PHILADELPHIA PHARMACEUTICALS

شركـــة فيلادلفيـــا لصناعـــة الأدويـــة

No: (82/2017)
Date: 2017-05-15

To Messrs Jordan Securities Commission,,
Att. Disclosure Department,
PO Box 8802 Amman 11121
The Hashemite kingdom of Jordan

Subject : Audited Financial Statements of Philadelphia Pharmaceuticals for the fiscal year ended 31/12/2016 in English

Attached the Financial Statements of Philadelphia Pharmaceuticals for the fiscal year ended 31 December 2016 audited from international professional Bureau for Consulting and Auditing.

Kindly accept our high appreciation and respect,

هيئة الأوراق المالية
الدائرة الإدارية / الديوان
١٧ أيار ٢٠١٧

Vice Chairman / CEO
Kayed Al-Shabani

Copy to:
- Amman Stock Exchange.
- Securities Depository Center.

10 St. King Abdulah II Industrial Estate (Sahab)
P.O Box 276 - Amman (11512) Jordan
Tel. + (962) (6) 4029181 - 4025181 - 4029352
Fax. + (962) (6) 4029182

شارع ١٠ / مدينة الملك عبدالله الثاني الصناعية (سحاب)
ص.ب ٢٧٦ - عمان (١١٥١٢) الأردن
هاتف: ٤٠٢٩١٨١ - ٤٠٢٥١٨١ - ٤٠٢٩٣٥٢ (٦) (٩٦٢)+
فاكس: ٤٠٢٩١٨٢ (٦) (٩٦٢)+

www.philapharma.com
E-mail: info@philapharma.com

Philadelphia Pharmaceuticals Company

"Public Shareholding Company"

Amman–The Hashemite Kingdom of Jordan

Financial Statements

31 December 2016

and

Independent Auditors' Report

Philadelphia Pharmaceuticals Co.

"Public Shareholding Company"

Amman -The Hashemite Kingdom of Jordan

Contents

Independent Auditors' Report	1
Statement ofFinancial Position	6
Statement of Profit or Loss and otherComprehensive Income	7
Statement of Changes in Equity	8
Statement of Cash Flows	10
Notes to the Financial Statements	11

Independent auditors report

To the Shareholders of

Philadelphia Pharmaceuticals Company (P.S)
Amman -The Hashemite Kingdom of Jordan

Report on the audit of the financial statements

Opinion

We have audited the financial statements of Philadelphia Pharmaceuticals Company (Public Shareholding Company), which comprise the statement of financial position as at 31 December 2016, and the statements of profit or loss and other comprehensive income, statements of changes in equity and statement cash flows for the year then ended, and notes to the financial statements, including a summary of significant accounting policies and other explanatory information.

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of Philadelphia Pharmaceuticals as at 31 December 2016, and its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards.

Basis of Opinion:

We conducted our audit in accordance with International Standards on Auditing.

Our responsibilities under those standards are further described in the auditors' responsibilities for the audit of the financial statements section of our report. We are independent of the company in accordance with the International Ethics Standards Board for Accountants' Code of Ethics for Professional Accountants (IESBA) code together with the ethical requirements that are relevant to our audit of the financial statements in Jordan and we have fulfilled our other ethical responsibilities in accordance with these requirements and the IESBA code .we believe that the audit evidence we have obtained is sufficient and appropriate to provide basis for our opinion.

Key Audit Matters:

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the consolidated financial statement of the current period. 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.

First: Trade account receivables

The Key audit matter

Commercial account receivables reached (JOD 6,138,629) on 31December2016, (JOD 5,774,015: 2015) which include commercial account receivables resulting from the principal sales of medicines and medical preparations

How the matter was addressed in our audit

We have conducted the auditing procedures of commercial accounts receivable according to the International Standards on Auditing and according to the sampling method in order to authenticate goods' receipt and the right pricing in accordance with the clients' agreed upon contracts besides verification of collection of receivables.

We have conducted an analytical study on ages of the account receivables and their related information for determing the decline in their value. We also obtained the endorsements of the account receivables according to the selected sample.

Moreover, we verified the presentation and disclosure according to the requirements of the international Financial ReportingStandards.

Second: Inventory and warehouses

The Key audit matter

The value of the goods and warehouses reached (JOD1, 205,927) on 31 December 2016, (JOD 1,414,210: 2015), which include raw materials, finished goods, store spare-parts, packaging store and goods in process.

How the matter was addressed in our audit

We have conducted the auditing procedures relating to the store and warehouses stock according to the International Standards on Auditing including attending the inventory stock and getting, the necessary confirmations of the stock balances.

We verified the control procedures of the inventory and stores for being sure that there are no expired or stagnated items. We also verified the presentation and disclosure according to International Financial Reporting Standards.

Other information:

Management is responsible for the other information,which comprises the information does not included in 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 that we have performed, we conclude that there is a material misstatement of this other information, and then we are required to report that fact. We have nothing to report in this regard.

Tel : (00 962 6) 5823441 Fax :(00 962 6) 5823442 P.O.Box : 3035 Amman 11821 Jordan e-mail : ipb@nets.com.jo

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

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

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

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

Auditors' responsibilities for the audit of the financial statements:

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

Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

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

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations or the override of internal control.

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the company's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditors'report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit Evidence obtained up to the date of our auditors' report. However, future events or conditions may cause the company to cease to continue as a going concern.
- 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.

The Report on other legal and regularity requirement

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

On behalf of
IPB Member of Kreston Int'l
Dr. Reem AL-Araj
License No. (820)

Amman - Jordan
11 February 2017

Philadelphia Pharmaceuticals Company

"Public Shareholding Company"

Amman -The Hashemite Kingdom of Jordan

Statement of Financial Position

	Notes	As at 31December 2016	2015
Assets			
Current Assets			
Cash and cash equivalent	8	21,557	25,305
Cheques under collection		969,030	300,000
Trade account receivable	9	6,109,012	5,760,515
Inventory and warehouses	10	1,205,927	1,414,210
Bank acceptances		116,293	7,193
Goods in transit		9,764	12,972
Other debit balances	11	299,900	171,838
Total current assets		**8,731,483**	**7,692,033**
Non-current assets			
Property, plants and equipments (net)	12	2,734,215	2,547,144
Intangible assets	13	151,828	111,929
Total Non-current assets		**2,886,043**	**2,659,073**
Total assets		**11,617,526**	**10,351,106**
Liabilities			
Current Liabilities			
Credit banks	14	1,502,636	717,076
Trade payables		588,179	614,370
Notes payables		58,856	159,211
Income tax provision		40,791	73,484
Other credit balances	15	131,095	146,389
Total Current liabilities		**2,321,557**	**1,710,530**
Total liabilities		**2,321,557**	**1,710,530**
Equity	16		
Authorized, subscribed and paid up capital		7,500,000	5,000,000
Statutory reserve		946,911	873,804
Voluntary reserve		266,772	328,821
Retained earnings		582,286	2,437,951
Total Equity		**9,295,969**	**8,640,576**
Total equity and liabilities		**11,617,526**	**10,351,106**

The notes on pages 11 to 30 are an integral part of these financial statements

Philadelphia Pharmaceuticals Company
"Public Shareholding Company"
Amman -The Hashemite Kingdom of Jordan
Statement of Profit or Loss and other comprehensive income

	Note	For the year ended 31 December 2016	2015
Continuing operations			
Sales	17	6,801,054	10,300,020
Cost of sales	18	(2,682,352)	(4,561,840)
Gross profit		**4,118,702**	**5,738,180**
Research and development expenses		(147,943)	(163,516)
Selling and distribution expenses	19	(2,137,650)	(2,012,992)
Administrative expenses	20	(933,765)	(690,208)
Board of directors ' incentives		(35,000)	(35,000)
Finance expense		(128,545)	(154,304)
(Losses) on sale of property, plant and equipment		(5,267)	-
Other expenses		537	147,084
Operating profit		**731,069**	**2,829,244**
Profit before tax		**731,069**	**2,829,244**
Income tax expense		(75,676)	(119,500)
Profit from continuing operations		**655,393**	**2,709,744**
Other comprehensive income			
Total comprehensive income		**655,393**	**2,709,744**
Weighted average of shares		7,500,00	5,000,000
Earnings per shares for the year		**0.099**	**0.54**

The notes on pages 11 to 30 are an integral part of these financial statements

Philadelphia Pharmaceuticals Company

"Public Shareholding Company"

Amman -The Hashemite Kingdom of Jordan

Statement of Changes in Equity

	Authorized, subscribed and paid up capital	Statutory reserve	Voluntary reserve	Retained earnings	Total equity
Balance at 1 January 2016	5,000,000	873,804	328,821	2,437,951	8,640,576
Comprehensive income					
Profit	-	73,107	-	582,286	655,393
Total comprehensive income	-	73,107	-	582,286	655,393
Transaction with owners of the company					
Capital increase	2,500,000	-	(62,049)	(2,437,951)	-
Total transaction with owners of the company	2,500,000	-	(62,049)	(2,437,951)	-
Balance at 31, December 2016	7,500,000	946,911	266,772	582,286	9,295,969

The notes on pages 11 to 30 are an integral part of these financial statements

Philadelphia PharmaceuticalsCompany

"Public Shareholding Company"

Amman -The Hashemite Kingdom of Jordan

Statement of Changes in Equity

	Authorized, subscribed and paid up capital	Statutory reserve	Voluntary reserve	Retained earnings	Total equity
Balance at 1 January 2016	**3,000,000**	**590,880**	**328,821**	**2,011,131**	**5,930,832**
Comprehensive income					
Profit	-	282,924	-	2,426,820	2,709,744
Total comprehensive income	-	**282,924**	-	**2,426,820**	**2,709,744**
Transaction with owners of the company					
Capital increase	2,000,000	-	-	(2,000,000)	-
Total transaction with owners of the company	**2,000,000**	-	-	**(2,000,000)**	-
Balance at 31, December 2016	**5,000,000**	**873,804**	**328,821**	**2,437,951**	**8,640,576**

The notes on pages 11 to 30 are an integral part of these financial statements

Philadelphia Pharmaceuticals Company

"Public Shareholding Company"

Amman -The Hashemite Kingdom of Jordan

Statement ofCash Flows(JOD)

	For the year ended 31 December	
	2016	**2015**
Cash Flows from Operating Activities		
Profit before tax	731,069	2,829,244
Adjustments for:		
Losses on sale of property and equipment	5,267	-
Depreciation &amortization	294,772	208,935
Provision for obsolete stock	-	(120,000)
Finance expense	128,545	154,304
Changes in:		
Trade account receivables	(348,497)	(2,459,696)
Cheques under collection	(669,030)	200,000
Bank withdrawals	(109,100)	437,463
Inventory and warehouses	208,283	9,545
Goods in transit	3,208	211,592
Other debit balances	(128,062)	4,666
Trade account payables	(29,191)	(95,132)
Note payables	(100,355)	61,215
Other credit balances	(15,294)	(61,150)
Income tax paid	(113,599)	(93,724)
Net cash from operating activities	**(141,984)**	**1,287,262**
Cash flows from investment activities		
Purchase of property and equipment	(752,507)	(845,614)
Purchase of intangible assets	(39,899)	(114,669)
Proceeds from sale of property and equipment	273,627	-
Net cash flows from investment activities	**(518,779)**	**(960,283)**
Cash flows from financing activities		
Finance expense	(128,545)	(154,304)
Credit banks	785,560	(167,877)
Net cash flows from financing activities	**657,015**	**(322,181)**
Net (decrease)increase in cash	(3,748)	4,798
Cash and cash equivalents at beginning of the year	25,305	20,507
Cash and cash equivalent at ending of the year	**21,557**	**25,305**

The notes on pages 11 to 30 are an integral part of these financial statements

1- Reporting Entity

Philadelphia Pharmaceuticals Company was established on 5 July 1993; it was registered in Ministry of Industry and Trade as a public shareholding company at 17 January 2006 (no. 394) with (7,500,000) JOD capital. The head office of the company is located at king Abdullah Industrial Estate in Sahab - Jordan, The company is primarily involves in the production of human medicines and medical supplies and solvents, sterilization devices dialysis, disinfectants, purchase and import of raw materials for productions and machinery and equipment in addition to other objectives mentioned in registration record.

2- Standards issued but not yet effective

A. Disclosure initiative (amendments to IAS 7)

Amendments to IAS (7) require disclosures that enable users of financial statements to evaluate changes in liabilities arising from financing activities, including both changes arising from cash flow and non-cash changes. The amendments are effective for annual periods beginning on or after 1 January 2017, with early adoption permitted.

B. Recognition of deferred tax assets for unrealized losses (amendments to IAS 12)

Amendments to IAS (12) clarify the accounting for deferred tax assets for unrealized losses on debt instruments measured at fair value. The amendments are effective for annual periods beginning on or after 1 January 2017, with early adoption permitted.

C. Revenue from Contracts with Customers (IFRS 15)

IFRS 15 establishes a comprehensive framework for determining whether, how much and when revenue is recognized. It replaces existing revenue recognition guidance, including IAS (18) Revenue and, IAS (11)construction contracts. IFRS (15) is effective for annual periods beginning on or after 1 January 2018, with early adoption permitted.

D- Financial InstrumentsIFRS (9)

IFRS 9 contains a new classification and measurement approach for financial assets that reflects the business model in which assets and their cash flow are managed. IFRS 9 contains three principal classification categories for financial assets which are measured at amortized cost, fair value through other comprehensive income and fair value through profit or loss. The standard eliminates the existing IAS 39 categories of held to maturity, loans and receivables and available for sale. IFRS 9 will require extensive new disclosures, in particular about hedge accounting, credit risk and expected credit losses.IFRS (9) is effective for the annual periods beginning on or after 1 January 2018 with earlier adoption permitted.

E- Leases IFRS (16)

IFRS 16 introduces a single, one-balance lease sheet accounting model for lessees. A lessee recognizes a right-of-use asset representing its right to use the underlying asset and a lease liability representing its obligation to make lease payments. There are optional exemptions for short-term leases and leases of low value items. Lessor accounting remains similar to the current standard – i.e. lessors continue to classify leases as finance or operating leases.

3- Basis of accounting

a. These financial statements have been prepared in accordance with International Financial Reporting Standards. They were authorized for issue by the company's Board of director on 25/02/2017 .

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

c. These financial statements have been prepared under the accrual basis of accounting, under this basis the effects of transactions and other events are recognized when they occur and not as cash is received or paid and they are recorded in accounting records and reported in the financial statements of the period to which they related.

4- Functional and presentation currency

These financial statements are presented in JOD which is the company's functional currency all amounts have been rounded to nearest (JOD), unless otherwise indicated.

5- Use of judgments and estimates

- ✓ In preparing these consolidated financial statements, management has made judgments, estimates and assumptions that affect the application of the company accounting policies and the reported amounts of assets, liabilities, income and expenses. Actual results may differ from these estimates.
- ✓ Estimates and underlying assumptions are reviewed on an ongoing basis Revisions to estimates are recognized prospectively.

6- Accounting policies

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

A-Foreign currency transactions

- ✓ Transactions in foreign currencies are translated into the respective functional currencies of company at the exchange rates at the dates of the transactions.
- ✓ Monetary assets and liabilities denominated in foreign currencies are translated into the functional currency at the exchange rate at the reporting date. Non-monetary assets and liabilities that are measured at fair value in a foreign currency are translated into the functional currency at the exchange rate when the fair value was determined. Non-monetary items that are measured based on historical cost in a foreign currency are translated at the exchange rate at the date of the transaction. Foreign currency differences are generally recognized in profit or loss. However, foreign currency differences arising from the translation of available-for-sale equity investments, a financial liability designated as a hedge of the net investment in a foreign operation to the extent that the hedge is effective, and qualifying cash flow hedges to the extent that the hedges are effective are recognized in other comprehensive income.

B- Revenue

- **Sale of goods**

Revenue is recognized when the significant risks and rewards of ownership have been transferred to the customer, recovery of the consideration is probable, the associated costs and possible return of goods can be estimated reliably, there is no continuing management involvement with the goods and the amount of revenue can be measured reliably. Revenue is measured net of returns, trade discounts and volume rebates.

- **Rendering of services**

If the services under a single arrangement are rendered in different reporting periods, then the consideration is allocated on a relative fair value basis between the different services.

The company recognizes revenue from rendering of services in proportion to the stage of completion of the transaction at the reporting date. The stage of completion is assessed based on surveys of work performed.

- **Commissions**

If the company acts in the capacity of an agent rather than as the principal in a transaction, then the revenue recognized is the net amount of commission made by the company.

C- Employee benefits

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

D- Income tax

- ✓ Income tax for the period is based on the taxable income for the year. Taxable income differs from profit as reported in the statement of comprehensive income for the period as there are some items which may never be taxable or deductible for tax and other items which may be deductible or taxable in other periods.
- ✓ Philadelphia Pharmaceuticals Company is classified as industrial company, and subjected to 14% income tax incompliance with Jordanian Taxation Law for the year 2015 with income tax number is (4038649) and VAT no.(61558).

E- Inventories

- ✓ Inventories are measured at the lower of cost and net realizable value.
- ✓ The cost of inventory includes the purchase prices and other cost incurred to bring it in use.

F- Property, plant and equipment

- ✓ Items of property, plant and equipment are measured at cost, which includes cost incurred to bring the asset to operation, in addition to capitalized borrowing costs, less accumulated depreciation and any accumulated impairment losses.
- ✓ If significant parts of an item of property, plant and equipment have different useful lives, then they are accounted for as separate items (major components) of property, plant and equipment.
- ✓ Any gain or loss on disposal of an item of property plant and equipment is recognized in profit or loss.
- ✓ Subsequent expenditure is capitalized only if it is probable that the future economic benefits associated with the expenditure will flow to the company.
- ✓ Depreciation is calculated to write off the cost of items of property, plant and equipment less their estimated residual values using the straight-line method over their estimated useful lives, and is generally recognized in profit or loss. Leased assets are depreciated over the shorter of the lease term and their useful lives unless it is reasonably certain that the company will obtain ownership by the end of the lease term. Land is not depreciated.
- ✓ The estimated useful lives of property, plant and equipment for current and comparative periods are as follows:
  - Buildings2%
  - Machines , equipments 9%
  - Vehicles 15%
  - Furniture and decoration 15%
- ✓ Depreciation methods, useful lives and residual values are reviewed at each reporting date and adjusted if appropriate.

- ✓ When the use of a property changes from owner-occupied to investment property, the property is recognized at cost as using fair value is prohibited by local legislation.

G- Intangible assets

- ✓ Expenditure on research activities is recognized in profit or loss as incurred.
- ✓ Development expenditure is capitalized only if the expenditure can be measured reliably, the product or process is technically and commercially feasible, future economic benefits are probable and the company's intends to and has sufficient resources to complete development and to use or sell the asset. Otherwise, it is recognized in profit or loss as incurred.
- ✓ Subsequent to initial recognition, development expenditure is measured at cost less accumulated amortization and any accumulated impairment losses.
- ✓ Amortization is calculated to write off the cost of intangible assets less their estimated residual values using the straight-line method over their estimated useful lives, and is generally recognized in profit or loss. Goodwill is not amortized.

H- Financial Instruments

- ✓ Financial assets are classified into financial assets at fair value through profit or loss, held-to-maturity financial assets, loans and receivables and available-for-sale financial assets.
- ✓ Financial liabilities are classified into financial liabilities at fair value through profit or loss and other financial liabilities.
- ✓ The company initially recognizes loans and receivables and debt securities issued on the date when they are originated. All other financial assets and financial liabilities are initially recognized on the trade date when the entity becomes a party to the contractual provisions of the instrument.
- ✓ The company derecognizes a financial asset when the contractual rights to the cash flows from the asset expire, or it transfers the rights to receive the contractual cash flows in a transaction in which substantially all of the risks and rewards of ownership of the financial asset are transferred.
- ✓ The company derecognizes a financial liability when its contractual obligations are discharged or cancelled, or expire.

- ✓ Financial assets and financial liabilities are offset and the net amount presented in the statement of financial position when, and only when, the company currently has a legally enforceable right to offset the amounts and intends either to settle them on a net basis or to realize the asset and settle the liability simultaneously.
- ✓ A financial asset is classified as at fair value through profit or loss if it is classified as held-for-trading or is designated as such on initial recognition. Directly attributable transaction costs are recognized in profit or loss as incurred. Financial assets at fair value through profit or loss are measured at fair value and changes therein, including any interest or dividend income, are recognized in profit or loss.
- ✓ Held-to-maturity financial assets are initially measured at fair value plus any directly attributable transaction costs. Subsequent to initial recognition, they are measured at amortized cost using the effective interest method.
- ✓ Available-for-sale financial assetsare initially measured at fair value plus any directly attributable transaction costs. Subsequent to initial recognition, they are measured at fair value and changes therein, other than impairment losses and foreign currency differences on debt instruments, are recognized in other compressive income and accumulated in the fair value reserve. When these assets are derecognized, the gain or loss accumulated in equity is reclassified to profit or loss.

I-Impairment

- **Financial assets**

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

- **Non-financial assets**

✓ At each reporting date, the company reviews the carrying amounts of its non-financial assets (other than biological assets, investment property, inventories and deferred tax assets) to determine whether there is any indication of impairment. If any such indication exists, then the asset's recoverable amount is estimated. Goodwill is tested annually for impairment.

✓ The recoverable amount of an asset is the greater of its value in use and its fair value less costs to sell. Value in use is based on the estimated future cash flows, discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset.

✓ An impairment loss is recognized if the carrying amount of an asset exceeds its recoverable amount.

✓ An impairment loss in respect of goodwill is not reversed. For other assets, an impairment loss is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of depreciation or amortization, if no impairment loss had been recognized.

J- Fair value measurement

✓ Fair value' is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date in the principal or, in its absence, the most advantageous market to which the company has access at that date. The fair value of a liability reflects its non-performance risk.

✓ A number of the company accounting policies and disclosures require the measurement of fair values, for both financial and non-financial assets and liabilities.

✓ When one is available, the company measures the fair value of an instrument using the quoted price in an active market for that instrument. A market is regarded as active if transactions for the asset or liability take place with sufficient frequency and volume to provide pricing information on an ongoing basis.

- ✓ If there is no quoted price in an active market, then the company uses valuation techniques that maximize the use of relevant observable inputs and minimize the use of unobservable inputs. The chosen valuation technique incorporates all of the factors that market participants would take into account in pricing a transaction.
- ✓ If an asset or a liability measured at fair value has a bid price and an ask price, then the company measures assets and long positions at a bid price and liabilities and short positions at an ask price

K- Related parties

- ✓ A related party is a person or entity that is related to the entity that is preparing its financial statements.
- ✓ A person is a related party if that person has control or significant influence over the reporting entity; or is a member of the key management personnel.an entity is a related party if this entity and the reporting entity are members of the same group or one entity is an associate or joint venture of the other entity or the entity is controlled by a related person.
- ✓ A related party transaction is a transfer of resources, services or obligations between a reporting entity and a related party, regardless of whether a price is charged.
- ✓ Key management personnel are those persons having authority and responsibility for planning, directing and controlling the activities of the entity, directly or indirectly, including any director of that entity.

L- Events after the reporting period

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

1- Those that provide evidence of conditions that existed at the end of the reporting period and an entity shall adjust the amounts recognized in its financial statements
2- Those that are indicative of conditions that arose after the reporting period, an entity shall not adjust the amounts recognized in its financial statements.

M- Contingent Liabilities

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

Bank guarantees (net)	107,170 JOD

N- Capital management

- ✓ The company policy is to maintain a strong capital base so as to maintain investor, creditor and market confidence and to sustain future development of the business.
- ✓ Management monitors the return on capital, as well as the level of dividends to ordinary shareholder
- ✓ The board of directors seeks to maintain a balance between the higher returns that might be possible with higher levels of borrowing and the advantages and security afforded by a sound capital position.
- ✓ The company monitors capital using a ratio of 'adjusted net debt' to 'adjusted equity'. For this purpose, adjusted net debt is defined as total liabilities, comprising interest-bearing loans and borrowings and obligations under finance leases, less cash and cash equivalents. Adjusted equity comprises all components of equity other than amounts accumulated in the hedging reserve.

O- Financial risk management

The company has exposure to the following risks arising from financial instruments:

1-credit risk

2-liquidity risk

3-market risk

Risk management framework

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

Credit risk

- ✓ Credit risk is the risk of financial loss to the company if a customer or counterparty to a financial instrument fails to meet its contractual obligations, and arises principally from the company receivables from customers and investments in debt securities.
- ✓ The carrying amount of financial assets represents the maximum credit exposure.
- ✓ The company exposure to credit from Trade and other receivables risk is influenced mainly by the individual characteristics of each customer. However, management also considers the factors that may influence the credit risk of its customer base, including the default risk associated with the industry and country in which customers operate.
- ✓ The company limits its exposure to credit risk from trade receivables by establishing a maximum payment period of 30 and 180 day .
- ✓ The company monitors risk cash and cash equivalents by dealing with banks with good reputation.

Market risk

Market risk is the risk that changes in market prices – such as foreign exchange rates, interest rates and equity prices – will affect the company income or the value of its holdings of financial instruments. The objective of market risk management is to manage and control market risk exposures within acceptable parameters, while optimizing the return.

Currency risk

The company is exposed to currency risk to the extent that there is a mismatch between the currencies in which sales, purchases and borrowings are denominated and the respective functional currencies of company companies. Management monitors fluctuation in foreign currencies exchange rates and believes that the company is exposed to currency risk due to transactions in foreign currencies rather than USD since the functional currency of the company JOD has fixed exchange rate with USD.

Interest rate risk

Interest rate risk arises from the effects of fluctuations in the levels of markets interest rates on the fair value of financial assets and liabilities and future cash flows.

8- Cash and cash equivalents

	2016 JOD	2015 JOD
Cash at hand	1,370	8,988
Arab Bank – USD	5,173	849
Arab Bank – USD –Algeria	14,160	14,160
Islamic International Arab Bank-JOD	789	372
Capital bank –JOT	-	426
Investment bank –JOT	-	510
Investment bank – USD	56	-
Al Rajhi Bank – USD	9	-
Total	**21,557**	**25,305**

9- Trade account receivable

	2016 JOD	2015 JOD
Local receivables	3,537,500	3,666,438
External receivables	2,623,365	2,145,930
Doubtful allowance	(51,853)	(51,853)
Total	**6,109,012**	**5,760,515**

10- Inventory and warehouses

	2016 JOD	2015 JOD
Raw materials and Packing	903,742	1,019,011
Finished good	164,361	167,516
Spare parts and disposals	82,450	159,014
Goods in process	55,374	68,669
Total	**1,205,927**	**1,414,210**

11- Other debit balances

	2016 JOD	2015 JOD
Prepaid expenses	180,638	42,763
Refundable deposits	5,676	5,676
Margin on guarantees	11,336	11,327
Income tax	1,581	2,721
Due from employees	30,171	46,427
Payments in advanced	29,617	13,500
Others	40,881	49,424
Total	**299,900**	**171,838**

12- Property, plants and equipments

2016	Lands	Buildings	Machines , equipments & vehicles	Furniture and decorations	Total
Cost	**JOD**	**JOD**	**JOD**	**JOT**	**JOD**
Opening balance	**124,865**	**1,281,336**	**2,339,464**	**213,111**	**3,958,776**
Additions	-	236,562	496,103	19,842	752,507
Disposals	-	-	(317,286)	-	(317,286)
Ending balance	**124,865**	**1,517,898**	**2,518,281**	**232,953**	**4,393,997**
Accumulated depreciation					
Opening balance	-	**324,663**	**994,478**	**92,491**	**1,411,632**
Additions	-	40,389	230,565	15,588	286,542
Disposals	-	-	(38,392)	-	(38,392)
Ending balance	-	**365,052**	**1,186,651**	**108,079**	**1,659,782**
Net book value	**124,865**	**1,152,846**	**1,331,630**	**124,874**	**2,734,215**

2015	Lands	Buildings	Machines , equipments & vehicles	Furniture and decorations	Total
cost	**JOD**	**JOD**	**JOD**	**JOT**	**JOD**
Opening balance	**124,865**	**1,100,856**	**1,702,657**	**184,784**	**3,113,162**
Additions		180,480	636,807	28,327	845,614
Ending balance	**124,865**	**1,281,336**	**2,339,464**	**213,111**	**3,958,776**
Accumulated depreciation					
Opening balance	-	**290,475**	**837,550**	**79,053**	**1,207,078**
Additions	-	34,188	156,928	13,438	204,554
Ending balance	-	**324,663**	**994,478**	**92,491**	**1,411,632**
Net book value	**124,865**	**956,673**	**1,344,986**	**120,620**	**2,547,144**

13 - Intangible assets

	2016 JOD	2015 JOT
Research and development and softwares	118,003	118,003
Additions	80,464	-
Total	**198,467**	**118,003**
Accumulatedamortization		
Opening balance	6,074	1,693
Additions	40,565	4,381
Ending balance	**46,639**	**6,074**
Net book value	**151,828**	**111,929**

14- Creditbanks

	2016 JOD	2015 JOT
Capital Bank –JOD	156	1,526
Capital Bank – USD	558,041	279,389
Arab Bank –JOD	5,557	4,835
Arab Bank – USD	334,425	431,326
Union Bank – USD	584,067	-
Union Bank –JOD	2	-
Al Rajhi Bank – USD	20,388	-
Total	**1,502,636**	**717,076**

- Overdraft Limits

	2016		2015
Capital Bank – JOD	150,000		200,000
Capital Bank – USD	709,000		710,000
Arab Bank – JOD	300,000		300,000
Arab Bank – USD	709,000		710,000
Union Bank – USD	992,600		-
Al Rajhi Bank - USD	354,500		-
Total	**3,215,100**		**1,920,000**

-The above mentioned facilities are used mainly in purchasing raw materials and payments to creditors, with average rate of debit interest around (8%) for JOD and (3.5%) for USD.

15- Other credit balances

	2016 JOT	2015 JOD
Accrued expenses	25,241	51,941
Due to taxation department	4,814	2,286
Due to social security	20,189	23,046
Due to employees	11,547	632
Sale tax	22,323	33,484
Board of directors incentives	35,000	35,000
Employees' benefits	11,981	-
Total	**131,095**	**146,389**

16- Equity

- **Authorized, subscribed and paid up capital**

  The company was established in 05/07/1993 as limited liability company, it was transferred to public shareholding company at 17/Jan/2006 with authorized, subscribed and paid up capital of (1,200,000) JOD then the capital was increased up to (5,000,000) JOD as at 31/12/2015.

  At 26/4/2015 the General Assembly decided in an extraordinary meeting to increase the capital by (2,500,000) JOD throgh capitalization of retained earning, with covering the rest of increase from voluntary reserve and to distribute this increase as free shares to the shareholders in proportion of their shares in capital.

- **Statutory reserve**

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

- **Voluntary reserve**

  This balance represents 10% of this year and previous years' profit carried forward incompliance with Jordanian Company's Law article (187).

- **Retained earnings**

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

17 - Sales

	2016 JOD	2015 JOD
Local sales	2,190,077	3, 073,790
Export sales	4,610,977	7,226,410
Total	**6,801,054**	**10,300,200**

18- Cost of sales

	Note	2016 JOD	2015 JOD
Raw materials		1,531,056	3,238,649
Operational expenses	18-1	958,329	1,182,567
Depreciation &amortization		176,517	150,662
Cost of production		**2,665,902**	**4,571,878**
Good in process - opening balance		68,669	69,163
Good in process - ending balance		(55,374)	(68,669)
Cost of goods available for sale		**2,679,197**	**4,572,372**
Finished goods – opening balance		167,516	156,984
Finished goods – ending balance		(164,361)	(167,516)
Total		**2,682,352**	**4,561,840**

18-1- Operationalexpenses

	2016 JOD	2015 JOD
Wages and salaries	495,100	542,676
Social security	68,542	67,565
Water and electricity	73,383	102,141
Maintenance	41,135	65,886
Medical Analysis expense	49,587	52,350
Staff wages	2,432	32,485
Health insurance	45,642	49,121
Medical Analysis fees	28,025	29,575
Consumable	40,098	83,836
Fuel	9,286	14,575
Training and development	5,182	17,966
Water treatment expenses	5,369	12,500
Transportation	3,378	10,243
Write off expenses	9,542	-
Factory insurance	2,345	2,267
Calibration and air tests	17,795	15,256
Meals	17,905	23,522
Stationery	3,316	4,674
Cleaning	9,890	16,159
Miscellaneous	30,377	39,770
Total	**958,329**	**1,182,567**

19-Selling and distribution expenses

		2016 JOD	2015 JOD
Wages and salaries		340,225	275,334
Social security		44,579	35,563
Rents		12,946	16,088
Selling offices expense		31,344	30,943
Tenders		13,588	11,073
Health insurance		20,476	13,897
Advertising		67,337	74,067
Foreign markets expenses	19-1	1,586,645	1,528,579
Miscellaneous		20,510	27,448
Total		**2,137,650**	**2,012,992**

19- Foreign markets expenses

	2016 JOD	2015 JOD
Saudi market	856,619	876,208
Sudanese market	266,523	365,563
Omani market	77,977	89,109
Algerian market	167,072	70,259
Yemeni market	58,340	58,430
Iraqi market	36,234	48,134
Other markets	123,880	20,876
Total	**1,586,645**	**1,528,579**

20- Administrative and general expenses

	2016 JOD	2015 JOD
Wages and salaries	424,000	314,736
Social security	55,947	39,032
Rents	32,605	16,952
Telephone	16,773	12,232
Stationery	9,512	8,374
Vehicle expenses	25,306	20,653
Security	18,600	13,795
Professional fees	15,950	17,500
Hospitality &cleaning	10,538	10,939
Health insurance	30,229	24,217
Fees and licenses	39,540	33,290
Head office expenses	40,861	33,729
Software expenses	9,039	3,205
Depreciation &amortization	118,255	58,273
Rewards and bonus	47,084	50,000
Miscellaneous	39,526	33,281
Total	**933,765**	**690,208**