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

CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2017 TOGETHER WITH AUDITOR'S REPORT

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

Consolidated Financial Statements
For the year ended 31 December 2017

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Building a better
working world

Allied for Accounting & Auditing
Ragheb, Hamouda, Istanbouli, Tageldeen & El-Kilany
P.O. Box 20 Kattameya
Rama Tower
Ring Road, Zone #10A
Kattameya, Cairo, Egypt

Tel: +202 2726 0260
Fax: +202 2726 0100
Cairo.office@eg.ey.com
ey.com/mena

Translation of Auditor's report
Originally issued in Arabic

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)**, represented in the consolidated statement of financial position as at 31 December 2017, and the related consolidated 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 Consolidated Financial Statements

These consolidated financial statements are the responsibility of the 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 referred to above, give a true and fair view, in all material respects, of the consolidated financial position of **TENTH OF RAMADAN FOR PHARMACEUTICAL INDUSTRIES AND DIAGNOSTIC REAGENTS (RAMEDA) (S.A.E)**, as at 31 December 2017, and of its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with the Egyptian Accounting Standards and the related applicable Egyptian laws and regulations.

Allied for Accounting & Auditing
A Member of
Ernst & Young
المتضامنون للمحاسبة والمراجعة

Ashraf Emil Botros
FESAA - FEST
RAA 9259
EFSA R 81

Cairo: 18 July 2018

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

CONSOLIDATED STATEMENT OF FINANCIAL POSITION
As at 31 December 2017

	Note	2017 EGP	2016 EGP
ASSETS			
Non-current assets			
Fixed assets	(5)	**227,967,499**	234,232,951
Assets under construction	(6)	**25,944,303**	10,137,649
Intangible assets	(7)	**54,317,631**	45,217,459
Total non-current assets		**308,229,433**	289,588,059
Current assets			
Inventories	(8)	**171,322,260**	131,046,683
Trade and notes receivable	(9)	**271,469,890**	190,479,640
Due from related parties	(30)	**25,500**	25,500
Prepayments and other receivables	(10)	**39,374,130**	17,588,289
Cash on hand and at banks	(11)	**9,850,744**	3,970,816
Total current assets		**492,042,524**	343,110,928
TOTAL ASSETS		**800,271,957**	632,698,987
EQUITY AND LIABILITIES			
Equity			
Capital	(15)	**160,900,000**	160,900,000
Legal reserve		**5,738,185**	4,379,996
Other reserves		**278,952**	278,952
Retained earnings		**91,542,599**	71,230,273
Profits for the year		**89,448,815**	26,908,976
Total equity of Parent Company		**347,908,551**	263,698,197
Non-controlling interest		(57)	(23)
Total equity		**347,908,494**	263,698,174
LIABILITIES			
Non-current liabilities			
Long term loans	(17)	**37,379,654**	51,451,779
Deferred tax liabilities	(27)	**20,884,657**	20,912,459
Total non-current liabilities		**58,264,311**	72,364,238
Current liabilities			
Provisions	(12)	**612,270**	1,112,270
Credit facilities	(16)	**269,766,875**	190,073,654
Current portion of long term loans	(17)	**25,500,000**	20,400,000
Trade and notes payable	(13)	**39,232,022**	46,046,206
Dividends payable		**523,846**	-
Income taxes payable	(27)	**26,223,737**	8,070,458
Accrued expenses and other payables	(14)	**32,240,402**	30,933,987
Total current liabilities		**394,099,152**	296,636,575
TOTAL LIABILITIES		**452,363,463**	369,000,813
TOTAL LIABILITIES AND EQUITY		**800,271,957**	632,698,987

Chief Financial Officer	**Board Member**
Mohamed Abo Amira	Amr Abdallah Morsy

- The accompanying notes from (1) to (35) are an integral part of these consolidated financial statements.
- Auditor's report attached

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

CONSOLIDATED STATEMENT OF PROFIT OR LOSS
For The Year Ended 31 December 2017

	Note	2017 EGP	2016 EGP
Revenues	(19)	**627,539,061**	394,118,441
Cost of revenues	(20)	**(326,484,690)**	(220,726,429)
GROSS PROFIT		**301,054,371**	173,392,012
Selling and marketing expenses	(21)	**(98,668,166)**	(78,934,805)
General and administrative expenses	(22)	**(21,534,609)**	(18,425,110)
Other income	(23)	**3,142,553**	1,749,243
Other expenses	(24)	**(274,861)**	-
Finance expenses	(25)	**(68,074,572)**	(43,741,754)
Finance income	(26)	**-**	755,587
PROFITS FOR THE YEAR BEFORE INCOME TAXES		**115,644,716**	34,795,173
Income taxes	(27)	**(26,195,935)**	(7,886,257)
PROFITS FOR THE YEAR		**89,448,781**	26,908,916
Attributable to:			
Equity holders of the Parent Company		**89,448,815**	26,908,976
Non-controlling interests		**(34)**	(60)
		89,448,781	26,908,916
Earnings per share			
Basic and diluted, profit for the year attributable to equity holders of the Parent Company	(28)	**555.93**	167.24

Chief Financial Officer
Mohamed Abo Amira

Board Member
Amr Abdallah Morsy

- The accompanying notes from (1) to (35) 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 COMPREHENSIVE INCOME
For The Year Ended 31 December 2017

	2017 EGP	2016 EGP
PROFITS FOR THE YEAR	**89,448,781**	26,908,916
OTHER COMPREHENSIVE INCOME	-	-
TOTAL COMPREHENSIVE INCOME	**89,448,781**	26,908,916
Attributable to		
Equity holders of the Parent Company	**89,448,815**	26,908,976
Non-controlling interest	**(34)**	(60)
	89,448,781	26,908,916

- The accompanying notes from (1) to (35) 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 Year Ended 31 December 2017

	Paid up Capital	Legal reserve	Other reserves	Retained earnings	Profit for the year	**Total equity of Parent Company**	Non-controlling interest	**Total**
	EGP	EGP	EGP	EGP	EGP	EGP	EGP	EGP
Balance as of 1 January 2016	160,900,000	3,892,252	278,952	62,104,531	9,613,486	236,789,221	37	236,789,258
Transferred to legal reserve and retained earnings	-	487,744	-	9,125,742	(9,613,486)	-	-	-
Profits for the year	-	-	-	-	26,908,976	26,908,976	(60)	26,908,916
Balance as of 31 December 2016	**160,900,000**	**4,379,996**	**278,952**	**71,230,273**	**26,908,976**	**263,698,197**	**(23)**	**263,698,174**
Transferred to legal reserve and retained earnings	-	**1,358,189**	-	**25,550,787**	**(26,908,976)**	-	-	-
Dividends	-	-	-	**(5,238,461)**	-	**(5,238,461)**	-	**(5,238,461)**
Profits for the year	-	-	-	-	**89,448,815**	**89,448,815**	**(34)**	**89,448,781**
Balance as of 31 December 2017	**160,900,000**	**5,738,185**	**278,952**	**91,542,599**	**89,448,815**	**347,908,551**	**(57)**	**347,908,494**

- The accompanying notes from (1) to (35) 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 Year Ended 31 December 2017

	Note	2017 EGP	2016 EGP
CASH FLOWS FROM OPERATING ACTIVITIES			
Profits before income taxes		115,644,716	34,795,173
Adjustments to reconcile profit before tax to net cash flow :			
Write off of assets under construction		9,000	-
Write down of inventories	(8)	991,447	963,343
Net foreign exchange differences		1,131,776	(1,216,610)
Depreciation of fixed assets and amortization of intangible assets	(5,7)	23,163,065	23,553,416
Impairment in value of Trade receivables	(9)	-	600,000
Debit interests	(25)	66,438,167	43,141,754
Loss (Gain) from sale of fixed assets	(5)	274,861	(5,619)
		207,653,032	101,831,457
Change in inventories	(8)	(41,267,024)	(55,774,238)
Change in Trade and notes receivable	(9)	(80,602,956)	(6,364,810)
Change in prepayments and other receivables	(10)	(21,785,841)	(6,819,395)
Change in Trade and notes payable	(13)	(6,814,184)	27,191,259
Change in accrued expenses and other payables	(14)	(661,326)	10,844,740
Cash flows provided from operating activities		56,521,701	70,909,013
Debit interests paid	(25)	(64,470,426)	(43,141,754)
Provisions used	(12)	(500,000)	-
Income taxes paid		(8,070,458)	(1,284,231)
NET CASH FLOWS (USED IN) PROVIDED FROM OPERATING ACTIVITIES		(16,519,183)	26,483,028
CASH FLOWS FROM INVESTING ACTIVITIES			
Payments to acquire fixed assets , intangible assets and assets under construction	(5,6,7)	(42,359,400)	(21,295,376)
Proceeds from sale of fixed assets	(5)	271,101	8,500
NET CASH FLOWS (USED IN) INVESTING ACTIVITIES		(42,088,299)	(21,286,876)
CASH FLOWS FROM FINANCING ACTIVITIES			
Credit facilities used	(16)	428,495,036	366,063,671
Payment of credit facilities	(16)	(349,623,888)	(354,344,265)
Receipts from long term loans	(17)	11,427,875	-
Payment of long term loans	(17)	(20,400,000)	(18,000,000)
Dividends paid		(4,714,615)	-
NET CASH FLOWS PROVIDED FROM (USED IN) FINANCING ACTIVITIES		65,184,408	(6,280,594)
Net change in cash and cash equivalent during the year		6,576,926	(1,084,442)
Net foreign exchange difference		(696,998)	185,603
Cash and cash equivalent - beginning of the year		3,970,816	4,869,655
CASH AND CASH EQUIVALENT - END OF THE YEAR	(11)	9,850,744	3,970,816

- The accompanying notes from (1) to (35) are an integral part of these consolidated financial statements.

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 includes the separate financial statements of the Parent Company and its subsidiaries (collectively referred to as the "Group").

The Group 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.

Below is a brief background about the subsidiaries:

Rameda for Pharmaceuticals Trading
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% shareholding. 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 this entity and has the ability to affect those returns through its power over it.

Ramepharma Company
A subsidiary with 49% shareholding. 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 this entity and has the ability to affect those returns through its power over it.

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 this year are consistent with those policies adopted in the prior year.

2.2 Basis of consolidation

The consolidated financial statements comprise the financial statements of the Parent Company and its subsidiaries as at and for the year ended 31 December 2017. 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 of during the year 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.
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 realised or intended to be sold or consumed in the normal operating cycle
- Held primarily for the purpose of trading
- Expected to be realised 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.

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 other comprehensive income ("OCI") or profit or loss are also recognized in OCI or 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 year-end.

Freehold Land is recognized at its acquisition cost and 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

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.

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 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 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 the end of each financial year at least.

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

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 shall be 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, shall be 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.

2-3-12 Employees' End-of-Services

The Group provides a defined contribution plan for the employees' end-of-service. The Group 's liability for each period is determined by the contribution value determined based on the salaries at the end of each period. The obligation is measured on an undiscounted basis.

2-3-13 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 financial statements are approved in the general assembly meeting .

2-3-14 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.

2-3-15 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.

2-3-16 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.

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.

2-3-17 Dividends
The Group recognizes a liability to pay a dividend when the distribution is authorized and distribution is no longer at the discretion of the Group. As per law 159, a distribution is authorized when it is approved by the shareholders as per general assembly meeting.

2-3-18 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 is measured at the fair value of the consideration received, excluding discounts, rebates, and sales taxes or duty. The following specific recognition criteria must also be met before revenue is recognized:

- **Sale of goods**

Revenue from the sale of goods is recognized when the significant risks and rewards of ownership of the goods have passed to the buyer, usually upon the delivery of the goods.

- **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.

2-3-19 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 consolidated statement of profit or loss in the financial year in which these expenses are incurred.

2-3-20 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.

2-3-21 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.

2-3-22 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.

2-3-23 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.

2-3-24 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.

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 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 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.

2-3-25 Impairment of assets

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

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. 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.

2-3-26 Statement of cash flows
The statement of cash flows is prepared using the indirect method.

2-3-27 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.

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.

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.

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.

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. The Group's management monitors the business under one segment, "production and selling of pharmaceutical products" for the purpose of making business decisions.
Accordingly, the Group's revenues during the year ended 31 December 2017 were reported under one segment in the consolidated financial statements.

Although there is one operating segment, the Group produces and sells several products and render services as follows:

<table>
<tr><th rowspan="3">Year</th><th>SERVICES</th><th colspan="4">SALES OF GOODS</th><th rowspan="3">Total</th></tr>
<tr><th rowspan="2">Toll Manufacturing "Domestic"</th><th rowspan="2">Export</th><th colspan="3">Domestic</th></tr>
<tr><th>Private sales</th><th>Veterinary</th><th>Tenders</th></tr>
<tr><td>2017</td><td>30,974,024</td><td>49,538,732</td><td>387,107,177</td><td>5,990,066</td><td>153,929,060</td><td>627,539,061</td></tr>
<tr><td>2016</td><td>12,304,551</td><td>30,303,795</td><td>236,839,334</td><td>3,148,658</td><td>111,522,103</td><td>394,118,441</td></tr>
</table>

Revenue from the top five customers presented 75% of total revenues (2016: EGP 83%).

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
31 DECEMBER 2017

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 2017	18,637,425	168,872,184	133,248,686	10,945,110	12,580,168	1,450,861	14,833,993	360,568,427
Additions	-	2,113,320	2,096,905	37,438	794,140	5,085	1,310,798	6,357,686
Transferred from assets under construction	-	1,641,186	6,570,631	-	-	-	9,944	8,221,761
Disposals	-	-	(1,124,370)	(684,610)	-	-	(38,065)	(1,847,045)
As of 31 December 2017	18,637,425	172,626,690	140,791,852	10,297,938	13,374,308	1,455,946	16,116,670	373,300,829
Accumulated depreciation								
As of 1 January 2017	-	(34,216,707)	(67,134,232)	(8,340,989)	(5,107,436)	(827,012)	(10,709,100)	(126,335,476)
Depreciation for the year	-	(4,921,802)	(12,640,344)	(561,028)	(1,145,216)	(93,596)	(936,951)	(20,298,937)
Disposals	-	-	744,905	529,683	-	-	26,495	1,301,083
As of 31 December 2017	-	(39,138,509)	(79,029,671)	(8,372,334)	(6,252,652)	(920,608)	(11,619,556)	(145,333,330)
Net book value as of 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
31 December 2016	18,637,425	134,655,477	66,114,454	2,604,121	7,472,732	623,849	4,124,893	234,232,951

There is a commercial mortgage on all machinery and equipment in favor 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 2017 include EGP 15,337,270, 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:

	2017 EGP
Cost of sales and services	18,993,072
Selling and marketing expenses	376,957
General and administrative expenses	928,908
	20,298,937

Gain from sale of fixed assets was calculated as follows :

	2017 EGP
Cost of disposed assets	(1,847,045)
Accumulated depreciation of disposed assets	1,301,083
Net book value of disposed assets	(545,962)
Proceeds from sale of fixed assets	271,101
loss from sale of fixed assets	(274,861)

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
31 DECEMBER 2017

5- FIXED ASSETS (cont.)

	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 2016	18,637,425	167,970,846	128,302,650	10,560,555	11,250,755	1,432,341	13,677,829	351,832,401
Transferred from assets under construction	-	901,338	2,649,909	384,555	1,329,413	18,520	1,182,475	6,466,210
Additions	-	-	2,296,127	-	-	-	-	2,296,127
Disposals	-	-	-	-	-	-	(26,311)	(26,311)
As of 31 December 2016	18,637,425	168,872,184	133,248,686	10,945,110	12,580,168	1,450,861	14,833,993	360,568,427
Accumulated depreciation								
As of 1 January 2016	-	(29,337,143)	(55,143,128)	(7,058,050)	(4,086,000)	(735,378)	(8,796,629)	(105,156,328
Depreciation for the year	-	(4,879,564)	(11,991,104)	(1,282,939)	(1,021,436)	(91,634)	(1,935,901)	(21,202,578)
Disposals	-	-	-	-	-	-	23,430	23,430
As of 31 December 2016	-	(34,216,707)	(67,134,232)	(8,340,989)	(5,107,436)	(827,012)	(10,709,100)	(126,335,476)
Net book value as of								
31 December 2016	18,637,425	134,655,477	66,114,454	2,604,121	7,472,732	623,849	4,124,893	234,232,951
31 December 2015	18,637,425	138,633,703	73,159,522	3,502,505	7,164,755	696,963	4,881,200	246,676,073

There is a commercial mortgage on all machinery and equipment in favor 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 2016 include EGP 13,115,636, 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:

	2016
	EGP
Cost of sales and services	18,809,460
Selling and marketing expenses	515,233
General and administrative expenses	1,877,885
	21,202,578

Gain from sale of fixed assets was calculated as follows :

	2016
	EGP
Cost of disposed assets	(26,311)
Accumulated depreciation of disposed assets	23,430
Net book value of disposed assets	(2,881)
Proceeds from sale of fixed assets	8,500
Gain from sale of fixed assets	5,619

6 –ASSETS UNDER CONSTRUCTION

	2017	2016
	EGP	EGP
Service equipment and infra-structure facilities	8,433,008	10,475,023
Laboratory equipment	570,590	44,351
Buildings and furniture	1,663,995	316,334
Cost of acquisition of pharmaceutical products	16,324,769	350,000
	26,992,362	11,185,708
Impairment in value of assets under construction	(1,048,059)	(1,048,059)
	25,944,303	10,137,649

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

	2017	2016
	EGP	EGP
Beginning balance	11,185,708	4,670,519
Additions during the year	36,001,715	15,877,387
Transferred to fixed assets during the year	(8,221,761)	(6,466,210)
Transferred to intangible assets during the year	(11,964,300)	(2,895,988)
Write off of assets under construction	(9,000)	-
Ending balance	26,992,362	11,185,708

Capitalized borrowing cost:

The Parent Company started the construction of new production line "Lyophlization area" in 2017. This project is expected to be completed during 2018 .The amount of borrowing costs capitalized on service equipment and infra-structure facilities during the year ended 31 December 2017 amounted to EGP 833,283 (2016:Nil). The capitalized borrowing cost represents the cost of specific borrowings made for these assets at a rate of 19.75%.

7- INTANGIBLE ASSETS

	2017	2016
	EGP	EGP
Cost at 1 January	51,356,106	45,329,257
Additions	-	3,130,861
Transferred from assets under construction	11,964,300	2,895,988
Total cost at 31 December	63,320,406	51,356,106
Accumulated amortization at1 January	(6,138,647)	(3,787,809)
Amortization for year	(2,864,128)	(2,350,838)
Accumulated amortization at 31 December	(9,002,775)	(6,138,647)
Net book value	54,317,631	45,217,459

The balance of the intangible assets represents the cost of acquisition of pharmaceutical products and is amortized using the straight-line method over their useful life (20 years).

8 -INVENTORIES

	2017 EGP	2016 EGP
Raw materials	**30,638,656**	35,554,977
Packing and packaging materials	**30,465,098**	14,172,882
Spare parts	**6,606,483**	4,460,492
Finished goods	**44,368,768**	55,598,754
Work in progress	**29,650,018**	8,114,745
Goods in transit	**27,074,697**	10,852,577
Inventory with others	**5,088,062**	3,870,331
	173,891,782	132,624,758
Write down in value of inventories	**(2,569,522)**	(1,578,075)
	171,322,260	131,046,683

Some raw material and finished goods inventory are mortgaged as a guarantee for the credit facilities (Note 16).

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

	2017 EGP	2016 EGP
Beginning balance	**(1,578,075)**	(614,732)
Charge during the year	**(991,447)**	(963,343)
Ending balance	**(2,569,522)**	(1,578,075)

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

9-TRADE AND NOTES RECEIVABLE

	2017 EGP	2016 EGP
Trade receivable	**60,283,664**	49,384,036
Trade receivable – toll manufacturing	**4,606,406**	3,476,608
Trade receivable - warehouse rent	**6,616**	31,109
Notes receivable	**207,297,109**	138,311,792
	272,193,795	191,203,545
Impairment in value of Trade and notes receivables	**(723,905)**	(723,905)
	271,469,890	190,479,640

Some notes receivables are mortgage as a guarantee for the credit facilities Note 16

The ageing analysis of net Trade and notes receivables is as follows:

		Neither impaired nor past due			Past due but not impaired
	Total	Less than 60 days	From 61 to 120 days	From 121 to 365 days	More than 365 days
2017	**271,469,890**	**170,770,351**	**60,026,347**	**40,086,753**	**586,439**
2016	190,479,640	86,510,059	82,497,431	20,596,847	875,303

As at 31 December 2017, Trade and notes receivables impairment amounted to EGP 723,905. (impairment of 2016: EGP 723.905)

Refer to note 31a on credit risks of trade receivables, which discusses how the Group manages and measures credit quality of trade receivables that are past due nor impaired.

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

	2017	2016
	EGP	EGP
Beginning balance	**(723,905)**	(123,905)
Charged during the year	**-**	(600,000)
Ending balance	**(723,905)**	(723,905)

10 - PREPAYMENTS AND OTHER RECEIVABLES

	2017	2016
	EGP	EGP
Prepaid expenses	**1,041,386**	719,301
Advances to suppliers	**8,193,182**	7,794,929
Accrued revenues	**69,497**	63,722
Tax authority	**3,459,746**	4,624,489
Social insurance authority	**131,875**	-
Letters of credit	**23,093,856**	1,189,733
Deposits with others	**1,586,022**	1,207,461
Employees' imprests and advances	**1,664,508**	1,286,765
Other receivables	**134,058**	701,889
	39,374,130	17,588,289

11 - CASH ON HAND AND AT BANKS

	2017	2016
a) Egyptian Pounds	**EGP**	EGP
Cash on hand	**28,375**	25,625
Current accounts	**2,755,165**	770,173
	2,783,540	795,798
b) Foreign currencies		
Current accounts	**7,067,204**	3,175,018
	7,067,204	3,175,018
	9,850,744	3,970,816

Cash balances are denominated in the following currencies:

	2017	2016
	EGP	EGP
Egyptian pound (EGP)	**2,783,540**	795,798
US dollar (USD)	**6,995,521**	3,174,867
Euro (EUR)	**71,683**	151
	9,850,744	3,970,816

12 -PROVISIONS

	Balance as of January 2017	Charged during the year	Used during the year	Balance as of December 2017
	EGP	EGP	EGP	EGP
Provision for expected claims	**1,112,270**	-	**(500,000)**	**612,270**
	1,112,270	-	**(500,000)**	**612,270**

	Balance as of January 2016	Charged during the year	Used during the year	Balance as of December 2016
	EGP	EGP	EGP	EGP
Provision for expected claims	1,112,270	-	-	1,112,270
	1,112,270	-	-	1,112,270

The usual information is not disclosed in accordance with the Egyptian Accounting Standards because management believes that this may significantly affect the results of negotiations with parties involved in the dispute. These provisions are reviewed by management each year and are adjusted on the basis of latest developments, discussions and agreements with those parties.

13- TRADE AND NOTES PAYABLE

	2017	2016
	EGP	EGP
Trade payable	**20,788,468**	25,381,642
Notes payable	**18,443,554**	20,664,564
	39,232,022	46,046,206

14- ACCRUED EXPENSES AND OTHER PAYABLES

	2017	2016
	EGP	EGP
Accrued expenses	**13,893,440**	17,018,357
Tax authority (other than income tax)	**17,172,940**	11,972,729
Social insurance authority	-	496,670
Other payables	**1,174,022**	1,446,231
	32,240,402	30,933,987

Trade payables, accrued expenses and other payables are non-interest bearing and for explanations on the Group's liquidity risk management process, refer to (Note 31c).

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 as follows:

	%	No, of shares	Amount EGP
Greville Investing Limited	99,98	160,898	160,898,000
Mr.Ayman Mamdouh Fathy Abaas	0.01	1	1,000
Eng. Shamel Faheem Aboul Fadl	0.01	1	1,000
	100	160,900	160,900,000

16- CREDIT FACILITIES

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

	2017 EGP	2016 EGP
Balance at the beginning of the year	**191,523,654**	178,036,217
Used during the year	**428,495,036**	366,063,671
Payment during the year	**(349,623,888)**	(354,344,265)
Net foreign exchange differences	**(627,927)**	318,031
Balance at the end of the year	**269,766,875**	190,073,654

	2017 EGP	2016 EGP
Credit facilities maturing within 12 months	**269,766,875**	190,073,654
	269,766,875	190,073,654

The interest rate on the Credit facilities ranges from 16.08 % to 17.21%.

Credit Facilities	Facility amount	Interest rate	Maturity date	2017 EGP	2016 EGP
CIB	150,000,000	1.5%+CBE corridor rate	30/06/2018	**140,241,009**	97,380,099
Audi Bank	125,000,000	1.75%+CBE lending rate	30/06/2018	**73,865,970**	66,996,900
Arab Bank	60,000,000	1.5%+CBE lending rate	28/08/2018	**43,140,079**	25,696,655
ABK	49,900,000	0.75%+CBE lending rate	15/11/2018	**12,519,817**	-
Total Credit Facilities				**269,766,875**	190,073,654

All of the above facilities are guaranteed by inventories and notes receivables.

17- LONG TERM LOANS

A- During the year 2011. the Group obtained a loan from Commercial International Bank (CIB) amounting to EGP 18 million with an annual interest rate of 2.75% over the corridor rate repayable over 14 quarterly instalments starting from 31 March 2012 till 30 June 2015.

B- During the year 2011, the Group obtained a loan from Commercial International Bank (CIB) amounting to EGP 29 million with an annual interest rate of 2.75% over the corridor rate repayable over 20 quarterly instalments starting from 31 January 2013 till 31 October 2017.

C- During the year 2012, the Group obtained a loan from Commercial International Bank (CIB) amounting to EGP 40 million with an annual interest rate of 3% over the corridor rate repayable over 19 quarterly instalments starting from 28 February 2012 till 31 August 2016.

D- During the year 2013, the Group obtained a loan from Commercial International Bank (CIB) amounting to EGP 29,250,000 with an annual interest rate of 2.6% over the corridor rate repayable over 14 quarterly instalments starting from 31 January 2014 till 30 April 2017.

E- During the year 2014, the Group obtained a loan from Commercial International Bank (CIB) amounting to EGP 25 million with an annual interest rate of 2.6% over the corridor rate repayable over 16 quarterly instalments starting from 1 February 2016 till 1 November 2019.

The Group obtained these loans against a guarantee of a commercial mortgage over all the Group's physical and moral constituents (note 6) in favor of the Commercial International Bank.

During the year 2015, the Group signed an agreement with Commercial International Bank to merge all of the above the loans granted to the Group amounting to EGP 94,853,000 as of July 2015 in a long-term loan with an annual interest rate of 2.25% over the corridor rate repayable over 52 monthly installments maturing 1 August 2015 till 1 November 2019.**"Loan (1)".**

During the year 2017, the Group signed an agreement with Commercial International Bank obtained a loan amounting to EGP 89 million with an annual interest rate of 1.25% over the Corridor rate repayable over 30 monthly installments from the date of the letter of credit. **"Loan (2)".** The Group has drawn down EGP 11,427,875 during the year and the balance outstanding amounted to EGP 11,427,875 as at 31 December 2017.

The Group obtained those loans against a guarantee of a commercial mortgage over all the Group's physical and moral constituents as well as a possession mortgage over all imported machinery and equipment financed under this loan (note 6).

The balance of long-term loans amounted to EGP 62,879,654 as at 31 December 2017 (EGP 71,851,779 as at 31 December 2016) as follows:

Loans	Interest rate	**2017 EGP**	2016 EGP
Current portion of long term loans			
Loan (1)	2.25%+CBE lending rate	**24,000,000**	20,400,000
Loan (2)	1.25%+CBE lending rate	**1,500,000**	-
Total current portion of long term loans		**25,500,000**	20,400,000
Non-current portion of long term loans			
Loan (1)	2.25%+CBE lending rate	**27,451,779**	51,451,779
Loan (2)	1.25%+CBE lending rate	**9,927,875**	-
Total non-current portion of long term loans		**37,379,654**	51,451,779
		62,879,654	71,851,779

18- CAPTIAL COMMITMENTS

As at 31 December 2017, the Group had contractual commitments in respect of its assets under construction not provided for in the consolidated financial statements amounted to EGP84,494,017. (EGP 729,481as of 31 December 2016).

19- REVENUES

	2017 EGP	2016 EGP
Sales of goods net	**596,565,037**	381,813,890
Toll manufacturing services revenue	**30,974,024**	12,304,551
	627,539,061	394,118,441

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
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20- COST OF REVENUE

	2017 EGP	2016 EGP
Salaries, social insurance and other fringe benefits	**47,745,576**	37,784,181
Raw materials	**187,086,452**	119,238,421
Spare parts and materials	**9,021,000**	7,168,936
Government fees and medical stamps	**8,500,057**	5,791,142
Other operating expenses	**29,934,320**	12,559,420
Energy expenses	**15,112,269**	11,448,538
Depreciation of fixed assets and amortization of intangible assets	**21,857,200**	21,160,298
Rent	**1,855,612**	1,135,912
Maintenance	**5,372,204**	4,439,581
	326,484,690	220,726,429

21- SELLING AND MARKETING EXPENSES

	2017 EGP	2016 EGP
Salaries, social insurance and other fringe benefits	**42,490,429**	35,060,034
Depreciation of fixed assets	**376,957**	515,233
Rent	**1,953,987**	2,581,817
Advertising and marketing	**53,846,793**	40,777,721
	98,668,166	78,934,805

22- GENERAL AND ADMINISTRATIVE EXPENSES

	2017 EGP	2016 EGP
Salaries, social insurance and other fringe benefits	**14,948,227**	12,780,109
Professional fees	**2,224,655**	1,761,615
Maintenance	**307,635**	311,113
Hospitality	**350,072**	230,114
Transportation	**300,803**	162,905
Donations	**400,000**	2,039
Depreciation of Fixed assets	**928,908**	1,877,885
Others	**2,074,309**	1,299,330
	21,534,609	18,425,110

23- OTHER INCOME

	2017 EGP	2016 EGP
Gain from sale of fixed assets	**-**	5,619
Other income	**3,142,553**	1,743,624
	3,142,553	1,749,243

24- OTHER EXPESNES

	2017 EGP	2016 EGP
Loss from sale of fixed assets	**(274,861)**	-
	(274,861)	-

25- FINANCE COST

	2017 EGP	2016 EGP
Debit interests	**(66,438,167)**	(43,141,754)
Impairment in value of Trade receivable	-	(600,000)
Net foreign exchange losses	**(1,636,405)**	-
	(68,074,572)	(43,741,754)

26- FINANCE INCOME

	2017 EGP	2016 EGP
Net foreign exchange gain	-	755,587
	-	755,587

27- INCOME TAXES

	2017 EGP	2016 EGP
Current income tax	**(26,223,737)**	(8,070,458)
Deferred income tax	**27,802**	184,201
Income tax expense	**(26,195,935)**	(7,886,257)

DEFERED INCOME TAXES

	Statement of financial position		Statement of profit or loss	
	2017 EGP	2016 EGP	**2017 EGP**	2016 EGP
Depreciation and amortization	**(21,763,439)**	(21,510,658)	**(252,781)**	2,457
Provisions	**137,761**	250,261	**(112,500)**	-
Impairment in value of Trade receivable	**162,879**	162,879	-	135,000
Write down in value of inventory	**578,142**	355,066	**223,076**	216,751
Unrealized foreign exchange differences	-	(170,007)	**170,007**	(170,007)
Net deferred income taxes	**(20,884,657)**	(20,912,459)	**27,802**	184,201

* No deferred tax assets were recognized for the carry forward tax losses of the subsidiaries, since it is not expected that the future tax profits will be sufficient to offset the carry forward tax losses.

RECONCILIATION OF THE EFFECTIVE INCOME TAX RATE

	Tax Rate	2017 EGP	Tax Rate	2017 EGP
Profits before income taxes		**115,644,716**		**34,795,173**
Income tax based on tax rate	22.5%	**26,020,061**	22.5%	**7,828,914**
Non-deductible expenses		**164,429**		-
Losses not recognized its deferred tax		**11,445**		**57,343**
Effective Tax Rate	22.65%	**26,195,935**	22.66%	**7,886,257**

28- EARNINGS PER SHARE

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

	2017 EGP	2016 EGP
Basic and diluted, profit for the year attributable to equity holder of the Parent Company	**89,448,815**	26,908,976
Weighted average number of shares outstanding during the year	**160,900**	160,900
Earnings per share	**555.93**	167.24

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

29- TAX POSITION

1- With respect to Parent Company

a) Corporate Tax

- The Parent's records were inspected till the year 2005 and the taxes due were paid.
- The Parent's records were inspected for the year 2006. The Parent objected on the assessment and the issue is currently in the internal committee of tax authority .
- The Parent's records were inspected for the years from 2007 till 2009 and the taxes due were paid.
- The Parent's records were inspected for the years from 2010 till 2013 on deemed profit basis. The Parent objected on the assessment and the records will be re-inspected on an actual basis.
- No tax inspection took place for the Parent's records for the years from 2013 till 2016.

b) Salary Tax

- The Parent's records were inspected till the year 2012 and the taxes due were paid.
- No tax inspection took place for the Parent's records for the years from 2013 till 2016.

c) Stamp Tax

- The Parent's records were inspected till 31 July 2006 and the taxes due were paid.
- The Parent's records were inspected for the period from 1 August 2006 till 31 December 2010. The Parent objected on the assessment and the issue is currently in the internal committee of tax authority.
- The Parent's records were inspected for the years from 2011 till 2014 on a deemed profit basis. The Parent objected on the assessment and the records will be re-inspected on an actual basis.
- No tax inspection took place for the Parent's records for the years 2015 and 2016.

d) VAT Tax

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

2- With respect to Subsidiaries

- No inspection has happened for the subsidiaries' records.

30- 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) Related party balances

	2017		2016	
	Due from EGP	**Due to EGP**	Due from EGP	Due to EGP
Eman Mohamed Hegazy	**12,750**	-	12,750	-
Eman Wahed El-Zomor	**12,750**	-	12,750	-
	25,500	-	25,500	-

b) Salaries and incentives of key managers

The key managers compensation during year ended 31 December 2017, 2016 is as follow:

	2017 EGP	2016 EGP
Salaries and incentives	**15,454,079**	**13,690,052**
	15,454,079	**13,690,052**

31- 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 at 31 December are, as follows:

	2017 EGP	2016 EGP
Within one year	2,120,219	2,260,871
After one year but not more than five years	4,809,066	6,504,110
More than five years	-	425,175
	6,929,285	9,190,166

32- 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
d) Capital management

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 are exposed to credit risk principally from its receivables from customers, due from related parties, other receivables and from its financing activities, including balances with banks.

Trade and notes receivables

The customer credit risk is established by the Group' policies, procedures and controls relating to customer credit risk management. Credit quality of a customer is assessed based on extensive credit rating scorecard and individual credit limits are defined in accordance with this assessment. Outstanding customer receivables are regularly monitored. An impairment analysis is performed at each reporting date on an individual bases.

The maximum exposure is limited to the balances disclosed in note (9)

Other financial assets and balances with banks

With respect to credit risk arising from the other financial assets of the Group at amortised cost, 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 and is managed by financial sector. 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.

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.

Interest on financial instruments having floating rates re-priced at intervals of less than one year.

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.

	2017		2016	
	Change in rate	**Effect on profit before tax EGP**	Change in rate	Effect on profit before tax EGP
Financial asset	**+1%**	-	+1%	-
	-1%	-	-1%	-
Financial liability	**+1%**	**(2,738,235)**	+1%	(1,915,273)
	-1%	**2,738,235**	-1%	1,915,273

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.

	2017		2016	
	Change in rate	**Effect on profit before tax EGP**	Change in rate	Effect on profit before tax EGP
USD	**+10%**	**699,552**	+10%	556,827
	-10%	**(699,552)**	-10%	(556,827)

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.

Financial liabilities As at 31 December 2017	**Less than 3 Months EGP**	**3 to 12 months EGP**	**1 to 5 years EGP**	**Over 5 years EGP**	**Total EGP**
Dividends payable	**523,846**	-	-	-	**523,846**
Credit facilities	**79,419,974**	**223,574,658**	-	-	**302,994,632**
Trade and notes payables	**22,774,142**	**16,457,880**	-	-	**39,232,022**
Accrued expenses and other payables	**7,898,568**	**24,341,834**	-	-	**32,240,402**
Long term loans	**7,576,314**	**21,581,443**	**40,633,130**	-	**69,790,887**
Total undiscounted financial liabilities	**118,192,844**	**285,955,815**	**40,633,130**	-	**444,781,789**

Financial liabilities As at 31 December 2016	Less than 3 Months EGP	3 to 12 months EGP	1 to 5 years EGP	Over 5 years EGP	Total EGP
Credit facilities	2,807,259	205,346,887	-	-	208,154,146
Trade and notes payables	42,255,529	3,790,677	-	-	46,046,206
Accrued expenses and other payables	1,727,088	29,206,899	-	-	30,933,987
Long term loans	7,972,410	22,888,131	66,800,917	-	97,661,458
Total undiscounted financial liabilities	54,762,286	261,232,594	66,800,917	-	382,795,797

d) 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 1.57.

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, 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.

34 – SUBSEQUENT EVENTS

The extra ordinary general assembly meeting held on 14 March 2018 decided the following:

1- Amend the par value of the share from EGP 1,000 to EGP 0.25. 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 necessary legal procedures in this regard are currently under process.

2- Agreed in principle to list the Company in the stock exchange and offer its shares in one of the stock markets in a public offering and / or private offering

35- Comparative Figures

Certain comparative figures for the year ended 31 December 2016 were reclassified due to judgmentally previously different classification to conform with the current year's presentation which provide reliable and more relevant information as follows:

Balance sheet reclassifications:

Account	Before	Reclassification	After
Trade and notes payable	19,214,564	1,450,000	20,664,564
Credit facilities	191,523,654	(1,450,000)	190,073,654
		-	

Cash Flow reclassifications:

Account	Before	Reclassification	After
Write down of inventories	-	963,343	963,343
Change in inventories	(54,810,895)	(963,343)	(55,774,238)
		-	
Net foreign exchange differences	-	(1,216,610)	(1,216,610)
Change in trade and notes receivable	(7,713,849)	1,349,039	(6,364,810)
Credit facilities	1,305,478,499	(1,768,032)	1,303,710,467
Net foreign exchange differences "cash"	-	185,603	185,603
Change in trade and notes payable	25,741,259	1,450,000	27,191,259
		-	