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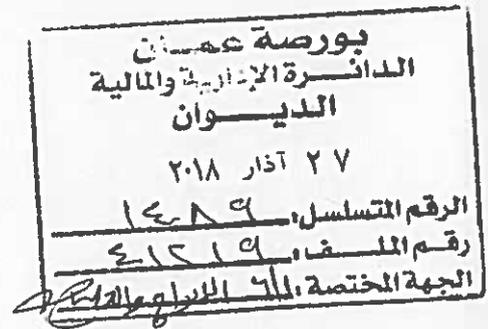
Jordan Securities Commission,  
Att. Disclosure Department,  
PO Box 8802 Amman 11121  
The Hashemite kingdom of Jordan

**Subject: Audited Financial Statements of Philadelphia Pharmaceuticals for the  
fiscal year ended 31/12/2017**

Attached the Annual Financial Statements of Philadelphia Pharmaceuticals for the fiscal year ended 31 December 2017, audited from international professional Bureau for Consulting and Auditing.

Kindly accept our high appreciation and respect,

Vice Chairman / CEO  
Kayed Al-Shabani



Copy to:

- Amman Stock Exchange.
- Securities Depository Center.

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

**Philadelphia Pharmaceuticals Co.**  
**"Public Shareholding Company"**  
**Amman -The Hashemite Kingdom of Jordan**

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## Independent auditors' report

To the Shareholders of

**Philadelphia Pharmaceuticals Company (P.S)**  
**Amman -The Hashemite Kingdom of Jordan**

**Report on the audit of the financial statements**

### **Opinion**

We have audited the financial statements of Philadelphia Pharmaceuticals Company (Public Shareholding Company), 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 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 Philadelphia Pharmaceuticals 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.



### **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 consolidated financial statements as a whole, and in forming our opinion thereon and we do not provide a separate opinion on these matters.

#### **First: Trade accountreceivables**

##### **The Key audit matter**

Commercial account receivables reached (JOD $\delta$ ,238,777) as at 31December 2017, (JOD 6,109,012: 2016), which include commercial account receivables resulting from the principal sales of medicines and medical preparations.

##### **How the matter was addressed in our audit**

We have conducted the auditing procedures of commercial accounts receivable according to the International Standards on Auditing and according to the sampling method in order to authenticate goods' receipt and the right pricing in accordance with the clients' agreed upon contracts besides verification of collection of receivables.

We have conducted an analytical study on ages of the account receivables and their related information for determining the decline in their value. We also obtained the endorsements of the account receivables according to the selected sample.

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



## **Second: Inventory and warehouses**

### **The Key audit matter**

The value of the goods and warehouses reached(JOD1, 360,066)as at 31 December 2017,(JOD 1,205,927: 2016), which include raw materials, finished goods, spare-parts, andgoods in process.

### **How the matter was addressed in our audit**

We have conducted the auditing procedures relating to the store and warehouses stock according to the International Standards on Auditing including attending the inventory stock and getting, the necessary confirmations of the stock balances.

We verified the control procedures of the inventory and stores for being sure that there are no expired or stagnated items. We also verified the presentation and disclosure according to 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 our auditors' report thereon.

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

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated.

If, based on the work that we have performed, we conclude that there is a material misstatement of this other information, and then we are required to report that fact. We have nothing to report in this regard.



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

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

In preparing the financial statements, management is responsible for assessing the company's ability to continue as a going concern and, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the company or 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**  
**08 February 2018**

**Philadelphia Pharmaceuticals Company**  
**"Public Shareholding Company"**  
**Amman -The Hashemite Kingdom of Jordan**  
**Statement of Financial Position**

Assets	Notes	As at 31December	
		2017	2016
<b>Current Assets</b>			
Cash and cash equivalent	8	579,773	990,587
Trade account receivable	9	8,238,777	6,109,012
Inventory and warehouses	10	1,360,066	1,205,927
Bank acceptances		12,050	116,293
Goods in transit		24,623	9,764
Other debit balances	11	399,203	299,900
<b>Total current assets</b>		<b>10,614,492</b>	<b>8,731,483</b>
<b>Non-current assets</b>			
Property, plants and equipments (net)	12	2,510,228	2,734,215
Intangible assets	13	141,277	151,828
<b>Total Non-current assets</b>		<b>2,651,505</b>	<b>2,886,043</b>
<b>Total assets</b>		<b>13,265,997</b>	<b>11,617,526</b>
<b>Liabilities</b>			
<b>Current Liabilities</b>			
Credit banks	14	1,875,214	1,502,636
Trade payables		1,034,695	588,179
Notes payables		-	58,856
Income tax provision		34,060	40,791
Other credit balances	15	169,563	131,095
<b>Total Current liabilities</b>		<b>3,113,532</b>	<b>2,321,557</b>
<b>Total liabilities</b>		<b>3,113,532</b>	<b>2,321,557</b>
<b>Equity</b>			
Authorized, subscribed and paid up capital	16	7,500,000	7,500,000
Statutory reserve		1,037,093	946,911
Voluntary reserve		266,772	266,772
Retained earnings		1,348,600	582,286
<b>Total Equity</b>		<b>10,152,465</b>	<b>9,295,969</b>
<b>Total equity and liabilities</b>		<b>13,265,997</b>	<b>11,617,526</b>

The notes on pages 11 to 30 are an integral part of these financial statements

**Philadelphia Pharmaceuticals Company**  
**"Public Shareholding Company"**  
**Amman -The Hashemite Kingdom of Jordan**  
**Statement of Profit or Loss and other comprehensive income**

	<b>Note</b>	<b>For the year ended 31</b>	
		<b>December</b>	
		<b>2017</b>	<b>2016</b>
<b>Continuing operations</b>			
Sales	17	6,930,636	6,801,054
Cost of sales	18	(3,420,798)	(2,682,352)
<b>Gross profit</b>		<b>3,509,838</b>	<b>4,118,702</b>
Research and development expenses		(176,949)	(147,943)
Selling and distribution expenses	19	(1,412,692)	(2,137,650)
Administrative expenses	20	(826,057)	(933,765)
Board of directors ' incentives		(35,000)	(35,000)
Finance expense		(149,715)	(128,545)
(Loss) on sale of property, plant and equipment		(3,488)	(5,267)
Other expenses		(4,115)	537
<b>Profit before tax</b>		<b>901,822</b>	<b>731,069</b>
Income tax expense		(45,326)	(75,676)
<b>Profit from continuing operations</b>		<b>856,496</b>	<b>655,393</b>
Other comprehensive income		-	-
<b>Total comprehensive income</b>		<b>856,496</b>	<b>655,393</b>
Weighted average of shares		7,500,000	7,500,00
<b>Earnings per shares for the year</b>		<b>0.114</b>	<b>0.099</b>

The notes on pages 11 to 30 are an integral part of these financial statements

**Philadelphia Pharmaceuticals Company**  
**"Public Shareholding Company"**  
**Amman -The Hashemite Kingdom of Jordan**  
**Statement of Changes in Equity**

	Authorized, subscribed and paid up capital	Statutory reserve	Voluntary reserve	Retained earnings	Total equity
<b>Balance at 1 January 2017</b>	7,500,000	946,911	266,772	582,286	9,295,969
<b>Comprehensive income</b>					
Profit	-	90,182	-	766,314	856,496
<b>Total comprehensive income</b>	-	90,182	-	766,314	856,496
<b>Balance at 31, December 2017</b>	7,500,000	1,037,093	266,772	1,348,600	10,152,465

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**Philadelphia Pharmaceuticals Company**  
**"Public Shareholding Company"**  
**Amman -The Hashemite Kingdom of Jordan**

**Statement of Changes in Equity**

	Authorized, subscribed and paid up capital	Statutory reserve	Voluntary reserve	Retained earnings	Total equity
<b>Balance at 1 January 2016</b>	5,000,000	873,804	328,821	2,437,951	8,640,576
<b>Comprehensive income</b>					
Profit	-	73,107	-	582,286	655,393
<b>Total comprehensive income</b>	-	73,107	-	582,286	655,393
<b>Transaction with owners of the company</b>					
Capital increase	2,500,000	-	(62,049)	(2,437,951)	-
<b>Total transaction with owners of the company</b>	2,500,000	-	(62,049)	(2,437,951)	-
<b>Balance at 31, December 2016</b>	7,500,000	946,911	266,772	582,286	9,295,969

The notes on pages 11 to 30 are an integral part of these financial statements

**Philadelphia Pharmaceuticals Company**  
**"Public Shareholding Company"**  
**Amman -The Hashemite Kingdom of Jordan**  
**Statement of Cash Flows(JOD)**

	<b>For the year ended 31</b>	
	<b>December</b>	
	<b>2017</b>	<b>2016</b>
<b>Cash Flows from Operating Activities</b>		
Profit before tax	901,822	731,069
<b>Adjustments for:</b>		
Loss on sale of property and equipment	3,488	5,267
Depreciation & amortization	270,365	294,772
Finance expense	149,715	128,545
<b>Changes in:</b>		
Trade account receivables	(2,129,765)	(348,497)
Bank withdrawals	104,243	(109,100)
Inventory and warehouses	(154,139)	208,283
Goods in transit	(14,859)	3,208
Other debit balances	(99,303)	(128,062)
Trade account payables	446,516	(29,191)
Note payables	(58,856)	(100,355)
Other credit balances	38,468	(15,294)
Income tax paid	(52,057)	(113,599)
<b>Net cash from operating activities</b>	<b>(594,362)</b>	<b>527,046</b>
<b>Cash flows from investment activities</b>		
Purchase of property and equipment	(59,151)	(752,507)
Purchase of intangible assets	10,551	(39,899)
Proceeds from sale of property and equipment	9,285	273,627
<b>Net cash flows from investment activities</b>	<b>(39,315)</b>	<b>(518,779)</b>
<b>Cash flows from financing activities</b>		
Finance expense	(149,715)	(128,545)
Credit banks	372,578	785,560
<b>Net cash flows from financing activities</b>	<b>222,863</b>	<b>657,015</b>
Net (decrease)increase in cash	(410,814)	665,282
Cash and cash equivalents at beginning of the year	990,587	325,305
<b>Cash and cash equivalent at ending of the year</b>	<b>579,773</b>	<b>990,587</b>

The notes on pages 11 to 30 are an integral part of these financial statements

**Philadelphia Pharmaceuticals Company**  
**"Public Shareholding Company"**  
**Amman -The Hashemite Kingdom of Jordan**  
**Notes to the Financial Statements**

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## **1- Reporting Entity**

Philadelphia Pharmaceuticals Company was established on 5 July 1993; it was registered in Ministry of Industry and Trade as a public shareholding company at 17 January 2006 (no. 394) with (7,500,000) JOD capital. The head office of the company is located at King Abdullah Industrial Estate in Sahab - Jordan, The company is primarily involved in the production of human medicines and medical supplies and solvents, sterilization devices dialysis, disinfectants, purchase and import of raw materials for productions and machinery and equipment in addition to other objectives mentioned in registration record.

## **2- Standards issued but not yet effective**

### **A. 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) construction contracts. IFRS (15) is effective for annual periods beginning on or after 1 January 2018, with early adoption permitted.

### **B- Financial Instruments IFRS (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.

### **C- Leases IFRS (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. lessor 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 10/02/2018.
- 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 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.

## **Philadelphia Pharmaceuticals Company**

### **Notes to the financial statements**

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#### **B- 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.

#### **C- 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.

#### **D- 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.
- ✓ Philadelphia Pharmaceuticals Company is classified as industrial company, and subjected to 14% income tax in compliance with Jordanian Taxation Law for the year 2015 with income tax number is (4038649) and VAT no.(61558).

**E- 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.

**F- 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 2%
  - Machines , equipments 9%
  - Vehicles 15%
  - Furniture and decoration 15%
- ✓ Depreciation methods, useful lives and residual values are reviewed at each reporting date and adjusted if appropriate.

**Philadelphia Pharmaceuticals Company**  
**Notes to the financial statements**

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- ✓ When the use of a property changes from owner-occupied to investment property, the property is recognized at cost as using fair value is prohibited by local legislation.

**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.
- ✓ 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.

**H- Financial Instruments**

- ✓ 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.

**Philadelphia Pharmaceuticals Company**  
**Notes to the financial statements**

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- ✓ 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 comprehensive income and accumulated in the fair value reserve. When these assets are derecognized, the gain or loss accumulated in equity is reclassified to profit or loss.

**I-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.

**Philadelphia Pharmaceuticals Company**  
**Notes to the financial statements**

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- **Non-financial assets**

- ✓ At each reporting date, the company 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.

**J- 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.

**Philadelphia Pharmaceuticals Company**  
**Notes to the financial statements**

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- ✓ 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

**K- 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.

**L- Events after the reporting period**

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

### **M- Contingent Liabilities**

Contingent liabilities are obligations that could result from a past event and will confirm their presence only by the occurrence or non-occurrence of a future uncertain and not within the control of the company and are not recognized in the records because it is not likely to flow release of economic benefits for the payment of the obligation cannot be measured amount of the obligation reliably.

Bank guarantees(net)	117,588 JOD
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### **N- 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.

### **O- 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 30 and 180 day .
- ✓ The company monitors risk cash and cash equivalents by dealing with banks with good 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.

**Philadelphia Pharmaceuticals Company**  
**Notes to the financial statements**

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**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.

**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.

**8- Cash and cash equivalents**

	<u>2017</u>	<u>2016</u>
	<u>JOD</u>	<u>JOD</u>
Cash at hand	1,421	1,370
Arab Bank – USD	1,310	5,173
Arab Bank – USD –Algeria	14,180	14,160
Islamic International Arab Bank-JOD	792	789
Capital bank – JOD	97	-
Investment bank – JOD	1	-
Investment bank – USD	2,731	56
Al Rajhi Bank – USD	35	9
Checks in hand	559,206	969,206
<b>Total</b>	<u><b>579,773</b></u>	<u><b>990,587</b></u>

**9- Trade account receivable**

	<u>2017</u>	<u>2016</u>
	<u>JOD</u>	<u>JOD</u>
Local receivables	4,302,162	3,537,500
External receivables	3,988,468	2,623,365
Doubtful allowance	(51,853)	(51,853)
<b>Total</b>	<u><b>8,238,777</b></u>	<u><b>6,109,012</b></u>

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**10- Inventory and warehouses**

	<u>2017</u>	<u>2016</u>
	<b>JOD</b>	<b>JOD</b>
Raw materials and packing	1,057,606	903,742
Finished good	163,683	164,361
Spare parts and disposals	73,777	82,450
Goods in process	65,000	55,374
<b>Total</b>	<b><u>1,360,066</u></b>	<b><u>1,205,927</u></b>

**11- Other debit balances**

	<u>2017</u>	<u>2016</u>
	<b>JOD</b>	<b>JOD</b>
Prepaid expenses	243,405	180,638
Refundable deposits	5,628	5,676
Margin on guarantees	17,345	11,336
Income tax	1,867	1,581
Due from employees	39,338	30,171
Payments in advanced for raw materials	72,903	70,498
Sale tax	18,717	-
<b>Total</b>	<b><u>399,203</u></b>	<b><u>299,900</u></b>

**Philadelphia Pharmaceuticals Company**  
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**12- Property, plants and equipments**

<b>2017</b>	<b>Lands</b>	<b>Buildings</b>	<b>Machines , equipments &amp; vehicles</b>	<b>Furniture and decorations</b>	<b>Total</b>
<b>Cost</b>	<b>JOD</b>	<b>JOD</b>	<b>JOD</b>	<b>JOD</b>	<b>JOD</b>
<b>Opening balance</b>	<b>124,865</b>	<b>1,517,898</b>	<b>2,518,281</b>	<b>232,953</b>	<b>4,393,997</b>
Additions	-	2,295	52,163	4,693	59,151
Disposals	-	-	(23,790)	(1,161)	(24,951)
<b>Ending balance</b>	<b>124,865</b>	<b>1,520,193</b>	<b>2,546,654</b>	<b>236,485</b>	<b>4,428,197</b>
<b>Accumulated depreciation</b>					
<b>Opening balance</b>	-	<b>365,052</b>	<b>1,186,651</b>	<b>108,079</b>	<b>1,659,782</b>
Additions	-	45,676	200,731	15,656	262,063
Disposals	-	-	(3,720)	(156)	(3,876)
<b>Ending balance</b>	-	<b>410,728</b>	<b>1,383,662</b>	<b>123,579</b>	<b>1,917,969</b>
<b>Net book value</b>	<b>124,865</b>	<b>1,109,465</b>	<b>1,162,992</b>	<b>112,906</b>	<b>2,510,228</b>
<b>2016</b>	<b>Lands</b>	<b>Buildings</b>	<b>Machines , equipments &amp; vehicles</b>	<b>Furniture and decorations</b>	<b>Total</b>
<b>cost</b>	<b>JOD</b>	<b>JOD</b>	<b>JOD</b>	<b>JOD</b>	<b>JOD</b>
<b>Opening balance</b>	<b>124,865</b>	<b>1,281,336</b>	<b>2,339,464</b>	<b>213,111</b>	<b>3,958,776</b>
Additions	-	236,562	496,103	19,842	752,507
Disposals	-	-	(317,286)	-	(317,286)
<b>Ending balance</b>	<b>124,865</b>	<b>1,517,898</b>	<b>2,518,281</b>	<b>232,953</b>	<b>4,393,997</b>
<b>Accumulated depreciation</b>					
<b>Opening balance</b>	-	<b>324,663</b>	<b>994,478</b>	<b>92,491</b>	<b>1,411,632</b>
Additions	-	40,389	230,565	15,588	286,542
Disposals	-	-	(38,392)	-	(38,392)
<b>Ending balance</b>	-	<b>365,052</b>	<b>1,186,651</b>	<b>108,079</b>	<b>1,659,782</b>
<b>Net book value</b>	<b>124,865</b>	<b>1,152,846</b>	<b>1,331,630</b>	<b>124,874</b>	<b>2,734,215</b>

**Philadelphia Pharmaceuticals Company**  
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**13 - Intangible assets**

	<b>2017</b>	<b>2016</b>
	<b>JOD</b>	<b>JOD</b>
Research , development and software	198,467	118,003
Additions	46,617	80,464
<b>Total</b>	<b>245,084</b>	<b>198,467</b>
Accumulated amortization		
Opening balance	46,639	6,074
Additions	57,168	40,565
<b>Ending balance</b>	<b>103,807</b>	<b>46,639</b>
<b>Net book value</b>	<b>141,277</b>	<b>151,828</b>

**14- Creditbanks**

	<b>2017</b>	<b>2016</b>
	<b>JOD</b>	<b>JOD</b>
Capital Bank –JOT	-	156
Capital Bank – USD	333,367	558,041
Arab Bank –JOT	128,678	5,557
Arab Bank – USD	532,629	334,425
Union Bank – USD	880,243	584,067
Union Bank –JOT	2	2
Al Rajhi Bank – USD	295	20,388
<b>Total</b>	<b>1,875,214</b>	<b>1,502,636</b>

• **Overdraft Limits**

	<b>2017</b>	<b>2016</b>
Capital Bank – JOT	-	150,000
Capital Bank – USD	709,000	709,000
Arab Bank – JOT	300,000	300,000
Arab Bank – USD	850,800	709,000
Union Bank – USD	992,600	992,600
Al Rajhi Bank – USD	354,500	354,500
<b>Total</b>	<b>3,206,900</b>	<b>3,215,100</b>

- The above mentioned facilities are used mainly in purchasing raw materials and payments to creditors, with average rate of debit interest around (8%) for JOD and (3.5%) for USD.

**Philadelphia Pharmaceuticals Company**  
**Notes to the financial statements**

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**15- Other credit balances**

	<u>2017</u>	<u>2016</u>
	<u>JOD</u>	<u>JOD</u>
Accrued expenses	93,360	25,241
Due to taxation department	2,883	4,814
Due to social security	19,628	20,189
Due to employees	8,022	11,547
Sale tax	-	22,323
Board of directors incentives	40,000	35,000
Employees' benefits	5,670	11,981
<b>Total</b>	<u><u>169,563</u></u>	<u><u>131,095</u></u>

**16- Equity**

▪ **Authorized, subscribed and paid up capital**

The company was established in 05/07/1993 as limited liability company, it was transferred to public shareholding company at 17/Jan/2006 with authorized, subscribed and paid up capital of (1,200,000) JOD then the capital was increased up to (5,000,000) JOD as at 31/12/2015.

At 26/4/2016 the General Assembly decided in an extraordinary meeting to increase the capital by (2,500,000) JOD through capitalization of retained earnings, with covering the rest of increase from voluntary reserve and to distribute this increase as free shares to the shareholders in proportion of their shares in capital.

▪ **Statutory reserve**

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

▪ **Voluntary reserve**

This balance represents 10% of this year and previous years' profit carried forward in compliance with Jordanian Company's Law article (187).

▪ **Retained earnings**

This balance represents the profit carried forward from this year and previous years after provisions.

**Philadelphia Pharmaceuticals Company**  
**Notes to the financial statements**

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**17 - Sales**

	<u>2017</u> <u>JOD</u>	<u>2016</u> <u>JOD</u>
Local sales	1,296,412	2,190,077
Export sales	5,634,224	4,610,977
<b>Total</b>	<b><u>6,930,636</u></b>	<b><u>6,801,054</u></b>

**18- Cost of sales**

	<u>Note</u>	<u>2017</u> <u>JOD</u>	<u>2016</u> <u>JOD</u>
Raw materials		2,328,673	1,531,056
Operational expenses	18-1	917,470	958,329
Depreciation & amortization		183,603	176,517
<b>Cost of production</b>		<b>3,429,746</b>	<b>2,665,902</b>
Good in process - opening balance		55,374	68,669
Good in process - ending balance		(65,000)	(55,374)
<b>Cost of goods available for sale</b>		<b>3,420,120</b>	<b>2,679,197</b>
Finished goods – opening balance		164,361	167,516
Finished goods – ending balance		(163,683)	(164,361)
<b>Total</b>		<b><u>3,420,798</u></b>	<b><u>2,682,352</u></b>

**Philadelphia Pharmaceuticals Company**  
**Notes to the financial statements**

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**18-1- Operational expenses**

	<u>2017</u>	<u>2016</u>
	<u>JOD</u>	<u>JOD</u>
Wages and salaries	468,645	495,100
Social security	66,062	68,542
Water and electricity	78,420	73,383
Maintenance	60,189	41,135
Medical analysis expense	41,267	49,587
Staff wages	4,953	2,432
Health insurance	26,224	45,642
Medical analysis fees	12,280	28,025
Consumable	54,570	40,098
Fuel	15,156	9,286
Training and development	840	5,182
Water treatment expenses	9,827	5,369
Transportation	2,963	3,378
Write off expenses	1,705	9,542
Factory insurance	2,149	2,345
Calibration and air tests	13,123	17,795
Meals	12,393	17,905
Stationery	4,225	3,316
Cleaning	5,547	9,890
Miscellaneous	36,932	30,377
<b>Total</b>	<u><b>917,470</b></u>	<u><b>958,329</b></u>

**Philadelphia Pharmaceuticals Company**  
**Notes to the financial Statements**

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**19-Selling and distribution expenses**

	<b>2017</b>	<b>2016</b>
	<b>JOD</b>	<b>JOD</b>
Wages and salaries	210,533	340,225
Social security	27,694	44,579
Rents	10,174	12,946
Selling offices expense	23,544	31,344
Tenders	10,218	13,588
Health insurance	8,903	20,476
Advertising	56,993	67,337
Foreign markets expenses	1,046,147	1,586,645
Miscellaneous	18,486	20,510
<b>Total</b>	<b>1,412,692</b>	<b>2,137,650</b>

**19- Foreign markets expenses**

	<b>2017</b>	<b>2016</b>
	<b>JOD</b>	<b>JOD</b>
Saudi market	497,390	856,619
Sudanese market	179,654	266,523
Omani market	41,014	77,977
Algerian market	130,378	167,072
Yemeni market	48,173	58,340
Iraqi market	57,094	36,234
Other markets	92,444	123,880
<b>Total</b>	<b>1,046,147</b>	<b>1,586,645</b>

**Philadelphia Pharmaceuticals Company**  
**Notes to the financial Statements**

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**20- Administrative and general expenses**

	<b>2017</b>	<b>2016</b>
	<b>JOD</b>	<b>JOD</b>
Wages and salaries	424,293	424,000
Social security	55,398	55,947
Rents	23,771	32,605
Telephone	12,969	16,773
Stationery	5,602	9,512
Vehicle expenses	29,031	25,306
Security	18,800	18,600
Professional fees	10,000	15,950
Hospitality & cleaning	3,674	10,538
Health insurance	21,706	30,229
Fees and licenses	20,821	39,540
Head office expenses	24,475	40,861
Software expenses	9,833	9,039
Depreciation & amortization	86,762	118,255
Rewards and bonus	61,320	47,084
Miscellaneous	17,602	39,526
<b>Total</b>	<b>826,057</b>	<b>933,765</b>