



الشركة الأردنية لإنتاج الأدوية (ش.م.ع)
The Jordanian Pharmaceutical Manufacturing Co. P.L.C.

Date: 13/7/2020

Nu : F/2020/47

To: Jordan Securities Commission
Amman Stock Exchange



بموجب قرار
الهيئة العامة
15/2020
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Subject: Audited Financial Statements for the fiscal year ended 31/12/2019 .

Attached the Audited Financial Statements of of The Jordanian Pharmaceutical
Manufacturing for the fiscal year ended at 31/12/2019.

Kindly accept our high appreciation and respect

Chief Executive Officer

Mahmoud Jarwan



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الرجاء

THE JORDANIAN PHARMACEUTICAL MANUFACTURING CO.

PUBLIC SHAREHOLDING COMPANY

CONSOLIDATED FINANCIAL STATEMENTS

31 DECEMBER 2019

INDEPENDENT AUDITOR'S REPORT

To the Shareholders of The Jordanian Pharmaceutical Manufacturing Company

Public Shareholding Company

Amman – Jordan

Report on the Audit of the Consolidated Financial Statements

Qualified Opinion

We have audited the consolidated financial statements of The Jordanian Pharmaceutical Manufacturing Company - Public Shareholding Company (the "Company") and its subsidiaries (the "Group"), which comprise the consolidated statement of financial position as at 31 December 2019, and the consolidated statement of profit or loss, consolidated statement of comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the year then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion, except for the effect of the matter described in the basis for qualified opinion paragraph below, the accompanying consolidated financial statements present fairly, in all material respects the financial position of the Group as at 31 December 2019, and its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards (IFRSs).

Basis for Qualified Opinion

As indicated in Note (24) to these consolidated financial statements, related to the Group income tax status for the years from 2009 till 2014, the Group did not settle nor established sufficient provision against tax obligations of JD 3,150,274 excluding any related fines or penalties.

We conducted our audit in accordance with International Standards on Auditing (ISAs). Our responsibilities under those standards, are further described in the Auditor's Responsibilities for the Audit of the consolidated financial statements section of our report. We are independent of the Company in accordance with the International Ethics Standards Board for Accountants' Code of Ethics for Professional Accountants (IESBA Code) together with the ethical requirements that are relevant to our audit of the consolidated financial statements in Jordan, and we have fulfilled our other ethical responsibilities in accordance with these requirements and the IESBA Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our qualified opinion.



Emphasis of Matter

Without any additional qualification to our qualified opinion, we draw attention to the following:

- As stated in Note (15) to these consolidated financial statements, the Group's accumulated losses reached JD 23,596,782 as at 31 December 2019 which represents 93.2% of its paid in capital. As per article No. (266) of the Companies Law No. (22) for the year 1997 and its amendments which states that in case the accumulated losses of public shareholding company reach 75% of its subscribed capital, it should be liquidated unless the general assembly decides in its extra ordinary meeting to increase its capital to set off these losses. The Group's board of directors has resolved a recommendation to the upcoming extra ordinary general assembly to set off part of these losses in paid in capital and then increase the paid in capital. No such meeting was held up to these consolidated financial statements issuance date. The existence of such events may cast a significant doubt about the Company's ability to continue as a going concern.
- As stated in Note (31) to the consolidated financial statements, there is a lawsuit against the Company raised by Al Noor Drug Store (a former agent in United Arab Emirates) by an amount of USD 8 Million (JD 5,672,000). Based on the opinion of the management and its legal advisor no material liabilities are likely to arise as a result of this lawsuit.

Other Matter

The consolidated financial statements for the year ended 31 December 2018 have been audited by another auditor, who issued a qualified opinion related to financial assets at fair value through other comprehensive income, investment in associates, accounts receivable, due from related parties and unrecorded tax liabilities in addition to emphasis of matter related to legal lawsuit against the Company and going concern on 24 March 2019.

Key Audit Matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the consolidated financial statements for the current year. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters. For each matter below, our description of how our audit addressed the matter provided in that context.

We have fulfilled the responsibilities described in the Auditor's responsibilities for the audit of the consolidated financial statements section of our report, including in relation to these matters. Accordingly, our audit included the performance of procedures designed to respond to our assessment of the risks of material misstatement of the consolidated financial statements. The results of our audit procedures, including the procedures performed to address the matter below, provide the basis for our audit opinion on the accompanying consolidated financial statements.



1) Revenue Recognition

Disclosures that relate to the revenue recognition are included in Note (19) to the consolidated financial statements. Disclosures that relate to the accounting policies of revenue recognition are included in Note (2-3) to the consolidated financial statements.

Key audit matter

The Group focuses on revenue targets as a key performance measure which may create an incentive for revenue to be recognized before delivering the goods and may result in overstating revenues.

How the key audit matter was addressed in the audit

Our audit procedures included evaluating the Group's revenue recognition accounting policies in accordance with IFRS 15 "Revenue from contracts with customers". We tested the Group's controls over revenue recognition and key controls in the revenue cycle. We also selected a representative sample and tested revenue cutoff date to, assess whether the revenue was recognized in the correct period.

We have also performed detailed analytical procedures for the gross margin on a monthly basis. We also selected and tested a representative sample of journal entries.

2) Existence and valuation of inventories

Disclosures that relate to inventories are included in Note (10) to the consolidated financial statements. Disclosures that relate to the accounting policies of inventories are included in Note (2-3) to the consolidated financial statements.

Key audit matter

At 31 December 2019, total inventories balance amounted to JD 5,773,312 representing 6.7% of total assets of the Group. These inventories mainly consist of raw materials and finished goods located in the Group's warehouses.

The assessment of revaluation of inventories to net realizable value is mainly based on management estimates.

How the key audit matter was addressed in the audit

Our audit procedures included testing the Group's controls around completeness and existence of inventories and key controls of the inventory cycle. In addition, our audit procedures included observation of the stock counts held at the Group's warehouses. Also, we selected a sample of inventories issuances and receipts before and after the year end of 31 December 2019 to assess whether the inventory was recorded in the correct period. We also tested the basis for inventory obsolescence in line with management estimates. In doing so, we tested the ageing profile of inventory, the process for identifying obsolete and slow-moving items in inventory and historical loss rates.



Other Information included in the Group's 2019 annual report

Other information consists of the information included in the annual report, other than the consolidated financial statements and our auditor's report thereon. Management is responsible for the other information. Our opinion on the consolidated financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

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

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

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

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

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

Auditor's Responsibilities for the Audit of the Consolidated Financial Statements

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

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

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

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



- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Company to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit.

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

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

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



Report on Other Legal and Regulatory Requirements

The Group maintains proper books of accounts and the accompanying consolidated financial statements are in agreement therewith. We recommend the general assembly to approve these consolidated financial statements taking into consideration the aforementioned basis for qualified opinion paragraph and emphasis of matter paragraph.

The partner in charge of the audit resulting in this auditor's report was Ahmed Ramadan, license number 942.



Business Solutions for Auditing

Amman — Jordan

14 March 2020

THE JORDANIAN PHARMACEUTICAL MANUFACTURING COMPANY - PUBLIC SHAREHOLDING COMPANY
CONSOLIDATED STATEMENT OF FINANCIAL POSITION
AS AT 31 DECEMBER 2019

	Notes	31 December 2019 JD	31 December 2018 JD (Restated Note 33)	1 January 2018 JD (Restated Note 33)
ASSETS				
Non-current assets -				
Right-of-use assets	5	7,842,096	7,995,400	8,148,704
Property, plant and equipment	6	3,794,477	3,807,002	3,735,005
Intangible assets	7	2,132,755	2,245,439	2,255,599
Investment in associates	8	2,920,421	2,506,214	2,370,909
Financial assets at fair value through other comprehensive income	9	232,305	1,587,051	1,587,051
		<u>16,922,054</u>	<u>18,141,106</u>	<u>18,097,268</u>
Current assets -				
Inventory	10	5,773,312	5,040,464	7,540,524
Other receivables	11	1,503,752	515,571	909,147
Due from related parties	12	735,972	991,276	1,240,371
Accounts receivable	13	12,556,376	19,939,191	15,218,758
Checks under collection		743,295	703,790	1,105,443
Cash and bank balances	14	450,693	238,473	1,189,558
		<u>21,763,400</u>	<u>27,428,765</u>	<u>27,203,801</u>
Total Assets		<u><u>38,685,454</u></u>	<u><u>45,569,871</u></u>	<u><u>45,301,069</u></u>
EQUITY AND LIABILITIES				
Attributable to equity holders of the Parent -				
Paid in capital	15	25,312,500	25,312,500	25,312,500
Statutory reserve	15	2,059,193	2,059,193	2,044,060
Cumulative change in fair value through other comprehensive income		(2,284,746)	(930,000)	(930,000)
Foreign currency translation reserve	15	(69,959)	-	-
Accumulated losses	15	(23,596,782)	(17,737,444)	(13,453,430)
		<u>1,420,206</u>	<u>8,704,249</u>	<u>12,973,130</u>
Non-controlling interests	26	181,735	236,604	175,187
Net equity		<u><u>1,601,941</u></u>	<u><u>8,940,853</u></u>	<u><u>13,148,317</u></u>
Liabilities				
Non-current liabilities -				
Deferred gain from sale and lease back	16	1,435,719	1,550,576	1,665,433
Lease liabilities	16	7,784,948	8,131,415	8,438,651
Murabaha financing	17	11,954,500	5,067,524	5,266,062
Accounts payables		600,000	1,800,000	-
		<u>21,775,167</u>	<u>16,549,515</u>	<u>15,370,146</u>
Current liabilities -				
Current portion of deferred gain on sale and lease back	16	114,858	114,858	114,858
Current portion of lease liabilities	16	492,991	453,752	354,204
Current portion of murabaha financing	17	1,968,475	7,261,346	5,296,843
Due to related parties	12	113,303	55,842	64,233
Current portion of accounts payable		4,330,787	4,148,929	3,836,393
Other payables	18	7,338,102	7,337,620	6,442,794
Due to banks	14	949,830	707,156	673,281
		<u>15,308,346</u>	<u>20,079,503</u>	<u>16,782,606</u>
Total Liabilities		<u><u>37,083,513</u></u>	<u><u>36,629,018</u></u>	<u><u>32,152,752</u></u>
Total Equity and Liabilities		<u><u>38,685,454</u></u>	<u><u>45,569,871</u></u>	<u><u>45,301,069</u></u>

The accompanying notes from 1 to 34 form integral part of these consolidated financial statements

THE JORDANIAN PHARMACEUTICAL MANUFACTURING COMPANY - PUBLIC SHAREHOLDING COMPANY
CONSOLIDATED STATEMENT OF PROFIT OR LOSS
FOR THE YEAR ENDED 31 DECEMBER 2019

	Note	2019 JD	2018 JD (Restated Note 33)
Net sales	19	9,977,197	22,205,163
Cost of sales	20	(7,076,480)	(12,445,255)
Gross profit		2,900,717	9,759,908
Selling and distribution expenses	21	(5,285,945)	(5,434,794)
Administrative expenses	22	(2,320,621)	(2,527,565)
Finance costs		(1,147,462)	(1,800,182)
Gain from murabaha restructuring		406,114	-
Expected credit loss provision	13	(883,081)	-
Contract termination loss		-	(3,072,150)
Impairment and amortization of Intangible assets	7	(169,061)	(50,526)
Research and study expenses		(294,033)	(412,999)
Expired goods		(740,997)	(615,751)
Groups' share of profit of associates	8	858,939	135,305
Income from sale of technical knowledge		433,264	-
Income and other expenses, net	23	334,803	(43,430)
loss for the year before income tax		(5,907,363)	(4,062,184)
Income tax expense for the year	24	(6,563)	(51,293)
Loss for the year		(5,913,926)	(4,113,477)
Loss for the year attributable to:			
Shareholders of the parent company		(5,859,338)	(4,096,040)
Non-controlling interests	26	(54,588)	(17,437)
		(5,913,926)	(4,113,477)
		JD/Fils	JD/Fils
Basic and diluted loss per share for the year attributable to shareholders of the parent company	25	(0/231)	(0/162)

The accompanying notes from 1 to 34 form integral part of these consolidated financial statements

THE JORDANIAN PHARMACEUTICAL MANUFACTURING COMPANY - PUBLIC SHAREHOLDING COMPANY
CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME
FOR THE YEAR ENDED 31 DECEMBER 2019

	Note	2019 JD	2018 JD (Restated Note 33)
Loss for the year		(5,913,926)	(4,113,477)
Add :Other comprehensive income items that may not be reclassified to profit or loss in subsequent periods			
Changes in fair value of financial assets at fair value through other comprehensive income		(1,354,746)	-
Foreign currency translation differences		(70,240)	-
		(1,424,986)	-
Total comprehensive income for the year		(7,338,912)	(4,113,477)
Total comprehensive income for the year attributable to:			
Shareholders of the parent company		(7,284,043)	(4,096,040)
Non-controlling interests	26	(54,869)	(17,437)
		(7,338,912)	(4,113,477)

The accompanying notes from 1 to 34 form integral part of these consolidated financial statements

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THE JORDANIAN PHARMACEUTICAL MANUFACTURING COMPANY - PUBLIC SHAREHOLDING COMPANY
CONSOLIDATED STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED 31 DECEMBER 2019

	Note	2019 JD	2018 JD
<u>OPERATING ACTIVITIES</u>			
Loss for the year before income tax		(5,907,363)	(4,062,184)
Adjustments for:			
Depreciation and amortization	5, 6, 7	740,631	643,028
Contract termination loss		-	3,072,150
Group's share of net profit of associates	8	(858,939)	(135,305)
Expected credit loss provision	13	883,081	-
Gain from murabaha restructuring		(406,114)	-
Changes in working capital -			
Inventories		(732,848)	2,500,060
Due from related parties		255,304	221,253
Accounts receivable		6,429,494	(4,720,433)
Checks under collection		(39,505)	401,653
Other receivables		(988,181)	393,576
Accounts payable		(1,024,705)	(959,614)
Due to related parties		57,461	(8,391)
Other payables		482	790,938
Net cash flows used in operating activities		<u>(1,591,202)</u>	<u>(1,863,269)</u>
<u>INVESTING ACTIVITIES</u>			
Purchase of property, plant and equipment	6	(405,741)	(524,744)
Purchase of intangible assets	7	(56,377)	(40,367)
Dividends received from associates	8	444,732	-
Net cash flows used in investing activities		<u>(17,386)</u>	<u>(565,111)</u>
<u>FINANCING ACTIVITIES</u>			
Lease liabilities paid		(422,085)	(322,545)
Murabaha financing received		2,000,219	1,765,965
Net cash flows from financing activities		<u>1,578,134</u>	<u>1,443,420</u>
Net decrease in cash and cash equivalents		(30,454)	(984,960)
Cash and cash equivalents at the beginning of the year		<u>(468,683)</u>	<u>516,277</u>
Cash and cash equivalents at the end of the year	14	<u>(499,137)</u>	<u>(468,683)</u>

The accompanying notes from 1 to 34 form integral part of these consolidated financial statements

THE JORDANIAN PHARMACEUTICAL MANUFACTURING COMPANY - PUBLIC SHAREHOLDING COMPANY
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
31 DECEMBER 2019

(1) GENERAL

The Jordanian Pharmaceutical Manufacturing Company (the "Company") was established on 27 January 2004 as a Public Shareholding Company under registration No. 47 as a result of the merger between Al Razi for Pharmaceutical Manufacturing a public shareholding company and the Jordanian Company for the Production of Medicines and Medical Equipment a limited liability company, with an authorized capital of JD 40,000,000 and paid in capital of JD 25,312,500 divided into 25,312,500 shares at par value of JD1 per share.

The head office of the Company is located in Amman - The Hashemite Kingdom of Jordan.

The Company's main objective is the production of medical, chemical and pharmaceutical products.

The consolidated financial statements were approved by the Board of Directors on 12 March 2020.

(2-1) BASIS OF PREPARATION

The consolidated financial statements have been prepared on a historical cost basis, except for the financial assets at fair value through other comprehensive income which have been measured at fair value as of the date of the consolidated financial statements.

The consolidated financial statements have been prepared in accordance with the International Financial Reporting Standards (IFRS) as issued by the International Accounting Standard Board ("the Board").

The consolidated financial statements are presented in Jordanian Dinars which is the Company's functional currency.

(2-2) BASIS OF CONSOLIDATION

The consolidated financial statements comprise the financial statements of the Company and its subsidiaries (the "Group") as at 31 December 2019. The subsidiaries that are included in the consolidated financial statements are as follow:

Company Name	Capital (JD)	Main activities	Country of incorporation	Ownership percentage
Dellas for Natural Products Co.	150,000	Pharmaceutical industries	Jordan	93.33%
Swagh for Pharmaceutical Manufacturing Co.	150,000	Pharmaceutical industries	Jordan	93.33%
Aragen for Technical Organic Co. and its subsidiary: *	1,400,000	Reagent industries	Jordan	90%
- Aragen for Technical Organic Co. (Free-Zone)	30,000	Pharmaceutical industries	Jordan	100%
Jordan Algerian Pharmaceutical Manufacturing Co.	188,800	Pharmaceutical marketing	Algeria	99.66%

* During the last quarter of 2018, the arbitrator issued a decision against the Group to revoke the signed ownership contract with Ammon International Multilateral Investment Company (a previous partner in a subsidiary), based on the settlement agreement signed with Ammon International Multilateral Investment Company the Group agreed to pay JD 3,500,000 which include lawyer and legal fees to cancel this contract. as a result the Group's share increased to 90% in its subsidiary.

THE JORDANIAN PHARMACEUTICAL MANUFACTURING COMPANY - PUBLIC SHAREHOLDING COMPANY
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
31 DECEMBER 2019

The control exists when the Group controls the subsidiaries' significant and relevant activities, and is exposed, or has the rights, to variable returns from its involvement with the subsidiaries, and has the ability to affect those returns. Control over the subsidiaries is exercised when the following factors exist:

- Power over the investee (i.e., existing rights that give it the current ability to direct the relevant activities of the investee).
- Exposure, or rights, to variable returns from its involvement with the investee.
- The ability to use its power over the investee to affect its returns.

When the Group owns less than a majority of the voting rights in an investee, in this case, the Group considers all factors and circumstances to determine whether it has control over the investee, which include the following:

- Contractual agreements with shareholders that have voting rights in the investee.
- Rights resulting from other contractual arrangements.
- The Group's current and future voting rights in the investee.

The Group reassesses its control over the investee when circumstances and factors exist that lead to the change in one or more of the three factors listed above.

Subsidiaries are fully consolidated from the date of acquisition being the date on which the Group gains control, and continues to do so until the date when such control ceases. The subsidiaries revenues and expenses are consolidated in the consolidated statement of comprehensive income from the date the Group gains control over the subsidiaries until that control ceases.

Profits, losses, and all other comprehensive income items are attributed to the shareholders' equity of the parent company, and to non-controlling interest, even if this leads to a deficit balance. If need arises, the subsidiaries' financial statements are adjusted accordingly to comply with the Group's accounting policies. All intra-group balances, transactions, unrealized gains and losses resulting from intra-group transactions and dividends are eliminated in full.

A change in the ownership interest of a subsidiary, without a loss of control, is accounted for as an equity transaction. If the Group loses control over a subsidiary, it:

- Derecognises the assets (including goodwill) and liabilities of the subsidiary
- Derecognises the carrying amount of any non-controlling interest
- Derecognises the cumulative translation differences recorded in equity
- Recognises the fair value of the consideration received
- Recognises the fair value of any investment retained
- Recognises any surplus or deficit in the statement of profit or loss and other comprehensive income
- Reclassifies the parent's share of components previously recognized in OCI to profit or loss or retained earnings, as appropriate, as would be required if the Group had directly disposed of the related assets or liabilities.

Investors with significant influence on the Group:

Jordan Islamic Bank, Islamic Corporation for the Development of the Private Sector and Rimco for Investment Company owns 44.2%, 22.4% and 12.7% of the Company's issued shares, respectively.

(3-1) CHANGES IN ACCOUNTING POLICES

The accounting policies used in the preparation of the consolidated financial statements are consistent with those used in the preparation of the annual consolidated financial statements for the year ended 31 December 2018 except for the adoption of new standards and amendment to existing standards effective as of 1 January 2019 shown below:

IFRS 16 Leases

IFRS 16 supersedes IAS 17 Leases, IFRIC 4 Determining whether an Arrangement contains a Lease, SIC-15 Operating Leases-Incentives and SIC-27 Evaluating the Substance of Transactions Involving the Legal Form of a Lease. The standard sets out the principles for the recognition, measurement, presentation and disclosure of leases and requires lessees to account for most leases under a single on-balance sheet model.

Lessor accounting under IFRS 16 is substantially unchanged from IAS 17. Lessors will continue to classify leases as either operating or finance leases using similar principles as in IAS 17. Therefore, IFRS 16 did not have an impact for leases where the Group is the lessor.

The Company's adopted IFRS 16 using the modified retrospective approach with the date of initial application of 1 January 2019 accordingly; prior year financial statements were not restated. The Company's decided to use the transition practical expedient allowing the standard to be applied only to contracts that were previously identified as leases applying IAS 17 and IFRIC 4 at the date of initial application. The Company's also decided to use the recognition exemptions for lease contracts that, at the commencement date, have a lease term of 12 months or less and do not contain a purchase option ('short-term leases'), and lease contracts for which the underlying asset is of low value ('low-value assets').

The adoption IFRS 16 "Leases" does not have any impact on the Group's consolidated financial statements, especially the assets generated from sale and lease back contract where the new issued standard requires continuous application of the accounting treatment based on the previous standard IAS 17 "lease contracts".

IFRIC Interpretation 23 Uncertainty over Income Tax Treatment

The Interpretation addresses the accounting for income taxes when tax treatments involve uncertainty that affects the application of IAS 12 and does not apply to taxes or levies outside the scope of IAS 12, nor does it specifically include requirements relating to interest and penalties associated with uncertain tax treatments. An entity must determine whether to consider each uncertain tax treatment separately or together with one or more other uncertain tax treatments. The interpretation is effective for annual reporting periods beginning on or after 1 January 2019, but certain transition reliefs are available.

This interpretation does not have any impact on the Group's consolidated financial statements.

Amendments to IFRS 9: Prepayment Features with Negative Compensation

Under IFRS 9, a debt instrument can be measured at amortised cost or at fair value through other comprehensive income, provided that the contractual cash flows are 'solely payments of principal and interest on the principal amount outstanding' (the SPPI criterion) and the instrument is held within the appropriate business model for that classification. The amendments to IFRS 9 clarify that a financial asset passes the SPPI criterion regardless of the event or circumstance that causes the early termination of the contract and irrespective of which party pays or receives reasonable compensation for the early termination of the contract.

These amendments do not have any impact on the Group's consolidated financial statements.

Amendments to IFRS 10 and IAS 28: Sale or Contribution of Assets between an Investor and Its Associate or Joint Venture

The amendments address the conflict between IFRS 10 and IAS 28 in dealing with the loss of control of a subsidiary that is sold or contributed to an associate or joint venture. The amendments clarify that the gain or loss resulting from the sale or contribution of assets that constitute a business, as defined in IFRS 3, between an investor and its associate or joint venture, is recognised in full. Any gain or loss resulting from the sale or contribution of assets that do not constitute a business, however, is recognised only to the extent of unrelated investors' interests in the associate or joint venture. The IASB has deferred the effective date of these amendments indefinitely, but an entity that early adopts the amendments must apply them prospectively.

These amendments do not have any impact on the Group's consolidated financial statements.

Amendments to IAS 19: Plan Amendment, Curtailment or Settlement

The amendments to IAS 19 address the accounting when a plan amendment, curtailment or settlement occurs during a reporting period. The amendments also clarify that an entity first determines any past service cost, or a gain or loss on settlement, without considering the effect of the asset ceiling. This amount is recognised in profit or loss.

An entity then determines the effect of the asset ceiling after the plan amendment, curtailment or settlement. Any change in that effect, excluding amounts included in the net interest, is recognised in other comprehensive income.

These amendments do not have any impact on the Group's consolidated financial statements.

Amendments to IAS 28: Long-term interests in associates and joint ventures

The amendments clarify that an entity applies IFRS 9 to long-term interests in an associate or joint venture to which the equity method is not applied but that, in substance, form part of the net

investment in the associate or joint venture (long-term interests). This clarification is relevant because it implies that the expected credit loss model in IFRS 9 applies to such long-term interests.

The amendments also clarified that, in applying IFRS 9, an entity does not take account of any losses of the associate or joint venture, or any impairment losses on the net investment, recognised as adjustments to the net investment in the associate or joint venture that arise from applying IAS 28 Investments in Associates and Joint Ventures.

These amendments do not have any impact on the Group's consolidated financial statements.

(3-2) SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Property, plant and equipment

Property, plant and equipment are stated at cost, net of accumulated depreciation and any impairment value. When assets are sold or retired, their cost and accumulated depreciation are eliminated from the accounts and any gain or loss resulting from their disposal is included in the consolidated statement of profit or loss.

Depreciation (except for lands) is computed on a straight-line basis over the estimated useful lives of assets at the following annual rates:

	%
Buildings	2-4
Machinery and equipment	5-10
Tools and equipment	10-25
Vehicles	10
Furniture and fixtures	10

When the carrying values exceed the estimated recoverable amounts of the property, plant and equipment, the assets are written down to their recoverable amounts of the property, plant and equipment, and the impairment is recorded in the consolidated statement of profit or loss.

The useful life and depreciation method are reviewed periodically to ensure that the method and period of depreciation are consistent with the expected pattern of economic benefits from items of property, plant and equipment.

Intangible assets

The measurement of intangible assets at acquisition by cost or fair value if resulting from the acquisition of subsidiaries.

The useful lives of intangible assets are assessed as either finite or indefinite. Finite intangible assets are amortized over their useful lives and recorded in the consolidated statement of profit and loss. Indefinite intangible assets are tested for impairment on an annual basis and recorded in the consolidated statement of profit and loss.

Internally generated intangibles from the operations of the group are not capitalised and the related expenditure is reflected in the consolidated statement of profit or loss in the period in which the expenditure is incurred.

Intangible assets are reviewed for indications of impairment on the date of the consolidated financial statements. In addition, the useful live of these assets are reviewed were the adjustments are made on the subsequent years.

Intangible assets are amortized over the expected useful life using the following annual ratios:

	%
Patent	Indefinite useful life
Bio-equivalent studies	Indefinite useful life
Medicine registration	20

Investments in associates

Associates are entities in which the Group has significant influence and which is neither a subsidiary nor a joint venture. The Group's investments in its associates are accounted for using the equity method.

The investments in associates are carried in the consolidated statement of financial position at cost plus post acquisition changes in the Group's share of net assets of the associate. Goodwill relating to an associate is included in the carrying amount of the investment account in associate company and is not amortized. The consolidated statement of profit or loss reflects the share of the results of operations of the associate. Where there has been a change recognized directly in the equity of the associate, the Group recognizes its share of any changes and discloses this, when applicable, in the consolidated statement of changes in equity. Unrealized gains and losses resulting from transactions between the Group and the associate are eliminated to the extent of the interest in the associates.

Financial assets at fair value through other comprehensive income

Financial assets at fair value through other comprehensive income are recorded at fair value when purchased plus acquisition costs and subsequently measured at fair value. Changes in fair value are reported as a separate component in the consolidated statement of comprehensive income and in the consolidated statement of equity including the change in fair value resulting from conversion differences of non-cash items of assets at foreign currencies. In case of sale of such assets or part of it, the gain or loss is recorded at the consolidated statement of comprehensive income and in the consolidated statement of changes in equity and the valuation reserve balance for sold assets will be transferred directly to retained earnings not through the consolidated statement of profit or loss.

These assets are not subject to impairment testing. Dividends are recognized in the consolidated statement of profit or loss.

Accounts receivable

Trade receivables are measured at the transaction price determined under IFRS 15. The Group recognises an allowance for expected credit losses (ECLs) for trade receivables. The Group applies a simplified approach in calculating ECLs. The Group recognises a loss allowance based on lifetime ECLs at each reporting date. The Group has established a provision matrix that is based on its historical credit loss experience, adjusted for forward-looking factors specific to the debtors and the economic environment.

Inventories

Inventories are valued at the lower of cost and net realizable value.

Net realizable value represents the estimated selling price for inventories less all estimated costs of completion and costs necessary to make the sale.

Cost is calculated as follows:

Raw materials: purchase cost is determined on the weighted average basis.

Finished goods and work in progress: cost of direct materials and a proportion of manufacturing overheads using is determined on the weighted average basis.

Cash and cash equivalents

Cash and cash equivalents include cash on hand and at banks with original maturities of three months or less with no risk of change in their value.

For the purpose of the preparation of consolidated statement of cash flows, cash and cash equivalents consists of cash and short-term deposits are defined above, net of outstanding bank overdraft and restricted cash.

Fair value

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The fair value measurement is based on the presumption that the transaction to sell the asset or transfer the liability takes place either:

- In the principal market for the asset or liability, or
- In the absence of a principal market, in the most advantageous market for the asset or liability

The principal or the most advantageous market must be accessible to by the Group.

The fair value of an asset or a liability is measured using the assumptions that market participants would use when pricing the asset or liability, assuming that market participants act in their economic best interest.

A fair value measurement of a non-financial asset takes into account a market participant's ability to generate economic benefits by using the asset in its highest and best use or by selling it to another market participant that would use the asset in its highest and best use.

The Group uses valuation techniques that are appropriate in the circumstances and for which sufficient data are available to measure fair value, maximizing the use of relevant observable inputs and minimizing the use of unobservable inputs.

All assets and liabilities for which fair value is measured or disclosed in the consolidated financial statements are categorized within the fair value hierarchy, described as follows, based on the lowest level input that is significant to the fair value measurement as a whole:

- Level 1 - Quoted (unadjusted) market prices in active markets for identical assets or liabilities.
- Level 2 - Valuation techniques for which the lowest level input that is significant to the fair value measurement is directly or indirectly observable.
- Level 3 - Valuation techniques for which the lowest level input that is significant to the fair value measurement is unobservable.

For assets and liabilities that are recognized in the consolidated financial statements, the Group determines, whether transfers have occurred between levels in the hierarchy by re-assessing categorization (based on the lowest level of input that is considered essential to the fair value measurement as a whole) at the end of each reporting period.

Borrowing costs

Borrowing costs directly attributable to the acquisition, construction or production of an asset that necessarily takes a substantial period of time to get ready for its intended use or sale are capitalized as part of the cost of the asset. All other borrowing costs are expensed in the period they occur. Borrowing costs consist of interest and other costs that an entity incurs in connection with the borrowing of funds.

Loans

After initial recognition, loans are subsequently measured at amortised cost using the effective interest rate method. Gains and losses are recognised in consolidated statement of profit or loss when the liabilities are derecognised as well as through effective interest amortisation process. Amortised cost is calculated by taking into account any discount or premium on acquisition and fees or costs that are an integral part of the effective interest. The effective interest amortisation is included in finance costs in the consolidated statement of profit and loss.

Accounts payables

Liabilities are recognized for amounts to be paid in the future for services or goods received whether billed by the supplier or not.

Provisions

Provisions are recognized when the Group has a present obligation (legal or constructive) as a result of a past event, it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation. When the Group expects some or all of a provision to be reimbursed, for example, under an insurance contract, the reimbursement is recognized as a separate asset, but only when the reimbursement is virtually certain. The expense relating to a provision is presented in the statement of profit or loss net of any reimbursement.

Income tax

Current income tax is calculated in accordance with the Income Tax Laws in Jordan and the countries where the subsidiaries operate.

Tax expense comprises current tax and deferred taxes.

Current tax is calculated based on taxable profits, which may differ from accounting profits appearing in the consolidated financial statements. Accounting profits may include non-taxable profits or expenses which may not be tax deductible in the current but in subsequent applicable years or taxable accumulated losses or non taxable nor deductible items.

Deferred income tax is provided using the liability method on temporary differences at the consolidated financial statements date between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes. Deferred income tax is measured at the tax rates that are expected to apply to the year when the tax liability is settled or the tax asset is realized.

The carrying amount of deferred income tax assets is reviewed at each consolidated financial statement date and reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the deferred income tax asset to be utilized.

Revenue

Revenue from contracts with customers

Revenue from contracts with customers is recognised when control of the goods or services are transferred to the customer at an amount that reflects the consideration to which the Company expects to be entitled in exchange for those goods. The Group has generally concluded that it is the principal in its revenue arrangements, because it typically controls the goods or services before transferring them to the customer.

Variable consideration

If the consideration in a contract includes a variable amount, the Group estimates the amount of consideration to which it will be entitled in exchange for transferring the goods to the customer. The variable consideration is estimated at contract inception and constrained until it is highly probable that a significant revenue reversal in the amount of cumulative revenue recognised will not occur when the associated uncertainty with the variable consideration is subsequently resolved. Some contracts provide customers with a right of return. The rights of return give rise to variable consideration.

Rights of return

Certain contracts provide a customer with a right to return the goods within a specified period. The Group uses the expected value method to estimate the goods that will not be returned because this method best predicts the amount of variable consideration to which the Group will be entitled. The requirements in IFRS 15 on constraining estimates of variable consideration are also applied in order to determine the amount of variable consideration that can be included in the transaction price. For goods that are expected to be returned, instead of revenue, the Group recognizes a refund liability.

Refund liabilities

A refund liability is the obligation to refund some or all of the consideration received (or receivable) from the customer and is measured at the amount the Group ultimately expects it will have to return to the customer. The Group updates its estimates of refund liabilities (and the corresponding change in the transaction price) at the end of each reporting period. Refer to above accounting policy on variable consideration.

Interest income is recognized using the effective interest rate method

Other revenues are recognized on the accrual basis.

Offsetting

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

Foreign currencies

The consolidated financial statements are presented in Jordanian Dinars, which is the parent's functional and presentation currency. Each subsidiary determines its own functional currency.

Transactions in foreign currencies are initially recorded in the functional currency rate ruling at the date transaction. Monetary assets and liabilities dominated in foreign currency are retranslated at the functional currency rate of exchange ruling at the statement of financial position date. Profit or loss resulting from transactions in foreign currencies are recorded in the consolidated statement of profit and loss.

Assets and liabilities of subsidiaries that have functional currencies different from the presentation currency of the Parent are translated at the rate of exchange ruling at the consolidated statement of financial position date. Revenues and expenses of those subsidiaries are translated using the average exchange rate for the year. All resulting exchange differences are recorded as a separate component of equity.

(4) SIGNIFICANT ACCOUNTING ESTIMATES

The preparation of the consolidated financial statements requires management to make estimates and assumptions that affect the reported amounts of financial assets and liabilities and disclosure of contingent liabilities. These estimates and assumptions also affect the revenues and expenses and the provisions. In particular, considerable judgment by management is required in the estimation of the amount and timing of future cash flows when determining the level of provisions required in the future. Such estimates are necessarily based on assumptions about several factors involving varying degrees of judgment and uncertainty and actual results may differ resulting in future changes in such provisions.

Judgments, estimates and assumptions in the consolidated financial statements are detailed below:

- The Group uses a provision matrix to calculate ECLs for trade receivables. The provision rates are based on days past due for groupings of various customer segments that have similar loss patterns (i.e., by geography, product type, customer type and rating, and coverage by letters of credit and other forms of credit insurance).

The provision matrix is initially based on the Group's historical observed default rates. The Group will calibrate the matrix to adjust the historical credit loss experience with forward-looking information. For instance, if forecast economic conditions (i.e., gross domestic product) are expected to deteriorate over the next year which can lead to an increased number of defaults in the pharmaceuticals sector, the historical default rates are adjusted. At every reporting date, the historical observed default rates are updated and changes in the forward-looking estimates are analysed.

The assessment of the correlation between historical observed default rates, forecast economic conditions and ECLs is a significant estimate. The amount of ECLs is sensitive to changes in circumstances and of forecast economic conditions. The Group's historical credit loss experience and forecast of economic conditions may also not be representative of customer's actual default in the future.

- Income tax expense is calculated and charged for the year in accordance with laws and regulation and IAS.
- Certain contracts for the sale of goods include a right of return that give rise to variable consideration. In estimating the variable consideration, the Group is required to use either the expected value method or the most likely amount method based on which method better predicts the amount of consideration to which it will be entitled.

The Group determined that the expected value method is the appropriate method to use in estimating the variable consideration for the sale of goods with rights of return, given the large number of customer contracts that have similar characteristics.

Before including any amount of variable consideration in the transaction price, the Group considers whether the amount of variable consideration is constrained. The Group determined that the estimates of variable consideration are not constrained based on its historical experience, business forecast and the current economic conditions. In addition, the uncertainty on the variable consideration will be resolved within a short time frame.

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(5) RIGHT OF USE ASSETS

The Group entered into financing agreement with Jordan Islamic Bank, where the group sold a property (Al Razi Industrial complex located in Um Al Amad) to the bank and leased back the property to re-own after 10 years, the annual lease yield rate is 5% with the option to re-own the property if the Group pays all the commitments of the contract early. On 30 June 2013 the contract was terminated and new contract was signed which extended the period to 20 years.

	<u>Lands</u>	<u>Buildings</u>	<u>Total</u>
	<u>JD</u>	<u>JD</u>	<u>JD</u>
2019			
Cost-			
Balance as at 1 January 2019	1,832,692	7,369,115	9,201,807
Balance as at 31 December 2019	1,832,692	7,369,115	9,201,807
Accumulated Depreciation -			
Balance as at 1 January 2019	-	1,206,407	1,206,407
Deprecation charge for the year	-	153,304	153,304
Balance as at 31 December 2019	-	1,359,711	1,359,711
Net book value -			
Balance as at 31 December 2019	1,832,692	6,009,404	7,842,096
	<u>Lands</u>	<u>Buildings</u>	<u>Total</u>
	<u>JD</u>	<u>JD</u>	<u>JD</u>
2018			
Cost-			
Balance as at 1 January 2018	1,832,692	7,369,115	9,201,807
Balance as at 31 December 2018	1,832,692	7,369,115	9,201,807
Accumulated Depreciation -			
Balance as at 1 January 2018	-	1,053,103	1,053,103
Deprecation charge for the year	-	153,304	153,304
Balance as at 31 December 2018	-	1,206,407	1,206,407
Net book value -			
Balance as at 31 December 2018	1,832,692	6,162,708	7,995,400

The right of use of assets depreciation expense is recognized within cost of sales in the consolidated statement of profit or loss.

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(6) PROPERTY, PLANT AND EQUIPMENT

	Land	Buildings	Machinery and equipment	Tools	Vehicles	Furniture	Total
	JD	JD	JD	JD	JD	JD	JD
2019 - Cost-							
Balance as at 1 January 2019	490,127	3,896,082	10,319,836	2,791,221	259,559	734,771	18,491,596
Additions	-	-	145,181	256,556	-	4,004	405,741
Balance as at 31 December 2019	490,127	3,896,082	10,465,017	3,047,777	259,559	738,775	18,897,337
Accumulated Depreciation -							
Balance as at 1 January 2019	-	2,136,353	9,047,205	2,520,561	259,559	720,916	14,684,594
Depreciation charge for the year	-	165,031	157,090	94,007	-	2,138	418,266
Balance as at 31 December 2019	-	2,301,384	9,204,295	2,614,568	259,559	723,054	15,102,860
Net book value -							
As at 31 December 2019	490,127	1,594,698	1,260,722	433,209	-	15,721	3,794,477
2018 - Cost-							
Balance as at 1 January 2018	490,127	3,887,582	9,867,622	2,738,004	230,695	723,958	17,937,988
Additions	-	8,500	452,214	53,217	-	10,813	524,744
Transferred	-	-	-	-	28,864	-	28,864
Balance as at 31 December 2018	490,127	3,896,082	10,319,836	2,791,221	259,559	734,771	18,491,596
Accumulated Depreciation -							
Balance as at 1 January 2018	-	1,987,089	8,903,476	2,405,070	230,695	719,066	14,245,396
Depreciation charge for the year	-	149,264	143,729	115,491	28,864	1,850	439,198
Balance as at 31 December 2018	-	2,136,353	9,047,205	2,520,561	259,559	720,916	14,684,594
Net book value -							
As at 31 December 2018	490,127	1,759,729	1,272,631	270,660	-	13,855	3,807,002

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Depreciation expense is distributed in the consolidated statement of profit or loss as follows:

	2019	2018
	JD	JD
Cost of sales	404,757	425,979
Selling and distribution expenses	2,704	2,132
Administrative expenses	10,805	11,087
	<u>418,266</u>	<u>439,198</u>

(7) INTANGIBLE ASSETS

	Bio-equivalent studies	Patent	Medicine registration	Total
	JD	JD	JD	JD
2019 -				
Cost-				
Balance as at 1 January	5,333,942	3,880,133	1,361,855	10,575,930
Additions	-	-	56,377	56,377
Balance as at 31 December	<u>5,333,942</u>	<u>3,880,133</u>	<u>1,418,232</u>	<u>10,632,307</u>
Amortization Depreciation -				
As at 1 January	3,288,350	3,755,833	1,286,308	8,330,491
Amortization charge for the year	-	-	32,415	32,415
Impairment losses	99,348	37,298	-	136,646
As at 31 December	<u>3,387,698</u>	<u>3,793,131</u>	<u>1,318,723</u>	<u>8,499,552</u>
Net book value as at 31 December	<u>1,946,244</u>	<u>87,002</u>	<u>99,509</u>	<u>2,132,755</u>
2018 -				
Cost-				
Balance as at 1 January	5,333,942	3,880,133	1,321,488	10,535,563
Additions	-	-	40,367	40,367
Balance as at 31 December	<u>5,333,942</u>	<u>3,880,133</u>	<u>1,361,855</u>	<u>10,575,930</u>
Amortization Depreciation -				
As at 1 January	3,288,350	3,755,833	1,235,782	8,279,965
Amortization charge for the year	-	-	50,526	50,526
As at 31 December	<u>3,288,350</u>	<u>3,755,833</u>	<u>1,286,308</u>	<u>8,330,491</u>
Net book value as at 31 December	<u>2,045,592</u>	<u>124,300</u>	<u>75,547</u>	<u>2,245,439</u>

*On 31 December 2019, the Group performed an impairment test on the Bio-equivalence studies and Patents value (intangible assets with indefinite useful life) by calculating their fair value. based on the results impairment loss was recognized by the amount of JD 136,646 during the year 2019.

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(8) INVESTMENT IN AN ASSOCIATE

	Country of Incorporation	Activity	Ownership interest		2019	2018
			2019	2018	JD	JD
Azal Pharmaceutical Company	Eritrea	Industrial	42%	42%	<u>2,920,421</u>	<u>2,506,214</u>

Movement on investments in associate is as follows:

	31 December 2019	31 December 2018	1 January 2018
	JD	JD	JD
Balance beginning of the year	2,506,214	2,370,909	2,370,909
Group's share of Associates' net results current year	501,880	-	-
Group's share of Associates' net results previous years	357,059	135,305	-
Dividends received	(444,732)	-	-
Balance ending of the year	<u>2,920,421</u>	<u>2,506,214</u>	<u>2,370,909</u>

The following table summarize of the financial information of the group's investment in its associate:

	31 December 2019	31 December 2018	1 January 2018
	JD	JD	JD
Group's share in net equity:			
Current assets	7,693,046	7,533,592	6,382,438
Non- current assets	782,382	925,486	1,101,981
Current liabilities	(705,165)	(824,882)	(700,362)
Non- Current liabilities	(382,184)	(382,184)	(382,184)
Net Equity	<u>7,388,079</u>	<u>7,252,012</u>	<u>6,401,873</u>
Percentage of ownership	42%	42%	42%
Group's share in net equity	3,102,993	3,045,845	2,688,786
Imbedded goodwill	(182,572)	(182,572)	(182,572)
Previous year profit not recorded	-	(357,059)	(135,305)
Net investment as at 31 December	<u>2,920,421</u>	<u>2,506,214</u>	<u>2,370,909</u>

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Group's share from associates revenues and profits:	2019 JD	2018 JD
Net Sales	3,873,896	3,615,165
Cost of goods sold	(1,427,863)	(1,596,695)
Administrative expenses	(568,415)	(643,374)
Other Income	26,832	8,474
Net Income before tax	1,904,450	1,383,570
Income tax	(709,498)	(533,430)
Net Income	1,194,952	850,140
Ownership percentage	42%	42%
Group's share of associates' profit	501,880	357,059

(9) FINANCIAL ASSETS AT FAIR VALUE THROUGH OTHER COMPREHENSIVE INCOME

	Country	2019 JD	2018 JD
<u>Stocks of companies not listed</u>			
Arab Company for Drug Industries	Tunis	183,188	1,537,934
Tasili Takafo Company	Algeria	49,116	49,116
Egyptian Obour Company	Egypt	1	1
		232,305	1,587,051

(10) INVENTORY

	2019 JD	2018 JD
Finished goods	2,582,800	1,886,471
Raw materials	1,932,284	1,799,881
Packing materials	1,011,272	1,001,098
Spare parts and other consumables	246,956	353,014
	5,773,312	5,040,464

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(11) OTHER RECEIVABLES

	2019	2018
	JD	JD
Prepaid expenses	882,613	69,000
Sales tax deposit	119,771	32,936
Guarantee margin	103,408	52,814
Employee receivables	91,946	180,118
Income tax deposit	33,182	33,533
Refundable deposits	25,244	39,863
Other	247,588	107,307
	<u>1,503,752</u>	<u>515,571</u>

(12) RELATED PARTIES BALANCES AND TRANSACTIONS

Related parties represent major shareholders, directors and key management personnel of the Company, associates Company's and entities significantly controlled by them. Pricing policies and terms of the transactions are approved by the Group management.

Balances with related parties as shown in the consolidated statement of financial position are as follows:

	Nature of relationship	31 December 2019 JD	31 December 2018 JD	1 January 2018 JD
Amounts due from related parties:				
Arab Company for Drug Industries	Sister Company	-	416,284	486,545
Dr. Adnan Ali Hussein Badwan	Board Member	735,972	574,992	592,142
Azal Pharmaceutical Company	Associate Company	-	-	161,684
		<u>735,972</u>	<u>991,276</u>	<u>1,240,371</u>

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	<u>Nature of relationship</u>	<u>2019</u>	<u>2018</u>
Amounts due to related parties:			
Arab Company for Drug Industries	Sister Company	61,191	-
Rashid Abd Al-Rahman Al-Rashid Company	Major Shareholder	50,000	50,000
Azal Pharmaceutical Company	Associate Company	2,112	5,842
		<u>113,303</u>	<u>55,842</u>
Lease liabilities:			
Jordan Islamic Bank	Major Shareholder	<u>8,277,939</u>	<u>8,585,167</u>
Murabaha financing:			
Jordan Islamic Bank	Major Shareholder	<u>13,601,398</u>	<u>11,769,993</u>
Due to banks:			
Jordan Islamic Bank	Major Shareholder	<u>806</u>	<u>2,233</u>
Other payables:			
Amounts due to the Board of Directors	Board Member	<u>296,562</u>	<u>271,662</u>

The following is a summary of transactions with related parties that appear in the consolidated statement of profit or loss:

	<u>Nature of relationship</u>	<u>2019 JD</u>	<u>2018 JD</u>
Finance costs:			
Jordan Islamic Bank	Major Shareholder	<u>995,984</u>	<u>1,510,369</u>
Gain from Murabaha restructuring:			
Jordan Islamic Bank	Major Shareholder	<u>406,114</u>	<u>-</u>
Administrative expenses:			
Board members transportation	Board Member	<u>24,900</u>	<u>28,800</u>

Short term salaries, transportation and other benefits of key management personnel amounted to JD 559,170 for the year ended 31 December 2019 (for the year ended 31 December 2018: JD 479,622).

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(13) ACCOUNTS RECEIVABLE

	31 December 2019	31 December 2018	1 January 2018
	JD	JD	JD
Local Receivables	2,042,943	1,301,332	4,277,825
Foreign Receivables	24,822,917	32,064,262	24,367,336
	<u>26,865,860</u>	<u>33,365,594</u>	<u>28,645,161</u>
Expected credit loss provision*	(14,309,484)	(13,426,403)	(13,426,403)
	<u>12,556,376</u>	<u>19,939,191</u>	<u>15,218,758</u>

The following is the accounts receivable ageing as of December 31 using expected credit loss provision matrix:

	Weighted average loss rate	Accounts receivable	Expected credit loss allowance
		JD	JD
2019-			
Less than 90 days	4%	5,007,642	200,306
91 - 180 days	9%	1,367,514	123,076
181 - 270 days	22%	768,113	168,985
271 - 365 days	26%	1,135,655	294,367
365 - 730 days	50%	10,128,371	5,064,185
More than 730	100%	8,458,565	8,458,565
		<u>26,865,860</u>	<u>14,309,484</u>

	Weighted average loss rate	Accounts receivable	Expected credit loss allowance
		JD	JD
2018-			
Less than 90 days	4%	11,501,953	460,078
91 - 180 days	9%	3,806,486	342,584
181 - 270 days	22%	663,429	145,954
271 - 365 days	26%	468,829	121,895
365 - 730 days	50%	9,138,010	4,569,005
More than 730	100%	7,786,887	7,786,887
		<u>33,365,594</u>	<u>13,426,403</u>

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*The movement on the expected credit losses provision is as follows:

	2019 JD	2018 JD
As at 1 January	13,426,403	13,426,403
Charge for the year	883,081	-
As at 31 December	14,309,484	13,426,403

Unimpaired receivables are expected to be fully recoverable based on the Group's management opinion. The Group does not obtain any guarantees against these receivables.

(14) CASH AND CASH EQUIVALENTS

	2019 JD	2018 JD
Bank balances	433,361	228,644
Cash on hand	17,332	9,829
Cash and bank balances	450,693	238,473

For the purpose of preparation of the consolidated statement of cash flows, cash and cash equivalents comprise the following:

	2019 JD	2018 JD
Cash and bank balances	450,693	238,473
Less: due to banks*	(949,830)	(707,156)
Cash and cash equivalents	(499,137)	(468,683)

* Due to banks represents overdraft facilities by the amount of JD 949,830 granted by The Housing Bank - Algeria to finance the working capital requirements of the subsidiary located in Algeria, with total credit limit of 475 million Algerian Dinars and a variable interest rate of 3%+ TAUX DE BASE BANCAIRE.

(15) EQUITY ATTRIBUTABLE TO EQUITY HOLDERS OF THE PARENT

Paid in capital -

The Company's authorized capital is JD 40,000,000 and paid in capital as of 31 December 2019 is JD 25,312,500 divided into 25,312,500 share at a par value of JD 1 per share.

Statutory reserve -

The accumulated balances in this account represent 10% of the pretax income transferred to statutory reserve. Moreover, transfers might be stopped when the statutory reserve reaches 25% of the Company's paid-in capital unless the general assembly approves to continue to build the reserve using the same rate until it equals its paid in capital. This reserve is not available for distribution to the shareholders.

Foreign currency translation differences -

This item represents foreign currency differences that results from the translation of financial statements for foreign subsidiaries.

Accumulated Losses -

the Group's accumulated losses reached JD 23,596,782 as at 31 December 2019 which represent 93.2% of its paid in capital. As per article No. (266) of the Companies Law No. (22) for the year 1997 and its amendments which states that in case the accumulated losses of public shareholding company reach 75% of its subscribed capital, it should be liquidated unless the general assembly decides in its extra ordinary meeting to increase its capital to set off these losses. The board of directors recommended the general assembly to amortize part of these losses by reducing the capital of the Company and increase the capital of the Company. The existence of such events may cast a significant doubt about the Company's ability to continue as a going concern.

(16) LEASE LIABILITY

Lease liabilities represents the Groups' outstanding due balance commitments generated from the finance lease agreement signed with the Jordan Islamic Bank. Moreover, the annual lease yield applied equals to 5%.

	2019		2018	
	Minimum Lease payment	Present Value of payments	Minimum Lease payment	Present Value of payments
	JD	JD	JD	JD
Unpaid due balance	146,526	146,526	146,526	146,526
Due within a year	879,156	346,465	879,156	307,226
Due from one to five years	3,516,624	1,798,176	3,516,624	1,634,780
Due after more than five years	7,472,826	5,986,772	8,351,982	6,496,635
	<u>12,015,132</u>	<u>8,277,939</u>	<u>12,894,288</u>	<u>8,585,167</u>
Less: deferred finance cost	<u>(3,737,193)</u>	<u>-</u>	<u>(4,309,121)</u>	<u>-</u>
	<u>8,277,939</u>	<u>8,277,939</u>	<u>8,585,167</u>	<u>8,585,167</u>

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A profit was generated from the sale and lease back agreement by the amount of JD 2,631,589, which is being amortized over the lease term as the following:

	2019 JD	2018 JD
Balance beginning of the year	1,665,434	1,780,292
Amortization during the year	(114,857)	(114,858)
Balance ending of the year	<u>1,550,577</u>	<u>1,665,434</u>
Due within one year	114,858	114,858
Due over one year	<u>1,435,719</u>	<u>1,550,576</u>
Total	<u>1,550,577</u>	<u>1,665,434</u>

(17) MURABAHA FINANCING

		2019			2018		
Currency		Payable within one year	Long-term	Total	Payable within one year	Long-term	Total
		JD	JD	JD	JD	JD	JD
Jordan Islamic Bank	JOD	1,646,898	11,954,500	13,601,398	6,702,469	5,067,524	11,769,993
Post dated checks	JOD	321,577	-	321,577	558,877	-	558,877
		<u>1,968,475</u>	<u>11,954,500</u>	<u>13,922,975</u>	<u>7,261,346</u>	<u>5,067,524</u>	<u>12,328,870</u>

Jordan Islamic Bank

The Group obtained several murabahas from Jordan Islamic Bank, on 23 May 2019, an amendment agreement was signed with the bank to reschedule part of these murabahas installments, where the new rescheduled murabaha is due over 6 years, including one year grace period. This murabaha balance will be paid over 60 installments, where the first installment amounted to JD 204,411 is due on 30 May 2020, and the last installment amounted to JD 204,453 is due on 28 April 2025. As for the rest of murabahas it will be paid over 28 unequal installments, where the first installment is due on 25 June 2020, and the last installment is due on 25 September 2022.

Post dated checks-

This item represents postpaid checks payable within one year.

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The principal installments payable during next years are as follow:

<u>YEAR</u>	<u>JD</u>
2021	4,212,186
2022	3,190,692
2023	2,452,932
2024	2,452,932
2025	817,686
	<u>13,126,428</u>
Less: Deferred finance cost	<u>(1,171,928)</u>
	<u>11,954,500</u>

(18) OTHER PAYABLES

	<u>2019</u>	<u>2018</u>
	<u>JD</u>	<u>JD</u>
Accrued expenses	1,428,103	1,820,071
Social security payable	1,608,188	1,026,308
Income tax payable	1,157,271	1,378,696
Employee payable	1,110,200	1,088,032
Shareholders' deposit	1,045,922	1,012,275
Provision for staff indemnity	622,243	630,648
Board of directors payables	296,562	271,662
Other	69,613	109,928
	<u>7,338,102</u>	<u>7,337,620</u>

(19) NET SALES

	<u>For the year ended December 31</u>	
	<u>2019</u>	<u>2018</u>
	<u>JD</u>	<u>JD</u>
Local sales	1,133,152	9,177,695
Export sales	8,844,045	13,027,468
	<u>9,977,197</u>	<u>22,205,163</u>

Revenues are generated from sale of pharmaceutical products in the local and external markets, where the revenue is recognized at a point in time when the goods are transferred to the customer (when completing the performance obligation).

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(20) COST OF GOODS SOLD

	For the year ended December 31	
	2019	2018
	JD	JD
Raw materials used in production	1,443,554	6,215,135
Salaries, wages and other benefits	3,116,323	3,354,691
Electricity and water	694,555	736,917
Depreciation of the right to use the assets	153,304	153,304
Depreciation of property, plant and equipment	404,757	425,979
Transportation and travel	356,619	416,514
Maintenance	103,973	338,477
Laboratory analysis	167,208	263,036
Other manufacturing expenses	636,187	541,202
	<u>7,076,480</u>	<u>12,445,255</u>

(21) SELLING AND MARKETING EXPENSE

	For the year ended December 31	
	2019	2018
	JD	JD
Salaries, wages and other benefit	2,391,176	3,110,261
Advertising	1,182,958	514,553
Export and shipping	547,315	716,831
Rent	181,672	167,786
Travel and transportation	179,275	232,423
Guarantees and tenders	156,523	35,511
Samples	126,188	303,626
Telephone and post	57,414	42,815
Stationary and printing	11,846	16,523
Drug testing and registration expenses	58,379	16,001
Depreciation of property, plant and equipment	2,704	2,132
Other	390,495	276,332
	<u>5,285,945</u>	<u>5,434,794</u>

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(22) ADMINISTRATIVE EXPENSE

	For the year ended December 31	
	2019	2018
	JD	JD
Salaries, wages and other benefits	1,458,322	1,562,704
Legal and Lawyer fees	308,437	271,410
Fines and penalties	166,290	144,973
Remunerations of Board of Directors	63,313	43,716
Computers	43,484	17,545
Hospitality and cleaning	23,111	22,798
Depreciation of property, plant and equipment	10,805	11,087
Travel and transportation	10,253	62,972
Stationary and printing	7,138	13,529
Donations	6,820	13,450
Vehicles cost	2,668	32,863
Telephone and post	14,461	11,172
Other	205,519	319,346
	<u>2,320,621</u>	<u>2,527,565</u>

(23) OTHER INCOME AND EXPENSE, NET

	For the year ended December 31	
	2019	2018
	JD	JD
Foreign currency losses	(32,452)	(101,327)
Transfer of technical knowledge expenses	-	(8,106)
Income from settlement of receivables	173,000	-
Other income	194,255	66,003
	<u>334,803</u>	<u>(43,430)</u>

(24) INCOME TAX

The Jordanian Pharmaceutical Manufacturing Company - Public shareholding Company-

No income tax provision was calculated for the year ended 31 December 2019 due to the excess of deductible expenses over taxable revenues in accordance with the income tax law no. (38) for the year 2018.

The company has submitted income tax return self-assessment to the Income and Sales Tax Department for the years from 2009 till 2018, where the company is obliged to pay an amount of JD 3,118,107 without calculated its related fines. The company did not recorded such provision.

The Company has reached to a final settlement with the Income and Sales Tax Department up to the end of the year 2008.

Dellas for Natural Products Company-

Income tax provision was calculated for the year ended 31 December 2019 by the amount of JD 6,563, in accordance to income tax law no. (38) for the year 2018.

The company has submitted income tax return self-assessment to the Income and Sales Tax Department for the years from 2015 till 2018, where the company is obliged to pay an amount of JD 32,167 without calculated its related fines.

The Company has reached to a final settlement with the Income and Sales Tax Department up to the end of the year 2014.

Aragen for Technical Organic Company-

No income tax provision was calculated for the year ended 31 December 2019 due to the excess of deductible expenses over taxable revenues in accordance with the income tax law no. (38) for the year 2018.

The company has submitted income tax return self-assessment to the Income and Sales Tax Department for the years from 2016 till 2018.

The Company has reached to a final settlement with the Income and Sales Tax Department up to the end of the year 2015.

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Swagh for Pharmaceutical Manufacturing Company-

No income tax provision was calculated for the year ended 31 December 2019 due to the excess of deductible expenses over taxable revenues in accordance of income tax law no. (38) for the year 2018.

The company has submitted income tax return self-assessment to the Income and Sales Tax Department for the years from 2015 till 2018.

The Company has reached to a final settlement with the Income and Sales Tax Department up to the end of the year 2014.

(25) BASIC AND DILUTED LOSS PER SHARE FOR THE YEAR

	<u>2019</u>	<u>2018</u>
Loss for the year attributable to shareholders of the parent company (JD)	(5,859,338)	(4,096,040)
Weighted average number of shares (share)	25,312,500	25,312,500
	<u>JD/Fils</u>	<u>JD/Fils</u>
Basic and diluted loss per share for the year attributable to shareholders of the parent company	<u>(0/231)</u>	<u>(0/162)</u>

(26) MATERIAL PARTIALLY OWNED SUBSIDIARIES BY THE GROUP

Proportion of equity interest held by non-controlling interests:

<u>The Company's name</u>	<u>activity</u>	<u>Country of incorporation</u>	<u>Percentage of ownership</u>
Dellas for Natural Products Co.	Pharmaceutical industries	Jordan	6.66%
Swagh for Pharmaceutical Manufacturing Co.	Pharmaceutical industries	Jordan	6.66%
Aragen for Technical Organic Co. *	Reagent industries	Jordan	10%
Aragen for Technical Organic Co. (Free-Zone)	Pharmaceutical industries	Jordan	10%
Jordan Algerian Pharmaceutical Manufacturing Co.	Pharmaceutical marketing	Algeria	0.34%

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Accumulated balance of non-controlling interests:

	31 December 2019 JD	31 December 2018 JD	1 January 2018 JD
Dellas for Natural Products Co.	121,246	118,188	98,817
Swagh for Pharmaceutical Manufacturing Co.	8,387	9,799	(1,585)
Aragen for Technical Organic Co. *	44,042	100,435	52,382
Aragen for Technical Organic Co. (Free-Zone)	11,336	11,461	34,852
Jordan Algerian Pharmaceutical Manufacturing Co.	55	52	52
Eliminated transactions	(3,331)	(3,331)	(9,331)
Total	181,735	236,604	175,187

The share of rights of non-controllers from the comprehensive income is as follows:

	2019 JD	2018 JD
Dellas for Natural Products Co.	3,058	19,271
Swagh for Pharmaceutical Manufacturing Co.	(1,410)	(290)
Aragen for Technical Organic Co. *	(56,394)	(36,183)
Aragen for Technical Organic Co. (Free-Zone)	(125)	(156)
Jordan Algerian Pharmaceutical Manufacturing Co.	2	(79)
Total	(54,869)	(17,437)

Below is a summary of the financial information for the subsidiaries (before the elimination of the intercompany transactions and balances with subsidiaries):

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Summarized statement of comprehensive income for year 2019:

	Dellas for Natural Products Co.	Swagh for Pharmaceutical Manufacturing Co.	Aragen for Technical Organic Co.	Aragen for Technical Organic Co. (Free-Zone)	Jordan Algerian Pharmaceutical Manufacturing Co.	Total
	JD	JD	JD	JD	JD	JD
Net sales	1,007,515	-	202,244	-	372,128	1,581,887
Cost of goods sold	(584,340)	-	(568,475)	-	(311,382)	(1,464,197)
Selling and distribution expense	(206,308)	-	(53,564)	-	(314,700)	(574,572)
Administrative expense	(127,535)	(21,177)	(107,610)	(1,250)	(162,725)	(420,297)
(expenses) income other	(36,881)	-	(36,529)	-	487,518	414,108
Income Tax	(6,563)	-	-	-	-	(6,563)
Profit (loss) for the year	45,888	(21,177)	(563,934)	(1,250)	70,839	(469,634)
Non-controlling interests	3,058	(1,410)	(56,394)	(125)	283	(54,588)
Translation differences	-	-	-	-	(70,240)	(70,240)
Total comprehensive income	45,888	(21,177)	(563,934)	(1,250)	599	(539,874)
Non-controlling interests	3,058	(1,410)	(56,394)	(125)	2	(54,869)

Summarized statement of financial position as at 31 December 2019:

	Dellas for Natural Products Co.	Swagh for Pharmaceutical Manufacturing Co.	Aragen for Technical Organic Co.	Aragen for Technical Organic Co. (Free-Zone)	Jordan Algerian Pharmaceutical Manufacturing Co.	Total
	JD	JD	JD	JD	JD	JD
Current assets	2,736,067	46,813	1,801,191	108,409	1,610,823	6,303,303
Non-current assets	253,545	339,173	568,640	16,203	2,013	1,179,574
Current liabilities	(1,170,910)	(260,182)	(1,929,414)	(11,250)	(1,481,057)	(4,852,813)
Non-current liabilities	-	-	-	-	-	-
Total equity	1,818,702	125,804	440,417	113,362	131,779	2,630,064
Non-controlling interests	121,246	8,387	44,042	11,336	55	185,066

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Summarized statement of comprehensive income for the year 2018:

	Dellas for Natural Products Co.	Swagh for Pharmaceutical Manufacturing Co.	Aragen for Technical Organic Co.	Aragen for Technical Organic Co. (Free-Zone)	Jordan Algerian Pharmaceutical Manufacturing Co.	Total
	JD	JD	JD	JD	JD	JD
Net sales	1,822,366	-	517,284	-	687,165	3,026,815
Cost of goods sold	(1,086,777)	-	(589,086)	-	(449,894)	(2,125,757)
Selling and distribution expense	(212,046)	-	(125,334)	-	(439,087)	(776,467)
Administrative expense	(137,325)	(31,464)	(140,784)	(1,562)	(109,353)	(420,488)
(expenses) income other	(45,850)	27,108	(23,902)	-	287,822	245,178
Income Tax	(51,293)	-	-	-	-	(51,293)
Profit (loss) for the year	<u>289,075</u>	<u>(4,356)</u>	<u>(361,822)</u>	<u>(1,562)</u>	<u>(23,347)</u>	<u>(102,012)</u>
Non-controlling interests	19,271	(290)	(36,183)	(156)	(79)	(17,437)
Translation differences	-	-	-	-	-	-
Total comprehensive income	<u>289,075</u>	<u>(4,356)</u>	<u>(361,822)</u>	<u>(1,562)</u>	<u>(23,347)</u>	<u>(102,012)</u>
Non-controlling interests	<u>19,271</u>	<u>(290)</u>	<u>(36,183)</u>	<u>(156)</u>	<u>(79)</u>	<u>(17,437)</u>

Summarized statement of financial position as at 31 December 2018:

	Dellas for Natural Products Co.	Swagh for Pharmaceutical Manufacturing Co.	Aragen for Technical Organic Co.	Aragen for Technical Organic Co. (Free-Zone)	Jordan Algerian Pharmaceutical Manufacturing Co.	Total
	JD	JD	JD	JD	JD	JD
Current assets	900,507	46,442	1,247,393	1,210	1,274,342	3,469,894
Non-current assets	1,796,826	342,396	874,565	123,401	10,390	3,147,578
Current liabilities	(714,714)	(23,076)	(550,592)	(10,000)	(1,153,234)	(2,451,616)
Non-current liabilities	(209,805)	(218,781)	(567,016)	-	-	(995,602)
Total equity	<u>1,772,814</u>	<u>146,981</u>	<u>1,004,350</u>	<u>114,611</u>	<u>131,498</u>	<u>3,170,254</u>
Non-controlling interests	<u>118,188</u>	<u>9,799</u>	<u>100,435</u>	<u>11,461</u>	<u>52</u>	<u>239,935</u>

(27) RISK MANAGEMENT

- Interest rate risk

Interest rate risk is the risk that the fair value of future cash flow of a financial instrument will fluctuate because of changes in market interest rate.

The Group's exposed to interest rate risk on its financial assets and liability that carry interest such as Deposits ,Overdraft and Murabaha .

The sensitivity of the consolidated statement of profit or loss is the effect of the assumed changes in interest rates on the Group's profit for one year, based on the floating rate financial assets and financial liabilities held at 31 December.

The following table illustrates the sensitivity of the consolidated statement of profit or loss as of 31 December to reasonably possible changes in interest rates, with all other variables held constant.

	Increase in interest rate <hr/> (Basis points)	Effect on loss before tax <hr/> JD
2019- Currency		
Algerian Dinar	100	(9,488)
	Increase in interest rate <hr/> (Basis points)	Effect on loss before tax <hr/> JD
2018- Currency		
Algerian Dinar	100	(7,048)

If the interest rate drops by 100 basis points, it will have the same effect as above, with opposite signal.

Credit risk -

Credit risk is the risk that one party to a financial instrument will fail to discharge an obligation and cause the other party to incur a financial loss. The group is exposed to credit risk through its operational activities (accounts receivable) and financing activities (Deposits at banks) and other financial instruments included in the consolidated statement of financial position.

The Group seeks to limit its credit risk with respect to customers by monitoring outstanding receivables and with respect to banks by only dealing with reputable banks.

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The group sells its products to a large number of customers, and this represents the largest 8 customers with 50% of the receivables as of December 31, 2019 (2018: the largest 8 customers with 52%.)

Liquidity risk -

Liquidity risk is the risk that the Group will not be able to meet its financial obligating as they fall due.

The Group limits its liquidity risk by insuring bank facilities are available.

The table below summarizes the maturities of the Group's (undiscounted) financial liabilities as at 31 December, based on contractual payment dates and current market interest rates.

	Upon request	Less than 3 months	3 to 12 months	1 to 5 years	More than 5 years	Total
31 December 2019		JD	JD	JD	JD	JD
Lease Liability	-	366,315	659,367	3,516,624	7,472,826	12,015,132
Murabaha Financing	-	-	2,418,666	12,308,741	817,686	15,545,093
Accounts payable	-	3,430,787	900,000	600,000	-	4,930,787
Due to related Parties	113,303	-	-	-	-	113,303
Due to banks	949,830	-	-	-	-	949,830
Total	1,063,133	3,797,102	3,978,033	16,425,365	8,290,512	33,554,145

31 December 2018						
Lease Liability	-	366,315	659,367	3,516,624	8,351,982	12,894,288
Murabaha Financing	-	3,020,446	5,100,443	5,516,630	-	13,637,519
Accounts payable	-	3,248,929	900,000	1,800,000	-	5,948,929
Due to related Parties	55,842	-	-	-	-	55,842
Due to banks	707,156	-	-	-	-	707,156
Total	762,998	6,635,690	6,659,810	10,833,254	8,351,982	33,243,734

Foreign currency risk-

The following table shows the Group's exposure to currency risk as on December 31 as a result of its financial assets and liabilities. The table shows the effect of a reasonable possible change in the Jordanian dinar exchange rate against the following foreign currencies on the consolidated statement of profits or losses and the consolidated other comprehensive income statement, with all other variables affecting remaining constant.

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	Change in the currency exchange rate against the Jordanian dinar	The effect on the (loss) of the Jordanian dinar	Impact on the consolidated statement of comprehensive income and equity
2019-	(%)	JD	JD
The currency			
Tunisian dinar	10%	-	(4,911)
Eritrean nakfa	10%	(292,042)	-
Algerian dinar	10%	98,516	(31,497)
2018-			
The currency			
Tunisian dinar	10%	-	(4,911)
Eritrean nakfa	10%	(250,621)	-
Algerian dinar	10%	20,183	(166,943)

In the event that there is a negative change in the indicator, the effect is equal to the change above, while reversing the signal.

(28) fair values

The table below analyses financial instruments carried at fair value, by valuation method. The different levels have been defined as follows:

Level 1: quoted prices (unadjusted) in active markets for financial assets.

Level 2: inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (i.e, as prices) or indirectly (i.e, derived from prices). This category includes instrument evaluated based on: Prices quoted in active markets for similar instruments or through the use of valuation model that includes inputs that can be traced to markets, these inputs could be defended directly or indirectly.

Level 3: inputs for the asset or liability that are not based on observable market data.

A- Financial assets and liabilities that are measured at fair value:

	Book value JD	Level 1 JD	Level 2 JD	Level 3 JD
As at 31 December 2019				
Financial assets at fair value through other comprehensive income	232,305	-	-	232,305
As at 31 December 2018				
Financial assets at fair value through other comprehensive income	1,587,051	-	-	1,587,051

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B- Financial assets and liabilities that are not measured at fair value:

	Book value JD
As at 31 December 2019	
Cash and bank balances	450,693
Due from related parties	735,972
Accounts receivable	12,556,376
Checks under collection	743,295
Lease liabilities	8,277,939
Murabaha financing	13,922,975
Due to banks	949,830
Due to related parties	113,303
Accounts payable	4,930,787
As at 31 December 2018	
Cash and bank balances	238,473
Due from related parties	991,276
Accounts receivable	19,939,191
Checks under collection	703,790
Lease liabilities	8,585,167
Murabaha financing	12,328,870
Due to banks	707,156
Due to related parties	55,842
Accounts payable	5,948,929

The management believes that the book value of financial assets and liabilities are not materially different from its fair value.

(29) SEGMENT INFORMATION

For management purposes, the Company is organized based on the reports which are used by the General Manager and the main Decision Maker of the Company through the geographical distribution of sales and the geographical distribution of assets and liabilities. The geographical distribution of sales, cost of sales, gross profit and type of sold items are as follows:

<u>For the year ended 31 December 2019:</u>	<u>Inside Jordan</u> JD	<u>Outside Jordan</u> JD	<u>Total</u> JD
Net sales	1,133,152	8,844,045	9,977,197
Cost of sales	(803,398)	(6,273,082)	(7,076,480)
Gross profit	<u>329,754</u>	<u>2,570,963</u>	<u>2,900,717</u>

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	Inside Jordan JD	Outside Jordan JD	Total JD
Other information:			
Depreciation and amortization	740,631	-	740,631
Finance costs	1,072,942	74,520	1,147,462
Groups' share of profit from associates	-	858,939	858,939

The geographical distribution of assets, liabilities is as follows:

	Inside Jordan JD	Outside Jordan JD	Total JD
<u>As at 31 December 2019:</u>			
Total assets	29,221,143	9,464,311	38,685,454
Total liabilities	35,602,456	1,481,057	37,083,513

	Inside Jordan JD	Outside Jordan JD	Total JD
<u>For the year 31 December 2018:</u>			
Net sales	9,177,695	13,027,468	22,205,163
Cost of sales	(4,889,323)	(7,555,932)	(12,445,255)
Gross profit	<u>4,288,372</u>	<u>5,471,536</u>	<u>9,759,908</u>

	Inside Jordan JD	Outside Jordan JD	Total JD
Other information:			
Depreciation and amortization	643,028	-	643,028
Finance costs	1,716,966	83,216	1,800,182
The group share from investment in associates	-	135,305	135,305

Assets and liabilities are allocated according to geographical locations as follows:

	Inside Jordan JD	Outside Jordan JD	Total JD
<u>As at 31 December 2018</u>			
Total assets	34,948,543	10,621,328	45,569,871
Total liabilities	35,080,896	1,548,122	36,629,018

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(30) CONTINGENT LIABILITY

On the date of the consolidated financial statements, the Group has a potential liability:

	2019	2018
	JD	JD
Contingent Liability:		
Letters of credit	154,011	113,530
Bank guarantees	1,279,606	1,058,913
Bills of collection	279,420	705,205

(31) LAWSUITS HELD AGAINST THE COMPANY

Al-Noor Drugs Store (a former agent of the Company in the United Arab Emirates) filed an arbitration lawsuit registered under the number (303/2013), demanding compensation in the amount of USD 10,000,000, on the pretext of terminating the agency's mandate, where the arbitrator decided to refuse the payment submitted by the company to stop the arbitration procedures and obligate the company to pay an amount of USD 9,054,959 and obliging the company to pay fees and expenses, including arbitration fees, amounting to AED 440,000 and AED 5,000 for attorney fees.

On the 17th of September 2014, a decision was issued to ratify the decision, which is subject to appeal by appeal within 30 days from the date of the decision was issued. January 2015 by accepting him in terms of form and rejecting it in terms of the subject matter and supporting the appealed ruling and obliging the company to pay the expenses and AED 1,000 attorney's fees. November 6, 2016 to support the preliminary decision, and thus the decision became final, which includes obligating the company to pay the amount and capacity of USD 8,011,062 in the Emirate of Dubai.

Al-Noor Drugs Store filed a lawsuit registered under the number (169/2014) demanding that the ruling of the arbitrator issued in the Emirate of Dubai be executive in the Hashemite Kingdom of Jordan, on December 8, 2014 a decision was issued to refund the implementation of the arbitrator's decision (covering the verdict issued in Dubai The judgment was appealed on January 6, 2015 where a decision was issued on June 4, 2015 to dismiss the appeal and the decision issued by the Court of Appeal was distinguished on October 20, 2015 and the legal counsel of the company provided the answer to discrimination within the legal period, and on June 11, 2017 a case and its subject matter were registered Request to approve the implementation of a foreign ruling and to give it the enforcement force in the Hashemite Kingdom of Jordan at a value of JOD 5,757,716.7, and the lawsuit of the case was duly answered and within the legal period on October 16, 2017, The Judge of Urgent Matters issued on June 30, 2017 a decision that included a precautionary seizure of the company in exchange for the plaintiff providing a judicial guarantee of JOD 1,200,000,000 and where the plaintiff submitted the guarantee on November 21, 2017, the company on December 17, 2017 appealed the seizure decision and the appeals court issued its decision on January 15, 2018 dismissing the appeal in substance and upholding the appellant's decision. On January 28, 2018, a request for permission to distinguish the decision was submitted, but the court decided on February 4, 2018 that the request was

rejected. Several sessions were attended, and a decision was issued on December 17, 2018, which included the following matters, which obligated the company to pay the amount of USD 8,010,062,02 in favor of the Al Al-Noor Drugs Store. And obligating the company to pay the arbitration fees and fees amounting to AED 445,000 and JOD 1,000 attorney's fees and claim the legal interest and to install a reservation reservation on the funds of the Jordanian company for the production of medicines. On January 8, 2019, the company appealed the decision of the Court of First Instance under the number 4563/2019, and the date for the hearing was set on March 19, 2020 to present the case.

In the opinion of the company's management and legal counsel, the decision of the Court of Excellence will be decisive in terms of approval or response, and therefore there is a state of uncertainty until the date of these consolidated financial statements.

- There are cases filed by the Social Security against the group in the amount of JOD 886,486, as of December 31, 2019, as part of the group's ordinary operations. The full amount has been recorded in the consolidated financial statements for these cases.

- There are other cases filed against the group in the amount of JOD 306,454 as of December 31, 2019, as part of the group's ordinary operations, and at the discretion of the management of Company and its legal adviser, the group will not have substantial obligations against these cases.

(32) COMPARATIVE FIGURES

Some of the comparative figures of the consolidated financial statements for the year ended 31 December 2018 has been reclassified to correspond with the consolidated financial statements for the year ended 31 December 2019 presentation and did not have any impact on the profit for the year ended 31 December 2018 and shareholders' equity for the year 2018.

(33) PREVIOUS YEAR ADJUSTMENTS

During the year 2019, in accordance with International Accounting Standard No. (8) "Accounting Policies, Accounting Estimates and Errors", the company has modified the consolidated financial statements as at and for the year ended December 31, 2019, to amend accounting errors for previous years.

The company has reversed the value of its investments in associates and their corresponding receivables into accounts receivable, due to lack of ownership documents, in addition the Company recognized provision against these receivables during the year 2019. The company has adjusted errors resulting from the calculation of non-controlling interest of the subsidiaries in accordance with requirements of IFRS No. (10). In addition to amending errors related to fair value measurement of financial assets measured at fair value through other comprehensive income in accordance with the requirements of IFRS No. (9).

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The following table shows the effect of the amendments on the consolidated statement of financial position:

	As at 31 December 2018		
	Before Adjustment	Change	After Adjustment
	JD	JD	JD
Consolidated statement of financial position:			
Non-current assets			
Investment in associates	3,866,990	(1,360,776)	2,506,214
Current assets			
Due from related parties	2,147,359	(1,156,083)	991,276
Account receivable	17,832,082	2,107,109	19,939,191
Equity			
Accumulated loss	(18,441,453)	704,009	(17,737,444)
statutory reserve	2,042,836	16,357	2,059,193
Non – controlling interest	-	236,604	236,604
Cumulative change in fair value through other comprehensive income	436,720	(1,366,720)	(930,000)

	As at 31 January 2018		
	Before Adjustment	Change	After Adjustment
	JD	JD	JD
Consolidated statement of financial position:			
Non-current assets			
Investment in associates	3,731,685	(1,360,776)	2,370,909
Current assets			
Due from related parties	2,396,454	(1,156,083)	1,240,371
Account receivable	13,111,649	2,107,109	15,218,758
Equity			
Accumulated loss	(14,140,002)	686,572	(13,453,430)
statutory reserve	2,027,703	16,357	2,044,060
Non – controlling interest	(78,854)	254,041	175,187
Cumulative change in fair value through other comprehensive income	436,720	(1,366,720)	(930,000)

The following table shows the effect of the amendments on the consolidated statement of profit and loss:

	For the year ended 31 December 2018		
	Before Adjustment	Change	After Adjustment
	JD	JD	JD
Consolidated statement of profit or loss:			
Loss for the year attributable to:			
Parent Company shareholders	(4,113,477)	17,437	(4,096,040)
Non – controlling interest	-	(17,437)	(17,437)
	JD/Fils	JD/Fils	JD/Fils
The basic and diluted share of the loss for the year attributable to the shareholders of the parent company	(0/163)	(0/001)	(0/162)

This amendment did not affect the consolidated statement of cash flows for the year 2018.

(34) STANDARDS ISSUED BUT NOT YET EFFECTIVE

The standards and interpretations that are issued but not yet effective, up to the date of issuance of the Company's financial statements are disclosed below. The Company intends to adopt these standards, if applicable, when they become effective.

IFRS 17 Insurance Contracts

IFRS 17 provides a comprehensive model for insurance contracts covering the recognition and measurement and presentation and disclosure of insurance contracts and replaces IFRS 4 -Insurance Contracts. The standard applies to all types of insurance contracts (i.e. life, non-life, direct insurance and re-insurance), regardless of the type of entities that issue them, as well as to certain guarantees and financial instruments with discretionary participation features. The standard general model is supplemented by the variable fee approach and the premium allocation approach.

The new standard will be effective for annual periods beginning on or after 1 January 2021. Early application is permitted.

Amendments to IFRS 3: Definition of a Business

In October 2018, the IASB issued amendments to the definition of a business in IFRS 3 Business Combinations to help entities determine whether an acquired set of activities and assets is a business or not. They clarify the minimum requirements for a business, remove the assessment of whether market participants are capable of replacing any missing elements, add guidance to help entities assess whether an acquired process is substantive, narrow the definitions of a business and of outputs, and introduce an optional fair value concentration test.

The amendments should be applied prospectively and are effective from 1 January 2020, with early application permitted.

Amendments to IAS 1 and IAS 8: Definition of Material

In October 2018, the IASB issued amendments to IAS 1 Presentation of Financial Statements and IAS 8 Accounting Policies, Changes in Accounting Estimates and Errors to align the definition of 'material' across the standards and to clarify certain aspects of the definition. The new definition states that, 'Information is material if omitting, misstating or obscuring it could reasonably be expected to influence decisions that the primary users of general purpose financial statements make on the basis of those financial statements, which provide financial information about a specific reporting entity.

The amendments are effective from 1 January 2020, with early application permitted.

Amendments to IFRS 10 and IAS 28: Sale or Contribution of Assets between an Investor and Its Associate or Joint Venture

The amendments address the conflict between IFRS 10 and IAS 28 in dealing with the loss of control of a subsidiary that is sold or contributed to an associate or joint venture. The amendments clarify that the gain or loss resulting from the sale or contribution of assets that constitute a business, as defined in IFRS 3, between an investor and its associate or joint venture, is recognised in full. Any gain or loss resulting from the sale or contribution of assets that do not constitute a business, however, is recognised only to the extent of unrelated investors' interests in the associate or joint venture. The IASB has deferred the effective date of these amendments indefinitely, but an entity that early adopts the amendments must apply them prospectively.