

**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, 2023**

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

Index

	<u>Page</u>
Independent auditor's report	-
Statement of financial position as at December 31, 2023	1-2
Statement of comprehensive income for the year ended December 31, 2023	3
Statement of changes in equity for the year ended December 31, 2023	4
Statement of cash flows for the year ended December 31, 2023	5
Notes to the financial statements for the year ended December 31, 2023	6-22

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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

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, 2023, 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 the accompanying financial statements present fairly, in all material respects, the financial position of the Company as at December 31, 2023, and of its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards (IFRS).

Basis for 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, and we have fulfilled our other ethical responsibilities in accordance with these requirements and the IESBA Code.

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

Key Audit Matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the 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

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, 2023.

Scope of audit

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, also, tested key control systems on the modeling process.

Inventory impairment

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.

Scope of audit

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 8,401,920 which represents 168% of its capital as at the date of the statement of financial position and on that date company's total current liabilities exceeded its current assets by an amount of JD 2,705,177, these matters cast significant doubt on the company ability to continue as a going concern, its continuity depends on providing the necessary financing to pay its obligation and on the success of its operations in the future nothing that the company provided a comprehensive plan to guarantee its continuity.

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 and current accounts at banks, in addition 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.



Independent Auditors Report for the year ended December 31, 2023

- 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 February 29, 2024

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

Statement of financial position as at December 31, 2023

	<u>Notes</u>	<u>2023</u>	<u>2022</u>
ASSETS		JD	JD
Non-current Assets			
Property, plant and equipment	3	4,468,546	4,491,944
Investment in an associate	4	-	-
Investment in financial assets at fair value through other comprehensive income	5	1	1
Due from related party	6	401,754	1,282,820
Total Non-Current Assets		4,870,301	5,774,765
Current Assets			
Inventory	7	89,863	92,221
Other debit balances	8	68,042	52,190
Trade receivables	9	1,803	12,244
Cash and cash equivalents	10	17,623	19,609
Total Current Assets		177,331	176,264
TOTAL ASSETS		5,047,632	5,951,029

The attached notes constitute an integral part of these financial statements

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

Statement of financial position as at December 31, 2023

	<u>Notes</u>	<u>2023</u>	<u>2022</u>
		JD	JD
EQUITY AND LIABILITIES			
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		(115,457)	(115,457)
Accumulated losses	12	<u>(8,401,920)</u>	<u>(7,405,829)</u>
Deficit in Equity		<u>(2,379,272)</u>	<u>(1,383,181)</u>
Liabilities			
Non Current Liabilities			
Shareholders payable	6	<u>4,544,396</u>	<u>4,543,896</u>
Total Non-Current Liabilities		<u>4,544,396</u>	<u>4,543,896</u>
Current Liabilities			
Other credit balances	13	866,303	787,774
Trade payables		418,913	407,148
Due to related parties	6	<u>1,597,292</u>	<u>1,595,392</u>
Total Current Liabilities		<u>2,882,508</u>	<u>2,790,314</u>
Total Liabilities		<u>7,426,904</u>	<u>7,334,210</u>
TOTAL EQUITY AND LIABILITIES		<u>5,047,632</u>	<u>5,951,029</u>

The attached notes constitute an integral part of these financial statements

**Arab Center for Pharmaceutical
& Chemical Industries Company
Public Shareholding Company
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Statement of comprehensive income for the year ended December 31, 2023

	<u>Notes</u>	<u>2023</u>	<u>2022</u>
		<u>JD</u>	<u>JD</u>
Sales, net		201,267	131,138
Cost of sales	14	<u>(202,655)</u>	<u>(148,717)</u>
Gross loss		(1,388)	(17,579)
Other revenues		15,773	16,528
Administrative expenses	15	(128,300)	(95,250)
Company's share of results of associate	4	<u>(882,176)</u>	<u>-</u>
Loss		<u>(996,091)</u>	<u>(96,301)</u>
Weighted average number of shares		<u>5,000,000</u>	<u>5,000,000</u>
Loss per share		<u>JD (0/199)</u>	<u>JD (0/019)</u>

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**Arab Center for Pharmaceutical
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Statement of changes in equity for the year ended December 31, 2023

	<u>Capital</u>	<u>Statutory reserve</u>	<u>Change in fair value of investments in financial assets at fair value through other comprehensive income</u>	<u>Accumulated losses</u>	<u>Deficit</u>
	JD	JD	JD	JD	JD
Balance as at January 1, 2022	5,000,000	1,138,105	(115,457)	(7,309,528)	(1,286,880)
Comprehensive income	-	-	-	(96,301)	(96,301)
Balance as at December 31, 2022	5,000,000	1,138,105	(115,457)	(7,405,829)	(1,383,181)
Comprehensive income	-	-	-	(996,091)	(996,091)
Balance as at December 31, 2023	5,000,000	1,138,105	(115,457)	(8,401,920)	(2,379,272)

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, 2023

	2023	2022
	JD	JD
CASH FLOWS FROM OPERATING ACTIVITIES		
Loss	(996,091)	(96,301)
Adjustments for :		
Depreciation	23,398	25,607
Change in operating assets and liabilities:		
Due from related party	881,066	219
Inventory	2,358	13,874
Other debit balances	(15,852)	(3,872)
Trade receivables	10,441	2,051
Other credit balances	78,529	56,667
Trade payables	11,765	15,167
Net cash from operating activities	(4,386)	13,412
CASH FLOWS FROM FINANCING ACTIVITIES		
Due to related parties	1,900	3,405
Shareholders payable	500	501
Net cash from financing activities	2,400	3,906
Net change in cash and cash equivalents	(1,986)	17,318
Cash and cash equivalents - beginning of year	19,609	2,291
Cash and cash equivalents - end of year	17,623	19,609

The attached notes constitute an integral part of these financial statements

**Arab Center for Pharmaceutical
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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 February 28, 2024, 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

Financial statements preparation framework

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

Measurement bases used in preparing the financial statements

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

Functional and presentation currency

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
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: <ul style="list-style-type: none"> • 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. 	January 1,2023 (deferred from January 1,2021)
Amendments to IAS (1) and IFRS Practice Statement 2	The amendments to IAS (1) require entities to disclose their material rather than their significant accounting policies.	January 1, 2023.
Amendments to IAS (8)	The amendment to IAS (8) Accounting Policies, Changes in Accounting Estimates and Errors The distinction between accounting policies and changes in accounting estimates is important, because changes in accounting estimates are applied prospectively to future transactions and other future events, but changes in accounting policies are generally applied retrospectively to past transactions and other past events as well as the current period.	January 1, 2023.
Amendments to IAS (12)	The amendments introduce an exception to the requirements in the standard that an entity does not recognize and does not disclose information about deferred tax assets and liabilities, an entity applies the exception and the requirement to disclose that it has applied the exception immediately upon issuance of the amendments	January 1,2023

Standards and Interpretations issued but not yet effective

Standard number or interpretation	Description	Effective date
IFRS (16) Leases	The amendment clarifies how a seller – lessee subsequently measures sale and lease back transaction.	January 1,2024
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.	January 1, 2024 (Deferred from January 1, 2022).
Amendments to IAS (7) and IFRS (7) regarding supplier finance arrangements	Amendments require entities to provide qualitative and quantitative information about supplier finance arrangements.	January 1,2024

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:

<u>Category</u>	<u>Depreciation rate</u>
	%
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 through 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 from 20 to 50 percent 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 recognizes 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 entity's 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 contracts. 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.

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

Notes to the financial statement for the year ended December 31, 2023

3. Property, plant and equipment

	Lands (*)	Buildings (*)	Equipment and tools	Vehicles (*)	Furniture and decorations	Software and computers	Devices and machines	Electrical devices and condition units	Projects under construction (**)	Total
2023	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	-	708,958	27,002	36,579	207,704	200,598	3,358,106	114,410	-	4,653,357
Depreciation (***)	-	23,304	-	-	67	-	27	-	-	23,398
End of year balance	-	732,262	27,002	36,579	207,771	200,598	3,358,133	114,410	-	4,676,755
Net	322,476	484,461	5	3	484	107	699	71	3,666,559	4,468,546
2022										
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	-	685,493	27,002	36,579	207,669	200,594	3,356,003	114,410	-	4,627,750
Depreciation (***)	-	23,465	-	-	35	4	2,103	-	-	25,607
End of year balance	-	708,958	27,002	36,579	207,704	200,598	3,358,106	114,410	-	4,653,357
Net	322,476	507,765	5	3	551	107	726	71	3,660,240	4,491,944

(*) Lands, buildings and vehicles are seized against judicial 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:

	<u>2023</u>	<u>2022</u>
	JD	JD
Manufacturing expenses	23,398	25,592
Administrative expenses	-	15
Total	<u>23,398</u>	<u>25,607</u>

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	8,449,283	12,683,301	(1,287,324)	(5,629,075)

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

	<u>2023</u>	<u>2022</u>
	JD	JD
Cost	51,573	51,573
Share of results of associate	<u>(51,573)</u>	<u>(51,573)</u>
Net	<u>-</u>	<u>-</u>

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

	<u>2023</u>	<u>2022</u>
	JD	JD
Cost	115,458	115,458
Change in fair value of financial assets at fair value through other comprehensive income	<u>(115,457)</u>	<u>(115,457)</u>
Net	<u>1</u>	<u>1</u>

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:

	<u>2023</u>	<u>2022</u>
	JD	JD
Hamzeh Ahmad Tantash	4,185,851	4,185,851
Mazen Hamza Tantash	358,545	358,045
Total	<u>4,544,396</u>	<u>4,543,896</u>

- Due to related parties items consist of the following:

	<u>2023</u>	<u>2022</u>
	JD	JD
Tantash Investment Group	1,529,797	1,529,397
Jordan Investment and Tourism Transport Co.	16,851	16,851
Tantash Travel Agency	16,354	16,354
Mawqef for Commercial Services	14,131	13,631
Ideal Istithmar company	12,544	12,044
Istithmar for Financial Services	7,615	7,115
Total	<u>1,597,292</u>	<u>1,595,392</u>

- Transactions with related parties are financing in nature.

7. Inventory

	<u>2023</u>	<u>2022</u>
	JD	JD
Raw material and packaging	99,010	96,186
Work in process	94,963	54,490
Finished goods	81,150	60,233
Spare parts	24,836	25,061
Impairment provision for static and expired goods	(210,096)	(143,749)
Net	<u>89,863</u>	<u>92,221</u>

An impairment for expired and static goods was calculated for an amount of JD 66,347 as on December 31, 2023.

8. Other debit balances

	<u>2023</u>	<u>2022</u>
	JD	JD
Refundable deposits	34,479	34,879
Employees receivables	24,333	5,009
Prepayments on sales tax	9,222	9,222
Others	8	8
Prepaid expenses	-	3,072
Total	<u>68,042</u>	<u>52,190</u>

9. Trade receivables

	<u>2023</u>	<u>2022</u>
	JD	JD
Trade receivables (*)	343,007	353,448
Less: Allowance for expected credit losses	<u>(341,204)</u>	<u>(341,204)</u>
Net	<u>1,803</u>	<u>12,244</u>

(*) Trade receivables are concentrated in one customer comprising 56% of total trade receivables balance as at December 31, 2023.

- The receivables aging details as of December 31, 2023:

	<u>2023</u>	<u>2022</u>
	JD	JD
1-60 days	678	1,619
61-120 days	-	1,207
More than 361 days	<u>342,329</u>	<u>350,622</u>
Total	<u>343,007</u>	<u>353,448</u>

10. Cash and cash equivalents

	<u>2023</u>	<u>2022</u>
	JD	JD
Current accounts at banks - JD (*)	17,335	16,862
Cash on hand	205	2,664
Current accounts at banks - USD (*)	83	83
Total	<u>17,623</u>	<u>19,609</u>

(*)Bank accounts at local banks are 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 statutory reserve, and to rebuild it in accordance with the provisions of the law.

12. Accumulated losses

The company's accumulated losses amounted to JD 8,401,920 which represents 168% of its capital, follows a summary of the company's plan:

- End the disagreement with the contractor as soon as possible then finish the last stage in the expanding project and start producing on the new lines which is going to get back the traditional customers and open new opportunities with new customers.
- 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, 2020 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 instead of a JD 500,000 through private subscription and delegate the Board of Directors in this regard.
 - 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

	<u>2023</u>	<u>2022</u>
	JD	JD
Employees payable	210,306	179,708
Shareholders deposits	199,477	199,477
Social security deposits	177,274	104,416
Accrued expenses	165,890	192,049
Lawsuits provision	95,000	95,000
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	2,532	1,300
Savings fund deposits	401	401
Total	<u>866,303</u>	<u>787,774</u>

14. Cost of sales

	<u>2023</u>	<u>2022</u>
	JD	JD
Raw materials and packaging materials used in production	65,132	28,155
Manufacturing expenses (*)	198,913	105,846
Work in process - beginning of year	54,490	75,149
Work in process - end of year	<u>(94,963)</u>	<u>(54,490)</u>
Cost of manufactured goods	223,572	154,660
Finished goods beginning of year	60,233	54,290
Finished goods end of year	<u>(81,150)</u>	<u>(60,233)</u>
Cost of goods sold	<u>202,655</u>	<u>148,717</u>

(*) Manufacturing expenses consist of the following:

	<u>2023</u>	<u>2022</u>
	JD	JD
Stagnant goods	66,347	-
Salaries, wages and related benefits	58,584	46,397
Water and electricity	27,745	18,160
Depreciation	23,398	25,592
Traveling and transportation	8,421	5,874
Meals	5,588	4,157
Consumables	3,936	1,789
Maintenance	2,782	2,794
Sterilization fees	1,437	958
Miscellaneous	675	15
Stationery	-	110
Total	<u><u>198,913</u></u>	<u><u>105,846</u></u>

15. Administrative expenses

	<u>2023</u>	<u>2022</u>
	JD	JD
Salaries, wages and related benefits	93,816	65,774
Licenses, permits and governmental subscriptions	10,851	8,283
Lawsuits	9,550	2,867
Professional fees	8,750	8,750
Board of directors transportation	2,900	3,500
Telecommunications	1,078	1,291
Miscellaneous	701	4,004
Stationery and printings	348	160
Maintenance	200	-
Health insurance	106	106
Penalties	-	500
Depreciation	-	15
Total	<u><u>128,300</u></u>	<u><u>95,250</u></u>

16. Legal cases

According to the company lawyer's letter there is a legal case raised by the company against others reaching execution phase amounting to JD 252,400 as well as an undetermined value legal case and another legal case raised by the company against others amounting JD 10,100 still pending before court in addition to a case filed by the company that is still under consideration. There are legal cases raised by others against the company amounting JD 118,288 and one undetermined legal case value.

17. Tax status

- Tax status was settled till year 2020.
- Income tax returns have been filed for years 2021, 2022 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. 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.
- The accumulated losses for the company as on has reached an amount of JD 8,401,920 December 31, 2023.

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:

Description	Less than 1 year		More than 1 year	
	2023	2022	2023	2022
Financial assets:	JD	JD	JD	JD
Investment in financial assets at fair value through other comprehensive income	-	-	1	1
Due from related party	-	-	401,754	1,282,820
Other debit balances	58,820	39,896	-	-
Trade receivables	1,803	12,244	-	-
Cash and cash equivalents	17,623	19,609	-	-
Total	78,246	71,749	401,755	1,282,821
Financial liabilities:				
Shareholders payable	-	-	4,544,396	4,543,896
Other credit balances	768,771	691,474	-	-
Trade payables	418,913	407,148	-	-
Due to related parties	1,597,292	1,595,392	-	-
Total	2,784,976	2,694,014	4,544,396	4,543,896

19. 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 2023	Level (1)
	JD
Investment in financial assets at fair value through other comprehensive income	1
Total	1

20. The potential effects of economic fluctuations

As a result of the current global conflict, where the entity has taken into account any possible impact of current economic fluctuations in the inputs of future macroeconomic factors when determining the severity and probability of economic scenarios to determine expected credit losses.