Northern Cement Company
"Public Shareholding Company"
Amman–The Hashemite Kingdom of Jordan
Consolidated Financial Statements
31 December 2020
and
Independent Auditors' Report

Northern Cement Company
"Public Shareholding Company"
Amman -The Hashemite Kingdom of Jordan

Contact

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Independent Auditors Report

To the Shareholders of
Northern Cement Company(P.S)
Amman – Jordan

Opinion

We have audited consolidated financial statements of Northern Cement Company (P.S) which comprise consolidated statement of financial position as at 31 December 2020 and consolidated statements of profit or loss and other comprehensive income, consolidated statements of changes in equity and consolidated statement of cash flows for the year then ended, and notes to the financial statements, including a summary of significant accounting policies and other explanatory information.

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of Northern Cement Company as at 31 December 2020, and its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards.

Basis of opinion:

We conducted our audit in accordance with International Standards on Auditing; our responsibilities under those standards are further described in the auditors' 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 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 basis for our opinion.

Key audit matters:

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the consolidated financial statement of the current period. 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. Following description of key audit matter:

Raw materials

The Key audit matter	How the matter was addressed in our audit:
The value of Raw materials reached (37,001,971) JOD as at 31 December, 2020, (40,558,803: 2019)JOD	Auditing procedures regarding raw materials include obtaining a report from experts in quantitative counting in addition to testing control procedures and other procedures related to inventory according to ISAs.

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Other information

Management is responsible for the other information, which comprises the information does not include in the financial statements and auditors' 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 that we have performed, we conclude that there is a material misstatement of this other information, and then we are required to report that fact. We have nothing to report in this regard.

Responsibilities of management and those charged with governance for the financial statements:

Management is responsible for the preparation and fair presentation of the financial statements in accordance with IFRS, 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 and, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the company on to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the company's financial reporting process.

Auditors' 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 auditors' 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 aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

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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 auditors '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 auditors' report. However, future events or conditions may cause the company to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the 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 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 reasonable are expected to outweigh the public interest benefits of such communication.

The Report on other legal and regularity requirement

The Company maintains accounting records as required, and it is compatible with the accompanying financial statements and we recommend approving it.

On behalf of IPB
Mazars – Jordan
Dr. Reem AL-Araj
License No. (820)

Amman- Jordan
31 Jan 2021

Northern Cement Company
"Public Shareholding Company"
Consolidated Statement of Financial Position (JOD)

		As at 31December	
Assets	**Notes**	**2020**	**2019**
Current assets			
Cash and cash equivalent	5	1,055,589	1,615,124
Cheques under collection	6	4,154,496	5,256,651
Trade receivables		5,365,905	6,896,784
Due from related parties	7	52,613	52,121
Inventory	8	42,900,099	47,518,946
Orders and inventory in transit		105,480	27,132
Prepaid expenses	9	317,013	322,394
Other debit balances	10	1,786,670	1,083,255
Payments in advance		163,975	102,012
		55,901,840	**62,874,419**
Non – current assets			
Property and equipment (net)	11	28,669,225	29,561,189
Projects under construction	12	2,347,002	516,299
Investment in associates	13	1,452,714	1,077,123
		32,468,941	**31,154,611**
Total assets		**88,370,781**	**94,029,030**
Liabilities and Equity			
Current liabilities			
Credit bank	14	2,190,458	-
Trade payables		3,754,743	1,542,082
Income tax provision	15	980,749	400,804
National contribution tax provision	15	55,862	50,130
Loan – short term	16	-	3,059,706
Due to shareholders		33,556	35,289
Other credit balances	17	241,857	888,396
		7,257,225	**5,976,407**
Non – current liabilities			
Due to related parties	18	7,820,180	18,058,328
Employees' benefits		1,053,898	1,090,579
		8,874,078	**19,148,907**
Total liabilities		**16,131,303**	**25,125,314**
Equity			
Capital		55,000,000	55,000,000
Statutory reserve		11,264,704	10,568,033
Other equity		52,836	(34,805)
Retained profit (loss)		5,921,938	3,370,488
		72,239,478	**68,903,716**
Total Liabilities & Equity		**88,370,781**	**94,029,030**

Financial statements should be read in conjunction with the companying note from page 9-26

Northern Cement Company
"Public Shareholding Company"
Consolidated Statement of Profit or Loss and Other Comprehensive Income (JOD)

	Note	For the year ended 31 December	
		2020	**2019**
		JOD	**JOD**
Continuing operations			
Revenues		37,192,010	48,939,677
Cost of revenues	19	(27,926,033)	(41,808,772)
Gross profit		**9,265,977**	**7,130,905**
Selling and distribution expenses	20	(578,682)	(848,752)
Administrative expenses	21	(1,490,564)	(1,486,219)
Operating profit (loss)		**7,196,731**	**4,795,934**
Other income		50,409	20,372
Share of profit of associates	13	287,950	196,755
Profit (loss) before taxes		**7,535,090**	**5,013,061**
Income tax expense	15	(1,205,614)	(400,804)
National contribution tax expense	15	(75,351)	(50,130)
Profit (loss) for the year after taxes		**6,254,125**	**4,562,127**
Other comprehensive income			
Share of OCI of associates	13	87,641	(28,277)
Comprehensive income for the year		**6,341,766**	**4,533,850**
Weighted average of shares		55,000,000	55,000,000
Earnings per share		**0.114**	**0.083**

Financial statements should be read in conjunction with the companying note from page 9-26

Northern Cement Company
"Public Shareholding Company"
Consolidated Statement of Changes in Equity (JOD)

Balance as at 31 December 2020	Capital	Statutory reserve	Other equity	Retained profit (loss)	Total equity
As at 1 January 2020	**55,000,000**	**10,568,033**	**(34,805)**	**3,370,488**	**68,903,716**
Profit for the year	-	696,671	-	5,557,454	6,254,125
Other comprehensive income	-	-	87,641	-	87,641
Total comprehensive income	-	**696,671**	**87,641**	**5,557,454**	**6,341,766**
Dividends	-	-	-	(3,006,004)	(3,006,004)
Total transaction with shareholders	-	-	-	**(3,006,004)**	**(3,006,004)**
As at 31 December 2020	**55,000,000**	**11,264,704**	**52,836**	**5,921,938**	**72,239,478**

Balance as at 31 December 2019	Capital	Statutory reserve	Other equity	Retained profit (loss)	Total equity
As at 1 January 2019	**55,000,000**	**10,090,872**	**(6,528)**	**(714,478)**	**64,369,866**
Profit for the year	-	477,161	-	4,084,966	4,562,127
Other comprehensive income	-	-	(28,277)	-	(28,277)
Total comprehensive income	-	**477,161**	**(28,277)**	**4,084,966**	**4,533,850**
As at 31 December 2019	**55,000,000**	**10,568,033**	**(34,805)**	**3,370,488**	**68,903,716**

Financial statements should be read in conjunction with the companying note from page 9-26

Northern Cement Company
"Public Shareholding Company"
Consolidated Statement of Cash Flows (JOD)

		For the year ended 31 December	
	Note	**2020**	**2019**
Operating activities			
Profitfor the yearbeforetaxes		7,535,090	5,013,061
Adjustments			
Depreciation	11	1,380,200	2,701,150
Share of (profit) of associates	13	(287,950)	(196,756)
Working capital adjustments			
Trade receivables		1,530,879	(1,542,484)
Cheques under collection		1,102,155	(437,755)
Orders and inventory in transit		(78,348)	1,027,827
Inventory		4,618,847	3,949,104
Other debit balances and prepaid expenses		(698,114)	(21,395)
Payments in advance		(61,963)	315,894
Trade payables		2,212,661	(982,642)
Other credit balances		(683,220)	(630,485)
Paid Income tax		(695,208)	-
Net cash flows from operating activities		**15,875,029**	**9,195,519**
Investing activities			
Purchase of property and equipment	11	(488,236)	(664,137)
Projects under construction	12	(1,830,703)	(63,676)
Net cash flows from investing activities		**(2,318,939)**	**(727,813)**
Financing activities			
Credit bank		2,190,458	-
Dividends		(3,006,004)	-
Due to related parties		(10,238,148)	989,709
Due from related parties		(492)	(1,166)
Due to shareholders		(1,733)	(4,810,479)
Loans		(3,059,706)	(5,468,236)
Net cash flows from financing activities		**(14,115,625)**	**(9,290,172)**
Net (decrease)in cash and cash equivalent		(559,535)	(822,466)
Cash and cash equivalents at 1 January		1,615,124	2,437,590
Cash and cash equivalent at 31 December	5	**1,055,589**	**1,615,124**

Financial statements should be read in conjunction with the companying note from page 9-26

1- Reporting Entity

Northern Cement Company is a public shareholding which was established in 01/07/2010, and was registered at controller records under the no. (464), with authorized and paid up capital of (55,000,000) JOD capital. The company's head office is at Amman – 3rd Circle, and the factory is at South Amman- Almowaqar.

The company is primarily involved in clinker industry and grinding, cement industry, implementation of other industrial projects and purchasing lands as necessary in addition to other objectives mentioned in registration record.

Subsidiaries:

White Stars for Mining Investments

White Stars for Mining Investments is a limited liability company owned 100% by the Cement company, with paid up capital (10,000) JD. It was establishedin11/01/2018 and was registered at controller records under the no. (50156).The company is primarily involved in export and grinding and crashing all kinds of martials needed for cement industry, grinding Carbon and Bozollana(except mining), White Clinker export and Clinker industry..

2- Significant accounting policies

2.1 Basis of preparation

- These financial statements have been prepared in accordance with International Financial Reporting Standards (IFRS) as issued by the International Accounting Standards Board.
- These financial statements have been prepared based on going concern assumption and under the historical cost basis (except those financial assets and other items that measured by fair value as at the date of financial statement in compliance with International Standards).
- These financial statements are presented in JOD, all values are rounded to nearest (JOD), except when otherwise indicated.
- The financial statements provide comparative information in respect of the previous period.

2.2 Basis of consolidation

- The consolidated financial statements comprise the financial statements of the group and its subsidiary as at 31 December 2019.
- Consolidation of a subsidiary begins when the group obtains control over the subsidiary and ceases when the group loses control of the subsidiary.
- Control is achieved when the group has power over the investee or rights to variable returns from its involvement with the investee and the ability to use its power over the investee to affect its returns (generally, there is a presumption that a majority of voting rights results in control).
- Profit or loss and each component of OCI are attributed to the equity holders of the parent of the group and to the non-controlling interests, even if this results in the non-controlling interests having a deficit balance.

- When necessary, adjustments are made to the financial statements of subsidiaries to bring their accounting policies in line with the group's accounting policies. All intra-group assets and liabilities, equity, income, expenses and cash flows relating to transactions between members of the group are eliminated in full on consolidation.

3-Accounting policies

The company has consistently applied the following accounting policies to all periods presented in these financial statements.

A- Investments in subsidiaries

Where the company has control over an investee, it is classified as a subsidiary. The company controls an investee if all three of the following elements are present: power over the investee, exposure to variable returns from the investee, and the ability of the investor to use its power to affect those variable returns. Control is reassessed whenever facts and circumstances indicate that there may be a change in any of these elements of control.

B- Investment in associates

- ✓ An associate is an entity over which the company has significant influence and that is neither subsidiary not an interest in a joint venture.
- ✓ Significant influence is the power to participate in the financial and operating policy decisions of the investment but is not control or joint control over those policies.
- ✓ The company's investment in an associate is accounted for using equity method. Under this method, the investment in an associate is initially recognized at cost. The carrying amount of
- ✓ the investment is adjusted to recognize changes in the company's share of net assets of the associate since the acquisition date. Goodwill relating to the associate is included in the carrying amount of the investment and is not tested for impairment separately.
- ✓ At each reporting date, the company determines whether there is objective evidence that the investment in the associate is impaired. If there is such evidence, the company calculates the impairment as the difference between the recoverable amount of the associate and carrying value, and then recognizes the loss in the statement of profit or loss.

C- Current versus non-current classification

The company presents assets and liabilities in the statement of financial position based on current/non-current classification.

An asset is current when it is:

- Expected to be realized or intended to be sold or consumed in the normal operating cycle.
- Held primarily for the purpose of trading.
- Expected to be realized within twelve months after the reporting period.
- Cash or cash equivalent unless restricted from being exchanged or used to settle a liability for at least twelve months after the reporting period

All other assets are classified as non-current.

A liability is current when:

- It is expected to be settled in the normal operating cycle.
- It is held primarily for the purpose of trading.
- It is due to be settled within twelve months after the reporting period.
- There is no unconditional right to defer the settlement of the liability for at least twelve months after the reporting period.

All other liabilities are classified as non-current.

D-Fair value measurement

- Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The fair value measurement based on the presumption that the transaction to sell the asset or transfer the liability takes place either in the principal market for the asset or liability, or in the absence of principal market, the most advantageous market to asset or liability.
- All assets and liabilities for which fair value is measured or disclosed in the financial statements are categorized within the fair value hierarchy, described as follows, based on the lowest level input that is significant to the fair value measurement as a whole:

- Level 1 - Quoted (unadjusted) market prices in active markets for identical assets or liabilities
- Level 2 - Valuation techniques for which the lowest level input that is significant the fair value measurement is directly or indirectly observable.
- Level 3 - Valuation techniques for which the lowest level input that is significant to the fair value measurement is unobservable.

E- Revenue from contracts with customers

- Revenue from contracts with customers is recognized when control of the goods or services are transferred to the customer at an amount that reflects the consideration to which the company expects to be entitled in exchange for those goods or services.
- The company shall account for a contract with a customer only when all of the following criteria are met:

- The parties to the contract have approved the contract (in writing, orally or in accordance with other customary business practices) and are committed to perform their respective obligations.
- The company can identify each party's rights regarding the goods or services to be transferred.
- The company can identify the payment terms for the goods or services to be transferred.
- The contract has commercial substance (risk, timing or amount of the entity's future cash flows is expected to change as a result of the contract).
- It is probable that the entity will collect the consideration to which it will be entitled in exchange for the goods or services that will be transferred to the customer. In evaluating whether collectability of an amount of consideration is probable, an entity shall consider only the customer's ability and intention to pay that amount of consideration when it is due. The amount of consideration to which the entity will be entitled may be less than the price stated in the contract if the consideration is variable because the entity may offer the customer a price concession.

- When a performance obligation is satisfied, the Company recognizes as revenue the amount of the transaction price that is allocated to that performance obligation.

F- Taxes

- Income tax for the period is based on the taxable income for the year. Taxable income differs from profit as reported in the statement of comprehensive income for the period as there are some items which may never be taxable or deductible for tax and other items which may be deductible or taxable in other periods.
- Tax expense is recognizing in compliance with regulations.
- 1% of taxable profit will be deducted as national contribution tax
- Expenses and assets are recognized net of the amount of sales tax, except:

- When the sales tax incurred on a purchase of assets or services is not recoverable from the taxation authority, in which case, the sales tax is recognized as part of the cost of acquisition of the asset or as part of the expense item, as applicable.
- When receivables and payables are stated with the amount of sales tax included the net amount of sales tax recoverable from, or payable to, the taxation authority is included as part of receivables or payables in the statement of financial position.

G-Foreign currency

Transactions and balances

- ✓ Transactions in foreign currencies are translated into the respective functional currency spot rate of company at exchange rates at the dates of the transactions.
- ✓ Monetary assets and liabilities denominated in foreign currencies are translated at the functional currency spot rates of at the exchange rate at the reporting date.
- ✓ Differences arising on translation of monetary items are recognized in profit or loss except those that are designated as part of the hedging which will be recognized in other comprehensive income.
- ✓ Non-monetary items that are measured in terms of historical cost in a foreign currency are translated using the exchange rates at the dates of the initial transactions. Non-monetary items measured at fair value in a foreign currency are translated using the exchange rates at the date when the fair value is determined. The gain or loss arising on translation of non-monetary items measured at fair value is treated in line with the recognition of the gain or loss on the change in fair value of the item.

Group companies

On consolidation, the assets and liabilities of foreign operations are translated into JOD at the rate of exchange prevailing at the reporting date and their statements of profit or loss are translated at exchange rates prevailing at the dates of the transactions. The exchange differences arising on translation for consolidation are recognized in other comprehensive income. On disposal of a foreign operation, the component of other comprehensive income relating to that particular foreign operation is reclassified to profit or loss.

H- Dividends

The Company recognizes a liability to pay a dividend when the distribution is authorized and the distribution is no longer at the discretion of the company. As per the corporate laws of Jordan, a distribution is authorized when it is approved by the shareholders. A corresponding amount is recognized directly in equity.

I- Property, plant and equipment

- Items of property, plant and equipment are measured at cost, the cost of replacing parts of the plant and equipment, and borrowing cost for long term construction projects if the recognition criteria are met, less accumulated depreciation and any accumulated impairment losses such cost includes.
- If significant parts of an item of property, plant and equipment have different useful lives, then they are accounted for as separate items (major components) of property, plant and equipment.
- Any gain or loss on disposal of an item of property plant and equipment is recognized in profit or loss.
- Subsequent expenditure is capitalized only if it is probable that the future economic benefits associated with the expenditure will flow to the company all other repair and maintains costs are recognized in profit or loss as incurred.
- Depreciation is calculated to write off the cost of items of property, plant and equipment less their estimated residual values using the straight-line method over their estimated useful lives, and is generally recognized in profit or loss.
- Depreciation methods, useful lives and residual values are reviewed at each reporting date and adjusted if appropriate.

J- Leases

Lessee

- IFRS (16) shall be applied to all leases that convey the right to control the use of an identified asset for a period of time in exchange of consideration, all lease contracts shall be capitalized with recognizing assets and liabilities against it, except short term lease and lease for which the underlying assets is of low value, whereas the lease payment shall be recognized as anexpense on either straight line basis over lease term or another systematic basis.
- At the commencement date, a lessee shall recognize a right-of-use asset and a lease liability.
- At the commencement date, a lessee shall measure the right-of-use asset at cost which includes:
- The amount of the initial measurement of the lease liability.
- Any lease payments made at or before the commencement date less any lease incentives received.
- Any initial direct cost incurred by the lessee.
- An estimate of cost to be incurred by the lessee in dismantling and removing the underlying asset, restoring the site on which it is located or restoring the underlying asset to the condition required by the terms and conditions of the lease.

- At the commencement date, a lessee shall measure the lease liability at the present value of the lease payments that are not paid at that date. The lease payments shall be discounted using the interest rate implicit in the lease, if that rate can be readily determined. If that rate cannot be readily determined, the lessee shall use the lessee's incremental borrowing rate.
- The lessee shall depreciate the right-of-use asset from the commencement date to the earlier of the end of the useful life of the right-of-use asset or the end of the lease term.
- If the lease transfers ownership of the underlying asset to the lessee by the end of the lease term or if the cost of the right-of-use asset reflects that the lessee will exercise a purchase option, the lessee shall depreciate the right-of-use asset from the commencement date to the end of the useful life of the underlying asset.
- A lessee shall apply IAS 36 Impairment of Assets to determine whether the right-of-use asset is impaired and to account for any impairment loss identified.

Lessor

- A lessor shall classify each of its leases as either an operating lease or a finance lease.
- A lease is classified as a finance lease if it transfers substantially all the risks and rewards incidental to ownership of an underlying asset. A lease is classified as an operating lease if it does not transfer substantially all the risks and rewards incidental to ownership of an underlying asset.
- At the commencement date, a lessor shall recognize assets held under a finance lease in its statement of financial position and present them as receivables at an amount equal to the net investment in the lease.
- A lessor shall recognize lease payments from operating leases as income on either a straight-line basis or another systematic basis. The lessor shall apply another systematic basis if that basis is more representative of the pattern in which benefit from the use of the underlying asset is diminished.

K- Borrowing costs

- Borrowing costs directly attributable to the acquisition, construction or production of an asset that necessarily takes a substantial period of time to get ready for its intended use or sale are capitalized as part of the cost of the asset.
- All other borrowing costs are expensed in the period in which they occur.
- Borrowing costs consist of interest and other costs that an entity incurs in connection with the borrowing of funds.

L- Financial Instruments- initial recognition and subsequent measurement

A financial instrument is any contract that gives rise to a financial asset of one entity and a financial liability or equity instrument of another entity.

1- Financial assets

- Financial assets are classified, at initial recognition, as subsequently measured at amortized cost, fair value through other comprehensive income (OCI), and fair value through profit or loss. The classification of financial assets at initial recognition depends on the financial asset's contractual cash flow characteristics and the company's business model for managing them.

- In order for a financial asset to be classified and measured at amortized cost or fair value through OCI, it needs to give rise to cash flows that are 'solely payments of principal and interest (SPPI)' on the principal amount outstanding. This assessment is referred to as the SPPI test and is performed at an instrument level.

  For purposes of subsequent measurement, financial assets are classified as follow:

- **Financial assets at amortized cost**

  Financial assets at amortized cost are subsequently measured using the effective interest method and are subject to impairment. Gains on losses are recognized in profit or loss when the asset is derecognized, modified or impaired. Financial assets at amortized cost includes trade receivables, loans to other parties ….etc

2- Financial liabilities

- Financial liabilities are classified, at initial recognition, as financial liabilities at fair value through profit or loss, loans and borrowings, payables, as appropriate.
- All financial liabilities are recognized initially at fair value and, in the case of loans and borrowings and payables, net of directly attributable transaction costs.
- The company's financial liabilities include trade and other payables, loans and borrowings including bank overdrafts ………etc.
- The subsequent measurement of financial liabilities depends on their classification. Loans and borrowings are subsequently measured at amortized cost using the effective interest rate method. Gains or losses are recognized in profit or loss when the liabilities are derecognized as well as through the effective interest rate amortization process.
- Amortized cost is calculated by taking into account any discount or premium on acquisition and fees or costs that are an integral part of the effective interest rate. The effective interest rate amortization is included as finance costs in the statement of profit or loss.

M- Inventory and Warehouses

- Inventories are valued at the lower of cost and net realizable value.
- Costs incurred in bringing each product to its present location and condition are accounted for purchase price and other cost incurred to bring it in use excluding borrowing cost
- Net realizable value is the estimated selling price in the ordinary course of business, less estimated costs of completion and the estimated costs necessary to make the sale.

N- Impairment of non-financial assets

- The company assesses, at each reporting date, whether there is an indication that an asset may be impaired. If any indication exists, or when annual impairment testing for an asset is required, the company estimates the asset's recoverable amount. An asset's recoverable amount is the higher of an asset's or cash generated units fair value less costs of disposal and its value in use. The recoverable amount is determined for an individual asset, unless the asset does not generate cash inflows that are largely independent of those from other assets or groups of assets. When the carrying amount of an asset or cash generated units exceeds its recoverable amount, the asset is considered impaired and is written down to its recoverable amount.

- A previously recognized impairment loss is reversed only if there has been a change in the assumptions used to determine the asset's recoverable amount since the last impairment loss was recognized. The reversal is limited so that the carrying amount of the asset does not exceed its recoverable amount, nor exceed the carrying amount that would have been determined, net of depreciation, had no impairment loss been recognized for the asset in prior years.

O-Cash and cash equivalent

Cash and cash equivalent in the statement of financial position comprise cash at banks and on hand and cash equivalent with a maturity of three months or less, which are not subject to an insignificant risk of changes in value.

P- Provisions

- Provisions are recognized when the company has a presented obligation (legal or constructive) as a result of a past event, 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.
- The amount recognized as a provision is the best estimate of the consideration required to settle the present obligation at the end of the reporting period, taking into account the risks and uncertainties surrounding the obligation.
- The expense relating to a provision is presented in the statement of profit or loss
- If the effect of the time value of money is material, provisions are discounted using a current pre-tax rate that reflects, when appropriate, the risks specific to the liability.

Q- Employee benefits

Employee benefits are expensed as the related services are provided. A liability is recognized for the amount expected to be paid if the company has a present legal or constructive obligation to pay this amount as a result of past services provided by the employee and the obligation can be estimated.

4. Other information.

4.1 Events after the reporting period

Events after the reporting period are those events, favorable and unfavorable, that occur between the end of the reporting period and the date when the financial statements are authorized for issue and there are two kinds of events after the reporting period:

1- Those that provide evidence of conditions that existed at the end of the reporting period and an entity shall adjust the amounts recognized in its financial statements

2- Those that are indicative of conditions that arose after the reporting period, an entity shall not adjust the amounts recognized in its financial statements.

There are no subsequent events to mention

4.2 Contingent Liabilities

Contingent liabilities are obligations that could result from a past event and will confirm their presence only by the occurrence or non-occurrence of a future uncertain

And not within the control of the company and are not recognized in the records because it is not likely to flow release of economic benefits for the payment of the obligation cannot be measured amount of the obligation reliably.

Bank guarantees (net)	100,750

4.4 Significant estimates and judgments:

- The preparation of financial statements requires the use of accounting estimates which by definition will seldom equal the actual result. Management also needs to exercise judgment in applying the accounting policies.
- Estimates and judgments are continually evaluated, they are based on historical experience and other factors, including expectations of future events that may have a financial impact on the entity and that are believed to be reasonable under the circumstances.

- The areas involving significant estimates or judgments are:

1- The company has tested the impairment of trade receivable, pursuant to the company estimates there is no impairment on its value.

2- Estimated useful life of property & equipment. (Note11).

4.5 Financial risk management

The company may expose to different kinds of financial risk, company's board and management oversees these risks and has overall responsibility for the establishment and oversight of the company risk management framework. The company risk management policies are established to identify and analyze the risks faced by the company, to set appropriate risk limits and controls and to monitor risks and adherence to limits. Risk management policies and systems are reviewed regularly to reflect changes in market conditions and the company activities.

The company, through its training and management standards and procedures, aims to maintain a disciplined and constructive control environment in which all employees understand their roles and obligations.

The company may expose to the following risks:

A- Market risk

Market risk is the risk that the fair value of future cash flows of a financial instrument21.

Will fluctuate because of changes in market prices; it comprises three types of risk:

- **Interest rate risk:**

Interest rate risk is the risk that the fair value or future cash flows of financial instruments will fluctuate because of change in market interest rates. The company's exposure to the risk of changes in market interest rate primary to the company's long term obligations with floating interest rate

The company manages its interest rate risk by monitoring fluctuations in interest rate so it will not exceed a certain level.

- **Foreign currency risk:-**

Foreign currency risk is the risk that the fair value or future cash flows will fluctuate because of changes in foreign exchange rates. The company's exposure to the risk of changes in foreign exchange rates relates primarily to operating activities when revenue or expense is denominated in a foreign currency, and company's net investment in foreign subsidiaries

The company manages its foreign currency by monitoring fluctuations in foreign currency exchange. The risk from transaction in USD is limited as the price is fixed against JOD.

B- Credit risk

Credit risk is the risk that counterparty will not meet its obligations under a financial instrument or customer contract, leading to financial loss. An impairment analysis is performed at each reporting date to measure expected credit losses. The company is exposed to credit risk from its operating activities (Primarily trade receivables) and from its financing activities including deposits in banks.

The company manages credit risk by putting credit limit for each client, and monitoring uncollectable receivables in addition the company tests its receivables for impairment in its value.

C- Liquidity risk

Liquidity risk is the risk that the company may be unable to close out market position and to meet its short term obligations when due.

The company monitors its risk of shortage of funds using liquidity planning tool.

5- Cash and cash equivalents

	2020	2019
Cash at hand	69,964	301,012
Petty cash	28,985	48,840
Arab Bank / current account	9,115	9,202
Islamic International Arab Bank- USD	269	54,229
Islamic International Arab Bank- JOD	97,454	134,607
Islamic International Arab Bank- EURO	496	496
Housing Bank – USD	-	4,263
Safwa Islamic Bank- JOD	-	113,304
Safwa Islamic Bank- USD	151,998	36,664
Safwa Islamic Bank – Saving JOD	682,001	161,397
Safwa Islamic Bank – Saving USD	15,307	751,110
Total	**1,055,589**	**1,615,124**

6-Cheques under collection

	2020	2019
Islamic International Arab Bank	-	3,477,387
Safwa Islamic Bank	4,154,496	1,779,264
Total	**4,154,496**	**5,256,651**

7- Due from related party

	2020	2019	Nature of relation	Nature of transaction
Sarah Zamzam Co.	52,613	52,121	Associate	Financing
Total	**52,613**	**52,121**		

8-Inventory

	2020	2019
Raw materials	37,001,971	40,558,803
Finished goods	1,017,345	1,453,797
Packing materials	344,480	248,515
Spare parts and maintenance	4,534,560	5,256,238
Oil , grease and water	1,743	1,593
Total	**42,900,099**	**47,518,946**

9-Prepaid expenses

	2020	2019
Factory's insurance	31,503	31,305
Consulting and subscription	40,489	41,873
Professional fees	54,098	52,500
Health insurance	163,745	159,365
Donations	17,750	14,792
Rent	9,428	22,559
Total	**317,013**	**322,394**

10- Other debit balances

	2020	2019
Refundable deposits	102,074	102,074
Margin on guarantees	726,886	735,550
Due from tax	124,838	124,624
Claims to social security and others	29,802	33,172
Due from employees	93,070	87,835
Other deposits	710,000	-
Total	**1,786,670**	**1,083,255**

11- Property and equipment

	Lands	Buildings	Machines and equipment	Vehicles	Furniture and decorations	Total
Depreciation rate	-	%10- %4	%10-%5	%15	%15-%9	
Cost						
At 1 January 2019	**915,683**	**14,313,931**	**37,580,045**	**1,200,168**	**687,523**	**54,697,350**
Additions	316,603	21,722	61,512	250,677	13,623	664,137
At 31 December 2019	**1,232,286**	**14,335,653**	**37,641,557**	**1,450,845**	**701,146**	**55,361,487**
Additions	-	9,431	437,105	20,175	21,525	488,236
At 31 December 2020	**1,232,286**	**14,345,084**	**38,078,662**	**1,471,020**	**722,671**	**55,849,723**
Deprecation						
At 1 January 2019	-	**5,719,326**	**15,769,658**	**1,069,373**	**540,791**	**23,099,148**
Additions	-	697,296	1,884,048	79,081	40,725	2,701,150
At 31 December 2019	-	**6,416,622**	**17,653,706**	**1,148,454**	**581,516**	**25,800,298**
Additions	-	697,922	567,172	78,874	36,232	1,380,200
At 31 December 2020	-	**7,114,544**	**18,220,878**	**1,227,328**	**617,748**	**27,180,498**
Net book value						
At 31 December 2019	**1,232,286**	**7,919,031**	**19,987,851**	**302,391**	**119,630**	**29,561,189**
At 31 December 2020	**1,232,286**	**7,230,540**	**19,857,784**	**243,692**	**104,923**	**28,669,225**

12- Projects under construction

	2020	2019
Balance at 1 January	516,299	452,623
Additions	1,830,703	63,676
Balance at 31 December	**2,347,002**	**516,299**

13-Investment in associates

	Umm Qasr 2020	Sarah Zamzam 2020
Current assets	7,620,466	211
Non- current assets	9,576,195	170,400
Current liability	10,157,355	80,906
Equity	**7,039,306**	**89,705**
Share %	20%	50%
Company's share in equity	1,407,861	44,853
Carrying amount of investments in assoc.	**1,407,861**	**44,853**

	Umm Qasr 2020	Sarah Zamzam 2020
Revenue	20,641,592	-
Cost of sales	(18,668,514)	-
Administrative expenses	(440,081)	(2,273)
Other expenses	(87,566)	-
Profit for the year	**1,445,431**	**(2,273)**
Other comprehensive income		-
Exchange differences	438,206	-
Total Other comprehensive income	**2,186,791**	**(2,273)**
Company’s share of profit for the year	**289,086**	**(1,136)**
Company’s share of other comprehensive income	**87,641**	**-**

14- Credit bank

	2020	2019
Safwa Islamic Bank–JOD	2,190,458	-
Total	**2,190,458**	-

15- Taxes

-Income tax

	2020	2019
Balance at 1 January	400,804	-
Income tax expense	1,205,614	400,804
Paid income tax	(625,669)	-
Total	**980,749**	**400,804**

-National contribution tax

	2020	2019
Balance at 1 January	50,130	-
National contribution tax expense	75,351	50,130
Paid national contribution tax	(69,619)	
Total	**55,862**	**50,130**

- Northern Cement Company is classifiedas industrial company asthe main activity of the company is limited to the cement industry, so it is subjected to 14% from net income incompliance with Jordanian Taxation Law no. (68) for the year 2015.Tax registration number is (16602820) and sales tax registration number is (16602820).

- In compliance with Tax Law 38 for 2018, National Contribution Tax was inforced with 1% of taxable income

- As per to article (22) from Jordanian Investment LawNo. (16) for the year 1995 and article (8) from Jordanian Investment Law No. (68) for the year 2003, the company was exemptedfrom 50% of income tax for 10 years starting at date of actual work.

16-Loan – short term

	2020	2019
Safwa Islamic Bank	-	3,059,706
Total	**-**	**3,059,706**

17- Other credit balances

	2020	2019
Accrued expenses	43,930	68,583
Employees' tax	6,905	6,772
Due to social security	43,244	43,654
Other payables	2,223	61,458
Sale tax	145,555	707,929
Total	**241,857**	**888,396**

18- Due to related parties

	2020	2019	Nature of relation	Type of transaction
Northern Region Cement - KSA	7,820,180	18,058,328	Mother Co.	Financing
Total	**7,820,180**	**18,058,328**		

19- Cost of revenue

	Note	2020	2019
Raw materials		18,977,315	30,053,530
Operational expenses	19-1	7,166,825	9,827,333
Depreciation		1,345,441	2,665,854
Cost of production		**27,489,581**	**42,546,717**
Goods / opening balance		1,453,797	715,852
Goods available for sale		**28,943,378**	**43,262,569**
Goods / ending balance		(1,017,345)	(1,453,797)
Total		**27,926,033**	**41,808,772**

19-1 Operational Expenses

	2020	2019
Wages and salaries	1,574,806	1,604,932
Social security	168,832	216,382
Water and electricity	4,227,787	6,682,920
Maintenance	378,276	438,403
Fuel	68,804	76,868
Mail and phone	10,432	11,724
Health insurance	188,070	177,735
Stationery	2,379	5,115
Car expenses	21,307	20,249
Transportation	93,395	117,245
Security	52,200	54,750
Hospitality	13,961	32,186
Analysis of samples	33,140	43,840
Miscellaneous	15,348	35,559
uniform	18,746	16,562
Cleaning	166,374	151,720
Machines' expenses	93,290	100,615
Factory insurance	39,678	40,528
Total	**7,166,825**	**9,827,333**

20-Selling and distribution expenses

	2020	2019
Wages and salaries	122,706	115,816
Social security	13,311	14,284
Cars' expenses	4,888	5,953
Miscellaneous	8,214	13,328
Mail and phone	2,437	1,919
Hospitality	2,359	15,729
Medical insurance	14,733	12,600
Stationery	511	870
Advertising	69,553	91,129
Transportation and shipping	274,817	393,861
Selling expenses	61,362	178,095
Tax non-deductible	3,791	5,168
Total	**578,682**	**848,752**

21- Administrative and general expenses

	2020	2019
Salaries and bonuses	762,394	733,188
Social security	71,938	86,209
Water, electricity and telephone	26,059	26,090
Stationery	2,209	6,666
Cars' expenses	21,971	34,598
Exhibition	-	13,630
Traveling	1,518	6,593
Advertising	2,216	6,689
Rents	50,000	50,000
Professional fees	194,275	146,786
Hospitality	5,765	32,604
Health insurance	39,097	38,121
Maintenance	4,460	7,610
Fees and licenses	21,523	10,560
Banks' expenses	5,895	18,869
Insurance	2,113	2,932
Computers' expenses	4,273	5,243
Cleaning	31,287	24,656
Donations	99,005	94,164
Subscriptions	89,269	83,832
Miscellaneous	20,537	21,883
Depreciation	34,760	35,296
Total	**1,490,564**	**1,486,219**