الشركة الأردنية لإنتاج الأدوية (ش.م.ع)
Jordanian Pharmaceutical Manufacturing Co. P.L.C.

للاطلاع
+ بورصة عمان
+ البديع
البيعبالي
٤١٣

Date:29/3/2018
Nu : F/2018/157

TO: Jordan Securities Commission
Amman Stock Exchange

Subject: The annual financial statements as of 31 /12/ 2017

Attached the annual financial statements of The Jordanian Pharmaceutical .Manufacturing Co. (PLC) as of 31 December 2017

Kindly Accept Our Highly Appreciation And Respect

General Director

Saleh AL-Shanteer

الشركة الأردنية لإنتاج الأدوية ش.م.ع
JPM
The Jordanian Pharmaceutical Manufacturing Co. Plc.

هيئة الأوراق المالية
الدائرة الادارية / الديوان
٠٣ نيسان ٢٠١٨
الرقم المتسلسل ٢٥٨٠١
الجهة المختصة ١٢/١ افصاح

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Jordanian Pharmaceutical Manufacturing Group
Public Shareholding Company
Consolidated Financial Statements
31 December 2017

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Independent Auditor's Report

TO THE SHAREHOLDERS
JORDANIAN PHARMACEUTICAL MANUFACTURING GROUP
PUBLIC SHAREHOLDING COMPANY
AMMAN, JORDAN

Qualified opinion

we have audited the consolidated financial statements of the Jordanian Pharmaceutical Manufacturing group, which comprise the consolidated statement of financial position as of 31 December 2017, the consolidated statement of comprehensive income, consolidated statement of changes in equity, and consolidated cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information.

In our opinion, except for the possible effects of the matter described in the basis of qualified opinion paragraph, the consolidated financial statements present fairly, in all material respects, the financial position of The Jordanian Pharmaceutical Manufacturing group as of 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 qualified opinion

The accompanying consolidated financial statements include financial assets at fair value through other comprehensive income, investment in associates, accounts receivable, and due from related parties with a net book value of JD 9,8 million. we were unable to verify If there is any Impairment in Its value as a result of lack of available updated audited financial statements and sufficient information available, Therefore, we were unable to determine the impact of the Group's consolidated financial statements and were also unable to determine the recoverable of investments amount, and the Group has not reached a final settlement with accounts receivable, and due from related parties.

As stated In Note (25) to the consolidated financial statements, regarding to the income tax for the years 2012,2011,2009 there are tax obligations amounted to JD 2 079 132, the Group's did not settle or offset any sufficient provisions against these obligations.

We conducted our audit in accordance with International Standards on Auditing. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the consolidated Financial Statements section of our report. We are independent of the group in accordance with the International Ethics Standards Board for Accountants' Code of Ethics for Professional Accountants (IESBA Code) together with the other ethical requirements in Jordan that are relevant to our audit of the Group consolidated financial statements, and we have fulfilled our other ethical responsibilities.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for qualified opinion.

Material Uncertainty Related to Going Concern

As stated In Note (32) to the consolidated financial statements, there are significant events and circumstances reflected by financial indicators related significant doubt on the Group ability to continue as a going concern. In this regard, the Group's management has prepared a new plan to address the risk of sustainability. the Group ability to continue as a going concern depends on to obtain additional financing and continues its operational activities.

Emphasis of a matter

Without further qualification In our opinion, as stated In Note (25) to the consolidated financial statements, Dellas For Natural Products (subsidiary company own 100% by the Group) submitted the tax returns for the years 2013, and 2012 the Income and Sales Tax Department reviewed the Group's records. The review resulted in tax differences of approximately JD 69 760. Consequently, the Company filed a lawsuit on 6 December 2015 objecting to the review, which is still pending at the Tax Court based on the expert's report. the Group's did not settle or offset any provision against this obligation.

Without further qualification In our opinion, as stated In Note (30) to the consolidated financial statements, on 11 June 2017, a claim was filed by Al Noor Drug Store (Group former agent in United Arab Emirates), subject to the request for approval and enforcement of a foreign judgment in the Hashemite Kingdom of Jordan amounted to JD 5 757 716. On 30 June 2017, a decision issued by the emergency proceedings judge guaranteeing a reserve against the Group in return for the plaintiff providing a legal guarantee in the amount of JD 1 200 000. The plaintiff filed the guarantee on 21 November 2017, On 17 December 2017, the Group appealed the decision, A decision issued by The Court of Appeal on 15 January 2018 to refund appeal and to support the appellant's decision. On 28 January 2018, a request for permission was filed to cassation decision. However, on 4 February 2018, The Court of Cassation reject the application.

In accordance with the previous recommendation of the Group's legal advisor, The Group prepared provision for doubtful debt amounting to JD 741 519 to meet the debit balance of Al Noor Drug Store.

Without further qualification In our opinion, as stated In Note (30) to the consolidated financial statements, Ammoun International Multilateral Investments Company filed an arbitration claim against the Group, were the arbitrator that issued a decision against the Group to revoke the signed contract between the Group and Ammoun International Multilateral Investments Company in 2009 amounted JD 3 808 000,were the company purchased shares in Aragen For Technical Organic Company from the Group and consider the contract has been cancelled. the Group’s management did not settle or offset any provision against this obligation.

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 statements of the current year. 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:

Valuation of inventories

The evaluation of inventories to net realizable value is considered a key audit matter for our audit. It requires the group's management to use assumptions to assess the comparing the recoverable amount of the inventories with the book value. The group has large values of inventories which increases the risk of having impairment of these amounts the balance of inventories amounted to JD 7 540 524 as of 31 December 2017. This requires making assumptions and using estimates to take the provision for the impairment in those inventories.

Scope of Audit to Address Risks

The followed audit procedures Included understanding inventories and testing evaluation of inventories to net realizable value. As such, we have studied and understood the Company’s adopted policy for pricing the inventories Comparison with historical cost.

Other Information

Management is responsible for the other information. The other information comprises of the information stated in the Annual Report and does not include the consolidated financial statements and our auditor's report thereon. The Annual Report is expected to be made available to us after the date of this auditor's report. Our opinion on the consolidated financial statements does not cover the other information and we will not express any form of assurance conclusion thereon.

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

Responsibilities of Management and Those Charged with Governance for the Consolidated Financial Statements

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

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

Those charged with governance are responsible for overseeing the group financial reporting process.

Auditor's Responsibilities for the Audit of the Consolidated Financial Statements

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not a guarantee that an audit conducted in accordance with International Standards on Auditing will always detect a material misstatement when it exists.

Misstatements can arise from fraud or error and are considered material if they, individually or in the aggregate, could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

As part of an audit in accordance with International Standards on Auditing, we exercise professional judgment and maintain professional skepticism throughout the audit. We also

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risk, 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 the one resulting from error, as fraud may involve collusion, forgery, intentional omission, 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 group 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 evidenced obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the group ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor’s report to the related disclosures in the consolidated financial statements or, if such disclosure is inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor’s report. However, future events or conditions may cause the group to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the consolidated financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements.

We are responsible for the direction, supervision and performance of the group audit and we remain solely responsible for our audit opinion.

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 material deficiencies in internal control that we identify during our audit.

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

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

Report on Other Legal and Regulatory Requirements

The Group maintains proper accounting records, duly organized and in line with the accompanying consolidated financial statements, and we recommend that they be approved by the General Assembly shareholders these financial statements, taking into consideration the possible effect of what is mentioned under the "Basis for Qualified Opinion" section and the effect of what is mentioned under the "Emphasis of a Matter" section.

Amman – Jordan
25 March 2018

المجموعة المهنية العربية · محاسبون قانونيون
RSM
Certified Public Accountants
RSM Jordan

CONSOLIDATED STATEMENT OF FINANCIAL POSITION
31 DECEMBER 2017

Assets	Notes	2017 JD	2016 JD
Non - Current Assets			
Assets held under capital lease	3	8 148 704	8 302 008
Intangible assets	4	2 255 599	3 335 898
Property, Plant and equipment	5	3 735 005	3 584 133
Investment in associates	6	3 775 883	5 136 659
Financial assets at fair value through other comprehensive Income	7	1 587 051	1 587 051
Total Non - Current Assets		**19 502 242**	**21 945 749**
Current Assets			
Other debit balances	8	909 147	1 277 660
Inventory	9	7 540 524	7 281 851
Due from related parties	29	2 396 454	3 252 890
Accounts receivable	10	13 067 451	9 305 874
Checks under collection	11	1 105 443	227 831
Cash and cash equivalents	12	1 189 558	207 704
Total Current Assets		**26 208 577**	**21 553 810**
Total Assets		**45 710 819**	**43 499 559**
Equity and liabilities			
Equity			
Shareholders' Equity	13		
Share Capital		25 312 500	25 312 500
Statutory reserve		2 027 703	1 805 152
Fair value reserve		436 720	436 720
Accumulated losses		(14 140 002)	(14 938 071)
Total Shareholders' Equity		**13 636 921**	**12 616 301**
Non – controlling interest		(78 854)	73 268
Total Equity		**13 558 067**	**12 689 569**
Non – Current Liabilities			
Long-term excess of proceeds from sale and leaseback	14,15	1 665 433	1 780 291
Long-term capital lease obligations	15	8 438 651	8 719 591
Long-term notes payable	15	5 199 062	5 040 184
Long-term postdated checks	15	67 000	469 000
Total Non - Current Liabilities		**15 370 146**	**16 009 066**
Current Liabilities			
Other credit Balances	16	6 442 794	5 990 715
Short-term excess of proceeds from sale and leaseback	14,15	114 858	114 858
Short-term capital lease obligations	15	354 204	313 314
Short-term notes payable	15	4 612 867	2 604 191
Short-term postdated checks	15	683 976	1 175 961
Due to related parties	29	64 233	64 456
Accounts payable		3 836 393	4 230 696
Banks overdraft	15	673 281	306 733
Total Current Liabilities		**16 782 606**	**14 800 924**
Total Liabilities		**32 152 752**	**30 809 990**
Total equity and liabilities		**45 710 819**	**43 499 559**

The accompanying notes from 1 to 34 are an integral part of these consolidated financial statements and should be read with them.

JORDANIAN PHARMACEUTICAL MANUFACTURING GROUP
PUBLIC SHAREHOLDING COMPANY
CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME
31 DECEMBER 2017

	Notes	2017 JD	Restated note (31) 2016 JD
Sales	17	27 488 192	17 737 941
Cost of sales	18	(9 750 369)	(7 214 885)
Gross profit		**17 737 823**	**10 523 056**
Selling and distribution expenses	19	(9 349 495)	(9 434 309)
Administrative expenses	20	(2 255 788)	(2 545 157)
Financing expenses		(1 357 028)	(1 205 882)
Amortization	4	(1 121 914)	(1 158 317)
write off inventories		(639 421)	(917 766)
Transfer of technical knowledge		45 693	145 000
Other revenues	21	28 335	(277 139)
impairment of investment in associates	6	(5 443 104)	-
Reversed from impairment of investment in associates	6	4 082 328	-
Provision for impairment – investment in associates	6	-	(1 360 776)
Net profit (losses) before income tax		**1 727 429**	**(6 231 290)**
Prior year income tax		(735 783)	-
Income tax		(123 148)	-
Total comprehensive Income (losses) for the year		**868 498**	**(6 231 290)**
Attributable to:			
Company shareholders		1 020 620	(6 111 988)
Non-controlling interest	13	(152 122)	(119 302)
		868 498	**(6 231 290)**
Basic and diluted earnings Profit (loss) per share	22	**0.040 JD**	**(0.241) JD**

The accompanying notes from 1 to 34 are an integral part of these consolidated financial statements and should be read with them.

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
31 DECEMBER 2017

	Share capital JD	Share premium JD	Statutory reserve JD	Voluntary reserve JD	Fair value reserve JD	Accumulated Losses JD	Company shareholders JD	Non-controlling interest JD	Total JD
31 DECEMBER 2015	**25 312 500**	**2 000 000**	**1 805 152**	**6 085 839**	**436 720**	**(16 911 922)**	**18 728 289**	**192 570**	**18 920 859**
Losses written off	-	(2 000 000)	-	(6 085 839)	-	8 085 839	-	-	-
Total comprehensive losses for the year	-	-	-	-	-	(6 111 988)	(6 111 988)	(119 302)	(6 231 290)
31 DECEMBER 2016	**25 312 500**	**-**	**1 805 152**	**-**	**436 720**	**(14 938 071)**	**12 616 301**	**73 268**	**12 689 569**
Transfer	-	-	222 551	-	-	(222 551)	-	-	-
Total comprehensive income for the year	-	-	-	-	-	1 020 620	1 020 620	(152 122)	868 498
31 DECEMBER 2017	**25 312 500**	**-**	**2 027 703**	**-**	**436 720**	**(14 140 002)**	**13 636 921**	**(78 854)**	**13 558 067**

The accompanying notes from 1 to 34 are an integral part of these consolidated financial statements and should be read with them.

CONSOLIDATED STATEMENT OF CASH FLOWS
31 DECEMBER 2017

	Notes	2017 JD	2016 JD
Operating Activities			
Net profit (losses) before income tax		1 727 429	(6 231 290)
Adjustments for			
Depreciation and amortization	5.4.3	1 672 349	1 904 755
Financing expenses		1 357 028	1 205 882
write off inventories		639 421	917 766
Provision for impairment – investment in associates	6	1 360 776	1 360 776
Changes in Assets and Liabilities			
Checks under collection		(877 612)	(141 870)
Accounts receivable		(3 761 577)	1 058 622
Due from related parties		856 436	710 736
Inventories		(898 094)	(1 556 376)
Other debit balances		368 513	122 698
Accounts payable		(394 303)	864 510
Due to related parties		(223)	(546)
Other credit balances		(406 852)	1 789 820
Net Cash from Operating Activities		**1 643 291**	**2 005 483**
Investing Activities			
Purchase of property, plant and equipment	5	(548 003)	(191 891)
Intangible assets	4	(41 615)	(35 624)
Net Cash Used in Investing Activities		**(589 618)**	**(227 515)**
Financing Activities			
Banks overdraft		366 548	(58 099)
Capital lease obligations		(240 050)	(285 486)
Postdated checks		(893 985)	(551 919)
Notes payable		2 167 554	128 912
Paid financing expenses		(1 471 886)	(1 320 739)
Net Cash Used in Financing Activities		**(71 819)**	**(2 087 331)**
Net Change in Cash and Cash Equivalents		**981 854**	**(309 363)**
Cash and cash equivalents at 1 January	12	207 704	517 067
Cash and Cash Equivalents at 31 December	12	**1 189 558**	**207 704**

The accompanying notes from 1 to 34 are an integral part of these consolidated financial statements and should be read with them.

1) General

Jordanian Pharmaceutical Manufacturing Company was established on 27 January 2004 as a result of merged with Al Razi Pharmaceutical Industries Company and the Jordanian Pharmaceutical Manufacturing and Medical Equipment Company.

The Company's main activities are manufacturing medical, chemical and pharmaceutical products.

The Company General Assembly in its extraordinary meeting held on 29 August 2013 approved to increase its capital up to JD 20 000 000, It has been initial public offering total of JD 5 312 500 Until 5 February 2015.

The accompanying consolidated financial statements were approved by the Board of Directors in its meeting held on 25 March 2018 and it is subject to the General Assembly Approval.

2) Significant Accounting Policies

Basis of preparation of the financial statements

The accompanying consolidated financial statements of the Group have been prepared in Accordance with International Financial Reporting Standards issued by the International Accounting Standards Board (IASB) and their related interpretations issued by IASB.

The consolidated financial information is prepared in accordance with the historical cost principle, except for certain financial assets and financial liabilities which are stated at fair value as of the date of the consolidated financial information.

The consolidated financial statements are presented in Jordanian dinars, which is the functional currency of the Group.

The accounting policies adopted in the preparation of the consolidated financial information are consistent with those adopted for the year ended 31 December 2016.

Principles of consolidation

The consolidated financial statements comprise of the financial statements of the Company and its subsidiaries where the Company has the power to govern the financial and operating policies of the subsidiaries to obtain benefits from their activities. The financial statements of the subsidiaries 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 subsidiaries are eliminated.

Subsidiaries 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 subsidiaries are consolidated in the income statements from the acquisition date, which is the date on which control over subsidiaries is transferred to the Company. The results of operation of the disposed subsidiaries are consolidated in the income statement to the disposal date, which is the date on which the Company loses control over the subsidiaries

The following subsidiaries have been consolidated:

	Capital JD	Ownership percentage	Principal activity
Dellas for Natural Products *	150 000	%100	pharmaceutical industries
Suagh for Pharmaceutical Manufacturing *	150 000	%100	pharmaceutical industries
Jordanian Algerian pharmaceutical Manufacturing	188 800	66,%99	Marketing drugs
Aragen for technical organic *	1 400 000	%70	Laboratory reagents
Aragen for technical organic (Free zones)	30 000	%70	pharmaceutical industries

* The percentage of the constituent contribution registered in the name of the General Manager Dr. Adnan Badwan in the company of Dellas for Natural Products, and Suagh for Pharmaceutical Manufacturing are (6.66%) and his constituent contribution of Aragen for technical Organic is (10%). The shares of the General Manager are not mentioned as non-controlling interest, during February 2012, The Group acquired some additional extra shares in Aragen for technical Organic by (3%) to become the ownership of (70%).

Segment reporting

Business segments represent distinguishable components of the Group that are engaged in providing products or services which are subject to risks and rewards that are different from those of other segments and are measured based on the reports sent to the chief operating decision maker.

Geographical segments are associated to products and services provided within a particular economic environment, which are subject to risks and rewards that are different from those of other economic environments.

Property, plant and equipment

Property, plant and equipment are stated at cost net of accumulated depreciation and any impairment loss in Its value, Moreover Property and Equipment (except for land) are depreciated according to the straight- line method over the estimated useful lives when ready for use of these assets using the following annual rates:

	%
Buildings	4
Purification plant	4
Machines line (subject to the plant utilized capacity)	5-10
Furniture	10
Vehicles	15
Office equipment’s	10-25

- When the carrying amount of property and equipment exceeds their recoverable value, assets are written down and impairment loss is recorded in the statement of comprehensive income.
- The useful lives of property and equipment are reviewed at the end of each year, in case the expected useful life is different from what was determined before the change in estimate is recorded in the following years being a change in estimates.
- Property and equipment are derecognized when disposed or when there is no expected future benefit from their use.

Intangible assets

Intangible assets, which have definite useful lives, are amortized over their useful lives. Amortization is recognized in the statement of profit or loss and other comprehensive income; however, intangible assets without definite useful lives should not be amortized and are required to be tested for impairment as of the date the financial statement. Impairment Joss shall be recognized in the statement of statement of profit or loss and other comprehensive income.

The intangible assets are amortized over their useful lives using the following rates:

	%
Patent	7
Bio-equivalent studies	7
Medicine registration	20

Investment in Associate

Associate is those in which the Group exerts significant influence over the financial and operating policy decisions, and in which the Group holds between 20% and 50% of the voting rights. Investment in associated Group is accounted for according to the equity method. Transactions and balances between the Group up and the associate is eliminated to the extent of the Group’s ownership in the associate.

Impairment Financial Assets

The bank reviews the value of financial assets on the date of the consolidated statement of financial Position in order to determine if there are any indications of impairment in their value individually or in the form of a portfolio, in case such indications exist the recoverable value is estimated so as to determine the impairment loss.

Financial Assets at Fair Value through other Comprehensive Income

These financial assets represent the investments in equity instruments held for the long term. These financial assets are recognized at fair value plus transaction costs at purchase date and are subsequently measured at fair value in the consolidated statement of comprehensive income and within owner's equity including the changes in fair value resulting from translation of non-monetary assets stated in foreign currency. Gain or loss from the sale of these investments or part of them should be recognized in the consolidated statement of comprehensive income and within owner's equity and the balance of the revaluation reserve for these assets should be transferred directly to the retained earnings not to the consolidated statement of income.

No impairment testing is required for these assets.

Dividends are recorded in the consolidated statement of income.

Fair Value

Fair value represents the closing market price (Assets Purchasing / Liabilities Selling) of financial assets and derivatives on the date of the consolidated financial statements.

In case declared market, prices do not exist active trading of some financial assets and derivatives is not available or the market is inactive fair value is estimated by one of several methods including the following:

- Comparison with the fair value of another financial asset with similar terms and conditions.
- Analysis of the present value of expected future cash flows for similar instruments.
- Adoption of the option pricing models.

Evaluation of long-term assets and liabilities that bear no interest through discounting cash flows and amortizing premium / discount using the effective interest rate method within interest revenue / expense in the consolidated statement of income.

The valuation methods aim to provide a fair value reflecting the market's expectations taking into consideration the market expected risks and expected benefits when the value of the financial assets. When the financial assets fair value can't be reliably measured, they are stated at cost less any impairment.

Recognition of Financial Assets Date

Purchases and sales of financial assets are recognized on the trading date (which is the date on which the Bank commits itself to purchase or sell the assets.

Inventory

Inventories are stated at the lower of cost or net realizable value.

Cost is determined by the first in, first out (FIFO) method.

The cost of finished goods and work in progress comprises raw materials, direct labor, other direct costs and related production overheads determined by weighted average.

Accounts Receivable

Accounts receivable are stated at net realizable value after deducting a provision for doubtful debts.

A provision for doubtful debts Is booked when there is objective evidence that the Company will not be able to recover whole or part of the due amounts at the end of the year. When the Company collects previously written-off debts, it recognizes the collected amounts in other revenues in the statement of comprehensive Income. Furthermore, revenue and commission from doubtful debts are suspended and recognized as revenue upon collection.

Moreover, debts are written-off when they become uncollectible or are derecognized

Cash and Cash Equivalents

Cash and cash equivalents comprise cash on, and balances at banks and deposits at banks maturing within three months, less bank overdrafts and restricted balances.

Accounts payables and accruals

Accounts payables are obligations to pay for goods or services that have been acquired in the ordinary course of business from suppliers. Trade payables are classified as current liabilities if payment is due within one year or less. If not, they are presented as non-current liabilities.

Capital leases
Finance leases, which transfer to the Group substantially all the risks and benefits incidental to ownership of the leased item, are capitalized at inception of the lease at the fair value of the leased asset or, if lower, the present value of the minimum lease payments. Lease payments are apportioned between the finance charges and reduction of the lease liability so as to achieve a constant rate of interest on the remaining balance of the liability. Finance charges are recognized directly in the consolidated income statement.

Loans
All term loans are initially recognized at the fair value of the consideration received less directly attributable transaction costs. After initial recognition, interest bearing loans and bonds are subsequently measured at amortized cost using the effective interest method.

Offsetting
Financial assets and financial liabilities are offset, the net amount is presented in the consolidated statement of financial position only when there is a legal right to offset the recognized amounts, and the Group intends to either settle them on a net basis or to realize the assets and settle the liabilities simultaneously.

Provisions
Provisions are recognized when the Group has an obligation as of the date of the consolidated financial statements as a result of past events, the obligation is likely to be settled, and a reliable estimate can be made of the amount of the obligation.

Provision for employees' end-of-service indemnity
The required provision for end-of-service indemnity for the year is recorded in the consolidated statement of income while payments to departing employees are deducted from the provision amount, Indemnities paid in excess of the provision is taken to the consolidated statement of income upon payment while the required provision for end-of-service indemnities for the year is recorded in the consolidated statement of income.

Employees Benefits
The pension obligation is measured at the present value of estimated future cash flows using a discount rate that is similar to the interest rate on government bonds.
The Group records the accrued benefits which mature during the year after the date of the consolidated financial statements within current liabilities and records the accrued benefits which mature after one year of the date of the consolidated financial statements within non-current liabilities.

Revenue recognition and expenses realization
Sales are recognized upon delivery of products and customer acceptance, if any, or on the performance of services. Sales are shown net of sales taxes and discounts, and after eliminating sales within the company.
Other income is realized and recognized on the accrual basis.
Dividends are recognized when the shareholders' right to receive payment is established.
Expenses are recognized on an accrual basis.

Related parties
Transactions with related parties represent transfer of resources, services, or obligations between related parties. Terms and conditions relating to related party transactions are approved by management

Income Taxes
Income tax expenses represent current and deferred taxes for the year.
Income tax expense is measured based on taxable income. Taxable income differs from income reported in the consolidated financial statements, as the latter includes non-taxable revenue, tax expenses not deductible in the current year but deductible in subsequent years, accumulated losses approved by tax authorities and items not accepted for tax purposes or subject to tax.

Taxes are calculated based on the enacted tax rates according to the prevailing laws, regulations and instructions of The Hashemite Kingdom of Jordan.

Deferred taxes are Taxes expected to be incurred or recovered as a result of temporary timing differences between the value of the assets and liabilities in the consolidated financial statements and their respective tax basis. Deferred taxes are calculated based on the liability method, and according to the rates expected to be enacted when it is anticipated that the liability will be settled or when tax assets are recognized.

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 respective assets. All other borrowing costs are expensed in the period they occur. Borrowing costs consist of interest and other costs that an entity incurs in connection with the borrowing of funds.

Foreign Currency

Transactions in foreign currencies during the year are recorded at the exchange rates prevailing at the date of the transaction.

Financial assets and financial liabilities denominated in foreign currencies are translated at the average exchange rates prevailing on the balance sheet date and declared by the Central Bank of Jordan

Accounting estimates

Preparation of the consolidated financial statements and the application of the accounting policies requires the management to perform assessments and assumptions that affect the amounts of financial assets, financial liabilities, and fair value reserve and to disclose contingent liabilities. Moreover, these assessments and assumptions affect revenues, expenses, provisions, and changes in the fair value shown in the consolidated statement of other comprehensive income and owners' equity. In particular, this requires the Group management to issue significant judgments and assumptions to assess future cash flow amounts and their timing. Moreover, the said assessments are necessarily based on assumptions and factors with varying degrees of consideration and uncertainty. In addition, actual results may differ from assessments due to the changes resulting from the conditions and circumstances of those assessments in the future.

3) Assets held under capital lease

	Lands JD	Buildings JD	Other JD	Total JD
Cost				
31 December 2016	1 832 692	7 342 224	26 891	9 201 807
31 December 2017	**1 832 692**	**7 342 224**	**26 891**	**9 201 807**
Accumulated depreciation				
31 December 2016	-	894 574	5 225	899 799
Depreciation	-	152 228	1 076	153 304
31 December 2017	**-**	**1 046 802**	**6 301**	**1 053 103**
Net book value				
31 December 2016	1 832 692	6 447 650	21 666	8 302 008
31 December 2017	**1 832 692**	**6 295 422**	**20 590**	**8 148 704**

The group get the finance needed by selling AL Razi Industrial complex (a group property) located in Um Al Amad to Islamic Jordan bank with the amount of JD 8 500 000 (roughly) including the transfer fees , And leaseback the property to re own it by the group in 10 years agreement , with a rent rate of 5% yearly to assure the group right of re-own the property in the case of early payment of contract obligations.in June 30th ,2013 the contract was terminated and re contracting to re own the property in 20 years

4) Intangible Assets

	Patent JD	Bio-equivalent studies JD	Medicine registration JD	Total JD
Cost				
31 December 2016	3 880 134	5 294 943	1 318 873	10 493 950
Additions	-	39 000	2 615	41 615
31 December 2017	**3 880 134**	**5 333 943**	**1 321 488**	**10 535 565**
Accumulated depreciation				
31 December 2016	3 517 860	2 481 048	1 159 144	7 158 052
Depreciation	237 974	807 302	76 638	1 121 914
31 December 2017	**3 755 834**	**3 288 350**	**1 235 782**	**8 279 966**
Net book value	**124 300**	**2 045 593**	**85 706**	**2 255 599**

5) Property, plant and equipment

	Lands JD	Buildings JD	Machines JD	Equipment JD	Vehicles JD	Furniture JD	Total JD
2016							
Cost							
31 December 2015	490 127	3 887 582	9 208 237	2 802 536	325 527	697 258	17 411 267
Additions	-	-	33 001	153 008	-	5 882	191 891
31 December 2016	**490 127**	**3 887 582**	**9 241 238**	**2 955 544**	**325 527**	**703 140**	**17 603 158**
Accumulated depreciation							
31 December 2015	-	1 672 245	8 356 589	2 434 051	287 482	675 524	13 425 891
Depreciation	-	157 423	276 564	136 005	5 316	17 826	593 134
31 December 2016	**-**	**1 829 668**	**8 633 153**	**2 570 056**	**292 798**	**693 350**	**14 019 025**
Net book value	**490 127**	**2 057 914**	**608 085**	**385 488**	**32 729**	**9 790**	**3 584 133**
2017							
Cost							
31 December 2016	490 127	3 887 582	9 241 238	2 955 544	325 527	703 140	17 603 158
Additions	-	-	51 240	487 311	-	9 452	548 003
31 December 2017	**490 127**	**3 887 582**	**9 292 478**	**3 442 855**	**325 527**	**712 592**	**18 151 161**
Accumulated depreciation							
31 December 2016	-	1 829 668	8 633 153	2 570 056	292 798	693 350	14 019 025
Depreciation	-	157 421	73 227	160 825	-	5 658	397 131
31 December 2017	**-**	**1 987 089**	**8 706 380**	**2 730 881**	**292 798**	**699 008**	**14 416 156**
Net book value	**490 127**	**1 900 493**	**586 098**	**711 974**	**32 729**	**13 584**	**3 735 005**

6) Investment in associates

	Country	Nature of Activity	2017 JD	2016 JD
*Azal Company	Eretria	Pharmaceutical	2 370 909	2 370 909
**Fenal Pharma	Mozambique	Pharmaceutical	649 944	3 249 720
***BelVitunipharm	Belarus	Pharmaceutical	710 832	3 554 160
Aragen Algerian pharmaceutical	Algeria	Pharmaceutical	44 198	44 198
			3 775 883	**9 218 987**
Provision for impairment – investment in associates			-	(4 082 328)
			3 775 883	**5 136 659**

Movement of the Provision for impairment – investment in associates which represent 60% of investment in Fenal Pharma and BelVitunipharm where the group recognized 80% as an impairment during the years was as follow:

	2017 JD	2016 JD
Balance as at January 1	4 082 328	2 721 552
Provision for the year	-	1 360 776
Reversed from impairment of investment in associates	(4 082 328)	-
Balance as at December 31	-	**4 082 328**

*The group share of 42% in Azal Company during 2015 was declared with the amount of JD 36 698 based on financial reports made for managerial purpose because there was no Any audited financial reports for 2014, the group share in Azal Company during 2013 was declared with the amount of JD 986 179 based on financial reports made for managerial purpose because there was not any audited financial reports for 2012 , the group share in owners' equity of Azal Company was declared with the amount of JD 2 370 909 JD. 1 022 877 JD higher than the book value due to the group right of declaring the amount of owners' equity up to the value of the group contribution in the capital, and due to the decision of government party regulations who organized the investment in Azal Company which state that the owners' equity is not affected by any loss until the end of 2010.

**The group share of 45% in Fenal Pharma in Mozambique was not recognized as a result of lack of available updated audited financial statements and sufficient information available reports since the establishment of the company.

***This investment includes a partnership agreement with the government company BelVitunipharm in Belarus made by the end of 2010 to establish public shareholding company with the amount of USD 25 440 931(equivalent of the exchange rate of Belarus Ruble by the end of 2010), the group share will be around 53% contribution from cash USD 20 000 and non-cash (Transfer of technical knowledge) Equivalent to USD 13 480 000.

Where the government approved and accept 35% from statements mentioned above the group recognized this amount from non-cash (Transfer of technical knowledge) during 2011.

The group record during 2017 refer to incomplete the activation of the agreement and there isn't updated audited financial statements and sufficient information available for the company mentioned above.

7) Financial assets at fair value through other comprehensive Income

	Country	2017 JD	2016 JD
Arab Pharmaceutical Industries Company	Tunisia	1 595 991	1 595 991
Tasile Tafco Company	Algeria	468 600	468 600
Al Obor Al Masria Company	Egypt	422 460	422 460
		2 487 051	**2 487 051**
Provision for impairment – Financial assets		(900 000)	(900 000)
		1 587 051	**1 587 051**

Financial assets at fair value through other comprehensive income shown at cost which for unqutated companies in the financial markets, and Their fair value cannot be measured with sufficient reliability.

8) Other debit balances

	2017 JD	2016 JD
Letters of credit	312 078	364 863
Employees receivable	147 517	269 265
Prepaid expenses	140 488	281 903
Sales tax deposits	95 663	146 062
Others	89 103	88 577
Cash margin	52 008	51 873
Refundable deposits	38 857	42 553
Income tax deposits	33 433	32 564
	909 147	**1 277 660**

9) Inventory

	2017 JD	2016 JD
Finished goods	4 142 097	4 186 139
Raw materials	1 916 218	1 759 330
packaging and wrapping	930 600	1 006 297
Spare parts and others	551 609	330 085
	7 540 524	**7 281 851**

10) Accounts receivable

	2017 JD	2016 JD
Local receivables	4 277 825	4 573 686
Foreign receivables	22 105 331	18 047 893
	26 383 156	**22 621 579**
Provision for doubtful accounts	(13 315 705)	(13 315 705)
	13 067 451	**9 305 874**

Movement of the allowance for doubtful receivables during the years was as follow:

	2017 JD	2016 JD
Balance at 1 January	13 315 705	12 874 417
Transferred	-	441 288
Balance at 31 December	**13 315 705**	**13 315 705**

11) Checks under collection

	2017 JD	2016 JD
Checks with local banks	12 568	82 355
Checks on hand	1 092 875	145 476
	1 105 443	**227 831**

The maturity dates of checks under collection is up to one year

12) Cash and cash equivalents

	2017 JD	2016 JD
Cash on hand	752 287	122 704
Cash at banks	437 271	85 000
	1 189 558	**207 704**

13) Equity

Capital
The company's authorized capital JD 40 000 000 shares, the company's paid in capital is JD 25 312 500 divided equally into 25 312 500 shares at par value at JD 1 per share.

Statutory reserve
Statutory reserve is allocated according to the Jordanian Companies Law by deducting 10% of the annual net profit until the reserve equals 25% of the Company's subscribed capital However, the Company may, with the approval of the General Assembly, continue to deduct this annual ratio until this reserve equals the subscribed capital of the Company in full. Such reserve is not available for dividends distribution. The General Authority may, after depletion the other reserves, decide at an extraordinary meeting to resolve the accumulated losses from the amounts collected in the Statutory reserve account, provided that they are rebuilt in accordance with the provisions of the Law.

Unrealized income
Accumulated losses, and reserves does not contained unrealized profits belong to evaluate securities and real estate investments as of 31 December 2017.

Non - Controlling interest
This amount represents the portion of subsidiary's profit and loss and net assets that are not held by the Company, in these subsidiaries (Aragen for technical organic)

14) Excess of proceeds from sale and leaseback
The sale and leaseback depend on type of contract.

If the result between the sale and leaseback is profit should not recognize any access as revenue in the consolidated financial statement for the seller record, any excess of proceeds over the carrying amount is deferred and amortised over the lease term

The group selling AL Razi Industrial complex (a group property) located in Um Al Amad to Islamic Jordan bank with the amount of JD 8 500 000 (roughly) including the transfer fees , And leaseback the property to re own it by the group in 10 years agreement , with a rent rate of 5% yearly to assure the group right of re-own the property in the case of early payment of contract obligations.in June 30th ,2013 the contract was terminated and re contracting to re own the property in 20 years

15) Banks facilities

		2017		2016	
	Rate %	Maturing during the year JD	Maturing during more than a year JD	Maturing during the year JD	Maturing during more than a year JD
Postdated checks		683 976	67 000	1 175 961	469 000
Notes payable	11 -6,5	4 612 867	5 199 062	2 604 191	5 040 184
Financing Lease	6,5	354 204	8 438 651	313 314	8 719 591
Bank overdrafts	6	673 281	-	306 733	-
		6 324 328	**13 704 713**	**4 400 199**	**14 228 775**

The table below illustrates the obligations from postdated checks as 31 December 2017, payments will be as the following:

Due within	2017 JD	2016 JD
2014	281 976	254 879
2015	-	27 097
2016	-	310 780
2017	-	583 205
2018	402 000	402 000
2019	67 000	67 000
	750 976	**1 644 961**

The table below illustrates the obligations from notes payable as 31 December 2017, payments will be as the following:

Due within	Instalment payment JD	Net present value JD
2017	287 298	287 298
2018	4 995 212	4 308 246
2019	4 340 788	3 939 353
2020	1 273 368	1 184 396
2021	94 060	92 636
	10 990 726	**9 811 929**
Less: deferred financing cost	(1 178 797)	-
	9 811 929	**9 811 929**

The table below illustrates the obligations from financing lease signed with the Jordan Islamic bank as 31 December 2017, payments will be as the following:

Due within	Instalment Payment JD	Present Value JD	Excess of proceeds JD	Net JD
2017	73 263	73 263	-	73 263
2018	899 022	280 950	114 858	395 808
2019	879 156	307 226	114 858	422 084
2020	879 156	346 466	114 858	461 324
2021	879 156	388 701	114 858	503 559
2022	879 156	429 438	114 858	544 296
2023	879 156	470 175	114 858	585 033
2024	879 156	509 861	114 858	624 719
2025	879 156	551 649	114 858	666 507
2026	879 156	592 387	114 858	707 245
2027	879 156	633 124	114 858	747 982
2028	879 156	673 256	114 858	788 114
2029	879 156	714 598	114 858	829 456
2030	879 156	755 335	114 858	870 193
2031	879 156	796 073	114 858	910 931
2032	879 156	836 653	114 858	951 511
2033	439 578	433 700	57 421	491 121
	13 720 047	**8 792 855**	**1 780 291**	**10 573 146**
Less: deferred financing cost	(4 927 192)	-	-	-
	8 792 855	**8 792 855**	**1 780 291**	**10 573 146**
Plus: excess from selling	(1 780 291)	-	-	-
	7 012 564	**8 792 855**	**1 780 291**	**10 573 146**

There are some mortgages over the assets against the banks facilities granted to the group

16) <u>Other credit balances</u>

	2017 JD	2016 JD
Income tax payable	1 488 806	783 752
Accrued employees	1 150 222	1 725 744
Shareholders' deposits	1 011 656	1 013 635
Employees payable	901 346	839 725
provident fund payable	665 907	660 375
Provision for staff indemnity	649 965	668 766
Social Security payable	276 750	88 376
Remunerations of Board of Directors	204 361	156 661
General deposit	48 781	53 681
Remunerations of Board of Directors	45 000	-
	6 442 794	**5 990 715**

17) <u>Sales</u>

The group main activity is pharmaceutical industries, the table below illustrates the geographical sectors

	2017 JD	2016 JD
Local sales	9 645 443	5 936 467
Export sales	17 842 749	11 801 474
	27 488 192	**17 737 941**

18) Cost of sales

	2017 JD	2016 JD
Raw materials used in production	3 972 966	1 460 716
Salaries, wages and other benefits	3 238 480	3 235 951
Depreciation	517 211	652 866
Electricity and water	561 484	513 652
Transportation and travel	400 123	289 324
Maintenance	284 760	113 169
Laboratory analysis	220 267	279 018
Other manufacturing expenses *	555 078	670 189
	9 750 369	**7 214 885**

*** Other manufacturing expenses**

	2017 JD	2016 JD
Others	123 456	148 373
Consumables	88 808	51 616
Factory run and sterilization	65 228	12 232
Cleaning	64 385	50 563
Research	57 068	163 071
Medication examination and registration	49 465	41 332
Stationary and printing	43 705	33 277
Telephone and post	23 081	25 268
Governmental fees	19 052	20 078
Rent	15 980	-
Gift and donations	4 850	4 280
Fines and penalties	-	120 099
	555 078	**670 189**

19) Selling and distribution expenses

	2017 JD	2016 JD
Agents' commissions and bonuses	4 881 430	4 213 058
Salaries, wages and other benefits	2 443 378	2 823 867
Export and shipping	638 305	695 645
Advertising	623 071	1 123 384
Transportation and travel	212 724	174 346
Rent	169 448	126 398
Fines and penalties	138 143	24 268
Others	92 896	103 406
Guarantees and tenders	66 524	34 286
Telephone and post	32 598	42 860
Professional fees	17 550	20 043
Stationary and printing	12 346	14 248
Hospitality	11 962	8 167
Medication examination and registration	4 779	22 937
Maintenance	3 986	2 419
Licenses and fees	355	3 382
Designs	-	795
Conference and seminars	-	800
	9 349 495	**9 434 309**

20) Administrative expenses

	2017 JD	2016 JD
Salaries, wages and other benefits	1 642 269	1 778 328
Fines and penalties	95 475	22 655
Board of Directors’ transportation allowances	60 132	24 333
Others	57 941	77 634
Professional fees	51 695	100 929
Board of Director's remuneration	45 000	-
Computer	41 956	38 544
Transportation and travel	36 296	30 972
Licenses and fees	33 359	204 883
Depreciation	33 128	84 745
Consulting	29 432	44 597
Vehicles	26 625	17 382
Representatives delegates of agencies	21 321	11 960
Board of Directors’ meetings expenses	19 574	21 524
Maintenance	18 808	21 733
Hospitality	17 235	16 504
Telephone and post	11 536	12 844
Gift and donations	6 365	8 500
Subscriptions	6 100	23 755
Advertising	1 541	3 335
	2 255 788	**2 545 157**

21) Other revenue

	2017 JD	2016 JD
Foreign currency losses	(44 320)	(315 339)
Other revenue	72 655	38 200
	28 335	**(277 139)**

22) Basic and diluted earnings profit (loss) per share

	2017 JD	2016 JD
Total comprehensive Income (losses) for the year	1 020 620	(6 111 988)
Weighted average number of outstanding share	25 312 500	25 312 500
	0.040 JD	**(0.241) JD**

23) Risk management

Murabaha Price Risks

Murabaha price risk is the risks related to the change in the value of financial instruments due to changes in Murabaha market rates Moreover, the Group continuously manages the exposure to Murabaha price risks. It evaluates the different options such as financing, renewing current positions, and carrying out alternative financing.

Foreign exchange risk

The Group's major transactions are In Jordanian Dinar; therefore, the risk of foreign currency Is not significant to the consolidated financial statements.

Liquidity risk

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

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

Credit risk

Credit risk Is the risk that the other party will fail to meet Its contractual obligations, causing losses to the Group. Moreover, the Group has a policy of dealing with creditworthy counterparties in order to mitigate the risk of financial losses arising from non-fulfillment of obligations. Where it establishes a credit ceiling for customers with continuous monitoring of outstanding receivables. The Group also maintains balances and deposits with leading banking institutions.

24) Financial instruments

Financial instruments comprise of financial assets and financial liabilities.

Financial assets include cash and cash equivalents, checks under collection, acceptance credit, accounts Receivable, financial assets at fair value and other debit balances, financial liabilities include bank overdraft,
Accounts payable, postdated checks, notes payable, capital lease obligations and other credit balances.

The fair values of financial instruments are not materially different from their carrying value.

25) Income tax

Jordanian Pharmaceutical Manufacturing Company

The income tax was calculated for the year ended 31 December 2017 accordance with Jordanian Income Tax Law No. (34) of 2014.

The tax returns for the year 2016, 2015 have been submitted, however, the returns have not been reviewed by the Income and Sales Tax Department until the date of these consolidated financial statements.

The Company submitted the tax returns for the year 2014,2013 the Income and Sales Tax Department reviewed the Company's records. The review resulted in tax differences. Consequently, the Company filed a lawsuit objecting to the review.

The Company submitted the tax returns for the years 2012,2011 the Income and Sales Tax Department reviewed the Company's records. The review resulted in tax differences of approximately JD 1 833 871. There is a pending tax lawsuit under number (2016/332) at the Income Tax Court of First Instance. According to the recommendation of the legal tax adviser of the company make settlement with the income tax department to reduce by 50% from legal compensation.

The Company submitted the tax returns for the years 2010 the Income and Sales Tax Department reviewed the Company's records. The review resulted in tax differences of approximately JD 782 052. There is a pending tax lawsuit under number (2013/2053) at the Income Tax Court Consequently, the tax court decided on 8 March 2017 to cancel the tax decision.

The Group submitted the tax returns for the year 2009 the Income and Sales Tax Department reviewed the Group's records. The review resulted in tax differences of approximately JD 1 147 920, and JD 26 869 for Employment, Technical and Vocational Education Training Fund. Consequently, the Group filed a lawsuit objecting to the review, decision by the experts was issued to oblige the Group amounted to JD 988 434, decision by the Tax Court of First Instance was issued to accept the expert's decision in its meeting held on 31 December 2014, the lawsuit appealed, the Income Tax Court of Appeal adopted the Tax Court of First Instance decision on 8 December 2015, and Court of Cassation adopted the decision. Accordingly, the Group should pay the claim amounted to JD 988 434, The provision has been recorded amounting to JD 741 326, and the additional provisions are required recorded during the first quarter of 2018.

The Company has reached to a final settlement with the Income and Sales Tax Department up to the end of the year 2008.

Dellas for Natural Products
The income tax was calculated for the year ended 31 December 2017 accordance with Jordanian Income Tax Law No. (34) of 2014.

The tax returns for the year 2016 have been submitted, however, the returns have not been reviewed by the Income and Sales Tax Department until the date of these consolidated financial statements.

The Company has reached to a final settlement with the Income and Sales Tax Department for the year 2015.

The tax returns for the year 2016 have been submitted the tax returns for the years 2013, and 2012 the Income and Sales Tax Department reviewed the Group's records. The review resulted in tax differences of approximately JD 69 760. Consequently, the Company filed a lawsuit on 6 December 2015 objecting to the review, which is still pending at the Tax Court based on the expert's report. the Company's did not settle or offset any provision against this obligation.

The Company has reached to a final settlement with the Income and Sales Tax Department up to the end of the year 2011.

Aragen for technical organic
No income tax provision has been calculated for the year ended 31 December 2017 due to increase in the deductible expenses on the taxable income.

The tax returns for the year 2016 have been submitted, however, the returns have not been reviewed by the Income and Sales Tax Department until the date of these consolidated financial statements.

The Company has reached to a final settlement with the Income and Sales Tax Department up to the end of the year 2015.

Suagh for Pharmaceutical Manufacturing
No income tax provision has been calculated for the year ended 31 December 2017 due to increase in the deductible expenses on the taxable income.

The tax returns for the year 2016, 2015 have been submitted, however, the returns have not been reviewed by the Income and Sales Tax Department until the date of these consolidated financial statements.

The Company has reached to a final settlement with the Income and Sales Tax Department up to the end of the year 2014.

26) Contingent liabilities

As of the date of the consolidated financial statements, the Group is contingently liable was as:

	2017 JD	2016 JD
Letters of guarantee	1 052 161	645 230
Letters of credit	311 731	337 911
Murabaha under process	1 446 262	739 237
	2 810 154	**1 722 378**

Bank guarantees Include issued guarantees issued by the Jordan Islamic Bank to the Housing Bank for Trade and Finance in Jordan for the purpose of enabling subsidiary company, Jordanian Algerian pharmaceutical Manufacturing to import medicines and pharmaceuticals by letters of credit for import of products of the company with the Housing Bank (Algeria) this is where the guarantees consider as atool for the documents for the products,there isn’t contingent liabilities as a result of the documents and instructions pay by the Jordan Islamic Bank.

27) Segmental Information

A. Information on the group's Operating Segments

Segmental information for the basic sectors:
For management purposes, the Group is organized into one major business segment: pharmaceutical industries.

B. Information on Geographical Distribution:
This note represents the geographical distribution of the group operations. Moreover, the Company conducts its operations in the Kingdom, and international operation by Jordanian Algerian pharmaceutical Manufacturing located in the People's Democratic Republic of Algeria.

28) Fair Value Levels

The Group uses the following hierarchy for determining and disclosing the fair value of financial instruments by valuation technique:

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 to 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

	Level 1 JD	Level 2 JD	Level 3 JD	Total JD
31 DECEMBER 2016				
Financial assets at fair value	-	-	**1 587 051**	**1 587 051**
31 DECEMBER 2017				
Financial assets at fair value	-	-	**1 587 051**	**1 587 051**

29) Related party transactions

Related parties represent major shareholders, directors and key management personnel of the Group, and entities controlled or significantly influenced by such parties.

Due from related parties

	Nature of the relationship	2017 JD	2016 JD
Arab Company for Drug Industries and Medical Appliances	Associate	486 545	907 315
BelVitunipharm	Associate	766 962	766 962
Azal Pharma Company	Associate	161 684	604 119
Fenal Pharma Company	Associate	389 121	389 121
Adnan Ali Hussein Badwan	General Manger	592 142	585 373
		2 396 454	**3 252 890**

Due to related parties

	Nature of the relationship	2017 JD	2016 JD
Al Rashid Group	Shareholder	50 000	50 000
Ammon International for Investment	Partner in subsidiary	10 650	10 650
Lina Najati Al Nabulsi	Technical Manager	3 583	2 332
Other	-	-	1 474
		64 233	**64 456**

Compensation of key management personnel of the Group is as follows:

	2017 JD	2016 JD
Salaries and other benefits	**560 831**	**598 774**

30) Lawsuits Raised Against the Group

Al Noor Drug Store (Group former agent in the United Arab Emirates) filed an arbitration claim filed under (353/2013) demanding compensation in the amount of US 10 000 000 under the pretext of termination of the warehouse's proxy. The arbitrator decided to obligate the Group US 9 054 959 and arbitration fees of AED 440 000 and AED 5 000 against lawyer' fees.

On 17 September 2014, a decision issued approving the decision which is appealable within 30 days from the date of issuance of the decision. The Group's lawyers were notified in the Emirate of Dubai for appeal. The decision was appealed on 14 October 2014 and was registered under 1497/2014. The Court of Cassation issued a decision on 4 March 2015 within the legal period and registered under No. 445/164/2015. The Court of Cassation issued a decision on 6 November 2016 endorsed the resolution consequently, the decision is final and the Group is obligate pay USD 8 011 062 in the Emirate of Dubai. Al Noor Drug Store filed a lawsuit under No (169/2014) demanding that the judgment of the arbitrator issued in the Emirate of Dubai be implemented as an executive in the Hashemite Kingdom of Jordan. The decision to refund the execution of the arbitrator decision (expending the judgment rendered in Dubai as the executive authority in Jordan) was issued for not acquiring the peremptory decision. Decision by the Appeal Court was issued on 4 June 2014 to object to the obligation, and decision by the Court of Cassation was issued to cancel the Group from the obligation. a decision issued by the emergency proceedings judge guaranteeing a reserve against the Group in return for the plaintiff providing a legal guarantee in the amount of JD 1 200 000. The plaintiff filed the guarantee on 21 November 2017, On 17 December 2017, the Group appealed the decision, A decision issued by The Court of Appeal on 15 January 2018 to refund appeal and to support the appellant's decision. On 28 January 2018, a request for permission was filed to cassation decision. However, on 4 February 2018, The Court of Cassation reject the application.

In accordance with the previous recommendation of the Group's legal advisor, provision for doubtful debt amounting to JD 741 519 has been recognized to meet the debit balance of Al Noor Drug Store.

Ammoun International Multilateral Investments Company filed an arbitration claim against the Group, were the arbitrator on 17 July 2017 that issued decision against the Group to revoke the signed contract between the Group and Ammoun International Multilateral Investments Company in 2009, amounted JD 3 808 000 where the company purchased shares in Aragen For Technical Organic Company from the Group and consider the contract has been cancelled. the Group’s management did not settle or offset any provision against this obligation.

Issa Ahmad Tlaib filed labor lawsuit against the group, were the court decided to obligate the Group JD 135 521 wages allowances from May 2013 to July 2016 and JD 6 940 commissions, the lawsuit is still pending at the Court.

31) Prior years adjustments and comparative figures

During the previous year the group restated the consolidated financial statement to address the matter in the previous year per the requirements of IAS 8, the restatement impact on the accounts receivables, Foreign currency losses, the restatement impact was as follow:

		2016	
	Before Restatement	Adjustments Effect	Restated Balance
	JD	JD	JD
Foreign currency losses	276 486	(591 825)	(315 339)
Accounts receivable	(9 897 699)	591 825	(9 305 874)
		-	

32) Capital Management (Going Concern)

The primary objective of the Group's capital management is to ensure that it maintains capital ratios in order to support its business and maximize shareholder value.

The Company manages its capital structure and makes adjustments to it in light of changes in business conditions. No changes were made in the objectives, policies or processes during the years ended 31 December 2017 and 2016.

Capital comprises share capital, statutory reserve, fair value reserve, accumulated losses and non-controlling interest, and is measured at JD 13 558 067 as at 31 December 2017 (2016: JD 12 689 569)

During 2018, the Group received financing of JD 1 500 000 from Jordan Islamic Bank and expected to received JD 2 000 000 to cover all its raw material needs to generate net sales of JD 36 000 000.

The commitment to pay all outstanding installments due to the rescheduling of the facilities with Jordan Islamic Bank, which will help the Group to utilize the Murabaha limits available, which will be in the range of JD 1 500 000.

During 2018, the Group will be able to meet its obligations when these liabilities due, from sales expected collection to be achieved through the Group's financing amounting to JD 4 700 000.

As planned cash flows for the years 2018 and 2019, The Group will be able to make a commitment to pay all installments due to the Group from the new financing process, depending on the expected collections for these years.

33) Adoption of New and Revised International Consolidated Financial Reporting Standards (IFRSs)

A. New standards, interpretations and amendments adopted by the Group

The accounting policies used in the preparation of the consolidated financial statements are consistent with those used in the preparation of the annual consolidated financial statements for the year ended 31 December 2016 except for the followings:

Amendments to IAS 7 Statement of Cash Flows: Disclosure Initiative

Limited amendments which require entities to provide disclosures about changes in their liabilities arising from financing activities, including both changes arising from cash flows and non-cash changes (such as foreign exchange gains or losses). However, the adoption of these amendments has no impact on the Group's consolidated financial statements.

Amendments to IAS 12 Income Taxes: Recognition of Deferred Tax Assets for un-recognised Losses

Limited amendments to clarify that an entity needs to consider whether tax law restricts the sources of taxable profits against which it may make deductions on the reversal of that deductible temporary difference and some other limited amendments, the adoption of these amendments have no impact on the Group's consolidated financial statements.

B. New and revised IFRSs in issue but not yet effective and not early adopted

The standards and interpretations that are issued but not yet effective, up to the date of issuance of the Group's consolidated financial statements are disclosed below. The Group intends to adopt these standards, if applicable, when they become effective.

IFRS 9 Financial Instruments

In July 2014, the IASB issued the final version of IFRS 9 Financial Instruments that replaces IAS 39 Financial Instruments: Recognition and Measurement and all previous versions of IFRS 9. IFRS 9 brings together all three aspects of the accounting for financial instruments project: classification and measurement, impairment and hedge accounting. The Bank has implemented the first phase of IFRS 9 as issued during 2009. The date of initial implementation of the first phase of IFRS 9 was 1 January 2011.

The new version of IFRS 9 is effective for annual periods beginning on or after 1 January 2018, with early application permitted. Except for hedge accounting, retrospective application is required; however, the entities are exempted from restating their comparative information.

The Bank plans to adopt the new standard on the required effective date and will not restate comparative information. During 2017, the Bank has performed a detailed impact assessment of IFRS 9. This assessment is based on currently available information and may be subject to changes arising from further reasonable and supportable information being made available to the Bank in 2018 when the Bank adopts IFRS 9. The Bank expects based on preliminary figures an increase in the loss allowance for an amount of USD 90 million resulting in an equal negative impact on equity, as well as it might affect the deferred taxes. In addition, the Bank will implement changes in classification of certain financial instruments.

Classification and measurement

The Bank does not expect a significant impact on its balance sheet or equity on applying the new classification and measurement category of IFRS 9. It expects to continue being measured at amortised cost and to use the new category starting from 1 January 2018 for classifying part of the debt securities portfolio to be measured at fair value through OCI.

Credit facilities are held to collect contractual cash flows and are expected to give rise to cash flows representing solely payments of principal and interest. The Bank analysed the contractual cash flow characteristics of those instruments and concluded that they meet the criteria for amortised cost measurement under IFRS 9. Therefore, reclassification for these instruments is not required.

Impairment

The new impairment guidance sets out an expected credit loss (ECL) model applicable to all debt instrument financial assets classified as amortized cost or FVTOCI. In addition, the ECL model applies to loan commitments and financial guarantees that are not measured at FVTPL

For impaired financial instruments:
Financial instruments are classified as stage 3 when there is objective evidence of impairment as a result of one or more loss events that have occurred after initial recognition with a negative impact on the estimated future cash flows of a loan or a portfolio of loans. The ECL model requires that lifetime ECL be recognized for impaired financial instruments, which is similar to the current requirements under IAS 39 for impaired financial instruments.

For the business and government portfolios, the individually assessed allowances for impaired instruments recognized under IAS 39 will generally be replaced by stage 3 allowances under IFRS 9, while the collective allowances for non-impaired financial instruments will generally be replaced by either stage 1 or stage 2 allowances under IFRS 9. For the retail portfolios, the portion of the collective allowances that relate to impaired financial instruments under IAS 39 will generally be replaced by stage 3 allowances, while the non-impaired portion of the collective allowances will generally be replaced by either stage 1 or stage 2 allowances under IFRS 9.

Key Drivers of Expected Credit Loss
The following concepts are subject to a high level of judgment, will have a significant impact on the level of ECL allowances and will be the cause of increased volatility of allowances:

- Determining when a SICR of a financial asset has occurred,
- Measuring both 12-month and lifetime credit losses,
- Incorporating forward-looking information using multiple probability-weighted scenarios.
- Collateral and quality.

IFRS 15 Revenue from Contracts with Customers
IFRS 15 specifies the accounting treatment for all revenue arising from contracts with customers. It applies to all entities that enter into contracts to provide goods or services to their customers, unless the contracts are in the scope of other IFRSs, such as IAS 17 Leases. IFRS 15 supersedes IAS 11 Construction Contracts, IAS 18 Revenue, IFRIC 13 Customer Loyalty Programmes, IFRIC 15 Agreements for the Construction of Real Estate, IFRIC 18 Transfers of Assets from Customers; and SIC-31 Revenue-Barter Transactions Involving Advertising Services

The standard is effective for annual periods beginning on or after 1 January 2018, and early adoption is permitted

Amendments to IFRS 10 and IAS 28: Sale or Contribution of Assets between an Investor and Its Associate or Joint Venture
The amendments address the conflict between IFRS 10 and IAS 28 in dealing with the loss of control of a subsidiary that is sold or contributed to an associate or joint venture. The amendments clarify that the gain or loss resulting from the sale or contribution of assets that constitute a business, as defined in IFRS 3, between an investor and its associate or joint venture, is recognised in full. Any gain or loss resulting from the sale or contribution of assets that do not constitute a business, however, is recognised only to the extent of unrelated investors' interests in the associate or joint venture.

The standard is effective for annual periods beginning on or after 1 January 2019, and early adoption is permitted

IFRS 2 Classification and Measurement of Share-based Payment Transactions - Amendments to IFRS 2
The IASB issued amendments to IFRS 2 Share-based Payment that address three main areas: the effects of vesting conditions on the measurement of a cash-settled share-based payment transaction; the classification of a share-based payment transaction with net settlement features for withholding tax obligations; and accounting where a modification to the terms and conditions of a share-based payment transaction changes its classification from cash settled to equity settled.

Entities may apply the amendments prospectively and are effective for annual periods beginning on or after 1 January 2018, with early application permitted.

IFRS 16 Leases

During January 2016, the IASB issued IFRS 16 "Leases" which sets out the principles for the recognition, measurement, presentation and disclosure of leases.

IFRS 16 substantially carries forward the lessor accounting requirements in IAS 17. Accordingly, a lessor continues to classify its leases as operating leases or finance leases, and to account for those two types of leases differently.

IFRS 16 introduced a single lessee accounting model and requires a lessee to recognize assets and liabilities for all leases with a term of more than 12 months, unless the underlying asset is of low value. A lessee is required to recognize a right-of-use asset representing its right to use the underlying leased asset and a lease liability representing its obligation to make lease payments.

The new standard will be effective for annual periods beginning on or after 1 January 2019. Early application is permitted.

IFRS 17 Insurance Contracts

IFRS 17 provides a comprehensive model for insurance contracts covering the recognition and measurement and presentation and disclosure of insurance contracts and replaces IFRS 4 -Insurance Contracts. The standard applies to all types of insurance contracts (i.e. life, non-life, direct insurance and re-insurance), regardless of the type of entities that issue them, as well as to certain guarantees and financial instruments with discretionary participation features. The standard general model is supplemented by the variable fee approach and the premium allocation approach.

The new standard will be effective for annual periods beginning on or after 1 January 2021. Early application is permitted.

Transfers of Investment Property (Amendments to IAS 40)

The amendments clarify when an entity should transfer property, including property under construction or development into, or out of investment property. The amendments state that a change in use occurs when the property meets, or ceases to meet, the definition of investment property and there is evidence of the change in use. A mere change in management's intentions for the use of a property does not provide evidence of a change in use. Entities should apply the amendments prospectively and effective for annual periods beginning on or after 1 January 2018. Early application of the amendments is permitted and must be disclosed.

Entities should apply the amendments prospectively and effective for annual periods beginning on or after 1 January 2018. Early application of the amendments is permitted and must be disclosed.

Amendments to IFRS 4 Applying IFRS 9 Financial Instruments with IFRS 4 Insurance Contracts

In September 2016, the IASB issued amendments to IFRS 4 to address issues arising from the different effective dates of IFRS 9 and the upcoming new insurance contracts standard (IFRS 17). The amendments introduce two alternative options for entities issuing contracts within the scope of IFRS 4, a temporary exemption from implementing IFRS 9 to annual periods beginning before 1 January 2021 at latest and an overlay approach that allows an entity applying IFRS 9 to reclassify between profit or loss and other comprehensive income an amount that results in the profit or loss at the end of the reporting period for the designated financial assets being the same as if an entity had applied IAS 39 to these designated financial assets.

The amendment is effective for annual periods beginning on or after 1 January 2018, and early adoption is permitted

IFRIC Interpretation 22 Foreign Currency Transactions and Advance Consideration

The interpretation clarifies that in determining the spot exchange rate to use on initial recognition of the related asset, expense or income (or part of it) on the derecognition of a non-monetary asset or non-monetary liability relating to advance consideration, the date of the transaction is the date on which an entity initially recognises the nonmonetary asset or non-monetary liability arising from the advance consideration. Entities may apply the amendments on a fully retrospective or prospective basis.

The new interpretation will be effective for annual periods beginning on or after 1 January 2018. Early application of interpretation is permitted and must be disclosed.

IFRIC Interpretation 23 Uncertainty over Income Tax Treatment
The Interpretation addresses the accounting for income taxes when tax treatments involve uncertainty that affects the application of IAS 12 and does not apply to taxes or levies outside the scope of IAS 12, nor does it specifically include requirements relating to interest and penalties associated with uncertain tax treatments. An entity must determine whether to consider each uncertain tax treatment separately or together with one or more other uncertain tax treatments.

The interpretation is effective for annual reporting periods beginning on or after 1January 2019, but certain transition reliefs are available.

Management anticipates that IFRS 15 and IFRS 9 will be adopted in the Group’s consolidated financial statements for the annual period beginning 1 January 2018 and that IFRS 16 will be adopted in the Group’s consolidated financial statements for the annual period beginning 1 January 2019.

The application of IFRS 16 may have significant impact on amounts reported and disclosures made in the Group’s consolidated financial statements in respect of its leases.

34) Comparative figures
Some of the comparative figures for the year 2016 have been reclassified to correspond with the year ended 31 December 2017 presentation and result change in the last year's operating and equity as note (31).