

The Arab Pesticides & Veterinary Drugs Mfg. Co.

Public Shareholding Company

Consolidated Financial Statements

31 December 2024

The Arab Pesticides & Veterinary Drugs Mfg. Co.
Public Shareholding Company

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INDEPENDENT AUDITOR'S REPORT

**To The Shareholders of
The Arab Pesticides & Veterinary Drugs Mfg. Co.
Public Shareholding Company
Irbid - Jordan**

Opinion

We have audited the consolidated financial statements of **The Arab Pesticides & Veterinary Drugs Mfg. Co. PLC** which comprise the consolidated statement of financial position as at 31 December 2024, and 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 consolidated financial position of the Company as at 31 December 2024, and its consolidated financial performance and its consolidated 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 the Hashemite Kingdom of Jordan, and we have fulfilled our other ethical responsibilities in accordance with these requirements and the IESBA Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Emphasis of Matter

The accompanying consolidated financial statements include a land amounting to JOD (602,940) not registered in the name of the Company.

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 of 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. We have determined the matters described below to be the key audit matters to be communicated in our report:

(1) Provision for Expected Credit Loss

Included in the accompanying consolidated financial statements at the end of the year 2024 financial assets totaling JOD (3,172,820), as the provision for the expected credit loss of these financial assets are dependent on the management's estimates of different variables, the adequacy of the provision is considered a key audit matter. The audit procedures performed by us to address this key audit matter included inquiring from management about the methodology used in calculating the provision and assessing the reasonableness of estimates and assumptions used by the management in calculating the provision amount. We have also inquired about the management's collection procedures and the amounts collected post year end.

(2) Cost of Finished Goods and Work in Progress

Included in the accompanying consolidated financial statements at the end of the year 2024 finished goods and work in progress totaling JOD (4,883,610) as determining the cost of these goods involve the calculation of an overhead application rate based on the plant normal capacity, we considered determining the cost of finished goods and work in progress a key audit matter. The audit procedures performed by us to address this key audit matter included assessing the appropriateness of the underlying data used by management in determining the overhead application rate. We have also inspected sales invoices to assess whether inventory is being sold at a higher value than its cost by comparing sales price to values at which it is held in the Company's inventory records.

Other Information

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

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

Responsibilities of Management 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.

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 skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.


- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our 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 remain solely responsible for our audit opinion.
- We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.
- We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and 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 reasonably be expected to outweigh the public interest benefits of such communication.

Report on Other Legal and Regulatory Requirements

The **Arab Pesticides & Veterinary Drugs Mfg. Co. PLC** as at **31 December 2024** maintains proper accounting records and the accompanying consolidated financial statements are in agreement therewith and with the financial data presented in the Board of Directors' report, and we recommend the General Assembly to approve it.

23 March 2025
Amman - Jordan




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The Arab Pesticides & Veterinary Drugs Mfg. Co.
Public Shareholding Company
Consolidated Statement of Financial Position
As at 31 December 2024
(In Jordanian Dinar)

	Notes	2024	2023
Assets			
Non - current assets			
Property, plant and equipment	3	8,669,432	7,630,670
Projects under construction	4	3,705,335	2,441,646
Investment in associate	5	630,346	480,710
Financial assets at fair value through other comprehensive income	6	237,090	237,090
Total non - current assets		13,242,203	10,790,116
Current assets			
Inventory	7	16,998,535	15,111,853
Other current assets	8	2,347,059	1,668,888
Accounts receivable	9	14,070,620	13,742,250
Checks under collection		2,233,867	2,352,330
Cash and cash equivalents	10	8,203,010	4,481,081
Total current assets		43,853,091	37,356,402
Total assets		57,095,294	48,146,518
Equity and liabilities			
Equity	11		
Paid - in capital		16,500,000	16,500,000
Additional paid in capital		1,500,000	1,500,000
Statutory reserve		4,125,000	4,125,000
Voluntary reserve		2,118,949	2,118,949
Changes in foreign exchange rate		(3,095,919)	(3,009,469)
Retained earnings		15,373,503	11,323,311
Total Shareholder's Equity		36,521,533	32,557,791
Non-controlling interest		8,727,356	7,440,116
Total equity		45,248,889	39,997,907
Liabilities			
Non - current liabilities			
Credit facilities - long term	13	2,786,182	1,655,365
Notes payable - long term	12	76,070	8,008
Postdated checks - long term		-	105,510
Provision for end of services indemnity		522,272	450,943
Total non - current liabilities		3,384,524	2,219,826
Current liabilities			
Credit facilities - short term	13	3,183,843	1,226,217
Notes payable - short term	12	1,170,849	1,271,012
Postdated checks - short term		144,151	303,498
Accounts payable		2,190,235	1,674,759
Other current liabilities	14	1,772,803	1,453,299
Total current liabilities		8,461,881	5,928,785
Total liabilities		11,846,405	8,148,611
Total equity and liabilities		57,095,294	48,146,518

"The accompanying notes from (1) to (26) are integral part of these consolidated financial statements"

The Arab Pesticides & Veterinary Drugs Mfg. Co.
Public Shareholding Company
Consolidated Statement of Profit or Loss
For the year ended 31 December 2024

(In Jordanian Dinar)

	Notes	2024	2023
Net sales	15	35,708,446	29,938,832
Cost of sales	16	(23,720,364)	(20,051,267)
Gross profit		11,988,082	9,887,565
Share from associate company results	5	342,586	313,800
Selling and distribution expenses	18	(1,468,359)	(1,344,926)
Administrative expenses	19	(2,320,807)	(2,002,680)
Financing expenses		(328,039)	(291,941)
Provision for expected credit losses	9	(442,500)	(225,000)
Provision for slow moving and expired inventories	7	(100,000)	(100,000)
Other income		139,276	59,590
Board of Directors remunerations		(45,000)	(45,000)
Profit for the year before tax		7,765,239	6,251,408
Income and National Contribution tax expense for the year	20	(521,307)	(474,622)
Profit for the year		7,243,932	5,776,786
Attributable to:			
Shareholders of the company		5,700,192	4,472,715
Non-controlling interest		1,543,740	1,304,071
		7,243,932	5,776,786
 Basic and diluted earnings per share attributed to shareholders	 21	 0.345	 0.289

"The accompanying notes from (1) to (26) are integral part of these consolidated financial statements"

The Arab Pesticides & Veterinary Drugs Mfg. Co.
Public Shareholding Company
Consolidated Statement of Comprehensive Income
For the year ended 31 December 2024

(In Jordanian Dinar)

	<u>Note</u>	<u>2024</u>	<u>2023</u>
Profit for the year		7,243,932	5,776,786
Other comprehensive income items:			
Changes in foreign exchange rate	5	<u>(86,450)</u>	<u>(236,519)</u>
Total comprehensive income for the year		<u>7,157,482</u>	<u>5,540,267</u>
 Attributable to:			
Shareholders of the company		5,613,742	4,236,196
Non-controlling interest		<u>1,543,740</u>	<u>1,304,071</u>
		<u>7,157,482</u>	<u>5,540,267</u>

"The accompanying notes from (1) to (26) are integral part of these consolidated financial statements"

The Arab Pesticides & Veterinary Drugs Mfg. Co.
Public Shareholding Company
Consolidated Statement of Changes in Equity
For the year ended 31 December 2024

(In Jordanian Dinar)

	Paid - in Capital	Additional paid in capital	Reserves		Changes in Foreign Exchange Rate	Retained Earnings	Total Shareholder's Equity	Non- Controlling Interest	Total Equity
			Statutory	Voluntary					
Balance at 1 January 2024	16,500,000	1,500,000	4,125,000	2,118,949	(3,009,469)	11,323,311	32,557,791	7,440,116	39,997,907
Cash dividends (Note 11)	-	-	-	-	-	(1,650,000)	(1,650,000)	-	(1,650,000)
Non-controlling interest dividends	-	-	-	-	-	-	-	(256,500)	(256,500)
Total comprehensive income for the year	-	-	-	-	(86,450)	5,700,192	5,613,742	1,543,740	7,157,482
Balance at 31 December 2024	16,500,000	1,500,000	4,125,000	2,118,949	(3,095,919)	15,373,503	36,521,533	8,727,356	45,248,889
Balance at 1 January 2023	15,000,000	-	3,750,000	2,118,949	(2,772,950)	8,725,596	26,821,595	6,312,602	33,134,197
Increase in capital	1,500,000	1,500,000	-	-	-	-	3,000,000	-	3,000,000
Cash dividends	-	-	-	-	-	(1,500,000)	(1,500,000)	-	(1,500,000)
Non-controlling interest dividends	-	-	-	-	-	-	-	(176,557)	(176,557)
Total comprehensive income for the year	-	-	-	-	(236,519)	4,472,715	4,236,196	1,304,071	5,540,267
Statutory reserves	-	-	375,000	-	-	(375,000)	-	-	-
Balance at 31 December 2023	16,500,000	1,500,000	4,125,000	2,118,949	(3,009,469)	11,323,311	32,557,791	7,440,116	39,997,907

“The accompanying notes from (1) to (26) are an integral part of these consolidated financial statements”

The Arab Pesticides & Veterinary Drugs Mfg. Co.
Public Shareholding Company
Consolidated Statement of Cash Flows
For the year ended 31 December 2024

(In Jordanian Dinar)

	2024	2023
Operating activities		
Profit for the year before tax	7,765,239	6,251,408
Depreciation	536,542	496,263
Profit from sale of property, plant and equipment	(36,800)	-
Share from associate company results	(342,586)	(313,800)
Provision for expected credit losses	442,500	225,000
Provision for slow moving and expired inventories	100,000	100,000
Provision for agents and salesmen commissions	63,077	150,000
Provision against end of service indemnity	127,950	120,521
Board of Directors remuneration	45,000	45,000
Changes in working capital		
Checks under collection	118,463	(445,098)
Inventory	(1,986,682)	95,486
Other current assets	(678,171)	(591,868)
Accounts receivable	(770,870)	(3,133,241)
Postdated checks	(264,857)	(96,970)
Accounts payable	515,476	(616,316)
Other current liabilities	(49,542)	(22,587)
Paid income tax	(316,959)	(433,260)
Net cash flows from operating activities	5,267,780	1,830,538
Investing activities		
Property, plant and equipment	(1,538,504)	(461,614)
Project under construction	(1,263,689)	(2,360,824)
Dividends received from associate investment	106,500	70,989
Net cash flows used in investing activities	(2,695,693)	(2,751,449)
Financing activities		
Cash dividends	(1,650,000)	(1,500,000)
Non-controlling interest	(256,500)	(176,557)
Credit facilities	3,088,443	11,392
Notes payable	(32,101)	57,889
Increase in capital	-	1,500,000
Additional paid in capital	-	1,500,000
Net cash flows from financing activities	1,149,842	1,392,724
Net changes in cash and cash equivalents	3,721,929	471,813
Cash and cash equivalents, beginning of year	4,481,081	4,009,268
Cash and cash equivalents, end of year	8,203,010	4,481,081

"The accompanying notes from (1) to (26) are integral part of these consolidated financial statements"

The Arab Pesticides & Veterinary Drugs Mfg. Co.
Public Shareholding Company
Notes to the Consolidated Financial Statements
31 December 2024

(In Jordanian Dinar)

1 . General

The Arab Pesticides & Veterinary Drugs Mfg. Co. was established as a limited liability Company on 17 October 1991 and on 31 July 2005 the company changed its legal entity to a public shareholding company, and registered in the Hashemite Kingdom of Jordan under number (366), with the main objective of manufacturing of pesticides and veterinary medicines.

The Company shares are listed in Amman Stock Exchange – Jordan.

The consolidated financial statements were authorized for issue by the Company's Board of Directors in their meeting held on 15 March 2025, and these consolidated financial statements require the approval of the General Assembly.

2 . Summary of Significant Accounting Policies

Basis of preparation

The consolidated financial statements of the Company have been prepared in accordance with International Financial Reporting Standards.

The consolidated financial statements have been prepared on a historical cost basis.

The consolidated financial statements are presented in Jordanian Dinar which is the functional currency of the Company.

The accounting policies are consistent with those used in the previous year, except for amended standards effective as at the beginning of the year.

Principles of Consolidation

The consolidated financial statements comprise of the financial statements of the parent and its subsidiaries where the Company has the power to govern the financial and operating policies of the subsidiaries so as to obtain benefits from their activities. The financial statements of the subsidiaries are prepared for the same reporting year as the Company using consistent accounting policies. All balances, transactions, income, and expenses between the Company and its subsidiaries are eliminated.

Subsidiaries are fully consolidated from the date of acquisition, being the date on which the Company obtains control, and continue to be consolidated until the date that such control ceases.

The results of operations of the subsidiaries are included in the consolidated statement of profit or loss from the acquisition date which is the date on which control over subsidiaries is transferred to the Company. The results of operation of the disposed subsidiaries are included in the consolidated statement of profit or loss to the disposal date which is the date on which the Company loses control over the subsidiaries.

The following subsidiaries have been consolidated:

Company	Registration country	Ownership	Capital	Activity
Endmaj Chemical and Specialized Medical Industries Company	Jordan	100%	50,000	Manufacturing
Delta Sudia for Chemical Industries Company	KSA	55%	9,500,000	Manufacturing

Changes in accounting policies

The following amendments to standards have been published that are mandatory for accounting periods beginning on or after 1 January 2024.

New IFRS and amendments	Effective Date
These amendments clarify that liabilities are classified as either 'current' or 'non-current' based on the rights available at the end of the reporting period. The classification is not affected by the entity's expectations or events after the reporting date (such as receiving a waiver or a breach of financial covenants). The amendments also explain what is meant by settlement of a liability (Amendments to International Accounting Standard No (1) / Presentation of Financial Statements).	1 January 2024
These amendments require the seller-lessee to subsequently measure lease liabilities arising from a sale and leaseback transaction in a way that does not recognize any gain or loss related to the retained right of use. (Amendments to International Financial Reporting Standard No (16) / Leases).	1 January 2024
These amendments require disclosures to clarify the transparency of supplier finance arrangements and also their impact on the Company's liabilities, cash flows and the Company's exposure to liquidity risks. (Amendments to International Accounting Standard No (7) / Statement of Cash Flows).	1 January 2024

The adoption of these amendments has no material impact on the financial statements of the Company for the current and past year.

Use of Estimates

The preparation of the consolidated financial statements requires management to make estimates and assumptions that affect the reported amount of the financial assets and liabilities and disclosure of contingent liabilities. These estimates and assumptions also affect the revenues and expenses and the resultant provisions and in particular, considerable judgment by management is required in the estimation of the amount and timing of future cash flows. 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. Management believes that the estimates are reasonable and are as follows:

- Management reviews periodically the tangible assets in order to assess the depreciation for the year based on the useful life and future economic benefits. Any impairment is taken to the consolidated statement of profit or loss.
- The measurement of impairment losses under IFRS 9 requires judgment, in particular, the estimation of the amount and timing of future cash flows and collateral values when determining impairment losses and the assessment of a significant increase in credit risk. These estimates are driven by a number of factors, changes in which can result in different levels of allowances. Elements of the expected credit loss model that are considered accounting judgments and estimates include Probability of default (PD), Loss given default (LGD) and Exposure at default (EAD).
- Inventories are held at the lower of cost and net realizable value. When inventories become old or obsolete, an estimate is made of their net realizable value. For individually significant amounts this estimation is performed on an individual basis. Amounts which are not individually significant, but which are old or obsolete, are assessed collectively and a provision applied according to the inventory type and the degree of ageing or obsolescence, based on historical selling prices.

Property, Plant and Equipment

Property, plant and equipment are stated at cost less accumulated depreciation (except lands) and accumulated impairment loss. 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 is computed on a straight-line basis using the following annual depreciation rates:

Buildings	2%
Machines and equipment	10-12%
Transportation fleet	15%
Others	10-20%

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

Projects under construction

Projects under construction are recorded at cost which represents the contractual obligations of the Company for the construction. Allocated costs directly attributable to the construction of the asset are capitalized. The Projects under construction is transferred to the appropriate asset category and depreciated in accordance with the Company's policies when construction of the asset is completed and commissioned.

Investments in Associate

Investments in associate undertakings are accounted for by the equity method of accounting. These are undertakings over which the Company generally has between 20% and 50% of the voting rights, or over which the Company has significant influence, but which it does not control. Unrealized gains and losses on transactions between the Company and its associate undertakings are eliminated to the extent of the Company's interest in the associate undertakings.

Financial Assets at Fair Value through Other Comprehensive Income

These financial assets represent investments in equity instruments held for the purpose of generating gain on a long term and not for trading purpose.

Financial assets at fair value through other comprehensive income initially stated at fair value plus transaction costs at purchase date.

Subsequently, they are measured at fair value with gains or losses arising from changes in fair value recognized in the consolidated statement of other comprehensive income and within owner's equity, including the changes in fair value resulting from translation of non-monetary assets stated at foreign currency. In case those assets – or part of them- were sold, the resultant gain or loss is recorded in the consolidated statement of comprehensive income within owners' equity and the reserve for the sold assets is directly transferred to the retained earnings and not through the consolidated statement of profit or loss.

These assets are not subject to impairment testing.

Dividends are recorded in the consolidated statement of profit or loss on a separate line item.

Trading and Settlement Date Accounting

Purchases and sales of financial assets are recognized on the trade date, i.e. the date on which the Company commits its self to purchase or sell the asset.

Fair Value

For fair value of investments, which are traded in organized financial markets, is determined by reference to the quoted market bid price at the close of the business on financial position date. For investments which are listed in inactive stock markets, traded in small quantities or have no current prices, the fair value is measured using the current value of cash flows or any other method adopted. If there is no reliable method for the measurement of these investments, then they are stated at cost less any impairment in their value.

Inventories

Inventories are stated at the lower of cost or net realizable value. Cost is determined by the weighted average method.

The cost of finished goods and work in progress comprises raw materials, direct labor, other direct costs and related production overheads.

Raw materials are stated at the lower of the cost or net realizable value, cost is determined by the weighted average method.

Accounts Receivable

Accounts receivables are carried at original invoice amount less estimate made for expected credit loss based on a review of all outstanding amounts at the year end. Bad debts are written off when identified.

Cash and Cash Equivalents

Cash and cash equivalents comprise of cash on hand, deposits held at call with banks and short term deposits with the original maturity of three months or less.

Payables and Accruals

Accounts payable and accrued expenses are recognized when goods are received and services are rendered.

Provisions

Provisions are recognized when the Company has a present legal or constructive obligation as a result of past events, it is probable that an outflow of resources will be required to settle the obligation, and a reliable estimate of the amount can be made. Provisions are reviewed at the consolidated financial statements date and are adjusted based on recent available information.

Offsetting

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

Borrowing costs

Borrowing costs directly attributable to the acquisition, construction or production of a qualifying asset are capitalized during the period of time that is necessary to complete and prepare the asset for its intended use or sale. Other borrowing costs are expensed in the period in which they are incurred and reported in finance costs.

Revenue Recognition

Revenues from sale of goods are recognized when control transferred to the buyer, while revenues from rendering services are recognized over time and according to percentage of completion. In all cases, it is necessary that the amount of revenue can be measured reliably.

Dividends are recognized when it's declared by the General Assembly of the investee company.

Other revenues are recognized on the accrual basis.

Short-term-leases and leases of low-value assets

The company applies the short-term lease recognition exemption to some of its short-term leases (I.e., those leases that have a lease terms of 12 months or less from the commencement date and do not contain a purchase option). It also applies the lease of low-value assets recognition exemption to leases that are considered of low value. Lease payments on short-term leases and leases of low-value assets are recognized as expense on a straight-line basis over the lease term.

Foreign Currency

Assets and liabilities denominated in foreign currencies are translated to Jordanian Dinar using the prevailing exchange rates at year end. Foreign currency transactions during the year are recorded using exchange rates that were in effect at the dates of the transactions. Foreign exchange gains or losses are reflected in the consolidated statement of profit or loss.

Income tax

Income tax expenses are accounted for on the basis of taxable income. Taxable income differs from income declared in the consolidated financial statements because the latter includes non-taxable revenues or disallowed taxable expenses in the current year but deductible in subsequent years, accumulated losses acceptable by the tax law, and items not accepted for tax purposes or subject to tax.

Taxes are calculated on the basis of the tax rates according to the prevailing laws, regulations, and instructions of the countries where the Company operates.

The Arab Pesticides & Veterinary Drugs Mfg. Co.
Notes to the Consolidated Financial Statements (Continued)
31 December 2024

3 . Property, plant and equipment

	Lands	Buildings	Machines & Equipment	Transportation Fleet	Others	Total
Cost						
Balance at 1/1/2024	1,526,727	6,009,412	6,553,665	1,321,018	1,981,052	17,391,874
Additions	47,364	53,118	651,535	393,804	429,483	1,575,304
Disposals	-	-	(64,985)	(42,200)	-	(107,185)
Balance at 31/12/2024	1,574,091	6,062,530	7,140,215	1,672,622	2,410,535	18,859,993
Accumulated depreciation						
Balance at 1/1/2024	-	2,318,493	5,297,290	841,313	1,304,108	9,761,204
Depreciation	-	134,748	195,748	96,876	109,170	536,542
Disposals	-	-	(64,985)	(42,200)	-	(107,185)
Balance at 31/12/2024	-	2,453,241	5,428,053	895,989	1,413,278	10,190,561
Net book value at 31/12/2024	1,574,091	3,609,289	1,712,162	776,633	997,257	8,669,432
Cost						
Balance at 1/1/2023	1,526,727	5,949,297	6,507,439	1,149,712	1,873,172	17,006,347
Additions	-	60,115	46,226	268,700	107,880	482,921
Disposals	-	-	-	(97,394)	-	(97,394)
Balance at 31/12/2023	1,526,727	6,009,412	6,553,665	1,321,018	1,981,052	17,391,874
Accumulated depreciation						
Balance at 1/1/2023	-	2,146,901	5,151,326	846,776	1,196,025	9,341,028
Depreciation	-	171,592	145,964	70,624	108,083	496,263
Disposals	-	-	-	(76,087)	-	(76,087)
Balance at 31/12/2023	-	2,318,493	5,297,290	841,313	1,304,108	9,761,204
Net book value at 31/12/2023	1,526,727	3,690,919	1,256,375	479,705	676,944	7,630,670

- The Company purchased land from the Jordan Industrial Estates Company during the year 2022 at amount of JOD (602,940). The purchase agreement states that the value of the land will be paid by paying a first payment of 30% of the value of the land and the rest by post-dated checks that extend until year 2025. Ownership will be transferred to the Company upon completing the payments.
- Some of the Company's lands are mortgaged against bank facilities granted to the Company.

4 . Project under construction

This item represents the cost of establishing a Veterinary Vaccine Factory, the expected cost to complete this project is approximately JOD (30) thousand, and it is expected to be finished during 2025.

5 . Investment in associate

The following table summarizes the movements over the Company's investments in associate Company:

Company	Beginning Balance	Cash Dividends	Share from results	Foreign Exchange	Ending Balance	Market Value
Syrian Arabian Company for Pesticides and Veterinary LLC	480,710	(106,500)	342,586	(86,450)	630,346	Not listed

The following table summarizes key financial information of the associate:

Company	Activity	Country	Ownership	Assets	Liabilities	Revenues
Syrian Arabian Company for Pesticides and Veterinary LLC	Manufacturing	Syria	44.44%	1,471,742	53,464	2,677,170

6 . Financial assets at fair value through other comprehensive income

	2024	2023
Investment in unlisted company	<u>237,090</u>	<u>237,090</u>

This item represents the cost of the Company's (9.6%) investment in (Delta Investment Company LLC – Jordan) capital.

7 . Inventories

	2024	2023
Raw materials and packaging materials	12,818,800	11,196,316
Finished goods	4,592,081	3,994,165
Work in progress	291,529	526,597
Provision for slow moving and expired inventories	<u>(703,875)</u>	<u>(605,225)</u>
	<u>16,998,535</u>	<u>15,111,853</u>

The movement on the provision for slow moving and expired inventories items are as follows:

	2024	2023
Balance at beginning of the year	605,225	509,826
Additions	100,000	100,000
Write-off expired inventories during the year	<u>(1,350)</u>	<u>(4,601)</u>
	<u>703,875</u>	<u>605,225</u>

8 . Other current assets

	2024	2023
Advance payments on investments	1,309,609	1,105,837
Employees receivables	476,965	108,472
Prepaid expenses	447,844	369,568
Guarantees deposits	78,025	8,429
Refundable deposits	11,337	11,337
Income tax withholdings	9,652	4,766
Letters of credit	5,909	353
Sales tax withholdings	4,720	4,822
Social Security withholdings	894	1,166
Provident Fund withholdings	-	13,876
Miscellaneous	<u>2,104</u>	<u>40,262</u>
	<u>2,347,059</u>	<u>1,668,888</u>

9 . Accounts receivable

	2024	2023
Accounts receivables	16,861,280	16,244,416
Provision for expected credit loss	(2,790,660)	(2,502,166)
	<u>14,070,620</u>	<u>13,742,250</u>

Movement on the provision for expected credit loss is as follows:

	2024	2023
Balance at beginning of the year	2,502,166	2,277,166
Additions	442,500	225,000
Bad debts	(154,006)	-
	<u>2,790,660</u>	<u>2,502,166</u>

The age of receivables past due but not impaired is as follows:

	2024	2023
Receivables past due for less than one year	13,850,002	13,400,442
Receivables past due for more than one year	220,618	341,808
	<u>14,070,620</u>	<u>13,742,250</u>

Management believes that all past due but not impaired receivables are collectable in full.

10 . Cash and cash equivalents

	2024	2023
Cash and checks on hand	40,508	68,619
Current bank accounts	2,327,927	2,198,651
Bank deposits	5,834,575	2,213,811
	<u>8,203,010</u>	<u>4,481,081</u>

Bank deposits earn an annual interest rate of (4.9%) and (5.2%)

The Company didn't record any expected credit losses related to the above bank deposits balances, as the calculated financial impact is immaterial.

11 . Equity

Paid - in capital

The authorized, subscribed and paid in capital is JOD (16.5) million divided equally into (16.5) million shares with par value of JOD (1) for each share as at 31 December 2024 and 2023.

Additional paid in capital

The additional paid - in capital is JOD (1.5) million as at 31 December 2024 and 2023, which resulted from issuing some of the Company's shares with a price above the par value amounted to JOD (1).

Statutory reserve

The accumulated amounts in this account represent 10% of the Company's net income before income tax until it reach 25% of Company's capital according to the Companies Law. This statutory reserve is not available for distribution to shareholders.

Voluntary reserve

The accumulated amounts in this account represent cumulative appropriations not exceeding 20% of net income before income tax. This reserve is available for distribution to shareholders.

Non - controlling interest

This presents the non - controlling interest of the Company from the subsidiaries shareholders equity, and the non - controlling interest is presented as a separate account into the consolidated statements of financial position, consolidated statements of profit or loss and consolidated statements of other comprehensive income.

Dividends

- The Board of Directors will propose to the General Assembly to distribute (11%) as cash dividends to the shareholders.
- The General Assembly has resolved in its ordinary meeting held in 2024 to distribute (10%) cash dividends to shareholders.

12 . Notes payables

	<u>2024</u>	<u>2023</u>
Murabaha financing from Islamic banks	<u>1,246,919</u>	<u>1,279,020</u>

The above financing is granted to the Company against checks under collection and mortgage of some lands.

13 . Credit Facilities

Credit Type	Currency	Interest Rate	Maturity date	Credit Limit	Outstanding Balance	
					Short Term	Long Term
Central Bank Loan	JOD	2.685%	2025 – 2030	3,000,000	336,456	1,635,506
Central Bank Loan	JOD	3.25%	2025 – 2027	2,000,000	571,440	1,095,156
Central Bank Loan	JOD	3%	2025 – 2028	1,000,000	222,228	55,520
Central Bank Loan	JOD	3.25%	2025	1,000,000	129,607	-
Commercial Loan	JOD	7.75%	2025	1,600,000	925,000	-
Overdraft	JOD	9%	2025	1,000,000	498,795	-
Overdraft	JOD	7.75%	2025	600,000	500,317	-
					3,183,843	2,786,182

The above facilities are granted to the Company against mortgage of some lands.

14 . Other liabilities

	2024	2023
Provision for Income and National Contribution tax (Note 20)	522,614	318,266
Accrued expenses	276,318	238,956
Provision for agents and salesmen commissions	231,272	205,650
Sales tax withholdings	184,617	181,174
Amounts due to shareholders	169,754	179,470
Provision for executive management bonus	115,425	107,000
Provision for employees bonus	83,862	75,831
Board of Directors' remunerations	42,750	42,750
Employees payables	7,167	6,783
Miscellaneous	139,024	97,419
	1,772,803	1,453,299

15 . Segment reporting

The Company carries out operational activity of manufacturing agricultural pesticides and veterinary medicines and sells its products inside and outside the Hashemite Kingdom of Jordan as follows:

	2024	2023
Local Sales	6,569,728	5,828,163
Foreign Sales	29,138,718	24,110,669
	35,708,446	29,938,832

16 . Cost of sales

	2024	2023
Raw material and packaging materials beginning balance	11,196,316	12,089,498
Purchases during the year	21,237,239	16,163,582
Raw material and packaging materials ending balance (Note 7)	(12,818,800)	(11,196,316)
Raw material and packaging materials used in production	19,614,755	17,056,764
Work in progress inventory beginning balance	526,597	190,482
Manufacturing expenses (Note 17)	4,468,457	3,787,598
Work in progress inventory ending balance (Note 7)	(291,529)	(526,597)
Manufacturing cost	24,318,280	20,508,247
Finished goods inventory beginning balance	3,994,165	3,537,185
Finished goods inventory ending balance (Note 7)	(4,592,081)	(3,994,165)
Cost of sales	23,720,364	20,051,267

17 . Manufacturing expenses

	2024	2023
Salaries, wages and other benefits	1,902,869	1,724,383
Social security	148,602	135,873
Depreciation	477,744	453,780
Maintenance and spare parts	451,588	336,953
Transportation	325,762	243,248
Insurance	232,926	204,543
Fuel	162,915	166,538
Rents	143,156	118,339
Lab expenses	192,239	94,200
Utilities	133,230	82,881
Governmental expenses	138,353	70,702
Employees' provident fund	27,057	25,553
Safety expenses	21,534	16,785
Cleaning	17,767	14,620
Goods disposal expense	4,560	-
Hospitality	306	401
Miscellaneous	87,849	98,799
	4,468,457	3,787,598

18 . Selling and distribution expenses

	2024	2023
Salaries, wages and other benefits	446,340	426,322
Social security	20,903	18,918
Sales commissions	272,077	307,748
Registration and legalization fees	205,914	131,533
Showrooms	116,689	67,265
Transportation fleet expenses	111,273	98,955
Marketing, advertisement and free samples	56,325	84,937
Rents	63,632	52,557
Shipping expenses	34,123	34,888
Depreciation	29,291	21,568
Travel and transportation	17,641	8,955
Telecommunications	16,540	10,973
Material transfers	10,674	1,585
Employees' provident fund	5,640	3,976
Tenders fees	2,752	1,766
Bank interests and commissions	15	62
Miscellaneous	58,530	72,918
	1,468,359	1,344,926

19 . Administrative expenses

	2024	2023
Salaries, wages and other benefits	1,337,704	1,143,325
Social security	127,700	122,070
End of services indemnity	127,950	120,521
Rents	66,395	108,103
Registration and Governmental fees	93,070	65,142
Travel and transportation	65,436	55,657
Telecommunications	46,903	54,466
Board of Directors transportation	54,000	52,825
Vehicles expenses	36,521	32,867
Stationary	42,380	30,017
Professional fees	108,013	24,719
Depreciation	29,507	20,915
Hospitality	32,829	18,875
Insurance	18,565	18,073
Employees' provident fund	17,147	17,672
Maintenance	7,566	10,219
Utilities	5,156	4,077
Companies Controller fees	1,282	1,236
Miscellaneous	102,683	101,901
	2,320,807	2,002,680

20 . Income tax status

The movement on provision for the income tax provision during the year is as follows:

	2024	2023
Balance at beginning of the year	318,266	276,904
Income and National Contribution tax expense for the year	521,307	474,622
Income tax paid	(316,959)	(433,260)
Balance at end of the year (Note 14)	522,614	318,266

Income and National Contribution tax expense for the year in the consolidated statement of profit or loss consists of the following:

	2024	2023
Income tax expense for the year	480,343	444,092
National Contribution tax for the year	40,964	30,530
	521,307	474,622

- The Company has settled its tax liabilities with the Income Tax Department up to the year ended 2018.
- The income tax return for the year 2019 was reviewed by the Income Tax Department, but the income tax department has not yet issued its final decision.
- The income tax returns for the years 2020, 2021, 2022 and 2023 has been filed with the Income Tax Department, but the Department has not reviewed the Company's records till the date of this report.
- The Income and National Contribution tax provision for the year 2024 was calculated in accordance with the Income Tax Law.

21 . Basic and diluted earnings per share

	2024	2023
Profit for the year attributed to shareholders	5,700,192	4,472,715
Weighted average number of shares	16,500,000	15,500,000
	<u>0.345</u>	<u>0.289</u>

22 . Executive management salaries and remunerations

The remuneration of executive management during the years 2024 and 2023 amounted to JOD (391,264) and JOD (372,867) respectively.

23 . Contingent liabilities

As at the consolidated financial statements date, the Company was contingently liable against the followings:

	2024
Letters of credits	206,162
Bank guarantees	95,962

24 . Fair Value of Financial instruments

Financial instruments comprise of financial assets and financial liabilities. Financial assets of the Company include cash and cash equivalents, checks under collection, and account receivables. Financial liabilities of the Company include notes payable, accounts payable, bank facilities and postdated checks.

The fair values of the financial assets and liabilities are not materially different from their carrying values as most of these items are either short-term in nature or re-priced frequently.

Financial assets and financial liabilities measured at fair value in the consolidated statement of financial position are grouped into three levels of a fair value hierarchy. The three levels are defined based on the observability of significant inputs to the measurement, as follows:

- Level 1: quoted prices (unadjusted) in active markets for identical assets or liabilities.
- Level 2: inputs other than quoted prices included within level 1 that are observable for the asset or liability, either directly or indirectly.
- Level 3: unobservable inputs for the asset or liability.

2024	Level 1	Level 2	Level 3	Total
Financial assets at fair value through other comprehensive income	-	-	237,090	237,090
2023	Level 1	Level 2	Level 3	Total
Financial assets at fair value through other comprehensive income	-	-	237,090	237,090

Financial assets included in level 3 are stated at cost less impairment charges, as the fair value of these assets cannot be measured reliably due to the lack of available active markets for identical assets.

25 . Financial Risk Management

Credit risk

Credit risks are those risks resulting from the default of counterparties to the financial instrument to repay their commitment to the Company. The Company limits its credit risk by only dealing with reputable banks and by setting credit limits for individual customers and monitoring outstanding receivables. The maximum exposure to credit risk is represented by the carrying value of each financial asset.

The balance of the Company's most significant customer represents amount of JOD (1,245,452) from the total accounts receivable balance as at 31 December 2024, compared to JOD (1,315,984) as at 31 December 2023.

Liquidity risk

Liquidity risk is the risk that the Company will not be able to meet its net financial obligation. In this respect, the Company's management diversified its funding sources, and managed assets and liabilities taking into consideration liquidity and keeping adequate balances of cash, and cash equivalents.

The table below analyses the Company's financial liabilities into relevant maturity groupings based on the remaining period at the consolidated statement of financial position date to the contractual maturity date.

2024	Less than one year	More than one year	Total
Credit facilities	3,183,843	2,786,182	5,970,025
Notes payable	1,170,849	76,070	1,246,919
Postdated checks	144,151	-	144,151
Accounts payable	2,190,235	-	2,190,235
Provision for end of services indemnity	-	522,272	522,272
Other current liabilities	1,772,803	-	1,772,803
	8,461,881	3,384,524	11,846,405
2023	Less than one year	More than one year	Total
Credit facilities	1,226,217	1,655,365	2,881,582
Notes payable	1,271,012	8,008	1,279,020
Postdated checks	303,498	105,510	409,008
Accounts payable	1,674,759	-	1,674,759
Provision for end of services indemnity	-	450,943	450,943
Other current liabilities	1,453,299	-	1,453,299
	5,928,785	2,219,826	8,148,611

Interest rate risk

Interest rate risk is the risk that changes in interest rates will affect the Company's income or the value of its holdings of financial instruments. As most of the Company's financial instruments have fixed interest rates and carried at amortized cost, the sensitivity of the Company's results or equity to movements in interest rates is not considered significant.

Currency risk

The management considers that the Company is not exposed to significant currency risk. The majority of their transactions and balances are in Jordanian Dinar, Saudi Riyal or US Dollar. As the Jordanian Dinar is pegged to the Saudi Riyal and US Dollar, balances in Saudi Riyal and US Dollar are not considered to represent significant currency risk and the Company's results or equity to movements in exchange rates is not considered significant.

26 . Capital Management

The Company manages its capital structure with the objective of safeguarding the entity's ability to continue as a going concern and providing an adequate return to shareholders and by keeping a balance between debt and shareholders' equity.

The table below shows the debt to equity ratio:

	2024	2023
Total Debt	7,216,944	4,160,602
Total Equity	45,248,889	39,997,907
Debt to Equity ratio	16%	10%