

**Middle East Pharmaceutical, Chemical Industries
and Medical Appliances Company
Public Shareholding Company
Amman – The Hashemite Kingdom of Jordan**

**Consolidated Financial Statements and
Independent Auditor's Report
for the year ended December 31, 2021**

**Middle East Pharmaceutical, Chemical Industries
and Medical Appliances Company
Public Shareholding Company
Amman – The Hashemite Kingdom of Jordan**

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To the Shareholders of
Middle East Pharmaceutical, Chemical Industries
and Medical Appliances Company
Public Shareholding Company
Amman - The Hashemite Kingdom of Jordan

Report on the Audit of the Consolidated Financial Statements

Opinion

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

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

Basis for Opinion

We conducted our audit in accordance with International Standards on Auditing. Our responsibilities under those standards are further described in the Auditors' Responsibilities for the Audit of the 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, and we have fulfilled our other ethical responsibilities in accordance with these requirements and the IESBA Code.

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

Key Audit Matters

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

Expected credit losses

The company has applied IFRS (9) expected credit losses requirements which resulted in a change in the calculation of impairment from the incurred loss model to the expected credit loss model, and the allowance for expected credit losses amounting to JD 1,621,849 as at December 31, 2021.

Scope of audit

We conducted comprehensive assessment to identify the key controls used to determine expected credit losses, data collection and completeness, and related estimates and assumptions used by management, and we have tested key control systems on the modeling process.

Inventory impairment

Based on IFRS requirements, inventory is measured when preparing the financial statements at the lower of cost and net realizable value, and when it is not possible to recover the cost of the inventory if it becomes totally or partially damaged or obsolete or sales prices decreased. When the net realizable value falls below cost the difference is recognize as expense in the profit or loss.

Scope of audit

We analyzed the inventory items ages and discussed management assumptions regarding the expected volume of use and based on our knowledge and experience of the sector in which the entity operates.

We examined a sample of service agreements provided to customers to compare the minimum purchase liabilities with end of year inventory level taking into account the risks to recover the value of inventory if the agreements were canceled.

We tested the appropriateness of inventory impairment provision by assessing the management assumptions, taking into account external information available and subsequent events after the end of the fiscal year.

We assessed whether the provision that is recorded against obsolete and slow moving inventory to comply with the accounting policies, taking into account the rationale of the provision determination policy using historical data, we also examined sales invoices is subsequent period to assess whether the inventory was sold at a value higher than cost by comparing the selling price with inventory values recorded in the company's accounts.

We have taken into account the appropriateness of the entity's explanations about the degree of estimates related to arriving at the value of impairment provision in general. we have concluded that the basic assumption used and the resultant estimate and evaluation are appropriate assumptions

Going Concern

We would like to refer to note (9) of the consolidated financial statements where the accumulated losses for the company amounted to JD 14,258,976 as at the date of consolidated financial position representing 228% of the company's capital, also note that the company's current liabilities exceeded its current assets by an amount of JD 4,563,072, in addition to the existence of accrued liabilities that were not paid to date. These matters cast significant doubt on the company ability to continue as a going concern and its continuation depends on providing sufficient funds to meet its obligations and the success of its operations in the future. The Company provided a complete plan to insure the company's continuation:

The company will conduct a capital structure as it will reduce and increase the capital as follows:

- Amortized part of the accumulated losses of the company in the company's capital and amortized the remaining part in the shareholder payables.
- Increase the company's capital by capitalizing a portion of shareholders' payables.

Emphasis of matter

As stated in notes (1) and (3) we would like to refer to the existence of restrains on the company's land, building and means of transportation in addition to a restrain on the company as shown in the capital certificate at the Ministry of Industry and Trade - Company's Control Department. Without qualifying our opinion in this regard.

Other Information

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

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

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

Responsibilities of Management 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 International Financial Reporting Standard, 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.

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

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

- Identify and assess the risks of material misstatement of the 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 auditors' 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 auditors' report. However, future events or conditions may cause the Company to cease to continue as a going concern.



- Evaluate the overall presentation, structure and content of the 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 consolidated financial information of the entities or business activities within the group to express an opinion on the group financial statement. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

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

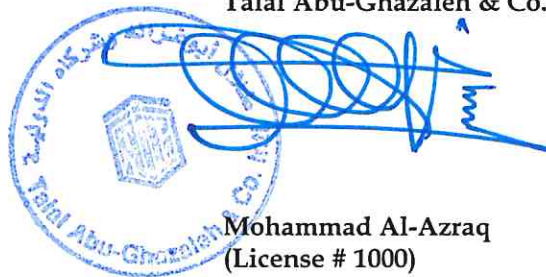
We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

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

Report on Other Legal and Regulatory Requirements

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

Talal Abu-Ghazaleh & Co. International



Mohammad Al-Azraq
(License # 1000)

Amman, on February 28, 2022

**Middle East Pharmaceutical, Chemical Industries
and Medical Appliances Company
Public Shareholding Company
Amman - The Hashemite Kingdom of Jordan**

Consolidated Statement of financial position as at December 31, 2021

	<u>Notes</u>	<u>2021</u>	<u>2020</u>
		JD	JD
ASSETS			
Non-current Assets			
Property, plant and equipment	3	5,778,411	6,095,317
Intangible assets	4	<u>104,258</u>	<u>110,837</u>
Total Non-current Assets		<u>5,882,669</u>	<u>6,206,154</u>
Current Assets			
Inventory	5	1,820,681	2,152,979
Other debit balances	6	840,629	302,744
Trade receivables	7	1,291,708	1,611,026
Cash and cash equivalents		<u>43,323</u>	<u>104,350</u>
Total Current Assets		<u>3,996,341</u>	<u>4,171,099</u>
TOTAL ASSETS		<u><u>9,879,010</u></u>	<u><u>10,377,253</u></u>

The attached notes constitute an integral part of these financial statements

Middle East Pharmaceutical, Chemical Industries
and Medical Appliances Company
Public Shareholding Company
Amman – The Hashemite Kingdom of Jordan

Consolidated Statement of financial position for the year ended December 31, 2021

	Notes	2021	2020
		JD	JD
EQUITY AND LIABILITIES			
Equity			
Authorized and paid-in capital	1	6,250,583	6,250,583
Statutory reserve	8	293,953	271,045
Translation differences		95,157	110,493
Accumulated losses	9	(14,258,976)	(14,371,410)
Net Equity		(7,619,283)	(7,739,289)
Liabilities			
Non-current Liabilities			
Shareholders payable	10	8,709,783	8,529,829
Postponed checks - current		229,097	-
Total Non-current Liabilities		8,938,880	8,529,829
Current Liabilities			
Other credit balances	11	2,500,222	2,296,012
Trade payables		1,896,361	1,929,606
Due to related parties	10	3,763,585	5,159,176
Loans		-	201,919
Postponed checks - none current		399,245	-
Total current Liabilities		8,559,413	9,586,713
Total Liabilities		17,498,293	18,116,542
TOTAL EQUITY AND LIABILITIES		9,879,010	10,377,253

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Middle East Pharmaceutical, Chemical Industries
and Medical Appliances Company
Public Shareholding Company
Amman - The Hashemite Kingdom of Jordan

Consolidated statement of comprehensive income for the year ended December 31, 2021

	<u>Notes</u>	<u>2021</u>	<u>2020</u>
		JD	JD
Sales	12	5,073,896	2,915,186
Cost of sales	13	<u>(3,922,141)</u>	<u>(2,742,745)</u>
Gross profit		1,151,755	172,441
Other revenues (expenses), net		520,642	(257,332)
Selling and marketing expenses	14	(419,049)	(457,565)
Administrative expenses	15	(834,842)	(579,577)
Expected credit losses allowance	7 & 6	(211,224)	(18,271)
Damaged and expired goods provision	5	<u>(71,940)</u>	<u>(162,596)</u>
Profit (loss)		<u>135,342</u>	<u>(1,302,900)</u>
Other Comprehensive Income			
Currency translation differences		<u>(15,336)</u>	<u>25,932</u>
Net comprehensive income		<u>120,006</u>	<u>(1,276,968)</u>
Weighted average number of shares		<u>6,250,583</u>	<u>6,250,583</u>
Profit (loss) per share		<u>JD 0/022</u>	<u>(0/208) JD</u>

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Middle East Pharmaceutical, Chemical Industries
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Public Shareholding Company
Amman – The Hashemite Kingdom of Jordan

Consolidated statement of changes in equity for the year ended December 31, 2021

	Capital	Statutory reserve		Translation differences		Accumulated losses		Total	
	JD	JD	JD	JD	JD	JD	JD	JD	JD
Balance as at January 1, 2020	6,250,583		271,045		84,561	(13,068,510)		(6,462,321)	
Comprehensive income	-		-		25,932	(1,302,900)		(1,276,968)	
Balance as at December 31, 2020	6,250,583		271,045		110,493	(14,371,410)		(7,739,289)	
Comprehensive income	-		-		(15,336)	135,342		120,006	
Transfer to reserve	-		22,908		-	(22,908)		-	
Balance as at December 31, 2021	6,250,583		293,953		95,157	(14,258,976)		(7,619,283)	

The attached notes constitute an integral part of these financial statements

**Middle East Pharmaceutical, Chemical Industries
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Consolidated statement of cash flows for the year ended December 31, 2021

	2021	2020
	JD	JD
CASH FLOWS FROM OPERATING ACTIVITIES		
Profit (loss)	135,342	(1,302,900)
Adjustments for :		
Depreciations and amortizations	628,687	650,225
Loss on disposal of property, plant and equipment	28,772	-
Investment in financial assets at fair value through other profit or loss	-	14,114
Expected credit losses allowance	211,224	18,271
Inventory impairment provision	71,940	162,596
Change in operating assets and liabilities:		
Inventory	260,358	119,224
Other debit balances	(523,685)	35,703
Trade receivables	93,894	681,543
Other credit balances	204,210	(87,757)
Trade payables	(33,245)	(285,990)
Net cash from operating activities	1,077,497	5,029
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchase of property, plant and equipment	(308,250)	(30,478)
Intangible asstes	(25,724)	-
Net cash from investing activities	(333,974)	(30,478)
CASH FLOWS FROM FINANCING ACTIVITIES		
Due to related parties	(1,395,591)	(6,318)
Shareholders payable	179,954	562,250
Post dated checks	628,342	-
Loans	(201,919)	(452,239)
Net cash from financing activities	(789,214)	103,693
Effect of currency differences on cash and cash equivalents	(15,336)	25,932
Net change in cash and cash equivilents	(61,027)	104,176
Cash and cash equivalents - beginning of year	104,350	174
Cash and cash equivalents - end of year	43,323	104,350
Non - cash transactions		
Tranfer from property, pant and equipment to employee receviables	-	9,221

The attached notes constitute an integral part of these financial statements

**Middle East Pharmaceutical, Chemical Industries
and Medical Appliances Company
Public Shareholding Company
Amman - The Hashemite Kingdom of Jordan**

Notes to the consolidated financial statements

1. Legal status and activity

- Middle East Pharmaceutical and Chemical Industries and Medical Appliances Co. was established on October 25, 1993 and registered as a public shareholding company with the Ministry of Industry and Trade under the number (231).
- The main Company's activities are as follows:
 - Manufacturing of reagents and medical and laboratory solutions.
 - Manufacturing of human drug fluids.
 - Manufacturing of human drug tablets.
 - Manufacturing of human drug suppositories.
 - Manufacturing veterinary antibiotics.
 - Manufacturing veterinary antibacterial.
 - Manufacturing gelatin capsules.
 - Manufacturing veterinary vitamins
- The Middle East Pharmaceutical- Algeria was established as a limited liability company under the number 607/2008 on October 11, 2008.
- The financial statements were approved by the Company's board of directors in its session held on February 28, 2022 and these financial statements require the approval of the general assembly.
- There is a restraint on the company's registration bond due to the existence of executive lawsuits held against the company.

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

2-1 Basis for financial statement preparation

- Financial statements preparation framework

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

- Measurement bases used in preparing the financial statements

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

- Functional and presentation currency

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

2-2 Using of estimates

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

2-3 Standards and Interpretations issued that became effective

Standard number or interpretation	Description	Effective date
Amendments to IFRS 16 Covid-19-related Rent Concessions.	<p>As a result of the COVID-19 pandemic, rent concessions have been granted to lessees. Such concessions might take a variety of forms, including payment holidays and deferral of lease payments.</p> <p>In May 2020, the IASB made an amendment to IFRS 16 Leases which provides lessees with an option to treat qualifying rent concessions in the same way as they would if they were not lease modifications. In many cases, this will result in accounting for the concessions as variable lease payments in the period in which they are granted.</p> <p>Main Changes :</p> <ul style="list-style-type: none"> – Permit a lessee to apply the practical expedient regarding COVID-19-related rent concessions to rent concessions for which any reduction in lease payments affects only payments originally due on or before 30 June 2022 (rather than only payments originally due on or before 30 June 2021); – Require a lessee applying the amendment to do so retrospectively, recognising the cumulative effect of initially applying the amendment as an adjustment to the opening balance of retained earnings (or other component of equity, as appropriate) at the beginning of the annual reporting period in which the lessee first applies the amendment. 	June 1, 2020 / April 1, 2021
Interest Rate Benchmark Reform Phase 2 Amendments to IFRS 4, IFRS 7, IFRS 9, IFRS 16 and IAS 39.	<p>In August 2020, the IASB made amendments to IFRS 9, IAS 39, IFRS 7 IFRS 4 and IFRS 16 to address the issues that arise during the reform' of an interest rate benchmark rate, including the replacement of one benchmark with an alternative one.</p> <p>The Phase 2 amendments provide the following reliefs:</p> <ul style="list-style-type: none"> – When changing the basis for determining contractual cash flows for financial assets and liabilities (including lease liabilities), the reliefs have the effect that the changes, that are necessary as a direct consequence of IBOR reform and which are considered economically equivalent, will not result in an immediate gain or loss in the income statement. – The hedge accounting reliefs will allow most IAS 39 or IFRS 9 hedge relationships that are directly affected by IBOR reform to continue. However, additional ineffectiveness might need to be recorded. 	January 1, 2021

Standards and Interpretations issued but not yet effective

Standard number or interpretation	Description	Effective date
Amendments to IFRS 1 Subsidiary First-time Adoption of International Financial Reporting Standards.	Extension of an optional exemption permitting a subsidiary that becomes a first-time adopter after its parent to measure cumulative translation differences using the amounts reported by its parent, based on the parent's date of transition to IFRSs. A similar election is available to an associate or joint venture.	January 1, 2022
IFRS (17) Insurance Contracts.	<p>IFRS (17) was issued in May 2017 as replacement for IFRS (4) Insurance Contracts.</p> <p>It requires a current measurement model where estimates are remeasured in each reporting period.</p> <p>Contracts are measured using the building blocks of:</p> <ul style="list-style-type: none"> discounted probability-weighted cash flows an explicit risk adjustment, and a contractual service margin (CSM) representing the unearned profit of the contract which is recognised as revenue over the coverage period. <p>IFRS (17) requires insurance liabilities to be measured at a current fulfilment value and provides a more uniform measurement and presentation approach for all insurance contracts. These requirements are designed to achieve the goal of a consistent, principle-based accounting for insurance contracts</p>	January 1, 2023 (deferred from January 1, 2021).
Amendments to IAS (16) Property, Plant and Equipment.	The amendments prohibit an entity from deducting from the cost of an item of property, plant and equipment any proceeds from selling items produced while bringing that asset to the location and condition necessary for it to be capable of operating in the manner intended by management. Instead, an entity recognizes the proceeds from selling such items, and the cost of producing those items, in profit or loss.	January 1, 2022.
Reference to the Conceptual Framework (Amendments to IFRS 3).	Minor amendments were made to IFRS 3 to update the references to the Conceptual Framework for Financial Reporting and add an exception for the recognition of liabilities and contingent liabilities within the scope of IAS 37 Provisions, Contingent Liabilities and Contingent Assets. The amendments also confirm that contingent assets should not be recognised at the acquisition date.	January 1, 2022.
Onerous Contracts – Cost of Fulfilling a Contract (Amendments to IAS 37).	The amendments specify that the “cost of fulfilling” a contract comprises the “costs that relate directly to the contract”. Costs that relate directly to a contract can either be incremental costs of fulfilling that contract (examples would be direct labor, materials) or an allocation of other costs that relate directly to fulfilling contracts (an example would be the allocation of the depreciation charge for an item of property, plant and equipment used in fulfilling the contract).	January 1, 2022.

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

2-4 Summary of significant accounting policies

– Basis of consolidation (deemed appropriate)

- The consolidated financial statements comprise the financial statements of the parent (Middle East Pharmaceutical and Chemical Industries and Medical Appliances Company) and the subsidiary which is controlled by it :

<u>Name of subsidiary</u>	<u>Ownership</u>
	%
Middle East Pharmaceutical and Chemical Industries and Medical Appliances – Algeria	100

- Control is presumed to exist when the parent is exposed, or has rights, to variable returns from its involvement through its power over the investee, in exceptional circumstances, it can be clearly demonstrated that such ownership does not constitute control.
- Intergroup balances, transactions, income and expenses shall be eliminated in full.
- Non-controlling interests represent the equity in a subsidiary not attributable, directly or indirectly, to the parent.
- If a parent loses a control of a subsidiary, the parent derecognize the assets and liabilities of the subsidiary and non-controlling interests and other equities, recognize any profit or loss resulted from loss of control in the statement of comprehensive income, recognize any investment retained after loss of control at its fair value.

– Property, plant and equipment

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

<u>Category</u>	<u>Depreciation rate</u>
	%
Buildings	2
Machines & equipment	5-10
Transportation vehicles	10-20
Factory equipment	8
Communication systems and programs	9
Electrical equipment	5-10
Furniture	8
Artesian well	5-15
Others	2-20

- The estimated useful lives are reviewed at each year-end, with the effect of any changes in estimate accounted for on a prospective basis.

- The carrying values of property, plant and equipment are reviewed for impairment when events or changes in the circumstances indicate the carrying value may not be recoverable. If any such indication of impairment exists, impairment losses are calculated in accordance with impairment of assets policy.
- On the subsequent derecognition (sale or retirement) of the property, plant and equipment, the resulting gain or loss, being the difference between the net disposal proceed, if any, and the carrying amount, is included in profit or loss.
- **Other intangible assets**
 - Intangible assets are identifiable non-monetary assets without physical substance.
 - Intangible assets acquired separately are reported at cost less accumulated amortization and accumulated impairment losses.
 - Acquisition costs comprise the purchase price and other costs directly attributable to preparing the assets for their intended use.
 - Amortization charge is recognized as loss, on a straight-line basis over the following useful lives of intangible assets:

<u>Category</u>	<u>Useful Life</u>
	%
Bioequivalence studies	20-25
Drugs registration fees	20-25

- The estimated useful lives are reviewed at each financial year-end, with the effect of any changes in estimate being accounted for on a prospective basis.
- The carrying values of intangible assets are reviewed for impairment when events or changes in the circumstances indicate the carrying value may not be recoverable. If any such indication of impairment exists, impairment loss is calculated in accordance with impairment of assets policy.
- Expenditure on research activities is recognized as an expense in the period in which it is incurred.
- An internally-generated intangible asset arising from development is recognized when the entity demonstrates the following:
 - The technical feasibility of completing the intangible asset so that it will be available for use or sale;
 - The intention to complete the intangible asset and use or sell it;
 - The ability to use or sell the intangible asset;
 - How the intangible asset will generate probable future economic benefits;
 - The availability of adequate technical, financial and other resources to complete the development and to use or sell the intangible asset; and
 - The ability to measure reliably the expenditure attributable to the intangible asset during its development.
- The amount initially recognized for internally-generated intangible assets is the sum of the expenditure incurred from the date when the intangible asset first meets the recognition criteria listed above. Cost of internally-generated intangible assets comprises all directly attributable costs necessary to create, produce, and prepare the asset to be capable of operating in the manner intended by management. Where no internally-generated intangible asset can be recognized, development expenditure is charged as expense in the period in which it is incurred.
- Subsequent to initial recognition, internally-generated intangible assets are carried at cost less accumulated amortization and accumulated impairment losses. Amortization is charged on a straight-line basis over the intangible assets' estimated useful lives. The estimated useful lives are reviewed at each financial year-end, with the effect of any changes in estimate being accounted for on a prospective basis.

- The carrying values of intangible assets are reviewed for impairment when events or changes in the circumstances indicate the carrying value may not be recoverable. If any such indication of impairment exists, impairment loss calculated in accordance with impairment of assets policy.
- **Impairment of non-financial assets**
 - At each statement of financial position date, management reviews the carrying amounts of its non-financial assets (property, plant and equipment and investment property) to determine whether there is any indication that those assets have been impaired.
 - If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss, if any, being the amount by which the carrying amount of the asset exceeds its recoverable amount. The recoverable amount is the higher of asset's fair value less costs to sell and the value in use. The asset's fair value is the amount for which that asset could be exchanged between knowledgeable, willing parties in arm's length transaction. The value in use is the present value of the future cash flows expected to be derived from the asset.
 - For the purpose of impairment valuation, assets are grouped at the lower level that have cash flow independently (cash generating unit), previous impairment for non-financial assets (excluding goodwill) is reviewed for the possibility of reversal at the date of the financial statements.
 - An impairment loss is recognized immediately as loss.
 - Where an impairment loss subsequently reverses, the carrying amount of the asset is increased to the revised estimate of its recoverable amount, but the increased carrying amount due to reversal should not be more than what the depreciated historical cost would have been if the impairment had not been recognized in prior years. A reversal of an impairment loss is recognized immediately as income.
- **Inventories**
 - Inventories are measured at the lower of cost and net realizable value.
 - Inventory costs comprise all costs of purchase, costs of conversion and other costs incurred in bringing the inventories to their present location and condition.
 - Net realizable value is the estimated selling price in the ordinary course of business less the estimated costs of completion and the estimated costs necessary to make the sale.
 - The cost of inventory is assigned by using weighted-average cost formula.
- **Financial instruments**

Financial instrument is any contract that gives rise to a financial asset of one entity and financial liability or equity instrument of another entity.
- **Financial assets**
 - A financial asset is any asset that is:
 - (a) Cash;
 - (b) An equity instrument of another entity;
 - (c) A contractual right to receive cash or another financial asset from another entity, or to exchange financial assets or financial liabilities with another entity under conditions that are potentially favorable to the entity.
 - (d) A contract that will or may be settled in the entity's own equity instruments.
 - Financial assets are initially measured at fair value plus, in the case of a financial asset not at fair value through profit or loss, transaction costs that are directly attributable to the acquisition of the financial asset, but for financial assets at fair value through profit or loss, transaction costs are recognized in profit or loss.
 - Financial assets are classified to three categories as follows:
 - Amortized cost.
 - Fair value through other comprehensive income.
 - Fair value through profit or loss.

Derecognition of financial assets

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

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

Financial liabilities

- A financial liability is any liability that is:
 - (a) A contractual obligation to deliver cash or another financial asset to another entity, or to exchange financial assets or financial liabilities with another entity under conditions that are potentially unfavorable to the entity; or
 - (b) A contract that will or may be settled in the entity's own equity instruments.
- Financial liabilities are initially recognized at fair value less transaction costs, directly attributable to the acquisition or issue of those liabilities, except for the financial liabilities classified as at fair value through profit or loss, which are initially measured at fair value.
- After initial recognition, the entity measures all financial liabilities at amortized cost using the effective interest method, except for financial liabilities at fair value through profit or loss which are measured at fair value and other determined financial liabilities which are not measured under amortized cost method. Financial liabilities at fair value through profit or loss are stated at fair value, with any resulting gain or loss from change in fair value is recognized through profit or loss.

Trade payables and accruals

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

Offsetting financial instruments

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

Cash and cash equivalents

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

Trade receivables

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

Impairment of financial assets

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

- Loss allowances for trade receivables and contract assets are always measured at an amount equal to lifetime ECLs.
 - When determining whether the credit risk of a financial asset has increased significantly since initial recognition and when estimating ECLs, the Entity considers reasonable and supportable information that is relevant and available without undue cost or effort based in the entity's historical experience and forward looking information.
 - The entity considers a financial asset to be in default when:
 - The client is unlikely to pay its credit obligations to the entity in full, without recourse by the entity to actions such as realizing security (if any); or
 - The financial asset is more than 360 days past due.
 - Loss allowances for financial assets measured at amortized cost are deducted from the gross carrying amount of the assets.
 - A financial asset is written off when there is no reasonable expectation of recovering the contractual cash flows. The entity writes off the gross carrying amount of the financial asset in case of, liquidation, bankruptcy or issuance of a court ruling to reject the claim for financial asset.
- **Provisions**
- Provisions are present obligations (legal or constructive) resulted from past events, the settlement of the obligations is probable and the amount of those obligations can be estimated reliably. The amount recognized as a provision is the best estimate of the expenditure required to settle the present obligation at the statement of financial position date.
 - Provisions reviewed and adjusted at each statement of financial position date. If outflows, to settle the provisions, are no longer probable, reverse of the provision is recorded as income.
 - If the entity expected to be reimbursed for a part or full provision, the reimbursement shall be recognized within assets, when it is virtually certain and its value can be measured reliably.
 - In the statement of comprehensive income, the expense relating to a provision may be presented net of the amount recognized for reimbursement.
 - Where the effect of the time value of money is material, provisions are discounted by using a currently pre-tax discount rate that reflects the risks specific to the liability, when using discount any increase in provision is recognized as a financial cost over time.
- **Related parties**
- Transactions with related parties represent transfer of resources, services, or obligations between related parties.
 - Terms and conditions relating to related party transactions are approved by management.
- **Basic earnings per share**
- Basic earnings per share is calculated by dividing profit or loss, attributable to ordinary shareholders, by the weighted average number of ordinary shares outstanding during the year.
- **Revenue recognition**
- The entity recognizes revenue from sale of good and rendering of service when control is transferred to the customer.
 - Revenues are recognized based on consideration specified in contract with customer that expected to be received excluding amounts collected on behalf of third parties.
 - Revenue is reduced for amount of any trade discounts and volume rebates allowed by the entity.

– **Borrowing costs**

- Borrowing costs are interest and other costs that an entity incurs in connection with the borrowing of funds.
- Borrowing costs are expensed in the period in which they are incurred.

– **Income tax**

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

– **Foreign currencies**

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

– **Contingent liabilities**

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

Middle East Pharmaceutical, Chemical Industries and Medical Appliances Company
Public Shareholding Company
Amman – The Hashemite Kingdom of Jordan

Notes to the consolidated financial statements for the year ended December 31, 2021

3. Property, plant and equipment

2021	Land (*)		Building (*)		Machines and equipment		Transportation vehicles (*)		Factory equipment		Communication systems and programs		Electrical equipment		Furnitures		Artesian well		Other		Total	
	JD		JD		JD		JD		JD		JD		JD		JD		JD		JD		JD	
Cost																						
Beginning of year balance	200,606		6,912,919		3,398,714		397,586		5,727,730		266,504		409,450		386,364		50,785		69,346		17,820,004	
Additions	-		23,797		56,744		-		178,410		34,037		9,177		6,085		-		-		308,250	
Disposals	-		-		-		-		-		-		-		-		-		(30,087)		(30,087)	
End of year balance	200,606		6,936,716		3,455,458		397,586		5,906,140		300,541		418,627		392,449		50,785		39,259		18,098,167	
Accumulated depreciation																						
Beginning of year balance	-		2,988,452		3,119,115		374,607		4,170,297		261,605		385,267		359,068		49,192		17,084		11,724,687	
Depreciation (**)	-		138,767		175,681		11,150		253,422		1,538		7,288		6,418		1,593		527		596,384	
Disposal	-		-		-		-		-		-		-		-		-		(1,315)		(1,315)	
End of year balance	-		3,127,219		3,294,796		385,757		4,423,719		263,143		392,555		365,486		50,785		16,296		12,319,756	
Net	200,606		3,809,497		1,606,662		11,829		1,482,421		37,398		26,072		26,963		-		22,963		5,778,411	
2020																						
Cost																						
Beginning of year balance	200,606		6,912,919		3,398,714		397,586		5,727,730		266,504		406,495		386,364		50,785		51,044		17,798,747	
Additions	-		-		-		-		-		-		2,955		-		-		27,523		30,478	
Disposals	-		-		-		-		-		-		-		-		-		(9,221)		(9,221)	
End of year balance	200,606		6,912,919		3,398,714		397,586		5,727,730		266,504		409,450		386,364		50,785		69,346		17,820,004	
Accumulated depreciation																						
Beginning of year balance	-		2,849,684		2,940,517		363,158		3,911,281		257,107		377,250		349,296		48,947		16,490		11,113,730	
Depreciation (**)	-		138,768		178,598		11,449		259,016		4,498		8,017		9,772		245		594		610,957	
End of year balance	-		2,988,452		3,119,115		374,607		4,170,297		261,605		385,267		359,068		49,192		17,084		11,724,687	
Net	200,606		3,924,467		279,599		22,979		1,557,433		4,899		24,183		27,296		1,593		52,262		6,095,317	

(*) Land, building and transportation vehicles mentioned above are seized against legal reservations. Note that the company did not license its vehicles from 2016 and 2017 until the date of the financial statements.

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

	2021	2020
	JD	JD
Manufacturing expenses	554,371	564,617
Administrative expenses	42,013	46,340
Total	596,384	610,957

4. Intangible assets

	Bioequivalence studies	Drugs registration fees	Total
2021	JD	JD	JD
Cost			
Beginning of year balance	1,526,081	444,329	1,970,410
Additions	-	25,724	25,724
End of year balance	1,526,081	470,053	1,996,134
Accumulated amortization			
Beginning of year balance	1,415,244	444,329	1,859,573
Amortization	32,303	-	32,303
End of year balance	1,447,547	444,329	1,891,876
Net	78,534	25,724	104,258
2020			
Cost			
Beginning of year balance	1,526,081	444,329	1,970,410
End of year balance	1,526,081	444,329	1,970,410
Accumulated amortization			
Beginning of year balance	1,375,976	444,329	1,820,305
Amortization	39,268	-	39,268
End of year balance	1,415,244	444,329	1,859,573
Net	110,837	-	110,837

5. Inventory

	2021	2020
	JD	JD
Packing materials	1,120,942	1,155,285
Raw materials	679,211	653,356
Finished goods	506,271	642,021
Spare parts	189,822	203,193
Orders and payments on raw materials purchases	95,458	92,679
Goods in process	73,214	177,646
Other	20,603	21,699
Inventory impairment provision (*)	(864,840)	(792,900)
Net	<u>1,820,681</u>	<u>2,152,979</u>

(*) Inventory impairment provision movement during the year was as follows:

	2021	2020
	JD	JD
Beginning of year balance	792,900	630,304
Provided	<u>71,940</u>	<u>162,596</u>
End of year balance	<u>864,840</u>	<u>792,900</u>

6. Other debit balances

	2021	2020
	JD	JD
Refundable deposits	80,549	80,549
Employees receivable	49,440	70,178
Less: expected credit losses allowance (*)	(60,433)	(46,233)
Net	69,556	104,494
Advance to suppliers	551,197	34,052
Guarantees deposits	137,396	137,396
Prepaid expenses	31,114	7,446
Tenders deposits	26,830	
Prepaid on sales tax	11,699	13,496
Other	7,837	-
Lawsuits advance	5,000	5,000
Petty cash	-	860
Total	840,629	302,744

(*) Allowance for expected credit losses movement during the year:

	2021	2020
	JD	JD
Beginning of year balance	46,233	46,233
Provided	14,200	-
End of year balance	60,433	46,233

7. Trade receivables

	2021	2020
	JD	JD
Trade receivables (*)	2,058,766	2,305,258
Checks under collection	670,087	460,546
Government receivables	184,704	270,047
Less: expected credit losses allowance (**)	(1,621,849)	(1,424,825)
Net	1,291,708	1,611,026

(*) Follows are the aging of trade receivables as at December 31, 2021:

	2021	2020
	JD	JD
1 – 30 days	379,345	621,027
31 – 60 days	7,747	-
61 – 180 days	92,825	90,230
181 – 360 days & above	1,578,849	1,594,001
Total	2,058,766	2,305,258

- Trade receivables are concentrated in one receivable that represent 42% from the receivables as of December 31, 2021.

(**) Follows the movement of the expected credit losses allowance during the year:

	2021	2020
	JD	JD
Beginning of year balance	1,424,825	1,406,554
Provided	197,024	18,271
End of year balance	1,621,849	1,424,825

8. Statutory reserve

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

9. Accumulated losses

- The company's accumulated losses amounted to JD 14,258,976 at the date of the statement of financial position which comprises 228% of the company's capital, also, the company's current liabilities exceeded its current assets by amount of JD 4,563,072 which might effects the company's ability to continue and requires it to comply with article no.(266).
- The company's plan summarized as the following:
 - The company will undertake a capital structure where it will reduce and increase capital as follows:
 - Amortized part of the accumulated losses of the company in the company's capital and amortized of the remaining part in the shareholder payables.
 - Increase the company's capital by capitalizing a portion of shareholders' payables.

10. Related parties

- Transactions with the related parties consist of transactions with shareholders and companies that the main shareholders have significant shares and subsidiary company.
- Shareholders payables consist of the following:

	2021	2020
	JD	JD
Hamzeh Ahmed Yousef Tantash	5,490,226	5,310,226
Miysar Ahmed Yousef Aklouk	2,414,675	2,414,675
Mazen Ahmed Tantash	804,882	804,928
Total	8,709,783	8,529,829

- Due to related parties consist of the following:

	2021	2020
	JD	JD
Tantash Group	2,444,421	3,837,658
Arab Center for Pharmaceuticals & Chemical Industries	1,274,970	1,276,840
Jordan Investment & Tourism Transport Co.	39,654	43,304
Tantash Travel Agency	4,540	1,374
Total	3,763,585	5,159,176

- Transactions with the related parties are financing in nature.
- The significant transactions included in the statement of comprehensive income during the year are as follows:

	2021	2020
	JD	JD
Consulting fees - administrative expenses	198,000	198,000
Vehicle rentals - administrative expenses	18,300	-

11. Other credit balances

	2021	2020
	JD	JD
Accrued expenses	714,497	1,001,461
Received in advance from clients	687,081	111,550
Social security deposits	559,467	393,815
Employees payables	316,247	541,760
Shareholders deposits	118,736	118,736
Refund of sold shares	47,637	47,637
Income tax deposits	19,948	42,722
Notes payable	15,460	-
Sales tax deposits	13,649	-
Board of directors transportation provision	7,500	-
Other	-	38,331
Total	2,500,222	2,296,012

12. Sales

	2021	2020
	JD	JD
External sales	2,986,222	2,099,528
Local sales	2,087,674	815,658
Total	5,073,896	2,915,186

13. Cost of Sales

	2021	2020
	JD	JD
Raw materials and packing - Beginning of the year	1,808,641	1,959,054
Purchases	1,669,899	1,340,444
Raw materials and packing - end of the year	(1,800,153)	(1,808,641)
Raw materials and packing used in production	1,678,387	1,490,857
Manufacturing expenses (*)	2,003,572	1,703,702
Work in process - beginning of year	177,646	181,947
Work in process - end of year	(73,214)	(177,646)
Cost of good manufactured	3,786,391	3,198,860
Finished goods - beginning of year	642,021	185,906
Finished goods - end of year	(506,271)	(642,021)
Cost of goods sold	3,922,141	2,742,745

(*) The manufacturing expenses consist of the following:

	2021	2020
	JD	JD
Salaries and wages	762,521	681,576
Depreciation	554,372	564,617
Water and electricity	192,608	157,505
Company's contribution to social security	103,486	85,487
Maintenance	78,365	42,272
Hospitality and cleaning	61,409	22,993
Lab and tests fees	59,086	42,985
Transportation fees	32,608	22,370
Health insurance	28,592	-
Training	28,372	-
Overtime	24,153	24,489
Production consumables	15,353	8,161
Miscellaneous	13,496	12,683
Fuel	12,628	10,109
Research and development	10,630	2,570
Insurance	6,307	4,553
Subscriptions	5,083	11,061
Stationary	4,409	2,032
Shipping and clearing	4,109	415
Water treatment	3,582	1,699
Communication	1,056	2,260
Computers	796	58
Work permits	551	-
Vehicles	-	3,807
Total	2,003,572	1,703,702

14. Selling and distribution expenses

	2021	2020
	JD	JD
Agents commissions	176,847	193,553
Salaries, wages and related benefits	62,554	22,246
Penalties	58,516	125,838
Travel and transportation	22,736	6,105
Certification fees	20,318	19,306
Freight fees	17,416	9,039
Advertising and promotion	17,103	-
Miscellaneous	10,441	2,126
Social security contributions	8,522	2,764
Hospitality and cleaning	7,061	558
Water and electricity	5,095	4,411
Clearence	4,697	11,442
Bank charges	2,365	53,782
Communications	1,635	5,037
Health insurance	1,463	-
Stationery	1,433	1,094
Insurance	847	264
Total	419,049	457,565

15. Administrative expenses

	2021	2020
	JD	JD
Consultations	281,501	198,000
Salaries, wages and related benefits	280,311	177,082
Lawsuits and lawyers fees	49,475	29,694
Depreciation	42,013	46,340
Social security contribution	32,827	18,396
Amortization	32,303	39,268
Bank charges	20,650	-
Insurance	19,571	-
Cafeteria expenses	17,697	832
Subscriptions	11,235	3,125
Professional fees	10,810	10,855
Health insurance	10,169	-
Water and electricity	5,069	4,411
Donations	4,461	25,864
Board of directors transportation	3,209	700
Stationery and printings	2,994	2,119
Miscellaneous	2,886	3,179
Communications	2,367	1,551
Maintenance	1,503	3,388
Rent	1,456	1,926
Hospitality and cleaning	1,163	640
Penalties	596	1,722
Travel	534	516
Governmental licenses and fees	42	9,547
Advertising and promotion	-	422
Total	834,842	579,577

16. Financial statements of the subsidiary

This consolidated financial statements include the financial statements of the subsidiary company as at December 31, 2021 which is as follows:

Company	Establishment Country	Legal status	Investment percentage	Capital	Assets	Liabilities	Revenue	Accumulated losses
			%	JD	JD	JD	JD	JD
Middle East Medical	Algeria	LLC	100	5,350	107,054	471,628	-	(360,820)

(*) The accumulated losses for the company amounted to 7,230% of the capital as of December 31, 2021.

17. Lawsuits

As mentioned at the lawyers letters there are legal cases held by the company against others amounting to JD 635,464 in addition to other cases with undetermined amounts, there is a legal cases held against the company with an amount of JD 1,461,405 in addition to other legal cases with undetermined amounts which are still outstanding at related courts.

18. Tax status

Parent company

- Tax status for the company has been settled until 2018.
- Income tax returns have been filed for year 2019 and 2020 within the legal period, and it was not settled with the income and tax department yet.
- The company filed a lawsuit with Initial Tax Court demanding of circulating losses from exports for year 2016 amounting to JD 1,502,636, and in the tax consultant opinion the result will be in favor of the company.
- In the opinion of the tax consultant, there is no need to provide a provision due to the existence of acceptable taxable losses.

Subsidiary company

The opinion of the company's management there is no need to provide an income tax provision because there is acceptable taxable losses.

19. Contingent liabilities

There are contingent liabilities amounting to JD 137,396 with a cash deposit of JD 137,396 at the date of the statement of financial position.

20. Risk management

a) Capital risk:

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

b) Currency risk:

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

c) Interest rate risk:

- Interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates.
- The risk arises on exposure to a fluctuation in market interest rates resulting from borrowings and depositing in banks.
- The risk is managed by maintaining an appropriate mix between fixed and floating interest rates balances during the financial year.
- The company does not undergo interest risk

d) Other price risk:

- Other price risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market prices (other than those arising from interest rate risk or currency risk), whether those changes are caused by factors specific to the individual financial instrument or its issuer, or factors affecting all similar financial instruments traded in the market.
- The risk arises from investing in equity investments. However, this risk is insignificant since no active trading on these investments is occurred.

e) Credit risk:

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

f) Liquidity risk:

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

Description	Less than one year		1 year and above	
	2021	2020	2021	2020
	JD	JD	JD	JD
Assets				
Other debit balances	702,136	247,750	-	-
Trade receivables	1,291,708	1,611,026	-	-
Cash and cash equivalents	43,323	104,350	-	-
Total	2,037,167	1,963,126	-	-
Liabilities				
Shareholders payable	-	-	8,709,783	8,529,829
Postdated checks	399,245	-	229,097	-
Other credit balances	2,205,740	2,184,462	-	-
Trade payables	1,896,361	1,929,606	-	-
Due to related parties	3,763,585	5,159,176	-	-
Loans	-	201,919	-	-
Total	8,264,931	9,475,163	8,938,880	8,529,829

21. Fair value of financial instruments

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

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

22. The effects of covid-19

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

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

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

Some vital sectors are excluded from this decision, such as health, telecommunications, water, and electricity. Accordingly, the facility continued its operations without interruption during the quarantine period.