

The Arab Pesticides & Veterinary Drugs Mfg. Co.

Public Shareholding Company

Consolidated Financial Statements

31 December 2020

The Arab Pesticides & Veterinary Drugs Mfg. Co.
Public Shareholding Company

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INDEPENDENT AUDITOR'S REPORT

To The Shareholders of
The Arab Pesticides & Veterinary Drugs Mfg. Co.
Public Shareholding Company
Irbid - Jordan

Opinion

We have audited the consolidated financial statements of **The Arab Pesticides & Veterinary Drugs Mfg. Co. PLC** which comprise the consolidated statement of financial position as at 31 December 2020, and 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 consolidated financial position of the Company as at 31 December 2020, and its consolidated financial performance and its consolidated 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 Company in accordance with the International Ethics Standards Board for Accountants' Code of Ethics for Professional Accountants (IESBA Code) together with the ethical requirements that are relevant to our audit of the consolidated financial statements in the Hashemite Kingdom of 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 of 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. We have determined the matters described below to be the key audit matters to be communicated in our report.

(1) Provision for Expected Credit Loss

Included in the accompanying consolidated financial statements at the end of the year 2020 financial assets totaling JOD (15,685,703), as the provision for the expected credit loss of these financial assets are dependent on the management's estimates of different variables, the adequacy of the provision is considered a key audit matter. The audit procedures performed by us to address this key audit matter included inquiring from management about the methodology used in calculating the provision and assessing the reasonableness of estimates and assumptions used by the management in calculating the provision amount. We have also inquired about the management's collection procedures and the amounts collected post year end.

(2) Cost of Finished Goods and Work in Progress

Included in the accompanying consolidated financial statements at the end of the year 2020 finished goods and work in progress totaling JOD (2,963,433) as determining the cost of these goods involve the calculation of an overhead application rate based on the plant normal capacity, we considered determining the cost of finished goods and work in progress a key audit matter. The audit procedures performed by us to address this key audit matter included assessing the appropriateness of the underlying data used by management in determining the overhead application rate. We have also inspected sales invoices to assess whether inventory is being sold at a higher value than its cost by comparing sales price to values at which it is held in the Company's inventory records.

Other Information

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

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

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

Responsibilities of Management 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 Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Company or to cease operations, or has no realistic alternative but to do so.

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 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 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 Company to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements.
- 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 reasonably be expected to outweigh the public interest benefits of such communication.

Report on Other Legal and Regulatory Requirements

The Company maintains proper accounting records and the accompanying consolidated financial statements are in agreement therewith and with the financial data presented in the Board of Directors' report, and we recommend the General Assembly to approve it.

15 February 2021
Amman – Jordan




Arab Professionals
Ibrahim Hammoudeh
License No. (606)

The Arab Pesticides & Veterinary Drugs Mfg. Co.
Public Shareholding Company
Consolidated Statement of Financial Position
As at 31 December 2020
(In Jordanian Dinar)

	Notes	2020	2019
Assets			
Non - current assets			
Property, plant and equipment	3	6,173,508	6,181,909
Investment in associates	4	429,616	651,789
Financial assets at fair value through other comprehensive income	5	237,090	237,090
Check under collection - long term		66,503	377,950
Total non - current assets		6,906,717	7,448,738
Current assets			
Inventories	6	11,855,413	9,884,822
Other current assets	7	1,047,512	1,004,678
Accounts receivable	8	9,247,591	7,930,715
Checks under collection		2,218,065	1,820,450
Cash and cash equivalents	9	3,021,060	1,829,755
Total current assets		27,389,641	22,470,420
Total assets		34,296,358	29,919,158
Equity and liabilities			
Equity	10		
Paid - in capital		12,000,000	12,000,000
Statutory reserve		3,000,000	3,000,000
Voluntary reserve		2,329,206	1,977,465
Changes in foreign exchange rate		(2,349,358)	(2,011,676)
Retained earnings		7,209,766	5,437,070
Total Shareholder's Equity		22,189,614	20,402,859
Non-controlling interest		4,767,164	3,855,720
Total equity		26,956,778	24,258,579
Liabilities			
Non - current liabilities			
Notes payable - long term	12	672,189	939,556
Bank facilities - long term	11	432,307	-
Total non - current liabilities		1,104,496	939,556
Current liabilities			
Accounts payable		1,708,431	1,449,252
Bank facilities	11	1,969,277	748,488
Notes payable	12	799,204	845,376
Postdated checks		53,007	148,076
Other liabilities	13	1,705,165	1,529,831
Total current liabilities		6,235,084	4,721,023
Total liabilities		7,339,580	5,660,579
Total equity and liabilities		34,296,358	29,919,158

"The accompanying notes from (1) to (25) are integral part of these consolidated financial statements"

The Arab Pesticides & Veterinary Drngs Mfg. Co.
Public Shareholding Company
Consolidated Statement of Profit or Loss
For the year ended 31 December 2020
(In Jordanian Dinar)

	Notes	2020	2019
Net sales	19	22,563,664	19,585,941
Cost of sales	14	(14,623,341)	(13,442,852)
Gross profit		7,940,323	6,143,089
Share of profit from the associate companies	4	200,708	333,817
Selling and distribution expenses	16	(977,638)	(918,308)
Administrative expenses	17	(1,627,671)	(1,637,186)
Financing cost		(238,077)	(135,914)
Provision for expected credit loss	8	(400,000)	(325,000)
Allowance for slow moving and expired inventories	6	(100,000)	(75,000)
Other income		12,590	43,746
Board of Directors remuneration		(45,000)	(45,000)
Profit before income tax		4,765,235	3,384,244
Income and National Contribution tax expense	22	(376,251)	(256,067)
Profit for the year		4,388,984	3,128,177
Attributable to:			
Shareholders of the company		3,324,437	2,430,907
Non-controlling interest		1,064,547	697,270
		4,388,984	3,128,177
 Basic and diluted earnings per share	 18	 0.277	 0.203

"The accompanying notes from (1) to (25) are integral part of these consolidated financial statements"

The Arab Pesticides & Veterinary Drugs Mfg. Co.
Public Shareholding Company
Consolidated Statement of Comprehensive Income
For the year ended 31 December 2020

(In Jordanian Dinar)

	Note	2020	2019
Profit for the year		4,388,984	3,128,177
Other comprehensive income items:			
Changes in foreign exchange rate	4	(337,682)	(841,287)
Total comprehensive income for the year		<u>4,051,302</u>	<u>2,286,890</u>
 Attributable to:			
Shareholders of the company		2,986,755	1,589,620
Non-controlling interest		<u>1,064,547</u>	<u>697,270</u>
		<u>4,051,302</u>	<u>2,286,890</u>

"The accompanying notes from (1) to (25) are integral part of these consolidated financial statements"

The Arab Pesticides & Veterinary Drugs Mfg. Co.
Public Shareholding Company
Consolidated Statement of Changes in Equity
For the year ended 31 December 2020

(In Jordanian Dinar)

	Paid - in Capital	Reserves		Changes in Foreign Exchange Rate	Retained Earnings	Total Shareholder's Equity	Non- Controlling Interest	Total Equity
		Statutory	Voluntary					
Balance at 1 January 2020	12,000,000	3,000,000	1,977,465	(2,011,676)	5,437,070	20,402,859	3,855,720	24,258,579
Cash dividends	-	-	-	-	(1,200,000)	(1,200,000)	-	(1,200,000)
Non-controlling interest dividends	-	-	-	-	-	-	(153,103)	(153,103)
Total comprehensive income for the year	-	-	-	(337,682)	3,324,437	2,986,755	1,064,547	4,051,302
Reserves	-	-	351,741	-	(351,741)	-	-	-
Balance at 31 December 2020	12,000,000	3,000,000	2,329,206	(2,349,358)	7,209,766	22,189,614	4,767,164	26,956,778
Balance at 1 January 2019	12,000,000	3,000,000	1,719,471	(1,170,389)	4,464,157	20,013,239	3,329,435	23,342,674
Cash dividends	-	-	-	-	(1,200,000)	(1,200,000)	-	(1,200,000)
Non-controlling interest dividends	-	-	-	-	-	-	(170,985)	(170,985)
Total comprehensive income for the year	-	-	-	(841,287)	2,430,907	1,589,620	697,270	2,286,890
Reserves	-	-	257,994	-	(257,994)	-	-	-
Balance at 31 December 2019	12,000,000	3,000,000	1,977,465	(2,011,676)	5,437,070	20,402,859	3,855,720	24,258,579

“The accompanying notes from (1) to (25) are an integral part of these consolidated financial statements”

The Arab Pesticides & Veterinary Drugs Mfg. Co.
Public Shareholding Company
Consolidated Statement of Cash Flows
For the year ended 31 December 2020

(In Jordanian Dinar)

	2020	2019
Operating activities		
Profit before tax	4,765,235	3,384,244
Depreciation	538,456	693,483
Share of profit from the associate companies	(200,708)	(333,817)
Provision for expected credit loss	400,000	325,000
Allowance for slow moving and expired inventories	100,000	75,000
Board of Directors remuneration	45,000	45,000
Changes in working capital		
Checks under collection	(86,168)	(740,513)
Accounts receivable	(1,716,876)	250,637
Inventories	(2,070,591)	(2,709,313)
Other current assets	(42,834)	212,379
Accounts payable	259,180	205,851
Other liabilities	21,999	(56,796)
Postdated checks	(95,069)	(10,970)
Paid income tax	(267,917)	(153,953)
Net cash flows from operating activities	<u>1,649,707</u>	<u>1,186,232</u>
Investing activities		
Property, plant and equipment	(530,055)	(1,139,825)
Investments in associates	85,199	142,000
Net cash flows used in investing activities	<u>(444,856)</u>	<u>(997,825)</u>
Financing activities		
Cash dividends	(1,200,000)	(1,200,000)
Non-controlling interest	(153,103)	(170,985)
Notes payable	(313,539)	1,041,881
Bank facilities	1,653,096	248,491
Net cash flows used in financing activities	<u>(13,546)</u>	<u>(80,613)</u>
Net changes in cash and cash equivalents	1,191,305	107,794
Cash and cash equivalents, beginning of year	1,829,755	1,721,961
Cash and cash equivalents, end of year	<u>3,021,060</u>	<u>1,829,755</u>

"The accompanying notes from (1) to (25) are integral part of these consolidated financial statements"

The Arab Pesticides & Veterinary Drugs Mfg. Co.
Public Shareholding Company
Notes to the Consolidated Financial Statements
31 December 2020

(In Jordanian Dinar)

1 . General

The Arab Pesticides & Veterinary Drugs Mfg. Co. was established as a limited liability Company on 17 October 1991 and on 31 July 2005 the company changed its legal entity to a public shareholding company, and registered in the Hashemite Kingdom of Jordan under number (366), with the main objective of manufacturing of pesticides and veterinary medicines.

The Company shares are listed in Amman Stock Exchange – Jordan.

The consolidated financial statements were authorized for issue by the Company's Board of Directors in their meeting held on 15 February 2021 and these consolidated financial statements require the approval of the General Assembly.

2 . Summary of Significant Accounting Policies

Basis of preparation

The consolidated financial statements of the Company have been prepared in accordance with International Financial Reporting Standards.

The consolidated financial statements have been prepared on a historical cost basis.

The consolidated financial statements are presented in Jordanian Dinar which is the functional currency of the Company.

The accounting policies are consistent with those used in the previous year, except for the adoption of new and amended standards effective as at the beginning of the year.

Principles of Consolidation

The consolidated financial statements comprise of the financial statements of the parent and its subsidiaries where the Company has the power to govern the financial and operating policies of the subsidiaries so as to obtain benefits from their activities. The financial statements of the subsidiaries are prepared for the same reporting year as the Company using consistent accounting policies. All balances, transactions, income, and expenses between the Company and its subsidiaries are eliminated.

Subsidiaries are fully consolidated from the date of acquisition, being the date on which the Company obtains control, and continue to be consolidated until the date that such control ceases.

The results of operations of the subsidiaries are included in the consolidated statement of profit or loss from the acquisition date which is the date on which control over subsidiaries is transferred to the Company. The results of operation of the disposed subsidiaries are included in the consolidated statement of profit or loss to the disposal date which is the date on which the Company loses control over the subsidiaries.

The following subsidiaries have been consolidated:

Company	Capital	Ownership	Activity	Registration country
Endmaj Chemical and Specialized Medical Industries Company	50,000	100%	Manufacturing	Jordan
Delta Sudia for Chemical Industries Company	2,090,000	55%	Manufacturing	KSA

Adoption of new and revised IFRS standards

The following standard have been published that are mandatory for accounting periods after 31 December 2020. Management anticipates that the adoption of new and revised Standard will have no material impact on the consolidated financial statements of the Company.

Standard No.	Title of Standard	Effective Date
IFRS 17	Insurance Contracts	1 January 2023

Use of Estimates

The preparation of the consolidated financial statements requires management to make estimates and assumptions that affect the reported amount of the consolidated financial assets and liabilities and disclosure of contingent liabilities. These estimates and assumptions also affect the revenues and expenses and the resultant provisions and in particular, considerable judgment by management is required in the estimation of the amount and timing of future cash flows. 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.

Management believes that the estimates are reasonable and are as follows:

- Management reviews periodically the tangible assets in order to assess the depreciation for the year based on the useful life and future economic benefits. Any impairment is taken to the consolidated statement of profit or loss.
- The measurement of impairment losses under IFRS 9 requires judgment, in particular, the estimation of the amount and timing of future cash flows and collateral values when determining impairment losses and the assessment of a significant increase in credit risk. These estimates are driven by a number of factors, changes in which can result in different levels of allowances. Elements of the expected credit loss model that are considered accounting judgments and estimates include Probability of default (PD), Loss given default (LGD) and Exposure at default (EAD).
- Inventories are held at the lower of cost and net realizable value. When inventories become old or obsolete, an estimate is made of their net realizable value. For individually significant amounts this estimation is performed on an individual basis. Amounts which are not individually significant, but which are old or obsolete, are assessed collectively and a provision applied according to the inventory type and the degree of ageing or obsolescence, based on historical selling prices.

Property, Plant and Equipment

Property, plant and equipment are stated at cost less accumulated depreciation (except lands) and accumulated impairment loss. 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 is computed on a straight-line basis using the following annual depreciation rates:

Buildings	2%
Machines and equipment	10-12%
Vehicles	15%
Other	10-20%

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.

Investments in Associate

Investments in associate undertakings are accounted for by the equity method of accounting. These are undertakings over which the Company generally has between 20% and 50% of the voting rights, or over which the Company has significant influence, but which it does not control. Unrealized gains and losses on transactions between the Company and its associate undertakings are eliminated to the extent of the Company's interest in the associate undertakings.

Financial Assets at Fair Value through Other Comprehensive Income

These financial assets represent investments in equity instruments held for the purpose of generating gain on a long term and not for trading purpose.

Financial assets at fair value through other comprehensive income initially stated at fair value plus transaction costs at purchase date.

Subsequently, they are measured at fair value with gains or losses arising from changes in fair value recognized in the consolidated statement of other comprehensive income and within owner's equity, including the changes in fair value resulting from translation of non-monetary assets stated at foreign currency. In case those assets – or part of them- were sold, the resultant gain or loss is recorded in the consolidated statement of comprehensive income within owners' equity and the reserve for the sold assets is directly transferred to the retained earnings and not through the consolidated statement of profit or loss.

These assets are not subject to impairment testing.

Dividends are recorded in the consolidated statement of profit or loss on a separate line item.

Trading and Settlement Date Accounting

Purchases and sales of financial assets are recognized on the trade date, i.e. the date on which the Company commits its self to purchase or sell the asset.

Fair Value

For fair value of investments, which are traded in organized financial markets, is determined by reference to the quoted market bid price at the close of the business on financial position date. For investments which are listed in inactive stock markets, traded in small quantities or have no current prices, the fair value is measured using the current value of cash flows or any other method adopted. If there is no reliable method for the measurement of these investments, then they are stated at cost less any impairment in their value.

Inventories

Inventories are stated at the lower of cost or net realizable value. Cost is determined by the weighted average method. The cost of finished goods and work in progress comprises raw materials, direct labor, other direct costs and related production overheads.

Raw materials are stated at the lower of the cost or net realizable value, cost is determined by the weighted average method.

Accounts Receivable

Accounts receivables are carried at original invoice amount less estimate made for expected credit loss based on a review of all outstanding amounts at the year end. Bad debts are written off when identified.

Cash and Cash Equivalents

Cash and cash equivalents comprise of cash on hand, deposits held at call with banks and short term deposits with the original maturity of three months or less.

Payables and Accruals

Accounts payable and accrued expenses are recognized when goods are received and services are rendered.

Provisions

Provisions are recognized when the Company has a present legal or constructive obligation as a result of past events, it is probable that an outflow of resources will be required to settle the obligation, and a reliable estimate of the amount can be made. Provisions are reviewed at the consolidated financial statements date and are adjusted based on recent available information.

Offsetting

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

Borrowing costs

Borrowing costs directly attributable to the acquisition, construction or production of a qualifying asset are capitalized during the period of time that is necessary to complete and prepare the asset for its intended use or sale. Other borrowing costs are expensed in the period in which they are incurred and reported in finance costs

Revenue Recognition

Revenues from sale of goods are recognized when control transferred to the buyer, while revenues from rendering services are recognized over time and according to percentage of completion. In all cases, it is necessary that the amount of revenue can be measured reliably.

Dividends are recognized when it's declared by the General Assembly of the investee company.

Other revenues are recognized on the accrual basis.

Short-term-leases and leases of low-value assets

The company applies the short-term lease recognition exemption to some of its short-term leases (I.e., those leases that have a lease terms of 12 months or less from the commencement date and do not contain a purchase option). It also applies the lease of low-value assets recognition exemption to leases that are considered of low value. Lease payments on short-term leases and leases of low-value assets are recognized as expense on a straight-line basis over the lease term.

Foreign Currency

Assets and liabilities denominated in foreign currencies are translated to Jordanian Dinar using the prevailing exchange rates at year end. Foreign currency transactions during the year are recorded using exchange rates that were in effect at the dates of the transactions. Foreign exchange gains or losses are reflected in the consolidated statement of profit or loss.

Income tax

Income tax expenses are accounted for on the basis of taxable income. Taxable income differs from income declared in the consolidated financial statements because the latter includes non-taxable revenues or disallowed taxable expenses in the current year but deductible in subsequent years, accumulated losses acceptable by the tax law, and items not accepted for tax purposes or subject to tax.

Taxes are calculated on the basis of the tax rates according to the prevailing laws, regulations, and instructions of the countries where the Company operates.

The Arab Pesticides & Veterinary Drugs Mfg. Co.
Notes to the Consolidated Financial Statements (Continued)
31 December 2020

3 . Property, plant and equipment

	Lands	Buildings	Machines & Equipment	Vehicles	Others	Total
Cost						
Balance at 1/1/2020	923,787	5,438,585	5,448,942	920,931	1,502,701	14,234,946
Additions	-	125,503	272,032	58,711	73,809	530,055
Disposals	-	-	-	(16,000)	-	(16,000)
Balance at 31/12/2020	<u>923,787</u>	<u>5,564,088</u>	<u>5,720,974</u>	<u>963,642</u>	<u>1,576,510</u>	<u>14,749,001</u>
Accumulated depreciation						
Balance at 1/1/2020	-	1,659,562	4,751,562	829,224	812,689	8,053,037
Transfers	-	-	-	(106,660)	106,660	-
Depreciation	-	153,314	176,741	123,376	85,025	538,456
Disposals	-	-	-	(16,000)	-	(16,000)
Balance at 31/12/2020	<u>-</u>	<u>1,812,876</u>	<u>4,928,303</u>	<u>829,940</u>	<u>1,004,374</u>	<u>8,575,493</u>
Net book value at 31/12/2020	<u>923,787</u>	<u>3,751,212</u>	<u>792,671</u>	<u>133,702</u>	<u>572,136</u>	<u>6,173,508</u>
Cost						
Balance at 1/1/2019	771,031	5,249,205	5,246,316	863,587	1,030,982	13,161,121
Additions	152,756	189,380	202,626	123,344	471,719	1,139,825
Disposals	-	-	-	(66,000)	-	(66,000)
Balance at 31/12/2019	<u>923,787</u>	<u>5,438,585</u>	<u>5,448,942</u>	<u>920,931</u>	<u>1,502,701</u>	<u>14,234,946</u>
Accumulated depreciation						
Balance at 1/1/2019	-	1,438,745	4,538,505	750,089	698,215	7,425,554
Depreciation	-	220,817	213,057	145,135	114,474	693,483
Disposals	-	-	-	(66,000)	-	(66,000)
Balance at 31/12/2019	<u>-</u>	<u>1,659,562</u>	<u>4,751,562</u>	<u>829,224</u>	<u>812,689</u>	<u>8,053,037</u>
Net book value at 31/12/2019	<u>923,787</u>	<u>3,779,023</u>	<u>697,380</u>	<u>91,707</u>	<u>690,012</u>	<u>6,181,909</u>

Some of the Company's lands are mortgaged against bank facilities granted to the Company.

4 . Investment in associates

The following table summarizes the movements over the Company's investments in associates:

Company	Beginning Balance	Cash Dividends	Share of Income	Foreign Exchange	Ending Balance	Market Value
Syrian Arabian Company for Pesticides and Veterinary LLC	634,039	(85,199)	200,708	(337,682)	411,866	Not listed
Asia Vet LLC *	17,750	-	-	-	17,750	Not listed
	<u>651,789</u>	<u>(85,199)</u>	<u>200,708</u>	<u>(337,682)</u>	<u>429,616</u>	

* The Company was established during 2015 in the Islamic Republic of Mauritania, with no operations till date.

The following table summarizes key financial information of the associates:

Company	Activity	Country	Ownership	Assets	Liabilities	Revenues
Syrian Arabian Company for Pesticides and Veterinary LLC	Manufacturing	Syria	44.4%	1,304,518	376,892	1,437,780
Asia Vet LLC	Manufacturing	Mauritania	49%	36,255	-	-

5 . Financial assets at fair value through other comprehensive income

	2020	2019
Unquoted shares	<u>237,090</u>	<u>237,090</u>

This item represents the cost of company's investment of 9.6% of Delta Investment Company LLC – Jordan capital.

6 . Inventories

	2020	2019
Raw materials and packaging materials	9,202,401	7,332,769
Finished goods	2,674,840	2,627,671
Work in progress	288,593	140,483
Allowance for damaged and expired inventory items	<u>(310,421)</u>	<u>(216,101)</u>
	<u>11,855,413</u>	<u>9,884,822</u>

The movement on the allowance for damaged and expired inventory items is as follows:

	2020	2019
Balance at beginning of the year	216,101	338,623
Additions	100,000	75,000
Write-off during the year	<u>(5,680)</u>	<u>(197,522)</u>
	<u>310,421</u>	<u>216,101</u>

7 . Other current assets

	2020	2019
Prepaid expenses	483,335	491,605
Letters of credit	223,757	186,762
Advance payment on establishing investments	143,420	143,420
Employees receivables	97,071	112,034
Guarantees deposits	74,844	33,653
Refundable deposits	21,088	20,548
Sales tax withholdings	3,997	2,188
Others	-	14,468
	<u>1,047,512</u>	<u>1,004,678</u>

8 . Accounts receivable

	2020	2019
Accounts receivables	11,833,959	10,117,083
Provision for expected credit loss	(2,586,368)	(2,186,368)
	<u>9,247,591</u>	<u>7,930,715</u>

Movement on the provision for expected credit loss is as follows:

	2020	2019
Balance at beginning of the year	2,186,368	1,861,368
Additions	400,000	325,000
	<u>2,586,368</u>	<u>2,186,368</u>

The age of receivables past due but not impaired is as follows:

	2020	2019
Receivables past due for less than one year	9,247,591	7,930,715
Receivables past due for more than one year	-	-
	<u>9,247,591</u>	<u>7,930,715</u>

The Company's management believes that all past due but not impaired receivables are collectable in full.

9 . Cash and cash equivalents

	2020	2019
Cash and checks on hand	141,653	111,038
Current bank accounts	1,312,231	1,718,717
Bank deposits	1,567,176	-
	<u>3,021,060</u>	<u>1,829,755</u>

10 . Equity

Paid - in capital

The authorized, and paid - in capital is JOD (12) million divided equally into (12) million shares with par value of JOD (1) for each share as at 31 December 2020 and 2019.

Statutory reserve

The accumulated amounts in this account represent 10% of the Company's net income before income tax according to the Companies Law. This statutory reserve is not available for distribution to shareholders. The deduction was stopped when the accumulated amount reach 25% of the Company's capital.

Voluntary reserve

The accumulated amounts in this account represent cumulative appropriations not exceeding 20% of net income before income tax. This reserve is available for distribution to shareholders.

Non - controlling interest

This presents the non - controlling interest of the Company from the subsidiaries shareholders equity, and the non - controlling interest is presented as a separate account into the consolidated statements of financial position, consolidated statements of profit or loss and consolidated statements of other comprehensive income.

Dividends

The Board of Director will propose to the General Assembly in its meeting which will be held in 2021 to increase Company's capital from JOD (12) million/share to JOD (15) million/share by bonus shares, as well as recommending to distribute 10% cash dividends to shareholders.

The General Assembly has resolved in its meeting held in 2020 to distribute 10% cash dividends to shareholders.

11 . Bank Facilities

Credit Type	Currency	Interest Rate	Maturity date	Credit Limit	Outstanding Balance
Revolving loan	JOD	6%	2021	1,200,000	508,500
Over Draft	JOD	7-7.25%	2021	1,600,000	1,282,236
Loan	JOD	3.25%	2021-2025	1,000,000	610,848
					<u>2,401,584</u>

The above facilities are granted to the Company against mortgage of some lands.

12 . Notes payables

	2020	2019
Murabaha financing from Islamic banks	<u>1,471,393</u>	<u>1,784,932</u>

The above financing are granted to the Company against checks under collections and mortgage of some lands.

13 . Other liabilities

	2020	2019
Accrued expenses	372,464	407,555
Provision for Income and National Contribution tax (Note 22)	342,795	234,461
Provision for end of services indemnity	309,765	309,765
Provision for agents and salesmen commissions	222,271	172,046
Shareholders deposits	159,861	92,303
Provision for employees bonus	66,500	115,269
Sales tax withholdings	58,704	-
Board of Directors' remunerations	42,750	42,750
Employees payables	27,673	27,921
Miscellaneous	102,382	127,761
	<u>1,705,165</u>	<u>1,529,831</u>

14 . Cost of sales

	2020	2019
Raw material and packaging inventory beginning balance	7,332,769	5,597,563
Purchases during the year	13,632,194	12,914,391
Raw material and packaging inventory ending balance (Note 6)	(9,202,401)	(7,332,769)
Raw material and packaging inventory used in production	11,762,562	11,179,185
Manufacturing expenses (Note 15)	3,056,058	3,040,252
Work in progress inventory beginning balance	140,483	230,597
Work in progress inventory ending balance (Note 6)	(288,593)	(140,483)
Manufacturing cost	14,670,510	14,309,551
Finished goods inventory beginning balance	2,627,671	1,760,972
Finished goods inventory ending balance (Note 6)	(2,674,840)	(2,627,671)
Cost of sales	14,623,341	13,442,852

15 . Manufacturing expenses

	2020	2019
Salaries, wages and other benefits	1,406,945	1,290,901
Social security	107,754	115,722
Depreciation	360,304	478,933
Transportation	177,571	115,447
Insurance	159,413	138,019
Utilities	107,423	180,579
Fuel	107,241	104,267
Maintenance and spare parts	126,484	179,505
Registration expenses	98,162	56,574
Lab expenses	90,337	49,307
Rents	83,848	76,634
Safety expenses	46,883	18,840
Employees' provident fund	23,368	23,443
Cleaning	9,354	9,342
Hospitality	850	4,359
Miscellaneous	150,121	198,380
	3,056,058	3,040,252

16 . Selling and distribution expenses

	2020	2019
Salaries, wages and other benefits	315,638	289,278
Social securities	13,753	15,067
Sales commissions	202,576	190,500
Depreciation	117,012	108,678
Vehicles expenses	77,755	81,267
Shipping expenses	43,245	51,581
Rents	38,207	36,201
Legalization fees	25,968	14,228
Bank interests and commissions	18,000	-
Telecommunications	15,108	17,374
Travel and transportation	12,536	9,494
Free samples	5,947	16,744
Employees' provident fund	3,330	3,366
Material transfers	1,276	1,885
Showrooms	1,167	7,485
Tenders fees	681	5,352
Miscellaneous	85,439	69,808
	977,638	918,308

17 . Administrative expenses

	2020	2019
Salaries, wages and other benefits	895,522	864,434
Social securities	83,061	79,114
Registration and Governmental fees	207,308	130,587
Rents	65,280	54,373
Depreciation	61,140	105,872
Telecommunications	46,317	35,347
Professional fees	40,089	48,416
Board of Directors transportation	32,400	32,400
Vehicles expenses	24,078	29,233
End of services benefits	20,303	92,922
Insurance	18,894	23,385
Employees' provident fund	16,278	15,280
Hospitality	13,798	23,132
Stationary	9,270	14,999
Travel and transportation	8,554	26,874
Maintenance	5,414	3,596
Utilities	3,513	3,831
Advertisement	-	6,161
Miscellaneous	76,452	47,230
	1,627,671	1,637,186

18 . Basic and diluted earnings per share

	2020	2019
Profit for the year attributed to shareholders	3,324,437	2,430,907
Weighted average number of shares	12,000,000	12,000,000
	0.277	0.203

19 . Segment reporting

	2020	2019
Local Sales	4,902,918	5,090,171
Foreign Sales	17,660,746	14,495,770
	22,563,664	19,585,941

20 . Executive management salaries and remunerations

The remuneration of executive management during the years 2020 and 2019 amounted to JOD (292,597) and JOD (260,152) respectively.

21 . Contingent liabilities

As at the consolidated financial statements date, the Company was contingently liable against the followings:

	2020	2019
Letters of credits	1,026,520	31,865
Bank guarantees	26,071	24,991

22 . Income tax status

The movement on provision for the income tax provision during the year is as follows:

	2020	2019
Balance at beginning of the year	234,461	132,347
Income and National Contribution tax expense for the year	376,251	256,067
Income tax paid	(267,917)	(153,953)
Balance at end of the year (Note 13)	342,795	234,461

Income and National Contribution tax expense for the year in the statement of profit or loss consists of the following:

	2020	2019
Income tax expense for the year	351,542	238,723
National Contribution tax for the year	24,709	17,344
	376,251	256,067

- The Company has settled its tax liability with the Income Tax Department up to 2018.
- The income tax return for the year 2019 has been filed with the Income Tax Department, but the Department has not reviewed the Company's records till the date of this report.
- The Income and National Contribution tax provision for 2020 was calculated in accordance with the Income Tax Law.

23 . Fair Value of Financial instruments

Financial instruments comprise of financial assets and financial liabilities. Financial assets of the Company include cash and cash equivalents, checks under collection, and account receivables. Financial liabilities of the Company include notes payable, accounts payable, bank facilities and postdated checks.

The fair values of the financial assets and liabilities are not materially different from their carrying values as most of these items are either short-term in nature or re-priced frequently.

Financial assets and financial liabilities measured at fair value in the consolidated statement of financial position are grouped into three levels of a fair value hierarchy. The three levels are defined based on the observability of significant inputs to the measurement, as follows:

- Level 1: quoted prices (unadjusted) in active markets for identical assets or liabilities.
- Level 2: inputs other than quoted prices included within level 1 that are observable for the asset or liability, either directly or indirectly.
- Level 3: unobservable inputs for the asset or liability.

2020	Level 1	Level 2	Level 3	Total
Financial assets at fair value through other comprehensive income	-	-	237,090	237,090
2019	Level 1	Level 2	Level 3	Total
Financial assets at fair value through other comprehensive income	-	-	237,090	237,090

Financial assets included in level 3 are stated at cost less impairment charges, as the fair value of these assets cannot be measured reliably due to the lack of available active markets for identical assets.

24 . Financial Risk Management

Credit risk

Credit risks are those risks resulting from the default of counterparties to the financial instrument to repay their commitment to the Company. The Company limits its credit risk by only dealing with reputable banks and by setting credit limits for individual customers and monitoring outstanding receivables. The maximum exposure to credit risk is represented by the carrying value of each financial asset.

The balance of the Company's most significant customer represents amount of JOD (468,756) from the total accounts receivable balance as at 31 December 2020, compared to JOD (546,741) as at 31 December 2019.

Liquidity risk

Liquidity risk is the risk that the Company will not be able to meet its net financial obligation. In this respect, the Company's management diversified its funding sources, and managed assets and liabilities taking into consideration liquidity and keeping adequate balances of cash, and cash equivalents.

The table below analyses the Company's financial liabilities into relevant maturity groupings based on the remaining period at the consolidated statement of financial position date to the contractual maturity date.

2020	Less than one year	More than one year	Total
Accounts payable	1,708,431	-	1,708,431
Bank facilities	1,969,277	432,307	2,401,584
Notes payable	799,204	672,189	1,471,393
Postdated checks	53,007	-	53,007
Other liabilities	1,705,165	-	1,705,165
	<u>6,235,084</u>	<u>1,104,496</u>	<u>7,339,580</u>
2019	Less than one year	More than one year	Total
Accounts payable	1,449,252	-	1,449,252
Bank facilities	748,488	-	748,488
Notes payable	845,376	939,556	1,784,932
Postdated checks	148,076	-	148,076
Other liabilities	1,529,831	-	1,529,831
	<u>4,721,023</u>	<u>939,556</u>	<u>5,660,579</u>

Interest rate risk

Interest rate risk is the risk that changes in interest rates will affect the Company's income or the value of its holdings of financial instruments. As most of the Company's financial instruments have fixed interest rates and carried at amortized cost, the sensitivity of the Company's results or equity to movements in interest rates is not considered significant.

Currency risk

The management considers that the Company is not exposed to significant currency risk. The majority of their transactions and balances are in Jordanian Dinar, Saudi Riyal or US Dollar. As the Jordanian Dinar is pegged to the Saudi Riyal and US Dollar, balances in Saudi Riyal and US Dollar are not considered to represent significant currency risk and the Company's results or equity to movements in exchange rates is not considered significant.

25 . Capital Management

The Company manages its capital structure with the objective of safeguarding the entity's ability to continue as a going concern and providing an adequate return to shareholders by keeping a balance between debt and shareholders' equity.

The table below shows the debt to equity ratio:

	2020	2019
Total Debt	3,872,977	2,533,420
Total Equity	26,956,778	24,258,579
Debt to Equity ratio	14%	10%