



الشركة الوطنية لصناعات الألمنيوم المساهمة العامة المحدودة
NATIONAL ALUMINIUM INDUSTRIAL CO.

Date: 31/07/2017

Reference: 247/2017

To: Jordan Securities commission

Subject: Audited Financial Statements for the fiscal year
ended 31/12/2016

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

For the fiscal year ended at 31/12/2016

Kindly accept our highly appreciation and respect

National Aluminum Industrial company

General Manager

Hasan Al-Haj Hasan





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National Aluminum Industries Company
Public Shareholding Company

Consolidated Financial Statements as at 31 December 2016
Together With
Independent Auditors' Report

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

National Aluminum Industries Company
Public Shareholding Company

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INDEPENDENT AUDITOR'S REPORT

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

Report on the Audit of the Consolidated Financial Statements

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 2016, 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 2016, 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 2015) 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 (1.3) million, and increase of retained earnings 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.

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.

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.
- 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 there with and with the financial data presented in the Board of Director's report, and we recommend the general assembly to approve it.

18 February 2017
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 2016

(In Jordanian Dinar)

	Notes	2016	2015
Assets			
Non - Current Assets			
Property, plant and equipment	3	4,924,969	5,573,064
Investment in associate		21,000	21,000
Total Non - Current Assets		<u>4,945,969</u>	<u>5,594,064</u>
Current Assets			
Inventories	4	4,780,531	4,243,165
Spare parts		630,513	586,071
Other receivables	5	44,677	111,292
Accounts receivable	6	1,423,955	1,558,337
Checks under collection		2,207,293	2,224,264
Cash and cash equivalents	7	152,902	384,787
Total Current Assets		<u>9,239,871</u>	<u>9,107,916</u>
Total Assets		<u>14,185,840</u>	<u>14,701,980</u>
Equity and Liabilities			
Equity	8		
Paid-in capital		9,000,000	9,000,000
Statutory reserve		1,505,761	1,459,486
Voluntary reserve		350,564	258,015
Retained earnings		465,608	245,837
Total Equity		<u>11,321,933</u>	<u>10,963,338</u>
Liabilities			
Bank facilities	9	1,799,494	2,627,174
Accounts payable		376,174	528,652
Other liabilities	10	688,239	582,816
Total Liabilities		<u>2,863,907</u>	<u>3,738,642</u>
Total Equity and Liabilities		<u>14,185,840</u>	<u>14,701,980</u>

"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 2016
(In Jordanian Dinar)

	Notes	2016	2015
Net sales	11	8,080,182	9,120,385
Cost of sales		<u>(7,106,665)</u>	<u>(7,920,747)</u>
Gross profit		973,517	1,199,638
Administrative expenses	12	(388,356)	(404,307)
Financing expenses		(130,730)	(168,535)
Provision for doubtful accounts		-	(222,730)
Other revenues		8,315	1,452
Board of directors remuneration		<u>(45,000)</u>	<u>-</u>
Profit before income tax		417,746	405,518
Income tax	17	<u>(59,151)</u>	<u>(83,156)</u>
Total comprehensive income for the year		<u>358,595</u>	<u>322,362</u>
Basic and diluted earnings per share	13	<u>0.039</u>	<u>0.036</u>

"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 2016
(In Jordanian Dinar)

	Paid - In Capital	Reserves		Retained earnings	Total
		Statutory	Voluntary		
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
Balance at 1 January 2015	9,000,000	1,418,934	176,911	495,131	11,090,976
Dividends paid	-	-	-	(450,000)	(450,000)
Total comprehensive income for the year	-	-	-	322,362	322,362
Reserves	-	40,552	81,104	(121,656)	-
Balance at 31 December 2015	9,000,000	1,459,486	258,015	245,656	10,963,338

"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 2016

(In Jordanian Dinar)

	2016	2015
Operating activities		
Profit before income tax	417,746	405,518
Depreciation	598,251	289,225
Provision for doubtful accounts	-	222,730
Board of directors remuneration	45,000	-
Changes in operating activities		
Inventories	(537,366)	339,441
Spare parts	(44,442)	196,463
Other receivables	66,615	(41,482)
Accounts receivable	237,171	913,405
Checks under collection	16,971	(611,595)
Accounts payable	(152,478)	(39,542)
Other liabilities	82,514	(46,238)
Tax paid	(81,241)	(86,890)
Net cash flows from operating activities	<u>648,741</u>	<u>1,541,035</u>
Investing activities		
Property, plant and equipment	<u>(52,946)</u>	<u>(89,041)</u>
Financing activities		
Bank facilities	(827,680)	(1,519,366)
Dividends paid	-	(450,000)
Net cash flows used in financing activities	<u>(827,680)</u>	<u>(1,969,366)</u>
Net change in cash and cash equivalents	(231,885)	(517,372)
Cash and cash equivalents, beginning of year	<u>384,787</u>	<u>902,159</u>
Cash and cash equivalents, end of year	<u>152,902</u>	<u>384,787</u>

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

National Aluminum Industries Company
Public Shareholding Company
Notes to the Consolidated Financial Statements
For The Year Ended 31 December 2016

(In Jordanian Dinar)

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 18 February 2017 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 2016. 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 2	Classification and Measurement of Share-based Payment Transactions (Amendments)	1 January 2017
IFRS 15	Revenue from Contracts with Customers	1 January 2018
IFRS 16	Leases	1 January 2019

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 depreciation 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 its 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.

National Aluminum Industries Company PLC
Notes to the Consolidated Financial Statements (Continued)
31 December 2016

3. Property, Plant and Equipment

	<u>Lands</u>	<u>Buildings</u>	<u>Machinery</u>	<u>Tools</u>	<u>Others</u>	<u>Total</u>
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	<u>430,614</u>	<u>2,296,819</u>	<u>7,075,795</u>	<u>2,949,335</u>	<u>511,017</u>	<u>13,263,580</u>
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	-	<u>937,755</u>	<u>4,708,724</u>	<u>2,246,753</u>	<u>445,379</u>	<u>8,338,611</u>
Net book value at 31/12/2016	<u>430,614</u>	<u>1,359,064</u>	<u>2,367,071</u>	<u>702,582</u>	<u>65,638</u>	<u>4,924,969</u>
Cost						
Balance at 1/1/2015	533,404	2,296,819	7,070,926	2,828,691	494,543	13,224,383
Additions	-	-	4,869	83,968	204	89,041
Balance at 31/12/2015	<u>533,404</u>	<u>2,296,819</u>	<u>7,075,795</u>	<u>2,912,659</u>	<u>494,747</u>	<u>13,313,424</u>
Accumulated depreciation						
Balance at 1/1/2015	-	835,283	4,283,694	1,925,978	406,180	7,451,135
Depreciation	-	34,099	141,418	101,006	12,702	289,225
Balance at 31/12/2015	-	<u>869,382</u>	<u>4,425,112</u>	<u>2,026,984</u>	<u>418,882</u>	<u>7,740,360</u>
Net book value at 31/12/2015	<u>533,404</u>	<u>1,427,437</u>	<u>2,650,683</u>	<u>885,675</u>	<u>75,865</u>	<u>5,573,064</u>

4. Inventories

	<u>2016</u>	<u>2015</u>
Raw materials	965,232	410,147
Work in process	874,205	829,709
Finished goods	<u>2,941,094</u>	<u>3,003,309</u>
	<u><u>4,780,531</u></u>	<u><u>4,243,165</u></u>

5. Other Receivables

	<u>2016</u>	<u>2015</u>
Refundable deposits	58,693	58,693
Prepaid expenses	10,729	10,653
Other withholdings	48,088	56,546
Letters of credit	5,846	64,079
Provision against refundable deposits and other withholdings	<u>(78,679)</u>	<u>(78,679)</u>
	<u><u>44,677</u></u>	<u><u>111,292</u></u>

6. Accounts Receivable

	2016	2015
Accounts receivable	2,047,694	2,182,076
Provision for doubtful accounts	(623,739)	(623,739)
	<u>1,423,955</u>	<u>1,558,337</u>

Movement on the allowance for doubtful accounts is as follows:

	2016	2015
Balance at beginning of the year	623,739	479,688
Additions	-	144,051
Balance at end of the year	<u>623,739</u>	<u>623,739</u>

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

	2016	2015
Less than one year	1,423,955	1,558,337
More than one year	-	-
	<u>1,423,955</u>	<u>1,558,337</u>

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

7. Cash and Cash Equivalents

	2016	2015
Cash and checks on hand	50,663	381,379
Current bank Accounts	102,239	3,408
	<u>152,902</u>	<u>384,787</u>

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 2016 and 2015.

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 Board of Directors will propose to the General Assembly in its meeting, which will be held in 2017, to distribute a 5% cash dividends to shareholders.

9. Bank Facilities

Credit Type	Currency	Interest rate	Maturity date	Facility Limit	Outstanding Balance
Revolving Loan	USD	2.5% + libour	2017	2,832,000	1,736,425
Over draft	JOD	8.25%	2017	1,000,000	63,069
				<u>3,832,000</u>	<u>1,799,494</u>

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

10. Other Liabilities

	2016	2015
Shareholders' withholding	142,219	148,815
Sales Tax withholding	185,612	197,614
Accrued expenses	122,092	70,299
Other withholding	76,947	33,568
Income tax provision (Note 17)	50,977	73,067
Board of directors remuneration	45,000	-
Provision and withholding of end of services indemnity	65,392	59,453
	<u>688,239</u>	<u>852,816</u>

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:

	2016	2015
Local sales	7,414,747	8,040,194
Foreign sales	665,435	1,080,191
	<u>8,080,182</u>	<u>9,120,385</u>

12. Administrative Expenses

	2016	2015
Wages and salaries	212,333	207,201
Social security	18,414	17,409
Board of Director's transportation	30,000	30,000
Rent	26,188	26,337
Professional fees	25,941	14,740
Fess and subscription	12,405	13,711
Vehicles expenses	7,597	8,724
Governmental fees	2,599	2,597
End of services indemnity	5,940	6,120
Telephone and post	5,991	5,545
Maintenance	4,669	3,071
Transportation	5,307	6,541
Utilities	4,624	3,803
Hospitality and cleaning	3,257	3,149
Stationery and printings	2,517	2,327
Miscellaneous	20,574	53,032
	<u>388,356</u>	<u>404,307</u>

13. Basic and Diluted Earnings per Share

	2016	2015
Profit for the year	385,595	322,362
Weighted average number of shares	9,000,000	9,000,000
	<u>0.039</u>	<u>0.036</u>

14. Contingent Liabilities

	2016	2015
Letters of bank guarantees	57,400	54,400

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 2016 and 2015 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:

	2016	2015
Balance at beginning of the year	73,067	76,801
Income tax expense for the year	59,151	83,156
Income tax paid	(81,241)	(86,890)
Balance at end of the year (Note 10)	<u>50,977</u>	<u>73,067</u>

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

	2016	2015
Declared income	462,746	405,518
Non taxable revenues	(40,239)	(79,465)
Non taxable expenses	-	267,918
Taxable income	<u>422,507</u>	<u>593,971</u>
Income tax rate	14%	14%
Effective interest rate	13%	21%

- The Company settled its tax liabilities with the Income Tax Department up to 2014.
- The income tax return for the year 2015 has 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 2016 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 (179,172) of the accounts receivable at 31 December 2016 (2015: JOD 162,310).

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 sheet of financial position to the contractual maturity date.

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
	<u>2,863,907</u>	<u>-</u>	<u>2,863,907</u>
2015	Less Than One Year	More Than One Year	Total
Bank facilities	2,627,174	-	2,627,174
Accounts payable	528,652	-	528,652
Other liabilities	582,816	-	582,816
	<u>3,738,642</u>	<u>-</u>	<u>3,738,642</u>

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.

	2016	2015
Total Debt	1,799,494	2,627,174
Total Equity	11,366,933	10,963,338
Debt to Equity ratio	16%	24%