Philadelphia Pharmaceuticals Company
"Public Shareholding Company"
Amman–The Hashemite Kingdom of Jordan
Financial Statements
31 December 2020
and
Independent Auditors' Report

Philadelphia Pharmaceuticals Company.
"Public Shareholding Company"

Contact

mazars

Independent auditors report

To the Shareholders of
Philadelphia Pharmaceuticals Company (P.S)
Amman – Jordan

Opinion

We have audited financial statements of Philadelphia Pharmaceuticals Company (P.S) which comprise statement of financial position as at 31 December 2020 and statements of profit or loss and other comprehensive income, statements of changes in equity and statement of cash flows for the year then ended, and notes to the financial statements, including a summary of significant accounting policies and other explanatory information.

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of Philadelphia Pharmaceuticals Company as at 31 December 2020, and its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards.

Basis ofopinion:

We conducted our audit in accordance with International Standards on Auditing; our responsibilities under those standards are further described in the auditors' responsibilities for the audit of the financial statements section of our report.

We are independent of the company in accordance with the International Ethics Standards Board for Accountants' Code of Ethics for Professional Accountants (IESBA code) together with the ethical requirements that are relevant to our audit of the financial statements 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 basis for our opinion.

Key audit matters:

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

Other information

Management is responsible for the other information, which comprises the information does not include in the financial statements and auditors' report thereon.

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

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

If, based on the work that we have performed, we conclude that there is a material misstatement of this other information, and then we are required to report that fact. We have nothing to report in this regard.

Responsibilities of management and those charged with governance for the financial statements:

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

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

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

Auditors' responsibilities for the audit of the financial statements:

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

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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 aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit in accordance with ISAs, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the company's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the company's ability to continue as a going concern.

  If we conclude that a material uncertainty exists, we are required to draw attention in our auditors 'report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion.

  Our conclusions are based on the audit evidence obtained up to the date of our auditors' report. However, future events or conditions may cause the company to cease to continue as a going concern.

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- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the 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 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.

The Report on other legal and regularity requirement

The Company maintains accounting records as required, and it is compatible with the accompanying financial statements and we recommend approving it.

On behalf of IPB **Mazars – Jordan** **Dr. Reem AL-Araj** **License No. (820)**	**Amman – Jordan** **21 Feb 2021**

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Philadelphia Pharmaceuticals Company
"Public Shareholding Company"
Statement of Financial Position (JOD)

		As at 31December	
Assets	**Notes**	**2020**	**2019**
Current Assets			
Cash and cash equivalent	5	1,602,699	1,232,908
Trade receivables	6	8,655,375	9,928,550
Inventory and warehouses	7	1,991,129	1,795,499
Goods in transit		128,326	96,221
Other debit balances	8	199,974	378,172
Total current assets		**12,577,503**	**13,431,350**
Non-current assets			
Property and equipments (net)	9	2,383,177	2,537,009
Intangible assets	10	46,868	63,753
Total Non-current assets		**2,430,045**	**2,600,762**
Total assets		**15,007,548**	**16,032,112**
Liabilities			
Current Liabilities			
Credit banks	11	1,647,048	2,163,156
Trade payables		1,222,649	1,354,569
Deferred cheques		6,064	29,339
Income tax provision	12	5,748	129,299
National contribution tax provision	12	1,667	14,295
Other credit balances	13	673,106	656,904
Total Current liabilities		**3,556,282**	**4,347,562**
Total liabilities		**3,556,282**	**4,347,562**
Equity	14		
Capital		7,500,000	7,500,000
Statutory reserve		1,303,595	1,286,923
Voluntary reserve		266,772	266,772
Retained earnings		2,380,899	2,630,855
Total Equity		**11,451,266**	**11,684,550**
Total equity and liabilities		**15,007,548**	**16,032,112**

The notes on pages 9 to 27 are an integral part of these financial statements

Philadelphia Pharmaceuticals Company
"Public Shareholding Company"
Statement of Profit or Loss and other Comprehensive income (JOD)

	Note	For the year ended 31 December 2020	2019
Continuing operations			
Revenue	15	7,655,266	9,114,673
Cost of revenue	16	(4,197,924)	(4,342,716)
Gross profit		**3,457,342**	**4,771,957**
Research and development expenses		(180,315)	(201,843)
Selling and distribution expenses	17	(1,908,417)	(1,883,800)
Administrative expenses	18	(906,509)	(959,701)
Board of directors ' incentives		(35,000)	(35,000)
Operating profit		**427,101**	**1,691,613**
Finance expense		(302,148)	(267,359)
Other expenses		41,767	5,274
Profit before tax from continuing operations		**166,720**	**1,429,528**
Income tax expense	12	(23,341)	(141,705)
National contribution tax expense	12	(1,667)	(14,295)
Profit after tax		**141,712**	**1,273,528**
Other comprehensive income			-
Total comprehensive income		**141,712**	**1,273,528**
Weighted average of shares		7,500,000	7,500,000
Basic earnings per share		**0.019**	**0.170**

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Philadelphia Pharmaceuticals Company
"Public Shareholding Company"
Statement of Changes in Equity (JOD)

For the year ended at 31 December 2020	**Capital**	**Statutory reserve**	**Voluntary reserve**	**Retained earnings**	**Total equity**
Balance at 1 January 2020	**7,500,000**	**1,286,923**	**266,772**	**2,630,855**	**11,684,550**
Profit for the year	-	16,672	-	125,040	712,141
Total comprehensive income	-	**16,672**	-	**125,040**	**712,141**
Dividends	-	-	-	(375,000)	(375,000)
Total Transaction with shareholders	-	-	-	**(375,000)**	**(375,000)**
Balance at 31, December 2020	**7,500,000**	**1,303,595**	**266,772**	**2,380,899**	**11,451,266**

For the year ended at 31 December 2019	**Capital**	**Statutory reserve**	**Voluntary reserve**	**Retained earnings**	**Total equity**
Balance at 1 January 2019	**7,500,000**	**1,143,970**	**266,772**	**1,875,280**	**10,786,026**
Profit for the year	-	142,953	-	1,130,575	1,273,528
Total comprehensive income	-	**142,953**	-	**1,130,575**	**1,273,528**
Dividends	-	-	-	(375,000)	(375,000)
Total Transaction with shareholders	-	-	-	**(375,000)**	**(375,000)**
Balance at 31, December 2019	**7,500,000**	**1,286,923**	**266,772**	**2,630,855**	**11,684,550**

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Philadelphia Pharmaceuticals Company
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Amman -The Hashemite Kingdom of Jordan
Statement of Cash Flows(JOD)

		For the year ended 31 December	
Cash flows from operating activities	**Note**	**2020**	**2019**
Profit before tax		166,720	1,429,528
Adjustments			
Loss on sale of property and equipment		-	(7,638)
Depreciation and amortization	9	309,848	372,723
Receivables impairment provision	6	20,000	40,000
Finance expense		302,148	267,359
Changes in working capital:			
Trade receivables		1,253,175	(2,051,119)
Accepted banks' withdrawals		-	156,291
Inventory and warehouses		(195,630)	(314,375)
Inventory in transit		(32,105)	(36,067)
Other debit balances		178,198	77,686
Trade payables		(131,916)	239,263
Deferred cheques		(23,275)	23,354
Other credit balances		16,202	269,338
Paid Income tax	12	(161,187)	(60,745)
Net cash from operating activities		**1,702,178**	**405,598**
Cash flows from investment activities			
Purchase of property and equipment	9	(139,131)	(272,393)
Net cash flows from investment activities		**(139,131)**	**(272,393)**
Cash flows from financing activities			
Finance expense		(302,148)	(267,359)
Credit banks		(516,108)	776,697
Dividends		(375,000)	(375,000)
Net cash flows from financing activities		**(1,193,256)**	**134,338**
Net increase (decrease) in cash		369,791	267,543
Cash and cash equivalents at 1 January		1,232,908	965,365
Cash and cash equivalent at 31 December	5	**1,602,699**	**1,232,908**

The notes on pages 9 to 27 are an integral part of these financial statements

Philadelphia Pharmaceuticals Company
"Public Shareholding Company"
Amman -The Hashemite Kingdom of Jordan
Notes to the Financial Statements

1- Reporting Entity

Philadelphia Pharmaceuticals Company was established on 5 July 1993, and was converted to a public shareholding company at 17 January 2006 under the number (394) with (7,500,000) JOD capital. The factory exists in King Abdullah Industrial Estate - Sahab–Jordan and the head officeexists in Amman.

The company primarilyinvolves in the production of human medicines and medical supplies and solvents, sterilization devices dialysis, disinfectants, purchase and import of raw materials for productionsand machinery and equipment in addition to other objectives mentioned in registration record.

2- Significant accounting policies

2.1 Basis of preparation

- These financial statements have been prepared in accordance with International Financial Reporting Standards (IFRS) as issued by the International Accounting Standards Board.

- These financial statements have been prepared based on going concern assumption and under the historical cost basis (except those financial assets and other items that measured by fair value as at the date of financial statement in compliance with International Standards).

- These financial statements are presented in JOD, all values are rounded to nearest (JOD), except when otherwise indicated.
- The financial statements provide comparative information in respect of the previous period.

3- Accounting policies

The company has consistently applied the following accounting policies to all periods presented in these financial statements.

A- Current versus non-current classification

The company presents assets and liabilities in the statement of financial position based on current/non-current classification.

An asset is current when it is:

- Expected to be realized or intended to be sold or consumed in the normal operating cycle.
- Held primarily for the purpose of trading.
- Expected to be realized within twelve months after the reporting period.
- Cash or cash equivalent unless restricted from being exchanged or used to settle a liability for at least twelve months after the reporting period

All other assets are classified as non-current.

A liability is current when:

- It is expected to be settled in the normal operating cycle.
- It is held primarily for the purpose of trading.

- It is due to be settled within twelve months after the reporting period.
- There is no unconditional right to defer the settlement of the liability for at least twelve months after the reporting period.

All other liabilities are classified as non-current.

B-Fair value measurement

- 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 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 principal market, the most advantageous market to asset or liability.
- All assets and liabilities for which fair value is measured or disclosed in the 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 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.

C- Revenue from contracts with customers

- Revenue from contracts with customers is recognized 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 or services.
- The company shall account for a contract with a customer only when all of the following criteria are met:
  - The parties to the contract have approved the contract (in writing, orally or in accordance with other customary business practices) and are committed to perform their respective obligations.
  - The company can identify each party's rights regarding the goods or services to be transferred.
  - The company can identify the payment terms for the goods or services to be transferred.
  - The contract has commercial substance (risk, timing or amount of the entity's future cash flows is expected to change as a result of the contract).
  - It is probable that the entity will collect the consideration to which it will be entitled in exchange for the goods or services that will be transferred to the customer. In evaluating whether collectability of an amount of consideration is probable, an entity shall consider only the customer's ability and intention to pay that amount of consideration when it is due. The amount of consideration

to which the entity will be entitled may be less than the price stated in the contract if the consideration is variable because the entity may offer the customer a price concession.

- When a performance obligation is satisfied, the Company recognizes as revenue the amount of the transaction price that is allocated to that performance obligation.

D- Taxes

- Income tax for the period is based on the taxable income for the year. Taxable income differs from profit as reported in the statement of comprehensive income for the period as there are some items which may never be taxable or deductible for tax and other items which may be deductible or taxable in other periods.
- Tax expense is recognizing in compliance with regulations.
- 1% of taxable profit will be deducted as national contribution tax
- Expenses and assets are recognized net of the amount of sales tax, except:

- When the sales tax incurred on a purchase of assets or services is not recoverable from the taxation authority, in which case, the sales tax is recognized as part of the cost of acquisition of the asset or as part of the expense item, as applicable.

- When receivables and payables are stated with the amount of sales tax included the net amount of sales tax recoverable from, or payable to, the taxation authority is included as part of receivables or payables in the statement of financial position.

F-Foreign currency

- **Transactions and balances**

  ✓ Transactions in foreign currencies are translated into the respective functional currency spot rate of company at exchange rates at the dates of the transactions.

  ✓ Monetary assets and liabilities denominated in foreign currencies are translated at the functional currency spot rates of at the exchange rate at the reporting date.

  ✓ Differences arising on translation of monetary items are recognized in profit or loss except those that are designated as part of the hedging which will be recognized in other comprehensive income.

  ✓ Non-monetary items that are measured in terms of historical cost in a foreign currency are translated using the exchange rates at the dates of the initial transactions. Non-monetary items measured at fair value in a foreign currency are translated using the exchange rates at the date when the fair value is determined. The gain or loss arising on translation of non-monetary items measured at fair value is treated in line with the recognition of the gain or loss on the change in fair value of the item.

G- Non – current assets held for sale

- Non-current assets are classified as held-for-sale if it is highly probable that they will be recovered primarily through sale rather than through continuing use.

- Such assets are generally measured at the lower of their carrying amount and fair value less costs to sell. Impairment losses on initial classification as held-for-sale and subsequent gains and losses on measurement are recognized in profit or loss.
- Once classified as held-for-sale, intangible assets and property, plant and equipment are no longer amortized or depreciated, and any equity-accounted investee is no longer equity accounted.
- Assets classified as held for sale are presented separately as current items in the statement of financial position.

I-Cash dividend

The Company recognizes a liability to pay a dividend when the distribution is authorized and the distribution is no longer at the discretion of the company. As per the corporate laws of Jordan, a distribution is authorized when it is approved by the shareholders. A corresponding amount is recognized directly in equity.

General Assembly decided in its Ordinary Meeting at 29/04/2019 to distribute 5% from capital which equals to (375,000) JOD as of 31/12/2019.

J- Property, plant and equipment

- Items of property, plant and equipment are measured at cost, the cost of replacing parts of the plant and equipment, and borrowing cost for long term construction projects if the recognition criteria are met, less accumulated depreciation and any accumulated impairment losses such cost includes.
- If significant parts of an item of property, plant and equipment have different useful lives, then they are accounted for as separate items (major components) of property, plant and equipment.
- Any gain or loss on disposal of an item of property plant and equipment is recognized in profit or loss.
- Subsequent expenditure is capitalized only if it is probable that the future economic benefits associated with the expenditure will flow to the company all other repair and maintains costs are recognized in profit or loss as incurred.
- Depreciation is calculated to write off the cost of items of property, plant and equipment less their estimated residual values using the straight-line method over their estimated useful lives, and is generally recognized in profit or loss.
- Depreciation methods, useful lives and residual values are reviewed at each reporting date and adjusted if appropriate.

K- Leases

Lessee

- IFRS (16) shall be applied to all leases that convey the right to control the use of an identified asset for a period of time in exchange of consideration, all lease contracts shall be capitalized with recognizing assets and liabilities against it, except short term lease and lease for which the underlying assets is of low value, whereas the lease payment shall be recognized as anexpense on either straight line basis over lease term or another systematic basis.

- At the commencement date, a lessee shall recognize a right-of-use asset and a lease liability.
- At the commencement date, a lessee shall measure the right-of-use asset at cost which includes:
- The amount of the initial measurement of the lease liability.
- Any lease payments made at or before the commencement date less any lease incentives received.
- Any initial direct cost incurred by the lessee.
- An estimate of cost to be incurred by the lessee in dismantling and removing the underlying asset, restoring the site on which it is located or restoring the underlying asset to the condition required by the terms and conditions of the lease.
- At the commencement date, a lessee shall measure the lease liability at the present value of the lease payments that are not paid at that date. The lease payments shall be discounted using the interest rate implicit in the lease, if that rate can be readily determined. If that rate cannot be readily determined, the lessee shall use the lessee's incremental borrowing rate.
- The lessee shall depreciate the right-of-use asset from the commencement date to the earlier of the end of the useful life of the right-of-use asset or the end of the lease term.
- If the lease transfers ownership of the underlying asset to the lessee by the end of the lease term or if the cost of the right-of-use asset reflects that the lessee will exercise a purchase option, the lessee shall depreciate the right-of-use asset from the commencement date to the end of the useful life of the underlying asset.
- A lessee shall apply IAS 36 Impairment of Assets to determine whether the right-of-use asset is impaired and to account for any impairment loss identified.

Lessor

- A lessor shall classify each of its leases as either an operating lease or a finance lease.
- A lease is classified as a finance lease if it transfers substantially all the risks and rewards incidental to ownership of an underlying asset. A lease is classified as an operating lease if it does not transfer substantially all the risks and rewards incidental to ownership of an underlying asset.
- At the commencement date, a lessor shall recognize assets held under a finance lease in its statement of financial position and present them as receivables at an amount equal to the net investment in the lease.
- A lessor shall recognize lease payments from operating leases as income on either a straight-line basis or another systematic basis. The lessor shall apply another systematic basis if that basis is more representative of the pattern in which benefit from the use of the underlying asset is diminished.

L- 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 in which they occur.
- Borrowing costs consist of interest and other costs that an entity incurs in connection with the borrowing of funds.

N- Intangible assets

- Intangible assets acquired separately are measured on initial recognition at cost.
- The cost of intangible assets acquired in a business combination is their fair value at the date of acquisition. Following initial recognition, intangible assets are carried at cost less any accumulated amortization and accumulated impairment losses.
- Internally generated intangibles, excluding capitalized development costs, are not capitalized and the related expenditure is reflected in profit or loss in the period in which the expenditure is incurred.
- The useful lives of intangible assets are assessed as either finite or indefinite.
- Intangible assets with finite lives are amortized over the useful economic life and assessed for impairment whenever there is an indication that the intangible asset may be impaired.
- The amortization period and the amortization method for an intangible asset with a finite useful life are reviewed at least at the end of each reporting period. Changes in the expected useful life or the expected pattern of consumption of future economic benefits embodied in the asset are considered to modify the amortization period or method, as appropriate, and are treated as changes in accounting estimates. The amortization expense on intangible assets with finite lives is recognized in the statement of profit or loss in the expense category that is consistent with the function of the intangible assets.
- Intangible assets with indefinite useful lives are not amortized, but are tested for impairment annually, either individually or at the cash-generating unit level. The assessment of indefinite life is reviewed annually to determine whether the indefinite life continues to be supportable. If not, the change in useful life from indefinite to finite is made on a prospective basis.
- **Research and development costs**

✓ Research costs are expensed as incurred.

✓ Development expenditures on an individual project are recognized as an intangible asset when the company can demonstrate:

- The technical feasibility of completing the intangible asset so that the asset will be available for use or sale.
- Its intention to complete and its ability and intention to use or sell the asset.
- How the asset will generate future economic benefits.
- The availability of resources to complete the asset.
- The ability to measure reliably the expenditure during development

- ✓ Following initial recognition of the development expenditure as an asset, the asset is carried at cost less any accumulated amortization and accumulated impairment losses. Amortization of the asset begins when development is complete and the asset is available for use. It is amortized over the period of expected future benefit. Amortization is recorded in cost of sales. During the period of development, the asset is tested for impairment annually.

O- Financial Instruments- initial recognition and subsequent measurement

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

1- Financial assets

- Financial assets are classified, at initial recognition, as subsequently measured at amortized cost, fair value through other comprehensive income (OCI), and fair value through profit or loss. The classification of financial assets at initial recognition depends on the financial asset's contractual cash flow characteristics and the company's business model for managing them.
- In order for a financial asset to be classified and measured at amortized cost or fairvalue through OCI, it needs to give rise to cash flows that are 'solely payments of principal and interest (SPPI)' on the principal amount outstanding. This assessment is referred to as the SPPI test and is performed at an instrument level.
- For purposes of subsequent measurement, financial assets are classified as follow:

- Financial assets at amortized cost

Financial assets at amortized cost are subsequently measured using the effective interest method and are subject to impairment. Gains on losses are recognized in profit or loss when the asset is derecognized, modified or impaired. Financial assets at amortized cost include trade receivables, loans to other parties ….etc.

- Financial assets designated at fair value through OCI

Financial assets at fair value through OCI are initially measured at cost plus transaction cost, subsequently they are measured at fair value and changes there in are recognized in OCI.Dividends are recognized as other income in the statement of profit or loss when the right of payment has been established. Equity instruments designated at fair value through OCI are not subject to impairment assessment.

- Financial assets at fair value through profit or loss

Financial assets at fair value through profit or loss include financial assets held for trading, financial assets designated upon initial recognition at fair value through profit or loss,

Or financial assets mandatorily required to be measured at fair value. Financial assets are classified as held for trading if they are acquired for the purpose of selling or repurchasing in the near term. Financial assets at fair value through profit or loss are carried in the statement of financial position at fair value with net changes in fair value recognized in the statement of profit or loss.

Dividends on listed equity investments are also recognized as other income in the statement of profit or loss when the right of payment has been established.

- Impairment of financial assets

Financial assets not classified as at fair value, are assessed at each reporting date to determine whether there is an objective evidence of impairment such as indications that a debtor or issuer will enter bankruptcy, the disappearance of an active market for a security because of financial difficulties.

2. Financial liabilities

- Financial liabilities are classified, at initial recognition, as financial liabilities at fair value through profit or loss, loans and borrowings, payables, as appropriate.
- All financial liabilities are recognized initially at fair value and, in the case of loans and borrowings and payables, net of directly attributable transaction costs.
- The company's financial liabilities include trade and other payables, loans and borrowings including bank overdrafts ....etc.
- The subsequent measurement of financial liabilities depends on their classification. Loans and borrowings are subsequently measured at amortized cost using the effective interest rate

  Method . Gains or losses are recognized in profit or loss when the liabilities are derecognized as well as through the effective interest rate amortization process.
- Amortized 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 rate. The effective interest rate amortization is included as finance costs in the statement of profit or loss.

P- Inventories

- Inventories are valued at the lower of cost and net realizable value.
- Costs incurred in bringing each product to its present location and condition are accounted for purchase price and other cost incurred to bring it in use excluding borrowing cost
- Net realizable value is the estimated selling price in the ordinary course of business, less estimated costs of completion and the estimated costs necessary to make the sale.

Q- Impairment of non-financial assets

The company 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 company estimates the asset's recoverable amount. An asset's recoverable amount is the higher of an asset's or cash generated units fair value less costs of disposal and its value in use.

The 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 cash generated units exceeds its recoverable amount, the asset is considered impaired and is written down to its recoverable amount.

- A previously recognized 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 recognized. The reversal is limited so that thecarrying amount of the asset does not exceed its recoverable amount, nor exceed the carrying amount that would have been determined, net of depreciation, had no impairment loss been recognized for the asset in prior years.

T- Cash and cash equivalent

Cash and cash equivalent in the statement of financial position comprise cash at banks and on hand and cash equivalent with a maturity of three months or less, which are not subject to an insignificant risk of changes in value.

U- Provisions

- Provisions are recognized when the company has a presented 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.
- The amount recognized as a provision is the best estimate of the consideration required to settle the present obligation at the end of the reporting period, taking into account the risks and uncertainties surrounding the obligation.
- The expense relating to a provision is presented in the statement of profit or loss.
- If the effect of the time value of money is material, provisions are discounted using a Current pre-tax rate that reflects, when appropriate, the risks specific to the liability.

V- Employee benefits

Employee benefits are expensed as the related services are provided. A liability is recognized for the amount expected to be paid if the company has a present legal or constructive obligation to pay this amount as a result of past services provided by the employee and the obligation can be estimated.

4. Other information.

4.1 Events after the reporting period

Events after the reporting period are those events, favorable and unfavorable, that occur between the end of the reporting period and the date when the financial statements are authorized for issue and there are two kinds of events after the reporting period:

1- Those that provide evidence of conditions that existed at the end of the reporting period and an entity shall adjust the amounts recognized in its financial statements

2- Those that are indicative of conditions that arose after the reporting period, an entity shall not adjust the amounts recognized in its financial statements.

There are no subsequent events to mention

4.2- Contingent Liabilities

Contingent liabilities are obligations that could result from a past event and will confirm their presence only by the occurrence or non-occurrence of a future uncertain and not within the control of the company and are not recognized in the records because it is not likely to flow release of economic benefits for the payment of the obligation cannot be measured amount of the obligation reliably. The following figures represent the contingencies as that the company may incurred:

Bank guarantees (net)	218,117

4.3- Significant estimates and judgments:

The preparation of financial statements requires the use of accounting estimates which by definition will seldom equal the actual result. Management also needs to exercise judgment in applying the accounting policies.

Estimates and judgments are continually evaluated, they are based on historical experience and other factors, including expectations of future events that may have a financial impact on the entity and that are believed to be reasonable under the circumstance.

The areas involving significant estimates or judgments are:

1- Estimation of tax expense and tax provision (Note 12)

2-Estimation of useful life of property & equipment and annual depreciation. (Note 9)

3-The Company has tested the impairment of trade receivables, pursuant to the company estimates there is no impairment on its value.

4- Amortization of intangible assets. (Note 10)

4.5 Financial risk management

The company may expose to different kinds of financial risk, company's board and management oversees these risks and has overall responsibility for the establishment and oversight of the company risk management framework. The company risk management policies are established to identify and analyze the risks faced by the company, to set appropriate risk limits and controls and to monitor risks and adherence to limits. Risk management policies and systems are reviewed regularly to reflect changes in market conditions and the company activities. The company, through its training and management standards and procedures, aims to maintain a disciplined and constructive control environment in which all employees understand their roles and obligations.

The company may expose to the following risks:

a- Market risk

Market risk is the risk that the fair value of future cash flows of a financial instrument will fluctuate because of changes in market prices; it comprises three types of risk:

- Interest rate risk:

Interest rate risk is the risk that the fair value or future cash flows of financial instruments will fluctuate because of change in market interest rates. The company's exposure to the risk of changes in market interest rate primary to the company's long term obligations with floating interest rate

The company manages its interest rate risk by obtaining short term facilities in different currencies.

- Foreign currency risk:

Foreign currency risk is the risk that the fair value or future cash flows will fluctuate because of changes in foreign exchange rates. The company's exposure to the risk of changes in foreign exchange rates relates primarily to operating activities when revenue or expense is denominated in a foreign currency, and company's net investment in foreign subsidiaries

The company manages its foreign currency by limiting main transactions in USD as the price is fixed against JOD, in addition to make hedges against other currencies if needed.

- Price risk:

The company's listed and non – listed equity investments are susceptible to market price risk arising from uncertainties about future values of the investment securities.

b- Credit risk

Credit risk is the risk that counterparty will not meet its obligations under a financial instrument or customer contract, leading to financial loss.

An impairment analysis is performed at each reporting date to measure expected credit

The company is exposed to credit risk from its operating activities (primarily trade receivables) and from its other activities including deposits with banks.

The maximum limit of credit risk is presented by financial assets stated in financial position.

The company manages credit risk by dealing with letter of credits and advances from new clients

c- Liquidity risk

Liquidity risk is the risk that the company may be unable to close out market position and to meet its short term obligations when due

The company monitors its risk of shortage of funds using liquidity planning tool

The Company manages the liquidity risk by diversifying its options in this regard, such as delaying payments of obligations to make the repayment period of creditors close to the receivables collection period. The Company also makes the necessary efforts to accelerate collection of revenues by discountingLCs,in addition to obtain the required financing from commercial banks to finance their external purchases.

5- Cash and cash equivalents

	2020 JOD	2019 JOD
Cash at hand	1,743	5,669
Checks in hand	1,585,000	1,210,000
Arab Bank – USD	14,180	14,180
Capital Bank – JOD	1,102	-
Investment Bank – JOD	-	45
Investment Bank – USD	639	2,078
Al Rajhi Bank – USD	35	35
Safwa Islamic Bank - JOD	-	901
Total	**1,602,699**	**1,232,908**

6-Tradereceivables

	2020 JOD	2019 JOD
Local receivables	3,647,074	4,408,930
External receivables	5,029,272	5,651,473
Impairment provision	(20,971)	(131,853)
Total	**8,655,375**	**9,928,550**

7- Inventory and warehouses

	2020 JOD	2019 JOD
Raw materials and packing	1,596,018	1,285,459
Finished goods	272,076	385,319
Spare parts and disposals	75,486	76,861
Goods in process	47,549	47,860
Total	**1,991,129**	**1,795,499**

8- Other debit balance

	2020 JOD	2019 JOD
Prepaid expenses	148,862	263,792
Refundable deposits	5,716	16,542
Margin on guarantees	26,628	24,706
Due from income tax	733	4,125
Due from employees	11,458	50,285
Prepayments	6,577	18,722
Total	**199,974**	**378,172**

ɩ- Property,plant and equipment

	Lands JOD	Buildings JOD	Machines , equipments & vehicles JOD	Furniture and decorations JOD	Total JOD
Depreciation rate	-	%2	%15	%15	
Cost					
At 1 January 2019	**124,865**	**1,572,707**	**2,847,527**	**238,484**	**4,783,583**
Additions	-	-	271,688	705	272,393
(Disposals)	-	-	(63,150)	-	(63,150)
At 31 December 2019	**124,865**	**1,572,707**	**3,056,065**	**239,189**	**4,992,826**
Additions	-	8,150	130,692	289	139,131
At 31 December 2020	**124,865**	**1,580,857**	**3,186,757**	**239,478**	**5,131,957**
Depreciation					
At 1 January 2019	-	457,052	1,597,161	137,650	2,191,863
Additions	-	46,767	259,109	13,590	319,466
(Disposals)	-	-	(55,512)	-	(55,512)
At 31 December 2019	-	**503,819**	**1,800,758**	**151,240**	**2,455,817**
Additions	-	47,737	231,724	13,502	292,963
At 31 December 2020	-	**551,556**	**2,032,482**	**164,742**	**2,748,780**
Net book value	-				
At 31 December 2019	**124,865**	**1,068,888**	**1,255,307**	**87,949**	**2,537,009**
At 31 December 2020	**124,865**	**1,029,301**	**1,154,275**	**74,736**	**2,383,177**

10 - Intangible assets

	2020 JOD	2019 JOD
Cost		
Balance at 01/01/2019	**271,876**	**271,876**
Additions	13,688	-
Balance at 31/12/2019	**285,564**	**271,876**
Accumulated amortization		
Balance at 01/01/2019	**208,123**	**170,142**
Additions	30,573	37,981
Balance at 31/12/2019	**238,696**	**208,123**
Net book value	**46,868**	**63,753**

11- Credit banks

	2020 JOD	2019 JOD
Capital Bank –USD	212,959	180,867
Arab Bank – JOD	2,393	15,948
Arab Bank –USD	184,441	320,918
Union Bank – USD	410	675,922
Al Rajhi Bank – USD	-	295
Investment Bank – USD	15,232	2,917
Capital Bank –JOD	-	92
Union Bank – JOD	-	30
Safwa Islamic Bank – USD	615,583	630,804
Islamic Arab Bank – JOD	410,287	335,363
Islamic Arab Bank – USD	205,743	-
Total	**1,647,048**	**2,163,156**

- **Overdrafts limits**

	2020	2019
Capital Bank – USD	709,000	709,000
Arab Bank – JOD	300,000	300,000
Arab Bank – USD	850,800	850,800
Union Bank – USD	709,000	709,000
Safwa Islamic Bank –JOD	1,063,500	1,036,500
Islamic Arab Bank –JOD	650,000	500,000
Islamic Arab Bank – USD	283,600	177,250
Total	**4,565,900**	**4,282,550**

- The above mentioned facilities are used mainly in purchasing raw materials and payments to creditors, with average rate of debit interest around (8%) for JOD and (5%) for USD.

12- Taxes

-Income tax

	2020 JOD	2019 JOD
Balance at 1 January	129,299	48,339
Tax expense 14 %	23,341	141,705
Paid income tax	(146,892)	(60,745)
Balance at 31 December	**5,748**	**129,299**

-National contribution tax

	2020 JOD	2019 JOD
Balance at 1 January	14,295	-
Income tax expense	1,667	14,295
Paid National contribution tax	(14,295)	-
Balance at 31 December	**1,667**	**14,295**

13- Other credit balances

	2020 JOD	2019 JOD
Accrued expenses	192,990	218,202
Due to taxation department	9,874	5,630
Due to social security	18,670	39,996
Due to employees	-	10,864
Shareholders deposits	288,073	262,546
Board of directors incentives	44,166	61,666
Due to sale tax	119,333	58,000
Total	**673,106**	**656,904**

14- Equity

- **Capital**

The company was established in 05/07/1993 as limited liability company, it was converted to public shareholding company at 17/01/2006 with capital of (1,200,000) JOD, then the capital was increased up to (5,000,000) JOD as at 31/12/2015.At 26/4/2016 the General Assembly decided in an extraordinary meeting to increase the capital by (2,500,000) JOD through capitalization of retained earnings, with covering the rest of increase from voluntary reserve and to distribute this increase as free shares to the shareholders in proportion of their shares in capital.

- **Statutory reserve**

  This balance represents 10% of this year and previous years' profit carried forward incompliance with Jordanian Company's Law article (186) and this balance is not attributable to shareholders.

- **Voluntary reserve**

  This balance represents 20% of this year and previous years' profit carried forward incompliance with Jordanian Company's Law article (187).

- **Retained earnings**

  This balance represents the profit carried forward from this year and previous years after provisions.

15 - Revenue

	2020 JOD	2019 JOD
Local sales	2,553,860	2,483,220
Export sales	5,101,406	6,631,453
Total	**7,655,266**	**9,114,673**

16- Cost of revenue

	Note	2020 JOD	2019 JOD
Raw materials		3,026,993	3,193,173
Operational expenses	16-1	893,092	1,096,692
Depreciation and amortization		164,274	170,558
Cost of production		**4,084,359**	**4,460,423**
Good in process - opening balance		47,860	68,375
Good in process - ending balance		(47,549)	(47,860)
Cost of goods available for sale		**4,084,670**	**4,480,938**
Finished goods – opening balance		385,319	247,097
Finished goods – ending balance		(272,065)	(385,319)
Total		**4,197,924**	**4,342,716**

16-1Operational expenses

	2020	2019
	JOD	JOD
Wages and salaries	443,824	552,295
Social security	51,714	74,590
Water and electricity	67,621	91,784
Maintenance	43,360	39,412
Medical analysis expense	24,078	30,424
Staff wages	15,704	20,162
Health insurance	43,290	40,236
Medical analysis fees	21,605	34,130
Consumable	45,242	54,015
Fuel	27,419	36,559
Training and development	-	3,885
Water treatment expenses	7,934	16,278
Transportation	3,673	7,136
Write off expenses	3,590	6,075
Factory insurance	2,609	2,521
Calibration and air tests	12,740	23,850
Meals	19,384	18,504
Stationery	4,036	5,163
Cleaning	5,332	5,374
Miscellaneous	49,937	34,299
Total	**893,092**	**1,096,692**

17-Selling and distribution expenses

		2020 JOD	2019 JOD
Wages and salaries		255,620	275,804
Social security		26,590	35,192
Rents		16,150	14,000
Selling offices expense		10,374	13,124
Tenders		22,433	15,573
Health insurance		11,612	10,925
Advertising		158,762	137,722
Out markets' expenses	17-1	1,364,688	1,340,998
Miscellaneous		42,188	40,462
Total		**1,908,417**	**1,883,800**

17-1-Out markets' expenses

	2020 JOD	2019 JOD
Saudi market	739,136	832,613
Sudanese market	96,946	110,158
Omani market	26,152	20,767
Algerian market	173,310	144,714
Palestine market	47,343	44,668
Iraqi market	181,720	136,998
Other markets	100,081	51,080
Total	**1,364,688**	**1,340,998**

18- Administrative and general expenses

	2020 JOD	2019 JOD
Wages and salaries	354,944	415,718
Social security	38,793	45,940
Rents	27,672	30,092
Telephone & P.O Box	16,032	11,678
Stationery	4,012	5,639
Vehicle expenses	37,126	39,742
Security	18,536	20,757
Professional fees	16,553	10,262
Hospitality &cleaning	5,327	5,675
Health insurance	34,660	32,755
Fees and licenses	21,171	22,587
Head office expenses	57,460	47,303
Software expenses	16,610	15,823
Depreciation &amortization	132,522	122,929
Miscellaneous	34,091	92,801
Receivable impairment	-	40,000
Bad Depts.	91,000	-
Total	**906,509**	**959,701**