Beit Jala Pharmaceutical Company
Public Shareholding Company
Beit Jala -Palestine

Independent Auditor's Report and Financial Statements For the year Ended December 31, 2023

Talal Abu-Ghazaleh & Co. International
"Certified Public Accountants"

Beit Jala Pharmaceutical Company
Public Shareholding Company
Beit Jala -Palestine

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Independent Auditors' Report

To M/s the Shareholders of Beit Jala Pharmaceutical Company
Public Shareholding Co.
Beit Jala -Palestine

Opinion

We have audited the accompanying financial statements of **Beit Jala Pharmaceutical Company - Public Shareholding Co.** shown on pages 5 to 27 which comprise of the statement of financial position as of December 31, 2023, the income statement and comprehensive income, statement of changes in shareholder's equity and statement of cash flow for the year then ended, and a summary of significant accounting policies and other explanatory notes.

In our opinion the accompanying financial statements present fairly, in all material respects, the financial position of the Company as of December 31, 2023, and its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards and in accordance with applicable corporate law in Palestine.

Basis for Opinion

We conducted our audit in accordance with International Standards on Auditing. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are independent of the Company in accordance with the ethical requirements that are relevant to our audit of the financial statements in Palestine, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our unmodified opinion.

Key Audit Matters

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

The following are the key audit matters relevant to the audit of the financial statements:

Key Audit Matters		**The way the matter was addressed in our audit**
Provision for expected credit losses		
Receivables include the balance of Sukhtian Brothers Company group, which constitutes approximately 95.30% of the total receivables balance JOD 4,417,775 as of December 31, 2023 compared to 96.62% of the receivables total balance (JOD 5,394,730 as of December 31, 2022). There is a risk that the value of receivables may be impaired without reasonable impairment allowances being established in accordance with International Financial Reporting Standards.		The performed audit producers included, among others, included the following: - Understanding and testing the internal control and assessment process related to receivables especially, Sukhtian Brothers Company group receivables as it is considered the exclusive distributor of the company's products. - Reviewing the singed agreement between the two parties. - Obtaining a certification from Sukhtian Brothers Company to confirm the validity of the balance at the end of the year and for the process of collecting trade receivables. - Testing cash receipts during the subsequent

Taking into account the assumptions and judgments made by management, it is likely that the carrying value of the receivables will be higher than the estimated recoverable amount. Note No. (4) in the financial statements presents all the details about receivables and provisions.		period by reviewing the cash under collection. - Testing the adequacy of the provision for expected credit losses against trade receivables by evaluating management's assumptions, taking into account the available external information about the risks of futures receivables and our understanding in this regard. We also evaluated the adequacy of the company's disclosures regarding important estimates in accessing the registered provision for doubtful receivables. We have concluded that the amount of the allocation and related disclosures are appropriate.
Revenue Recognition		
During the year ended on December 31, 2023, the company has recognized sales of JOD 9,611,780 (JOD 10,767,060 December 31, 2022) therefore it is considered to be a key audit matter. The revenue from the sales of the goods is recognized when the control of the goods is transferred to the customer, and this is usually done when the goods are delivered. The company uses various shipping conditions in its different operating markets, which has an impact on the timing of revenue recognition, as there is an increase in risk represented by the likelihood of revenue recognition in another period different from sales transactions. We have identified revenue recognition as one of the important audit matters since revenue is one of the most prominent key influences and varies on a large number of judgments regarding the timing of revenue recognition.		Within the framework of our audit work, the procedure for verifying the appropriateness of fixing revenues for the year included the following: - We received an understanding of the internal control procedures implemented by the management on revenues. We have also implemented several procedures to understand the adequacy and design of the revenue cycle. - We have reviewed the company's revenue recognition policy to ensure that it complies with the requirements of international accounting standards. - We have implemented procedures to verify the recognition of sales revenues in their correct periods by matching the deliveries, before and after the end of the fiscal year, with the supporting documents to ensure that sales and commercial receivables are properly installed in the correct period. - We have carried out analytical procedures for sales throughout the financial year and we have also carried out a detailed examination of transactions at the end of the financial year, to ensure that revenue recognition has been made in the correct accounting period. - We also conducted an examination of proven journal entries for revenue, focusing on unusual or irregular transactions. - We have verified the appropriateness and completeness of the relevant disclosures in Note 18 on the financial statements.

Responsibilities of Management for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with International Financial Reporting Standards, the requirements of the Palestine Capital Market Authority and for such internal controls as management determines are necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

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

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

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the 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 International Standards on Auditing will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit in accordance with International Standards on Auditing, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the 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 controls.
- Obtain an understanding of internal controls 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 controls.
- 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 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 financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

We communicated 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 controls that we identified 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 on 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 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.

The engagement partner on the audit resulting from this independent auditor's is the Executive Director, Jamal Melhem.

Talal Abu – Ghazaleh & Co. International
License No. 201/2022

Talal Abu-Ghazaleh & Co. International

Jamal J. Milhem 24

Jamal Milhem
Certified public accounting (licence No.100/98)
February 10, 2024

Beit Jala Pharmaceutical Company
Public Shareholding Company
Palestine -Beit Jala
Statement of Financial Position for the Year Ended December 31, 2023 Exhibit (A)

Assets	**Notes**	**December 31, 2023 JOD**	**December 31, 2022 JOD**
Current assets			
Cash and cash equivalents	(3)	696,046	1,087,778
Accounts receivable – Net	(4)	4,408,921	5,385,461
Inventory	(5)	3,198,078	2,882,778
Prepaid expenses and other accounts receivable	(6)	343,125	205,693
Tax Advances	(12)	505,346	327,893
Total current assets		**9,151,516**	**9,889,603**
Property, Plant and equipment			
At cost	(7)	21,382,953	20,117,501
Accumulated depreciation		(12,459,684)	(11,359,515)
Net book value		**8,923,269**	**8,757,986**
Intangible assets and Projects under construction	(8)	171,880	451,566
Total Assets		**18,246,665**	**19,099,155**
Liabilities and Owners Equity			
Current liabilities			
Banks Overdraft	(9)	232,061	751,129
Short-term loan	(10)	422,565	406,627
Accounts payable		587,451	1,189,927
Accrued expenses and other accounts payable	(11)	310,243	1,155,220
Income tax provision	(12)	502,454	556,770
Total Current liabilities		**2,054,774**	**4,059,673**
Long-term loans	(10)	277,879	674,025
Deferred revenue after amortization	(13)	--	13,793
Provision for end of service indemnity	(14)	1,328,240	1,155,837
Total liabilities		**3,660,893**	**5,903,328**
Owner's Equity			
The Capital amount is JOD 10,000,00 divided into 10,000,000 shares for 1 JOD for each share (Total Paid-in capital amount JOD 7,000,000) (3,000,000 unsubscribed shares)	(15)	7,000,000	7,000,000
Statutory reserve	(16)	1,883,827	1,700,106
Voluntary reserve	(16)	2,955,180	2,587,737
Retained earnings (exhibit D)		2,188,513	1,607,326
Foreign currency translation variances from NIS to JOD - exhibit "c"		558,252	300,658
Total Owner's Equity		**14,585,772**	**13,195,827**
Total Liabilities and Owner's Equity		**18,246,665**	**19,099,155**

‘The accompanying notes constitute an integral part of these financial statements”

Beit Jala Pharmaceutical Company
Public Shareholding Company
Palestine - Beit Jala
Statement of Income for the Year Ended December 31, 2023 – Exhibit (B)

Income Statement	**Notes**	**December 31, 2023 JOD**	**December 31, 2022 JOD**
Sales	(18)	9,611,870	10,767,060
Cost of sales	(19)	(6,145,040)	(6,688,656)
Gross profit		**3,466,830**	**4,078,404**
Selling and distribution expenses	(20)	(915,591)	(1,140,834)
General and administrative expenses	(21)	(393,120)	(583,004)
Financing expenses		(108,323)	(121,841)
Amortization of deferred revenue	(13)	13,793	11,961
Foreign currency variances		(103,200)	119,901
Revenue and other expenses		121	--
Net profit before income tax		**1,960,510**	**2,364,587**
Provision for income tax	(12)	(123,296)	(383,502)
Net Profit for the year after tax – Exhibit - C		**1,837,214**	**1,981,085**
Earnings per share			
Basic and diluted Earnings per share for the period return to the shareholders of the company	(22)	**0.262**	**0.283**

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Beit Jala Pharmaceutical Company
Public Shareholding Company
Palestine - Beit Jala
Statement of Comprehensive Income
for the Year Ended December 31, 2023 – Exhibit (C)

	Notes	December 31, 2023 JOD	December 31, 2022 JOD
Net Profit for the year after tax		**1,837,214**	**1,981,085**
Other comprehensive income			
Foreign currency translation variances from NIS to JOD		257,594	(533,036)
Total other comprehensive income items for the year		**257,594**	**(533,036)**
Total comprehensive income for the year		**2,094,808**	**1,448,049**

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Beit Jala Pharmaceutical Company
Public Shareholding Company
Palestine - Beit Jala
Statement of Changes in Shareholders' Equity for the Year Ended December 31, 2023 – Exhibit (D)

December 31, 2023	Paid-in Capital JOD	Statutory Reserve JOD	Voluntary Reserve JOD	Retained Earnings JOD	Other Comprehensive Income Items JOD	Total JOD
Balance, as of January 1, 2023	7,000,000	1,700,106	2,587,737	1,607,326	300,658	13,195,827
Profit for the year	--	--	--	1,837,214	--	1,837,214
Statutory reserve	--	183,721	--	(183,721)	--	--
Voluntary reserve	--	--	367,443	(367,443)	--	--
Cash dividends-Note (17)	--	--	--	(700,000)	--	(700,000)
Prior year adjustments	--	--	--	(4,863)	--	(4,863)
Financial statement currency translation variances	--	--	--	--	257,594	257,594
Balance as of December 31, 2023	**7,000,000**	**1,883,827**	**2,955,180**	**2,188,513**	**558,252**	**14,585,772**

December 31, 2022	Paid-in Capital JOD	Statutory Reserve JOD	Voluntary Reserve JOD	Retained Earnings JOD	Other Comprehensive Income Items JOD	Total JOD
Balance, as of January 1, 2022	7,000,000	1,501,998	2,191,521	920,565	833,694	12,447,778
Profit for the year	-	-	-	1,981,085	-	1,981,085
Statutory reserve	-	198,108	-	(198,108)	-	-
Voluntary reserve	-	-	396,216	(396,216)	-	-
Cash dividends-Note (17)	-	-	-	(700,000)	-	(700,000)
Financial statement currency translation variances	-	-	-	-	(533,036)	(533,036)
Balance as of December 31, 2022	**7,000,000**	**1,700,106**	**2,587,737**	**1,607,326**	**300,658**	**13,195,827**

"The accompanying notes constitute an integral part of these financial statements"

Beit Jala Pharmaceutical Company
Public Shareholding Company
Palestine - Beit Jala
Statement of Cash Flows for the Year Ended December 31, 2023– Exhibit (E)

Cash flows from Operating Activities	**Notes**	**December 31, 2023 JOD**	**December 31, 2022 JOD**
Net Profit before income tax		1,960,510	2,364,587
Adjustments to reconcile net cash flows			
Non-cash items			
Depreciation	(7)	1,100,169	950,456
Amortization of deferred Revenue	(13)	(13,793)	(11,960)
Provision for end of service indemnity	(14)	229,437	295,125
Prior year adjustments		(4,863)	--
Changes in operating assets and liabilities			
Decrease (Increase) in accounts receivable		976,540	(317,684)
(Increase) Decrease in inventory		(315,300)	158,122
Decrease in prepaid expenses and other accounts receivable		(137,432)	44,893
(Decrease) Increase in accounts payable		(602,476)	2,749
Increase in accrued expenses and other accounts payable		(844,976)	(41,818)
Income tax adjustments		(355,065)	(100,285)
Compensation paid to employees	(14)	(57,035)	(126,222)
Net cash inflows provided from operating activities		**1,935,716**	**3,217,963**
Cash flows from Investing Activities			
Purchase of Property, Plant and Equipment	(7)	(1,265,452)	(403,224)
Change in Projects in Progress		279,686	147,222
Net cash flows used in investing activities		**(985,766)**	**(256,002)**
Cash flows from Financing Activities			
Bank Overdraft		(519,068)	(774,517)
Loans		(380,208)	(717,874)
Cash dividends		(700,000)	(700,000)
Net Cash flows (used in) financing activities		**(1,599,276)**	**(2,192,391)**
(Decrease) Increase in cash and cash equivalents during the year		(649,326)	769,570
Cash and cash equivalents, beginning of the year		1,087,778	851,244
Financial statement currency translation variances		257,594	(533,036)
Cash and cash equivalents, end of the year	(3)	**696,046**	**1,087,778**

"The accompanying notes constitute an integral part of these financial statements"

Beit Jala Pharmaceutical Company
Public Shareholding Company
Palestine - Beit Jala
Notes to the Financial Statements

1. Background:

- Beit Jala Pharmaceutical Company was established in Beit Jala on 15/09/1970 and recorded in the register of companies under number 14. The objectives of the company are surrounded in the pharmaceutical industry, cosmetics, chemicals and treatments veterinary, agricultural, pesticides, detergents, chemical fertilizers export import and, distribution. An agreement was signed on 22/04/1998 with Sukhtian Brothers – Nablus, to be the sole distributor of the company's products in the West Bank and Gaza Strip.

- The company was transformed from a private Shareholding company to a public Shareholding company and registered in the Shareholding company's registry under No. 562601369, and the necessary approvals were taken, and the capital was restructured to become 10,000,000 Jordanian dinars divided into 10,000,000 shares, the value of one Jordanian dinar (The total amount paid-in capital JOD 7,000,000).

- The number of employees was 222 employees as of the year ended 31/12/2023 (214 employees as of the year ended 31/12/2022).

- The financial statements were approved from the management of the company on March 13, 2024.

2. Significant accounting policies:

a. The financial statements were prepared in accordance with the International Financial Reporting Standards and the relevant interpretations issued by the International Financial Reporting Standards Interpretations Committee. The following is a summary of the most important accounting policies followed.
The financial statements have been prepared according to the historical cost basis, and this basis is adjusted for certain assets as shown below.

b. Changes in accounting policies
The accounting policies used in preparing the financial statements are consistent with those that were followed in preparing the financial statements for the year ending on December 31, 2022, with the exception that the company applied the following adjustments as of January 1, 2023:

IFRSs and the new amended effective interpretations:
The following amended IFRSs, that became effective, were adopted for the financial periods starting on or after 1 January 2023 in the preparation of the Company's financial statements. The adoption of the mentioned amendments did not materially affect the amounts and disclosures included in the financial statements of the current year. The following table summarizes the details of the amendments:

IFRS or Interpretation	Statement	Effective Date
Disclosure of accounting policies amendments to international accounting standard No. 1 and statement of practice No. 2.	Amendments to IAS 1 require entities to disclose material accounting policies instead of their significant accounting policies. Further amendments explain how an enterprise can determine a material accounting policy. Examples are added when the accounting policy is likely to be material. To support the amendment, the International Accounting Standards Board (IASB) has also developed guidelines and examples to explain and demonstrate the application of the "four-step materiality process" described in the IFRS statement of Practice 2. Once an entity has applied the amendments to IFRS (1), it is also permitted to apply the amendments to the IFRS statement of Practice (2). The amendments will be applied with future effect.	January 1, 2023
Definition of accounting estimates Amendments to the International Accounting Standard No. 8.	Amendments to international accounting standard No. 8 accounting policies, changes in accounting estimates and errors. The amendments replace the definition of a change in accounting estimates with the definition of accounting estimates. Under the new definition, accounting estimates are "cash amounts in financial statements that are subject to measurement uncertainty". Enterprises develop accounting estimates if accounting policies require that items in the financial statements be measured in a way that involves measurement uncertainty. The amendments make it clear that a change in the accounting estimate resulting from new information or new developments is not a correction of an error.	January 1, 2023
Amendments to the International Accounting Standard No. 12 income taxes. Deferred taxes related to assets and liabilities arising from a single transaction	The amendments require companies to recognize deferred tax on transactions that, upon initial recognition, give rise to equal amounts of taxable and deductible temporary differences. It will usually apply to transactions such as tenant leases and severance obligations and affected businesses will require recognition of additional deferred tax assets and liabilities. This means that the exemption from initial recognition does not apply to transactions in which equal amounts of deductible and taxable temporary differences arise upon initial recognition.	January 1, 2023

IFRSs and the new amended interpretations that are not effective yet:

The Company did not adopt any of the following new amended standards that were issued but not yet effective:

IFRS or Interpretation	Statement	Effective Date
Classification of liabilities as current and non-current Modifications to International Accounting Standard No. 1.	The amendments to the presentation of the financial statements make it clear that the liabilities are classified as current or non-current liabilities, depending on the rights existing at the end of the reporting period. This classification is not affected by the entity's expectations or events subsequent to the reporting date. Adjustments in the classification of liabilities as current or non - current (amendments to IAS 1) affect only the presentation of liabilities in the statement of financial position-and not the amount or timing of recognition of any asset, liability, income or expenses or the information disclosed by entities about those items.	January 1, 2024 (Postponed from January 1, 2022).
Amendment to the International Financial Reporting Standard No. 16 Lease contracts. Lease obligations in the sale and leaseback process.	An amendment that shows how the seller – lessee performs the subsequent measurement of the sale and re-rental process.	January 1, 2024
Amendments to the International Accounting Standard (7) and the International Financial Reporting Standard (7) strengthen disclosures to supplier financing procedures regarding the entity's liabilities.	Amendments to the International Accounting Standard (7) and the International Financial Reporting Standard (7) strengthen disclosures to supplier financing procedures regarding the entity's liabilities	January 1, 2024
International Financial Reporting Standard (S1), and (S2).	General requirements for the disclosure of financial information related to sustainability, International Financial Reporting Standard (S2) - climate-related disclosures.	January 1, 2024
Amendments to the International Accounting Standard (21).	Inability to exchange a foreign currency.	January 1, 2025

Amendments to International Financial Reporting Standard No. 10 and International Accounting Standard No. 28- sale or contribution of assets between the investor and his associate company or joint venture.	The amendments address inconsistencies between IFRS (10) and IAS (28) in dealing when losing control of a sold subsidiary or shareholding in an associate or joint venture.	Postponement of the effective date indefinitely, with the possibility of early application

The management of the Company does not expect that these standards will have a material impact on the financial statements when applied in future financial periods.

c. <u>Use of estimates</u>

The preparation of financial statements in accordance with IFRS requires the use of several accounting estimates and assumptions that affect the amounts of income, expenses, assets and liabilities and the presentation of possible liabilities as at the date of the financial statements. Due to the use of such estimates and assumptions, actual results may differ from estimates, and this may necessitate adjustment of the carrying values of assets or liabilities in the future.

The following are the details of the fundamental judgments carried out by the company:

<u>Intangible assets:</u>

Intangible assets with a finite useful life are amortized over the estimated useful life. The amortization period is reviewed with the specified useful life at the end of each period/ year. In the event that there are changes in the accounting treatment, they are considered as changes in the accounting estimates.

<u>Expense recognition:</u>

Expenses are recorded when incurred in accordance with the accrual principle.

<u>Trade receivables:</u>

Trade receivables are shown at the invoice value (claims) minus any provision for doubtful receivables. A provision for doubtful receivables is provided when there is an indication that the receivable will not be recoverable. Accounts receivables are written off in the same period in which they are proven uncollectible.

<u>Other receivables:</u>

A provision for doubtful receivables is provided when there is an indication that the receivable will not be recoverable. Accounts receivables are written off in the same period in which they are proven uncollectible.

<u>Accounts payable and accruals:</u>

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

Inventory (finished goods):

- The finished goods are shown at cost based on the cost of raw materials plus a percentage of manufacturing expenses, and the cost is determined using the first in first out method.
- Inventories are valued at cost or net realizable value, whichever is the lower.
- The cost of inventory includes all purchase costs, transfer costs and other costs incurred in bringing the inventory to its present condition and location.
- Net realizable fair value is defined as the estimated selling price in the ordinary course of business minus the costs necessary to complete the sale.

Raw materials and packing materials:

Goods from raw materials and packing materials are shown at actual or market cost, whichever is lower, and the cost is determined using the first in first out method.

Goods in progress:

The goods in progress are valued at the cost of raw materials and used packing materials plus direct operating fees and a percentage of industrial expenses compared to the percentage of completion of this commodity.

Property, plant and equipment:

Fixed assets are stated at cost on the date of acquisition, less accumulated depreciation or any accumulated impairment losses. Depreciation is computed using the straight-line method based on the estimated useful life of fixed assets at the following annual rates:

Buildings	2% - 20%
Machinery and equipment	7% - 33%
Laboratory equipment and tools	7%- 50%
Office furniture	6% - 30%
Air conditioning and ventilation equipment	7% - 50%
Computer	10% - 30%
Cars	15%
Other assets	7% - 30%

The impairment of the book value of property, plant and equipment is analyzed when events or changes in circumstances indicate that there is no possibility of recovering their book value. When any of these evidence exist and when the book value exceeds the expected recoverable value, the book value is reduced to the expected recoverable value, which is the fair value after deducting the selling expenses or “value in use”, whichever is higher.

Costs incurred to replace components of machinery and equipment that are dealt with separately are calculated and capitalized, and the carrying amount of any part that is replaced is written off. Other subsequent expenditures are only capitalized when the future economic benefits related to machinery and equipment are increased. All other expenses are recognized in the income statement.

Provisions:

Provision is recognized when the company has a present obligation as a result of a past event, in which the amount can be reliably estimated.

Development:

The administration records expenditures on development and is paid to external parties to carry out chemical studies related to new items that will be produced and put on the market as an intangible asset in accordance with international financial reporting standards. Expenditures for development are amortized at a fixed rate of 20% annually, and as a result of the failure of that study, it was ceased, and the balance was closed in the income statement.

Provision for end-of-service indemnity:

Provision for employees ’end of service benefits is calculated to meet the legal and contractual obligations related to the employees’ end of service for the accumulated service period. This indemnity has been calculated as follows:

- A third of the monthly salary of employees who have spent less than five years at work.
- Two-thirds of the monthly salary of employees who have spent more than five years and less than 10 years at work.
- One month's salary for employees who have spent more than ten years at work.
- Marketing and distribution department employees: The average annual commissions they receive during the year are added to the monthly salary.

Provision for income tax:

The company uses a certain estimation method to determine the calculation of income tax in accordance with the laws and regulations in force in the territories of the State of Palestine (note 12). The company’s management believes that these estimates and suggestions are reasonable.

The company received a tax exemption based on Decision No. (3.Z.2023) from the Investment Promotion Authority and industrial cities, as follows:

- The first stage: payment of income tax on taxable income at a rate of 5% for a period of five years for the development rate of 91% starting from 1/1/2023 until 31/12/2027.
- The second stage: payment of income tax on taxable income at a rate of 10% for a period of three years for the development rate of 91% starting from the end of the first stage from 1/1/2028 until 31/12/2030.
- The remaining 9% is subject to income tax according to the applicable income tax law.

Statutory Reserve and Voluntary Reserve:

- Based on the Companies Law No. 12 of 1964 and the company's internal system, 10% of the annual net profits must be deducted from a mandatory reserve (Statutory), and this deduction may not stop before the sum of the accumulated amounts for this account reaches the equivalent of half of the company's capital according to the internal system. The company must stop this deduction whenever the balance of the Statutory reserve reaches the company's capital.
- The General Assembly may, upon the proposal of the Board of Directors, deduct part of the net profits with a voluntary reserve account, provided that the annual decided amount does not exceed 20% of the net profits for that period/ year and that the total amounts deducted in the voluntary reserve account do not exceed half of the company's capital.

Revenue recognition:

- Revenue is recognized from sales when the risks and benefits of ownership are transferred to the customer and the possibility of objectively determining the amount of revenue while not maintaining continuous administrative relations to the extent associated with the existence of ownership nor effective control over the sold goods.

- The company sold drugs and beauty products to related parties (Sukhtian Brothers company) a main distributor for the company based on the sale price minus 12.5% (notes 4).

Foreign currency translation:

Transactions made in currencies other than NIS (base currency) during the year are translated to NIS using the exchange rate at the date of the transaction. Monetary assets and liabilities and those receivable or payable in other currencies at the end of the year are translated into NIS using the rate of exchange at the reporting date. Gains or losses arising from exchange differences are recognized in the income statement.

For the purposes of preparing the financial statements in the JOD, the items of assets and liabilities were translated from NIS to the JOD according to the exchange rates at the date of the financial statements and the items of equity were converted using historical exchange rates. The income statement items were also converted using the exchange rate of NIS 5.197 per JOD during the year. Foreign currency translation differences are shown in a separate line of equity, and the exchange rates for the NIS as of the date of the fiscal year were as follows:

	December 31, 2023	December 31, 2022
	NIS	NIS
JOD	5.0857	4.98
USD	3.6058	3.53
Euro	3.9797	3.75

Cash flows:

- The Statement of cash flows is prepared using the indirect method.
- For cash flow purposes, the cash and cash equivalent item consists of cash in hand, current accounts, and deposits with banks and financial institutions that mature within a three-month period from the date of the financial statements minus what is required of creditor banks and notes payable within three months.

Earnings per share:

Basic earnings per share are calculated by dividing the profit for the period attributable to the ordinary shareholders of the company by the weighted average number of ordinary shares during the period.

Diluted earnings per share are calculated by dividing the profit for the period attributable to the ordinary shareholders of the company (after subtracting the interest related to convertible preference shares) by the weighted average number of ordinary shares during the period plus the weighted average of the number of ordinary shares that would have been issued if the shares were transferred, convertible to common shares.

3. Cash and cash equivalents

This item consists of:

	December 31, 2023	December 31, 2022
	JOD	JOD
Cash in hand	327	1,119
Cash at Bank – USD	605,013	208,602
Cash at Bank – JOD	7,586	24,535
Cash at Bank – NIS	31,758	55,073
Cash at Bank – EUR	24,731	18,400
Total cash in hand and at banks	**669,415**	**307,729**
Checks maturing within 3 months of the end of the year	401,348	1,130,038
Outstanding checks maturing within three months	(374,717)	(349,989)
Total	**696,046**	**1,087,778**

4. Accounts receivable- net

a. This item consists of:

	December 31, 2023	December 31, 2022
	JOD	JOD
Trade accounts receivable (related parties)	4,417,775	5,394,730
Other Trade accounts receivable	16,991	20,604
Total	**4,434,766**	**5,415,334**
Provision for expected credit losses	(25,845)	(29,873)
Net	**4,408,921**	**5,385,461**

b. Sakhtian Brothers Company is the sole distributor of Beit Jala pharmaceutical company products under an agreement concluded between the two parties, in which Sakhtian Brothers Company is the sole distributor of Beit Jala pharmaceutical company products in the West Bank governorates and Nidal sakhtian company in the Gaza Strip and has the right to enter the tenders of the Ministry of Health, tenders of Military Medical Services and tenders of governmental and non-governmental institutions.

5. Inventory:

This item consists of:

	December 31, 2023	December 31, 2022
	JOD	JOD
Raw materials	1,487,917	1,323,075
Packing materials	853,022	890,139
Goods under manufacturing	131,851	86,727
Finished goods - medicines, cosmetics	719,640	576,922
Research and development materials	5,648	5,915
Finished goods at the end of the year	**3,198,078**	**2,882,778**

6. Prepaid Expenses and other accounts receivable

a. This item consists of:

	December 31, 2023	December 31, 2022
	JOD	**JOD**
Prepaid expenses	53,295	77,167
Advances to employees	9,330	6,605
Refundable deposits	2,329	2,378
Spare parts stock	14,525	-
Other accounts receivable - b	2,101	2,145
Documentary credit advance payments to suppliers	261,545	117,398
Total	**343,125**	**205,693**

b. Other receivables include an amount equivalent to JOD 1,839, representing what was paid in order to establish Beit Jala Company in Poland for the purpose of entering the export market to sell the company's products.

7. Fixed assets:

a. This item consists of:

	Building and land	Machines and Equipment	Laboratory equipment and tools	Furniture and fixtures	Air conditioning and ventilation devices	Computers and software	Motor vehicles	Others	Total
	JOD	JOD	JOD	JOD	JOD	JOD	JOD	JOD	JOD
Cost:									
Balance, as of January 1, 2023	6,146,566	7,800,324	2,300,977	291,930	2,709,907	270,728	62,241	534,828	20,117,501
Additions	230,076	39,937	182,674	10,722	35,217	8,616	--	13,229	520,471
Disposals	--	(1,589)	--	--	--	--	--	--	(1,598)
Translation variances	231,874	129,903	84,259	16,388	249,394	8,441	3,789	22,522	746,570
Balance, as of December 31, 2023	**6,608,516**	**7,968,575**	**2,567,910**	**319,040**	**2,994,518**	**287,785**	**66,030**	**570,579**	**21,382,953**
Accumulated depreciation									
Balance, as of January 1, 2023	(2,080,869)	(4,446,028)	(1,941,389)	(257,825)	(1,938,482)	(240,781)	(48,384)	(405,757)	(11,359,515)
Additions	(200,565)	(367,371)	(107,352)	(9,813)	(116,846)	(15,893)	(7,349)	(26,745)	(851,934)
Disposals	--	1,589	--	--	--	--	--	--	1,589
Translation variances	(46,320)	79,822	(59,646)	(13,240)	(73,350)	(2,353)	773	(135,510)	(249,824)
Balance, as of December 31, 2023	**(2,327,754)**	**(4,731,988)**	**(2,108,387)**	**(280,878)**	**(2,128,678)**	**(259,027)**	**(54,960)**	**(568,012)**	**(12,459,684)**
Net book value									
Balance, as of December 31, 2023	**4,280,762**	**3,236,587**	**459,523**	**38,162**	**865,840**	**28,758**	**11,070**	**2,567**	**8,923,269**
Net book value									
Balance, as of December 31, 2022	**4,065,697**	**3,354,296**	**359,588**	**34,105**	**771,425**	**29,947**	**13,857**	**129,071**	**8,757,986**

b. Land and buildings on which the company is based are mortgaged in favor of the Arab Bank in exchange for the decreasing loan granted to the company – Note (10).

8. Intangible assets and Projects under construction:

This item consists of:

	December 31, 2023	December 31, 2022
	JOD	JOD
Construction and production lines in progress	171,880	451,566
Total	**171,880**	**451,566**

9. Banks Overdraft

a. This item consists of:

	December 31, 2023	December 31, 2022
	JOD	JOD
Current Debit account	(232,061)	751,129
Total	**(232,061)**	**751,129**

b. The amount represents the current account balances of a debtor granted to the company by the Arab Bank with a first-class mortgage guarantee in addition to a comprehensive insurance policy on the assets of the factory in favor of Arab Bank.

10. Loans:

a. This item consists of:

	December 31, 2023	December 31, 2022
	JOD	JOD
Short-term loan installments-b	422,565	406,627
Long-term loan installments-b	277,879	674,025
Total	**700,444**	**1,080,652**

b. The company obtained a loan in the amount of EUR 2,700,000, the loan is repaid under 60 consecutive and equal monthly installments of EUR 45,000 and the first installment is due after the withdrawal period ends (18 months from the date of signing the contracts and a grace period of 6 months from the date of withdrawal) and the amount of interest owed is added to the monthly installments.

c. This loan is used to finance 90% of the total cost of the plant expansion, improvement and development of production lines estimated at EUR 3,000,000.

Guarantees on the loan: maintaining all the guarantees provided by the company for the benefit of the client, which is a first-class mortgage in addition to a comprehensive insurance policy on the assets of the factory in favor of the Arab Bank.

11. Accrued expenses and other accounts payable:

This item consists of:

	December 31, 2023	December 31, 2022
	JOD	JOD
Accrued leaves	20,537	20,972
Accrued expenses	209,671	453,404
Employees accrued	3,414	14,737
Shareholders accounts	16,809	606,736
Value Added Tax (VAT)	--	8,390
Other payables	59,812	50,981
Total	**310,243**	**1,155,220**

12. Income tax provision:

a. This item consists of:

	December 31, 2023	December 31, 2022
	JOD	JOD
Tax advances		
Balance, beginning of the year	327,893	531,515
Paid during the year	350,195	243,997
Tax settlement for previous years	(169,881)	(392,977)
Translation variances	(2,861)	(54,642)
Tax advances Balance	**505,346**	**327,893**
Tax Provision		
Balance, beginning of the year	556,770	477,173
Net tax savings as a result of early payments	--	19,028
Tax provision for the year – b	123,296	383,502
Tax settlement for previous years	(165,123)	(322,933)
Translation variances	(12,489)	--
Tax Provision Balance	**502,454**	**556,770**

b. This item consists of:

	December 31, 2023	December 31, 2022
	JOD	JOD
Profit for the year	**1,960,510**	2,364,587
Add: Unpaid end of service provision	189,179	295,125
Subtracts: Provision for end of service paid during the year	(57,034)	(126,222)
Subtracted: Net tax savings as a result of early payment of advances	--	(19,028)
Add: other unpaid allocations	--	42,218
Taxable profit	**2,092,655**	**2,556,680**
Income Tax	**123,296**	**383,502**

c. The income tax allowance is calculated by the company's management on the net profits for the current year according to the income tax law in Palestine, and the company has received a tax exemption based on Decision No. (2023.Z.3) from the Investment Promotion and Industrial Estate Agency as follows:
- The first stage: payment of income tax on taxable income at a rate of 5% for a period of five years for the development rate of 91% starting from 1/1/2023 until 31/12/2027.

- The second stage: payment of income tax on taxable income at a rate of 10% for a period of three years for a development rate of 91% starting from the end of the first stage from 1/1/2028 to 31/12/2030.

- The remaining 9% is subject to income tax in accordance with the applicable income tax law.

13. Deferred revenue after amortization:

This item consists of:

	December 31, 2023	December 31, 2022
	JOD	**JOD**
Total deferred revenues	539,200	539,200
Total amortization until the end of the year	(539,200)	(525,407)
Total	**--**	**13,793**

14. Provision for end of service indemnity:

This item consists of:

	December 31, 2023	December 31, 2022
	JOD	**JOD**
Balance, beginning of the year	1,155,837	986,934
Restricted on expenses	189,179	295,125
Payments during the year	(57,034)	(126,222)
Translation variances	2,899	--
Impact of the standard 21 implementation	37,359	--
Total	**1,328,240**	**1,155,837**

15. Capital:

- The company was converted from a private shareholding company to a public joint stock company and the necessary approvals were taken and the capital was restructured to 10,000,000 Jordanian dinars divided into 10,000,000 shares. The value of one Jordanian dinar per share (The total amount paid-in capital JOD 7,000,000).

- The total paid-in capital amounted to JOD 7,000,000 (equivalent to NIS 38,711,051) shown as follows:

	December 31, 2023	December 31, 2022
Balance as of December 31, 2023 (JOD)	7,000,000	7,000,000
Balance as of December 31, 2022 (NIS)	38,711,051	38,711,051

16. Statutory reserve and Voluntary reserve:

- Based on the Companies Law No. 12 of 1964 and the company's internal system, 10% of the annual net profits must be deducted from a mandatory (Statutory) reserve, and this deduction may not stop before the sum of the accumulated amounts for this account reaches the equivalent of half of the company's capital according to the internal system. The company must stop this deduction whenever the balance of the compulsory reserve reaches the company's capital.
- The General Assembly may, upon the proposal of the Board of Directors, deduct part of the net profits with an optional reserve account, provided that the annual decided amount does not exceed 20% of the net profits for that period and that the total amounts deducted in the voluntary reserve account do not exceed half of the company's capital.

17. Cash dividends:

At its meeting held on April 7, 2023, the General Assembly approved the recommendation of the board of directors to distribute a cash dividend of 10% of the par value of the share in the amount of JOD 700,000.

18. Sales:

a. The company's sales are distributed to the local market and global market:

	December 31, 2023	December 31, 2022
	JOD	JOD
Sales in the local market- b	7,172,114	8,394,909
Export sales	2,439,756	2,372,151
Total	**9,611,870**	**10,767,060**

b. The sales of Beit-Jala pharmaceutical company for the year 2023 represent sales to Sakhtian Brothers Company under the agreement concluded between the two parties, as Sakhtian Brothers Company is the sole distributor of the products of the first team (Beit-Jala pharmaceutical company) in the governorates of the West Bank and the Gaza Strip – Note (4 – B).

19. Cost of sales:

a. This item consists of:

	December 31, 2023	December 31, 2022
	JOD	JOD
Goods at the beginning of the year	2,876,863	3,101,246
Purchases during the year	3,131,174	2,889,204
Industrial direct expenses - b	667,381	740,039
Industrial indirect expenses - c	2,662,052	2,835,030
Goods at the end of the year	(3,192,430)	(2,876,863)
Cost of goods sold	**6,145,040**	**6,688,656**

b. Industrial direct expenses:

This item consists of:

	December 31, 2023	December 31, 2022
	JOD	JOD
Industrial salaries and wages	626,643	684,561
End of service indemnity	40,738	55,478
Total	**667,381**	**740,039**

c. Indirect Industrial expenses:

This item consists of:

	December 31, 2023	December 31, 2022
	JOD	JOD
Salaries, wages and related expenses	1,035,927	993,265
End of service indemnity	79,708	88,691
Depreciation of fixed assets	811,022	909,334
Water, fuel and lighting	33,814	358,157
Maintenance of machinery & building	135,986	126,386
Consumable laboratory and industrial materials and supplies	58,957	134,257
Factory and workers insurance	48,409	55,178
Hygiene and Cleaning expenses	30,274	33,774
Measuring expenses	25,094	6,923
Items registration fee	14,086	29,724
Stationery and prints	11,314	8,344
Disposal expenses of finished materials and others	4,593	11,819
Other miscellaneous expenses	372,868	79,178
Total	**2,662,052**	**2,835,030**

20. Selling and distribution expenses:

This item consists of:

	December 31, 2023	December 31, 2022
	JOD	JOD
Salaries, wages and related expenses	531,224	596,173
End of service indemnity	48,196	119,825
Export expenses	192,372	159,589
Advertising expenses	42,534	79,120
Selling and distribution expenses	63,692	100,514
Depreciation of fixed assets	8,764	9,633
Other miscellaneous expenses	28,809	75,980
Total	**915,591**	**1,140,834**

21. General and administrative expenses:

This item consists of:

	December 31, 2023	December 31, 2022
	JOD	JOD
Salaries, wages and related expenses	193,180	303,352
End of service indemnity	20,537	31,131
Depreciation of fixed assets	32,148	30,825
Professional consulting expenses	38,405	16,145
Licenses, fees and taxes	10,996	10,763
Health insurance expenses	14,646	17,253
Telegraph, mail and telephone	9,828	10,785
Maintenance expenses	6,384	60,949
Subscriptions	7,569	11,077
Administrative and other consumable supplies	5,424	7,351
Members of the board of directors' expenses	19,176	16,355
Stationery and printing materials	18,468	13,554
Training courses	11,193	680
Hospitality	3,357	882
Other miscellaneous expenses	1,809	51,902
Total	**393,120**	**583,004**

22. Basic and diluted earnings per share

This item consists of:

	December 31, 2023	December 31, 2022
	JOD	JOD
Profit for the period after tax	1,837,214	1,981,085
Weighted average number of shares during the period	7,000,000	7,000,000
Basic and diluted earnings per share from the profit for the period	**0.262**	**0.283**

23. prior-year adjustments:

Prior-year adjustments balance of JOD 4,863 represents a tax settlement for previous years.

24. Cases against the company

There is one case filed against the company by an employee to claim labor compensation, and it is still pending before the court and the hearing postponed to 24/2/2024, according to the company's lawyer's letter.

25. Fair value of financial instruments

Financial instruments consist of financial assets and liabilities. Financial assets consist of cash and cash equivalents, receivables, prepayments and other receivables, while financial liabilities consist of banks, loans, payables, accrued expenses and other credit balances.

The fair value of financial instruments is not materially different from the carrying value.

Financial risk management objectives and policies

The main risks arising from the company's financial instruments are market risk, currency risk, interest rate risk, other price risks, credit risk, liquidity risk and foreign currency risk. The Board of Directors of the company reviews and approves the policies for managing these risks, which are summarized as follows:

- **Market risk**

  Market risk is defined as the risk that the fair value or future cash flows of a financial instrument will fluctuate due to changes in market prices.

- **Currency risk:**

  Currency risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate due to changes in foreign exchange rates.

- **Interest rate risk**

  Interest rate risk is defined as the risk that the fair value or future cash flows of a financial instrument will fluctuate due to changes in market interest rates.

  The company is subject to interest rate risk through its assets and obligations related to the risk of changes in interest rates:

	December 31, 2023	December 31, 2022
	JOD	JOD
Loans	503,814	1,080,652

- **Other price risks**

  Other price risks are defined as risks that the fair value or future cash flows of a financial instrument will fluctuate due to changes in market prices (other than those arising from interest rate risk or currency risk), whether those changes are caused by factors specific to the individual instrument or its issuer or factors affecting all similar financial instruments traded in the market.
  The financial instruments in the balance sheet are not subject to other pricing risks with the exception of investments.

- **Credit risk**

  Credit risk is defined as the risk that one party to a financial instrument will cause a financial loss for the other party by failing to discharge an obligation.
  The company maintains cash at financial institutions with a suitable credit rating.
  The Company is exposed to credit risk due to a customer representing 90% of the total accounts receivable balances, as is due to the faltering payment for customers as a result of economic conditions and policy.

- **Liquidity risk**

  Liquidity risk is defined as the risk that an entity will encounter difficulty in meeting obligations associated with financial liabilities,
  The company is not subject to liquidity risk as it limits this risk by obtaining various credit facilities.

- **Capital management**

  The main objective of capital management is to maintain adequate capital ratios in a manner that supports the company's activity and maximizes ownership rights.
  The company manages the capital structure and makes the necessary adjustments in response to changes in economic conditions. The company's capital consists of paid-In capital, dividends and other reserves totaling JD 13,195,827 as of 31 December 2023 compared to JD 12,447,778 as of 31 December 2022.

26. Concentration of risk in the geographic area

The company is carrying out all of its activities in Palestine. The political and economic destabilization in the area increases the risk of carrying out business and may adversely affect its performance especially in light of the conditions that the company's headquarters area is Beit Jala and the territories of the State of Palestine in general are subject to certain conflicts.

27. Contingent liabilities:

The company has contingent liabilities at the date of the financial statements as follows:

	December 31, 2023	December 31, 2023	December 31, 2023
	Euro	USD	NIS
Bank guarantees	--	10,000	127,000

28. Transactions with related parties

This item represents the transactions that took place with related parties, which include companies, major shareholders, members of the Board of Directors, senior management, and any companies they control or have the ability to influence. Pricing policies and conditions related to transactions with related parties are approved by the company's Board of Directors.

The transactions with related parties included in the financial statements are as follows:

		December 31, 2023	December 31, 2022
	Relationship	JOD	JOD
Trade receivables	Major shareholders	4,417,775	5,269,172
Trade payables	Major shareholders	11,071	176,405

The transactions with related parties included in the income statement are as follows:

	December 31, 2023	December 31, 2022
	JOD	JOD
Sukhtian Brothers Sales	7,172,114	8,870,869
Sukhtian Group Jordan Sales	569,149	462,787
Bonuses and salaries of top management	248,515	324,258
Paid End of Service Compensation - Top Management	4,248	12,609

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29. Comparative figures

Some financial statement balances have been reclassified as of December 31, 2022, to match the presentation of the current year's financial statement balances. These reclassifications do not affect previous year's profits or equity.