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شركة إسمنت الشمالية
Northern Cement Co.

Date: 07 / 03 /2018 To: Jordan Securities Commission Amman Stock Exchange Securities Depository Center ٣/٨ Subject: Audited Financial Statements for the fiscal year ended 31/12/2017	التاريخ :- 07/ 03 /2018 للافصاح السادة /هيئة الاوراق المالية المحترمين السادة /بورصة عمان المحترمين السادة /مركز ايداع الاوراق المالية المحترمين الموضوع : البيانات المالية السنوية المدققة للسنة المنتهية في 2017/12/31
Attached the Audited Financial Statements of (NORTHERN CEMENT CO.) for the fiscal year ended 31/12/2017	مرفق طيه نسخة من البيانات المالية المدققة لشركة (اسمنت الشمالية المساهمة العامة المحدودة) عن السنة المالية المنتهية في 2017/12/31
Kindly accept our high appreciation and respect. NORTHERN CEMENT CO. General Manager's Suleiman Malhas	وتفضلوا بقبول فائق الاحترام،،، شركة اسمنت الشمالية م.ع.م المدير العام سليمان ملحس • مرفق نسخة ورقية من البيانات المالية (2017/12/31) + قرص مدمج CD

هيئة الأوراق المالية
الدائرة الادارية / الديوان
٨ آذار ٢٠١٨
الرقم المتسلسل ....
الجهة المختصة ....

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خلوي : ٩٦٢٧٩٩٦٥٠٧٧٧+

Northern Cement Company
"Public Shareholding Company"
Amman–The Hashemite Kingdom of Jordan
Financial Statements
31 December 2017
and
Independent Auditors' Report

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

Contents

Independent auditors report

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

Opinion

We have audited the financial statements of Northern Cement Company (P.S) which comprise the statement of financial position as at 31 December 2017, and the statements of profit or loss and other comprehensive income, statements 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 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 2017, 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.

Int'l Professional Bureau
Consulting & Auditing

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.

First: Inventory and warehouses
The Key audit matter

The value of inventory and warehouse reached (42,077,607 JOD)as at 31, December, 2017 (57,549,326 JOD: 2016),it includes raw materials, packaging, finished goods, spare parts and others.

How the matter was addressed in our audit:

We have conducted the auditing procedures for inventory and warehouses incompliance with InternationalStandards on Auditing including attending the inventory stock taking and getting the necessary documented confirmations of the stock balances from the company.

In relation to the stock taking of raw materials, the company carried out the stock taking through experts in quantitative counting and we have depended on their report.

We verified the control procedures of the inventory and warehouses for being sure that there is no expired or stagnated product.

Moreover, we verified the presentation and disclosure according to the requirements of the International Financial Reporting Standards.

Other information:

Management is responsible for the other information, which comprises the information does not included 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, 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.

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.

- 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.

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 Member of Kreston Int'l
Dr. Reem AL-Araj
License No. (820)

Amman - Jordan
20 Jan 2018

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

		As at 31December	
Assets	**Notes**	**2017**	**2016**
Current assets			
Cash and cash equivalent	8	626,870	1,637,081
Cheques under collection	9	4,824,868	6,010,727
Trade accounts receivable		4,253,642	4,436,786
Other receivables	10	175,335	239,187
Goods and warehouses	11	42,077,607	57,549,326
Goods in transit and orders		-	29,736
Prepaid expenses	12	401,265	470,106
Other debit balances	13	853,668	884,031
Total current assets		**53,213,255**	**71,256,980**
Non – current assets			
Property, plants and equipments (net)	14	33,679,163	34,825,313
Projects under construction	15	673,979	1,618,898
Investment in associates	16	701,564	-
Total non-current assets		**35,054,706**	**36,444,211**
Total assets		**88,267,961**	**107,701,191**
Liabilities and Equity			
Current liabilities			
Trade account payables		2,406,248	1,113,994
Due to related parties	17	8,338,667	27,779,356
Income tax provision		781,908	939,288
Shareholders deposits		39,058	41,592
Other credit balances	18	2,474,838	2,373,984
Total current liabilities		**14,040,719**	**32,248,214**
Total liabilities		**14,040,719**	**32,248,214**
Equity	19		
Subscribed and paid in capital		55,000,000	55,000,000
Statutory reserve		10,090,872	8,987,642
Other comprehensive income		(10,796)	-
Retained earnings		9,147,166	11,465,335
Total Equity		**74,227,242**	**75,452,977**
Total Liabilities & Equity		**88,267,961**	**107,701,191**

The notes from page11 to 38 are an integral part of these financial statements

Northern Cement Company
"Public Shareholding Company"
Amman -The Hashemite Kingdom of Jordan
Statement of Profit or Loss and Other Comprehensive Income

	Note	For the year ended 31 December	
		2017	2016
Sales		49,072,285	63,366,846
Cost of sales	20	(36,118,617)	(46,891,471)
Gross profit		**12,953,668**	**16,475,375**
Other revenues		8,735	17,313
Selling and distribution expenses	21	(711,317)	(1,214,338)
Administrative and general expenses	22	(1,540,342)	(1,870,308)
Profit on sale of property and equipment		-	16,605
Impairment losses		-	(6,247)
Share of profit (loss) of associates	16	321,560	-
Profit before the year before tax		**11,032,304**	**13,418,400**
Income tax expense		(781,908)	(939,288)
Profit from continuing operations		**10,250,396**	**12,479,112**
Other comprehensive income		-	-
Share of OCI of associates		(10,796)	-
Comprehensive income for the year		**10,239,600**	**12,479,112**
Weighted average of shares		55,000,000	55,000,000
Earnings per share		**0.186**	**0.227**

The notes from page11 to 38 are an integral part of these financial statements

Northern Cement Company
"Public Shareholding Company"
Amman -The Hashemite Kingdom of Jordan
Statement of Changes in Equity

For the year ended 31, December 2017	Capital	Statutory reserve	Other comprehensive income	Retained earnings	Total
Balance as at 1, January 2017	55,000,000	8,987,642	-	11,465,335	75,452,977
Comprehensive income					
Profit for the year	-	1,103,230	-	9,147,166	10,250,396
Share of OCI of associates	-	-	(10,796)	-	(10,796)
Total comprehensive income	-	1,103,230	(10,796)	9,147,166	10,239,600
Transaction with shareholders					
Dividends	-	-	-	(11,465,335)	(11,465,335)
Total transaction with shareholders	-	-	-	(11,465,335)	(11,465,335)
Balance as at 31, December2017	55,000,000	10,090,872	(10,796)	9,147,166	74,227,242

Northern Cement Company
"Public Shareholding Company"
Amman -The Hashemite Kingdom of Jordan
Statement of Changes in Equity

For the year ended 31, December 2016	Capital	Statutory reserve	Non- controlling interests	Retained earnings	Total
Balance as at 1, January 2016	55,000,000	7,645,802	29,861	14,078,063	76,753,726
Comprehensive income					
Profit for the year after tax	-	1,341,840	-	11,137,272	12,479,112
Total comprehensive income	-	**1,341,840**	-	**11,137,272**	**12,479,112**
Transaction with shareholders					
Dividends				(13,750,000)	(13,750,000)
Non- controlling interests	-	-	(29,861)	-	(29,861)
Total transaction with shareholders	-	-	**(29,861)**	**(13,750,000)**	**(13,779,861)**
Balance as at 31, December 2016	**55,000,000**	**8,987,642**	-	**11,465,335**	**75,452,977**

The notes from page11to 38 are an integral part of these financial statements

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

	For the year ended 31 December	
Cash Flows from operating activities	**2017**	**2016**
Profit for the yearafter tax	10,250,396	12,479,112
Adjustments		
Loss (profit)on sale of property and equipment	-	(16,605)
Depreciation	2,614,258	2,621,253
Share of (profit) loss of associates	(321,560)	-
Income tax expense	781,908	939,288
Changes in:		
Trade accounts receivable	183,144	2,542,254
Checks under collecting	1,185,859	4,537,089
Other receivables	63,852	606,579
Goods and warehouses	15,471,719	843,142
Goods in transit and orders	29,736	1,916,527
Prepaid expenses and other debit balances	50,906	(149,455)
Trade accounts payable	1,292,254	(549,418)
Due to related parties	(19,440,689)	(11,632,662)
Shareholders deposits	(2,534)	11,731
Other credit balances	100,854	1,186,971
Paid tax	(939,288)	(1,182,688)
Net cash from operating activities	**11,320,815**	**14,153,118**
Cash flows from investment activities		
Purchase of property and equipment	(1,419,810)	(625,974)
Projects under construction	944,919	(1,097,813)
Proceeds from sale of property and equipment	-	412,256
Investment in associate	(390,800)	-
Net cash flows from investment activities	**(865,691)**	**(1,311,531)**
Cash flows from financing activities		
Dividends	(11,465,335)	(13,750,000)
Net cash flows from financing activities	**(11,465,335)**	**(13,750,000)**
Net (decrease) in cash	(1,010,211)	(908,413)
Cash and cash equivalents at beginning of the year	1,637,081	2,545,494
Cash and cash equivalent at ending of the year	**626,870**	**1,637,081**

The notes from pagel1to 38 are an integral part of these financial statements

1- Reporting Entity

Northern Cement Company (Public Shareholding)is domiciled in Jordan under the registration number (464) with (55,000,000) JOD capital, the company's registered office is at Amman , and the factory is at Al- Mowaqar. The company 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.

2- Standards issued but not yet effective

A. Disclosure initiative (amendments to IAS 7)

Amendments to IAS (7) require disclosures that enable users of financial statements to evaluate changes in liabilities arising from financing activities, including both changes arising from cash flow and non-cash changes. The amendments are effective for annual periods beginning on or after 1 January 2017, with early adoption permitted.

B. Recognition of deferred tax assets for unrealized losses (amendments to IAS 12)

Amendments to IAS (12) clarify the accounting for deferred tax assets for unrealized losses on debt instruments measured at fair value. The amendments are effective for annual periods beginning on or after 1 January 2017, with early adoption permitted.

C. Revenue from contracts with customers (IFRS 15)

IFRS 15 establishes a comprehensive framework for determining whether, how much and when revenue is recognized. It replaces existing revenue recognition guidance, including IAS (18) Revenue and, IAS (11) constructioncontracts. IFRS (15) is effective for annual periods beginning on or after 1 January 2018, with early adoption permitted.

- **Sales of goods**

For the sale of products, revenue is currently recognized when the goods are delivered to the customers' premises, which is taken to be the point in time at which the customer accepts the goods and the related risks and rewards of ownership transfer. Revenue is recognized at this point provided that the revenue and costs can be measured reliably, the recovery of the consideration is probable and there is no continuing management involvement with the goods.

- **Rendering of services**

If the services under a single arrangement are rendered in different reporting periods, then the consideration is allocated on a relative fair value basis between the different services. Revenue is currently recognized using the stage-of-completion method Under IFRS 15, the total consideration in the service contracts will be allocated to all services based on their stand-alone selling prices. The stand-alone selling prices will be determined based on the list prices at which the company sells the services in separate transactions.

- **Construction contracts**

Contract revenue currently includes the initial amount agreed in the contract plus any variations in contract work, claims and incentive payments, to the extent that it is probable that they will result in revenue and can be measured reliably. When a claim or variation is recognized, the measure of contract progress or contract price is revised and the cumulative contract position is reassessed at each reporting date. Under IFRS 15, claims and variations will be included in the contract accounting when they are approved.

D- Financial InstrumentsIFRS (9)

IFRS 9 contains a new classification and measurement approach for financial assets that reflects the business model in which assets and their cash flow are managed. IFRS 9 contains three principal classification categories for financial assets which are measured at amortized cost, fair value through other comprehensive income and fair value through profit or loss. The standard eliminates the existing IAS 39 categories of held to maturity, loans and receivables and available for sale. IFRS 9 will require extensive new disclosures, in particular about hedge accounting, credit risk and expected credit losses.IFRS (9) is effective for the annual periods beginning on or after 1 January 2018 with earlier adoption permitted.

E- LeasesIFRS (16)

IFRS 16 introduces a single, one-balance lease sheet accounting model for lessees. A lessee recognizes a right-of-use asset representing its right to use the underlying asset and a lease liability representing its obligation to make lease payments. There are optional exemptions for short-term leases and leases of low value items. Lessor accounting remains similar to the current standard – i.e. lessors continue to classify leases as finance or operating leases.

3- Basis of accounting

a. These financial statements have been prepared in accordance with International Financial Reporting Standards. They were authorized for issue by the company's Board of director on 25/01/2018.

b. 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).

c. These financial statements have been prepared under the accrual basis of accounting, under this basis the effects of transactions and other events are recognized when they occur and not as cash is received or paid and they are recorded in accounting records and reported in the financial statements of the period to which they related.

4- Functional and presentation currency

These financial statements are presented in JOD which is the company's functional currency all amounts have been rounded to nearest (JOD), unless otherwise indicated.

5- Use of judgments and estimates

✓ In preparing these consolidated financial statements, management has made judgments, estimates and assumptions that affect the application of the company accounting policies and the reported amounts of assets, liabilities, income and expenses. Actual results may differ from these estimates.

✓ Estimates and underlying assumptions are reviewed on an ongoing basis Revisions to estimates are recognized prospectively.

6- Accounting policies

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

A-Foreign currency

Foreign currency transactions

- ✓ Transactions in foreign currencies are translated into the respective functional currencies of company at the exchange rates at the dates of the transactions.
- ✓ Monetary assets and liabilities denominated in foreign currencies are translated into the functional currency at the exchange rate at the reporting date. Non-monetary assets and liabilities that are measured at fair value in a foreign currency are translated into the functional currency at the exchange rate when the fair value was determined. Non-monetary items that are measured based on historical cost in a foreign currency are translated at the exchange rate at the date of the transaction. Foreign currency differences are generally recognized in profit or loss. However, foreign currency differences arising from the translation of available-for-sale equity investments, a financial liability designated as a hedge of the net investment in a foreign operation to the extent that the hedge is effective, and qualifying cash flow hedges to the extent that the hedges are effective are recognized in other comprehensive income.

- Foreign operations

- ✓ The assets and liabilities of foreign operations, including goodwill and fair value adjustments arising on acquisition, are translated into functional currency at the exchange rates at the reporting date. The income and expenses of foreign operations are translated into functional currency at the exchange rates at the dates of the transactions.
- ✓ Foreign currency differences are recognized in other compressive income and accumulated in the translation reserve, except to the extent that the translation difference is allocated to net compressive income.

- ✓ When a foreign operation is disposed of in its entirety or partially such that control, significant influence or joint control is lost, the cumulative amount in the translation reserve related to that foreign operation is reclassified to profit or loss as part of the gain or loss on disposal. If the Group disposes of part of its interest in a subsidiary but retains control, then the relevant proportion of the cumulative amount is reattributed to net compressive income. When the company disposes of only part of an associate or joint venture while retaining significant influence or joint control, the relevant proportion of the cumulative amount is reclassified to profit or loss.

B- Discontinued operation

A discontinued operation is a component of the company's business, the operations and cash flows of which can be clearly distinguished from the rest of the company's and which:

- ✓ Represents a separate major line of business or geographic area of operations.
- ✓ Is part of a single co-ordinate plan to dispose off a separate major line of business or geographic area of operations
- ✓ is a subsidiary acquired exclusively with a view to re-sale.
- ✓ Classification as a discontinued operation occurs at the earlier of disposal or when the operation meets the criteria to be classified as held-for-sale.

C- Revenue

- **Sale of goods**

Revenue is recognized when the significant risks and rewards of ownership have been transferred to the customer, recovery of the consideration is probable, the associated costs and possible return of goods can be estimated reliably, there is no continuing management involvement with the goods and the amount of revenue can be measured reliably. Revenue is measured net of returns, trade discounts and volume rebates.

- **Rendering of services**

If the services under a single arrangement are rendered in different reporting periods, then the consideration is allocated on a relative fair value basis between the different services.

The company recognizes revenue from rendering of services in proportion to the stage of completion of the transaction at the reporting date. The stage of completion is assessed based on surveys of work performed.

- **Commissions**

If the company acts in the capacity of an agent rather than as the principal in a transaction, then the revenue recognized is the net amount of commission made by the company.

- **Construction contracts**

Contract revenue includes the initial amount agreed in the contract plus any variations in contract work, claims and incentive payments, to the extent that it is probable that they will result in revenue and can be measured reliably.

If the outcome of a construction contract can be estimated reliably, then contract revenue is recognized in profit or loss in proportion to the stage of completion of the contract. The stage of completion is assessed with reference to surveys of work performed. Otherwise, contract revenue is recognized only to the extent of contract costs incurred that are likely to be recoverable.

Contract expenses are recognized as incurred unless they create an asset related to future contract activity an expected loss on a contract is recognized immediately in profit or loss.

D- Investment property rental income

Rental income from investment property is recognized as revenue on a straight-line basis over the term of the lease. Lease incentives granted are recognized as an integral part of the total rental income, over the term of the lease. Rental income from other property is recognized as other income.

E- 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.

F- Government grants

Government grants including non-monetary grants at fair value shall not be recognized until there is reasonable assurance that:

a- The entity will comply with a conditions attaching to them.

b- The grants will be received.

Government grants shall be recognized in profit or loss on systematic basis over the periods in which the entity recognizes as expenses the related cost for which the grants are intended to compensate.

G- Income tax

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 recognize in compliance with regulation.

- ✓ Northern Cement Company is classified as industrial company; it's subjected to 14% from net income incompliance with Jordanian Taxation Law for the year 2015 with registration number (16602820).
- ✓ The company is exemptions according to Jordanian Investment Law number (16) for the year 1995, and according to article (8) from Jordanian Investment Law no.(68) for the year 2003 the company has the following exemptions:.

A. Exemptions from fees and taxes accordance to Jordanian Investment Law number (16) for the year 1995, and incompliance with article (25) from Jordanian Investment Law number (68) for the year 2003.

B. Exemptions according to articles (6, 7) from the Jordanian Investment Law number (16) for the year 1995 which exempt the plants, property and equipments, and (15%) of spare parts from all taxes and fees incompliance with current regulation and exempt (50%) of income tax for 10 years starting from the date of actual work.

C. Exemption for machines and rolling equipments and spare parts by (52,837,631) JOD from all customs fees and taxes.

H-Inventories

- ✓ Inventories are measured at the lower of cost and net realizable value.
- ✓ The cost of inventory includes the purchase prices and other cost incurred to bring it in use.

I-Property, plant and equipment

- ✓ Items of property, plant and equipment are measured at cost, which includes cost incurred to bring the asset to operation, in addition to capitalized borrowing costs, less accumulated depreciation and any accumulated impairment losses.
- ✓ 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.
- ✓ 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. Leased assets are depreciated over the shorter of the lease term and their useful lives unless it is reasonably certain that the company will obtain ownership by the end of the lease term. Land is not depreciated.
- ✓ The estimated useful lives of property, plant and equipment for current and comparative periods are as follows:
    - Buildings (4%)
    - Machines and equipments (8%)
    - Vehicles (15%)
    - Furniture and Offices' equipments (15%)
- ✓ Depreciation methods, useful lives and residual values are reviewed at each reporting date and adjusted if appropriate.

G- Intangible assets

- ✓ Expenditure on research activities is recognized in profit or loss as incurred.
- ✓ Development expenditure is capitalized only if the expenditure can be measured reliably, the product or process is technically and commercially feasible, future economic benefits are probable and the company's intends to and has sufficient resources to complete development and to use or sell the asset. Otherwise, it is recognized in profit or loss as incurred.
- ✓ Subsequent to initial recognition, development expenditure is measured at cost less accumulated amortization and any accumulated impairment losses.
- ✓ Other intangible assets, including customer relationships, patents and trademarks that are acquired by the company's and have finite useful lives are measured at cost less accumulated amortization and any accumulated impairment losses.
- ✓ Subsequent expenditure is capitalized only when it increases the future economic benefits embodied in the specific asset to which it relates. All other expenditure, including expenditure on internally generated goodwill and brands, is recognized in profit or loss as incurred.
- ✓ Notes to thefinancial statements Amortization is calculated to write off the cost of intangible assets less their estimated residual values using the straight-line method over their estimated useful lives, and is generally recognized in profit or loss. Goodwill is not amortized.
- ✓ Amortization methods, useful lives and residual values are reviewed at each reporting date and adjusted if appropriate.

K-Investments property

- ✓ Investment property comprises non-owner occupied buildings held to earn rentals and for capital appreciation.
- ✓ Investments property is initially recognized at cost plus any expenses attributable directly to it.
- ✓ After initial recognition when using the cost model and in the case of lower recoverable amount of investments than its book value it should be reduced to the recoverable amount and the impairment is recognized through profit and loss. If the fair value for impaired investment property increased, recorded impairment loss is reversed no more than the cost or fair value whichever is less.

L- Noncurrent assets held for sale

- ✓ Non-current assets are classified as held-for-sale if it is highly probable that they will be recovered primarily through sale rather than through continuing use.
- ✓ Such assets are generally measured at the lower of their carrying amount and fair value less costs to sell. Impairment losses on initial classification as held-for-sale and subsequent gains and losses on measurement are recognized in profit or loss.
- ✓ Once classified as held-for-sale, intangible assets and property, plant and equipment are no longer amortized or depreciated, and any equity-accounted investee is no longer equity accounted.

M-FinancialInstruments

- ✓ Financial assets are classified into financial assets at fair value through profit or loss, held-to-maturity financial assets, loans and receivables and available-for-sale financial assets.
- ✓ Financial liabilities are classified into financial liabilities at fair value through profit or loss and other financial liabilities.
- ✓ The company initially recognizes loans and receivables and debt securities issued on the date when they are originated. All other financial assets and financial liabilities are initially recognized on the trade date when the entity becomes a party to the contractual provisions of the instrument.
- ✓ The company derecognizes a financial asset when the contractual rights to the cash flows from the asset expire, or it transfers the rights to receive the contractual cash flows in a transaction in which substantially all of the risks and rewards of ownership of the financial asset are transferred.
- ✓ The company derecognizes a financial liability when its contractual obligations are discharged or cancelled, or expire.
- ✓ Financial assets and financial liabilities are offset and the net amount presented in the statement of financial position when, and only when, the company currently has a legally enforceable right to offset the amounts and intends either to settle them on a net basis or to realize the asset and settle the liability simultaneously.

- ✓ A financial asset is classified as at fair value through profit or loss if it is classified as held-for-trading or is designated as such on initial recognition. Directly attributable transaction costs are recognized in profit or loss as incurred. Financial assets at fair value through profit or loss are measured at fair value and changes therein, including any interest or dividend income, are recognized in profit or loss.
- ✓ Held-to-maturity financial assets are initially measured at fair value plus any directly attributable transaction costs. Subsequent to initial recognition, they are measured at amortized cost using the effective interest method.
- ✓ Available-for-sale financial assets are initially measured at fair value plus any directly attributable transaction costs. Subsequent to initial recognition, they are measured at fair value and changes therein, other than impairment losses and foreign currency differences on debt instruments, are recognized in other compressive income and accumulated in the fair value reserve. When these assets are dereognized, the gain or loss accumulated in equity is reclassified to profit or loss.

N-Impairment

- **Financial assets**

✓ Financial assets not classified as at fair value through profit or loss, including an interest in an equity-accounted investee, are assessed at each reporting date to determine whether there is an objective evidence of impairment such as Indications that a debtor or issuer will enter bankruptcy, the disappearance of an active market for a security because of financial difficulties.

- **Non-financial assets**

✓ At each reporting date, the Group reviews the carrying amounts of its non-financial assets (other than biological assets, investment property, inventories and deferred tax assets) to determine whether there is any indication of impairment. If any such indication exists, then the asset's recoverable amount is estimated. Goodwill is tested annually for impairment.

- ✓ The recoverable amount of an asset is the greater of its value in use and its fair value less costs to sell. Value in use is based on the estimated future cash flows, discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset.
- ✓ An impairment loss is recognized if the carrying amount of an asset exceeds its recoverable amount.
- ✓ An impairment loss in respect of goodwill is not reversed. For other assets, an impairment loss is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of depreciation or amortization, if no impairment loss had been recognized.

O-Leases

- ✓ Leases are classified as finance leases whenever the terms of the lease transfer substantially all the risks and rewards of ownership to the lessee. All other leases are classified as operating leases.
- ✓ Rental income from operating leases is recognized on a straight-line basis over the term of the relevant lease.
- ✓ Assets held under finance leases are recognized as assets of the company at the fair value at the inception of the lease or if lower, at the present value of the minimum lease payments. The related liability to the lessor is included in the Statement of financial position as a finance lease obligation.
- ✓ Lease payments are apportioned between interest expenses and capital redemption of the liability, Interest is recognized immediately in profit or loss, unless attributable to qualifying assets.

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 the company 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.

Q- Operating profit

- ✓ Operating profit is the result generated from the continuing principal revenue producing activities of the company as well as other income and expenses related to operating activities. Operating profit excludes net finance costs, share of profit of equity accounted investees and income taxes.

R- 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 in the principal or, in its absence, the most advantageous market to which the company has access at that date. The fair value of a liability reflects its non-performance risk.

- ✓ A number of the company accounting policies and disclosures require the measurement of fair values, for both financial and non-financial assets and liabilities.

- ✓ When one is available, the company measures the fair value of an instrument using the quoted price in an active market for that instrument. A market is regarded as active if transactions for the asset or liability take place with sufficient frequency and volume to provide pricing information on an ongoing basis.

- ✓ If there is no quoted price in an active market, then the company uses valuation techniques that maximize the use of relevant observable inputs and minimize the use of unobservable inputs. The chosen valuation technique incorporates all of the factors that market participants would take into account in pricing a transaction.

- ✓ If an asset or a liability measured at fair value has a bid price and an ask price, then the company measures assets and long positions at a bid price and liabilities and short positions at an ask price.

S- Borrowing costs

- ✓ Borrowing costs that are directly attributable to the acquisition, construction or production of a qualifying asset are capitalized as part of the cost of that asset.
- ✓ Other borrowing costs are expensed in the period in which they are incurred.

T -Related parties

- ✓ A related party is a person or entity that is related to the entity that is preparing its financial statements.
- ✓ A person is a related party if that person has control or significant influence over the reporting entity; or is a member of the key management personnel. an entity is a related party if this entity and the reporting entity are members of the same group or one entity is an associate or joint venture of the other entity or the entity is controlled by a related person.
- ✓ A related party transaction is a transfer of resources, services or obligations between a reporting entity and a related party, regardless of whether a price is charged.
- ✓ Key management personnel are those persons having authority and responsibility for planning, directing and controlling the activities of the entity, directly or indirectly, including any director of that entity.

V- 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 to kind 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.

W-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.

U- 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.

X-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 investment in an associate is initially recognized at cost and adjusted for the company share of in the net assets of the investment after the date of acquisitions and for any impairment in value (equity method) except when the investment is classified as held for sale in accordance with IFRS 5, non – current assets held for sale and discontinued operation.

Y-Business combinations

Business Combinations are using the acquisition method of fair values of assets and liabilities and equity instruments that are issued to obtain control of the expropriated property on the date of acquisition and the costs incurred in the acquisition is recognized directly in profit or losses at the date of acquisition.

Z-Capital management

- ✓ The company policy is to maintain a strong capital base so as to maintain investor, creditor and market confidence and to sustain future development of the business.

- ✓ Management monitors the return on capital, as well as the level of dividends to ordinary shareholder

- ✓ The board of directors seeks to maintain a balance between the higher returns that might be possible with higher levels of borrowing and the advantages and security afforded by a sound capital position.

- ✓ The company monitors capital using a ratio of 'adjusted net debt' to 'adjusted equity'. For this purpose, adjusted net debt is defined as total liabilities, comprising interest-bearing loans and borrowings and obligations under finance leases, less cash and cash equivalents. Adjusted equity comprises all components of equity other than amounts accumulated in the hedging reserve.

Financial risk management

The company has exposure to the following risks arising from financial instruments:

1-credit risk

2-liquidity risk

3-market risk

Risk management framework

- ✓ The company's board of directors 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.

Credit risk

- ✓ Credit risk is the risk of financial loss to the company if a customer or counterparty to a financial instrument fails to meet its contractual obligations, and arises principally from the company receivables from customers and investments in debt securities.

- ✓ The carrying amount of financial assets represents the maximum credit exposure.

- ✓ The company exposure to credit from Trade and other receivables risk is influenced mainly by the individual characteristics of each customer. However, management also considers the factors that may influence the credit risk of its customer base, including the default risk associated with the industry and country in which customers operate.

- ✓ The company limits its exposure to credit risk from trade receivables by establishing a maximum payment period of three and sixmonths.

- ✓ The company monitors risk cash and cash equivalents by dealing with banks with good reputation.

- ✓ Liquidity risk is the risk that the company will encounter difficulty in meeting the obligations associated with its financial liabilities that are settled by delivering cash or another financial asset.

- ✓ The company approach to managing liquidity is to ensure, as far as possible, that it will have sufficient liquidity to meet its liabilities when they are due, under both normal and stressed conditions, without incurring unacceptable losses or risking damage to the company reputation.

Market risk

Market risk is the risk that changes in market prices – such as foreign exchange rates, interest rates and equity prices – will affect the company income or the value of its holdings of financial instruments. The objective of market risk management is to manage and control market risk exposures within acceptable parameters, while optimizing the return.

1-Currency risk

The company is exposed to currency risk to the extent that there is a mismatch between the currencies in which sales, purchases and borrowings are denominated and the respective functional currencies of company companies. Management monitors fluctuation in foreign currencies exchange rates and believes that the company is exposed to currency risk due to transactions in foreign currencies rather than USD since the functional currency of the company JOD has fixed exchange rate with USD.

2-Interest rate risk

Interest rate risk arises from the effects of fluctuations in the levels of markets interest rates on the fair value of financial assets and liabilities and future cash flows.

3-Other risk

The company is exposed to equity price risk, which arises from available-for-sale equity securities as well as from investments measured at fair value through profit or loss.

8- Cash and cash equivalents

	2017	2016
Cash at hand	195,554	214,259
Petty cash	55,978	29,952
Arab Bank / current account	30,272	46,999
Islamic International Arab Bank- USD	83,090	128,983
Islamic International Arab Bank- JOD	260,618	1,033,261
Islamic International Arab Bank- EURO	496	496
Housing Bank – JOD	-	3,061
Housing Bank – USD	862	180,070
Total	**626,870**	**1,637,081**

9-Cheques under collection

	2017	2016
Islamic International Arab Bank	4,824,868	6,010,727
Total	**4,824,868**	**6,010,727**

10-Other receivables

	2017	2016
Payments in advance	59,714	132,394
Due from employees	83,747	74,919
Others	31,874	31,874
Total	**175,335**	**239,187**

11-Goods and warehouses

	2017	2016
Raw materials	36,858,950	51,875,371
Finished goods	837,447	1,144,280
Packing materials	179,097	407,745
Spare parts and maintenance	4,199,605	4,119,432
Oil , grease and water	2,508	2,498
Total	**42,077,607**	**57,549,326**

12-Prepaid expenses

	2017	2016
Factory's insurance	30,525	30,435
Consulting fees	39,205	70,706
Attorney's fees	9,371	208
Health insurance	160,313	157,213
Donations	26,698	14,200
Maintenance	63,302	88,020
Maintenance of the mill	56,138	92,934
Rent	10,569	11,875
Consumables	5,144	4,515
Total	**401,265**	**470,106**

13- Other debit balances

	2017	2016
Refundable deposits	102,074	102,074
Margin on guarantees	713,836	713,252
Income tax	-	35,506
Claims to social security and others	37,758	33,199
Total	**853,668**	**884,031**

14- Property, plants and equipments

2017	Lands	Buildings	Machines and equipments	Vehicles	Furniture and Offices' equipments	Total
Cost	**JOD**	**JOD**	**JOD**	**JOD**	**JOD**	**JOD**
Opening balance	915,683	13,880,366	36,084,868	1,200,168	605,819	52,686,904
Additions	-	289,792	1,118,738	-	59,578	1,468,108
Ending balance	915,683	14,170,158	37,203,606	1,200,168	665,397	54,155,012
Accumulated depreciation						
Opening balance	-	4,343,171	12,123,440	973,398	421,582	17,861,591
Additions	-	680,863	1,811,238	49,115	73,042	2,614,258
Ending balance	-	5,024,034	13,934,678	1,022,513	494,624	20,475,849
Net book value	915,683	9,146,124	23,268,928	177,655	170,773	33,679,163

2016	Lands	Buildings	Machines and equipments	Vehicles	Furniture and Offices 'equipments	Total
Cost	**JOD**	**JOD**	**JOD**	**JOD**	**JOD**	**JOD**
Opening balance	750,968	13,823,104	36,291,982	1,275,288	577,711	52,719,053
Additions	164,715	59,381	259,232	105,759	36,887	625,974
Disposals	-	(2,119)	(466,346)	(180,879)	(8,779)	(658,123)
Ending balance	915,683	13,880,366	36,084,868	1,200,168	605,819	52,686,904
Accumulated depreciation						
Opening balance	-	3,675,145	10,467,252	993,327	367,086	15,502,810
Additions	-	669,091	1,755,066	135,514	61,582	2,621,253
Disposals	-	(1,065)	(98,878)	(155,443)	(7,086)	(262,472)
Ending balance	-	4,343,171	12,123,440	973,398	421,582	17,861,591
Net book value	915,683	9,537,195	23,961,428	226,770	184,237	34,825,313

15- Projects under construction

This item represents the amounts paid for restructuring the factory and the surrounding areas in addition to purchasing and installation of new machines.

	2017	2016
Opening balance	1,618,898	521085
Additions	-	1,097,813
Transfer to Property, plants and equipments	(944,919)	-
Total	**673,979**	**1,618,898**

16-Investment in associates

	Umm Qasr Northern Cement Co.	Sarah Zamzam Co.
Contribution rate	20%	50%
Balance Investment	340,800	50,000
Company's share of profits or (losses)	322,005	(445)
Share of OCI of associates	(10,796)	-
Total	**652,009**	**49,555**

- Umm Qasr for Cement- Iraq investment represents the investment by 20% of the capital, and where the company does not have control, but only significant influence, the investment is recognized as equity – accounted investment.

- Sarah Zamzam investment represents the investment by 50% of the capital, and where the company does not have control, but only significant influence, the investment is recognized as equity – accounted investment.

17- Due to related parties

	2017	2016	Nature of relation	Type of transaction
Northern Region Cement Co.	7,948,573	27,779,356	Mother Co.	Financing
Sarah Zamzam Co.	49,294	-	Associate	Financing
Umm Qasr Northern Cement Co	340,800	-	Associate	Financing
Total	**8,338,667**	**27,779,356**		

18- Other credit balances

	2017	2016
Accrued expenses	32,662	127,667
Due to taxation department	4,434	11,525
Due to social security	41,736	38,423
Other payables	30,025	19,451
Sale tax	1,163,011	1,269,734
Employees' benefits	1,180,474	907,184
Income tax	22,496	-
Total	**2,474,838**	**2,373,984**

19- Equity

- **Capital**

Northern CementCompany is a public shareholdingcompany which is registered in the Ministry of Industry and Trade since 01/07/2010 with (55,000,000) JOD capital.

- **Statutory reserve**

This balance represents 10% of this year and previous years' profit carried forward incompliance with Jordanian Company's Law article (186)and this balance is not attributable to shareholders.

- **Retained earnings**

This balance represents the profit carried forward from this year.

20- Cost of sales

	Note	2017	2016
Raw materials		26,225,822	37,200,205
Operational expenses	20-1	7,031,412	7,712,150
Depreciation		2,554,550	2,549,853
Cost of production		**35,811,784**	**47,462,208**
Finished and under processing goods			
Goods / opening balance		1,144,280	573,543
Goods available for sale		**36,956,064**	**48,035,751**
Finished and under processing goods			
Goods / ending balance		(837,447)	(1,144,280)
Total		**36,118,617**	**46,891,471**

20-1- Operational Expenses

	2017	2016
Wages and salaries	1,619,083	1,726,225
Social security	210,561	192,178
Water and electricity	3,444,576	4,058,491
Maintenance	535,384	567,006
Fuel	77,440	47,630
Mail and phone	8,986	9,135
Health insurance	177,868	170,356
Stationery	4,431	3,511
Car expenses	22,542	18,567
Consumable	3,747	6,023
Transportation	112,433	111,405
Security	54,300	47,070
Hospitality	31,941	37,181
Analysis of samples	15,039	23,718
Miscellaneous	72,421	39,475
Professional uniform	32,751	27,414
Cleaning	171,968	177,935
Rent	2,500	5,316
Traveling	1,365	1,760
Machines' expenses	132,399	90,982
Supporting material	18,771	40,958
Factory insurance	39,901	40,080
Oils and greases	20,581	34,755
Employees' benefits	220,424	234,979
Total	**7,031,412**	**7,712,150**

21-Selling and distribution expenses

	2017	2016
Wages and salaries	129,703	130,597
Social security	14,823	14,372
Cars' expenses	4,869	2,463
Exhibitions	1,629	6,536
Miscellaneous	2,730	6,999
Mail and phone	3,129	4,320
Hospitality	8,786	12,530
Medical insurance	14,731	16,369
Stationery	458	1,143
Advertising	117,726	116,894
Traveling	5,112	14,162
Donation	-	5,866
Transportation and shipping	346,683	720,815
Computer expenses	532	1,093
Others	3,261	24,186
Selling expenses	46,072	130,305
Employees' benefits	11,073	5,688
Total	**711,317**	**1,214,338**

22- Administrative and general expenses

	2017	2016
Salaries and bonuses	707,839	832,813
Social security	79,994	78,685
Water, electricity and telephone	23,334	25,189
Stationery	6,090	9,386
Cars' expenses	29,340	25,305
Exhibition	8,107	13,378
Traveling	31,051	38,811
Advertising	16,111	7,336
Rents	50,000	46,333
Professional fees	80,318	123,960
Hospitality	10,775	20,963
Health insurance	35,691	36,815
Maintenance	6,109	12,804
Fees and licenses	9,925	12,389
Banks' expenses	426	440
Insurance	1,793	700
Computers' expenses	10,448	6,916
Cleaning	23,366	22,145
Donation	132,442	140,774
Law suits	111,200	142,773
Miscellaneous	26,839	51,001
Employees' benefits	79,434	149,992
Depreciation	59,710	71,400
Total	**1,540,342**	**1,870,308**

23- 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.

	2017
Bank guarantees(net)	72,889
Law suits	672,057