

**TENTH OF RAMADAN FOR PHARMACEUTICAL
INDUSTRIES AND DIAGNOSTIC REAGENTS
(RAMEDA) (S.A.E)
SEPARATE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2019
TOGETHER WITH AUDITOR'S REPORT**

**TENTH OF RAMADAN FOR PHARMACEUTICAL INDUSTRIES AND DIAGNOSTIC
REAGENTS (RAMEDA) (S.A.E)**

**Separate Financial Statements
For the Year Ended 31 December 2019**

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AUDITOR'S REPORT

TO THE SHAREHOLDERS OF TENTH OF RAMADAN FOR PHARMACEUTICAL INDUSTRIES AND DIAGNOSTIC REAGENTS (RAMEDA) (S.A.E)

Report on the Separate Financial Statements

We have audited the accompanying separate financial statements of **TENTH OF RAMADAN FOR PHARMACEUTICAL INDUSTRIES AND DIAGNOSTIC REAGENTS (RAMEDA) (S.A.E)** (the "Company"), represented in the separate statement of financial position as at 31 December 2019, and the related separate statements of profit or loss, comprehensive income, changes in equity and cash flows for the year then ended, and a summary of significant accounting policies and other explanatory notes.

Management's Responsibility for the Separate Financial Statements

These separate financial statements are the responsibility of the Company's Management, as Management is responsible for the preparation and fair presentation of the separate financial statements in accordance with Egyptian Accounting Standards and applicable Egyptian laws. Management responsibility includes: designing, implementing and maintaining internal control relevant to the preparation and fair presentation of separate financial statements that are free from material misstatement, whether due to fraud or error. This responsibility also includes selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances.

Auditor's Responsibility

Our responsibility is to express an opinion on these separate financial statements based on our audit. We conducted our audit in accordance with Egyptian Standards on Auditing and applicable Egyptian laws. Those standards require that we comply with ethical requirements, plan and perform the audit to obtain reasonable assurance that the separate financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the separate financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the separate financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the separate financial statements 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 entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the separate financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion on these separate financial statements.

Opinion

In our opinion, the separate financial statements present fairly in all material respects, the separate financial position of the Company, as at 31 December 2019 and its separate financial performance and its separate cash flows for the year then ended in accordance with the Egyptian Accounting Standards and the related applicable Egyptian laws and regulations.



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Translation of Auditor's report
Originally issued in Arabic

Report on Other Legal and Regulatory Requirements

The Company maintains proper accounting records that comply with the laws and the Company's articles of association and the financial statements agree with the Company's records. The Company maintains a costing system that meets the purpose and the physical inventory count was undertaken by the Company's, Management in accordance with the proper norms.

As indicated in note (8), the Company has investments in subsidiaries and has prepared consolidated financial statements as at and for the year then ended 31 December 2019 in accordance with the Egyptian accounting Standards. For better understanding of the Company's consolidated financial position as at 31 December 2019 and its consolidated financial performance and its consolidated cash flows for the year then ended, the matter necessitates reference to the consolidated financial statements.

The financial information included in the Board of Directors' Report, prepared in accordance with Law No. 159 of 1981 and its executive regulation, is in agreement with the books of the Company insofar as such information is recorded therein.


Ehab Morad Azer

FESAA - FEST

(RAA 6537)

(EFSA 87)



Cairo: 17 February 2020

**TENTH OF RAMADAN FOR PHARMACEUTICAL INDUSTRIES AND DIAGNOSTIC REAGENTS
(RAMEDA) (S.A.E)**

SEPARATE STATEMENT OF FINANCIAL POSITION

As at 31 December 2019

	Notes	31 December 2019 EGP	31 December 2018 EGP
ASSETS			
Non-current assets			
Fixed assets	(5)	417,125,102	219,883,705
Assets under construction	(6)	66,327,646	213,050,197
Intangible assets	(7)	88,645,303	83,721,658
Investment in subsidiaries	(8)	1,461,800	749,300
Total non-current assets		573,559,851	517,404,860
Current assets			
Inventories	(9)	211,915,179	267,380,109
Trade and notes receivable	(10)	498,966,783	366,108,974
Treasury Bills	(11)	464,890,000	-
Due from related parties	(34)	19,849,471	26,532,095
Prepayments and other receivables	(12)	49,920,187	39,489,736
Cash on hand and at banks	(13)	53,116,260	4,209,555
Total current assets		1,298,657,880	703,720,469
TOTAL ASSETS		1,872,217,731	1,221,125,329
EQUITY AND LIABILITIES			
Equity			
Capital	(17)	192,150,000	160,900,000
Legal reserve		16,649,610	10,213,168
General reserves - issuance Premium	(18)	486,965,000	-
Other reserves		278,952	278,952
Retained earnings		295,149,215	172,856,825
Profits for the year		82,984,847	128,728,832
Total equity		1,074,177,624	472,977,777
LIABILITIES			
Non-current liabilities			
Long term loans	(20)	61,649,676	-
Deferred tax liabilities	(31)	25,957,056	20,235,766
Total non-current liabilities		87,606,732	20,235,766
Current liabilities			
Provisions	(14)	9,963,935	7,556,954
Credit facilities	(19)	486,336,405	424,657,282
Current portion of long-term loans	(20)	64,200,000	153,991,022
Trade and notes payable	(15)	61,221,782	56,849,301
Due to related parties	(34)	335,384	8,148
Income taxes payable		19,788,435	39,002,081
Accrued expenses and other payables	(16)	68,587,434	45,846,998
Total current liabilities		710,433,375	727,911,786
TOTAL LIABILITIES		798,040,107	748,147,552
TOTAL LIABILITIES AND EQUITY		1,872,217,731	1,221,125,329

Finance Director
Mohamed Abo Amira



Board Member
Amr Abdallah Morsy



- The accompanying notes from (1) to (38) are an integral part of these separate financial statements.

**TENTH OF RAMADAN FOR PHARMACEUTICAL INDUSTRIES AND DIAGNOSTIC REAGENTS
(RAMEDA) (S.A.E)**

SEPARATE STATEMENT OF PROFIT OR LOSS

For the year ended 31 December 2019

	Note	31 December 2019 EGP	31 December 2018 EGP
Revenues	(23)	893,965,461	805,507,069
Cost of revenues	(24)	<u>(487,434,814)</u>	<u>(400,714,267)</u>
GROSS PROFIT		406,530,647	404,792,802
Selling and marketing expenses	(25)	(152,635,612)	(117,635,765)
General and administrative expenses	(26)	(35,296,234)	(37,638,092)
Other income	(27)	2,015,916	4,230,447
Other expenses	(28)	(2,251,820)	(1,069,796)
Impairment of trade and notes receivable		(1,286,890)	(1,394,654)
Provisions (net)	(14)	(1,128,179)	(1,600,000)
Finance income	(30)	4,646,899	13,926
Finance expenses	(29)	(109,916,798)	(83,699,352)
Net foreign exchange gain (loss)		<u>(2,183,357)</u>	<u>1,082,506</u>
PROFITS FOR THE YEAR BEFORE INCOME TAXES		108,494,572	167,082,022
Income taxes	(31)	(25,509,725)	(38,353,190)
PROFITS FOR THE YEAR		<u>82,984,847</u>	<u>128,728,832</u>
Earnings per share			
Basic and diluted, profit for the year	(32)	<u>0.1269</u>	<u>0.1968</u>

Finance Director
Mohamed Abo Amira



Board Member
Amr Abdallah Morsy



- The accompanying notes from (1) to (38) are an integral part of these separate financial statements.

**TENTH OF RAMADAN FOR PHARMACEUTICAL INDUSTRIES AND DIAGNOSTIC REAGENTS
(RAMEDA) (S.A.E)**

SEPARATE STATEMENT OF COMPREHENSIVE INCOME
For the year ended 31 December 2019

	31 December 2019 EGP	31 December 2018 EGP
PROFITS FOR THE YEAR	82,984,847	128,728,832
OTHER COMPREHENSIVE INCOME	-	-
TOTAL COMPREHENSIVE INCOME	<u>82,984,847</u>	<u>128,728,832</u>

- The accompanying notes from (1) to (38) are an integral part of these separate financial statements.

TENTH OF RAMADAN FOR PHARMACEUTICAL INDUSTRIES AND DIAGNOSTIC REAGENTS (RAMEDA) (S.A.E)

SEPARATE STATEMENT OF CHANGES IN EQUITY
For the year Ended 31 December 2019

	Paid up Capital	Legal reserve	General Reserve – Issuance Premium	Other Reserves	Retained earnings	Profit for the year	Total
	EGP	EGP	EGP	EGP	EGP	EGP	EGP
Balance as at 1 January 2018	160,900,000	5,738,185	-	278,952	92,362,657	89,499,651	348,779,445
Transferred to legal reserve and retained earnings	-	4,474,983	-	-	85,024,668	(89,499,651)	-
Dividends	-	-	-	-	(4,530,500)	-	(4,530,500)
Profits for the year	-	-	-	-	-	128,728,832	128,728,832
Balance as at 31 December 2018	160,900,000	10,213,168	-	278,952	172,856,825	128,728,832	472,977,777
Balance as at 1 January 2019	160,900,000	10,213,168	-	278,952	172,856,825	128,728,832	472,977,777
Transferred to legal reserve and retained earnings	-	6,436,442	-	-	122,292,390	(128,728,832)	-
Capital increase through offering the shares for subscription	31,250,000	-	551,250,000	-	-	-	582,500,000
Expenses of offering the shares for subscription	-	-	(64,285,000)	-	-	-	(64,285,000)
Profits for the year	-	-	-	-	-	82,984,847	82,984,847
Balance as at 31 December 2019	192,150,000	16,649,610	486,965,000	278,952	295,149,215	82,984,847	1,074,177,624

- The accompanying notes from (1) to (38) are an integral part of these separate financial statements.

**TENTH OF RAMADAN FOR PHARMACEUTICAL INDUSTRIES AND DIAGNOSTIC REAGENTS
(RAMEDA) (S.A.E)**

SEPARATE STATEMENT OF CASH FLOWS
For the year ended 31 December 2019

	Note	31 December 2019 EGP	31 December 2018 EGP
CASH FLOWS FROM OPERATING ACTIVITIES			
Profits for the year before income taxes		108,494,572	167,082,022
Adjustments to reconcile profit before tax to net cash flow:			
Net foreign exchange differences		(382,367)	(1,082,506)
Depreciation and amortization	(5,7)	35,334,478	24,770,244
Provision charged	(14)	5,046,862	7,085,132
Impairment of trade and notes receivable	(10)	1,286,890	1,394,654
Reversal of impairment of assets under constructions	(6)	-	(361,622)
Impairment/ (Reversal of impairment) of inventory		4,791,674	(999,224)
Debit interests	(29)	109,916,798	83,699,352
Provision no longer required	(14)	(2,639,881)	-
Gain from sale of fixed assets	(5)	(9,249)	(16,828)
		<u>261,839,777</u>	<u>281,571,224</u>
Change in inventories		50,673,256	(96,235,944)
Change in trade and notes receivable		(134,144,699)	(96,041,892)
Change in prepayments and other receivables		(10,430,451)	(4,770,694)
Change in trade and notes payable		4,372,481	17,897,789
Change in due to related parties		327,236	(1,282,684)
Change in accrued expenses and other payables		<u>20,795,818</u>	<u>12,286,818</u>
Cash flows provided from operating activities		193,433,418	113,424,617
Debit interests paid		(107,972,180)	(82,116,434)
Provisions used	(14)	-	(140,448)
Income taxes paid		(39,002,081)	(22,679,671)
NET CASH FLOWS PROVIDED FROM OPERATING ACTIVITIES		46,459,157	8,488,064
CASH FLOWS FROM INVESTING ACTIVITIES			
Payments to acquire fixed assets	(5)	(18,386,754)	(12,840,388)
Payments to acquire assets under construction	(6)	(63,263,938)	(203,810,991)
Payments to acquire intangible assets	(7)	(9,130,978)	(33,648,000)
Payments to acquire Treasury Bills		(464,890,000)	-
Payments to acquire Investment in subsidiaries		(712,500)	-
Proceeds from sale of fixed assets	(5)	13,950	57,730
Investment in term deposit		(29,205)	(443,876)
NET CASH FLOWS (USED IN) INVESTING ACTIVITIES		(556,399,425)	(250,685,525)
CASH FLOWS FROM FINANCING ACTIVITIES			
Proceed from capital increase		582,500,000	-
Expenses of offering the shares for subscription		(64,285,000)	-
Credit facilities used		664,774,601	704,898,779
Payment of credit facilities		(603,095,478)	(554,151,868)
Receipts from long term loans		12,288,38	116,611,368
Payment of long-term loans		(40,429,984)	(25,500,000)
Change in due from related parties		6,682,624	(5,148,102)
Dividends Paid		-	(5,054,346)
NET CASH FLOWS PROVIDED FROM FINANCING ACTIVITIES		558,435,401	231,655,831
Net change in cash and cash equivalent during the year		48,495,133	(10,541,630)
Net foreign exchange difference		382,367	1,090,660
Cash and cash equivalent - beginning of the year		3,765,679	13,216,649
CASH AND CASH EQUIVALENT - END OF THE YEAR	(13)	52,643,179	3,765,679

- The accompanying notes from (1) to (38) are an integral part of these separate financial statements.

TENTH OF RAMADAN FOR PHARMACEUTICAL INDUSTRIES AND DIAGNOSTIC REAGENTS (RAMEDA) (S.A.E)

NOTES TO THE SEPARATE FINANCIAL STATEMENTS

For the year ended 31 December 2019

1- BACKGROUND

Tenth of Ramadan for Pharmaceutical Industries and Diagnostic Reagents (Rameda) (S.A.E) was established under the provisions of Law No. 43 of 1974.

The Company was registered in the commercial registry under No.84008 on 15 January 1986.

The listing of Tenth of Ramadan for Pharmaceutical Industries and Diagnostic Reagents (Rameda) (S.A.E) on the Egyptian stock exchange was approved in 26 November 2019 according to resolution of listing committee of Egyptian stock exchange .

The registered office is located at plot No. 5 Second Industrial Zone, 6th of October City – Giza– Egypt.

The Company is principally engaged in:

- Producing, marketing, selling and storing of pharmaceutical reagents for human and veterinary use.
- Producing, marketing, selling and storing of diagnostic reagents necessary for individuals, laboratories and hospitals.
- Importing pharmaceutical reagents and raw materials necessary for serving the Company's purposes without trading.
- Producing pharmaceutical reagents for human and veterinary and diagnostic use for others and by others.
- Producing food supplements for human use for others and by others.

The financial statements for the year then ended 31 December 2019 were authorized for issuance in accordance with a resolution of the Board of Directors' dated 17 February 2020.

2- SIGNIFICANT ACCOUNTING POLICIES

2-1 BASIS OF PREPARATION

The separate financial statements are prepared under the going concern assumption on a historical cost basis.

The separate financial statements are prepared and presented in Egyptian pounds, which is the Company's functional currency.

The separate financial statements of the Company have been prepared in accordance with the Egyptian accounting standards and the applicable laws and regulations.

The accounting policies adopted in this year are consistent with the policies adopted in the prior year.

2-2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

2-2-1 CURRENT VERSUS NON-CURRENT CLASSIFICATION

The Company presents assets and liabilities in the separate statement of financial position based on current/non-current classification. An asset is current when it is:

- Expected to be realized or intended to be sold or consumed in the normal operating cycle
- Held primarily for the purpose of trading
- Expected to be realized within twelve months after the reporting year, or
- Cash or cash equivalent unless restricted from being exchanged or used to settle a liability for at least twelve months after the reporting year.

All other assets are classified as non-current.

A liability is current when:

- It is expected to be settled in the normal operating cycle
- It is held primarily for the purpose of trading
- It is due to be settled within twelve months after the reporting year, or
- There is no unconditional right to defer the settlement of the liability for at least twelve months after the reporting year

All other liabilities are classified as non-current.

Deferred tax assets and liabilities are classified as non-current assets and liabilities.

**TENTH OF RAMADAN FOR PHARMACEUTICAL INDUSTRIES AND DIAGNOSTIC REAGENTS
(RAMEDA) (S.A.E)**

NOTES TO THE SEPARATE FINANCIAL STATEMENTS

For the year ended 31 December 2019

2- 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2-2-2 Foreign Currency Translation

Transactions in foreign currencies are initially recorded using prevailing exchange rates at date of transaction, whenever practical management may use fixed monthly exchange rates that are revised in case there is a significant change in the prevailing exchange rate at the date of transactions.

Monetary assets and liabilities denominated in foreign currencies are retranslated using the exchange rates prevailing at the financial position date. All differences are recognized in the separate statement of profit or loss.

Nonmonetary items that are measured at historical cost in foreign currencies are translated using the exchange rates prevailing at the date of the initial recognition.

Nonmonetary items measured at fair value in foreign currencies are translated using the exchange rates prevailing at the date when the fair value is determined.

The gain or loss arising on translation of non-monetary items measured at fair value is treated in line with the recognition of the gain or loss on the change in fair value of the item (i.e., translation differences on items whose fair value gain or loss is recognized in separate statement of other comprehensive income ("OCI") or separate statement of profit or loss are also recognized in OCI or profit or loss, respectively)

2-2-3 Fixed assets

Fixed assets are stated at historical cost net of accumulated depreciation and accumulated impairment losses. Such cost includes the cost of replacing part of the fixed assets when that cost is incurred, if the recognition criteria are met. Likewise, when a major improvement is performed, its cost is recognized in the carrying amount of the fixed assets as a replacement if the recognition criteria are satisfied. All other repair and maintenance costs are recognized in the separate statement of profit or loss as incurred.

Depreciation of an asset begins when it is in the location and condition necessary for it to be capable of operating in the manner intended by management, and is computed using the straight-line method according to the estimated useful life of the asset as follows:

	Years
Buildings	33
Machinery and equipment	10
Transportation and dragging equipment	5-10
Laboratory equipment	10
Tools	10
Furniture and fixtures	4-10

Fixed assets are derecognized upon disposal or when no future economic benefits are expected from its use or disposal. Any gain or loss arising on derecognizing the asset is included in the separate statement of profit or loss when the asset is derecognized.

The assets residual values, useful lives and methods of depreciation are reviewed at each financial year-end position date. Freehold Land is recognized at its acquisition cost and is not depreciated.

The Company assesses at each financial position date whether there is an indication that fixed assets may be impaired. Where the carrying amount of an asset exceeds its recoverable amount, the asset is considered impaired and is written down to its recoverable amount. Impairment losses are recognized in the separate statement of profit or loss.

A previously recognized impairment loss is reversed only if there has been a change in the assumptions used to determine the asset's recoverable amount since the last impairment loss was recognized. The reversal is limited so that the carrying amount of the asset does not exceed its recoverable amount, nor exceed the carrying amount that would have been determined, net of depreciation, had no impairment loss been recognized for the asset in prior years. Such reversal is recognized in the separate statement of profit or loss.

**TENTH OF RAMADAN FOR PHARMACEUTICAL INDUSTRIES AND DIAGNOSTIC REAGENTS
(RAMEDA) (S.A.E)**

NOTES TO THE SEPARATE FINANCIAL STATEMENTS

For the year ended 31 December 2019

2- 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2-2-4 Assets under construction

Assets under construction represent the amounts that are incurred for the purpose of constructing or purchasing fixed assets or intangible assets until it is ready to be used in the operation, upon which it is transferred to fixed assets or intangible assets. Assets under construction are valued at cost less impairment.

2-2-5 Intangible Assets

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

After initial recognition, intangible assets are carried at cost less any accumulated amortization and accumulated impairment losses.

Intangible assets internally generated are not capitalized and the expenditures are charged to the separate statement of profit or loss in the year in which the expenditure was incurred.

The useful lives of intangible assets are assessed as either finite or indefinite.

Intangible assets with finite lives are amortized over the useful economic life and assessed for impairment whenever there is an indication that the intangible asset may be impaired. The amortization expense is charged to the separate statement of profit or loss.

The period of amortization and the amortization method for an intangible assets with finite useful lives are reviewed at the end of each financial position date.

2-2-6 Investments in subsidiaries

Investments in subsidiaries are investments in entities which the Company has control. Control is achieved when the Company is exposed, or has rights, to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee.

Specifically, the Company controls an investee if, and only if, the Company has:

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

Generally, there is a presumption that a majority of voting rights results in control. To support this presumption and when the Company has less than a majority of the voting or similar rights of an investee, the Company considers all relevant facts and circumstances in assessing whether it has power over an investee, including:

- The contractual arrangements with the other vote holders of the investee
- Right arising from other contractual arrangements
- The Company voting rights and potential voting rights

The Company re-assess whether or not it controls an investee if facts and circumstances indicates that there are changes to one or more of the three elements of controls.

Investments in subsidiaries are accounted for at cost inclusive transaction cost and in case the investment is impaired, the carrying amount is adjusted by the value of this impairment and is charged to the separate statement of profit or loss for each investment separately.

**TENTH OF RAMADAN FOR PHARMACEUTICAL INDUSTRIES AND DIAGNOSTIC REAGENTS
(RAMEDA) (S.A.E)**

NOTES TO THE SEPARATE FINANCIAL STATEMENTS

For the year ended 31 December 2019

2- 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2-2-7 Available for sale

These assets are measured on initial recognition of the fair value, plus the cost of the transaction directly related to the acquisition or issue of the financial asset.

After the initial recognition, they are measured at fair value, changes in the fair value other than the impairment losses and the effects of changes in foreign currency exchange rates for debt instruments are recognized within the other comprehensive income items and accumulated in the fair value reserve, and from the exclusion of these assets, the recognized accumulated profits or losses are reclassified Included in other comprehensive income previously to profit or loss

2-2-8 Inventory

The inventory elements are valued as follows:

- a) Raw materials and packing materials: at the lower of cost (using the moving weighted average method) or net realizable value.
- b) Spare parts: at the lower of cost (using the moving weighted average method) or net realizable value.
- c) Finished goods: at the lower of cost (using the weighted average method) or net realizable value. The cost includes direct materials, direct labor and allocated share of manufacturing overhead excluding borrowing costs.
- d) Work in process: at the lower of cost or net realizable value. Cost includes direct material, direct labor and allocated share of manufacturing overheads based on the percentage of completion.

Goods in transit: at the lower of cost or net realizable value, and is recognized in the separate financial statements when risks and rewards are transferred to the Company which is determined based on shipping terms. Cost includes the purchase price of the materials and directly attributable expenses incurred to date.

Net realizable value is the estimated selling price in the ordinary course of business less estimated costs of completion and the estimated costs necessary to make the sale.

The amount of any write down of inventories to net realizable value and all losses of inventories are recognized in cost of sales in the separate statement of profit or loss in the period the write down or loss occurs. The amount of any reversal of any write down of inventories, arising from an increase in net realizable value, is recognized as reduction of cost of sales in the separate statement of profit or loss in the period in which the reversal occurs.

**TENTH OF RAMADAN FOR PHARMACEUTICAL INDUSTRIES AND DIAGNOSTIC REAGENTS
(RAMEDA) (S.A.E)**

NOTES TO THE SEPARATE FINANCIAL STATEMENTS

For the year ended 31 December 2019

2- 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2-2-9 Trade and notes receivables and other receivables

Receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market.

These receivables are recognized initially at fair value.

After initial measurement, such financial assets are subsequently measured at amortized cost less impairment.

The Company assesses whether impairment exists individually, for receivables that are individually significant, or collectively for receivables that are not individually significant.

The calculation of impairment is based on actual incurred historical data. The impairment loss is recognized in the separate statement of profit or loss. Reversal of impairment is recognized in the separate statement of profit or loss in the period in which it occurs.

2-2-10 Trade and notes payable, accrued expenses and other payables

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

2-2-11 Provisions

Provisions are recognized when the Company has a present legal or constructive obligation as a result of a past event, and it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation, and a reliable estimate of the amount of the obligation can be made. Provisions are reviewed at the financial position date and adjusted to reflect the current best estimate.

Where the effect of the time value of money is material, the amount of a provision should be the present value of the expected expenditures required to settle the obligation.

Where discounting is used, the increase in the provision due to the passage of time is recognized in the separate statement of profit or loss as a finance expense.

2-2-12 Social Insurance

The Company makes contributions to the Social Insurance Authority calculated as a percentage of the employees' salaries. The Company's obligations are limited to these contributions, which are expensed when due.

2-2-13 Legal reserve

According to the Company's articles of association, 5% of the net profits of the year is transferred to the legal reserve until this reserve reaches 50% of the issued capital. The reserve is used upon a decision from the general assembly meeting based on the proposal of the Board of Directors. The transfer to the legal reserve is made once the separate financial statements for the year are approved in the general assembly meeting.

2-2-14 General Reserve

According to the Company's articles of association, the general assembly meeting may decide to allocate a certain percentage of the net profits of the year to the general reserve. The reserve is used upon a decision from the general assembly meeting based on the proposal of the board of directors. The general reserve forms part of other reserves.

**TENTH OF RAMADAN FOR PHARMACEUTICAL INDUSTRIES AND DIAGNOSTIC REAGENTS
(RAMEDA) (S.A.E)**

NOTES TO THE SEPARATE FINANCIAL STATEMENTS

For the year ended 31 December 2019

2- 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2-2-15 Borrowings

Borrowings are initially recognized at fair value less transaction cost. Amounts maturing within one year are classified as current liabilities, unless the Company has the right to postpone the settlement for a period exceeding one year after the financial position date, then the loan balance should be classified as non-current liabilities.

After initial recognition, interest bearing loans and borrowings are subsequently measured at amortized cost using the effective interest rate method. Gains and losses are recognized in the separate statement of profit or loss when the liabilities are derecognized as well as through the effective interest rate method amortization process.

Amortized cost is calculated by taking into account any discount or premium on acquisition and fee or costs that are an integral part of the effective interest rate. The effective interest rate amortization is included in finance expenses in the separate statement of profit or loss.

2-2-16 Income taxes

Income tax is calculated in accordance with the Egyptian tax law.

Current income tax

Current income tax assets and liabilities for the current and prior periods are measured at the amount expected to be recovered from or paid to the tax authority.

Deferred income tax

Deferred tax is provided using the liability method on temporary differences between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes at the reporting date.

Deferred tax liabilities are recognized for all taxable temporary differences, except:

- When the deferred tax liability arises from the initial recognition of goodwill or an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss.
- In respect of taxable temporary differences associated with investments in subsidiaries, associates and interests in joint arrangements, when the timing of the reversal of the temporary differences can be controlled and it is probable that the temporary differences will not reverse in the foreseeable future.

Deferred tax assets are recognized for all deductible temporary differences, the carry forward of unused tax credits and any unused tax losses. Deferred tax assets are recognized to the extent that it is probable that taxable profit will be available against which the deductible temporary differences, and the carry forward of unused tax credits and unused tax losses can be utilized, except:

- When the deferred tax asset relating to the deductible temporary difference arises from the initial recognition of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss.
- In respect of deductible temporary differences associated with investments in subsidiaries, associates and interests in joint arrangements, deferred tax assets are recognized only to the extent that it is probable that the temporary differences will reverse in the foreseeable future and taxable profit will be available against which the temporary differences can be utilized.

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2- 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2-2-16 Income taxes (continued)

The carrying amount of deferred tax assets is reviewed at each reporting date and reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the deferred tax asset to be utilized. Unrecognized deferred tax assets are re-assessed at each reporting date and are recognized to the extent that it has become probable that future taxable profits will allow the deferred tax asset to be recovered.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply in the year when the asset is realized or the liability is settled, based on tax rates (and tax laws) that have been enacted or substantively enacted at the reporting date.

Deferred tax relating to items recognized outside profit or loss is recognized outside profit or loss. Deferred tax items are recognized in correlation to the underlying transaction directly in equity.

Deferred tax assets and deferred tax liabilities are offset if a legally enforceable right exists to set off current tax assets against current tax liabilities and the deferred taxes relate to the same taxable entity and the same taxation authority.

2-2-17 Dividends

The Company recognizes a liability to pay a dividend when the distribution is authorized and distribution is no longer at the discretion of the Company. As per law 159, a distribution is authorized when it is approved by the shareholders in the general assembly meeting.

2-2-18 Revenue recognition

Revenue is recognized to the extent that it is probable that the economic benefits will flow to the Company and the revenue can be reliably measured. Revenue from sale of goods is measured at the fair value of the consideration received or receivable, net of returns and allowances, trade discounts and volume rebates. The following specific recognition criteria must also be met before revenue is recognized:

• **Sale of Pharmaceutical products**

Revenue from the sale of pharmaceutical products is recognized when the significant risks and rewards of ownership of the pharmaceutical products have passed to the buyer, for 'local sales' usually upon the delivery of the goods, for 'export sales', once the products are dispatched to dedicated stores area belonging to the customer.

• **Provision for sales of goods returns**

As part of the normal sales cycle, the Company receives sales returns from its customers. To account for the financial impact of potential customer goods returns, the Company estimates future returns on previously sold goods. Provision for the sales returns are recorded for estimated goods returns based on return history, current sales levels and expiry dates for the products sold.

• **Rendering of services (toll manufacturing)**

Revenue from toll manufacturing services, which takes from one to three days, is recognized upon the completion of the manufacturing process and the internal tests.

• **Interest income**

Interest income is recognized as interest accrues using the effective interest "EIR" method. EIR is the rate that exactly discounts the estimated future cash payments or receipts over the expected life of the financial instrument or a shorter period, where appropriate, to the net carrying amount of the financial asset or liability.

• **Lease income**

Lease income is accounted for on a straight-line basis over the lease term.

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2- 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2-3-19 Expenses

All expenses including cost of revenues, general and administrative expenses, selling and marketing expenses, finance expenses and other expenses are recognized and charged to the separate statement of profit or loss in the financial year in which these expenses are incurred.

2-2-20 Borrowing costs

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

2-2-21 Leases (as a lessee)

Lease contracts are classified as operating lease in accordance with the Egyptian accounting standards and Egyptian laws and regulations, where the lease payments are recognized as an expense on a straight-line basis over the lease term.

2-2-22 Related party transactions

Related parties represent associated companies, major shareholders, directors and key management personnel of the Company, and entities controlled, jointly controlled or significantly influenced by such parties. Pricing policies and terms of these transactions are approved by the Boards of Directors.

2-2-23 Contingent Liabilities and Assets

Contingent liabilities are not recognized in the separate financial statements. They are disclosed unless the possibility of an outflow of resources embodying economic benefits is remote. A contingent asset is not recognized in the separate financial statements but disclosed when an inflow of economic benefits is probable.

2-2-24 Fair value measurement

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

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

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

For assets traded in an active market, fair value is determined by reference to quoted market bid prices.

The fair value of interest-bearing items is estimated based on discounted cash flows using interest rates for items with similar terms and risk characteristics.

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

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For the year ended 31 December 2019

2- 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2-2-24 Fair value measurement (continued)

- Level 1 – Fair value measurements are those derived from quoted prices in an active market (that are unadjusted) for identical assets or liabilities.
- Level 2 – Fair value measurements are those derived from inputs other than quoted prices included within Level 1 that are observable for the asset or liability either directly (i.e. as prices) or indirectly (i.e. derived from prices).
- Level 3 – Fair value measurements are those derived from valuation techniques that include inputs for the asset or liability that are not based on observable market data (unobservable inputs).

For assets and liabilities that are recognized in the financial statements on a recurring basis, the Company determines whether transfers have occurred between levels in the hierarchy by re-assessing categorization at the end of each reporting period.

For the purpose of fair value disclosures, the Company has determined classes of assets and liabilities on the basis of the nature, characteristics and risks of the asset or liability and the level of the fair value hierarchy as explained above.

2-2-25 Impairment of assets

Impairment of financial assets

The Financial assets of the Company include cash on hand and at banks, trade and notes receivable and due from related parties. The Company assesses at each financial position date whether there is any objective evidence that a financial asset or a group of financial assets is impaired. A financial asset or a group of financial assets is deemed to be impaired if, and only if, there is objective evidence of impairment as a result of one or more events that has occurred after the initial recognition of the asset and has an impact on the estimated future cash flows of the financial asset or the group of financial assets that can be reliably estimated. The policy for the measurement of the impairment losses is included in respective financial assets accounting policy.

Impairment of non-financial assets

The Company assesses at each financial position date whether there is an indication that an asset may be impaired. Where the carrying amount of an asset or cash-generating units (CGU) exceeds its recoverable amount, the asset is considered impaired and is written down to its recoverable amount. An asset's recoverable amount is the higher of an asset's or CGU's fair value less costs of disposal and its value in use. The recoverable amount is determined for an individual asset, unless the asset does not generate cash inflows that are largely independent of those from other assets or groups of assets. Impairment losses are recognized in the separate statement of profit or loss.

A previously recognized impairment loss is only reversed if there has been a change in the assumptions used to determine the asset's recoverable amount since the last impairment loss was recognized. The reversal is limited so that the carrying amount of the asset does not exceed its recoverable amount, nor exceed the carrying amount that would have been determined, had no impairment loss been recognized for the asset in prior years. Such reversal is recognized in the separate statement of profit or loss.

2-2-26 Statement of cash flows

The statement of cash flows is prepared using the indirect method.

2-2-27 Cash and cash equivalent

For the purpose of preparing the separate statement of cash flow, the cash and cash equivalent comprise of cash on hand, current accounts with banks and time deposits maturing within three months.

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3- SIGNIFICANT ACCOUNTING JUDGMENTS AND ESTIMATES

The preparation of these separate financial statements requires management to make judgments and estimates that affect the reported amounts of revenues, expenses, assets and liabilities, the accompanying disclosures and the disclosure of contingent liabilities at the reporting date. Uncertainty about these assumptions and estimates could result in outcomes that require a material adjustment to the carrying amount of the assets or liabilities affected in future periods.

Estimates and their underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognized in the period in which the estimates are revised.

The key judgments and estimates that have a significant impact on the separate financial statements of the Company are discussed below:

3-1 Judgments

Revenue Recognition for sale of goods

In making their judgment, the management considered the detailed criteria for the recognition of revenue from the sale of goods as set out in "EAS 11 Revenue" including the judgement about whether significant risks and rewards have been transferred.

3-2- Estimates

Impairment of trade and other receivables

An estimate of the collectible amount of trade and other receivables is made when collection of the full amount is no longer probable. For individually significant amounts, this estimate is performed on an individual basis. Amounts which are not individually significant, but are past due, are assessed collectively and a provision is applied according to the length of time past due, based on historical recovery rates.

Provision for sales returns

The Company's management determines the estimates provision for the expected sales returns. This estimate is determined after considering the past experience of sales returns and sales volume and expiry dates of the products sold. The management periodically reviews the estimated provision amount to ensure that provision is adequate to cover the sales return.

Useful lives of fixed assets

The Company's management determines the estimated useful lives of its fixed assets for calculating depreciation. This estimate is determined after considering the expected usage of the asset or physical wear and tear. The management periodically reviews the estimated useful lives and the depreciation method to ensure that the method and the period of depreciation are consistent with the expected pattern of economic benefits from these assets.

Useful lives of intangible assets

The useful lives of intangible assets are assessed as either finite or indefinite.

The assessment of indefinite life is reviewed annually to determine whether the indefinite life continues to be supportable. If not, the change in useful life from indefinite to finite is made on a prospective basis.

The management periodically reviews the estimated useful lives and the amortization method to ensure that the method and the period of amortization are consistent with the expected pattern of economic benefits from these assets.

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NOTES TO THE SEPARATE FINANCIAL STATEMENTS

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3- SIGNIFICANT ACCOUNTING JUDGMENTS AND ESTIMATES (CONTINUED)

Taxes

The Company is subject to income taxes in Egypt. Significant judgment is required to determine the total provision for current and deferred taxes. The Company establishes provision, based on reasonable estimates, for possible consequences of audits by the tax authorities in Egypt. The amount of such provision is based on various factors, such as experience of previous tax audits and different interpretations of tax regulations by the Company and the responsible tax authority. Such differences of interpretations may be on a wide variety of issues depending on the conditions prevailing in Egypt.

Deferred tax assets are recognized for unused accumulated tax losses to the extent that it is probable that taxable profits will be available against which the losses can be utilized. Significant management judgment is required to determine the amount of deferred tax assets that can be recognized, based upon the likely timing and the level of future taxable profits together with future tax planning strategies.

Impairment of non-financial assets

The Company assesses whether there are any indicators of impairment for all non-financial assets at each reporting date. The non-financial assets are tested for impairment when there are indicators that the carrying amounts may not be recoverable. When value in use calculations are undertaken, management estimates the expected future cash flows from the asset or cash-generating unit and chooses a suitable discount rate in order to calculate the present value of those cash flows.

4- SEGMENT INFORMATION

Currently the Company's primary business segment is the production and selling of pharmaceutical products which contributes to 95% of total revenue and balance 5% is contributed by toll manufacturing services (December 2018: 95% and 5% receptively). The Company's management monitors the business under two segments, "production and selling of pharmaceutical products" and "manufacturing for others" (Toll manufacturing) for the purpose of making business decisions.

Accordingly, the Company's revenues during the year ended 31 December 2019 were reported under two segments in the separate financial statements.

The Company produces and sells several products and render services as follows:

	Services		Sale of pharmaceutical products			Total
	Toll Manufacturing "Domestic"	Export	Private sales	Domestic Veterinary	Tenders	
	EGP	EGP	EGP	EGP	EGP	EGP
31 December 2019	<u>41,470,455</u>	<u>65,101,165</u>	<u>589,240,323</u>	<u>2,214,968</u>	<u>195,938,550</u>	<u>893,965,461</u>
31 December 2018	<u>39,792,189</u>	<u>60,513,864</u>	<u>523,513,072</u>	<u>4,220,691</u>	<u>177,467,253</u>	<u>805,507,069</u>

Revenue from the top five customers presented 81% of total revenues (December 2018: 80%)

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For the year ended 31 December 2019

5- FIXED ASSETS

	Freehold Land	Buildings	Machinery and equipment	Transportation and dragging equipment	Laboratory equipment	Tools	Office furniture and fixtures	Total
	EGP	EGP	EGP	EGP	EGP	EGP	EGP	EGP
Cost								
As of 1 January 2019	18,637,425	173,615,138	145,848,968	12,200,342	14,748,298	3,342,702	18,421,709	386,814,582
Additions	-	5,970,194	6,249,144	210,786	2,381,626	411,889	3,163,115	18,386,754
Transferred from assets under construction	-	48,250,241	161,505,582	-	-	-	230,666	209,986,489
Disposals	-	-	-	-	-	-	(17,878)	(17,878)
As of 31 December 2019	18,637,425	227,835,573	313,603,694	12,411,128	17,129,924	3,754,591	21,797,612	615,169,947
Accumulated depreciation								
As of 1 January, 2019	-	(44,159,755)	(92,821,575)	(8,947,723)	(7,169,885)	(1,015,114)	(12,816,825)	(166,930,877)
Depreciation for the year	-	(6,474,367)	(20,779,889)	(635,796)	(1,389,170)	(294,685)	(1,553,238)	(31,127,145)
Disposals	-	-	-	-	-	-	13,177	13,177
As of 31 December 2019	-	(50,634,122)	(113,601,464)	(9,583,519)	(8,559,055)	(1,309,799)	(14,356,886)	(198,044,845)
Net book value as at 31 December 2019	18,637,425	177,201,451	200,002,230	2,827,609	8,570,869	2,444,792	7,440,726	417,125,102
Net book value as at 31 December 2018	18,637,425	129,455,383	53,027,393	3,252,619	7,578,413	2,327,588	5,604,884	219,883,705

- There is a commercial mortgage on all machinery and equipment in favour of the Commercial International Bank as a guarantee for the loans granted to the Company (note 20).
- The cost of fixed assets as of 31 December 2019 includes EGP 16,782,958 which represents fully depreciated assets that are still in use.

Depreciation for the year was allocated to the statement of profit or loss as follows:

	31 December 2019	31 December 2019
	EGP	EGP
Cost of revenue (note 24)	28,593,111	17,878
Selling and marketing expenses (note 25)	404,691	13,177
General and administrative expenses (note 26)	2,129,343	4,701
	31,127,145	13,950
		9,249

Gain from sale of fixed assets was calculated as follows:

Cost of disposed assets	
Accumulated depreciation of disposed assets	
Net book value of disposed assets	
Proceeds from sale of fixed assets	
Gain from sale of fixed assets	

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NOTES TO THE SEPARATE FINANCIAL STATEMENTS

For the year ended 31 December 2019

5- FIXED ASSETS (CONTINUED)

	Freehold Land	Buildings	Machinery and equipment	Transportation and dragging equipment	Laboratory equipment	Tools	Office furniture and fixtures	Total
	EGP	EGP	EGP	EGP	EGP	EGP	EGP	EGP
Cost								
As of 1 January 2018	18,637,425	172,626,690	140,791,852	10,297,938	13,374,308	1,455,946	16,116,670	373,300,829
Additions	-	988,448	4,315,166	1,902,404	1,373,990	1,886,756	2,373,624	12,840,388
Transferred from assets under construction	-	-	741,950	-	-	-	-	741,950
Disposals	-	-	-	-	-	-	(68,585)	(68,585)
As of 31 December 2018	18,637,425	173,615,138	145,848,968	12,200,342	14,748,298	3,342,702	18,421,709	386,814,582
Accumulated depreciation								
As of 1 January 2018	-	(39,138,509)	(79,029,671)	(8,372,334)	(6,252,652)	(920,608)	(11,619,556)	(145,333,330)
Depreciation for the year	-	(5,021,246)	(13,791,904)	(575,389)	(917,233)	(94,506)	(1,224,952)	(21,625,230)
Disposals	-	-	-	-	-	-	27,683	27,683
As of 31 December 2018	-	(44,159,755)	(92,821,575)	(8,947,723)	(7,169,885)	(1,015,114)	(12,816,825)	(166,930,877)
Net book value as at 31 December 2018	18,637,425	129,455,383	53,027,393	3,252,619	7,578,413	2,327,588	5,604,884	219,883,705
Net book value as at 31 December 2017	18,637,425	133,488,181	61,762,181	1,925,604	7,121,656	535,338	4,497,114	227,967,499

- There is a commercial mortgage on all machinery and equipment in favour of the Commercial International Bank as a guarantee for the loans granted to the Company (note 20).
- The cost of fixed assets as of 31 December 2018 includes EGP 15,634,658, which represents fully depreciated assets that are still in use.

Depreciation for the year was allocated to the statement of profit or loss as follows:

	31 December 2018	EGP
Cost of revenue (note 24)	20,172,451	(68,585)
Selling and marketing expenses (note 25)	411,991	27,683
General and administrative expenses (note 26)	1,040,788	(40,902)
	21,625,230	57,730
		16,828

Gain from sale of fixed assets was calculated as follows:

Cost of disposed assets	(68,585)
Accumulated depreciation of disposed assets	27,683
Net book value of disposed assets	(40,902)
Proceeds from sale of fixed assets	57,730
Gain from sale of fixed assets	16,828

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6 –ASSETS UNDER CONSTRUCTION

	31 December 2019 EGP	31 December 2018 EGP
Service equipment and infra-structure facilities	46,099,958	166,664,672
Laboratory equipment	570,591	570,590
Buildings and furniture	20,343,534	46,501,372
	67,014,083	213,736,634
Impairment in value of assets under construction	(686,437)	(686,437)
	66,327,646	213,050,197

The movement of assets under construction during the year is as follows:

	31 December 2019 EGP	31 December 2018 EGP
Beginning balance	213,736,634	10,667,593
Additions during the year	63,263,938	203,810,991
Transferred to fixed assets during the year	(209,986,489)	(741,950)
Ending balance	67,014,083	213,736,634

Capitalized borrowing cost:

The amount of borrowing costs capitalized on service equipment and infra-structure facilities during the year ended 31 December 2019 amounted to EGP 15,605,439 (31 December 2018: EGP 7,648,622).

The capitalized borrowing cost represents the cost of specific borrowings made for these assets at a rate of 16.89% (December 2018: 18.78%).

7- INTANGIBLE ASSETS

	Registration Rights 31 December 2019 EGP	31 December 2018 EGP
Cost as at 1 January	95,683,406	62,035,406
Additions	9,130,978	33,648,000
Total cost as at 31 December 2019	104,814,384	95,683,406
Accumulated amortization as at 1 January	(11,961,748)	(8,816,734)
Amortization for year	(4,207,333)	(3,145,014)
Accumulated amortization as at 31 December 2019	(16,169,081)	(11,961,748)
Net book value as at 31 December 2019	88,645,303	83,721,658

The balance of the intangible assets represents the cost of acquiring the registration rights of certain pharmaceutical products and is amortized using the straight-line method over their useful life (20 years). Management estimate the expected future benefit of the registration rights to be utilize over 20 years, and assessed for impaired whenever there is an indication that the economic benefit of the product is impaired.

There is a commercial mortgage on intangible assets in favor of the Commercial International Bank as a collateral for the loans granted to the Company (note 20).

Intangible asset balance includes registration right assets under approval amounted to EGP 7,141,500 (December 2018: EGP 29,390,000).

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8 - INVESTEMENT IN SUBSIDIARIES

	Country of incorporate	%	31 December 2019 EGP	%	31 December 2018 EGP
Rameda for Pharmaceuticals Trading	Egypt	99,97%	1,437,300	99,97%	724,800
Ramecare Company	Egypt	49%	12,250	49%	12,250
Ramepharma Company	Egypt	49%	12,250	49%	12,250
			<u>1,461,800</u>		<u>749,300</u>

Ramecare and Ramepharma were considered subsidiaries since the Company has control over their operational and financial policies.

9 -INVENTORIES

	31 December 2019 EGP	31 December 2018 EGP
Raw materials	63,585,624	67,051,026
Packing and packaging materials	32,596,525	22,540,397
Spare parts	7,342,641	11,231,382
Finished goods	75,637,934	106,649,651
Work in progress	24,516,840	36,964,491
Goods in transit	12,615,752	21,503,128
Inventory with others	1,981,835	3,010,332
	<u>218,277,151</u>	<u>268,950,407</u>
Write down in inventories	<u>(6,361,972)</u>	<u>(1,570,298)</u>
	<u>211,915,179</u>	<u>267,380,109</u>

Raw material and finished goods inventory are mortgaged as a collateral for the credit facilities (Note 19).

The movement in the write down in value of inventories is as follows:

	31 December 2019 EGP	31 December 2018 EGP
Beginning balance	(1,570,298)	(2,569,522)
Charged during the year	(4,791,674)	-
Reversal	-	999,224
Ending balance	<u>(6,361,972)</u>	<u>(1,570,298)</u>

The write down in inventories charged during the year is included in the cost of sales.

10 -TRADE AND NOTES RECEIVABLE

	31 December 2019 EGP	31 December 2018 EGP
Trade receivable	265,695,129	121,228,875
Trade receivable – toll manufacturing	13,189,373	8,192,593
Notes receivable	223,487,730	238,806,065
	<u>502,372,232</u>	<u>368,227,533</u>
Impairment of trade and notes receivable	<u>(3,405,449)</u>	<u>(2,118,559)</u>
	<u>498,966,783</u>	<u>366,108,974</u>

Notes receivable amounting to EGP 129.3 Million are mortgage as a collateral for the credit facilities (Note 19).

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10 -TRADE AND NOTES RECEIVABLE (CONTINUED)

The aging analysis of trade and notes receivables before impairment is as follows:

	Total	Neither Past due nor impaired	Past due but not impaired				Impaired
			Less than 180 days	From 181 to 270 days	From 271 to 365 days	More than 365 days	
2019	<u>502,372,232</u>	<u>223,487,730</u>	<u>264,202,902</u>	<u>10,675,661</u>	<u>530,036</u>	<u>70,454</u>	<u>3,405,449</u>
2018	<u>368,227,533</u>	<u>238,806,065</u>	<u>119,196,327</u>	<u>6,309,207</u>	<u>861,222</u>	<u>936,153</u>	<u>2,118,559</u>

The movement of the impairment in value of trade receivable is as follows:

	31 December 2019 EGP	31 December 2018 EGP
Beginning balance	(2,118,559)	(723,905)
Charged during the year	<u>(1,286,890)</u>	<u>(1,394,654)</u>
Ending balance	<u>(3,405,449)</u>	<u>(2,118,559)</u>

11 - TREASURY BILLS

	31 December 2019 EGP	31 December 2018 EGP
Treasury bills	500,000,000	-
Unearned interest	<u>(35,110,000)</u>	<u>-</u>
	<u>464,890,000</u>	<u>-</u>

12 - PREPAYMENTS AND OTHER RECEIVABLES

	31 December 2019 EGP	31 December 2018 EGP
Prepaid expenses	1,448,594	905,915
Advances to suppliers	19,462,382	17,170,848
Tax authority	12,095,034	6,586,101
Social insurance authority	907,676	271,190
Letters of credit margin	8,508,352	4,139,652
Accrued interests	2,521,713	-
Deposits with others	1,689,925	1,432,625
Employees' imprests and advances	1,986,394	1,674,542
Customs-authority	769,509	6,458,482
Other receivables	<u>530,608</u>	<u>850,381</u>
	<u>49,920,187</u>	<u>39,489,736</u>

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13 - CASH ON HAND AND AT BANKS

	31 December 2019 EGP	31 December 2018 EGP
a) Egyptian Pounds		
Cash on hand	47,290	31,688
Current accounts	45,815,772	3,182,882
Checks under collection	3,706,012	-
Term deposits	473,081	443,876
	<u>50,042,155</u>	<u>3,658,446</u>
b) Foreign currencies		
Current accounts	3,074,105	551,109
	<u>3,074,105</u>	<u>551,109</u>
	<u>53,116,260</u>	<u>4,209,555</u>

Cash balances are denominated in the following currencies:

	31 December 2019 EGP	31 December 2018 EGP
Egyptian pound (EGP)	50,042,155	3,658,446
US dollar (USD)	3,068,108	521,727
Euro (EUR)	5,997	29,382
	<u>53,116,260</u>	<u>4,209,555</u>

For the purpose of cash flow statements, cash and cash equivalents consist of following.

	31 December 2019 EGP	31 December 2018 EGP
Cash in hand	47,290	31,688
Current accounts	52,595,889	3,733,991
	<u>52,643,179</u>	<u>3,765,679</u>

14 - PROVISIONS

	Balance as at January 2019 EGP	Charged during the year EGP	No longer required EGP	Used during the year EGP	Balance as at December 2019 EGP
Provision for expected claims	2,071,822	3,768,060	(2,639,881)	-	3,200,001
Provision for sales returns*	5,485,132	1,278,802	-	-	6,763,934
	<u>7,556,954</u>	<u>5,046,862</u>	<u>(2,639,881)</u>	<u>-</u>	<u>9,963,935</u>
	Balance as at January 2018 EGP	Charged during the year EGP	No longer required EGP	Used during the year EGP	Balance as at December 2018 EGP
Provision for expected claims	612,270	1,600,000	-	(140,448)	2,071,822
Provision for sales returns*	-	5,485,132	-	-	5,485,132
	<u>612,270</u>	<u>7,085,132</u>	<u>-</u>	<u>(140,448)</u>	<u>7,556,954</u>

*Provision for sales returns is deduced from sales disclosed in note (23).

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15- TRADE AND NOTES PAYABLE

	31 December 2019 EGP	31 December 2018 EGP
Trade payable	45,685,864	47,368,846
Notes payable	15,535,918	9,480,455
	<u>61,221,782</u>	<u>56,849,301</u>

16- ACCRUED EXPENSES AND OTHER PAYABLES

	30 December 2019 EGP	31 December 2018 EGP
Accrued expenses	17,522,004	9,786,333
Tax authority (other than income tax)	29,866,765	24,904,056
Advances from customers	20,210,828	9,872,416
Other payables	987,837	1,284,193
	<u>68,587,434</u>	<u>45,846,998</u>

Trade payables, accrued expenses and other payables are non-interest bearing.

17- CAPITAL

The Group's authorized capital amounted to EGP 200 million, whereas the issued and paid up capital amounted to EGP 120 million divided over 120,000 shares of par value EGP 1,000 each.

The extra ordinary general assembly meeting held on 2 May 2011 decided to increase the Group's authorized capital to EGP 1 billion and to increase the issued and paid up capital to EGP 160,900,000 divided over 160,900 shares of par value EGP 1,000 each.

The extraordinary general assembly meeting held on 14 March 2018 decided to amend the par value of the share from EGP 1,000 per share to EGP 0.25 per share. Accordingly, the Company's issued capital amounts to EGP 160,900,000 divided over 643,600,000 shares of par value EGP 0.25 each.

The extraordinary general assembly meeting held on 4 November 2019 and 23 November 2019 decided to increase the issued capital by cash increase in conjunction with the offering in stock exchange market with total amount EGP 550,000,000 (the value of the increase represent the nominal value plus the issue premium). The subscription for this increase was limited to Greville Investing Limited Company who represents the main shareholder and delegated from the remaining shareholders for selling process.

The extra ordinary general assembly meeting held on on 4 November 2019 and 23 November 2019 decided to increase the issued and paid up capital by 31,250,000 to be EGP 192,150,000 as of 31 December 2019 through issuing 125,000,000 shares at offering price EGP 4.66 divided over 768,600,000 shares noting that the deference between offering price and par value represented in share premium recognized in general reserve.

The following illustrate the new structure for shareholders:

	%	No. of shares	Amount EGP
Greville Investing Limited	51	391,986,000	97,996,500
Other listed Free Shares in Stock Exchange Market	49	376,614,000	94,153,500
	<u>100</u>	<u>768,600,000</u>	<u>192,150,000</u>

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20- LONG TERM LOANS (CONTINUED)

During the year 2017, the Company signed an agreement with Commercial International Bank to obtain a loan amounting to EGP 86,422,000 with an annual interest rate of 1.25% over the Corridor rate repayable over 36 monthly installments starting from 29 October 2018 and maturing on 29 March 2021. During the year ended 31 December 2018, interest rate reduced from 1.25% to 1.1% over the CBE lending rate. "Loan (2)". The Company paid EGP 7,199,779 during the current year (31 December 2018: EGP 1,500,000). The Company has drawn down EGP 5,778,206 during the year ended 31 December 2019, and the balance outstanding amounted to EGP 58,875,703 as at 31 December 2019 (31 December 2018: EGP 60,297,276). During September the Company agreed with the bank to increase the loan by EGP 9,196,000 repayable over 24 monthly installments starting from 1 January 2020 and maturing on 1 December 2021 and reduce the interest rate to 0.75% over the CBE lending rate, However the Company hasn't obtained the additional amount yet.

During the year 2018, the Company signed an agreement with Commercial International Bank to obtain a loan amounting to EGP 78,766,000 with an annual interest rate of 0.9% over the CBE lending rate repayable over 19 monthly installments after the expiry of grace year, which is 15 months from the date of first use. "Loan (3)". The Company has drawn down EGP 732,226 during the year ended 31 December 2019 and the balance outstanding amounted to EGP 66,973,972 as at 31 December 2019. During September the Company rescheduled the loan to be repayable over 24 monthly installments starting from 1 January 2020 and maturing on 1 December 2021 and reduce the interest rate to .85% over the CBE lending rate.

The Company obtained those loans against collateral of a commercial mortgage over the Company's tangible assets constituents over all machinery and equipment and intangible assets financed under this loan (notes 5 and 7).

The balance of loans as of 31 December 2019 as follows:

Loans	Interest rate	31 December 2019 EGP	31 December 2018 EGP
Current portion of long term loans			
Loan (1)	1.1%+CBE lending rate	-	27,452,000
Loan (2)	0.75%+CBE lending rate	31,200,000	60,297,276
Loan (3)	0.85%+CBE lending rate	33,000,000	66,241,746
Total current portion of long term loans		64,200,000	153,991,022
Non-current portion of long term loans			
Loan (1)	1.1%+CBE lending rate	-	-
Loan (2)	0.75%+CBE lending rate	27,675,704	-
Loan (3)	0.85%+CBE lending rate	33,973,972	-
Total non-current portion of long term loans		61,649,676	-
		125,849,676	153,991,022

As of 31 December 2018, some of the Company's loan agreements (classified as non-current during the year) are subject to covenant clauses, whereby the Company is required to meet certain key financial ratios.

The Company did not fulfil the debt/equity ratio as required in the contract for loan 2 and loan 3 of which the Company had drawn an amount of EGP 126,539,022. Due to this breach of the covenant clause, the bank was contractually entitled to request for immediate repayment of the outstanding loan. Consequently, the outstanding balance was presented as a current liability as at 31 December 2018.

The Company signed an amendment agreement with the bank for loan 2 and 3 which modified covenant clauses and rescheduled the settlement period to be payable over 24 monthly installments starting from 1 January 2020 till 1 December 2021. Consequently, at the reporting date, the Company does not breach the loans' covenant clauses.

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21- CAPTIAL COMMITMENTS

As at 31 December 2019, the Company had contractual commitments in respect of its assets under construction not provided for in the financial statements amounted to EGP 20,551,485. (EGP 848,247 as at 31 December 2018).

22- CONTINGENT LIABILITIES

As at 31 December 2019, the Company has obligations in respect of its inventory (Cash against document) not provided for in the financial statements amounted to EGP 11,681,143. (EGP 25,038,377 as at 31 December 2018).

23- REVENUES

	31 December 2019 EGP	31 December 2018 EGP
Sale of goods (net)	851,381,297	766,010,880
Toll manufacturing services revenue	42,584,164	39,496,189
	<u>893,965,461</u>	<u>805,507,069</u>

24- COST OF REVENUE

	31 December 2019 EGP	31 December 2018 EGP
Salaries, social insurance and other fringe benefits	68,183,742	59,864,329
Raw materials	297,829,559	246,397,596
Spare parts and materials	18,860,250	15,140,656
Government fees and medical stamps	6,360,298	7,104,302
Other operating expenses	25,155,643	19,652,683
Energy expenses	24,414,074	19,553,549
Depreciation and amortization (Note 5,7)	32,800,444	23,317,465
Rent	5,684,413	2,223,012
Maintenance	8,146,391	7,460,675
	<u>487,434,814</u>	<u>400,714,267</u>

25- SELLING AND MARKETING EXPENSES

	31 December 2019 EGP	31 December 2018 EGP
Salaries, social insurance and other fringe benefits	83,032,618	57,421,758
Depreciation (Note 5)	404,691	411,991
Rent	3,313,821	2,466,822
Advertising and marketing	65,884,482	57,335,194
	<u>152,635,612</u>	<u>117,635,765</u>

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26- GENERAL AND ADMINISTRATIVE EXPENSES

	31 December 2019 EGP	31 December 2018 EGP
Salaries, social insurance and other fringe benefits	25,497,078	18,388,682
Professional fees	4,061,140	14,433,179
Maintenance	531,642	679,600
Depreciation (Note 5)	2,129,343	1,040,788
Others	3,077,031	3,095,843
	35,296,234	37,638,092

27- OTHER INCOME

	31 December 2019 EGP	31 December 2018 EGP
Gain from sale of fixed assets (Note 5)	9,249	16,828
Other income	2,006,667	4,213,619
	2,015,916	4,230,447

28- OTHER EXPENSE

	31 December 2019 EGP	31 December 2018 EGP
Contributory Health Share Plan	(2,251,820)	(1,069,796)
	(2,251,820)	(1,069,796)

29- FINANCE EXPENSES

	31 December 2019 EGP	31 December 2018 EGP
Debit interests	105,796,957	79,795,876
Bank Charges	4,119,841	3,903,476
	109,916,798	83,699,352

30- FINANCE INCOME

	31 December 2019 EGP	31 December 2018 EGP
Interest from treasury bills	2,521,713	-
Interest from time deposits	2,125,186	13,926
	4,646,899	13,926

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31- INCOME TAXES

	31 December 2019 EGP	31 December 2018 EGP
Current income tax	(19,788,435)	(39,002,081)
Deferred income tax	(5,721,290)	648,891
Income tax expense	<u>(25,509,725)</u>	<u>(38,353,190)</u>

DEFERRED INCOME TAXES

	Statement of financial position		Statement of profit or loss	
	31 December 2019	31 December 2018	31 December 2019	31 December 2018
	EGP	EGP	EGP	EGP
Depreciation and amortization	(29,762,643)	(22,056,350)	(7,706,293)	(292,911)
Provisions	1,521,885	1,234,155	287,730	1,096,394
Impairment of trade and notes receivables	766,226	476,676	289,550	313,797
Write down of inventory	1,431,444	353,317	1,078,127	(224,825)
Unrealized foreign exchange differences	86,032	(243,564)	329,596	(243,564)
Net deferred income taxes	<u>(25,957,056)</u>	<u>(20,235,766)</u>	<u>(5,721,290)</u>	<u>648,891</u>

RECONCILIATION OF THE EFFECTIVE INCOME TAX RATE

	Tax Rate	31 December 2019 EGP	Tax Rate	31 December 2018 EGP
Profits before income taxes		108,494,572		167,082,022
Income tax based on tax rate	22.5%	24,411,279	22.5%	37,593,455
Non-deductible expenses		1,098,446		759,735
Effective Tax Rate	23.51%	<u>25,509,725</u>	22.95%	<u>38,353,190</u>

32- EARNINGS PER SHARE

Basic and diluted earnings per share was calculated by dividing the profits for the year available for distribution by the weighted average number of shares outstanding during the year as follows:

	31 December 2019 EGP	31 December 2018 EGP
Basic and diluted, profit for the year	82,984,847	128,728,832
Weighted average number of shares outstanding during the year	654,016,667	654,016,667
Earnings per share	<u>0.1269</u>	<u>0.1968</u>

- There are no shares with diluted effect and hence the basic and diluted earnings per share are the same.

33- TAX POSITION

a) Corporate Tax

- The Company's records were inspected till the year 2009 and the taxes due were paid. Except year 2006, the Company objected on the assessment and the issue is currently in the internal committee of tax authority.
- The Company's records were inspected for the years from 2010 till 2013. The Company objected on the assessment and the issue is currently in the internal committee of tax authority.
- No tax inspection took place for the Company's records for the years from 2014 till 2018.

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33- TAX POSITION (CONTINUED)

b) Salary Tax

- The Company's records were inspected till the year 2012 and the taxes due were paid.
- The Company's records were inspected for the years from 2013 till 2015 and tax differences were paid.
- The Company's is preparing required documents to start inspection records for the years from 2016 till 2018.

c) Stamp Tax

- The Company's records were inspected till 2013 and the taxes due were paid.
- The Company's is preparing required documents to start inspection records for the years from 2014 till 2018.

d) VAT Tax

- The Company's records were inspected till the year 2015 and the taxes due were paid.
- No inspection took place for the Company's records for the year 2016 till 2018.

34- RELATED PARTY DISCLOSURES

For the purpose of these separate financial statements, parties are considered to be related to the Company, if the Company has the ability, directly or indirectly, to control the party or exercise significant influence over the party in making financial and operating decisions, or vice versa, or where the Company and the party are subject to common control. Related parties may be individuals or other entities.

a) Significant related party transactions

Company	Nature of transaction	Nature of party	31 December 2019 EGP	31 December 2018 EGP
Rameda for Pharmaceuticals trading	Rent	Subsidiary	6,000	6,000
	Purchases	Subsidiary	1,472,280	3,274,498
Ramecare Company	Rent	Subsidiary	6,000	6,000
	Rent	Subsidiary	6,000	6,000
Ramepharma Company	Purchases	Subsidiary	2,988,893	18,076,509
Compass Capital	Professional fee	Related	-	8,148

b) Related party balances

	31 December 2019		31 December 2018	
	Due from EGP	Due to EGP	Due from EGP	Due to EGP
Rameda for Pharmaceuticals Trading	-	335,384	503,522	-
Ramecare Company	3,217,460	-	2,763,059	-
Ramepharma Company	16,632,011	-	23,265,514	-
Compass Capital*	-	-	-	8,148
	<u>19,849,471</u>	<u>335,384</u>	<u>26,532,095</u>	<u>8,148</u>

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34- RELATED PARTY DISCLOSURES (CONTINUED)

c) Salaries and incentives of key managers

The key manager's compensation during year ended 31 December 2019 and 31 December 2018 is as follow:

	31 December 2019	31 December 2018
	EGP	EGP
Salaries and incentives	21,686,263	16,065,756
	21,686,263	16,065,756

35- LEASE COMMITMENTS – COMPANY AS A LESSEE

The Company has entered into operating lease agreements to lease certain apartments, with lease terms between three to five years. The Company has the option, under some of its leases, to extend the lease terms for three to five years.

Future minimum rentals payments under non-cancellable operating leases as follows:

	31 December 2019	31 December 2018
	EGP	EGP
Within one year	3,946,615	2,384,091
After one year but not more than five years	21,167,589	13,143,758
	25,114,204	15,527,849

36- FINANCIAL INSTRUMENTS RISK MANAGEMENT OBJECTIVES AND POLICIES

Overview

The Company has exposure to the following risks from its use of financial instruments:

- a) Credit risk
- b) Market risk
- c) Liquidity risk

This note presents information about the Company's exposure to each of the above risks, the Company's objectives, policies and processes for measuring and managing risk, and the Company's management of capital.

The Board of Directors of the Company has overall responsibility for the establishment and oversight of the Company's risk management framework. The Company's senior management are responsible for developing and monitoring the risk management policies and report regularly to the Board of Directors on their activities. The Company's current financial risk management framework is a combination of formally documented risk management policies in certain areas and informal risk management policies in other areas.

a) Credit risk

Credit risk is the risk of financial loss to the Company if a customer or counterparty to a financial instrument fails to meet its contractual obligations. The Company is exposed to credit risk principally from its receivables from customers, due from related parties, other receivable, including balances with banks.

Trade and notes receivables

The customer credit risk is established by the Company's policies, procedures and controls relating to customer credit risk management. Credit quality of a customer is assessed by the management. Outstanding customer receivables are regularly monitored. An impairment analysis is performed at each reporting date on an individual basis.

The maximum exposure is limited to the balances disclosed in note (10)

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**36- FINANCIAL INSTRUMENTS RISK MANAGEMENT OBJECTIVES AND POLICIES
(CONTINUED)**

Other financial assets and balances with banks

The Company's exposure to credit risk arises from default of the counterparty, with a maximum exposure equal to the carrying amount of these assets

Credit risk from balances with banks is managed by Company treasury. The Company limits its exposure to credit risk by only placing balances with international banks and local banks of good reputation, in addition, the local banks are under the supervision of the central Bank of Egypt and thus their exposure to credit risk is minimal.

The maximum exposure is limited to the balances disclosed in note (13)

Due from related parties

Due from related parties are with minimal credit risk, with a maximum exposure equal to the carrying amount of these balances.

b) Market risk

Market risk is the risk that the fair value of future cash flows of a financial instrument will fluctuate because of changes in market prices, such as currency risk and interest rate risk, which will affect the Company's income. Financial instruments affected by market risk include interest-bearing loans and borrowings and deposits. The objective of market risk management is to manage and control market risk exposures within acceptable parameters, while optimizing the return. The Company does not hold or issue derivative financial instruments.

Exposure to interest rate risk

Interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates. The Company's exposure to the risk of changes in market interest rates relates primarily to the Company's obligations with floating interest rates and interest-bearing time deposits.

The following table demonstrates the sensitivity to a reasonably possible change in interest rates with all other variables held constant, of the Company's profit before tax (through the impact on floating rate borrowings). There is no impact on the Company's equity other than the profit impact stated below.

	31 December 2019		31 December 2018	
	Change in rate	Effect on profit before tax EGP	Change in rate	Effect on profit before tax EGP
Financial asset	+1%	4,300	+1%	-
	-1%	(4,300)	-1%	-
Financial liability	+1%	(3,212,890)	+1%	(1,131,415)
	-1%	3,212,890	-1%	1,131,415

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**36- FINANCIAL INSTRUMENTS RISK MANAGEMENT OBJECTIVES AND POLICIES
(CONTINUED)**

Exposure to foreign currency risk

The following tables demonstrate the sensitivity to a reasonably possible change in USD exchange rates, with all other variables held constant. The impact on the Company's profit before tax is due to changes in the value of monetary assets and liabilities. The Company's exposure to foreign currency changes for all other currencies is not material.

	31 December 2019		31 December 2018	
	Change in rate	Effect on profit before tax EGP	Change in rate	Effect on profit before tax EGP
USD	+10%	3,407,663	+10%	248,796
	-10%	(3,407,663)	-10%	(248,796)
EURO	+10%	83	+10%	-
	-10%	(83)	-10%	-

c) Liquidity risk

The cash flows, funding requirements and liquidity of the Company are monitored by Company's management. The Company's objective is to maintain a balance between continuity of funding and flexibility through the use of bank borrowings. The Company manages liquidity risk by maintaining adequate reserves and borrowing facilities, by continuously monitoring forecasted and actual cash flows and matching the maturity profiles of financial assets and liabilities.

The Company currently has sufficient cash on demand to meet expected operational expenses, including the servicing of financial obligations.

The table below summarises the maturity profile of the Company's financial liabilities based on contractual undiscounted payments.

Financial liabilities	Less than 3 Months EGP	3 to 12 months EGP	1 to 5 years EGP	Over 5 years EGP	Total EGP
As at 31 December 2019					
Credit facilities	215,009,514	285,328,150	-	-	500,337,664
Trade and notes payables	51,335,764	9,886,018	-	-	61,221,782
Accrued expenses and other payables	65,875,815	2,711,619	-	-	68,587,434
Long term loans	20,215,230	75,222,795	57,069,406	-	152,507,431
Total undiscounted financial liabilities	352,436,323	373,148,582	57,069,406	-	782,654,311
Financial liabilities	Less than 3 Months EGP	3 to 12 months EGP	1 to 5 years EGP	Over 5 years EGP	Total EGP
As at 31 December 2018					
Credit facilities	235,080,590	210,669,520	-	-	445,750,110
Trade and notes payables	20,654,739	36,194,562	-	-	56,849,301
Accrued expenses and other payables	18,664,738	6,226,071	20,956,189	-	45,846,998
Long term loans	17,552,314	73,054,270	94,626,670	-	185,233,254
Total undiscounted financial liabilities	291,952,381	326,144,423	115,582,859	-	733,679,663

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37- CAPITAL MANAGEMENT

For the purpose of the Company's capital management, capital includes issued capital and all other equity reserves attributable to the equity holders of Company.

The primary objective of the Company's capital management is to maximise the shareholder value.

The Company manage its capital structure and makes adjustments in light of change in economic conditions and the requirements of the financial covenants. To maintain or adjust the capital structure, the Company may adjust the dividend payment to shareholders, return capital to shareholders or issue new shares. The Company monitors capital using a leverage ratio, which is total liabilities divided by net equity. The Company's policy is to keep leverage ratio between 1 to 2.

38- FAIR VALUES OF FINANCIAL INSTRUMENTS

Financial instruments comprise financial assets and financial liabilities. Financial assets of the Company include cash on hand and at banks, trade and notes receivable, due from related parties and other receivables. Financial liabilities of the Company include credit facilities, long- term loans, trade and notes payable, dividends payable, income taxes payable, accrued expenses and other payables.

The fair values of the financial assets and liabilities are not materially different from their carrying value unless stated otherwise.