



No: (67/2018)

Date: 02/05/2018

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

**Subject: Quarterly Report of Philadelphia Pharmaceuticals as 31/03/2018**

Attached the Quarterly Report of Philadelphia Pharmaceuticals as 31/03/2018 audited from international professional Bureau for Consulting and Auditing.

Thank you very much

Kind regards,

Vice Chairman / CEO  
Kayed Al-Shabani



Copy to:

- Amman Stock Exchange.
- Securities Depository Center.

|                           |          |
|---------------------------|----------|
| بورصة عمان                |          |
| الدائرة الإدارية والمالية |          |
| الديوان                   |          |
| ٢٠١٨ أيار ٢               |          |
| الرقم التسلسل:            | 2743     |
| رقم الملف:                | 41219    |
| الجهة المختصة:            | 90011611 |

**Philadelphia Pharmaceuticals Company**  
**"Public Shareholding Company"**  
**Amman–The Hashemite Kingdom of Jordan**  
**Interim Financial Statements**  
**31 March 2018**  
**with**  
**Report on Review of Interim Financial Information**

**Philadelphia Pharmaceuticals Co.**  
**"Public Shareholding Company"**  
**Amman -The Hashemite Kingdom of Jordan**

**Contents**

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|   |   |
|---|---|
| Report on Review of Interim Financial Information.....                  | 1 |
| Interim Statement of Financial Position .....                           | 3 |
| Interim Statement of Profit or Loss and other Comprehensive Income..... | 4 |
| Interim Statement of Changes in Equity .....                            | 5 |
| Interim Statement of Cash Flows .....                                   | 6 |
| Notes to the Interim Financial Statements .....                         | 7 |

## Report on Review of Interim Financial Information

To the Shareholders of  
Philadelphia Pharmaceuticals Company  
Public Shareholding Company  
Amman – Jordan

### Introduction

We have reviewed the accompanying interim financial statement of Philadelphia Pharmaceuticals Company (P.S) as of March 31, 2018 and interim statement of profit or loss and other comprehensive income and interim statement of changes in equity and interim statements of cash flows for the three- month period then ended, and a summary of significant accounting policies and other explanatory notes. Management is responsible for the preparation and fair presentation of this interim financial information in accordance with International Financial Reporting Standard (34). Our responsibility is to express a conclusion on this interim financial information based on our review.

### Scope of Review

We conducted our review in accordance with International Standard on Review Engagements 2410. A review of interim financial information consists of making inquiries, primarily of persons responsible for financial and accounting matters and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with International Standards on Auditing and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

**Conclusion**

Based on our review, nothing has come to our attention that causes us to believe that the accompanying interim financial information does not give a true and fair view of the financial position of the entity as at march 31, 2018, and of its financial performance and its cash flows for the three – month period then ended in accordance with International Financial Reporting Standards.

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

Amman - Jordan  
15 April 2018





**Philadelphia Pharmaceuticals Company**  
**"Public Shareholding Company"**  
**Amman -The Hashemite Kingdom of Jordan**  
**Interim Statement of Financial Position (JOD)**

| Assets                                | Notes | As at             |                   |
|---------------------------------------|-------|-------------------|-------------------|
|                                       |       | 31/03/2018        | 31/12/2017        |
| <b>Current Assets</b>                 |       |                   |                   |
| Cash and cash equivalent              | 8     | 504,046           | 579,773           |
| Trade account receivable              | 9     | 8,515,202         | 8,238,777         |
| Inventory and warehouses              | 10    | 1,460,509         | 1,360,066         |
| Accepted bank withdrawals             |       | 28,504            | 12,050            |
| Goods in transit                      |       | 27,269            | 24,623            |
| Other debit balances                  | 11    | 488,756           | 399,203           |
| <b>Total current assets</b>           |       | <b>11,024,286</b> | <b>10,614,492</b> |
| <b>Non-current assets</b>             |       |                   |                   |
| Property, plants and equipments (net) | 12    | 2,603,535         | 2,510,228         |
| Intangible assets                     | 13    | 125,644           | 141,277           |
| <b>Total Non-current assets</b>       |       | <b>2,729,179</b>  | <b>2,651,505</b>  |
| <b>Total assets</b>                   |       | <b>13,753,465</b> | <b>13,265,997</b> |
| <b>Liabilities</b>                    |       |                   |                   |
| <b>Current Liabilities</b>            |       |                   |                   |
| Credit banks                          | 14    | 1,884,560         | 1,875,214         |
| Trade payables                        |       | 1,178,008         | 1,034,695         |
| Notes payables                        |       | 79,308            | -                 |
| Income tax provision                  |       | 41,020            | 34,060            |
| Other credit balances                 | 15    | 113,217           | 169,563           |
| <b>Total Current liabilities</b>      |       | <b>3,296,113</b>  | <b>3,113,532</b>  |
| <b>Total liabilities</b>              |       | <b>3,296,113</b>  | <b>3,113,532</b>  |
| <b>Equity</b>                         | 16    |                   |                   |
| Capital                               |       | 7,500,000         | 7,500,000         |
| Statutory reserve                     |       | 1,037,093         | 1,037,093         |
| Voluntary reserve                     |       | 266,772           | 266,772           |
| Retained earnings                     |       | 1,653,487         | 1,348,600         |
| <b>Total Equity</b>                   |       | <b>10,457,352</b> | <b>10,152,465</b> |
| <b>Total equity and liabilities</b>   |       | <b>13,753,465</b> | <b>13,265,997</b> |

The notes on pages 7 to 22 are an integral part of these financial statements

**Philadelphia Pharmaceuticals Company**  
**"Public Shareholding Company"**  
**Amman -The Hashemite Kingdom of Jordan**  
**Interim Statement of Profit or Loss and Other Comprehensive Income (JOD)**

|   | Note | For the period ended |                |
|---|------|----------------------|----------------|
|   |      | 31/03/2018           | 31/03/2017     |
| Sales   | 17   | 2,070,353            | 1,449,427      |
| Cost of sales   | 18   | (1,111,028)          | (596,352)      |
| <b>Gross profit</b>   |      | <b>959,325</b>       | <b>853,075</b> |
| Research and development expenses                                 |      | (43,159)             | (40,952)       |
| Selling and distribution expenses                                 | 19   | (362,696)            | (342,728)      |
| Administrative expenses   | 20   | (196,696)            | (184,831)      |
| Finance expense   |      | (41,674)             | (29,493)       |
| (Loss) on sale of property and equipment                          |      | -                    | (3,488)        |
| Other revenue   |      | 787                  | 189            |
| <b>Profit of the period from continuing operations before tax</b> |      | <b>315,887</b>       | <b>251,772</b> |
| Income tax expense  |      | (11,000)             | (17,326)       |
| <b>Profit of the period from continuing operations after tax</b>  |      | <b>304,887</b>       | <b>234,446</b> |
| <b>Other comprehensive income</b>                                 |      |                      |                |
| <b>Total comprehensive income</b>                                 |      | <b>304,887</b>       | <b>234,446</b> |
| Weighted average of shares  |      | 7,500,000            | 7,500,000      |
| <b>Earnings per shares for the period</b>                         |      | <b>0.041</b>         | <b>0.03</b>    |

The notes from page 7 to 22 are an integral part of these financial statements

**Philadelphia Pharmaceuticals Company**  
**"Public Shareholding Company"**  
**Amman -The Hashemite Kingdom of Jordan**  
**Interim Statement of Changes in Equity (JOD)**

| <b>For the period ended 31, March 2018</b> | <b>Capital</b> | <b>Statutory reserve</b> | <b>Voluntary reserve</b> | <b>Retained earnings</b> | <b>Total equity</b> |
|--|----------------|--------------------------|--------------------------|--------------------------|---------------------|
| <b>Balance at 1 January 2018</b>           | 7,500,000      | 1,037,093                | 266,772                  | 1,348,600                | 10,152,465          |
| <b>Comprehensive income</b>                |                |                          |                          |                          |                     |
| Profit for the period                      | -              | -                        | -                        | 304,887                  | 304,887             |
| <b>Period total comprehensive income</b>   |                |                          |                          | 304,887                  | 304,887             |
| <b>Balance as at 31, March 2018</b>        | 7,500,000      | 1,037,093                | 266,772                  | 1,653,487                | 10,457,352          |
| <b>For the period ended 31, March 2017</b> | <b>Capital</b> | <b>Statutory reserve</b> | <b>Voluntary reserve</b> | <b>Retained earnings</b> | <b>Total equity</b> |
| <b>Balance at 1 January 2017</b>           | 7,500,000      | 946,911                  | 266,772                  | 582,286                  | 9,295,969           |
| <b>Comprehensive income</b>                |                |                          |                          |                          |                     |
| Profit for the period                      | -              | -                        | -                        | 234,446                  | 234,446             |
| <b>Period total comprehensive income</b>   |                |                          |                          | 234,446                  | 234,446             |
| <b>Balance as at 31, March 2017</b>        | 7,500,000      | 946,911                  | 266,772                  | 582,286                  | 9,295,969           |

The notes from page 7 to 22 are an integral part of these financial statements

**Philadelphia Pharmaceuticals Company**  
**"Public Shareholding Company"**  
**Amman -The Hashemite Kingdom of Jordan**  
**Interim Statement of Cash Flows (JOD)**

|   | For the period   |                  |
|---|------------------|------------------|
|   | 31/03/2018       | 31/03/2017       |
| <b>Cash Flows from Operating Activities</b>           |                  |                  |
| Profit after tax                                      | 304,887          | 234,446          |
| <b>Adjustments for:</b>                               |                  |                  |
| Depreciation & amortization                           | 66,954           | 68,050           |
| Loss on sale of property and equipment                | -                | 3,488            |
| Finance expense                                       | 41,674           | 29,493           |
| Receivable impairment                                 | 10,000           |                  |
| <b>Changes in:</b>                                    |                  |                  |
| Trade account receivables                             | (286,425)        | (774,882)        |
| Accepted bank withdrawals                             | (103,089)        | (50,122)         |
| Inventory and warehouses                              | (16,454)         | 86,213           |
| Other debit balances                                  | (89,553)         | (93,705)         |
| Note payables   | 79,308           | (7,752)          |
| Trade account payables                                | 143,313          | 44,103           |
| Other credit balances                                 | (56,346)         | 28,918           |
| Income tax paid                                       | (4,040)          | (15,870)         |
| <b>Cash generated from operating activities</b>       |                  |                  |
| Income tax expenses                                   | 11,000           | 17,326           |
| <b>Net cash from operating activities</b>             | <b>101,229</b>   | <b>(430,294)</b> |
| <b>Cash flows from investment activities</b>          |                  |                  |
| Purchase of property and equipment                    | (158,033)        | (37,464)         |
| Intangible assets                                     | 13,405           | (4,500)          |
| Proceeds from sale of property and equipment          | -                | 28,629           |
| <b>Net cash flows from investment activities</b>      | <b>(144,628)</b> | <b>(13,335)</b>  |
| <b>Cash flows from financing activities</b>           |                  |                  |
| Finance expense                                       | (41,674)         | (29,493)         |
| Credit banks  | 9,346            | 471,074          |
| <b>Net cash flows from financing activities</b>       | <b>(32,328)</b>  | <b>441,581</b>   |
| Net (decrease) in cash                                | (75,727)         | (2,048)          |
| Cash and cash equivalents at beginning of the year    | 579,773          | 21,557           |
| <b>Cash and cash equivalent at ending of the year</b> | <b>504,046</b>   | <b>19,509</b>    |

The notes on pages 7 to 22 are an integral part of these financial statements

**Philadelphia Pharmaceuticals Company**  
**"Public Shareholding Company"**  
**Amman -The Hashemite Kingdom of Jordan**  
**InterimNotes to the Financial Statements**

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**1- Reporting Entity**

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

**2- Standards issued but not yet effective**

**A. Revenue from Contracts with Customers ( IFRS 15)**

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

**B- Financial Instruments IFRS (9)**

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

### **C- Leases IFRS (16)**

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

### **3- Basis of accounting**

- a. These financial statements have been prepared in accordance with International Financial Reporting Standards. They were authorized for issue by the company's Board of director on 17/04/2018.
- b. These financial statements have been prepared based on going concern assumption and under the historical cost basis (except those financial assets and other items that measured by fair value as at the date of financial statement in compliance with International Standards).
- c. These financial statements have been prepared under the accrual basis of accounting, under this basis the effects of transactions and other events are recognized when they occur and not as cash is received or paid and they are recorded in accounting records and reported in the financial statements of the period to which they related.

### **4- Functional and presentation currency**

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

### **5- Use of judgments and estimates**

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

## **6- Accounting policies**

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

### **A- Foreign currency transactions**

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

### **B- Revenue**

#### **▪ Sale of goods**

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

#### **▪ Rendering of services**

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

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

▪ **Commissions**

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

**C- Employee benefits**

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

**D- Income tax**

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

**E- Inventories**

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

**F- Property, plant and equipment**

- ✓ Items of property, plant and equipment are measured at cost, which includes cost incurred to bring the asset to operation, in addition to capitalized borrowing costs, less accumulated depreciation and any accumulated impairment losses.
- ✓ If significant parts of an item of property, plant and equipment have different useful lives, then they are accounted for as separate items (major components) of property, plant and equipment.
- ✓ Any gain or loss on disposal of an item of property plant and equipment is recognized in profit or loss.

## **Philadelphia Pharmaceuticals Company**

### **Notes to the financial statements**

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- ✓ Subsequent expenditure is capitalized only if it is probable that the future economic benefits associated with the expenditure will flow to the company.
- ✓ Depreciation is calculated to write off the cost of items of property, plant and equipment less their estimated residual values using the straight-line method over their estimated useful lives, and is generally recognized in profit or loss. Leased assets are depreciated over the shorter of the lease term and their useful lives unless it is reasonably certain that the company will obtain ownership by the end of the lease term. Land is not depreciated.
- ✓ The estimated useful lives of property, plant and equipment for current and comparative periods are as follows:
  - Buildings 3 %
  - Machines , equipments 8 %
  - Vehicles 15%
  - Furniture and decoration 12 %
- ✓ Depreciation methods, useful lives and residual values are reviewed at each reporting date and adjusted if appropriate.
- ✓ When the use of a property changes from owner-occupied to investment property, the property is recognized at cost as using fair value is prohibited by local legislation.

### **G- Intangible assets**

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

## Philadelphia Pharmaceuticals Company

### Notes to the financial statements

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#### H- Financial Instruments

- ✓ Financial assets are classified into financial assets at fair value through profit or loss, held-to-maturity financial assets, loans and receivables and available-for-sale financial assets.
- ✓ Financial liabilities are classified into financial liabilities at fair value through profit or loss and other financial liabilities.
- ✓ The company initially recognizes loans and receivables and debt securities issued on the date when they are originated. All other financial assets and financial liabilities are initially recognized on the trade date when the entity becomes a party to the contractual provisions of the instrument.
- ✓ The company derecognizes a financial asset when the contractual rights to the cash flows from the asset expire, or it transfers the rights to receive the contractual cash flows in a transaction in which substantially all of the risks and rewards of ownership of the financial asset are transferred.
- ✓ The company derecognizes a financial liability when its contractual obligations are discharged or cancelled, or expire.
- ✓ Financial assets and financial liabilities are offset and the net amount presented in the statement of financial position when, and only when, the company currently has a legally enforceable right to offset the amounts and intends either to settle them on a net basis or to realize the asset and settle the liability simultaneously.
- ✓ A financial asset is classified as at fair value through profit or loss if it is classified as held-for-trading or is designated as such on initial recognition. Directly attributable transaction costs are recognized in profit or loss as incurred. Financial assets at fair value through profit or loss are measured at fair value and changes therein, including any interest or dividend income, are recognized in profit or loss.
- ✓ Held-to-maturity financial assets are initially measured at fair value plus any directly attributable transaction costs. Subsequent to initial recognition, they are measured at amortized cost using the effective interest method.
- ✓ Available-for-sale financial assets are initially measured at fair value plus any directly attributable transaction costs. Subsequent to initial recognition, they are measured at fair value and changes therein, other than impairment losses and foreign currency differences on debt instruments, are recognized in other comprehensive income and accumulated in the fair value reserve.

When these assets are derecognized, the gain or loss accumulated in equity is reclassified to profit or loss.

**I-Impairment**

- **Financial assets**

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

- **Non-financial assets**

- ✓ At each reporting date, the company reviews the carrying amounts of its non-financial assets (other than biological assets, investment property, inventories and deferred tax assets) to determine whether there is any indication of impairment. If any such indication exists, then the asset's recoverable amount is estimated. Goodwill is tested annually for impairment.
- ✓ The recoverable amount of an asset is the greater of its value in use and its fair value less costs to sell. Value in use is based on the estimated future cash flows, discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset.
- ✓ An impairment loss is recognized if the carrying amount of an asset exceeds its recoverable amount.
- ✓ An impairment loss in respect of goodwill is not reversed. For other assets, an impairment loss is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of depreciation or amortization, if no impairment loss had been recognized.

**J- Fair value measurement**

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

**Philadelphia Pharmaceuticals Company**  
**Notes to the financial statements**

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- ✓ A number of the company accounting policies and disclosures require the measurement of fair values, for both financial and non-financial assets and liabilities.
- ✓ When one is available, the company measures the fair value of an instrument using the quoted price in an active market for that instrument. A market is regarded as active if transactions for the asset or liability take place with sufficient frequency and volume to provide pricing information on an ongoing basis.
- ✓ If there is no quoted price in an active market, then the company uses valuation techniques that maximize the use of relevant observable inputs and minimize the use of unobservable inputs. The chosen valuation technique incorporates all of the factors that market participants would take into account in pricing a transaction.
- ✓ If an asset or a liability measured at fair value has a bid price and an ask price, then the company measures assets and long positions at a bid price and liabilities and short positions at an ask price

**K- Related parties**

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

**L- Events after the reporting period**

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

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

**M- Contingent Liabilities**

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

|                      |             |
|----------------------|-------------|
| Bank guarantees(net) | 138,538 JOD |
|----------------------|-------------|

**N- Capital management**

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

### **O- Financial risk management**

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

1-credit risk

2-liquidity risk

3-market risk

### **Risk management framework**

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

### **Credit risk**

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

**Philadelphia Pharmaceuticals Company**  
**Notes to the financial statements**

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**Market risk**

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

**Currency risk**

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

**Interest rate risk**

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

**8- Cash and cash equivalents**

|                                     | <u>31/03/2018</u>     | <u>31/12/2017</u>     |
|-------------------------------------|-----------------------|-----------------------|
|                                     | <b>JOD</b>            | <b>JOD</b>            |
| Cash at hand                        | 3,913                 | 1,421                 |
| Arab Bank – USD                     | 333                   | 1,310                 |
| Arab Bank – USD –Algeria            | 14,180                | 14,180                |
| Islamic International Arab Bank-JOD | 790                   | 792                   |
| Capital bank – JOD                  | 4,412                 | 97                    |
| Investment bank – JOD               | -                     | 1                     |
| Investment bank – USD               | 4,483                 | 2,731                 |
| Al Rajhi Bank – USD                 | 35                    | 35                    |
| Checks in hand                      | 475,900               | 559,206               |
| <b>Total</b>                        | <u><b>504,046</b></u> | <u><b>579,773</b></u> |

**Philadelphia Pharmaceuticals Company**  
**Notes to the financial statements**

**9- Trade account receivable**

|                      | <u>31/03/2018</u>       | <u>31/12/2017</u>       |
|----------------------|-------------------------|-------------------------|
|                      | <b>JOD</b>              | <b>JOD</b>              |
| Local receivables    | 4,431,622               | 4,302,162               |
| External receivables | 4,145,434               | 3,988,468               |
| Impairment provision | (61,853)                | (51,853)                |
| <b>Total</b>         | <b><u>8,515,202</u></b> | <b><u>8,238,777</u></b> |

**10- Inventory and warehouses**

|                           | <u>31/03/2018</u>       | <u>31/12/2017</u>       |
|---------------------------|-------------------------|-------------------------|
|                           | <b>JOD</b>              | <b>JOD</b>              |
| Raw materials and packing | 1,101,277               | 1,057,606               |
| Finished good             | 169,475                 | 163,683                 |
| Spare parts and disposals | 134,597                 | 73,777                  |
| Goods in process          | 55,160                  | 65,000                  |
| <b>Total</b>              | <b><u>1,460,509</u></b> | <b><u>1,360,066</u></b> |

**11- Other debit balances**

|  | <u>31/03/2018</u>     | <u>31/12/2017</u>     |
|--|-----------------------|-----------------------|
|  | <b>JOD</b>            | <b>JOD</b>            |
| Prepaid expenses                       | 405,251               | 243,405               |
| Refundable deposits                    | 5,628                 | 5,628                 |
| Margin on guarantees                   | 15,435                | 17,345                |
| Income tax                             | 2,817                 | 1,867                 |
| Due from employees                     | 37,865                | 39,338                |
| Payments in advanced for raw materials | 14,494                | 72,903                |
| Sale tax                               | 7,266                 | 18,717                |
| <b>Total</b>                           | <b><u>488,756</u></b> | <b><u>399,203</u></b> |

**Philadelphia Pharmaceuticals Company**  
**Notes to the financial statements**

**12- Property, plants and equipments**

| <b>31/03/2018</b>               | <b>Lands</b>   | <b>Buildings</b> | <b>Machines ,<br/>equipments &amp;<br/>vehicles</b> | <b>Furniture and<br/>decorations</b> | <b>Total</b>     |
|---------------------------------|----------------|------------------|---|--------------------------------------|------------------|
| <b>Cost</b>                     | <b>JOT</b>     | <b>JOD</b>       | <b>JOD</b>  | <b>JOD</b>                           | <b>JOD</b>       |
| <b>Opening balance</b>          | <b>124,865</b> | <b>1,520,193</b> | <b>2,546,654</b>                                    | <b>236,485</b>                       | <b>4,428,197</b> |
| Additions                       | -              | -                | 158,100   | 203                                  | 158,303          |
| <b>Ending balance</b>           | <b>124,865</b> | <b>1,520,193</b> | <b>2,704,754</b>                                    | <b>236,688</b>                       | <b>4,586,500</b> |
| <b>Accumulated depreciation</b> |                |                  |   |                                      |                  |
| <b>Opening balance</b>          | -              | <b>410,728</b>   | <b>1,383,662</b>                                    | <b>123,579</b>                       | <b>1,917,969</b> |
| Additions                       | -              | 11,332           | 50,125  | 3,539                                | 64,996           |
| <b>Ending balance</b>           | -              | <b>422,060</b>   | <b>1,433,787</b>                                    | <b>127,118</b>                       | <b>1,982,965</b> |
| <b>Net book value</b>           | <b>124,865</b> | <b>1,098,133</b> | <b>1,270,967</b>                                    | <b>109,570</b>                       | <b>2,603,535</b> |

| <b>31/12/2017</b>               | <b>Lands</b>   | <b>Buildings</b> | <b>Machines ,<br/>equipments &amp;<br/>vehicles</b> | <b>Furniture and<br/>decorations</b> | <b>Total</b>     |
|---------------------------------|----------------|------------------|---|--------------------------------------|------------------|
| <b>cost</b>                     | <b>JOT</b>     | <b>JOD</b>       | <b>JOD</b>  | <b>JOT</b>                           | <b>JOD</b>       |
| <b>Opening balance</b>          | <b>124,865</b> | <b>1,517,898</b> | <b>2,518,281</b>                                    | <b>232,953</b>                       | <b>4,393,997</b> |
| Additions                       | -              | 2,295            | 52,163  | 4,693                                | 59,151           |
| Disposals                       | -              | -                | (23,790)  | (1,161)                              | (24,951)         |
| <b>Ending balance</b>           | <b>124,865</b> | <b>1,520,193</b> | <b>2,546,654</b>                                    | <b>236,485</b>                       | <b>4,428,197</b> |
| <b>Accumulated depreciation</b> |                |                  |   |                                      |                  |
| <b>Opening balance</b>          | -              | <b>365,052</b>   | <b>1,186,651</b>                                    | <b>108,079</b>                       | <b>1,659,782</b> |
| Additions                       | -              | 45,676           | 200,731   | 15,656                               | 262,063          |
| Disposals                       | -              | -                | (3,720)   | (156)                                | (3,876)          |
| <b>Ending balance</b>           | -              | <b>410,728</b>   | <b>1,383,662</b>                                    | <b>123,579</b>                       | <b>1,917,969</b> |
| <b>Net book value</b>           | <b>124,865</b> | <b>1,109,465</b> | <b>1,162,992</b>                                    | <b>112,906</b>                       | <b>2,510,228</b> |

**Philadelphia Pharmaceuticals Company**  
**Notes to the financial statements**

**13 - Intangible assets**

|                                     | <u>31/03/2018</u> | <u>31/12/2017</u> |
|-------------------------------------|-------------------|-------------------|
|                                     | <b>JOD</b>        | <b>JOD</b>        |
| Research , development and software | 245,084           | 198,467           |
| Additions                           | -                 | 46,617            |
| <b>Total</b>                        | <b>245,084</b>    | <b>245,084</b>    |
| Accumulated amortization            |                   |                   |
| Opening balance                     | 103,807           | 46,639            |
| Additions                           | 1,958             | 57,168            |
| <b>Ending balance</b>               | <b>105,765</b>    | <b>103,807</b>    |
| <b>Net book value</b>               | <b>125,644</b>    | <b>141,277</b>    |

**14- Creditbanks**

|                     | <u>31/03/2018</u> | <u>31/12/2017</u> |
|---------------------|-------------------|-------------------|
|                     | <b>JOD</b>        | <b>JOD</b>        |
| Capital Bank – USD  | 465,080           | 333,367           |
| Arab Bank –JOT      | 83,439            | 128,678           |
| Arab Bank – USD     | 784,547           | 532,629           |
| Union Bank – USD    | 551,199           | 880,243           |
| Union Bank – JOT    | -                 | 2                 |
| Al Rajhi Bank – USD | 295               | 295               |
| <b>Total</b>        | <b>1,884,560</b>  | <b>1,875,214</b>  |

**15- Other credit balances**

|                               | <u>31/03/2018</u> | <u>31/12/2017</u> |
|-------------------------------|-------------------|-------------------|
|                               | <b>JOD</b>        | <b>JOD</b>        |
| Accrued expenses              | 51,410            | 93,360            |
| Due to taxation department    | 4,229             | 2,883             |
| Due to social security        | 21,185            | 19,628            |
| Due to employees              | 6,997             | 8,022             |
| Board of directors incentives | 20,000            | 40,000            |
| Employees' benefits           | 9,396             | 5,670             |
| <b>Total</b>                  | <b>113,217</b>    | <b>169,563</b>    |

**16- Equity**

▪ **Capital**

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

At 26/4/2016 the General Assembly decided in an extraordinary meeting to increase the capital by (2,500,000) JOD through capitalization of retained earnings, with covering the rest of increase from voluntary reserve and to distribute this increase as free shares to the shareholders in proportion of their shares in capital.

▪ **Statutory reserve**

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

▪ **Voluntary reserve**

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

▪ **Retained earnings**

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

**17 - Sales**

|              | <u>31/03/2018</u>       | <u>31/03/2017</u>       |
|--------------|-------------------------|-------------------------|
|              | <b>JOD</b>              | <b>JOD</b>              |
| Local sales  | 494,027                 | 569,207                 |
| Export sales | 1,576,326               | 880,220                 |
| <b>Total</b> | <b><u>2,070,353</u></b> | <b><u>1,449,427</u></b> |

**Philadelphia Pharmaceuticals Company**  
**Notes to the financial statements**

**18- Cost of sales**

|   | Note | 31/03/2018<br>JOD | 31/03/2017<br>JOD |
|---|------|-------------------|-------------------|
| Raw materials                           |      | 818,054           | 384,710           |
| Operational expenses                    | 18-1 | 245,448           | 202,981           |
| Depreciation & amortization             |      | 43,891            | 45,601            |
| <b>Cost of production</b>               |      | <b>1,107,393</b>  | <b>633,292</b>    |
| Good in process - opening balance       |      | 65,000            | 55,374            |
| Good in process - ending balance        |      | (55,160)          | (50,529)          |
| <b>Cost of goods available for sale</b> |      | <b>1,117,233</b>  | <b>638,137</b>    |
| Finished goods – opening balance        |      | 163,270           | 164,361           |
| Finished goods – ending balance         |      | (169,475)         | (206,146)         |
| <b>Total</b>                            |      | <b>1,111,028</b>  | <b>596,352</b>    |

**18-1- Operational Expenses**

|                           | 31/03/2018<br>JOD | 31/03/2017<br>JOD |
|---------------------------|-------------------|-------------------|
| Wages and salaries        | 129,620           | 112,210           |
| Social security           | 17,948            | 16,207            |
| Water and electricity     | 17,690            | 14,072            |
| Maintenance               | 14,274            | 10,184            |
| Medical Analysis expense  | 12,018            | 10,905            |
| Health insurance          | 6,445             | 6,254             |
| Medical Analysis fees     | 4,640             | 4,775             |
| Consumable                | 13,296            | 8,955             |
| Fuel                      | 3,400             | 3,888             |
| Training and development  | 500               | 680               |
| Water treatment expenses  | 1,170             | 1,382             |
| Transportation            | 779               | 212               |
| Write off expenses        | 550               | 500               |
| Factory insurance         | 586               | 586               |
| Calibration and air tests | 6,402             | 3,615             |
| Meals                     | 3,530             | 2,811             |
| Stationery                | 1,262             | 1,067             |
| Cleaning                  | 1,366             | 1,584             |
| Workers' wages            | 2,436             | -                 |
| Miscellaneous             | 7,536             | 3,094             |
| <b>Total</b>              | <b>245,448</b>    | <b>202,981</b>    |

**Philadelphia Pharmaceuticals Company**  
**Notes to the financial Statements**

**19-Selling and distribution expenses**

|                          | <u>31/03/2018</u>     | <u>31/03/2017</u>     |
|--------------------------|-----------------------|-----------------------|
|                          | <b>JOD</b>            | <b>JOD</b>            |
| Wages and salaries       | 55,100                | 60,102                |
| Social security          | 7,175                 | 8,976                 |
| Rents                    | 2,075                 | 4,366                 |
| Selling offices expense  | 4,157                 | 3,405                 |
| Tenders                  | 2,017                 | 2,048                 |
| Health insurance         | 2,052                 | 2,178                 |
| Advertising              | 21,649                | 13,076                |
| Foreign markets expenses | 260,551               | 245,340               |
| Miscellaneous            | 7,920                 | 3,237                 |
| <b>Total</b>             | <b><u>362,696</u></b> | <b><u>342,728</u></b> |

**20- Administrative and general expenses**

|                             | <u>31/03/2018</u>     | <u>31/03/2017</u>     |
|-----------------------------|-----------------------|-----------------------|
|                             | <b>JOD</b>            | <b>JOD</b>            |
| Wages and salaries          | 103,426               | 108,050               |
| Social security             | 13,348                | 14,329                |
| Rents                       | 6,213                 | 4,768                 |
| Telephone                   | 2,219                 | 2,133                 |
| Stationery                  | 605                   | 1,137                 |
| Vehicle expenses            | 8,987                 | 6,546                 |
| Security                    | 4,800                 | 4,650                 |
| Professional fees           | 2,500                 | 1,500                 |
| Hospitality & cleaning      | 1,044                 | 642                   |
| Health insurance            | 4,985                 | 5,034                 |
| Fees and licenses           | 3,566                 | 4,744                 |
| Head office expenses        | 5,758                 | 4,709                 |
| Software expenses           | 2,574                 | 690                   |
| Depreciation & amortization | 23,063                | 22,449                |
| Miscellaneous               | 3,609                 | 3,450                 |
| Impairment provision        | 10,000                | -                     |
| <b>Total</b>                | <b><u>196,696</u></b> | <b><u>184,831</u></b> |