ARAB ALUMINUM INDUSTRY (ARAL)
PUBLIC SHAREHOLDING COMPANY
CONDENSED INTERIM FINANCIAL STATEMENTS
30 JUNE 2018

CONTENTS

RSM Jordan
Amman 69 Queen Rania St.
P.O.BOX 963699
Amman 11196 Jordan
T +962 6 5673001
F +962 6 5677706
www.rsm.jo

REVIEW REPORT ON INTERIM FINANCIAL STATEMENT

TO THE CHAIRMAN AND MEMBERS OF THE BOARD OF DIRECTORS
ARAB ALUMINUM INDUSTRY (ARAL)
PUBLIC SHAREHOLDING COMPANY
AMMAN - JORDAN

We have reviewed the accompanying condensed interim statement of financial position of Arab Aluminum Industry Company (ARAL) as at 30 June 2018, and the related condensed interim statements of comprehensive income, changes in equity and cash flows for the period then ended, and a summary of significant accounting policies and other explanatory notes. Board of directors is responsible for the preparation and fair presentation of this condensed interim financial statement in accordance with International Accounting Standard IAS (34) relating to Interim Financial Reporting. Our responsibility is to express a conclusion on this condensed interim financial statement based on our review.

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

Conclusion
Based on our review, nothing has come to our attention that causes us to believe that the accompanying condensed interim financial information is not prepared, in all material respects, accordance with International Accounting Standard (34) relating to interim financial reporting.

Amman – Jordan
<u>29 July 2018</u>

المجموعة المهنية العربية · محاسبون قانونيون · Certified Public Accountants · RSM Jordan

Assets	30 JUNE 2018 JD	31 December 2017 JD
Current Assets		**Audited**
Cash and cash equivalents	21 617	63 746
Checks under collection	2 535 118	2 632 371
Accounts receivable	1 633 029	1 958 802
Inventory	5 275 527	4 506 692
Other debit balances	1 156 378	137 145
Total Current Assets	**10 621 669**	**9 298 756**
Non - Current Assets		
Financial assets at fair value through other comprehensive Income	385 580	353 365
Investment properties	66 000	66 000
Investment in associates	39 419	39 556
Property, plant and equipment	5 341 394	5 521 762
Projects under construction	115 271	84 344
Total Non - Current Assets	**5 947 664**	**6 065 027**
Total Assets	**16 569 333**	**15 363 783**
Liabilities and Equity		
Liabilities		
Current Liabilities		
Bank overdraft	485 130	376 777
Loan	949 465	345 575
Accounts payable	1 837 567	1 083 282
Other credit balances	1 166 276	1 069 022
Provision for income tax	31 107	104 364
Total Current Liabilities	**4 469 545**	**2 979 020**
Equity		
Shareholders' Equity		
Share capital	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	(282 214)	(314 429)
Retained earnings	828 596	1 145 786
Total Equity	**12 099 788**	**12 384 763**
Total Liabilities and Equity	**16 569 333**	**15 363 783**

The accompanying notes are part of these condensed interim financial statements

ARAB ALUMINUM INDUSTRY (ARAL)
PUBLIC SHAREHOLDING COMPANY
CONDENSED INTERIM STATEMENT OF COMPREHENSIVE INCOME
30 JUNE 2018

	For the three-months period ended		For the six-months period ended	
	30 June 2018 JD	30 June 2017 JD	30 June 2018 JD	30 June 2017 JD
Net sales	3 175 833	2 724 954	5 377 677	5 530 276
Cost of sales	(2 821 140)	(2 473 268)	(4 680 495)	(4 953 251)
Gross profit	**354 693**	**251 686**	**697 182**	**577 025**
Selling and distribution expenses	(34 739)	(38 548)	(68 908)	(80 227)
Administrative expenses	(218 217)	(194 568)	(414 094)	(372 057)
Financing expenses	(6 351)	(12 282)	(18 585)	(21 245)
Other revenues	20 283	23 263	20 822	24 440
Provision for doubtful accounts	(15 000)	(15 000)	(30 000)	(30 000)
Profit before income tax	**100 669**	**14 551**	**186 417**	**97 936**
Income tax	(17 690)	(6 030)	(31 107)	(18 886)
Profit for the period	**82 979**	**8 521**	**155 310**	**79 050**
Other comprehensive income items:				
Change in fair value of financial assets	(24 592)	(34 075)	32 215	(4 003)
Total comprehensive income (loss) for the period	**58 387**	**(25 554)**	**187 525**	**75 047**
Basic and diluted profit per share	**0.012 JD**	**0.001 JD**	**0.023 JD**	**0.012 JD**

The accompanying notes are part of these condensed interim financial statements

ARAB ALUMINUM INDUSTRY (ARAL)
PUBLIC SHAREHOLDING COMPANY
CONDENSED INTERIM STATEMENT OF CHANGES IN EQUITY
30 JUNE 2018

	Share capital JD	Share premium JD	Statutory Reserve JD	Voluntary Reserve JD	Fair value reserve JD	Retained Earnings JD	Total JD
31 December 2016	**6 750 000**	**345 000**	**3 439 046**	**1 019 360**	**(288 941)**	**1 064 658**	**12 329 123**
Dividends	-	-	-	-	-	(472 500)	(472 500)
Total comprehensive income for the period	-	-	-	-	(4 003)	79 050	75 047
30 June 2017	**6 750 000**	**345 000**	**3 439 046**	**1 019 360**	**(292 944)**	**671 208**	**11 931 670**
31 December 2017	6 750 000	345 000	3 439 046	1 019 360	(314 429)	1 145 786	12 384 763
Dividends	-	-	-	-	-	(472 500)	(472 500)
Total comprehensive income for the period	-	-	-	-	32 215	155 310	187 525
30 June 2018	**6 750 000**	**345 000**	**3 439 046**	**1 019 360**	**(282 214)**	**828 596**	**12 099 788**

The accompanying notes are part of these condensed interim financial statements

ARAB ALUMINUM INDUSTRY (ARAL)
PUBLIC SHAREHOLDING COMPANY
CONDENSED INTERIM STATEMENT OF CASH FLOWS
30 JUNE 2018

	30 June 2018 JD	30 June 2017 JD
Operating Activities		
Profit before income tax	186 417	97 936
Adjustments for:		
Depreciation	410 130	394 526
Financing expenses	18 585	21 245
Company's share investment in associates	137	-
Changes in Assets and Liabilities		
Checks under collection	97 253	778 623
Accounts receivable	325 773	68 305
Inventory	(768 835)	(251 727)
Other debit balances	(1 019 233)	(353 596)
Accounts payable	754 285	12 487
Other credit balances	97 254	(317 508)
Provision for income tax	(104 364)	(70 444)
Net Cash (used in) from Operating Activities	**(2 598)**	**379 847**
Investing activities		
Purchase of property, plant and equipment	(229 762)	(259 587)
Projects under construction	(30 927)	(53 115)
Net Cash Used in Investing Activities	**(260 689)**	**(312 702)**
Financing Activities		
Bank overdraft	108 353	742 085
Loan	603 890	(136 584)
Notes payable	-	(578 778)
Paid financing expenses	(18 585)	(21 245)
Dividends paid	(472 500)	(472 500)
Net Cash from (Used in) Financing Activities	**221 158**	**(467 022)**
Net Change in Cash and Cash Equivalents	(42 129)	(399 877)
Cash and cash equivalents – beginning of the period	63 746	495 508
Cash and Cash Equivalents – ending of the period	**21 617**	**95 631**

The accompanying notes are part of these condensed interim financial statements

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 JD 6,000,000. The general assembly decided, in its extraordinary meeting held on 10 may 1998, to increase paid-up capital to JD/share 6 750 000 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 condensed interim financial statement was approved by Audit Committee of the Board of Directors in its meeting held on 29 July 2018

2) Basis of Preparation

The accompanying condensed interim financial statements have been prepared in accordance with the International Accounting Standard (IAS) 34 "Interim Financial Reporting".

The accompanying condensed interim financial information do not include all the information and disclosures required for the annual financial statements, which are prepared in accordance with the International Financial Reporting Standards and must be read with the financial statements of the Company as at 31 December 2017. In addition, the results of the Company's operations for the six months ended 30 June 2018 do not necessarily represent indications of the expected results for the year ending 31 December 2018, and do not contain the appropriation of the profit of the current period, which is usually performed at year end

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

The accounting policies adopted in the preparation of the condensed interim financial information are consistent with those adopted for the year ended December 31, 2017 except for the following: -

- Annual improvements to the International Financial Reporting Standards Issued in the years 2014-2016, which include amendments to International Financial Reporting Standard No. (1) And International Accounting Standard No (28).

- IFRIC 22 Foreign Currency Transactions and Advance Consideration the Interpretation addresses foreign currency transactions or parts of transactions where:
  - There Is consideration 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 IFRS 2 Share - based Payment
  The amendments relate to classification and measurement of share-based payment transactions.

- Amendments to IFRS 4 Insurance Contracts
  The amendments relate to the different effective dates of IFRS 9 and the forthcoming new Insurance contracts standard.

- Amendments to lAS 40 Investment Property
  Paragraph 57 has been amended to state that an entity shall transfer a property to, or from, Investment property when, and only when, there is evidence of a change in use. A change of use occurs if property meets, or ceases to meet, the definition of Investment property. A change in management's intentions for the use of a property by itself does not constitute evidence of a change in use. The paragraph has been amended to state that the list of examples therein is non-exhaustive.
- Amendments to IFRS 15 Revenue from Contracts with Customers:
  The amendments clarify three aspects of the standard (identifying performance obligations, principal versus agent considerations, and licensing) and provide some transition relief for modified contracts and complete contracts.

- Amendments to IFRS 7 Financial Instruments: Disclosures

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

- IFRS 7 Financial Instruments: Disclosure
  The amendments relate to the additional hedge accounting disclosures (and consequential amendments) resulting from the introduction of the hedge accounting chapter In IFRS 9.

- IFRS 9 Financial Instruments (revised versions in 2009, 2010, 2013 and 2014)
  IFRS 9 issued in November 2009 introduced new requirements for the classification and measurement of financial assets. IFRS 9 was subsequently amended in October 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 July 2014 mainly to include a) 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 finalised version of IFRS 9, which contains accounting requirements for financial Instruments, replacing lAS 39 Financial Instruments: Recognition and Measurement. The standard contains requirements in the following areas:

Classification and measurement:
Financial assets are classified by reference to the business model within which they are held and their contractual cash flow characteristics. The 2014 version of IFRS 9 introduces a 'fair value through other comprehensive income' category for certain debt instruments. Financial liabilities are classified in a similar manner to under lAS 39. However, there are differences in the requirements applying to the measurement of an entity's own credit risk.

Impairment:
The 2014 version of IFRS 9 Introduces an 'expected credit loss' model for the measurement of the Impairment of financial assets, so it is no longer necessary for a credit event to have occurred before a credit loss Is recognised.

Hedge accounting:
Introduces a new hedge accounting model designed to be more closely aligned with how entitles undertake risk management activities when hedging financial and non-financial risk exposures.

Derecognition:
The requirements for the derecognition of financial assets and liabilities are carried forward from lAS 39:

The Company adopted IFRS 9 (phase 1), issued in 2009 relating to the classification and measurement of financial assets.

The Company has adopted the finalised version of IFRS 9 from the effective date retroactively and recognized the cumulative effect of the application Initially as an adjustment to the opening balance of retained earnings as of January 1,2018. Based on management's estimates, International Financial Reporting Standard No. (9) has had no material impact on the condensed interim financial statements. As all provisions are adequate and appropriate. And, therefore, a part of receivables repayments is guaranteed, no provisions are required as a result of applying the Standard for this period.

- IFRS 15 Revenue from Contracts with Customers
  In May 2014, IFRS 15 was Issued which established a single comprehensive model for entitles to use in accounting for revenue arising from contracts with customers. IFRS 15 will supersede the current revenue recognition guidance including IAS 18 Revenue, lAS 11 Construction Contracts 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: Identifying the contract(s) with a customer.
Step 2: Identifying the performance obligations in the contract
Step 3: Determining the transaction price
Step 4: Allocating the transaction price to the performance obligations in the contract
Step 5: Recognising revenue when (or as) the entity satisfies a performance obligation

Under IFRS 15, an entity recognises 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.

Based on management's estimates, International Financial Reporting Standard No. {15) has had no material Impact on the condensed Interim financial statements.

Adopting the above-amended standards has not affected the amounts and disclosures in the condensed interim financial statements.

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.

The accounting policies estimates in the preparation of the condensed interim financial information are consistent with those adopted for the year ended 31 December 2017

3) <u>Comparative figures</u>
Some of the comparative figures for the year 2017 have been reclassified to correspond with the period ended 30 June 2018 presentation and it did not result in any change to the last year's operating results