TENTH OF RAMADAN FOR PHARMACEUTICAL INDUSTRIES AND DIAGNOSTIC REAGENTS (RAMEDA) (S.A.E)
CONSOLIDATED FINANCIAL STATEMENTS FOR THE PERIOD ENDED 30 SEPTEMBER 2019 TOGETHER WITH REVIEW REPORT

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

Consolidated Financial Statements
For the period ended 30 September 2019

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REPORT ON REVIEW OF INTERIM CONSOLIDATED FINANCIAL STATEMENTS TO THE MEMBERS OF THE BOARD OF DIRECTORS OF TENTH OF RAMADAN FOR PHARMACEUTICAL INDUSTRIES AND DIAGNOSTIC REAGENTS (RAMEDA) (S.A.E)

Introduction

We have reviewed the accompanying consolidated statement of financial position of **TENTH OF RAMADAN FOR PHARMACEUTICAL INDUSTRIES AND DIAGNOSTIC REAGENTS (RAMEDA) (S.A.E) and its subsidiary (the "Company")** as of 30 September 2019 as well as the related consolidated statements of profit or loss, comprehensive income, changes in equity and cash flows for the nine - month period then ended, and a summary of significant accounting policies and other explanatory notes. Management is responsible for the preparation and fair presentation of these interim financial statements in accordance with Egyptian Accounting Standards. Our responsibility is to express a conclusion on these interim financial statements based on our review.

Scope of Review

We conducted our review in accordance with 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 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 consolidated financial statements does not give a true and fair view, in all material respects, of the consolidated financial position of the Company as at 30 September 2019, and of its financial performance and its cash flows for the nine-month period then ended in accordance with Egyptian Accounting Standards.

Emphasis of Matter

We draw attention to consolidated statement of profit or loss, consolidated comprehensive income, consolidated change in Equity and consolidated Cash flows for nine months period ended 30 September 2018 were not audited or reviewed by Independent Auditor, Our conclusion is not Qualified in respect of this matter.

Ehab Morad Azer
FESAA - FEST
(RAA 6537)
(EFSA 87)

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

Cairo: 6 November 2019

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

CONSOLIDATED STATEMENT OF FINANCIAL POSITION (UNAUDITED)
As at 30 September 2019

	Note	30 September 2019 EGP	(Audited) 31 December 2018 EGP
ASSETS			
Non-current assets			
Fixed assets	(5)	**301,434,254**	219,883,705
Assets under construction	(6)	**176,534,056**	213,050,197
Intangible assets	(7)	**105,096,085**	100,595,583
Total non-current assets		**583,064,395**	533,529,485
Current assets			
Inventories	(8)	**226,806,876**	278,142,318
Trade and notes receivable	(9)	**386,329,399**	366,108,974
Due from related parties	(29)	**19,475,033**	25,500
Prepayments and other receivables	(10)	**37,606,010**	39,658,131
Cash on hand and at banks	(11)	**9,492,964**	4,298,991
Total current assets		**679,710,282**	688,233,914
TOTAL ASSETS		**1,262,774,677**	1,221,763,399
EQUITY AND LIABILITIES			
Equity			
Paid up Capital	(15)	**160,900,000**	160,900,000
Legal reserve		**16,649,610**	10,213,168
Other reserves		**278,952**	278,952
Retained earnings		**294,570,762**	171,985,931
Profits for the period/ year		**31,612,408**	129,021,273
Total equity of Parent Company		**504,011,732**	472,399,324
Non-controlling interest		**(706,946)**	(238,934)
Total equity		**503,304,786**	472,160,390
LIABILITIES			
Non-current liabilities			
Long term loans	(17)	**71,921,469**	-
Deferred tax liabilities	(26)	**20,967,262**	20,235,766
Total non-current liabilities		**92,888,731**	20,235,766
Current liabilities			
Provisions	(12)	**11,702,211**	7,556,954
Credit facilities	(16)	**459,144,246**	424,657,282
Current portion of long-term loans	(17)	**53,191,779**	153,991,022
Trade and notes payable	(13)	**56,886,582**	58,407,086
Due to related parties	(29)	**3,742,317**	8,148
Income taxes payable		**10,116,528**	39,002,081
Accrued expenses and other payables	(14)	**71,797,497**	45,744,670
Total current liabilities		**666,581,160**	729,367,243
TOTAL LIABILITIES		**759,469,891**	749,603,009
TOTAL LIABILITIES AND EQUITY		**1,262,774,677**	1,221,763,399

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

The accompanying notes from (1) to (33) are an integral part of these consolidated financial statements.

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

CONSOLIDATEDSTATEMENT OF PROFIT OR LOSS (UNAUDITED)
For the Period Ended 30 September 2019

	Notes	30 September 2019 EGP	(Unaudited)/ (Unreviewed) 30 September 2018 EGP
Revenues	(20)	**618,718,602**	572,033,129
Cost of revenues	(21)	**(357,149,687)**	(293,910,107)
GROSS PROFIT		**261,568,915**	278,123,022
Selling and marketing expenses	(22)	**(107,461,120)**	(89,761,064)
General and administrative expenses	(23)	**(26,631,573)**	(29,049,352)
Other income	(24)	**3,112,848**	2,747,694
Impairment of trade and notes receivable		**(1,958,945)**	(769,318)
Provisions	(12)	**(3,768,059)**	(1,600,000)
Finance expenses	(25)	**(81,292,272)**	(61,533,009)
Net foreign exchange gain/(loss)		**(1,577,374)**	1,096,503
PROFITS FOR THE PERIOD BEFORE INCOME TAXES		**41,992,420**	99,254,476
Income taxes	(26)	**(10,848,024)**	(22,612,928)
PROFITS FOR THE PERIOD		**31,144,396**	76,641,548
Attributable to:			
Equity holders of the Parent Company		**31,612,408**	76,014,827
Non-controlling interests		**(468,012)**	626,721
		31,144,396	76,641,548

Earnings per share

Basic and diluted, profit for the period attributable to equity holders of the Parent Company	(27)	**0.0491**	0.1181

Finance Director
Mohamed Abo Amira

Board Member
Amr Abdallah Morsy
Amr Morsy

- The accompanying notes from (1) to (33) are an integral part of these consolidated financial statements

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

CONSOLIDATED STATEMENT OFCOMPREHENSIVE INCOME (UNAUDITED)
For the Period Ended 30 September 2019

	30 September 2019 EGP	(Unaudited)/ (Unreviewed) 30 September 2018 EGP
PROFITS FOR THE PERIOD	**31,144,396**	76,641,548
OTHER COMPREHENSIVE INCOME	-	-
TOTAL COMPREHENSIVE INCOME	**31,144,396**	76,641,548
Attributable to		
Equity holders of the Parent Company	**31,612,408**	76,014,827
Non-controlling interest	**(468,012)**	626,721
	31,144,396	76,641,548

- The accompanying notes from (1) to (33) are an integral part of these consolidated financial statements.

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

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY (UNAUDITED)
For the period ended 30 September 2019

	Paid up Capital	Legal reserve	Other reserves	Retained earnings	Profit for the period	Total equity of Parent Company	Non-controlling interest	Total
	EGP	EGP	EGP	EGP	EGP	EGP	EGP	EGP
Balance as at 1 January 2018	160,900,000	5,738,185	278,952	91,542,599	89,448,815	347,908,551	(57)	347,908,494
Transferred to legal reserve and retained earnings	-	4,474,983	-	84,973,832	(89,448,815)	-	-	-
Dividends	-	-	-	(4,530,500)	-	(4,530,500)	-	(4,530,500)
Profits for the period	-	-	-	-	76,014,827	76,014,827	626,721	76,641,548
Balance as at 30 September 2018 (Unaudited)/(Unreviewed)	160,900,000	10,213,168	278,952	171,985,931	76,014,827	419,392,878	626,664	420,019,542
Balance as at 1 January 2019	**160,900,000**	**10.213,168**	**278,952**	**171,985,931**	**129,021,273**	**472,399,324**	**(238,934)**	**472,160,390**
Transferred to legal reserve and retained earnings	-	**6,436,442**	-	**122,584,831**	**(129,021,273)**	-	-	-
Profits for the period	-	-	-	-	**31,612,408**	**31,612,408**	**(468,012)**	**31,144,396**
Balance as at 30 September 2019	**160,900,000**	**16,649,610**	**278,952**	**294,570,762**	**31,612,408**	**504,011,732**	**(706,946)**	**503,304,786**

- The accompanying notes from (1) to (33) are an integral part of these consolidated financial statements.

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

CONSOLIDATED STATEMENT OF CASH FLOWS (UNAUDITED)
For the period ended 30 September 2019

	Notes	30 September 2019 EGP	(Unaudited)/ (Unreviewed)) 30 September 2018 EGP
CASH FLOWS FROM OPERATING ACTIVITIES			
Profits for the period before income taxes		**41,992,420**	99,254,476
Adjustments to reconcile profit before tax to net cash flow:			
Net foreign exchange differences		**52,046**	(247,652)
Depreciation and amortization	(5,7)	**24,768,207**	18,341,882
Provision charged	(12)	**4,637,344**	6,359,046
Reversal of impairment of assets under construction	(6)	**-**	(361,621)
Impairment of trade and notes receivable	(9)	**1,958,945**	769,318
Impairment of inventory	(8)	**5,551,711**	986,281
Finance expenses	(25)	**81,292,272**	61,533,009
(Gain) from sale of fixed assets	(5)	**(6,999)**	(16,498)
		160,245,946	186,618,241
Change in inventories		**45,783,731**	(211,567,903)
Change in trade and notes receivable		**(22,179,370)**	(65,425,420)
Change in prepayments and other receivables		**2,052,121**	(14,356,669)
Change in Due to Related Parties		**3,734,169**	206,470
Change in trade and notes payable		**(1,520,504)**	49,896,117
Change in accrued expenses and other payables		**23,108,696**	18,531,278
Cash flows provided from operating activities		**211,224,789**	(36,097,886)
Debit interests paid		**(78,348,141)**	(59,950,092)
Provisions used	(12)	**(492,087)**	(140,448)
Income taxes paid		**(39,002,080)**	(22,679,671)
NET CASH FLOWS (USED IN) FROM OPERATING ACTIVITIES		**93,382,481**	(118,868,097)
CASH FLOWS FROM INVESTING ACTIVITIES			
Payments to acquire fixed assets	(5)	**(9,957,800)**	(9,885,543)
Payments to acquire assets under construction	(6)	**(56,249,398)**	(42,712,377)
Payments to acquire intangible assets	(7)	**(8,096,871)**	(1,750,000)
Proceeds from sale of fixed assets	(5)	**7,950**	16,498
Investment in term deposits	(11)	**(29,205)**	(425,000)
NET CASH FLOWS (USED IN) INVESTING ACTIVITIES		**(74,325,324)**	(54,756,422)
CASH FLOWS FROM FINANCING ACTIVITIES			
Credit facilities used	(16)	**424,207,548**	499,452,064
Payment of credit facilities	(16)	**(389,720,584)**	(357,061,421)
Receipts from long term loans		**732,226**	43,433,467
Payment of long-term loans		**(29,610,000)**	(20,543,595)
Change in due from related parties		**(19,449,533)**	(206,473)
Dividends Paid		**-**	(4,530,500)
NET CASH FLOWS (USED IN) FROM FINANCING ACTIVITIES		**(13,840,343)**	160,543,542
Net change in cash and cash equivalent during the period		**5,216,814**	(13,080,977)
Net foreign exchange difference		**(52,046)**	247,652
Cash and cash equivalent - beginning of the period		**3,855,115**	13,994,240
CASH AND CASH EQUIVALENT - END OF THE PERIOD	(11)	**9,019,883**	1,160,915

- The accompanying notes from (1) to (33) are an integral part of these consolidated financial statements.

1- BACKGROUND

Tenth of Ramadan for Pharmaceutical Industries and Diagnostic Reagents (Rameda) (S.A.E) (the "Company" or the "Parent Company") was established under the provisions of Law No. 43 of 1974.

The Company was registered in the commercial registry under No.84008 on 15 January 1986.

The registered office is located at plot No. 5 Second Industrial Zone, 6th of October City – Giza– Egypt.
The consolidated financial statements include the separate financial statements of the Parent Company and its subsidiaries (collectively referred to as the "Group").

The Group is principally engaged in:
- Manufacturing, marketing, selling and storing of pharmaceutical reagents for human and veterinary use.
- Manufacturing, marketing, selling and storing of diagnostic reagents necessary for individuals, laboratories and hospitals.
- Importing pharmaceutical reagents and raw materials necessary for serving the Company's purposes without trading.
- Producing pharmaceutical reagents for human and veterinary and diagnostic use for others and by others.
- Producing food supplements for human use for others and by others.

Below is a brief background about the subsidiaries:

Rameda for Pharmaceuticals Trading Company
A subsidiary with 99.97% shareholding. Its principal activity is importing and exporting pharmaceutical reagents, producing, marketing, selling and storing of pharmaceutical reagents and producing pharmaceutical reagents for human and veterinary and diagnostic use for others

Ramecare Company
A subsidiary with 49%legal ownership. Its principal activity is producing, marketing, selling and storing of pharmaceutical reagents, producing pharmaceutical reagents for human and veterinary and diagnostic use for others.

It was considered a subsidiary since the Parent Company is exposed, or has rights, to variable returns from its involvement with the subsidiary and has the ability to affect those returns through its power over it.

Ramepharma Company
A subsidiary with 49%legal ownership. Its principal activity is producing, marketing, selling and storing of pharmaceutical reagents, producing pharmaceutical reagents for human and veterinary and diagnostic use for others.

It was considered a subsidiary since the Parent Company is exposed, or has rights, to variable returns from its involvement with the subsidiary and has the ability to affect those returns through its power over it.

2- SIGNIFICANT ACCOUNTING POLICIES

2-1 Basis of preparation

The consolidated financial statements are prepared under the going concern assumption on a historical cost basis.

The consolidated financial statements are prepared and presented in Egyptian pounds, which is the Group's functional currency.

The consolidated financial statements of the Group have been prepared in accordance with the Egyptian accounting standards and the applicable laws and regulations.

The accounting policies adopted in this period are consistent with the policies adopted in the prior year.

2-2 Basis of consolidation

The consolidated financial statements comprise the separate financial statements of the Parent Company and its subsidiaries. Control is achieved when the Group is exposed, or has rights, to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee.

Specifically, the Group controls an investee if, and only if, the Group has:

- Power over the investee (i.e., existing rights that give it the current ability to direct the relevant activities of the investee).
- Exposure, or rights, to variable returns from its involvement with the investee.
- The ability to use its power over the investee to affect its returns.

Generally, there is a presumption that a majority of voting rights results in control. To support this presumption and when the Group has less than a majority of the voting or similar rights of an investee, the Group considers all relevant facts and circumstances in assessing whether it has power over an investee, including:

- The contractual arrangements with the other vote holders of the investee
- Right arising from other contractual arrangements.
- The Group voting rights and potential voting rights.

The Group re-assess whether or not it controls an investee if facts and circumstances indicates that there are changes to one or more of the three elements of controls. Consolidation of a subsidiary begins when the Group obtains control over the subsidiary and ceases when the Group loses control of the subsidiary. Assets, liabilities, income and expenses of a subsidiary acquired or disposed off during the period are included in the consolidated financial statements from the date the Group gains control until the date the Group ceases to control the subsidiary.

The following steps are followed in preparing the consolidated financial statements:

a- Eliminate the carrying amount of the Parent Company investment in each subsidiary and the Parent Company share of equity of each subsidiary.
b- Identify the non-controlling interest in the profit or loss of the consolidated subsidiaries for the reporting period.
c- Identify the non-controlling interests in the net assets of consolidated subsidiaries and presented in the consolidated financial statement separately from the Parent ownership interests. Non-controlling interests in the net assets consist of:
   (1) The amount of non-controlling interests as of the original date of combination.
   (2) The non-controlling interests' share of changes in equity since the date of the combination.

2- SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2-2 Basis of consolidation (continued)

d- Intergroup balances and transactions, revenues and expenses are eliminated.

- The separate financial statements of the Parent Company and its subsidiaries used in the preparation of the consolidated financial statements are prepared as of the same date.
- The separate financial statements of the Parent Company and its subsidiaries used in the preparation of the consolidated financial statements are prepared using uniform accounting policies for similar transactions and other events with similar circumstances.
- Non-controlling interests are presented in the consolidated financial position within equity, separately from the equity of the owners of the Parent Company, and the non-controlling interests share in the group profit or loss is presented separately.

2-3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

2-3-1 Business combination

Accounting for business combination under EAS 29 only applies if it is considered that a business has been acquired. For acquisitions meeting the definition of a business, the acquisition method of accounting is used to account for the acquisition of subsidiaries by the Parent Company. The cost of an acquisition is measured as the fair value of the assets given, equity instruments issued, and liabilities incurred or assumed at the date of exchange. Identifiable assets acquired, and liabilities and contingent liabilities assumed in a business combination are measured initially at their fair values at the acquisition date, irrespective of the extent of any non-controlling interest. The excess of the cost of acquisition over the fair value of the Group's share of the identifiable net assets acquired is recorded as goodwill. If the cost of acquisition is less than the fair value of the net assets of the subsidiary acquired, the difference is recognized directly in the consolidated statement of profit or loss.

2-3-2 Current versus non-current classification

The Group presents assets and liabilities in the consolidated statement of financial position based on current/non-current classification. An asset is current when it is:

- Expected to be realized or intended to be sold or consumed in the normal operating cycle
- Held primarily for the purpose of trading
- Expected to be realized within twelve months after the reporting period, or
- Cash or cash equivalent unless restricted from being exchanged or used to settle a liability for at least twelve months after the reporting period

All other assets are classified as non-current.

A liability is current when:

- It is expected to be settled in the normal operating cycle
- It is held primarily for the purpose of trading
- It is due to be settled within twelve months after the reporting period, or
- There is no unconditional right to defer the settlement of the liability for at least twelve months after the reporting period

All other liabilities are classified as non-current.

Deferred tax assets and liabilities are classified as non-current assets and liabilities.

2-3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2-3-3 Foreign currency translation

Transactions in foreign currencies are initially recorded using prevailing exchange rates at date of transaction, whenever practical management may use fixed monthly exchange rates that are revised in case there is a significant change in the prevailing exchange rate at the date of transactions.

Monetary assets and liabilities denominated in foreign currencies are retranslated using the exchange rates prevailing at the financial position date. All differences are recognized in the consolidated statement of profit or loss.

Nonmonetary items that are measured at historical cost in foreign currencies are translated using the exchange rates prevailing at the date of the initial recognition.

Nonmonetary items measured at fair value in foreign currencies are translated using the exchange rates prevailing at the date when the fair value is determined.

The gain or loss arising on translation of non-monetary items measured at fair value is treated in line with the recognition of the gain or loss on the change in fair value of the item (i.e., translation differences on items whose fair value gain or loss is recognized in consolidated statement of other comprehensive income ("OCI") or profit or loss are also recognized in consolidated statement of OCI or consolidated statement of profit or loss, respectively).

2-3-4 Fixed assets

Fixed assets are stated at historical cost net of accumulated depreciation and accumulated impairment losses. Such cost includes the cost of replacing part of the fixed assets when that cost is incurred, if the recognition criteria are met. Likewise, when a major improvement is performed, its cost is recognized in the carrying amount of the fixed assets as a replacement if the recognition criteria are satisfied. All other repair and maintenance costs are recognized in the consolidated statement of profit or loss as incurred.

Depreciation of an asset begins when it is in the location and condition necessary for it to be capable of operating in the manner intended by management, and is computed using the straight-line method according to the estimated useful life of the asset as follows:

	Years
Buildings	33
Machinery and equipment	10
Transportation and dragging equipment	5-10
Laboratory equipment	10
Tools	10
Furniture and fixtures	4-10

Fixed assets are derecognized upon disposal or when no future economic benefits are expected from its use or disposal. Any gain or loss arising on derecognizing the asset is included in the consolidated statement of profit or loss when the asset is derecognized.

The assets residual values, useful lives and methods of depreciation are reviewed at each financial position date.

Freehold Land is recognized at its acquisition cost and is not depreciated.

The Group assesses at each financial position date whether there is an indication that fixed assets may be impaired. Where the carrying amount of an asset exceeds its recoverable amount, the asset is considered impaired and is written down to its recoverable amount. Impairment losses are recognized in the consolidated statement of profit or loss.

2-3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2-3-4 Fixed assets(continued)

A previously recognized impairment loss is reversed only if there has been a change in the assumptions used to determine the asset's recoverable amount since the last impairment loss was recognized. The reversal is limited so that the carrying amount of the asset does not exceed its recoverable amount, nor exceed the carrying amount that would have been determined, net of depreciation, had no impairment loss been recognized for the asset in prior years. Such reversal is recognized in the consolidated statement of profit or loss.

2-3-5Assets under construction

Assets under construction represent the amounts that are incurred for the purpose of constructing or purchasing fixed assets or intangible assets until it is ready to be used in the operation, upon which it is transferred to fixed assets or intangible assets. Assets under construction are valued at cost less impairment.

2-3-6 Intangible Assets

Intangible assets acquired separately are measured on initial recognition at cost.

After initial recognition, intangible assets are carried at cost less any accumulated amortization and accumulated impairment losses.

Intangible assets internally generated are not capitalized and the expenditures are charged to the consolidated statement of profit or loss in the year in which the expenditure was incurred.

The useful lives of intangible assets are assessed as either finite or indefinite.

Intangible assets with finite live are amortized over the useful economic life and assessed for impairment whenever there is an indication that the intangible asset may be impaired. The amortization expense is charged to the consolidated statement of profit or loss.

The period of amortization and the amortization method for an intangible asset with finite useful lives are reviewed at each financial position date.

2-3-7 Inventory

The inventory elements are valued as follows:

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

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

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

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

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

2-3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2-3-7 Inventory (continued)

Goods in transit: at the lower of cost or net realizable value, and is recognized in the consolidated financial statements when risks and rewards are transferred to the Group which is determined based on shipping terms. Cost includes the purchase price of the materials and directly attributable expenses incurred to date.
Net realizable value is the estimated selling price in the ordinary course of business less estimated costs of completion and the estimated costs necessary to make the sale.

The amount of any write down of inventories to net realizable value and all losses of inventories are recognized in cost of sales in the consolidated statement of profit or loss in the period the write down or loss occurs. The amount of any reversal of any write down of inventories, arising from an increase in net realizable value, is be recognized as reduction of cost of sales in the consolidated statement of profit or loss in the period in which the reversal occurs.

2-3-8 Trade and Notes receivables and other receivables

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

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

The Group assesses whether impairment exists individually, for receivables that are individually significant, or collectively for receivables that are not individually significant.

The calculation of impairment is based on actual incurred historical data. The impairment loss is recognized in the consolidated statement of profit or loss. Reversal of impairment is recognized in the consolidated statement of profit or loss in the period in which it occurs.

2-3-9Trade and notes payable, accrued expenses and other payables

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

2-3-10 Provisions

Provisions are recognized when the Group has a present legal or constructive obligation as a result of a past event, and it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation, and a reliable estimate of the amount of the obligation can be made. Provisions are reviewed at the financial position date and adjusted to reflect the current best estimate.

Where the effect of the time value of money is material, the amount of a provision should be the present value of the expected expenditures required to settle the obligation.

Where discounting is used, the increase in the provision due to the passage of time is recognized in the consolidated statement of profit or loss.

2-3-11Social Insurance

The Group makes contributions to the Social Insurance Authority calculated as a percentage of the employees' salaries. The Group's obligations are limited to these contributions, which are expensed when due.