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

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

Consolidated Financial Statements
For the year ended 31 December 2019

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EY
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 31 December 2019, and the related consolidated statements of profit or loss, comprehensive income, changes in equity and cash flows for 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 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 31 December 2019, and its consolidated financial performance and consolidated cash flows for year 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)

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

Cairo: 17 February 2020

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

CONSOLIDATED STATEMENT OF FINANCIAL POSITION
AS AT 31 DECEMBER 2019

	Note	31 December 2019 EGP	31 December 2018 EGP
ASSETS			
Non-current assets			
Fixed assets	(5)	**417,125,102**	219,883,705
Assets under construction	(6)	**66,327,646**	213,050,197
Intangible assets	(7)	**104,648,049**	100,595,583
Total non-current assets		**588,100,797**	533,529,485
Current assets			
Inventories	(8)	**214,068,473**	278,142,318
Trade and notes receivable	(9)	**499,197,383**	366,108,974
Treasury Bills	(10)	**464,890,000**	-
Due from related parties	(33)	**25,500**	25,500
Prepayments and other receivables	(11)	**50,245,916**	39,805,512
Cash on hand and at banks	(12)	**53,935,240**	4,298,991
Total current assets		**1,282,362,512**	688,381,295
TOTAL ASSETS		**1,870,463,309**	1,221,910,780
EQUITY AND LIABILITIES			
Equity			
Paid up Capital	(16)	**192,150,000**	160,900,000
Legal reserve		**16,649,610**	10,213,168
General reserves - Issuance Premium	(17)	**486,965,000**	-
Other reserves		**278,952**	278,952
Retained earnings		**294,570,762**	171,985,931
Profits for the year		**82,393,957**	129,021,273
Total equity of Parent Company		**1,073,008,281**	472,399,324
Non-controlling interest		**(953,175)**	(238,934)
Total equity		**1,072,055,106**	472,160,390
LIABILITIES			
Non-current liabilities			
Long term loans	(19)	**61,649,676**	-
Deferred tax liabilities	(30)	**25,957,056**	20,235,766
Total non-current liabilities		**87,606,732**	20,235,766
Current liabilities			
Provisions	(13)	**9,963,935**	7,556,954
Credit facilities	(18)	**486,336,405**	424,657,282
Current portion of long-term loans	(19)	**64,200,000**	153,991,022
Trade and notes payable	(14)	**61,258,198**	57,812,026
Due to related parties	(33)	-	8,148
Income taxes payable		**19,788,435**	39,002,081
Accrued expenses and other payables	(15)	**69,254,498**	46,487,111
Total current liabilities		**710,801,471**	729,514,624
TOTAL LIABILITIES		**798,408,203**	749,750,390
TOTAL LIABILITIES AND EQUITY		**1,870,463,309**	1,221,910,780

Finance Director	**Board Member**
Mohamed Abo Amira	Amr Abdallah Morsy

The accompanying notes from (1) to (37) 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 PROFIT OR LOSS
For the Year Ended 31 December 2019

	Notes	31 December 2019	31 December 2018
Revenues	(22)	**893,965,461**	805,507,069
Cost of revenues	(23)	**(488,392,804)**	(400,038,047)
GROSS PROFIT		**405,572,657**	405,469,022
Selling and marketing expenses	(24)	**(152,635,612)**	(117,635,765)
General and administrative expenses	(25)	**(35,644,625)**	(38,282,430)
Other income	(26)	**2,017,166**	4,252,069
Other expenses	(27)	**(2,251,820)**	(1,069,796)
Impairment of trade and notes receivable	(9)	**(1,286,890)**	(1,394,654)
Provisions (net)	(13)	**(1,128,179)**	(1,600,000)
Finance income	(28)	**4,646,899**	13,926
Finance expenses	(29)	**(109,916,798)**	(83,699,352)
Net foreign exchange gain/(loss)		**(2,183,357)**	1,082,566
PROFITS FOR THE YEAR BEFORE INCOME TAXES		**107,189,441**	167,135,586
Income taxes	(30)	**(25,509,725)**	(38,353,190)
PROFITS FOR THE YEAR		**81,679,716**	128,782,396
Attributable to:			
Equity holders of the Parent Company		**82,393,957**	129,021,273
Non-controlling interests		**(714,241)**	(238,877)
		81,679,716	128,782,396

Earnings per share

Basic and diluted, profit for the year attributable to equity holders of the Parent Company	(31)	**0.1260**	0.1973

Finance Director

Mohamed Abo Amira

Board Member

A. Morsy

Amr Abdallah Morsy

- The accompanying notes from (1) to (37) are an integral part of these consolidated financial statements

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

CONSOLIDATED STATEMENT OFCOMPREHENSIVE INCOME
For the Year Ended 31 December 2019

	31 December 2019 EGP	31 December 2018 EGP
PROFITS FOR THE YEAR	**81,679,716**	128,782,396
OTHER COMPREHENSIVE INCOME	-	-
TOTAL COMPREHENSIVE INCOME	**81,679,716**	128,782,396
Attributable to		
Equity holders of the Parent Company	**82,393,957**	129,021,273
Non-controlling interest	**(714,241)**	(238,877)
	81,679,716	128,782,396

- The accompanying notes from (1) to (37) 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 2019

	Paid up Capital	Legal reserve	General reserve - Issuance Premium	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	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	-	-	-	-	(4,530,500)	-	(4,530,500)	-	(4,530,500)
Profits for the year	-	-	-	-	-	129,021,273	129,021,273	(238,877)	128,782,396
Balance as at 31 December 2018	160,900,000	10,213,168	-	278,952	171,985,931	129,021,273	472,399,324	(238,934)	472,160,390
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)**	-	-	-
Capital increase through offering the shares for subscription	**31,250,000**	-	**551,250,000**	-	-	-	**582,500,000**	-	**582,500,000**
Expenses of offering the shares for subscription	-	-	**(64,285,000)**	-	-	-	**(64,285,000)**	-	**(64,285,000)**
Profits for the year	-	-	-	-	-	**82,393,957**	**82,393,957**	**(714,241)**	**81,679,716**
Balance as at 31 December 2019	**192,150,000**	**16,649,610**	**486,965,000**	**278,952**	**294,570,762**	**82,393,957**	**1,073,008,281**	**(953,175)**	**1,072,055,106**

- The accompanying notes from (1) to (37) 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 2019

	Notes	31 December 2019 EGP	31 December 2018 EGP
CASH FLOWS FROM OPERATING ACTIVITIES			
Profits for the year before income taxes		107,189,441	167,135,586
Adjustments to reconcile profit before tax to net cash flow:			
Net foreign exchange differences		(382,367)	(1,082,566)
Depreciation and amortization	(5,7)	36,252,657	25,333,747
Provision charged	(13)	5,046,862	7,085,132
Reversal of impairment of assets under construction	(6)	-	(361,622)
Impairment of trade and notes receivable	(9)	1,286,890	1,394,654
Impairment/ (Reversal of impairment) of inventory	(8)	5,143,835	(999,224)
Finance expenses	(29)	109,916,798	83,699,352
Provision no longer required	(13)	(2,639,881)	-
(Gain) from sale of fixed assets	(5)	(9,249)	(16,828)
		261,804,986	282,188,231
Change in inventories		58,930,010	(105,820,835)
Change in trade and notes receivable		(134,375,299)	(96,226,392)
Change in prepayments and other receivables		(10,440,404)	(3,790,948)
Change in Due to Related Parties		(8,148)	8,148
Change in trade and notes payable		3,446,172	18,688,883
Change in accrued expenses and other payables		20,822,769	12,554,912
Cash flows provided from operating activities		200,180,086	107,601,999
Debit interests paid		(107,972,180)	(82,116,434)
Provisions used	(13)	-	(140,448)
Income taxes paid		(39,002,081)	(22,679,671)
NET CASH FLOWS PROVIDED FROM OPERATING ACTIVITIES		53,205,825	2,665,446
CASH FLOWS FROM INVESTING ACTIVITIES			
Payments to acquire fixed assets	(5)	(18,386,754)	(12,840,388)
Payments to acquire assets under construction	(6)	(63,263,938)	(203,810,991)
Payments to acquire intangible assets	(7)	(9,177,978)	(33,653,545)
Payments to acquire treasury bills		(464,890,000)	-
Proceeds from sale of fixed assets	(5)	13,950	57,730
Investment in term deposits	(12)	(29,205)	(443,876)
NET CASH FLOWS (USED IN) INVESTING ACTIVITIES		(555,733,925)	(250,691,070)
CASH FLOWS FROM FINANCING ACTIVITIES			
Proceed from capital increase		582,500,000	-
Expenses of offering the shares for subscription		(64,285,000)	-
Credit facilities used	(18)	664,774,601	704,898,779
Payment of credit facilities	(18)	(603,095,478)	(554,151,868)
Receipts from long term loans		12,288,638	116,611,368
Payment of long-term loans		(40,429,984)	(25,500,000)
Dividends Paid		-	(5,054,346)
NET CASH FLOWS PROVIDED FROM FINANCING ACTIVITIES		551,752,777	236,803,933
Net change in cash and cash equivalent during the year		49,224,677	(11,221,691)
Net foreign exchange difference		382,367	1,082,566
Cash and cash equivalent - beginning of the year		3,855,115	13,994,240
CASH AND CASH EQUIVALENT - END OF THE YEAR	(12)	53,462,159	3,855,115

- The accompanying notes from (1) to (37) are an integral part of these consolidated financial statements.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
For the Year Ended 31 December 2019

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

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
For the Year Ended 31 December 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 year are consistent with the policies adopted in the prior year.

2-2 Basis of consolidation

The consolidated financial statements comprise the separate financial statements of the Parent Company and its subsidiaries. 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 year.

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.

2- SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2-2 Basis of consolidation (continued)

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.

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.

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.

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 live 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 asset with finite useful lives are reviewed at each financial position date.

2-3-7 Available for sale

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

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

2-3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2-3-8 Inventory

The inventory elements are valued as follows:

a) Raw materials and packing materials: at the lower of cost (using the moving weighted average method) or net realizable value.

b) Spare parts: at the lower of cost (using the moving weighted average method) or net realizable value.

c) Finished goods: at the lower of cost (using the weighted average method) or net realizable value.

The cost includes direct materials, direct labor and allocated share of manufacturing overhead excluding borrowing costs.

d) Work in process: at the lower of cost or net realizable value. Cost includes direct material, direct labor and allocated share of manufacturing overheads based on the percentage of completion.

Goods in transit: at the lower of cost or net realizable value, and is recognized in the 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 be recognized as reduction of cost of sales in the consolidated statement of profit or loss in the period in which the reversal occurs.

2-3-9 Trade and Notes receivables and other receivables

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

These receivables are recognized initially at fair value.
After initial measurement, such financial assets are subsequently measured at amortized cost less impairment.

The 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.

2-3-10 Trade and notes payable, accrued expenses and other payables

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

2-3-11 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.

2-3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2-3-12 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.

2-3-13 Legal reserve

According to the Group's articles of association, 5% of the net profits of the year of the parent Company based on separate financial statement 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.

2-3-14 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:

2-3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2-3-16 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 either in OCI or 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 in the 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 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.

2-3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2-3-18 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.

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.

2-3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2-3-24 Fair value measurement (continued)

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.

2-3-25 Impairment of assets

Impairment of financial assets

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

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.

2-3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2-3-25 Impairment of assets (continued)

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 from 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.

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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the Year Ended 31 December 2019

3- SIGNIFICANT ACCOUNTING JUDGMENTS AND ESTIMATES (CONTINUED)

3-2-Estimates (continued)

Useful lives of intangible assets

The useful lives of intangible assets are assessed as finite. 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 (31 December 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.

Segment performance is evaluated based on revenue and measured consistently with revenue in the consolidated financial statement

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

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

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

Revenue from the top five customers presented 85% of total revenues (31 December 2018: 80%).

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
For the Year Ended 31 December 2019

5- FIXED ASSETS

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

There is a commercial mortgage on all machinery and equipment in favour of the Commercial International Bank as collateral for the loans granted to the Company (note 19).

The cost of fixed assets as of 31 December 2019 includes EGP 16,782,958 which represents fully depreciated assets that are still in use.

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

	31 December 2019
	EGP
Cost of revenues (Note 23)	**28,593,111**
Selling and marketing expenses (Note 24)	**404,691**
General and administrative expenses (Note 25)	**2,129,343**
	31,127,145

Gain from sale of fixed assets was calculated as follows:

	31 December 2019
	EGP
Cost of disposed assets	**17,878**
Accumulated depreciation of disposed assets	**13,177**
Net book value of disposed assets	**4,701**
Proceeds from sale of fixed assets	**13,950**
Gain from sale of fixed assets	**9,249**

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)
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 collateral for the loans granted to the Group (note 19).

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

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

	31 December 2018 EGP
Cost of revenue (note 23)	20,172,451
Selling and marketing expenses (note 24)	411,991
General and administrative expenses (note 25)	1,040,788
	21,625,230

Gain from sale of fixed assets was calculated as follows:

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

6–ASSETS UNDER CONSTRUCTION

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

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

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

Capitalized borrowing cost:
The amount of borrowing costs capitalized on service equipment and infra-structure facilities during the year ended 31 December 2019 amounted to EGP 15,605,439 (31 December 2018: EGP 7,648,622).
The capitalized borrowing cost represents the cost of specific borrowings made for these assets at a rate of 16.89% (31 December 2018: 18.78%).

7- INTANGIBLE ASSETS

	Registration Rights	
	31 December 2019 EGP	31 December 2018 EGP
Cost as at 1 January	**113,306,875**	79,654,175
Additions	**9,177,978**	33,661,700
Total cost as at 31 December 2018	**122,484,853**	113,315,875
Accumulated amortization as at1 January	**(12,711,292)**	(9,002,775)
Amortization for the year	**(5,125,512)**	(3,708,517)
Impairment in value of intangible assets	**-**	(9,000)
Accumulated amortization as at 31 December 2019	**(17,836,804)**	(12,720,292)
Net book value as at 31 December 2019	**104,648,049**	100,595,583

The balance of the intangible assets represents the cost of acquiring the registration rights of certain pharmaceutical products and is amortized using the straight-line method over their useful life (20 years). Management estimate the expected future benefit of the registration rights to be utilize over 20 years and assessed for impaired whenever there is an indication that the economic benefit of the product is impaired. There is a commercial mortgage on intangible assets in favor of the Commercial International Bank as a collateral for the loans granted to the Company (note 19).

Intangible asset balance includes registration right assets under approval amounted to EGP 7,141,500 (31 December 2018: EGP 29,390,000).

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8–INVENTORIES

	31 December 2019 EGP	31 December 2018 EGP
Raw materials	**63,937,785**	77,813,236
Packing and packaging materials	**32,644,420**	22,540,397
Spare parts	**7,342,641**	11,231,382
Finished goods	**75,637,934**	106,649,651
Work in progress	**24,516,840**	36,964,491
Goods in transit	**12,803,884**	21,503,128
Inventory with others	**3,899,102**	3,010,331
	220,782,606	279,712,616
Write down in inventories	**(6,714,133)**	(1,570,298)
	214,068,473	278,142,318

Raw material and finished goods inventory are mortgaged as collateral for the credit facilities (Note 18).
The movement in the write down in value of inventories is as follows:

	31 December 2019 EGP	31 December 2018 EGP
Beginning balance	**(1,570,298)**	(2,569,522)
Charged during the year	**(5,143,835)**	-
Reversal	**-**	999,224
Ending balance	**(6,714,133)**	(1,570,298)

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

9-TRADE AND NOTES RECEIVABLES

	31 December 2019 EGP	31 December 2018 EGP
Trade receivable	**265,925,729**	121,228,875
Trade receivable – toll manufacturing	**13,189,373**	8,192,593
Notes receivable	**223,487,730**	238,806,065
	502,602,832	368,227,533
Impairment in value of trade and notes receivables	**(3,405,449)**	(2,118,559)
	499,197,383	366,108,974

Notes receivable amounting to EGP 129.3 Million are mortgage as collateral for the credit facilities (Note 18).
The aging analysis of gross trade and notes receivables before impairment is as follows:

	Total	Neither Past due nor impaired	Past due but not impaired				Impaired
			Less than 180 days	From 181 to 270 days	From 271 to 365 days	More than 365 days	
2019	**502,602,832**	**223,487,730**	**264,433,502**	**10,675,661**	**530,036**	**70,454**	**3,405,449**
2018	368,227,533	238,806,065	119,196,327	6,309,207	861,222	936,153	2,118,559

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

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

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10- TREASURY BILLS

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

11 - PREPAYMENTS AND OTHER RECEIVABLES

	31 December 2019 EGP	31 December 2018 EGP
Prepaid expenses	1,448,594	924,991
Advances to suppliers	19,462,382	17,283,048
Tax authority	12,411,266	6,770,601
Social insurance authority	907,676	271,190
Letters of credit margin	8,508,352	4,139,652
Accrued interests	2,521,713	-
Deposits with others	1,689,925	1,432,625
Employees' imprests and advances	1,986,394	1,674,542
Customs-authority	769,509	6,458,482
Other receivables	540,105	850,381
	50,245,916	39,805,512

12- CASH ON HAND AND AT BANKS

	31 December 2019 EGP	31 December 2018 EGP
a) Egyptian Pounds		
Cash on hand	49,790	121,124
Current accounts	46,630,651	3,182,882
Checks under collection	3,706,012	-
Term deposits	473,081	443,876
	50,859,534	3,747,882
b) Foreign currencies		
Current accounts	3,075,706	551,109
	3,075,706	551,109
	53,935,240	4,298,991

Cash balances are denominated in the following currencies:

	31 December 2019 EGP	31 December 2018 EGP
Egyptian pound (EGP)	50,859,534	3,747,882
US dollar (USD)	3,069,709	521,727
Euro (EUR)	5,997	29,382
	53,935,240	4,298,991

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

	31 December 2019 EGP	31 December 2018 EGP
Cash in hand	49,790	121,124
Current accounts	53,412,369	3,733,991
	53,462,159	3,855,115

13-PROVISIONS

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

	Balance as at January 2018 EGP	Charged during the year EGP	No longer required EGP	Used during the year EGP	Balance as at December 2018 EGP
Provision for expected claims	612,270	1,600,000	-	(140,448)	2,071,822
Provision for sales returns*	-	5,485,132	-	-	5,485,132
	612,270	7,085,132	-	(140,448)	7,556,954

*Provision for sales returns is deduced from sales disclosed

14- TRADE AND NOTES PAYABLE

	31 December 2019 EGP	31 December 2018 EGP
Trade payables	**45,722,280**	48,331,571
Notes payables	**15,535,918**	9,480,455
	61,258,198	57,812,026

15- ACCRUED EXPENSES AND OTHER PAYABLES

	31 December 2019 EGP	31 December 2018 EGP
Accrued expenses	**18,075,611**	10,181,137
Tax authority (other than income tax)	**29,956,278**	25,149,365
Advances from customer	**20,210,828**	9,872,416
Other payables	**1,011,781**	1,284,193
	69,254,498	46,487,111

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

16- CAPITAL

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

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

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

The extraordinary general assembly meeting held on 4 November 2019 and 23 November 2019 decided to increase the issued capital by cash increase in conjunction with the offering in stock exchange market with total amount EGP 550,000,000 (the value of the increase represent the nominal value plus the issue premium).

16- CAPITAL (CONTINUED)

The subscription for this increase was limited to Greville Investing Limited Company who represents the main shareholder and delegated from the remaining shareholders for selling process.

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

The following illustrate the new structure for shareholders:

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

17- GENERAL RESERVE-ISSUANCE PREMIUM

The balance of general reserve - issuance premium is representing the net book value of issuing capital increase shares during 2019 amounted EGP 486,965,000 for issuing 125,000,000 Shares after deducting issuing cost of EGP 64,285,000.

18- CREDIT FACILITIES

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

	31 December 2019 EGP	31 December 2018 EGP
Opening balance	**420,514,887**	272,598,550
Used during the year	**664,519,265**	702,068,205
Payment during year	**(603,095,478)**	(554,151,868)
Ending balance	**481,938,674**	420,514,887

	31 December 2019 EGP	31 December 2018 EGP
Credit facilities maturing within 12 months	**481,938,674**	420,514,887
Bank credit	**4,397,731**	4,142,395
	486,336,405	424,657,282

18- CREDIT FACILITIES (CONTINUED)

The interest rate on the Credit facilities ranges from 13.5 % to 19.25 % as of 31 December 2019 (31 December 2018: Range from 18.50% to 21.25%).

Credit Facilities	Facility amount EGP	Interest rate	Maturity Date	**31 December 2019 EGP**	31 December 2018 EGP
CIB	250,000,000	0.5%+ CBE lending rate	31/01/2020	**113,726,345**	154,585,015
Audi Bank	125,000,000	1 %+ CBE lending rate	30/06/2020	**110,541,776**	136,106,470
Arab Bank	60,000,000	1.5%+ CBE lending rate	31/12/2019	**43,318,210**	46,911,102
ABK	80,000,000	1 %+ CBE lending rate	31/01/2020	**54,958,042**	32,491,987
ADIB	80,000,000	1%+ CBE lending rate	31/12/2019	**86,572,770**	50,420,313
Alex Bank	150,000,000	0.25% + CBE lending rate	30/11/2020	**72,821,531**	-
Total Credit Facilities				**481,938,674**	420,514,887

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

19- 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 CBE lending rate and revised rate is effective for the remaining 5 monthly instalments. “Loan (1)”. The Company paid EGP 27,452,000 during the current year (December 2018: EGP 24,000,000), and no outstanding balance as at 31 December 2019 (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 86,422,000 with an annual interest rate of 1.25% over the Corridor rate repayable over 36 monthly installments starting from 29 October 2018 and maturing on 29 March 2021. During the year ended 31 December 2018, interest rate reduced from 1.25% to 1.1% over the CBE lending rate. "Loan (2)". The Company paid EGP 7,199,779 during the current year (31 December 2018: EGP 1,500,000), The Company has drawn down EGP 5,778,206 during the year ended 31 December 2019, and the balance outstanding amounted to EGP 58,875,703 as at 31 December 2019 (31 December 2018: EGP 60,297,276). During September the Company agreed with the bank to increase the loan by EGP 9,196,000 repayable over 24 monthly installments starting from 1 January 2020 and maturing on 1 December 2021 and reduce the interest rate to 0.75% over the CBE lending rate, However the Company hasn’t obtained the additional amount yet.

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

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

19- LONG TERM LOANS (CONTINUED)

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

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

As of 31 December 2018, some of the Company's loan agreements (classified as non-current during the year) are subject to covenant clauses, whereby the Company is required to meet certain key financial ratios.
The Company did not fulfil the debt/equity ratio as required in the contract for loan 2 and loan 3 of which the Company had drawn an amount of EGP 126,539,022. Due to this breach of the covenant clause, the bank was contractually entitled to request for immediate repayment of the outstanding loan. Consequently, the outstanding balance was presented as a current liability as at 31 December 2018.
The Company signed an amendment agreement with the bank for loan 2 and 3 which modified covenant clauses and rescheduled the settlement period to be payable over 24 monthly installments starting from 1 January 2020 till 1 December 2021. Consequently, at the reporting date, the Company does not breach the loans' covenant clauses.

20- CAPTIAL COMMITMENTS

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

21- CONTINGENT LIABILITIES

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

22- REVENUES

	31 December 2019 EGP	31 December 2018 EGP
Sale of goods (net)	**851,381,297**	765,714,880
Toll manufacturing services revenue	**42,584,164**	39,792,189
	893,965,461	805,507,069

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23- COST OF REVENUES

	31 December 2019 EGP	31 December 2018 EGP
Salaries, social insurance and other fringe benefits	**68,183,742**	59,864,329
Raw materials	**297,869,370**	245,157,873
Spare parts and materials	**18,860,250**	15,140,656
Government fees and medical stamps	**6,360,298**	7,104,302
Other operating expenses	**25,155,643**	19,652,683
Energy expenses	**24,414,074**	19,553,549
Depreciation and amortization (Note 5,7)	**33,718,623**	23,880,968
Rent	**5,684,413**	2,223,012
Maintenance	**8,146,391**	7,460,675
	488,392,804	400,038,047

24- SELLING AND MARKETING EXPENSES

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

25- GENERAL AND ADMINISTRATIVE EXPENSES

	31 December 2019 EGP	31 December 2018 EGP
Salaries, social insurance and other fringe benefits	**25,571,766**	18,463,370
Professional fees	**4,257,941**	14,656,846
Maintenance	**531,642**	679,600
Depreciation (Note 5)	**2,129,343**	1,040,788
Others	**3,150,449**	3,438,440
Bank charges	**3,484**	3,386
	35,644,625	38,282,430

26- OTHER INCOME

	31 December 2019 EGP	31 December 2018 EGP
Gain from sale of fixed assets (Note 5)	**9,249**	16,828
Other income	**2,007,917**	4,235,241
	2,017,166	4,252,069

27- OTHER EXPENSE

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
For the Year Ended 31 December 2019

28- FINANCE INCOME

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

29- FINANCE EXPENSES

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

30- INCOME TAXES

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

DEFERED INCOME TAXES

	Statement of financial position		Statement of profit or loss	
	31 December 2019 EGP	31 December 2018 EGP	**31 December 2019 EGP**	31 Decembe 201 EG
Depreciation and amortization	**(29,762,643)**	(22,056,350)	**(7,706,293)**	(292,91
Provisions	**1,521,885**	1,234,155	**287,730**	1,096,39
Impairment of trade and notes receivables	**766,226**	476,676	**289,550**	313,79
Write down in value of inventory	**1,431,444**	353,317	**1,078,127**	(224,82
Unrealized foreign exchange differences	**86,032**	(243,564)	**329,596**	(243,56
Net deferred income taxes	**(25,957,056)**	(20,235,766)	**(5,721,290)**	648,8

* 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	31 December 2019 EGP	Tax Rate	31 December 2018 EGP
Profits before income taxes		**107,189,441**		167,135,586
Income tax based on tax rate	**22.5%**	**24,117,624**	22.5%	37,605,507
Non-deductible expenses		**1,392,101**		747,683
Effective Tax Rate	**23.80%**	**25,509,725**	22.95%	38,353,190

31- EARNINGS PER SHARE

Basic and diluted earnings per share were 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:

	31 December 2019 EGP	31 December 2018 EGP
Basic and diluted, profit for the year attributable to Equity holder of the Parent Company	**82,393,957**	129,021,273
Weighted average number of shares outstanding during the year	**654,016,667**	654,016,667
Earnings per share	**0.1260**	0.1973

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

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

c) Stamp Tax

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

d) VAT Tax

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

e) With respect to Subsidiaries

- No inspection has happened for the subsidiaries' record.

33- 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.

a) Due from related parties

	31 December 2019 EGP	31 December 2018 EGP
Eman Mohamed Hegazy	**12,750**	12,750
Eman Wahed El-Zomor	**12,750**	12,750
	25,500	25,500

b) Due to related parties

	31 December 2019 EGP	31 December 2018 EGP
Compass Capital	**-**	8,148
	-	8,148

c) Salaries and incentives of key managers

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

	31 December 2019 EGP	31 December 2018 EGP
Salaries and incentives	**21,742,279**	16,065,756
	21,742,279	16,065,756

34- 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:

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

35- 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.

35- FINANCIAL INSTRUMENTS RISK MANAGEMENT OBJECTIVES AND POLICIES (CONTINUED)

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, notes receivable, due from related parties, other receivables, 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 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 group 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 (12)

Due from related parties

The Group's exposure to credit risk rises from related parties 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.

35- FINANCIAL INSTRUMENTS RISK MANAGEMENT OBJECTIVES AND POLICIES (CONTINUED)

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.

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

Exposure to foreign currency risk

The following tables demonstrate the sensitivity to a reasonably possible change in USD & EUR 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.

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

Financial liabilities As at 31 December 2019	**Less than 3 Months EGP**	**3 to 12 months EGP**	**1 to 5 years EGP**	**Over 5 years EGP**	**To EC**
Credit facilities	**215,009,514**	**285,328,150**	**-**	**-**	**500,337,6**
Trade and notes payables	**51,372,180**	**9,886,018**	**-**	**-**	**61,258,1**
Accrued expenses and other payables	**66,542,878**	**2,711,618**	**-**	**-**	**69,254,4**
Term loans	**20,215,230**	**75,222,795**	**57,069,406**	**-**	**152,507,4**
Total undiscounted financial liabilities	**353,139,804**	**373,148,581**	**57,069,406**	**-**	**783,357,7**

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35- FINANCIAL INSTRUMENTS RISK MANAGEMENT OBJECTIVES AND POLICIES (CONTINUED)

Financial liabilities As at 31 December 2018	Less than 3 Months EGP	3 to 12 Months EGP	1 to 5 years EGP	Over 5 years EGP	T… E…
Credit facilities	235,080,590	210,669,520	-	-	445,750.…
Trade and notes payables	21,617,464	36,194,562	-	-	57,812,…
Accrued expenses and other payables	19,304,852	6,226,071	20,956,188	-	46,487,…
Term loans	17,552,314	73,054,270	94,626,670	-	185,233,…
Total undiscounted financial liabilities	293,555,220	326,144,423	115,582,858	-	735,282,…

36- 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.

37- 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.