

## disclosure

**From:** Mohamad Jeara <m.jeara@acpc.com.jo>  
**Sent:** حزيران، ٢٠٢٠ ١١:٤٠ ص 18  
**To:** disclosure  
**Cc:** 'Hazim'; 'husam refai'  
**Subject:** RE: البيانات المالية باللغة الانجليزية لعام ٢٠١٩ لشركة المركز العربي للصناعات الدوائية / والكيماوية  
**Attachments:** doc٠٨٧١٨٥٢٠٢٠٠٦١٨٠٦٢٨٣٥.rar بيانات ٢٠١٩ انجليزي المركز العربي

السادة هيئة الأوراق المالية المحترمين / دائرة الإفصاح  
تحية طيبة وبعد ،،

مرفق لحضرتكم البيانات المالية لعام 2019 لشركة المركز العربي للصناعات الدوائية والكيماوية باللغة الانجليزية .

مع التحية ...

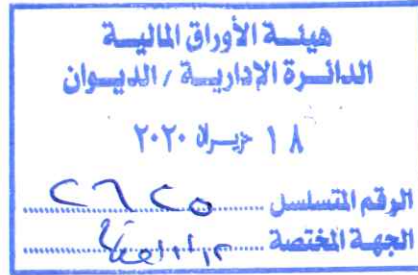
فضلا يرجى تأييد الاستلام عبر هذا البريد الإلكتروني .

Best Regards ,

Mohammed Jaara  
Admin Assistance Manager  
ACPC



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**From:** Mohamad Jeara [mailto:m.jeara@acpc.com.jo]  
**Sent:** Monday, June 15, 2020 2:48 PM  
**To:** 'Disclosure@jsc.gov.jo'  
**Cc:** 'Hazim'; 'husam refai'  
**Subject:** البيانات المالية والتقارير السنوي لعام 2019 لشركة المركز العربي للصناعات الدوائية والكيماوية

السادة هيئة الأوراق المالية المحترمين / دائرة الإفصاح  
تحية طيبة وبعد ،،

مرفق لحضرتكم التقرير السنوي والبيانات المالية لعام 2019 لشركة المركز العربي للصناعات الدوائية والكيماوية .

**Arab Center For Pharmaceutical  
& Chemical Industries Company  
Public Shareholding Company  
Amman - The Hashemite Kingdom of Jordan**

**Financial Statement  
and Independent Auditor's Report  
for the year ended December 31, 2019**

Arab Center For Pharmaceutical  
& Chemical Industries Company  
Public Shareholding Company  
Amman – The Hashemite Kingdom of Jordan

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Independent Auditors Report

To Messrs. Shareholders  
Arab Center for Pharmaceutical & Chemical Industries Company  
Public Shareholding Company  
Amman - The Hashemite Kingdom of Jordan

**Report on the Audit of the Financial Statements**

**Opinion**

We have audited the financial statements of Arab Center For Pharmaceutical & Chemical Industries Company (Public Shareholding Company), which comprise the statement of financial position as at December 31, 2019, and the statement of comprehensive income, the statement of changes in equity and the statement of cash flows for the year then ended, and notes to the financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the Company as at December 31, 2019, and of its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards (IFRS).

**Basis for Opinion**

We conducted our audit in accordance with International Standards on Auditing. Our responsibilities under those standards are further described in the Auditors' Responsibilities for the Audit of the Financial Statements section of our report.

We are independent of the Company in accordance with the International Ethics Standards Board for Accountants' Code of Ethics for Professional Accountants (IESBA Code) together with the ethical requirements that are relevant to our audit of the financial statements, and we have fulfilled our other ethical responsibilities in accordance with these requirements and the IESBA Code.

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

**Key Audit Matters**

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the financial statements of the current period. These matters were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

**Expected credit loss**

The company has applied IFRS (9) expected credit losses requirements and the allowance for expected credit losses amounting to JD 341,204 as at December 31, 2019.

**Scope of audit**

We conducted comprehensive assessment to identify the key controls used to determine expected credit losses, data collection and completeness, and related estimates and assumptions used by management, and we have tested key control systems on the modeling process.



## Inventory impairment

Based on IFRS requirements, inventory is measured when preparing the financial statements at the lower of cost and net realizable value, and when it is not possible to recover the cost of the inventory if it becomes totally or partially damaged or obsolete or sales prices decreased. when the net realizable value falls below cost the difference is recognize as expense for price decrease in the profit or loss.

## Scope of audit

We analyzed the inventory items ages and discussed management assumptions regarding the expected volume of use and based on our knowledge and experience of the sector in which the entity operates.

We examined a sample of service agreements provided to customers to compare the minimum purchase liabilities with end of year inventory level taking into account the risks to recover the value of inventory if the agreements were canceled.

We tested the appropriateness of inventory impairment provision by assessing the management assumptions, taking into account external information available and subsequent events after the end of the fiscal year.

We assessed whether the provision we recovered against, obsolete and slow moving inventory to comply with the accounting policies, taking into account the rationale of the provision determination policy using historical data we also examined sales invoices is subsequent period to assess whether the inventory was sold at a value higher than cost by comparing the selling price with inventory values recorded in the company's accounts.

We have taken into account the appropriateness of the entity's explanations about the degree of estimates related to arriving at the value of impairment provision in general. we have concluded that the basic assumption used and the resultant estimate and evaluation are appropriate assumptions

## Going concern

We would like to refer to note (12) of the financial statements that the company's accumulated losses amounted to JD 7,303,852 which represents 146% of its capital as at the at of the statement of financial position and on that date company's total current liabilities exceeded its current assets by an amount of JD 2,510,277, these matters cast significant doubt on the company ability to continue as a going concern, nothing that the company's plan is disclosed in the note.

## Emphasis of matter

- As it is stated at note (1) and note (3) and note (10) we would like to refer that there are restrains on the lands, buildings, vehicles and machinery owned by the company and there are reserved accounts at banks, in addition to a restrain on the company's registration as shown in the company's registration certificate issued by the Ministry of Industry and Trade-Companies Control Department.
- As it is stated at note (3) we would like to refer that the project under construction has not been completed which was started on March 2013 till the date.
- As it is stated at note (12) we would like to refer that the implementation of the extraordinary general assembly decision held on April 23, 2017 has not been completed until the date of the financial statements report.

### **Other Information**

Management is responsible for the other information. The other information comprises the information included in the annual report, but does not include the financial statements and our auditors' report thereon.

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

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard

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

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

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

Those charged with governance are responsible for overseeing the Company's financial reporting process.

### **Auditors' Responsibilities for the Audit of the Financial Statements**

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with International Standards on Auditing (ISAs) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit in accordance with International Standard 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 financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditors' report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditors' report. However, future events or conditions may cause the Company to cease to continue as a going concern.



- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and 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 financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditors' report unless law or regulation precludes 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 Company has proper accounting records which are, in all material respects, consistent with the accompanying financial statements, accordingly, we recommend to approve these financial statements by the general assembly.

Talal Abu-Ghazaleh & Co. International

A circular blue ink stamp of Talal Abu-Ghazaleh & Co. International. The stamp contains the company's name in Arabic and English, and a central logo. A blue ink signature is written over the stamp.

Mohammad Al-Azraq  
(License # 1000)

Amman - February 26, 2020

Arab Center For Pharmaceutical  
& Chemical Industries Company  
Public Shareholding Company  
Amman – The Hashemite Kingdom of Jordan

Statement of financial position as at December 31, 2019

	Notes	2019	2018
		JD	JD
<b>ASSETS</b>			
<b>Non-current Assets</b>			
Property, plant and equipment	3	4,573,915	4,600,304
Investment in an associate	4	-	-
Investment in financial assets at fair value through other comprehensive income	5	115,458	115,458
Due from related party	6	1,283,109	1,286,282
<b>Total Non-Current Assets</b>		<b>5,972,482</b>	<b>6,002,044</b>
<b>Current Assets</b>			
Inventory	7	103,613	110,958
Other debit balances	8	48,824	55,841
Trade receivables	9	17,417	23,980
Cash and cash equivalents	10	3,736	705
<b>Total Current Assets</b>		<b>173,590</b>	<b>191,484</b>
<b>TOTAL ASSETS</b>		<b>6,146,072</b>	<b>6,193,528</b>

The attached notes constitute an integral part of these financial statements



Arab Center For Pharmaceutical  
& Chemical Industries Company  
Public Shareholding Company  
Amman – The Hashemite Kingdom of Jordan

Statement of financial position as at December 31, 2019

	Notes	2019	2018
		JD	JD
<b>EQUITY AND LIABILITIES</b>			
<b>Equity</b>			
Authorized and paid-in capital	1	5,000,000	5,000,000
Statutory reserve	11	1,138,105	1,138,105
Change in fair value of investments in financial assets at fair value through other comprehensive income		115,457	115,457
Accumulated losses	12	(7,303,852)	(7,119,568)
<b>Net Equity</b>		<b>(1,050,290)</b>	<b>(866,006)</b>
<b>Liabilities</b>			
<b>Non Current Liabilities</b>			
Shareholders payable	6	4,512,495	4,497,903
<b>Current Liabilities</b>			
Other credit balances	13	672,356	593,963
Trade payables		396,252	380,690
Due to related parties	6	1,615,259	1,586,978
<b>Total Current Liabilities</b>		<b>2,683,867</b>	<b>2,561,631</b>
<b>Total Liabilities</b>		<b>7,196,362</b>	<b>7,059,534</b>
<b>TOTAL EQUITY AND LIABILITIES</b>		<b>6,146,072</b>	<b>6,193,528</b>

The attached notes constitute an integral part of these financial statements

Arab Center For Pharmaceutical  
& Chemical Industries Company  
Public Shareholding Company  
Amman – The Hashemite Kingdom of Jordan

Statement of comprehensive income for the year ended December 31, 2019

	Notes	2019	2018
		JD	JD
Sales		83,496	92,165
Cost of sales	14	(172,766)	(274,746)
Gross loss		(89,270)	(182,581)
Other revenues	15	1,315	13,157
Selling and distribution expenses	16	(267)	(5,508)
Administrative expenses	17	(96,062)	(269,181)
Company's share of results of associate	4	-	(51,573)
Loss		(184,284)	(495,686)
Weighted average number of shares		5,000,000	5,000,000
Loss per share		JD (-/037)	JD (-/099)

The attached notes constitute an integral part of these financial statements

Arab Center For Pharmaceutical  
& Chemical Industries Company  
Public Shareholding Company  
Amman - The Hashemite Kingdom of Jordan

Statement of changes in equity for the year ended December 31, 2019

Description	Capital	Statutory reserve	Change in fair value of investments in financial assets at fair value through other comprehensive income	Accumulated losses	Total
	JD	JD	JD	JD	JD
Balance as at January 1, 2018	5,000,000	1,138,105	115,457	(6,623,882)	(370,320)
Comprehensive income	-	-	-	(495,686)	(495,686)
Balance as at December 31, 2018	5,000,000	1,138,105	115,457	(7,119,568)	(866,006)
Comprehensive income	-	-	-	(184,284)	(184,284)
Balance as at December 31, 2019	5,000,000	1,138,105	115,457	(7,303,852)	(1,050,290)

The attached notes constitute an integral part of these financial statements



Arab Center For Pharmaceutical  
& Chemical Industries Comapny  
Public Shareholding Company  
Amman - The Hashemite Kingdom of Jordan

Statement of cash flows for the year ended December 31, 2019

	2019	2018
	JD	JD
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Loss	(184,284)	(495,686)
Adjustments for :		
Depreciation	32,708	34,033
Gain on sale of property, plant and equipment	-	(11,843)
Company's share of results of associate	-	51,573
Change in operating assets and liabilities:		
Due from related party	3,173	(3,029)
Inventory	7,345	29,047
Other debit balances	7,017	30,595
Trade receivables	6,563	9,076
Deferred checks	-	(222,473)
Other credit balances	78,393	(164,196)
Trade payables	15,562	(301,324)
	<u>(33,523)</u>	<u>(1,044,227)</u>
Income tax paid	-	(3,072)
Net cash from operating activities	<u>(33,523)</u>	<u>(1,047,299)</u>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
Purchase of property, plant and equipment	(6,319)	(247,433)
Proceeds from sale of property, plant and equipment	-	11,846
Net cash from investing activities	<u>(6,319)</u>	<u>(235,587)</u>
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>		
Due to related parties	28,281	887,791
Shareholders payable	14,592	395,313
Net cash from financing activities	<u>42,873</u>	<u>1,283,104</u>
Net change in cash and cash equivalents	3,031	218
Cash and cash equivalents - beginning of year	705	487
Cash and cash equivalents - end of year	<u>3,736</u>	<u>705</u>

The attached notes constitute an integral part of these financial statements

Arab Center For Pharmaceutical  
& Chemical Industries Company  
Public Shareholding Company  
Amman - The Hashemite Kingdom of Jordan

Notes to the financial statement for the year ended December 31, 2019

**1. Legal status and activity**

- The Company was established and registered as a public shareholding company with the Ministry of Industry and Trade on July 5, 1983 under the number (185).

Legal Name	Registration Number	Date of incorporation	Location	Activity
Arab Center for pharmaceutical & Chemical Industries Co.	185	July 5, 1983	Amman - Industrial area	Gelatin capsules manufacturing

- The main Company's activities are as follows:
  - Manufacture of human drug fluids.
  - Manufacture of human drug tablets.
  - Manufacture of human drug Suppositories.
  - Manufacture of human drug Veterinarian antibiotics.
  - Manufacture of human drug Veterinarian vitamins.
  - Veterinarian antibacterial manufacturing
  - Gelatin capsules manufacturing
- The financial statements were approved by the Board of Directors in its meeting held on March 26, 2020, these financial statements require the approval of the general assembly.
- The company's registration is restrained due to the existence of executive lawsuits held against the company.

**2. Basis for preparation of financial statements and significant accountant policies**

**2-1 Basis for financial statement preparation**

**Financial statements preparation framework**

The financial statements have been prepared in accordance with International Financial Reporting Standards issued by International Accounting Standard Board.

**Measurement bases used in preparing the financial statements**

The financial statements have been prepared on the historical cost basis except for measurement of certain items at bases other than historical cost.

**Functional and presentation currency**

The financial statements have been presented in Jordanian Dinar (JD) which is the functional currency of the entity.

**2-2 Using of estimates**

- When preparing of financial statements, management uses judgments, assessments and assumptions that affect applying the accounting policies and currying amounts of assets, liabilities, revenue and expenses. Actual result may differ from these estimates.
- Change in estimates are reviewed on a constant basis and shall be recognized in the period of the change, and future periods if the change affects them.
- For example, estimates may be required for expected credit losses, inventory obsolescence, useful lives of depreciable assets, provisions, and any legal cases against the entity.

## 2-3 Application of new and modified International Financial Reporting Standards

### New and modified standards adopted by the entity

#### - International Financial Reporting Standard No. (16)

As of January 1, 2019, the entity adopted the International Financial Reporting Standard No. (16) Lease contracts, which replaces:

- IAS 17 Leases.
- IFRIC- 4 Determining whether an Arrangement contains a lease.
- SIC-15 Operating Leases - Incentives.
- SIC-27 Evaluating the Substance of Transactions Involving the legal form of a lease.

The International Financial Reporting Standard No. (16) brings significant changes in accounting requirements and treatments of the operating leases, primarily for lessees, whereby all lease contracts were capitalized as assets and recognize an obligations against them with narrow exceptions to this recognition principle for leases where the underlying asset is of low value and for short term leases (i.e. those with a lease term of 12 months or less). The accounting treatment of the lease contracts has remains largely unchanged, as the lessor will continue to classify the lease contracts as either operating lease or finance lease, using principles similar to those in International Accounting Standard No. (17).

- The entity has chosen to apply this standard with modified retrospective approach (without adjusting the comparative figures) which is allowed by the standard.

- The most important impact of IFRS (16) on lease contracts in terms of:

#### - Definition of lease contracts

What distinguishes this standard is the concept of control, whereby lease and service contracts are classified on the basis of whether the customer has control over the use of an identified asset for a period of time in exchange for a consideration.

#### - Lessee's accounting treatments for lease contracts (operating lease)

What distinguishes this standard is the way the entity account for operating lease contracts as they are outside the financial statements.

Applying the standard to all lease contracts with the exception for leases where the underlying asset is of low value and for short term leases (i.e. those with a lease term of 12 months or less). the entity does the following:

- A recognition of the right-of-use assets and liabilities of the lease contracts in the statement of financial position initially at the present value of future lease payments.
- The depreciation of the right-of-use assets and profits is recognized on the lease liabilities in the income statement.
- In the statement of cash flows, the payments that reduces lease liability are classified within financing activities and the amounts related to the interest expense of the lease liabilities are classified within operating or financing activities. As for short-term lease contracts or low-value leases (non-capitalized) contracts, they are classified under operating activities.
- The principle amount of the lease contract within financing activities and profits on lease liabilities within operating activities.

For short-term lease contracts of one year or less, and lease contracts for low-value leased assets are recognized as an expense in the income statement on a straight-line basis.



The International Financial Reporting Standard No. (16) provides for testing the impairment of the right of use assets in accordance with Accounting Standard No. (36) Impairment of Assets, and this is different from the International Accounting Standard No. (17), which required recognition of a provision for onerous lease contracts.

– Lessee's accounting treatments for lease contracts (finance lease)

What distinguishes this standard is the residual value guarantees provided by the lessee to the lessor, whereby the expected amount to be paid is recognized as part of the lease liability, while International Accounting Standard No. (17) recognizes the maximum for the guaranteed amount.

**Standards and Interpretations issued but not yet effective**

Standard number or interpretation	Description	Effective date
Accounting Standard No. (1) Presentation of financial statements.  Accounting Standard No. (8) Accounting policies, changes in accounting estimates and errors	Definition of material Information is material if omitting, misstating or obscuring it could reasonably be expected to influence decisions that the primary users of financial statements make on the basis of those financial statements.	January 1, 2020 or after
International Financial Reporting Standard (17) Insurance Contracts	IFRS (17) replaces IFRS (4), which requires measuring insurance liabilities at the present value of the consideration and provides a more consistent approach to measurement and presentation of all insurance contracts.	January 1, 2022 or after
Amendments to IFRS (3) Business Combinations.	Modifications to the definition of business. In order to be considered business it must be an integrated set of activities and assets and include as a minimum inputs and an objective process that together contribute greatly to the ability to create outputs. It should have the ability to contribute to the creation of outputs rather than the ability to create outputs	January 1, 2020 or after
Amendments to the International Financial Reporting Standard No. (10) Consolidated Financial Statements and International Accounting Standard No. (28) Associates and Joint Ventures.	These amendments relate to the sale or contribution of assets between the investor, the associate and / or the joint venture.	Undetermined date

### Property, plant and equipment

- Property, plant and equipment are initially recognized at their cost being their purchase price plus any other costs directly attributable to bringing the assets to the location and condition necessary for them to be capable of operating in the manner intended by management.
- After initial recognition, the property, plant and equipment are carried, in the statement of financial position, at their cost less any accumulated depreciation and any accumulated impairment. Land is not depreciated.
- The depreciation charge for each period is recognized as expense. Depreciation is calculated on a straight line basis, which reflects the pattern in which the asset's future economic benefits are expected to be consumed over the estimated useful life of the assets using the following rates:

Category	Depreciation rate
	%
Buildings	2-4
Equipment and tools	20
Vehicles and machinery	15
Furniture & and decorations	9-10
Software and computers	20
Devices and machines	12
Electrical devices and condition units	12

- The estimated useful lives are reviewed at each year-end, with the effect of any changes in estimate accounted for on a prospective basis.
- The carrying values of property, plant and equipment are reviewed for impairment when events or changes in the circumstances indicate the carrying value may not be recoverable. If any such indication of impairment exists, impairments losses are calculated in accordance with impairment of assets policy.
- On the subsequent derecognition (sale or retirement) of the property, plant and equipment, the resulting gain or loss, being the difference between the net disposal proceed, if any, and the carrying amount, is included in profit or loss.
- Amount paid to build up property and equipment are initially carried to projects under construction account. When the project becomes ready for use, it will be transferred to property and equipment caption.

### Impairment of non-financial assets

- At each statement of financial position date, management reviews the carrying amounts of its non-financial assets (property, plant and equipment and investment property) to determine whether there is any indication that those assets have been impaired.
- If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss, if any, being the amount by which the carrying amount of the asset exceeds its recoverable amount. The recoverable amount is the higher of asset's fair value less costs to sell and the value in use. The asset's fair value is the amount for which that asset could be exchanged between knowledgeable, willing parties in arm's length transaction. The value in use is the present value of the future cash flows expected to be derived from the asset.
- For the purpose of impairment valuation, assets are grouped at the lower level that have cash flow independently (cash generating unit), previous impairment for non-financial assets (excluding goodwill) is reviewed for the possibility of reversal at the date of the financial statements.
- An impairment loss is recognized immediately as loss.
- Where an impairment loss subsequently reverses, the carrying amount of the asset is increased to the revised estimate of its recoverable amount, but the increased carrying amount due to reversal should not be more than what the depreciated historical cost would have been if the impairment had not been recognized in prior years. A reversal of an impairment loss is recognized immediately as income.

### Inventories

- Inventories are measured at the lower of cost and net realizable value.
- Inventory costs comprise all costs of purchase, costs of conversion and other costs incurred in bringing the inventories to their present location and condition.
- Net realizable value is the estimated selling price in the ordinary course of business less the estimated costs of completion and the estimated costs necessary to make the sale.
- The cost of inventory is assigned by using the First-in, First-out (FIFO).

### – Financial instruments

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

#### – Financial assets

- A financial asset is any asset that is:
  - (a) Cash;
  - (b) An equity instrument of another entity;
  - (c) A contractual right to receive cash or another financial asset from another entity, or to exchange financial assets or financial liabilities with another entity under conditions that are potentially favorable to the entity.
  - (d) A contract that will or may be settled in the entity's own equity instruments.
- Financial assets are initially measured at fair value plus, in the case of a financial asset not at fair value through profit or loss, transaction costs that are directly attributable to the acquisition of the financial asset, but for financial assets at fair value through profit or loss, transaction costs are recognized in profit or loss.
- Financial assets are classified to three categories as follows:
  - Amortized cost.
  - Fair value through other comprehensive income.
  - Fair value through profit or loss.
- A financial asset is measured at amortized cost if both of the following conditions are met:
  - (a) the asset is held within a business model whose objective is to hold assets in order to collect contractual cash flows.
  - (b) the contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.
- Financial assets are measured at fair value through other comprehensive income if both of the following conditions are met:
  - The financial assets is held within a business model whose objective is to hold financial assets in order to collect contractual cash flows.
  - The contractual terms of the financial assets give rise on specified dates to cash flows that are solely payments of principal and interests on that principal amount outstanding.
- All other financial assets (excluding financial assets at amortized cost or at fair value through other comprehensive income) are subsequently measured at fair value in profit or losses.
- On initial recognition of an equity investment that is not held for trading, the entity may irrevocably elect to present subsequent changes in the investments fair value in other comprehensive income.



### Subsequent measurement of financial assets

Subsequently financial assets are measured as follows:

Financial assets	Subsequent measurement
Financial assets at fair value through profit or loss	Are subsequently measured at fair value net gains or losses, including interests revenues or dividends, are recognized in profit or loss
Financial asserts at amortized cost	Are subsequently measured at amortized cost using effective interests method. – Amortized cost is reduced by impairment losses. – Interests income, gain and loss of foreign exchange and impairment loss are recognized in profit or loss. – Gain and loss from disposal are recognized in profit or loss.
Debts instruments at their value through other comprehensive income	Are subsequently measured at fair value – Interests income is calculated using effective interests method, gains and losses from foreign exchange, impairment losses are recognized in profit or loss. – Other net gains or losses are recognized in other comprehensive income. – On derecognition accumulated gains and losses in other comprehensive income are reclassified into profit or loss.
Equity instruments at fair value through other comprehensive income	Are subsequently measured at fair value – Dividends are recognized as income in profit or loss, unless the dividends clearly represent a recovery of part of investment cost. – Other net gains and losses are recognized in other comprehensive income (OCI) and are never reclassified from equity to profit or loss.

### – Derecognition of financial assets

Derecognition of financial assets (or a part of a group of similar financial assets) when:

- The contractual rights to the cash flow from the financial assets expire, or
- It transfers the contractual rights to receive the cash flows of the financial assets or assume a contractual obligation to pay the cash flows entirely to a third party.

### – Financial liabilities

- A financial liability is any liability that is:
  - (a) A contractual obligation to deliver cash or another financial asset to another entity, or to exchange financial assets or financial liabilities with another entity under conditions that are potentially unfavorable to the entity; or
  - (b) A contract that will or may be settled in the entity's own equity instruments.
- Financial liabilities are initially recognized at fair value less transaction costs, directly attributable to the acquisition or issue of those liabilities, except for the financial liabilities classified as at fair value through profit or loss, which are initially measured at fair value.

- After initial recognition, the entity measures all financial liabilities at amortized cost using the effective interest method, except for financial liabilities at fair value through profit or loss which are measured at fair value and other determined financial liabilities which are not measured under amortized cost method, Financial liabilities at fair value through profit or loss are stated at fair value, with any resulting gain or loss from change in fair value is recognized through profit or loss.

- **Trade payables and accruals**

Trade payables and accruals are liabilities to pay for goods or services that have been received or supplied and have been either invoiced or formally agreed with the suppliers or not.

- **Offsetting financial instruments**

A financial asset and a financial liability are offset and the net amount presented in the statement of financial position when, and only when, an entity currently has a legally enforceable right to set off amounts and intends either to settle in a net basis, or through realize the asset and settle the liability simultaneously.

- **Cash and cash equivalents**

Cash comprises cash on hand, current accounts and short term deposits at banks with a maturity date of three months or less, which are subject to an insignificant risk of changes in value.

- **Trade receivables**

- Trade receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market.
- Trade receivables are stated at invoices amount net of allowance for expected credit loss which represents the collective impairment of receivables.

- **Investments in associates**

- An associate is an entity over which the investor has significant influence and that is neither a subsidiary nor an interest in a joint venture. Significant influence is the power to participate in the financial and operating policy decisions of the investee but is not control or joint control over those policies, if the entity holds 20 percent or more of the voting power of the investee, it is presumed that the entity has signified influence.
- The entity's investment in its associate is accounted for under the equity method of accounting. Under the equity method, the investment in an associate is initially recognized at cost and the carrying amount is increased or decreased to recognize the investor's share of the profit or loss of the investee after the date of acquisition. The investor's share of the profit or loss of the investee is recognized in the investor's profit or loss. Distributions received from an investee reduce the carrying amount of the investment. The investor's share of those changes is recognized in other comprehensive income of the investor.
- When loss of significant influence of the associate occur, the entity shall measure the retained interest at fair value, and recognize the difference between the carrying amount of the investment and the fair value of any retained interest and any proceeds from disposing in the statement of income.

- **Impairment of financial assets**

- At each reporting date, the Company assesses whether financial assets carried at amortized cost and debt securities at FVTOCI are credit - impaired. A financial assets is "credit impaired" when one or more events that have a detrimental impact on the estimated future cash flows of the financial assets have occurred.
- The entity recognizes loss allowance for expected credit loss (ECL) on:
  - Financial assets measured at amortized cost.
  - Debt investments measured at FVOCI.
  - Contract assets.

- The entity measures loss allowances at an amount equal to lifetime ECLs.
- Loss allowances for trade receivables and contract assets are always measured at an amount equal to lifetime ECLs.
- When determining whether the credit risk of a financial asset has increased significantly since initial recognition and when estimating ECLs, the Entity considers reasonable and supportable information that is relevant and available without undue cost or effort based in the entity's historical experience and forward looking information.
- The entity considers a financial asset to be in default when:
  - The client is unlikely to pay its credit obligations to the entity in full, without recourse by the entity to actions such as realizing security (if any); or
  - The financial asset is more than 360 days past due.
- Loss allowances for financial assets measured at amortized cost are deducted from the gross carrying amount of the assets.
- A financial assets is written off when there is no reasonable expectation of recovering the contractual cash flows. The entity write off the gross carrying amount of the financial asset is in case of, liquidation, bankruptcy or issuance of a court ruling to reject the claim for financial asset.
- **Provisions**
  - Provisions are present obligations (legal or constructive) resulted from past events, the settlement of the obligations is probable and the amount of those obligations can be estimated reliably. The amount recognized as a provision is the best estimate of the expenditure required to settle the present obligation at the statement of financial position date.
  - Provisions reviewed and adjusted at each statement of financial position date. If outflows, to settle the provisions, are no longer probable, reverse of the provision is recorded as income.
  - If the entity expected to be reimbursed for a part or full provision, the reimbursement shall be recognized within assets, when it is virtually certain and its value can be measured reliably.
  - In the statement of comprehensive income, the expense relating to a provision may be presented net of the amount recognized for reimbursement.
  - Where the effect of the time value of money is material, provisions are discounted by using a currently pre-tax discount rate that reflect the risks specific to the liability, when using discount any increase in provision is recognized as a financial cost over time.
- **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.
- **Basic earnings per share**

Basic earnings per share is calculated by dividing profit or loss, attributable to ordinary shareholders, by the weighted average number of ordinary shares outstanding during the year.
- **Revenue recognition**
  - The entity recognize revenue from sale of good and rendering of service when control is transferred to the customer.
  - Revenues are recognized based on consideration specified in contract with customer that expected to be received excluding amounts collected on behalf of third parties.
  - Revenue is reduced for amount of any trade discounts and volume rebates allowed by the entity.



- The entity as a lessor

- A lease is classified as a finance lease if it transfers substantially all the risks and rewards incidental to ownership of an underlying asset to the lessee. As for other types of lease contract, they are classified as operating lease contracts. The contracts are classified upon the start of the lease contract.
- Lease income from operating lease is recognized in income on a straight-line basis over the term of the relevant lease. Initial direct costs incurred by the entity in negotiating and arranging an operating lease are added to the carrying value of the leased asset and recognized as an expense over the lease term on the same basis as the lease income. Assets leased under operating leases are depreciated based on the same depreciation policy adopted by the entity for similar assets.

- Income tax

Income tax is calculated in accordance with Jordanian laws and regulations.

- Foreign currencies

- In preparing the financial statements, transactions in currencies other than the functional currency (foreign currencies) are recorded at the rates of exchange prevailing at the dates of the transactions.
- In preparing the financial statements, transactions in currencies other than the functional currency (foreign currencies) are recorded at the rates of exchange prevailing at the dates of the transactions. At each statement of financial position date, monetary items denominated in foreign currencies are retranslated at the rates prevailing at the statement date (closing rate). Non-monetary items that are measured in terms of historical cost in a foreign currency are translated using the exchange rate at the date of the transaction. Non-monetary items that are measured at fair value in foreign currency are translated using the exchange rates at the date when the fair value was determined.
- Exchange differences arising on the settlement of monetary items or on translating monetary items at rates different from those at which they were translated on initial recognition during the period or in previous financial statements shall be recognized in profit or loss in the period in which they arise.
- For the purpose of presenting the financial statements in currencies other than the functional currency, assets and liabilities of the entity (including comparatives) are translated at closing rate at the date of the statement of financial position. Income and expense items (including comparatives) are translated at the average exchange rates for the period, unless exchange rates fluctuated significantly during that period, in which case the exchange rates at the dates of the transactions are used. The resulting exchange differences are recognized as a separate component of equity.

- Contingent liabilities

- Contingent liabilities are possible obligations depending on whether some uncertain future events occur, or they are present obligations but payments are not probable or the amounts cannot be measured reliably.
- Contingent liabilities are not recognized in the financial statements.

### 3. Property, plant and equipment

2019	2018	2017	2016	2015	2014	2013	2012	2011	2010	2009	2008	2007	2006	2005	2004	2003	2002	2001	2000	1999	1998	1997	1996	1995	1994	1993	1992	1991	1990	1989	1988	1987	1986	1985	1984	1983	1982	1981	1980	1979	1978	1977	1976	1975	1974	1973	1972	1971	1970	1969	1968	1967	1966	1965	1964	1963	1962	1961	1960	1959	1958	1957	1956	1955	1954	1953	1952	1951	1950	1949	1948	1947	1946	1945	1944	1943	1942	1941	1940	1939	1938	1937	1936	1935	1934	1933	1932	1931	1930	1929	1928	1927	1926	1925	1924	1923	1922	1921	1920	1919	1918	1917	1916	1915	1914	1913	1912	1911	1910	1909	1908	1907	1906	1905	1904	1903	1902	1901	1900	1899	1898	1897	1896	1895	1894	1893	1892	1891	1890	1889	1888	1887	1886	1885	1884	1883	1882	1881	1880	1879	1878	1877	1876	1875	1874	1873	1872	1871	1870	1869	1868	1867	1866	1865	1864	1863	1862	1861	1860	1859	1858	1857	1856	1855	1854	1853	1852	1851	1850	1849	1848	1847	1846	1845	1844	1843	1842	1841	1840	1839	1838	1837	1836	1835	1834	1833	1832	1831	1830	1829	1828	1827	1826	1825	1824	1823	1822	1821	1820	1819	1818	1817	1816	1815	1814	1813	1812	1811	1810	1809	1808	1807	1806	1805	1804	1803	1802	1801	1800	1799	1798	1797	1796	1795	1794	1793	1792	1791	1790	1789	1788	1787	1786	1785	1784	1783	1782	1781	1780	1779	1778	1777	1776	1775	1774	1773	1772	1771	1770	1769	1768	1767	1766	1765	1764	1763	1762	1761	1760	1759	1758	1757	1756	1755	1754	1753	1752	1751	1750	1749	1748	1747	1746	1745	1744	1743	1742	1741	1740	1739	1738	1737	1736	1735	1734	1733	1732	1731	1730	1729	1728	1727	1726	1725	1724	1723	1722	1721	1720	1719	1718	1717	1716	1715	1714	1713	1712	1711	1710	1709	1708	1707	1706	1705	1704	1703	1702	1701	1700	1699	1698	1697	1696	1695	1694	1693	1692	1691	1690	1689	1688	1687	1686	1685	1684	1683	1682	1681	1680	1679	1678	1677	1676	1675	1674	1673	1672	1671	1670	1669	1668	1667	1666	1665	1664	1663	1662	1661	1660	1659	1658	1657	1656	1655	1654	1653	1652	1651	1650	1649	1648	1647	1646	1645	1644	1643	1642	1641	1640	1639	1638	1637	1636	1635	1634	1633	1632	1631	1630	1629	1628	1627	1626	1625	1624	1623	1622	1621	1620	1619	1618	1617	1616	1615	1614	1613	1612	1611	1610	1609	1608	1607	1606	1605	1604	1603	1602	1601	1600	1599	1598	1597	1596	1595	1594	1593	1592	1591	1590	1589	1588	1587	1586	1585	1584	1583	1582	1581	1580	1579	1578	1577	1576	1575	1574	1573	1572	1571	1570	1569	1568	1567	1566	1565	1564	1563	1562	1561	1560	1559	1558	1557	1556	1555	1554	1553	1552	1551	1550	1549	1548	1547	1546	1545	1544	1543	1542	1541	1540	1539	1538	1537	1536	1535	1534	1533	1532	1531	1530	1529	1528	1527	1526	1525	1524	1523	1522	1521	1520	1519	1518	1517	1516	1515	1514	1513	1512	1511	1510	1509	1508	1507	1506	1505	1504	1503	1502	1501	1500	1499	1498	1497	1496	1495	1494	1493	1492	1491	1490	1489	1488	1487	1486	1485	1484	1483	1482	1481	1480	1479	1478	1477	1476	1475	1474	1473	1472	1471	1470	1469	1468	1467	1466	1465	1464	1463	1462	1461	1460	1459	1458	1457	1456	1455	1454	1453	1452	1451	1450	1449	1448	1447	1446	1445	1444	1443	1442	1441	1440	1439	1438	1437	1436	1435	1434	1433	1432	1431	1430	1429	1428	1427	1426	1425	1424	1423	1422	1421	1420	1419	1418	1417	1416	1415	1414	1413	1412	1411	1410	1409	1408	1407	1406	1405	1404	1403	1402	1401	1400	1399	1398	1397	1396	1395	1394	1393	1392	1391	1390	1389	1388	1387	1386	1385	1384	1383	1382	1381	1380	1379	1378	1377	1376	1375	1374	1373	1372	1371	1370	1369	1368	1367	1366	1365	1364	1363	1362	1361	1360	1359	1358	1357	1356	1355	1354	1353	1352	1351	1350	1349	1348	1347	1346	1345	1344	1343	1342	1341	1340	1339	1338	1337	1336	1335	1334	1333	1332	1331	1330	1329	1328	1327	1326	1325	1324	1323	1322	1321	1320	1319	1318	1317	1316	1315	1314	1313	1312	1311	1310	1309	1308	1307	1306	1305	1304	1303	1302	1301	1300	1299	1298	1297	1296	1295	1294	1293	1292	1291	1290	1289	1288	1287	1286	1285	1284	1283	1282	1281	1280	1279	1278	1277	1276	1275	1274	1273	1272	1271	1270	1269	1268	1267	1266	1265	1264	1263	1262	1261	1260	1259	1258	1257	1256	1255	1254	1253	1252	1251	1250	1249	1248	1247	1246	1245	1244	1243	1242	1241	1240	1239	1238	1237	1236	1235	1234	1233	1232	1231	1230	1229	1228	1227	1226	1225	1224	1223	1222	1221	1220	1219	1218	1217	1216	1215	1214	1213	1212	1211	1210	1209	1208	1207	1206	1205	1204	1203	1202	1201	1200	1199	1198	1197	1196	1195	1194	1193	1192	1191	1190	1189	1188	1187	1186	1185	1184	1183	1182	1181	1180	1179	1178	1177	1176	1175	1174	1173	1172	1171	1170	1169	1168	1167	1166	1165	1164	1163	1162	1161	1160	1159	1158	1157	1156	1155	1154	1153	1152	1151	1150	1149	1148	1147	1146	1145	1144	1143	1142	1141	1140	1139	1138	1137	1136	1135	1134	1133	1132	1131	1130	1129	1128	1127	1126	1125	1124	1123	1122	1121	1120	1119	1118	1117	1116	1115	1114	1113	1112	1111	1110	1109	1108	1107	1106	1105	1104	1103	1102	1101	1100	1099	1098	1097	1096	1095	1094	1093	1092	1091	1090	1089	1088	1087	1086	1085	1084	1083	1082	1081	1080	1079	1078	1077	1076	1075	1074	1073	1072	1071	1070	1069	1068	1067	1066	1065	1064	1063	1062	1061	1060	1059	1058	1057	1056	1055	1054	1053	1052	1051	1050	1049	1048	1047	1046	1045	1044	1043	1042	1041	1040	1039	1038	1037	1036	1035	1034	1033	1032	1031	1030	1029	1028	1027	1026	1025	1024	1023	1022	1021	1020	1019	1018	1017	1016	1015	1014	1013	1012	1011	1010	1009	1008	1007	1006	1005	1004	1003	1002	1001	1000	999	998	997	996	995	994	993	992	991	990	989	988	987	986	985	984	983	982	981	980	979	978	977	976	975	974	973	972	971	970	969	968	967	966	965	964	963	962	961	960	959	958	957	956	955	954	953	952	951	950	949	948	947	946	945	944	943	942	941	940	939	938	937	936	935	934	933	932	931	930	929	928	927	926	925	924	923	922	921	920	919	918	917	916	915	914	913	912	911	910	909	908	907	906	905	904	903	902	901	900	899	898	897	896	895	894	893	892	891	890	889	888	887	886	885	884	883	882	881	880	879	878	877	876	875	874	873	872	871	870	869	868	867	866	865	864	863	862	861	860	859	858	857	856	855	854	853	852	851	850	849	848	847	846	845	844	843	842	841	840	839	838	837	836	835	834	833	832	831	830	829	828	827	826	825	824	823	822	821	820	819	818	817	816	815	814	813	812	811	810	809	808	807	806	805	804	803	802	801	800	799	798	797	796	795	794	793	792	791	790	789	788	787	786	785	784	783	782	781	780	779	778	777	776	775	774	773	772	771	770	769	768	767	766	765	764	763	762	761	760	759	758	757	756	755	754	753	752	751	750	749	748	747	746	745	744	743	742	741	740	739	738	737	736	735	734	733	732	731	730	729	728	727	726	725	724	723	722	721	720	719	718	717	716	715	714	713	712	711	710	709	708	707	706	705	704	703	702	701	700	699	698	697	696	695	694	693	692	691	690	689	688	687	686	685	684	683	682	681	680	679	678	677	676	675	674	673	672	671	670	669	668	667	666	665	664	663	662	661	660	659	658	657	656	655	654	653	652	651	650	649	648	647	646	645	644	643	642	641	640	639	638	637	636	635	634	633	632	631	630	629	628	627	626	625	624	623	622	621	620	619	618	617	616	615	614	613	612	611	610	609	608	607	606	605	604	603	602	601	600
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Notes to the financial statement for the year ended December 31, 2019

(\*\*) Projects under construction represent the company's building and facilities development and improvement, in addition of buying machines and equipment to increase production capacity of production lines, and to change the plant infrastructure and renovating the buildings in order to match the factory to the conditions of the drug production which was started on March 2013.

(\*\*\*) Depreciation expense allocated on statement of comprehensive income as follows:

	2019	2018
	JD	JD
Manufacturing expenses	30,562	31,317
Administrative expenses	2,146	2,716
<b>Total</b>	<b>32,708</b>	<b>34,033</b>

4. Investment in an associate

Company name	Country of incorporation	Legal entity	Ownership	Total assets	Total liabilities	(Loss)	(Accumulated losses)
			%	JD	JD	JD	
Middle East Pharmaceutical and Chemical Industries and Medical Appliances Company	Jordan	P.L.C	12,85	11,924,275	18,386,596	(499,812)	(13,068,510)

(\*) Movement of investment through the year was as the follows:

	2019	2018
	JD	JD
Cost	51,573	51,573
Share of results of associate	(51,573)	(51,573)
<b>Net</b>	<b>-</b>	<b>-</b>

5. Investment in financial assets at fair value through other comprehensive income

This item represents the cost of the company's investment in the Arab Company for Antibiotics Industry capital shares registered in the Republic of Iraq.

6. Related parties

(\*) Transactions with related parties consist of shareholders, companies at which main shareholders have significant shares in them and associate company.

(\*\*) Due from related party consist of one related party - Middle East Pharmaceutical and Chemical Industries and Medical Appliances Company

(\*\*\*) Shareholders payable items represent the following:

	2019	2018
	JD	JD
Hamzeh Ahmad Tantash	4,155,851	4,141,851
Mazen Hamza Tantash	356,644	356,052
<b>Total</b>	<b>4,512,495</b>	<b>4,497,903</b>

(\*\*\*\*) Due to related parties items consist of the following:

	2019	2018
	JD	JD
Tantash Investment Group	1,557,042	1,537,612
Tantash Travel Agency	16,354	16,354
Jordan Investment and Tourism Transport Co.	13,373	6,729
Istithmar for Financial Services	12,331	11,310
Mawqef for Commercial Services	10,544	9,951
Istithmar for Financial Services	5,615	5,022
<b>Total</b>	<b>1,615,259</b>	<b>1,586,978</b>

(\*\*\*\*\*) Transactions with related parties are financing in nature.

## 7. Inventory

	2019	2018
	JD	JD
Work in process	68,004	65,945
Finished goods	60,074	66,716
Orders and letters of credit	54,251	54,251
Raw material and packaging	38,533	41,045
Spare parts	26,499	26,749
Impairment provision for static and expired goods	(143,748)	(143,748)
<b>Net</b>	<b>103,613</b>	<b>110,958</b>



8. Other debit balances

	2019	2018
	JD	JD
Refundable deposits	36,567	36,567
Prepayments on sales tax	9,715	7,988
Bank margin	2,020	4,130
Employees receivables	513	513
Others	9	9
Prepaid expenses	-	6,381
Petty cash	-	253
<b>Total</b>	<b>48,824</b>	<b>55,841</b>

9. Trade receivables

	2019	2018
	JD	JD
Trade receivables (*)	358,621	365,184
Less: allowance for expected credit losses (**)	(341,204)	(341,204)
<b>Net</b>	<b>17,417</b>	<b>23,980</b>

(\*) Trade receivables are concentrated in one customer comprising 53% of total trade receivables balance as at December 31, 2019.

- The receivables aging details as of December 31, 2019:

	2019	2018
	JD	JD
1-60 days	4,120	1,568
61-120 days	2,216	5,212
121-180 days	175	10,286
181-270 days	4,872	4,515
271-360 days	-	-
More than 361 days	347,238	343,603
<b>Total</b>	<b>358,621</b>	<b>365,184</b>

(\*\*) Allowance for expected credit losses movement during the year:

	2019	2018
	JD	JD
Beginning of year balance	341,204	290,784
Effect of applying IFRS (9)	-	50,420
<b>End of year balance</b>	<b>341,204</b>	<b>341,204</b>

#### 10. Cash and cash equivalents

	2019	2018
	JD	JD
Current accounts at banks - JD (*)	2,125	69
Cash on hand	1,528	549
Current accounts at banks - USD (*)	83	87
<b>Total</b>	<b>3,736</b>	<b>705</b>

(\*) There are bank accounts at local banks reserved for lawsuits are still outstanding in related courts.

#### 11. Statutory reserve

- Statutory reserve is allocated according to the Jordanian Companies Law by deducting 10% of the annual net profit until the reserve equals one quarter 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.
- For the general assembly after exhausting other reserves to decide in an extraordinary meeting to quench its losses from the accumulated amounts in statutory reserve, and to rebuild it in accordance with the provisions of the law.

#### 12. Accumulated losses

The company's accumulated losses amounted to JD 7,303,852 which represents 146% of its capital, follows a summary of the company's plan:

- Completion of the final stages of the expansion project and the start of the actual production process on the new lines beginning on 2020 and will lead to re-entry into the traditional markets and the opening new markets.
- The general assembly held an extraordinary meeting dated July 23, 2017 and the following decisions were made:
  - Decrease the company capital by quenching the amount of JD 4,500,000 from the accumulated losses as at December 31, 2016 in the authorized capital and the paid-in capital to become JD 500,000.
  - Increase the capital of the company by an amount of JD 4,500,000 to become JD 5,000,000.
  - The implementation of the extraordinary general assembly decision held on April 23, 2017 has not been completed until the date of the financial statements report.

**13. Other credit balances**

	2019	2018
	JD	JD
Shareholders deposits	199,608	199,608
Employees payable	179,024	130,775
Accrued expenses	152,046	149,482
Lawsuits provision	95,000	95,000
Social security deposits	29,554	3,801
Income tax deposits	6,571	6,044
Subscribers deposits	3,289	3,289
Establishing deposits	2,866	2,866
Refund of sold shares	2,697	2,697
Unearned revenue	1,300	-
Savings fund deposits	401	401
<b>Total</b>	<b>672,356</b>	<b>593,963</b>

**14. Cost of sales**

	2019	2018
	JD	JD
Raw materials and packaging materials used in production	17,345	33,811
Manufacturing expenses (*)	150,838	212,931
Work in process - beginning of year	65,945	84,822
Work in process - end of year	(68,004)	(65,945)
<b>Cost of manufactured goods</b>	<b>166,124</b>	<b>265,619</b>
Finished goods beginning of year	66,716	75,843
Finished goods end of year	(60,074)	(66,716)
<b>Cost of goods sold</b>	<b>172,766</b>	<b>274,746</b>

(\*) Manufacturing expenses consist of the following:

	2019	2018
	JD	JD
Salaries, wages and related benefits	76,439	95,780
Depreciation	30,562	31,317
Water and electricity	23,816	45,276
Traveling and transportation	7,513	11,974
Meals	5,112	8,467
Fuel	2,260	5,879
Consumables	1,815	1,923
Maintenance	1,458	5,307
Health insurance	1,106	1,784
Miscellaneous	360	612
Stationery	238	204
Sterilization fees	159	738
Insurance	-	3,282
Vehicles expenses	-	388
<b>Total</b>	<b>150,838</b>	<b>212,931</b>

#### 15. Other revenues

	2019	2018
	JD	JD
Miscellaneous	1,315	1,314
Gains on sale of property, plant and equipment	-	11,843
<b>Total</b>	<b>1,315</b>	<b>13,157</b>

#### 16. Selling and distribution expenses

	2019	2018
	JD	JD
Shipping and clearing	244	1,945
Governmental	23	293
Marketing and advertisements	-	3,108
Salaries, wages and related benefits	-	118
Bank commissions	-	42
Penalties	-	2
<b>Total</b>	<b>267</b>	<b>5,508</b>



Notes to the financial statement for the year ended December 31, 2019

17. Administrative expenses

	2019	2018
	JD	JD
Salaries, wages and related benefits	62,487	141,426
Professional fees	11,938	18,375
Licenses, permits and governmental subscriptions	9,668	11,793
Board of directors transportations	3,400	21,650
Depreciation	2,146	2,716
Telecommunications	2,027	4,544
Lawsuites	1,167	53,615
Stationery and printings	1,028	1,566
Health insurance	707	1,081
Hospitality and cleaning	666	1,223
Miscellaneous	377	756
Maintenance	320	1,057
Bank commission	129	-
Penalties	2	7,778
Advertisements	-	668
Vehicles expenses	-	568
Insurance	-	365
<b>Total</b>	<b>96,062</b>	<b>269,181</b>

18. Legal cases

According to the company lawyer's letter there is a legal case raised by the company against others amounting to JD 10,100 and there are other cases raised against others with undetermined amounts, also there are legal cases raised by others against the Company amounting to JD 282,483 and there are other cases with undetermined amounts, these cases are still outstanding in related courts.

19. Tax status

- Income tax returns have been filed till year 2018 within the legal period.
- Tax status for the company has been settled till 2015.
- The opinion of the tax consultant there is no need to make provision, due to the company's acceptable accumulated losses.

## 20. Subsequent events

Subsequent to the date of the consolidated financial statements and as a result of the spread of the new Corona virus (Covid-19) in the beginning of 2020 and its outbreak in several geographical regions around the world including the Hashemite Kingdom of Jordan and its impact on the global economy, In addition to disrupting economic activities, this has affected the trade sector of pharmaceutical products and medical supplies manufactured by the company and all other related work.

as a result of the quarantine measures established by the Defense Law. The management of the company believes that this event is one of the events occurring after the issuance of the statement of financial position, which does not require amendments in this early stage of the event, which is witnessing continuous and rapid developments. The company has formed a team to evaluate the expected effects on the company's business inside and outside the Kingdom and to conduct a preliminary study with a view to reviewing and evaluating the potential risks related to ensuring continuity and operation without interruption at this stage, the administration does not consider that it is possible to quantify the potential impact of this outbreak on the company's future financial statements at this stage.

Management and those charged with governance will continue to monitor the situation in all geographic regions in which the company operates and provide stakeholders with developments as required by laws and regulations. In the event of any changes to the current conditions, additional disclosures or amendments to the company's financial statements will be provided for the subsequent periods of the year ending as at December 31, 2019.

## 21. Contingent Liabilities

As at the statement of financial position date, there are contingent liabilities of guarantee amounting to JD 2,000 with cash deposit of JD 2,000.

## 22. Risk management

### a) Capital risk:

Regularly, the capital structure is reviewed and the cost of capital and the risks associated with capital are considered. In addition, capital is managed properly to ensure continuing as a going concern while maximizing the return through the optimization of the debt and equity balance.

### b) Currency risk:

- Currency risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in foreign exchange rates.
- The risk arises on certain transactions denominated in foreign currencies, which imposes sort of risk due to fluctuations in exchange rates during the year.
- The entity is not exposed to currency risk.

### c) Interest rate risk:

- Interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates.
- The risk arises on exposure to a fluctuation in market interest rates resulting from borrowings and depositing in banks.
- The risk is managed by maintaining an appropriate mix between fixed and floating interest rates balances during the financial year.

### d) Other price risk:

- Other price risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market prices (other than those arising from interest rate risk or currency risk), whether those changes are caused by factors specific to the individual financial instrument or its issuer, or factors affecting all similar financial instruments traded in the market.
- The risk arises from investing in equity investments.

Notes to the financial statement for the year ended December 31, 2019

- The following table shows the sensitivity to profit or loss and equity to the changes in the listed prices of investments in equity instruments, assuming no changes to the rest of other variables:

At December 31, 2019	Change in price	The effect on owners equity
	%	JD
Investment in financial assets at fair value through Other comprehensive income	±5	±5,773

e) Credit risk:

- Credit risk is the risk that one party to a financial instrument will cause a financial loss for the other party by failing to discharge an obligation.
- Regularly, the credit ratings of debtors and the volume of transactions with those debtors during the year are monitored.
- Ongoing credit evaluation is performed on the financial condition of debtors.
- The carrying amount of financial assets recorded in the financial statements represents the maximum exposure to credit risk without taking into account the value of any collateral obtained.

f) Liquidity risk:

- Liquidity risk is the risk of encountering difficulty in meeting obligations associated with financial liabilities that are settled by delivering cash or another financial assets.
- Liquidity risk is managed through monitoring cash flows and matching with maturity dates of the financial assets and liabilities.
- The following table shows the maturity dates of financial assets and liabilities as of December 31:

Description	Less than 1 year		More than 1 year	
	2019	2018	2019	2018
	JD	JD	JD	JD
<b>Financial assets:</b>				
Investment in financial assets at fair value through other comprehensive income	-	-	115,458	115,458
Due from related party	-	-	1,283,109	1,286,282
Other debit balances	39,109	41,472	-	-
Trade receivables	17,417	23,980	-	-
Cash and cash equivalents	3,736	705	-	-
<b>Total</b>	<b>60,262</b>	<b>66,157</b>	<b>1,398,567</b>	<b>1,401,740</b>
<b>Financial liabilities:</b>				
Shareholders payable	-	-	4,512,495	4,497,903
Other credit balances	576,056	498,963	-	-
Trade payables	396,252	380,690	-	-
Due to related parties	1,615,259	1,586,978	-	-
<b>Total</b>	<b>2,587,567</b>	<b>2,466,631</b>	<b>4,512,495</b>	<b>4,497,903</b>

### 23. Fair value of financial instruments

The entity shall classifies measuring fair value methods using fair value hierarchy that reflects the significance of inputs used in making the measurements. The hierarchy of fair value of financial instruments have the following levels:

- Level (1): quoted prices (unadjusted) in active markets for identical assets or liabilities.
- Level (2): inputs other than quoted prices included within level (1) that are observable for the asset or liability, either directly (as prices) or indirectly (derived from prices).
- Level (3): inputs for the asset or liability that are not based on observable market data.

<u>As at 31 December 2019</u>	<u>Level (1)</u>
	JD
Investment in financial assets at fair value through other comprehensive income	<u>115,458</u>
<b>Total</b>	<u><u>115,458</u></u>