

**Prime Global**  
**(Khaled El-Ghannam & Co.)**

**(Deloitte - Saleh, Barsoum & Abdel Aziz)**  
**Accountants & Auditors**

**IBN SINA PHARMA**  
**S.A.E.**  
**Financial Statements**  
**Together with Auditor's Report**  
**For The Financial Year Ended**  
**December 31, 2018**

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**Auditors' Report**

**To: The Shareholders of IBN SINA PHARMA (S.A.E.)**

**Report on the financial statements**

We have audited the accompanying financial statements of Ibn Sina Pharma (S.A.E), which comprise of the financial position as of December 31, 2018, and income statement, statement of comprehensive income, statement of changes in equity and cash flows statement for the financial year then ended, and a summary of significant accounting policies and other explanatory notes.

**Management's responsibility for the financial statements**

These financial statements are the responsibility of company's management. Management is responsible for the preparation and fair presentation of these financial statements in accordance with the Egyptian Accounting Standards, and in light of the prevailing Egyptian laws. Management responsibility includes: designing, implementing and maintaining internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error, management 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 financial statements based on our audit. We conducted our audit in accordance with the Egyptian Auditing Standards and in the light of the prevailing Egyptian laws. Those standards require that we plan and perform the audit to obtain reasonable assurance whether the financial statements are free from material misstatement.

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

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

## **Opinion**

In our opinion, the financial statements referred to above give a true and fair view, in all material respects, of the financial position of Ibn Sina Pharma (S.A.E.) as of December 31, 2018, its financial performance and its cash flows for the financial year then ended in accordance with the Egyptian Accounting Standards and in the light of the related applicable Egyptian laws and regulations.

## **Explanatory paragraph**

Without qualifying our opinion on the financial statements mentioned above and as explained in note (35), primary court decision was issued on February 19, 2019 with fines against all companies accused in the lawsuit filed against the company and other members of the pharmaceutical distribution companies association by the Egyptian competition authority regarding a complaint claiming that these companies executed an agreement to standardize the sales policies, reduce the cash discount rates and reduce the credit periods and due to uncertainty at this time the final results of this matter cannot be accurately determined. As indicated in the above-mentioned note, the company will take all legal measures, procedures and defences that support its legal position.

## **Report on the legal requirements and other regulations**

The company maintains proper books of accounts, which include all that is required by law and by the statutes of the company, the financial statements are in agreement with the company's books of accounts. The physical inventory was counted by the company's management in accordance with methods in practice.

The financial information referred to in the report of the Board of Directors is prepared in compliance with Law No. 159 of 1981 and its executive regulations thereto and is in agreement with the company's books of account.

Cairo, March 6, 2019

**Khaled El Ghannam,  
F.E.S.A.A (R.A.A. 4771)**

**Kamel Magdy Saleh, FCA  
F.E.S.A.A (R.A.A. 8510)**

**Ibn Sina Pharma (S.A.E)**  
**Financial Position as of December 31, 2018**

	<u>Note</u>	<u>31-Dec-18</u>	<u>31-Dec-17</u>
	<u>No.</u>	<u>EGP</u>	<u>EGP</u>
<b><u>Non-current assets</u></b>			
Fixed assets (net)	(3-2/5)	431 409 351	210 264 340
Projects under construction	(3-3/7)	336 288 113	161 266 505
Deferred tax assets	(3-8/19)	10 453 533	11 103 923
Other assets	(3-4/6)	7 641 002	8 803 598
<b>Total long term assets</b>		<b><u>785 791 999</u></b>	<b><u>391 438 366</u></b>
<b><u>Current assets</u></b>			
Inventories	(3-5/8)	1 407 362 745	1 050 821 516
Accounts and notes receivable (net)	(3-6/9)	3 648 232 975	2 459 296 312
Suppliers advance payment	(3-6)	213 861 597	101 359 555
Debtors and other debit balances (net)	(3-6/10)	296 569 457	165 717 705
Due from related parties		371 635	371 635
Cash and cash equivalents	(3-11/11)	96 618 122	164 790 862
<b>Total current assets</b>		<b><u>5 663 016 531</u></b>	<b><u>3 942 357 585</u></b>
<b>Total Assets</b>		<b><u>6 448 808 530</u></b>	<b><u>4 333 795 951</u></b>
<b><u>Shareholders equity and liabilities</u></b>			
<b><u>Shareholders' equity</u></b>			
Issued and paid-up capital	(17)	180 500 000	168 000 000
Share premium	(18)	277 500 000	
Legal reserve		20 506 852	12 000 000
General reserve		3 079 334	3 079 334
Retained earnings		216 161 432	62 979 961
Net profit for the year		262 522 281	170 137 041
<b>Total Shareholders' equity</b>		<b><u>960 269 899</u></b>	<b><u>416 196 336</u></b>
<b><u>Non-current liabilities</u></b>			
Accrued long-term loan installments	(15)	348 178 901	25 083 272
Long-term notes payable		4 778 896	7 660 274
Other non-current liabilities	(3-15/21)	30 359 715	20 815 429
<b>Total non-current liabilities</b>		<b><u>383 317 512</u></b>	<b><u>53 558 975</u></b>
<b><u>Current liabilities</u></b>			
Provisions for claims	( 4-2-2 /28 )	70 400 142	24 066 773
Credit facilities	(14)	65 086 924	6 951 866
Accounts and notes payable	(3-13/13)	4 753 050 593	3 700 785 721
Customers advance payment	(3-13)	5 276 517	6 453 218
Creditors and other credit balances	(3-13/12)	172 557 371	99 918 509
Land purchase creditors	(3-13/16)	-	70 865
Accrued short-term loan installments	(15)	38 849 572	25 793 688
<b>Total current liabilities</b>		<b><u>5 105 221 119</u></b>	<b><u>3 864 040 640</u></b>
<b>Total Shareholder's equity &amp; Liabilities</b>		<b><u>6 448 808 530</u></b>	<b><u>4 333 795 951</u></b>

- The accompanying notes form an integral part of the financial statements and to be read therewith.

attached auditor report"

**Chief Financial Officer**  
**Moa'men Gomaa**

**Chief Executive Officer**  
**Omar Abd Algawad**

**Chairman**  
**Mohamed Mahgou**

Translation of the financial statements  
Originally issued in Arabic

**Ibn Sina Pharma (S.A.E)**  
**Income Statement**  
**For the financial year ended December 31, 2018**

	<u>Note</u>	<u>12/31/2018</u>	<u>12/31/2017</u>
	<u>No.</u>	<u>EGP</u>	<u>EGP</u>
Sales	( 3-9 )	13 677 881 161	9 818 405 233
<b><u>(Less)</u></b>			
Sales discount		(354 207 231)	( 232 060 769)
<b>Sales (Net)</b>		<b>13 323 673 930</b>	<b>9 586 344 464</b>
<b>Less</b>			
Cost of sales		(12 199 359 381)	(8 759 914 287)
<b>Gross profit</b>		<b>1 124 314 549</b>	<b>826 430 177</b>
<b><u>(Less)</u></b>			
Selling and marketing expenses		(428 861 993)	( 322 793 504)
General and administrative expenses		(138 026 725)	( 107 082 864)
Fixed assets depreciation	( 5 )	(39 086 427)	( 28 526 119)
Amortization of company share in other assets	( 6 )	(2 334 166)	( 2 570 390)
Impairment of accounts and notes receivable	( 9 )	(2 602 060)	( 2 065 497)
Provisions for claims	( 28 )	(47 333 369)	( 22 000 000)
Interest and financing expenses		(125 843 409)	( 115 830 339)
Capital gain		2 562 038	4 751 704
Gain revaluation of foreign currency		264 803	( 97 987)
Other income	( 23 )	24 830 148	12 913 654
Other expense	( 24 )	(12 026 601)	(15,432,240)
<b>Net profit for the year before tax</b>		<b>355 856 788</b>	<b>227 696 595</b>
Current tax		(92 684 117)	( 56 959 751)
Deferred tax	( 19 )	(650 390)	( 599 803)
<b>Net profit for the year</b>		<b>262 522 281</b>	<b>170 137 041</b>
<b>Earning per share Basic &amp; Diluted</b>	( 25 )	<b>0.34</b>	<b>0.22</b>

- The accompanying notes form an integral part of the financial statements and to be read therewith.

**Chief Financial Officer**  
**Moa'men Gomaa**

**Chief Executive Officer**  
**Omar Abd Algawad**

**Chairman**  
**Mohamed Mahgoub**

Translation of the financial statements  
Originally issued in Arabic

**Ibn Sina Pharma (S.A.E)**  
**Statement of Comprehensive Income**  
**For the financial year ended December 31, 2018**

	<b><u>Note</u></b>	<b><u>12/31/2018</u></b>	<b><u>12/31/2017</u></b>
	<b><u>No.</u></b>	<b><u>EGP</u></b>	<b><u>EGP</u></b>
Net profit for the year		262 522 281	170 137 041
Other comprehensive income		-	-
<b>Total comprehensive income</b>		<b><u>262 522 281</u></b>	<b><u>170 137 041</u></b>

- The accompanying notes form an integral part of the financial statements and to be read therewith.

**Chief Financial Officer**  
**Moa'men Gomaa**

**Chief Executive Officer**  
**Omar Abd Algawad**

**Chairman**  
**Mohamed Mahgoub**

Translation of the financial statements  
Originally issued in Arabic

**Ibn Sina Pharma (S.A.E)**  
**Cash Flows Statement**  
**For the financial year end December 31, 2018**

	<u>12/31/2018</u>	<u>12/31/2017</u>
	<u>EGP</u>	<u>EGP</u>
<b><u>Cash flows from operating activities</u></b>		
Net profits for the year before tax	355 856 788	227 696 595
<b><u>Adjustments to reconcile net profit to net cash flows generated from operating activities:</u></b>		
Fixed assets depreciation ( 3-2/5 )	39 086 427	28 526 119
Company's share in amortization of finance lease assets ( 3-4/6 )	2 334 166	2 570 390
Impairment of accounts and notes receivable ( 3-6/9 )	2 602 060	2 065 497
Provisions for claims ( 4-2-2/28 )	47 333 369	22 000 000
Capital gain	(2 562 038)	(4 751 704)
Interest and financing expenses	125 843 409	115 830 339
<b>Net operating profit before changes in working capital</b>	<b>570 494 181</b>	<b>393 937 236</b>
<b><u>Changes in working capital</u></b>		
(Increase) in inventories	(356 541 229)	(436 471 052)
(Increase) in accounts and notes receivable	(1 188 936 663)	(515 058 002)
(Increase) in suppliers advance payment	(112 502 042)	(41 408 386)
(Increase) in debtors & other debit balances	(130 851 752)	(12 115 482)
Increase in accounts and notes payable	1 052 264 872	1 180 800 976
(Decrease)Increase in customers advance payments	(1 176 701)	128 834
Increase in creditors and other credit balances	72 582 325	26 074 223
<b>Cash flows generated from operating activities</b>	<b>(94 667 009)</b>	<b>595 888 347</b>
Income tax paid	(56 959 751)	(36 142 877)
Interest and financing expense	(158 523 080)	(123 336 445)
<b>Net cash flows generated from operating activities</b>	<b>(310 149 840)</b>	<b>436 409 025</b>
<b><u>Cash flows from investing activities</u></b>		
(Payments) for purchase of fixed assets & Projects under constructions	(435 359 932)	(196 619 948)
(Payments) for purchase of other assets	(1 171 804)	(4 562 903)
(Decrease) / increase in land purchase creditors	(70 865)	(101 324)
Proceeds from selling of fixed assets	2 741 848	4 909 266
<b>Net cash flows (used in) investing activities</b>	<b>(433 860 753)</b>	<b>(196 374 909)</b>
<b><u>Cash flows from financing activities</u></b>		
(Payments) for dividends	(8 448 718)	(65 563 970)
Capital increase	290 000 000	-
Proceeds from loans	361 910 363	23 214 995
Payments for loans	(25 758 850)	(15 082 000)
Increase / (Decrease) in credit facilities	58 135 058	(61 692 128)
<b>Net cash flows (used in) generated from financing activities</b>	<b>675 837 853</b>	<b>(119 123 103)</b>
Net change in cash and cash equivalents during the year	(68 172 740)	120 911 013
Cash and cash equivalents at beginning of the year	164 790 862	43 879 849
<b>Cash and cash equivalents at end of the year</b> ( 3-11/33 )	<b>96 618 122</b>	<b>164 790 862</b>

- The accompanying notes form an integral part of the financial statements and to be read therewith.

**Chief Financial Officer**  
**Moa'men Gomaa**

**Chief Executive Officer**  
**Omar Abd Algawad**

**Chairman**  
**Mohamed Mahgoul**





## **1. Company's background**

IBN SINA Pharma was established according to Law No. 159 of 1981 and its executive regulation and pursuant to the provisions of Law No. 95 of 1992 and its executive regulations, for the purpose of purchasing and selling in wholesale and distribution of all pharmaceutical and semi-pharmaceutical products locally or imported, and for the purchasing and selling in wholesale and distribution of any other products and tools related to health and health care, and the export and import of all products, equipment and tools, processing and packing of all products, equipment and tools related to health and medical care, maintenance, supply of information and consultancy that are related to medicine field, and to train and supply the materials required for training in all fields and activities, obtain an economic income, and perform the commercial and scientific advertising related to medicine as well as all the activities. Also, to obtain the commercial agencies from the foreign and local companies which are specialized in manufacturing and distributing the pharmaceutical and semi-pharmaceutical products, as well as the equipment, tools which are related to health and medical care, and to store the pharmaceutical, semi-pharmaceutical products, equipment, tools by any means, and assemble, manufacture and package of human, biotechnological, and veterinary medicine, cosmetics, food supplements, all types of disinfectants, manufacturing all the companies products for third parties and laboratories and hospital supplies and medicine production supplies and pursue all the related services and own the pharmaceutical and semi-pharmaceutical products, and register the above mentioned products by the regulations, and also the packaging of products, tools, equipment pharmaceutical and semi-pharmaceutical which are related to health and superior care, provided that the company would issue all the licenses required for this issue, concerning the pursue of each activity in accordance with all the laws and regulations. January 8, 2002, was considered as the start date of the company's activity in accordance with the Commercial Register. The company's name was changed during the year 2007 from IBN SINA LABOREX to IBN SINA PHARMA. In addition, the company had added some activities.

In March 5, 2018 The Extraordinary General Assembly decided to amend the Company's purpose to read as follows:

Buy and sell wholesale, distribution, manufacturing and manufacturing at third parties, packaging, transportation, storage, import and export, own and publicize commercial, scientific and marketing offers for all human pharmaceutical products, biological, veterinary, semi-prepared pharmaceuticals, chemicals, cosmetics, food, food supplements, pesticides, all kinds of disinfectants in any medical devices and prosthetic supplies laboratories, hospitals, equipment, tools, materials, laboratory reagents and alum Packaging and advertising materials - whether manufactured locally or imported, in addition to the advertisement of the above mentioned products in seals, as well as labelling, training and supply information and programs of systems and consultancy relating to the areas mentioned above and rental services and sale of administrative and storage areas, with the company's pledge extracted all permits due in this regard and the private practice of each activity and the observance of all laws and regulations in direct to these activities. The registration conducted in the Commercial Register on 12th September 2017.

In accordance with Ministerial Decision No. 314 of 1991, the pharmaceutical pricing bases were set and the margin of profit of each of the producers, distributors and pharmacists was determined. The profit margin of the distribution companies was 7%, the profit margin of the pharmacist was 25%, and the ministerial decision No. 499 of 2012 was issued. Distribution ranged from 7.86% to 8.8% of the factory sale price. The pharmacist's profit margin was 30% of the distributor's selling price or 25% of the public selling price.

## **2. Basis of Preparing the Financial Statements**

### **2.1 Compliance with Accounting Standards and Laws**

The financial statements have been prepared in accordance with the Egyptian accounting standards issued by the declaration of minister of investment NO: 110 for year 2015. Which is in accordance with applied Egyptian laws and regulations. The Egyptian accounting standards require the reference to International Financial Reporting Standards (IFRS) for the events and transactions that aren't issued or treated under any Egyptian accounting standard or laws.

### **Functional and presentation currency**

The Financial Statement are presented in the Egyptian pound which presents the functional currency of the company.

### **2.2 Basis of measurement**

Financial statement has been prepared in the historical cost bases, except for Financial instruments which are measured by fair value or amortized cost.

## **3. Significant Accounting Policies**

The accounting policies described below have been applied in a consistent basis during the financial periods presented in the financial statements.

### **3.1 Foreign Currencies Transactions**

The company maintains its books of accounts in Egyptian pound. Transactions denominated in foreign currencies are translated to the Egyptian pound at the rates prevailing on the transactions date. At the balance sheet date, monetary assets and liabilities denominated in other currencies are translated to the Egyptian pound at the rates prevailing on that date. Currency differences arising from transactions concluded during the year, and from the re-evaluation as of the balance sheet date are stated in the income statement. Non-monetary assets and liabilities which are recorded using historical cost in foreign currencies, are recorded using the foreign exchange rate at the date of the transaction.

### **3.2 Fixed Assets and their Depreciation**

#### **3.2.1 Recognition and measurement**

Owned fixed assets held for use in the production, supply of goods or service, or for administrative purposes, are stated at cost less accumulated depreciation and accumulated impairment losses. Cost includes all costs directly attributable to bring the asset to the location and condition necessary for it to be capable of operating in the manner intended by management.

Where an item of fixed asset comprises major components having different useful lives, they are accounted for as separate items of fixed assets.

Assets in the course of construction for production, rental or administration purposes are carried at cost, less any recognized impairment loss. Cost includes professional fees as well as all directly attributable cost. Depreciation of these assets commences when the assets are ready for their intended use on the same basis as other fixed assets.

### **3.2.2 Subsequent Expenditures**

Expenditures incurred to replace a fixed asset or a component of an item of a fixed asset that is accounted for separately, including major inspection and overhaul expenditures, are capitalized. Other subsequent expenditures are capitalized only when they increase the future economic benefits embodied in the item of fixed asset. All other expenditures are recognized in the income statement as expenses when incurred.

### **3.2.3 Depreciation**

The depreciation expense is charged to the income statement according to the straight-line method, over the estimated useful life of each type of asset or the useful life of the main components of the assets which are considered as an asset by itself (except for the lands which are not depreciated). The remaining of the estimated useful life of fixed assets is reviewed on a periodic basis, and if the remaining of the estimated useful life is significantly different from the primary estimate, then the net book value is amortized over the remaining useful life after its amendment. The following is a statement of the estimated useful life for each item of the fixed asset items:

<b><u>Description</u></b>	<b><u>Estimated useful life (in Years)</u></b>
Buildings	10 - 40
Machinery and equipment	7 - 35
Vehicles	5
Computers and software	3 - 40
Furniture and office equipment	5

Depreciation commences when the fixed asset is completed and made available for its intended use. Gains and losses on disposal of fixed assets are determined by comparing the net disposal proceeds with the carrying amount, which are included in the income statement.

### **3.3 Projects under Construction**

Costs relating to the acquisition and construction of fixed assets are initially recorded under projects under construction. When the asset is completed and ready for use, it is transferred to fixed assets.

### **3.4 Other Assets**

The other assets are represented in the company's share of the finance lease assets and associated with the finance lease contracts, which are concluded through the amortization of the company's share of financing the construction and purchase of leased assets over the finance lease contracts starting from the leased assets operation.

### **3.5 Inventories**

Inventories are measured at lower of cost or net realizable value. The net realizable value is determined based on the estimated selling price, in the ordinary course of business, less the estimated costs necessary to make the sale and the cost of inventory sold is determined on the basis of the moving average method.

### **3.6 Accounts Receivable, Notes Receivable, and Debtors and Other Debit Balances**

Accounts receivable, notes receivable, and debtors and other debit balances, which are not interest bearing, are recognized at nominal value and stated less accumulated losses resulting from the impairment in its value.

### **3.7 Provisions**

Provisions are recognized when the company has a present obligation legal or constructive as a result of a past event, and it is probable that the company will be required to settle the obligation, and a reliable estimate can be made of the amount of obligation. If the effect of time value of money is material, provisions are determined by discounting the expected future cash flows - at the discount rate before tax - which reflects the current estimate of the market, for the time value of money and the risks associated with the obligation, If appropriate Provisions are reviewed at the consolidated balance sheet date and amended (when necessary) to reflect the best current estimate.

### **3.8 Income Tax**

Income tax on the profit or loss for the year comprises current and deferred tax. Income tax is recognized in the income statement except to the extent that it relates to items recognized directly in equity, in which case it is recognized in equity.

Income tax is the expected tax payable on the taxable income for the year, using the tax rates enacted or substantially enacted at the balance sheet date, and any adjustment to tax payable in respect of previous years.

Deferred tax is provided using the balance sheet liability method, providing for temporary differences between the carrying amounts of asset and liabilities for financial reporting purposes and the amounts used for taxation purposes. The amount of deferred tax provided, is based on the expected manner of realization or settlement of the carrying amount of assets and liabilities, using the tax rates enacted or substantially enacted at the balance sheet date.

A deferred tax asset is recognized only to the extent that it is probable that future taxable profits will be available against which the asset can be utilized. Deferred tax assets are reduced to the extent that it is no longer probable that the related tax benefit will be realized during the following years.

### **3.9 Sales Revenue**

Revenue is recognized when all the following conditions are satisfied:

- The company has transferred to the buyer the significant risks and rewards of ownership of the goods.
- The company retains neither continuing managerial involvement to the degree usually associated with ownership nor effective control over the sold goods.
- The amount of revenue can be measured reliably.
- It is probable that the economic benefits associated with the transaction will flow to the entity.
- Costs incurred or to be incurred in respect of the transaction can be measured reliably.
- Revenue is recorded by handing over the goods to the buyer

### **3.10 Borrowing Costs**

The borrowing cost related to the acquisition, construction or production of assets qualified for capitalization, which require a long period of time to get ready for use and sales is charged directly on the cost of such assets until the time these assets are ready for their intended use or sale. All other borrowing costs are recognized in the period in which they are incurred. Borrowing costs are interest and other costs incurred by the company to borrow money.

### **3.11 Cash and Cash Equivalents**

For the purpose of preparing the cash flows statement, cash and cash equivalents comprise cash at banks and on hand, long-term deposits, other short-term highly liquid investments with maturities of three months or less from the acquisition date, and banks overdraft that are repayable on demand, and which form an integral part of the company management.

### **3.12 Cash Flows Statement**

Cash flows statement are prepared using indirect method.

### **3.13 Payables, Accrual Expenses, Creditors and Other Credit Balances**

The suppliers, accrued expenses, creditors and other credit balances are initially recognized at fair value included the direct cost of transaction and it's measured subsequently by amortized cost using the effective interest method.

### **3.14 Dividends**

Dividends are recognized as a liability in the period during which they are declared.

### **3.15 Employees Benefits**

Employees' remuneration is recognized as a liability in the financial period in which the target profitability is achieved at the end of each year. The reward is in the form of a number of points to be distributed to some employees from senior management and executive managers each year. to be paid after three years from the maturity date. The value of the points is determined at the end of each year when due (note 21). The liability is recorded at the present value at each reporting date.

### **3.16 Employees Profit Sharing**

Employees' Profit sharing is recognized as a dividend distribution through equity, and as a liability in the financial period during which the company's shareholders approved this distribution. The company pays 10% of their cash dividends as profit sharing to its employees provided that it does not exceed total employee's annual salaries. No liability is recognized for profit sharing relating to undistributed profits.

### **3.17 Finance Lease**

The accrued lease value of the finance lease contracts is recognized in accordance with the Egyptian Accounting Standard No. (20) - Accounting Standards and Standards Relating to Finance Lease - as an expense in the income statement during each financial period. The maintenance and maintenance expenses of the leased assets are recognized in the income statement during each financial period. At the end of leased contract the leased money is recognized as a fixed asset at the value paid to exercise the right to purchase the leased property agreed upon in accordance with the contract and is amortized over the remaining estimated useful life in accordance with policies and rates for similar assets

### **3.18 Financial instruments**

Financial assets and financial liabilities are initially measured at fair value. Transaction costs that are directly attributable to the acquisition or issue of financial assets and financial liabilities (other than financial assets and financial liabilities at fair value through profit or loss) are added to or deducted from the fair value of the financial assets or financial liabilities, as appropriate, on initial recognition. Transaction costs directly attributable to the acquisition of financial assets or financial liabilities at fair value through profit or loss are recognized immediately in profit or loss.

#### **3.18.1 Financial assets**

Financial assets are classified into the following specified categories: financial assets 'at fair value through profit or loss', 'held-to-maturity' investments, 'available-for-sale' financial assets and 'loans and receivables'. The classification depends on the nature and purpose of the financial assets and is determined at the time of initial recognition. All regular way purchases or sales of financial assets are recognized and derecognized on a trade date basis. Regular way purchases or sales are purchases or sales of financial assets that require delivery of assets within the timeframe established by regulation or convention in the market place.

The company presents assets in statement of financial position based on current/non-current classification. An asset is current when it:

- A- Expects to realise the asset, or intends to sell or consume it, in its normal operating cycle;
- B- Hold the asset primarily for the purpose of trading;
- C- Expects to realise the asset within twelve months after the reporting period; or
- D- The asset is cash or a cash equivalent (as defined in EAS 4 "statement of cash flows") unless the asset is 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.

##### **3.18.1.1 Effective interest method**

The effective interest method is a method of calculating the amortized cost of a debt instrument and of allocating interest income over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash receipts (including all fees or points paid or received that form an integral part of the effective interest rate, transaction costs and other premiums or discounts) through the expected life of the debt instrument, or, where appropriate, a shorter period, to the net carrying amount on initial recognition.

Income is recognized on an effective interest basis for debt instruments measured subsequently at amortized cost. Interest income is recognized in profit or loss and is included in the "finance income" line item.

##### **3.18.1.2 Loans and receivables**

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. Loans and receivables (including trade and other receivables, bank balances and cash, and others) are measured at amortized cost using the effective interest method, less any impairment.

Interest income is recognized by applying the effective interest rate, except for short-term receivables when the recognition of interest would be immaterial.

#### **3.18.1.3 Impairment of financial assets**

Financial assets are considered to be impaired when there is objective evidence that, as a result of one or more events that occurred after the initial recognition of the financial assets, the estimated future cash flows of the asset have been affected.

Financial assets that are measured at amortized cost, the amount of the impairment loss recognized is the difference between the asset's carrying amount and the present value of estimated future cash flows reflecting the amount of collateral and guarantee, discounted at the financial asset's original effective interest rate.

Financial assets carried at cost, the amount of the impairment loss is measured as the difference between the asset's carrying amount and the present value of the estimated future cash flows discounted at the current market rate of return for a similar financial asset. Such impairment loss will not be reversed in subsequent periods.

The carrying amount of the financial asset is reduced by the impairment loss directly for all financial assets with the exception of trade receivables, where the carrying amount is reduced through the use of an allowance account. When a trade receivable is considered uncollectible, it is written off against the allowance account. Subsequent recoveries of amounts previously written off are credited against the allowance account. Changes in the carrying amount of the allowance account are recognized in profit or loss.

For financial assets measured at amortized cost If, in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognized, the previously recognized impairment loss is reversed through profit or loss to the extent that the carrying amount of the investment at the date the impairment is reversed does not exceed what the amortized cost would have been had the impairment not been recognized.

#### **3.18.1.4 Derecognition of financial assets**

The Company derecognizes a financial asset only when the contractual rights to the cash flows from the asset expire, or when it transfers the financial asset and substantially all the risks and rewards of ownership of the asset to another entity.

On derecognition of a financial asset measured at amortized cost, the difference between the asset's carrying amount and the sum of the consideration received and receivable is recognized in profit or loss.



### **3.18.2 Financial liabilities and equity instruments**

#### **3.18.2.1 Classification as debt or equity**

Debt and equity instruments issued by a Company entity are classified as either financial liabilities or as equity in accordance with the substance of the contractual arrangements and the definitions of a financial liability and an equity instrument.

#### **3.18.2.2 Equity instruments**

An equity instrument is any contract that evidences a residual interest in the assets of an entity after deducting all of its liabilities.

Equity instruments issued by the Company are recognized at the proceeds received, net of direct issue costs.

Repurchase of the Company's own equity instruments is recognized and deducted directly in equity. No gain or loss is recognized in profit or loss on the purchase, sale, issue or cancellation of the Company's own equity instruments.

#### **3.18.2.3 Financial liabilities**

All financial liabilities are subsequently measured at amortized cost using the effective interest method or at fair value through statement of income.

A financial liability is classified as current liability when it satisfies any of the following criteria:

It is expected to be settled in the entity's normal operating cycle;

It is held primarily for the purposes of trading;

It is due to be settled within twelve months after the reporting period;

The entity does not have an unconditional right to defer settlement of the liability for at least twelve months after the reporting period.

All other financial liabilities are classified as non-current

##### **3.18.2.3.1 Financial liabilities subsequently measured at amortized cost**

Financial liabilities that are not held-for-trading and are not designated as at FVTPL are measured at amortized cost at the end of subsequent accounting periods. The carrying amounts of financial liabilities that are subsequently measured at amortized cost are determined based on the effective interest method. Interest expense that is not capitalized as part of costs of an asset is included in the "finance costs" line item.

##### **3.18.2.3.2 De-recognition of financial liabilities**

The Company derecognizes financial liabilities when, and only when, the Company's obligations are discharged, cancelled or they expire. The difference between the carrying amount of the financial liability derecognized and the consideration paid and payable, including any non-cash assets transferred or liabilities assumed, is recognized in profit or loss.

### **3.18.3 Offsetting of financial instruments**

#### **3.18.3.1 Offsetting procedures between financial asset and liability**

Financial assets and financial liabilities are offset and the net amount is presented in the statement of financial position when, and only when, there is a currently legal enforceable right to offset the recognized amounts and there is an intention to settle on a net basis, to realize the assets and settle the liabilities simultaneously.

## **4. Critical Accounting Judgments and Key Sources Of Estimation Uncertainty**

In the application of the Company's accounting policies, management is required to make judgments, estimates and assumptions about the carrying amounts of assets and liabilities that are not readily apparent from other sources. The estimates and associated assumptions are based on historical experience and other factors that are considered to be relevant. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognized in the period in which the estimate is revised if the revision affects only that period or in the period of the revision and future periods if the revision affects both current and future periods.

### **4.1 Critical judgments in applying accounting policies**

The following are the critical judgments that management has made in the process of applying the Company's accounting policies and that have the most significant effect on the amounts recognized in the financial statements.

### **4.2 Key sources of estimation uncertainty**

The following are the key assumptions concerning the future and other key sources of estimation uncertainty at the end of the reporting period, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year.

#### **4.2.1 Estimated useful lives of property, plant and equipment**

The carrying amount of the Company's fixed assets at the end of the current financial period amounted to EGP 431,409,351 (31 December 2017: EGP 210,264,340). In determining the estimated useful life of a fixed asset, the management depends on the expected use of the asset, the expected material erosion from the use and obsolescence of the asset, and the extent of technological developments and prior experience with respect to the comparative assets. Any change in the estimated useful life of any fixed asset may affect the amount of depreciation that should be recognized in profit or loss over future periods.

#### **4.2.2 Provisions for claims**

Provisions at the end of the current financial period amounted to EGP 70,400,142 (31 December 2017: EGP 24,066,773). This value is based on cost estimates - in relation to the Company's activities. As allocations can not be measured specifically, the amount of the provision may change based on future developments. Changes in the amount of provisions due to changes in management estimates are accounted for on a future basis and recognized in the period in which the change in estimates arises.

#### **4.2.3 Impairment of trade and other receivables and other current assets**

2. A provision for impairment of doubtful debts is recognized for the purpose of recording potential losses arising from events such as a default of a customer. The carrying amount of the trade and other receivables at the end of the current financial year amounted to LE 56,154,293 (31 December 2017: EGP 53,552,233). To determine the amount of decay, several factors are taken into account, including the analysis of the aging of the customer balances, the financial availability of the customer in the current period, and previous experiences with respect to the execution of debts.

#### **4.2.1 Deferred income taxes**

The measurement of deferred income tax assets and liabilities is based on management judgment. Deferred tax assets are recognized only if the Company is likely to be able to use them. To judge whether tax assets can be used or not, it depends on whether future taxable profits are allowed to allow for set-off with the deductible temporary difference. To estimate the likelihood of using these temporary differences in the future, estimates are required for several factors, including future taxable profits. Deferred tax assets as at 31 December 2018 amounted to LE 10,453,533 (31 December 2017: LE 11,103,923) arising mainly from the tax effect of temporary differences. When actual values differ from estimates, this may result in a change in the assessment of the extent to which deferred tax assets are recoverable - and the accounting for such a change, if any, will be made on a future basis in the financial periods affected by the change.

#### **4.2.2 Net realizable value of inventory**

The inventory mainly includes pharmaceutical and semi pharmaceutical products which is produced locally or imported with cost or net realizable value.

In 2018, there is no reductions in inventory as well as for 2017.

**Ibn Sina Pharma (S.A.E)**  
**Notes to the Financial Statements**  
**For the Financial Year Ended December 31, 2018**

5. Fixed Assets (net)	Land		Building		Machinery and equipments		Vehicles		Computers and software		Furniture and fixtures		Total	
	EGP		EGP		EGP		EGP		EGP		EGP		EGP	
<b>Cost as of 1/1/2018</b>	<b>15 886 220</b>		<b>190 698 242</b>		<b>90 999 925</b>		<b>6 668 558</b>		<b>18 344 093</b>		<b>6 942 701</b>		<b>329 539 739</b>	
Additions during the year	32 752 440		143 974 497		41 149 452		24 560 349		5 083 999		12 817 584		260 338 321	
Disposals during the year	-		(6 750)		(396 189)		( 396 189)		(80 205)		(10 192)		(813 403)	
<b>Cost as of 31/12/2018</b>	<b>48 638 660</b>		<b>334 665 989</b>		<b>131 753 188</b>		<b>30 908 840</b>		<b>23 347 887</b>		<b>19 750 093</b>		<b>589 064 657</b>	
<b>Accumulated depreciation</b>														
<b>Accumulated depreciation as of 1/1/2018</b>	-		<b>66 463 629</b>		<b>34 858 520</b>		<b>4 036 918</b>		<b>8 314 231</b>		<b>5 602 101</b>		<b>119 275 399</b>	
Depreciation charged for the year	-		19 493 063		14 799 770		1 062 201		2 838 398		892 995		39 086 427	
Accumulated depreciation of disposals	-		(6 750)		(354 575)		(297 758)		(37 244)		(10 193)		(706 520)	
<b>Accumulated depreciation as of 31/12/2018</b>	-		<b>85 949 942</b>		<b>49 303 715</b>		<b>4 801 361</b>		<b>11 115 385</b>		<b>6 484 903</b>		<b>157 655 306</b>	
<b>Net book value as of 31/12/2018</b>	<b>48 638 660</b>		<b>248 716 047</b>		<b>82 449 473</b>		<b>26 107 479</b>		<b>12 232 502</b>		<b>13 265 190</b>		<b>431 409 351</b>	

\* The fixed assets includes fully depreciated assets and still used in operation until December 31, 2018 amounted EGP 64 595 363

\*\* The Lands item includes some lands not yet registered and currently being registered

**Ibn Sina Pharma (S.A.E)**

**Notes to the Financial Statements**

**For the Financial Year Ended December 31, 2018**

2017 Cost	Land		Building		Machinery and equipments		Vehicles		Computers and software		Furniture and fixtures		Total	
	EGP	EGP	EGP	EGP	EGP	EGP	EGP	EGP	EGP	EGP	EGP	EGP	EGP	EGP
<b>Cost as of 1/1/2017</b>	15 886 220	163 724 545	61 006 343	5 273 555	11 190 434	6 300 776	263 381 873	-	-	-	-	-	-	-
Additions during the year	-	27 277 718	30 533 836	1 567 350	7 362 859	823 705	67 565 468	-	-	-	-	-	-	-
Disposals during the year	-	(304 021)	(540 254)	(172 347)	(209 200)	(181 780)	(1 407 602)	-	-	-	-	-	-	-
<b>Cost as of 31/12/2017</b>	<b>15 886 220</b>	<b>190 698 242</b>	<b>90 999 925</b>	<b>6 668 558</b>	<b>18 344 093</b>	<b>6 942 701</b>	<b>329 539 739</b>	-	-	-	-	-	-	-
<b>Accumulated depreciation</b>	-	52 216 320	25 210 098	3 094 038	6 609 473	4 925 265	92 055 194	-	-	-	-	-	-	-
Accumulated depreciation as of 1/1/2017	-	14 542 536	10 137 994	1 109 700	1 883 282	852 607	28 526 119	-	-	-	-	-	-	-
Depreciation charged for the year	-	(295 227)	(489 572)	(166 820)	(178 524)	(175 771)	(1 305 914)	-	-	-	-	-	-	-
Accumulated depreciation of disposals	-	66 463 629	34 858 520	4 036 918	8 314 231	5 602 101	119 275 399	-	-	-	-	-	-	-
<b>Accumulated depreciation as of 31/12/2017</b>	-	<b>124 234 613</b>	<b>56 141 405</b>	<b>2 631 640</b>	<b>10 029 862</b>	<b>1 340 600</b>	<b>210 264 340</b>	-	-	-	-	-	-	-
<b>Net book value as of 31/12/2017</b>	<b>15 886 220</b>	<b>124 234 613</b>	<b>56 141 405</b>	<b>2 631 640</b>	<b>10 029 862</b>	<b>1 340 600</b>	<b>210 264 340</b>	-	-	-	-	-	-	-

#### 6. Other Assets (net)

	<u>December 31, 2018</u>	<u>December 31, 2017</u>
	<u>EGP</u>	<u>EGP</u>
Opening balance	8 803 598	6 666 637
Addition during the year	1 171 804	4 709 482
<b>(Less):</b>		
Disposals during the year	(234)	(2 131)
Amortization	(2 334 166)	(2 570 390)
	<u><b>7 641 002</b></u>	<u><b>8 803 598</b></u>

\* Other assets are represented in the company's share in the amounts paid for the finance lease assets, which are related to finance lease contracts, and the remaining balance is represented in the amounts which were not amortized until December 31, 2018. Amortization is realized over the contract period. For more details, refer to Note No. (20).

#### 7. Projects under Construction

Buildings *	143 747 486	39 689 778
Lands **	52 400 000	52 400 000
Furniture	670 917	290 693
Computers & Software ***	47 082 404	29 905 261
Machinery and equipment	92 303 785	28 393 273
Vehicles	83 521	10 587 500
	<u><b>336 288 113</b></u>	<u><b>161 266 505</b></u>

\* The Buildings represents the buildings under constructions in company's branches in 6<sup>th</sup> of October city, Tanta 2 city, Faqous and others.

\*\* The Lands represents plot of land purchased by primary contract dated 1<sup>st</sup> of January, 2017 in 6<sup>th</sup> of October city, Refer to Note No (26).

\*\*\* Represents preparation and applications of an enterprise resources planning system.

#### 8. Inventories (net)

Goods available for sale	1 260 692 017	1 022 513 535
Sales return warehouse *	31 571 527	23 511 742
Spare parts	9 727 149	4 523 322
Goods in transit	105 372 052	272 917
	<u><b>1 407 362 745</b></u>	<u><b>1 050 821 516</b></u>

\* Sales return warehouse is represented in the value of expired goods, to be returned back to the suppliers according to the contracts conditions with them.

**December 31, 2018**      **December 31, 2017**

	<u>EGP</u>	<u>EGP</u>
<b>9. Accounts and Notes Receivable (net)</b>		
Accounts receivable	1 848 600 009	1 308 776 515
Notes receivable	1 847 913 246	1 196 198 017
	<b>3 696 513 255</b>	<b>2 504 974 532</b>
<b>Less:</b>		
Accounts receivable impairment	(48 280 280)	(45 678 220)
	<b>3 648 232 975</b>	<b>2 459 296 312</b>
<b>9-1 Impairment in Accounts Receivable</b>		
Beginning balance	45 678 220	46 235 890
Formed during the year	2 602 060	2 065 497
Used during the year	--	(2 623 167)
<b>Balance at year end</b>	<b>48 280 280</b>	<b>45 678 220</b>
<b>10. Debtors and Other Debit Balances</b>		
Prepaid installments for finance lease companies	7 451 270	16 564 171
Suppliers debit balances	87 764 010	53 062 814
Withholding tax	30 154 467	17 314 510
Advance payment for purchasing assets	42 041 317	6 866 315
Deposits with others	10 366 190	7 418 139
Due from finance lease companies	5 055 677	--
Prepaid expenses	16 181 209	15 083 700
Advance payment to tax authority	93 449 077	46 768 081
Due from employees	2 268 607	2 387 128
Sales tax authority	336 223	--
Other debit balance	9 375 423	8 099 860
<b>Total</b>	<b>304 443 470</b>	<b>173 564 718</b>
<b>Less:</b>		
Impairment in other debit balances	(7 847 013)	(7 847 013)
	<b>296 569 457</b>	<b>165 717 705</b>
<b>11. Cash and Cash Equivalents</b>		
Letters of guarantee margin	708 101	43 681
Banks current accounts – Egyptian pound	95 781 174	163 272 036
Banks current accounts – Foreign currencies	128 847	1 303 046
Cash on hand	--	172 099
	<b>96 618 122</b>	<b>164 790 862</b>

	<u>December 31, 2018</u>	<u>December 31, 2017</u>
	<u>EGP</u>	<u>EGP</u>
<b>12. Creditors and Other Credit Balances</b>		
Accrued income tax	92 684 117	56 959 751
Withholding tax	24 719 828	9 355 094
Sales Tax Authority	--	6 134
Payroll tax	1 538 590	914 449
Social Insurance Authority	1 751 608	1 852 174
Dividends payable	478 395	478 395
Amounts due to contractors	7 161 856	357 068
Accrued expenses	15 326 477	11 696 381
Other current liabilities (Note 21)	14 041 196	10 029 309
Other credit balances	14 855 304	8 269 754
	<b><u>172 557 371</u></b>	<b><u>99 918 509</u></b>
<b>13. Accounts and Notes Payable</b>		
Accounts payable	668 130 452	472 583 729
Notes payable	4 084 920 141	3 228 201 992
	<b><u>4 753 050 593</u></b>	<b><u>3 700 785 721</u></b>
<b>14. Credit Facilities</b>		
Commercial International Bank	16 528 396	2 227 558
The United Bank	16 678 714	--
Credit Agricole	6 700 034	--
Banque de Caire	31 685	--
Emirates NBD	259 468	--
El Mashreq	12 238 548	--
HSBC Bank	3 597 165	4 685 296
Union National Bank	--	39 012
Audi Bank	6 707 903	--
National Bank of Egypt	2 345 011	--
	<b><u>65 086 924</u></b>	<b><u>6 951 866</u></b>

\* The banks credit facilities item - represents the credit facilities provided from some banks in Egyptian pound with variable interest rates, and some of these facilities are without guarantees, and the others are guaranteed by notes receivable or with insurance policy on a portion of the inventory in favour of the banks.



### 15. Short and Long-Term Loan Installments

Bank	Currency	Available from Loan	Date of the Loan	Date of Last Installment	Current Portion of the Loan	Long-Term Portion of the Loan	Balance as of 31/12/2018	Balance as of 31/12/2017
CIB	Egyptian pound	354 000 000	December 2018	December 2023	--	236 088 172	236 088 172	--
HSBC	Egyptian pound	35 000 000	December 2014	December 2018	--	--	--	11 460 316
Attiga riwafa	Egyptian pound	43 000 000	December 2016	December 2020	14 333 332	10 784 778	25 118 110	39 416 644
Attiga riwafa	Egyptian pound	100 000 000	December 2018	December 2023	--	52 273 471	52 273 471	--
AUB	Egyptian pound	75 000 000	December 2017	December 2021	24 516 240	49 032 480	73 548 720	--
		<b>607 000 000</b>			<b>38 849 572</b>	<b>348 178 901</b>	<b>387 028 473</b>	<b>50 876 960</b>

\* The loans provided to the Company at variable interest rates are secured by all-risks insurance policies on the Company's stores in favour of the banks. There are also financial covenants that must be met, as well as undertakings with a bank not to change the structure of the shareholders and / or to transfer part of the company or the company's business and / or to waive or abandon any assets of the company without obtaining the prior written approval of the bank. In addition to not distributing dividends exceeding 50% of the annual net profit achieved in the fiscal year until the settlement of all outstanding instalments.

### 16. Land Purchase Creditors

The full value owed by the company has been paid for the value of the land purchased in Beni Suef.

### 17. Capital

- The company's authorized capital amounted to EGP 50 000 000 (only fifty million Egyptian pounds), and the company's issued and paid-up capital amounted to EGP 35 000 000 (only thirty-five million Egyptian pounds) distributed over 350 000 shares, at a par value of EGP 100 each (only one hundred Egyptian pounds), all represented in cash shares.
- On August 26, 2005, the Extraordinary General Assembly Meeting decided to increase the issued and paid-up capital to become EGP 50 000 000 (only fifty million Egyptian pounds), distributed over 500 000 shares, at a par value of EGP 100 (only one hundred Egyptian pounds), all represented in cash shares.
- On December 10, 2006, the Extraordinary General Assembly Meeting decided to buy the shares of the French side which represents the nominal value of EGP 34 193 900 (only thirty-four million, one hundred and ninety-three thousand, and nine hundred Egyptian pounds) at 68.38% of the total former shareholder's contribution at the rate of 93.5%, and the employees at 6.5%. The registration procedures were finalized at the end of year 2007.

- On September 17, 2008, the Extraordinary General Assembly Meeting agreed to amend Article No. (6) of the company's Articles of Association by reducing the accumulated losses at the value of EGP 30 000 000 (only thirty million Egyptian pounds) from the issued and paid-up capital by an amount of EGP 50 000 000 (only fifty million Egyptian pounds) before amendment, and therefore the authorized capital became EGP 50 000 000 (only fifty million Egyptian pounds) and the issued and paid-up capital in full after amendment became EGP 20 000 000 (only twenty million Egyptian pounds) distributed over 200 000 shares, at the par value of EGP 100 each (only one hundred Egyptian pounds), all represented in cash shares.
- On May 27, 2015, the Extraordinary General Assembly Meeting agreed to amend Article No. (6) of the company's Articles of Association by reducing the authorized capital to become EGP 24 000 000 (only twenty four million Egyptian pounds) instead of EGP 50 000 000 (only fifty million Egyptian pounds) and the issued and paid-up capital in full to become EGP 24 000 000 after the amendment (only twenty four million Egyptian pounds) instead of EGP 20 000 000 (only twenty million Egyptian pounds) distributed over 240 000 shares (only two hundred forty thousand shares) at the par value of EGP 100 each (only one hundred Egyptian pounds), all represented in cash shares, and this amendment was in the Commercial Register on June 29, 2015.
- On March 5, 2017, the Extraordinary General Assembly decided to increase the authorized share capital by an amount of EGP 144 000 000 to become 168 000 000 as well as increase the issued capital of the Company by an amount of EGP 144 000 000 to become 168 000 000 to be financed from the balance of the general reserve as of December 31, 2016 given that each (6) free shares of the share capital increase to be allocated to each one share of the original shares of the company owned by the shareholders at the date of the General Assembly Meeting. And splitting the nominal value of the share from 100 Egyptian pounds to 1 Egyptian pounds to become the total number of shares of the company after the increase and the splitting the nominal value per share to be 168 000 000 shares paid in full. This amendment was registered in the Commercial Register on September 12, 2017.
- On September 7, 2017, the Extraordinary General Assembly decided to split the share capital from EGP 1 to EGP 0.25 per share to become the paid in capital by an amount of EGP 168 000 000 distributed on 672 000 000 shares of value EGP 0.25 per share. This amendment was in the Commercial Register on September 28, 2017.
- On 17 January 2018, the board of directors of Ibn Sina Pharma agreed to increase the issued capital from 168 000 000 Egyptian pounds to 180 500 000 Egyptian pounds, by underwriting to the old shareholders sellers for their shares in public or private offering where capital was increased by issuing 50 000 000 shares subscribed by the offering Final pricing of 5.80 Egyptian pounds. Therefore, the issued and paid capital of the company was increased by 12 500 000 Egyptian pounds to become the issued and paid capital of 180 500 000 Egyptian pounds, according to a bank deposit certificate to increase the capital of the Arab African International Bank on February 13, 2018 and the value of the share premium amounted 277 500 000 Egyptian pounds. This was registered in the company's commercial register dated March 22, 2018.

### 18. Share premium

- On 17 January 2018, the board of directors of Ibn Sina Pharma approved the capital increase from 168 000 000 Egyptian pounds to 180 500 000 Egyptian pounds by underwriting to the old shareholders sellers for their shares in public offering or private capital will be increased by issuing 50 000 000 shares which subscribed by the offering Final pricing of 5.80 Egyptian pounds. Therefore, the issued and paid capital of the company was increased by 12 500 000 Egyptian pounds to become the issued and paid capital of 180 500 000 Egyptian pounds, according to a bank deposit certificate to increase the capital of the Arab African International Bank on February 13, 2018 and the value of share premium for the shares The increase is 277 500 000 Egyptian pounds. This was registered in the company's commercial register dated March 22, 2018.

### 19. Deferred Tax

Deferred tax assets and liabilities were calculated as of December 31, 2018 as follows:

	<u>Balance as of</u> <u>December 31, 2017</u> <u>EGP</u>	<u>Movement</u> <u>During the Year</u>	<u>Balance as of</u> <u>December 31, 2018</u> <u>EGP</u>
<b><u>Deferred Tax Assets</u></b>			
Formed form provisions	10 277 600	557 027	10 834 627
Other than the tax provision			
<b>Total deferred tax assets</b>	<b><u>10 277 600</u></b>	<b><u>557 027</u></b>	<b><u>10 834 627</u></b>
<b><u>Deferred Tax Liabilities</u></b>			
Formed form temporary taxable differences between fixed assets book value and net of tax base		826 323 (1 207 417)	(381 094)
<b>Total deferred tax liabilities</b>		<b><u>826 323</u></b>	<b><u>(1 207 417)</u></b>
<b>Net deferred tax assets</b>		<b><u>11 103 923</u></b>	<b><u>10 453 533</u></b>

### 20. Finance Lease Contracts

The Company has entered into finance lease contracts for certain assets such as Vehicle, equipment, computers, and computers software. The value of these contracts as of December 31, 2018 amounted to EGP 94 282 705. The company bears a portion of these contracts which are recorded as other assets as shown in Note No. (6).

The following are the contracts outstanding contracts as of December 31, 2018, are represented as follows:

Type of leased assets	Contract amount	Rental amount for Year 2018	Useful life for assets ranged between	Accrued amounts due in one year	Remaining accrued amounts due till the end of contracts
<b>Vehicles</b>	77 458 825	18 220 704	5 years	13 848 597	17 799 000
<b>Computers</b>	11 076 408	5 170 750	3-5 years	2 447 535	662 963
<b>Equipment</b>	5 747 472	3 717 737	3-5 years	982 284	56 445
	<b>94 282 705</b>	<b>27 109 191</b>		<b>17 278 416</b>	<b>18 518 408</b>

## 21. Other long term liabilities

According to the boards of directors' decision dated May 4, 2017, the company recorded accrued liability for the employees' benefits plan as per the terms and conditions related to the program. The present value for the liability as of December 31, 2018, the long-term portion amounted to EGP 30 359 715 (December 31, 2017: EGP 20 815 429) and the short-term portion amounted to EGP 14 041 196 (December 31, 2017: EGP 10 029 309).

## 22. Board of directors remuneration

<u>EGP</u>	<u>2018</u>	<u>2017</u>
Salaries of executive managers	31 635 057	23 075 762
Board of directors bonus	10 021 657	6 650 187
<b>Total benefits of management employees, Executives, and board of directors</b>	<b>41 656 714</b>	<b>29 725 949</b>

## 23. Other income.

Other income includes late penalty revenue from customers amounted to EGP 17 453 160 for the period ended December 31, 2018 (December 31, 2017: EGP 11 240 874).

## 24. Other Expenses.

Other expenses representing in the Initial Public Offering expenses and fees.

## 25. Earnings per Share Basic and Diluted

Basic earnings per share is calculated by dividing the earnings from continuing operations attributable to ordinary shareholders by the weighted average number of ordinary shares outstanding during the year.

<u>EGP</u>	<u>2018</u>	<u>2017</u>
EARNINGS (for basic shares)	0.34	0.22
Net income and number of shares used in calculating the EPS :		
<u>EGP</u>	<u>2018</u>	<u>2017</u>
Income of the year	262 522 281	170 137 041
(less):		
Employees dividends	(11 564 575)	(8 448 718)
Board of directors remunerations	(8 658 584)	--
<b>Net income of the year</b>	<b>242 299 122</b>	<b>161 688 323</b>
<u>Number of shares</u>	<u>2018</u>	<u>2017</u>
<b>Number of shares for basic and diluted EPS purpose</b>	<b>711 041 096</b>	<b>672 000 000</b>

Employee distributions and Board rewards proposed by the Board of directors on March 6, 2019 and under the approval of the General Assembly of the company.

## 26. Capital Commitments

The capital commitments include commitments amounted to EGP 55 064 595 as of December 31, 2018 which is related to projects under constructions. Refer to Note No. (7).

## 27. Contingent liability

In addition to the amounts taken into account within the statement of financial position elements, there are contingent and non-covered liabilities from the Company as 2018 Representing Incoming Documents for Collection (IDC) amounted to EGP 156 962 968 and in letters of guarantee amounted to EGP 267 288 900 .

## 28. Provisions for claims

<u>Beginning balance</u>	<u>Formed</u>	<u>Used</u>	<u>Ending balance</u>
24 066 773	47 333 369	(1000 000)	70 400 142

Provisions relate to claims expected from certain third parties in respect of the Company's activities. The usual disclosure information about the appropriation has not been disclosed in accordance with accounting standards, as management believes that doing so may seriously affect the outcome of negotiations with those entities. The management reviews these allocations annually and adjusts the amount allocated in accordance with the latest developments, discussions and agreements with these entities.

## 29. Operating lease engagements

The company is leasing number of branches for administration and sales purposes through operating lease, The duration of these contracts on average of short and long term.

The total minimum lease payments for these contracts are as below:

EGP	<u>Future minimum lease payments</u>	
	<u>2018</u>	<u>2017</u>
Less than one year	42 675 089	29 662 833
from 1 to 5 years	102 738 853	98 406 937
further than 5 years	31 010 628	29 968 686
<b>Total</b>	<b>176 424 570</b>	<b>158 038 456</b>

## 30. Tax Position

### First: Corporate Income Tax:

- Company was inspected and taxes were settled until year 2016.

### Second: Payroll Tax

- Company was inspected and taxes were settled until year 2012.

### Third: Stamp Tax

- The company was inspected, and taxes were settled until year 2017.

### Fourth: Sales tax

- The company was inspected, and taxes were settled until year 2015.

### Fifth: Withholding tax

- The company was inspected until year 2015 and the dispute not received yet.

## 31. The Fair Value of the Financial Instruments

According to the valuation basis for the financial assets and liabilities stated in Note No. (3), the fair value of the financial assets and liabilities does not differ significantly from its book value as of the balance sheet date. The book values of these financial instruments represent a reasonable estimate of their fair values. Note No. (3) Of notes to the financial statements includes the significant accounting policies used in recording, measuring significant financial instruments and the related revenues and expenses.

### **32. Risk Management Related to Financial Instruments**

#### Overview

the company is exposed to the following risks during the pursue of its activities, arising from use of financial instruments:

- Credit Risk
- Liquidity Risk
- Market Risk

#### Risks Framework

The Company's financial instruments consist of financial assets (bank balances, receivables, trade receivables, due from related parties and customers), financial liabilities (creditors, credit balances, credit facilities, suppliers, payment notes and land purchase creditors). The following are the main risks related to them and how they are managed:

#### **Categorize of the Financial Instruments**

<b>EGP</b>	<b><u>2018</u></b>	<b><u>2017</u></b>
<b>Financial assets</b>		
Cash and Cash Equivalent	96 618 122	164 790 862
Financial assets measured by Amortized cost(A)	3 781 370 071	2 526 390 513
<b>Financial Liabilities</b>		
Financial Liabilities measured by Amortized cost (B)	5 362 567 971	3 842 058 795

A) Includes customers and accounts receivable as well as other current assets that meet the definition of financial assets. Total amount of 1 881 646 460 Egyptian pounds (2017: 1 415 967 072 Egyptian pounds) of other current assets does not meet the definition of financial assets.

B) Includes loans and credit balances, and other financial liabilities as well as other current liabilities that meet the definition of financial liabilities. Total amount of EGP 125 970 660 (2017: EGP 75 540 820) of other current liabilities does not meet the definition of financial liabilities.

The overall responsibility is to develop the risk management framework for the company and follow up its implementation to the Board of Directors. The Board of Directors is also responsible for developing and monitoring the implementation of its risk management policies.

Risk management policies are developed to identify risks to the company, the acceptable risk limits and risk management rules, and ensure adherence to acceptable limits.

Risk policies and systems are reviewed periodically, to reflect changes in market conditions and activities. Through its training management standards and procedures, the company aims at developing and building a disciplined regulatory environment in which employees understand the role assigned to them and their obligations.

The Board of Directors oversees how the Management monitors compliance with risk policies and procedures, reviews the adequacy of the risk framework of the Company and internal audit cooperates with the Board of Directors in the performing it's following up and monitoring role. The internal audit undertakes both periodic review of the risk management controls and procedures, and reports on the results to management.

### **32-1 Credit Risk**

Credit risk is the risk of financial loss to a company if a customer or counterparty to a financial instrument fails to meet its contractual obligations and this risk arises mainly from customer balances and financial investments.

#### **Customers and other debit balances**

The Company's exposure to credit risk is primarily influenced by the category of each customer, including the trade nature risk, which has a lower impact on credit risk. The Company's credit risk is limited due to the Company's policy of dealing with a diverse segment of customers.

The Board of Directors has established a credit policy whereby each customer's creditworthiness is analysed on the basis of which the terms of delivery and repayment are determined. The purchase limits are determined for each customer which represents the maximum value allowed. Customers who are unable to meet the company's creditworthiness requirements can deal with the company on an advance payment basis.

The majority of the company's clients deal with the company for many years, through credit risk control to customers. Customers are grouped according to their credit characteristics, including geographic location, maturity dates and previous financial difficulties. Customers classified as "High risk" are listed on a specific client list and reviewed by management so that future sales with these customers are dealt with on an advance payment basis.

### **32-2 Liquidity Risk**

The company's goal is to balance the continuity of funding with flexibility by obtaining loans from banks. The Company manages liquidity risk by obtaining facilities or loans by monitoring expected and actual cash flows on an ongoing basis and reconciling the maturity of financial assets and liabilities.

The Company has sufficient cash to pay the expected operating expenses and includes expenses for financial liabilities.

The following table shows the financial liabilities and their maturity dates:

#### **The Maturity of non-Derivative Financial Liabilities**

<b>2018</b>	<b>Less than 6 Months</b>	<b>From 6 Months until One Year</b>	<b>From 1 to 5 Years</b>	<b>More than 5 Years</b>	<b>Total</b>
<b><u>EGP</u></b>					
Instruments with no interest rate	-	4 875 313 963	-	-	<b>4 875 313 963</b>
Instruments with variable interest rate	-	103 936 496	383 317 512	-	<b>487 254 008</b>
Instruments with fixed interest rate	-	-	-	-	-
<b>Total</b>	<b>-</b>	<b>4 979 250 459</b>	<b>383 317 512</b>	<b>-</b>	<b>5 362 567 971</b>

2017	Less than 6 Months	From 6 Months until One Year	From 1 to 5 Years	More than 5 Years	Total
<b>EGP</b>					
Instruments with no interest rate	--	3 755 683 401	--	--	<b>3 755 683 401</b>
Instruments with variable interest rate	--	32 816 419	53 558 975	--	<b>86 375 394</b>
Instruments with fixed interest rate	--	--	--	--	--
<b>Total</b>	--	<b>3 788 499 820</b>	<b>53 558 975</b>	--	<b>3 842 058 795</b>

### **32-3 Interest Rate Risk**

This risk is the inability of the Company to meet its financial obligations at maturity.

The Company manages this risk to ensure that there is adequate liquidity to meet its financial liabilities when due, either in normal or difficult situations, without incurring unacceptable losses or damage to its reputation.

### **Interest rate sensitivity analysis**

Sensitivity analysis is determined based on exposure of interest rates associated with the financial derivatives and the non-derivative financial instruments at the end of the financial period, as for the liabilities with variable interest rate analysis was prepared assuming that outstanding liability amount at end of the financial period was due during the whole year and the indicator 100 point equals 1% more or less upon preparing internal reports which deal with interest rate risk that are presented to management employees' in charge and this indicator represents the management estimation of the reasonable expected change in the interest rate.

If the interest rate (increased or decreased) by 100 point with all other variables remaining constant, this would lead to more or less the company profit for the period ended December 31, 2018 by EGP 125 843 409 (2017: more or less by EGP 0.58 million) and this is primarily due to the company's exposure to interest rate on the borrowed amounts with variable interest rates

### **33. Non- Cash Transactions**

- The effect of transferring assets from PUC to fixed assets by an amount of EGP 242 235 381 has been eliminated.

### **34. Significant events during reporting period**

-On 17 January 2018, the board of directors of Ibn Sina Pharma approved the capital increase from 168 000 000 Egyptian pounds to 180 500 000 Egyptian pounds, by underwriting to the old shareholders sellers for their shares in public offering or private capital will be increased by issuing 50 000 000 shares subscribed by the offering Final pricing of 5.80 Egyptian pounds. According to the statement, the difference between the subscription price and the nominal value of the share is the share premium of about 277 500 000 Egyptian pounds, which will be avoided in a special reserve account.



-On April 2, 2018, the ordinary General Assembly approved the project for distributing profits to employees in the amount of EGP 8 600 000.

-On June 28, 2018, the Monetary Policy Committee, headed by the Governor of the Central Bank of Egypt, decided to reduce the interest rates on deposit and borrowing by 200 basis points to be 16,75% and 17,75%, respectively.

-Ministry of Finance, Circular No. 109 of 2018 of October 9, 2018, on the collection of contributions of the new health insurance system in accordance with the comprehensive Health insurance System Law No. 2 of 2018 and its implementing regulations. In accordance with the provisions of the law and its implementing regulations, the Egyptian tax authority must The collection of 0.25% (two and a half per thousand) as a symbiotic contribution of the total annual income of the individual enterprises and companies (whatever their nature or legal system subject to it) and the economic public bodies, in the introduction of income tax receipts and this takaful contribution is not a cost Duty of deduction in the application of the provisions of the income tax law.

### **35. Litigations**

On the basis of a complaint from a pharmacy that there was a written agreement between drug distribution companies, including Ibn Sina Pharma, who represent members of the Association of Drug distribution companies, and where it was alleged that those companies agreed to standardize sales policies, reduce cash discount ratios and reduce credit periods, which The result was damage to small pharmacies.

The case has already been disclosed in the prospectus of the position of the company's cases in section IV concerning the lawsuit No. 2952 for the year 2015 economic restriction and restricted by number 1898 for the year 2016 economic offences and the subject of the case is concluded in the following:

-The Public Prosecutor's Office referred the defendants in the case to five drug distribution companies for trial on charges of agreeing between rival companies in the drug distribution market, a company "Ibn Sina Pharma " and "United Pharmacists " and "Ramco Pharma for drug trade and distribution" and "Multi Pharma pharmaceutical Company" And chemicals "Middle East chemicals Company", claiming a sales policy that would raise the price of medicines on pharmacists and restrict the marketing of medicines.

-The prosecution requested their punishment by articles 1, 2/A-B, 3, 6/paragraph (1), Items,A,D, 19/1, 21/1, 22/1 (i), 24 and 25 of Law No. 3 of 2005 amended and articles 1, 2, 5, 6, 9, 10, 11/A, D, 31, 32, 33, 34, 35, 38 of the Executive Regulations of the Law promulgated by the Prime Minister's Decree No. 1316 of 2005. The Department of Public Prosecutions has set the offense period from January 2013 to December 2015.

-On February 28, 2018, the second chamber for economic misdemeanors issued a ruling condemning all the defendants, including four persons from the Ibn Sina Pharma company, which applied the maximum sentence. The court issued a ruling of a fine on the representatives of the companies on the basis of the report of the Competition Protection Agency and the prosecution's investigation, which concluded that the companies listed in the verdict had agreed to define a sales policy that would raise the price of medicines on pharmacists and restrict the marketing of medicines, which is contrary to article Sixth of the Competition Protection Act. The court applied the maximum penalty since it was not possible to calculate the total revenue for the infringing product.

-Article 6 of Act No. 3 of 2005 on the protection of competition and monopolistic practices prohibits the agreement or contract between competing persons in any relevant market if it would bring about the lifting, lowering or fixing of prices of the products in question.

-Article 22 of the Act punishes anyone who contravenes the provision of article 6 with a fine of not less than two per cent of the total income of the infringing product and does not exceed twelve per cent of the total income referred to, during the period of the offence, and in the event that the total income indicated cannot be calculated It has a fine of not less than five hundred thousand pounds, and does not exceed five hundred million pounds.

-All accused, including representatives of Ibn Sina Pharma, appealed the ruling, and the hearing of the appeal is determined 19 May 2018.

-On May 19, 2018, the court decided to adjourn for the 15/6/20018 hearing and the hearing was held, the documents were submitted and the pleadings were presented, and the court decided to seize the case for the 16/7/2018 session.

At the 16/7/2018 meeting, the Court decided to extend the sentence for the 18/9/2018 meeting.

At the 18/9/2018 meeting, the court decided to return the case to the hearing of 19 November 2018.

At the 19/11/2018 meeting, the Court decided to postpone the proceedings for the 2018/12/19 meeting.

At the 19/12/2018 meeting, the court decided to seize the case for sentencing on 2018/12/19

-At the 19/2/2019 session, the appeal judgement acquitted one of the managers and reduced the fine in respect of three directors of the company's directors from 500 million to 50 million each, and upheld the first-instance judgment of a fine of 10 million pounds and the court ruled that the plaintiffs could not appeal the rights .

-The dispute continues to be brought to justice, bearing in mind that the directors of the company have the right to challenge the verdict before the Court of Cassation during the legally prescribed period, since this ruling is not final and the final results can only be determined by a final ruling, and the company will take all measures and Legal procedures and defenses that support the integrity of their legal position.

**36. Significant events after Balance date**

The Monetary Policy Committee of the Central Bank of Egypt decided at its meeting on Thursday, 14 February 2019, to reduce both the rate of return on deposit and lending for one night and the main operation price of the central bank by 100 basis points to 15,75%, 16,75% and 16,25% respectively. The credit and debit rate has been reduced by 100 pips to reach 16,25%.

**37. Financial Statements approval date**

The financial statements were approved by the Board of Directors on 6 March 2019.

**Finance Manager**  
**Moa'men Gomaa**

**Managing Director**  
**Omar Abd Algawad**

**Chairman**  
**Mohamed Mahgoub**