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

Date:10/03/2019

Reference: 76/2019

Amman Stock Exchange

Subject: Audited Financial Statements for the fiscal year ended 31/12/2018

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

For the fiscal year ended at 31/12/2018

Kindly accept our highly appreciation and respect

بورصة عمـــان
الدائـــرة الإدارية والمالية
الـديـــوان
١٠ آذار ٢٠١٩
الرقم المتسلسل: 1151
رقم الملـف: 41091
الجهة المختصة: 2110/611

National Aluminum Industrial company

General Manager

Hasan Al-Haj Hasan

الشركة الوطنية لصناعات الألمنيوم م.ع.م
نـالـكـو
عمان - الأردن
NALCO
Amman - Jordan
National Aluminium Industrial Co.

الادارة : شارع الملكة نور - مجمع زينة التجاري - مقابل الادارة العامة للبنك الاهلي - تلفاكس ٤ / ٢ / ٥٦٥٢٩٧١ (٦-٠٠٩٦٢)
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Registration Number 92028

National Aluminum Industries Company

Public Shareholding Company

Financial Statements

31 December 2018

National Aluminum Industries Company
Public Shareholding Company

INDEPENDENT AUDITOR'S REPORT

To The Shareholders of
National Aluminum Industries Company
Amman - Jordan

Qualified Opinion

We have audited the financial statements of **National Aluminum Industries Company. PLC**, which comprise the statement of financial position as at 31 December 2018, statement of comprehensive income, statement of changes in equity and statement of cash flows for the year then ended, and notes to the financial statements, including a summary of significant accounting policies.

In our opinion, except for the effect of the matters described in the basis for qualified opinion paragraph, the accompanying financial statements present fairly, in all material respects, the financial position of the Company as at 31 December 2018, and its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards (IFRSs).

Basis of Qualified Opinion

During the years (2011 to 2018) 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 (1.85) 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 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 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 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. We have determined the matters described below to be the key audit matters to be communicated in our report.

(1) Provision for Expected Credit Loss

Included in the accompanying financial statements at the end of the year 2018 financial assets totaling JOD (2,155,766), as the provision for expected credit loss of these financial assets are dependent on the management's estimates of different variables, the adequacy of the 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 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 2018 finished goods and work in process totaling JOD (3,272,690) 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 Matters

The accompanying financial statements for the year ended at 31 December 2017 comprise of the financial statements of the parent company and its subsidiaries, while the financial statements for the year ended at 31 December 2018 comprise of the parent company only, as the company has liquidated it subsidiaries during 2018.

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 financial statements and our auditor's report thereon.

Our opinion on the 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 financial statements, our responsibility is to read the other information 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. 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 Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with IFRSs, and for such internal control as management determines is necessary to enable the preparation of 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'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 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 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 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 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 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.

- 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 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 financial statements are in agreement therewith and with the financial data presented in the Board of Directors' report, and we recommend the General Assembly to approve it, taking into consideration what is stated in the basis of qualified opinion paragraph.

10 February 2019
Amman – Jordan

Arab Professionals Public Accountants

Arab Professionals
Fahed Hammoudeh
License No. (822)

National Aluminum Industries Company
Public Shareholding Company
Statement of Financial Position
As at 31 December 2018

(In Jordanian Dinar)

	Notes	2018	2017
Assets			
Non - current assets			
Property, plant and equipment	3	5,294,642	5,192,001
Investment in associate		21,000	21,000
Total non - current assets		5,315,642	5,213,001
Current assets			
Spare parts		624,622	574,064
Other receivables	4	53,017	196,690
Inventories	5	4,361,032	5,069,434
Accounts receivable	6	1,532,027	1,661,924
Checks under collection		2,759,096	2,593,830
Cash and cash equivalents	7	175,295	305,463
Total current assets		9,505,089	10,401,405
Total assets		**14,820,731**	**15,614,406**
Equity and liabilities			
Equity	8		
Paid-in capital		9,000,000	9,000,000
Statutory reserve		1,532,461	1,527,007
Voluntary reserve		350,564	350,564
Retained earnings		218,870	177,600
Total equity		11,101,895	11,055,171
Liabilities			
Credit facilities	9	2,236,180	2,662,603
Accounts payable		560,767	746,894
Other liabilities	10	921,889	1,149,738
Total liabilities		3,718,836	4,559,235
Total equity and liabilities		**14,820,731**	**15,614,406**

"The attached notes from (1) to (20) are an integral part of these financial statements"

National Aluminum Industries Company
Public Shareholding Company
Statement of Comprehensive Income
For the Year Ended 31 December 2018

(In Jordanian Dinar)

	Notes	2018	2017
Net sales	11	8,427,620	8,937,906
Cost of sales		(7,759,113)	(8,192,791)
Gross profit		**668,507**	**745,115**
Administrative expenses	12	(415,668)	(422,362)
Financing expenses		(198,295)	(115,470)
Other revenues		-	5,174
Profit before income tax		**54,544**	**212,457**
Income tax	17	(7,820)	(29,219)
Total comprehensive income for the year		**46,724**	**183,238**
Basic and diluted earnings per share	13	**0.005**	**0.020**

"The attached notes from (1) to (20) are an integral part of these financial statements"

National Aluminum Industries Company
Public Shareholding Company
Statement of Changes in Equity
For the Year Ended 31 December 2018

(In Jordanian Dinar)

	Paid - In Capital	Reserves		Retained earnings	Total
		Statutory	Voluntary		
Balance at 1 January 2018	**9,000,000**	**1,527,007**	**350,564**	**177,600**	**11,055,171**
Total comprehensive income for the year	-	-	-	46,724	**46,724**
Statutory reserve	-	5,454	-	(5,454)	**-**
Balance at 31 December 2018	**9,000,000**	**1,532,461**	**350,564**	**218,870**	**11,101,895**
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**

"The attached notes from (1) to (20) are an integral part of these financial statements"

National Aluminum Industries Company
Public Shareholding Company
Statement of Cash Flows
For the Year Ended 31 December 2018

(In Jordanian Dinar)

	2018	2017
Operating activities		
Profit before income tax	54,544	212,457
Depreciation	281,022	283,908
Changes in operating activities		
Inventories	708,402	(288,903)
Spare parts	(50,558)	56,449
Other receivables	143,673	(152,013)
Accounts receivable	129,897	(237,969)
Checks under collection	(165,266)	(386,537)
Accounts payable	(186,127)	370,720
Other liabilities	(194,915)	92,065
Income tax paid	(40,754)	(39,442)
Net cash flows from (used in) operating activities	679,918	(89,265)
Investing activities		
Property, plant and equipment	(383,663)	(171,283)
Financing activities		
Credit facilities	(426,423)	863,109
Dividends paid	-	(450,000)
Net cash flows (used in) from financing activities	(426,423)	413,109
Net changes in cash and cash equivalents	(130,168)	152,561
Cash and cash equivalents, beginning of year	305,463	152,902
Cash and cash equivalents, end of year	**175,295**	**305,463**

"The attached notes from (1) to (20) are an integral part of these 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 financial statements were authorized for issue by the Company's Board of Directors in their meeting held on 10 February 2019 and it is subject to the General Assembly approval.

2 . Summary of Significant Accounting Policies

Basis of preparation

The financial statements of the Company have been prepared in accordance with International Financial Reporting Standards.

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

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

The accounting policies are consistent with those used in the previous year, except for the adoption of new and amended standards effective as at the beginning of the year.

Adoption of new and revised IFRS standards

The following standards have been published that are mandatory for accounting periods after 31 December 2018. Management anticipates that the adoption of new and revised Standards will have no material impact on the financial statements of the Company.

Standard No.	Title of Standard	Effective Date
IFRS 16	Leases	1 January 2019
IFRS 17	Insurance Contracts	1 January 2021

Use of estimates
The preparation of the 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 statement of profit or loss.
- 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.
- The measurement of impairment losses under IFRS 9 requires judgment, in particular, the estimation of the amount and timing of future cash flows and collateral values when determining impairment losses and the assessment of a significant increase in credit risk. These estimates are driven by a number of factors, changes in which can result in different levels of allowances. Elements of the expected credit loss model that are considered accounting judgments and estimates include Probability of default (PD), Loss given default (LGD) and Exposure at default (EAD).

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 statement of profit or loss.

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 statement of profit or loss.

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 expected credit loss 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 financial statements at cost. For the purposes of the statement of cash flow, cash and cash equivalents comprise of 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 financial statements 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 statement of financial position date and adjusted to reflect the current best estimate.

Borrowing costs
Borrowing costs generally are expenses as incurred.

Revenue recognition

Revenues from sale of goods are recognized when control transferred to the buyer, while revenues from rendering services are recognized over time and according to percentage of completion. In all cases, it is necessary that the amount of revenue can be measured reliably.

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 statement of profit or loss.

Income taxes

Income tax expenses are accounted for on the basis of taxable income. Taxable income differs from income declared in the 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 1/1/2018	810,271	2,296,819	7,167,778	3,005,075	534,577	**13,814,520**
Additions	-	-	266,528	115,327	1,808	**383,663**
Balance at 31/12/2018	810,271	2,296,819	7,434,306	3,120,402	536,385	**14,198,183**
Accumulated depreciation						
Balance at 1/1/2018	-	971,839	4,850,640	2,347,175	452,865	**8,622,519**
Depreciation	-	34,084	146,724	92,512	7,702	**281,022**
Balance at 31/12/2018	-	1,005,923	4,997,364	2,439,687	460,567	**8,903,541**
Net book value at 31/12/2018	**810,271**	**1,290,896**	**2,436,942**	**680,715**	**75,818**	**5,294,642**
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**

4 . Other receivables

	2018	2017
Refundable deposits	56,293	56,294
Prepaid expenses	8,889	9,595
Other withholdings	63,798	75,025
Letters of credit	2,716	134,455
Provision against refundable deposits and other withholdings	(78,679)	(78,679)
	53,017	**196,690**

5 . Inventories

	2018	2017
Raw materials	1,088,342	1,126,739
Work in process	452,909	931,500
Finished goods	2,819,781	3,011,195
	4,361,032	**5,069,434**

6 . Accounts receivable

	2018	2017
Accounts receivable	2,155,766	2,285,663
Provision for expected credit loss	(623,739)	(623,739)
	1,532,027	**1,661,924**

Movement on the Provision for expected credit loss is as follows:

	2018	2017
Balance at beginning of year	623,739	623,739
Balance at end of year	**623,739**	**623,739**

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

	2018	2017
Less than one year	**1,532,027**	**1,661,924**

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

7 . Cash and cash equivalents

	2018	2017
Cash and checks on hand	28,521	295,074
Current bank Accounts	146,774	10,389
	175,295	**305,463**

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 2018 and 2017.

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

9 . Credit facilities

Credit Type	Currency	Interest rate	Maturity date	Facility Limit	Equivalent in JOD
Revolving Loan	USD	2.75% + libour	2019	2,832,000	1,349,588
Loan	JOD	8.875%	2019	1,000,000	886,592
					2,236,180

The credit facilities granted to the company are guaranteed by the personal guarantee of the chairman, and the checks under collection.

10 . Other liabilities

	2018	2017
Shareholders' withholding	165,206	179,150
Provision against governmental fees	379,657	379,657
Sales Tax withholdings	154,119	232,205
Withholdings and accrued expenses	65,749	108,825
Other withholdings	71,403	137,456
Provision for end of services indemnity	77,935	71,691
Income tax provision (Note 17)	7,820	40,754
	921,889	**1,149,738**

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:

	2018	2017
Local sales	8,407,117	8,646,638
Foreign sales	20,503	291,268
	8,427,620	**8,937,906**

12 . Administrative expenses

	2018	2017
Wages, salaries and other benefits	232,762	225,865
Social security	21,702	19,340
Board of Director's transportation	27,000	30,000
Rent	26,455	27,400
Professional fees	16,000	42,605
Fees and subscriptions	11,489	7,847
Vehicles expenses	9,886	6,925
Governmental fees	1,119	1,432
End of services indemnity	6,244	6,299
Telephone and post	4,399	5,114
Maintenance	3,219	3,790
Travel and transportation	4,301	4,234
Utilities	3,838	4,226
Hospitality and cleaning	4,663	3,922
Stationary and printings	2,339	2,536
Expenses for liquidation subsidiary company	1,447	-
Miscellaneous	38,805	30,827
	415,668	**422,362**

13 . Basic and diluted earnings per share

	2018	2017
Profit for the year	46,724	183,238
Weighted average number of shares	9,000,000	9,000,000
	0.005	**0.020**

14 . Contingent liabilities

	2018	2017
Letters of bank guarantees	57,400	57,400
Letter of credit	5,770	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 cases.

16 . Executive management salaries and remunerations

The remuneration of executive management during the years 2018 and 2017 amounted to JOD (87,000).

17 . Income tax

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

	2018	2017
Balance at beginning of the year	40,754	50,977
Income tax expense for the year	7,820	29,219
Income tax paid	(40,754)	(39,442)
Balance at end of the year (Note 10)	**7,820**	**40,754**

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

	2018	2017
Declared income	54,544	212,457
Non taxable revenues	(137)	(3,749)
Taxable income	**54,407**	**208,708**
Income tax rate	14%	14%
Effective tax rate	14%	14%

- The Company settled its tax liabilities with the Income Tax Department up to 2014.
- The income tax returns for the years 2015 , 2016 and 2017 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 2018 was calculated in accordance with the Income Tax Law.

18 . Fair value of financial instruments

Financial instruments comprise of 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 credit facilities, accounts payable and other liabilities.

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.

19 . Financial risk management

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 (187,359) of the accounts receivable at 31 December 2018 (2017: JOD 248,150).

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 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 statement of financial position to the contractual maturity date.

2018	Less Than One Year	More Than One Year	Total
Credit facilities	2,236,180	-	**2,236,180**
Accounts payable	560,767	-	**560,767**
Other liabilities	921,889	-	**921,889**
	3,718,836	**-**	**3,718,836**

2017	Less Than One Year	More Than One Year	Total
Credit 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**

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.

20 . 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 keeping a balance between total debt and total equity. The table below shows the debt to equity ratio.

	2018	2017
Total debt	2,236,180	2,662,603
Total equity	11,101,895	11,055,171
Debt to equity ratio	**20%**	**24%**