

بسم الله الرحمن الرحيم
الحمد لله رب العالمين
والصلاة والسلام على
سيدنا محمد وآله الطيبين
الطاهرين

التاريخ: 2019/03/31
الرقم: داد/م ع/ 26

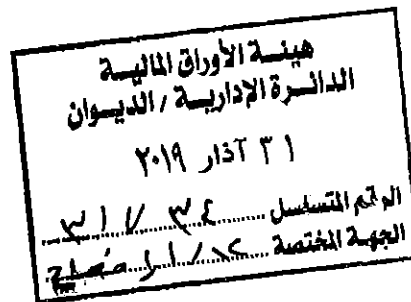
السادة هيئة الأوراق المالية المحترمين
عمان - الاردن

تحية طيبة وبعد،

نرفق لكم طيه التقرير السنوي الثالث والأربعون لمجلس الإدارة والقوائم المالية الموحدة
عن السنة المنتهية في 2018-12-31 والمصدقة من مدققي حساباتنا السادة إرنست
ويونغ.

واقبلوا فائق الاحترام،

رئيس مجلس الإدارة
أكرم عبد اللطيف جراب



DAR AL DAWA DEVELOPMENT AND INVESTMENT COMPANY

PUBLIC SHAREHOLDING COMPANY

CONSOLIDATED FINANCIAL STATEMENTS

31 DECEMBER 2018



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INDEPENDENT AUDITOR'S REPORT

**To the Shareholders of Dar Al Dawa Development and Investment Company
Public Shareholding Company
Amman – Jordan**

Report on the Audit of the Consolidated Financial Statements

Opinion

We have audited the consolidated financial statements of Dar Al Dawa Development and Investment Company – Public Shareholding Company (the "Company") and its subsidiaries (together the "Group"), which comprise the consolidated statement of financial position as at 31 December 2018, and the consolidated statement of profit or loss, 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 financial position of the Group as at 31 December 2018, and its financial performance and cash flows for the year then ended in accordance with International Financial Reporting Standards (IFRSs).

Basis for Opinion

We conducted our audit in accordance with International Standards on Auditing (ISAs). Our responsibilities under those standards, are further described in the Auditor's Responsibilities for the Audit of the consolidated Financial Statements section of our report. We are independent of the Group in accordance with the International Ethics Standards Board for Accountants' *Code of Ethics for Professional Accountants* (IESBA Code) together with the ethical requirements that are relevant to our audit of the consolidated financial statements in Jordan, 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 consolidated financial statements for the current year. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters. For each matter below, our description of how our audit addressed the matter provided in that context.

We have fulfilled the responsibilities described in the Auditor's responsibilities for the audit of the consolidated financial statements section of our report, including in relation to these matters. Accordingly, our audit included the performance of procedures designed to respond to our assessment of the risks of material misstatement of the consolidated financial statements. The results of our audit procedures, including the procedures performed to address the matter below, provide the basis for our audit opinion on the accompanying consolidated financial statements.

1. Revenue Recognition	
Disclosures that relate to the revenue recognition are included in note (20) to the consolidated financial statements. Disclosures that relate to the accounting policies of revenue recognition are included in note (2-5) to the consolidated financial statements.	
Key audit matter	How the key audit matter was addressed in the audit
The Group focuses on revenue targets as a key performance measure which may create an incentive for revenue to be recognized before delivering the goods and may result in overstating revenues.	<p>Our audit procedures included evaluating the Group's revenue recognition accounting policies and assessing compliance with the policies in terms of International Financial Reporting Standards (IFRSs). We tested the Group's controls over revenue recognition and key controls in the revenue cycle. We also selected a representative sample and tested premiums written at either side of the revenue cutoff date to, assess whether the revenue was recognized in the correct period</p> <p>We have also performed detailed analytical procedures for the gross margin on a monthly basis. We also selected and tested a representative sample of journal entries.</p>



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2. Recoverability of trade receivables

Disclosures that relate to the trade receivables are included in note (10) to the consolidated financial statements. Disclosures that relate to the accounting policies of trade receivables are included in note (2-5) to the consolidated financial statements.

Key audit matter	How the key audit matter was addressed in the audit
<p>At 31 December 2018, net trade receivables balance amounted to JD 20,236,563 representing 18.6% of total assets of the Group.</p> <p>The Group has applied the simplified approach of International Financial Reporting Standard (IFRS 9) and has calculated the expected credit losses on accounts receivable. The Group has established a provision matrix that is based on the Group's historical credit loss experience, adjusted for forward-looking factors and economic environment.</p> <p>Due to the significance of accounts receivable and the related estimation uncertainty based on IFRS (9), this is considered a key audit matter.</p>	<p>Our audit procedure included the following:</p> <ul style="list-style-type: none">- understanding the Group's policy in calculating the provision in comparison with the requirement of International Financial Reporting Standard 9 (IFRS 9).- We verified the inputs and outputs used in the expected credit losses framework.- We assessed the reasonableness of estimates and judgements used by management in calculating the provision for expected credit losses.

3. Existence and valuation of inventories

Disclosures that relate to inventories are included in note (9) to the consolidated financial statements. Disclosures that relate to the accounting policies of inventories are included in note (2-5) to the consolidated financial statements.

Key audit matter

At 31 December 2018, total inventories balance amounted to JD 15,359,933 representing 14.1% of total assets of the Group. These inventories mainly consist of raw materials and finished goods located in the Group's warehouses.

The assessment of revaluation of inventories to net realizable value is mainly based on management estimates.

How the key audit matter was addressed in the audit

Our audit procedures included testing the Group's controls around completeness and existence of inventories and key controls of the inventory cycle. In addition, our audit procedures included observation of the stock counts held at the Group's warehouses. Also, we selected a sample of inventories issuances and receipts before and after the year end of 31 December 2018 to assess whether the inventory was recorded in the correct period. We also tested the basis for inventory obsolescence in line with management estimates. In doing so, we tested the ageing profile of inventory, the process for identifying obsolete and slow moving items in inventory and historical loss rates.

Other information included in the Group's 2018 annual report.

Other information consists of the information included in the annual report, other than the consolidated financial statements and our auditor's report thereon. Management is responsible for the other information. 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 IFRSs, 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 Group'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 Group or to cease operations, or has no realistic alternative but to do so.

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



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

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion.

Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with 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 ISAs, 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 Group'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 Group's ability to continue as a going concern. If we conclude that a material uncertainty exist, we are required to draw attention in our auditor's 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 auditor's report. However future events or conditions may cause the Group to cease to continue as a going concern.



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- 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 financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. 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 to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the consolidated financial statements of the current period, and are therefore the key audit matters. We describe these matters in our auditor's 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 reasonable be expected to outweigh the public interest benefits of such communication.

Report on Other Legal and Regulatory Requirements

The Group maintains proper books of accounts which are in agreement with the consolidated financial statements.

The partner in charge of the audit resulting in this auditor's report was Waddah Isam Barkawi, license number 591.

Amman – Jordan
31 March 2019

DAR AL DAWA DEVELOPMENT AND INVESTMENT COMPANY - PUBLIC SHAREHOLDING COMPANY
CONSOLIDATED STATEMENT OF FINANCIAL POSITION
AS AT 31 DECEMBER 2018

	Notes	2018 JD	2017 JD
ASSETS			
Non-current assets -			
Property, plant and equipment	4	36,019,548	26,383,010
Projects in progress	5	4,350,057	10,455,510
Intangible assets	6	3,938,558	3,941,687
Investment in an associate	7	2,300,712	2,341,438
Deferred tax assets	17	2,218,550	1,014,449
Financial assets at fair value through other comprehensive income	8	4,765	4,924
		<u>48,832,190</u>	<u>44,141,018</u>
Current assets -			
Inventories	9	15,359,933	16,127,022
Accounts receivable	10	20,236,563	16,503,237
Other current assets	11	6,054,402	6,050,821
Due from related parties	30	7,722,255	7,135,007
Checks under collection		5,910,795	5,481,999
Cash and bank balances	12	2,907,252	3,696,201
Restricted bank balances	33	1,920,251	1,167,916
		<u>60,111,451</u>	<u>56,162,203</u>
Net assets held for sale	31	111,502	111,502
Total Assets		<u>109,055,143</u>	<u>100,414,723</u>
EQUITY AND LIABILITIES			
Equity			
Attribution to shareholders of the Parent Company -			
Paid-in capital	13	25,000,000	25,000,000
Statutory reserve	13	9,260,627	9,260,627
Voluntary reserve	13	9,372,759	9,372,759
Special reserve	13	2,902,203	2,902,203
Other reserves	13	4,348,452	4,348,452
Foreign currency translation differences reserve	13	(6,685,625)	(6,392,789)
Fair value reserve		(257,865)	(257,865)
Accumulated losses		(8,694,669)	(190,906)
Net equity of Parent Company's Shareholders		<u>35,245,882</u>	<u>44,042,481</u>
Non-controlling interests	3	1,179,275	1,151,854
Net equity		<u>36,425,157</u>	<u>45,194,335</u>
Liabilities			
Non-current liabilities -			
Provision for end of service indemnity	14	770,057	454,870
Deferred tax liabilities	17	149,474	162,485
Long term loans	15	8,547,662	10,299,548
		<u>9,467,193</u>	<u>10,916,903</u>
Current liabilities -			
Current portion of long term loans	15	3,818,532	3,663,256
Accounts payable		9,042,460	6,830,212
Revolving loans	15	14,306,482	12,568,640
Due to banks	16	19,278,649	13,508,941
Other current liabilities	18	5,273,275	2,737,440
Other provisions	19	11,273,408	4,869,002
Income tax provision	17	169,987	125,994
		<u>63,162,793</u>	<u>44,303,485</u>
Total liabilities		<u>72,629,986</u>	<u>55,220,388</u>
Total Equity and Liabilities		<u>109,055,143</u>	<u>100,414,723</u>

The attached notes from 1 to 37 form part of these consolidated financial statements

DAR AL DAWA DEVELOPMENT AND INVESTMENT COMPANY - PUBLIC SHAREHOLDING COMPANY
CONSOLIDATED STATEMENT OF PROFIT OR LOSS
FOR THE YEAR ENDED 31 DECEMBER 2018

	Notes	2018 JD	2017 JD
<u>Continued operations</u>			
Net sales	20	55,098,252	52,319,303
Cost of sales	20, 21	(32,978,201)	(29,327,945)
Gross profit		22,120,051	22,991,358
Selling and distribution expenses	22	(15,879,296)	(16,356,364)
Administrative expenses	23	(5,640,368)	(5,343,718)
Research and development expenses	24	(1,475,034)	(1,477,019)
Provision for expected credit losses	10	(103,138)	(1,373,437)
Provision for due from related parties	30	-	(287,000)
Other income, net	25	211,820	194,790
Other expenses, net	26	(1,326,335)	(6,204,958)
Board of directors remuneration		(45,000)	(1,500)
Loss from operations		(2,137,300)	(7,857,848)
Currency exchange differences		(58,394)	(79,948)
Group's share of an associate's results	7	60,187	107,612
Finance costs		(2,965,065)	(1,826,704)
Loss for the year before income tax		(5,100,572)	(9,656,888)
Income tax	17	1,018,124	(5,723)
Loss for the year from continued operations, net of tax		(4,082,448)	(9,662,611)
<u>Discontinued operations:</u>			
Loss for the year from discontinued operations, net of tax	31	-	(1,152)
Loss for the year		(4,082,448)	(9,663,763)
Attributable to:			
Shareholders of the Parent Company		(4,024,409)	(9,691,639)
Non-controlling interests	3	(58,039)	27,876
		(4,082,448)	(9,663,763)
		<u>JD/Fils</u>	<u>JD/Fils</u>
Basic and diluted loss per share attributable to shareholders of the Parent Company	27	(0/161)	(0/387)
		<u>JD/Fils</u>	<u>JD/Fils</u>
Basic and diluted loss per share attributable to equity holders of the Company from continued operations	27	(0/161)	(0/387)

The attached notes from 1 to 37 form part of these consolidated financial statements

DAR AL DAWA DEVELOPMENT AND INVESTMENT COMPANY - PUBLIC SHAREHOLDING COMPANY
CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME
FOR THE YEAR ENDED 31 DECEMBER 2018

	<u>2018</u>	<u>2017</u>
	JD	JD
Loss for the year	(4,082,448)	(9,663,763)
Other comprehensive income items that may be reclassified to profit or loss in subsequent periods, net of tax:		
Foreign currency translation differences from continued operations	(313,726)	(428,027)
Foreign currency translation differences from discontinued operations	-	(642)
Total comprehensive income for the year	<u>(4,396,174)</u>	<u>(10,092,432)</u>
Attributable to:		
Shareholders of the Parent Company	(4,317,245)	(10,090,545)
Non-controlling interests	(78,929)	(1,887)
	<u>(4,396,174)</u>	<u>(10,092,432)</u>

The attached notes from 1 to 37 form part of these consolidated financial statements

DAR AL DAWA DEVELOPMENT AND INVESTMENT COMPANY - PUBLIC SHAREHOLDING COMPANY
CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED 31 DECEMBER 2018

	Attributable to equity holders of the parent Company									
	Foreign					Non-				
	currency					controlling				
	Paid-in capital	Statutory reserve	Voluntary reserve	Special reserve	Other reserves	translation differences reserve	Fair value reserve	Accumulated losses	Total	Net equity
	JD	JD	JD	JD	JD	JD	JD	JD	JD	JD
2018-										
Balance as at 1 January	25,000,000	9,260,627	9,372,759	2,902,203	4,348,452	(6,392,789)	(257,865)	(190,906)	44,042,481	45,194,335
Impact of the adoption of IFRS (15) (note 2-2)	-	-	-	-	-	-	-	(5,967,796)	(5,967,796)	(5,967,796)
Impact of the adoption of IFRS (9) (note 2-2)	-	-	-	-	-	-	-	1,488,442	1,488,442	1,488,442
Adjusted balance at beginning of the year	25,000,000	9,260,627	9,372,759	2,902,203	4,348,452	(6,392,789)	(257,865)	(4,670,260)	39,563,127	40,714,981
Loss for the year	-	-	-	-	-	(292,836)	-	-	(292,836)	(313,726)
Other comprehensive income items after tax	-	-	-	-	-	(292,836)	-	(4,024,409)	(4,317,245)	(4,396,174)
Total comprehensive income for the year	-	-	-	-	-	(292,836)	-	(4,024,409)	(4,317,245)	(4,396,174)
Non-controlling interests resulted from increase in a subsidiary's capital	-	-	-	-	-	-	-	-	-	106,350
Balance as of 31 December 2018	25,000,000	9,260,627	9,372,759	2,902,203	4,348,452	(6,685,625)	(257,865)	(8,694,669)	35,245,882	36,425,157
2017-										
Balance as at 1 January	25,000,000	9,260,627	9,372,759	2,902,203	4,348,452	(5,993,863)	(257,865)	12,000,733	56,633,026	57,786,767
Loss for the period	-	-	-	-	-	-	-	(9,691,639)	(9,691,639)	(9,663,763)
Other comprehensive income items after tax	-	-	-	-	-	(398,906)	-	-	(398,906)	(428,669)
Total comprehensive income for the period	-	-	-	-	-	(398,906)	-	(9,691,639)	(10,090,545)	(10,092,432)
Dividends distribution (Note 9)	-	-	-	-	-	-	-	(2,500,000)	(2,500,000)	(2,500,000)
Balance as of 31 December 2017	25,000,000	9,260,627	9,372,759	2,902,203	4,348,452	(6,392,789)	(257,865)	(190,906)	44,042,481	45,194,335

* The retained earnings include associate revaluation gain amounted to JD 215,369 not available for distribution.

The attached notes from 1 to 37 form part of these consolidated financial statements

DAR AL DAWA DEVELOPMENT AND INVESTMENT COMPANY - PUBLIC SHAREHOLDING COMPANY
CONSOLIDATED STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED 31 DECEMBER 2018

	Notes	2018 JD	2017 JD
OPERATING ACTIVITIES			
Loss for the year from continued operations before income tax		(5,100,572)	(9,656,888)
Loss for the year from discontinued operations before income tax		-	(1,152)
Loss for the year before income tax		(5,100,572)	(9,658,040)
Adjustments for:			
Depreciation	4	3,167,175	2,807,433
Loss on disposal of property and equipment		547	-
Currency exchange differences		58,394	79,948
Provision for expected credit losses	10	103,138	1,373,437
Provision for due from related parties	30	-	287,000
Other provisions	19	3,696,005	4,070,911
Group's share of an associate's results	7	(60,187)	(107,612)
Provision for end of service indemnity	14	677,229	102,604
Provision for near expiry and slow moving inventories	9	1,274,579	280,476
Finance costs		2,965,065	1,826,704
Changes in working capital -			
Inventories		(507,490)	(4,772,039)
Other current assets		(3,581)	811,108
Due from related parties		(70,798)	(1,715,590)
Accounts receivable		(2,816,129)	7,198,053
Checks under collection		(428,796)	3,231,089
Accounts payable		2,212,248	(79,043)
Other current liabilities		2,535,835	885,236
Income tax paid	17	(16,007)	(74,309)
Paid from provision for end of service indemnity	14	(362,042)	(121,170)
Other provisions	19	(3,443,966)	(4,748,320)
Net cash flows from operating activities		3,880,647	1,677,876
INVESTING ACTIVITIES			
Purchase of property, plant and equipment	4	(2,332,469)	(3,370,146)
Projects in progress	5	(4,742,695)	(5,220,705)
Dividends received from associate	7	100,913	134,550
Restricted bank balances		(752,335)	(18,872)
Proceeds from sale of property and equipment		4,765	-
Net cash flows used in investing activities		(7,721,821)	(8,475,173)
FINANCING ACTIVITIES			
Repayments of loans		(1,596,610)	(3,237,087)
Proceeds from loans		-	3,471,723
Revolving loans		1,737,842	8,850,525
Change in non-controlling interests resulted from increase in a subsidiary's capital		106,350	-
Finance costs paid		(2,965,065)	(1,826,704)
Dividends paid	13	-	(2,500,000)
Net cash flows (used in) from financing activities		(2,717,483)	4,758,457
Net decrease in cash and cash equivalents		(6,558,657)	(2,038,840)
Cash and cash equivalents at the beginning of the year	12	(9,695,911)	(7,657,071)
Cash and cash equivalents at the end of the year	12	(16,254,568)	(9,695,911)

The attached notes from 1 to 37 form part of these consolidated financial statements

DAR AL DAWA DEVELOPMENT AND INVESTMENT COMPANY - PUBLIC SHAREHOLDING COMPANY
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
31 DECEMBER 2018

(1) GENERAL

Dar Al Dawa Development and Investment Company (the "Company") was established as a public shareholding company on 17 August 1975 with a paid in capital of JD 500,000. The Company's paid in capital has increased over the years to reach JD 25,000,000 divided into 25,000,000 shares at a par value of JD 1 per share.

The Company's main objectives are producing medical, chemical, and pharmaceutical products, and importing pharmaceutical products. The subsidiaries' main objectives are marketing and distributing the company products and producing some specialized medical products and investments activities.

The consolidated financial statements were approved by the Board of Directors on 31 March 2019, and requires the approval of the General Assembly.

The headquarters of the Company is located in Na'our – The Hashemite Kingdom of Jordan.

(2) ACCOUNTING POLICES

(2-1) BASIS OF PREPARATION

The consolidated financial statements have been prepared in accordance with the International Financial Reporting Standards (IFRS) as issued by the International Accounting Standard Board ("IASB").

The consolidated financial statements have been prepared on a historical cost basis, except for financial assets at fair value through other comprehensive income that have been measured at fair value as at the date of the consolidated financial statements.

The consolidated financial statements are presented in Jordanian Dinars ("JD") which is the functional currency of the Company.

DAR AL DAWA DEVELOPMENT AND INVESTMENT COMPANY - PUBLIC SHAREHOLDING COMPANY
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
31 DECEMBER 2018

(2-2) BASIS OF CONSOLIDATION

The consolidated financial statements comprise the financial statements of the Company and its subsidiaries (the "Group") as at 31 December 2018. The subsidiaries that are included in the consolidated financial statements are as follow:

<u>Subsidiary Name</u>	<u>Principal activities</u>	<u>Country of incorporation</u>	<u>Ownership Percentage 2018</u>	<u>Effective ownership Percentage 2018</u>	<u>Ownership Percentage 2017</u>
Dar Al Dawa – Algeria	Marketing	Algeria	100%	100%	100%
Dar Al Dawa – Tunisia	Marketing	Tunisia	100%	100%	100%
Joras– Algeria*	Industrial	Algeria	70%	70%	70%
Dar Al Dawa Pharma- Romania	Marketing	Romania	100%	100%	100%
Al Dar Jordan Investment Company	Investment	Jordan	100%	100%	100%
Medi Pharma – Algeria	Industrial	Algeria	85%	85%	85%
Nutri Dar – Jordan and its subsidiary:	Industrial	Jordan	90.4%	90.4%	90.4%
- Nutri Dar –Russia**	Marketing	Russia	70%	61.25%	70%
	Financial				
Al-Nahda Company for Financial Investments ***	Investments	Jordan	40.2%	40.2%	40.2%

* Joras Company – Algeria under liquidation (Note 31).

** This subsidiary was established during 2010. Nutridar- Russia had no operations during previous years.

*** Al Nahda Company under liquidation (Note 31).

Control is achieved when the Group is exposed, or has rights, to variable return from its involvement with the investee and has the ability to affect those returns through its power over the investee. Specifically, the Group controls an investee if and only if the Group has:

- Power over the investee (i.e. existing rights that give it the ability to direct the relevant activities of the investee)
- Exposure or rights to variable returns from its involvement with the investee; and
- The ability to use its power over the investee to affect returns.

When the Group owns less than the majority of the voting rights or similar in the investee, the Group considers all relevant facts and circumstances in assessing whether it has power over an investee, including:

- The contractual arrangement with the other vote holders of the investee
- Rights arising from other contractual arrangements
- The Group's voting rights and potential rights

The Group is re-assessing whether or not it controls an investee and if facts or circumstances indicate that there are changes to one or more of the three elements of control.

Consolidation of a subsidiary begins when the Group obtains control over the subsidiary and ceases when the Group loses control of the subsidiary. Assets, liabilities, Income and expenses of a subsidiary are consolidated from the date the Group gains control until the date the Group ceases to control the subsidiary.

Profit or loss and each component of other comprehensive income (OCI) are attributed to the equity holders of the parent of the Group and the non-controlling interests, even if this results in the non-controlling interests having a deficit balance. When necessary, adjustments are made to the financial statements of subsidiaries to bring this accounting policies into the line with the Group's accounting policies. All intra-group assets and liabilities, equity, income, expenses and cash flows relating to transactions between members of the Groups are eliminated in full on consolidation.

A change in the ownership interest of a subsidiary, without loss of control, is accounted for as an equity transaction. If the Group loses control over a subsidiary, it:

- Derecognizes the assets (including goodwill) and liabilities of the subsidiary;
- Derecognizes the carrying amount of any non-controlling interest;
- Derecognizes the cumulative translation differences;
- Recognizes the fair value of the consideration received;
- Recognizes the fair value of any investment retained;
- Recognizes any surplus or deficit in profit or loss;
- Reclassifies the parent's share of components previously recognized in other comprehensive income items to profit or loss.

(2-3) CHANGES IN ACCOUNTING POLICIES

The accounting policies used in the preparation of the consolidated financial statements are consistent with those used in the preparation of the annual financial statements for the year ended 31 December 2017, except for the adoption of new standards effective as of 1 January 2018:

IFRS 15 Revenue from Contracts with Customers

IFRS 15 supersedes IAS 11 Construction Contracts, IAS 18 Revenue and related Interpretations and it applies to all revenue arising from contracts with customers, unless those contracts are in the scope of other standards. The new standard establishes a five-step model to account for revenue arising from contracts with customers. Under IFRS 15, revenue is recognised at an amount that reflects the consideration to which an entity expects to be entitled in exchange for transferring goods or services to a customer.

The standard requires entities to exercise judgement, taking into consideration all of the relevant facts and circumstances when applying each step of the model to contracts with their customers. The standard also specifies the accounting for the incremental costs of obtaining a contract and the costs directly related to fulfilling a contract.

The Group adopted IFRS 15 using the modified retrospective approach. The effect of adopting IFRS 15 was JD 5,967,796 on retained earnings and impacted its accounting policy for revenue recognition as detailed below:

Sale of goods:

The Group contracts with customers for the sale of goods generally include performance obligations. The Group has concluded that revenue from sale of goods should be recognised at the point in time when control of the asset is transferred to the customer.

Variable consideration:

Some contracts for the sale of goods provide customers with a right of return and volume rebates. Prior to the adoption of IFRS 15, the Group recognised revenue from the sale of goods measured at the fair value of the consideration received or receivable, net of returns and volume rebates.

If revenue could not be reliably measured, the Group deferred revenue recognition until the uncertainty was resolved.

Under IFRS 15, rights of return and volume rebates give rise to variable consideration. The variable consideration is estimated at contract inception and constrained until the associated uncertainty is subsequently resolved.

Rights of return:

When a contract provides a customer with a right to return the goods within a specified period, the Group previously estimated expected returns using a probability-weighted average amount approach similar to the expected value method under IFRS 15.

Under IFRS 15, the consideration received from the customer is variable because the contract allows the customer to return the products.

Impact on Equity as at 1 January 2018 amounted to JD 5,967,796 as follows:

	<u>Adjustments</u>
	JD
Assets	
Deferred tax assets	184,571
Total assets	<u>184,571</u>
Liabilities	
Other provisions	(6,152,367)
Total liabilities	<u>(6,152,367)</u>
Equity	
Accumulated losses	(5,967,796)
Net equity	<u>(5,967,796)</u>

Impact on consolidated statement of profit or loss as of 31 December 2018 amounted to JD 288,854.

IFRS 9 Financial Instruments

IFRS 9 Financial Instruments replaces IAS 39 Financial Instruments: Recognition and Measurement for annual periods beginning on or after 1 January 2018, bringing together all three aspects of the accounting for financial instruments: classification and measurement; impairment; and hedge accounting.

The Group had previously implemented the first phase of IFRS 9 as issued during 2009. The date of initial implementation of the first phase of IFRS 9 was 1 January 2011. The standard has been applied retrospectively and, in line with IFRS 9, comparative amounts have not been restated.

IFRS 9 requires the Group to record an allowance for ECLs for all debt instruments measured at amortization cost.

The impact of the adoption of IFRS 9 as at 1st January 2018 has been recognised in accumulated losses. The standard eliminates the use of the IAS 39 incurred loss impairment model approach, uses the revised hedge accounting framework, and the revised guidance on the classification and measurement requirements.

Impairment

The adoption of IFRS 9 has fundamentally changed the Group accounting for impairment losses for financial assets by replacing IAS 39's incurred loss approach with a forward-looking expected credit loss (ECL) approach.

For all debt instruments, the Group has applied the standard's simplified approach and has calculated ECLs based on lifetime expected credit losses. The Group has established a provision matrix that is based on the Group's historical credit loss experience, adjusted for forward-looking factors specific to the debtors and the economic environment.

The adoption of the ECL requirements of IFRS 9 resulted in increases in impairment allowances of the Group debt financial assets. The increase in allowance resulted in adjustment to opening retained earnings.

Impact on Equity as at 1 January 2018 was amounted to JD 1,488,442 as follows:

	<u>Adjustments</u> JD
Assets	
Accounts receivable	1,017,582
Due from related parties	516,450
Deferred tax assets	(45,590)
Total assets	<u>1,488,442</u>
Equity	
Accumulated losses	<u>1,488,442</u>
Net equity	<u>1,488,442</u>

Impact of the ECL adoption on consolidated statement of profit or loss as at 31 December 2018 is JD 103,138.

IFRIC Interpretation 22 Foreign Currency Transactions and Advance Considerations

The Interpretation clarifies that, in determining the spot exchange rate to use on initial recognition of the related asset, expense or income (or part of it) on the derecognition of a non-monetary asset or non-monetary liability relating to advance consideration, the date of the transaction is the date on which an entity initially recognises the non-monetary asset or non-monetary liability arising from the advance consideration. If there are multiple payments or receipts in advance, then the entity must determine a date of the transactions for each payment or receipt of advance consideration.

This Interpretation do not have any impact on the Group consolidated financial statements.

Amendments to IAS 40 Transfers of Investment Property

The amendments clarify when an entity should transfer property, including property under construction or development into, or out of investment property. The amendments state that a change in use occurs when the property meets, or ceases to meet, the definition of investment property and there is evidence of the change in use. A mere change in management's intentions for the use of a property does not provide evidence of a change in use.

These amendments do not have any impact on the Group consolidated financial statements.

Amendments to IFRS 2 Classification and Measurement of Share-based Payment Transactions

The IASB issued amendments to IFRS 2 Share-based Payment that address three main areas: the effects of vesting conditions on the measurement of a cash-settled share-based payment transaction; the classification of a share-based payment transaction with net settlement features for withholding tax obligations; and accounting where a modification to the terms and conditions of a share-based payment transaction changes its classification from cash settled to equity settled. On adoption, entities are required to apply the amendments without restating prior periods, but retrospective application is permitted if elected for all three amendments and other criteria are met.

These amendments do not have any impact on the Group consolidated financial statements.

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

The amendments address concerns arising from implementing the new financial instrument standard, IFRS 9, before implementing IFRS 17 *insurance contracts*, which replaces IFRS 4. The amendments introduce two options for entities issuing contracts: a temporary exemption from applying IFRS 9 and an overlay approach that allows an entity applying IFRS 9 to reclassify between profit or loss and other comprehensive income an amount that results in the profit or loss at the end of the reporting period for the designated financial assets being the same as if an entity had applied IAS 39 to these designated financial assets.

These amendments do not have any impact on the Group consolidated financial statements.

Amendments to IAS 28 Investments in Associates and Joint Ventures - Clarification that measuring investees at fair value through profit or loss is an investment-by-investment choice

The amendments clarify that an entity that is a venture capital organisation, or other qualifying entity, may elect, at initial recognition on an investment-by-investment basis, to measure its investments in associates and joint ventures at fair value through profit or loss. If an entity, that is not itself an investment entity, has an interest in an associate or joint venture that is an investment entity, the entity may, when applying the equity method, elect to retain the fair value measurement applied by that investment entity associate or joint venture to the investment entity associate's or joint venture's interests in subsidiaries. This election is made separately for each investment entity associate or joint venture, at the later of the date on which: (a) the investment entity associate or joint venture is initially recognised; (b) the associate or joint venture becomes an investment entity; and (c) the investment entity associate or joint venture first becomes a parent.

These amendments do not have any impact on the Group's consolidated financial statements.

(2-4) SIGNIFICANT ACCOUNTING JUDGMENTS, ESTIMATES AND ASSUMPTIONS

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

Judgments, estimates and assumptions in the consolidated financial statements are detailed below:

- The Group uses a provision matrix to calculate ECLs for trade receivables. The provision rates are based on days past due for groupings of various customer segments that have similar loss patterns (i.e., by geography, product type, customer type and rating, and coverage by letters of credit and other forms of credit insurance).

The provision matrix is initially based on the Group's historical observed default rates. The Group will calibrate the matrix to adjust the historical credit loss experience with forward-looking information. For instance, if forecast economic conditions (i.e., gross domestic product) are expected to deteriorate over the next year which can lead to an increased number of defaults in the pharmaceuticals sector, the historical default rates are adjusted. At every reporting date, the historical observed default rates are updated and changes in the forward-looking estimates are analysed.

The assessment of the correlation between historical observed default rates, forecast economic conditions and ECLs is a significant estimate. The amount of ECLs is sensitive to changes in circumstances and of forecast economic conditions. The Group's historical credit loss experience and forecast of economic conditions may also not be representative of customer's actual default in the future.

- Income tax expense is calculated and charged for the year in accordance with laws and regulation and IAS. Deferred tax assets and liabilities and income tax provision is calculated accordingly.
- Certain contracts for the sale of goods include a right of return that give rise to variable consideration. In estimating the variable consideration, the Group is required to use either the expected value method or the most likely amount method based on which method better predicts the amount of consideration to which it will be entitled.

The Group determined that the expected value method is the appropriate method to use in estimating the variable consideration for the sale of goods with rights of return, given the large number of customer contracts that have similar characteristics.

Before including any amount of variable consideration in the transaction price, the Group considers whether the amount of variable consideration is constrained. The Group determined that the estimates of variable consideration are not constrained based on its historical experience, business forecast and the current economic conditions. In addition, the uncertainty on the variable consideration will be resolved within a short time frame.

(2-5) SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Property, plant and equipment

Property, plant and equipment are stated at cost, net of accumulated depreciation and any impairment value. When assets are sold or retired, their cost and accumulated depreciation are eliminated from the accounts and any gain or loss resulting from their disposal is included in the consolidated statement of profit or loss.

Depreciation (except for land) is computed on a straight-line basis over the estimated useful lives of assets at the following annual rates:

	<u>%</u>
Buildings	2-4
Tools, machinery, and equipment	10
Spare parts	10
Vehicles	15
Computers	20-25
Furniture and office equipment	10-15

When the carrying values exceed the estimated recoverable amounts of the property, plant and equipment, the assets are written down to their recoverable amounts of the property, plant and equipment, and the impairment is recorded in the consolidated statement of profit or loss.

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

Projects in progress

Projects in progress are stated at cost. This includes the cost of construction and other direct costs. Projects in progress are not depreciated until they are ready for use.

Intangible assets

The measurement of intangible assets at acquisition by cost or fair value if resulting from the acquisition of subsidiaries.

The useful lives of intangible assets are assessed as either finite or indefinite. Finite intangible assets are amortized over their useful lives and recorded in the consolidated statement of profit and loss. Indefinite intangible assets are tested for impairment on an annual basis and recorded in the consolidated statement of profit and loss.

Internally generated intangibles from the operations of the group are not capitalised and the related expenditure is reflected in the consolidated statement of profit or loss in the period in which the expenditure is incurred.

Intangible assets are reviewed for indications of impairment on the date of the consolidated financial statements. In addition, the useful life of these assets are reviewed where the adjustments are made on the subsequent years.

Investments in associates

Associates are entities in which the Group has significant influence and which is neither a subsidiary nor a joint venture. The Group's investments in its associates are accounted for using the equity method.

The investments in associates are carried in the consolidated statement of financial position at cost plus post acquisition changes in the Group's share of net assets of the associate. Goodwill relating to an associate is included in the carrying amount of the investment account in associate company and is not amortized. The consolidated statement of profit or loss reflects the share of the results of operations of the associate. Where there has been a change recognized directly in the equity of the associate, the Group recognizes its share of any changes and discloses this, when applicable, in the consolidated statement of changes in equity. Unrealized gains and losses resulting from transactions between the Group and the associate are eliminated to the extent of the interest in the associates.

Business combinations and goodwill

Business combinations are accounted for using the acquisition method. The cost of an acquisition is measured at acquisition date fair value and the amount of any non-controlling interests in the acquiree.

If the business combination is achieved in stages, any previously held equity interest is re-measured at its acquisition date fair value and any resulting gain or loss is recognised in profit or loss. It is then considered in the determination of goodwill.

The non-controlling interests in the acquiree is recorded at fair value or at the proportionate share of the acquiree's identifiable net assets. Acquisition-related costs are expensed as incurred and included in the consolidated statement of profit and loss.

Goodwill is measured at cost being the excess of the aggregate of the consideration transferred and the amount recognised for non-controlling interests over the net identifiable assets acquired and liabilities assumed which is reocreded after deducting any accumulated impairment losses.

The excess of the Group's share in the fair value of the net assets acquired over the acquisition cost represents negative goodwill and recorded in the consolidated statement of comprehensive income. The Group assesses the financial assets and liabilities assumed for appropriate classification and designation in accordance with the contractual terms, economic circumstances and pertinent conditions as at the acquisition date.

Impairment of non-financial assets

The Group assesses, at each reporting date, whether there is an indication that an asset may be impaired. If any indication exists, or when annual impairment testing for an asset is required, the Group estimates the asset's recoverable amount. An asset's recoverable amount is the higher of an asset's or cash-generating unit's (CGU) fair value less costs of disposal and its value in use. Recoverable amount is determined for an individual asset, unless the asset does not generate cash inflows that are largely independent of those from other assets or groups of assets. When the carrying amount of an asset or CGU exceeds its recoverable amount, the asset is considered impaired and is written down to its recoverable amount. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. In determining fair value less costs of disposal, recent market transactions are taken into account. If no such transactions can be identified, an appropriate valuation model is used. Impairment losses are recorded in the consolidated statement of profit or loss.

On the date of the consolidated financial statements an assessment is made to determine whether there is an indication that previously recognised impairment losses no longer exist or have decreased. If such indication exists, the Group estimates the asset's or CGU's recoverable amount. A previously recognised impairment loss is reversed only if there has been a change in the assumptions used to determine the asset's recoverable amount since the last impairment loss was recognised. Such reversal is recognised in the consolidated statement of profit and loss.

The following non-financial assets has specific procedures for impairment testing:

- Goodwill: impairment test for the goodwill is performed on annual basis or when there is an indication of impairment. Losses related to goodwill impairment are not recoverable.
- Intangible assets with indefinite lives: impairment test on the intangible assets with indefinite lives are performed at minimum on an annual basis or when there is an indication of impairment.

Financial assets at fair value through other comprehensive income

Financial assets at fair value through other comprehensive income are recorded at fair value when purchased plus acquisition costs and subsequently measured at fair value. Changes in fair value are reported as a separate component in the consolidated statement of comprehensive income and in the consolidated statement of equity including the change in fair value resulting from conversion differences of non-cash items of assets at foreign currencies. In case of sale of such assets or part of it, the gain or loss is recorded at the consolidated statement of comprehensive income and in the consolidated statement of changes in equity and the valuation reserve balance for sold assets will be transferred directly to retained earnings not through the consolidated statement of profit or loss.

These assets are not subject to impairment testing. Dividends are recognized in the consolidated statement of profit or loss.

Accounts receivable

Trade receivables are measured at the transaction price determined under IFRS 15. The Group recognises an allowance for expected credit losses (ECLs) for trade receivables. The Group applies a simplified approach in calculating ECLs. The Group recognises a loss allowance based on lifetime ECLs at each reporting date. The Group has established a provision matrix that is based on its historical credit loss experience, adjusted for forward-looking factors specific to the debtors and the economic environment.

Inventories

Inventories are valued at the lower of cost and net realizable value.

Cost is calculated as follows:

Raw materials and spare parts: purchase cost on first in first out basis.

Finished goods and work in progress: cost of direct materials, labor and a proportion of manufacturing overheads using Specific costing method.

Net realizable value represents the estimated selling price in normal circumstances after deducting the estimated cost to complete the production and to complete the sale transaction.

Cash and cash equivalents

Cash and cash equivalents include cash on hand and at banks with original maturities of three months or less with no risk of change in their value.

For the purpose of the preparation of consolidated statement of cash flows, cash and cash equivalents consists of cash and short-term deposits are defined above, net of outstanding bank overdraft and restricted cash.

Fair value

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The fair value measurement is based on the presumption that the transaction to sell the asset or transfer the liability takes place either:

- In the principal market for the asset or liability, or
- In the absence of a principal market, in the most advantageous market for the asset or liability

The principal or the most advantageous market must be accessible to by the Group.

The fair value of an asset or a liability is measured using the assumptions that market participants would use when pricing the asset or liability, assuming that market participants act in their economic best interest.

A fair value measurement of a non-financial asset takes into account a market participant's ability to generate economic benefits by using the asset in its highest and best use or by selling it to another market participant that would use the asset in its highest and best use.

The Group uses valuation techniques that are appropriate in the circumstances and for which sufficient data are available to measure fair value, maximizing the use of relevant observable inputs and minimizing the use of unobservable inputs.

All assets and liabilities for which fair value is measured or disclosed in the consolidated financial statements are categorized within the fair value hierarchy, described as follows, based on the lowest level input that is significant to the fair value measurement as a whole:

- Level 1 — Quoted (unadjusted) market prices in active markets for identical assets or liabilities
- Level 2 — Valuation techniques for which the lowest level input that is significant to the fair value measurement is directly or indirectly observable
- Level 3 — Valuation techniques for which the lowest level input that is significant to the fair value measurement is unobservable.

For assets and liabilities that are recognized in the consolidated financial statements, the Group determines, whether transfers have occurred between levels in the hierarchy by re-assessing categorization (based on the lowest level of input that is considered essential to the fair value measurement as a whole) at the end of each reporting period.

Borrowing costs

Borrowing costs directly attributable to the acquisition, construction or production of an asset that necessarily takes a substantial period of time to get ready for its intended use or sale are capitalized as part of the cost of the asset. All other borrowing costs are expensed in the period they occur. Borrowing costs consist of interest and other costs that an entity incurs in connection with the borrowing of funds.

Loans

After initial recognition, loans are subsequently measured at amortised cost using the effective interest rate method. Gains and losses are recognised in consolidated statement of profit or loss when the liabilities are derecognised as well as through effective interest amortisation process. Amortised cost is calculated by taking into account any discount or premium on acquisition and fees or costs that are an integral part of the effective interest. The effective interest amortisation is included in finance costs in the consolidated statement of profit and loss.

Accounts payables

Liabilities are recognized for amounts to be paid in the future for services or goods received whether billed by the supplier or not.

Provisions

Provisions are recognized when the Group has a present obligation (legal or constructive) as a result of a past event, it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation. When the Group expects some or all of a provision to be reimbursed, for example, under an insurance contract, the reimbursement is recognized as a separate asset, but only when the reimbursement is virtually certain. The expense relating to a provision is presented in the statement of profit or loss net of any reimbursement.

Employees' end of service indemnity

End-of-service indemnity is calculated for the period of service of some employees prior to the date on which the Group joined the Social Security scheme and based on the employees final salaries. For expatriate employees, end-of-service indemnity is calculated for the period of service up to the consolidated statement of financial position date in accordance with the signed employment contracts or applicable laws.

Income tax

Current income tax is calculated in accordance with the Income Tax Laws in Jordan and the countries where the subsidiaries operate.

Tax expense comprises current tax and deferred taxes.

Current tax is calculated based on taxable profits, which may differ from accounting profits appearing in the consolidated financial statements. Accounting profits may include non-taxable profits or expenses which may not be tax deductible in the current but in subsequent applicable years or taxable accumulated losses or non taxable nor deductible items.

Deferred income tax is provided using the liability method on temporary differences at the consolidated financial statements date between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes. Deferred income tax is measured at the tax rates that are expected to apply to the year when the tax liability is settled or the tax asset is realized.

The carrying amount of deferred income tax assets is reviewed at each consolidated financial statement date and reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the deferred income tax asset to be utilized.

Revenue

Revenue from contracts with customers

Revenue from contracts with customers is recognised when control of the goods or services are transferred to the customer at an amount that reflects the consideration to which the Company expects to be entitled in exchange for those goods. The Group has generally concluded that it is the principal in its revenue arrangements, because it typically controls the goods or services before transferring them to the customer.

Variable consideration

If the consideration in a contract includes a variable amount, the Group estimates the amount of consideration to which it will be entitled in exchange for transferring the goods to the customer. The variable consideration is estimated at contract inception and constrained until it is highly probable that a significant revenue reversal in the amount of cumulative revenue recognised will not occur when the associated uncertainty with the variable consideration is subsequently resolved. Some contracts provide customers with a right of return. The rights of return give rise to variable consideration.

Rights of return

Certain contracts provide a customer with a right to return the goods within a specified period. The Group uses the expected value method to estimate the goods that will not be returned because this method best predicts the amount of variable consideration to which the Group will be entitled. The requirements in IFRS 15 on constraining estimates of variable consideration are also applied in order to determine the amount of variable consideration that can be included in the transaction price. For goods that are expected to be returned, instead of revenue, the Group recognises a refund liability.

Refund liabilities

A refund liability is the obligation to refund some or all of the consideration received (or receivable) from the customer and is measured at the amount the Group ultimately expects it will have to return to the customer. The Group updates its estimates of refund liabilities (and the corresponding change in the transaction price) at the end of each reporting period. Refer to above accounting policy on variable consideration.

Interest income is recognized using the effective interest rate method

Other revenues are recognized on the accrual basis.

Offsetting

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

Research and development

Research and development expenses are charged to the consolidated statement of profit or loss when incurred. Development expenses are not capitalized due to not meeting the criteria included in IAS 38.

Foreign currencies

The consolidated financial statements are presented in Jordanian Dinars, which is the parent's functional and presentation currency. Each subsidiary determines its own functional currency.

Transactions in foreign currencies are initially recorded in the functional currency rate ruling at the date transaction. Monetary assets and liabilities dominated in foreign currency are retranslated at the functional currency rate of exchange ruling at the statement of financial position date. Profit or loss resulting from transactions in foreign currencies are recorded in the consolidated statement of profit and loss.

Assets and liabilities of subsidiaries that have functional currencies different from the presentation currency of the Parent are translated at the rate of exchange ruling at the consolidated statement of financial position date. Revenues and expenses of those subsidiaries are translated using the average exchange rate for the year. All resulting exchange differences are recorded as a separate component of equity.

(3) MATERIAL PARTIALLY OWNED SUBSIDIARIES BY THE GROUP

The financial information of partially owned subsidiaries with material non-controlling interest is as follows:

Proportion of equity interest held by non-controlling interests:

	<u>Country of incorporation</u>	<u>Activity</u>	<u>Percentage of ownership</u>	
			<u>2018</u>	<u>2017</u>
Nutri Dar – Public Shareholding Company	Jordan	Industrial	9,6%	9,6%
Medi Pharma – Algeria	Algeria	Industrial	15%	15%
Joras – Algeria	Algeria	Industrial	30%	30%
Al - Nahda for Financial Investments	Jordan	Investments	59,8%	59,8%

DAR AL DAWA DEVELOPMENT AND INVESTMENT COMPANY - PUBLIC SHAREHOLDING COMPANY
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
31 DECEMBER 2018

Accumulated balance of non-controlling interests:

	2018	2017
	JD	JD
Nutri Dar - Public Shareholding Company	782,006	752,705
Medi Pharma – Algeria	968,454	970,335
Joras – Algeria	5,224	5,223
Al - Nahda For Financial Investment	(576,409)	(576,409)
Total	1,179,275	1,151,854

(Loss) profit allocated to non-controlling interests:

	2018	2017
	JD	JD
Nutri Dar – Public Shareholding Company	29,302	29,722
Joras – Algeria	-	1,154
Medi Pharma – Algeria	(87,341)	-
Al - Nahda for Financial Investment	-	(3,000)
Total	(58,039)	27,876

Below is a summary of the financial information for the subsidiaries (before the elimination of the intercompany transactions and balances with subsidiaries) where the non-controlling interest is material:

Summarized statement of profit or loss for 2018:

	Nutri Dar - Public Shareholding Company	Al Dar Jordan Investment Company	Total
	JD	JD	JD
Net sales	13,648,785	-	13,648,785
Cost of goods sold	(9,566,468)	-	(9,566,468)
Selling and distribution expense	(2,854,394)	(29,188)	(2,883,582)
Administrative expense	(912,529)	(449,570)	(1,362,099)
Research and development expense	(41,281)	-	(41,281)
Provision for expected credit losses	(46,710)	-	(46,710)
Other income	18,646	33,459	52,105
Other expenses	(152,303)	-	(152,303)
Currency exchange differences	(170,397)	(4,824)	(175,221)
Finance costs	(218,999)	(152,777)	(371,776)
Income Tax	601,545	-	601,545
Profit (loss) for the year	305,895	(602,900)	(297,005)
Non-controlling interests	29,302	(87,341)	(58,039)

DAR AL DAWA DEVELOPMENT AND INVESTMENT COMPANY - PUBLIC SHAREHOLDING COMPANY
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
31 DECEMBER 2018

Summarized statement of profit or loss for 2017:

	Nutri Dar - Public Shareholding Company	Joras Algeria	AI - Nahda for Financial Investments	Total
	JD	JD	JD	JD
Net sales	10,325,073	-	-	10,325,073
Cost of goods sold	(7,095,969)	-	-	(7,095,969)
Selling and distribution expense	(1,982,836)	-	-	(1,982,836)
Administrative expense	(911,055)	(19,001)	(5,000)	(935,056)
Research and development expense	(43,434)	-	-	(43,434)
Provision for expected credit losses	(230,885)	-	-	(230,885)
Other income	25,410	22,849	-	48,259
Other expenses	(49,565)	-	-	(49,565)
Currency exchange differences	443,977	-	-	443,977
Finance costs	(134,046)	-	-	(134,046)
Income Tax	(36,378)	-	-	(36,378)
Profit (loss) for the year	310,292	3,848	(5,000)	309,140
Non-controlling interests	29,722	1,154	(3,000)	27,876

Summarized statement of financial position as at 31 December 2018:

	Nutri Dar - Public Shareholding Company	AI Dar Jordan Investment Company	Joras - Algeria	AI - Nahda for Financial Investments
	JD	JD	JD	JD
Current assets	14,709,800	1,364,320	23,342	95,057
Non-current assets	3,381,190	13,627,582	-	-
Current liabilities	(8,612,569)	(9,401,002)	(5,974)	(1,158)
Non-current liabilities	(444,541)	(4,622,034)	-	-
Total equity	9,033,880	968,866	17,368	93,899
Attributable to:				
Shareholders of the Parent Company	8,251,874	412	12,145	670,308
Non-controlling interests	782,006	968,454	5,223	(576,409)

DAR AL DAWA DEVELOPMENT AND INVESTMENT COMPANY - PUBLIC SHAREHOLDING COMPANY
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
31 DECEMBER 2018

Summarized statement of financial position as at 31 December 2017:

	Nutri Dar - Public Shareholding Company	Al Dar Jordan Investment Company	Joras - Algeria	Al - Nahda for Financial Investments
	JD	JD	JD	JD
Current assets	12,776,139	374,531	23,342	95,057
Non-current assets	2,897,189	11,614,398	-	-
Current liabilities	(6,916,074)	(6,025,470)	(5,974)	(1,158)
Non-current liabilities	(29,270)	(4,941,059)	-	-
Total equity	8,727,984	1,022,400	17,368	93,899
Attributable to:				
Shareholders of the Parent Company	7,975,279	52,065	12,145	670,308
Non-controlling interests	752,705	970,335	5,223	(576,409)

Summarized statement of cash flows for the year ended 31 December 2018:

	Nutri Dar - Public Shareholding Company	Al Dar Jordan Investment Company	Joras - Algeria	Al - Nahda for Financial Investments
	JD	JD	JD	JD
Operating activities	(293,852)	1,228,325	-	-
Investing activities	(598,627)	(2,013,185)	-	-
Financing activities	664,123	205,441	-	-
Net decrease in cash and cash equivalents	(228,356)	(579,419)	-	-

Summarized statement of cash flows for the year ended 31 December 2017:

	Nutri Dar - Public Shareholding Company	Al Dar Jordan Investment Company	Joras - Algeria	Al - Nahda for Financial Investments
	JD	JD	JD	JD
Operating activities	(629,204)	19,121	21,615	(5,862)
Investing activities	(94,739)	(3,380,577)	-	-
Financing activities	(395,947)	2,149,416	-	-
Net (decrease) increase in cash and cash equivalents	(1,119,890)	(1,212,040)	21,615	(5,862)

DAR AL DAWA DEVELOPMENT AND INVESTMENT COMPANY - PUBLIC SHAREHOLDING COMPANY

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

31 DECEMBER 2018

(4) PROPERTY, PLANT AND EQUIPMENT

2018 -	Land JD	Buildings JD	Tools machinery and equipment JD	Spare parts JD	Vehicles JD	Computers JD	Furniture and office equipment JD	Total JD
Cost-								
As at 1 January	3,364,400	18,581,763	32,859,818	419,014	2,146,079	2,220,536	2,889,308	62,480,918
Additions	-	289,511	1,566,620	42,630	174,006	72,531	187,171	2,332,469
Transfer from projects in progress (Note 5)	-	8,094,201	2,621,186	-	-	-	-	10,715,387
Disposals	-	-	(19,140)	-	-	-	-	(19,140)
Foreign currency translation	(20,372)	(148,469)	(71,794)	-	(4,038)	(1,965)	(11,207)	(257,845)
As at 31 December	3,344,028	26,817,006	36,956,690	461,644	2,316,047	2,291,102	3,065,272	75,251,789
Accumulated Depreciation -								
As at 1 January	-	6,414,722	23,478,860	192,692	1,810,343	1,868,015	2,333,276	36,097,908
Depreciation charge for the year	-	780,017	1,886,340	45,083	129,722	178,700	147,313	3,167,175
Disposals	-	-	(13,828)	-	-	-	-	(13,828)
Foreign currency translation	-	(1,936)	(6,611)	-	(3,026)	(455)	(6,986)	(19,014)
As at 31 December	-	7,192,803	25,344,761	237,775	1,937,039	2,046,260	2,473,603	39,232,241
Net book value -								
As at 31 December	3,344,028	19,624,203	11,611,929	223,869	379,008	244,842	591,669	36,019,548

Depreciation expense was allocated in the consolidated statement of profit or loss as follow:

	2018 JD	2017 JD
Cost of sales (Note 21)	2,458,566	2,292,167
Administrative expenses (Note 23)	396,941	226,905
Research and development expenses (Note 24)	233,581	222,215
Selling and distribution expenses (Note 22)	78,087	66,146
	<u>3,167,175</u>	<u>2,807,433</u>

Fully depreciated property, plant and equipment amounted to JD 18,483,506 as of 31 December 2018 (2017: JD 16,523,716).

DAR AL DAWA DEVELOPMENT AND INVESTMENT COMPANY - PUBLIC SHAREHOLDING COMPANY

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

31 DECEMBER 2018

	Land		Buildings		Tools machinery and equipment		Spare parts		Vehicles		Computers		Furniture and office equipment		Total	
	JD		JD		JD		JD		JD		JD		JD		JD	
2017 -																
Cost-																
As at 1 January	3,412,519		18,279,988		29,930,698		419,014		2,069,614		2,140,636		2,669,334		58,921,803	
Additions	-		13,146		2,960,049		-		81,394		84,988		230,569		3,370,146	
Transfer from projects in progress (Note 5)	-		287,117		-		-		-		-		-		287,117	
Disposals	-		-		-		-		-		(3,143)		-		(3,143)	
Foreign currency translation	(48,119)		1,512		(30,929)		-		(4,929)		(1,945)		(10,595)		(95,005)	
As at 31 December	3,364,400		18,581,763		32,859,818		419,014		2,146,079		2,220,536		2,889,308		62,480,918	
Accumulated Depreciation -																
As at 1 January	-		5,735,247		21,857,492		152,163		1,708,409		1,705,361		2,141,523		33,300,195	
Depreciation charge for the year	-		679,056		1,623,541		40,529		100,638		166,050		197,619		2,807,433	
Disposals	-		-		-		-		-		(3,143)		-		(3,143)	
Foreign currency translation	-		419		(2,173)		-		1,296		(253)		(5,866)		(6,577)	
As at 31 December	-		6,414,722		23,478,860		192,692		1,810,343		1,868,015		2,333,276		36,097,908	
Net book value -																
As at 31 December	3,364,400		12,167,041		9,380,958		226,322		335,736		352,521		556,032		26,383,010	

DAR AL DAWA DEVELOPMENT AND INVESTMENT COMPANY - PUBLIC SHAREHOLDING COMPANY
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
31 DECEMBER 2018

(5) PROJECTS IN PROGRESS

This item mainly represents the cost of design and construction of new plant for the Group in Algeria as of 31 December 2018 and the plant was officially declared open during October of 2017, the total cost of this project is JD 12,165,973, the remaining balance of the projects in progress is the cost of establishing the production lines of drops and capsules in the Algerian plant in addition to the cost of processing additional new machines in the main plant of the Parent Company.

Movement on projects in progress is as follows:

	2018 JD	2017 JD
As at 1 January	10,455,510	5,857,456
Additions	3,483,572	3,824,936
Capitalized expenses	1,259,123	1,395,769
Transfers to property, plant and equipment (Note 4)	(10,715,387)	(287,117)
Foreign currency translation differences	(132,761)	(335,534)
As at 31 December	4,350,057	10,455,510

(6) INTANGIBLE ASSETS

Intangible assets as in the consolidated statement of financial position represents the following:

	As at 1 January JD	Foreign currency translation JD	As at 31 December JD
2018 -			
Goodwill*	56,824	-	56,824
Trademark*	2,174,003	-	2,174,003
Franchise**	1,710,860	(3129)	1,707,731
	3,941,687	(3,129)	3,938,558
2017 -			
Goodwill*	56,824	-	56,824
Trademark*	2,174,003	-	2,174,003
Franchise**	1,715,386	(4,526)	1,710,860
	3,946,213	(4,526)	3,941,687

* The goodwill and trademark were initially resulted from price allocation of the acquisition of Nutri Dar Public Shareholding Company. The Group's management believes that the useful life of the trademark is indefinite. The goodwill and the trademark are tested for impairment annually or when there is an indication of impairment.

DAR AL DAWA DEVELOPMENT AND INVESTMENT COMPANY - PUBLIC SHAREHOLDING COMPANY
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
31 DECEMBER 2018

** The franchise resulted from the contract signed with the Group's partner in Medi Pharma – Algeria which allows him to acquire additional capital of 15% that is funded by Jordan Dar for Investment Company (a subsidiary).

On 31 December 2018, management performed its goodwill and trademark impairment test. The recoverable amount of the Babies Cereal and Milk Formula cash-generating unit has been determined based on a value in use calculation using cash flow projections based on the 2019 financial budget approved by management. Cash flow projections beyond 2019 are estimated using a 2% growth rate, which management believes is reflective of the average growth rate in the region. The discount rate applied to cash flow projections is 14.11%, which represents the weighted-average cost of capital for the Group, taking into consideration the risks specific to the segment.

As a result of this analysis, no impairment loss was recorded on the babies and cereal milk formula.

The calculation of value in use is most sensitive to the following assumptions:

- Gross margin
- Discount rates
- Growth rate used to estimate cash flows beyond the budget period

With regard to the assessment of value in use, management believes that no reasonably possible change in any of the above key assumptions would cause the carrying value of the unit to materially exceed its recoverable amount.

(7) INVESTMENT IN AN ASSOCIATE

	Country of Incorporation	Activity	Ownership interest		2018	2017
			2018	2017	JD	JD
Dar Al Dawa Veterinary Industries Company – Limited Liability Company	Jordan	Industrial	33.64%	33.64%	2,300,712	2,341,438
					<u>2,300,712</u>	<u>2,341,438</u>

DAR AL DAWA DEVELOPMENT AND INVESTMENT COMPANY - PUBLIC SHAREHOLDING COMPANY
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
31 DECEMBER 2018

Movement on investments in associate is as follows:

	For the year ended at 31 December 2018			
	As at 1	Dividends	Group's	As at 31
	January		Share of	December
	JD	JD	Associate's net results	JD
Dar Al Dawa Veterinary Industries Company – Limited Liability Company	2,341,438	(100,913)	60,187	2,300,712
Total	<u>2,341,438</u>	<u>(100,913)</u>	<u>60,187</u>	<u>2,300,712</u>

	For the year ended at 31 December 2017			
	As at 1	Dividends	Group's	As at 31
	January		Share of	December
	JD	JD	Associate's net results	JD
Dar Al Dawa Veterinary Industries Company – Limited Liability Company	2,368,376	(134,550)	107,612	2,341,438
Total	<u>2,368,376</u>	<u>(134,550)</u>	<u>107,612</u>	<u>2,341,438</u>

The Group's share of associate's assets and liabilities are as follow:

	Dar Al Dawa Veterinary Industries Company	
	2018	2017
	JD	JD
Current assets	1,994,086	2,006,968
Non- current assets	386,932	461,665
Current liabilities	(80,306)	(127,195)
Total equity	<u>2,300,712</u>	<u>2,341,438</u>

DAR AL DAWA DEVELOPMENT AND INVESTMENT COMPANY - PUBLIC SHAREHOLDING COMPANY
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
31 DECEMBER 2018

The Group's share of associate's revenues and net results are as follow:

	Dar Al Dawa Veterinary Industries Company	
	2018	2017
	JD	JD
Net sales	1,183,528	1,247,569
Cost of sales	(902,030)	(840,906)
Selling and distribution expenses	(120,285)	(174,288)
General and Administrative expenses	(101,026)	(97,319)
Provision for expected credit losses	-	(16,820)
Board of Directors remuneration	-	(8,410)
Other income	-	3,811
Profit for the year before Income tax	60,187	113,637
Income tax	-	(6,025)
Profit the year	60,187	107,612

(8) FINANCIAL ASSETS AT FAIR VALUE THROUGH OTHER COMPREHENSIVE INCOME

This account represents the Group's share of capital in the following Company:

	2018	2017
	JD	JD
Unlisted shares / Outside Jordan		
Sidal Company-Algeria	4,765	4,924

The movement of the financial assets at fair value through other comprehensive income is as follows:

	2018	2017
	JD	JD
At 1 January	4,924	5,105
Foreign currency translation	(159)	(181)
At 31 December	4,765	4,924

DAR AL DAWA DEVELOPMENT AND INVESTMENT COMPANY - PUBLIC SHAREHOLDING COMPANY
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
31 DECEMBER 2018

(9) INVENTORIES

	<u>2018</u>	<u>2017</u>
	JD	JD
Finished goods	6,978,150	8,800,432
Work in progress	2,116,962	1,748,122
Raw materials	7,136,416	6,179,321
Goods in transit	45,460	125,527
Others	436,876	385,055
	<u>16,713,864</u>	<u>17,238,457</u>
Allowance for slow moving and near expiry inventories	(1,353,931)	(1,111,435)
	<u>15,359,933</u>	<u>16,127,022</u>

Movement on allowance for slow moving and near expiry inventories is as follows:

	<u>2018</u>	<u>2017</u>
	JD	JD
As at 1 January	1,111,435	1,355,802
Charge for the year	1,274,579	280,476
Inventories written-off during the year	(1,032,083)	(524,843)
As at 31 December	<u>1,353,931</u>	<u>1,111,435</u>

DAR AL DAWA DEVELOPMENT AND INVESTMENT COMPANY - PUBLIC SHAREHOLDING COMPANY
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
31 DECEMBER 2018

(10) ACCOUNTS RECEIVABLE

	2018	2017
	JD	JD
Local sales receivables	12,188,122	11,532,581
Foreign sales receivables	16,216,077	14,282,665
	28,404,199	25,815,246
Provision for expected credit losses	(8,167,636)	(9,312,009)
	20,236,563	16,503,237

Movement on Provision for expected credit losses is as follows:

	2018	2017
	JD	JD
As at 1 January	9,312,009	8,433,736
Impact of the adoption of IFRS (9)	(1,017,582)	-
Adjusted balance at beginning of the year	8,294,427	8,433,736
Charge for the year	103,138	1,373,437
Translation differences	(29,872)	(47,178)
Amounts written off	(200,057)	(447,986)
As at 31 December	8,167,636	9,312,009

As at 31 December, the aging of unimpaired accounts receivable is as follows:

	<i>Past due but not impaired</i>				
	<i>1 – 30</i>	<i>31 – 90</i>	<i>91 – 180</i>	<i>> 181</i>	<i>Total</i>
	<i>days</i>	<i>Days</i>	<i>Days</i>	<i>Days</i>	
	JD	JD	JD	JD	JD
2018	11,609,754	3,577,217	1,612,845	3,436,747	20,236,563
2017	9,150,607	2,961,809	1,007,409	3,383,412	16,503,237

Accounts receivable payment terms are 180 days for local and foreign sales.

Unimpaired receivables are expected to be fully recoverable based on the Group's management opinion as most of accounts receivables are covered by letters of credit in which the group is the beneficiary. The Group does not obtain any guarantees against these receivables.

DAR AL DAWA DEVELOPMENT AND INVESTMENT COMPANY - PUBLIC SHAREHOLDING COMPANY
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
31 DECEMBER 2018

(11) OTHER CURRENT ASSETS

	<u>2018</u>	<u>2017</u>
	JD	JD
Letters of credit deposits	8,859	9,026
Advances	1,636,395	2,007,622
Prepaid expenses	2,157,985	1,898,081
Due from sales tax	722,578	515,892
Refundable deposits	209,760	121,000
Staff receivables	588,051	1,214,049
Others	732,344	286,721
Transfer to assets held for sale (Note 31)	(1,570)	(1,570)
	<u>6,054,402</u>	<u>6,050,821</u>

(12) CASH AND BANK BALANCES

	<u>2018</u>	<u>2017</u>
	JD	JD
Cash on hand	44,133	48,988
Bank balances	1,790,691	2,299,299
Cheques under collection maturing within three months	1,189,257	1,464,743
Transfer to assets held for sale (Note 31)	(116,829)	(116,829)
	<u>2,907,252</u>	<u>3,696,201</u>

For the purpose of the consolidated statement of cash flows, cash and cash equivalents comprise the following:

	<u>2018</u>	<u>2017</u>
	JD	JD
Cash and bank balances	2,907,252	3,696,201
Cash and bank balances from discontinued operations (note 31)	116,829	116,829
Due to banks (Note 16)	(19,278,649)	(13,508,941)
	<u>(16,254,568)</u>	<u>(9,695,911)</u>

(13) EQUITY ATTRIBUTABLE TO EQUITY HOLDERS OF THE PARENT

Paid in capital -

The Company's paid in capital as of 31 December 2018 is JD 25,000,000 divided into 25,000,000 shares at a par value of JD 1 per share (2017: JD 25,000,000 divided into 25,000,000 shares).

Statutory reserve -

Accumulated balances in this account represent 10% of the pretax income transferred to statutory reserve. This reserve is not available for distribution to the shareholders. Moreover, transfers might be stopped when the statutory reserve reaches 25% of the Company's paid-in capital.

Voluntary reserve -

This account represents transfers from profit before tax at a maximum of 20%. This reserve is available for distribution to the shareholders.

Special reserve -

Balance in this account represents the transfers from profit before tax at a maximum of 5%. This reserve is used for the purposes determined by the Board of Directors. The General Assembly has the right to distribute the full amount or a portion of it as dividends to shareholders.

Other reserves -

Balance in this account represents the transfers from profit before tax at a maximum of 5%. This reserve is used for the purposes determined by the Board of Directors. The General Assembly has the right to distribute the full amount or a portion of it as dividends to shareholders.

Foreign currency translation differences -

This item represents foreign currency differences that results from the translation of financial statements for foreign subsidiaries.

Dividends distribution-

On 27 April 2017, the General Assembly has approved in its ordinary meeting the distribution of 10% of the Company's paid-in capital (JD 2,500,000) as cash dividends to the shareholders for the profits of 2016.

DAR AL DAWA DEVELOPMENT AND INVESTMENT COMPANY - PUBLIC SHAREHOLDING COMPANY
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
31 DECEMBER 2018

(14) PROVISION FOR END OF SERVICE INDEMNITY

Movement on the provision for end of service indemnity is as follows:

	2018	2017
	JD	JD
As at 1 January	454,870	473,436
Charge for the year	677,229	102,604
Amounts paid during the year	(362,042)	(121,170)
As at 31 December	770,057	454,870

(15) TERM LOANS

		2018			2017		
		Loan Installments			Loan Installments		
Currency		Current portion	Long- term portion	Total	Current portion	Long- term portion	Total
		JD	JD	JD	JD	JD	JD
Arab Bank	USD	917,208	-	917,208	1,985,200	40,988	2,026,188
Societe General Bank – Algeria	DZD	1,006,603	4,370,383	5,376,986	260,056	4,941,060	5,201,116
Invest Bank (1)	USD	1,772,500	3,899,500	5,672,000	1,418,000	5,317,500	6,735,500
Arab Bank (2)	USD	122,221	277,779	400,000	-	-	-
		3,818,532	8,547,662	12,366,194	3,663,256	10,299,548	13,962,804

Arab Bank

On 3 January 2011, the Company obtained a loan from the Arab Bank with a ceiling amounting to USD 14,000,000 equivalent to JD 9,926,000 at an annual interest rate of LIBOR plus 2.5% with minimum of 3.5% to build a new plant in Jordan. The loan is repayable over quarterly installments of USD 700,000 each, the first of which will fell due on 3 January 2013. During 2014 the first installment has been extended till 3 July 2014. Interest on the loan is calculated based on the daily balance and paid at the end of each month. The last installment is due on 31 March 2019.

Societe General Bank - Algeria

During 2017, Medi Pharma (subsidiary) was granted a loan from Societe General Bank – Algeria with a ceiling of DZD 845,000,000 which was raised during 2018 by DZD 100,000,000 to become DZD 945,000,000 equivalent to JD 5,628,636 with annual interest rate of 6% in order to finance the building of a new plant in Algeria without fees and insurance expenses. The loan is paid on 20 equal quarterly instalments. The first payment is due on 31 December 2018 and the last installment is due on 30 September 2023.

Invest Bank (1)

The Company was granted on the 28th December 2016 a loan amounting to USD 10,000,000 from Invest Bank with an annual interest rate of LIBOR plus 3.5% with minimum of 5.5% annual based on the daily balance of the loan regarding the repayments of the short term Loans. The loan is paid on 20 quarterly equal instalments each USD 500,000 excluding interest. The first installment was due on 31 December 2017 and the last installment is due on 30 September 2022.

Arab Bank (2)

On 30 August 2018, Nutri Dar Public Shareholding Company (subsidiary) has signed a loan agreement with Arab Bank in the amount of JD 400,000 bearing an interest rate of 8.625%. The loan is repayable over 36 equal instalments. The first installment will be due on 28 February 2019 and the last installment is due on 31 January 2022.

The principal installments payable during next years are as follow:

<u>YEAR</u>	<u>JD</u>
2020	2,557,803
2021	2,557,803
2022	2,081,482
2023	1,006,603
2024	343,971
	<u>8,547,662</u>

DAR AL DAWA DEVELOPMENT AND INVESTMENT COMPANY - PUBLIC SHAREHOLDING COMPANY
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
31 DECEMBER 2018

Revolving loans:

	Average interest rate	Currency	2018		2017	
			Ceiling	Utilized amount	Ceiling	Utilized amount
			JD	JD	JD	JD
Arab bank loan – Nutri Dar	4,25%	USD	886,250	499,192	531,750	-
ABC bank loan - Dar Al Dawa Jordan	5%	USD	2,127,000	1,076,726	2,127,000	1,111,304
Invest bank loan – Dar Al Dawa Jordan	6,17%	USD	4,608,500	1,141,072	4,608,500	4,102,675
Housing bank loan – Dar Al Dawa Jordan	5,13%	USD	3,545,000	3,517,568	3,545,000	3,544,957
Arab bank loan – Dar Al Dawa Jordan	5,13%	USD	3,545,000	2,533,400	3,545,000	953,770
Arab Jordan Invest bank loan – Dar Al Dawa Jordan	4,8%	USD	2,127,000	2,376,400	-	-
ABC bank loan – Nutri Dar	8.75%	JD	500,000	455,517	500,000	388,514
ABC bank loan – Nutri Dar	4%	USD	2,658,750	2,706,607	2,127,000	2,467,420
			<u>19,997,500</u>	<u>14,306,482</u>	<u>16,984,250</u>	<u>12,568,640</u>

(16) DUE TO BANKS

This item represents the utilized amount of the credit facilities as follows:

	Average interest rate	Currency	2018		2017	
			Ceiling	Utilized amount	Ceiling	Utilized amount
			JD	JD	JD	JD
Overdrafts – Arab bank – Dar Al Dawa Jordan	8.875%	JD	4,000,000	4,996,000	4,000,000	4,205,273
Overdrafts – Housing Bank Algeria – Dar Al Dawa Algeria	6%	DZD	8,934,343	8,889,913	9,232,749	7,483,851
Overdrafts – Arab Bank – Nutri Dar	4.25%	USD	531,750	419,487	177,250	168,227
Overdrafts – Societe General Bank – Medi Pharma	6.4%	DZD	595,623	840,115	615,517	537,339
Overdrafts – Housing Bank – Dar Al Dawa Jordan	6%	DZD	893,434	934,874	-	-
Overdrafts – Various Banks – Dar al Dawa Jordan	5.5%	USD	3,545,500	3,198,260	2,127,000	946,761
Overdrafts – Arab bank – Nutri Dar	4.25%	EUR	-	-	169,542	167,490
			<u>18,500,650</u>	<u>19,278,649</u>	<u>16,322,058</u>	<u>13,508,941</u>

DAR AL DAWA DEVELOPMENT AND INVESTMENT COMPANY - PUBLIC SHAREHOLDING COMPANY
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
31 DECEMBER 2018

(17) INCOME TAX

A) Movement on the provision for income tax is as follows:

	<u>2018</u>	<u>2017</u>
	JD	JD
As at 1 January	125,994	163,925
Prior year accrued income tax	60,000	36,378
Income tax paid	(16,007)	(74,309)
As at 31 December	<u>169,987</u>	<u>125,994</u>

Details of the income tax expense recorded in the consolidated statement of profit or loss is as follows:

	<u>2018</u>	<u>2017</u>
	JD	JD
Prior year income tax expense	(60,000)	(36,378)
Deferred tax assets	1,065,113	63,591
Deferred tax liabilities	13,011	(32,936)
	<u>1,018,124</u>	<u>(5,723)</u>

Deferred tax assets

	<u>Consolidated statement of financial position</u>		<u>Consolidated statement of profit or loss</u>		<u>Consolidated statement of changes in equity</u>	
	<u>2018</u>	<u>2017</u>	<u>2018</u>	<u>2017</u>	<u>2018</u>	<u>2017</u>
	JD	JD	JD	JD	JD	JD
Deferred tax assets resulting from accumulated losses of Nutri Dar (subsidiary)	789,318	187,766	601,545	-	-	-
Deferred tax assets resulting from accumulated losses of Parent Company	596,150	-	457,169	-	138,981	-
Deferred tax assets resulting from temporary tax differences	<u>833,082</u>	<u>826,683</u>	<u>6,399</u>	<u>63,591</u>	<u>-</u>	<u>-</u>
	<u>2,218,550</u>	<u>1,014,449</u>	<u>1,065,113</u>	<u>63,591</u>	<u>138,981</u>	<u>-</u>

DAR AL DAWA DEVELOPMENT AND INVESTMENT COMPANY - PUBLIC SHAREHOLDING COMPANY
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
31 DECEMBER 2018

B) Deferred tax liabilities

	Consolidated statement of financial position		Consolidated statement of profit or loss	
	2018	2017	2018	2017
	JD	JD	JD	JD
Deferred tax liabilities resulting from temporary differences	149,474	162,485	13,011	(32,936)

Reconciliation between the taxable profit and the accounting profit is as follows:

	2018	2017
	JD	JD
Accounting loss	(5,100,572)	(9,656,888)
Non taxable revenues	(14,363,625)	(17,163,458)
Non deductible expenses	18,167,559	26,035,622
Taxable loss	(1,296,638)	(784,724)
Current year income tax	-	-
Statutory income tax rate	14%	14%
Effective tax rate	-	-

No income tax provision was calculated for the years ended 31 December 2018 and 2017 due to the excess of deductible expenses over taxable revenues in accordance with the Income Tax Law No. (34) of 2014.

Dar Dawa Company for development and investment-Parent Company:

Tax returns for the years 2017 and 2016 were submitted to the Income Tax Department but not reviewed yet up to the date of these consolidated financial statements.

Income Tax Department reviewed the tax declarations for the year ended 2015, where they imposed income tax for the year 2015 equal to JD 365,448. However, the Company recorded a provision of JD 60,000 and filed a lawsuit to reach a settlement.

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

Nutri Dar Public Shareholding Company:

No income tax provision was calculated for the year 2018 due to the excess of expenses over revenues.

The provision for income tax for the year 2017 has been calculated in accordance with the Income Tax Law. (34) of 2014.

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

Al Dar Jordan Investment Company

Tax returns for the years 2010, 2011, 2014 and 2015 were submitted to the Income Tax Department but not reviewed yet up to the date of these of the consolidated financial statements.

The Company has reached a final settlement with the Income Tax Department for the years 2012 and 2013.

Dar Al-Dawa Pharma - Romania

The Company has reached a final settlement with the Income Tax Department up to the year 2015. Tax returns for the years 2017 and 2016 were submitted to the Income Tax Department but not reviewed yet up to the date of these consolidated financial statements.

Dar Al-Dawa - Algeria

During 2017, the Algerian Income Tax Department has reviewed the Company's records for the years from 2011 to 2014 and issued its report, which requires the Company to pay an additional amount to the amounts paid for these years. During the period, the Company recorded a provision of JD 948,092 against these claims for the period from 2011 until the date of these consolidated financial statements. An amount of JD 462,957 was paid for the years from 2011 to 2014. The management of the Company and its legal consultant believe the provision is adequate against these liabilities.

DAR AL DAWA DEVELOPMENT AND INVESTMENT COMPANY - PUBLIC SHAREHOLDING COMPANY
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
31 DECEMBER 2018

(18) OTHER CURRENT LIABILITIES

	<u>2018</u>	<u>2017</u>
	JD	JD
Shareholders deposits	1,135,869	1,298,387
Accrued expenses	397,865	311,775
Social security deposits	35,364	32,590
Board of directors remunerations and transportation	54,922	10,972
Advances from customers	2,903,209	845,399
Others	751,424	243,695
Transfer to assets held for sale (Note 31)	(5,378)	(5,378)
	<u>5,273,275</u>	<u>2,737,440</u>

(19) OTHER PROVISIONS

Account	Balance at 1 January	Impact of the adoption of IFRS (9)	Adjusted balance at beginning of the year	Additions	Used/ paid/ eliminated	Balance at 31 December
	JD	JD	JD	JD	JD	JD
Provision for goods of compensation and return*	1,703,697	6,152,367	7,856,064	2,142,920	(974,794)	9,024,190
Employees incentives provision	132,376	-	132,376	36,191	(88,210)	80,357
Provision for contingent liabilities	723,070	-	723,070	-	(154,017)	569,053
Marketing expenses provision	2,173,363	-	2,173,363	1,488,600	(2,226,945)	1,435,018
Provision for employees vacation	47,360	-	47,360	28,294	-	75,654
Other provisions	89,136	-	89,136	-	-	89,136
	<u>4,869,002</u>	<u>6,152,367</u>	<u>11,021,369</u>	<u>3,696,005</u>	<u>(3,443,966)</u>	<u>11,273,408</u>

* This item represents the refund liability which resulted from the adoption of IFRS 15. Please refer to note (2-3) and (2-4) in the consolidated financial statement for more details.

DAR AL DAWA DEVELOPMENT AND INVESTMENT COMPANY - PUBLIC SHAREHOLDING COMPANY
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
31 DECEMBER 2018

(20) SEGMENT INFORMATION

For management purposes, the Group is organized based on the reports which are used by the Chief Executive Officer (CEO) and the Decision Maker of the Group through the geographical distribution of revenues and the geographical distribution of assets and liabilities. The geographical distribution of revenues, cost of revenues, gross profit and type of sold items is as follows:

For the year ended 31 December 2018

	Levant	Gulf and Yemen	Africa	Europe	Asia	Total
	JD	JD	JD	JD	JD	JD
Net sales	24,918,353	16,086,839	13,178,441	894,774	19,845	55,098,252
Cost of sales	(15,511,058)	(9,003,385)	(7,612,201)	(838,247)	(13,310)	(32,978,201)
Gross profit	<u>9,407,295</u>	<u>7,083,454</u>	<u>5,566,240</u>	<u>56,527</u>	<u>6,535</u>	<u>22,120,051</u>

	Medicine	Babies cereals and milk formula	Total
	JD	JD	JD
Net sales	41,449,467	13,648,785	55,098,252
Cost of sales	(23,411,733)	(9,566,468)	(32,978,201)
Gross profit	<u>18,037,734</u>	<u>4,082,317</u>	<u>22,120,051</u>

For the year ended 31 December 2017

	Levant	Gulf and Yemen	Africa	Europe	Asia	Total
	JD	JD	JD	JD	JD	JD
Net sales	21,321,382	16,744,195	13,383,258	844,731	25,737	52,319,303
Cost of sales	(12,477,798)	(9,038,845)	(7,004,680)	(795,766)	(10,856)	(29,327,945)
Gross profit	<u>8,843,584</u>	<u>7,705,350</u>	<u>6,378,578</u>	<u>48,965</u>	<u>14,881</u>	<u>22,991,358</u>

DAR AL DAWA DEVELOPMENT AND INVESTMENT COMPANY - PUBLIC SHAREHOLDING COMPANY
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
31 DECEMBER 2018

	Medicine	Babies cereals and milk formula	Total
	JD	JD	JD
Net sales	41,994,230	10,325,073	52,319,303
Cost of sales	(22,231,976)	(7,095,969)	(29,327,945)
Gross profit	<u>19,762,254</u>	<u>3,229,104</u>	<u>22,991,358</u>

The geographical distribution of assets, liabilities and other information is as follows:

As at 31 December 2018

	Jordan	Algeria	Tunisia	Romania	Total
	JD	JD	JD	JD	JD
Total assets	80,723,665	27,748,739	9,687	573,052	109,055,143
Total liabilities	56,193,542	16,432,890	-	3,554	72,629,986
Other information:					
Depreciation	2,738,871	428,304	-	-	3,167,175
Finance costs	2,147,854	817,062	149	-	2,965,065
Provision for expected credit losses	103,138	-	-	-	103,138
Group's share of associate's results	60,187	-	-	-	60,187

As at 31 December 2017

	Jordan	Algeria	Tunisia	Romania	Total
	JD	JD	JD	JD	JD
Total assets	73,268,736	26,561,244	11,691	573,052	100,414,723
Total liabilities	40,584,366	14,632,468	-	3,554	55,220,388
Other information:					
Depreciation	2,705,009	100,842	-	1,582	2,807,433
Finance costs	1,262,526	563,989	189	-	1,826,704
Provision for expected credit losses	1,310,738	45,098	-	17,601	1,373,437
Group's share of associate's results	107,612	-	-	-	107,612

DAR AL DAWA DEVELOPMENT AND INVESTMENT COMPANY - PUBLIC SHAREHOLDING COMPANY
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
31 DECEMBER 2018

(21) COST OF SALES

	<u>2018</u>	<u>2017</u>
	JD	JD
Packaging materials	14,528,688	14,296,271
Labor and direct manufacturing costs	14,476,625	10,284,655
Depreciation (Note 4)	2,458,566	2,292,167
Others	1,514,322	2,454,852
	<u>32,978,201</u>	<u>29,327,945</u>

(22) SELLING AND DISTRIBUTION EXPENSES

	<u>2018</u>	<u>2017</u>
	JD	JD
Salaries and employees' benefits	9,395,298	8,815,959
Advertising and promotions	2,223,566	2,579,946
Foreign markets expenses	596,026	1,446,218
Depreciation (Note 4)	78,087	66,146
Free samples	680,932	708,363
Travel and transportation	654,344	588,004
Office expenses	1,089,932	578,505
Governmental fees	551,066	412,312
Professional fees	227,104	580,043
Others	382,941	580,868
	<u>15,879,296</u>	<u>16,356,364</u>

(23) ADMINISTRATIVE EXPENSES

	<u>2018</u>	<u>2017</u>
	JD	JD
Salaries and employees' benefits	3,548,606	3,496,336
Depreciation (Note 4)	396,941	226,905
Office expenses	405,827	463,232
Travel and transportation	128,003	154,796
Governmental fees	183,512	111,239
Professional fees	108,482	253,999
Others	868,997	637,211
	<u>5,640,368</u>	<u>5,343,718</u>

DAR AL DAWA DEVELOPMENT AND INVESTMENT COMPANY - PUBLIC SHAREHOLDING COMPANY
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
31 DECEMBER 2018

(24) RESEARCH AND DEVELOPMENT EXPENSES

	<u>2018</u>	<u>2017</u>
	JD	JD
Salaries and employees' benefits	565,190	547,949
Depreciation (Note 4)	233,581	222,215
Office expenses	158,599	148,787
Travel and transportation	28,378	39,110
Laboratory materials	383,947	354,052
Studies and researches	88,940	137,408
Others	16,399	27,498
	<u>1,475,034</u>	<u>1,477,019</u>

(25) OTHER INCOME, NET

	<u>2018</u>	<u>2017</u>
	JD	JD
Other industrial services	29,531	55,106
Interest income	28,119	18,877
Net sales of raw and packaging materials	5,875	1,126
Others	148,295	119,681
	<u>211,820</u>	<u>194,790</u>

(26) OTHER EXPENSES, NET

	<u>2018</u>	<u>2017</u>
	JD	JD
Compensation for consumed good in foreign markets	-	4,936,755
Provision for near expiry and slow moving inventories	1,274,579	280,476
Provision for contingent liabilities	-	948,092
Others	51,756	39,635
	<u>1,326,335</u>	<u>6,204,958</u>

DAR AL DAWA DEVELOPMENT AND INVESTMENT COMPANY - PUBLIC SHAREHOLDING COMPANY
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
31 DECEMBER 2018

(27) EARNINGS PER SHARE

	2018	2017
Loss for the year attributable to the shareholders of the Parent Company (JD)	(4,024,409)	(9,691,639)
Weighted average number of outstanding shares during the year (share)	25,000,000	25,000,000
	JD/Fils	JD/Fils
Basic and diluted earnings per share from loss of the year	(0/161)	(0/387)
Basic and diluted earnings per share from loss of the year from continued operations	(0/161)	(0/387)

(28) CONTINGENCIES, CONTRACTUAL AND CAPITAL COMMITMENTS

As of the date of the consolidated financial statements, the Group has contingent liabilities, contractual and capital commitments and operating leases as follows:

Contingent liabilities:	2018 JD	2017 JD
Letters of credit	354,508	2,356,032
Letters of guarantee	12,206,288	11,592,160
Bills for collection	1,892,007	829,369
Contractual commitments:	-	3,242,029

Capital Commitments

The estimated cost to complete the project in progress is JD 246,123 as at 31 December 2018.

Operating lease

The Group has entered into a rent contracts for offices and stores which the period ranges from 1 to 5 years. The minimum future rent payments as of 31 December are as follows:

	2018 JD	2017 JD
Up to 1 year	28,013	28,013
From 1 to 5 years	47,869	47,869
	75,882	75,882

(29) LEGAL CLAIMS

The Group is defendant in a number of lawsuits with claims amounting to JD 2,831,827 as at 31 December 2018 (2017: JD 179,827) related to its ordinary course of business. The management and their legal advisor believe that no material liabilities are likely to result from these lawsuits.

There are lawsuits by the Group against third parties, amounted to JD 3,449,346 as of 31 December 2018 (2017: JD 3,137,642) representation accounts receivable and checks returned resulted from the Group's normal business.

(30) RELATED PARTY TRANSACTIONS

Related parties represent major shareholders, associated companies, directors and key management personnel of the Group, and entities significantly controlled. Pricing policies and terms of the transactions are approved by the Group's management.

Balances with related parties as shown in the consolidated statement of financial position as follows:

	<u>2018</u>	<u>2017</u>
	JD	JD
Due from related parties:		
Dar Al Dawa Veterinary Industries Company (Associate)	97,797	86,913
Al Mufeed Trading Co. – UAE	7,411,608	7,458,194
Zakrya Hawash (Medi Pharma International's Partner)	212,850	106,350
	<u>7,722,255</u>	<u>7,651,457</u>
Provision for amounts due from related parties	-	(516,450)
	<u>7,722,255</u>	<u>7,135,007</u>

Movement on the provision for due from related parties is as follows:

	<u>2018</u>	<u>2017</u>
	JD	JD
As at 1 January	516,450	229,450
Impact of the adoption of IFRS (9)	(516,450)	-
Adjusted balance at beginning of the year	-	229,450
Charge for the year	-	287,000
As at 31 December	<u>-</u>	<u>516,450</u>

DAR AL DAWA DEVELOPMENT AND INVESTMENT COMPANY - PUBLIC SHAREHOLDING COMPANY
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
31 DECEMBER 2018

Facilities granted from related parties – Invest Bank

	2018	2017
Long- term loan	6,072,000	6,735,500
Banks overdraft	1,063,500	-
Revolving loan	1,141,072	4,102,675
	<u>8,276,572</u>	<u>10,838,175</u>
Bank guarantees	<u>192,246</u>	<u>3,903,381</u>

Transactions with related parties included in the consolidated statement of profit or loss are as follow:

	2018 JD	2017 JD
Sales - agents' and customers	<u>5,075,684</u>	<u>5,492,768</u>
Service revenue – Dar Al Dawa Veterinary Industries Company (Associate)	<u>9,882</u>	<u>18,279</u>
Financing costs (Invest Bank)	<u>(596,132)</u>	<u>(320,175)</u>
Bioequivalence studies expenses – Arab Pharmaceutical Industry Consulting Company	<u>(88,940)</u>	<u>(137,170)</u>
Transportation and remunerations of Board of Directors	<u>61,200</u>	<u>31,200</u>

Compensation (Salaries, remunerations and other benefits) of key management personnel of the Group is as follows:

	2018 JD	2017 JD
Salaries and other benefits	<u>747,600</u>	<u>742,465</u>

(31) DISCONTINUED OPERATIONS

Liquidation of of Al-Nahda Company for Financial Investments and Joras Company – Algeria

During 2016, the Group's management issued a resolution to liquidate Al-Nahda Company for Financial Investments and Joras Company – Algeria (Subsidiaries), thus the operational transactions for both companies has been classified as discontinued operations based on the IFRS (5).

The operation results of Al-Nahda Company for Financial Investments and Joras Company – Algeria for the year ended in 31 December 2018 and 2017 are as follows:

	Al-Nahda Company for Investments		Joras Company – Algeria	
	2018	2017	2018	2017
	JD	JD	JD	JD
Administrative expenses	-	(5,000)	-	(19,001)
Other revenue, Net	-	-	-	22,849
Operation results for the year	-	(5,000)	-	3,848
Other comprehensive income items to be reclassified to profit or loss in subsequent periods, net of tax:				
Foreign currency translation differences	-	-	-	(642)
Total comprehensive income of the year	-	(5,000)	-	3,206
Summarized statement of cash flows				
Operating activities	-	(5,862)	-	21,615
Net (decrease) increase in cash and cash equivalents	-	(5,862)	-	21,615

DAR AL DAWA DEVELOPMENT AND INVESTMENT COMPANY - PUBLIC SHAREHOLDING COMPANY
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
31 DECEMBER 2018

Net book value for assets and liabilities of disposed subsidiaries as of 31 December 2018 and 2017 are as follows:

2018-

	Al-Nahda Company for Investments JD	Joras Company – Algeria JD	Total JD
ASSETS			
Other debit balances (Note 11)	-	1,570	1,570
Cash and bank balances (Note 12)	95,057	21,772	116,829
	<u>95,057</u>	<u>23,342</u>	<u>118,399</u>
LIABILITIES			
Accounts payable	1,158	361	1,519
Other credit balances (Note 18)	5,000	378	5,378
	<u>6,158</u>	<u>739</u>	<u>6,897</u>
NET ASSETS	<u>88,899</u>	<u>22,603</u>	<u>111,502</u>

2017-

	Al-Nahda Company for Investments JD	Joras Company – Algeria JD	Total JD
ASSETS			
Other debit balances (Note 11)	-	1,570	1,570
Cash and bank balances (Note 12)	95,057	21,772	116,829
	<u>95,057</u>	<u>23,342</u>	<u>118,399</u>
LIABILITIES			
Accounts payable	1,158	361	1,519
Other credit balances (Note 18)	5,000	378	5,378
	<u>6,158</u>	<u>739</u>	<u>6,897</u>
NET ASSETS	<u>88,899</u>	<u>22,603</u>	<u>111,502</u>

(32) RISK MANAGEMENT

Interest rate risk

Interest rate risk is the risk that the fair value of future cash flow of a financial instrument will fluctuate because of changes in market interest rate.

The company is exposed to interest rate risk on its financial assets and liability that carry interest such as loans and overdraft.

The sensitivity of the consolidated statement of profit or loss is the effect of the assumed changes in interest rates on the Group's profit for one year, based on the floating rate financial assets and financial liabilities held at 31 December.

The following table illustrates the sensitivity of the consolidated statement of profit or loss as of 31 December to reasonably possible changes in interest rates, with all other variables held constant.

	<div> <div>Increase in</div> <div>interest rate</div> <div>(Basis points)</div> </div>	<div> <div>Effect on</div> <div>loss before</div> <div>tax</div> <div>JD</div> </div>
2018-		
Currency		
USD	100	(231,866)
JOD	100	(68,339)
DZD	100	(160,419)
	<div> <div>Increase in</div> <div>interest rate</div> <div>(Basis points)</div> </div>	<div> <div>Effect on</div> <div>loss before</div> <div>tax</div> <div>JD</div> </div>
2017-		
Currency		
USD	100	(211,124)
JOD	100	(45,938)
DZD	100	(141,667)
EURO	100	(1,675)

The effect of decrease in interest rate is expected to be equal and opposite to the effect shown above.

Credit risk

Credit risk is the risk that one party to a financial instrument will fail to discharge an obligation and cause the other party to incur a financial loss. The group is exposed to credit risk through its operational activities (accounts receivable) and financing activities (Deposits at banks) and other financial instruments included in the consolidated statement of financial position.

The Group seeks to limit its credit risk with respect to customers by monitoring outstanding receivables and with respect to banks by only dealing with reputable banks.

The Group sells its products to a large number of customers. The largest customer accounts represents 11.6% of the outstanding accounts receivable at 31 December 2018 (2017: 7.7%).

Liquidity risk

Liquidity risk is the risk that the Group will not be able to meet its financial obligations as they fall due.

The Group limits its liquidity risk by insuring bank facilities are available.

The table below summarizes the maturities of the Group's (undiscounted) financial liabilities as at 31 December, based on contractual payment dates and current market interest rates.

31 December 2018	On demand	Less than 3 months	3 to 12 months	1 to 5 years	Total
	JD	JD	JD	JD	JD
Accounts payable	-	9,042,460	-	-	9,042,460
Bank overdrafts and revolving loans	34,072,139	-	-	-	34,072,139
Other current liabilities	-	1,135,869	-	-	1,135,869
Loans	-	1,640,120	2,130,135	9,330,225	13,100,480
Total	34,072,139	11,818,449	2,130,135	9,330,225	57,350,948
31 December 2017					
Accounts payable	-	6,830,212	-	-	6,830,212
Bank overdrafts and revolving loans	26,396,114	-	-	-	26,396,114
Other current liabilities	-	1,298,387	-	-	1,298,387
Loans	-	990,061	3,184,329	11,245,759	15,420,149
Total	26,396,114	9,118,660	3,184,329	11,245,759	49,944,862

Foreign currency risk

The table below indicates the Group's foreign currency exposure at 31 December, as a result of its monetary assets and liabilities. The table below illustrate the effect of a reasonably possible change of the Jordanian Dinar currency rate against the following currencies occurring evenly throughout the year with all other variables held constant, on the consolidated statement of comprehensive income.

	Change in foreign currency rates	Effect on (loss) profit for the year	Effect on consolidated statement of comprehensive income and equity
	%	JD	JD
<u>2018:</u>			
Currency			
EURO	10%	(408,406)	-
DZD	10%	313,289	(1,066,443)
<u>2017:</u>			
Currency			
EURO	10%	397,850	-
DZD	10%	50,512	(579,748)

The effect of the decrease in index is expected to be equal and opposite to the effect shown above.

(33) RESTRICTED BANK BALANCES

This item represents cash deposit at Housing bank for Trade and Finance – Jordan as a guarantee against increasing the overdraft facility ceiling of Dar Al Dawa – Algeria held at Housing Bank for Trade and Finance Algeria.

(34) CAPITAL MANAGEMENT

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

The Group manages its capital structure and makes adjustments to it in light of changes in business conditions.

Capital comprises paid in capital, statutory reserve, voluntary reserve, special reserve, other reserves, foreign currency translation differences and (accumulated losses) retained earnings and is measured at JD 35,245,882 as at 31 December 2018 (2017: JD 44,042,481).

(35) FAIR VALUE OF FINANCIAL INSTRUMENTS

Financial instruments consist of financial assets and financial liabilities.

Financial assets consist of cash on hand and at banks, accounts receivable, financial assets at fair value through other comprehensive income, due from related parties and some other debit balances. Financial liabilities consist of trade payables, term loans, bank overdrafts and some other credit balances.

(36) STANDARDS ISSUED BUT NOT YET EFFECTIVE

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

IFRS 16 Leases

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

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

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

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

Transition to IFRS 16

The Group has the option to adopt IFRS 16 retrospectively and restate each prior reporting period presented or using the modified retrospective approach by applying the impact as an adjustment on the opening retained earnings. The Group will elect to apply the standard to contracts that were previously identified as leases applying IAS 17 and IFRIC 4.

The Group will adopt IFRS 16 using the modified retrospective approach. During 2018, the Group has performed a detailed impact assessment of IFRS 16.

The Group does not expect a material impact on consolidated financial statements on applying IFRS 16.

IFRS 17 Insurance Contracts

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

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

IFRIC Interpretation 23 Uncertainty over Income Tax Treatment

The Interpretation addresses the accounting for income taxes when tax treatments involve uncertainty that affects the application of IAS 12 and does not apply to taxes or levies outside the scope of IAS 12, nor does it specifically include requirements relating to interest and penalties associated with uncertain tax treatments. An entity must determine whether to consider each uncertain tax treatment separately or together with one or more other uncertain tax treatments. The interpretation is effective for annual reporting periods beginning on or after 1 January 2019, but certain transition reliefs are available.

Amendments to IFRS 10 and IAS 28: Sale or Contribution of Assets between an Investor and Its Associate or Joint Venture

The amendments address the conflict between IFRS 10 and IAS 28 in dealing with the loss of control of a subsidiary that is sold or contributed to an associate or joint venture. The amendments clarify that the gain or loss resulting from the sale or contribution of assets that constitute a business, as defined in IFRS 3, between an investor and its associate or joint venture, is recognised in full. Any gain or loss resulting from the sale or contribution of assets that do not constitute a business, however, is recognised only to the extent of unrelated investors' interests in the associate or joint venture. The IASB has deferred the effective date of these amendments indefinitely, but an entity that early adopts the amendments must apply them prospectively. The Group will apply these amendments when they become effective.

Amendments to IAS 19: Plan Amendment, Curtailment or Settlement

The amendments to IAS 19 address the accounting when a plan amendment, curtailment or settlement occurs during a reporting period. The amendments also clarify that an entity first determines any past service cost, or a gain or loss on settlement, without considering the effect of the asset ceiling. This amount is recognised in profit or loss.

An entity then determines the effect of the asset ceiling after the plan amendment, curtailment or settlement. Any change in that effect, excluding amounts included in the net interest, is recognised in other comprehensive income.

The amendments apply to plan amendments, curtailments, or settlements occurring on or after the beginning of the first annual reporting period that begins on or after 1 January 2019, with early application permitted. These amendments will apply only to any future plan amendments, curtailments, or settlements of the Group.

Amendments to IAS 28: Long-term interests in associates and joint ventures

The amendments clarify that an entity applies IFRS 9 to long-term interests in an associate or joint venture to which the equity method is not applied but that, in substance, form part of the net investment in the associate or joint venture (long-term interests). This clarification is relevant because it implies that the expected credit loss model in IFRS 9 applies to such long-term interests.

The amendments also clarified that, in applying IFRS 9, an entity does not take account of any losses of the associate or joint venture, or any impairment losses on the net investment, recognised as adjustments to the net investment in the associate or joint venture that arise from applying IAS 28 Investments in Associates and Joint Ventures.

The amendments should be applied retrospectively and are effective from 1 January 2019, with early application permitted.

(37) COMPARATIVE FIGURES

Some consolidated financial statements figure for the year 2017 were reclassified to correspond with consolidated financial statements for the year 2018 presentation. The reclassifications had no effect on the equity or operation results for the year 2017.