الشركة الوطنية لصناعات الالمنيوم المساهمة العامة المحدودة

# NATIONAL ALUMINIUM INDUSTRIAL CO.

Date:12/03/2018

Reference: 81/2018

**Amman Stock Exchange**

**Subject: Audited Financial Statements for the fiscal year ended 31/12/2017**

Attached the Audited Financial Statement of (National Aluminum Industrial Company) And Attached (CD).

For the fiscal year ended at 31/12/2017

Kindly accept our highly appreciation and respect

National Aluminum Industrial company

General Manager

Hasan Al-Haj Hasan

نـالكو
عمان - الأردن
NALCO
Amman - Jordan
National Aluminium Industrial

بورصة عمان
الدائرة الإدارية والمالية
الديوان
١٢ آذار ٢٠١٨
الرقم المتسلسل: 1179
رقم الملف: 4109
الجهة المختصة: 2110/611


الادارة : شارع الملكة نور - مجمع زينة التجاري - مقابل الادارة العامة للبنك الاهلي - تلفاكس ٤ / ٢ / ٥٦٥٢٩٧١ (٦-٩٦٢-٠٠)
ص.ب ٩٤١٢٠٣ الشميساني - عمان ١١١٩٤ الاردن / المصنع : طريق المطار - هاتف ٤٤٦٠٥٧٠ - فاكس ٤٤٦٠٥٦٦
H.Off.: Queen Noor Str. - Zina Commercial Center - Opposite H. Off. AlAhli Bank Telfax (00962-6) 5652971/2/4
P.O.Box 941203 Al-shmisane - Amman 11194 Jordan / Factory : Airport Rood - Tel. 4460570 - Fax. 4460566
E-mail: nalco@zain.jo


Registration Number 92028

# National Aluminum Industries Company
## Public Shareholding Company

**Consolidated Financial Statements as at 31 December 2017**
**Together With**
**Independent Auditors' Report**

## Arab Professionals
**(Member Firm within Grant Thornton International Ltd.)**

**National Aluminum Industries Company**
**Public Shareholding Company**

---

**Contents**

Grant Thornton
An instinct for growth™

Arab Professionals
Member firm within Grant Thornton International Ltd
P.O.Box : 921879 Amman 11192 Jordan
T (962) 6 5151125
F (962) 6 5151124
Email: arabprof@gtijordan.com

# INDEPENDENT AUDITOR'S REPORT

**To The Shareholders of**
**National Aluminum Industries Company**
**Amman - Jordan**

**Opinion**

We have audited the consolidated financial statements of **National Aluminum Industries Company PLC**, which comprise the consolidated statement of financial position as at 31 December 2017, consolidated statement of comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the year then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion, except for the effect on the financial statements of the matter described in the basis of qualified opinion the accompanying consolidated financial statements present fairly, in all material respects, the consolidated financial position of the Company as at 31 December 2017, and its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with International Financial Reporting Standards (IFRSs).

**Basis of Qualified Opinion**

During the years (2011 to 2017) the Company has decreased the deprecation rate of its property plant and equipment's to the half, this resulted a decrease of depreciation expenses by an amount of JOD (1.6) million, and increase the equity by the same amount.

We conducted our audit in accordance with International Standards on Auditing (ISAs). Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Consolidated Financial Statements section of our report. We are independent of the Company in accordance with the International Ethics Standards Board for Accountants' Code of Ethics for Professional Accountants (IESBA Code) together with the ethical requirements that are relevant to our audit of the consolidated financial statements in the Hashemite Kingdom of Jordan, and we have fulfilled our other ethical responsibilities in accordance with these requirements and the IESBA Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our qualified opinion.

**Key Audit Matters**

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the consolidated financial statements of the current year. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters. We have determined the matters described below to be the key audit matters to be communicated in our report.

**(1)Impairment of Receivables**

Included in the accompanying consolidated financial statements at the end of the year 2017 accounts receivables and totaling JOD (2,285,663). As the provision of the doubtful portion of these receivables is dependent on the management's estimates of the timing and value of the amounts expected to be collected, the adequacy of the doubtful accounts provision is considered a key audit matter. The audit procedures performed by us to address this key audit matter included inquiring from management about the methodology used in calculating the provision of doubtful accounts and assessing the reasonableness of estimates and assumptions used by the management in calculating the provision amount. We have also inquired about the management's collection procedures and the amounts collected post year end.

**(2) Cost of Finished Goods and Work in Process**
Included in the accompanying Financial Statements at the end of the year 2017 finished goods and work in process totaling JOD (3,942,695).As determining the cost of these goods involve the calculation of an overhead application rate based on the plant normal capacity, we considered determining the cost of finished goods and work in process a key audit matter. The audit procedures performed by us to address this key audit matter included assessing the appropriateness of the underlying data used by management in determining the overhead application rate. We have also inspected sales invoices to assess whether inventory is being sold at a higher value than its cost by comparing sales price to values at which it is held in the Company's inventory records.

**Other Information**
Management is responsible for the other information. The other information comprises the information included in the annual report, but does not include the consolidated financial statements and our auditor's report thereon.
Our opinion on the consolidated financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.
In connection with our audit of the consolidated financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the consolidated financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

**Responsibilities of Management for the Consolidated Financial Statements**
Management is responsible for the preparation and fair presentation of the consolidated financial statements in accordance with IFRSs, and for such internal control as management determines is necessary 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, management is responsible for assessing the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Company or to cease operations, or has no realistic alternative but to do so.

**Auditor's Responsibilities for the Audit of the Consolidated Financial Statements**
Our objectives are to obtain reasonable assurance about whether the consolidated 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 ISAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

As part of an audit in accordance with ISAs, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the 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 the purpose of expressing an opinion on the effectiveness of the Company's internal control.

Grant Thornton

- 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 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, 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 consolidated financial statements, including the disclosures, and whether the consolidated 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 Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. 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 significant 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 consolidated financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes 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 and the accompanying consolidated financial statements are in agreement therewith and with the consolidated financial data presented in the Board of Directors' report, and we recommend the General Assembly to approve it.

27 February 2018
Amman – Jordan

**Arab Professionals**
**Fahed Hammoudeh**
**(License No. 822 )**

Arab Professionals
Grant Thornton

**National Aluminum Industries Company**
**Public Shareholding Company**
**Consolidated Statement of Financial Position as at 31 December 2017**

**(In Jordanian Dinar)**

| | Notes | 2017 | 2016 |
|---|---|---|---|
| **Assets** | | | |
| **Non - Current Assets** | | | |
| Property, plant and equipment | 3 | 5,192,001 | 4,924,969 |
| Investment in associate | | 21,000 | 21,000 |
| **Total Non - Current Assets** | | 5,213,001 | 4,945,969 |
| | | | |
| **Current Assets** | | | |
| Inventories | 4 | 5,069,434 | 4,780,531 |
| Spare parts | | 574,064 | 630,513 |
| Other receivables | 5 | 196,690 | 44,677 |
| Accounts receivable | 6 | 1,661,924 | 1,423,955 |
| Checks under collection | | 2,593,830 | 2,207,293 |
| Cash and cash equivalents | 7 | 305,463 | 152,902 |
| **Total Current Assets** | | 10,401,405 | 9,239,871 |
| **Total Assets** | | 15,614,406 | 14,185,840 |
| | | | |
| **Equity and Liabilities** | | | |
| **Equity** | 8 | | |
| Paid-in capital | | 9,000,000 | 9,000,000 |
| Statutory reserve | | 1,527,007 | 1,505,761 |
| Voluntary reserve | | 350,564 | 350,564 |
| Retained earnings | | 177,600 | 465,608 |
| **Total Equity** | | 11,055,171 | 11,321,933 |
| | | | |
| **Liabilities** | | | |
| Bank facilities | 9 | 2,662,603 | 1,799,494 |
| Accounts payable | | 746,894 | 376,174 |
| Other liabilities | 10 | 1,149,738 | 688,239 |
| **Total Liabilities** | | 4,559,235 | 2,863,907 |
| **Total Equity and Liabilities** | | 15,614,406 | 14,185,840 |

"The attached notes from (1) to (19) are an integral part of these consolidated financial statements"

## National Aluminum Industries Company
## Public Shareholding Company
## Consolidated Statement of Comprehensive Income for the Year Ended 31 December 2017

**(In Jordanian Dinar)**

| | Notes | 2017 | 2016 |
|---|---|---|---|
| Net sales | 11 | 8,937,906 | 8,080,182 |
| Cost of sales | | (8,192,791) | (7,106,665) |
| **Gross profit** | | **745,115** | **973,517** |
| Administrative expenses | 12 | (422,362) | (388,356) |
| Financing expenses | | (115,470) | (130,730) |
| Other revenues | | 5,174 | 8,315 |
| Board of directors remuneration | | - | (45,000) |
| **Profit before income tax** | | **212,457** | **417,746** |
| Income tax | 17 | (29,219) | (59,151) |
| **Total comprehensive income for the year** | | **183,238** | **358,595** |
| | | | |
| **Basic and diluted earnings per share** | 13 | **0.020** | **0.039** |

"The attached notes from (1) to (19) are an integral part of these consolidated financial statements"

**National Aluminum Industries Company**
**Public Shareholding Company**
**Consolidated Statement of Changes in Equity for the Year Ended 31 December 2017**

**(In Jordanian Dinar)**

| | Paid - In Capital | Reserves | | Retained earnings | Total |
|---|---|---|---|---|---|
| | | Statutory | Voluntary | | |
| **Balance at 1 January 2017** | 9,000,000 | 1,505,761 | 350,564 | 465,608 | 11,321,933 |
| Total comprehensive income for the year | - | - | - | 183,238 | 183,238 |
| Dividends paid | - | - | - | ( 450,000) | ( 450,000) |
| Reserves | - | 21,246 | - | ( 21,246) | - |
| **Balance at 31 December 2017** | 9,000,000 | 1,527,007 | 350,564 | 177,600 | 11,055,171 |
| | | | | | |
| **Balance at 1 January 2016** | 9,000,000 | 1,459,486 | 258,015 | 245,837 | 10,963,338 |
| Total comprehensive income for the year | - | - | - | 358,595 | 358,595 |
| Reserves | - | 46,275 | 92,549 | ( 138,824) | - |
| **Balance at 31 December 2016** | 9,000,000 | 1,505,761 | 350,564 | 465,608 | 11,321,933 |

"The attached notes from (1) to (19) are an integral part of these consolidated financial statements"

## National Aluminum Industries Company
## Public Shareholding Company
## Consolidated Statement of Cash Flows for the year ended 31 December 2017

**(In Jordanian Dinar)**

| | 2017 | 2016 |
|---|---|---|
| **Operating activities** | | |
| Profit before income tax | 212,457 | 417,746 |
| Depreciation | 283,908 | 598,251 |
| Board of directors remuneration | - | 45,000 |
| **Changes in operating activities** | | |
| Inventories | ( 288,903) | ( 537,366) |
| Spare parts | 56,449 | ( 44,442) |
| Other receivables | ( 152,013) | 66,615 |
| Accounts receivable | ( 237,969) | 237,171 |
| Checks under collection | ( 386,537) | 16,971 |
| Accounts payable | 370,720 | ( 152,478) |
| Other liabilities | 92,065 | 82,514 |
| Tax paid | ( 39,442) | ( 81,241) |
| **Net cash flows (used in) from operating activities** | ( 89,265) | 648,741 |
| **Investing activities** | | |
| Property, plant and equipment | ( 171,283) | ( 52,946) |
| **Financing activities** | | |
| Bank facilities | 863,109 | ( 827,680) |
| Dividends paid | ( 450,000) | - |
| **Net cash flows from (used in) financing activities** | 413,109 | ( 827,680) |
| **Net change in cash and cash equivalents** | 152,561 | ( 231,885) |
| Cash and cash equivalents, beginning of year | 152,902 | 384,787 |
| **Cash and cash equivalents, end of year** | 305,463 | 152,902 |

"The attached notes from (1) to (19) are an integral part of these consolidated financial statements"

## 1. General

**National Aluminum Industries Company** was established on 22 August 1994 as a Public Shareholding Company and registered at the Ministry of Trade and Industry under number (253). The Company head office is in the Hashemite Kingdom of Jordan. The Company's main objective is manufacturing and forming Aluminum.

The shares of the company are listed in Amman Stock Exchange.

The accompanying consolidated financial statements were authorized for issue by the Company's Board of Directors in their meeting held on 27 February 2018 and it is subject to the General Assembly approval.

## 2. Summary of Significant Accounting Policies

### Basis of Preparation

The consolidated financial statements of the Company and all its subsidiaries have been prepared in accordance with International Financial Reporting Standards.

The consolidated financial statements have been prepared on a historical cost basis

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

The accounting policies are consistent with those used in the previous year.

### Principles of Consolidation

The consolidated financial statements comprise of the financial statements of the Company and its subsidiary where the Company has the power to govern the financial and operating policies of the subsidiary so as to obtain benefits from their activities. The financial statements of the subsidiary are prepared for the same reporting year as the Company using consistent accounting policies. All balances, transactions, income, and expenses between the Company and its subsidiary are eliminated.

Subsidiary are fully consolidated from the date of acquisition, being the date on which the Company obtains control, and continue to be consolidated until the date that such control ceases.

The results of operations of the subsidiary are consolidated in the statement of comprehensive income from the acquisition date which is the date on which control over subsidiary is transferred to the Company. The results of operation of the disposed subsidiary are consolidated in the comprehensive income to the disposal date which is the date on which the Company loses control over the subsidiary.

The following subsidiaries has been consolidated:

| Company | Legal status | Capital | Ownership | Registration country |
|---|---|---|---|---|
| National Aluminum for forming (under liquidation) | Limited liability | 300,000 | 100% | Jordan |
| National Aluminum for painting (under liquidation) | Limited liability | 250,000 | 100% | Jordan |

**Adoption of new and revised IFRS standards**

The following standards have been published that are mandatory for accounting periods after 31 December 2017. Management anticipates that the adoption of new and revised Standards will have no material impact on the consolidated financial statements of the Company.

| Standard No. | Title of Standards | Effective Date |
|---|---|---|
| IFRS 15 | Revenue from Contracts with Customers | 1 January 2018 |
| IFRS 16 | Leases | 1 January 2019 |
| IFRS 17 | Insurance Contracts | 1 January 2021 |

**Use of Estimates**

The preparation of the consolidated financial statements requires management to make estimates and assumptions that affect the reported amount of financial assets and liabilities and disclosure of contingent liabilities. These estimates and assumptions also affect the revenues and expenses and the resultant provisions and in particular, considerable judgment by management is required in the estimation of the amount and timing of future cash flows. Such estimates are necessarily based on assumptions about several factors involving varying degrees of judgment and uncertainty and actual results may differ resulting in future changes in such provisions.

Management believes that the estimates are reasonable and are as follows:

- Management reviews periodically the tangible assets in order to assess the depreciation for the year based on the useful life and future economic benefits. Any impairment is taken to the consolidated statement of comprehensive income.
- An estimate of the collectible amount of trade accounts receivable is made when collection of the full amount is no longer probable. For individually significant amounts, this estimation is performed on an individual basis. Amounts which are not individually significant, but which are past due, are assessed collectively and a provision applied according to the length of time past due, based on historical recovery rates.
- Inventories are held at the lower of cost or net realizable value. When inventories become old or obsolete, an estimate is made of their net realizable value. For individually significant amounts this estimation is performed on an individual basis. Amounts which are not individually significant, but which are old or obsolete, are assessed collectively and a provision applied according to the inventory type and the degree of ageing or obsolescence, based on historical selling prices.

**Property, Plant and Equipment**

Property plant and equipment are stated at cost less accumulated depreciation and accumulated impairment loss. When assets are sold or retired, their cost and accumulated depreciation are eliminated from the accounts and any gain or loss resulting from their disposal is included in the consolidated statement of comprehensive income.

The initial cost of property, plant and equipment comprises its purchase price, including import duties and non-refundable purchase taxes and any directly attributable costs of bringing the asset to its working condition and location for its intended use. Expenditures incurred after the fixed assets have been put into operation, such as repairs and maintenance and overhaul costs, are normally charged to income in the period the costs are incurred. In situations where it can be clearly demonstrated that the expenditures have resulted in an increase in the future economic benefits expected to be obtained from the use of an item of property, plant and equipment beyond its originally assessed standard of performance, the expenditures are capitalized as an additional cost of property, plant and equipment.

Depreciation is computed on a straight-line basis at annual depreciation rates:

| | |
|---|---|
| Buildings | 3% |
| Machinery | 4 - 8% |
| Tools | 12-20% |
| Others | 12-20% |

When the expected recoverable amount of any property and equipment is less than its net book value, the net book value is reduced to the expected recoverable amount, and the impairment loss is booked in the consolidated statement of comprehensive income for the year.

The useful life and depreciation method are reviewed periodically to ensure that the method and period of deprecation are consistent with the expected pattern of economic benefits from items of property plant and equipment.

**Inventories**

Inventories are stated at the lower of cost or net realizable value. Cost is determined by the weighted average method. The cost of finished goods and work in process comprises raw materials, direct labor, other direct costs and related production overhead.

Raw materials are stated at lower of cost or net realizable value. Cost is determined by the weighted average method.

Spare part are stated at the lower of cost or net realizable value. Cost is determined by the first in first out method.

**Investment in Associates**

Investments in associates are accounted for using the equity method.
The carrying amount of the investment in associates is increased or decreased to recognize the company's share of the profit or loss and other comprehensive income of the associate, adjusted where necessary to ensure consistency with the accounting policies of the company.
Unrealized gains and losses on transactions between the company and it's associates are eliminated to the extent of the company's interest in those entities.
Where unrealized losses are eliminated; the underlying assets are also tested for impairment.

**Trade Receivables**

Trade Receivables are carried at original invoice amount less an estimate made for doubtful receivables based on a review of all outstanding amounts at the year end. Bad debts are written off when identified.

**Cash and Cash Equivalents**

Cash and cash equivalents are carried in the consolidated financial statement at cost. For the purposes of the consolidated statement of cash flow, cash and cash equivalents comprise cash on hand, deposits held at call with banks, other short - term highly liquid investments.

**Accounts Payable and Accruals**

Accounts payable and accrued payments are recognized upon receiving goods or performance of services.

**Offsetting**

Financial assets and financial liabilities are offset and the net amount reported in the consolidated financial statement 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**
A provision is recognized when, and only when the Company has a present legal or constructive obligation as a result of a past event and it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation, and a reliable estimate can be made of the amount of the obligation. Provisions are reviewed at each consolidated statement of financial position date and adjusted to reflect the current best estimate.

**Borrowing costs**
Borrowing costs generally are expenses as incurred.

**Revenue Recognition**
Sales revenues are recognized upon the transfer of the risk of title to the buyer given that the revenues are dependably measurable.

Other revenues are recognized on the accrual basis.

**Foreign Currency**
Assets and liabilities denominated in foreign currencies are translated to Jordanian Dinar using the prevailing exchange rates at year end. Foreign currency transactions during the year are recorded using exchange rates that were in effect at the dates of the transactions. Foreign exchange gains or losses are reflected in the consolidated statement of comprehensive income.

**Income Taxes**
Income tax expenses are accounted for on the basis of taxable income. Taxable income differs from income declared in the consolidated financial statements because the latter includes non-taxable revenues or disallowed taxable expenses in the current year but deductible in subsequent years, accumulated losses acceptable by the tax law, and items not accepted for tax purposes or subject to tax.
Taxes are calculated on the basis of the tax rates according to the prevailing laws, regulations, and instructions of the countries where the Company operates.

## 3. Property, Plant and Equipment

| | Lands | Buildings | Machinery | Tools | Others | Total |
|---|---|---|---|---|---|---|
| **Cost** | | | | | | |
| Balance at 1/1/2017 | 430,614 | 2,296,819 | 7,075,795 | 2,949,335 | 511,017 | 13,263,580 |
| Additions | 379,657 | - | 91,983 | 55,740 | 23,560 | 550,940 |
| Balance at 31/12/2017 | 810,271 | 2,296,819 | 7,167,778 | 3,005,075 | 534,577 | 13,814,520 |
| **Accumulated depreciation** | | | | | | |
| Balance at 1/1/2017 | - | 937,755 | 4,708,724 | 2,246,753 | 445,379 | 8,338,611 |
| Depreciation | - | 34,084 | 141,916 | 100,422 | 7,486 | 283,908 |
| Balance at 31/12/2017 | - | 971,839 | 4,850,640 | 2,347,175 | 452,865 | 8,622,519 |
| **Net book value at 31/12/2017** | 810,271 | 1,324,980 | 2,317,138 | 657,900 | 81,712 | 5,192,001 |
| **Cost** | | | | | | |
| Balance at 1/1/2016 | 533,404 | 2,296,819 | 7,075,795 | 2,912,659 | 494,747 | 13,313,424 |
| Additions | - | - | - | 36,676 | 16,270 | 52,946 |
| Disposals | (102,790) | - | - | - | - | ( 102,790) |
| Balance at 31/12/2016 | 430,614 | 2,296,819 | 7,075,795 | 2,949,335 | 511,017 | 13,263,580 |
| **Accumulated depreciation** | | | | | | |
| Balance at 1/1/2016 | - | 869,382 | 4,425,112 | 2,026,984 | 418,882 | 7,740,360 |
| Depreciation | - | 68,373 | 283,612 | 219,769 | 26,497 | 598,251 |
| Balance at 31/12/2016 | - | 937,755 | 4,708,724 | 2,246,753 | 445,379 | 8,338,611 |
| **Net book value at 31/12/2016** | 430,614 | 1,359,064 | 2,367,071 | 702,582 | 65,638 | 4,924,969 |

## 4. Inventories

| | 2017 | 2016 |
|---|---|---|
| Raw materials | 1,126,739 | 965,232 |
| Work in process | 931,500 | 874,205 |
| Finished goods | 3,011,195 | 2,941,094 |
| | 5,069,434 | 4,780,531 |

## 5. Other Receivables

| | 2017 | 2016 |
|---|---|---|
| Refundable deposits | 56,294 | 58,693 |
| Prepaid expenses | 9,595 | 10,729 |
| Other withholdings | 75,025 | 48,088 |
| Letters of credit | 134,455 | 5,846 |
| Provision against refundable deposits and other withholdings | ( 78,679) | ( 78,679) |
| | 196,690 | 44,677 |

## 6. Accounts Receivable

| | 2017 | 2016 |
|---|---|---|
| Accounts receivable | 2,285,663 | 2,047,694 |
| Provision for doubtful accounts | ( 623,739) | ( 623,739) |
| | 1,661,924 | 1,423,955 |

Movement on the allowance for doubtful accounts is as follows:

| | 2017 | 2016 |
|---|---|---|
| Balance at beginning of the year | 623,739 | 623,739 |
| Additions | - | - |
| **Balance at end of the year** | 623,739 | 623,739 |

The age of receivables past due but not impaired is as follows:

| | 2017 | 2016 |
|---|---|---|
| Less than one year | 1,661,924 | 1,423,955 |

Management believes that all the receivables not included in the provision are collectable.

## 7. Cash and Cash Equivalents

| | 2017 | 2016 |
|---|---|---|
| Cash and checks on hand | 295,074 | 50,663 |
| Current bank Accounts | 10,389 | 102,239 |
| | 305,463 | 152,902 |

## 8. Equity

**Paid-in capital**

The Company's authorized, subscribed and paid up capital is JOD (9) Millions divided equally into (9) Million shares with par value of JOD (1) for each share as at 31 December 2017 and 2016.

**Statutory Reserve**

The accumulated amounts in this account represent 10% of the Company's net income before income tax according to the Companies Law. The statutory reserve is not available for distribution to shareholders.

**Voluntary Reserve**

The accumulated amounts in this account represent 20% of the Company's net income before income tax according to the Companies Law. The voluntary reserve is available for distribution to shareholders

**Dividends**

The General Assembly has resolved in its meeting held on 2017 to distribute cash dividend of 5% of its capital.

## 9. Bank Facilities

| Credit Type | Currency | Interest rate | Maturity date | Facility Limit | Outstanding Balance |
|---|---|---|---|---|---|
| Revolving Loan | USD | 2.5% + libour | 2018 | 1,770,000 | 2,407,724 |
| Over draft | JOD | 8.25% | 2018 | 1,000,000 | 254,879 |
| | | | | | 2,662,603 |

The bank facilities granted to the company are guaranteed by the personal guarantee of the chairmen.

## 10. Other Liabilities

| | 2017 | 2016 |
|---|---|---|
| Shareholders' withholding | 179,150 | 142,219 |
| Provision against governmental fees | 379,657 | - |
| Sales Tax withholding | 232,205 | 185,612 |
| Accrued expenses | 108,825 | 122,092 |
| Other withholding | 137,456 | 76,947 |
| Income tax provision (Note 17) | 40,754 | 50,977 |
| Board of directors remuneration | - | 45,000 |
| Provision of end of services indemnity | 71,691 | 65,392 |
| | 1,149,738 | 688,239 |

## 11. Segment Reporting

All firm sales are a result of selling aluminum in all shapes and forms, the following is the geographic distribution of the sales:

| | 2017 | 2016 |
|---|---|---|
| Local sales | 8,646,638 | 7,414,747 |
| Foreign sales | 291,268 | 665,435 |
| | 8,937,906 | 8,080,182 |

## 12. Administrative Expenses

| | 2017 | 2016 |
|---|---|---|
| Wages and salaries | 225,865 | 212,333 |
| Social security | 19,340 | 18,414 |
| Board of Director's transportation | 30,000 | 30,000 |
| Rent | 27,400 | 26,188 |
| Professional fees | 42,605 | 25,941 |
| Fess and subscription | 7,847 | 12,405 |
| Vehicles expenses | 6,925 | 7,597 |
| Governmental fees | 1,432 | 2,599 |
| End of services indemnity | 6,299 | 5,940 |
| Telephone and post | 5,114 | 5,991 |
| Maintenance | 3,790 | 4,669 |
| Transportation | 4,234 | 5,307 |
| Utilities | 4,226 | 4,624 |
| Hospitality and cleaning | 3,922 | 3,257 |
| Stationery and printings | 2,536 | 2,517 |
| Miscellaneous | 30,827 | 20,574 |
| | 422,362 | 388,356 |

## 13. Basic and Diluted Earnings per Share

| | 2017 | 2016 |
|---|---|---|
| Profit for the year | 183,238 | 385,595 |
| Weighted average number of shares | 9,000,000 | 9,000,000 |
| | 0.020 | 0.039 |

## 14. Contingent Liabilities

| | 2017 | 2016 |
|---|---|---|
| Letters of bank guarantees | 57,400 | 57,400 |
| Letter of credit | 178,138 | - |

## 15. Law Suits

The Company is contingently liable against some law suits. Management and legal counsel believe that no provision is required against law suits as the Company has good chance of winning the case.

## 16. Executive Management Salaries and Remunerations

The remuneration of executive management during the years 2017 and 2016 amounted to JOD (90) thousand and JOD (90) thousand respectively.

## 17. Income Tax

The movement on provision for the income tax during the year is as follows:

| | 2017 | 2016 |
|---|---|---|
| Balance at beginning of the year | 50,977 | 73,067 |
| Income tax expense for the year | 29,219 | 59,151 |
| Income tax paid | ( 39,442) | ( 81,241) |
| **Balance at end of the year (Note 10)** | **40,754** | **50,977** |

The following is the reconciliation between declared income and taxable income:

| | 2017 | 2016 |
|---|---|---|
| Declared income | 212,457 | 462,746 |
| Non taxable revenues | ( 3,749) | ( 40,239) |
| Non taxable expenses | - | - |
| **Taxable income** | **208,708** | **422,507** |
| Income tax rate | 14% | 14% |
| Effective interest rate | 14% | 13% |

- The Company settled its tax liabilities with the Income Tax Department up to 2014.
- The income tax returns for the years 2015 and 2016 have been filed with the Income Tax Department, but the Department has not reviewed the Company's records till the date of this report.
- The income tax provision for the year 2017 was calculated in accordance with the Income Tax Law.

## 18. Financial Instruments

Financial instruments comprise financial assets and financial liabilities. Financial assets of the Company include cash and cash equivalents, checks under collection, and receivables. Financial liabilities of the Company include bank facilities, accounts payable and other liabilities.

### Fair Value

The fair values of the financial assets and liabilities are not materially different from their carrying values as most of these items are either short-term in nature or re-priced frequently.

### Credit Risk

Credit risks are those risks resulting from the default of counterparties to the financial instrument to repay their commitment to the Company. The Company limits its credit risk by only dealing with reputable banks and by setting credit limits for individual customers and monitoring outstanding receivables. The maximum exposure to credit risk is represented by the carrying value of each financial asset.

The Company's most significant customer balance is JOD (248,150) of the accounts receivable at 31 December 2017 (2016: JOD 179,172).

### Liquidity Risk

Liquidity risk is the risk that the Company will not be able to meet its net financial obligation. In this respect, the Company's management diversified its funding sources, and managed assets and liabilities taking into consideration liquidity and keeping adequate balances of cash, and cash equivalents.

The table below analyses the Company's financial liabilities into relevant maturity groupings based on the remaining period at the consolidated statement of financial position to the contractual maturity date.

| 2017 | Less Than One Year | More Than One Year | Total |
|---|---|---|---|
| Bank facilities | 2,662,603 | - | 2,662,603 |
| Accounts payable | 746,894 | - | 746,894 |
| Other liabilities | 1,149,738 | - | 1,149,738 |
| | 4,559,235 | - | 4,559,235 |

| 2016 | Less Than One Year | More Than One Year | Total |
|---|---|---|---|
| Bank facilities | 1,799,494 | - | 1,799,494 |
| Accounts payable | 376,174 | - | 376,174 |
| Other liabilities | 688,239 | - | 688,239 |
| | 2,863,907 | - | 2,863,907 |

### Interest Rate Risk

Interest rate risk is the risk that changes in interest rates will affect the Company's income or the value of its holdings of financial instruments. As most of the Company's financial instruments have fixed interest rate and carried at amortized cost, the sensitivity of the Company's results or equity to movements in interest rates is not considered significant.

### Currency Risk

The management considers that the Company is not exposed to significant currency risk. The majority of their transactions and balances are in either Jordanian Dinar or US Dollar. As the Jordanian Dinar is pegged to the US Dollar, balances in US Dollar are not considered to represent significant currency risk and the Company's results or equity to movements in exchange rates is not considered significant.

## 19. Capital Management

The Board of Directors manages its capital structure with the objective of safeguarding the entity's ability to continue as a going concern and providing an adequate return to shareholders by pricing products and services commensurately with the level of risk.

| | 2017 | 2016 |
|---|---|---|
| Total Debt | 2,662,603 | 1,799,494 |
| Total Equity | 11,055,171 | 11,321,933 |
| **Debt to Equity ratio** | 24% | 16% |