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

SEPARATE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2018 TOGETHER WITH AUDITOR'S REPORT

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

Separate Financial Statements
For the year ended 31 December 2018

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AUDITOR'S REPORT

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

Report on the Separate Financial Statements

We have audited the accompanying separate financial statements of **TENTH OF RAMADAN FOR PHARMACEUTICAL INDUSTRIES AND DIAGNOSTIC REAGENTS (RAMEDA) (S.A.E) (the "Company")**, represented in the separate statement of financial position as at 31 December 2018, and the related separate statements of profit or loss, comprehensive income, changes in equity and cash flows for the year then ended, and a summary of significant accounting policies and other explanatory notes.

Management's Responsibility for the Separate Financial Statements

These separate financial statements are the responsibility of the Company's Management, as Management is responsible for the preparation and fair presentation of the separate financial statements in accordance with Egyptian Accounting Standards and applicable Egyptian laws. Management responsibility includes: designing, implementing and maintaining internal control relevant to the preparation and fair presentation of separate financial statements that are free from material misstatement, whether due to fraud or error. This responsibility also includes selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances.

Auditor's Responsibility

Our responsibility is to express an opinion on these separate financial statements based on our audit. We conducted our audit in accordance with Egyptian Standards on Auditing and applicable Egyptian laws. Those standards require that we comply with ethical requirements, plan and perform the audit to obtain reasonable assurance that the separate financial statements are free from material misstatement.

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

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

Opinion

In our opinion, the separate financial statements present fairly in all material respects, the separate financial position of the Company, as at 31 December 2018, and its separate financial performance and its separate cash flows for the year then ended in accordance with the Egyptian Accounting Standards and the related applicable Egyptian laws and regulations.

Report on Other Legal and Regulatory Requirements

The Company maintains proper accounting records that comply with the laws and the Company's articles of association and the financial statements agree with the Company's records. The Company maintains a costing system that meets the purpose and the physical inventory count was undertaken by the Company's, Management in accordance with the proper norms.

As indicated in note (8), the Company has investments in subsidiaries and has prepared consolidated financial statements as at and for the year ended 31 December 2018 in accordance with the Egyptian accounting Standards. For better understanding of the Company's consolidated financial position as at 31 December 2018 and its consolidated financial performance and its consolidated cash flows for the year then ended, the matter necessitates reference to the consolidated financial statements.

The financial information included in the Board of Directors' Report, prepared in accordance with Law No. 159 of 1981 and its executive regulation, is in agreement with the books of the Company insofar as such information is recorded therein.

A Member of Ernst & Young Global

Ashraf Emil Botros
FESAA - FEST
RAA 9259
EFSAR 81

Cairo: 9 May 2019

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

SEPARATE STATEMENT OF FINANCIAL POSITION
As at 31 December 2018

	Notes	2018 EGP	2017 EGP
ASSETS			
Non-current assets			
Fixed assets	(5)	**219,883,705**	227,967,499
Assets under construction	(6)	**213,050,197**	9,619,534
Intangible assets	(7)	**83,721,658**	53,218,672
Investment in subsidiaries	(8)	**749,300**	749,300
Total non-current assets		**517,404,860**	291,555,005
Current assets			
Inventories	(9)	**267,380,109**	170,144,941
Trade and notes receivable	(10)	**366,108,974**	271,469,890
Due from related parties	(29)	**26,532,095**	21,383,993
Prepayments and other receivables	(11)	**39,342,355**	38,263,108
Cash on hand and at banks	(12)	**4,209,555**	13,216,649
Total current assets		**703,573,088**	514,478,581
TOTAL ASSETS		**1,220,977,948**	806,033,586
EQUITY AND LIABILITIES			
Equity			
Capital	(16)	**160,900,000**	160,900,000
Legal reserve		**10,213,168**	5,738,185
Other reserves		**278,952**	278,952
Retained earnings		**172,856,825**	92,362,657
Profits for the year		**128,728,832**	89,499,651
Total equity		**472,977,777**	348,779,445
LIABILITIES			
Non-current liabilities			
Long term loans	(18)	**-**	37,379,654
Deferred tax liabilities	(26)	**20,235,766**	20,884,657
Total non-current liabilities		**20,235,766**	58,264,311
Current liabilities			
Provisions	(13)	**7,556,954**	612,270
Credit facilities	(17)	**424,657,282**	273,910,371
Current portion of long term loans	(18)	**153,991,022**	25,500,000
Trade and notes payable	(14)	**57,444,361**	38,951,512
Due to related parties	(29)	**8,148**	1,290,832
Dividends payable		**-**	523,846
Income taxes payable		**39,002,081**	26,223,737
Accrued expenses and other payables	(15)	**45,104,557**	31,977,262
Total current liabilities		**727,764,405**	398,989,830
TOTAL LIABILITIES		**748,000,171**	457,254,141
TOTAL LIABILITIES AND EQUITY		**1,220,977,948**	806,033,586

Chief Financial Officer
Mohamed Abo Amira

Board Member
Amr Abdallah Morsy

- The accompanying notes from (1) to (34) are an integral part of these separate financial statements.

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

SEPARATE STATEMENT OF PROFIT OR LOSS
For the year ended 31 December 2018

	Note	2018 EGP	2017 EGP
Revenues	(20)	**805,211,069**	628,454,615
Cost of revenues	(21)	**(402,012,527)**	(327,263,699)
GROSS PROFIT		**403,198,542**	301,190,916
Selling and marketing expenses	(22)	**(116,337,505)**	(98,668,166)
General and administrative expenses	(23)	**(38,707,888)**	(21,209,089)
Other income	(24)	**4,540,373**	2,703,729
Impairment of trade and notes receivable		**(1,394,654)**	-
Provisions	(13)	**(1,600,000)**	-
Finance expenses	(25)	**(83,699,352)**	(66,438,167)
Other Expenses		-	(274,860)
Net foreign exchange gain (loss)		**1,082,506**	(1,608,777)
PROFITS FOR THE YEAR BEFORE INCOME TAXES		**167,082,022**	115,695,586
Income taxes	(26)	**(38,353,190)**	(26,195,935)
PROFITS FOR THE YEAR		**128,728,832**	89,499,651
Earnings per share			
Basic and diluted, profit for the year	(27)	**0.200**	0.139

Chief Financial Officer
Mohamed Abo Amira

Board Member
Amr Abdallah Morsy

- The accompanying notes from (1) to (34) are an integral part of these separate financial statements.

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

SEPARATE STATEMENT OF COMPREHENSIVE INCOME
For the year ended 31 December 2018

	2018 EGP	2017 EGP
PROFITS FOR THE YEAR	**128,728,832**	89,499,651
OTHER COMPREHENSIVE INCOME	-	-
TOTAL COMPREHENSIVE INCOME	**128,728,832**	89,499,651

- The accompanying notes from (1) to (34) are an integral part of these separate financial statements.

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

SEPARATE STATEMENT OF CHANGES IN EQUITY
For the year ended 31 December 2018

	Paid up Capital	Legal reserve	Other Reserves	Retained earnings	Profit for the year	Total
	EGP	EGP	EGP	EGP	EGP	EGP
Balance as at 1 January 2017	160,900,000	4,379,996	278,952	71,795,536	27,163,772	264,518,256
Transferred to legal reserve and retained earnings	-	1,358,189	-	25,805,583	(27,163,772)	-
Dividends	-	-	-	(5,238,462)	-	(5,238,462)
Profits for the year	-	-	-	-	89,499,651	89,499,651
Balance as at 31 December 2017	160,900,000	5,738,185	278,952	92,362,657	89,499,651	348,779,445
Balance as at 1 January 2018	**160,900,000**	**5,738,185**	**278,952**	**92,362,657**	**89,499,651**	**348,779,445**
Transferred to legal reserve and retained earnings	-	**4,474,983**	-	**85,024,668**	**(89,499,651)**	-
Dividends (Notes 16)	-	-	-	**(4,530,500)**	-	**(4,530,500)**
Profits for the year	-	-	-	-	**128,728,832**	**128,728,832**
Balance as at 31 December 2018	**160,900,000**	**10,213,168**	**278,952**	**172,856,825**	**128,728,832**	**472,977,777**

- The accompanying notes from (1) to (34) are an integral part of these separate financial statements.

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

SEPARATE STATEMENT OF CASH FLOWS
For the year ended 31 December 2018

	Note	2018 EGP	2017 EGP
CASH FLOWS FROM OPERATING ACTIVITIES			
Profits for the year before income taxes		**167,082,022**	115,695,586
Adjustments to reconcile profit before tax to net cash flow :			
Net foreign exchange differences		**(1,082,506)**	-
Depreciation and amortization	(5,7)	**24,770,244**	22,977,024
Provision charged	(13)	**7,085,132**	-
Impairment of trade and notes receivable	(10)	**1,394,654**	-
Reversal of impairment of assets under constructions	(6)	**(361,622)**	-
Reversal of impairment of inventory		**(999,224)**	-
Debit interests	(25)	**83,699,352**	66,438,167
Gain/(Loss) from sale of fixed assets	(5)	**(16,828)**	274,860
		281,571,224	205,385,637
Change in inventories		**(96,235,944)**	(39,098,258)
Change in trade and notes receivable		**(96,041,892)**	(80,990,250)
Change in prepayments and other receivables		**(4,623,313)**	(21,093,319)
Change in trade and notes payable		**18,492,849**	(5,644,694)
Change in due to related parties		**(1,282,684)**	1,290,832
Change in accrued expenses and other payables		**11,544,377**	1,233,158
Cash flows provided from operating activities		**113,424,617**	61,083,106
Debit interests paid		**(82,116,434)**	(66,438,167)
Provisions used	(13)	**(140,448)**	(500,000)
Income taxes paid		**(22,679,671)**	(8,070,458)
NET CASH FLOWS (USED IN) PROVIDED FROM OPERATING ACTIVITIES		**8,488,064**	(13,925,519)
CASH FLOWS FROM INVESTING ACTIVITIES			
Payments to acquire fixed assets, assets under construction and intangible assets	(5,6,7)	**(250,299,379)**	(25,099,631)
Payments to acquire Investment in subsidiaries		-	(475,000)
Proceeds from sale of fixed assets	(5)	**57,730**	271,101
Investment in term deposit		**(443,876)**	-
Change in due from related parties		**(5,148,102)**	(19,988,541)
NET CASH FLOWS (USED IN) INVESTING ACTIVITIES		**(255,833,627)**	(45,292,071)
CASH FLOWS FROM FINANCING ACTIVITIES			
Credit facilities used		**704,898,779**	430,135,837
Payment of credit facilities		**(554,151,868)**	(347,749,121)
Receipts from long term loans		**116,611,368**	11,427,875
Payment of long term loans		**(25,500,000)**	(20,400,000)
Dividends Paid		**(5,054,346)**	(4,714,615)
NET CASH FLOWS PROVIDED FROM FINANCING ACTIVITIES		**236,803,933**	68,699,976
Net change in cash and cash equivalent during the year		**(10,541,630)**	9,482,386
Net foreign exchange difference		**1,090,660**	-
Cash and cash equivalent - beginning of the year		**13,216,649**	3,734,263
CASH AND CASH EQUIVALENT - END OF THE YEAR	(12)	**3,765,679**	13,216,649

- The accompanying notes from (1) to (34) are an integral part of these separate financial statements.

NOTES TO THE SEPARATE FINANCIAL STATEMENTS

For the year ended 31 December 2018

1- BACKGROUND

Tenth of Ramadan for Pharmaceutical Industries and Diagnostic Reagents (Rameda) (S.A.E) 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 Company is principally engaged in:

- Producing, marketing, selling and storing of pharmaceutical reagents for human and veterinary use.
- Producing, 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.

The financial statements for the year ended 31 December 2018 were authorized for issuance in accordance with a resolution of the Board of Directors' dated 22^{th} April 2019.

2- SIGNIFICANT ACCOUNTING POLICIES

2-1 BASIS OF PREPARATION

The separate financial statements are prepared under the going concern assumption on a historical cost basis.
The separate financial statements are prepared and presented in Egyptian pounds, which is the Company's functional currency.

The separate financial statements of the Company have been prepared in accordance with the Egyptian accounting standards and the applicable laws and regulations.
The accounting policies adopted in this year are consistent with the policies adopted in the prior year.

2-2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

2-2-1 CURRENT VERSUS NON-CURRENT CLASSIFICATION

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

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

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 year, or
- There is no unconditional right to defer the settlement of the liability for at least twelve months after the reporting year

All other liabilities are classified as non-current.

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

2- 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

2-2-2 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 separate 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 separate statement of other comprehensive income ("OCI") or separate statement of profit or loss are also recognized in OCI or profit or loss, respectively)

2-2-3 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 separate 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 separate 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 year-end, position date.

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

The Company 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 separate statement of profit or loss.

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

2- 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

2-2-4 Assets under construction

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

2-2-5 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 separate 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 lives 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 separate statement of profit or loss.

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

2-2-6 Investments in subsidiaries

Investments in subsidiaries are investments in entities which the Company has control. Control is achieved when the Company 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 Company controls an investee if, and only if, the Company 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 Company has less than a majority of the voting or similar rights of an investee, the Company 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 Company voting rights and potential voting rights

The Company 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.

Investments in subsidiaries are accounted for at cost inclusive transaction cost and in case the investment is impaired, the carrying amount is adjusted by the value of this impairment and is charged to the separate statement of profit or loss for each investment separately.

2- 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

2-2-7 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.

Goods in transit: at the lower of cost or net realizable value, and is recognized in the separate financial statements when risks and rewards are transferred to the Company 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 separate 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 recognized as reduction of cost of sales in the separate statement of profit or loss in the period in which the reversal occurs.

2-2-8 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 Company 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 separate statement of profit or loss. Reversal of impairment is recognized in the separate statement of profit or loss in the period in which it occurs.

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

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

2- 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

2-2-10 Provisions
Provisions are recognized when the Company 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 separate statement of profit or loss as a finance expense.

2-2-11 Social Insurance
The Company makes contributions to the Social Insurance Authority calculated as a percentage of the employees' salaries. The Company's obligations are limited to these contributions, which are expensed when due.

2-2-12 Legal reserve
According to the Company's articles of association, 5% of the net profits of the year is transferred to the legal reserve until this reserve reaches 50% of the issued capital. The reserve is used upon a decision from the general assembly meeting based on the proposal of the Board of Directors. The transfer to the legal reserve is made once the separate financial statements for the year are approved in the general assembly meeting.

2-2-13 General Reserve
According to the Company's articles of association, the general assembly meeting may decide to allocate a certain percentage of the net profits of the year to the general reserve. The reserve is used upon a decision from the general assembly meeting based on the proposal of the board of directors. The general reserve forms part of other reserves.

2-2-14 Borrowings
Borrowings are initially recognized at fair value less transaction cost. Amounts maturing within one year are classified as current liabilities, unless the Company has the right to postpone the settlement for a period exceeding one year after the financial position date, then the loan balance should be classified as non-current liabilities.

After initial recognition, interest bearing loans and borrowings are subsequently measured at amortized cost using the effective interest rate method. Gains and losses are recognized in the separate statement of profit or loss when the liabilities are derecognized as well as through the effective interest rate method amortization process.

Amortized cost is calculated by taking into account any discount or premium on acquisition and fee or costs that are an integral part of the effective interest rate. The effective interest rate amortization is included in finance expenses in the separate statement of profit or loss.

2-2-15 Income taxes
Income tax is calculated in accordance with the Egyptian tax law.

Current income tax
Current income tax assets and liabilities for the current and prior periods are measured at the amount expected to be recovered from or paid to the tax authority.

2- 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

2-2-15 Income taxes (continued)

Deferred income tax
Deferred tax is provided using the liability method on temporary differences between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes at the reporting date.

Deferred tax liabilities are recognized for all taxable temporary differences, except:

- When the deferred tax liability arises from the initial recognition of goodwill or an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss.
- In respect of taxable temporary differences associated with investments in subsidiaries, associates and interests in joint arrangements, when the timing of the reversal of the temporary differences can be controlled and it is probable that the temporary differences will not reverse in the foreseeable future.

Deferred tax assets are recognized for all deductible temporary differences, the carry forward of unused tax credits and any unused tax losses. Deferred tax assets are recognized to the extent that it is probable that taxable profit will be available against which the deductible temporary differences, and the carry forward of unused tax credits and unused tax losses can be utilized, except:

- When the deferred tax asset relating to the deductible temporary difference arises from the initial recognition of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss.
- In respect of deductible temporary differences associated with investments in subsidiaries, associates and interests in joint arrangements, deferred tax assets are recognized only to the extent that it is probable that the temporary differences will reverse in the foreseeable future and taxable profit will be available against which the temporary differences can be utilized.

The carrying amount of deferred tax assets is reviewed at each reporting date and reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the deferred tax asset to be utilized. Unrecognized deferred tax assets are re-assessed at each reporting date and are recognized to the extent that it has become probable that future taxable profits will allow the deferred tax asset to be recovered.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply in the year when the asset is realized or the liability is settled, based on tax rates (and tax laws) that have been enacted or substantively enacted at the reporting date.

Deferred tax relating to items recognized outside profit or loss is recognized outside profit or loss. Deferred tax items are recognized in correlation to the underlying transaction directly in equity.

Deferred tax assets and deferred tax liabilities are offset if a legally enforceable right exists to set off current tax assets against current tax liabilities and the deferred taxes relate to the same taxable entity and the same taxation authority.

2-2-16 Dividends
The Company recognizes a liability to pay a dividend when the distribution is authorized and distribution is no longer at the discretion of the Company. As per law 159, a distribution is authorized when it is approved by the shareholders in the general assembly meeting.