



شركة الشرق الأوسط للصناعات الدوائية والكيمياوية والمستلزمات الطبية م.ع.م
Middle East Pharmaceutical And Chemical industries & Medical Appliances P.L.C.

التاريخ: 15 / 05 / 2017

الرقم: FNSAL-05-2017-010

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To: Jordan Securities Commission

Amman Stock Exchange

Date: 15/05/2017

Subject: Quarterly Report as of

31/03/2017

السادة هيئة الأوراق المالية

السادة بورصة عمان

التاريخ: 15/05/2017

الموضوع: التقرير ربع السنوي كما هي في

31/03/2017

Attached the Quarterly Report of
MIDDLE EAST
PHARMACEUTICAL AND
CHEMICAL INDUSTRIES AND
MEDICAL SUPPLIES PLC as of
31/03/2017 .

مرافق طيه نسخة من البيانات المالية ربع السنوية
لشركة (الشرق الأوسط للصناعات الدوائية
والكيمياوية والمستلزمات الطبية م.ع.م) كما هي
بتاريخ 31/03/2017 م .

Kindly accept our highly
appreciation and respect

وتفضلوا بقبول فائق الاحترام،،،

Signature



**Middle East Pharmaceutical & Chemical
Industries & Medical Appliances
Public Shareholding Company**

**Condensed Interim Consolidated Financial Statements (Not Audited)
31 March 2017**

Arab Professionals

(Member firm within of Grant Thornton International Ltd)

**Middle East Pharmaceutical & Chemical Industries & Medical Appliances
Public Shareholding Company**

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Member firm within Grant Thornton International Ltd
P.O.Box : 921879 Amman 11192 Jordan
T (962) 6 5151125
F (962) 6 5151124
Email: arabprof@gtljordan.com

Report on Review of Condensed Interim Consolidated Financial Statements

To The Board of Directors
Middle East Pharmaceutical & Chemical Industries & Medical Appliances
Public Shareholding Company
Al Balqa - Jordan

Introduction

We have reviewed the accompanying condensed interim consolidated financial statements of Middle East Pharmaceutical & Chemical Industries & Medical Appliances PLC, comprising the interim consolidated statement of financial position as at 31 March 2017 and the related interim consolidated statement of comprehensive income, interim consolidated statement of changes in equity and interim consolidated statement of cash flows for the three-months period then ended and the notes about condensed interim consolidated financial statements. Management is responsible for the preparation and presentation of this condensed interim consolidated financial statement in accordance with International Accounting Standard number (34) "Interim Financial Reporting". Our responsibility is to express a conclusion on this condensed interim consolidated financial statements based on our review.

Scope of Review

We conducted our review in accordance with the International Standard on Review Engagements (2410) "Review of Interim Financial Information Performed by the Independent Auditor of the Entity." A review of condensed interim consolidated financial statement 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 does not enable 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.

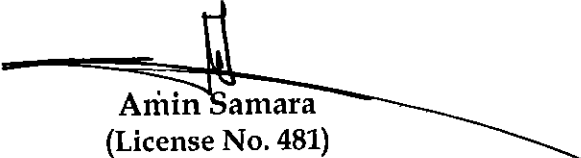
Conclusion

Based on our review, nothing has come to our attention that causes us to believe that the accompanying condensed interim consolidated financial statement as at 31 March 2017 is not prepared, in all material respects, in accordance with International Accounting Standard number (34) "Interim Financial Reporting".

Material Uncertainty Related to Going Concern

We draw attention to the condensed interim consolidated financial statements, which indicates that the Company's current liabilities exceeded its current assets by JOD (9.8) million, also the Company accumulated losses reached 136% of its capital, this is in additions to other liabilities not paid as at 31 March 2017, which requires the company to comply with the Article No. (266) of the Jordanian Companies Law. These events or conditions, along with other matters, indicate that a material uncertainty exists that may cast significant doubt on the Company's ability to continue as a going concern, Its continuation depends on providing the necessary funds to meet its obligations and the success of its future operations and its ability to implement the future management plan as set in note 5.

20 April 2017
Amman - Jordan


Amin Samara
(License No. 481)
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Grant Thornton

Middle East Pharmaceutical & Chemical Industries & Medical Appliances
Public Shareholding Company
Interim Consolidated Statement of Financial Position as at 31 March 2017
(In Jordanian Dinar)

	31 March 2017	31 December 2016
Assets		
Non - current assets		
Property, plant and equipment	8,192,225	8,352,332
Intangible assets	326,643	340,195
Total non - current assets	<u>8,518,868</u>	<u>8,692,527</u>
Current assets		
Inventories	3,203,855	3,155,723
Other current assets	543,295	639,668
Accounts receivable	2,835,587	2,677,057
Financial assets at fair value through statement of profit or loss	15,591	16,056
Amounts due from related parties	227,256	230,417
Checks under collection	1,023,442	1,023,442
Cash and cash equivalents	129,332	160,388
Total current assets	<u>7,978,358</u>	<u>7,902,751</u>
Total assets	<u><u>16,497,226</u></u>	<u><u>16,595,278</u></u>
Equity and liabilities		
Equity		
Paid - in capital	9,869,583	9,869,583
Statutory reserve	271,045	271,045
Accumulated losses	(13,490,090)	(12,707,532)
Deficit in equity	<u>(3,349,462)</u>	<u>(2,566,904)</u>
Liabilities		
Non - current liabilities		
Payments for capital increase	1,343,000	1,343,000
Bank facilities - long term	92,275	92,275
Postdated checks - long term	587,943	658,223
Total Non - current liabilities	<u>2,023,218</u>	<u>2,093,498</u>
Current liabilities		
Bank facilities - short term	8,765,365	8,306,597
Postdated checks - short term	376,320	306,040
Accounts payable	2,521,866	2,912,388
Amounts due to shareholders	937,952	921,608
Notes payable	36,602	89,596
Amounts due to related parties	3,475,019	2,825,272
Other liabilities	1,710,346	1,707,183
Total current liabilities	<u>17,823,470</u>	<u>17,068,684</u>
Total liabilities	<u>19,846,688</u>	<u>19,162,182</u>
Total equity and liabilities	<u><u>16,497,226</u></u>	<u><u>16,595,278</u></u>

"The accompanying notes from (1) to (5) are an integral part of these condensed interim consolidated financial statements and read with review report"

Middle East Pharmaceutical & Chemical Industries & Medical Appliances
Public Shareholding Company
Interim Consolidated Statement of Comprehensive Income
For the three months ended at 31 March 2017

(In Jordanian Dinar)

	31 March 2017	31 March 2016
Net sales	406,816	392,961
Cost of sales	<u>(705,531)</u>	<u>(665,981)</u>
Gross loss	(298,715)	(273,020)
Selling and distribution expenses	(90,236)	(307,636)
Administrative expenses	(195,914)	(170,416)
Change in fair value of financial assets through profit or loss	(464)	695
Depreciation and amortization	(34,511)	(45,842)
Net of other revenues	20,444	28,430
Financing cost	<u>(183,162)</u>	<u>(217,113)</u>
Total comprehensive loss for the period	<u>(782,558)</u>	<u>(984,902)</u>
Basic and diluted loss per share	<u>(0.079)</u>	<u>(0.10)</u>

"The accompanying notes from (1) to (5) are an integral part of these condensed interim consolidated financial statements and read with review report"

**Middle East Pharmaceutical & Chemical Industries & Medical Appliances
Public Shareholding Company
Interim Consolidated Statement of Changes in Equity
For the three months ended at 31 March 2017**

(In Jordanian Dinar)

	<u>Paid - in capital</u>	<u>Statutory reserve</u>	<u>Accumulated losses</u>	<u>Deficit in equity</u>
Balance at 1 January 2017	9,869,583	271,045	(12,707,532)	(2,566,904)
Comprehensive loss for the period	-	-	(782,558)	(782,558)
Balance at 31 March 2017	<u>9,869,583</u>	<u>271,045</u>	<u>(13,490,090)</u>	<u>(3,349,462)</u>
Balance at 1 January 2016	9,869,583	271,045	(9,220,436)	920,192
Comprehensive loss for the period	-	-	(984,902)	(984,902)
Balance at 31 March 2016	<u>9,869,583</u>	<u>271,045</u>	<u>(10,205,338)</u>	<u>(64,710)</u>

"The accompanying notes from (1) to (5) are an integral part of these condensed interim consolidated financial statements and read with review report"

**Middle East Pharmaceutical & Chemical Industries & Medical Appliances
Public Shareholding Company
Interim Consolidated Statement of Cash Flows
For the three months ended at 31 March 2017**

(In Jordanian Dinar)

	31 March 2017	31 March 2016
Operating activities		
Loss for the period	(782,558)	(984,902)
Depreciation and amortization	183,542	195,507
Change in fair value of financial assets through profit or loss	464	(695)
Financing cost	183,162	217,113
Changes in working capital		
Checks under collection	-	55,559
Accounts receivable	(158,530)	(83,476)
Inventories	(48,132)	(385,430)
Amounts due to/from related parties	652,908	1,811,507
Other current assets	96,373	(112,482)
Postdated checks	-	949,796
Accounts payable	(390,522)	282,775
Other liabilities	3,164	(932,541)
Net cash flows (used in) from operating activities	(260,129)	1,012,731
Investing activities		
Property, plant and equipment	(9,883)	(11,456)
Financing activities		
Bank facilities	458,768	(584,830)
Amounts due to shareholders	16,344	-
Notes payable	(52,994)	(2,584)
Financing cost paid	(183,162)	(217,113)
Net cash flows from (used in) financing activities	238,956	(804,527)
Net change in cash and cash equivalents	(31,056)	196,748
Cash and cash equivalents at beginning of the year	160,388	85,619
Cash and cash equivalents at end of the period	129,332	282,367

"The accompanying notes from (1) to (5) are an integral part of these condensed interim consolidated financial statements and read with review report"

Middle East Pharmaceutical & Chemical Industries & Medical Appliances
Public Shareholding Company
Notes to the Condensed Interim Consolidated Financial Statements (Not Audited)
31 March 2017
(In Jordanian Dinar)

1. General

Middle East Pharmaceutical & Chemical Industries & Medical Appliances established as a public shareholding company on 10 July 1993 and registered in the Hashemite Kingdom of Jordan under number (231), with the main objective of manufacturing human and veterinary medicines.

The Company shares are listed in Amman Stock Exchange - Jordan.

The condensed interim consolidated financial statements were authorized for issue by the Company's Board of Directors in their meeting held on 20 April 2017.

2. Summary of Significant Accounting Policies

Basis of preparation

The condensed interim consolidated financial statements of the Company have been prepared in accordance with International Accounting Standard number (34) "Interim Financial Reporting". They do not include all of the information required in annual financial statements in accordance with IFRSs, and should be read in conjunction with the consolidated financial statements of the Company for the year ended 31 December 2017.

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

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

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

Principles of Consolidation

The condensed interim consolidated financial statements comprise of the financial statements of the parent and its subsidiary where the Company has the power to govern the financial and operating policies of the subsidiary so as to obtain benefits from their activities. The financial statements of the subsidiary are prepared for the same reporting year as the Company using consistent accounting policies. All balances, transactions, income, and expenses between the Company and its subsidiary are eliminated.

Subsidiary are fully consolidated from the date of acquisition, being the date on which the Company obtains control, and continue to be consolidated until the date that such control ceases.

The results of operations of the subsidiary are included in the interim consolidated statement of comprehensive income from the acquisition date which is the date on which control over subsidiary is transferred to the Company. The results of operation of the disposed subsidiary are included in the interim consolidated statement of comprehensive income to the disposal date which is the date on which the Company loses control over the subsidiary.

The following subsidiary has been consolidated:

Company	Capital	Ownership	Activity	Registration country
Middle East Pharmaceutical	11,857	100%	Manufacturing & marketing	Algeria

Use of Estimates

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

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

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

Property, Plant and Equipment

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

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

Buildings	2-15%
Machines and equipment	2-20% (depending on production capacity)
Vehicles	10-20%
Other	5-10%

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

Intangible Assets

Intangible assets acquired separately are measured on initial recognition at cost.

Intangible assets with definite lives are amortized over the economic useful lives using the straight line method during a period from the date of purchase and assessed for impairment when there is an indication that the intangible asset may be impaired. Intangible assets are reviewed for any indication of impairment on the date of the condensed interim consolidated financial statements. The estimated useful lives are reassessed and any adjustments are made in the subsequent periods.

Intangible assets with indefinite lives are not amortized; it is only tested for impairment in value.

Inventories

Inventories are stated at the lower of cost or net realizable value. Cost is determined by the FIFO method. The cost of finished goods and work in progress comprises raw materials, direct labor, other direct costs and related production overheads.

Accounts Receivable

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

Financial Assets at Fair Value through Statement of Profit or Loss

It is the financial assets held by the company for the purpose of trading in the near future and achieving gains from the fluctuations in market prices in the short term or trading margins.

Financial assets at fair value through profit or loss are initially stated at fair value at acquisition date (purchase costs are recorded at the consolidated statement of profit or loss upon acquisition) and subsequently measured at fair value. Moreover, changes in fair value are recorded in the interim consolidated statement of profit or loss including the change in fair value resulting from translation of non-monetary assets stated at foreign currency. Gains or losses resulting from the sale of these financial assets are taken to the interim consolidated statement of profit or loss.

Dividends and interests from these financial assets are recorded in the interim consolidated statement of profit or loss.

Trading and Settlement Date Accounting

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

Fair Value

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

Cash and Cash Equivalents

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

Payables and Accruals

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

Provisions

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

Offsetting

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

Borrowing costs

Borrowing costs directly attributable to the acquisition, construction or production of a qualifying asset are capitalized during the period of time that is necessary to complete and prepare the asset for its intended use or sale. Other borrowing costs are expensed in the period in which they are incurred and reported in finance costs

Revenue Recognition

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

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

Other revenues are recognized on the accrual basis.

Research Costs

Research costs are expensed as incurred.

Development expenses

The development expenses are capitalized when the cost of the developing the products are identifiable and measurable reliably and there are economic benefit from sale or use of the product and the company provide the technical and financial resources necessary to complete the development operation. The recoverable value of the development expenses are reviewed periodically, in case of any impairment identified will included in the interim consolidated statement of the comprehensive income.

Grants and donations

Grants and donations are recognized when received at fair value as unearned revenue in the interim consolidated statement of comprehensive income in the same financial periods the related expenses are recognized, the donations related to a depreciable assets are recognized as revenue during the periods the donated asset are depreciated in line with the depreciation expense recognized for the year.

Foreign Currency

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

Income tax

Income tax expenses are accounted for on the basis of taxable income. Taxable income differs from income declared in the condensed interim consolidated financial statements because the latter includes non-taxable revenues or disallowed taxable expenses in the current year but deductible in subsequent years, accumulated losses acceptable by the tax law, and items not accepted for tax purposes or subject to tax.

Taxes are calculated on the basis of the tax rates according to the prevailing laws, regulations, and instructions of the countries where the Company operates.

3. Income Tax

- The Company has settled its tax liability with the Income Tax Department up to 2014.
- The income tax returns for the years 2015 and 2016 have been filed with the Income Tax Department, but the Department has not reviewed the Company's records till the date of this report.
- No income tax provision was calculated for the three months ended at 31 March 2017, as the Company has no taxable income.

4. Financial Instruments

Financial instruments comprise of financial assets and financial liabilities. Financial assets of the Company include cash and cash equivalents, checks under collection, securities, account receivables and financial investments. Financial liabilities of the Company include bank facilities, notes payable, accounts payable, amounts due to related parties and postdated checks.

Fair value

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

Credit risk

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

Interest rate risk

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

Currency risk

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

Liquidity risk

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

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

31 March 2017	Less than one year	More than one year	Total
Payments for capital increase	-	1,343,000	1,343,000
Bank facilities	8,765,365	92,275	8,857,640
Postdated checks	376,320	587,943	964,263
Amount due to shareholders	937,952	-	937,952
Accounts payable	2,521,866	-	2,521,866
Notes payable	36,602	-	36,602
Amounts due to related parties	3,475,019	-	3,475,019
Other liabilities	1,710,346	-	1,710,346
	<u>17,823,470</u>	<u>2,023,218</u>	<u>19,846,688</u>

31 December 2016	Less than one year	More than one year	Total
Payments for capital increase	-	1,343,000	1,343,000
Bank facilities	8,306,597	92,275	8,398,872
Postdated checks	306,040	658,223	964,263
Amount due to shareholders	921,608	-	921,608
Accounts payable	2,912,388	-	2,912,388
Notes payable	89,596	-	89,596
Amounts due to related parties	2,825,272	-	2,825,272
Other liabilities	1,707,183	-	1,707,183
	<u>17,068,684</u>	<u>2,093,498</u>	<u>19,162,182</u>

Equity Price Risk

Equity price risk results from the change in the fair value of equity securities. The Company manages these risks through the diversification of investments in several geographical areas and economic sectors. If the quoted market price of listed equity securities had increased or decreased by 10%, the comprehensive income for the three months ended at 31 March 2017 would have been reduced / increased by JOD (1,559) (2016: JOD 1,722).

5. Going concern

We draw attention to the condensed interim consolidated financial statements, which indicates that the Company's current liabilities exceeded its current assets by JOD (9.8) million, also the Company accumulated losses reached 136% of its capital. These events or conditions, along with other matters indicate that a material uncertainty exists that may cast significant doubt on the Company's ability to continue as a going concern; also it requires them to comply with the Article No. (266) of the Jordanian Companies Law.

The plan proposed by the Board of Directors included the necessary procedures to ensure its continuity and ability to meet its obligations by increasing capital and working to open new markets and deal with new agents in existing markets.