

Prime Global
(Khaled El-Ghannam & Co.)

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

IBN SINA PHARMA
S.A.E.
Interim Financial Statements
Review report
For The Period Ended March 31, 2018

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Review Report

To: The Board of Directors of IBN SINA PHARMA (S.A.E.)

Introduction

We have reviewed the accompanying interim financial position of Ibn Sina Pharma Company "S.A.E" as of 31 March 2018 and the related interim statements of profit or loss, comprehensive income, changes in equity and cash flows for the three months then ended. The management is responsible for the preparation and fair presentation of these interim financial statements in accordance with Egyptian Accounting Standard No. (30), "Interim Financial Statements". Our responsibility is to express a conclusion on these interim financial statements based on our review.

Scope of Review

We have conducted our review in accordance with the Egyptian Standard on Review Engagements No. (2410) "Review of Interim Financial Statements Performed by the Independent Auditor of the Entity". A review of interim financial statements consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with the Egyptian Standards on Auditing and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

Conclusion

Based on our review, nothing has come to our attention that causes us to believe that the accompanying interim financial statements do not present fairly in all material respects in accordance with Egyptian Accounting Standard No. (30), "Interim Financial Statements".


Emphasis of Matter

Without qualifying our conclusion on the financial statements as referred to above and as explained in note (26), A primary court decision was issued on February 28, 2018 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 entered an agreement to standardize the sales policies, reduce the cash discount rates and reduce the credit periods.

The company has taken all legal actions to appeal this ruling and the management of the company sees based on the opinion of its legal advisor that the ruling is probable to be cancelled.

Cairo, May 13, 2018

**Khaled El Ghannam,
F.E.S.A.A (R.A.A. 4771)
Register of Financial Supervisory
Authority (49)**


**Kamel Magdy Saleh, FCA
F.E.S.A.A (R.A.A. 8510)
Register of Financial Supervisory
Authority (69)**

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

	Note	31-Mar-18	31-Dec-17
	No.	EGP	EGP
<u>Non-current assets</u>			
Fixed assets (net)	(10)	221 731 447	210 264 340
Projects under construction	(11)	276 755 152	161 266 505
Deferred tax assets		11 400 378	11 103 923
Other assets		8 750 271	8 803 598
Total long term assets		<u>518 637 248</u>	<u>391 438 366</u>
<u>Current assets</u>			
Inventories	(13)	972 276 478	1 050 821 516
Accounts and notes receivable (net)	(12)	2 706 771 101	2 459 296 312
Suppliers advance payments	(17)	201 573 093	101 359 555
Debtors and other debit balances (net)		131 417 452	165 717 705
Due from related parties		371 635	371 635
Cash and cash equivalents		41 717 908	164 790 862
Total current assets		<u>4 054 127 667</u>	<u>3 942 357 585</u>
Total Assets		<u>4 572 764 915</u>	<u>4 333 795 951</u>
<u>Shareholders equity and liabilities</u>			
<u>Shareholders' equity</u>			
Issued and paid-up capital	(19)	180 500 000	168 000 000
Share premium	(20)	277 500 000	-
Legal reserve		20 506 852	12 000 000
General reserve		3 079 334	3 079 334
Retained earnings		224 610 150	62 979 961
Net profit for the period / year		27 954 173	170 137 041
Total Shareholders' equity		<u>734 150 509</u>	<u>416 196 336</u>
<u>Non-current liabilities</u>			
long-term loans installments	(16)	59 338 817	25 083 272
Long-term notes payable		6 089 674	7 660 274
Other non-current liabilities		24 939 174	20 815 429
Total non-current liabilities		<u>90 367 665</u>	<u>53 558 975</u>
<u>Current liabilities</u>			
Provisions for claims		27 566 773	24 066 773
Credit facilities	(15)	93 710 794	6 951 866
Accounts and notes payable	(14)	3 523 678 428	3 700 785 721
Customers advance payments		5 178 260	6 453 218
Creditors and other credit balances	(18)	67 545 284	99 918 509
Land purchase payable		70 865	70 865
Short-term loan installments	(16)	30 496 337	25 793 688
Total current liabilities		<u>3 748 246 741</u>	<u>3 864 040 640</u>
Total Shareholder's equity & Liabilities		<u>4 572 764 915</u>	<u>4 333 795 951</u>

- The accompanying notes form an integral part of The financial statements and to be read therewith.
attached "Review Report"

Chief Financial Officer
Moa'men Gomaa

Chief Executive Officer
Omar Abdel-Gawad

Chairman
Mohamed Mahgoub

Translation of the financial statements
Originally issued in Arabic

Ibn Sina Pharma (S.A.E)
Statement of Profit or Loss
For the financial period ended March 31, 2018

	<u>Note</u>	<u>March 31, 2018</u>	<u>March 31, 2017</u>
	<u>No.</u>	<u>EGP</u>	<u>EGP</u>
Sales	(5)	2 958 341 404	1 953 189 109
(Less)			
Sales discount		(77 242 663)	(46 442 649)
Sales (Net)		2 881 098 741	1 906 746 460
Cost of sales		(2 665 364 285)	(1 757 868 897)
Gross profit		215 734 456	148 877 563
(Less)			
Selling and marketing expenses	(6)	(93 599 843)	(73 064 388)
General and administrative expenses	(6)	(39 823 348)	(21 200 746)
Fixed assets depreciation		(9 095 161)	(6 566 980)
Amortization of company share in other assets		(663 826)	(557 454)
Impairment of accounts and notes receivable		(781 466)	(1 694 000)
Formed provisions for claims		(3 500 000)	-
Finance cost	(7)	(38 256 144)	(18 805 569)
Operating Profit		30 014 668	26 988 426
Add			
Capital gain		29 592	94 322
Foreign currency revaluation gain		1 461	-
Credit Interest		6 107 670	-
Other income		2 753 462	1 787 325
Net profit for the period before tax		38 906 853	28 870 073
Income tax	(8)	(11 249 135)	(9 614 920)
Deferred tax		296 455	(149 951)
Net profit for the period		27 954 173	19 105 202
Average earning per share	(22)	. 03	. 03

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

Chief Financial Officer
Moa'men Gomaa

Chief Executive Officer
Omar Abdel-Gawad

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 period ended March 31, 2018

	<u>Note</u>	<u>3/31/2018</u>	<u>3/31/2017</u>
	<u>No.</u>	<u>EGP</u>	<u>EGP</u>
Net profit for the period		27 954 173	19 105 202
Other comprehensive income		-	-
Total comprehensive income		<u>27 954 173</u>	<u>19 105 202</u>

- 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 Abdel-Gawad

Chairman
Mohamed Mahgoub

Ibn Sina Pharma (S.A.E)
Cash Flows Statement
For the financial period ended March 31, 2018

	3/31/2018	3/31/2017
	EGP	EGP
Cash flows from operating activities		
Cash flows from operating activities	(367 331 878)	(186 117 367)
Payments of Finance Costs	(34 826 154)	(18 890 154)
Net cash flows (used in) operating activities	(402 158 032)	(205 007 521)
Cash flows from investing activities		
(Payments) for purchase of fixed assets & Projects under constructions	(136 061 042)	(79 232 374)
(Payments) for purchase of other assets	(610 643)	(372 963)
Proceeds from selling of fixed assets	39 641	97 049
Net cash flows (used in) investing activities	(136 632 044)	(79 508 288)
Cash flows from financing activities		
Payments for dividends	-	(65 563 970)
Increase in capital	290 000 000	-
Loans Proceeds	61 511 961	4 628 898
(Payments) for loans	(22 553 767)	-
Increase in credit facilities	86 758 928	340 705 511
Net cash flows generated from financing activities	415 717 122	279 770 439
Net change in cash and cash equivalents during the period	(123 072 954)	(4 745 370)
Cash and cash equivalents at beginning of the period	164 790 862	43 879 849
Cash and cash equivalents at end of the period	41 717 908	39 134 479

Non-Cash Transaction:

The effect of the transfer of the EGP 15 687 674 from the project under construction category to fixed assets has been eliminated.
The effect of the unpaid portion of the dividends payables has been eliminated from the Paid dividends in the amount of EGP 478 395.

- 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 Abdel-Gawad

Chairman
Mohamed Mahgoub

Translation of the financial statements
Originally issued in Arabic

Ibn Sina Pharma (S.A.E)
Statement of Changes in Equity
For the financial period ended March 31, 2018

	<u>Note NO.</u>	<u>Issued and Paid-up Capital</u> EGP	<u>Share Premium</u> EGP	<u>Legal Reserve</u> EGP	<u>General Reserve</u> EGP	<u>Retained Earnings</u> EGP	<u>Net Profits for the Period</u> EGP	<u>Total</u> EGP
Shareholders' equity as of December 31, 2016	(19)	24 000 000	-	12 000 000	147 079 334	26 943 934	101 747 851	311 771 119
Comprehensive income for the period		24 000 000	-	12 000 000	147 079 334	26 943 934	19 105 202	19 105 202
Change in retained earnings paid		-	-	-	-	101 747 851	(101 747 851)	-
Shareholders' equity as of March 31, 2017	(19)	24 000 000	-	12 000 000	147 079 334	62 979 961	19 105 202	(65 711 824)
Shareholders' equity as of January 1, 2018		168 000 000	-	12 000 000	3 079 334	62 979 961	170 137 041	416 196 336
Comprehensive income for the period		168 000 000	-	12 000 000	3 079 334	62 979 961	27 954 173	27 954 173
Increase in legal reserve	(19)	12 500 000	-	-	-	-	198 091 214	444 150 509
Decrease in retained earnings	(20)	-	277 500 000	8 506 852	-	(8 506 852)	-	12 500 000
Shareholders' equity as of March 31, 2018	(19)	180 500 000	277 500 000	20 506 852	3 079 334	224 610 150	27 954 173	734 150 509

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 Abdel-Gawad

Chairman
Mohamed Mahgoub

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, were considered as the start date of the company's activity in accordance with the Commercial Register. The company's name changed during the year 2007 from IBN SINA LABOREX to IBN SINA PHARMA. In addition, the company had added some activities.

On March 5, 2017, 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 12 September 2017.

2. Basis of Preparing the Financial Statement

The financial statements have been prepared in accordance with the Egyptian Accounting Standards no. (30).

3. Significant Accounting Policies Applied

The interim financial statements are prepared on the principle historical cost except for the financial instruments, which measured at fair value, or amortized cost, according to the relative condition. The historical cost generally based on the recognized fair value of the exchange of asset. Moreover. The company shall not be subject to any material effects periodically or seasonally. The interim financial statements have been prepared in accordance with the same accounting policies, fair presentation and mathematical methods applied when preparing the financial statements for the year ended 31 December 2017.

4. Critical Accounting Judgments and Key Sources Of Estimation Uncertainty

In applying 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 clearly appear from other sources. The estimates and associated assumptions based on historical experience and other factors that considered relevant. Actual results may differ from these estimates.

The estimates and underlying assumptions reviewed on an ongoing basis. The amendments effect on the accounting estimates recognized in the period, which these amendments recognized if the effect of these amendments affect this period, but if the effect has an impact on the current period and future periods, in this case, the recognition of the amendments effect will be in the current period and future periods.

5. Revenues

The increase in revenues on March 31, 2018 generally due to the expansion of the company in establishing new branches during the current period compared to the prior period, which led to an increase in sales volume. As well as due to the increase in the prices of medicine compared to the first quarter of 2017 as a result of the Ministry of Health decision on February 2017, which had an impact on the company's sales from the beginning of the second quarter of 2017, in accordance to the instructions of the Ministry of Health, which decided an increase in prices of some types of medicines and to be applied on the new production and new packs.

6. General & Administrative expense / selling & marketing expense

The increase in general & administrative on March 31, 2018 mainly due to the increase in salaries and wages which resulted from the increase in the number of employees and the annual increase in March 31, 2018 compared to the first quarter of 2017. In addition to the increase in the sales commission related to the increase in sales during the period.

7. Finance costs

The finance costs amounted to LE 38 256 144 during the three months ended March 31, 2018 (during the three months ended March 31, 2017 amounted to EGP 18 805 569). In addition, the increase of the interest rate in the first quarter of 2018 between (18.75% - 19.75%) compared to the first quarter of 2017 (15.75%) as well as the company obtain a medium term loan amounted to EGP 75 000 000 to finance the new branches of the company.

8. Income tax

Income tax expense for the period has been recognized by an amount of EGP 11 249 135 (during the three months ended March 31, 2017 amounted to EGP 9 614 920) based on estimated effective weighted average annual tax burden and expected full financial year by applying on net profit before tax for the three months ended.

9. Dividends

The Company did not announce any profit dividends to shareholders for the period from 1 January 2018 to 31 March 2018.

Translation of the financial statements
Originally issued in Arabic

Alpharma (S.A.E)
to the Financial Statements
Financial Period Ended March 31, 2018

Fixed Assets (net)

	<u>Land</u> EGP	<u>Building</u> EGP	<u>Machinery and</u> EGP	<u>Vehicles</u> EGP	<u>Computers</u> EGP	<u>Furniture and</u> EGP	<u>Total</u> EGP
as of 1/1/2018	15 886 220	190 698 242	90 999 925	6 668 558	18 344 093	6 942 701	329 539 739
depreciation charged during the period	-	11 119 002	9 110 880	13 635	85 438	251 188	20 580 143
depreciation charged during the period	-	(6 750)	(51 207)	-	(10 598)	-	(68 555)
as of 31/3/2018	15 886 220	201 810 494	100 059 598	6 682 193	18 418 933	7 193 889	350 051 327
Accumulated depreciation							
as of 1/1/2018	-	66 463 629	34 858 520	4 036 918	8 314 231	5 602 101	119 275 399
depreciation charged for the period	-	4 652 260	3 229 747	323 551	677 265	212 230	9 095 053
depreciation charged during the period	-	(6 750)	(38 945)	-	(4 877)	-	(50 572)
as of 31/3/2018	-	71 109 139	38 049 322	4 360 469	8 986 619	5 814 331	128 319 880
book value as of 31/3/2018	15 886 220	130 701 355	62 010 276	2 321 724	9 432 314	1 379 558	221 731 447

and item includes some lands not yet registered and currently being registered.

Translation of the financial statements
Originally issued in Arabic

Sina Pharma (S.A.E)
Notes to the Financial Statements
for the Financial period ended March 31, 2018

	Land EGP	Building EGP	Machinery and EGP	Vehicles EGP	Computers and EGP	Furniture and EGP	Total EGP
at 1/1/2017	15 886 220	163 724 545	61 006 343	5 273 555	11 190 434	6 300 776	263 381 873
additions during the period	-	2 050 427	9 193 896	1 105 878	2 903 082	216 489	15 469 772
disposals during the period	-	-	(116 721)	(46 950)	(26 568)	-	(190 239)
at 31/3/2017	15 886 220	165 774 972	70 083 518	6 332 483	14 066 948	6 517 265	#REF!
accumulated depreciation as of 1/1/2017	-	52 216 320	25 210 098	3 094 038	6 609 473	4 925 265	92 055 194
depreciation charged for the period	-	3 579 636	2 197 151	239 327	339 158	211 708	6 566 980
accumulated depreciation of disposals	-	-	(107 603)	(44 453)	(24 518)	-	(176 574)
accumulated depreciation as of 31/3/2017	-	55 795 956	27 299 646	3 288 912	6 924 113	5 136 973	#REF!
at book value as of 31/3/2017	15 886 220	109 979 016	42 783 872	3 043 571	7 142 835	1 380 292	#REF!

11. Projects under construction

The main reason for the increase in the projects under construction as of March 31, 2018 is due to the leasehold improvements of the new branches, new head office. The main projects during the period is the land of 6 October, the new accounting system, and the new administrative building.

12. Accounts and notes receivables (net)

The increase in account receivables resulted from the increase in sales during the current period compared to the prior year period. In addition, there is no significant change in the average collection period from customers.

13. Inventories

The decrease in inventories resulted from the increase in sales during the first quarter of 2018. There is no significant change in the average period of inventory retention during the current period.

14. Accounts and notes payable

The decrease in accounts and notes payable resulted from settling the due amounts of third and fourth quarter of 2017, which represent the main portion of sales growth. There is no significant change in the average payment period for suppliers.

15. Credit Facilities

The increase is due to the use of the credit facilities granted to the company in payment to supplier, some of these facilities without guarantee and others guaranteed by notes receivable or insurance policy on a part of the inventory for the benefit of the banks.

16. Long & short loans installments

On January 17, 2018, the company obtained a new medium term loan by an amount of EGP 75 000 000 from Ahli united bank against an insurance policy that equivalent to 125% of the loan value for the benefit of the bank.

17. Suppliers advance payment

The increase in suppliers' advance payment balance resulted from the terms & conditions of contracts with some suppliers that require the company to pay in advance to supply (provide) the company with the medicine according to these contracts.

18. Creditors and other credit balances

The decrease in creditors & other credit balances is due to the payment of the income tax of 2017.

19. Capital

The company's authorized capital amounted to EGP 50 000 000 (only fifty million Egyptian pounds), and the company 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 January 17, 2018, the Board of Directors of Ibn Sina Pharma agreed to increase the issued capital from EGP 168 million to EGP 180.5 million, through subscription by the old shareholders whom sold their shares in the public or private placement. The capital will be increased by issuing 50 000 000 shares with subscribing price equal the final offer price which amounted to EGP 5.8, Accordingly, the issued and paid up share capital of the company was increased by EGP 12 500 000 to become the issued and paid up capital amounted to EGP 180 500 000 according to the bank deposit certificate issued by Arab African International Bank on February 13, 2018. Moreover, share premium for this capital increase amounted EGP 277 500 000. This capital increase initialled in the commercial register on March 22, 2018.

20. Share Premium

On January 17, 2018, the Board of Directors of Ibn Sina Pharma agreed to increase the issued capital from EGP 168 million to EGP 180.5 million, through subscription by the old shareholders whom sold their shares in the public or private placement. The capital will be increased by issuing 50 000 000 shares with subscribing price equal the final offer price which amounted to EGP 5.8, Accordingly, the issued and paid up share capital of the company was increased by EGP 12 500 000 to become the issued and paid up capital amounted to EGP 180 500 000 according to the bank deposit certificate issued by Arab African International Bank on February 13, 2018. Moreover, share premium for this capital increase amounted EGP 277 500 000. This capital increase initialed in the commercial register on March 22, 2018.

21. 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 126 010 069 and the company bears a portion of these contracts that are recorded as other assets.

22. Basic earnings per Share for the period

Basic earnings per share calculated by dividing the earning attributable to shareholders over the number of outstanding shares during the period.

EGP	2018	2017
Basic earnings per share	0.03	0.03
Net income and number of shares used in calculating the EPS		
EGP	2018	2017
income of the period	27 954 173	19 105 202
Deduct :		
Proposed share of employee distributions	(8 600 000)	--
Net income of the period	19 354 173	19 105 202
Number of shares	2018	2017
Average number of shares for basic EPS purpose	677 000 000	672 000 000

23. Tax Position

First: Corporate Income Tax:

- Company was inspected and taxes were settled until year 2013.

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 2015.

Fourth: Sales tax

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

Fifth: Withholding tax

- The company was inspected until year 2012 and the company did not receive yet tax claims.

24. **Financial Instruments**

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

- Credit Risk
- Liquidity Risk
- Marketing Risk

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

EGP	<u>March 31, 2018</u>	<u>December 31, 2017</u>
Financial assets		
Cash and Cash Equivalent	41 717 908	164 790 862
Financial assets measured by Amortized cost(A)	2 753 166 676	2 526 390 513
Financial Liabilities		
Financial Liabilities measured by Amortized cost (B)	3 799 017 532	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 EGP 1 300 960 991 (2017: EGP 1 415 967 072) 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 39 596 874 (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 its 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.

25. Significant events during period

On January 17, 2018, the Board of Directors of Ibn Sina Pharma agreed to increase the issued capital from EGP 168 million to EGP 180.5 million, through subscription by the old shareholders whom sold their shares in the public or private placement. The capital will be increased by issuing 50 000 000 shares with subscribing price equal the final offer price which amounted to EGP 5.8, Accordingly, the issued and paid up share capital of the company was increased by EGP 12 500 000 to become the issued and paid up capital amounted to EGP 180 500 000 according to the bank deposit certificate issued by Arab African International Bank on February 13, 2018. Moreover, share premium for this capital increase amounted to EGP 277 500 000 which will be retained in general reserve account.

On February 15, 2018, The Monetary Policy Committee, chaired by the Governor of the Central Bank of Egypt, decided to cut interest rates on deposits and borrowings by 100 basis points to 17.75% & 18.75% respectively.

26. Litigations

Based on a complaint from one of the individuals about the existence of a written agreement between pharmaceutical companies, including Ibn Sina Pharma (S.A.E), who represent the members of the Association of pharmaceutical distribution companies, and where the allegation that these companies agreed to unify the sales policies and reduce the rates of cash discount and credit periods at the detriment of small pharmacies.

The lawsuit has already been disclosed in Section 4 (Lawsuits Position) of the IPO prospectus concerning the lawsuit No. 2952 for the year 2015 Economic Court, registered under number 1898/2016 Economic Misdemeanors.

Based on the opinion of the external legal counsel, the lawsuit can be summarized as follows:

- The Public Prosecution referred the defendants in the lawsuit (namely, Ibn Sina Pharma, United Pharma, Ramco Pharma and Middle East for Chemicals) on the allegation of implementing similar sales policies leading to an increase in the prices of pharmaceutical products on the pharmacies and restricting the distribution of medicine.
- The Public Prosecution (Financial and Commercial Affairs Office), then, prepared a report on the whole matter and referred Ibn Sina and the other PDCA members to the judiciary and filed the report as a misdemeanor in accordance with:
 - Articles 1, 2(a) and (b), 3, 6 paragraph 1 (subparagraphs a and d), 19/1, 21, 22/1 (first sub paragraph), 24 and 25 of Law N° 3/2005 as amended and restated by Laws N° 190/2008, N° 193/2008, N° 56/2014; and
 - Articles 1, 2, 5, 6, 9, 10, 11 (a and d), 31, 32, 33, 34, 35 and 38 of the Executive Regulations to Law N° 1316/2005.
- The Public Prosecution determined the period of violation form January 2013 to December 2015.
- On 28 February 2018, the Economic Court issued a decision finding the defendants guilty of the charges (including four individuals from Ibn Sina Pharma) imposing the maximum penalty set by law. The Court imposed the penalty on the companies' representatives relying on the Egyptian Competition Authority Report and the investigations of the Public Prosecution, which concluded the existence of an agreement between the companies to unify the sales policies leading to an increase in the prices of pharmaceutical products and restricting the distribution of medicine in violation of Article 6 of the Competition Law. The Court imposed the maximum penalty by law due to its inability to determine the total revenues of the product in question.

- The Company's defense committee has filed an appeal of the decision in question before the Cairo Appellate Court. The Appellate Court has accepted the appeal and a date for the first hearing session was set to convene on May 19, 2018 before the second appellate division.
- Article 6 of Law No. 3/2005 restricted any agreement between competitors in any relevant market that targets an increase, decrease or fixing of prices.
- Article 22 also imposed a penalty on violators of Article 6 of not less than 2% of the total revenues of the product in question and not exceeding 12% of such revenues; all during the period of violation. In case of inability to determine such revenues, the penalty shall not be less than 500,000 Egyptian Pounds and not to exceed 500 million Egyptian Pounds.
- Based on the legal advice from the company's legal counsel, the court decision was imposed on individuals and it is not final decision yet, therefore the procedures for the execution of the court decision will not be executed and the case has been transferred to the appeal court for the retrial once again, noting that the defendants asserts their clean position and intend to raise all responses which must prove the revocation of the decision in question.

27. Significant events after Balance date

On April 2, 2018 the ordinary general assembly agreed on the project of distributing the profit on the employees by the amount of EGP 8.6 Million.

28. Financial Statements approval date

The financial statements were approved by the management and the Board of Directors on 13 May 2018.

Finance Manager
Moa'men Gomaa

Managing Director
Omar Abdel Gawad

Chairman
Mohamed Mahgoub