	604
Stationery and prints	1,347	3,129
Secretary reward	-	1,750
Advertising	3,966	982
Hospitality and cleaning	1,095	3,776
Computer Supplies	6,230	6,226
Other	4,985	2,495
	<b>835,398</b>	<b>917,507</b>

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**18. INCOME TAX**

**Income tax provision movement is as follows:**

	2018	2017
Balance at January 1	66,664	115,480
Paid during the year	(34,199)	(15,000)
Transfer from due from income tax	-	(68,000)
Provision for the year	-	34,184
Balance at December 31	32,465	66,664

The Company settled its tax position with Income and tax department until 2012. As for the year 2013,2014,2015,2016 and 2017 the self-assessment tax statement has been submitted by the company and has not been reviewed through the Income and Sales Tax Department until the date of this consolidated financial statement

**Ammon for Iron and Metal Trading Company**

Ammon for Iron and Metal Trading Company (a subsidiary) completed its tax status until 2015. For 2016 and 2017, the self-assessment tax statement has been submitted and the accounting records have not been reviewed by the Department until the date of the consolidated financial statements.

**Al - Etlafor Iron and Steel Industry Company**

Al - Etlafor Iron and Steel Industry Company (a subsidiary) ended its tax status until 2015. For 2016 and 2017, the self-assessment tax statement was presented and the accounting records were not reviewed by the department until the date of the consolidated financial statements.

**Modern Wire Mesh Co**

The company has completed its tax status until 2017.

**Jordan Iron Industries Co.**

The Jordan Iron Industries Engineering Company (a subsidiary) ended its tax status until 2016. As for 2017, the self-assessment tax statement has been submitted and the accounting records have not been reviewed by the Department until the date of the consolidated financial statements.



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**19- RESTATEMENT OF 2017 HASCONSOLIDATED FINANCIAL STATEMENTS**

The financial statements for 2017 have been amended due to an error in the ending balance of the goods and auxiliary materials valued at JD 456,391. Accordingly, the balances of the goods have been adjusted for 2017.

The balance of statutory reserve has been adjusted as a statutory reserve for the years 2016 and 2017 has been calculated and the Company has not realized any profits in those years. Accordingly, the statutory reserve has been amended by the amount JD 38,096.

And as a result of the mentioned, the consolidated financial statements of 2017 have been adjusted and so the adjusted balances became as follows:

	Before adjustment	After Adjustment
Inventory and spare parts	11,442,892	10,986,501
Statutory reserve	6,113,139	6,075,043
Accumulated losses	(3,672,886)	(4,091,181)
Cost of sales	(30,940,337)	(31,396,728)
Gross profit	576,022	119,631
Loss for the year	(964,301)	(1,420,692)

**20. IMPACT OF ADOPTION OF IFRS 9 "FINANCIAL INSTRUMENTS"**

IFRS9 Financial Instruments provides requirements for the recognition and measurement of monetary financial assets and liabilities and certain contracts for the purchase or sale of non-financial items. This Standard supersedes IAS39 Financial Instruments: "Recognition and Measurement"

The Company has adopted IFRS 9 as of January 1, 2018. The Company has chosen not to adjust the comparative figures and the changes in the effective date have been included in the carrying amounts of the monetary financial assets and liabilities within the opening balances of the retained earnings.

The net effect arising from the adoption of IFRS9 as of 1 January 2018 is a decrease in retained earnings of JD 1,921,675.

	Book value in accordance with IAS 39	Current value in accordance with IFRS 9
Prepaid expenses and other receivables	4,225,838	4,208,691
Accounts receivable	7,791,209	5,886,681

Prepaid expenses, other receivables, unbilled revenues and accounts receivables previously classified as accounts receivables under IAS 39 are now classified at amortized cost. An additional impairment allowance of JD 1,921,675 for these receivables was recognized as part of the opening balance of retained earnings as at 1 January 2018 when IFRS 9 was adopted.

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**21. THE LEGAL STATUS OF THE COMPANY**

**Summary of Cases Submitted by the Company and its subsidiaries:**

The value of the cases filed by the company and its subsidiaries amounted to JD821,446

**Summary of cases filed against the Company and its subsidiaries :**

The value of cases filed by third parties against the Company and its subsidiaries amounted to 6,129,727 JD.

**Summary of the most important and major Cases:**

1-A case filed by the Income and Sales Department of the Al - Etlafor Iron and Steel Industry Company (a subsidiary) in the amount of JD 1,833,142 except for the fines, in order to amend the taxes statements for 2012 and 2013 and canceling the request for reply for the differences of JD 1,833,142 except for fines. The Company has appealed the decision to the Tax Court of First Instance and is still being considered by the Court of First Instance and has not issued a decision until the date of the consolidated financial statements.

2-The Income and Sales Tax Department issued its decisions for the fiscal years 2013-2016 not to approve, since it did not record all losses from 2013, impose an income tax and legal compensation in the amount of 1,743,143 JD for 2014 and impose an income tax of JD 255,992 for 2015 and income tax Of JD 9,789 for the year 2016. The company appealed the decisions at the Tax Court of First Instance and no decision was issued until the date of issuing the consolidated financial statements. In the opinion of the company's tax advisor, the disputed claims are misplaced and the court is expected to decide them in favor of the company in the future.

3. The preliminary tax law No. 133/2017 relating to the appeal against the decisions issued in respect of the tax returns (sales tax) for the periods 10, 11/2014, 2, 3/2015, 4 and 5/2016, which amends the company's declarations and the cancellation of the request for a refund of 2,230,814 JD A sales tax of JD 624, a fine of JD 200 and a claim of JD2,230,814 for the Chamber. The case is pending pending the issuance of the court's decision on the required evidence and in the event of completing the presentation of the company's defenses and evidence and conducting the accounting experience. And the abolition of As well as a student referee refund the amount claimed for the benefit of the company.

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**22. FINANCIAL INSTRUMENTS**

**Management of share capital risks**

The Company manages its capital to make sure that the Company will continue when it takes the highest return by the best limit for debts and owners equity balances. The Company's strategy doesn't change from 2017.

Structuring of Company's capital the owners' equity in the Company which includes share capital, issuance premium , statutory reserve and accumulated losses as it listed in the changes in consolidated owners' equity statement.

**The debt rate**

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 capital structure includes debts from borrowing. The Company's doesn't determine the highest limit of the debt rate during 2019.

**The management of the financial risks**

The Company's activities might be exposing mainly to the followed financial risks:

**Management of the foreign currencies risks**

The company is not exposed to significant risks related to foreign currency price changes, so there is no need to effective management for this exposure.

**Interest rate risk management**

The financial instruments in the consolidated statement of financial position are not subject to interest rate risk and interest except for creditor banks whose interest rates change according to prevailing market prices.

**Other prices risks**

The Company exposed to price risks resulting from its investments in owner's equity to other companies; The Company keeps investments in other company's owner's equity for strategic purposes and not for trading purposes. The Company does not actively trade in such investments.

**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.

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**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 require from the Company to pay or receive.

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

	<u>Year or less</u>	<u>More than one year</u>	<u>Total</u>
2018			
instruments without interest	7,323,004	-	7,323,004
instruments with interest	20,067,507	-	20,067,507
<b>Total</b>	<b>27,390,511</b>	<b>-</b>	<b>27,390,511</b>
2017			
instruments without interest	9,651,143	-	9,651,143
instruments with interest	16,510,400	-	16,510,400
<b>Total</b>	<b>26,161,543</b>	<b>-</b>	<b>26,161,543</b>

**23. APPROVAL OF CONSOLIDATED FINANCIAL STATEMENTS**

The consolidated financial statements were approved by the Directors and authorized for issuance on March 18, 2019 and was approved for issuance

**24. COMPARATIVE FIGURES**

Certain figures for 2017 have been reclassified to conform the presentation in the current year 2018.