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

CONSOLIDATED FINANCIAL STATEMENTS

TOGETHER WITH AUDITOR'S REPORT

FOR THE YEAR ENDED 31 DECEMBER 2021

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

Consolidated Financial Statements
For the Year Ended 31 December 2021

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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 2021, 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 2021, 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
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متضامنون للمحاسبة والمراجعة

Cairo: 24 February 2022

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

CONSOLIDATED STATEMENT OF FINANCIAL POSITION
AS AT 31 December 2021

	Notes	*31 December 2021 EGP*	*31 December 2020 EGP*
ASSETS			
Non-current assets			
Fixed assets and projects under construction	(5)	**541,954,828**	521,901,281
Right of use assets	(6-A)	**13,032,359**	16,258,305
Intangible assets	(7)	**389,663,289**	214,571,373
Total non-current assets		**944,650,476**	752,730,959
Current assets			
Inventories	(8)	**259,398,338**	305,479,563
Trade and notes receivable	(9)	**659,403,591**	633,522,249
Treasury Bills	(10)	**468,010,954**	469,349,545
Due from related parties	(31)	**25,500**	25,500
Prepayments and other receivables	(11)	**74,809,972**	74,974,518
Cash on hand and at banks	(12)	**14,001,699**	13,232,834
Total current assets		**1,475,650,054**	1,496,584,209
TOTAL ASSETS		**2,420,300,530**	2,249,315,168
EQUITY AND LIABILITIES			
Equity			
Paid up Capital	(15)	**250,000,000**	192,150,000
Legal reserve		**26,446,118**	20,798,851
General reserves - Issuance Premium	(16)	**486,965,000**	486,965,000
Other reserves		**278,952**	278,952
Profits for the year and retained earnings		**584,420,299**	484,995,947
Total equity of Parent Company		**1,348,110,369**	1,185,188,750
Non-controlling interest		**(2,621,626)**	(1,618,706)
Total equity		**1,345,488,743**	1,183,570,044
LIABILITIES			
Non-current liabilities			
Long term loans	(18)	-	29,549,676
Long term lease liabilities	(6-B)	**12,256,160**	14,807,299
Deferred tax liabilities	(28)	**40,498,236**	31,061,481
Total non-current liabilities		**52,754,396**	75,418,456
Current liabilities			
Provisions	(13)	**14,261,845**	12,287,619
Credit facilities	(17)	**820,655,235**	804,558,554
Current portion of long-term loans	(18)	**21,949,676**	58,850,000
Current portion of lease liabilities	(6-B)	**3,130,595**	2,601,924
Trade, notes and other payables	(14)	**128,568,694**	93,719,707
Income taxes payable		**33,491,346**	18,308,864
Total current liabilities		**1,022,057,391**	990,326,668
TOTAL LIABILITIES		**1,074,811,787**	1,065,745,124
TOTAL LIABILITIES AND EQUITY		**2,420,300,530**	2,249,315,168

Finance Director	**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 2021

	Notes	*31 December 2021* *EGP*	*31 December 2020* *EGP*
Revenues	(21)	**1,246,434,628**	960,169,349
Cost of revenues	(22)	**(668,909,524)**	(513,583,458)
GROSS PROFIT		**577,525,104**	446,585,891
Selling and marketing expenses	(23)	**(251,984,883)**	(214,204,258)
General and administrative expenses	(24)	**(51,901,349)**	(44,732,538)
Other income	(25)	**41,606**	1,019,971
OPERATING PROFIT		**273,680,478**	188,669,066
Finance income	(26)	**59,973,000**	64,160,293
Finance expenses	(27)	**(94,817,656)**	(100,058,934)
Net foreign exchange gain/(loss)		**(596,919)**	(1,695,406)
NET FINANCE COST		**(35,441,575)**	(37,594,047)
Impairment of trade and notes receivable	(9)	**(105,600)**	(1,802,092)
Provisions	(13)	**(1,250,000)**	(1,600,000)
Contribution for health insurance		**(3,272,995)**	(2,563,370)
PROFITS FOR THE YEAR BEFORE INCOME TAXES		**233,610,308**	145,109,557
Income taxes	(28)	**(53,524,475)**	(33,594,619)
PROFITS FOR THE YEAR		**180,085,833**	111,514,938
Attributable to:			
Equity holders of the Parent Company		**181,088,753**	112,180,469
Non-controlling interests		**(1,002,920)**	(665,531)
		180,085,833	111,514,938
Earnings Per Share - basic and diluted	(29)	**0.1664**	0.0975

Finance Director

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 2021

	31 December 2021	31 December 2020
	EGP	*EGP*
PROFITS FOR THE YEAR	**180,085,833**	111,514,938
OTHER COMPREHENSIVE INCOME	**-**	-
OTHER COMPREHENSIVE INCOME	**180,085,833**	111,514,938
Attributable to		
Equity holders of the Parent Company	**181,088,753**	112,180,469
Non-controlling interest	**(1,002,920)**	(665,531)
	180,085,833	111,514,938

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 2021

	Paid up Capital EGP	*Legal reserve EGP*	*General reserve -Issuance Premium EGP*	*Other reserves EGP*	*Retained earnings EGP*	*Total equity of Parent Company EGP*	*Non-controlling interest EGP*	*Total EGP*
Balance as at 1 January 2020	192,150,000	16,649,610	486,965,000	278,952	376,964,719	1,073,008,281	(953,175)	1,072,055,106
Transferred to legal reserve	-	4,149,241	-	-	(4,149,241)	-	-	-
Total comprehensive income for the year	-	-	-	-	112,180,469	112,180,469	(665,531)	111,514,938
Balance as at 31 December 2020	192,150,000	20,798,851	486,965,000	278,952	484,995,947	1,185,188,750	(1,618,706)	1,183,570,044
Balance as at 1 January 2021	192,150,000	20,798,851	486,965,000	278,952	484,995,947	1,185,188,750	(1,618,706)	1,183,570,044
Effect of adoption of EAS (47)	-	-	-	-	(3,467,134)	(3,467,134)	-	(3,467,134)
Balance as at 1 January 2021 (Adjusted)	192,150,000	20,798,851	486,965,000	278,952	481,528,813	1,181,721,616	(1,618,706)	1,180,102,910
Transferred to legal reserve	-	5,647,267	-	-	(5,647,267)	-	-	-
Transferred from retained earnings to capital increase	57,850,000	-	-	-	(57,850,000)	-	-	-
Dividend distributions	-	-	-	-	(14,700,000)	(14,700,000)	-	(14,700,000)
Total comprehensive income for the year	-	-	-	-	181,088,753	181,088,753	(1,002,920)	180,085,833
Balance as at 31 December 2021	**250,000,000**	**26,446,118**	**486,965,000**	**278,952**	**584,420,299**	**1,348,110,369**	**(2,621,626)**	**1,345,488,743**

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 2021

	Notes	**31 December 2021 EGP**	31 December 2020 EGP
CASH FLOWS FROM OPERATING ACTIVITIES			
Profits for the year before income taxes		**233,610,308**	145,109,557
Adjustments to reconcile profit before tax to net cash flow:			
Net foreign exchange differences		**187,866**	732,284
Depreciation and amortization	(5,6,7)	**46,181,573**	56,201,806
Provision charged	(13)	**1,974,226**	2,823,684
Impairment of trade and notes receivable	(9)	**105,600**	1,802,092
Impairment of inventory	(8)	**18,387,576**	18,732,306
Finance income		**(59,960,672)**	(64,136,566)
Finance expenses	(27)	**92,746,112**	97,792,446
Unwinding interests of lease liabilities	(27)	**2,071,544**	2,266,488
Loss from sale of fixed assets	(5)	**717,262**	138,889
		336,021,395	261,462,986
Change in inventories		**47,579,708**	(100,758,483)
Used of inventory provision		**(19,886,059)**	(12,874,062)
Change in trade and notes receivable		**(29,454,076)**	(135,886,877)
Used of Impairment of trade and notes receivable		**-**	(240,081)
Change in prepayments and other receivables		**(6,108,338)**	(14,085,872)
Change in trade, notes and other payable		**31,511,141**	(36,528,764)
Cash flows (used in) provided from operating activities		**359,663,771**	(38,911,153)
Debit interests paid		**(89,408,266)**	(94,947,750)
Provisions used	(13)	**-**	(500,000)
Income taxes paid		**(28,905,238)**	(29,965,413)
NET CASH FLOWS PROVIDED FROM (USED IN) OPERATING ACTIVITIES		**241,350,267**	(164,324,316)
CASH FLOWS FROM INVESTING ACTIVITIES			
Payments to acquire fixed assets	(5)	**(14,483,900)**	(24,946,812)
Payments to acquire assets under construction	(5)	**(38,187,101)**	(60,038,349)
Payments to acquire intangible assets	(7)	**(185,528,408)**	(116,136,335)
Payment to acquire treasury bills		**(1,057,602,853)**	(819,052,935)
Matured treasury bills collection		**1,125,175,000**	868,000,000
Proceeds from sale of fixed assets	(5)	**22,740**	67,545
Investment in term deposits	(12)	**491,501**	(133,961)
NET CASH FLOWS (USED IN) INVESTING ACTIVITIES		**(170,113,021)**	(152,240,847)
CASH FLOWS FROM FINANCING ACTIVITIES			
Credit facilities used	(17)	**1,172,462,925**	1,047,145,097
Payment of credit facilities	(17)	**(1,156,366,726)**	(728,922,948)
Payment of long-term loans	(18)	**(66,450,000)**	(37,450,000)
Dividends paid during the year		**(14,700,000)**	-
Lease payments paid during the year		**(4,735,213)**	(4,311,069)
NET CASH FLOWS (USED IN) PROVIDED FROM FINANCING ACTIVITIES		**(69,789,014)**	276,461,080
Net change in cash and cash equivalent during the YEAR		**1,448,232**	(40,104,083)
Net foreign exchange difference		**(187,866)**	(732,284)
Cash and cash equivalent - beginning of the year		**12,625,792**	53,462,159
CASH AND CASH EQUIVALENT - END OF THE YEAR	(12)	**13,886,158**	12,625,792

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 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.

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
For the Year Ended 31 December 2021

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 CHANGES IN ACCOUNTING POLICIES

The accounting policies applied during this year are those applied in preparing the financial statements for the year ended 31 December 2020 other than the implementation of the Egyptian Accounting Standard No. (47) "Financial Instruments" in accordance with the decision of the Financial Supervisory Authority as of January 1, 2021, and the nature and impact of these standards and amendments are explained below. And the early adoption of the new Egyptian Accounting Standards No. 48, "revenue from contracts with customers" and 49 "leases" applied for the year ended 31 December 2020.

2-2-1 EFFECT OF ADOPTION OF EAS NO. (47) "FINANCIAL INSTRUMENTS"

The standard bringing together all three aspects of the accounting for financial instruments: classification and measurement; impairment; and hedge accounting.

i) Classification and measurement

Under EAS (47), debt instruments are subsequently measured at fair value through profit or loss, amortized cost, or fair value through OCI. The classification is based on two criteria: The Company's business model for managing the assets; and whether the instruments' contractual cash flows represent 'solely payments of principal and interest' on the principal amount outstanding.

The following are the changes in the classification of the Company's financial assets:

- Trade receivables and other financial assets classified as loans and receivables as at 31 December 2020 are held to collect contractual cash flows and give rise to cash flows representing solely payments of principal and interest. These are classified and measured as debt instruments at amortized cost as of 1 January 2021.

ii) Impairment

The adoption of EAS (47) will fundamentally change the Company's accounting for impairment losses for financial assets by replacing EAS (26) incurred loss approach with a forward-looking expected credit loss (ECL) approach. EAS (47) requires the Company to recognize an allowance for ECLs for all debt instruments not held at fair value through profit or loss and contract assets.

The following are the adjustments to the financial position on 01 January 2021:

	EGP
Assets - Trade and notes receivable	(3,467,134)
Equity – Retained Earnings	(3,467,134)

2-3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

2-3-1 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 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 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.

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 SUMMARIES OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2-3-2 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.

2-3-3 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.

2-3-4 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 SUMMARIES OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2-3-5 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	20
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. The useful lives of machinery and equipment related to the production activity were re-estimated to be 20 years.

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.

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.

2-3-6 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.

2-3-7 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

2-3 SUMMARIES OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2-3-7 Intangible Assets (Continued)

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.

2-3-8 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

2-3-9 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.

2-3-10 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.

2-3 SUMMARIES OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2-3-10 Trade and Notes receivables and other receivables (Continued)

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.

2-3-11 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.

2-3-12 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.

2-3-13 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.

2-3-14 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.

2-3-15 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.

2-3-16 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 SUMMARIES OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2-3-17 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 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.

2-3-18 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 SUMMARIES OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2-3-19 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.

2-3-20 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.

2-3-21 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.

2-3-22 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 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:

2-3 SUMMARIES OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2-3-24 Fair value measurement (Continued)

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

For assets and liabilities that are recognized in the 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.

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.

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.

3- SIGNIFICANT ACCOUNTING JUDGMENTS AND ESTIMATES (CONTINUED)

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 94% of total revenue and balance 6% is contributed by toll manufacturing services (31 December 2020: 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 2021 were reported under two segments in the consolidated financial statements.

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

	Services	***Sales of pharmaceutical products***			
	Toll Manufacturing		***Domestic***		
Year	***"Domestic" EGP***	***Export EGP***	***Private sales EGP***	***Tenders EGP***	***Total EGP***
31 December 2021	**77,490,353**	**87,872,886**	**829,081,153**	**251,990,236**	**1,246,434,628**
31 December 2020	50,839,648	49,938,750	659,705,700	199,685,251	960,169,349

Revenue from the top five customers presented 84% of total pharmaceutical products revenues (31 December 2020: 85%).

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5- FIXED ASSETS

	Freehold Land EGP	*Buildings EGP*	*Machinery and equipment EGP*	*Transportation and dragging equipment EGP*	*Laboratory equipment EGP*	*Tools EGP*	*Office furniture and fixtures EGP*	*Assets under construction EGP*	*Total EGP*
Cost									
As of 1 January 2021	**18,637,425**	**257,225,388**	**397,711,971**	**13,025,828**	**20,292,443**	**5,689,305**	**25,385,313**	**26,589,818**	**764,557,491**
Additions	**-**	**2,628,798**	**6,387,704**	**344,070**	**3,454,965**	**357,601**	**1,310,762**	**38,187,101**	**52,671,001**
Transferred from assets under construction	**-**	**13,486,920**	**13,639,600**	**-**	**7,938,130**	**-**	**2,670,884**	**(37,735,534)**	**-**
Disposals	**-**	**-**	**(2,965,773)**	**-**	**(3,423,776)**	**(23,929)**	**(243,548)**	**-**	**(6,657,026)**
As of 31 December 2021	**18,637,425**	**273,341,106**	**414,773,502**	**13,369,898**	**28,261,762**	**6,022,977**	**29,123,411**	**27,041,385**	**810,571,466**
Accumulated depreciation									
As of 1 January 2021	**-**	**(57,853,893)**	**(147,381,612)**	**(10,254,249)**	**(9,971,721)**	**(1,728,708)**	**(15,466,027)**	**-**	**(242,656,210)**
Depreciation for the year	**-**	**(8,221,183)**	**(18,065,453)**	**(636,492)**	**(1,787,573)**	**(524,798)**	**(2,641,953)**	**-**	**(31,877,452)**
Disposals	**-**	**-**	**2,311,656**	**-**	**3,352,896**	**19,408**	**233,064**	**-**	**5,917,024**
As of 31 December 2021	**-**	**(66,075,076)**	**(163,135,409)**	**(10,890,741)**	**(8,406,398)**	**(2,234,098)**	**(17,874,916)**	**-**	**(268,616,638)**
Net book value as of 31 December 2021	**18,637,425**	**207,266,030**	**251,638,093**	**2,479,157**	**19,855,364**	**3,788,879**	**11,248,495**	**27,041,385**	**541,954,828**

- The cost of fixed assets as of 31 December 2021 includes EGP 106,816,740 which represents fully depreciated assets that are still in use.
- The cost of asset under construction as of 31 December 2021 includes impairment by EGP 686,437.

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

	31 December 2021 EGP
Cost of revenue	**29,340,376**
Selling and marketing expenses	**629,764**
General and administrative expenses	**1,907,312**
	31,877,452

Loss from sale of fixed assets was calculated as follows:

	31 December 2021 EGP
Cost of disposed assets	**6,657,026**
Accumulated depreciation of disposed assets	**(5,917,024)**
Net book value of disposed assets	**740,002**
Proceeds from sale of fixed assets	**22,740**
Loss from sale of fixed assets	**(717,262)**

5- FIXED ASSETS (CONTINUED)

	Freehold Land	*Buildings*	*Machinery and equipment*	*Transportation and dragging equipment*	*Laboratory equipment*	*Tools*	*Office furniture and fixtures*	*Assets under construction*	*Total*
	EGP	*EGP*	*EGP*	*EGP*	*EGP*	*EGP*	*EGP*	*EGP*	*EGP*
Cost									
As at 1 January 2020	18,637,425	227,835,573	313,603,694	12,411,128	17,129,924	3,754,591	21,797,612	66,327,646	681,497,593
Additions	-	6,992,398	8,432,595	681,500	2,974,732	1,293,386	4,572,201	60,038,349	84,985,161
Transferred from assets under construction	-	22,397,417	76,089,143	-	526,239	645,928	117,450	(99,776,177)	-
Disposals	-	-	(413,461)	(66,800)	(338,452)	(4,600)	(1,101,950)	-	(1,925,263)
As at 31 December 2020	18,637,425	257,225,388	397,711,971	13,025,828	20,292,443	5,689,305	25,385,313	26,589,818	764,557,491
Accumulated depreciation									
As at 1 January 2020	-	(50,634,122)	(113,601,464)	(9,583,519)	(8,559,055)	(1,309,799)	(14,356,886)	-	(198,044,845)
Depreciation for the year	-	(7,219,771)	(34,098,470)	(737,530)	(1,662,378)	(422,819)	(2,189,226)	-	(46,330,194)
Disposals	-	-	318,322	66,800	249,712	3,910	1,080,085	-	1,718,829
As at 31 December 2020	-	(57,853,893)	(147,381,612)	(10,254,249)	(9,971,721)	(1,728,708)	(15,466,027)	-	(242,656,210)
Net book value as at 31 December 2020	18,637,425	199,371,495	250,330,359	2,771,579	10,320,722	3,960,597	9,919,286	26,589,818	521,901,281

- The cost of fixed assets as of 31 December 2020 includes EGP 108,447,592 which represents fully depreciated assets that are still in use.
- The amount of borrowing costs capitalized on service equipment and infra-structure facilities during the year ended 31 December 2020 amounted to EGP 218,021. The capitalized borrowing cost represents the cost of specific borrowings made for these assets at a rate of 14%.

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

	31 December 2020
	EGP
Cost of revenue	43,962,520
Selling and marketing expenses	538,559
General and administrative expenses	1,829,115
	46,330,194

Loss from sale of fixed assets was calculated as follows:

	31 December 2020
	EGP
Cost of disposed assets	1,925,263
Accumulated depreciation of disposed assets	(1,718,829)
Net book value of disposed assets	206,434
Proceeds from sale of fixed assets	67,545
Loss from sale of fixed assets	(138,889)

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6- LEASES

Right of use assets are scientific rental offices, operating leases, and warehouses

A) Right of use assets

	31 December 2021	*31 December 2020*
	EGP	*EGP*
Cost at 1 January 2021	**19,916,906**	18,206,266
Additions	**641,683**	1,710,640
Total Cost as of 31 December 2021	**20,558,589**	19,916,906
Accumulated amortization at 1 January 2021	**(3,658,601)**	-
Amortization for year	**(3,867,629)**	(3,658,601)
Accumulated amortization as of 31 December 2021	**(7,526,230)**	(3,658,601)
Net book value as of 31 December 2021	**13,032,359**	16,258,305

B) Lease liability

	31 December 2021	*31 December 2020*
	EGP	*EGP*
Opening balance as of 1 January 2021	**17,409,223**	17,743,169
Additions	**641,683**	1,710,640
Unwinding interests recognized during the period	**2,071,062**	2,266,483
Lease payments paid during the year	**(4,735,213)**	(4,311,069)
As at 31 December 2021	**15,386,755**	17,409,223
Deduct: Current balance	**3,130,595**	2,601,924
Non-current balance	**12,256,160**	14,807,299

7- INTANGIBLE ASSETS

	Registration Rights	
	31 December 2021	*31 December 2020*
	EGP	*EGP*
Cost as at 1 January 2021	**238,621,188**	122,484,853
Additions	**185,528,408**	116,136,335
Total cost as at 31 December 2021	**424,149,596**	238,621,188
Accumulated amortization as at1 January 2021	**(24,049,815)**	(17,836,804)
Amortization for the year	**(10,436,492)**	(6,213,011)
Accumulated amortization as at 31 December 2021	**(34,486,307)**	(24,049,815)
Net book value as at 31 December 2021	**389,663,289**	214,571,373

- The balance of the intangible assets represents the cost of acquiring the registration rights of certain pharmaceutical products and is amortized using the straight-line method over their useful life (20 years). Management estimate the expected future benefit of the registration rights to be utilize over 20 years and assessed for impaired whenever there is an indication that the economic benefit of the product is impaired.
- Intangible asset balance includes registration right assets under approval amounted to EGP 29,286,599 (31 December 2020: EGP 33,788,952).

8- INVENTORIES

	31 December 2021	*31 December 2020*
	EGP	*EGP*
Raw materials	**110,972,898**	108,942,551
Packing and packaging materials	**38,421,560**	41,800,322
Spare parts	**14,549,227**	11,759,761
Finished goods	**65,107,399**	111,425,857
Work in progress	**27,652,773**	34,973,039
Goods in transit	**13,148,916**	7,713,475
Inventory with others	**619,459**	1,436,935
	270,472,232	318,051,940
Write down in inventories	**(11,073,894)**	(12,572,377)
	259,398,338	305,479,563

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

	31 December 2021	*31 December 2020*
	EGP	*EGP*
Beginning balance	**(12,572,377)**	(6,714,133)
Charged during the year	**(18,387,576)**	(18,732,306)
Used of inventory provision	**19,886,059**	12,874,062
Ending balance	**(11,073,894)**	(12,572,377)

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

9- TRADE AND NOTES RECEIVABLES

	31 December 2021	*31 December 2020*
	EGP	*EGP*
Trade receivable	**265,206,613**	231,381,863
Trade receivable – toll manufacturing	**9,297,115**	11,995,577
Notes receivable	**393,440,057**	395,112,269
	667,943,785	638,489,709
Impairment in value of trade and notes receivables	**(8,540,194)**	(4,967,460)
	659,403,591	633,522,249

Notes receivable amounting to 208.3 MEGP are mortgage as a guarantee for the credit facilities (Note 17).

9- TRADE AND NOTES RECEIVABLES (CONTINUED)

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*	
31 December 2021	**667,943,785**	**391,733,509**	**258,323,939**	**5,494,294**	**3,302,589**	**549,260**	**8,540,194**
31 December 2020	638,489,709	393,414,071	231,361,160	4,508,828	4,238,190	-	4,967,460

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

	31 December 2021 EGP	*31 December 2020 EGP*
Balance as at 1 January 2021 before effect of adoption of EAS (47)	**(4,967,460)**	(3,405,449)
Effect of adoption of EAS (47)	**(3,467,134)**	**-**
Balance as at 1 January 2021 after effect of adoption of EAS (47)	**(8,434,594)**	(3,405,449)
Charged during the year	**(105,600)**	(1,802,092)
Used provision	**-**	240,081
Ending balance	**(8,540,194)**	(4,967,460)

10- TREASURY BILLS

	31 December 2021 EGP	*31 December 2020 EGP*
Treasury bills	**496,100,000**	500,300,000
Unearned interest	**(28,089,046)**	(30,950,455)
	468,010,954	469,349,545

- Some treasury bills are mortgaged as collateral for credit facilities amounted to 122 MEGP (Note 17 & 18).

11- PREPAYMENTS AND OTHER RECEIVABLES

	31 December 2021 EGP	31 December 2020 EGP
Prepaid expenses	**991,484**	908,473
Advances to suppliers	**10,743,108**	12,039,929
Tax authority	**14,884,813**	13,408,468
Social insurance authority	**808,203**	143,853
Letters of credit margin	**29,508,859**	13,699,153
Accrued interests	**6,978,785**	13,251,669
Deposits with others	**2,457,871**	2,045,109
Employees' impress and advances	**3,647,627**	11,442,724
Customs-authority	**1,475,993**	1,611,895
Other receivables	**3,313,229**	6,423,245
	74,809,972	74,974,518

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12- CASH ON HAND AND AT BANKS

	31 December 2021	*31 December 2020*
	EGP	*EGP*
a) Egyptian Pounds		
Cash on hand	**51,897**	40,439
Current accounts	**4,762,619**	2,064,744
Checks under collection	**6,984,687**	27,788
Term deposits	**115,541**	607,042
	11,914,744	2,740,013
b) Foreign currencies		
Cash on hand	**24,148**	55,158
Checks under collection	**-**	4,776,000
Current accounts	**2,062,807**	5,661,663
	2,086,955	10,492,821
	14,001,699	13,232,834

Cash balances are denominated in the following currencies:

	31 December 2021	*31 December 2020*
	EGP	EGP
Egyptian pound (EGP)	**11,914,744**	2,738,773
US dollar (USD)	**333,102**	10,466,242
Euro (EUR)	**1,753,853**	27,819
	14,001,699	13,232,834

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

	31 December 2021	*31 December 2020*
	EGP	*EGP*
Cash in hand	**76,045**	95,597
Current accounts	**13,810,113**	12,530,195
	13,886,158	12,625,792

13- PROVISIONS

	Balance as at 1 January 2021	***Charged during the year***	***Used during the year***	***Balance as at 31 December 2021***
	EGP	***EGP***	***EGP***	***EGP***
Provision for expected claims	**4,300,001**	**1,250,000**	**-**	**5,550,001**
Provision for sales returns*	**7,987,618**	**724,226**	**-**	**8,711,844**
	12,287,619	**1,974,226**	**-**	**14,261,845**

	Balance as at 1 January 2020	*Charged during the year*	*Used during the year*	*Balance as at 31 December 2020*
	EGP	*EGP*	*EGP*	*EGP*
Provision for expected claims	3,200,001	1,600,000	(500,000)	4,300,001
Provision for sales returns*	6,763,934	1,223,684	-	7,987,618
	9,963,935	2,823,684	(500,000)	12,287,619

*Provision for sales returns is deduced from sales disclosed (NOTE 21).

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14- TRADE, NOTES AND OTHER PAYABLES

	31 December 2021 ***EGP***	*31 December 2020* *EGP*
Trade payables	**61,525,655**	46,925,388
Notes payables	**21,946,601**	19,196,183
Accrued expenses	**30,051,461**	12,578,841
Tax authority (other than income tax)	**7,258,006**	8,598,898
Advances from customer	**5,716,158**	4,780,965
Other payables	**2,070,813**	1,639,432
	128,568,694	93,719,707

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

15- CAPITAL

The Group's authorized capital amounted to EGP 1 billion, whereas the issued and paid up capital amounted to EGP 250,000,000 divided over 1,000,000,000 shares of par value EGP 0.25 each.

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

The extraordinary 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 2020 through issuing 125,000,000 shares at offering price EGP 4.66 to be 768,600,000 shares noting that the deference between offering price and par value represented in share premium recognized in general reserve.

The extraordinary general assembly meeting held on October 14, 2020 decided to approve the application of the incentive & bonus plan of the Company's employees, managers and executive board of director's members, and the plan has not been activated to date.
The extraordinary General Assembly meeting held on May 19, 2021 decided to increase the paid-in capital by 57,850,000 Egyptian pounds by distributing bonus shares of 0.3010668748 free shares for each original share of the company's shares before the increase of 768,600,000 shares with reparations in favor of small shareholders from the smallest to The largest has to finance the increase in shares from the company's distributable net profits (profits for the year + retained earnings) for the fiscal year ending on December 31, 2020, so the company's issued capital after the increase becomes 250,000,000 Egyptian pounds distributed over 1,000,000,000 shares with a nominal value of EGP 0.25 per share.

The board members meeting held on February 23, 2022 decided to re-purchase treasury shares up to 10% of the total shares of the company's issued capital available in the market.

The following illustrate the new structure for shareholders as of 31 December 2021:

	%	*No. of shares*	*Amount* *EGP*
Main Shareholder's Shares *	43.14	431,370,071	107,842,518
Other listed Free Shares in Stock Exchange Market	56.86	568,629,929	142,157,482
	100	**1,000,000,000**	**250,000,000**

*Greville Investing Limited Company owned 51% of the company shares and exercised control over the company, sold its shares to other parties during the year ending on December 31, 2020, and accordingly Greville Investing Limited Company lost control Over TENTH OF RAMADAN FOR PHARMACEUTICAL INDUSTRIES AND DIAGNOSTIC REAGENTS (RAMEDA).

16- 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.

17- CREDIT FACILITIES

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

	31 December 2021 EGP	*31 December 2020 EGP*
Opening balance	**802,184,216**	481,938,674
Used during the year	**1,173,903,438**	1,049,168,490
Payment during the year	**(1,156,366,726)**	(728,922,948)
Ending balance	**819,720,928**	802,184,216

	31 December 2021 EGP	*31 December 2020 EGP*
Credit facilities maturing within 12 months	**819,720,928**	802,184,216
Bank credit	**934,307**	2,374,338
	820,655,235	804,558,554

The interest rate on the Credit facilities ranges from 8 % to 9.75 % as of 31 December 2021 (31 December 2020: Range from 8% to 14.25%).

Credit Facilities	Facility amount EGP	Interest rate	*Maturity Date*	***31 December 2021 EGP***	*31 December 2020 EGP*
CIB	250,000,000	0.25%+CBE lending rate	10-Jul-22	**124,385,085**	65,500,461
		8 % CBE INITAVIE*	10-Jul-22	**55,837,267**	90,534,880
	80,000,000	CBE lending rate	15-Oct-21	**-**	63,666,667
Audi Bank	125,000,000	0.5 %+CBE lending rate	30-Mar-22	**49,314,262**	78,852,012
		8 % CBE INITAVIE*	30-Mar-22	**31,062,538**	35,290,505
Arab Bank	88,000,000	0.75%+CBE lending	30-Mar-22	**-**	24,552,848
		8 % CBE INITAVIE*	30-Mar-22	**36,589,690**	38,054,398
ABK	100,000,000	0.5 %+CBE lending rate	31-Oct-22	**31,950,265**	41,994,296
		8 % CBE INITAVIE*	31-Oct-22	**48,229,814**	43,065,679
ADIB	130,000,000	0.5%+CBE lending rate	15-Jul-22	**51,517,333**	73,841,852
		8 % CBE INITAVIE*	15-Jul-22	**83,650,090**	42,520,285
Alex Bank	170,000,000	0.25% + CBE lending rate	30-Jun-22	**-**	81,845,141
		8 % CBE INITAVIE*	30-Jun-22	**145,589,868**	75,811,580
AUB	130,000,000	0.35% + CBE lending rate	1-Jun-22	**28,933,333**	-
		8 % CBE INITAVIE*	1-Jun-22	**45,426,752**	43,225,917
ENBD	100,000,000	8 % CBE INITAVIE*	31-Oct-22	**87,234,631**	3,427,695
Total Credit Facilities				**819,720,928**	802,184,216

* Those Balance represents the funds granted for the purchase of raw materials, and packaging in accordance with the initiative of the Central Bank of Egypt to support the industrial sector issued on 12 December 2019 to finance companies with private ownership and small and medium enterprises and support them to reach their investment goals and cover operating expenses.

* Some of the above facilities are guaranteed by notes receivables and treasury bills (Note 9 and 10).

18- LONG TERM LOANS

Loan (1):
During the year 2017, the Group 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 **"Loan (1)".**

During September 2019, the Group 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 Group hasn't obtained the additional amount yet.

On 9 September 2020, the Company rescheduled the loan (1) to be repayable over 21 monthly installments starting from 1 October 2020 and maturing on 1 June 2022.

The Company paid EGP 31,200,000 during the year ended 31 December 2021 and the balance outstanding amounted to EGP 9,475,704 as at 31 December 2021 (31 December 2020: EGP 40,675,704).

Loan (2):
During the year 2018, the Group 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 (2)".**

During September 2019, the Group 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 0.85% over the CBE lending rate.

On 9 September 2020, the Company rescheduled the loan (2) to be repayable over 20 monthly installments starting from 1 October 2020 and maturing on 1 May 2022.

The Group paid EGP 35,250,000 during the year ended 31 December 2021 and the balance outstanding amounted to EGP 12,473,972 as at 31 December 2021 (31 December 2020: EGP 47,723,972).

The Company obtained those loans against Treasury bills collateral.

The balance of loans as of 31 December 2021 as follows:

Loans	Interest rate	***31 December 2021 EGP***	*31 December 2020 EGP*
Current portion of long-term loans			
Loan (1)	0.75%+CBE lending rate	**9,475,704**	28,600,000
Loan (2)	0.85%+CBE lending rate	**12,473,972**	30,250,000
Total current portion of long-term loans		**21,949,676**	58,850,000
Non-current portion of long-term loans			
Loan (1)	0.75%+CBE lending rate	**-**	12,075,704
Loan (2)	0.85%+CBE lending rate	**-**	17,473,972
Total non-current portion of long-term loans		**-**	29,549,676
		21,949,676	88,399,676

19- CAPTIAL COMMITMENTS

As at 31 December 2021, the Group had contractual commitments in respect of its assets under construction and facility machines not provided for in the financial statements amounted to EGP 20,211,522. (EGP 22,646,378 as at 31 December 2020).

20- CONTINGENT LIABILITIES

As at 31 December 2021, the Group has obligations in respect of its inventory (Cash against document) not provided for in the financial statements amounted to EGP 4,666,847. (EGP 5,513,501 as at 31 December 2020).

21- REVENUES

	31 December 2021	*31 December 2020*
	EGP	*EGP*
Sale of goods (net)	**1,168,944,275**	909,329,701
Toll manufacturing services revenue	**77,490,353**	50,839,648
	1,246,434,628	960,169,349

22- COST OF REVENUES

	31 December 2021	*31 December 2020*
	EGP	*EGP*
Salaries, social insurance and other benefits	**98,035,488**	83,078,733
Raw materials	**398,914,710**	250,726,478
Spare parts and materials	**22,613,961**	20,525,288
Government fees and medical stamps	**11,617,092**	10,834,657
Other operating expenses	**48,126,753**	44,520,219
Energy expenses	**34,262,067**	38,781,970
Depreciation and amortization (Note 5,7)	**39,776,868**	50,175,532
Rent	**3,910,976**	4,965,466
Maintenance	**11,651,609**	9,975,115
	668,909,524	513,583,458

23- SELLING & MARKETING EXPENSES

	31 December 2021	*31 December 2020*
	EGP	*EGP*
Salaries, social insurance and other benefits	**116,395,287**	113,524,887
Depreciation (Note 5)	**4,497,393**	4,197,160
Rent	**63,000**	46,800
Advertising and marketing	**131,029,203**	96,435,411
	251,984,883	214,204,258

24- GENERAL & ADMINISTRATIVE EXPENSES

	31 December 2021	*31 December 2020*
	EGP	*EGP*
Salaries, social insurance and other benefits	**41,356,788**	33,520,271
Professional fees	**2,096,189**	1,655,662
Maintenance	**705,134**	756,038
Depreciation (Note 5)	**1,907,312**	1,829,115
Others	**5,835,926**	6,971,452
	51,901,349	44,732,538

25- OTHER INCOME

	31 December 2021	*31 December 2020*
	EGP	*EGP*
Loss from sale of fixed assets (Note 5)	**(717,262)**	(138,889)
Other income	**758,868**	1,158,860
	41,606	1,019,971

26- FINANCE INCOME

	31 December 2021	*31 December 2020*
	EGP	*EGP*
Interest from Treasury Bills	**59,960,672**	64,136,566
Interest from time deposits	**12,328**	23,727
	59,973,000	64,160,293

27- FINANCE EXPENSES

	31 December 2021	*31 December 2020*
	EGP	*EGP*
Debit interests	**88,954,870**	94,378,045
Unwinding interests of lease liabilities	**2,071,544**	2,266,488
Bank Charges	**3,791,242**	3,414,401
	94,817,656	100,058,934

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28- INCOME TAXES

	31 December 2021	*31 December 2020*
	EGP	*EGP*
Current income tax	**(44,087,720)**	(28,490,194)
Deferred income tax	**(9,436,755)**	(5,104,425)
Income tax expense	**(53,524,475)**	(33,594,619)

DEFERED INCOME TAXES

	Statement of financial position		***Statement of profit or loss***	
	31 December 2021 EGP	*31 December 2020 EGP*	***31 December 2021 EGP***	*31 December 2020 EGP*
Depreciation and amortization	**(46,890,081)**	(36,890,685)	**(9,999,396)**	(7,128,042)
Provisions	**1,960,165**	1,797,214	**162,951**	275,329
Impairment of trade and notes receivables	**1,897,784**	1,117,679	**780,105**	351,453
Write down in value of inventory	**2,491,626**	2,749,549	**(257,923)**	1,318,105
Unrealized foreign exchange differences	**42,270**	164,762	**(122,492)**	78,730
Net deferred income taxes	**(40,498,236)**	(31,061,481)	**(9,436,755)**	(5,104,425)

* 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 2021 EGP***	*Tax Rate*	*31 December 2020 EGP*
Profits before income taxes		**233,610,308**		145,109,557
Income tax based on tax rate	**22.5%**	**52,562,319**	22.5%	32,649,650
Non-deductible expenses		**962,156**		944,969
Effective Tax Rate	**22.91%**	**53,524,475**	23.15%	33,594,619

29- 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 2021 EGP	*31 December 2020 EGP*
Net profit for the year	**181,088,753**	112,180,469
Remuneration for the Board Members*	**(5,200,000)**	(5,200,000)
Staff profit Share*	**(9,500,000)**	(9,500,000)
Profit Available for Shareholders	**166,388,753**	97,480,469
Weighted average number of shares outstanding during the year	**1,000,000,000**	1,000,000,000
Earnings per share	**0.1664**	0.0975

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

* Employees dividends and board of directors' remuneration as recommended in board meeting held on February 23, 2022, and currently is a subject of general assembly approval.

30- TAX POSITION

a) Corporate Tax

- The Company's records were inspected till the year 2013 and an agreement was reached with the specialized internal committee.
- The years from 2014 to 2017 were inspected as an estimate and were challenged and a decision was issued to re-examine the actual and preparations are underway for the inspection for those years, with the years 2018 to 2020 being prepared for the actual inspection.

b) Salary Tax

- The Company's records were inspected till the year 2015 and the taxes differences were paid.
- Years from 2016 to 2019 the documents related to the inspection were submitted and the tax due in the settlements was paid, and an examination was inspected.

c) Stamp Tax

- The Company's records were inspected till 2013 and the taxes due were paid.
- The company is preparing for tax inspection for the years from 2014 till 2020.

d) VAT Tax

- The Company's records were inspected till the year 2015 and the taxes differences were paid.
- The Company's books were examined from 2016 to 2019 and the payment were made.

31- 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 2021 EGP	*31 December 2020 EGP*
Eman Wahed El-Zomor	**25,500**	25,500
	25,500	25,500

b) Salaries and incentives of key managers

The key manager's compensation during year ended 31 December 2021 and 31 December 2020 is as follow:

	31 December 2021 EGP	*31 December 2020 EGP*
Salaries and incentives	**28,194,799**	24,293,661
	28,194,799	24,293,661

32- FINANCIAL INSTRUMENTS RISK MANAGEMENT OBJECTIVES AND POLICIES

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

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

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

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

a) Credit risk

Credit risk is the risk of financial loss to the Group if a customer or counterparty to a financial instrument fails to meet its contractual obligations. The Group is exposed to credit risk principally from its receivables from customers, 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.

32- 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 2021		31 December 2020	
	Change in rate	**Effect on profit before tax EGP**	Change in rate	Effect on profit before tax EGP
Financial assets	**+1%**	**803**	+1%	5,831
	-1%	**(803)**	-1%	(5,831)
Financial liabilities	**+1%**	**(2,834,423)**	+1%	(5,280,895)
	-1%	**2,834,423**	-1%	5,280,895

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 2021		31 December 2020	
	Change in rate	**Effect on profit before tax EGP**	Change in rate	Effect on profit before tax EGP
USD	**+10%**	**3,084,372**	+10%	7,029,214
	-10%	**(3,084,372)**	-10%	(7,029,214)
EUR	**+10%**	**107,064**	+10%	(279,100)
	-10%	**(107,064)**	-10%	279,100
CHF	**+10%**	**-**	+10%	(23,584)
	-10%	**-**	-10%	23,584

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 2021	**Less than 3 Months EGP**	**3 to 12 months EGP**	**1 to 5 years EGP**	**Over 5 years EGP**	**Total EGP**
Credit facilities	**346,123,008**	**497,264,228**	**-**	**-**	**843,387,236**
Trade, notes and other payables	**110,999,581**	**17,569,113**	**-**	**-**	**128,568,694**
Term loans	**9,348,719**	**14,388,869**	**-**	**-**	**23,737,588**
Total undiscounted financial liabilities	**466,471,308**	**529,222,210**	**-**	**-**	**995,693,518**

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

Financial liabilities	Less than 3 Months	3 to 12 Months	1 to 5 years	Over 5 years	Total
As at 31 December 2020	EGP	EGP	EGP	EGP	EGP
Credit facilities	392,157,897	429,767,765	-	-	821,925,662
Trade, notes and other payables	76,496,374	17,223,333	-	-	93,719,707
Term loans	12,674,219	54,815,769	31,854,166	-	99,344,154
Total undiscounted financial liabilities	481,328,490	501,806,867	31,854,166	-	1,014,989,523

33- 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.

34- 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.

35- MAJOR EVENT

Some major global events occurred, which included the Arab Republic of Egypt as well, where an outbreak of COVID19 occurred soon before the end of 2019, and the World Health Organization "WHO" announced that the outbreak of the virus can be described as a global epidemic, and the government has introduced various measures to combat disease outbreaks, including travel restrictions and quarantine, business closures, and other locations, these government responses and their corresponding impacts are still evolving and which are expected to affect the economic climate and that, in turn, could expose the company to various risks, including a significant reduction in Revenues, and evaluation / impairment of assets and other risks.

These events did not negatively affect the financial statements of the company as on 31 December 2021 but may affect the financial statements for future financial periods. If it is difficult to quantify this effect for now, this effect will appear in future financial statements. The magnitude of the impact varies according to the expected extent, the period during which those events are expected to end and their impact.