

PHILADELPHIA PHARMACEUTICALS



شركة فيلادلفيا لصناعة الأدوية

No: (70/2019)

Date: 29/04/2019

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

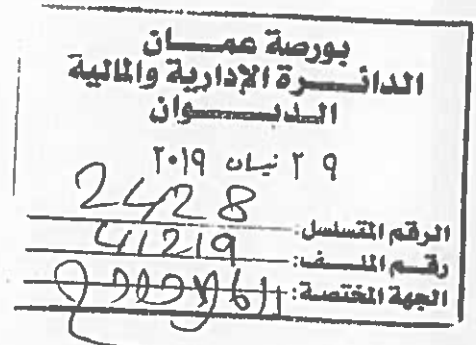
Subject : 1st Quarter Report of Philadelphia Pharmaceuticals as 31/03/2019

Attached the 1st Quarter Report of Philadelphia Pharmaceuticals as 31/03/2019 audited from international professional Bureau for Consulting and Auditing.

Kindly accept our high appreciation and respect,,

Vice Chairman / CEO

Kayed Al-Shabani



Copy to:

- Amman Stock Exchange.
- Securities Depository Center.

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

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

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

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

Philadelphia Pharmaceuticals Co.
"Public Shareholding Company"

Contact

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

Report on Review of Interim Financial Information

To the Shareholders of
Philadelphia Pharmaceuticals Company
Public Shareholding Company

Introduction

We have reviewed the accompanying interim financial statement of Philadelphia Pharmaceuticals Company (P.S) as of March 31, 2019 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.

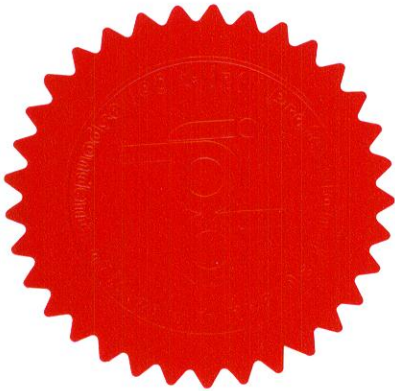
Conclusion

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 2019, 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
Dr. Reem AL-Araj
License No. (820)

Reem

Amman - Jordan
11 April 2019



Philadelphia Pharmaceuticals Company
"Public Shareholding Company"
Interim Statement of Financial Position (JOD)

| Assets | Notes | As at | |
|-------------------------------------|--------------|-------------------|-------------------|
| | | 31/03/2019 | 31/12/2018 |
| Current Assets | | | |
| Cash and cash equivalent | 5 | 949,431 | 965,365 |
| Trade receivables (net) | 6 | 8,711,897 | 7,917,431 |
| Inventory and warehouses | 7 | 1,275,490 | 1,481,124 |
| Accepted banks' withdrawals | | 156,291 | 156,291 |
| Inventory in transit | | 59,066 | 60,154 |
| Other debit balances | 8 | 567,868 | 455,858 |
| | | 11,720,043 | 11,036,223 |
| Non-current assets | | | |
| Property and equipments (net) | 9 | 2,496,583 | 2,591,720 |
| Intangible assets | 10 | 106,253 | 101,734 |
| | | 2,602,836 | 2,693,454 |
| Total assets | | 14,322,879 | 13,729,677 |
| Liabilities | | | |
| Current Liabilities | | | |
| Credit banks | 11 | 1,707,090 | 1,386,459 |
| Trade payables | | 1,024,212 | 1,115,306 |
| Deferred cheques | | 6,593 | 5,985 |
| Income tax provision | 12 | 69,641 | 48,339 |
| Other credit balances | 13 | 340,874 | 387,566 |
| | | 3,148,410 | 2,943,655 |
| Total liabilities | | 3,148,410 | 2,943,655 |
| Equity | 14 | | |
| Capital | | 7,500,000 | 7,500,000 |
| Statutory reserve | | 1,143,970 | 1,143,970 |
| Voluntary reserve | | 266,772 | 266,772 |
| Retained earnings | | 2,263,727 | 1,875,280 |
| | | 11,174,469 | 10,786,022 |
| Total equity and liabilities | | 14,322,879 | 13,729,677 |

The notes on pages 7 to 31 are an integral part of these financial statements

Philadelphia Pharmaceuticals Company

"Public Shareholding Company"

Interim Statement of Profit or Loss and Other Comprehensive Income (JOD)

| | Note | For the period ended | |
|---|------|----------------------|----------------|
| | | 31/03/2019 | 31/03/2018 |
| Continuing operations | | | |
| Revenue from contracts with customers | 15 | 2,286,032 | 2,070,353 |
| Cost of revenue | 16 | (1,110,794) | (1,111,028) |
| Gross profit | | 1,175,238 | 959,325 |
| Research and development expenses | | (49,252) | (43,159) |
| Selling and distribution expenses | 17 | (414,945) | (362,696) |
| Administrative expenses | 18 | (229,448) | (196,696) |
| Operating profit | | 481,593 | 356,774 |
| Finance expense | | (54,359) | (41,674) |
| Other expenses | | (3,787) | 787 |
| Profit before tax from continuing operations | | 423,447 | 315,887 |
| Income tax expense | 12 | (35,000) | (11,000) |
| Profit after tax | | 388,447 | 304,887 |
| Other comprehensive income | | | |
| Total comprehensive income | | - | - |
| Weighted average of shares | | 7,500,000 | 7,500,000 |
| Basic and diluted earnings per share | | 0.052 | 0.041 |

The notes on pages 7 to 31 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)

| For the period ended 31 March, 2019 | Capital | Statutory reserve | Voluntary reserve | Retained earnings | Total equity |
|--|----------------|--------------------------|--------------------------|--------------------------|---------------------|
| Balance at 1 January 2019 | 7,500,000 | 1,143,970 | 266,772 | 1,875,280 | 10,786,022 |
| Comprehensive income | | | | | |
| Profit for the period | - | - | - | 388,447 | 388,447 |
| Total comprehensive income | - | - | - | 388,447 | 388,447 |
| Balance as at 31, March 2019 | 7,500,000 | 1,037,093 | 266,772 | 2,263,727 | 11,174,469 |

| For the period ended 31 March, 2018 | Capital | Statutory reserve | Voluntary reserve | Retained earnings | Total equity |
|--|----------------|--------------------------|--------------------------|--------------------------|---------------------|
| Balance at 1 January 2018 | 7,500,000 | 1,037,093 | 266,772 | 1,348,600 | 10,152,465 |
| Comprehensive income | | | | | |
| Profit for the period | - | - | - | 304,887 | 304,887 |
| Total comprehensive income | - | - | - | 304,887 | 304,887 |
| Balance as at 31, March 2018 | 7,500,000 | 1,037,093 | 266,772 | 1,653,487 | 10,457,352 |

The notes on pages 7 to 31 are an integral part of these financial statements

Philadelphia Pharmaceuticals Company
"Public Shareholding Company"
Interim Statement of Cash Flows (JOD)

| | | For the period | |
|--|----|------------------|------------------|
| | | 31/03/2019 | 31/03/2018 |
| Cash Flows from Operating Activities | | | |
| profit of the period after tax | | 423,447 | 315,887 |
| Adjustments | | | |
| Depreciation and amortization | 9 | 116,685 | 66,954 |
| Receivables impairment provision | 6 | 10,000 | 10,000 |
| Finance expense | | 54,359 | 41,674 |
| Changes in working capital: | | | |
| Trade receivables | | (804,466) | (286,425) |
| Inventory and warehouses | | 206,722 | (103,089) |
| Accepted banks' withdrawals | | - | (16,454) |
| Other debit balances | | (112,010) | (89,553) |
| Deferred cheques | | 608 | 79,308 |
| Trade payables | | (91,094) | 143,313 |
| Other credit balances | | (46,692) | (56,346) |
| Paid Income tax | 12 | (13,698) | (4,040) |
| Net cash from operating activities | | (256,139) | 101,229 |
| Cash flows from investment activities | | | |
| Purchase of property and equipment | 9 | (8,293) | (158,033) |
| Purchase of intangible assets | 10 | (17,774) | 13,405 |
| Net cash flows from investment activities | | (26,067) | (144,628) |
| Cash flows from financing activities | | | |
| Finance expense | | (54,359) | (41,674) |
| Credit banks | | 320,631 | 9,346 |
| Net cash flows from financing activities | | 266,272 | (32,328) |
| Net (decrease) in cash | | (15,934) | (75,727) |
| Cash and cash equivalents at 1 January | | 965,365 | 579,773 |
| Cash and cash equivalent at 31 December | 5 | 949,431 | 504,046 |

The notes on pages 7 to 31 are an integral part of these financial statements

A- Current versus non-current classification

The company presents assets and liabilities in the statement of financial position based on current/non-current classification.

An asset is current when it is:

- Expected to be realized or intended to be sold or consumed in the normal operating cycle.
- Held primarily for the purpose of trading.
- Expected to be realized within twelve months after the reporting period.
- Cash or cash equivalent unless restricted from being exchanged or used to settle a liability for at least twelve months after the reporting period

All other assets are classified as non-current.

A liability is current when:

- It is expected to be settled in the normal operating cycle.
- It is held primarily for the purpose of trading.
- It is due to be settled within twelve months after the reporting period.
- There is no unconditional right to defer the settlement of the liability for at least twelve months after the reporting period.

All other liabilities are classified as non-current.

B-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. The fair value measurement based on the presumption that the transaction to sell the asset or transfer the liability takes place either in the principal market for the asset or liability, or in the absence of principal market, the most advantageous market to asset or liability.
- All assets and liabilities for which fair value is measured or disclosed in the financial statements are categorized within the fair value hierarchy, described as follows, based on the lowest level input that is significant to the fair value measurement as a whole:
 - Level 1 - Quoted (unadjusted) market prices in active markets for identical assets or liabilities.

- Level 2 - Valuation techniques for which the lowest level input that is significant to the fair value measurement is directly or indirectly observable.
- Level 3 - Valuation techniques for which the lowest level input that is significant to the fair value measurement is unobservable.

C- Revenue from contracts with customers

- Revenue from contracts with customers is recognized when control of the goods or services are transferred to the customer at an amount that reflects the consideration to which the company expects to be entitled in exchange for those goods or services.
- The company shall account for a contract with a customer only when all of the following criteria are met:
 - The parties to the contract have approved the contract (in writing, orally or in accordance with other customary business practices) and are committed to perform their respective obligations.
 - The company can identify each party's rights regarding the goods or services to be transferred.
 - The company can identify the payment terms for the goods or services to be transferred.
 - The contract has commercial substance (risk, timing or amount of the entity's future cash flows is expected to change as a result of the contract).
 - It is probable that the entity will collect the consideration to which it will be entitled in exchange for the goods or services that will be transferred to the customer. In evaluating whether collectability of an amount of consideration is probable, an entity shall consider only the customer's ability and intention to pay that amount of consideration when it is due. The amount of consideration to which the entity will be entitled may be less than the price stated in the contract if the consideration is variable because the entity may offer the customer a price concession.
- When a performance obligation is satisfied, the Company recognizes as revenue the amount of the transaction price that is allocated to that performance obligation.

D-Government grants

- Government grants are recognized where there is reasonable assurance that the grant will be received and all attached conditions will be complied with. When the grant relates to an expense item, it is recognized as income on a systematic basis over the periods that the related costs, for which it is intended to compensate, are expensed. When the grant relates to an asset, it is recognized as income in equal amounts over the expected useful life of the related asset.
- When the company receives grants of non-monetary assets, the asset and the grant are recorded at nominal amounts and released to profit or loss over the expected useful life of the asset, based on the pattern of consumption of the benefits of the underlying asset by equal annual installments.

E- 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.
- Tax expense is recognizing in compliance with regulations.
- Expenses and assets are recognized net of the amount of sales tax, except:
 - When the sales tax incurred on a purchase of assets or services is not recoverable from the taxation authority, in which case, the sales tax is recognized as part of the cost of acquisition of the asset or as part of the expense item, as applicable.
 - When receivables and payables are stated with the amount of sales tax included the net amount of sales tax recoverable from, or payable to, the taxation authority is included as part of receivables or payables in the statement of financial position.

F-Foreign currency

▪ **Transactions and balances**

- ✓ Transactions in foreign currencies are translated into the respective functional currency spot rate of company at exchange rates at the dates of the transactions.
- ✓ Monetary assets and liabilities denominated in foreign currencies are translated at the functional currency spot rates of at the exchange rate at the reporting date.
- ✓ Differences arising on translation of monetary items are recognized in profit or loss except those that are designated as part of the hedging which will be recognized in other comprehensive income.
- ✓ Non-monetary items that are measured in terms of historical cost in a foreign currency are translated using the exchange rates at the dates of the initial transactions. Non-monetary items measured at fair value in a foreign currency are translated using the exchange rates at the date when the fair value is determined. The gain or loss arising on translation of non-monetary items measured at fair value is treated in line with the recognition of the gain or loss on the change in fair value of the item.

G- Non – current assets held for sale

- Non-current assets are classified as held-for-sale if it is highly probable that they will be recovered primarily through sale rather than through continuing use.
- Such assets are generally measured at the lower of their carrying amount and fair value less costs to sell. Impairment losses on initial classification as held-for-sale and subsequent gains and losses on measurement are recognized in profit or loss.
- Once classified as held-for-sale, intangible assets and property, plant and equipment are no longer amortized or depreciated, and any equity-accounted investee is no longer equity accounted.
- Assets classified as held for sale are presented separately as current items in the statement of financial position.

H- Discontinued operation

- Discontinued operations are excluded from the results of continuing operations and are presented as a single amount as profit or loss after tax from discontinued operations in the statement of profit or loss.
- Discontinued operations are a component of the company's business, the operations and cash flows of which can be clearly distinguished from the rest of the company's.

I-Cash dividend

The Company recognizes a liability to pay a dividend when the distribution is authorized and the distribution is no longer at the discretion of the company. As per the corporate laws of Jordan, a distribution is authorized when it is approved by the shareholders. A corresponding amount is recognized directly in equity.

J- Property, plant and equipment

- Items of property, plant and equipment are measured at cost, the cost of replacing parts of the plant and equipment, and borrowing cost for long term construction projects if the recognition criteria are met, less accumulated depreciation and any accumulated impairment losses such cost includes.
- If significant parts of an item of property, plant and equipment have different useful lives, then they are accounted for as separate items (major components) of property, plant and equipment.
- Any gain or loss on disposal of an item of property plant and equipment is recognized in profit or loss.
- Subsequent expenditure is capitalized only if it is probable that the future economic benefits associated with the expenditure will flow to the company all other repair and maintains costs are recognized in profit or loss as incurred.
- 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.

- Depreciation methods, useful lives and residual values are reviewed at each reporting date and adjusted if appropriate.

K- Leases

- A lease is classified at the inception date as a finance lease or an operating lease.
- A lease that transfers substantially all the risks and rewards incidental to ownership to the company is classified as a finance lease.
- Finance leases are capitalized at the commencement of the lease at the inception date fair value of the leased property or, if lower, at the present value of the minimum lease payments. Lease payments are apportioned between finance charges and reduction of the lease liability so as to achieve a constant rate of interest on the remaining balance of the liability. Finance charges are recognized in finance costs in the statement of profit or loss.
- A leased asset is depreciated over the useful life of the asset. However, if there is no reasonable certainty that the company will obtain ownership by the end of the lease term, the asset is depreciated over the shorter of the estimated useful life of the asset and the lease term.
- An operating lease is a lease other than a finance lease. Operating lease payments are recognized as an operating expense in the statement of profit or loss on a straight-line basis over the lease term.

L- Borrowing costs

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

M- Investments property

- Investment property comprises non-owner occupied buildings held to earn rentals and for capital appreciation.
- Investments property is initially recognized at cost plus any expenses attributable directly to it.

- Subsequent to initial recognition investment properties are stated at cost model and in the case of lower recoverable amount of investments than its book value it should be reduced to the recoverable amount and the impairment are recognized through profit or loss. If the fair value for impaired investment property increased, recorded impairment loss is reversed no more than the cost or fair value whichever is less.

N- Intangible assets

- Intangible assets acquired separately are measured on initial recognition at cost.
- The cost of intangible assets acquired in a business combination is their fair value at the date of acquisition. Following initial recognition, intangible assets are carried at cost less any accumulated amortization and accumulated impairment losses.
- Internally generated intangibles, excluding capitalized development costs, are not capitalized and the related expenditure is reflected in profit or loss in the period in which the expenditure is incurred.
- The useful lives of intangible assets are assessed as either finite or indefinite.
- Intangible assets with finite lives are amortized over the useful economic life and assessed for impairment whenever there is an indication that the intangible asset may be impaired.
- The amortization period and the amortization method for an intangible asset with a finite useful life are reviewed at least at the end of each reporting period. Changes in the expected useful life or the expected pattern of consumption of future economic benefits embodied in the asset are considered to modify the amortization period or method, as appropriate, and are treated as changes in accounting estimates. The amortization expense on intangible assets with finite lives is recognized in the statement of profit or loss in the expense category that is consistent with the function of the intangible assets.
- Intangible assets with indefinite useful lives are not amortized, but are tested for impairment annually, either individually or at the cash-generating unit level. The assessment of indefinite life is reviewed annually to determine whether the indefinite life continues to be supportable. If not, the change in useful life from indefinite to finite is made on a prospective basis.

▪ **Research and development costs**

- ✓ Research costs are expensed as incurred.
- ✓ Development expenditures on an individual project are recognized as an intangible asset when the company can demonstrate:
 - The technical feasibility of completing the intangible asset so that the asset will be available for use or sale.
 - Its intention to complete and its ability and intention to use or sell the asset.
 - How the asset will generate future economic benefits.
 - The availability of resources to complete the asset.
 - The ability to measure reliably the expenditure during development
- ✓ Following initial recognition of the development expenditure as an asset, the asset is carried at cost less any accumulated amortization and accumulated impairment losses. Amortization of the asset begins when development is complete and the asset is available for use. It is amortized over the period of expected future benefit. Amortization is recorded in cost of sales. During the period of development, the asset is tested for impairment annually.

O- Financial Instruments- initial recognition and subsequent measurement

A financial instrument is any contract that gives rise to a financial asset of one entity and a financial liability or equity instrument of another entity.

1.- Financial assets

- Financial assets are classified, at initial recognition, as subsequently measured at amortized cost, fair value through other comprehensive income (OCI), and fair value through profit or loss. The classification of financial assets at initial recognition depends on the financial asset's contractual cash flow characteristics and the company's business model for managing them.
- In order for a financial asset to be classified and measured at amortized cost or fair value through OCI, it needs to give rise to cash flows that are 'solely payments of principal and interest (SPPI)' on the principal amount outstanding. This assessment is referred to as the SPPI test and is performed at an instrument level.
- For purposes of subsequent measurement, financial assets are classified as follow:

- Financial assets at amortized cost

Financial assets at amortized cost are subsequently measured using the effective interest method and are subject to impairment. Gains on losses are recognized in profit or loss when the asset is derecognized, modified or impaired. Financial assets at amortized cost include trade receivables, loans to other partiesetc.

- Financial assets designated at fair value through OCI

Financial assets at fair value through OCI are initially measured at cost plus transaction cost, subsequently they are measured at fair value and changes there in are recognized in OCI. Dividends are recognized as other income in the statement of profit or loss when the right of payment has been established. Equity instruments designated at fair value through OCI are not subject to impairment assessment.

- Financial assets at fair value through profit or loss

Financial assets at fair value through profit or loss include financial assets held for trading, financial assets designated upon initial recognition at fair value through profit or loss,

Or financial assets mandatorily required to be measured at fair value. Financial assets are classified as held for trading if they are acquired for the purpose of selling or repurchasing in the near term. Financial assets at fair value through profit or loss are carried in the statement of financial position at fair value with net changes in fair value recognized in the statement of profit or loss.

Dividends on listed equity investments are also recognized as other income in the statement of profit or loss when the right of payment has been established.

Impairment of financial assets

Financial assets not classified as at fair value, 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.

2. Financial liabilities

- Financial liabilities are classified, at initial recognition, as financial liabilities at fair value through profit or loss, loans and borrowings, payables, as appropriate.
- All financial liabilities are recognized initially at fair value and, in the case of loans and borrowings and payables, net of directly attributable transaction costs.
- The company's financial liabilities include trade and other payables, loans and borrowings including bank overdraftsetc.
- The subsequent measurement of financial liabilities depends on their classification. Loans and borrowings are subsequently measured at amortized cost using the effective interest rate Method . Gains or losses are recognized in profit or loss when the liabilities are derecognized as well as through the effective interest rate amortization process.
- Amortized cost is calculated by taking into account any discount or premium on acquisition and fees or costs that are an integral part of the effective interest rate. The effective interest rate amortization is included as finance costs in the statement of profit or loss.

P- Inventories

- Inventories are valued at the lower of cost and net realizable value.
- Costs incurred in bringing each product to its present location and condition are accounted for purchase price and other cost incurred to bring it in use excluding borrowing cost
- Net realizable value is the estimated selling price in the ordinary course of business, less estimated costs of completion and the estimated costs necessary to make the sale.

Q- Impairment of non-financial assets

The company assesses, at each reporting date, whether there is an indication that an asset may be impaired. If any indication exists, or when annual impairment testing for an asset is required, the company estimates the asset's recoverable amount. An asset's recoverable amount is the higher of an asset's or cash generated units fair value less costs of disposal and its value in use.

Philadelphia Pharmaceuticals Company
Notes to financial Statements

The recoverable amount is determined for an individual asset, unless the asset does not generate cash inflows that are largely independent of those from other assets or groups of assets. When the carrying amount of an asset or cash generated units exceeds its recoverable amount, the asset is considered impaired and is written down to its recoverable amount.

- A previously recognized impairment loss is reversed only if there has been a change in the assumptions used to determine the asset's recoverable amount since the last impairment loss was recognized. The reversal is limited so that the carrying amount of the asset does not exceed its recoverable amount, nor exceed the carrying amount that would have been determined, net of depreciation, had no impairment loss been recognized for the asset in prior years.

T- Cash and cash equivalent

Cash and cash equivalent in the statement of financial position comprise cash at banks and on hand and cash equivalent with a maturity of three months or less, which are not subject to an insignificant risk of changes in value.

U- Provisions

- Provisions are recognized when the company has a presented obligation (legal or constructive) as a result of a past event, it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation, and a reliable estimate can be made of the amount of the obligation.
- The amount recognized as a provision is the best estimate of the consideration required to settle the present obligation at the end of the reporting period, taking into account the risks and uncertainties surrounding the obligation.
- The expense relating to a provision is presented in the statement of profit or loss.
- If the effect of the time value of money is material, provisions are discounted using a Current pre-tax rate that reflects, when appropriate, the risks specific to the liability.

V- 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.

4. Other information

4.1 Standards issued but not yet effective:

1- IFRS 16 (Leases)

IFRS 16 was issued in January 2016 and it replaces IAS 17 and IFRIC 40. IFRS 16 sets out the principles for the recognition, measurement, presentation and disclosure of leases and requires lessees to account for all leases under a single on-balance sheet model similar to the accounting for finance leases under IAS 17 with two recognition exemptions of low-value assets and short-term leases.

At the commencement date of lease, a lessee will recognize a liability to make lease payments and an asset representing the right to use the underlying asset during the lease term.

Lessees will be required to separately recognize the interest expense on the lease liability and the depreciation expense on the right-of-use asset.

Lessor accounting under IFRS 16 is substantially unchanged from accounting under IAS 17.

Lessor will continue to distinguish between operating and finance leases.

IFRS requires lessees and lessors to make more extensive disclosures, and it is effective from 1 January 2019.

2-IFRS 17(Insurance contracts)

IFRS 17 was issued in May 2017 and it replaces IFRS 4.

IFRS 17 applies to all types of insurance contracts regardless of the type of entities that issued them, as well as to certain guarantees and financial instruments with discretionary participation features.

The overall objective of IFRS 17 is to provide an accounting model for insurance contracts that is more useful and consistent for insurers.

IFRS 17 is effective from 1 January 2021.

3- IFRIC Interpretation 23 (Uncertainty over Income Tax Treatment)

The interpretation addresses the accounting for income taxes when tax treatments involve uncertainty that affects the application of IAS 12 and does not apply to taxes outside the scope of IAS 12.

An entity has to determine whether to consider each uncertain tax treatment separately or together with one or more other uncertain tax treatments.

The interpretation is effective from 1 January 2019.

4- Amendments to IFRS 9 (Prepayment Features with Negative Compensations)

The amendments to IFRS 9 clarify that a financial asset passes the solely payments of principle and interest on the principle amount outstanding criterion regardless of the event or circumstance that causes the early termination of the contract and irrespective of which party pays or receives reasonable compensation for the early termination of the contract.

The amendments should be applied retrospectively and are effective from 1 January 2019.

5- Amendments to IAS 19(Plan Amendments Curtailment or Settlement)

The amendments to IAS 19 address the accounting when a plan amendment or settlement occurs during a reporting period. The amendments specify that an entity is required to determine current service cost for the remainder of the period after plan amendment or settlement and to determine net interest for the remainder of the period and the discount rate used.

The amendments are effective from 1 January 2019.

6- Amendments to IAS 28(Long-term Interests in Associates and joint Ventures)

The amendments clarify that an entity applies IFRS 9 to long-term interests in an associate or joint venture to which the equity method is not applied but that, in substance, from part of the net investment in the associate or joint venture. This clarification is relevant because it implies that the expected credit loss model in IFRS 9 applies to such long term interests.

The amendments should be applied retrospectively and are effective from 1 January 2019.

7- Annual improvements cycle 2015-2017.

These improvements include:

a- IFRS 3 (Business Combinations)

The amendments clarify that, an entity obtains control of a business that is a joint operation, it applies the requirements for a business combination achieved in stages. In doing so, the acquirer remeasures its entire previously held interest in the joint operation those amendments are effective from 1 January 2019.

b- IFRS 11 (Joint Arrangements)

The amendments clarify that the previously held interests in the joint operation are not remeasured. An entity applies those amendments to transactions in which it obtains joint control starting from 1 January 2019.

c- IAS 12 (Income Tax)

The amendments clarify that the income tax consequences of dividends are linked more directly to past transactions or events that generated distributable profits than to distributions to owners. Therefore, an entity recognizes the income tax consequences of dividends in profit or loss, other comprehensive income or equity according to where the entity originally recognized those past transactions or events.

Those amendments are effective from 1 January 2019.

d- IAS 23 (Borrowing Costs)

The amendments clarify that an entity treats as part of general borrowings any borrowing originally made to develop a qualifying asset when substantially all of the activities necessary to prepare the asset for its intended use or sale are complete.

Those amendments are effective from 1 January 2019.

4.2- Events after the reporting period

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

- ✓ 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.
- ✓ Those that are indicative of conditions that arose after the reporting period, an entity shall not adjust the amounts recognized in its financial statements.

4.3- 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.

4.4- Significant estimates and judgments:

The preparation of financial statements requires the use of accounting estimates which by definition will seldom equal the actual result. Management also needs to exercise judgment in applying the accounting policies.

Philadelphia Pharmaceuticals Company
Notes to financial Statements

Estimates and judgments are continually evaluated, they are based on historical experience and other factors, including expectations of future events that may have a financial impact on the entity and that are believed to be reasonable under the circumstances.

The areas involving significant estimates or judgments are:

- 1- Estimation of tax expense and tax provision (Note 12)
- 2- Estimation of useful life of property & equipment and annual depreciation. (Note 9)
- 3- The Company has tested the impairment of trade receivables, pursuant to the company estimates there is no impairment on its value.
- 4- Amortization of intangible assets. (Note 10)

4.5 Financial risk management

The company may expose to different kinds of financial risk, company's board and management oversees these risks and 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.

The company may expose to the following risks:

a- Market risk

Market risk is the risk that the fair value of future cash flows of a financial instrument will fluctuate because of changes in market prices; it comprises three types of risk:

- Interest rate risk:

Interest rate risk is the risk that the fair value or future cash flows of financial instruments will fluctuate because of change in market interest rates. The company's exposure to the risk of changes in market interest rate primary to the company's long term obligations with floating interest rate

The company manages its interest rate risk by obtaining short term facilities in different currencies.

▪ Foreign currency risk:

Foreign currency risk is the risk that the fair value or future cash flows will fluctuate because of changes in foreign exchange rates. The company's exposure to the risk of changes in foreign exchange rates relates primarily to operating activities when revenue or expense is denominated in a foreign currency, and company's net investment in foreign subsidiaries

The company manages its foreign currency by limiting main transactions in USD as the price is fixed against JOD, in addition to make hedges against other currencies if needed.

▪ Price risk:

The company's listed and non – listed equity investments are susceptible to market price risk arising from uncertainties about future values of the investment securities.

b- Credit risk

Credit risk is the risk that counterparty will not meet its obligations under a financial instrument or customer contract, leading to financial loss.

An impairment analysis is performed at each reporting date to measure expected credit losses.

The company is exposed to credit risk from its operating activities (primarily trade receivables) and from its other activities including deposits with banks.

The maximum limit of credit risk is presented by financial assets stated in financial position.

The company manages credit risk by dealing with letter of credits and advances from new clients

c- Liquidity risk

Liquidity risk is the risk that the company may be unable to close out market position and to meet its short term obligations when due

The company monitors its risk of shortage of funds using liquidity planning tool

The Company manages the liquidity risk by diversifying its options in this regard, such as delaying payments of obligations to make the repayment period of creditors close to the receivables collection period. The Company also makes the necessary efforts to accelerate collection of revenues by discounting LCs, in addition to obtain the required financing from commercial banks to finance their external purchases.

5- Cash and cash equivalents

| | <u>31/03/2019</u> | <u>31/12/2018</u> |
|--------------------------|-----------------------|-----------------------|
| | <u>JOD</u> | <u>JOD</u> |
| Cash at hand | 4,656 | 5,326 |
| Cheques in hand | 925,000 | 940,000 |
| Arab Bank – USD –Algeria | 14,180 | 14,180 |
| Capital Bank – JOD | - | 252 |
| Investment Bank – USD | 5,560 | 5,572 |
| Al Rajhi Bank – USD | 35 | 35 |
| Total | <u>949,431</u> | <u>965,365</u> |

6- Tradereceivable (net)

| | <u>31/03/2019</u> | <u>31/12/2018</u> |
|----------------------|-------------------------|-------------------------|
| | <u>JOD</u> | <u>JOD</u> |
| Local receivables | 4,421,849 | 4,239,451 |
| External receivables | 4,391,901 | 3,769,833 |
| Impairment provision | (101,853) | (91,853) |
| Total | <u>8,711,897</u> | <u>7,917,431</u> |

7- Inventory and warehouses

| | <u>31/03/2019</u> | <u>31/12/2018</u> |
|---------------------------|-------------------------|-------------------------|
| | <u>JOD</u> | <u>JOD</u> |
| Raw materials and packing | 908,246 | 1,097,741 |
| Finished goods | 266,185 | 247,097 |
| Spare parts and disposals | 65,059 | 67,911 |
| Goods in process | 36,000 | 68,375 |
| Total | <u>1,275,490</u> | <u>1,481,124</u> |

8- Other debit balances

| | <u>31/03/2019</u> | <u>31/12/2018</u> |
|----------------------|-----------------------|-----------------------|
| | <u>JOD</u> | <u>JOD</u> |
| Prepaid expenses | 445,445 | 365,592 |
| Refundable deposits | 5,628 | 5,628 |
| Margin on guarantees | 30,380 | 20,075 |
| Due from income tax | 3,375 | 3,398 |
| Due from employees | 49,115 | 40,125 |
| Prepayments | 29,003 | 16,727 |
| Due from sale tax | - | 4,313 |
| Insurance | 4,922 | |
| Total | <u>567,868</u> | <u>455,858</u> |

Philadelphia Pharmaceuticals Company
Notes to the financial statements

- Property, plant and equipment

| | Lands JOD | Buildings JOD | Machines , equipments & vehicles JOD | Furniture and decorations JOD | Total JOD |
|---------------------|--------------|------------------|--|----------------------------------|--------------|
| Depreciation rate | - | %2 | %15 | %15 | |
| Cost | | | | | |
| At 1 January 2018 | 124,865 | 1,520,193 | 2,546,654 | 236,485 | 4,428,197 |
| Additions | - | 52,514 | 300,873 | 2,000 | 355,387 |
| At 31 December 2018 | 124,865 | 1,572,707 | 2,847,527 | 238,485 | 4,783,584 |
| Additions | - | - | 8,293 | - | 8,293 |
| Disposal | - | - | (39,650) | - | (39,650) |
| At 31 March 2019 | 124,865 | 1,572,707 | 2,816,170 | 238,485 | 4,752,227 |
| Depreciation | | | | | |
| At 1 January 2018 | - | 457,052 | 1,597,161 | 137,650 | 2,191,864 |
| Additions | - | 46,324 | 213,499 | 14,071 | 273,894 |
| At 31 December 2018 | - | 410,728 | 1,383,662 | 123,579 | 1,917,969 |
| Additions | - | 12,068 | 87,917 | 3,446 | 103,431 |
| Disposal | - | - | (39,650) | - | (39,650) |
| At 31 March 2019 | - | 469,120 | 1,645,428 | 141,096 | 2,255,644 |
| Net book value | | | | | |
| At 31 December 2018 | 124,865 | 1,115,655 | 1,250,366 | 100,835 | 2,591,720 |
| At 31 March 2019 | 124,865 | 1,103,587 | 1,170,742 | 97,389 | 2,496,583 |

10 - Intangible assets

| | 31/03/2019 | 31/12/2018 |
|-----------------------------------|----------------|----------------|
| | JOD | JOD |
| Development expenses & software's | 271,876 | 245,084 |
| Additions | 17,774 | 26,792 |
| Total | 289,650 | 271,876 |
| Accumulated amortization | | |
| Balance at 01/01/2019 | 170,142 | 103,807 |
| Additions | 13,255 | 66,335 |
| Balance at 31/03/2019 | 173,397 | 170,142 |
| Net book value | 106,253 | 101,734 |

11- Credit banks

| | 31/03/2019 | 31/12/2018 |
|-----------------------|------------------|------------------|
| | JOD | JOD |
| Capital Bank –USD | 630,695 | 420,183 |
| Arab Bank – JOD | 120,060 | 46,562 |
| Arab Bank –USD | 19,722 | 188,657 |
| Union Bank – USD | 934,000 | 709,871 |
| Al Rajhi Bank – USD | 295 | 295 |
| Investment Bank – USD | 1,554 | 20,127 |
| Union Bank – EUR | 764 | 764 |
| Total | 1,707,090 | 1,386,459 |

• **Overdraft Limits**

| | 31/03/2019 | 31/12/2018 |
|--------------------|------------------|------------------|
| Capital Bank – USD | 709,000 | 709,000 |
| Arab Bank – JOD | 300,000 | 300,000 |
| Arab Bank – USD | 850,800 | 850,800 |
| Union Bank – USD | 992,600 | 992,600 |
| Total | 2,852,400 | 2,852,400 |

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

Philadelphia Pharmaceuticals Company
Notes to financial Statements

12- Income tax provision

| | <u>31/03/2019</u> | <u>31/12/2018</u> |
|----------------------------|-------------------|-------------------|
| | <u>JOD</u> | <u>JOD</u> |
| Balance at 1 January | 48,339 | 34,060 |
| Tax expense 14 % | 35,000 | 60,246 |
| Paid income tax | (13,698) | (45,967) |
| Balance at 31 March | 69,641 | 48,339 |

- Philadelphia Pharmaceuticals Company is classified as industrial company, and subjected to 14% income tax incompliance with Jordanian Taxation Law with income tax number is (4038649) and VAT no.(61558).

13- Other credit balances

| | <u>31/03/2019</u> | <u>31/12/2018</u> |
|-------------------------------|-------------------|-------------------|
| | <u>JOD</u> | <u>JOD</u> |
| Accrued expenses | 64,211 | 110,970 |
| Due to taxation department | 3,803 | 9,535 |
| Due to social security | 21,667 | 21,690 |
| Due to employees | 21,554 | 21,108 |
| Shareholders deposits | 172,863 | 174,263 |
| Board of directors incentives | 35,000 | 50,000 |
| Due to sale tax | 21,776 | - |
| Total | 340,874 | 387,566 |

14- Equity

▪ **Capital**

The company was established in 05/07/1993 as limited liability company, it was converted to public shareholding company at 17/01/2006 with 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.

Philadelphia Pharmaceuticals Company
Notes to financial Statements

▪ **Statutory reserve**

This balance represents 10% of 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 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 year and previous years after provisions.

15 - Sales

| | 31/03/2019 | 31/03/2018 |
|--------------|-------------------|-------------------|
| | JOD | JOD |
| Local sales | 628,709 | 494,027 |
| Export sales | 1,657,323 | 1,576,326 |
| Total | 2,286,032 | 2,070,353 |

16- Cost of sales

| | Note | 31/03/2019 | 31/03/2018 |
|---|-------------|-------------------|-------------------|
| | | JOD | JOD |
| Raw materials | | 788,182 | 818,054 |
| Operational expenses | 16-1 | 265,928 | 245,448 |
| Depreciation & amortization | | 43,397 | 43,891 |
| Cost of production | | 1,097,507 | 1,107,393 |
| Good in process - opening balance | | 68,375 | 65,000 |
| Good in process - ending balance | | (36,000) | (55,160) |
| Cost of goods available for sale | | 1,129,882 | 1,117,233 |
| Finished goods – opening balance | | 247,097 | 163,270 |
| Finished goods – ending balance | | (266,185) | (169,475) |
| Total | | 1,110,794 | 1,111,028 |

16-1- Operational expenses

| | 31/03/2019 | 31/03/2018 |
|---------------------------|----------------|----------------|
| | JOD | JOD |
| Wages and salaries | 138,056 | 129,620 |
| Social security | 19,014 | 17,948 |
| Water and electricity | 21,895 | 17,690 |
| Maintenance | 10,657 | 14,274 |
| Medical analysis | 8,198 | 12,018 |
| Health insurance | 9,064 | 6,445 |
| Medical analysis fees | 7,905 | 4,640 |
| Consumable | 12,553 | 13,296 |
| Fuel | 13,740 | 3,400 |
| Training and development | - | 500 |
| Water treatment expenses | 2,474 | 1,170 |
| Transportation | 1,637 | 779 |
| Write off expenses | 1,530 | 550 |
| Factory insurance | 958 | 586 |
| Calibration and air tests | 3,388 | 6,402 |
| Meals | 4,214 | 3,530 |
| Stationery | 1,040 | 1,262 |
| Cleaning | 1,580 | 1,366 |
| Workers' wages | 2,340 | 2,436 |
| Miscellaneous | 5,685 | 7,536 |
| Total | 265,928 | 245,448 |

17-Selling and distribution expenses

| | 31/03/2019 | 31/03/2018 |
|--------------------------|----------------|----------------|
| | JOD | JOD |
| Wages and salaries | 69,382 | 55,100 |
| Social security | 9,071 | 7,175 |
| Rents | 2,075 | 2,075 |
| Selling offices expense | 4,781 | 4,157 |
| Tenders | 2,628 | 2,017 |
| Health insurance | 2,463 | 2,052 |
| Advertising | 26,045 | 21,649 |
| Foreign markets expenses | 289,289 | 260,551 |
| Miscellaneous | 9,211 | 7,920 |
| Total | 414,945 | 362,696 |

18- Administrative and general expenses

| | 31/03/2019 | 31/03/2018 |
|-----------------------------|-------------------|-------------------|
| | JOD | JOD |
| Wages and salaries | 116,360 | 103,426 |
| Social security | 13,099 | 13,348 |
| Rents | 6,939 | 6,213 |
| Telephone | 2,991 | 2,219 |
| Stationery | 1,197 | 605 |
| Vehicle expenses | 8,120 | 8,987 |
| Security | 4,800 | 4,800 |
| Professional fees | 2,700 | 2,500 |
| Hospitality & cleaning | 1,579 | 1,044 |
| Health insurance | 7,384 | 4,985 |
| Fees and licenses | 4,366 | 3,566 |
| Head office expenses | 14,369 | 5,758 |
| Software expenses | 3,438 | 2,574 |
| Depreciation & amortization | 28,784 | 23,063 |
| Miscellaneous | 3,322 | 3,609 |
| Impairment provision | 10,000 | 10,000 |
| Total | 229,448 | 196,696 |