Philadelphia Pharmaceuticals Company
"Public Shareholding Company"
Amman–The Hashemite Kingdom of Jordan
Interim Financial Statements
for the six months ended
30 June 2021
"Unaudited"
with
Report on Review of Interim Financial Statements

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

mazars

Report on Review of Interim Financial Statements

To the Shareholders of
Philadelphia Pharmaceuticals Company (P.S)
Amman -The Hashemite Kingdom of Jordan

Introduction

We have reviewed the accompanying interim financial statement of Philadelphia Pharmaceuticals Company (P.S) as of June 30, 2021 and interim statement of profit or loss and other comprehensive income and interim statement of changes in equity and interim statements of cash flows for the six- months period then ended, and a summary of significant accounting policies and other explanatory notes. Management is responsible for the preparation and fair presentation of this interim financial information in accordance with International Financial Reporting Standard (34). Our responsibility is to express a conclusion on this interim financial information based on our review.

Scope of Review

We conducted our review in accordance with International Standard on Review Engagements 2410. A review of interim financial information consists of making inquiries, primarily of persons responsible for financial and accounting matters and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with International Standards on Auditing and consequently dose not enables us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

Conclusion

Based on our review, nothing has come to our attention that causes us to believe that the accompanying interim financial information does not give a true and fair view of the financial position of the entity as of June 30, 2021 and of its financial performance and its cash flows for the six– months period then ended in accordance with International Financial Reporting Standards.

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

Amman- Jordan
25 July 2021

Tel: +(962) 6 5823441 - Fax: +(962) 6 5823442 - P.O. Box: 3035 Amman 11821 Jordan
www.mazars.com

Philadelphia Pharmaceuticals Company
"Public Shareholding Company"
Statement of Financial Position (JOD)

Assets	Notes	As at 30/06/2021	31/12/2020
Current Assets			
Cash and cash equivalent	5	1,497,778	1,602,699
Trade receivables	6	8,813,728	8,655,375
Inventory and warehouses	7	1,598,769	1,991,129
Goods in transit		77,189	128,326
Other debit balances	8	365,808	199,974
		12,353,272	**12,577,503**
Non-current assets			
Property,plant and equipments (net)	9	2,379,532	2,383,177
Intangible assets	10	124,097	46,868
		2,503,629	**2,430,045**
Total assets		**14,856,901**	**15,007,548**
Liabilities and Equity			
Current Liabilities			
Credit banks	11	2,172,704	1,647,048
Trade payables		720,716	1,222,649
Deferred cheques		6,827	6,064
Income tax provision	12	7,326	5,748
National contribution tax provision	12	1,578	1,667
Other credit balances	13	344,511	673,106
Total liabilities		**3,253,662**	**3,556,282**
Equity	14		
Capital		7,500,000	7,500,000
Statutory reserve		1,303,595	1,303,595
Voluntary reserve		266,772	266,772
Retained earnings		2,532,872	2,380,899
Total Equity		**11,603,239**	**11,451,266**
Total liabilities and equity		**14,856,901**	**15,007,548**

The notes on pages 9 to 23 are an integral part of these financial statements

Philadelphia Pharmaceuticals Company
"Public Shareholding Company"
Interim Statement of Profit or Loss and other Comprehensive income (JOD)

	Note	For the period ended 30/06/2021	30/06/2020
Continuing operations			
Sales	15	3,004,709	4,353,516
Cost of sales	16	(1,580,962)	(2,191,955)
Gross profit		**1,423,747**	**2,161,561**
Research and development expenses		-	(89,982)
Selling and distribution expenses	17	(738,901)	(1,012,085)
Administrative and general expenses	18	(397,553)	(454,750)
Operating profit for the period		**287,293**	**604,744**
Finance expense		(136,793)	(172,228)
Other revenues		7,300	39,571
Profit for the period before tax		**157,800**	**472,087**
Income tax expense	12	(4,249)	(66,079)
National contribution tax expense	12	(1,578)	(4,721)
Profit for the period after tax		**151,973**	**401,287**
Other comprehensive income			-
Total comprehensive income		**151,973**	**401,287**
Weighted average of shares		7,500,000	7,500,000
Basic earnings per share		**0.020**	**0.053**

The notes on pages 6 to 23 are an integral part of these financial statements

Philadelphia Pharmaceuticals Company
"Public Shareholding Company"
Interim Statement of Changes in Equity (JOD)

For the period ended at 30, June 2021	Capital	Statutory reserve	Voluntary reserve	Retained earnings	Total equity
Balance at 1 January 2021	7,500,000	1,303,595	266,772	2,380,899	11,451,266
Profit for the period	-	-	-	151,973	151,973
Total comprehensive income	-	-	-	151,973	151,973
Balance as at 30, June 2021	7,500,000	1,303,595	266,772	2,532,872	11,603,239

For the period ended at 30, June 2020	Capital	Statutory reserve	Voluntary reserve	Retained earnings	Total equity
Balance at 1 January 2020	7,500,000	1,286,923	266,772	2,630,855	11,684,550
Profit for the period	-	-	-	401,287	401,287
Total comprehensive income	-	-		401,287	401,287
Balance as at 30, June 2020	7,500,000	1,286,923	266,772	3,032,142	12,085,837

The notes on pages 6 to 23 are an integral part of these financial statements

Philadelphia Pharmaceuticals Company
"Public Shareholding Company"
Interim Statement of Cash Flows (JOD)

		For the period ended	
Cash flows from operating activities	**Note**	**30/06/2021**	**30/06/2020**
Profit before tax		157,800	472,087
Adjustments			
Depreciation and amortization	9	119,901	153,031
Receivables impairment provision	6	10,000	-
(Losses) on sale of property and equipment		38,559	-
Changes in working capital:			
Trade receivables		(168,353)	277,615
Inventory and warehouses		392,360	(275,695)
Inventory in transit		51,137	6,545
Other debit balances		(165,834)	64,279
Trade payables		(501,933)	164,325
Deferred cheques		763	26,297
Other credit balances		(328,595)	(258,290)
Paid Income tax	12	(4,338)	(26,975)
Net cash from operating activities		**(398,533)**	**603,219**
Cash flows from investment activities			
Purchase of property and equipment	9	(140,358)	(65,927)
Intangible assets		(91,686)	-
Net cash flows from investment activities		**(232,044)**	**(65,927)**
Cash flows from financing activities			
Credit banks		525,656	(211,723)
Net cash flows from financing activities		**525,656**	**(211,723)**
Net (decrease) increase in cash		(104,921)	325,569
Cash and cash equivalents at 1 January		1,602,699	1,232,908
Cash and cash equivalent at 30 June	5	**1,497,778**	**1,558,477**

The notes on pages 6 to 23 are an integral part of these financial statements

1- Reporting Entity

Philadelphia Pharmaceuticals Company was established on 5 July 1993, and was converted to a public shareholding company at 17 January 2006 under the number (394) with (7,500,000) JOD capital. The factory exists in King Abdullah Industrial Estate - Sahab–Jordan and the head officeexists in Amman.

The company primarilyinvolves in the production of human medicines and medical supplies and solvents, sterilization devices dialysis, disinfectants, purchase and import of raw materials for productionsand machinery and equipment in addition to other objectives mentioned in company registration record.

2- Significant accounting policies

2.1 Basis of preparation

- These financial statements have been prepared in accordance with International Financial Reporting Standards (IFRS) as issued by the International Accounting Standards Board.

- These financial statements have been prepared based on going concern assumption and under the historical cost basis (except those financial assets and other items that measured by fair value as at the date of financial statement in compliance with International Standards).

- These financial statements are presented in JOD, all values are rounded to nearest (JOD), except when otherwise indicated.
- The financial statements provide comparative information in respect of the previous period.

3- Accounting policies

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

A- Current versus non-current classification

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

An asset is current when it is:

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

All other assets are classified as non-current.

A liability is current when:

- It is expected to be settled in the normal operating cycle.
- It is held primarily for the purpose of trading.

- It is due to be settled within twelve months after the reporting period.
- There is no unconditional right to defer the settlement of the liability for at least twelve months after the reporting period.

All other liabilities are classified as non-current.

B-Fair value measurement

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

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

C- Revenue from contracts with customers

- Revenue from contracts with customers is recognized when control of the goods or services are transferred to the customer at an amount that reflects the consideration to which the company expects to be entitled in exchange for those goods or services.
- The company shall account for a contract with a customer only when all of the following criteria are met:
  - The parties to the contract have approved the contract (in writing, orally or in accordance with other customary business practices) and are committed to perform their respective obligations.
  - The company can identify each party's rights regarding the goods or services to be transferred.
  - The company can identify the payment terms for the goods or services to be transferred.
  - The contract has commercial substance (risk, timing or amount of the entity's future cash flows is expected to change as a result of the contract).
  - It is probable that the entity will collect the consideration to which it will be entitled in exchange for the goods or services that will be transferred to the customer. In evaluating whether collectability of an amount of consideration is probable, an entity shall consider only the customer's ability and intention to pay that amount of consideration when it is due. The amount of consideration

to which the entity will be entitled may be less than the price stated in the contract if the consideration is variable because the entity may offer the customer a price concession.

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

D- Taxes

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

- When the sales tax incurred on a purchase of assets or services is not recoverable from the taxation authority, in which case, the sales tax is recognized as part of the cost of acquisition of the asset or as part of the expense item, as applicable.

- When receivables and payables are stated with the amount of sales tax included the net amount of sales tax recoverable from, or payable to, the taxation authority is included as part of receivables or payables in the statement of financial position.

E-Foreign currency

- **Transactions and balances**

  ✓ Transactions in foreign currencies are translated into the respective functional currency spot rate of company at exchange rates at the dates of the transactions.

  ✓ Monetary assets and liabilities denominated in foreign currencies are translated at the functional currency spot rates of at the exchange rate at the reporting date.

  ✓ Differences arising on translation of monetary items are recognized in profit or loss except those that are designated as part of the hedging which will be recognized in other comprehensive income.

  ✓ Non-monetary items that are measured in terms of historical cost in a foreign currency are translated using the exchange rates at the dates of the initial transactions. Non-monetary items measured at fair value in a foreign currency are translated using the exchange rates at the date when the fair value is determined. The gain or loss arising on translation of non-monetary items measured at fair value is treated in line with the recognition of the gain or loss on the change in fair value of the item.

F- Non – current 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.
- Assets classified as held for sale are presented separately as current items in the statement of financial position.

G-Cash dividend

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

General Assembly decided in its Ordinary Meeting at 29/04/2019 to distribute 5% from capital which equals to (375,000) JOD as of 31/12/2019.

H- Property, plant and equipment

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

I- Leases

Lessee

- IFRS (16) shall be applied to all leases that convey the right to control the use of an identified asset for a period of time in exchange of consideration, all lease contracts shall be capitalized with recognizing assets and liabilities against it, except short term lease and lease for which the underlying assets is of low value, whereas the lease payment shall be recognized as anexpense on either straight line basis over lease term or another systematic basis.

- At the commencement date, a lessee shall recognize a right-of-use asset and a lease liability.
- At the commencement date, a lessee shall measure the right-of-use asset at cost which includes:
- The amount of the initial measurement of the lease liability.
- Any lease payments made at or before the commencement date less any lease incentives received.
- Any initial direct cost incurred by the lessee.
- An estimate of cost to be incurred by the lessee in dismantling and removing the underlying asset, restoring the site on which it is located or restoring the underlying asset to the condition required by the terms and conditions of the lease.
- At the commencement date, a lessee shall measure the lease liability at the present value of the lease payments that are not paid at that date. The lease payments shall be discounted using the interest rate implicit in the lease, if that rate can be readily determined. If that rate cannot be readily determined, the lessee shall use the lessee's incremental borrowing rate.
- The lessee shall depreciate the right-of-use asset from the commencement date to the earlier of the end of the useful life of the right-of-use asset or the end of the lease term.
- If the lease transfers ownership of the underlying asset to the lessee by the end of the lease term or if the cost of the right-of-use asset reflects that the lessee will exercise a purchase option, the lessee shall depreciate the right-of-use asset from the commencement date to the end of the useful life of the underlying asset.
- A lessee shall apply IAS 36 Impairment of Assets to determine whether the right-of-use asset is impaired and to account for any impairment loss identified.

Lessor

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

J- Borrowing costs

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

K- Intangible assets

- Intangible assets acquired separately are measured on initial recognition at cost.
- The cost of intangible assets acquired in a business combination is their fair value at the date of acquisition. Following initial recognition, intangible assets are carried at cost less any accumulated amortization and accumulated impairment losses.
- Internally generated intangibles, excluding capitalized development costs, are not capitalized and the related expenditure is reflected in profit or loss in the period in which the expenditure is incurred.
- The useful lives of intangible assets are assessed as either finite or indefinite.
- Intangible assets with finite lives are amortized over the useful economic life and assessed for impairment whenever there is an indication that the intangible asset may be impaired.
- The amortization period and the amortization method for an intangible asset with a finite useful life are reviewed at least at the end of each reporting period. Changes in the expected useful life or the expected pattern of consumption of future economic benefits embodied in the asset are considered to modify the amortization period or method, as appropriate, and are treated as changes in accounting estimates. The amortization expense on intangible assets with finite lives is recognized in the statement of profit or loss in the expense category that is consistent with the function of the intangible assets.
- Intangible assets with indefinite useful lives are not amortized, but are tested for impairment annually, either individually or at the cash-generating unit level. The assessment of indefinite life is reviewed annually to determine whether the indefinite life continues to be supportable. If not, the change in useful life from indefinite to finite is made on a prospective basis.
- **Research and development costs**

✓ Research costs are expensed as incurred.

✓ Development expenditures on an individual project are recognized as an intangible asset when the company can demonstrate:

- The technical feasibility of completing the intangible asset so that the asset will be available for use or sale.
- Its intention to complete and its ability and intention to use or sell the asset.
- How the asset will generate future economic benefits.
- The availability of resources to complete the asset.
- The ability to measure reliably the expenditure during development

✓ Following initial recognition of the development expenditure as an asset, the asset is carried at cost less any accumulated amortization and accumulated impairment losses. Amortization of the asset begins when development is complete and the asset is available for use. It is amortized over the period of expected future benefit. Amortization is recorded in cost of sales. During the period of development, the asset is tested for impairment annually.

L- Financial Instruments- initial recognition and subsequent measurement

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

1- Financial assets

- Financial assets are classified, at initial recognition, as subsequently measured at amortized cost, fair value through other comprehensive income (OCI), and fair value through profit or loss. The classification of financial assets at initial recognition depends on the financial asset's contractual cash flow characteristics and the company's business model for managing them.
- In order for a financial asset to be classified and measured at amortized cost or fairvalue through OCI, it needs to give rise to cash flows that are 'solely payments of principal and interest (SPPI)' on the principal amount outstanding. This assessment is referred to as the SPPI test and is performed at an instrument level.
- For purposes of subsequent measurement, financial assets are classified as follow:

- Financial assets at amortized cost

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

- Financial assets designated at fair value through OCI

Financial assets at fair value through OCI are initially measured at cost plus transaction cost, subsequently they are measured at fair value and changes there in are recognized in OCI.Dividends are recognized as other income in the statement of profit or loss when the right of payment has been established. Equity instruments designated at fair value through OCI are not subject to impairment assessment.

- Financial assets at fair value through profit or loss

Financial assets at fair value through profit or loss include financial assets held for trading, financial assets designated upon initial recognition at fair value through profit or loss,

Or financial assets mandatorily required to be measured at fair value. Financial assets are classified as held for trading if they are acquired for the purpose of selling or repurchasing in the near term. Financial assets at fair value through profit or loss are carried in the statement of financial position at fair value with net changes in fair value recognized in the statement of profit or loss.

Dividends on listed equity investments are also recognized as other income in the statement of profit or loss when the right of payment has been established.

- Impairment of financial assets

Financial assets not classified as at fair value, 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.

2. Financial liabilities

- Financial liabilities are classified, at initial recognition, as financial liabilities at fair value through profit or loss, loans and borrowings, payables, as appropriate.
- All financial liabilities are recognized initially at fair value and, in the case of loans and borrowings and payables, net of directly attributable transaction costs.
- The company's financial liabilities include trade and other payables, loans and borrowings including bank overdrafts ....etc.
- The subsequent measurement of financial liabilities depends on their classification. Loans and borrowings are subsequently measured at amortized cost using the effective interest rate

  Method . Gains or losses are recognized in profit or loss when the liabilities are derecognized as well as through the effective interest rate amortization process.
- Amortized cost is calculated by taking into account any discount or premium on acquisition and fees or costs that are an integral part of the effective interest rate. The effective interest rate amortization is included as finance costs in the statement of profit or loss.

M- Inventories

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

N-Impairment of non-financial assets

The company assesses, at each reporting date, whether there is an indication that an asset may be impaired. If any indication exists, or when annual impairment testing for an asset is required, the company estimates the asset's recoverable amount. An asset's recoverable amount is the higher of an asset's or cash generated units fair value less costs of disposal and its value in use.

The recoverable amount is determined for an individual asset, unless the asset does not generate cash inflows that are largely independent of those from other assets or groups of assets. When the carrying amount of an asset or cash generated units exceeds its recoverable amount, the asset is considered impaired and is written down to its recoverable amount.

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

O- Cash and cash equivalent

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

P- Provisions

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

Q- Employee benefits

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

4. Other information.

4.1 Events after the reporting period

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

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

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

There are no subsequent events to mention

4.2- Contingent Liabilities

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

Bank guarantees (net)	238,005

4.3- Significant estimates and judgments:

The preparation of financial statements requires the use of accounting estimates which by definition will seldom equal the actual result. Management also needs to exercise judgment in applying the accounting policies.

Estimates and judgments are continually evaluated, they are based on historical experience and other factors, including expectations of future events that may have a financial impact on the entity and that are believed to be reasonable under the circumstance.

The areas involving significant estimates or judgments are:

1- Estimation of tax expense and tax provision (Note 12)

2-Estimation of useful life of property & equipment and annual depreciation. (Note 9)

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

4- Amortization of intangible assets. (Note 10)

4.4 Financial risk management

The company may expose to different kinds of financial risk, company's board and management oversees these risks and has overall responsibility for the establishment and oversight of the company risk management framework. The company risk management policies are established to identify and analyze the risks faced by the company, to set appropriate risk limits and controls and to monitor risks and adherence to limits. Risk management policies and systems are reviewed regularly to reflect changes in market conditions and the company activities. The company, through its training and management standards and procedures, aims to maintain a disciplined and constructive control environment in which all employees understand their roles and obligations.

The company may expose to the following risks:

a- Market risk

Market risk is the risk that the fair value of future cash flows of a financial instrument will fluctuate because of changes in market prices; it comprises three types of risk:

- Interest rate risk:

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

The company manages its interest rate risk by obtaining short term facilities in different currencies.

- Foreign currency risk:

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

The company manages its foreign currency by limiting main transactions in USD as the price is fixed against JOD, in addition to make hedges against other currencies if needed.

- Price risk:

The company's listed and non – listed equity investments are susceptible to market price risk arising from uncertainties about future values of the investment securities.

b- Credit risk

Credit risk is the risk that counterparty will not meet its obligations under a financial instrument or customer contract, leading to financial loss.

An impairment analysis is performed at each reporting date to measure expected credit

The company is exposed to credit risk from its operating activities (primarily trade receivables) and from its other activities including deposits with banks.

The maximum limit of credit risk is presented by financial assets stated in financial position.

The company manages credit risk by dealing with letter of credits and advances from new clients

c- Liquidity risk

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

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

The Company manages the liquidity risk by diversifying its options in this regard, such as delaying payments of obligations to make the repayment period of creditors close to the receivables collection period. The Company also makes the necessary efforts to accelerate collection of revenues by discountingLCs,in addition to obtain the required financing from commercial banks to finance their external purchases.

5- Cash and cash equivalents

	30/06/2021 JOD	31/12/2020 JOD
Cash at hand	2,156	1,743
Checks in hand	1,480,000	1,585,000
Arab Bank – USD	14,180	14,180
Capital Bank – JOD	-	1,102
Investment Bank – JOD	376	-
Investment Bank – USD	842	639
Al Rajhi Bank – USD	35	35
Safwa Islamic Bank - JOD	189	-
Total	**1,497,778**	**1,602,699**

6-Trade receivables

	30/06/2021 JOD	31/12/2020 JOD
Local receivables	3,661,250	3,647,074
External receivables	5,183,449	5,029,272
Impairment provision	(30,971)	(20,971)
Total	**8,813,728**	**8,655,375**

7- Inventory and warehouses

	30/06/2021 JOD	31/12/2020 JOD
Raw materials and packing	1,280,046	1,596,018
Finished goods	217,182	272,076
Disposals inventory	66,287	75,486
Goods in process	35,254	47,549
Total	**1,598,769**	**1,991,129**

8- Other debit balance

	30/06/2021 JOD	31/12/2020 JOD
Prepaid expenses	257,732	148,862
Refundable deposits	5,716	5,716
Margin on guarantees	26,445	26,628
Due from income tax	733	733
Due from employees	27,175	11,458
Due from Health insurance	45,235	-
Others	2,772	6,577
Total	**365,808**	**199,974**

)- Property,plant and equipment

	Lands JOD	Buildings JOD	Machines , equipments & vehicles JOD	Furniture and decorations JOD	Total JOD
Depreciation rate	-	%2	%15	%15	
Cost					
At 1 January 2020	124,865	1,572,707	3,056,065	239,189	4,992,826
Additions	-	8,150	130,692	289	139,131
At 31 December 2020	124,865	1,580,857	3,186,757	239,478	5,131,957
Additions	-	2,615	137,743	-	140,358
(Disposals)	-	-	(41,685)	-	(41,685)
At 30 June 2021	124,865	1,583,472	3,282,815	239,478	5,230,630
Depreciation					
At 1 January 2020	-	503,819	1,800,758	151,240	2,455,817
Additions	-	47,737	231,724	13,502	292,963
At 31 December 2020	-	551,556	2,032,482	164,742	2,748,780
Additions	-	11,862	90,05	3,277	105,444
(Disposals)	-	-	(3,126)	-	(3,126)
At 30 June 2021	-	563,418	2,119,661	168,019	2,851,098
Net book value	-				
At 31 December 2020	124,865	1,029,301	1,154,275	74,736	2,383,177
At 30 June 2021	124,865	1,020,054	1,163,154	71,459	2,379,532

10 - Intangible assets

	30/06/2021 JOD	31/12/2020 JOD
Cost		
Balance at 01/01/2021	**285,564**	**271,876**
Additions	91,686	13,688
Balance at 30/06/2021	**377,250**	**285,564**
Accumulated amortization		
Balance at 01/01/2021	**238,696**	**208,123**
Additions	14,457	30,573
Balance at 30/06/2021	**253,153**	**238,696**
Net book value	**124,097**	**46,868**

11- Credit banks

	30/06/2021 JOD	31/12/2020 JOD
Capital Bank –USD	397,126	212,959
Arab Bank – JOD	27,359	2,393
Arab Bank –USD	672,743	184,441
Etihad Bank – USD	-	410
Investment Bank – USD	16,047	15,232
Safwa Islamic Bank – USD	593,231	615,583
International Islamic Arab Bank – JOD	369,905	410,287
International Islamic Arab Bank – USD	96,293	205,743
Total	**2,172,704**	**1,647,048**

- **Overdrafts limits**

	30/06/2021	31/12/2020
Capital Bank – USD	709,000	709,000
Arab Bank – JOD	300,000	300,000
Arab Bank – USD	850,800	850,800
Safwa Islamic Bank –JOD	1,063,500	1,063,500
Islamic Arab Bank –JOD	650,000	650,000
Islamic Arab Bank – USD	283,600	283,600
Total	**3,856,900**	**3,856,900**

- 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 (5%) for USD.

12- Taxes

-Income tax

	30/06/2021 JOD	31/12/2020 JOD
Balance at 1 January	**5,748**	**129,299**
Tax expense	4,249	23,341
Paid income tax	(2,671)	(146,892)
Balance as at 30 June	**7,326**	**5,748**

-National contribution tax

	30/06/2021 JOD	31/12/2020 JOD
Balance at 1 January	**1,667**	**14,295**
Income tax expense	1,578	1,667
Paid National contribution tax	(1,667)	(14,295)
Balance as at 30 June	**1,578**	**1,667**

13- Other credit balances

	30/06/2021 JOD	31/12/2020 JOD
Accrued expenses	182,296	192,990
Due to taxation department	6,479	9,874
Due to social security	15,441	18,670
Due to shareholders	104,000	288,073
Board of directors incentives	14,166	44,166
Due to sale tax	22,129	119,333
Total	**344,511**	**673,106**

14- Equity

- **Capital**

  The company was established in 05/07/1993 as limited liability company, it was converted to public shareholding company at 17/01/2006 with 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 incompliance with Jordanian Company's Law article (186) and this balance is not attributable to shareholders.

- **Voluntary reserve**

  This balance represents 20% of this year and previous years' profit carried forward incompliance with Jordanian Company's Law article (187).

- **Retained earnings**

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

15 - Sales

	30/06/2021 JOD	30/06/2020 JOD
Local sales	1,516,678	614,098
Export sales	1,488,031	3,739,418
Total	**3,004,709**	**4,353,516**

16- Cost of Sales

	Note	30/06/2021 JOD	30/06/2020 JOD
Cost of materials used in production		1,057,286	1,643,454
Manufacturing expenses	16-1	410,780	447,106
Depreciation and amortization		45,718	85,259
Cost of production		**1,513,784**	**2,175,819**
Good in process - opening balance		47,549	47,860
Good in process - ending balance		(35,254)	(29,800)
Cost of goods available for sale		**1,526,079**	**2,193,879**
Finished goods – opening balance		272,065	385,319
Finished goods – ending balance		(217,182)	(387,243)
Total		**1,580,962**	**2,191,955**

16-1-Manufacturing expenses

	30/06/2021 JOD	30/06/2020 JOD
Wages and salaries	224,995	220,442
Social security	18,481	20,135
Water and electricity	29,304	30,588
Maintenance	-	19,001
Medical analysis expense	12,087	12,183
Health insurance	13,114	20,199
Medical analysis fees	17,400	13,480
Consumable	20,188	25,427
Fuel	17,315	19,034
Training	645	-
Water treatment expenses	4,894	4,397
Transportation	1,245	2,109
Write off expenses	2,610	1,480
Factory insurance	1,555	1,368
Calibration	8,455	10,646
Meals	7,441	8,934
Stationery and printings	2,326	2,287
Cleaning	3,022	2,191
Staff wages	10,737	7,752
Storing fees	10,907	19,827
Miscellaneous	4,059	5,626
Total	**410,780**	**447,106**

17-Selling and distribution expenses

	30/06/2021 JOD	30/06/2020 JOD
Wages and salaries	142,745	126,317
Social security	9,950	10,538
Rents	8,150	8,000
Selling and distributing offices expense	6,443	7,652
Tenders	7,845	3,949
Health insurance	4,207	5,418
Advertising	97,271	79,605
External markets expenses	447,021	750,440
Miscellaneous	15,269	20,166
Total	**738,901**	**1,012,085**

18- Administrative and general expenses

	30/06/2021 JOD	30/06/2020 JOD
Wages and salaries	179,824	173,995
Social security	14,133	15,152
Rents	16,250	13,923
Telephone and Mail	4,569	4,924
Stationery and printings	1,155	560
Vehicle expenses	22,625	19,903
Security	8,976	9,618
Professional fees	5,293	6,382
Hospitality and cleaning	2,136	2,794
Health insurance	13,747	16,109
Fees and licenses	9,344	10,069
Amman head office expenses	22,494	19,969
Software expenses	7,590	7,759
Depreciation and amortization	59,726	67,772
Miscellaneous	13,298	14,821
Bonuses	6,393	-
Bad depts.	10,000	71,000
Total	**397,553**	**454,750**