

The Arab Pesticides & Veterinary Drugs Mfg. Co.
Public Shareholding Company
Consolidated Financial Statements
31 December 2023

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 2023, 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 2023, 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 2023 financial assets totaling JOD (16,352,888), 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 2023 finished goods and work in progress totaling JOD (4,520,762) 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 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. Public Shareholding Company as at 31 December 2023 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.

27 March 2024
Amman - Jordan



Arab Professionals
Amin Samara
License No. (481)

The Arab Pesticides & Veterinary Drugs Mfg. Co.
Public Shareholding Company
Consolidated Statement of Financial Position
As at 31 December 2023
(In Jordanian Dinar)

	Notes	2023	2022
Assets			
Non - current assets			
Property, plant and equipment	3	7,630,670	7,665,319
Projects under construction	4	2,441,646	80,813
Investment in associates	5	480,710	474,418
Financial assets at fair value through other comprehensive income	6	237,090	237,090
Checks under collection – long term		-	20,000
Total non - current assets		10,790,116	8,477,640
Current assets			
Inventory	7	15,111,853	15,307,339
Other current assets	8	1,668,888	1,077,020
Accounts receivable	9	13,742,250	10,834,009
Checks under collection		2,352,330	1,887,232
Cash and cash equivalents	10	4,481,081	4,009,268
Total current assets		37,356,402	33,114,868
Total assets		48,146,518	41,592,508
Equity and liabilities			
Equity	11		
Paid - in capital		16,500,000	15,000,000
Additional paid in capital		1,500,000	-
Statutory reserve		4,125,000	3,750,000
Voluntary reserve		2,118,949	2,118,949
Changes in foreign exchange rate		(3,009,469)	(2,772,950)
Retained earnings		11,323,311	8,725,596
Total Shareholder's Equity		32,557,791	26,821,595
Non-controlling interest		7,440,116	6,312,602
Total equity		39,997,907	33,134,197
Liabilities			
Non - current liabilities			
Notes payable – long term	12	8,008	167,745
Credit facilities – long term	13	1,655,365	893,429
Postdated checks – long term		105,510	246,198
Total non - current liabilities		1,768,883	1,307,372
Current liabilities			
Accounts payable		1,674,759	2,291,075
Credit facilities – short term	13	1,226,217	1,976,761
Notes payable – short term	12	1,271,012	1,053,386
Postdated checks – short term		303,498	259,780
Other current liabilities	14	1,904,242	1,569,937
Total current liabilities		6,379,728	7,150,939
Total liabilities		8,148,611	8,458,311
Total equity and liabilities		48,146,518	41,592,508

"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 2023

(In Jordanian Dinar)

	Notes	2023	2022
Net sales	15	29,938,832	24,240,454
Cost of sales	16	(20,051,267)	(15,850,315)
Gross profit		9,887,565	8,390,139
Share from associate company results	5	313,800	286,485
Selling and distribution expenses	18	(1,344,926)	(1,018,449)
Administrative expenses	19	(2,002,680)	(1,712,393)
Financing expenses		(291,941)	(229,487)
Provision for expected credit losses	9	(225,000)	(400,000)
Provision for slow moving and expired inventories	7	(100,000)	(100,000)
Other income		59,590	69,393
Board of Directors remunerations		(45,000)	(45,000)
Profit for the year before tax		6,251,408	5,240,688
Income and National Contribution tax expense for the year	20	(474,622)	(381,410)
Profit for the year		5,776,786	4,859,278
Attributable to:			
Shareholders of the company		4,472,715	3,908,236
Non-controlling interest		1,304,071	951,042
		5,776,786	4,859,278
 Basic and diluted earnings per share attributed to shareholders	 21	 0.289	 0.261

"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 2023

(In Jordanian Dinar)

	<u>Note</u>	<u>2023</u>	<u>2022</u>
Profit for the year		5,776,786	4,859,278
Other comprehensive income items:			
Changes in foreign exchange rate	5	<u>(236,519)</u>	<u>(265,240)</u>
Total comprehensive income for the year		<u>5,540,267</u>	<u>4,594,038</u>
 Attributable to:			
Shareholders of the company		4,236,196	3,642,996
Non-controlling interest		<u>1,304,071</u>	<u>951,042</u>
		<u>5,540,267</u>	<u>4,594,038</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 2023

(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 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 (Note 11)	1,500,000	1,500,000	-	-	-	-	3,000,000	-	3,000,000
Cash dividends (Note 11)	-	-	-	-	-	(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
Balance at 1 January 2022	15,000,000	-	3,375,858	1,705,064	(2,507,710)	6,805,387	24,378,599	5,417,135	29,795,734
Cash dividends	-	-	-	-	-	(1,200,000)	(1,200,000)	-	(1,200,000)
Non-controlling interest dividends	-	-	-	-	-	-	-	(55,575)	(55,575)
Total comprehensive income for the year	-	-	-	-	(265,240)	3,908,236	3,642,996	951,042	4,594,038
Reserves	-	-	374,142	413,885	-	(788,027)	-	-	-
Balance at 31 December 2022	15,000,000	-	3,750,000	2,118,949	(2,772,950)	8,725,596	26,821,595	6,312,602	33,134,197

“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 2023

(In Jordanian Dinar)

	2023	2022
Operating activities		
Profit for the year before tax	6,251,408	5,240,688
Depreciation	496,263	467,577
Share from associate company results	(313,800)	(286,485)
Provision for expected credit losses	225,000	400,000
Provision for slow moving and expired inventories	100,000	100,000
Provision for agents and salesmen commissions	150,000	100,000
Provision against end of service indemnity	120,521	52,922
Board of Directors remuneration	45,000	45,000
Profit from sale of property, plant and equipment	-	(11,050)
Changes in working capital		
Checks under collection	(445,098)	103,812
Accounts receivable	(3,133,241)	(1,756,271)
Inventory	95,486	(3,485,643)
Other current assets	(591,868)	(263,716)
Accounts payable	(616,316)	1,416,804
Other current liabilities	(22,587)	(203,702)
Postdated checks	(96,970)	344,427
Paid income tax	(433,260)	(457,963)
Net cash flows from operating activities	1,830,538	1,806,400
Investing activities		
Property, plant and equipment	(461,614)	(1,439,512)
Project under construction	(2,360,824)	(80,813)
Dividends received from associate investment	70,989	106,500
Net cash flows used in investing activities	(2,751,449)	(1,413,825)
Financing activities		
Increase in capital	1,500,000	-
Additional paid in capital	1,500,000	-
Cash dividends	(1,500,000)	(1,200,000)
Non-controlling interest	(176,557)	(55,575)
Notes payable	57,889	731,086
Credit facilities	11,392	415,512
Net cash flows from (used in) financing activities	1,392,724	(108,977)
Net changes in cash and cash equivalents	471,813	283,598
Cash and cash equivalents, beginning of year	4,009,268	3,725,670
Cash and cash equivalents, end of year	4,481,081	4,009,268

"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 2023

(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 9 March 2024, 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 the adoption of new and 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%	3,800,000	Manufacturing

Adoption of new and revised IFRS standards

The following amendments to standards have been published that are mandatory for accounting periods beginning on or after 1 January 2023.

New IFRS and amendments	Effective Date
The amendments aim to improve accounting policy disclosures and to help users of the financial statements to differentiate between changes in accounting estimates and changes in accounting policies. (Amendments to IAS 1 & IAS 8)	1 January 2023
These amendments require companies to recognize deferred tax on transactions that, on initial recognition give rise to equal amounts of taxable and deductible temporary differences. (Amendments to IAS 12).	1 January 2023

The adoption of these amendments has no material impact on the financial consolidated 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%
Vehicles	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 2023

3 . Property, plant and equipment

	Lands	Buildings	Machines & Equipment	Vehicles	Others	Total
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	<u>1,526,727</u>	<u>6,009,412</u>	<u>6,553,665</u>	<u>1,321,018</u>	<u>1,981,052</u>	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	-	<u>2,318,493</u>	<u>5,297,290</u>	<u>831,313</u>	<u>1,304,108</u>	9,761,204
Net book value at 31/12/2023	<u>1,526,727</u>	<u>3,690,919</u>	<u>1,256,375</u>	<u>479,705</u>	<u>676,944</u>	<u>7,630,670</u>
Cost						
Balance at 1/1/2022	923,787	5,892,091	6,140,447	1,006,227	1,640,785	15,603,337
Additions	602,940	57,206	366,992	191,037	235,075	1,453,250
Disposals	-	-	-	(47,552)	(2,688)	(50,240)
Balance at 31/12/2022	<u>1,526,727</u>	<u>5,949,297</u>	<u>6,507,439</u>	<u>1,149,712</u>	<u>1,873,172</u>	17,006,347
Accumulated depreciation						
Balance at 1/1/2022	-	1,976,852	5,023,725	827,221	1,093,205	8,921,003
Depreciation	-	170,049	127,601	67,107	102,820	467,577
Disposals	-	-	-	(47,552)	-	(47,552)
Balance at 31/12/2022	-	<u>2,146,901</u>	<u>5,151,326</u>	<u>846,776</u>	<u>1,196,025</u>	9,341,028
Net book value at 31/12/2022	<u>1,526,727</u>	<u>3,802,396</u>	<u>1,356,113</u>	<u>302,936</u>	<u>677,147</u>	<u>7,665,319</u>

- The Company purchased land from the 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 JOD (10) million, and it is expected to be finished during 2025.

5 . Investment in associates

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

Company	Beginning Balance	Cash Dividends	Share from results / disposals	Foreign Exchange	Ending Balance	Market Value
Syrian Arabian Company for Pesticides and Veterinary LLC	456,668	(70,989)	331,550	(236,519)	480,710	Not listed
Asia Vet LLC	17,750	-	(17,750)	-	-	Not listed
	<u>474,418</u>	<u>(70,989)</u>	<u>313,800</u>	<u>(236,519)</u>	<u>480,710</u>	

The following table summarizes key financial information of the associates:

Company	Activity	Country	Ownership	Assets	Liabilities	Revenues
Syrian Arabian Company for Pesticides and Veterinary LLC	Manufacturing	Syria	44.44%	1,373,170	291,570	1,188,800

6 . Financial assets at fair value through other comprehensive income

	2023	2022
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

	2023	2022
Raw materials and packaging materials	11,196,316	12,089,498
Finished goods	3,994,165	3,537,185
Work in progress	526,597	190,482
Provision for slow moving and expired inventories	<u>(605,225)</u>	<u>(509,826)</u>
	<u>15,111,853</u>	<u>15,307,339</u>

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

	2023	2022
Balance at beginning of the year	509,826	410,421
Additions	100,000	100,000
Write-off expired inventories during the year	<u>(4,601)</u>	<u>(595)</u>
	<u>605,225</u>	<u>509,826</u>

8 . Other current assets

	2023	2022
Advance payments on investments	1,105,837	143,420
Prepaid expenses	369,568	345,995
Employees receivables	108,472	153,009
Provident Fund withholdings	13,876	-
Refundable deposits	11,337	11,337
Guarantees deposits	8,429	7,841
Sales tax withholdings	4,822	6,454
Income tax withholdings	4,766	-
Social Security withholdings	1,166	-
Letters of credit	353	389,675
Miscellaneous	<u>40,262</u>	<u>19,289</u>
	<u>1,668,888</u>	<u>1,077,020</u>

9 . Accounts receivable

	2023	2022
Accounts receivables	16,244,416	13,111,175
Provision for expected credit loss	<u>(2,502,166)</u>	<u>(2,277,166)</u>
	<u>13,742,250</u>	<u>10,834,009</u>

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

	2023	2022
Balance at beginning of the year	2,277,166	1,960,723
Additions	225,000	400,000
Write off bad debt	<u>-</u>	<u>(83,557)</u>
	<u>2,502,166</u>	<u>2,277,166</u>

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

	2023	2022
Receivables past due for less than one year	13,400,442	10,834,009
Receivables past due for more than one year	<u>341,808</u>	<u>-</u>
	<u>13,742,250</u>	<u>10,834,009</u>

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

10 . Cash and cash equivalents

	2023	2022
Cash and checks on hand	68,619	96,097
Current bank accounts	2,198,651	2,913,171
Bank deposits	<u>2,213,811</u>	<u>1,000,000</u>
	<u>4,481,081</u>	<u>4,009,268</u>

Bank deposits earn an annual interest rate of (5%).

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 2023.

The General Assembly resolved in its meeting held in 2023 to increase the Company's capital from JOD (15) million/share to JOD (16.5) million/shares, by a private subscription at JOD (1) par value and additional paid in - capital of JOD (1) per share.

The authorized, subscribed and paid capital is JOD (15) million divided equally into (15) million shares with par value of JOD (1) as at 31 December 2022.

Additional paid in capital

The additional paid - in capital is JOD (1.5) million as at 31 December 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 (10%) as cash dividends to the shareholders.
- The General Assembly has resolved in its ordinary meeting held in 2023 to distribute (10%) cash dividends to shareholders.

12 . Notes payables

	2023	2022
Murabaha financing from Islamic banks	<u>1,279,020</u>	<u>1,221,131</u>

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

13 . Bank Facilities

Credit Type	Currency	Interest Rate	Maturity date	Credit Limit	Outstanding Balance	
					Short Term	Long Term
Central Bank Loan	JOD	3.25%	2024-2025	1,000,000	222,229	129,606
Central Bank Loan	JOD	3%	2024-2026	1,000,000	222,228	277,759
Central Bank Loan	JOD	2.65%	2024	179,000	29,760	-
Central Bank Loan	JOD	2.685%	2024-2028	3,000,000	252,000	1,248,000
Commercial Loan	JOD	8%	2024	1,500,000	500,000	-
					1,226,217	1,655,365

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

14 . Other liabilities

	2023	2022
Provision for end of services indemnity	450,943	408,141
Provision for Income and National Contribution tax (Note 20)	318,266	276,904
Accrued expenses	238,956	89,283
Provision for agents and salesmen commissions	205,650	188,166
Sales tax withholdings	181,174	91,600
Amounts due to shareholders	179,470	135,815
Provision for executive management bonus	107,000	88,950
Provision for employees bonus	75,831	140,876
Board of Directors' remunerations	42,750	42,750
Employees payables	6,783	7,673
Miscellaneous	97,419	99,779
	1,904,242	1,569,937

15 . Segment reporting

The company carries out operational activity of manufacturing agricultural pesticides and veterinary medicines and sells it's products inside and outside the Hashemite Kingdom of Jordan as follows:

	2023	2022
Local Sales	5,828,163	6,157,091
Foreign Sales	24,110,669	18,083,363
	29,938,832	24,240,454

16 . Cost of sales

	2023	2022
Raw material and packaging materials beginning balance	12,089,498	10,058,477
Purchases during the year	16,163,582	15,987,221
Raw material and packaging materials ending balance (Note 7)	(11,196,316)	(12,089,498)
Raw material and packaging materials used in production	17,056,764	13,956,200
Work in progress inventory beginning balance	190,482	172,686
Manufacturing expenses (Note 17)	3,787,598	3,348,142
Work in progress inventory ending balance (Note 7)	(526,597)	(190,482)
Manufacturing cost	20,508,247	17,286,546
Finished goods inventory beginning balance	3,537,185	2,100,954
Finished goods inventory ending balance (Note 7)	(3,994,165)	(3,537,185)
Cost of sales	20,051,267	15,850,315

17 . Manufacturing expenses

	2023	2022
Salaries, wages and other benefits	1,724,383	1,561,055
Social security	135,873	130,576
Depreciation	453,780	392,375
Maintenance and spare parts	336,953	264,284
Transportation	243,248	247,457
Insurance	204,543	161,113
Fuel	166,538	147,459
Rents	118,339	94,006
Lab expenses	94,200	79,663
Utilities	82,881	91,801
Governmental expenses	70,702	55,296
Employees' provident fund	25,553	22,971
Safety expenses	16,785	17,556
Cleaning	14,620	9,495
Hospitality	401	1,208
Miscellaneous	98,799	71,827
	3,787,598	3,348,142

18 . Selling and distribution expenses

	2023	2022
Salaries, wages and other benefits	426,322	358,088
Social securities	18,918	16,217
Sales commissions	307,748	223,815
Registration fees	131,533	74,448
Vehicles expenses	98,955	81,740
Free samples	84,937	30,166
Showrooms	67,265	21,723
Rents	52,557	50,216
Shipping expenses	34,888	23,447
Depreciation	21,568	39,758
Telecommunications	10,973	9,223
Travel and transportation	8,955	16,953
Employees' provident fund	3,976	5,707
Tenders fees	1,766	3,181
Material transfers	1,585	150
Bank interests and commissions	62	-
Miscellaneous	72,918	63,617
	1,344,926	1,018,449

19 . Administrative expenses

	2023	2022
Salaries, wages and other benefits	1,143,325	988,030
Social securities	122,070	108,894
End of services indemnity	120,521	52,922
Rents	108,103	127,083
Registration and Governmental fees	65,142	76,904
Travel and transportation	55,657	22,063
Telecommunications	54,466	37,514
Board of Directors transportation	52,825	32,400
Vehicles expenses	32,867	28,614
Stationary	30,017	21,374
Professional fees	24,719	39,324
Depreciation	20,915	35,444
Hospitality	18,875	9,901
Insurance	18,073	29,325
Employees' provident fund	17,672	17,188
Maintenance	10,219	5,968
Utilities	4,077	3,771
Companies Controller fees	1,236	600
Miscellaneous	101,901	75,074
	2,002,680	1,712,393

20 . Income tax status

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

	2023	2022
Balance at beginning of the year	276,904	353,457
Income and National Contribution tax expense for the year	474,622	381,410
Income tax paid	(433,260)	(457,963)
Balance at end of the year (Note 14)	318,266	276,904

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

	2023	2022
Income tax expense for the year	444,092	350,173
National Contribution tax for the year	30,530	31,237
	474,622	381,410

- The Company has settled its tax liability with the Income Tax Department up to 2018.
- The income tax returns for the years 2019, 2020, 2021 and 2022 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 2023 was calculated in accordance with the Income Tax Law.

21 . Basic and diluted earnings per share

	2023	2022
Profit for the year attributed to shareholders	4,472,715	3,908,236
Weighted average number of shares	15,500,000	15,000,000
	0.289	0.261

22 . Executive management salaries and remunerations

The remuneration of executive management during the years 2023 and 2022 amounted to JOD (372,867) and JOD (342,134) respectively.

23 . Contingent liabilities

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

	2023
Letters of credits	519,307
Bank guarantees	90,327

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.

2023	Level 1	Level 2	Level 3	Total
Financial assets at fair value through other comprehensive income	-	-	237,090	237,090
2022	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 (1,315,984) from the total accounts receivable balance as at 31 December 2023, compared to JOD (583,892) as at 31 December 2022.

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.

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
Other current liabilities	1,904,242	-	1,904,242
	6,379,728	1,768,883	8,148,611
2022	Less than one year	More than one year	Total
Credit facilities	1,976,761	893,429	2,870,190
Notes payable	1,053,386	167,745	1,221,131
Postdated checks	259,780	246,198	505,978
Accounts payable	2,291,075	-	2,291,075
Other current liabilities	1,569,937	-	1,569,937
	7,150,939	1,307,372	8,458,311

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:

	2023	2022
Total Debt	4,160,602	4,091,321
Total Equity	39,997,907	33,134,197
Debt to Equity ratio	10%	12%