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الرقم: FNSAL-05-2017-009

To: Jordan Securities Commission

Amman Stock Exchange

Date:-15/05/2017

**Subject: Audited Financial Statements
for the fiscal year ended
31/12/2016**

السادة هيئة الأوراق المالية

السادة بورصة عمان

التاريخ:- 15/05/2017

الموضوع: البيانات المالية السنوية المدققة للسنة المنتهية في 2016/12/31

Attached the Audited Financial Statements of (MIDDLE EAST PHARMACEUTICAL AND CHEMICAL INDUSTRIES AND MEDICAL SUPPLIES PLC) for the fiscal year ended 31/12/2016

مرفق طيه نسخة من البيانات المالية المدققة لشركة
(الشرق الأوسط للصناعات الدوائية والكيمياوية
والمستلزمات الطبية م.ع.م) عن السنة المالية
المنتهية في 2016/12/31

Kindly accept our high appreciation and respect

وتفضلوا بقبول فائق الاحترام،،

Signature



**Middle East Pharmaceutical & Chemical
Industries & Medical Appliances**

Public Shareholding Company

Consolidated Financial Statements as at 31 December 2016

**Together with
Independent Auditors' Report**

Arab Professionals

(Member Firm within Grant Thornton International Ltd.)

**Middle East Pharmaceutical & Chemical Industries & Medical Appliances
Public Shareholding Company**

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INDEPENDENT AUDITOR'S REPORT

To The Shareholders of
Middle East Pharmaceutical & Chemical Industries & Medical Appliances
Public Shareholding Company
Al Balqa - Jordan

Report on the Audit of the Consolidated Financial Statements

Opinion

We have audited the consolidated financial statements of Middle East Pharmaceutical & Chemical Industries & Medical Appliances PLC, which comprise the consolidated statement of financial position as at 31 December 2016, and the consolidated statement of comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the year then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the consolidated financial position of the Company as at 31 December 2016, 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.

Material Uncertainty Related to Going Concern

We draw attention to the consolidated financial statements, which indicates that the Company's current liabilities exceeded its current assets by JOD (9.2) million, also the Company accumulated losses reached 129% of its capital, this is in addition to other liabilities not paid as at 31 December 2016. These events or conditions, indicate that a material uncertainty exists that may cast significant doubt on the Company's ability to continue as a going concern. The Company's ability to continue depends on the availability of the needed funds to pay its liabilities in the future and to implement the management plan which is mention in note (22).

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) Impairment of Receivables

Included in the accompanying consolidated financial statements at the end of the year 2016 accounts receivables totaling JOD (3,743,027), as the provision of the doubtful portion of these receivables is dependent on the management's estimates of the timing and value of the amounts expected to be collected, the adequacy of the doubtful accounts 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 of doubtful accounts 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) Provision for Slow Moving Inventory

Included in the accompanying consolidated financial statements at the end of the year 2016 raw materials, finished goods and spare parts totaling JOD (3,830,645), as the provision against the old and slow moving portion of these inventory items is subject to management estimates and assumption, determining its adequacy is considered a key audit matter. The audit procedures performed by us to address this key audit matter included assessing the management's assumptions, taking account of external available data and post year end events. We have also considered the adequacy of the Company's disclosures about the degree of estimation involved in arriving at the provisions.

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 consolidated 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 Company maintains proper accounting records and the accompanying consolidated financial statements are in agreement therewith and with the consolidated financial data presented in the Board of Directors' report and we recommend the General Assembly to approve it.

26 February 2017
Amman - Jordan



Amin Samara
(License No. 481)
Arab Professionals
Arab Professionals
Grant Thornton



Middle East Pharmaceutical & Chemical Industries & Medical Appliances
Public Shareholding Company
Consolidated Statement of Financial Position as at 31 December 2016
(In Jordanian Dinar)

	Notes	2016	2015
Assets			
Non - current assets			
Property, plant and equipment	3	8,352,332	8,981,600
Intangible assets	4	340,195	428,570
Total non - current assets		8,692,527	9,410,170
Current assets			
Inventories	5	3,155,723	3,376,830
Other current assets	6	639,668	915,020
Accounts receivable	7	2,677,057	4,194,280
Financial assets at fair value through statement of profit or loss		16,056	16,521
Amounts due from related parties	16	230,417	218,532
Checks under collection		1,023,442	845,000
Cash and cash equivalents	8	160,388	85,619
Total current assets		7,902,751	9,651,802
Total assets		16,595,278	19,061,972
Equity and liabilities			
Equity	9		
Paid - in capital		9,869,583	9,869,583
Statutory reserve		271,045	271,045
Accumulated losses		(12,707,532)	(9,220,436)
(Deficit) Net equity		(2,566,904)	920,192
Liabilities			
Non - current liabilities			
Payments for capital increase		1,343,000	1,343,000
Bank facilities - long term	10	92,275	360,122
Postdated checks - long term		658,223	-
Total Non - current liabilities		2,093,498	1,703,122
Current liabilities			
Bank facilities - short term	10	8,306,597	8,810,424
Postdated checks - short term		306,040	114,996
Accounts payable		2,912,388	2,701,956
Amounts due to shareholders		921,608	866,609
Notes payable		89,596	47,051
Amounts due to related parties	16	2,825,272	1,298,377
Other liabilities	11	1,707,183	2,599,245
Total current liabilities		17,068,684	16,438,658
Total liabilities		19,162,182	18,141,780
Total equity and liabilities		16,595,278	19,061,972

"The attached notes from (1) to (22) are an integral part of these consolidated financial statements"

Middle East Pharmaceutical & Chemical Industries & Medical Appliances
Public Shareholding Company
Consolidated Statement of Comprehensive Income for the year ended 31 December 2016

(In Jordanian Dinar)

	<u>Notes</u>	<u>2016</u>	<u>2015</u>
Net sales	17	2,073,037	5,413,501
Cost of sales		<u>(2,943,644)</u>	<u>(4,093,272)</u>
Gross (loss) profit		(870,607)	1,320,229
Selling and distribution expenses	12	(1,018,392)	(2,657,363)
Administrative expenses	13	(734,331)	(811,326)
Reversed foreign market expenses		629,418	-
Financing cost		(677,617)	(740,462)
Change in fair value of financial assets through profit or loss		(464)	6,035
Depreciation and amortization		(174,808)	(308,392)
Provision for expired inventory		(518,922)	(150,000)
Provision for doubtful accounts		(175,022)	(500,000)
Net of other revenues	14	<u>53,649</u>	<u>46,652</u>
Total comprehensive loss for the year		<u>(3,487,096)</u>	<u>(3,794,627)</u>
Basic and diluted loss per share	15	<u>(0.35)</u>	<u>(0.38)</u>

"The attached notes from (1) to (22) are an integral part of these consolidated financial statements"

Middle East Pharmaceutical & Chemical Industries & Medical Appliances
Public Shareholding Company
Consolidated Statement of Changes in Equity for the year ended 31 December 2016

(In Jordanian Dinar)

	<u>Paid - in capital</u>	<u>Addition paid -in capital</u>	<u>Statutory reserve</u>	<u>Accumulated losses</u>	<u>(Deficit) Net Equity</u>
Balance at 1 January 2016	9,869,583	-	271,045	(9,220,436)	920,192
Comprehensive loss for the year	-	-	-	(3,487,096)	(3,487,096)
Balance at 31 December 2016	<u>9,869,583</u>	<u>-</u>	<u>271,045</u>	<u>(12,707,532)</u>	<u>(2,566,904)</u>
Balance at 1 January 2015	9,869,583	2,053,628	271,045	(7,479,437)	4,714,819
Extinguish part of the accumulated losses	-	(2,053,628)	-	2,053,628	-
Comprehensive loss for the year	-	-	-	(3,794,627)	(3,794,627)
Balance at 31 December 2015	<u>9,869,583</u>	<u>-</u>	<u>271,045</u>	<u>(9,220,436)</u>	<u>920,192</u>

"The attached notes from (1) to (22) are an integral part of these consolidated financial statements"

Middle East Pharmaceutical & Chemical Industries & Medical Appliances
Public Shareholding Company
Consolidated Statement of Cash Flows for the year ended 31 December 2016

(In Jordanian Dinar)

	2016	2015
Operating activities		
Loss for the year	(3,487,096)	(3,794,627)
Depreciation and amortization	772,801	906,118
Financing cost	677,617	740,462
Change in fair value of financial assets	464	(6,035)
Profit from sale of property and equipment	1,879	(22,794)
Bad debts	6,782	-
Provision for expired inventory	518,922	150,000
Provision for doubtful accounts	175,022	500,000
Changes in working capital		
Accounts receivable	1,335,419	54,704
Checks under collection	(178,442)	295,855
Inventories	(297,815)	842,928
Other current assets	275,352	(399,647)
Postdated checks	849,267	(268,422)
Accounts payable	210,432	753,229
Other liabilities	(892,062)	820,862
Net cash flows (used in) from operating activities	(31,458)	572,633
Investing activities		
Property, plant and equipment	(57,037)	(8,170)
Financing activities		
Bank facilities	(771,674)	313,596
Amounts due from/to related parties	1,515,010	(320,851)
Notes payable	42,545	(9,039)
Financing cost paid	(677,617)	(740,462)
Amounts due to shareholders	55,000	-
Net cash flows from (used in) financing activities	163,264	(756,756)
Net change in cash and cash equivalents	74,769	(192,293)
Cash and cash equivalents at beginning of the year	85,619	277,912
Cash and cash equivalents at end of the year	160,388	85,619

"The attached notes from (1) to (22) are an integral part of these consolidated financial statements"

Middle East Pharmaceutical & Chemical Industries & Medical Appliances
Public Shareholding Company
Notes to the Consolidated Financial Statements
31 December 2016
(In Jordanian Dinar)

1. General

Middle East Pharmaceutical & Chemical Industries & Medical Appliances established as a public shareholding company on 10 July 1993 and registered in the Hashemite Kingdom of Jordan under number (231), with the main objective of manufacturing human 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 26 February 2017 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 convention except for investment securities, which have been measured at fair value.

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

The accounting policies are consistent with those used in the previous year.

Principles of Consolidation

The consolidated financial statements comprise of the financial statements of the parent and its subsidiary where the Company has the power to govern the financial and operating policies of the subsidiary so as to obtain benefits from their activities. The financial statements of the subsidiary 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 subsidiary are eliminated.

Subsidiary 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 subsidiary are included in the consolidated statement of comprehensive income from the acquisition date which is the date on which control over subsidiary is transferred to the Company. The results of operation of the disposed subsidiary are included in the consolidated statement of comprehensive income to the disposal date which is the date on which the Company loses control over the subsidiary.

The following subsidiary has been consolidated:

Company	Capital	Ownership	Activity	Registration country
Middle East Pharmaceutical	11,857	100%	Manufacturing & marketing	Algeria

Intangible Assets

Intangible assets acquired separately are measured on initial recognition at cost.

Intangible assets with definite lives are amortized over the economic useful lives using the straight line method during a period from the date of purchase and assessed for impairment when there is an indication that the intangible asset may be impaired. Intangible assets are reviewed for any indication of impairment on the date of the consolidated financial statements. The estimated useful lives are reassessed and any adjustments are made in the subsequent periods.

Intangible assets with indefinite lives are not amortized; it is only tested for impairment in value.

Inventories

Inventories are stated at the lower of cost or net realizable value. Cost is determined by the FIFO method. The cost of finished goods and work in progress comprises raw materials, direct labor, other direct costs and related production overheads.

Accounts Receivable

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

Financial Assets at Fair Value through Statement of Profit or Loss

It is the financial assets held by the company for the purpose of trading in the near future and achieving gains from the fluctuations in market prices in the short term or trading margins.

Financial assets at fair value through profit or loss are initially stated at fair value at acquisition date (purchase costs are recorded at the consolidated statement of profit or loss upon acquisition) and subsequently measured at fair value. Moreover, changes in fair value are recorded in the consolidated statement of profit or loss including the change in fair value resulting from translation of non-monetary assets stated at foreign currency. Gains or losses resulting from the sale of these financial assets are taken to the consolidated statement of profit or loss.

Dividends and interests from these financial assets are recorded in the consolidated statement of profit or loss.

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 consolidated statement of 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.

Cash and Cash Equivalents

Cash and cash equivalents comprise 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

Sales revenues are recognized upon the transfer of the risk of title to the buyer given that the revenues are dependably measurable.

Interest is recognized on a time proportion basis that reflects the effective yield on the assets. Other revenues are recognized on the accrual basis.

Research Costs

Research costs are expensed as incurred.

Development expenses

The development expenses are capitalized when the cost of the developing the products are identifiable and measurable reliably and there are economic benefit from sale or use of the product and the company provide the technical and financial resources necessary to complete the development operation. The recoverable value of the development expenses are reviewed periodically, in case of any impairment identified will included in the consolidated statement of comprehensive income.

Grants and donations

Grants and donations are recognized when received at fair value as unearned revenue in the consolidated statement of comprehensive income in the same financial periods the related expenses are recognized, the donations related to a depreciable assets are recognized as revenue during the periods the donated asset are depreciated in line with the depreciation expense recognized for the year.

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 comprehensive income.

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.

Middle East Pharmaceutical & Chemical Industries & Medical Appliances
Notes to the Consolidated Financial Statements (Continued)
31 December 2016

3. Property, plant and equipment

	<u>Lands</u>	<u>Buildings</u>	<u>Machines & equipment</u>	<u>Vehicles</u>	<u>Other</u>	<u>Total</u>
Cost						
Balance at 1/1/2016	200,606	6,748,659	6,582,362	726,157	3,491,398	17,749,182
Additions	-	-	13,081	-	42,077	55,158
Balance at 31/12/2016	<u>200,606</u>	<u>6,748,659</u>	<u>6,595,443</u>	<u>726,157</u>	<u>3,533,475</u>	<u>17,804,340</u>
Accumulated depreciation						
Balance at 1/1/2016	-	2,263,811	3,857,003	595,232	2,051,536	8,767,582
Depreciation	-	134,688	331,604	37,098	181,036	684,426
Balance at 31/12/2016	-	<u>2,398,499</u>	<u>4,188,607</u>	<u>632,330</u>	<u>2,232,572</u>	<u>9,452,008</u>
Net book value at 31/12/2016	<u>200,606</u>	<u>4,350,160</u>	<u>2,406,836</u>	<u>93,827</u>	<u>1,300,903</u>	<u>8,352,332</u>
Cost						
Balance at 1/1/2015	200,606	6,748,659	6,578,404	943,327	3,441,691	17,912,687
Additions	-	-	3,958	651	49,707	54,316
Disposals	-	-	-	(217,821)	-	(217,821)
Balance at 31/12/2015	<u>200,606</u>	<u>6,748,659</u>	<u>6,582,362</u>	<u>726,157</u>	<u>3,491,398</u>	<u>17,749,182</u>
Accumulated depreciation						
Balance at 1/1/2015	-	2,127,363	3,524,045	720,069	1,869,120	8,240,597
Depreciation	-	136,448	332,958	69,631	182,416	721,453
Disposals	-	-	-	(194,468)	-	(194,468)
Balance at 31/12/2015	-	<u>2,263,811</u>	<u>3,857,003</u>	<u>595,232</u>	<u>2,051,536</u>	<u>8,767,582</u>
Net book value at 31/12/2015	<u>200,606</u>	<u>4,484,848</u>	<u>2,725,359</u>	<u>130,925</u>	<u>1,439,862</u>	<u>8,981,600</u>

Some of the company's lands, buildings and vehicles are mortgaged against bank facilities.

4. Intangible Assets

	<u>Bio equivalent studies</u>	<u>Medicine registration fees</u>	<u>Total</u>
Cost			
Balance at 1/1/2016	<u>2,197,352</u>	<u>558,061</u>	<u>2,755,413</u>
Balance at 31/12/2016	<u>2,197,352</u>	<u>558,061</u>	<u>2,755,413</u>
Accumulated amortization			
Balance at 1/1/2016	1,892,781	434,062	2,326,843
Amortization	80,198	8,177	88,375
Balance at 31/12/2016	<u>1,972,979</u>	<u>442,239</u>	<u>2,415,218</u>
Net book value at 31/12/2016	<u>224,373</u>	<u>115,822</u>	<u>340,195</u>
Cost			
Balance at 1/1/2015	<u>2,197,352</u>	<u>558,061</u>	<u>2,755,413</u>
Balance at 31/12/2015	<u>2,197,352</u>	<u>558,061</u>	<u>2,755,413</u>
Accumulated amortization			
Balance at 1/1/2015	1,746,715	395,463	2,142,178
Amortization	146,066	38,599	184,665
Balance at 31/12/2015	<u>1,892,781</u>	<u>434,062</u>	<u>2,326,843</u>
Net book value at 31/12/2015	<u>304,571</u>	<u>123,999</u>	<u>428,570</u>

Middle East Pharmaceutical & Chemical Industries & Medical Appliances
Notes to the Consolidated Financial Statements (Continued)
31 December 2016

5. Inventories

	2016	2015
Raw material and packaging	1,704,052	2,094,658
Finished goods	758,049	630,418
Work in progress	770,461	569,223
Spare parts	598,083	238,531
	<u>3,830,645</u>	<u>3,532,830</u>
Provision for expired inventory	(674,922)	(156,000)
	<u>3,155,723</u>	<u>3,376,830</u>

6. Other current assets

	2016	2015
Prepaid expenses	290,176	136,637
Income and sales tax withholds	19,890	33,387
Refundable deposits	85,426	85,964
Employees advances	57,273	298,531
Guarantees deposits	20,235	19,748
Letter of credit deposits	157,736	323,238
Others	8,932	17,515
	<u>639,668</u>	<u>915,020</u>

7. Accounts receivable

	2016	2015
Foreign sales receivables	1,339,137	3,126,381
Hospitals and local tenders receivables	1,217,548	694,028
Pharmacies & drugstore receivables	699,145	771,438
Others	487,197	493,381
	<u>3,743,027</u>	<u>5,085,228</u>
Provision for doubtful accounts	(1,065,970)	(890,948)
	<u>2,677,057</u>	<u>4,194,280</u>

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

	2016	2015
Receivables past due for less than one year	1,453,410	3,146,529
Receivables past due for more than one year	1,223,647	1,047,751
	<u>2,677,057</u>	<u>4,194,280</u>

8. Cash and cash equivalents

	2016	2015
Cash and checks on hand	85,074	41,291
Current bank accounts	75,314	44,328
	<u>160,388</u>	<u>85,619</u>

9. Equity

Capital

The authorized, and paid - in capital is JOD (9,869,583) divided equally into (9,869,583) shares with par value of JOD (1) for each share as at 31 December 2016 and 2015.

Additional paid in capital

The General Assembly has resolved in its extraordinary meeting held in 21 April 2015 to extinguish part of the accumulated losses by the full amount of the addition paid in capital amounted to JOD (2,053,628).

Statutory Reserve

The accumulated amounts in this account represent 10% of the Company's net income before income tax according to the Companies Law, and it's not available for distribution to the shareholders.

10. Bank Facilities

Credit Type	Currency	Interest Rate	Maturity date	Amounts in JOD	
				Credit limit	Balance
Overdraft	JOD	8,25 - 8,75%	2017	750,000	820,000
Overdraft	USD	4 - 4,25%	2017	2,852,611	2,852,611
Loans	JOD	9,25 - 9,75 %	2017	4,750,000	3,244,996
Loans	USD	4 - 5%	2017	4,260,000	649,135
Loans	JOD	6.9%	2017-2018	832,130	832,130
					<u>8,398,872</u>

The above facilities are granted to the Company against mortgage of lands, building and some vehicles.

11. Other liabilities

	2016	2015
Accrued expenses	915,178	1,277,527
Social security withholdings	263,930	841,362
Employees payables	169,134	246,373
Income tax withholdings	239,435	185,162
Lawsuits deposits	63,932	-
Deferred grant income	35,986	39,418
Health insurance withholdings	18,175	7,301
Others	1,413	2,102
	<u>1,707,183</u>	<u>2,599,245</u>

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31 December 2016

12. Selling and distribution expenses

	2016	2015
Commissions for agents in foreign markets	347,624	674,253
Foreign markets expenses	152,343	737,062
Penalties	133,411	188,845
Salaries, wages and other benefits	125,085	160,645
Foreign markets salaries and wages	67,580	629,160
Foreign markets advertisement	5,218	126,000
Consultations expenses	94,711	-
Tenders	20,574	26,046
Rents	16,681	17,897
Utilities	11,091	6,516
Registration fees	7,461	15,622
Telecommunications	7,178	10,896
Stationary	3,457	2,366
Insurance	2,974	7,260
Travel	799	250
Transportations	-	7,025
Cargo expenses	-	102
Miscellaneous	22,205	47,418
	<u>1,018,392</u>	<u>2,657,363</u>

13. Administrative expenses

	2016	2015
Salaries, benefits and allowances	490,339	430,451
Consultation expenses	69,500	113,013
Law suites and lawyer expenses	56,957	45,926
Registration and governmental fees	20,824	28,014
Professional fees	12,231	14,890
Insurance	9,291	9,459
Board of directors transportation	8,150	9,400
Utilities	7,508	7,458
Telecommunications	7,473	19,296
Bad debts	6,782	-
Gifts and donations	5,692	169
Stationary	5,086	3,517
Vehicles expenses	4,427	3,264
Advertisement	2,598	3,911
Miscellaneous	27,473	122,558
	<u>734,331</u>	<u>811,326</u>

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14. Net of other revenue

	2016	2015
Profit from sales of property and equipment	1,879	22,794
Foreign exchange differences	(66)	294
Miscellaneous	51,836	23,564
	<u>53,649</u>	<u>46,652</u>

15. Basic and diluted loss per share

	2016	2015
Loss for the year	(3,487,096)	(3,794,627)
Weighted average number of shares	9,869,583	9,869,583
	<u>(0.35)</u>	<u>(0.38)</u>

16. Related party transactions

The Company had the following transactions with its related parties during the year:

Party	Relation	Nature	Balance	
			Debit	Credit
Arab Center for Pharmaceutical & Chemical Industries	Sister Co.	Intercompany expenses	228,584	152,370
Tantash Travel Agency	Sister Co.	Commercial	1,833	-
Jordan Investment & Tourism Transport Co.	Sister Co.	Commercial	-	13,678
Mr. Hamzeh Tantash	Shareholder	Financing	-	967,410
Mr. Mazen Tantash	Chairman	Financing	-	243,166
Arab Food Catering Co.	Sister Co.	Intercompany expenses	-	13,904
Ideal Investment Company	Sister Co.	Intercompany expenses	-	8,742
Istithmar for Financial Services	Sister Co.	Intercompany expenses	-	6,417
Mawqef for Commercial Services	Sister Co.	Intercompany expenses	-	233
Tantash Group	Sister Co.	Financing	-	1,419,352
			<u>230,417</u>	<u>2,825,272</u>

The remuneration of executive management during the years 2016 and 2015 amounted to JOD (308,060) and JOD (400,566) respectively.

17. Segment reporting

The company has one operational activity which is manufacturing medicine and selling its products inside and outside the Hashemite Kingdom of Jordan.

	2016	2015
Local Sales	1,245,022	1,613,187
Foreign Sales	828,015	3,800,314
	<u>2,073,037</u>	<u>5,413,501</u>

18. Contingent liabilities

	2016	2015
Bank guarantees	263,790	280,237
Letter of credits	54,540	18,771
Law suites	960,812	655,210

The Company's management and legal advisor believe that law suites mention above will not affect the company's financial position.

19. Income tax status

- The Company has settled its tax liability with the Income Tax Department up to 2014.
- The income tax return for the year 2015 has been filed with the Income Tax Department, but the Department has not reviewed the Company's records till the date of this report.
- No income tax provision was calculated for the year 2016, as the Company has no taxable income.

20. Financial instruments

Financial instruments comprise of financial assets and financial liabilities. Financial assets of the Company include cash and cash equivalents, checks under collection, amounts due from related parties, accounts receivables and financial investment. Financial liabilities of the Company include bank facilities, notes payable, accounts payable, amounts due to related parties and postdated checks.

Fair value

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.

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 Company's most significant customer balance is JOD (767,716) from the total accounts receivable balance as at 31 December 2016 compared to JOD (1,122,616) as at 31 December 2015.

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 therefore, the Company has not a significant currency risk and the Company's results or equity to movements in exchange rates is not considered significant.

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 and financial investment.

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.

2016	Less than one year	More than one year	Total
Payments for capital increase	-	1,343,000	1,343,000
Bank facilities	8,306,597	92,275	8,398,872
Postdated checks	306,040	658,223	964,263
Amount due to shareholders	921,608	-	921,608
Accounts payable	2,912,388	-	2,912,388
Notes payable	89,596	-	89,596
Amounts due to related parties	2,825,272	-	2,825,272
Other liabilities	1,707,183	-	1,707,183
	<u>17,068,684</u>	<u>2,093,498</u>	<u>19,162,182</u>

2015	Less than one year	More than one year	Total
Payments for capital increase	-	1,343,000	1,343,000
Bank facilities	8,810,424	360,122	9,170,546
Postdated checks	114,996	-	114,996
Amount due to shareholders	866,609	-	866,609
Accounts payable	2,701,956	-	2,701,956
Notes payable	47,051	-	47,051
Amounts due to related parties	1,298,377	-	1,298,377
Other liabilities	2,599,245	-	2,599,245
	<u>16,438,658</u>	<u>1,703,122</u>	<u>18,141,780</u>

Equity Price Risk

Equity price risk results from the change in the fair value of equity securities. The Company manages these risks through the diversification of investments in several geographical areas and economic sectors. If the quoted market price of listed equity securities had increased or decreased by 10%, the comprehensive income for the year 2016 would have been reduced / increased by JOD (1,606) (2015: JOD 1,652).

21. 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 by pricing products and services commensurately with the level of risk.

22. Going concern

The plan proposed by the Board of Directors included the necessary procedures to ensure its continuity and ability to meet its obligations by increasing the company capital and working to open new markets and deal with new agents in existing markets.

The General Assembly of the Company decided at its extraordinary meeting held on 19/4/2016 to increase the authorized share capital from (9,869,583) to (14,869,583) JOD/shares through a private subscription. Noting that this increase has not been completed with the official authorities to the date of these financial statements.