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التاريخ: 2020 / 06 / 15

الرقم: FNSAL-06-2020-001

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السادة / هيئة الأوراق المالية
السادة / دائرة الإفصاح
عناية السيد / عمر كراسنة
فاكس رقم (5686830).

٦/٥١

البيانات المالية باللغة العربية واللغة الإنجليزية
كما بتاريخ 31 كانون الأول 2019 م

تحية طيبة وبعد ،،،
نرفق لكم بطيه أدناه نسخة من البيانات المالية الموحدة لشركة الشرق الأوسط للصناعات الدوائية والكيمائية والمستلزمات الطبية م.ع.م باللغة العربية واللغة الإنجليزية ، وذلك عن السنة المالية المنتهية في 31 كانون الأول لعام 2019 م.

لإيداعها بملف الشركة لديكم .

وتفضلوا بقبول فائق الاحترام ،،،

المدير المالي والإداري
محمود زاهر



*المرفقات :-

نسخة من البيانات المالية الموحدة باللغة العربية واللغة الإنجليزية كما بتاريخ 2019/12/31 .

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

**Consolidated Financial Statements and
Independent Auditor's Report
for the year ended December 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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Independent Auditors Report

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

Report on the Audit of the Consolidated Financial Statements

Opinion

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

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the consolidated financial position of the Company as at December 31, 2019, and of its consolidated financial performance and its consolidated 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 Consolidated 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 consolidated 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 losses

The company has applied IFRS (9) expected credit losses requirements which resulted in a change in the calculation of impairment from the incurred loss modal to the expected credit loss model, and the allowance for expected credit losses amounting to JD 1,406,554 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 that is we recorded 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 (10) of the consolidated financial statements where the accumulated losses for the company amounted to JD 13,068,510 as at the date of consolidated financial position representing 209% of the company's capital, also note that the company's current liabilities exceeded its current assets by an amount of JD 5,329,864, in addition to the existence of accrued liabilities that were not paid to date. These matters cast significant doubt on the company ability to continue as a going concern and its continuation depends on providing sufficient funds to meet its obligations and the success of its operations in the future. The Company provided a complete plan to insure the company's continuation, the first step was to hold an extraordinary general assembly meeting on July 31, 2017 and the following was decided:

- Decrease the company's capital by quenching the accumulated losses by an amount of JD 8,619,000 as at December 31, 2017.
- The authorized capital will become JD 6,250,583 and the subscribed and paid-in capital JD 1,250,583.
- 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.
- All legal procedures were completed on January 31, 2019.

Emphasis of matter

As stated in note (1) and (3) 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.

Other Information

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

Our opinion on the consolidated 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 consolidated financial statements, our responsibility is to read the other information 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. 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 Consolidated Financial Statements

Management is responsible for the preparation and fair presentation of the consolidated financial statements in accordance with International Financial Reporting Standard, and for such internal control as management determines is necessary to enable the preparation of 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 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 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 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 consolidated 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 consolidated 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 consolidated 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 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 group financial statement. we are responsible for the direction, supervision and performance of the group audit. 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 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 consolidated 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 consolidated financial statements, accordingly, we recommend to approve these financial statements by the general assembly.



Talal Abu-Ghazaleh & Co. International

Mohammad Al-Azraq
(License # 1000)

Amman, on February 24, 2020

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

Consolidated Statement of financial position as at December 31, 2019

	<u>Notes</u>	<u>2019</u>	<u>2018</u>
		JD	JD
ASSETS			
Non-current Assets			
Property, plant and equipment	3	6,685,017	7,299,614
Intangible assets	4	150,105	198,374
Total Non-current Assets		<u>6,835,122</u>	<u>7,497,988</u>
Current Assets			
Inventory	5	2,434,799	3,058,999
Investment in financial asset at fair value through profit and loss		14,114	13,409
Other debit balances	6	329,226	522,114
Trade receivables	7	2,310,840	1,026,176
Cash and cash equivalents	8	174	12,320
Total Current Assets		<u>5,089,153</u>	<u>4,633,018</u>
TOTAL ASSETS		<u><u>11,924,275</u></u>	<u><u>12,131,006</u></u>

The attached notes constitute an integral part of these financial statements

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

Consolidated Statement of financial position for the year ended December 31, 2019

	Notes	2019	2018
		JD	JD
EQUITY AND LIABILITIES			
Equity			
Authorized capital	1	6,250,583	14,869,583
Paid-in capital		6,250,583	9,869,583
Statutory reserve	9	271,045	271,045
Translation differences		84,561	84,035
Accumulated losses	10	(13,068,510)	(21,187,698)
Net Equity		(6,462,321)	(10,963,035)
Liabilities			
Non-current Liabilities			
Shareholders payable	11	7,967,579	12,844,169
Total Non-current Liabilities		7,967,579	12,844,169
Current Liabilities			
Other credit balances	12	2,383,769	2,546,614
Trade payables		2,215,596	1,825,350
Due to related parties	11	5,165,494	5,214,154
Loans	13	654,158	663,754
Total current Liabilities		10,419,017	10,249,872
Total Liabilities		18,386,596	23,094,041
TOTAL EQUITY AND LIABILITIES		11,924,275	12,131,006

The attached notes constitute an integral part of these financial statements

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

Consolidated statement of comprehensive income for the year ended December 31, 2019

	<u>Notes</u>	<u>2019</u>	<u>2018</u>
		JD	JD
Sales	14	4,044,239	708,444
Cost of sales		<u>(3,072,119)</u>	<u>(1,908,136)</u>
Gross profit (loss)		972,120	(1,199,692)
Other revenues, net		116,865	38,139
Selling and marketing expenses	15	(783,971)	(354,105)
Administrative expenses	16	(616,359)	(1,067,346)
Damaged and expired goods provision	5	(188,467)	(18,942)
Finance cost		<u>-</u>	<u>(69,277)</u>
Loss		<u>(499,812)</u>	<u>(2,671,223)</u>
Weighted average number of shares		<u>6,552,166</u>	<u>9,869,583</u>
Loss per share		<u>(0/076) JD</u>	<u>(0/27) JD</u>

The attached notes constitute an integral part of these financial statements

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

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

	Capital	Statutory reserve	Translation differences	Accumulated losses	Total
	JD	JD	JD	JD	JD
Balance as at January 1, 2018	9,869,583	271,045	-	(18,516,475)	(8,375,847)
Translation differences	-	-	84,035		84,035
Comprehensive income	-	-	-	(2,671,223)	(2,671,223)
Balance as at December 31, 2018	9,869,583	271,045	84,035	(21,187,698)	(10,963,035)
Quench of losses - note (10)	(8,619,000)	-	-	8,619,000	-
Increase capital - note (10)	5,000,000	-	-	-	5,000,000
Translation differences	-	-	526	-	526
Comprehensive income	-	-	-	(499,812)	(499,812)
Balance as at December 31, 2019	6,250,583	271,045	84,561	(13,068,510)	(6,462,321)

The attached notes constitute an integral part of these financial statements

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

Consolidated statement of cash flows for the year ended December 31, 2019

	2019	2018
	JD	JD
CASH FLOWS FROM OPERATING ACTIVITIES		
Loss	(499,812)	(2,671,223)
Adjustments for :		
Depreciations and amortizations	690,645	753,535
Investment in financial assets at fair value through other profit or loss	(705)	3,294
Expected credit losses allowance	17,361	-
Inventory impairment provision	188,467	18,942
Change in operating assets and liabilities:		
Inventory	435,733	(137,781)
Other debit balances	188,910	(196,390)
Trade receivables	(1,298,047)	1,225,616
Deferred checks	-	(640,303)
Other credit balances	(162,845)	(3,302,571)
Trade payables	390,246	218,547
Net cash from operating activities	<u>(50,047)</u>	<u>(4,728,334)</u>
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchase of property, plant and equipment	<u>(27,779)</u>	<u>(169,360)</u>
Net cash from investing activities	<u>(27,779)</u>	<u>(169,360)</u>
CASH FLOWS FROM FINANCING ACTIVITIES		
Due to related parties	(48,660)	2,567,806
Shareholders payable	123,410	6,678,762
Loans	(9,596)	(1,480,384)
Bank overdraft	-	(3,000,852)
Net cash from financing activities	<u>65,154</u>	<u>4,765,332</u>
Effect of currency differences on cash and cash equivalents	<u>526</u>	<u>84,035</u>
Net change in cash and cash equivalents	<u>(12,146)</u>	<u>(48,327)</u>
Cash and cash equivalents - beginning of year	<u>12,320</u>	<u>60,647</u>
Cash and cash equivalents - end of year	<u><u>174</u></u>	<u><u>12,320</u></u>
Non - cash transactions		
Increase capital from shareholders payable	<u><u>5,000,000</u></u>	<u><u>-</u></u>

The attached notes constitute an integral part of these financial statements

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

Notes to the consolidated financial statements for the year ended December 31, 2019

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:
 - Manufacturing of reagents and medical and laboratory solutions.
 - Manufacturing of human drug fluids.
 - Manufacturing of human drug tablets.
 - Manufacturing of human drug supplications.
 - Manufacturing veterinary antibiotics.
 - Manufacturing veterinary antibacterial.
 - Manufacturing veterinary vitamins.
 - Manufacturing gelatin capsules.
- The Middle East Pharmaceutical- Algeria was established as a limited liability company under the number 607/2008 on October 11, 2008.
- The financial statements were approved by the Company's board of directors in its session held on February 24, 2020 and these financial statements require the approval of the general assembly.
- There is a restraint on the company's registration bond 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 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 general purpose 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

2-4 Summary of significant accounting policies

– Basis of consolidation (deemed appropriate)

- The consolidated financial statements comprise the financial statements of the parent (Middle East Pharmaceutical and Chemical Industries and Medical Appliances Company) and the subsidiary which is controlled by it :

<u>Name of subsidiary</u>	<u>Ownership</u>
	%
Middle East Pharmaceutical and Chemical Industries and Medical Appliances – Algeria	100

- Control is presumed to exist when the parent is exposed, or has rights, to variable returns from its involvement through its power over the investee, in exceptional circumstances, it can be clearly demonstrated that such ownership does not constitute control.
- Intergroup balances, transactions, income and expenses shall be eliminated in full.
- Non-controlling interests represent the equity in a subsidiary not attributable, directly or indirectly, to the parent.
- If a parent loses a control of a subsidiary, the parent derecognize the assets and liabilities of the subsidiary and non-controlling interests and other equities, recognize any profit or loss resulted from loss of control in the statement of comprehensive income, recognize any investment retained after loss of control at its fair value.

– 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:

<u>Category</u>	<u>Depreciation rate</u>
	%
Buildings	2
Machines & equipment	5-10
Transportation vehicles	10-20
Factory equipment	8
Communication systems and programs	9
Electrical equipment	5-10
Furniture	8
Artesian well	5-15

- 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, impairment 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.
- **Other intangible assets**
 - Intangible assets are identifiable non-monetary assets without physical substance.
 - Intangible assets acquired separately are reported at cost less accumulated amortization and accumulated impairment losses.
 - Acquisition costs comprise the purchase price and other costs directly attributable to preparing the assets for their intended use.
 - Amortization charge is recognized as loss, on a straight-line basis over the following useful lives of intangible assets:

Category	Useful Life
	%
Bioequivalence studies	20-25
Drugs registration fees	20-25

- The estimated useful lives are reviewed at each financial year-end, with the effect of any changes in estimate being accounted for on a prospective basis.
- The carrying values of intangible assets 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, impairment loss is calculated in accordance with impairment of assets policy.
- Expenditure on research activities is recognized as an expense in the period in which it is incurred.
- An internally-generated intangible asset arising from development is recognized when the entity demonstrates the following:
 - The technical feasibility of completing the intangible asset so that it will be available for use or sale;
 - The intention to complete the intangible asset and use or sell it;
 - The ability to use or sell the intangible asset;
 - How the intangible asset will generate probable future economic benefits;
 - The availability of adequate technical, financial and other resources to complete the development and to use or sell the intangible asset; and
 - The ability to measure reliably the expenditure attributable to the intangible asset during its development.
- The amount initially recognized for internally-generated intangible assets is the sum of the expenditure incurred from the date when the intangible asset first meets the recognition criteria listed above. Cost of internally-generated intangible assets comprises all directly attributable costs necessary to create, produce, and prepare the asset to be capable of operating in the manner intended by management. Where no internally-generated intangible asset can be recognized, development expenditure is charged as expense in the period in which it is incurred.
- Subsequent to initial recognition, internally-generated intangible assets are carried at cost less accumulated amortization and accumulated impairment losses. Amortization is charged on a straight-line basis over the intangible assets' estimated useful lives. The estimated useful lives are reviewed at each financial year-end, with the effect of any changes in estimate being accounted for on a prospective basis.

- The carrying values of intangible assets 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, impairment loss calculated in accordance with impairment of assets policy.

- **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 weighted-average cost formula.

- **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. <ul style="list-style-type: none"> - 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 <ul style="list-style-type: none"> - 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 <ul style="list-style-type: none"> - 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 losses which represents the collective impairment of receivables.

- 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 asset is written off when there is no reasonable expectation of recovering the contractual cash flows. The entity writes off the gross carrying amount of the financial asset 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.

– **Borrowing costs**

- Borrowing costs are interest and other costs that an entity incurs in connection with the borrowing of funds.
- Borrowing costs are expensed in the period in which they are incurred.

– **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. 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.

– **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.

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

Notes to the consolidated financial statements for the year ended December 31, 2019

3. Property, plant and equipment

2019	Land (*)		Building (*)		Machines and equipment		Transportation vehicles (*)		Factory equipment		Communication systems and programs		Electrical equipment		Furnitures		Artesian well		Other		Total	
	JD	JD	JD	JD	JD	JD	JD	JD	JD	JD	JD	JD	JD	JD	JD	JD	JD	JD	JD	JD	JD	JD
Cost																						
Beginning of year balance	200,606		6,912,919		3,385,751		726,157		5,712,914		266,504		406,495		386,364		50,785		51,044		18,099,539	
Additions	-		-		12,963		-		14,816		-		-		-		-		-		27,779	
End of year balance	200,606		6,912,919		3,398,714		726,157		5,727,730		266,504		406,495		386,364		50,785		51,044		18,127,318	
Accumulated depreciation																						
Beginning of year balance	-		2,710,917		2,756,006		676,889		3,646,909		247,004		364,626		333,342		48,702		15,530		10,799,925	
Depreciation (**)	-		138,767		184,511		14,840		264,372		10,103		12,624		15,954		245		960		642,376	
End of year balance	-		2,849,684		2,940,517		691,729		3,911,281		257,107		377,250		349,296		48,947		16,490		11,442,301	
Net	200,606		4,063,235		458,197		34,428		1,816,449		9,397		29,245		37,068		1,838		34,554		6,685,017	
2018																						
Cost																						
Beginning of year balance	200,606		6,895,633		3,355,054		726,157		5,618,969		264,424		405,795		386,104		50,785		26,652		17,930,179	
Additions	-		17,286		30,697		-		93,945		2,080		700		260		-		24,392		169,360	
End of year balance	200,606		6,912,919		3,385,751		726,157		5,712,914		266,504		406,495		386,364		50,785		51,044		18,099,539	
Accumulated depreciation																						
Beginning of year balance	-		2,572,352		2,574,610		661,947		3,376,299		225,195		350,113		316,379		46,622		14,391		10,137,908	
Depreciation (**)	-		138,565		181,396		14,942		270,610		21,809		14,513		16,963		2,080		1,139		662,017	
End of year balance	-		2,710,917		2,756,006		676,889		3,646,909		247,004		364,626		333,342		48,702		15,530		10,799,925	
Net	200,606		4,202,002		629,745		49,268		2,066,005		19,500		41,869		53,022		2,083		35,514		7,299,614	

(*) Land, building and transportation vehicles mentioned above are seized against legal reservations.

(**) Depreciation was allocated on the statement of comprehensive income as follows:

	2019	2018
	JD	JD
Manufacturing expenses	580,282	595,487
Administrative expenses	62,094	66,530
Total	642,376	662,017

4. Intangible assets

	Bioequivalence studies	Drugs registration fees	Total
	JD	JD	JD
2019			
Cost			
Beginning of year balance	1,526,081	518,747	2,044,828
End of year balance	1,526,081	518,747	2,044,828
Accumulated amortization			
Beginning of year balance	1,327,707	518,747	1,846,454
Amortization	48,269	-	48,269
End of year balance	1,375,976	518,747	1,894,723
Net	150,105	-	150,105
2018			
Cost			
Beginning of year balance	1,526,081	518,747	2,044,828
End of year balance	1,526,081	518,747	2,044,828
Accumulated amortization			
Beginning of year balance	1,310,607	444,329	1,754,936
Amortization	17,100	74,418	91,518
End of year balance	1,327,707	518,747	1,846,454
Net	198,374	-	198,374

5. Inventory

	2019	2018
	JD	JD
Packing materials	1,188,619	1,222,006
Raw materials	770,435	1,249,934
Finished goods	501,371	459,773
Spare parts	215,167	241,375
Orders and payments on raw materials purchases	207,564	137,303
Goods in process	181,947	190,445
Inventory impairment provision (*)	(630,304)	(441,837)
Total	2,434,799	3,058,999

(*) Inventory impairment provision movement during the year was as follows:

	2019	2018
	JD	JD
Beginning of year balance	441,837	422,895
Provided	188,467	18,942
End of year balance	630,304	441,837

6. Other debit balances

	2019	2018
	JD	JD
Employees receivable	66,819	83,940
Less: expected credit losses allowance (*)	(46,233)	(42,255)
Net	20,586	41,685
Guarantees deposits	189,758	194,475
Refundable deposits	80,549	80,549
Advance to suppliers	16,379	87,575
Sales tax deposits	13,634	52,399
Lawsuits receivables	5,000	5,000
Prepaid expenses	3,320	30,351
Other	-	25,166
Tenders deposits	-	4,914
Total	329,226	522,114

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

	2019	2018
	JD	JD
Beginning of year balance	42,255	-
Provided	3,978	
Effect of applying IFRS (9)	-	42,255
End of year balance	46,233	42,255

7. Trade receivables

	2019	2018
	JD	JD
Trade receivables (*)	2,037,837	2,095,282
Government receivables	733,167	110,520
Checks under collection	946,390	369,817
Less: allowance of expected credit losses (**)	(1,406,554)	(1,549,443)
Net	2,310,840	1,026,176

(*) Follows are the aging of trade receivables as at December 31, 2019:

	2019	2018
	JD	JD
1 - 30 days	238,479	84,409
31 - 60 days	-	-
61 - 90 days	-	46,830
91 - 120 days	-	-
121 - 150 days	-	1,263
151 - 180 days	-	-
181 - 360 days	-	-
361 & above	1,799,358	1,962,780
Total	2,037,837	2,095,282

- Trade receivables are concentrated in one receivable that represent 32% from the receivables as of December 31, 2019.

(**) Follows the movement of the expected credit losses allowance during the year:

	2019	2018
	JD	JD
Beginning of year balance	1,549,443	1,498,970
Provided	13,383	-
Effect of applying IFRS (9)	-	775,803
Incurred losses	(156,272)	(725,330)
End of year balance	1,406,554	1,549,443

8. Cash and cash equivalents

	2019	2018
	JD	JD
Cash on hand	112	2,649
Current account at a bank - DZD	62	75
Current accounts at banks - JD	-	9,596
Total	174	12,320

9. 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.

10. Accumulated losses

The company's accumulated losses amounted to JD 13,068,510 at the date of the statement of financial position which comprises 209% of the company's capital, also, the company's current liabilities exceeded its current assets by amount of JD 5,329,864 which might effects the company's ability to continue and requires it to comply with article no.(266) of the company's law an extraordinary general assembly meeting was held on July 31, 2017 and decided the following:

- Decrease the company's capital by quenching the accumulated losses by an amount of JD 8,619,000 as at December 31, 2017 for the capital to become JD 1,250,583.
- Reduce the authorized capital from JD 14,869,583 for the authorized capital to become JD 6,250,583 and the subscribed and paid-in capital JD 1,250,583.
- Cover the authorized capital amount of increase 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.
- All legal requirements were completed on January 31, 2019.

11. Related parties

(*) Transactions with the related parties consist of transactions with shareholders and companies that the main shareholders have significant shares and subsidiary company.

(**) Shareholders payables consist of the following:

	2019	2018
	JD	JD
Hamzeh Ahmed Yousef Tantash	4,733,177	8,913,127
Miysar Ahmed Yousef Aklouk	2,414,675	3,213,625
Mazen Ahmed Tantash	819,727	717,417
Total	7,967,579	12,844,169

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

	2019	2018
	JD	JD
Tantash Group	3,848,642	3,860,212
Arab Center for Pharmaceuticals & Chemical Industries	1,276,324	1,327,552
Jordan Investment & Tourism Transport Co.	38,828	25,040
Tantash Travel Agency	1,700	1,350
Total	5,165,494	5,214,154

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

12. Other credit balances

	2019	2018
	JD	JD
Accrued expenses	961,886	839,754
Employees payables	520,468	520,346
Social security deposits	273,668	52,588
Goods for others	215,623	215,623
Received in advance from clients	122,547	645,911
Refund of sold shares	118,736	118,736
Income tax deposits	51,054	26,390
Shareholders deposits	47,637	47,740
Other	38,331	38,256
Sales tax deposits	33,819	-
Notes payable	-	41,270
Total	2,383,769	2,546,614

13. Loans

Lender	2019			2018
	Current portion	Non-current portion	Total	Total
	JD	JD	JD	JD
Bank of Jordan (*)	452,239	-	452,239	452,239
Housing Bank (*)	201,919	-	201,919	211,515
Total	654,158	-	654,158	663,754

(*) As mentioned at the lawyer letter, there are legal cases held by Banks against the company.

14. Sales

	2019	2018
	JD	JD
Local sales	2,027,814	278,322
External sales	2,016,425	430,122
Total	4,044,239	708,444

15. Selling and distribution expenses

	2019	2018
	JD	JD
Penalties	337,702	140,533
Agents commissions	291,534	110,952
Shipping fees	32,435	5,983
Salaries, wages and related benefits	28,522	24,740
Allowed discount	18,390	-
Bank charges	12,753	8,566
Certification fees	11,393	613
Consultations	10,943	24,948
Communications	9,893	8,905
Clearence	8,978	1,087
Water and electricity	6,368	9,835
Miscellaneous	4,941	2,448
Social security contributions	3,837	3,137
Hospitality and cleaning	3,249	3,644
Insurance	1,208	302
Fuel	640	250
Health insurance	607	595
Stationery	516	566
Advertising and promotion	62	1,362
Travel and transportation	-	3,895
Computers	-	1,632
Security	-	112
Total	783,971	354,105

16. Administrative expenses

	2019	2018
	JD	JD
Salaries, wages and related benefits	229,362	494,161
Depreciation	62,094	66,530
Governmental fees and licenses	50,004	11,896
Amortization	48,269	91,518
Penalties	39,944	16,732
Damaged goods	29,155	71,308
Social security contributions	25,813	49,677
Lawsuits and lawyers fees	24,923	76,720
Expected credit losses	17,361	-
Donations	13,714	-
Professional fees	10,730	10,128
Staff lawsuits	8,365	19,605
Consultations	6,855	61,152
Communications	6,462	5,949
Water and electricity	6,368	9,978
Subscriptions	5,185	10,909
Rent	4,380	21,538
Health insurance	4,149	6,527
Maintenance	4,085	5,822
Cafeteria expenses	3,412	4,450
Stationery and printings	3,204	3,630
Board of directors transportation	2,950	2,240
Miscellaneous	2,435	13,855
Bank charges	2,165	35
Travel	1,792	1,424
Hospitality and cleaning	1,166	2,815
Advertising and promotion	957	1,604
Fuel	640	250
Insurance	398	2,390
Audit committee transportation	22	1,800
Cars	-	2,591
Security	-	112
Total	616,359	1,067,346

17. Financial statements of the subsidiary

This consolidated financial statements include the financial statements of the subsidiary company as at December 31, 2019 which is as follows:

Company	Establishment Country	Legal Status	Investment percentage	Capital	Assets	Liabilities	Revenue	Accumulated losses
			%	JD	JD	JD	JD	JD
Middle East Medical	Algeria	LLC	100	3,920	121,622	391,739	12,077	(276,393)

18. Lawsuits

As mentioned at the lawyers letters there are legal cases held by the company against others amounting to JD 73,361 in addition to other cases with undetermined amounts, there is a legal cases held against the company with an amount of JD 2,226,270 in addition to other legal cases with undetermined amounts which are still outstanding at related courts.

19. Tax status

Parent company

- Tax status for the company has been settled until 2016.
- Income tax returns have been filed for year 2017 and 2018 within the legal period, and it was not settled with the income and tax department yet.
- The company filed a lawsuit with Initial Tax Court demanding of circulating losses from exports for year 2016 amounting to JD 1,502,636, and in the tax consultant opinion the result will be in favor of the company.
- In the opinion of the tax consultant, there is no need to provide a provision due to the existence of accumulated losses.

Subsidiary company

The opinion of the company's management there is no need to provide an income tax provision because there is acceptable taxable losses.

20. Contingent liabilities

There are contingent liabilities amounting to JD 189,758 with a cash deposit of JD 189,758 at the date of the statement of financial position.

21. 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.
- The following table shows the sensitivity of profit or loss and equity to changes in interest rates received by the entity on its deposits with banks and on interest rates paid by the entity on borrowing from the banks:

As of December 31, 2019	Change in interest	Effect on comprehensive income
	%	JD
Loans	0.5	± 3,270

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. However, this risk is insignificant since no active trading on these investments is occurred.
- 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:

As of December 31, 2019	Change in prices	Effect on profit (loss) and equity
	%	JD
Investment in financial assets at fair value through profit loss	5±	± 705

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 one year		1 year and above	
	2019	2018	2019	2018
	JD	JD	JD	JD
Assets				
Investment in financial asset at fair value through profit and loss	14,114	13,409	-	-
Other debit balances	295,893	351,789	-	-
Trade receivables	2,310,840	1,026,176	-	-
Cash and cash equivalents	174	12,320	-	-
Total	2,621,021	1,403,694	-	-
Liabilities				
Shareholders payable	-	-	7,967,579	12,844,169
Other credit balances	2,045,599	1,685,080	-	-
Trade payables	2,215,596	1,825,350	-	-
Due to related parties	5,165,494	5,214,154	-	-
Loans	654,158	663,754	-	-
Total	10,080,847	9,388,338	7,967,579	12,844,169

22. Fair value of financial instruments

The entity 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.

As of Decmber 31, 2019	Level (1)
	JD
Investment financial assets at fair value through profit or loss	14,114
Total	14,114

23. Reclassification

2018 balances have been reclassified to conform to the adopted classification in 2019.