

**TENTH OF RAMADAN FOR PHARMACEUTICAL  
INDUSTRIES AND DIAGNOSTIC REAGENTS  
(RAMEDA) (S.A.E)  
CONSOLIDATED FINANCIAL STATEMENTS  
FOR THE SIX MONTHS ENDED 30 JUNE 2019  
TOGETHER WITH AUDITOR'S REPORT**

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

**Consolidated Financial Statements  
For the six-months period ended 30 June 2019**

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Building a better  
working world

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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 Consolidated Financial Statements**

We have audited the accompanying consolidated financial statements of **TENTH OF RAMADAN FOR PHARMACEUTICAL INDUSTRIES AND DIAGNOSTIC REAGENTS (RAMEDA) (S.A.E)** (the "Parent Company") and its subsidiaries (together the "Group"), represented in the consolidated statement of financial position as at 30 June 2019, and the related consolidated statements of profit or loss, comprehensive income, changes in equity and cash flows for the six – months period then ended, and a summary of significant accounting policies and other explanatory notes.

#### **Management's Responsibility for the Consolidated Financial Statements**

These consolidated financial statements are the responsibility of the Parent Company's Management, as Management is responsible for the preparation and fair presentation of the consolidated 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 consolidated 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 consolidated 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 consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the consolidated 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 consolidated 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 consolidated 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 consolidated financial statements.

#### **Opinion**

In our opinion, the consolidated financial statements present fairly, in all material respects, the consolidated financial position of the "Group", as at 30 June 2019, and its consolidated financial performance and consolidated cash flows for the six – months period then ended in accordance with the Egyptian Accounting Standards and the related applicable Egyptian laws and regulations.

  
Ehab Morad Azer  
FESAA - FEST  
(RAA 6537)  
(EFSA 87)

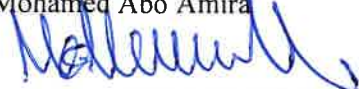
Cairo: 28 August 2019

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

**CONSOLIDATED STATEMENT OF FINANCIAL POSITION**  
As at 30 JUNE 2019

	Notes	June 2019 EGP	December 2018 EGP
<b>ASSETS</b>			
<b>Non-current assets</b>			
Fixed assets	(5)	303,780,923	219,883,705
Assets under construction	(6)	156,290,651	213,050,197
Intangible assets	(7)	106,324,087	100,595,583
<b>Total non-current assets</b>		<b>566,395,661</b>	<b>533,529,485</b>
<b>Current assets</b>			
Inventories	(8)	275,898,676	278,142,318
Trade and notes receivable	(9)	382,073,438	366,108,974
Due from related parties	(29)	13,491,725	25,500
Prepayments and other receivables	(10)	31,224,974	39,658,131
Cash on hand and at banks	(11)	6,571,514	4,298,991
<b>Total current assets</b>		<b>709,260,327</b>	<b>688,233,914</b>
<b>TOTAL ASSETS</b>		<b>1,275,655,988</b>	<b>1,221,763,399</b>
<b>EQUITY AND LIABILITIES</b>			
<b>Equity</b>			
Paid Up Capital	(15)	160,900,000	160,900,000
Legal reserve		16,649,610	10,213,168
Other reserves		278,952	278,952
Retained earnings		294,570,762	171,985,931
Profits for the period/ year		20,961,625	129,021,273
<b>Total equity of Parent Company</b>		<b>493,360,949</b>	<b>472,399,324</b>
Non-controlling interest		(529,137)	(238,934)
<b>Total equity</b>		<b>492,831,812</b>	<b>472,160,390</b>
<b>LIABILITIES</b>			
<b>Non-current liabilities</b>			
Non-current portion of long term loans	(17)	45,951,248	-
Deferred tax liabilities	(26)	20,364,798	20,235,766
<b>Total non-current liabilities</b>		<b>66,316,046</b>	<b>20,235,766</b>
<b>Current liabilities</b>			
Provisions	(12)	11,767,139	7,556,954
Credit facilities and Bank credit	(16)	489,598,157	424,657,282
Current portion of long term loans	(17)	87,972,000	153,991,022
Trade and notes payable	(13)	66,092,794	58,407,086
Due to related parties	(29)	1,252,568	8,148
Income taxes payable		7,234,107	39,002,081
Accrued expenses and other payables	(14)	52,591,365	45,744,670
<b>Total current liabilities</b>		<b>716,508,130</b>	<b>729,367,243</b>
<b>TOTAL LIABILITIES</b>		<b>782,824,176</b>	<b>749,603,009</b>
<b>TOTAL LIABILITIES AND EQUITY</b>		<b>1,275,655,988</b>	<b>1,221,763,399</b>

Finance Director  
Mohamed Abo Amira



Board Member  
Amr Abdallah Morsy



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

**CONSOLIDATED STATEMENT OF PROFIT OR LOSS**  
For the six-months period ended 30 June 2019

	Notes	June 2019 EGP	June 2018 EGP
Revenues	(20)	383,872,098	375,293,558
Cost of revenues	(21)	(213,359,812)	(187,352,253)
<b>GROSS PROFIT</b>		<b>170,512,286</b>	<b>187,941,305</b>
Selling and marketing expenses	(22)	(70,433,894)	(59,499,282)
General and administrative expenses	(23)	(17,948,821)	(12,111,208)
Other income	(24)	2,322,715	2,006,189
Impairment of trade and notes receivable		(787,944)	(1,394,654)
Provisions	(12)	(3,768,059)	(1,600,000)
Finance expenses	(25)	(50,603,507)	(38,742,265)
Net foreign exchange gain/(loss)		(1,258,216)	1,215,544
<b>PROFITS FOR THE PEIROD BEFORE INCOME TAXES</b>		<b>28,034,560</b>	<b>77,815,629</b>
Income taxes	(26)	(7,363,138)	(17,985,603)
<b>PROFITS FOR THE PERIOD</b>		<b>20,671,422</b>	<b>59,830,026</b>
<b>Attributable to:</b>			
Equity holders of the Parent Company		20,961,625	59,726,318
Non-controlling interests		(290,203)	103,708
		<b>20,671,422</b>	<b>59,830,026</b>
<b><u>Earnings per share</u></b>			
Basic and diluted, profit for the period attributable to equity holders of the Parent Company	(27)	0.0326	0.0928

**Finance Director**  
Mohamed Abo Amira

**Board Member**  
Amr Abdallah Morsy

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

**CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME**  
For the six-months period ended 30 June 2019

	<b>June 2019</b>	June 2018
	<b>EGP</b>	EGP
<b>PROFITS FOR THE PERIOD</b>		
	<b>20,671,422</b>	59,830,026
OTHER COMPREHENSIVE INCOME	-	-
<b>TOTAL COMPREHENSIVE INCOME</b>	<u><b>20,671,422</b></u>	<u>59,830,026</u>
<b>Attributable to</b>		
Equity holders of the Parent Company	<b>20,961,625</b>	59,726,318
Non-controlling interest	<b>(290,203)</b>	103,708
	<u><b>20,671,422</b></u>	<u>59,830,026</u>

- The accompanying notes from (1) to (34) are an integral part of these consolidated financial statements.

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

**CONSOLIDATED STATEMENT OF CHANGES IN EQUITY**  
For the six-months period ended 30 JUNE 2019

	Paid up Capital	Legal reserve	Other reserves	Retained earnings	Profit for the period	Total equity of the Parent Company	Non- controlling interest	Total
	EGP	EGP	EGP	EGP	EGP	EGP	EGP	EGP
Balance as at 1 January 2018.	160,900,000	5,738,185	278,952	91,542,599	89,448,815	347,908,551	(57)	347,908,494
Transferred to legal reserve and retained earnings.	-	4,474,983	-	84,973,832	(89,448,815)	-	-	-
Dividends (Note 15).	-	-	-	(4,530,500)	-	(4,530,500)	-	(4,530,500)
Profits for the period.	-	-	-	-	59,726,318	59,726,318	103,708	59,830,026
Balance as at 30 June 2018.	160,900,000	10,213,168	278,952	171,985,931	59,726,318	403,104,369	103,651	403,208,020
Balance as at 1 January 2019.	160,900,000	10,213,168	278,952	171,985,931	129,021,273	472,399,324	(238,934)	472,160,390
Transferred to legal reserve and retained earnings.	-	6,436,442	-	122,584,831	(129,021,273)	-	-	-
Profits for the period.	-	-	-	-	20,961,625	20,961,625	(290,203)	20,671,422
Balance as at 30 June 2019.	160,900,000	16,649,610	278,952	294,570,762	20,961,625	493,360,949	(529,137)	492,831,812

- The accompanying notes from (1) to (34) are an integral part of these consolidated financial statements.

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

**CONSOLIDATED STATEMENT OF CASH FLOWS**  
For the six-months period ended 30 June 2019

	Notes	June 2019 EGP	June 2018 EGP
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>			
Profits for the period before income taxes		28,034,560	77,815,629
<b>Adjustments to reconcile profit before tax to net cash flow:</b>			
Net foreign exchange differences		1,258,216	(1,362,872)
Depreciation and amortization	(5,7)	15,406,043	12,195,754
Provisions charged	(12)	4,210,185	5,032,500
Reversal of impairment of assets under construction		-	(361,622)
Impairment of trade and notes receivable	(9)	787,944	1,394,654
Write down of inventory		5,052,488	-
Finance expenses	(25)	50,603,507	38,742,265
Gain from sale of fixed assets	(5)	(3,199)	(15,736)
		105,349,744	133,440,572
Change in inventories		(2,808,846)	(78,218,946)
Change in trade and notes receivable		(16,752,408)	(16,732,396)
Change in prepayments and other receivables		8,433,157	(56,254,343)
Change in Due to Related Parties		1,244,420	-
Change in trade and notes payable		7,685,708	13,585,251
Change in accrued expenses and other payables		1,306,695	5,251,285
<b>Cash flows provided from operating activities</b>		104,458,470	1,071,423
Finance expenses paid		(45,063,507)	(36,742,265)
Provisions used	(12)	-	(140,448)
Income taxes paid		(39,002,081)	(22,679,670)
<b>NET CASH FLOWS PROVIDED FROM (USED IN) OPERATING ACTIVITIES</b>		20,392,882	(58,490,960)
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>			
Payments to acquire fixed assets	(5)	(5,744,078)	(7,774,478)
Payments to acquire assets under construction	(6)	(34,516,593)	(24,383,742)
Payments to acquire intangible assets	7)	(8,012,499)	-
Proceeds from sale of fixed assets	(5)	4,151	39,950
Investment in term deposits	(11)	(14,198)	(425,000)
<b>NET CASH FLOWS (USED IN) INVESTING ACTIVITIES</b>		(48,283,217)	(32,543,270)
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>			
Credit facilities used		274,670,100	313,904,662
Payment of credit facilities		(209,729,225)	(239,322,518)
Receipts from term loans		732,226	20,147,890
Payment of term loans		(20,800,000)	(12,000,000)
Change in due from related parties		(13,466,225)	-
<b>NET CASH FLOWS PROVIDED FROM FINANCING ACTIVITIES</b>		31,406,876	82,730,034
<b>Net change in cash and cash equivalent during the period</b>		3,516,541	(8,304,196)
Net foreign exchange difference		(1,258,216)	302,751
Cash and cash equivalent - beginning of the period		3,855,115	9,850,744
<b>CASH AND CASH EQUIVALENT - END OF THE PERIOD</b>	(11)	6,113,440	1,849,299

- The accompanying notes from (1) to (34) are an integral part of these consolidated financial statements.



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

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**

For the six-months period ended 30 June 2018

**1- BACKGROUND**

Tenth of Ramadan for Pharmaceutical Industries and Diagnostic Reagents (Rameda) (S.A.E) (the "Company" or the "Parent Company") 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 registered office is located at plot No. 5 Second Industrial Zone, 6th of October City – Giza– Egypt. The consolidated financial statements include the separate financial statements of the Parent Company and its subsidiaries (collectively referred to as the "Group").

The Group is principally engaged in:

- Manufacturing, marketing, selling and storing of pharmaceutical reagents for human and veterinary use.
- Manufacturing, marketing, selling and storing of diagnostic reagents necessary for individuals, laboratories and hospitals.
- Importing pharmaceutical reagents and raw materials necessary for serving the Parent 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.

**Below is a brief background about the subsidiaries:**

**Rameda for Pharmaceuticals Trading Company**

A subsidiary with 99.97% shareholding. Its principal activity is importing and exporting pharmaceutical reagents, producing, marketing, selling and storing of pharmaceutical reagents and producing pharmaceutical reagents for human and veterinary and diagnostic use for others.

**Ramecare Company**

A subsidiary with 49% legal ownership. Its principal activity is producing, marketing, selling and storing of pharmaceutical reagents, producing pharmaceutical reagents for human and veterinary and diagnostic use for others.

It was considered a subsidiary since the Parent Company is exposed, or has rights, to variable returns from its involvement with the subsidiary and has the ability to affect those returns through its power over it.

**Ramepharma Company**

A subsidiary with 49% legal ownership. Its principal activity is producing, marketing, selling and storing of pharmaceutical reagents, producing pharmaceutical reagents for human and veterinary and diagnostic use for others.

It was considered a subsidiary since the Parent Company is exposed, or has rights, to variable returns from its involvement with the subsidiary and has the ability to affect those returns through its power over it.

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

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**

For the six-months period ended 30 June 2019

**2- SIGNIFICANT ACCOUNTING POLICIES**

**2-1 Basis of preparation**

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

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

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

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

**2-2 Basis of consolidation**

The consolidated financial statements comprise the separate financial statements of the Parent Company and its subsidiaries as at and for the six-month period ended 30 June 2019. Control is achieved when the Group 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 Group controls an investee if, and only if, the Group 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 Group has less than a majority of the voting or similar rights of an investee, the Group 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 Group voting rights and potential voting rights.

The Group 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. Consolidation of a subsidiary begins when the Group obtains control over the subsidiary and ceases when the Group loses control of the subsidiary. Assets, liabilities, income and expenses of a subsidiary acquired or disposed off during the period are included in the consolidated financial statements from the date the Group gains control until the date the Group ceases to control the subsidiary.

**The following steps are followed in preparing the consolidated financial statements:**

- a- Eliminate the carrying amount of the Parent Company investment in each subsidiary and the Parent Company share of equity of each subsidiary.
- b- Identify the non-controlling interest in the profit or loss of the consolidated subsidiaries for the reporting period.

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

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**

For the six-months period ended 30 June 2019

**2- SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**2-2 Basis of consolidation (continued)**

- c- Identify the non-controlling interests in the net assets of consolidated subsidiaries and presented in the consolidated financial statement separately from the Parent ownership interests. Non-controlling interests in the net assets consist of:
  - (1) The amount of non-controlling interests as of the original date of combination.
  - (2) The non-controlling interests' share of changes in equity since the date of the combination.
- d- Intergroup balances and transactions, revenues and expenses are eliminated.
- The separate financial statements of the Parent Company and its subsidiaries used in the preparation of the consolidated financial statements are prepared as of the same date.
- The separate financial statements of the Parent Company and its subsidiaries used in the preparation of the consolidated financial statements are prepared using uniform accounting policies for similar transactions and other events with similar circumstances.
- Non-controlling interests are presented in the consolidated financial position within equity, separately from the equity of the owners of the Parent Company, and the non-controlling interests share in the group profit or loss is presented separately.

**2-3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

**2-3-1 Business combination**

Accounting for business combination under EAS 29 only applies if it is considered that a business has been acquired. For acquisitions meeting the definition of a business, the acquisition method of accounting is used to account for the acquisition of subsidiaries by the Parent Company. The cost of an acquisition is measured as the fair value of the assets given, equity instruments issued and liabilities incurred or assumed at the date of exchange. Identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are measured initially at their fair values at the acquisition date, irrespective of the extent of any non-controlling interest. The excess of the cost of acquisition over the fair value of the Group's share of the identifiable net assets acquired is recorded as goodwill. If the cost of acquisition is less than the fair value of the net assets of the subsidiary acquired, the difference is recognized directly in the consolidated statement of profit or loss.

**2-3-2 Current versus non-current classification**

The Group presents assets and liabilities in the consolidated 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 period, or
- Cash or cash equivalent unless restricted from being exchanged or used to settle a liability for at least twelve months after the reporting period

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 period, or
- There is no unconditional right to defer the settlement of the liability for at least twelve months after the reporting period

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 CONSOLIDATED FINANCIAL STATEMENTS**

For the six-months period ended 30 June 2019

**2-3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**2-3-3 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 consolidated 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 consolidated statement of other comprehensive income ("OCI") or profit or loss are also recognized in consolidated statement of OCI or consolidated statement of profit or loss, respectively).

**2-3-4 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 consolidated 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 consolidated 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 position date.

Freehold Land is recognized at its acquisition cost and is not depreciated.

The Group 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 consolidated statement of profit or loss.

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

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**

For the six-months period ended 30 June 2019

**2-3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**2-3-4 Fixed assets(continued)**

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 consolidated statement of profit or loss.

**2-3-5 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.

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

**2-3-6 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 consolidated statement of profit or loss in the period 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 consolidated statement of profit or loss.

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

**2-3-7 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.

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**2-3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**2-3-7 Inventory (continued)**

Goods in transit: at the lower of cost or net realizable value, and is recognized in the consolidated financial statements when risks and rewards are transferred to the Group 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 consolidated 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 consolidated statement of profit or loss in the period in which the reversal occurs.

**2-3-8 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 Group 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 consolidated statement of profit or loss. Reversal of impairment is recognized in the consolidated statement of profit or loss in the period in which it occurs.

**2-3-9 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.

**2-3-10 Provisions**

Provisions are recognized when the Group 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 consolidated statement of profit or loss as a finance expense.

**2-3-11 Social Insurance**

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

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**2-3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**2-3-12 Legal reserve**

According to the Group'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 consolidated financial statements for the year are approved in the general assembly meeting.

**2-3-13 General Reserve**

According to the Group'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.

**2-3-14 Borrowings**

Borrowings are initially recognized at fair value less transaction cost. Amounts maturing within one year are classified as current liabilities, unless the Group 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 consolidated 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 consolidated statement of profit or loss.

**2-3-15 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:

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**2-3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**2-3-15 Income taxes (continued)**

- 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.

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.

**2-3-16 Dividends**

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

**2-3-17 Revenue recognition**

Revenue is recognized to the extent that it is probable that the economic benefits will flow to the Group 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 Group receives sales returns from its customers. To account for the financial impact of potential customer goods returns, the Group estimates future returns on previously sold goods. Provision for the sales return are recorded for estimated goods returns based on return history, current sales levels and expiry dates for the products sold.



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**2-3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**2-3-17 Revenue recognition (continued)**

• **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.

**2-3-18 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 consolidated statement of profit or loss in the financial year in which these expenses are incurred.

**2-3-19 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.

**2-3-20 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.

**2-3-21 Related party transactions**

Related parties represent associated companies, major shareholders, directors and key management personnel of the Group, 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.

**2-3-22 Contingent Liabilities and Assets**

Contingent liabilities are not recognized in the consolidated 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 consolidated financial statements but disclosed when an inflow of economic benefits is probable.

**2-3-23 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.

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**2-3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**2-3-23 Fair value measurement (continued)**

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.

For unquoted assets, fair value is determined by reference to the market value of a similar asset or is based on the expected discounted cash flows.

The Group uses valuation techniques that are appropriate in the circumstances and for which sufficient data are available to measure fair value, maximizing the use of relevant observable inputs and minimizing the use of unobservable inputs.

All assets and liabilities for which fair value is measured or disclosed in the consolidated 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:

- 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 consolidation financial statements on a recurring basis, the Group 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 Group 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.

**2-3-24 Impairment of assets**  
**Impairment of financial assets**

The Financial assets of the Group include cash on hand and at banks, trade and notes receivable and due from related parties. The Group 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.

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**2-3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**2-3-24 Impairment of assets (continued)**

**Impairment of non-financial assets**

The Group 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 consolidated 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 consolidated statement of profit or loss.

**2-3-25 Statement of cash flows**

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

**2-3-26 Cash and cash equivalent**

For the purpose of preparing the consolidated 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 of placement date.

**3- SIGNIFICANT ACCOUNTING JUDGMENTS AND ESTIMATES**

The preparation of these consolidated 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 consolidated financial statements of the Group 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.

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**3- SIGNIFICANT ACCOUNTING JUDGMENTS AND ESTIMATES (CONTINUED)**

**Provision for sales returns**

The Group'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 Group'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.

**3-2-Estimates (continued)**

**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.

**Taxes**

The Group is subject to income taxes in Egypt. Significant judgment is required to determine the total provision for current and deferred taxes. The Group 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 Group 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 Group 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.

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**4- SEGMENT INFORMATION**

Currently the Group'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 (June 2018: 95% and 5% receptively). The Group'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 Group's revenues during the period ended 30 June 2019 were reported under two segments in the consolidated financial statements.

The Group produces and sells several pharmaceutical products and render services as follows:

Period	Services		Sales of pharmaceutical products			Total
	Toll Manufacturing "Domestic"	Export	Domestic			
	EGP	EGP	Private sales EGP	Veterinary EGP	Tenders EGP	
<b>June 2019</b>	<b>17,952,681</b>	<b>25,703,753</b>	<b>252,613,031</b>	<b>382,113</b>	<b>87,220,520</b>	<b>383,872,098</b>
June 2018	19,356,060	25,338,305	238,758,424	2,221,929	89,618,840	375,293,558

Revenue from the top five customers presented 82% of total revenues (December 2018: EGP 76%).

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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	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	-	1,054,712	2,843,623	174,306	53,860	128,473	1,489,104	5,744,078								
Transferred from assets under construction	-	7,737,252	83,517,342	-	-	-	21,546	91,276,140								
Disposals	-	-	-	-	-	-	(5,858)	(5,858)								
As of 30 June, 2019	18,637,425	182,407,102	232,209,933	12,374,648	14,802,158	3,471,175	19,926,501	483,828,942								
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 period related to Disposals	-	(3,375,148)	(7,924,195)	(318,143)	(647,582)	(143,836)	(713,144)	(13,122,048)								
As of 30 June, 2019	-	(47,534,903)	(100,745,770)	(9,265,866)	(7,817,467)	(1,158,950)	(13,525,063)	(180,048,019)								
Net book value as at 30 June 2019	18,637,425	134,872,199	131,464,163	3,108,782	6,984,691	2,312,225	6,401,438	303,780,923								
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 Parent Company (note 17).

The cost of fixed assets as of 30 June 2019 include EGP 15,747,380 which represents fully depreciated assets that are still in use.

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

Gain from sale of fixed assets was calculated as follows:

	June 2019	June 2019
	EGP	EGP
Cost of revenue (note 21)	11,538,239	5,858
Selling and marketing expenses (note 22)	199,250	4,906
General and administrative expenses (note 23)	1,384,559	952
	13,122,048	4,151
		3,199

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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 at 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 at 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 at 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)
Related to Disposals	-	-	-	-	-	-	27,683	27,683
As at 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 Group (note 17).

The cost of fixed assets as of 31 December 2018 include EGP 15,634,658 which represents fully depreciated assets that are still in use.

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

	December 2018
	EGP
Cost of revenue	20,172,451
Selling and marketing expenses	411,991
General and administrative expenses	1,040,788
	<u>21,625,230</u>

Gain from sale of fixed assets was calculated as follows:

	December 2018
	EGP
Cost of disposed assets	68,585
Accumulated depreciation of disposed assets	<u>27,683</u>
Net book value of disposed assets	40,902
Proceeds from sale of fixed assets	<u>57,730</u>
Gain from sale of fixed assets	<u>16,828</u>

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**6-ASSETS UNDER CONSTRUCTION**

	June 2019	December 2018
	EGP	EGP
Service equipment and infra-structure facilities	105,623,869	166,664,672
Laboratory equipment	570,590	570,590
Buildings and furniture	50,782,629	46,501,372
	<u>156,977,088</u>	<u>213,736,634</u>
Impairment in value of assets under construction	(686,437)	(686,437)
	<u>156,290,651</u>	<u>213,050,197</u>

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

	June 2019	December 2018
	EGP	EGP
Beginning balance	213,736,634	10,667,593
Additions during the period/ year	34,516,593	203,810,991
Transferred to fixed assets during the period/ year	(91,276,139)	(741,950)
Ending balance	<u>156,977,088</u>	<u>213,736,634</u>

**Capitalized borrowing cost:**

The amount of borrowing costs capitalized on service equipment and infra-structure facilities during the period ended 30 June 2019 amounted to EGP 10,517,476 (December 2018: EGP 7,648,622). The capitalized borrowing cost represents the cost of specific borrowings made for these assets at a rate of 17.78% (December 2018: 18.78%).

**7- INTANGIBLE ASSETS**

	<u>Registration Rights</u>	
	June 2019	December 2018
	EGP	EGP
Cost as at 1 January	113,306,875	79,654,175
Additions	8,012,499	33,661,700
Total cost as at 30 June 2019	<u>121,319,374</u>	<u>113,315,875</u>
Accumulated amortization as at 1 January	(12,711,292)	(9,002,775)
Amortization for the period/year	(2,283,995)	(3,708,517)
Impairment in value of intangible assets	-	(9,000)
Accumulated amortization as at 30 June 2019	<u>(14,995,287)</u>	<u>(12,720,292)</u>
Net book value as at 30 June 2019	<u>106,324,087</u>	<u>100,595,583</u>

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.

Intangible asset balance includes assets under development amounted to EGP 29,390,000 (December 2018: EGP 20,338,500)



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**8- INVENTORIES**

	June 2019 EGP	December 2018 EGP
Raw materials	78,140,810	77,813,236
Packing and packaging materials	32,840,782	22,540,397
Spare parts	8,919,188	11,231,382
Finished goods	96,730,202	106,649,651
Work in progress	26,503,591	36,964,491
Goods in transit	33,974,751	21,503,128
Inventory with others	5,412,138	3,010,331
	<u>282,521,462</u>	<u>279,712,616</u>
Write down in inventories	<u>(6,622,786)</u>	<u>(1,570,298)</u>
	<u>275,898,676</u>	<u>278,142,318</u>

Raw material and finished goods inventory amounting to EGP 312.2 Million are mortgaged as a guarantee for the credit facilities (Note 16).

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

	June 2019 EGP	December 2018 EGP
Beginning balance	(1,570,298)	(2,569,522)
Charged during the period/ year	(5,052,488)	-
Reversal	-	999,224
Ending balance	<u>(6,622,786)</u>	<u>(1,570,298)</u>

The write down in value of inventories during the period/ year was included in the cost of sales.

**9-TRADE AND NOTES RECEIVABLES**

	June 2019 EGP	December 2018 EGP
Trade receivable	151,306,176	121,228,875
Trade receivable – toll manufacturing	10,560,542	8,192,593
Notes receivable	223,113,223	238,806,065
	<u>384,979,941</u>	<u>368,227,533</u>
Impairment in value of trade and notes receivables	<u>(2,906,503)</u>	<u>(2,118,559)</u>
	<u>382,073,438</u>	<u>366,108,974</u>

Notes receivable amounting to EGP 213.3 Million are mortgage as a guarantee for the credit facilities (Note 16).

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

	Total	Neither impaired nor past due			Past due but not impaired More than 365 days
		Less than 60 days	From 61 to 120 days	From 121 to 365 days	
June 2019	384,979,941	188,567,078	128,141,718	65,627,381	2,643,764
December 2018	368,227,533	214,595,309	100,268,047	52,184,432	1,179,745

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**9-TRADE AND NOTES RECEIVABLES (CONTINUED)**

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

	June 2019 EGP	December 2018 EGP
Beginning balance	(2,118,559)	(723,905)
Charged during the period/ year	(787,944)	(1,394,654)
Ending balance	<u>(2,906,503)</u>	<u>(2,118,559)</u>

**10 - PREPAYMENTS AND OTHER RECEIVABLES**

	June 2019 EGP	December 2018 EGP
Prepaid expenses	1,050,584	924,991
Advances to suppliers	16,688,931	17,283,048
Tax authority	4,484,605	6,770,601
Social insurance authority	129,419	271,190
Letters of credit margin	414,878	4,139,652
Deposits with others	1,449,925	1,432,625
Employees' imprests and advances	1,671,582	1,674,542
Customs-authority	2,892,537	4,111,999
Other receivables	2,442,513	3,049,483
	<u>31,224,974</u>	<u>39,658,131</u>

**11- CASH ON HAND AND AT BANKS**

	June 2019 EGP	December 2018 EGP
<b>a) Egyptian Pounds</b>		
Cash on hand	22,270	121,124
Current accounts	4,167,169	3,182,882
Checks under collection	111,871	-
Term deposits	458,074	443,876
	<u>4,759,384</u>	<u>3,747,882</u>
<b>b) Foreign currencies</b>		
Current accounts	1,812,130	551,109
	<u>1,812,130</u>	<u>551,109</u>
	<u>6,571,514</u>	<u>4,298,991</u>

Cash balances are denominated in the following currencies:

	June 2019 EGP	December 2018 EGP
Egyptian pound (EGP)	4,759,384	3,747,882
US dollar (USD)	1,807,407	521,727
Euro (EUR)	4,670	29,382
Sterling pound (GBP)	53	-
	<u>6,571,514</u>	<u>4,298,991</u>

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**11 - CASH ON HAND AND AT BANKS (CONTINUED)**

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

	<b>June 2019</b>	June 2018
	<b>EGP</b>	<b>EGP</b>
Cash in hand	22,270	13,382
Current accounts	6,091,170	1,835,917
	<b>6,113,440</b>	<b>1,849,299</b>

**12-PROVISIONS**

	Balance as at January 2019	Charged during the period	Used during the period	Balance as at June 2019
	<b>EGP</b>	<b>EGP</b>	<b>EGP</b>	<b>EGP</b>
Provision for expected claims	2,071,822	3,768,059	-	5,839,881
Provision for sales returns*	5,485,132	442,126	-	5,927,258
	<b>7,556,954</b>	<b>4,210,185</b>	<b>-</b>	<b>11,767,139</b>

	Balance as at 1 January 2018	Charged during the year	Used during the year	Balance as at 31 December 2018
	<b>EGP</b>	<b>EGP</b>	<b>EGP</b>	<b>EGP</b>
Provision for expected claims	612,270	1,600,000	(140,448)	2,071,822
Provision for sales returns*	-	5,485,132	-	5,485,132
	<b>612,270</b>	<b>7,085,132</b>	<b>(140,448)</b>	<b>7,556,954</b>

\*Provision for sales returns is deducted from sales disclosed.

**13- TRADE AND NOTES PAYABLE**

	<b>June 2019</b>	December 2018
	<b>EGP</b>	<b>EGP</b>
Trade payables	54,701,704	48,926,631
Notes payables	11,391,090	9,480,455
	<b>66,092,794</b>	<b>58,407,086</b>

**14- ACCRUED EXPENSES AND OTHER PAYABLES**

	<b>June 2019</b>	June 2018
	<b>EGP</b>	<b>EGP</b>
Accrued expenses	9,893,046	10,181,137
Tax authority (other than income tax)	30,648,192	24,455,578
Advances from customers	11,190,135	9,872,416
Other payables	859,992	1,235,539
	<b>52,591,365</b>	<b>45,744,670</b>

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

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**15- 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 extra ordinary 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 Parent Company's issued capital amounts to EGP 160,900,000 divided over 643,600,000 shares of par value EGP 0.25 each as follows:

	%	No. of shares	Amount EGP
Greville Investing Limited	99.9988	643,592,000	160,898,000
Mr. Ayman Mamdouh Fathy Abaas	0.0006	4,000	1,000
Eng. Shamel Faheem Aboul Fadl	0.0006	4,000	1,000
	100	643,600,000	160,900,000

\*General Assembly Meeting held on 22<sup>nd</sup> May 2018 has approved dividends amounting to EGP 4,530,500.

**16- CREDIT FACILITIES**

The movement of the credit facilities during the period/ year is as follows:

	June 2019 EGP	December 2018 EGP
Opening balance	420,514,887	272,598,550
Used during the period/ year	275,352,282	702,068,205
Payment during the period/ year	(209,729,225)	(554,151,868)
Ending balance	486,137,944	420,514,887
	June 2019 EGP	December 2018 EGP
Credit facilities maturing within 12 months	486,137,944	420,514,887
Bank credit	3,460,213	4,142,395
	489,598,157	424,657,282

The interest rate on the Credit facilities ranges from 17.85 % to 18.60 % as of 30 June 2019 (December 2018: from 18.50 % to 21.25 %).

Credit Facilities	Facility amount EGP	Interest rate	Maturity Date	June 2019 EGP	December 2018 EGP
CIB*	200,000,000	0.75%+CBE corridor rate	31/07/2019	168,784,358	154,585,015
Audi Bank	125,000,000	1 %+CBE lending rate	30/06/2020	123,401,370	136,106,470
Arab Bank	60,000,000	1.5%+CBE lending	31/12/2019	60,364,020	46,911,102
ABK	80,000,000	1 %+CBE lending rate	31/01/2020	76,492,546	32,491,987
ADIB	80,000,000	1.00%+CBE lending rate	31/12/2019	57,095,650	50,420,313
Total Credit Facilities				486,137,944	420,514,887

\* On 10 July 2019, CIB credit facility was renewed for six months.

All of the above facilities are guaranteed by inventories and notes receivables (Note 8 and 9)

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**17- LONG TERM LOANS**

During the year 2015, the Company signed an agreement with Commercial International Bank to merge all loans granted to the Company during the years from 2011 to 2015 amounting to EGP 94,853,000 as of July 2015 in a long-term loan carries an annual interest rate of 2.25% over the corridor rate repayable over 52 monthly installments starting 1 August 2015 and maturing on 1 November 2019. During the year ended 31 December 2018, interest rate reduced from 2.25% to 1.10% over the corridor rate and revised rate is effective for the remaining 5 monthly instalments. "Loan (1)". The Company paid EGP 14,940,000 during the current period (December 2018: EGP 24,000,000) and the balance outstanding amounted to EGP 12,512,000 as at 30 June 2019 (31 December 2018: EGP 27,452,000).

During the year 2017, the Company signed an agreement with Commercial International Bank to obtain a loan amounting to EGP 86.422 million 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 1.10% over the corridor rate. "Loan (2)". The Company paid EGP 7,200,000 during the current period (December 2018: EGP 1,500,000) the balance outstanding amounted to EGP 54,437,276 as at 30 June 2019 (31 December 2018: EGP 60,297,276).

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 Corridor rate repayable over 19 monthly installments after the expiry of grace period, which is 15 months from the date of first use. "Loan (3)". The Company has drawn down EGP 732,226 during the period ended 30 June 2019 and the balance outstanding amounted to EGP 66,973,972 as at 30 June 2019. (31 December 2018: EGP 66,241,746).

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

The balance of loans as of 30 June 2019 as follows:

Loans	Interest rate	June 2019 EGP	December 2018 EGP
Current portion of long term loans			
Loan (1)	1.1%+CBE lending rate	12,512,000	27,452,000
Loan (2)	1.1%+CBE lending rate	25,720,000	60,297,276
Loan (3)	0.9%+CBE lending rate	49,740,000	66,241,746
Total current portion of long term loans		<u>87,972,000</u>	<u>153,991,022</u>
Non-current portion of long term loans			
Loan (1)	1.1%+CBE lending rate	-	-
Loan (2)	1.1%+CBE lending rate	28,717,276	-
Loan (3)	0.9%+CBE lending rate	17,233,972	-
Total non-current portion of long term loans		<u>45,951,248</u>	-
		<u>133,923,248</u>	<u>153,991,022</u>

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. During the period ended 30 June 2019, the bank has approved exceptional and tentatively the breach and had not requested early repayment of the loans.

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**18- CAPTIAL COMMITMENTS**

As at 30 June 2019, the Parent Company had contractual commitments in respect of its assets under construction not provided for in the consolidation financial statements amounted to EGP 1,847,850. (EGP 848,247 as at 31 December 2018).

**19- CONTINGENT LIABILITIES**

As at 30 June 2019, the Parent Company has obligations in respect of its inventory (Cash against document) not provided for in the consolidation financial statements amounted to EGP 18,058,575. (EGP 25,038,377 as at 31 December 2018).

**20- REVENUES**

	June 2019 EGP	June 2018 EGP
Sale of goods (net)	365,919,417	355,937,498
Toll manufacturing services revenue	17,952,681	19,356,060
	<u>383,872,098</u>	<u>375,293,558</u>

**21- COST OF REVENUES**

	June 2019 EGP	June 2018 EGP
Salaries, social insurance and other fringe benefits	31,330,687	28,473,549
Raw materials	123,305,471	112,955,285
Spare parts and materials	8,719,537	8,068,968
Government fees and medical stamps	2,832,762	4,484,650
Other operating expenses	15,424,845	10,199,108
Energy expenses	9,540,011	7,349,977
Depreciation and amortization (Note 5,7)	13,822,234	11,298,471
Rent	2,896,856	1,262,274
Maintenance	5,487,409	3,259,971
	<u>213,359,812</u>	<u>187,352,253</u>

**22- SELLING AND MARKETING EXPENSES**

	June 2019 EGP	June 2018 EGP
Salaries, social insurance and other fringe benefits	36,020,455	27,664,846
Depreciation (Note 5)	199,250	204,314
Rent	1,326,507	1,143,748
Advertising and marketing	32,887,682	30,486,374
	<u>70,433,894</u>	<u>59,499,282</u>

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**23- GENERAL AND ADMINISTRATIVE EXPENSES**

	June 2019 EGP	June 2018 EGP
Salaries, social insurance and other fringe benefits	11,248,827	8,547,630
Professional fees	2,658,621	1,014,893
Maintenance	228,176	240,700
Depreciation (Note 5)	1,384,559	692,969
Others	2,427,328	1,615,016
Bank charges	1,310	-
	<u>17,948,821</u>	<u>12,111,208</u>

**24- OTHER INCOME**

	June 2019 EGP	June 2018 EGP
Gain from sale of fixed assets (Note 5)	3,199	15,736
Other income	2,319,516	1,990,453
	<u>2,322,715</u>	<u>2,006,189</u>

**25- FINANCE EXPENSES**

	June 2019 EGP	June 2018 EGP
Debit interests	(47,916,680)	(36,773,205)
Bank Charges	(2,686,827)	(1,969,060)
	<u>(50,603,507)</u>	<u>(38,742,265)</u>

**26- INCOME TAXES**

	June 2019 EGP	June 2018 EGP
Current income tax	(7,234,107)	(18,616,431)
Deferred income tax	(129,031)	630,828
Income tax expense	<u>(7,363,138)</u>	<u>(17,985,603)</u>

**DEFERRED INCOME TAXES**

	Statement of financial position		Statement of profit or loss	
	June 2019 EGP	Dec 2018 EGP	June 2019 EGP	June 2018 EGP
Depreciation and amortization	(23,882,056)	(22,056,350)	(1,825,706)	(44,025)
Provisions	1,333,633	1,234,155	99,478	634,552
Impairment of trade and notes receivables	653,963	476,676	177,287	313,797
Write down of inventory	1,490,127	353,317	1,136,810	-
Unrealized foreign exchange differences	39,536	(243,564)	283,100	(273,496)
Net deferred income taxes	<u>(20,364,797)</u>	<u>(20,235,766)</u>	<u>(129,031)</u>	<u>630,828</u>

**RECONCILIATION OF THE EFFECTIVE INCOME TAX RATE**

	Tax Rate	June 2019 EGP	Tax Rate	June 2018 EGP
Profits before income taxes		28,034,560		77,815,629
Income tax based on tax rate	22.5%	6,307,776	22.5%	17,508,516
Non-deductible expenses		1,055,362		477,087
Effective Tax Rate	26.26%	<u>7,363,138</u>	23.11%	<u>17,985,603</u>

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**27- EARNINGS PER SHARE**

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

	June 2019 EGP	June 2018 EGP
Basic and diluted, profit for the period attributable to Equity holder of the Parent Company	20,961,625	59,726,318
Weighted average number of shares outstanding during the period	643,600,000	643,600,000
<b>Earnings per share</b>	<b>0.0326</b>	<b>0.0928</b>

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

**28- 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.

**b) Salary Tax**

- The Company's records were inspected till the year 2012 and the taxes due were paid.
- The Company's records are currently under inspection for the years from 2013 till 2015.
- No tax inspection took place for the Company's records for the years 2016 and 2018.

**c) Stamp Tax**

- The Company's records were inspected till 2013 and the taxes due were paid.
- No tax inspection took place for the Company's records for the years from 2014 to 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 and 2018.

**1- With respect to Subsidiaries**

- No inspection has happened for the subsidiaries' record.



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**29- RELATED PARTY DISCLOSURES**

For the purpose of these consolidated financial statements, parties are considered to be related to the Group, if the Group 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 Group and the party are subject to common control. Related parties may be individuals or other entities.

**a) Due from related parties**

	<b>June 2019</b>	December 2018
	<b>EGP</b>	EGP
Greville Co.	<b>13,466,225</b>	-
Eman Mohamed Hegazy	<b>12,750</b>	12,750
Eman Wahed El-Zomor	<b>12,750</b>	12,750
	<b><u>13,491,725</u></b>	<u>25,500</u>

**b) Due to related parties**

	<b>June 2019</b>	December 2018
	<b>EGP</b>	EGP
Compass Capital*	<b>1,252,568</b>	8,148
	<b><u>1,252,568</u></b>	<u>8,148</u>

\* Management fees amount of EGP 1,252,568 (31 December 2018: EGP 8,148) arises from management services from Compass Capital according to service agreement.

**c) Salaries and incentives of key managers**

The key management's compensation during period ended 30 June 2019 and 30 June 2018 is as follow:

	<b>June 2019</b>	June 2018
	<b>EGP</b>	EGP
Salaries and incentives	<b>10,522,915</b>	8,103,926
	<b><u>10,522,915</u></b>	<u>8,103,926</u>

**30- LEASE COMMITMENTS – GROUP AS A LESSEE**

The Group has entered into operating lease agreements to lease certain apartments, with lease terms between three and five years. The Group 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:

	<b>June 2019</b>	December 2018
	<b>EGP</b>	EGP
Within one year	<b>3,444,841</b>	2,384,091
After one year but not more than five years	<b>15,377,509</b>	13,143,758
	<b><u>18,822,351</u></b>	<u>15,527,849</u>

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**31- FINANCIAL INSTRUMENTS RISK MANAGEMENT OBJECTIVES AND POLICIES**

**Overview**

The Group 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 Group's exposure to each of the above risks, the Group's objectives, policies and processes for measuring and managing risk, and the Group's management of capital.

The Board of Directors of the Group has overall responsibility for the establishment and oversight of the Group's risk management framework. The Group'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 Group'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 Group if a customer or counterparty to a financial instrument fails to meet its contractual obligations. The Group is exposed to credit risk principally from its receivables from customers, due from related parties, other receivables, including balances with banks.

**Trade and notes receivables**

The customer credit risk is established by the Group'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 (9).

**Other financial assets and balances with banks**

The Group'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 the Parent Company treasury. The Group 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 (11).

**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 Group'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 Group does not hold or issue derivative financial instruments.

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**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**

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

**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 Group's exposure to the risk of changes in market interest rates relates primarily to the Group'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 Group's profit before tax (through the impact on floating rate borrowings). There is no impact on the Group's equity other than the profit impact stated below.

	June 2019		December 2018	
	Change in rate	Effect on profit before tax EGP	Change in rate	Effect on profit before tax EGP
Financial assets	+1%	282	+1%	790
	-1%	(282)	-1%	(790)
Financial liabilities	+1%	(542,464)	+1%	(792,748)
	-1%	542,464	-1%	792,748

**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 Group's profit before tax is due to changes in the value of monetary assets and liabilities. The Group's exposure to foreign currency changes for all other currencies is not material.

	June 2019		December 2018	
	Change in rate	Effect on profit before tax EGP	Change in rate	Effect on profit before tax EGP
USD	+10%	(315,436)	+10%	248,796
	-10%	315,436	-10%	(248,796)
EURO	+10%	185,077	+10%	-
	-10%	(185,077)	-10%	-

**c) Liquidity risk**

The cash flows, funding requirements and liquidity of the Group are monitored by Group's management. The Group's objective is to maintain a balance between continuity of funding and flexibility through the use of bank borrowings. The Group 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 Group 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 Group's financial liabilities based on contractual undiscounted payments.

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

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**

For the six-months period ended 30 June 2019

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

Financial liabilities	Less than 3	3 to 12	1 to 5	Over	Total
	Months	months	years	5 years	
As at 30 June 2019	EGP	EGP	EGP	EGP	EGP
Credit facilities	233,252,502	277,159,570	-	-	510,412,072
Trade and notes payables	30,503,852	35,588,944	-	-	66,092,796
Accrued expenses and other payables	8,818,792	43,772,573	-	-	52,591,365
Term loans	29,514,026	72,898,469	51,473,576	-	153,886,071
Total undiscounted financial liabilities	<u>302,089,172</u>	<u>429,419,556</u>	<u>51,473,576</u>	<u>-</u>	<u>782,982,304</u>

Financial liabilities	Less than 3	3 to 12	1 to 5	Over	Total
	Months	Months	years	5 years	
As at 31 December 2018	EGP	EGP	EGP	EGP	EGP
Credit facilities	235,080,590	210,669,520	-	-	445,750,110
Trade and notes payables	22,212,442	36,194,562	-	-	58,407,004
Accrued expenses and other payables	18,562,493	6,226,071	20,956,188	-	45,744,752
Term loans	17,552,314	73,054,270	94,626,670	-	185,233,254
Total undiscounted financial liabilities	<u>293,407,839</u>	<u>326,144,423</u>	<u>115,582,858</u>	<u>-</u>	<u>735,135,120</u>

**32- CAPITAL MANAGEMENT**

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

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

The Group 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 Group may adjust the dividend payment to shareholders, return capital to shareholders or issue new shares. The Group monitors capital using a leverage ratio. Which is total liabilities divided by net equity. The Group's policy is to keep leverage ratio between 1 to 2.

**33- FAIR VALUES OF FINANCIAL INSTRUMENTS**

Financial instruments comprise financial assets and financial liabilities. Financial assets of the Group include cash on hand and at banks, trade and notes receivable, due from related parties and other receivables. Financial liabilities of the Group include credit facilities, 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.

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

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**

For the six-months period ended 30 June 2019

**34- COMPARATIVE FIGURES**

Certain comparative figures for the six-month period ended 30 June 2019 were reclassified due to judgmentally previously different classification to conform with the current period's presentation which provide reliable and more relevant information.

Consolidated statement of Profit or Loss as at 30 June 2018:

Account	As previously reported EGP	Reclassification adjustments EGP	As restated EGP
Revenues	374,482,423	811,135	375,293,558
Other income	2,817,324	(811,135)	2,006,189
		-	
General and administrative expenses	(14,080,268)	1,969,060	(12,111,208)
Impairment of trade and notes receivable	-	(1,394,654)	(1,394,654)
Finance expenses	(38,167,859)	(574,406)	(38,742,265)
		-	