**THE JORDANIAN PHARMACEUTICAL MANUFACTURING CO.**

**PUBLIC SHAREHOLDING COMPANY**

**CONSOLIDATED FINANCIAL STATEMENTS**

**31 DECEMBER 2022**

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**INDEPENDENT AUDITOR'S REPORT**

**To the Shareholders of The Jordanian Pharmaceutical Manufacturing Company**

**Public Shareholding Company**

**Amman – Jordan**

**Report on the Audit of the Consolidated Financial Statements**

**Opinion**

We have audited the consolidated financial statements of The Jordanian Pharmaceutical Manufacturing Company - Public Shareholding Company (the "Company") and its subsidiaries (the "Group"), which comprise the consolidated statement of financial position as at 31 December 2022, and the consolidated statement of profit or loss, consolidated statement of comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the year then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects the financial position of the Group as at 31 December 2022, and its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards (IFRSs).

**Basis for Opinion**

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

**Key Audit Matters**

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

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

**1) Revenue Recognition**

Disclosures that relate to the revenue recognition are included in Note (21) to the consolidated financial statements. Disclosures that relate to the accounting policies of revenue recognition are included in Note (2-3) to the consolidated financial statements.

| Key audit matter | How the key audit matter was addressed in the audit |
| --- | --- |
| The Group focuses on revenue targets as a key performance measure which may create an incentive for revenue to be recognized before delivering the goods and may result in overstating revenues. | Our audit procedures included evaluating the Group's revenue recognition accounting policies in accordance with IFRS 15 "Revenue from contracts with customers'. We tested the Group's controls over revenue recognition and key controls in the revenue cycle. We also selected a representative sample and tested revenue cutoff date to, assess whether the revenue was recognized in the correct period.<br><br>We have also performed detailed analytical procedures for the gross margin on a monthly basis. We also selected and tested a representative sample of journal entries. |

**2) Existence and valuation of inventories**

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

| Key audit matter | How the key audit matter was addressed in the audit |
| --- | --- |
| At 31 December 2022, total inventories balance amounted to JD 6,516,343 representing 13.6% of total assets of the Group. These inventories mainly consist of raw materials and finished goods located in the Group's warehouses.<br><br>The assessment of revaluation of inventories to net realizable value is mainly based on management estimates. | Our audit procedures included testing the Group's controls around completeness and existence of inventories and key controls of the inventory cycle. In addition, our audit procedures included observation of the stock counts held at the Group's warehouses. Also, we selected a sample of inventories issuances and receipts before and after the year end to assess whether the inventory was recorded in the correct period. We also tested the basis for inventory obsolescence in line with management estimates. In doing so, we tested the ageing profile of inventory, the process for identifying obsolete and slow-moving items in inventory and historical loss rates. |

**Other Information included in the Group's 2022 annual report**

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

## Report on Other Legal and Regulatory Requirements

The Group maintains proper books of accounts and the accompanying consolidated financial statements are in agreement therewith. We recommend the general assembly to approve these consolidated financial statements.

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

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**Amman — Jordan**

**26 March 2023**

THE JORDANIAN PHARMACEUTICAL MANUFACTURING COMPANY - PUBLIC SHAREHOLDING COMPANY
CONSOLIDATED STATEMENT OF FINANCIAL POSITION
AS AT 31 DECEMBER 2022

| | Note | 2022 | 2021 |
|---|---|---|---|
| | | JD | JD |
| **ASSETS** | | | |
| **Non-current assets -** | | | |
| Right-of-use assets | 5 | 7,382,184 | 7,535,488 |
| Property, plant and equipment | 6 | 3,909,225 | 3,417,427 |
| Intangible assets | 7 | 2,058,608 | 2,061,488 |
| Investment in associates | 8 | 3,413,233 | 2,968,206 |
| Deferred tax assets | 26 | 1,368,350 | - |
| Financial assets at fair value through other comprehensive income | 9 | 319,419 | 193,541 |
| | | 18,451,019 | 16,176,150 |
| **Current assets -** | | | |
| Inventory | 10 | 6,516,343 | 5,624,556 |
| Other receivables | 11 | 922,107 | 700,104 |
| Due from related parties | 12 | 1,182,968 | 12,166 |
| Accounts receivable | 13 | 17,046,536 | 14,593,427 |
| Letters of credit under collection | | 492,905 | 533,472 |
| Checks under collection | | 622,688 | 742,427 |
| Cash and bank balances | 14 | 2,608,016 | 11,427,559 |
| | | 29,391,563 | 33,633,711 |
| **Total Assets** | | 47,842,582 | 49,809,861 |
| **EQUITY AND LIABILITIES** | | | |
| **Attributable to equity holders of the Parent Company -** | | | |
| Paid in capital | 15 | 69,756,944 | 25,312,500 |
| Share discount | 15 | (32,444,444) | - |
| Payments against increase of capital | 15 | - | 12,000,000 |
| Statutory reserve | 15 | 216,424 | 219,115 |
| Cumulative change in fair value through other comprehensive income | | (2,197,632) | (2,323,510) |
| Foreign currency translation reserve | | - | (88,930) |
| Accumulated losses | | (33,202,985) | (33,271,614) |
| | | 2,128,307 | 1,847,561 |
| Non-controlling interests | 28 | 153,243 | 106,792 |
| **Net Equity** | | 2,281,550 | 1,954,353 |
| **Liabilities** | | | |
| **Non-current liabilities -** | | | |
| Deferred gain from sale and lease back | 16 | 1,091,147 | 1,206,004 |
| Lease liabilities | 16 | 6,496,635 | 6,966,810 |
| Murabaha financing | 17 | 20,396,326 | 20,256,322 |
| Notes payables | 18 | 5,086,802 | 6,054,091 |
| | | 33,070,910 | 34,483,227 |
| **Current liabilities -** | | | |
| Deferred gain on sale and lease back due within a year | 16 | 114,858 | 114,858 |
| Lease liabilities due within a year | 16 | 543,438 | 649,227 |
| Murabaha financing due within a year | 17 | 1,936,142 | 717,703 |
| Notes payables due within a year | 18 | 969,742 | 1,350,205 |
| Due to related parties | 12 | 1,242,448 | 53,992 |
| Accounts payable | | 2,799,091 | 2,407,133 |
| Other payables | 20 | 4,884,403 | 7,131,120 |
| Due to banks | 14 | - | 948,043 |
| | | 12,490,122 | 13,372,281 |
| **Total Liabilities** | | 45,561,032 | 47,855,508 |
| **Total Equity and Liabilities** | | 47,842,582 | 49,809,861 |

**The accompanying notes from 1 to 35 form integral part of these consolidated financial statements**

**THE JORDANIAN PHARMACEUTICAL MANUFACTURING COMPANY - PUBLIC SHAREHOLDING COMPANY**
**CONSOLIDATED STATEMENT OF PROFIT OR LOSS**
**FOR THE YEAR ENDED 31 DECEMBER 2022**

| | Note | 2022 | 2021 |
|---|---|---|---|
| | | JD | JD |
| Net sales | 21 | 16,960,908 | 15,828,370 |
| Cost of sales | 22 | (9,643,512) | (10,156,455) |
| **Gross profit** | | 7,317,396 | 5,671,915 |
| Selling and distribution expenses | 23 | (2,620,684) | (4,471,151) |
| Administrative expenses | 24 | (2,819,052) | (2,738,651) |
| Finance costs | | (1,319,326) | (929,119) |
| Expected credit loss provision | 13 | (1,368,350) | - |
| Gain from murabaha restructuring | | - | 1,032,300 |
| Lawsuit provision recovery | 19 | - | 2,831,832 |
| Groups' share of profit of associates | 8 | 1,256,674 | (106,314) |
| Impairment and amortization of Intangible assets | 7 | (112,088) | (103,393) |
| Research and study expenses | | (467,744) | (408,136) |
| Expired goods | | (461,760) | (631,105) |
| Losses resulting from sale of subsidiary | 2 | (27,104) | - |
| Other expenses | 25 | (477,614) | 2,319 |
| Other income | 26 | 177,140 | 5,185 |
| **(loss) / Profit for the year before income tax** | | (922,512) | 151,044 |
| Income tax expense for the year | 27 | 1,140,733 | (57,293) |
| **Profit for the year** | | 218,221 | 93,751 |
| **Profit for the year attributable to:** | | | |
| Shareholders of the parent company | | 219,219 | 122,076 |
| Non-controlling interests | 29 | (998) | (28,325) |
| | | 218,221 | 93,751 |
| | | JD/Fils | JD/Fils |
| **Basic and diluted Profit per share for the year attributable to shareholders of the parent company** | 28 | 0/003 | 0/002 |

**The accompanying notes from 1 to 35 form integral part of these consolidated financial statements**

THE JORDANIAN PHARMACEUTICAL MANUFACTURING COMPANY - PUBLIC SHAREHOLDING COMPANY
CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME
FOR THE YEAR ENDED 31 DECEMBER 2022

| | Note | 2022 | 2021 |
|---|---|---|---|
| | | JD | JD |
| **Profit for the year** | | 219,219 | 93,751 |
| **Add: Other comprehensive income items that may not be reclassified to profit or loss in subsequent periods** | | | |
| Changes in fair value of financial assets at fair value through other comprehensive income | | 125,878 | - |
| Foreign currency translation differences | | (3,594) | (22,369) |
| **Total comprehensive income for the year** | | 341,503 | 71,382 |
| **Total comprehensive income for the year attributable to:** | | | |
| Shareholders of the parent company | | 342,628 | 99,783 |
| Non-controlling interests | 29 | (1,125) | (28,401) |
| | | 341,503 | 71,382 |

**The accompanying notes from 1 to 35 form integral part of these consolidated financial statements**

THE JORDANIAN PHARMACEUTICAL MANUFACTURING COMPANY - PUBLIC SHAREHOLDING COMPANY
CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED 31 DECEMBER 2022

| | Attributable to equity holders of the parent company | | | | | | | | | |
|---|---|---|---|---|---|---|---|---|---|---|
| | Paid-in capital | Share discount | Payments against increase of capital | Statutory reserve | Cumulative change in fair value of financial assets at fair value through other comprehensive income | Foreign currency translation differences | Accumulated losses | Total | Non-controlling interests | Net equity |
| | JD | JD | JD | JD | JD | JD | JD | JD | JD | JD |
| **2022-** | | | | | | | | | | |
| **Balance as at 1 January 2022** | **25,312,500** | **-** | **12,000,000** | **219,115** | **(2,323,510)** | **(88,930)** | **(33,271,614)** | **1,847,561** | **106,792** | **1,954,353** |
| Profit for the year | - | - | - | - | - | - | 219,219 | 219,219 | (998) | 218,221 |
| Other comprehensive income items | - | - | - | - | 125,878 | (3,467) | - | 122,411 | (127) | 122,284 |
| Total comprehensive income | - | - | - | - | 125,878 | (3,467) | 219,219 | 341,630 | (1,125) | 340,505 |
| Increase of capital (Note 1) | 44,444,444 | (32,444,444) | (12,000,000) | - | - | - | - | - | - | - |
| The impact of the amendments on the subsidiaries (Note 2) | - | - | - | (2,691) | - | 92,397 | (150,590) | (60,884) | 47,576 | (13,308) |
| **Balance as at 31 December 2022** | **69,756,944** | **(32,444,444)** | **-** | **216,424** | **(2,197,632)** | **-** | **(33,202,985)** | **2,128,307** | **153,243** | **2,281,550** |
| **2021-** | | | | | | | | | | |
| **Balance as at 1 January 2021** | **25,312,500** | **-** | **-** | **2,059,193** | **(2,323,510)** | **(66,637)** | **(35,233,768)** | **(10,252,222)** | **135,193** | **(10,117,029)** |
| Profit for the year | - | - | - | - | - | - | 122,076 | 122,076 | (28,325) | 93,751 |
| Other comprehensive income items | - | - | - | - | - | (22,293) | - | (22,293) | (76) | (22,369) |
| Total comprehensive income | - | - | - | - | - | (22,293) | 122,076 | 99,783 | (28,401) | 71,382 |
| Amortization of losses (Note 1) | - | - | - | (1,840,078) | - | - | 1,840,078 | - | - | - |
| Payments against increase of capital (Note 1) | - | - | 12,000,000 | - | - | - | - | 12,000,000 | - | 12,000,000 |
| **Balance as at 31 December 2021** | **25,312,500** | **-** | **12,000,000** | **219,115** | **(2,323,510)** | **(88,930)** | **(33,271,614)** | **1,847,561** | **106,792** | **1,954,353** |

**The accompanying notes from 1 to 35 form integral part of these consolidated financial statements**

THE JORDANIAN PHARMACEUTICAL MANUFACTURING COMPANY - PUBLIC SHAREHOLDING COMPANY
CONSOLIDATED STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED 31 DECEMBER 2022

| | Note | 2022 | 2021 |
|---|---|---|---|
| | | JD | JD |
| OPERATING ACTIVITIES | | | |
| (Loss) Profit for the year before income tax | | (922,512) | 151,044 |
| **Adjustments for:** | | | |
| Depreciation and amortization | 5, 6, 7 | 771,553 | 677,240 |
| Group's share of net profit of associates | 8 | (1,256,674) | 106,314 |
| Lawsuit provision recovery | 19 | - | (2,831,832) |
| Expected credit loss provision | 13 | 1,368,350 | - |
| Expired goods | | 461,760 | 631,105 |
| Finance costs | | 1,319,326 | 929,119 |
| Gain from murabaha restructuring | | - | (1,032,300) |
| | | 1,741,803 | (1,369,310) |
| **Changes in working capital -** | | | |
| Inventories | | (1,351,742) | (150,814) |
| Due from related parties | | (50,793) | (604) |
| Accounts receivable | | (4,174,991) | 2,133,207 |
| Letters of credit under collection | | 40,567 | (533,472) |
| Checks under collection | | 124,831 | (274,746) |
| Other receivables | | 1,195,856 | 139,172 |
| Accounts payable | | 374,218 | (179,620) |
| Due to related parties | | (519,739) | 1,880 |
| Other payables | | (2,969,442) | 215,978 |
| | | (5,589,432) | (18,329) |
| Paid tax | | - | (12,623) |
| **Net cash flows used in operating activities** | | (5,589,432) | (30,952) |
| INVESTING ACTIVITIES | | | |
| Purchase of property, plant and equipment | 6 | (1,005,546) | (289,643) |
| Purchase of intangible assets | 7 | (109,208) | (100,537) |
| Dividends received | 8 | 832,142 | - |
| **Net cash flows used in investing activities** | | (282,612) | (390,180) |
| FINANCING ACTIVITIES | | | |
| Payment against increase of capital | | - | 12,000,000 |
| Notes payables | | (1,347,752) | (1,721,940) |
| Lease liabilities paid | | (690,821) | (503,559) |
| Murabaha financing received | | 39,117 | 1,895,398 |
| **Net cash flows (used in) from financing activities** | | (1,999,456) | 11,669,899 |
| **Net (decrease) increase in cash and cash equivalents** | | (7,871,500) | 11,248,767 |
| Cash and cash equivalents at the beginning of the year | 14 | 10,479,516 | (747,402) |
| Currency translation differences, net | | - | (21,849) |
| **Cash and cash equivalents at the end of the year** | 14 | 2,608,016 | 10,479,516 |

**The accompanying notes from 1 to 35 form integral part of these consolidated financial statements**

## (1) GENERAL

The Jordanian Pharmaceutical Manufacturing Company (the "Company") was established on 27 January 2004 as a Public Shareholding Company, as a result of the merger between Al Razi for Pharmaceutical Manufacturing a public shareholding company and the Jordanian Company for the Production of Medicines and Medical Equipment a limited liability company, under registration number 347 with an authorized capital and paid in capital of JD 25,312,500 divided into 25,312,500 shares at par value of JD1 per share.

The general assembly of The Jordan Pharmaceutical Production Company resolved in its extraordinary meeting held on 31 October 2021 to amortize the company's losses by the amount of JD 1,840,078 using the statutory reserve account. In addition the general assembly of The Jordanian Pharmaceutical Production Company resolved in its extra ordinary meeting held on 29 November 2021 to increase the capital of the company from 25,312,500 share/JD to 69,756,944 share/JD, by allocating the increased shares (44,444,444 shares) to some shareholders, with issuance discount of 0.73 piasters per share, and by the value of JD 12,000,000. The legal procedures were completed on 11 January 2022.

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

The Group's main objectives are the production of medical, chemical and pharmaceutical products.

The consolidated financial statements were approved by the Board of Directors on 21 March 2023.

### INVESTORS WITH SIGNIFICANT INFLUENCE ON THE GROUP:

Jordan Islamic Bank and Rimco for Investment Company owns 88.8% and 4.6% of the Company's issued shares, respectively.

## (2-1) BASIS OF PREPARATION

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

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

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

## (2-2) BASIS OF CONSOLIDATION

The consolidated financial statements comprise the financial statements of the Company and its subsidiaries (the "Group") as at 31 December 2022. The subsidiaries that are included in the consolidated financial statements are as follow:

| Company Name | Capital (JD) | Main activities | Country of incorporation | Ownership percentage 2022 | Ownership percentage 2021 |
|---|---|---|---|---|---|
| Dellas for Natural Products Co. | 150,000 | Pharmaceutical industries | Jordan | 93.33% | 93.33% |
| Swagh for Pharmaceutical Manufacturing Co. | 150,000 | Pharmaceutical industries | Jordan | 93.33% | 93.33% |
| Aragen for Technical Organic Co. and its subsidiary: * | 1,400,000 | Reagent industries | Jordan | 100% | 90% |
| - Aragen for Technical Organic Co. (Free-Zone) | 30,000 | Pharmaceutical industries | Jordan | 100% | 100% |
| Jordan Algerian Pharmaceutical Manufacturing Co.** | 188,800 | Pharmaceutical marketing | Algeria | - | 99.64% |
| Al Tafahum Algerian Jordanian Co.*** | 10,000 | Pharmaceutical marketing | Jordan | 51% | - |

* During the year 2022, the Group has increase its ownership in Aragen for Technical Organic Company by 10% bringing total ownership to 100%.

** During the year 2022, the Group has transferred 50.66% of its shares in The Jordanian Algerian Pharmaceutical Manufacturing Company (Subsidiary company) to new strategic investors against raising the capital of the subsidiary to become DZD 41 million which reduced the groups new ownership percentage to 49%. Accordingly, the investment recognition method has changed to equity method instead of consolidation starting from the date of losing control.

*** During the year 2022, the group established Al Tafahum Algerian Jordanian Co. with paid in capital of JD 10,000 and ownership percentage of 51%.

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

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

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

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

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

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

Profits, losses, and all other comprehensive income items are attributed to the shareholders' equity of the parent company, and to non-controlling interest, even if this leads to a deficit balance. If need arises, the subsidiaries' financial statements are adjusted accordingly to comply with the Group's accounting policies. All intra-group balances, transactions, unrealized gains and losses resulting from intra-group transactions and dividends are eliminated in full.
A change in the ownership interest of a subsidiary, without a loss of control, is accounted for as an equity transaction. If the Group loses control over a subsidiary, it:

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

## (3-1) CHANGES IN ACCOUNTING POLICES

The accounting policies adopted in the preparation of the consolidated financial statements are consistent with those followed in the preparation of the Company's annual consolidated financial statements for the year ended 31 December 2021, except for the adoption of new standards effective as of 1 January 2022:

**Reference to the Conceptual Framework – Amendments to IFRS 3**

In May 2021, the IASB issued Amendments to IFRS 3 Business Combinations -Reference to the Conceptual Framework. The amendments are intended to replace a reference to the Framework for the Preparation and Presentation of Financial Statements, issued in 1989, with a reference to the Conceptual Framework for Financial Reporting issued in March 2018 without significantly changing its requirements.

The Board also added an exception to the recognition principle of IFRS 3 to avoid the issue of potential 'day 2' gains or losses arising for liabilities and contingent liabilities that would be within the scope of IAS 37 or IFRIC 21 Levies, if incurred separately. At the same time, the Board decided to clarify existing guidance in IFRS 3 for contingent assets that would not be affected by replacing the reference to the Framework for the Preparation and Presentation of Financial Statements.

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

**Property, Plant and Equipment: Proceeds before Intended Use – Amendments to IAS 16**

In May 2021, the IASB issued Property, Plant and Equipment - Proceeds before Intended Use, which prohibits entities from deducting from the cost of an item of property, plant and equipment, any proceeds from selling items produced while bringing that asset to the location and condition necessary for it to be capable of operating in the manner intended by management. Instead, an entity recognises the proceeds from selling such items, and the costs of producing those items, in profit or loss.

These amendments did not have any impact on the Groups's financial statements.

**Onerous Contracts – Costs of Fulfilling a Contract – Amendments to IAS 37**

In May 2021, the IASB issued amendments to IAS 37 to specify which costs an entity needs to include when assessing whether a contract is onerous or loss-making.
The amendments apply a "directly related cost approach". The costs that relate directly to a contract to provide goods or services include both incremental costs and an allocation of costs directly related to contract activities. General and administrative costs do not relate directly to a contract and are excluded unless they are explicitly chargeable to the counterparty under the contract.

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

**IFRS 9 Financial Instruments – Fees in the '10 per cent' test for derecognition of financial Liabilities**

As part of its 2018-2021 annual improvements to IFRS standards process the IASB issued amendment to IFRS 9. The amendment clarifies the fees that an entity includes when assessing whether the terms of a new or modified financial liability are substantially different from the terms of the original financial liability. These fees include only those paid or received by the borrower and the lender, including fees paid or received by either the borrower or lender on the other's behalf. An entity applies the amendment to financial liabilities that are modified or exchanged on or after the beginning of the annual reporting period in which the entity first applies the amendment.

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

**IFRS 1 First-time Adoption of International Financial Reporting Standards – Subsidiary as a first-time adopter**

As part of its 2018-2020 annual improvements to IFRS standards process, the IASB issued an amendment to IFRS 1 First-time Adoption of International Financial Reporting Standards. The amendment permits a subsidiary that elects to apply paragraph D16(a) of IFRS 1 to measure cumulative translation differences using the amounts reported by the parent, based on the parent's date of transition to IFRS. This amendment is also applied to an associate or joint venture that elects to apply paragraph D16(a) of IFRS 1.
These amendments did not have any impact on the Group's financial statements.

## (3-2) SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

**Property, plant and equipment**

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

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

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

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

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

**Intangible assets**

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

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

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

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

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

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

**Investments in associates**

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

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

**Financial assets at fair value through other comprehensive income**

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

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

**Accounts receivable**

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

**Inventories**

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

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

Cost is calculated as follows:

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

**Cash and cash equivalents**

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

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

**Fair value**

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

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

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

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

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

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

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

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

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

**Borrowing costs**

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

**Loans**

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

**Accounts payables**

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

**Provisions**

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

**Income tax**

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

Tax expense comprises current tax and deferred taxes.

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

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

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

**Revenue**

**Revenue from contracts with customers**

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

**Variable consideration**

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

**Rights of return**

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

**Refund liabilities**

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

Interest income is recognized using the effective interest rate method

Other revenues are recognized on the accrual basis.

**Offsetting**

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

**Foreign currencies**

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

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

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

## (4) SIGNIFICANT ACCOUNTING ESTIMATES

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

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

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

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

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

- Income tax expense is calculated and charged for the year in accordance with laws and regulation and IAS.

- Certain contracts for the sale of goods include a right of return that give rise to variable consideration. In estimating the variable consideration, the Group is required to use either the expected value method or the most likely amount method based on which method better predicts the amount of consideration to which it will be entitled.

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

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

## (5) RIGHT OF USE ASSETS

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

| | Lands | Buildings | Total |
|---|---|---|---|
| **2022** | JD | JD | JD |
| **Cost-** | | | |
| Balance as at 1 January 2022 | 1,832,692 | 7,369,115 | 9,201,807 |
| Balance as at 31 December 2022 | 1,832,692 | 7,369,115 | 9,201,807 |
| **Accumulated Depreciation -** | | | |
| Balance as at 1 January 2022 | - | 1,666,319 | 1,666,319 |
| Deprecation charge for the year | - | 153,304 | 153,304 |
| Balance as at 31 December 2022 | - | 1,819,623 | 1,819,623 |
| **Net book value -** | | | |
| Balance as at 31 December 2022 | 1,832,692 | 5,549,492 | 7,382,184 |

| | Lands | Buildings | Total |
|---|---|---|---|
| **2021** | JD | JD | JD |
| **Cost-** | | | |
| Balance as at 1 January 2021 | 1,832,692 | 7,369,115 | 9,201,807 |
| Balance as at 31 December 2021 | 1,832,692 | 7,369,115 | 9,201,807 |
| **Accumulated Depreciation -** | | | |
| Balance as at 1 January 2021 | - | 1,513,015 | 1,513,015 |
| Deprecation charge for the year | - | 153,304 | 153,304 |
| Balance as at 31 December 2021 | - | 1,666,319 | 1,666,319 |
| **Net book value -** | | | |
| Balance as at 31 December 2021 | 1,832,692 | 5,702,796 | 7,535,488 |

The right of use of assets depreciation expense is recognized within cost of sales in the consolidated statement of profit or loss (Note 22).

## (6) PROPERTY, PLANT AND EQUIPMENT

| | Land | Buildings | Machinery and equipment | Tools | Vehicles | Furniture | Total |
|---|---|---|---|---|---|---|---|
| **2022 -** | | | | | | | |
| **Cost-** | JD | JD | JD | JD | JD | JD | JD |
| Balance as at 1 January 2022 | 490,127 | 3,871,739 | 10,749,588 | 3,293,341 | 308,892 | 750,032 | 19,463,719 |
| Additions | - | 53,914 | 585,521 | 262,273 | 91,800 | 12,038 | 1,005,546 |
| The effect of sale of subsidiary | - | - | - | (82,034) | (49,333) | - | (131,367) |
| Balance as at 31 December 2022 | 490,127 | 3,925,653 | 11,335,109 | 3,473,580 | 351,359 | 762,070 | 20,337,898 |
| **Accumulated Depreciation -** | | | | | | | |
| Balance as at 1 January 2022 | - | 2,580,250 | 9,604,192 | 2,827,757 | 308,892 | 725,201 | 16,046,292 |
| Deprecation charge for the year | - | 182,440 | 215,385 | 98,416 | 5,355 | 4,565 | 506,161 |
| The effect of sale of subsidiary | - | - | - | (74,447) | (49,333) | - | (123,780) |
| **Balance as at 31 December 2022** | - | 2,762,690 | 9,819,577 | 2,851,726 | 264,914 | 729,766 | 16,428,673 |
| **Net book value -** | | | | | | | |
| As at 31 December 2022 | 490,127 | 1,162,963 | 1,515,532 | 621,854 | 86,445 | 32,304 | 3,909,225 |
| **2021 -** | | | | | | | |
| **Cost-** | | | | | | | |
| Balance as at 1 January 2021 | 490,127 | 3,869,191 | 10,594,902 | 3,174,174 | 311,474 | 741,050 | 19,180,918 |
| Additions | - | 2,548 | 154,686 | 123,427 | - | 8,982 | 289,643 |
| Translation differences | - | - | - | (4,260) | (2,582) | - | (6,842) |
| Balance as at 31 December 2021 | 490,127 | 3,871,739 | 10,749,588 | 3,293,341 | 308,892 | 750,032 | 19,463,719 |
| **Accumulated Depreciation -** | | | | | | | |
| Balance as at 1 January 2021 | - | 2,449,166 | 9,412,501 | 2,736,955 | 311,474 | 721,975 | 15,632,071 |
| Deprecation charge for the year | - | 131,084 | 191,691 | 94,542 | - | 3,226 | 420,543 |
| Translation differences | - | - | - | (3,740) | (2,582) | - | (6,322) |
| Balance as at 31 December 2021 | - | 2,580,250 | 9,604,192 | 2,827,757 | 308,892 | 725,201 | 16,046,292 |
| **Net book value -** | | | | | | | |
| **As at 31 December 2021** | 490,127 | 1,291,489 | 1,145,396 | 465,584 | - | 24,831 | 3,417,427 |

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

| | 2022 | 2021 |
|---|---|---|
| | JD | JD |
| Cost of sales (Note 22) | 499,822 | 408,256 |
| Selling and distribution expenses (Note 23) | - | 1,842 |
| Administrative expenses (Note 24) | 6,339 | 10,445 |
| | 506,161 | 420,543 |

## (7) INTANGIBLE ASSETS

| | Bio-equivalent studies | Patent | Medicine registration | Total |
|---|---|---|---|---|
| **2022 -** | JD | JD | JD | JD |
| **Cost-** | | | | |
| Balance as at 1 January | 5,393,366 | 3,880,133 | 1,512,988 | 10,786,487 |
| Additions | 95,700 | - | 13,508 | 109,208 |
| Balance as at 31 December | 5,489,066 | 3,880,133 | 1,526,496 | 10,895,695 |
| **Amortization Depreciation -** | | | | |
| As at 1 January | 3,505,989 | 3,833,469 | 1,385,541 | 8,724,999 |
| Amortization charge for the year | - | - | 41,998 | 41,998 |
| Impairment losses * | 58,558 | 11,532 | - | 70,090 |
| As at 31 December | 3,564,547 | 3,845,001 | 1,427,539 | 8,837,087 |
| **Net book value as at 31 December** | 1,924,519 | 35,132 | 98,957 | 2,058,608 |
| | | | | |
| **2021 -** | | | | |
| **Cost-** | | | | |
| Balance as at 1 January | 5,333,942 | 3,880,133 | 1,471,875 | 10,685,950 |
| Additions | 59,424 | - | 41,113 | 100,537 |
| Balance as at 31 December | 5,393,366 | 3,880,133 | 1,512,988 | 10,786,487 |
| **Amortization Depreciation -** | | | | |
| As at 1 January | 3,444,655 | 3,821,937 | 1,355,014 | 8,621,606 |
| Amortization charge for the year | - | - | 30,527 | 30,527 |
| Impairment losses * | 61,334 | 11,532 | - | 72,866 |
| As at 31 December | 3,505,989 | 3,833,469 | 1,385,541 | 8,724,999 |
| **Net book value as at 31 December** | 1,887,377 | 46,664 | 127,447 | 2,061,488 |

* On 31 December 2022, the Group performed an impairment test on the Bio-equivalence studies and Patents value (intangible assets with indefinite useful life) by calculating their fair value. based on the results impairment loss was recognized by the amount of JD 70,090 during the year 2022.

## (8) INVESTMENT IN AN ASSOCIATE

| | Country of Incorporation | Activity | Ownership interest 2022 | Ownership interest 2021 | 2022 JD | 2021 JD |
|---|---|---|---|---|---|---|
| Azal Pharmaceutical Company | Eritrea | Pharmaceutical industries | 42% | 42% | 3,393,507 | 2,968,206 |
| Jordan Algerian Pharmaceutical Manufacturing Co. (Note 2) | Algeria | Pharmaceutical industries | 49% | - | 19,726 | - |
| | | | | | 3,413,233 | 2,968,206 |

Movement on investments in associates is as follows:

| | 2022 JD | 2021 JD |
|---|---|---|
| **Balance beginning of the year** | 2,968,206 | 3,074,520 |
| Add: the Jordan Algerian Pharmaceutical Manufacturing Co. Share | 20,495 | - |
| Group's share of Associates' net results current year | 396,859 | - |
| Group's share of Associates' net results previous years | 859,815 | (106,314) |
| Distribution of the profits of Azel Pharmaceutical Company | (832,142) | - |
| **Balance ending of the year** | 3,413,233 | 2,968,206 |

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

2022

| | Azal Pharmaceutical Company JD | Jordan Algerian Pharmaceutical Manufacturing Co. JD | Total JD |
|---|---|---|---|
| **The company's share of net equity:** | | | |
| Current assets | 16,486,832 | 1,632,696 | 18,119,528 |
| Non- current assets | 1,266,005 | 2,063 | 1,268,068 |
| Current liabilities | (9,291,385) | (1,594,502) | (10,885,887) |
| Non- Current liabilities | (381,673) | - | (381,673) |
| **Net Equity** | 8,079,779 | 40,257 | 8,120,036 |
| Percentage of ownership | 42% | 49% | |
| Group's share in net equity | 3,393,507 | 19,726 | 3,413,233 |
| **Net investment as at 31 December** | 3,393,507 | 19,726 | 3,413,233 |

| | 2021 | | |
|---|---|---|---|
| | Azal Pharmaceutical Company | Jordan Algerian Pharmaceutical Manufacturing Co. | Total |
| | JD | JD | JD |
| **The company's share of net equity:** | | | |
| Current assets | 12,384,901 | - | 12,384,901 |
| Non- current assets | 940,771 | - | 940,771 |
| Current liabilities | (5,876,841) | - | (5,876,841) |
| Non- Current liabilities | (381,673) | - | (381,673) |
| **Net Equity** | 7,067,158 | - | 7,067,158 |
| Percentage of ownership | 42% | | |
| Group's share in net equity | 2,968,206 | - | 2,968,206 |
| **Net investment as at 31 December** | 2,968,206 | - | 2,968,206 |

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

| | Country | 2022 | 2021 |
|---|---|---|---|
| | | JD | JD |
| **Stocks of companies not listed** | | | |
| Arab Company for Drug Industries | Tunis | 319,417 | 183,188 |
| Tasili Takafo Company | Algeria | 1 | 10,352 |
| Egyptian Obour Company | Egypt | 1 | 1 |
| | | 316,419 | 193,541 |

## (10) INVENTORY

| | 2022 | 2021 |
|---|---|---|
| | JD | JD |
| Finished goods | 2,560,905 | 2,084,846 |
| Raw materials | 2,632,542 | 2,344,949 |
| Packing materials | 902,954 | 751,440 |
| Spare parts and other consumables | 419,942 | 443,321 |
| | 6,516,343 | 5,624,556 |

## (11) OTHER RECEIVABLES

| | 2022 | 2021 |
|---|---|---|
| | JD | JD |
| Guarantee margin | 384,996 | 63,642 |
| Prepaid expenses | 299,383 | 136,235 |
| Sales tax deposit | 139,163 | 170,546 |
| Employee Receivables | 66,729 | 93,039 |
| Income tax deposit | 20,139 | 179,815 |
| Refundable deposits | 10,370 | 8,993 |
| Other | 1,328 | 47,834 |
| | 922,107 | 700,104 |

## (12) RELATED PARTIES BALANCES AND TRANSACTIONS

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

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

| | Nature of relationship | 2022 | 2021 |
|---|---|---|---|
| | | JD | JD |
| **Amounts due from related parties:** | | | |
| Jordan Algerian Pharmaceutical Manufacturing Co. | Associate Company | 1,182,968 | - |
| Dr. Adnan Ali Hussein Badwan | Related party | - | 12,166 |
| | | 1,182,968 | 12,166 |
| **Amounts due to related parties:** | | | |
| Jordan Algerian Pharmaceutical Manufacturing Co. | Associate Company | 983,736 | - |
| Dr. Adnan Ali Hussein Badwan | Related party | 256,258 | - |
| Azal Pharmaceutical Company | Associate Company | 2,454 | 3,992 |
| Rashid Abd Al-Rahman Al-Rashid Co. | Major Shareholder | - | 50,000 |
| | | 1,242,448 | 53,992 |
| **Lease liabilities:** | | | |
| Jordan Islamic Bank | Major Shareholder | 7,040,073 | 7,616,037 |
| **Murabaha financing:** | | | |
| Jordan Islamic Bank | Major Shareholder | 22,332,468 | 20,974,025 |
| **Other payables:** | | | |
| Amounts due to the Board of Directors | Board Members | 226,738 | 301,051 |

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

| | Nature of relationship | 2022 | 2021 |
|---|---|---|---|
| | | JD | JD |
| **Finance costs:** | | | |
| Jordan Islamic Bank | Major Shareholder | 1,319,326 | 847,956 |
| **Gain from Murabaha restructuring:** | | | |
| Jordan Islamic Bank | Major Shareholder | - | 1,032,300 |
| **Administrative expenses:** | | | |
| Board members transportation | Board Member | 126,439 | 57,550 |
| **Other expenses:** | | | |
| Dr. Adnan Ali Hussein Badwan | Related parties | 256,258 | - |

Short term salaries, transportation and other benefits of key management personnel amounted to JD 532,965 for the year ended 31 December 2022 (for the year ended 31 December 2021: JD 532,965 ).

## (13) ACCOUNTS RECEIVABLE

| | 2022 | 2021 |
|---|---|---|
| | JD | JD |
| Local Receivables | 9,477,301 | 5,957,906 |
| Foreign Receivables | 23,158,495 | 22,856,431 |
| | 32,635,796 | 28,814,337 |
| Expected credit loss provision* | (15,589,260) | (14,220,910) |
| | 17,046,536 | 14,593,427 |

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

| | Weighted average loss rate | Accounts receivables | Expected credit loss allowance |
|---|---|---|---|
| **2022-** | | JD | JD |
| Less than 90 days | 5% | 5,315,116 | 265,755 |
| 91 - 180 days | 10% | 3,295,470 | 329,547 |
| 181 - 270 days | 15% | 3,091,498 | 463,725 |
| 271 - 365 days | 20% | 3,179,454 | 638,191 |
| 365 - 730 days | 36% | 6,105,294 | 2,243,078 |
| More than 730 | 100% | 11,648,964 | 11,648,964 |
| | | 32,635,796 | 15,589,260 |

| | Weighted average loss rate | Accounts receivables | Expected credit loss allowance |
|---|---|---|---|
| **2021-** | | JD | JD |
| Less than 90 days | 4.6% | 5,854,641 | 237,061 |
| 91 - 180 days | 10% | 1,853,752 | 185,375 |
| 181 - 270 days | 15% | 1,281,699 | 192,255 |
| 271 - 365 days | 25% | 951,732 | 237,933 |
| 365 - 730 days | 50% | 11,008,454 | 5,504,227 |
| More than 730 | 100% | 7,864,059 | 7,864,059 |
| | | 28,814,337 | 14,220,910 |

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

| | 2022 | 2021 |
|---|---|---|
| | JD | JD |
| As at 1 January | 14,220,910 | 14,220,910 |
| Charge for the year | 1,368,350 | - |
| As at 31 December | 15,589,260 | 14,220,910 |

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

## (14) CASH AND CASH EQUIVALENTS

| | 2022 | 2021 |
|---|---|---|
| | JD | JD |
| Portfolio deposits | 1,929,000 | - |
| Bank balances | 675,474 | 11,412,692 |
| Cash on hand | 3,542 | 14,867 |
| **Cash and bank balances** | 2,608,016 | 11,427,559 |

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

| | 2022 | 2021 |
|---|---|---|
| | JD | JD |
| Cash and bank balances | 2,608,016 | 11,427,559 |
| Less: due to banks | - | (948,043) |
| **Cash and cash equivalents** | 2,608,016 | 10,479,516 |

## (15) EQUITY ATTRIBUTABLE TO EQUITY HOLDERS OF THE PARENT

**Paid in capital and share discount–**

The general assembly of The Jordanian Pharmaceutical Production Company resolved in its extra ordinary meeting held on 29 November 2021 to increase the capital of the company from 25,312,500 share/JD to 69,756,944 share/JD, by allocating the increased shares (44,444,444 shares) to some shareholders, with issuance discount of 0.73 piasters per share, and by the value of JD 12,000,000. The legal procedures were completed on 11 January 2022.

**Statutory reserve -**

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

## (16) LEASE LIABILITY

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

| | 2022 | | 2021 | |
|---|---|---|---|---|
| | Minimum Lease payment | Present Value of payments | Minimum Lease payment | Present Value of payments |
| | JD | JD | JD | JD |
| Unpaid due balance | 73,263 | 73,263 | 219,789 | 219,789 |
| Due within a year | 879,156 | 470,175 | 879,156 | 429,438 |
| Due from one to five years | 3,516,624 | 2,287,021 | 3,516,624 | 2,124,072 |
| Due after more than five years | 4,835,358 | 4,209,614 | 5,714,514 | 4,842,738 |
| | 9,304,401 | 7,040,073 | 10,330,083 | 7,616,037 |
| Less: deferred finance cost | (2,264,328) | - | (2,714,046) | - |
| | 7,040,073 | 7,040,073 | 7,616,037 | 7,616,037 |

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

| | 2022 | 2021 |
|---|---|---|
| | JD | JD |
| Balance beginning of the year | 1,320,862 | 1,435,720 |
| Amortization during the year | (114,857) | (114,858) |
| Balance ending of the year | 1,206,005 | 1,320,862 |
| Due within one year | 114,858 | 114,858 |
| Due over one year | 1,091,147 | 1,206,004 |
| Total | 1,206,005 | 1,320,862 |

## (17) MURABAHA FINANCING

| | | 2022 | | | 2021 | | |
|---|---|---|---|---|---|---|---|
| | Currency | Payable within one year | Long-term | Total | Payable within one year | Long-term | Total |
| | | JD | JD | JD | JD | JD | JD |
| Islamic Bank Murabahas 1 | JOD | 1,263,868 | 19,681,330 | 20,945,198 | - | 20,256,322 | 20,256,322 |
| Islamic Bank Murabahas 2 | JOD | 672,274 | 714,996 | 1,387,270 | 717,703 | - | 717,703 |
| | | 1,936,142 | 20,396,326 | 22,332,468 | 717,703 | 20,256,322 | 20,974,025 |

**Jordan Islamic Bank Murabahas 1-**

The Company obtained several murabahas from the Jordan Islamic Bank. During 2021, an amendment was signed with the Jordan Islamic Bank, which stipulates rescheduling the murabaha repayments plan to become 121 months including 13 months grace period. The new murabaha is paid in over 108 instalments, the first installment of JD 162,512 is due on 31 January 2023, and the last installment by the amount of JD 246,468 is due on 31 December 2031.

**Jordan Islamic Bank Murabahas 2-**

During the years 2021 and 2022, the company obtained several Murabaha payments from the Jordan Islamic Bank, where the Murabaha installments were scheduled for a period of 36 months, including a 12-month grace period. This Murabaha is to be paid in 24 installments, with the first installment of 64,225 dinars due on 25 January 2023, and the last installment of 43,385 dinars due on 25 December 2024.

The principal installments payable during next years are as follow:

| YEAR | JD |
|---|---|
| 2024 | 2,700,004 |
| 2025 | 2,958,324 |
| 2026 | 2,958,324 |
| 2027 | 2,958,324 |
| 2028 | 2,958,324 |
| 2029 | 2,958,324 |
| 2030 | 2,958,324 |
| 2031 | 2,958,265 |
| | 23,408,213 |
| Less: Deferred finance cost | (3,011,887) |
| | 20,396,326 |

## (18) NOTE PAYABLES

| | | 2022 | | | 2021 | | |
|---|---|---|---|---|---|---|---|
| | Currency | Payable within one year | Long-term | Total | Payable within one year | Long-term | Total |
| | | JD | JD | JD | JD | JD | JD |
| Income and sales tax | JOD | 351,060 | 2,458,092 | 2,809,152 | 351,193 | 2,809,248 | 3,160,441 |
| Social security 1 | JOD | 168,119 | 1,191,724 | 1,359,843 | 166,472 | 1,357,293 | 1,523,765 |
| Social security 2 | JOD | 24,563 | 194,486 | 219,049 | 24,564 | 219,050 | 243,614 |
| Ammon International Company | JOD | - | - | - | 100,000 | - | 100,000 |
| Al Noor Drug Store Company | JOD | 426,000 | 1,242,500 | 1,668,500 | 426,000 | 1,668,500 | 2,094,500 |
| International Islamic Foundation | JOD | - | - | - | 281,976 | - | 281,976 |
| | | 969,742 | 5,086,802 | 6,056,544 | 1,350,205 | 6,054,091 | 7,404,296 |

### NOTES PAYABLES - INCOME AND SALES TAX

During 2020, the Company scheduled its outstanding obligations to the Income and Sales Tax Department over 10 years, 120 installments, the first installment was due on 20 January 2021, and the last installment is due on 20 December 2030.

### NOTES PAYABLES - SOCIAL SECURITY 1

During 2020, the Company scheduled is outstanding obligations to the Social Security Corporation over 10 years, 120 installments, the first installment was due on 2 December 2020, and the last installment is due on 2 November 2030.

### NOTES PAYABLES - SOCIAL SECURITY 2

During 2021, Aragne Biotechnology Company (a subsidiary) has scheduled its outstanding commitments to the Social Security Corporation over 10 years, 120 installments, the first installment is due on 4 December 2021, and the last installment is due on 4 November 2031.

### NOTES PAYABLES - AL NOOR DRUG STORE COMPANY

During 2021, settlement agreement was signed with Al Noor Drugstore (the company's former agent in the United Arab Emirates), according to this settlement JD 710,000 out of JD 2,840,000 was paid, and the remaining balance was scheduled over five years.

The principal installments payable during next years are as follow:

| YEAR | JD |
|---|---|
| 2024 | 1,200,474 |
| 2025 | 1,168,871 |
| 2026 | 1,101,767 |
| 2027 | 679,663 |
| 2028 | 648,059 |
| 2029 | 616,455 |
| 2030 | 568,935 |
| 2031 | 22,538 |
| | 6,006,762 |
| Less: Deferred finance cost | (919,960) |
| | 5,086,802 |

## (19) LAWSUIT PROVISION

Al-Noor Drugstore (the company's former agent in the United Arab Emirates) filed an arbitration case against the Company, demanding compensation under the pretext of terminating the warehouse's power of attorney in the United Arab Emirates. After the cassation decision was issued by the UAE Court, the Jordanian Court of Cassation issued a decision on 25 June 2020 obligating the company to pay an amount of USD 8,011,062. A provision was recorded in the financial statements as of 31 December 2020 for this case by the amount of JD 5,671,832. During the third quarter of 2021, a settlement was made with Al-Noor Drugstore. accordingly, the value of the provision was reversed by JD 2,831,832 to become JD 2,840,000 payable over a period of five years (note 18).

## (20) OTHER PAYABLES

| | 2022 | 2021 |
|---|---|---|
| | JD | JD |
| Accrued expenses | 1,479,974 | 2,485,759 |
| Shareholders' deposit | 1,020,767 | 980,751 |
| Employee payable | 1,766,997 | 2,071,870 |
| Board of directors payables | 226,738 | 301,051 |
| Provision for staff indemnity | 140,545 | 141,039 |
| Social security payable | 80,083 | 1,005,722 |
| Income tax payable | 62,599 | 61,758 |
| Sales tax payable | 59,188 | - |
| Other | 47,512 | 83,170 |
| | 4,884,403 | 7,131,120 |

## (21) NET SALES

| | 2022 | 2021 |
|---|---|---|
| | JD | JD |
| Local sales | 7,636,952 | 7,336,667 |
| Export sales | 9,323,956 | 8,491,703 |
| | 16,960,908 | 15,828,370 |

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

## (22) COST OF GOODS SOLD

| | 2022 | 2021 |
|---|---|---|
| | JD | JD |
| Raw materials used in production | 4,375,111 | 4,913,659 |
| Salaries, wages and other benefits | 2,995,228 | 2,985,952 |
| Electricity and water | 647,887 | 536,189 |
| Depreciation of property, plant and equipment (note 6) | 499,822 | 408,256 |
| Transportation and travel | 223,950 | 223,895 |
| Maintenance | 186,994 | 183,898 |
| Depreciation of the right to use the assets (note 5) | 153,304 | 153,304 |
| Other manufacturing expenses | 561,216 | 751,302 |
| | 9,643,512 | 10,156,455 |

## (23) SELLING AND MARKETING EXPENSE

| | 2022 | 2021 |
|---|---|---|
| | JD | JD |
| Salaries, wages and other benefit | 1,414,343 | 2,525,060 |
| Expenses to support foreign markets | 407,808 | 922,598 |
| Export and shipping | 237,019 | 266,213 |
| Samples | 171,827 | 157,933 |
| Advertising | 141,213 | 322,716 |
| Drug testing and registration expenses | 67,110 | 63,623 |
| Rent | 52,605 | 108,030 |
| Depreciation of property, plant and equipment (note 6) | - | 1,842 |
| Other | 128,759 | 103,136 |
| | 2,620,684 | 4,471,151 |

## (24) ADMINISTRATIVE EXPENSE

| | 2022 | 2021 |
|---|---|---|
| | JD | JD |
| Salaries, wages and other benefits | 1,948,656 | 1,800,041 |
| Legal and Lawyer fees | 577,638 | 572,722 |
| Remunerations of Board of Directors | 126,439 | 59,527 |
| Computers | 45,399 | 43,107 |
| Fines and penalties | 28,181 | 132,480 |
| Hospitality and cleaning | 22,223 | 11,224 |
| Depreciation of property, plant and equipment (note 6) | 6,339 | 10,445 |
| Telephone and post | 1,258 | 1,332 |
| Other | 62,919 | 107,773 |
| | 2,819,052 | 2,738,651 |

## (25) OTHER EXPENSES

| | 2022 | 2021 |
|---|---|---|
| | JD | JD |
| Collection commission expnese | 415,272 | - |
| Foreign currency losses | 62,342 | 2,319 |
| | 477,614 | 2,319 |

## (26) OTHER INCOME

| | 2022 | 2021 |
|---|---|---|
| | JD | JD |
| Sale of empty boxes | 7,917 | - |
| Other income | 169,223 | 5,185 |
| | 177,140 | 5,185 |

## (27) INCOME TAX

**The Jordanian Pharmaceutical Manufacturing Company**

No income tax provision was calculated for the years ended 31 December 2022 due to the excess of deductible expenses over taxable revenues in accordance with the income tax law no. (38) for the year 2018.

The Company obtained a final clearance from the Income Tax Department until the end of 2020. The Company has also submitted 2021 income tax return to the Income and Sales Tax Department within the legal timeframe.

**Dellas for Natural Products Company-**

A provision for income tax and a national contribution for the company was calculated for the year ending on 31 December 2022, at a value of JD 40,444, due to the increase in taxable revenues over taxable expenses in accordance with Income Tax Law No. (38) for the year 2018.

The Company obtained a final clearance from the Income Tax Department until the end of 2018. The Company has also submitted 2019, 2020 and 2021 income tax returns to the Income and Sales Tax Department within the legal timeframe.

**Aragen for Technical Organic Company-**

No income tax provision was calculated for the years ended 31 December 2022 due to the excess of deductible expenses over taxable revenues in accordance with the income tax law no. (38) for the year 2018.

The Company obtained a final clearance from the Income Tax Department until the end of 2018. The Company has also submitted 2019, 2020 and 2021 income tax returns to the Income and Sales Tax Department within the legal timeframe.

**Swagh for Pharmaceutical Manufacturing Company-**

No income tax provision was calculated for the years ended 31 December 2022 due to the excess of deductible expenses over taxable revenues in accordance with the income tax law no. (38) for the year 2018.

The Company obtained a final clearance from the Income Tax Department until the end of 2018. The Company has also submitted 2019, 2020 and 2021 income tax returns to the Income and Sales Tax Department within the legal timeframe.

**Al Tafahum Algerian Jordanian Company-**

No income tax provision was calculated for the years ended 31 December 2022 due to the excess of deductible expenses over taxable revenues in accordance with the income tax law no. (38) for the year 2018.

## (28) BASIC AND DILUTED PROFIT PER SHARE FOR THE YEAR

| | 2022 | 2021 |
|---|---|---|
| | JD | JD |
| Profit for the year attributable to shareholders of the parent company | 219,219 | 122,076 |
| Weighted average number of shares (share) | 68,539,288 | 68,539,288 |
| | JD/Fils | JD/Fils |
| Basic and diluted profit (loss) per share for the year attributable to shareholders of the parent company | 0/003 | 0/002 |

## (29) MATERIAL PARTIALLY OWNED SUBSIDIARIES BY THE GROUP

Proportion of equity interest held by non-controlling interests:

| Company Name | Main activities | Country of incorporation | Country of incorporation 2022 | Country of incorporation 2021 |
|---|---|---|---|---|
| Dellas for Natural Products Co. | Pharmaceutical industries | Jordan | 6,66% | 6,66% |
| Swagh for Pharmaceutical Manufacturing Co. | Pharmaceutical industries | Jordan | 6,66% | 6,66% |
| Aragen for Technical Organic Co. and its | Reagent industries | Jordan | - | 10% |
| - Aragen for Technical Organic Co. (Free-Zone) | Pharmaceutical industries | Jordan | - | 10% |
| Jordan Algerian Pharmaceutical Manufacturing Co. | Pharmaceutical marketing | Algeria | - | 0.34% |
| Al Tafahum Algerian Jordanian Co. | Pharmaceutical marketing | Jordan | 49% | - |

Accumulated balance of non-controlling interests is as follows:

| | 2022 | 2021 |
|---|---|---|
| | JD | JD |
| Dellas for Natural Products Co. | 144,799 | 144,150 |
| Swagh for Pharmaceutical Manufacturing Co. | 3,569 | 5,190 |
| Aragen for Technical Organic Co. | - | (54,019) |
| Aragen for Technical Organic Co. (Free-Zone) | - | 11,086 |
| Jordan Algerian Pharmaceutical Manufacturing Co. | - | 385 |
| Al Tafahum Algerian Jordanian Co. | 4,875 | - |
| | 153,243 | 106,792 |

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

| | 2022 | 2021 |
|---|---|---|
| | JD | JD |
| Dellas for Natural Products Co. | 648 | 18,649 |
| Swagh for Pharmaceutical Manufacturing Co. | (1,622) | (1,567) |
| Aragen for Technical Organic Co. | - | (46,975) |
| Aragen for Technical Organic Co. (Free-Zone) | - | (125) |
| Jordan Algerian Pharmaceutical Manufacturing Co. | - | 3 |
| Al Tafahum Algerian Jordanian Co. | (24) | - |
| | (998) | (30,015) |
| Elimination within the Group | - | 1,614 |
| **Total** | (998) | (28,401) |

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

Summarized statement of comprehensive income for year 2022:

| | Dellas for Natural Products Co. | Swagh for Pharmaceutical Manufacturing Co. | Al Tafahum Algerian Jordanian Co. | Total |
|---|---|---|---|---|
| | JD | JD | JD | JD |
| Net sales | 2,096,533 | - | - | 2,096,533 |
| Cost of goods sold | (1,373,295) | - | - | (1,373,295) |
| Selling and distribution expense | (230,213) | - | - | (230,213) |
| Administrative expense | (343,927) | (24,319) | - | (368,246) |
| (expenses) income other | (98,940) | - | (50) | (98,990) |
| Income Tax | (40,444) | - | - | (40,444) |
| **Profit (loss) for the year** | 9,714 | (24,319) | (50) | (14,655) |
| Total comprehensive income | 9,714 | (24,319) | (50) | (14,655) |
| Non-controlling interests | 648 | (1,622) | (24) | (998) |

Summarized statement of financial position as at 31 December 2022:

| | Dellas for Natural Products Co. | Swagh for Pharmaceutical Manufacturing Co. | Al Tafahum Algerian Jordanian Co. | Total |
|---|---|---|---|---|
| | JD | JD | JD | JD |
| Current assets | 3,786,360 | 47,237 | 228,214 | 4,061,811 |
| Non-current assets | 267,327 | 331,009 | - | 598,336 |
| Current liabilities | (1,881,724) | (324,714) | (218,264) | (2,424,702) |
| Non-current liabilities | - | - | - | - |
| **Total equity** | 2,171,963 | 53,532 | 9,950 | 2,235,445 |
| Non-controlling interests | 144,799 | 3,569 | 4,875 | 153,243 |

Summarized statement of comprehensive income for the year 2021:

| | Dellas for Natural Products Co. | Swagh for Pharmaceutical Manufacturing Co. | Aragen for Technical Organic Co. | Aragen for Technical Organic Co. (Free-Zone) | Jordan Algerian Pharmaceutical Manufacturing Co. | Total |
|---|---|---|---|---|---|---|
| | JD | JD | JD | JD | JD | JD |
| Net sales | 1,494,962 | - | 107,081 | - | 263,361 | 1,865,404 |
| Cost of goods sold | (745,788) | - | (355,840) | - | (229,984) | (1,331,612) |
| Selling and distribution expense | (228,237) | - | (16,305) | - | - | (244,542) |
| Administrative expense | (113,200) | - | (128,352) | (1,250) | - | (242,802) |
| (expenses) income other | (70,714) | (23,499) | (76,339) | - | (32,424) | (202,976) |
| Income Tax | (57,293) | - | - | - | - | (57,293) |
| **Profit (loss) for the year** | 279,730 | (23,499) | (469,755) | (1,250) | 953 | (213,821) |
| Translation differences | - | - | - | - | (76) | (76) |
| Total comprehensive income | 279,730 | (23,499) | (469,755) | (1,250) | 877 | (213,897) |
| Non-controlling interests | 18,649 | (1,567) | (46,975) | (125) | 3 | (30,015) |

Summarized statement of financial position as at 31 December 2021:

| | Dellas for Natural Products Co. | Swagh for Pharmaceutical Manufacturing Co. | Aragen for Technical Organic Co. | Aragen for Technical Organic Co. (Free-Zone) | Jordan Algerian Pharmaceutical Manufacturing Co. | Total |
|---|---|---|---|---|---|---|
| | JD | JD | JD | JD | JD | JD |
| Current assets | 2,723,041 | 46,372 | 1,754,839 | 115,444 | 1,720,185 | 6,359,881 |
| Non-current assets | 260,078 | 332,460 | 535,338 | 9,168 | 7,586 | 1,144,630 |
| Current liabilities | (820,870) | (300,982) | (2,611,317) | (13,750) | (1,614,446) | (5,361,365) |
| Non-current liabilities | - | - | (219,050) | - | - | (219,050) |
| **Total equity** | 2,162,249 | 77,850 | (540,190) | 110,862 | 113,325 | 1,924,096 |
| Non-controlling interests | 144,150 | 5,190 | (54,019) | 11,086 | 385 | 106,792 |

## (30) RISK MANAGEMENT

**- Interest rate risk**

Interest rate risk is the risk that the fair value of future cash flow of a financial instrument will fluctuate because of changes in market interest rate. The Group's exposed to interest rate risk on its financial assets and liability that carry interest such as Deposits Overdraft and Murabaha .

The sensitivity of the consolidated statement of profit or loss is the effect of the assumed changes in interest rates on the Group's profit for one year, based on the floating rate financial assets and financial liabilities held at 31 December 2021 and 2020. The following table illustrates the sensitivity of the consolidated statement of profit or loss as of 31 December to reasonably possible changes in interest rates, with all other variables held constant.

| | Increase in interest rate | Effect on profit before tax |
|---|---|---|
| **2022-** | (Basis points) | JD |
| **Currency** | | |
| Algerian Dinar | 100 | - |

| | Increase in interest rate | Effect on loss before tax |
|---|---|---|
| **2021-** | (Basis points) | JD |
| **Currency** | | |
| Algerian Dinar | 100 | (9,480) |

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

**Credit risk -**

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

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

The group sells its products to a large number of customers, and this represents the largest 10 customers with 47% of the receivables as of December 31, 2022 (2021: the largest 10 customers with 35%.)

**Liquidity risk -**

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

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

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

| | Upon request | Less than 3 months | 3 to 12 months | 1 to 5 years | More than 5 years | Total |
|---|---|---|---|---|---|---|
| **31 December 2022** | | JD | JD | JD | JD | JD |
| Lease Liability | 73,263 | 219,789 | 659,367 | 3,516,624 | 4,835,358 | 9,304,401 |
| Murabaha financing | - | 355,187 | 2,040,633 | 11,574,976 | 11,833,237 | 25,804,033 |
| Notes payable | 2,550 | 241,798 | 725,395 | 3,424,455 | 1,662,347 | 6,056,545 |
| Accounts payable | - | 2,799,091 | - | - | - | 2,799,091 |
| **Total** | 75,813 | 3,615,865 | 3,425,395 | 18,516,055 | 18,330,942 | 43,964,070 |
| | | | | | | |
| **31 December 2021** | | | | | | |
| Lease Liability | 219,789 | 219,789 | 659,367 | 3,516,624 | 5,714,514 | 10,330,083 |
| Murabaha financing | 717,703 | - | - | 9,816,936 | 14,791,561 | 25,326,200 |
| Notes payable | 413,978 | 355,729 | 1,067,189 | 4,823,986 | 2,414,856 | 9,075,738 |
| Accounts payable | - | 2,407,133 | - | - | - | 2,407,133 |
| Due to banks | 948,043 | - | - | - | - | 948,043 |
| **Total** | 2,299,513 | 2,982,651 | 1,726,556 | 18,157,546 | 22,920,931 | 48,087,197 |

**Foreign currency risk-**

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

| | Change in the currency exchange rate against the Jordanian dinar | The effect on the profit for the year Jordanian dinar | Impact on the consolidated statement of comprehensive income and equity |
|---|---|---|---|
| **2022-** | (%) | JD | JD |
| **The currency** | | | |
| Tunisian dinar | 10% | - | (31,941) |
| Eritrean nakfa | 10% | (300,534) | - |
| Algerian dinar | 10% | (1,973) | - |
| | | | |
| **2021-** | | | |
| **The currency** | | | |
| Tunisian dinar | 10% | - | (18,318) |
| Eritrean nakfa | 10% | (296,820) | - |
| Algerian dinar | 10% | (11,332) | (1,035) |

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

**(31) fair values**

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

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

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

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

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

| | Book value | Level 1 | Level 2 | Level 3 |
|---|---|---|---|---|
| | JD | JD | JD | JD |
| **As at 31 December 2022** | | | | |
| Financial assets at fair value through other comprehensive income | 319,419 | - | - | 319,419 |
| **As at 31 December 2021** | | | | |
| Financial assets at fair value through other comprehensive income | 193,541 | - | - | 193,541 |

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

| | As at 31 December 2022 | As at 31 December 2021 |
|---|---|---|
| | JD | JD |
| **Book value** | | |
| Cash and bank balances | 2,608,016 | 11,427,559 |
| Due from related parties | 1,182,968 | 12,166 |
| Accounts receivable | 17,046,536 | 13,919,008 |
| Letters of credit under collection | 492,905 | 533,472 |
| Checks under collection | 622,688 | 742,427 |
| | | |
| Lease liabilities | 7,040,073 | 7,616,037 |
| Murabaha financing | 22,332,468 | 20,974,025 |
| Notes payables | 6,056,544 | 7,404,296 |
| Due to banks | - | 948,043 |
| Due to related parties | 1,242,448 | 53,992 |
| Accounts payable | 2,799,091 | 2,407,133 |

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

**(32) SEGMENT INFORMATION**

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

| **For the year ended 31 December 2022:** | Inside Jordan | Outside Jordan | Total |
|---|---|---|---|
| | JD | JD | JD |
| Net sales | 7,636,952 | 9,323,956 | 16,960,908 |
| Cost of sales | (4,342,164) | (5,301,348) | (9,643,512) |
| Gross profit | 3,294,788 | 4,022,608 | 7,317,396 |

| | Inside Jordan | Outside Jordan | Total |
|---|---|---|---|
| | JD | JD | JD |
| **Other information:** | | | |
| Depreciation and amortization | (771,553) | - | (771,553) |
| Finance costs | (1,319,326) | - | (1,319,326) |
| Groups' share of profit from associates | - | 1,256,674 | 1,256,674 |

The geographical distribution of assets, liabilities is as follows:

| | Inside Jordan | Outside Jordan | Total |
|---|---|---|---|
| | JD | JD | JD |
| **As at 31 December 2022:** | | | |
| Total assets | 34,934,623 | 12,907,959 | 47,842,582 |
| Total liabilities | 44,008,165 | 1,552,867 | 45,561,032 |

| | Inside Jordan | Outside Jordan | Total |
|---|---|---|---|
| | JD | JD | JD |
| **For the year 31 December 2021:** | | | |
| Net sales | 7,336,667 | 8,491,703 | 15,828,370 |
| Cost of sales | (4,958,307) | (5,198,148) | (10,156,455) |
| Gross profit | 2,378,360 | 3,293,555 | 5,671,915 |

| | Inside Jordan | Outside Jordan | Total |
|---|---|---|---|
| | JD | JD | JD |
| **Other information:** | | | |
| Depreciation and amortization | (677,240) | - | (677,240) |
| Finance costs | (847,956) | (81,163) | (929,119) |
| The group share from investment in associates | - | (106,314) | (106,314) |

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

| | Inside Jordan | Outside Jordan | Total |
|---|---|---|---|
| | JD | JD | JD |
| **As at 31 December 2021** | | | |
| Total assets | 37,563,041 | 12,246,820 | 49,809,861 |
| Total liabilities | 46,883,743 | 971,765 | 47,855,508 |

## (33) CONTINGENT LIABILITY

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

| | 2022 | 2021 |
|---|---|---|
| **Contingent Liability:** | JD | JD |
| Letters of credit | 223,043 | 177,024 |
| Bank guarantees | 3,361,822 | 3,276,387 |
| Bills of collection | - | 217,905 |

**Associate companies contingent liability:**

The financial statements of The Jordanian Algerian Pharmaceutical Manufacturing Company (49% owned associate company) contain overdraft account issued from The Housing Bank Algeria by the amount of DZD 184.8 million as of 31 December 2022 against 100% guarantee issued from The Jordanian Pharmaceutical Manufacturing Company.

## (34) LAWSUITS HELD AGAINST THE COMPANY

There are cases filed against the company for an amount of JD 698,095 as on 31 December 2022, and this is within the normal activity of the company, and in the discretion of the management and its legal advisor, the company will not have substantial obligations in response to these cases.

## (35) STANDARDS ISSUED BUT NOT YET EFFECTIVE

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

**Disclosure of Accounting Policies - Amendments to IAS 1 and IFRS Practice Statement 2**

In February 2021, the IASB issued amendments to IAS 1 and IFRS Practice Statement 2 Making Materiality Judgements, in which it provides guidance and examples to help entities apply materiality judgements to accounting policy disclosures. The amendments aim to help entities provide accounting policy disclosures that are more useful by replacing the requirement for entities to disclose their 'significant' accounting policies with a requirement to disclose their 'material' accounting policies and adding guidance on how entities apply the concept of materiality in making decisions about accounting policy disclosures. The amendments to IAS 1 are applicable for annual periods beginning on or after 1 January 2023 with earlier application permitted. Since the amendments to the Practice Statement 2 provide nonmandatory guidance on the application of the definition of material to accounting policy information, an effective date for these amendments is not necessary.

The Company is currently assessing the impact of the amendments to determine the impact they will have on the Company's accounting policy disclosures.

**IFRS 17 Insurance Contracts**

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

The new standard will be effective for annual periods beginning on or after 1 January 2023 with comparative figures required. Early application is permitted provided that the entity also applies IFRS 9 and IFRS 15 on or before the date it first applies IFRS 17.

**Amendments to IAS 1: Classification of Liabilities as Current or Non-current**

In January 2021, the IASB issued amendments to paragraphs 69 to 76 of IAS 1 to specify the requirements for classifying liabilities as current or non-current. The amendments clarify:

- what is meant by a right to defer settlement,
- the right to defer must exist at the end of the reporting period,
- that classification is unaffected by the likelihood,
- that an entity will exercise its deferral right,
- and that only if an embedded derivative in a convertible liability is itself an equity instrument would the terms of a liability not impact its classification.

The amendments are effective for annual reporting periods beginning on or after 1 January 2023 and must be applied retrospectively.

**Definition of Accounting Estimates - Amendments to IAS 8**

In February 2021, the IASB issued amendments to IAS 8, in which it introduces a definition of 'accounting estimates'. The amendments clarify the distinction between changes in accounting estimates and changes in accounting policies and the correction of errors. Also, they clarify how entities use measurement techniques and inputs to develop accounting estimates.

The amendments are effective for annual reporting periods beginning on or after 1 January 2023 and apply to changes in accounting policies and changes in accounting estimates that occur on or after the start of that period. Earlier application is permitted as long as this fact is disclosed.

The amendments are not expected to have a material impact on the Company.

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

The amendments address the conflict between IFRS 10 and IAS 28 in dealing with the loss of control of a subsidiary that is sold or contributed to an associate or joint venture. The amendments clarify that the gain or loss resulting from the sale or contribution of assets that constitute a business, as defined in IFRS 3, between an investor and its associate or joint venture, is recognised in full. Any gain or loss resulting from the sale or contribution of assets that do not constitute a business, however, is recognised only to the extent of unrelated investors' interests in the associate or joint venture.

The IASB has deferred the effective date of these amendments indefinitely, but an entity that early adopts the amendments must apply them prospectively.