



**ARAB ALUMINUM INDUSTRY (ARAL)**  
**PUBLIC SHAREHOLDING COMPANY**  
**FINANCIAL STATEMENTS**  
**31 DECEMBER 2019**

**ARAB ALUMINUM INDUSTRY (ARAL)  
PUBLIC SHAREHOLDING COMPANY  
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## Independent Auditors' Report

**TO THE SHAREHOLDERS  
ARAB ALUMINUM INDUSTRY COMPANY (ARAL)  
PUBLIC SHAREHOLDING COMPANY  
AMMAN, JORDAN**

### **Opinion**

We have audited the financial statements of Arab Aluminum Industry Company (ARAL), which comprise the statement of financial position as at 31 December 2019, the statements of comprehensive income, changes in equity and cash flows for the year then ended, and notes, comprising significant accounting policies and other explanatory information.

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the Company as at 31 December 2019, and its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards (IFRS).

### **Basis for Opinion**

We conducted our audit in accordance with International Standards on Auditing. Our responsibilities under those standards are further described in the Auditor's 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 other ethical requirements in Jordan that are relevant to our audit of the Company financial statements, and we have fulfilled our other ethical responsibilities. 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 year. These matters were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters:

#### **Adequacy of Provision for expected credit loss**

The expected credit loss provision is considered a key audit matter for our audit. It requires the Company's management to use assumptions to assess the collectability of accounts receivable based on the customers' financial conditions and related credit risks. The balance of net accounts receivable amounted to JD 1 220 041 as of 31 December, 2019. This requires making assumptions and using estimates to take for the expected credit loss provision in those receivables.

#### **Scope of Audit to Address Risks**

The followed audit procedures Included understanding accounts receivable and testing the adopted internal control system in following up on and monitoring credit risks. The procedures also included reviewing the internal control procedures relating to calculating the expected credit loss for accounts receivable. As such, we have studied and understood the Company's adopted policy for calculating the provision, evaluated the factors affecting the calculation, as well as discussed, those factors with Executive Management. We also selected a sample of those receivables after taking into consideration the risks related to payment and guarantees. In addition, we discussed with management some receivables with regard to the customer's expected cash flows and the adequacy of guarantees. Furthermore, we recalculated the provisions to be taken and reviewed the aging of receivables and related disclosure, key drivers of expected credit loss are subject to a high level of judgment.

### **Valuation of inventories**

The evaluation of inventories to net realizable value is considered a key audit matter for our audit. It requires the Company's management to use assumptions to assess the comparing the recoverable amount of the inventories with the book value. The Company has large values of inventories which increases the risk of having impairment of these amounts the balance of inventories amounted to JD 4 590 843 as of December31, 2019. This requires making assumptions and using estimates to take the provision for the impairment in those inventories.

### **Scope of Audit to Address Risks**

The followed audit procedures included understanding inventories and testing evaluation of inventories to net realizable value. As such, we have studied and understood the Company's adopted policy for pricing the inventories Comparison with historical cost.

### **Other Information**

Management is responsible for the other information. The other information comprises of the information stated in the Annual Report and does not include the financial statements and our auditor's report thereon. The Annual Report is expected to be made available to us after the date of this auditor's report. Our opinion on the financial statements does not cover the other information and we will not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information when it becomes available to us 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.

### **Responsibilities of Management and Those Charged with Governance for the Financial Statements**

Management is responsible for the preparation and fair presentation of these financial statements in accordance with International Financial Reporting Standards, and for such internal control as management determines is necessary to enable the preparation of the 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 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 financial reporting process.

### **Auditor's Responsibilities for the Audit of the Financial Statements**

Our objectives are to obtain reasonable assurance about 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 will always detect a material misstatement when it exists.

Misstatements can arise from fraud or error and are considered material if they, individually or in the aggregate, could reasonably be expected to influence the economic decisions of users taken on the 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 risk, 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 the 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 internal control  
Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.

- Conclude on the appropriateness of management’s use of the going concern basis of accounting and based on the audit evidenced obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company 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 financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor’s report. However, future events or conditions may cause the Company to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Company to express an opinion on the financial statements. We are responsible for the direction, supervision and performance of the Company audit and we remain solely responsible for our audit opinion.

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

We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the financial statements of the current year and are therefore the key audit matters. We describe these matters in our auditor's report unless law and regulations preclude public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

#### **Report on Other Legal and Regulatory Requirements**

The Company maintains proper accounting records, duly organized and in line with the accompanying financial statements, and we recommend that they be approved by the General Assembly shareholders.

**Amman – Jordan**

**10 June 2020**



**ARAB ALUMINUM INDUSTRY (ARAL)  
PUBLIC SHAREHOLDING COMPANY  
STATEMENT OF FINANCIAL POSITION  
31 DECEMBER 2019**

	Note	2019 JD	2018 JD
<b>Assets</b>			
<b>Current Assets</b>			
Cash and cash equivalents	3	194 356	26 365
Checks under collection		2 621 258	2 685 438
Accounts receivable	4	1 220 041	1 671 256
Inventory	5	4 590 843	5 183 445
Other debit balances	6	182 400	168 069
<b>Total Current Assets</b>		<b>8 808 898</b>	<b>9 734 573</b>
<b>Non - Current Assets</b>			
Financial assets at fair value through other comprehensive Income	7	282 924	347 654
Investment properties	8	66 000	66 000
Investment in associates	9	39 538	39 166
Property, plant and equipment	10	4 753 916	5 059 665
Projects under construction	11	169 428	192 088
<b>Total Non - Current Assets</b>		<b>5 311 806</b>	<b>5 704 573</b>
<b>Total Assets</b>		<b>14 120 704</b>	<b>15 439 146</b>
<b>Liabilities and Equity</b>			
<b>Liabilities</b>			
<b>Current Liabilities</b>			
Bank overdraft		179 770	385 307
Loan	12	430 839	1 362 582
Accounts payable		886 106	1 028 777
Other credit balances	13	1 222 352	1 270 582
<b>Total Current Liabilities</b>		<b>2 719 067</b>	<b>4 047 248</b>
<b>Equity</b>			
<b>Shareholders' Equity</b>			
Share capital	14	6 750 000	6 750 000
Share premium		345 000	345 000
Statutory reserve		3 439 046	3 439 046
Voluntary reserve		1 019 360	1 019 360
Fair value reserve		(334 847)	(320 140)
Retained earnings		183 078	158 632
<b>Total Equity</b>		<b>11 401 637</b>	<b>11 391 898</b>
<b>Total Liabilities and Equity</b>		<b>14 120 704</b>	<b>15 439 146</b>

The accompanying notes from 1 to 29 are part of these financial statements and should read with them

**ARAB ALUMINUM INDUSTRY (ARAL)  
PUBLIC SHAREHOLDING COMPANY  
STATEMENT OF COMPREHENSIVE INCOME  
31 DECEMBER 2019**

	<b>Note</b>	<b>2019 JD</b>	<b>2018 JD</b>
Sales	15	9 991 919	11 669 699
Cost of sales		<u>(9 043 513)</u>	<u>(10 637 809)</u>
<b>Gross profit</b>		<b>948 406</b>	<b>1 031 890</b>
Selling and distribution expenses	16	(177 312)	(146 870)
Administrative expenses	17	(739 534)	(795 396)
Financing expenses		(76 102)	(66 162)
expected credit loss provision	4	-	(60 000)
Returned from provision		8 000	-
Other revenues	18	45 975	25 594
Company's share of associates	9	372	(390)
<b>Profit (Loss) for the year</b>		<b><u>9 805</u></b>	<b><u>(11 334)</u></b>
<b>Other Comprehensive Income for the year</b>			
Profit form sales financial assets through fair value		871	-
Change in fair value of financial assets		<u>(937)</u>	<u>(5 711)</u>
<b>Profit (Loss) and Comprehensive Income for the year</b>		<b><u>9 739</u></b>	<b><u>(17 045)</u></b>
<b>Basic and diluted share of the profit (Loss) for the year</b>		<b><u>0.001 JD</u></b>	<b><u>(0.002) JD</u></b>

The accompanying notes from 1 to 29 are part of these financial statements and should read with them

**ARAB ALUMINUM INDUSTRY (ARAL)  
PUBLIC SHAREHOLDING COMPANY  
STATEMENT OF CHANGES IN EQUITY  
31 DECEMBER 2019**

	Share Capital JD	Share premium JD	Statutory Reserve JD	Voluntary Reserve JD	Fair value reserve JD	Retained Earnings JD	Total JD
<b>31 December 2017</b>	<b>6 750 000</b>	<b>345 000</b>	<b>3 439 046</b>	<b>1 019 360</b>	<b>(314 429)</b>	<b>1 145 786</b>	<b>12 384 763</b>
Dividends	-	-	-	-	-	(472 500)	(472 500)
Loss and Comprehensive Income for the year	-	-	-	-	(5 711)	(11 334)	(17 045)
Impact of IFRS (9) application	-	-	-	-	-	(503 320)	(503 320)
<b>31 December 2018</b>	<b>6 750 000</b>	<b>345 000</b>	<b>3 439 046</b>	<b>1 019 360</b>	<b>(320 140)</b>	<b>158 632</b>	<b>11 391 898</b>
Profit from sales financial assets through fair value	-	-	-	-	(13 770)	14 641	871
Profit and Comprehensive Income for the year	-	-	-	-	(937)	9 805	8 868
<b>31 December 2019</b>	<b>6 750 000</b>	<b>345 000</b>	<b>3 439 046</b>	<b>1 019 360</b>	<b>(334 847)</b>	<b>183 078</b>	<b>11 401 637</b>

The accompanying notes from 1 to 29 are part of these financial statements and should read with them



**ARAB ALUMINUM INDUSTRY (ARAL)  
PUBLIC SHAREHOLDING COMPANY  
STATEMENT OF CASH FLOWS  
31 DECEMBER 2019**

	Note	2019 JD	2018 JD
<b>Operating Activities</b>			
Profit (Loss) for the year		9 805	(11 334)
<b>Adjustments for:</b>			
Depreciation	10	594 449	818 796
Interest revenue	18	(948)	(1 062)
Financing expenses		76 102	66 162
Gain from sale of property, plant and equipment	18	(1 197)	-
Profit from sales financial assets through fair value		(871)	-
expected credit loss provision	4	-	60 000
Returned from provision	4	(8 000)	
Company's Share of associates	9	(372)	390
<b>Changes in Assets and Liabilities</b>			
Checks under collection		64 180	(53 067)
Accounts receivable		459 215	(275 774)
Inventory		592 602	(676 753)
Other debit balances		(14 331)	(30 924)
Accounts payable		(142 671)	(54 505)
Other credit balances		(48 230)	97 196
<b>Net Cash from (Used in) Operating Activities</b>		<b>1 579 733</b>	<b>(60 875)</b>
<b>Investing Activities</b>			
Proceeds from interest revenue		948	1 062
Purchase of property, plant and equipment	10	(288 703)	(356 699)
Sale of property, plant and equipment		1 200	-
Projects under construction		22 660	(107 744)
Proceeds from sales financial assets through fair value		65 535	-
<b>Net Cash Used in Investing Activities</b>		<b>(198 360)</b>	<b>(463 381)</b>
<b>Financing Activities</b>			
Bank overdraft		(205 537)	8 530
Loan		(931 743)	1 017 007
paid Dividends	14	-	(472 500)
Paid Financing expenses		(76 102)	(66 162)
<b>Net Cash (Used in) from Financing Activities</b>		<b>(1 213 382)</b>	<b>486 875</b>
<b>Net Change in Cash and Cash Equivalents</b>		<b>167 991</b>	<b>(37 381)</b>
Cash and cash equivalents at January, 1	3	26 365	63 746
<b>Cash and Cash Equivalents at December, 31</b>	3	<b>194 356</b>	<b>26 365</b>

The accompanying notes from 1 to 29 are part of these financial statements and should read with them

**1) General**

The Company was registered at the Ministry of Industry and Trade as a Jordanian public shareholding limited company under No. (100) on 6 March, 1976. The company's share capital is 6,000,000 JD. The general assembly decided, in its extraordinary meeting held on 10 May 1998, to increase paid-up capital to 6 750 000 JD/share with share premium to JD/share 0.75.

The company's main activities are manufactured aluminum, extrusion, cutting and pulling profiles, and manufacture raw materials for aluminum.

The accompanying financial statement was approved by the Board of Directors in its meeting on 10 June 2020.

**2) Basis of Preparation**

The accompanying financial statements of the company have been prepared in Accordance with International Financial Reporting Standards issued by the International Accounting Standards Board (IASB) and their related interpretations issued by IASB.

The financial information's are prepared in accordance with the historical cost principle, except for certain financial assets and financial liabilities which are stated at fair value as of the date of the financial information.

The financial statements are presented in Jordanian Dinar which is the functional currency of the Company.

**IFRS 9 Financial Instruments**

IFRS 9 issued in November 2009 introduced new requirements for the classification and measurement of financial assets. IFRS 9 was subsequently amended in November 2010 to include requirements for the classification and measurement of financial liabilities and for derecognition, and in November 2013 to include the new requirements for general hedge accounting. Another revised version of IFRS 9 was issued in November 2014 mainly to included impairment requirements for financial assets and b) limited amendments to the classification and measurement requirements by introducing a 'fair value through other comprehensive income' (FVTOCI) measurement category for certain simple debt instruments.

A finalized version of IFRS 9 which contains accounting requirements for financial instruments, replacing IAS 39 Financial Instruments: Recognition and Measurement. And a new version of the new standard includes the requirements of recognition, measurement, impairment and hedge accounting.

The final version of IFRS 9 relating to financial instruments was replaced which relates to the credit loss model incurred in accordance with IAS 39 Financial Instruments: Recognition and Measurement, replacing a model for expected credit losses. The standard includes a business model for debt instruments, loans, financial liabilities, financial guarantee contracts, deposits and receivables, but does not apply to equity instruments.

The Company calculated the initial impact of the International financial reporting standard (IFRS 9), as it is not material, it's impact has not been reversed in the attached financial statements.

In accordance with IFRS 9 Financial Instruments the expected credit losses are recognized at an early date in accordance with IAS 39.

The revised version of IFRS 9 (2014) (Financial Instruments) includes a classification mechanism for financial assets and liabilities. IFRS 9 requires all financial assets to be classified based on the entity's business model for managing the financial assets and the contractual cash flow characteristics of the financial asset.

There is no material difference in the classification of financial assets and liabilities arising from the adoption of IFRS 9 for the year 2014.

**Impact of adoption of IFRS (9) for the year of 2019**

The company adopted the international financial reporting standards (9) "financial instruments" on January 1 , 2018, retrospectively in accordance with the standard requirements, the company has not adjusted the comparative figures and recognized the cumulative effect of applying this standard, in the amount of JD 503 320 as an adjustment to the opening balance of retained earnings as follows :

	International Accounting Standard (39)	IFRS (9) Financial instruments	Change
Accounts receivable	2 174 576	1 671 256	(503 320)
Retained earnings	661 952	158 632	(503 320)

The accounting policies adopted for the current year are consistent with those applied in the year ended 31 December 2018 except for what is stated in note (27) to the financial statements.

**Segment reporting**

Business segments represent distinguishable components of the Company that are engaged in providing products or services which are subject to risks and rewards that are different from those of other segments and are measured based on the reports sent to the chief operating decision maker.

Geographical segments are associated to products and services provided within a particular economic environment, which are subject to risks and rewards that are different from those of other economic environments.

**Cash and Cash Equivalents**

Cash and cash equivalents comprise cash on, and balances at banks and deposits at banks maturing within three months, less bank overdrafts and restricted balances.

**Account Receivables**

Accounts receivable are stated at net realizable value after deducting a expected credit loss provision.

A expected credit loss provision is booked when there is objective evidence that the company will not be able to recover whole or part of the due amounts at the end of the year. when the company collects previously written-off debts, it recognizes the collected amounts in other revenues in the statement of income and comprehensive Income. Furthermore, revenue and commission from doubtful debts are suspended and recognized as revenue upon collection. Moreover, debts are written-off when they become uncollectible or are derecognized

**Inventory**

Inventories are stated at the lower of cost or net realizable value.

The costs incurred for each item of goods are calculated as follows:

Raw materials and spare parts cost is determined by using the weighted average cost.

Finished goods, raw material cost and other indirect expense based on the manufacturing stage (production) by using the first-in-first-out (FIFO) method

Net realizable value is based on estimated selling price less any further costs expected to be incurred on completion.

**Financial assets at fair value through other comprehensive Income**

- These financial assets represent the investments in equity instruments held for the long term.
- These financial assets are recognized at fair value plus transaction costs at purchase date and are subsequently measured at fair value in the statement of other comprehensive income and within owner's equity including the changes in fair value resulting from translation of non-monetary assets stated in foreign currency. Gain or loss from the sale of these investments or part of them should be recognized in the statement of other comprehensive income and within owner's equity and the balance of the revaluation reserve for these assets should be transferred directly to the retained earnings not to the comprehensive income statement.
- No impairment testing is required for these assets.
- Dividends are recorded in the comprehensive income statement

**Recognition of financial assets date**

Purchases and sales of financial assets are recognized on the trading date (which is the date on which the Company commits itself to purchase or sell the asset).

### **Impairment in Financial Assets**

The Company reviews the value of financial assets on the date of the statement of financial Position in order to determine if there are any indications of impairment in their value individually or in the form of a portfolio, in case such indications exist the recoverable value is estimated so as to determine the impairment loss.

Impairment is determined as follows:

- The impairment in the financial assets recorded at amortized cost is determined on the basis of the present value of the expected cash flows discounted at the original interest rate.
- The impairment in the financial assets at cost is determined by the difference between book value and the present value of the expected future cash flows discounted in effective market price on any other similar financial assets.

Impairment is recorded in the statement of other comprehensive income as does any surplus that occurs in subsequent years that is due to a previous impairment of the financial assets in the statement of other comprehensive income.

### **Fair value**

Fair value represents the closing market price (Assets Purchasing / Liabilities Selling) of financial assets And derivatives on the date of the financial statements.

In case declared market, prices do not exist active trading of some financial assets and derivatives is not available or the market is inactive fair value is estimated by one of several methods including the following:

- Comparison with the fair value of another financial asset with similar terms and conditions.
- Analysis of the present value of expected future cash flows for similar instruments.
- Adoption of the option pricing models.
- Evaluation of long-term assets and liabilities that bear no interest through discounting cash flows and amortizing premium / discount using the effective interest rate method within interest revenue / expense in the comprehensive income statement.

The valuation methods aim to provide a fair value reflecting the market's expectations taking into consideration the market expected risks and expected benefits when the value of the financial assets. When the financial assets fair value can't be reliably measured, they are stated at cost less any impairment.

### **Investment properties**

Investment properties are stated at cost net of accumulated depreciation and any impairment in their value and are disclosed their fair value. Furthermore, Any Impairment In their value is taken to the statement of Income and other comprehensive Income, while operating revenues and expenses relating to this investment are recognized in the statement of Income and other comprehensive Income.

If the fair value of the Investments for which an Impairment provision has been taken in the previous periods increases, the previously recorded are recovered impairment losses at no more than their cost.

### **Investment in Associate**

Associate is those in which the Company exerts significant influence over the financial and operating policy decisions, and in which the Company holds between 20% and 50% of the voting rights.

Investment in associated Company is accounted for according to the equity method.

Transactions and balances between the Company up and the associate is eliminated to the extent of the Company's ownership in the associate.

### **Projects under construction**

Projects under construction are stated at cost, which represents cost of constructions, equipment and direct costs. Projects in progress are not depreciated until they become ready for use where it is transferred to property and equipment or investment properties.

### **Accounts Payable and Accruals**

Liabilities are recognized for amounts to be paid in the future for goods or services received, whether billed by the supplier or not.

### **Property, Plant and Equipment**

Property and equipment are stated at cost net of accumulated depreciation and any impairment loss in its value, Moreover Property and Equipment (except for land) are depreciated according to the straight- line method over the estimated useful lives when ready for use of these assets using the following annual rates.

	<u>%</u>
Building	2
Machinery and equipment	5
Furniture	20 - 10
Vehicles	15

- When the carrying amount of property and equipment exceeds their recoverable value, assets are written down and impairment loss is recorded in the statement of income.
- The useful lives of property and equipment are reviewed at the end of each year, in case the expected useful life is different from what was determined before the change in estimate is recorded in the following years being a change in estimates.
- Property and equipment are derecognized when disposed or when there is no expected future benefit from their use.

### **Offsetting**

Financial assets and financial liabilities are offset and the net amount reported in the statement of financial position when there is a legally enforceable right to offset the recognized amounts and the Company intends to either settle them on a net basis, or to realize the asset and settle the liability simultaneously.

### **Provisions**

Provisions are recognized when the Company has an obligation as of the date of the financial statements as a result of past events, the obligation is likely to be settled, and a reliable estimate can be made of the amount of the obligation.

### **Provision for employees' end-of-service indemnity**

The required provision for end-of-service indemnity for the year is recorded in the statement of comprehensive income while payments to departing employees are deducted from the provision amount, Indemnities paid in excess of the provision is taken to the statement of comprehensive income upon payment while the required provision for end-of-service indemnities for the year is recorded in the statement of comprehensive income.

### **Revenue recognition and expenses realization**

Sales are recognized upon delivery of products and customer acceptance, if any, or on the performance of services. Sales are shown net of sales taxes and discounts, and after eliminating sales within the Company.

Other income is realized and recognized on the accrual basis.

Dividends are recognized when the shareholders' right to receive payment is established.

Expenses are recognized on an accrual basis.

### **Foreign Currency**

Items included in the financial statements are measured using the currency of the primary economic environment in which the entity operates ('the functional currency'). The financial statements are presented in 'Jordanian Dinar', which is the Company's functional and presentation currency.

Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the dates of the transactions or valuation where items are re-measured

### **Accounting Estimates**

Preparation of the financial statements and the application of the accounting policies requires the management to perform assessments and assumptions that affect the amounts of financial assets, financial liabilities, and fair value reserve and to disclose contingent liabilities. Moreover, these assessments and assumptions affect revenues, expenses, provisions, and changes in the fair value shown in the statement of other comprehensive income and owners' equity. In particular, this requires the Company's management to issue significant judgments and assumptions to assess future cash flow amounts and their timing. Moreover, the said assessments are necessarily based on assumptions and factors with varying degrees of consideration and uncertainty. In addition, actual results may differ from assessments due to the changes resulting from the conditions and circumstances of those assessments in the future.

**Income Taxes and National contribution**

Income tax expenses represent current and deferred taxes for the year.

Income tax expense is measured based on taxable income. Taxable income differs from income reported in the financial statements, as the latter includes non-taxable revenue, tax expenses not deductible in the current year but deductible in subsequent years, accumulated losses approved by tax authorities and items not accepted for tax purposes or subject to tax.

Taxes are calculated based on the enacted tax rates according to the prevailing laws, regulations and instructions of The Hashemite Kingdom of Jordan.

Deferred taxes are Taxes expected to be incurred or recovered as a result of temporary timing differences between the value of the assets and liabilities in the financial statements and their respective tax basis. Deferred taxes are calculated based on the liability method, and according to the rates expected to be enacted when it is anticipated that the liability will be settled or when tax assets are recognized.

**ARAB ALUMINUM INDUSTRY (ARAL)  
PUBLIC SHAREHOLDING COMPANY  
NOTES TO THE FINANCIAL STATEMENT  
31 DECEMBER 2019**

**3) Cash and cash equivalents**

	<b>2019</b>	<b>2018</b>
	<b>JD</b>	<b>JD</b>
Cash on hand	6 098	6 645
Current accounts at banks	188 258	19 720
	<b>194 356</b>	<b>26 365</b>

**4) Accounts receivables**

	<b>2019</b>	<b>2018</b>
	<b>JD</b>	<b>JD</b>
Trade receivable	3 512 404	3 971 619
Less: Expected credit loss provision	(2 292 363)	(2 300 363)
	<b>1 220 041</b>	<b>1 671 256</b>

The company can adopt the policy of dealing with creditworthy parties in addition to obtaining sufficient guarantees (where appropriate) to mitigate the financial losses resulted from the inability to settle their obligations. The company books a provision against uncollected debts of a period exceeding 365 days in case there are no settlement movement.

	<b>2019</b>	<b>2018</b>
	<b>JD</b>	<b>JD</b>
1-30 Day	309 256	586 347
31-60 Day	142 142	172 263
61-90 Day	179 325	202 604
91-180 Day	79 257	124 417
181-360 Day	910 945	958 542
More than 360	1 891 479	1 927 446
	<b>3 512 404</b>	<b>3 971 619</b>

The movement of the Expected credit loss provision was as follow:

	<b>2019</b>	<b>2018</b>
	<b>JD</b>	<b>JD</b>
Balance at beginning of the year	2 300 363	1 737 043
Impact of IFRS (9) application	-	503 320
Adjusted beginning balance	2 300 363	2 240 363
Provision for the year	-	60 000
Returned from provision	(8 000)	-
<b>Balance at ending of the year</b>	<b>2 292 363</b>	<b>2 300 363</b>

**5) Inventory**

	<b>2019</b>	<b>2018</b>
	<b>JD</b>	<b>JD</b>
Inventory and spare parts	4 894 463	5 487 065
Provision for spare parts and Finished goods	(303 620)	(303 620)
	<b>4 590 843</b>	<b>5 183 445</b>

**6) Other debit balances**

	<b>2019</b>	<b>2018</b>
	<b>JD</b>	<b>JD</b>
Refundable deposits	82 358	82 358
Prepaid expenses	33 758	32 016
Letters of credit	13 507	18 827
Advanced payment	20 000	000
Guarantees deposits	18 111	18 111
Custom claims	1 980	2 344
Income tax deposits	12 436	12 443
Other	250	1 970
	<b>182 400</b>	<b>168 069</b>

7) Financial assets at fair value through other comprehensive income

	2019 JD	2018 JD
Quoted financial assets	<u>282 924</u>	<u>347 654</u>

8) Investment Properties

The fair value of the investment properties has been assessed by real state evaluator equivalents amount of JD 119 874 at beginning of 2019.

9) Investment in Associates

A. Jordanian Aluminum Marketing Company

The following table illustrates the movement on the investments in associates:

	2019 JD	2018 JD
Balance at beginning of the year	39 166	39 556
Share of associates	372	(390)
<b>Balance at ending of the year</b>	<b><u>39 538</u></b>	<b><u>39 166</u></b>

The Company's share of associates' assets and liabilities:

	2019 JD	2018 JD
Total Assets	254 076	252 885
Total Liabilities	(155 227)	(154 967)
<b>Net Assets</b>	<b><u>98 849</u></b>	<b><u>97 918</u></b>
<b>Net profit (Loss) as at December 31</b>	<b><u>931</u></b>	<b><u>(974)</u></b>

The Company's share represents 40% of Jordanian Aluminum Marketing Company assets and liabilities of was calculated according to the latest audited financial statements as of 31 December 2018.

B. AL Rawabi for Aluminum and Iron

The company's share which (50%) of AL Rawabi for Aluminum and Iron capital, in addition to written off the investment as a result of accumulated losses as well as the company's share in its obligations, as the company is under liquidation.

10) Property, plant and equipment, net

	Lands JD	Machinery and equipment JD	Buildings JD	Vehicles JD	Furniture JD	Total JD
<b>Cost</b>						
31 December 2018	197 771	18 833 428	4 391 719	808 892	264 175	24 495 985
Additions	-	201 854	-	-	816	202 670
Transfers	-	86 033	-	-	-	86 033
disposals	-	-	-	(36 690)	-	(36 690)
<b>31 December 2019</b>	<b><u>197 771</u></b>	<b><u>19 121 315</u></b>	<b><u>4 391 719</u></b>	<b><u>772 202</u></b>	<b><u>264 991</u></b>	<b><u>24 747 998</u></b>
<b>Accumulated depreciation</b>						
31 December 2018	-	15 618 486	2 899 180	666 591	252 063	19 436 320
disposals	-	-	-	(36 687)	-	(36 687)
Depreciation	-	491 483	50 215	50 947	1 804	594 449
<b>31 December 2019</b>	<b><u>-</u></b>	<b><u>16 109 969</u></b>	<b><u>2 949 395</u></b>	<b><u>680 851</u></b>	<b><u>253 867</u></b>	<b><u>19 994 082</u></b>
<b>Book value</b>						
31 December 2018	197 771	3 214 942	1 492 539	142 301	12 112	5 059 665
<b>31 December 2019</b>	<b><u>197 771</u></b>	<b><u>3 011 346</u></b>	<b><u>1 442 324</u></b>	<b><u>91 351</u></b>	<b><u>11 124</u></b>	<b><u>4 753 916</u></b>



**11) Projects under construction**

	<b>2019</b>	<b>2018</b>
	<b>JD</b>	<b>JD</b>
Balance at beginning of the year	192 088	84 344
Additions	63 373	206 005
Transferred to Property, plant and equipment	(86 033)	(98 261)
<b>Balance at ending of the year</b>	<b>169 428</b>	<b>192 088</b>

**12) Loan**

	<b>2019</b>	<b>2018</b>
	<b>JD</b>	<b>JD</b>
Revolving loan	<b>430 839</b>	<b>1 362 582</b>

During 2015, The Company was granted a loan by Arab Bank with an amount of USD 2 000 000 from Arab Bank bearing Libor interest rate plus a margin of 2.25% per annum and a minimum of 3.5% per annum without commission, the loan is used for import transfers, The last installment due on 22 February 2018. The loan in October 2019 was reduced to USD 1 000 000 while the interest rate on the dinar was reduced.

**13) Other credit balances**

	<b>2019</b>	<b>2018</b>
	<b>JD</b>	<b>JD</b>
Shareholders deposits	865 852	881 791
Sales tax deposit	178 839	223 200
Accrued expenses	135 350	108 285
Social security payable	26 053	25 924
Provident fund payable	1 092	11 709
Provision for contingent liabilities	7 908	7 908
Other deposits	6 489	6 657
Stamps deposits	-	3 331
Income tax deposits	769	1 777
	<b>1 222 352</b>	<b>1 270 582</b>

**14) Equity**

**Share Capital**

The authorized and share capital of the Company is JD 6 750 000 divided into 6 750 000 shares at JD 1 per share.

**Share premium**

This amount 750 000 JD represents the difference between the par value of the shares issued and their issue price at the date of issuance.

The Company's General Assembly in its ordinary meeting held on 3 June 2009 approved to distribute 6% of capital, equivalent to JD 405 000, as cash dividends to become JD 345 000.

**Statutory reserve**

Statutory reserve is allocated according to the Jordanian Companies Law by deducting 10% of the annual net profit until the reserve equals 25% of the Company's subscribed capital. However, the Company may, with the approval of the General Assembly, continue to deduct this annual ratio until this reserve equals the subscribed capital of the Company in full. Such reserve is not available for dividends distribution. The General Authority may, after depletion the other reserves, decide at an extraordinary meeting to resolve the accumulated losses from the amounts collected in the Statutory reserve account, provided that they are rebuilt in accordance with the provisions of the Law.

**Voluntary reserve**

This account represents cumulative appropriations not exceeding %20 of the annual profit before taxation per year. This reserve is available for distribution to shareholders.

**Retained earnings**

The Ordinary General Assembly, held on 9 April 2018, decided to distribute 7% of the capital in cash to the shareholders, equivalent to JD 472 500.

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**15) Sales**

Most of the Company's sales are Aluminum products; the table below illustrates the geographical sectors:

	<b>2019</b>	<b>2018</b>
	<b>JD</b>	<b>JD</b>
Local sales	9 670 763	11 313 155
Export sales	321 156	356 544
	<b>9 991 919</b>	<b>11 669 699</b>

**16) Selling and Distribution Expenses**

	<b>2019</b>	<b>2018</b>
	<b>JD</b>	<b>JD</b>
Salaries and related benefits	124 933	117 738
Vehicles	16 762	17 079
Health insurance & treatments	8 526	8 608
Sales discount	22 046	2 304
Advertising	3 532	56
Other	868	622
Transportation	550	366
Hospitality	95	97
	<b>177 312</b>	<b>146 870</b>

**17) Administrative expenses**

	<b>2019</b>	<b>2018</b>
	<b>JD</b>	<b>JD</b>
Salaries and related benefits	495 880	491 809
Board of director's transportation allowances	30 816	30 816
Vehicles	32 905	39 909
Health insurance & treatments	24 403	28 924
Security	24 300	24 300
Maintenance	8 183	14 085
consulting	3 740	2 793
Computer	11 864	10 566
Government fees	18 912	65 179
Donations	450	10 000
Professional fees	8 250	8 250
Other	3 755	10 277
Cleaning	5 648	8 259
Depreciation	9 350	8 651
Hospitality	4 380	5 342
Shareholders meeting	5 502	7 186
Stationary	3 772	3 999
Telephone & postage	4 986	5 296
Advertising	4 650	3 141
Legal expenses	37 788	16 614
	<b>739 534</b>	<b>795 396</b>

**18) Other revenues**

	<b>2019</b>	<b>2018</b>
	<b>JD</b>	<b>JD</b>
Trading in shares revenue	24 272	23 053
Other	19 558	1 479
Gain from Sale of property, plant and equipment	1 197	-
Interest revenue	948	1 062
	<b>45 975</b>	<b>25 594</b>

**19) Income tax**

No income tax provision has been provided for the year ended 31 December 2019 due to increase in the deductible expenses on the taxable income.

The income tax rate in Jordan is 15% + 1% national contribution tax.

No income tax provision has been provided for the year ended 31 December 2018 due to increase in the deductible expenses on the taxable income.

The Company has reached to a final settlement with the Income and Sales Tax Department up to the end of the year 2017.

The movement of the income tax provision was as follow:

	<b>2019</b>	<b>2018</b>
	<b>JD</b>	<b>JD</b>
Balance at beginning of the year	-	104 364
Paid income tax	-	(104 364)
Income tax expense	-	-
<b>Balance at ending of the year</b>	<b>-</b>	<b>-</b>

Accounting profit Settlement with Income tax profit was as follow:

	<b>2019</b>	<b>2018</b>
	<b>JD</b>	<b>JD</b>
Accounting (Loss) profit	9 805	(11 334)
Exemption Revenues/ Non-tax-deductible expense	(14 578)	(17 646)
<b>Taxable (Loss) profit</b>	<b>(4 773)</b>	<b>(28 980)</b>
<b>Accrued income tax</b>	<b>-</b>	<b>-</b>

**20) Risk management**

**Interest Risk**

Interest rate risk is the risk that the value of a financial instrument will fluctuate due to changes in market interest rates. Moreover, the Company manages interest rate risks through applying the sensitivity analysis of interest rate instruments in a manner that does not negatively affect net interest income. The Company also manages its Interest rate risk regularly by evaluating the different alternatives such as funding and renewing current positions and alternative funding.

**Currency Risk**

That most dealings of the company are in Jordanian dinars, Euro and the US dollar. That the exchange rate of dinars at a fixed price with the US dollar (1/41 dollars for each dinars), and therefore, the impact of currency risks is not essential to the financial statements

**Credit Risk**

Credit risk relates to the other party's inability to meet its contractual obligations leading to the incurrence of losses by the Company. Moreover, the Company adopts a policy of dealing with creditworthy parties in order to mitigate the financial losses arising from the Company's default on its liabilities.

The carrying amount of the financial assets represents the maximum credit exposure. The maximum exposure to credit risk at the reporting date was as follows:

	<b>2019</b>	<b>2018</b>
	<b>JD</b>	<b>JD</b>
Cash at bank	188 258	19 720
Checks under collection	2 621 258	2 685 438
Accounts receivable	1 220 041	1 671 256
Other debit balances	148 642	136 053
	<b>4 178 199</b>	<b>4 512 467</b>

### Liquidity risk

Liquidity risk is the risk that the Company will encounter difficulty in meeting the obligations associated with its financial liabilities that are settled by delivering cash or another financial asset.

The Company's approach to managing liquidity is to ensure, as far as possible, that it will always have sufficient liquidity to meet its liabilities when due, under both normal and stressed conditions, without incurring unacceptable losses or risking damage to the Company reputation.

The following are the contracted maturities of financial liabilities:

	<u>During a year</u> <u>JD</u>	<u>Total</u> <u>JD</u>
<b>31 Dec 2018</b>		
Bank overdraft	385 307	385 307
Loan	1 362 582	1 362 582
Accounts payable	1 028 777	1 028 777
Other credit balances	1 270 582	1 270 582
	<b><u>4 047 248</u></b>	<b><u>4 047 248</u></b>
<b>31 Dec 2019</b>		
Bank overdraft	179 770	179 770
Loan	430 839	430 839
Accounts payable	886 106	858 106
Other credit balances	1 222 352	1 222 352
	<b><u>2 719 067</u></b>	<b><u>2 719 067</u></b>

### 21) Fair Value Levels

The Company use the following hierarchy for determining and disclosing the fair value of financial instruments by valuation technique:

#### Level 1

Quoted (unadjusted) market prices in active markets for identical assets or liabilities

#### Level 2

Valuation techniques for which the lowest level input that is significant to the fair value measurement is directly or indirectly observable

#### Level 3

Valuation techniques for which the lowest level input that is significant to the fair value measurement is unobservable

	<u>Level 1</u> <u>JD</u>	<u>Level 2</u> <u>JD</u>	<u>Level 3</u> <u>JD</u>	<u>Total</u> <u>JD</u>
<b>31 Dec 2018</b>				
Financial assets at fair value	<u>347 654</u>	<u>-</u>	<u>-</u>	<u>347 654</u>
<b>31 Dec 2019</b>				
Financial assets at fair value	<u>282 924</u>	<u>-</u>	<u>-</u>	<u>282 924</u>

### 22) Fair value of financial instruments

Financial instruments comprise of financial assets and financial liabilities

Financial assets consist of cash and cash equivalents, checks under collection, receivables, and some other debit balances, Financial liabilities consist of banks overdraft, loan, accounts payable, and some other credit balances.

The fair values of financial instruments are not materially different from their carrying values.

**23) Transaction with Related Parties**

Compensation of key management personnel of the company is as follows:

	<b>2019</b>	<b>2018</b>
	<b>JD</b>	<b>JD</b>
Salaries and other benefits	<u>309 652</u>	<u>287 845</u>

**24) Segmental Information**

**A - Segmental information for the basic sectors:**

Segmental information for the basic sectors:

For management purposes, the Company is organized into three major business segments:

Aluminum products

**B. Information on Geographical Distribution:**

This note represents the geographical distribution of the Company operations. Moreover, the company conducts its operations mainly in the Kingdom, representing local operations.

**25) Contingent Liabilities**

	<b>2019</b>	<b>2018</b>
	<b>JD</b>	<b>JD</b>
Letters of guarantee, and Letters of credit	<u>133 740</u>	<u>128 632</u>
legal claims	<u>290 585</u>	<u>319 406</u>
	<u><b>424 325</b></u>	<u><b>448 038</b></u>

**26) Capital Management**

The primary objective of the Company's capital management is to ensure that it maintains capital ratios in order to support its business and maximize shareholder value.

The Company manages its capital structure and makes adjustments to it in light of changes in business conditions.

No changes were made in the objectives, policies or processes during the years ended 31 December 2019 and 2018.

Capital comprises of paid-in capital, share premium, statutory reserve, voluntary reserve, change in fair value reserve, and retained earnings and is measured at 11 401 637 JD as at 31 December 2019 (2018 : 11 391 898 JD ).

## **27) Adoption of New and Revised International Financial Reporting Standards (IFRSs)**

### **Amendments with no material effect on the financial statements of the company:**

#### **Annual Improvements to IFRS Standards 2014-2016**

The improvements include the amendments on IFRS 1 and IAS 28 and they are effective for annual periods beginning on or after January 1, 2018.

#### **Amendments to IFRS 2 Share Based Payment**

The amendments are related to classification, measurement of share based payment transactions, and they are effective for annual periods beginning on or after January 1, 2018.

#### **Amendments to IFRS 4 Insurance Contracts**

The amendments relating to the different effective dates of IFRS 9 and the forthcoming new insurance contracts standard and they are effective for annual periods beginning on or after January 1, 2018.

#### **IFRIC 22 Foreign Currency Transactions and Advanced Consideration**

The interpretation addresses foreign currency transactions or parts of transactions where:

There is consideration that is denominated or priced in a foreign currency;

The entity recognizes a prepayment asset or a deferred income liability in respect of that consideration, in advance of the recognition of the related asset, expense or income; and

The prepayment asset or deferred income liability is non-monetary.

#### **Amendments to IAS 40 Investment Property**

These amendments show when the entity shall transfer (reclass) a property including investments under process or development to, or from, investment property.

#### **IFRS 15 Revenue from Contracts with Customers**

In May 2014, IFRS 15 was issued which established a single comprehensive model for entities to use in accounting for revenue arising from contracts with customers. IFRS 15 will supersede the current revenue recognition guidance including IAS 18 Revenue, IAS 11 Construction Contract and the related interpretations when it becomes effective.

The core principle of IFRS 15 is that an entity should recognize revenue to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services. Specifically, the standard introduces a 5-step approach to revenue recognition:

Step 1: Identify the contract(s) with a customer.

Step 2: Identify the performance obligations in the contract.

Step 3: Determine the transaction price.

Step 4: Allocate the transaction price to the performance obligations in the contract.

Step 5: Recognize revenue when (or as) the entity satisfies a performance obligation.

Under IFRS 15, an entity recognizes when (or as) a performance obligation is satisfied, i.e. when 'control' of the goods or services underlying the particular performance obligation is transferred to the customer. Far more prescriptive guidance has been added in IFRS 15 to deal with specific scenarios. Furthermore, extensive disclosures are required by IFRS 15.

IFRS 15 may be adopted retrospectively, by restating comparatives and adjusting retained earnings at the beginning of the earliest comparative period. – Alternatively, IFRS 15 may be adopted as of the application date on January 1, 2018, by adjusting retained earnings at the beginning of the first reporting year (the cumulative effect approach).

#### **Amendments to IFRS 15 Revenue from Contracts with Customers**

The amendments are to clarify three aspects of the standard (identifying performance obligations, principal versus agent considerations, and licensing) and to provide some transaction relief for modified contracts and completed contracts.

#### **Amendments to IFRS 7 Financial Instruments: Disclosures**

The amendments are related to disclosures about the initial application of IFRS 9. The amendments are effective when IFRS 9 is first applied.

**IFRS 7 Financial Instruments: Disclosures**

The amendments are related to the additional hedge accounting disclosures (and consequential amendments) resulting from the introduction of the hedge accounting chapter in IFRS 9. The Amendments are effective when IFRS 9 is first applied.

**28) Comparative Figures**

Some of the comparative figures for the year 2018 have been reclassified to correspond with the period ended 31 December 2019 presentation and it did not result in any change to the last year's operating results.

**29) Subsequent events of the Company's financial statements date**

An event, which could be favorable or unfavorable, that occurs between the end of the reporting period and the date that the financial statements are authorized for issue and two types of events can be identified:

**Adjusting event:** An event after the reporting period that provides further evidence of conditions that existed at the end of the reporting period, including an event that indicates that the going concern assumption in relation to the whole or part of the enterprise is not appropriate.

**Non-adjusting event:** An event after the reporting period that is indicative of a condition that arose after the end of the reporting period.

**The nature of event:**

The spread of the new Corona virus (Covid-19) occurred in the beginning of 2020 following the date of the Company's financial statements, where the World Health Organization announced on 11 March 2020 that the virus has become a global pandemic, causing defect to economic activities and businesses in the local and external markets and the occurrence of closures for most business sectors locally and in a lot of countries in the world, as well, is expected later to disturb the supply and demand of most services and products if things return to normal, as well as possible unwanted effects on the companies' ability to collect receivables on time and a possible decline in inventory and non-current assets and usage rights arising from lease contracts, and on the other side of the support package taken by the government, which is likely to have a positive effect reduces the undesirable effects of the pandemic.

**An estimate of its financial impact, or a statement that such an estimate cannot be made:**

The management and those responsible for governance continue to monitor the situation in all geographical sectors that affect the Company's business in order to take the necessary procedure duly, and the management is currently unable to determine the expected impact objectively due to the inability to define the scope and limits of pandemic effects (Covid-19).

This event is considered to be one of the events occurring after the period of the Company's financial statements that do not require adjustments, and the disclosure was made in accordance with the requirements of the IFRS.