Arab Center
for Pharmaceutical & Chemical Industries

المركز العربي
للصناعات الدوائية و الكيماوية

الرقم: م ع/أ د/2017/187
تاريخ : 06 / حزيران/ 2017

للايضاح

السادة / هيئة الاوراق المالية المحترمين
فاكس رقم (5686830)

تحية طيبة وبعد ،،،

يرجى التفضل باستلام البيانات المالية باللغة الانجليزية لشركة المركز العربي للصناعات الدوائية والكيماوية لعام 2016 .

وتفضلوا بقبول فائق الاحترام .

الدكتور حسام الدين الرفاعي
نائب المدير

هيئة الأوراق المالية
الدائرة الادارية / الديوان
١٢ حزيران ٢٠١٧
الرقم المتسلسل ٥١١
الجهة المختصة

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Arab Center for Pharmaceutical and Chemical Industries
Public Shareholding Company

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

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

Arab Center for Pharmaceutical and Chemical Industries
Public Shareholding Company

Contents

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INDEPENDENT AUDITOR'S REPORT

To The Shareholders of
Arab Center for Pharmaceutical and Chemical Industries
Public Shareholding Company
Amman - Jordan

Report on the Audit of the Financial Statements

Opinion

We have audited the financial statements of Arab Center For Pharmaceutical and Chemical Industries PLC, which comprise the statement of financial position as at 31 December 2016, and the statement of comprehensive income, statement of changes in equity and statement of cash flows for the year then ended, and notes to the financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the Company as at 31 December 2016, and its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards (IFRSs).

Basis for Opinion

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

Emphasis of Matter

We draw attention to the financial statements, which indicates that the Company's accumulated losses reached (109%) of it's capital which requires the company to comply with the article No. (266) of Jordanian companies law. Noting that the total amount of the company bank facilities amounting to JOD (3) million was settled by one of the company's primary shareholders in the subsequent period.

Key Audit Matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the financial statements of the current year. These matters were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters. We have determined that there are no key audit matters to communicate in our report.

Other Information

Management is responsible for the other information. The other information comprises the information included in the annual report, but does not include the financial statements and our auditor's report thereon.

Our opinion on the financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Responsibilities of Management for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with IFRSs, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is responsible for assessing the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Company or to cease operations, or has no realistic alternative but to do so.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

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

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control.

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.

- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Company to cease to continue as a going concern.

- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

Report on Other Legal and Regulatory Requirements

The Company maintains proper accounting records and the accompanying financial statements are in agreement therewith and with the financial data presented in the Board of Directors' report, and we recommend the General Assembly to approve it.

Amin Samara
(License No. 481)
Arab Professionals

Arab Professionals
Grant Thornton

28 February 2017
Amman - Jordan

Arab Center For Pharmaceutical and Chemical Industries
Public Shareholding Company
Statement of financial position as at 31 December 2016

(In Jordanian Dinar)

	Notes	2016	2015
Assets			
Non - current assets			
Property, plant and equipment	3	4,279,811	4,039,542
Investment in associate	4	674,929	1,110,293
Payments against investment in associate	5	1,343,000	1,343,000
Financial assets measured at fair value through statement of comprehensive income	6	115,458	115,458
Total non - current assets		6,413,198	6,608,293
Current assets			
Inventories	7	162,869	255,471
Other assets	8	192,587	246,838
Accounts receivable	10	59,810	213,603
Cash and cash equivalents		562	79
Total current assets		415,828	715,991
Total assets		6,829,026	7,324,284
Equity and liabilities			
Equity	11		
Paid - in capital		5,000,000	5,000,000
Statutory reserve		1,138,105	1,138,105
Cumulative change in fair value of financial assets		115,457	115,457
Accumulated losses		(5,453,519)	(4,040,530)
Net equity		800,043	2,213,032
Liabilities			
Non - current liabilities			
Bank facilities – long term		-	2,337,070
Postdated checks - long term		158,584	199,984
Payments for capital increase		150,000	150,000
Total non - current liabilities		308,584	2,687,054
Current liabilities			
Bank facilities – short term	12	3,032,250	668,311
Accounts payable and postdated checks		825,238	639,614
Amounts due to shareholders		208,961	209,326
Other liabilities	13	378,922	403,268
Amounts due to related parties	9	1,275,028	503,679
Total current liabilities		5,720,399	2,424,198
Total liabilities		6,028,983	5,111,252
Total equity and liabilities		6,829,026	7,324,284

"The attached notes from (1) to (25) are an integral part of these financial statements"

Arab Center For Pharmaceutical and Chemical Industries
Public Shareholding Company
Statement of comprehensive income for the year ended 31 December 2016

(In Jordanian Dinar)

	Notes	2016	2015
Sales	21	424,910	333,825
Cost of sales	14	(757,705)	(745,535)
Gross loss		(332,795)	(411,710)
Share from the associate company losses	4	(435,364)	(473,759)
Selling and distribution expenses	16	(84,105)	(107,656)
Administrative expenses	17	(279,687)	(215,742)
Financing cost		(135,837)	(145,151)
Provision for slow moving inventory	7	(89,497)	-
Provision for lawsuits		(50,000)	-
Provision against purchase orders	8	(54,251)	-
Provision for doubtful accounts	10	(34,296)	-
Net of other income	18	82,843	75,292
Total comprehensive loss for the year		(1,412,989)	(1,278,726)

Basic and diluted loss per share	19	(0.282)	(0.256)

"The attached notes from (1) to (25) are an integral part of these financial statements"

Arab Center For Pharmaceutical and Chemical Industries
Public Shareholding Company
Statement of changes in equity for the year ended 31 December 2016

(In Jordanian Dinar)

	Paid - in capital	Additional Paid - in capital	Reserves		Cumulative change in fair value	Accumulated Losses	Net Equity
			Statutory	Voluntary			
Balance at 1 January 2016	5,000,000	-	1,138,105	-	115,457	(4,040,530)	2,213,032
Total comprehensive loss for the year	-	-	-	-	-	(1,412,989)	(1,412,989)
Balance at 31 December 2016	5,000,000	-	1,138,105	-	115,457	(5,453,519)	800,043
Balance at 1 January 2015	5,000,000	300,000	1,138,105	701,989	115,457	(3,763,793)	3,491,758
Extinguish of accumulated losses	-	(300,000)	-	(701,989)	-	1,001,989	-
Total comprehensive loss for the year	-	-	-	-	-	(1,278,726)	(1,278,726)
Balance at 31 December 2015	5,000,000	-	1,138,105	-	115,457	(4,040,530)	2,213,032

"The attached notes from (1) to (25) are an integral part of these financial statements"

Arab Center For Pharmaceutical and Chemical Industries
Public Shareholding Company
Statement of cash flows for the year ended 31 December 2016

(In Jordanian Dinar)

	2016	2015
Operating activities		
Loss for the year	(1,412,989)	(1,278,726)
Depreciation	93,915	126,433
Share from the associate company losses	435,364	473,759
Provision for slow moving inventory	89,497	-
Provision against purchase orders	54,251	-
Provision for doubtful accounts	34,296	-
Provision for lawsuits	50,000	-
Changes in working capital		
Accounts receivable	119,497	35,463
Inventories	3,105	(47,949)
Other assets	-	99,025
Accounts payable and postdated checks	87,364	189,163
Other liabilities	(17,486)	73,174
Net cash flows used in operating activities	(463,186)	(329,658)
Investing activities		
Property, plant and equipment	(334,184)	(222,918)
Financing activities		
Bank facilities	26,869	(50,320)
Amounts due to shareholders	(365)	(4,566)
Amounts due to related parties	771,349	607,348
Net cash flows from financing activities	797,853	552,462
Net change in cash and cash equivalents	483	(114)
Cash and cash equivalents, beginning of the year	79	193
Cash and cash equivalents, end of the year	562	79

"The attached notes from (1) to (25) are an integral part of these financial statements"

1. General

Arab Center For Pharmaceutical and Chemical Industries was established as a public shareholding company on 5 July 1983 and registered in the Hashemite Kingdom of Jordan under number (185), with the main objective of manufacturing solid gelatin capsules.

The company stocks are listed in Amman Stock Exchange - Jordan.

The financial statements were authorized for issue by the Company's Board of Directors in their meeting held on 28 February 2017 and these financial statements require the approval of the General Assembly.

2. Summary of significant accounting policies

Basis of preparation

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

The financial statements have been prepared on a historical cost convention except for investment securities, which have been measured at fair value.

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

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

Adoption of new and revised IFRS standards

The following standards have been published that are mandatory for accounting periods after 31 December 2016. Management anticipates that the adoption of new and revised Standards will have no material impact on the financial statements of the Company.

Standard No.	Title of Standards	Effective Date
IFRS 2	Classification and Measurement of Share-based Payment Transactions (Amendments)	1 January 2017
IFRS 15	Revenue from Contracts with Customers	1 January 2018
IFRS 16	Leases	1 January 2019

Use of estimates

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

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

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

Property, plant and equipment

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

Depreciation is computed on a straight-line basis using the following annual deprecation rates:

Buildings and hangers	2-4%
Machines and equipment	5-10%
Vehicles	15%
Furniture and tools	10-20%

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

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

Projects under construction

Properties being developed are presented by the lower of cost or net realizable value. The cost includes the value of the property and all the necessary expenses for developing and making the property available for sale.

Investment in associates

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

Inventories

Inventories are stated at the lower of cost or net realizable value. Cost is determined by the weighted average method. The cost of finished goods and work in process comprises raw materials, direct labor, other direct costs and related production overhead.
Raw materials are stated at lower of cost or net realizable value. Cost is determined by the weighted average method.
Spare parts are stated at lower of cost or not realizable value. Cost is determined by the weighted average method.

Accounts receivable

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

Financial assets measured at fair value through other comprehensive income

These financial assets represent investments in equity instruments held for the purpose of generating gain on a long term and not for trading purpose.
Financial assets at fair value through other comprehensive income initially stated at fair value plus transaction costs at purchase date.
Subsequently, they are measured at fair value with gains or losses arising from changes in fair value recognized in the statement of other comprehensive income and within owner's equity, including the changes in fair value resulting from translation of non-monetary assets stated at foreign currency. In case those assets - or part of them- were sold, the resultant gain or loss is recorded in the statement of comprehensive income within owners' equity and the reserve for the sold assets is directly transferred to the retained earnings and not through the statement of profit or loss.
These assets are not subject to impairment testing.
Dividends are recorded in the statement of comprehensive income on a separate line item.

Trading and settlement date accounting

Purchases and sales of financial assets are recognized on the trade date, i.e. the date on which the Company commits its self to purchase or sell the asset.

Fair value

For fair value of investments, which are traded in organized financial markets, is determined by reference to the quoted market bid price at the close of the business on statement of financial position date. For investments which are listed in inactive stock markets, traded in small quantities or have no current prices, the fair value is measured using the current value of cash flows or any other method adopted. If there is no reliable method for the measurement of these investments, then they are stated at cost less any impairment in their value.

Cash and cash equivalents

Cash and cash equivalents comprise cash on hand, deposits held at call with banks and short term deposits with the original maturity of three months or less.

Payables and accruals
Accounts payable and accrued expenses are recognized when goods are received and services are rendered.

Provisions
Provisions are recognized when the Company has a present legal or constructive obligation as a result of past events, it is probable that an outflow of resources will be required to settle the obligation, and a reliable estimate of the amount can be made. Provisions are reviewed at the financial statements date and are adjusted based on recent available information.

Offsetting
Financial assets and financial liabilities are offset and the net amount reported in the statement of financial position when there is a legally enforceable right to offset the recognized amounts and the Company intends to either settle them on a net basis, or to realize the asset and settle the liability simultaneously.

Borrowing costs
Borrowing costs are generally expensed as incurred.

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

Interest is recognized on a time proportion basis that reflects the effective yield on the assets.

Dividends
Dividends income is recognized when it is declared by the General Assembly of the investee Company.

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

Income tax

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

3. Property, plant and equipment

	Lands	Buildings & hangers	Machines & equipment	Vehicles	Furniture & tools	Plant expansion project	Total
Cost							
Balance at 1/1/2016	322,476	1,216,723	3,673,785	96,582	235,938	2,928,592	8,474,096
Additions	-	-	-	-	-	334,184	334,184
Balance at 31/12/2016	322,476	1,216,723	3,673,785	96,582	235,938	3,262,776	8,808,280
Accumulated depreciation							
Balance at 1/1/2016	-	530,768	3,581,794	89,253	232,739	-	4,434,554
Depreciation	-	25,532	66,113	1,950	320	-	93,915
Balance at 31/12/2016	-	556,300	3,647,907	91,203	233,059	-	4,528,469
Net book value at 31/12/2016	322,476	660,423	25,878	5,379	2,879	3,262,776	4,279,811
Cost							
Balance at 1/1/2015	322,476	1,216,723	3,673,785	96,582	235,938	2,705,674	8,251,178
Additions	-	-	-	-	-	222,918	222,918
Balance at 31/12/2015	322,476	1,216,723	3,673,785	96,582	235,938	2,928,592	8,474,096
Accumulated depreciation							
Balance at 1/1/2015	-	505,235	3,483,254	87,303	232,329	-	4,308,121
Depreciation	-	25,533	98,540	1,950	410	-	126,433
Balance at 31/12/2015	-	530,768	3,581,794	89,253	232,739	-	4,434,554
Net book value at 31/12/2015	322,476	685,955	91,991	7,329	3,199	2,928,592	4,039,542

- Land and buildings are mortgaged against bank facilities granted to the company.
- Machines and equipment are depreciated depending on the utilized production capacity, provided that the percentage shouldn't be lower than 50% of the rates identified by the income tax law.
- The expected cost to finish the plant expansion project is JOD (1,480,902), and it is expected to be completed in 2017.

4. Investment in associate

The following table summarizes key financial information of the associates:

Company	Activity	Ownership	Assets	Liabilities	Revenues	Loss for the year
Middle East Pharma & Chemical Ind PLC.	Medicine manufacturing	12.485%	16,595,278	19,162,182	2,073,037	(3,487,096)

The following table summarizes the movements over the company's investments in associates:

Company	Beginning Balance	Share of Loss	Ending Balance	Market Vale
Middle East Pharma & Chemical Ind PLC.	1,110,293	(435,364)	674,929	1,121,317

5. Payment upon investment in associates

This amount represents the cash paid to the associate company " Middle East Pharma & Chemical Ind PLC "for the capital increase.

6. Financial assets measured at fair value through the statement of comprehensive income

This account represents the firm's investment in the Arabic Company for Antibiotic manufacturing, the company is registered in Iraq.

7. Inventories

	2016	2015
Raw material and packaging materials	32,171	46,106
Inventory in process	110,526	123,633
Finished goods	109,669	85,732
Provision for slow and expired items	(89,497)	-
	162,869	255,471

The movement on the provision for slow and expired items:

	2016	2015
Balance at beginning of the year	-	-
Additions	89,497	-
	89,497	-

8. Other assets

	2016	2015
Purchase orders	69,429	61,467
Sales tax withholds	47,384	43,908
Spare parts	49,261	44,021
Refundable deposits	41,120	44,835
Prepaid expenses	39,635	52,148
Others	9	459
Provision against purchase orders	(54,251)	-
	192,587	246,838

9. Related party transactions

The Company had the following transactions with its related parties during the year:

Party	Relation	Transaction volume	Nature of transaction	Balance
Middle East Pharma & Chemical Ind PLC.	Associate	68,826	Trading	83,138
Mazen Tantash	chairman	36,650	Financing	149,203
Tantash Investments Group	Associate	927,387	Trading	672,184
Hamza Tantash	Primary shareholder	145,779	Financing	325,679
Tantash Travel Agency.	Associate	16,402	Trading	16,480
Mawqef for Commercial Services	Associate	11,997	Trading	11,997
Ideal Investment Company	Associate	8,721	Trading	8,721
Istithmar for Financial Service Company	Associate	7,068	Trading	7,068
Jordan Investment & Tourism Transport PLC.	Associate	558	Trading	558
				1,275,028

The remuneration of executive management during the years 2016 and 2015 amounted to JOD (74,599) and JOD (98,888) respectively.

10. Accounts receivable

	2016	2015
Accounts receivable	350,594	504,387
Provision for doubtful accounts	(290,784)	(290,784)
	59,810	213,603

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

	2016	2015
Past due for less than one year	42,215	144,795
Past due for more than one year	17,595	68,808
	59,810	213,603

11. Equity

Paid-in capital

The Company's authorized, subscribed and paid up capital is JOD (5) Million as at 31 December 2016 and 2015.

Statutory reserve

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

12. Bank Facilities

Credit Type	Currency	Interest rate	Maturity date	Amounts in JOD	
				Credit limit	Balance
Loans	USD	2.5% + libour	2017	2,861,725	2,814,029
Overdraft	JOD	9%	2017	100,000	103,570
Overdraft	USD	5.5%	2017	73,414	114,651
				3,035,139	3,032,250

- Land and buildings are mortgaged against bank facilities granted to the company.
- The bank facilities above are granted to finance the plant expansion project and to buy raw materials.

13. Other liabilities

	2016	2015
Accrued expenses	213,702	332,401
Income tax withholdings	45,748	41,978
Social security withholdings	53,688	11,363
Provision for lawsuits	50,000	-
Provision for employees vacations	11,582	11,582
Income tax provision	3,072	3,072
Others	1,130	2,872
	378,922	403,268

14. Cost of sales

	2016	2015
Raw material and packaging materials used in production	222,986	150,209
Manufacturing expenses (Note 15)	545,549	636,275
Inventory in progress, beginning balance	123,633	90,953
Inventory in progress, ending balance	(110,526)	(123,633)
Cost of goods manufactured	**781,642**	**753,804**
Finished goods, beginning balance	85,732	77,463
Finished goods, ending balance	(109,669)	(85,732)
Cost of sales	757,705	745,535

15. Manufacturing expenses

	2016	2015
Salaries, wages and other benefits	231,267	314,522
Utilities	162,403	136,503
Depreciation	90,015	121,054
Transportation	18,105	15,182
Maintenance and spare parts	15,125	21,818
Employee meals	12,197	9,627
Sterilization expenses	6,969	4,945
Insurance	3,469	517
Consumables	2,464	3,255
Vehicle expenses	1,205	1,837
Stationary	369	2,974
Others	1,961	4,041
	545,549	636,275

16. Selling and distribution expenses

	2016	2015
Salaries, wages and other benefits	28,969	39,984
Shipping expenses	38,732	35,399
Sales commissions	6,542	-
Sales Insurance	4,144	1,666
Bank charges	3,787	28,234
Stamps and mail	1,137	1,492
Others	794	881
	84,105	107,656

17. Administrative expenses

	2016	2015
Salaries, benefits and allowances	151,856	67,923
Professional fees	32,287	29,305
BOD members transportation	24,700	21,735
Licenses and subscriptions	11,773	13,459
Tenders and social security penalties	7,054	41,614
Lawsuits expenses	6,827	5,245
Telephone and post	5,614	9,284
Depreciation	3,900	5,379
Stationary and printings	2,324	2,398
Maintenance	2,273	2,002
Advertising	926	1,552
Hospitality	922	904
Vehicles expenses	628	571
Others	28,603	14,371
	279,687	215,742

18. Net of other income

	2016	2015
Credit interest	43,755	65,156
Others	39,088	10,136
	82,843	75,292

19. Basic and diluted loss per share

	2016	2015
Loss for the year	(1,412,989)	(1,278,726)
Weighted average number of shares	5,000,000	5,000,000
	(0.282)	(0.256)

20. Contingent liabilities

- The company is contingently liable against letters of guarantee amounted to JOD (6,035).
- The Company is contingently liable against some law suits with a total of JOD (218,000).

21. Segments reporting

All firm sales are a result of selling solid gelatin capsules, the following is the geographic distribution of the sales:

	2016	2015
Local sales	90,094	83,643
Foreign sales	334,816	250,182
	424,910	333,825

22. Income tax status

- The Company has settled its tax liability with the Income Tax Department up to 2014.
- The income tax return for the year 2015 has been filed with the Income Tax Department, but the Department has not reviewed the Company's records till the date of this report.
- No income tax provision was calculated for the year 2016, as the Company has no taxable income.

23. Financial instruments

Financial instruments comprise of financial assets and financial liabilities. Financial assets of the Company include cash and cash equivalents, securities, and accounts receivables. Financial liabilities of the Company include accounts payable, bank facilities, postdated checks and amounts due to shareholders.

Fair Value

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

Financial assets and financial liabilities measured at fair value in the statement of financial position are grouped into three levels of a fair value hierarchy. The three levels are defined based on the observability of significant inputs to the measurement, as follows:

- Level 1: quoted prices (unadjusted) in active markets for identical assets or liabilities.
- Level 2: inputs other than quoted prices included within level 1 that are observable for the asset or liability, either directly or indirectly.
- Level 3: unobservable inputs for the asset or liability.

2016	Level 1	Level 2	Level 3	Total
Financial assets at fair value through statement of comprehensive income	-	-	115,458	115,458

2015	Level 1	Level 2	Level 3	Total
Financial assets at fair value through statement of comprehensive income	-	-	115,458	115,458

Financial assets included in level 3 are stated at cost less impairment charges, as the fair value of these assets cannot be measured reliably due to the lack of available active markets for identical assets.

Credit risk

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

The balance of the Company's most significant customer represents amount of JOD (190,948) from the total accounts receivable balance as at 31 December 2016, compared to JOD (190,948) as at 31 December 2015.

Currency risk

The management considers that the Company is not exposed to significant currency risk, The majority of their transactions and balances are in Jordanian Dinar therefore, the Company has not a significant currency risk and the Company's results or equity to movements in exchange rates is not considered significant.

Interest rate risk

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

Liquidity risk

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

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

2016	Less than one year	More than one year	Total
Bank facilities	3,032,250	-	3,032,250
Payments for capital increase	-	150,000	150,000
Accounts payable and postdated checks	825,238	158,584	983,822
Amounts due to shareholders	208,961	-	208,961
Other liabilities	378,922	-	378,922
Amounts due to related parties	1,275,028	-	1,275,028
	5,720,399	308,584	6,028,983

2015	Less than one year	More than one year	Total
Bank facilities	668,311	2,337,070	3,005,381
Payments for capital increase	-	150,000	150,000
Accounts payable and postdated checks	639,614	199,984	839,598
Amounts due to shareholders	209,326	-	209,326
Other liabilities	403,268	-	403,268
Amounts due to related parties	503,679	-	503,679
	2,424,198	2,687,054	5,111,252

24. Capital management

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

25. Going concern

The plan proposed by the Board of Directors included the necessary procedures to ensure its continuity and ability to meet its obligations by working to open new markets and deal with new agents in existing markets, the firm has settled all of its bank facilities at the beginning of the year and it was agreed with the contractor to complete all work in the plant expansion during the second quarter of the year 2017.