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

Financial Statement
and Independent Auditor's Report
for the year ended December 31, 2021

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

Index

Independent Auditors Report

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

Report on the Audit of the Financial Statements

Qualified Opinion

We have audited the financial statements of Arab Center For Pharmaceutical & Chemical Industries Company (Public Shareholding Company), which comprise the statement of financial position as at December 31, 2021, and the statement of comprehensive income, the statement of changes in equity and the statement of cash flows for the year then ended, and notes to the financial statements, including a summary of significant accounting policies.

In our opinion, except for what is mentioned in the Basis for qualified opinion paragraph, the accompanying financial statements present fairly, in all material respects, the financial position of the Company as at December 31, 2021, and of its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards (IFRS).

Basis for Qualified opinion

- The company did not record the difference required from the company in favor to social security, which amounted to JD 43,483, as of December 31, 2021.

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

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

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

Key Audit Matters

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

Expected credit loss	Scope of audit
The company has applied IFRS (9) expected credit losses requirements and the allowance for expected credit losses amounting to JD 341,204 as at December 31, 2021.	We conducted comprehensive assessment to identify the key controls used to determine expected credit losses, data collection and completeness, and related estimates and assumptions used by management, and we have tested key control systems on the modeling process.

Inventory impairment	Scope of audit
Based on IFRS requirements, inventory is measured when preparing the financial statements at the lower of cost and net realizable value, and when it is not possible to recover the cost of the inventory if it becomes totally or partially damaged or obsolete or sales prices decreased. when the net realizable value falls below cost the difference is recognize as expense for price decrease in the profit or loss.	We analyzed the inventory items ages and discussed management assumptions regarding the expected volume of use and based on our knowledge and expertise of this sector in which the entity operates. We examined a sample of service agreements provided to customers to compare the minimum purchase liabilities with end of year inventory level taking into account the risks to recover the value of inventory if the agreements were canceled. We tested the appropriateness of inventory impairment provision by assessing the management assumptions, taking into account external information available and subsequent events after the end of the fiscal year. We assessed whether the provision that was recorded against, obsolete and slow moving inventory comply with the accounting policies, taking into account the rationale of the provision determination policy using historical data we also examined sales invoices is subsequent period to assess whether the inventory was sold at a value higher than cost by comparing the selling price with inventory values recorded in the company's accounts. We have taken into account the appropriateness of the entity's explanations about the degree of estimates related to arriving at the value of impairment provision in general. we have concluded that the basic assumption used and the resultant estimate and evaluation are appropriate assumptions

Going concern

We would like to refer to note (12) of the financial statements that the company's accumulated losses amounted to JD 7,309,528 which represents 146% of its capital as at the at of the statement of financial position and on that date company's total current liabilities exceeded its current assets by an amount of JD 2,544,076, these matters cast significant doubt on the company ability to continue as a going concern, nothing that the company's plan is disclosed in the note.

Emphasis of matter

- As it is stated at note (1) and note (3) and note (10) we would like to refer that there are restrains on the lands, buildings, vehicles and machinery owned by the company and there are reserved accounts at banks, in additional to a restrain on the company's registration as shown in the company's registration certificate issued by the Ministry of Industry and Trade-Companies Control Department.
- As it is stated at note (3) we would like to refer that the project under construction has not been completed which was started on March 2013 till the date. The dispute with the contractor is with the Arbitration Committee to decide the dispute.

Other Information

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

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

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

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

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

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

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

Auditors' Responsibilities for the Audit of the Financial Statements

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

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

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

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

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

We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditors' report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

Report on Other Legal and Regulatory Requirements

The Company has proper accounting records which are, in all material respects, consistent with the accompanying financial statements, accordingly, we recommend to approve these financial statements by the general assembly.

Talal Abu-Ghazaleh & Co. International

Mohammad Al-Azraq
(License # 1000)

Amman -March 24, 2022

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

Statement of financial position as at December 31, 2021

	Notes	2021	2020
ASSETS		JD	JD
Non-current Assets			
Property, plant and equipment	3	4,517,551	4,545,295
Investment in an associate	4	-	-
Investment in financial assets at fair value through other comprehensive income	5	1	1
Due from related party	6	1,283,039	1,283,846
Total Non-Current Assets		5,800,591	5,829,142
Current Assets			
Inventory	7	106,095	106,015
Other debit balances	8	48,318	48,827
Trade receivables	9	14,295	15,123
Cash and cash equivalents	10	2,291	2,240
Total Current Assets		170,999	172,205
TOTAL ASSETS		5,971,590	6,001,347

The attached notes constitute an integral part of these financial statements

Arab Center For Pharmaceutical
& Chemical Industries Company
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Statement of financial position as at December 31, 2021

	Notes	2021	2020
EQUITY AND LIABILITIES		JD	JD
Equity			
Authorized and paid-in capital	1	5,000,000	5,000,000
Statutory reserve	11	1,138,105	1,138,105
Change in fair value of investments in financial assets at fair value through other comprehensive income	5	(115,457)	(115,457)
Accumulated losses	12	(7,309,528)	(7,256,074)
Deficit in Equity		(1,286,880)	(1,233,426)
Liabilities			
Non Current Liabilities			
Shareholders payable	6	4,543,395	4,512,795
Total Non-Current Liabilities		4,543,395	4,512,795
Current Liabilities			
Other credit balances	13	731,107	713,540
Trade payables		391,981	390,550
Due to related parties	6	1,591,987	1,617,888
Total Current Liabilities		2,715,075	2,721,978
Total Liabilities		7,258,470	7,234,773
TOTAL EQUITY AND LIABILITIES		5,971,590	6,001,347

The attached notes constitute an integral part of these financial statements

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

Statement of comprehensive income for the year ended December 31, 2021

	Notes	2021	2020
		JD	JD
Sales, net		151,832	112,386
Cost of sales	14	(152,478)	(133,472)
Gross loss		**(646)**	**(21,086)**
Other revenues		3,949	13,829
Administrative expenses	16	(56,757)	(60,422)
Loss		**(53,454)**	**(67,679)**
Weighted average number of shares		5,000,000	5,000,000
Loss per share		JD (0/011)	JD (0/014)

The attached notes constitute an integral part of these financial statements

Arab Center For Pharmaceutical
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Statement of changes in equity for the year ended December 31, 2021

	Capital	Statutory reserve	Change in fair value of investments in financial assets at fair value through other comprehensive income	Accumulated losses	Total
	JD	JD	JD	JD	JD
Balance as at January 1, 2020	5,000,000	1,138,105	(115,457)	(7,188,395)	(1,165,747)
Comprehensive income	-	-	-	(67,679)	(67,679)
Balance as at December 31, 2020	**5,000,000**	**1,138,105**	**(115,457)**	**(7,256,074)**	**(1,233,426)**
Comprehensive income	-	-	-	(53,454)	(53,454)
Balance as at December 31, 2021	**5,000,000**	**1,138,105**	**(115,457)**	**(7,309,528)**	**(1,286,880)**

The attached notes constitute an integral part of these financial statements

Arab Center For Pharmaceutical
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Statement of cash flows for the year ended December 31, 2021

	2021	2020
CASH FLOWS FROM OPERATING ACTIVITIES	JD	JD
Loss	(53,454)	(67,679)
Adjustments for :		
Depreciation	27,744	28,620
Change in operating assets and liabilities:		
Due from related party	807	(737)
Inventory	(80)	(2,402)
Other debit balances	509	(3)
Trade receivables	828	2,294
Other credit balances	17,567	41,184
Trade payables	1,431	(5,702)
Net cash from operating activities	**(4,648)**	**(4,425)**
CASH FLOWS FROM FINANCING ACTIVITIES		
Due to related parties	(25,901)	2,629
Shareholders payable	30,600	300
Net cash from financing activities	**4,699**	**2,929**
Net change in cash and cash equivalents	**51**	**(1,496)**
Cash and cash equivalents - beginning of year	2,240	3,736
Cash and cash equivalents - end of year	**2,291**	**2,240**

The attached notes constitute an integral part of these financial statements

Notes to the financial statement

1. Legal status and activity

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

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

- The main Company's activities are as follows:
  - Manufacture of human drug fluids.
  - Manufacture of human drug tablets.
  - Manufacture of human drug Suppositories.
  - Manufacture of human drug Veterinarian antibiotics.
  - Manufacture of human drug Veterinarian vitamins.
  - Veterinarian antibacterial manufacturing
  - Gelatin capsules manufacturing
- The financial statements were approved by the Board of Directors in its meeting held on March 23, 2022, these financial statements require the approval of the general assembly.
- The company's registration is restrained due to the existence of executive lawsuits held against the company.

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

2-1 Basis for financial statement preparation

- <u>Financial statements preparation framework</u>

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

- <u>Measurement bases used in preparing the financial statements</u>

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

- <u>Functional and presentation currency</u>

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

2-2 Using of estimates

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

2-3 Standards and Interpretations issued that became effective

Standard number or interpretation	Description	Effective date
Amendments to IFRS 16 Covid-19-related Rent Concessions.	As a result of the COVID-19 pandemic, rent concessions have been granted to lessees. Such concessions might take a variety of forms, including payment holidays and deferral of lease payments. In May 2020, the IASB made an amendment to IFRS 16 Leases which provides lessees with an option to treat qualifying rent concessions in the same way as they would if they were not lease modifications. In many cases, this will result in accounting for the concessions as variable lease payments in the period in which they are granted. Main Changes : - Permit a lessee to apply the practical expedient regarding COVID-19-related rent concessions to rent concessions for which any reduction in lease payments affects only payments originally due on or before 30 June 2022 (rather than only payments originally due on or before 30 June 2021); - Require a lessee applying the amendment to do so retrospectively, recognising the cumulative effect of initially applying the amendment as an adjustment to the opening balance of retained earnings (or other component of equity, as appropriate) at the beginning of the annual reporting period in which the lessee first applies the amendment.	June 1, 2020 / April 1, 2021
Interest Rate Benchmark Reform Phase 2 Amendments to IFRS 4, IFRS 7, IFRS 9, IFRS 16 and IAS 39.	In August 2020, the IASB made amendments to IFRS 9, IAS 39, IFRS 7 IFRS 4 and IFRS 16 to address the issues that arise during the reform' of an interest rate benchmark rate, including the replacement of one benchmark with an alternative one. The Phase 2 amendments provide the following reliefs: - When changing the basis for determining contractual cash flows for financial assets and liabilities (including lease liabilities), the reliefs have the effect that the changes, that are necessary as a direct consequence of IBOR reform and which are considered economically equivalent, will not result in an immediate gain or loss in the income statement. - The hedge accounting reliefs will allow most IAS 39 or IFRS 9 hedge relationships that are directly affected by IBOR reform to continue. However, additional ineffectiveness might need to be recorded.	January 1, 2021

Standards and Interpretations issued but not yet effective

Standard number or interpretation	Description	Effective date
Amendments to IFRS 1 Subsidiary First-time Adoption of International Financial Reporting Standards.	Extension of an optional exemption permitting a subsidiary that becomes a first-time adopter after its parent to measure cumulative translation differences using the amounts reported by its parent, based on the parent's date of transition to IFRSs. A similar election is available to an associate or joint venture.	January 1, 2022
IFRS (17) Insurance Contracts.	IFRS (17) was issued in May 2017 as replacement for IFRS (4) Insurance Contracts. It requires a current measurement model where estimates are remeasured in each reporting period. Contracts are measured using the building blocks of: • discounted probability-weighted cash flows • an explicit risk adjustment, and • a contractual service margin (CSM) representing the unearned profit of the contract which is recognised as revenue over the coverage period. IFRS (17) requires insurance liabilities to be measured at a current fulfilment value and provides a more uniform measurement and presentation approach for all insurance contracts. These requirements are designed to achieve the goal of a consistent, principle-based accounting for insurance contracts	January 1, 2023 (deferred from January 1, 2021).
Amendments to IAS (16) Property, Plant and Equipment.	The amendments prohibit an entity from deducting from the cost of an item of property, plant and equipment any proceeds from selling items produced while bringing that asset to the location and condition necessary for it to be capable of operating in the manner intended by management. Instead, an entity recognizes the proceeds from selling such items, and the cost of producing those items, in profit or loss.	January 1, 2022.
Reference to the Conceptual Framework (Amendments to IFRS 3).	Minor amendments were made to IFRS 3 to update the references to the Conceptual Framework for Financial Reporting and add an exception for the recognition of liabilities and contingent liabilities within the scope of IAS 37 Provisions, Contingent Liabilities and Contingent Assets. The amendments also confirm that contingent assets should not be recognised at the acquisition date.	January 1, 2022.
Onerous Contracts – Cost of Fulfilling a Contract (Amendments to IAS 37).	The amendments specify that the "cost of fulfilling" a contract comprises the "costs that relate directly to the contract". Costs that relate directly to a contract can either be incremental costs of fulfilling that contract (examples would be direct labor, materials) or an allocation of other costs that relate directly to fulfilling contracts (an example would be the allocation of the depreciation charge for an item of property, plant and equipment used in fulfilling the contract).	January 1, 2022.

Standard number or interpretation	Description	Effective date
IFRS Standards 2018-2020.	Annual Improvements to IFRS 9, IFRS 16, IFRS 1 and IAS 41.	January 1, 2022.
Classification of Liabilities as Current or Non-Current Amendments to IAS (1).	The amendments to Presentation of Financial Statements clarify that liabilities are classified as either current or non-current, depending on the rights that exist at the end of the reporting period. Classification is unaffected by the expectations of the entity or events after the reporting date. The amendments in Classification of Liabilities as Current or Non-current (Amendments to IAS 1) affect only the presentation of liabilities in the statement of financial position — not the amount or timing of recognition of any asset, liability income or expenses, or the information that entities disclose about those items.	January 1, 2023 (deferred from January 1, 2022).
Disclosure of Accounting Policies (Amendments to IAS 1 and IFRS Practice Statement 2).	The amendments require that an entity discloses its material accounting policies, instead of its significant accounting policies. Further amendments explain how an entity can identify a material accounting policy. Examples of when an accounting policy is likely to be material are added. To support the amendment, International Accounting Standards Board (IASB) has also developed guidance and examples to explain and demonstrate the application of the "four-step materiality process" described in IFRS Practice Statement 2. Once the entity applies the amendments to IAS 1, it is also permitted to apply the amendments to IFRS Practice Statement (2). The amendments are to be applied prospectively	January 1, 2023.
Definition of Accounting Estimates (Amendments to IAS 8).	On February 12, 2021, the International Accounting Standards Board (IASB) published "Definition of Accounting Estimates ". The amendments replace the definition of a change in accounting estimates with a definition of accounting estimates. Under the new definition, accounting estimates are "monetary amounts in financial statements that are subject to measurement uncertainty". Entities develop accounting estimates if accounting policies require items in financial statements to be measured in a way that involves measurement uncertainty. The amendments clarify that a change in accounting estimate that results from new information or new developments is not the correction of an error.	January 1, 2023
Deferred Tax related to Assets and Liabilities arising from a Single transaction (Amendments to IAS 12 Income Taxes)	The amendments require companies to recognise deferred tax on transactions that, on initial recognition, give rise to equal amounts of taxable and deductible temporary differences. They will typically apply to transactions such as leases of lessees and decommissioning obligations and affected entities would be require recognition of additional deferred tax assets and liabilities. That means the initial recognition exemption does not apply to transactions in which equal amounts of deductible and taxable temporary differences arise on initial recognition.	January 1, 2023

2-4 Summary of significant accounting policies

- **Property, plant and equipment**

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

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

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

- **Impairment of non-financial assets**

  - At each statement of financial position date, management reviews the carrying amounts of its non-financial assets (property, plant and equipment and investment property) to determine whether there is any indication that those assets have been impaired.
  - If any such indication exists,. the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss, if any, being the amount by which the carrying amount of the asset exceeds its recoverable amount. The recoverable amount is the higher of asset's fair value less costs to sell and the value in use. The asset's fair value is the amount for which that asset could be exchanged between knowledgeable, willing parties in arm's length transaction. The value in use is the present value of the future cash flows expected to be derived from the asset.
  - For the purpose of impairment valuation, assets are grouped at the lower level that have cash flow independently (cash generating unit), previous impairment for non-financial assets (excluding goodwill) is reviewed for the possibility of reversal at the date of the financial statements.

- An impairment loss is recognized immediately as loss.
- Where an impairment loss subsequently reverses, the carrying amount of the asset is increased to the revised estimate of its recoverable amount, but the increased carrying amount due to reversal should not be more than what the depreciated historical cost would have been if the impairment had not been recognized in prior years. A reversal of an impairment loss is recognized immediately as income.

- **Inventories**

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

- **Financial instruments**

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

  - **Financial assets**

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

Subsequent measurement of financial assets

Subsequently financial assets are measured as follows:

Financial assets	Subsequent measurement
Financial assets at fair value through profit or loss	Are subsequently measured at fair value net gains or losses, including interests revenues or dividends, are recognized in profit or loss
Financial asserts at amortized cost	Are subsequently measured at amortized cost using effective interests method. Amortized cost is reduced by impairment losses. Interests income, gain and loss of foreign exchange and impairment loss are recognized in profit or loss. Gain and loss from disposal are recognized in profit or loss.
Equity instruments at their value through other comprehensive income	These assets are subsequently measured at fair value. All changes to these assets are recognized in other comprehensive income and are never reclassified to profit or loss, except for dividends recognized in profit and loss..
Debt instruments at fair value through other comprehensive income	These assets are subsequently measured at fair value, with the difference being recognized in other comprehensive income. Interest (in the effective interest method), translation differences, impairment losses, gains and losses on the sale of those assets, reclassification gains, and losses are recognized in profit or loss. On disposal, the cumulative gains and losses in OCI are classified into profit or loss.

Derecognition of financial assets

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

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

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

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

Trade payables and accruals

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

- **Offsetting financial instruments**

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

- **Cash and cash equivalents**

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

- **Trade receivables**

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

- **Investments in associates**

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

- **Impairment of financial assets**

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

- The entity measures loss allowances at an amount equal to lifetime ECLs.
- Loss allowances for trade receivables and contract assets are always measured at an amount equal to lifetime ECLs.
- When determining whether the credit risk of a financial asset has increased significantly since initial recognition and when estimating ECLs, the Entity considers reasonable and supportable information that is relevant and available without undue cost or effort based in the entitys historical experience and forward looking information.
- The entity considers a financial asset to be in default when:
  - The client is unlikely to pay its credit obligations to the entity in full, without recourse by the entity to actions such as realizing security (if any); or
  - The financial asset is more than 360 days past due.
- Loss allowances for financial assets measured at amortized cost are deducted from the gross carrying amount of the assets.
- A financial assets is written off when there is no reasonable expectation of recovering the contractual cash flows. The entity write of the gross carrying amount of the financial asset is in case of, liquidation, bankruptcy or issuance of a court ruling to reject the claim for financial asset.

- **Provisions**

  - Provisions are present obligations (legal or constructive) resulted from past events, the settlement of the obligations is probable and the amount of those obligations can be estimated reliably. The amount recognized as a provision is the best estimate of the expenditure required to settle the present obligation at the statement of financial position date.
  - Provisions reviewed and adjusted at each statement of financial position date. If outflows, to settle the provisions, are no longer probable, reverse of the provision is recorded as income.
  - If the entity expected to be reimbursed for a part or full provision, the reimbursement shall be recognized within assets, when it is virtually certain and its value can be measured reliably.
  - In the statement of comprehensive income, the expense relating to a provision may be presented net of the amount recognized for reimbursement.
  - Where the effect of the time value of money is material, provisions are discounted by using a currently pre-tax discount rate that reflect the risks specific to the liability, when using discount any increase in provision is recognized as a financial cost over time.

- **Related parties**

  - Transactions with related parties represent transfer of resources, services, or obligations between related parties.
  - Terms and conditions relating to related party transactions are approved by management.

- **Basic earnings per share from profit /loss**

  Basic earnings per share is calculated by dividing profit or loss, attributable to ordinary shareholders, by the weighted average number of ordinary shares outstanding during the year.

- **Revenue recognition**

  - The entity recognize revenue from sale of good and rendering of service when control is transferred to the customer.
  - Revenues are recognized based on consideration specified in contract with customer that expected to be received excluding amounts collected on behalf of third parties.
  - Revenue is reduced for amount of any trade discounts and volume rebates allowed by the entity.

- **Definition of a 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 to the lessee. As for other types of leasing contract, they are classified as operating leasing contacts. The contracts are classified upon the start of the lease contract.
  - Lease income from operating lease is recognized in income on a straight-line basis over the term of the relevant lease. Initial direct costs incurred by the entity in negotiating and arranging an operating lease are added to the carrying value of the leased asset and recognized as an expense over the lease term on the same basis as the lease income. Assets leased under operating leases are depreciated based on the same depreciation policy adopted by the entity for similar assets.

- **Income tax**

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

- **Foreign currencies**
  - In preparing the financial statements, transactions in currencies other than the functional currency (foreign currencies) are recorded at the rates of exchange prevailing at the dates of the transactions.
  - At each statement of financial position date, monetary items denominated in foreign currencies are retranslated at the rates prevailing at the statement date (closing rate). Non-monetary items that are measured in terms of historical cost in a foreign currency are translated using the exchange rate at the date of the transaction. Non-monetary items that are measured at fair value in foreign currency are translated using the exchange rates at the date when the fair value was determined.
  - Exchange differences arising on the settlement of monetary items or on translating monetary items at rates different from those at which they were translated on initial recognition during the period or in previous financial statements shall be recognized in profit or loss in the period in which they arise.

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

3. Property, plant and equipment

2021	Lands (*)	Buildings (*)	Equipment and tools	Vehicles (*)	Furnitrure and decorations	Software and computers	Devices and machines	Electrical devices and condition units	Projects under construction (**)	Total
	JD	JD	JD	JD	JD	JD	JD	JD	JD	JD
Cost										
Beginning of year balance	322,476	1,216,723	27,007	36,582	208,255	200,705	3,358,832	114,481	3,660,240	9,145,301
End of year balance	322,476	1,216,723	27,007	36,582	208,255	200,705	3,358,832	114,481	3,666,559	9,145,301
Accumulated depreciation										
Beginning of year balance	-	660,124	27,002	36,579	207,437	200,557	3,353,899	114,408	-	4,600,006
Depreciation (***)	-	25,369	-	-	232	37	2,104	2	-	27,744
End of year balance	-	685,493	27,002	36,579	207,669	200,594	3,356,003	114,410	-	4,627,750
Net	322,476	531,230	5	3	586	111	2,829	71	3,666,559	4,517,551
2020										
Cost										
Beginning of year balance	322,476	1,216,723	27,007	36,582	208,255	200,705	3,358,832	114,481	3,660,240	9,145,301
End of year balance	322,476	1,216,723	27,007	36,582	208,255	200,705	3,358,832	114,481	3,660,240	9,145,301
Accumulated depreciation										
Beginning of year balance	-	634,656	27,002	36,579	207,258	200,378	3,351,433	114,080	-	4,571,386
Depreciation (***)	-	25,468	-	0	179	179	2,466	328	-	28,620
End of year balance	-	660,124	27,002	36,579	207,437	200,557	3,353,899	114,408	-	4,600,006
Net	322,476	556,599	5	3	818	148	4,933	73	3,660,240	4,545,295

(*) Lands, buildings and vehicles are seized against legal cases held at related courts, and is still outstanding as at the date of the financial statements.

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

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

	2021	2020
	JD	JD
Manufacturing expenses	27,576	28,030
Administrative expenses	168	590
Total	**27,744**	**28,620**

4. Investment in an associate

Company name	Country of incorporation	Legal entity	Ownership	Total assets	Total liabilities	(Loss)	(Accumulated losses)
			%	JD	JD	JD	
Middle East Pharmaceutical and Chemical Industries and Medical Appliances Company	Jordan	P.L.C	12,85	10,245,174	18,087,896	79,097	14,450,507

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

	2021	2020
	JD	JD
Cost	51,573	51,573
Share of results of associate	(51,573)	(51,573)
Net	-	-

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

	2021	2020
	JD	JD
Cost	115,458	115,458
Change in fair value of financial assets at fair value through other comprehensive income	(115,457)	(115,457)
Net	1	1

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

6. Related parties

- Transactions with related parties consist of shareholders, companies at which main shareholders have significant shares in them and associate company.
- Due from related party consist of one related party - Middle East Pharmaceutical and Chemical Industries and Medical Appliances Company
- Shareholders payable items represent the following:

	2021	2020
	JD	JD
Hamzeh Ahmad Tantash	4,185,851	4,155,851
Mazen Hamza Tantash	357,544	356,944
Total	**4,543,395**	**4,512,795**

- Due to related parties items consist of the following:

	2021	2020
	JD	JD
Tantash Investment Group	1,529,542	1,557,242
Tantash Travel Agency	16,354	16,354
Jordan Investment and Tourism Transport Co.	15,101	14,901
Mawqef for Commercial Services	13,031	10,844
Ideal Istithmar company	11,444	12,632
Istithmar for Financial Services	6,515	5,915
Total	**1,591,987**	**1,617,888**

- Transactions with related parties are financing in nature.

7. Inventory

	2021	2020
	JD	JD
Raw material and packaging	40,680	41,983
Spare parts	25,473	26,006
Finished goods	24,422	28,452
Work in process	15,520	9,574
Net	**106,095**	**106,015**

An impairment for expired and slow moving inventory was calculated at JD 143,748 as on December 31, 2021 (JD 143,748 as on December 31, 2020).

8. Other debit balances

	2021	2020
	JD	JD
Refundable deposits	36,567	36,567
Prepayments on sales tax	9,722	9,718
Bank margin	2,021	2,021
Others	8	8
Employees receivables	-	513
Total	**48,318**	**48,827**

9. Trade receivables

	2021	2020
	JD	JD
Trade receivables (*)	355,499	356,327
Less: allowance for expected credit losses (**)	(341,204)	(341,204)
Net	**14,295**	**15,123**

(*) Trade receivables are concentrated in one customer comprising 54% of total trade receivables balance as at December 31, 2021.

- The receivables aging details as of December 31, 2021:

	2021	2020
	JD	JD
1-60 days	4,249	6,110
61-120 days	871	140
121-180 days	-	-
181-270 days	-	1,085
271-360 days	233	476
More than 361 days	350,146	348,516
Total	**355,499**	**356,327**

10. Cash and cash equivalents

	2021	2020
	JD	JD
Current accounts at banks - JD (*)	2,125	2,125
Current accounts at banks - USD (*)	83	83
Cash on hand	83	32
Total	2,291	2,240

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

11. Statutory reserve

- Statutory reserve is allocated according to the Jordanian Companies Law by deducting 10% of the annual net profit until the reserve equals one quarter of the Company's subscribed capital. However, the Company may, with the approval of the General Assembly, continue to deduct this annual ratio until this reserve equals the subscribed capital of the Company in full. Such reserve is not available for dividends distribution.
- For the general assembly after exhausting other reserves to decide in an extraordinary meeting to quench its losses from the accumulated amounts in statuary reserve, and to rebuild it in accordance with the provisions of the law.

12. Accumulated losses

The company's accumulated losses amounted to JD 7,309,528 which represents 146% of its capital, follows a summary of the company's plan:

- Completion of the final stages of the expansion project and the start of the actual production process on the new lines beginning on 2021 and will lead to re-entry into the traditional markets and the opening new markets. There has been disagreement with the contractor that he has failed to comply with the agreed and approved delivery stages more than once, resulting in the courts and competent courts going to resolve the dispute.
- The general assembly held an extraordinary meeting dated April 28, 2021 and the following decisions were made:
  - Decrease the company capital by quenching the amount of JD 4,500,000 from the accumulated losses as at December 31, 2016 in the authorized capital and the paid-in capital to become JD 500,000.
  - Increase the capital of the company by an amount of JD 4,500,000 to become JD 5,000,000.
  - The legal requirements were not completed regarding the decision of extraordinary general assembly till the date of the financial statements report.

13. Other credit balances

	2021	2020
	JD	JD
Shareholders deposits	199,477	199,560
Accrued expenses	186,077	174,241
Employees payable	174,904	181,221
Lawsuits provision	95,000	95,000
Social security deposits	58,525	47,694
Income tax deposits	6,571	6,571
Subscribers deposits	3,289	3,289
Establishing deposits	2,866	2,866
Refund of sold shares	2,697	2,697
Unearned revenue	1,300	-
Savings fund deposits	401	401
Total	**731,107**	**713,540**

14. Cost of sales

	2021	2020
	JD	JD
Raw materials and packaging materials used in production	33,394	23,456
Manufacturing expenses (*)	121,000	109,461
Work in process - beginning of year	69,203	68,004
Work in process - end of year	(75,149)	(69,203)
Cost of manufactured goods	**148,448**	**131,718**
Finished goods beginning of year	58,320	60,074
Finished goods end of year	(54,290)	(58,320)
Cost of goods sold	**152,478**	**133,472**

(*) Manufacturing expenses consist of the following:

	2021	2020
	JD	JD
Salaries, wages and related benefits	54,368	44,109
Depreciation	27,576	28,030
Water and electricity	23,149	23,448
Traveling and transportation	6,604	5,213
Meals	4,424	4,243
Maintenance	2,495	2,369
Consumables	1,416	869
Fuel	638	885
Miscellaneous	263	225
Sterilization fees	67	70
Total	121,000	109,461

15. Administrative expenses

	2021	2020
	JD	JD
Salaries, wages and related benefits	32,948	34,509
Professional fees	8,750	8,750
Licenses, permits and governmental subscriptions	7,596	5,947
Board of directors tranportations	3,400	1,700
Lawsuites	2,926	643
Telecommunications	861	1,575
Depreciation	168	590
Maintenance	100	150
Miscellaneous	8	176
Penalties	-	6,112
Advertisements	-	260
Bank commission	-	10
Total	56,757	60,422

16. Legal cases

According to the company lawyer's letter there is a legal case raised by the company against others amounting to JD 11,000 and there are other cases raised against others with undetermined amounts, also there are legal cases raised by others against the Company amounting to JD 11,603 and there are other cases with undetermined amounts, these cases are still outstanding in related courts.

17. Tax status

- Tax status was settled till year 2017.
- Income tax returns have been filed for year 2018, 2019 and 2020 and the department did not review the company's records.
- The opinion of the tax consultant there is no need to make provision, due to the company's acceptable accumulated losses.

18. Contingent Liabilities

As at the statement of financial position date, there are contingent liabilities of guarantee amounting to JD 2,021 with cash deposit of JD 2,021.

19. Risk management

a) Capital risk:

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

b) Currency risk:

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

c) Interest rate risk:

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

d) Other price risk:

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

e) Credit risk:

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

f) **Liquidity risk:**

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

	Less than 1 year		More than 1 year	
Description	2021	2020	2021	2020
Financial assets:	JD	JD	JD	JD
Investment in financial assets at fair value through other comprehensive income	-	-	1	1
Due from related party	-	-	1,283,039	1,283,846
Other debit balances	38,596	39,109	-	-
Trade receivables	14,295	15,123	-	-
Cash and cash equivalents	2,291	2,240	-	-
Total	55,182	56,472	1,283,040	1,283,847
Financial liabilities:				
Shareholders payable	-	-	4,543,395	4,512,795
Other credit balances	634,807	618,540	-	-
Trade payables	391,981	390,550	-	-
Due to related parties	1,591,987	1,617,888	-	-
Total	2,618,775	2,626,978	4,543,395	4,512,795

20. Fair value of financial instruments

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

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

As at 31 December 2021	Level (1)
	JD
Investment in financial assets at fair value through other comprehensive income	1
Total	1

21. Covid-19 effects

As a result of the outbreak of the new Corona Virus (COVID-19) in early 2020, its spread in several geographical areas around the world, including the Hashemite Kingdom of Jordan, and its impact on the world economy, the Jordanian Cabinet's decision of 17 March 2020 imposed a curfew law and suspended all business and economic activities in whole or in part until further notice, part of the Government's precautionary measures to combat the spread of the Corona Virus. Consequently, the majority of business activities in the Hashemite Kingdom of Jordan were affected by this decision. COVID-19 created uncertainty in the global economic environment.

In preparing the financial statements, management conducted an assessment of a company's viability as a continuous enterprise and of other risk management practices to manage potential disruptions to the business's operations and financial performance that may have been caused by an outbreak (COVID-19) by assessing the implications of the business's operations. As a result of the potential effects of the Corona virus, the management of the entity has taken forward information for at least the 12 months following the reporting period, both with regard to the negative effects of the virus on the functioning of the business process and the ability to repay its debts in the event that things return to normal within a reasonable period of time.

The entity examined the potential effects of current economic fluctuations in determining the amounts declared for the financial and non-financial assets of the entity, which represent the best management estimates based on observable information. Markets remain volatile and recorded amounts continue to be sensitive to market fluctuations.

22. Year

2020 balances have been reclassified to conform to the adopted classification in 2021.