

Middle East Pharmaceutical and Chemical Industries and Medical Appliances Company
Public Shareholding Company
Amman - The Hashemite Kingdom of Jordan

Consolidated Interim Condensed Financial Statements
and Review Report
for the three months ended March 31, 2019

Middle East Pharmaceutical and Chemical Industries and Medical Appliances Company
Public Shareholding Company
Amman - The Hashemite Kingdom of Jordan

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Report on review of consolidated interim condensed financial information

To Messrs. Shareholders
Middle East Pharmaceutical and Chemical Industries
and Medical Appliances Company
Public Shareholding Company
Amman - The Hashemite Kingdom of Jordan

Introduction

We have reviewed the consolidated interim condensed statement of financial position of Middle East Pharmaceutical and Chemical Industries and Medical Appliances Company and it's Subsidiary (Public Shareholding Company), as at March 31, 2019, and the related consolidated interim condensed statements of comprehensive income, changes in equity and cash flows for the three months period then ended. Management is responsible for the preparation and fair presentation of this consolidated interim condensed financial information in accordance with International Financial Reporting Standard no. (34) "Interim Financial Reporting". Our responsibility is to express a conclusion about this interim financial information based on our review.

Scope of Review

We conducted our review in accordance with International Standard on Review Engagement no. (2410) "Review of interim financial information performed by the independent auditor of the entity". A review of consolidated interim condensed financial information consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with International Standards on Auditing and consequently 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 consolidated interim condensed financial information is not prepared, in all material respects, in accordance with International Financial Reporting Standard no. (34) "Interim Financial Reporting".



Significant doubt to continue as a going concern



We would like to refer to note (3) of the financial statements, whereas the accumulated losses for the company amounted to JD 12,798,830 representing 1,023% of the company's capital, and also, the company's total current liabilities exceed its current assets by JD 5,660,555 in addition to existing accrued payables which were not paid till the date of the financial statements. These matters cast significant doubt on the company ability to continue as a going concern, for the company to continue its activities in a normal way and to have proper funding to pay its liabilities and to succeed in its future operation, the company's management has provided a full plan to maintain its activities and one of the first steps was to invite the company's general assembly to an extraordinary meeting dated June 31, 2017 and the following decisions were made:

- Quenching the accumulated losses amounting to JD 8,619,000 in capital as at December 31, 2017, the authorized capital of the company will become JD 6,250,583 and the paid-in capital will become JD 1,250,583, and the legal requirements were completed on January 31, 2019.
- Cover the authorized capital increase amount of JD 5,000,000 that was decided in the extraordinary general assembly meeting that was held on April 19, 2016 through capitalization part of the company due debts instead of private subscription to company's shareholders, and the legal requirements were completed on April 14, 2019.

Emphasis of matter

We would like to refer to the existence of restrains on the company's land, building and means of transportation in addition to a restrain on the company as shown in the capital certificate at the Ministry of Industry and Trade - Company's Control Department.

Talal Abu-Ghazaleh & Co. International

Aziz Abdel-Kader
(License # 867)
Amman - April 22, 2019

Middle East Pharmaceutical and Chemical Industries and Medical Appliances Company
Public Shareholding Company
Amman - The Hashemite Kingdom of Jordan

Consolidated interim condensed statement of financial position as at March 31, 2019
- (Reviewed and unaudited)

		March 31, 2019	December 31, 2018
	Notes	(Reviewed and unaudited)	(Audited)
		JD	JD
ASSETS			
Non-current Assets			
Property and equipment		7,136,582	7,299,614
Intangible assets		195,632	198,374
Total Non-Current Assets		7,332,214	7,497,988
Current Assets			
Inventory		2,928,850	3,058,999
Investment in financial asset at fair value through profit and loss		13,644	13,409
Other debit balances		1,027,757	522,114
Trade receivables		1,155,650	1,026,176
Cash and cash equivalents		10,075	12,320
Total Current Assets		5,135,976	4,633,018
TOTAL ASSETS		12,468,190	12,131,006
EQUITY AND LIABILITIES			
Equity			
Authorized capital	3	6,250,583	14,869,583
Paid-in capital	3	1,250,583	9,869,583
Statutory reserve		271,045	271,045
Foreign currency translation differences		83,592	84,035
Accumulated losses	3	(12,798,830)	(21,187,698)
Deficit in Equity		(11,193,610)	(10,963,035)
Liabilities			
Non Current Liabilities			
Payments on capital increase		5,000,000	5,000,000
Shareholder's payable		7,865,269	7,844,169
Total Non Current Liabilities		12,865,269	12,844,169
Current Liabilities			
Other credit balances		2,828,649	2,546,614
Trade payables		2,064,896	1,825,350
Due to related parties		5,239,232	5,214,154
Loans		663,754	663,754
Total Current Liabilities		10,796,531	10,249,872
Total Liabilities		23,661,800	23,094,041
TOTAL EQUITY AND LIABILITIES		12,468,190	12,131,006

Middle East Pharmaceutical and Chemical Industries and Medical Appliances Company
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Consolidated interim condensed statement of comprehensive income for the three months ended
March 31, 2019 - (Reviewed and unaudited)

	March 31, <u>2019</u> JD	March 31, <u>2018</u> JD
Sales	614,281	209,461
Cost of sales	<u>(618,984)</u>	<u>(506,754)</u>
Gross loss	(4,703)	(297,293)
Other revenues, net	223	20,557
Changes in fair value for financial asset at fair value through profit and loss	235	(236)
Selling and marketing expenses	(39,424)	(91,298)
Administrative expenses	(180,852)	(212,720)
Finance cost	<u>(5,611)</u>	<u>(82,428)</u>
Loss	<u>(230,132)</u>	<u>(663,418)</u>
Weighted average number of shares	<u>1,030,895</u>	<u>9,869,583</u>
Loss per share	<u>JD (-/223)</u>	<u>JD (-/067)</u>

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Consolidated interim condensed statement of changes in equity for the three months ended March 31, 2019 - (Reviewed and unaudited)

	Capital		Statutory reserve		Foreign currency translation differences		Accumulated losses		Total	
	JD		JD		JD		JD		JD	
For the three months as at March 31, 2019										
Balance as at January 1, 2019	9,869,583		271,045		84,035		(21,187,698)		(10,963,035)	
Quench of losses - Note (3)	(8,619,000)		-		-		8,619,000		-	
Loss	-		-		-		(230,132)		(230,132)	
Foreign currency translation differences	-		-		(443)		-		(443)	
Balance as at March 31, 2019	1,250,583		271,045		83,592		(12,798,830)		(11,193,610)	
For the three months as at March 31, 2018										
Balance as at January 1, 2018	9,869,583		271,045		-		(17,698,417)		(7,557,789)	
Loss	-		-		-		(663,418)		(663,418)	
Foreign currency translation differences	-		-		145,105		-		145,105	
Balance as at March 31, 2018	9,869,583		271,045		145,105		(18,361,835)		(8,076,102)	

Middle East Pharmaceutical and Chemical Industries and Medical Appliances Company
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Consolidated interim condensed statement of cash flows for the three months ended March 31, 2019
- (Reviewed and unaudited)

	March 31, 2019	March 31, 2018
	JD	JD
CASH FLOWS FROM OPERATING ACTIVITIES		
Loss	(230,132)	(663,418)
Adjustments for :		
Depreciation and amortization	165,774	175,586
Changes in fair value for financial asset at fair value through profit and loss	(235)	236
Change in operating assets and liabilities:		
Inventory	130,149	(12,599)
Due from related parties	-	223,782
Other debit balances	(505,643)	(967,044)
Trade receivables	(129,474)	(736,318)
Deferred checks	-	(17,919)
Other credit balances	282,035	955,786
Trade payables	239,546	(1,236,977)
Net cash from operating activities	(47,980)	(2,278,885)
CASH FLOWS FROM FINANCING ACTIVITIES		
Shareholder's payable	21,100	-
Loans	-	(1,932,623)
Banks overdraft	-	(2,550,982)
Due to related parties	25,078	6,518,348
Net cash from financing activities	46,178	2,034,743
Net change in cash and cash equivalents	(1,802)	(244,142)
Cash and cash equivalents - beginning of period	12,320	109,179
Foreign currency translation differences	(443)	145,105
Cash and cash equivalents - end of period	10,075	10,142

Middle East Pharmaceutical and Chemical Industries and Medical Appliances Company
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Notes to the consolidated interim condensed financial information

1. Legal status and activity

- Middle East Pharmaceutical and Chemical Industries and Medical Appliances Co. was established on October 25, 1993 and registered as a public shareholding company with the Ministry of Industry and Trade under the number (231).
- The main Company's activities are as follows:
 - Medical and laboratory testing equipment and solutions
 - Human liquid medication manufacturing
 - Human pills medication manufacturing
 - Human anal Suppositories medication manufacturing
 - Veterinarian antibiotics manufacturing
 - Veterinarian antibacterial manufacturing
 - Veterinarian vitamins manufacturing
 - Gelatin capsules manufacturing
- The financial statements were approved by the Company's board of directors in its session held on April 22, 2019.

2. Financial statements preparation framework and significant accounting policies

- The interim condensed consolidated financial information for the company were prepared according to the International Accounting Standard (34) "Interim Financial Reporting".
- Accounting policies used in preparing the interim condensed consolidated financial statement are consistent with those policies used in preparing the financial statements for the year ended December 31, 2018.

3. Accumulated losses

- The company's accumulated losses amounted to JD 12,798,830, which represents 1,023% of its capital.
- As it is stated in the consolidated financial statements the company's current liabilities exceeded its current assets by an amount of JD 5,660,555 which affects the company's continuity and requires it to abide to article no. (266) of the Jordanian Companies Law.
- An extraordinary general assembly meeting was held on June 31, 2017 and the following decisions were made:
 - Quenching the accumulated losses amounting to JD 8,619,000 in capital as at December 31, 2017, the authorized capital of the company will become JD 6,250,583 and the paid-in capital will become JD 1,250,583, and the legal requirements were completed on January 31, 2019.
 - Cover the authorized capital increase amount of JD 5,000,000 that was decided in the extraordinary general assembly meeting that was held on April 19, 2016 through capitalization part of the company due debts instead of private subscription to company's shareholders, and the legal requirements were completed on April 14, 2019.

4. Subsidiary company

The interim condensed consolidated statements include the subsidiary's financial statements as at March 31, 2019 as follows:

Company name	Legal status	Paid-in Capital	Ownership	Total Assets	Total liabilities	(Accumulated losses)
		JD	%	JD	JD	JD
Middle East Pharmaceutical & Chemical Industries Co-Algeria	LLC	3,910	100	125,168	381,165	(262,237)