

Translated

Egypt Kuwait Holding Company
and its subsidiaries
Consolidated financial statements
For the financial period ended at June 30, 2019
and limited review report

Translated

Contents	Page
Limited review report	-
Consolidated statement of financial position	1
Consolidated statement of income	2
Consolidated statement of comprehensive income	3
Consolidated statement of changes in equity	4
Consolidated statement of cash flows	5
Notes to the consolidated financial statements	6 – 65



Hazem Hassan

Public Accountants & Consultants

Translated

Pyramids Heights Office Park
Km 22 Cairo/Alex Road
PO. Box 48 Al Ahran
Giza - Cairo - Egypt

Telephone : (202) 35 36 22 00 - 35 36 22 11
Telefax : (202) 35 36 23 01 - 35 36 23 05
E-mail : egypt@kpmg.com.eg
Postal Code : 12556 Al Ahran

Limited review report on interim consolidated financial statements To the Board of Directors of Egypt Kuwait Holding Company

Introduction

We have reviewed the accompanying consolidated statement of financial position of Egypt Kuwait Holding Company – An Egyptian Joint Stock Company, as of June 30, 2019 and the related consolidated statements of income, comprehensive income, changes in equity and cash flows for the six -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 consolidated financial statements in accordance with Egyptian Accounting Standards. Our responsibility is to express a conclusion on these consolidated interim financial statements based on our limited review.

Scope of Limited Review

We conducted our review in accordance with Egyptian Standard on Review Engagements 2410, "Review of Interim Financial Information Performed by the Independent Auditor of the Entity". A Limited review of interim financial information 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 on these consolidated financial statements .

Conclusion

Based on our review on the consolidated financial statements of Egypt Kuwait Holding Company, nothing has come to our attention that causes us to believe that the accompanying consolidated interim financial information do not present fairly, in all material respects, the consolidated financial position of Egypt Kuwait Holding Company as of June 30, 2019 , and of its financial performance and its cash flows for the six -month period then ended in accordance with Egyptian Accounting Standards.

KPMG Hazem Hassan

Public Accountants & Consultants

Cairo, August 7 , 2019

Egypt Kuwait Holding Company
(An Egyptian Joint Stock Company)
Consolidated statement of financial position as at June 30, 2019

All numbers are in US Dollars

	Note No.	30/6/2019	31/12/2018 (Restated)
Assets			
Non-current assets			
Equity-accounted investees (associates Companies)	(8)	18 678 335	16 219 288
Available-for-sale Investments	(9)	24 632 971	32 532 597
Financial assets at amortized cost	(10)	113 975 159	99 769 120
Property, plant and equipment and projects under construction	(11)	279 306 107	252 848 553
Exploration & development assets	(12)	19 056 135	27 799 143
Right of use assets	(13)	364 033	358 462
Goodwill	(14)	62 102 392	60 591 626
Other intangible assets	(15)	6 058 313	8 804 525
Investment property	(16)	656 092	617 710
Notes receivables		15 672	283 156
Total non-current assets		524 845 209	499 824 180
Current assets			
Cash and cash equivalents	(17)	189 046 581	206 943 929
Financial assets at amortized cost	(10)	235 571 226	170 080 844
Financial assets at fair value through profit or loss	(18)	17 198 689	11 990 883
Trade & notes receivables	(19)	82 872 152	73 368 473
Other current assets	(20)	58 388 745	47 141 412
Inventory	(21)	76 119 213	77 047 727
Work in process	(22)	27 047 469	30 307 435
Total current assets		686 244 075	616 880 703
Total assets		1 211 089 284	1 116 704 883
Equity and Liabilities			
Equity of the parent Company			
Issued & paid up capital	(23)	256 110 292	256 110 292
Legal reserve	(24)	127 240 575	126 248 763
Other reserves	(24)	(128 311 759)	(141 526 773)
Share-based payments	(25)	17 561 848	17 561 848
Retained earnings	(26)	238 949 419	248 191 799
Treasury shares	(27)	-	(221 050)
Total equity of the owners of the parent Company		511 550 375	506 364 879
Non-controlling interests	(28)	202 166 948	205 417 201
Total equity		713 717 323	711 782 080
Liabilities			
Non-current liabilities			
Long-term loans	(29)	72 991 243	18 003 469
Other long-term liabilities	(30)	2 132 095	2 011 494
Deferred tax liabilities	(31)	22 139 324	23 254 655
Total non-current liabilities		97 262 662	43 269 618
Current liabilities			
Provisions	(32)	20 035 115	19 374 686
Banks overdraft		641 397	94 994
Portion due during a year of long-term loans	(29)	48 397 805	26 998 321
Bank facilities	(33)	47 858 180	54 574 219
Suppliers, contractors, notes payable & other credit balances	(34)	182 643 147	164 152 670
Insurance policyholders rights	(35)	78 528 464	69 081 331
Accrued income tax		22 005 191	27 376 964
Total current liabilities		400 109 299	361 653 185
Total liabilities		497 371 961	404 922 803
Total equity and liabilities		1 211 089 284	1 116 704 883

* The accompanying notes on pages from (6) to (65) are an integral part of these consolidated financial statements and to be read therewith.

Group Chief Financial Officer
Medhat Hamed Bonna

Managing Director
Sherif Al Zayat

Chairman & Managing Director
Al-Moutaz Adel Al-Ajfi

*Limited Review Report * attached *

Egypt Kuwait Holding Company
(An Egyptian Joint Stock Company)

Consolidated statement of income for the financial period ended at June 30 , 2019

All numbers are in US Dollars

	Note No.	The six-month ended 30/06/2019		The six-month ended 30/06/2018	
		From 1/4/2019	From 1/1/2019	From 1/4/2018	From 1/1/2018
		Till 30/6/2019	Till 30/6/2019	Till 30/6/2018	Till 30/6/2018
Revenues	(36)	133 026 426	267 925 542	111 959 253	224 836 432
Cost of revenue recognition	(37)	(91 089 658)	(181 282 011)	(79 365 385)	(155 319 679)
Gross profit		41 936 768	86 643 531	32 593 868	69 516 753
Income from investments	(38)	6 668 974	12 872 607	3 875 080	8 647 513
Other income	(39)	1 510 471	5 566 709	18 032 761	18 696 879
Selling & distribution expenses	(40)	(921 815)	(1 971 229)	(1 127 131)	(2 450 891)
General & administrative expenses	(41)	(8 339 980)	(16 425 876)	(6 739 539)	(13 905 814)
Other expenses	(42)	(518 073)	(963 770)	(13 731 863)	(14 342 546)
Net operating profit		40 336 345	85 721 972	32 903 176	66 161 894
Interest income		5 455 780	10 757 909	6 361 371	14 324 288
Financing expenses		(3 012 718)	(6 200 014)	(3 616 090)	(6 351 066)
Foreign currency translation differences		(616 678)	(640 562)	612 773	506 485
Net financing cost		1 826 384	3 917 333	3 358 054	8 479 707
Company's share of profit / (loss) of Equity - accounted investees (associates Companies)		361 028	(499 339)	224 361	1 351 012
Net profit for the period before income tax		42 523 757	89 139 966	36 485 591	75 992 613
Income tax	(43)	(8 145 082)	(17 270 891)	(5 813 546)	(12 687 790)
Net profit for the period		34 378 675	71 869 075	30 672 045	63 304 823
Net profit attributable to:					
Owners of the Parent Company		26 211 017	55 009 160	23 003 729	48 382 614
Non-controlling interests	(28)	8 167 658	16 859 915	7 668 316	14 922 209
Net profit for the period		34 378 675	71 869 075	30 672 045	63 304 823
Basic earning per share (US cent / Share)	(44)	2.23	4.69	1.96	4.16

* The accompanying notes on pages from (6) to (65) are an integral part of these consolidated financial statements and to be read therewith.

Egypt Kuwait Holding Company
(An Egyptian Joint Stock Company)

Consolidated statement of comprehensive income for the financial period ended at June 30, 2019

All numbers are in US Dollars

	The six-month ended 30/06/2019		The six-month ended 30/06/2018	
	From 1/4/2019 Till 30/6/2019	From 1/1/2019 Till 30/6/2019	From 1/4/2018 Till 30/6/2018	From 1/1/2018 Till 30/6/2018
Net profit for the period	34 378 675	71 869 075	30 672 045	63 304 823
Other comprehensive income				
Items that will not be reclassified to profit or loss				
Available -for- sale Investments	(1 181 784)	(2 827 837)	(290 415)	1 494 276
	(1 181 784)	(2 827 837)	(290 415)	1 494 276
Items may be reclassified subsequently to profit or loss				
Foreign currency translation differences	10 284 797	16 630 779	(3 974 042)	(5 467 875)
	10 284 797	16 630 779	(3 974 042)	(5 467 875)
Total other comprehensive income for the period after deducting tax	9 103 013	13 802 942	(4 264 457)	(3 973 599)
Total comprehensive income for the period	43 481 688	85 672 017	26 407 588	59 331 224
Total comprehensive income for the period attributable to:				
Owners of the Parent Company	34 512 717	68 224 174	18 834 658	43 872 672
Non-controlling interests	8 968 971	17 447 843	7 572 930	15 458 552
Total comprehensive income	43 481 688	85 672 017	26 407 588	59 331 224

• The accompanying notes on pages from (6) to (65) are an integral part of these consolidated financial statements and to be read therewith.

Egyptian Holding Company

150 Egyptian Jedis (Share Company)

Consolidated statement of changes in equity for the financial period ended at June 30, 2019

All numbers are in US Dollars

	Issued in paid up capital	Legal reserve	Special reserve - Share premium	General reserve	Fair value reserve	Translation reserve	Total other reserves	Share-based payment	Retained earnings	Treasury shares	Total equity of the owners of the parent Company	Non-controlling interests	Retained Total equity
Balance as at January 1, 2018 (before adjustments)	216 110 292	135 218 004	37 954 547	8 310 442	5 031 937	(211 210 443)	(139 023 446)	17 561 848	214 419 193	-	477 535 871	312 842 901	690 378 776
Profit period adjustments	-	-	-	-	-	-	-	-	(664 787)	-	(664 787)	(250)	(664 809)
Balance as at January 1, 2018 (after adjustments)	216 110 292	135 218 004	37 954 547	8 310 442	5 031 937	(211 210 443)	(139 023 446)	17 561 848	213 754 406	-	476 871 084	312 842 881	689 713 969
Total comprehensive income													
Net profit for the period	-	-	-	-	-	-	-	-	48 342 414	-	48 342 414	14 922 209	63 264 623
Other comprehensive income	-	-	-	-	214 047	(4 753 905)	14 509 942	-	(4 809 942)	-	(4 809 942)	536 343	(3 973 599)
Total comprehensive income	-	-	-	-	214 047	(4 753 905)	14 509 942	-	48 342 414	-	43 532 472	15 458 552	59 331 324
Transactions with owners of the Company													
Transferred to legal reserve	-	1 070 739	-	-	-	-	-	-	(1 070 739)	-	-	-	-
Dividends distribution for shareholders	-	-	-	-	-	-	-	-	(10 303 247)	-	(10 303 247)	-	(10 303 247)
Dividends distribution for employees and board members	-	-	-	-	-	-	-	-	(17 603 303)	-	(17 603 303)	-	(17 603 303)
Dividends distribution for non-controlling interests in subsidiaries	-	-	-	-	-	-	-	-	-	-	-	(12 961 732)	(12 961 732)
Acquisition of non-controlling interests	-	-	-	-	-	-	-	-	(620 811)	-	(620 811)	620 811	-
Treasury shares	-	-	-	-	-	-	-	-	(221 009)	(221 009)	(221 009)	-	(221 009)
Total transactions with owners of the Company	-	1 070 739	-	-	-	-	-	-	(16 998 117)	(221 009)	(16 776 806)	(15 724 666)	(179 866 448)
Other changes													
Changes in non-controlling interests	-	-	-	-	-	-	-	-	-	-	-	5 785 227	5 785 227
Total other changes	-	-	-	-	-	-	-	-	-	-	-	5 785 227	5 785 227
Balance as at June 30, 2019	216 110 292	136 248 763	37 954 547	8 310 442	5 246 034	(215 964 348)	(144 213 008)	17 561 848	201 600 700	(221 009)	459 991 240	318 528 028	678 519 268
Balance as at January 1, 2019 (before adjustments)	216 110 292	136 248 763	37 954 547	8 310 442	6 143 310	(114 005 333)	(141 216 773)	17 561 848	248 216 516	(221 009)	507 019 646	285 417 221	792 436 867
Profit period adjustments	-	-	-	-	-	-	-	-	(664 787)	-	(664 787)	(709)	(664 809)
Balance as at January 1, 2019 (after adjustments)	216 110 292	136 248 763	37 954 547	8 310 442	6 143 310	(114 005 333)	(141 216 773)	17 561 848	247 551 729	(221 009)	506 354 859	284 707 512	791 659 371
Comprehensive income													
Net profit for the period	-	-	-	-	-	-	-	-	53 128 180	-	53 009 160	16 850 815	69 858 975
Other comprehensive income	-	-	-	-	(2 332 113)	15 547 177	12 218 012	-	(664 787)	-	12 218 012	587 028	13 002 942
Total comprehensive income	-	-	-	-	(2 332 113)	15 547 177	12 218 012	-	52 463 393	-	65 227 172	17 437 843	82 860 817
Transactions with owners of the Company													
Transferred to legal reserve	-	991 812	-	-	-	-	-	-	(991 812)	-	-	-	-
Dividends distribution for shareholders	-	-	-	-	-	-	-	-	(50 860 331)	-	(50 860 331)	-	(50 860 331)
Dividends distribution for employees and board members	-	-	-	-	-	-	-	-	(13 054 417)	-	(13 054 417)	-	(13 054 417)
Dividends distribution for non-controlling interests in subsidiaries	-	-	-	-	-	-	-	-	-	-	-	(16 919 492)	(16 919 492)
Acquisition of non-controlling interests	-	-	-	-	-	-	-	-	181 629	-	181 629	(334 413)	(152 784)
Sale of treasury shares	-	-	-	-	-	-	-	-	473 356	221 030	694 386	364 761	1 059 147
Total transactions with owners of the Company	-	991 812	-	-	-	-	-	-	(64 231 561)	221 030	(62 009 725)	(20 184 343)	(82 193 821)
Other changes													
Changes in non-controlling interests	-	-	-	-	-	-	-	-	-	-	-	(203 753)	(203 753)
Total other changes	-	-	-	-	-	-	-	-	-	-	-	(203 753)	(203 753)
Balance as at June 30, 2019	216 110 292	137 240 575	37 954 547	8 310 442	3 813 437	(109 418 261)	(129 311 739)	17 561 848	238 569 419	-	316 350 375	202 164 948	718 515 323

* The amounts payable on shares from (1) to (4) are an integral part of these consolidated financial statements and as to be read therewith.

Egypt Kuwait Holding Company
(An Egyptian Joint Stock Company)

Consolidated statement of cash flows for the financial period ended at June 30 , 2019

All numbers are in US Dollars

	Note No.	The six-month ended 30/6/2019	The six-month ended 30/6/2018
<u>Cash flows from operating activities</u>			
Net profit for the period before income tax		89 139 966	75 992 613
<u>Adjustments for:</u>			
Depreciation & amortization		19 173 491	19 463 435
Gain on sale of available-for-sale investments		(1 545 217)	-
Company's share of profit / (loss) of Equity - accounted investees (associates Companies)		499 339	(1 351 012)
Changes in fair value of financial assets at fair value through profit and loss		(399 902)	(74 562)
Financing expenses		6 200 014	6 351 066
Interest income		(10 757 909)	(14 324 288)
Capital gain		(12 731)	(86 373)
Provisions no longer required		(244 613)	(17 251 274)
Provisions formed		825 201	316 873
Reversal of impairment loss on other current assets		(1 000 000)	-
Impairment loss on other current assets		138 569	217 999
Reversal of impairment loss on investments value		(2 345 302)	-
Impairment loss on investments value		-	13 807 674
Income from investments in treasury bills and governmental bonds		(9 970 638)	(2 396 368)
		<u>89 700 268</u>	<u>80 665 783</u>
<u>Change in:</u>			
Financial assets at fair value through profit or loss		(4 807 904)	4 186 336
Trade & notes receivables		(9 236 195)	(9 381 316)
Other current assets		(9 951 634)	(7 139 327)
Inventory		928 514	152 104
Work in progress		3 259 966	(19 380 841)
Suppliers, contractors, notes payable & other credit balances		16 067 312	19 660 307
Insurance policyholders rights		9 447 133	432 037
Time deposits		(5 244 893)	2 260 635
Provisions used		(524 433)	(28 814)
Financing expenses paid		(6 200 014)	(6 351 066)
Income tax paid		(24 692 669)	(19 884 989)
Net change in assets of the acquired Company		-	(1 096 077)
Net cash from operating activities		<u>58 745 451</u>	<u>44 094 772</u>
<u>Cash flows from investing activities</u>			
Interest collected		10 323 641	14 285 103
Payments for acquisition of property, plant and equipment, projects under construction, intangible assets & investment property		(33 188 556)	(18 113 505)
Payments for acquisition of exploration & development assets		-	(752 588)
Proceeds from sale of property, plant and equipment, projects under construction, intangible assets & investment property		43 015	106 926
Proceeds from (payments for) sale of available-for-sale investments		6 587 655	(2 183 223)
Proceeds from (payments for) financial assets at amortized cost		(19 829 960)	68 623 599
Net cash from (used in) investing activities		<u>(36 064 205)</u>	<u>61 966 312</u>
<u>Cash flows from financing activities</u>			
Proceeds from loans and bank facilities		121 874 316	106 293 360
Payment of loans and bank facilities		(52 203 097)	(89 116 901)
Payments for acquisition of non-controlling interests		(152 784)	(4 632 400)
Non-controlling interests		270 345	5 797 195
Proceeds from sale of treasury shares		1 059 197	-
Dividends paid for non-controlling interests		(13 667 341)	(16 358 871)
Dividends paid		(63 914 497)	(62 906 547)
Net cash used in financing activities		<u>(6 733 861)</u>	<u>(60 924 164)</u>
Foreign currency translation differences of accumulated financial statements		<u>10 259 795</u>	<u>(3 434 307)</u>
Net change in cash and cash equivalents during the period		<u>26 207 180</u>	<u>41 702 613</u>
Balance of cash and cash equivalents at beginning of the period		<u>224 172 327</u>	<u>224 520 953</u>
Balance of cash and cash equivalents at end of the period	(17)	<u>250 379 507</u>	<u>266 223 566</u>

* The accompanying notes on pages from (6) to (65) are an integral part of these consolidated financial statements and to be read therewith.

1- Company's background and activities

- Egypt Kuwait Holding Company "The Company" was incorporated by virtue of the Chairman of General Investment Authority's resolution No. 197 of 1997, according to the provisions of Investment Law No. 230 of 1989 and according to Law No. 8 of 1997, concerning Investment Incentives & Guarantees and Law No. 95 of 1992 concerning Capital Market. The Company was registered in Giza Governorate Commercial Registry under No. 114648 on 20/7/1997. The duration of the Company according to the Company's Statute, is 25 years starting from the date of registration in the Commercial Registry.

- The Company's financial year starts on January 1st and ends on December 31st each year.

- The Company's purpose is represented in investment in all activities stated in Article 1 of Law No. 230 of 1989, provided that its object does not include accepting deposits or performing banking transactions and comprise the following activities:-

A - Securities underwriting and promotion.

B- Participation in Companies, which issue securities or increasing their capital.

C- Venture capital.

In addition, the Company is entitled to establish other projects or modify its purposes in conformity with the Investment Law. The Company is also entitled to establish or participate in projects not governed by the Investment Law subject to the approval of the General Investment Authority & General Capital Market Authority.

On March 6, 2002 the General Investment Authority gave permission to the Company to use the excess funds in investing outside the Arab Republic of Egypt by participating in establishing companies & contributing to projects & portfolios of marketable securities managed abroad.

- The registered office of the Company is located at 14 Hassan Mohamed El Razaz St.- Dokki - Egypt. Mr. Al Moataz Adel AL-Alfi is the Chairman of the Company.

- The Company is listed in the Egyptian Stock Exchange of the Arab Republic of Egypt.

- The consolidated financial statements comprise the financial statements of Egypt Kuwait Holding Company (the Parent Company) & its subsidiaries (together referred to as the "Group") and the Group's interest in associates and jointly controlled entities. The Group is involved in several activities which are represented in investment activities, selling & supplying of natural gas activity, drilling, petroleum & petrochemicals services activity, fertilizers activity, exploration & exploitation of oil, natural gas activity, chill technology by natural gas activity, communications and selling & distributing of chemicals & plastic activity, manufacturing of Formica chips & MDF of all types and sizes, and the activity of life insurance and responsibilities and properties insurance.

2- Basis of preparation of the consolidated financial statements

a) Statement of compliance

- These consolidated financial statements have been prepared in accordance with Egyptian Accounting Standards and relevant Egyptian laws and regulations.
- The consolidated financial statements were authorized for issuance by the Board of Directors of the Company on August 7, 2019.

b) Basis of measurement

The consolidated financial statements have been prepared on historical cost basis except for the following:-

- Derivatives financial instruments measured at fair value.
- Financial assets at fair value through profit or loss.
- Available-for-sale investments measured at fair value.

c) Functional and presentation currency

The consolidated financial statements are presented in USD, which is the Parent Company's functional currency.

d) Use of estimates and judgments

- The preparation of the consolidated financial statements in conformity with Egyptian Accounting Standards requires management to make judgments, estimates and assumptions that affect the application of policies and reported amounts of assets and liabilities, income and expenses. The estimates and associated assumptions are based on historical experience and various other factors that are believed to be reasonable under the circumstances, the results of which form the basis of making the judgments about the carrying values of assets and liabilities that are readily apparent from other sources. Actual results may differ from these estimates.
- The estimates and underlying assumptions are reviewed on an ongoing basis.
- Revisions to accounting estimates are recognized in the period in which the estimate is revised if the revision affects only that period or in the period of the revision and future periods if the revision affects both current and future periods.

e) Measurement of fair values

- The fair value of financial instruments is measured based on the market value of the financial instrument or a similar financial instrument as at the financial statements date without deducting any estimated future selling costs. The value of financial assets is determined by the current purchase prices of these assets whereas, the value of financial liabilities is determined by the current prices which can be used to settle these liabilities.
- In case of inactive market exists to determine the fair value of the financial instruments, the fair value is estimated using the different valuation techniques while considering the prices of the transactions recently made and using the current fair value of the other similar financial instrument as a guide significantly – discounted cash flows method - or any other valuation method that results in reliable values.
- On using the discounted cash flows method as a valuation technique, the future cash flows are estimated based on best estimate of management and the used discount rate is determined in light of the prevailing price in market as at the financial statements date of similar financial instruments with respect to their nature and conditions.

3- Significant accounting policies

The accounting policies set out below have been applied consistently to all periods presented in these consolidated financial statements.

3-1 Business combination

- The Group accounts for business combination using the acquisition method when control is transferred to the Group.
- The consideration transferred in the acquisition is generally measured at fair value, as are the identifiable net assets acquired. Any goodwill that arises is tested annually for impairment. Any gain on a bargain purchase is recognized in profit or loss immediately.
- Transaction costs are expensed as incurred, except if related to the issue cost of debt or equity securities.
- The consideration transferred does not include amounts related to the settlement of pre-existing relationships. Such amounts are generally recognized in profit or loss.
- Any contingent consideration is measured at fair value at the date of acquisition. If an obligation to pay contingent consideration that met the definition of financial instrument is classified as equity, then it is not re-measured and settlement is accounted for within equity. Otherwise, other contingent consideration is re-measured at fair value at each reporting date and subsequent changes in the fair value of the contingent consideration are recognized in profit or loss.

A- Subsidiaries

Subsidiaries are entities controlled by the Group.

The Group controls an entity when it is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity.

The financial statements of subsidiaries are included in the consolidated financial statements from the date on which control commences until the date on which control ceases.

B- Non-controlling interests

NCI are measured at their proportionate share of the acquiree's identifiable net assets at the date of acquisition.

Changes in the Group's interest in a subsidiary that do not result in a loss of control are accounted for as equity transactions.

C- Loss of control

When the Group loses control over a subsidiary, it derecognizes the assets and liabilities of the subsidiary, and any related NCI and other components of equity. Any resulting gain or loss is recognized in statement of income. Any interest retained in the former subsidiary is measured at fair value when control is lost.

D- Interests in equity-accounted investees

The Group's interests in equity-accounted investees comprise interests in associates and a joint venture.

Associates are those entities in which the Group has significant influence, but not control or joint control, over the financial and operating policies.

A joint venture is an arrangement in which the Group has joint control, whereby the Group has rights to the net assets of the arrangement, rather than rights to its assets and obligations for its liabilities

Interests in associates and the joint venture are accounted for using the equity method. They are initially recognized at cost, which includes transaction costs.

Subsequent to initial recognition, the consolidated financial statements include the Group's share of the profit or loss and OCI of equity accounted investees.

E- Transactions eliminated on consolidation

Intra-group balances and transactions, and any unrealized income and expenses arising from intra-group transactions, are eliminated.

Unrealized gains arising from transactions with equity accounted investees are eliminated against the investment to the extent of the Group's interest in the investee. An unrealized loss are eliminated in the same way as unrealized gains, but only to the extent that there is no evidence of impairment.

3-2 Foreign currency

A- Foreign currency transactions

Transactions in foreign currencies are translated into the respective functional currencies of Group companies at the exchange rates at the dates of the transactions. Monetary assets and liabilities denominated in foreign currencies are translated into the functional currency at the exchange rate at the reporting date.

Assets and liabilities that are measured at fair value in a foreign currency are translated into the functional currency at the exchange rate when the fair value was determined.

Non-monetary items that are measured based on historical cost in a foreign currency are translated at the exchange rate at the date of the transaction.

Foreign currency differences are generally recognized in profit or loss. However, foreign currency differences arising from the translation of the following items are recognized in OCI:

- available-for-sale equity investments (except on impairment, in which case foreign currency differences that have been recognized in OCI are reclassified to consolidated income statement);
- A financial liability designated as a hedge of the net investment in a foreign operation to the extent that the hedge is effective.
- Qualifying cash flow hedges to the extent that the hedges are effective.

B- Foreign operations

The assets and liabilities of foreign operations, including goodwill and fair value adjustments arising on acquisition during the preparation of the financial statements, are translated into USD at the exchange rates at the reporting date. The income and expenses of foreign operations are translated into USD at the exchange rates at the dates of the transactions.

Foreign currency differences are recognized in OCI and accumulated in the translation reserve, except to the extent that the translation difference is allocated to NCI.

When a foreign operation is disposed of in its entirety or partially such that control, significant influence or joint control is lost, the cumulative amount in the translation reserve related to that foreign operation is reclassified to consolidated income statement as part of the gain or loss on disposal.

If the Group disposes of part of its interest in a subsidiary but retains control, then the relevant proportion of the cumulative amount is reattributed to NCI.

When the Group disposes of only part of an associate or joint venture while retaining significant influence or joint control, the relevant proportion of the cumulative amount is reclassified to consolidated statement of income.

3-3 Property, plant and equipment & depreciation

a) Recognition and measurement

Items of property, plant and equipment are measured at cost less accumulated depreciation and any accumulated impairment losses.

If significant parts of an item of property, plant and equipment have different useful lives, then they are accounted for as separate items (major components) of property, plant and equipment. Any gain or loss on disposal of an item of property, plant & equipment is recognized in consolidated statement of income.

b) Subsequent costs

Subsequent expenditure is capitalized only if it is probable that the future economic benefits associated with the expenditure will flow to the Group.

c) Depreciation

Depreciation is calculated to write off the cost of items of property, plant and equipment less their estimated residual values using the straight-line method over their estimated useful lives, and is generally recognized in consolidated income statement. Leased assets are depreciated over the shorter of the lease term and their useful lives unless it is reasonably certain that the Group will obtain ownership by the end of the lease term. Land is not depreciated. The estimated useful lives are as follows:

<u>Asset</u>	<u>Years</u>
Buildings & constructions	20-56 or according to lease term, which is lower
Vehicles and transportation	4 - 10
Furniture & office equipment	2 - 10
Machinery & equipment	3 - 20
Tools & supplies	5
Stations , generators & electric transformers	10
Computer, software and Decorations	3 - 6.67
Leasehold improvements	Over the lower of lease term or estimated useful life which is lower

- Depreciation methods, useful lives and residual values are reviewed at each reporting date and adjusted if appropriate.

3-4 Projects under construction

Projects under construction are recognized initially at cost. Cost includes all expenditures directly attributable to bringing the assets to a working condition for its intended use. Projects under construction are transferred to property, plant and equipment caption when they are completed and are ready for their intended use.

3-5 Intangible assets

3-5-1 Recognition and measurement

Goodwill

Goodwill arising on the acquisition of subsidiaries is measured at cost less accumulated impairment losses. Impairment of goodwill is not reversed subsequently. In case of gain on bargain purchase, it is recognized immediately in the statement of income.

Exploration and development

Expenditure on research activities is recognized in profit or loss as incurred.

Development expenditure is capitalized only if the expenditure can be measured reliably, the product or process is technically and commercially feasible, future economic benefits are probable and the Group intends to and has sufficient resources to complete development and to use or sell the asset. Otherwise, it is recognized in as profit or loss as incurred. Subsequent to initial recognition, development expenditure is measured at cost less accumulated amortization and any accumulated impairment losses.

Other intangible assets

Other intangible assets, including deferred charges, patents and trademarks that are acquired by the Group and have finite useful lives are measured at cost less accumulated amortization and any accumulated impairment losses.

3-5-2 Subsequent expenditures

Subsequent expenditure on capitalized intangible assets is capitalized only when it increases the future economic benefits embodied in the specific asset to which related to research projects and development under construction and are recognized as intangible asset. All other expenditures, including expenditure on internally generated goodwill and brands, is recognized in profit or loss as incurred.

3-5-3 Amortization

Amortization is calculated to write off the cost of intangible assets less their estimated residual values using the straight-line method over their estimated useful lives, and is generally recognized in consolidated statement of income. Goodwill is not amortized.

3-6 Financial instruments

The Group classifies non-derivative financial assets into the following categories: financial assets at fair value through profit or loss, held-to-maturity financial assets, loans and receivables and available-for-sale financial assets.

The Group classifies non-derivative financial liabilities into the following categories: financial liabilities at fair value through profit or loss and other financial liabilities category.

3-6-1 Non-derivative financial assets and liabilities- recognition and disposal

The Group initially recognizes loans and receivables and debt securities issued on the date when they are originated. All other financial assets and financial liabilities are initially recognized on the trade date when the entity becomes a party to the contractual provisions of the instrument.

The Group derecognizes a financial asset when the contractual rights to the cash flows from the asset expire, or it transfers the rights to receive the contractual cash flows in a transaction in which substantially all of the risks and rewards of ownership of the financial asset are transferred, or it neither transfers nor retains substantially all of the risks and rewards of ownership and does not retain control over the transferred asset. Any interest in such derecognized financial assets that is created or retained by the Group is recognized as a separate asset or liability.

The Group derecognizes a financial liability when its contractual obligations are discharged or cancelled, or expire.

Financial assets and financial liabilities are offset and the net amount presented in the statement of financial position when, and only when, the Group currently has a legally enforceable right to offset the amounts and intends either to settle them on a net basis or to realize the asset and settle the liability simultaneously.

3-6-2 Non-derivative financial assets - measurement

3-6-2-1 Financial assets measured at fair value through profit or loss

A financial asset is classified as at fair value through profit or loss if it is classified as held for-trading or is designated as such on initial recognition. Directly attributable transaction costs are recognized in profit or loss as incurred. Financial assets at fair value through profit or loss are measured at fair value and changes therein, including any interest or dividend income, are recognized in profit or loss.

3-6-2-2 Financial assets held – to – maturity

These assets are initially measured at fair value plus any directly attributable transaction costs. Subsequent to initial recognition, they are measured at amortized cost using the effective interest method.

3-6-2-3 Loans and receivables

These assets are initially measured at fair value plus any directly attributable transaction costs. Subsequent to initial recognition, they are measured at amortized cost using the effective interest method.

3-6-2-4 Available for sale investments

These assets are initially measured at fair value plus any directly attributable transaction costs. Subsequent to initial recognition, they are measured at fair value and changes therein, other than impairment losses and foreign currency differences on debt instruments, are recognized in OCI and accumulated in the fair value reserve. When these assets are derecognized, the accumulated gain or loss recognized in OCI is reclassified to consolidated statement of income.

3-6-3 Non-derivative financial liabilities - measurement

A financial liability is classified as at fair value through profit or loss if it is classified as held for-trading or is designated as such on initial recognition. Directly attributable transaction costs are recognized in profit or loss as incurred. Financial liabilities at fair value through profit or loss are measured at fair value and changes therein, including any interest expense, are recognized in profit or loss.

Other non-derivative financial liabilities are initially measured at fair value less any directly attributable transaction costs. Subsequent to initial recognition, these liabilities are measured at amortized cost using the effective interest method.

3-7 Inventory

Inventories are measured at the lower of cost and net realizable value. The Cost of inventories is based on the moving average principle and includes expenditure incurred in acquiring the inventories and bringing it to its existing location and condition. Cost of finished goods and work in process inventories includes an appropriate share of production overheads.

3-8 Work in progress

All expenditures directly attributable to works in process are included in work in process account till the completion of these works. They are transferred to completed residential units ready for sale caption when they are completed.

Work in process are stated at the balance sheet date at lower of cost and net realizable value.

It includes all direct costs that related to preparation of units to sell it and in the assigned purpose.

3-9 Construction contracts in progress

Construction contracts in progress represents the gross amount expected to be collected from customers for contract work performed to date. It is measured at costs incurred plus profits recognized to date less progress billings and recognized losses.

In the statement of financial position, construction contracts in progress for which costs incurred plus recognized profits exceed progress billings and recognized losses are presented as trade and other receivables.

Contracts for which progress billings and recognized losses exceed costs incurred plus recognized profits are presented as deferred income/revenue. Advances received from customers are presented as deferred.

3-10 Investments property

Investment property is initially measured at cost; and subsequently presented in the consolidated financial statements, net of accumulated depreciation and impairment losses. The investment property is presented in the consolidated financial statements, net of both accumulated depreciation and accumulated impairment losses.

3-11 Assets held for sale

Non-current assets, or disposal groups comprising assets and liabilities, are classified as held-for sale if it is highly probable that they will be recovered primarily through sale rather than through continuing use.

Such assets, or disposal groups, are generally measured at the lower of their carrying amount and fair value less costs to sell. Any impairment loss on a disposal group is allocated first to goodwill, and then to the remaining assets and liabilities on a pro rata basis, except that no loss is allocated to inventories, financial assets, deferred tax assets, employee benefit assets, investment property or biological assets, which continue to be measured in accordance with the Group's other accounting policies.

Impairment losses on initial classification as held-for-sale or held-for distribution and subsequent gains and losses on re-measurement are recognized in consolidated income statement.

Once classified as held-for-sale, intangible assets and property, plant and equipment are no longer amortized or depreciated, and any equity-accounted investee is no longer equity accounted.

3-12 Debtors and other debit balances

Debtors are initially recorded at fair value and subsequently at amortized cost with impairment test.

3-13 Cash and cash equivalents

For the purpose of preparing the consolidated statement of cash flows, "cash & cash equivalents" comprise cash at banks & on hand, time deposits with original maturities of three month or less.

3-14 Impairment of assets

a) Non-derivative financial assets

Financial assets not classified as at fair value through profit or loss, including an interest in an equity accounted investee, are assessed at each reporting date to determine whether there is objective evidence of impairment.

Objective evidence that financial assets are impaired includes:

- Default or delinquency by a debtor;
- Restructuring of an amount due to the Group on terms that the Group would not consider otherwise;
- Indications that a debtor or issuer will enter bankruptcy;
- Adverse changes in the payment status of borrowers or issuers;
- The disappearance of an active market for a security because of financial difficulties.
- Observable data indicating that there is a measurable decrease in the expected cash flows from a group of financial assets.

For an investment in an equity security, objective evidence of impairment includes a significant or prolonged decline in its fair value below its cost.

Financial assets measured at amortized cost

The Group considers evidence of impairment for these assets at both an individual asset and a collective level. All individually significant assets are individually assessed for impairment. Those found not to be impaired are then collectively assessed for any impairment that has been incurred but not yet individually identified. Assets that are not individually significant are collectively assessed for impairment. Collective assessment is carried out by grouping together assets with similar risk characteristics.

In assessing collective impairment, the Group uses historical information on the timing of recoveries and the amount of loss incurred, and makes an adjustment if current economic and credit conditions are such that the actual losses are likely to be greater or lesser than suggested by historical trends.

An impairment loss is calculated as the difference between an asset's carrying amount and the present value of the estimated future cash flows discounted at the asset's original

effective interest rate. Losses are recognized in profit or loss and reflected in an allowance account.

When the Group considers that there are no realistic prospects of recovery of the asset, the relevant amounts are written off.

If the amount of impairment loss subsequently decreases and the decrease can be related objectively to an event occurring after the impairment was recognized, then the previously recognized impairment loss is reversed through profit or loss.

Available for sale financial assets

Impairment losses on available-for-sale financial assets are recognized by reclassifying the losses accumulated in the fair value reserve to profit or loss. The amount reclassified is the difference between the acquisition cost (net of any principal repayment and amortization) and the current fair value, less any impairment loss previously recognized in profit or loss.

If the fair value of an impaired available-for-sale debt security subsequently increases and the increase can be related objectively to an event occurring after the impairment loss was recognized, then the impairment loss is reversed through profit or loss. Impairment losses recognized in profit or loss for an investment in an equity instrument classified as available-for-sale in profit or loss are not reversed.

Equity-accounted investees

An impairment loss in respect of an equity-accounted investee is measured by comparing the recoverable amount of the investment with its carrying amount. An impairment loss is recognized in profit or loss, and is reversed if there has been a favorable change in the estimates used to determine the recoverable amount.

b) Non-financial assets

At each reporting date, the Group reviews the carrying amounts of its non-financial assets other than inventories and deferred tax assets to determine whether there is any indication of impairment. If any such indication exists, then the asset's recoverable amount is estimated. Goodwill is tested annually for impairment.

For impairment testing, assets are grouped together into the smallest group of assets that generates cash inflows from continuing use that are largely independent of the cash inflows of other assets or CGUs. Goodwill arising from a business combination is allocated to CGUs or groups of CGUs that are expected to benefit from the synergies of the combination.

The recoverable amount of an asset or CGU is the greater of its value in use and its fair value less costs to sell. Value in use is based on the estimated future cash flows, discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset or CGU.

An impairment loss is recognized if the carrying amount of an asset or CGU exceeds its recoverable amount.

Impairment losses are recognized in profit or loss. They are allocated first to reduce the carrying amount of any goodwill allocated to the CGU, and then to reduce the carrying amounts of the other assets in the CGU on a pro rata basis.

An impairment loss in respect of goodwill is not reversed. For other assets, an impairment loss is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined (net of depreciation or amortization) if no impairment loss had been recognized in previous years.

3-15 Finance leasing

The accrued rental value due from finance lease contracts in addition to what the Group bears for maintenance and repairing expenses of leased assets; are charged to the consolidated statement of Income each financial year. If the Group at the end of the contract decided to exercise the purchase option of the leased asset, this asset will be recorded as a fixed asset by the value of using the purchase option which is agreed upon in the contract. This asset will be depreciated based on its useful life according to the Group's fixed asset depreciation policy for similar assets.

3-16 Provisions

Provisions are determined by discounting the expected future cash flows at a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the liability. The unwinding of the discount is recognized as finance cost.

3-17 Loans and bank facilities

Interest-bearing borrowings are recognized initially at fair value less attributable transaction costs.

Subsequent to initial recognition, interest-bearing borrowings are stated at amortized cost with any difference between cost and redemption value being recognized in the consolidated income statement over the period of the borrowings on an effective interest basis.

3-18 Trade payables and other credit balances

Trade payables and other credit balances are initially recorded at fair value and subsequently at amortized cost after deduction of transactions cost.

3-19 Share capital

a) Ordinary shares

Incremental costs directly attributable to the issue of ordinary shares are recognized as a deduction from equity. Income tax relating to transaction costs of an equity transaction are accounted for in accordance with EAS 24 "Income Tax".

b) Repurchase and reissue of ordinary share

When shares recognized as equity are repurchased, the amount of the consideration paid, which includes directly attributable costs is recognized as a deduction from equity. Repurchased shares are classified as treasury shares and are presented in the treasury share reserve. When treasury shares are sold or reissued subsequently, the amount received is recognized as an increase in equity and the resulting surplus or deficit on the transaction is presented within share premium.

c) Dividends

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

3-20 Equity settled share – based payments

The grant-date fair value of equity-settled share-based payment arrangements granted to employees is generally recognized as an expense, with a corresponding increase in equity, over the vesting period of the awards. The amount recognized as an expense is adjusted to reflect the number of awards for which the related service and non-market performance conditions are expected to be met, such that the amount ultimately recognized is based on the number of awards that meet the related service and non-market performance conditions at the vesting date.

For share-based payment awards with non-vesting conditions, the grant-date fair value of the share-based payment is measured to reflect such conditions and there is no true-up for differences between expected and actual outcomes.

3-21 Revenue

Revenue is measured at the fair value of the consideration received or receivable and is recognized when it is probable that the future economic benefits will flow to the entity and the amount of the revenue can be measured reliably. No revenue is recognized if there are uncertainties regarding the recovery of that consideration due or associated costs.

Sale of goods revenues

Revenue is recognized when the significant risks and rewards of ownership have been transferred to the buyer, recovery of the consideration is probable, the associated costs and possible return of goods can be estimated reliably, there is no continuing management involvement with the goods, and the amount of revenue can be measured reliably. For export sales, transfer of risks and rewards of the goods sold occurs according to the shipping terms.

Service revenues

Service revenue is recognized when the service is rendered to customers. No revenue is recognized if there is uncertainty for the consideration or its associated costs.

Revenues & costs of construction contracts

Revenue from construction contracts is recognized in the income statement according to the percentage of completion through calculating what is actually accomplished from the clauses of the contract.

The contract costs are measured through calculating what is spent from the clauses of contract for the stage in which the revenue is recognized. The contract costs include all direct costs from materials, labor, subcontractors and overheads related to the execution of contract clauses like indirect labor and maintenance expenses as it also includes the general and administrative expenses spent directly on the contracting works.

The provision for estimated losses according to the construction contracts in progress is formed

- if any- in the financial period during which those losses are assessed.

Natural gas distribution revenues

Revenue is recognized when gas is converted to the clients

Natural gas sales commission

Network operating commissions and gas distribution are recognized according to the amounts distributed to clients & the agreed upon prices and in some areas, commission are recognized according to the actual commission or the minimum – take commission whichever is longer.

Sale of electricity

Revenue is recognized upon issuance of customers' electricity consumption invoices.

Insurance activity revenue

Revenues from long-term insurance policies are fully recognized in the consolidated statement of profit or after excluding a percentage of 100% of the premiums value belonging to the following financial years after deducting the percentage of such years

from the production commission with a percentage that must not exceed 20% of the premium value.

Revenues related to the incoming reinsurance agreements, whose accounts have not completed a whole insurance year yet, shall be deferred in addition to other extraordinary or discretionary cases in which certain deferred accounts are not completed for the years subsequent to the financial position year. Such revenues are recorded under the liabilities in the statement of financial position till the completion of the insurance year of such accounts.

Net income from investments - insurance sector

Net income from investment is allocated as follows:

- Return on investment of funds designated for the rights of policyholders shall be recorded in the consolidated statement of profit or loss of each insurance branch, (properties branches - individuals) at the percentage of average technical provisions for each insurance branch to total technical provisions, during the financial year.
- The return on free fund investments shall be recorded in the statements of income,

Rental income

Rental income is recognized on a straight-line basis over the lease term.

Gain on sale of investments

Gain on sale of financial investments is recognized upon receipt of the transfer of ownership to the buyer on the basis of the difference between the selling price and its carrying amount at the date of disposal.

Interest income and Dividends

Interest income or expense is recognized according to accrual basis of accounting and using the effective interest method. Dividend income is recognized in profit or loss on the date on which the Group's right to receive payment is established.

3-22 Expenses

a) Lease payments

Payments under leases are recognized in the consolidated income statement on a straight-line basis over the terms of the lease.

b) Employees' pension

The Group contributes to the government social insurance system for the benefit of its personnel in accordance with the social insurance law. Under this law, the employees and the employers contribute into the system on a fixed percentage-of-salaries basis. The Group's liability is confined to the amount of its contribution. Contributions are charged to the consolidated income statement using the accrual basis of accounting. Some Companies within the Group contribute to the Group Insurance plan for the benefit of their employees at an insurance Company. According to this plan, employees are granted end of service benefit on retirement, death and full disability during the service period. End of service benefits are repayable by the insurance company. The Companies contribution is confined to the annual insurance premiums. The Group contributions are charged to the consolidated income statement as they are incurred according to accrual basis of accounting.

c) Income tax

Income tax expense comprises current and deferred tax. It is recognized in profit or loss except to the extent that it relates to a business combination, or items recognized directly in equity or in OCI.

Current tax

Current tax comprises the expected tax payable or receivable on the taxable income or loss for the period and any adjustment to the tax payable or receivable in respect of previous periods. The amount of current tax payable or receivable is the best estimate of the tax amount expected to be paid or received that reflects uncertainty related to income taxes, if any. It is measured using tax rates enacted or substantively enacted at the reporting date. Current tax also includes any tax arising from dividends.

Current tax assets and liabilities are offset only if certain criteria are met.

Deferred tax

Deferred tax is recognized in respect of temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. Deferred tax is not recognized for:

- taxable temporary differences arising on the initial recognition of goodwill
- temporary differences on the initial recognition of assets or liabilities in a transaction that:
 - 1) is not a business combination
 - 2) Neither affects accounting nor taxable profit or loss.
- temporary differences related to investments in subsidiaries, associates and joint arrangements to the extent that the Group is able to control the timing of the reversal of the temporary differences and it is probable that they will not reverse in the foreseeable future

Deferred tax assets are recognized for unused tax losses, unused tax credits and deductible temporary differences to the extent that it is probable that future taxable profits will be available against which they can be used. Future taxable profits are determined based on business plans for individual subsidiaries in the Group. Deferred tax assets are reviewed at each reporting date and are reduced to the extent that it is no longer probable that the related tax benefit will be realized; such reductions are reversed when the probability of future taxable profits improves.

Unrecognized deferred tax assets are reassessed at each reporting date and recognized to the extent that it has become probable that future taxable profits will be available against which they can be used.

Deferred tax is measured at the tax rates that are expected to be applied to temporary differences when they reverse, using tax rates enacted or substantively enacted at the reporting date.

The measurement of deferred tax reflects the tax consequences that would follow from the manner in which the Group expects, at the reporting date, to recover or settle the carrying amount of its assets and liabilities. For this purpose, the carrying amount of investment property measured at fair value is presumed to be recovered through sale, and the Group has not rebutted this presumption.

Deferred tax assets and liabilities are offset only if certain criteria are met.

d) General Authority for Investments fees

Companies established under the provisions of the Investment law and according to the Free Zones System are not subject to income tax. However, according to the Investment law, 2% of the total revenues of these companies are due to General Authority for Investments. The said fees are calculated and charged to the consolidated income statement according to the accrual basis of accounting.

3-23 Discontinued operations

A discontinued operation is a component of the Group's business, the operations and cash flows of which can be clearly distinguished from the rest of the Group.

When an operation is classified as a discontinued operation, the comparative consolidated income statement and statement of comprehensive income is re-presented as if the operation had been discontinued from the start of the comparative period.

3-24 Earning per share

Earning per share is calculated by dividing the profit or loss attributable to ordinary shareholders of the Company by the weighted average number of ordinary shares outstanding during the period.

3-25 Accounts Receivable from insurances

Accounts receivable from insurances are recorded either in the form of premium under collection or current accounts belonging to the insured persons at amortized cost represented in the carrying amount of such accounts less the accumulated impairment losses.

Debts are written off as a deducted amount charged to the accumulated impairment losses of the accounts receivable from insurance, while adding cash receipts from debts previously written off thereto

3-26 Insurance and reinsurance companies (Debit balances)

The accounts of the insurance and reinsurance companies are recorded at the amortized cost represented in the carrying amount of such accounts less accumulated impairment losses.

Debts are written off as a deducted amount charged to the accumulated impairment losses of the insurance and reinsurance companies, while adding cash receipts from debts previously written off thereto

3-27 Technical provisions for Insurance on individuals and fund formation

a) Mathematical reserve

The mathematical reserve of each of the insurance on individuals and the formation of funds are formed at the date of each financial position by the actuary in accordance with the technical basics provided by the Board of Directors of the Egyptian Financial Supervisory Authority (EFSA), in addition to the share of each policy in the increase (decrease) in the capital value of insurance premiums invested in the investment portfolios in favor of the policyholders.

b) Provision for outstanding claims

This provision is formed by the amount of claims related to casualties reported before the year end and still valid at the date of the financial position.

3-28 Technical provisions for properties and liabilities insurances

a) Provision for unearned premium

A provision for unearned premium is formed to meet the Company's liabilities resulting from insurances issued before the end of the financial year and still valid thereafter.

The unearned provision is equal to the sum of multiplying net premiums of the branch whose loss rate exceeds $(100\%) \times 50\%$ of the actual loss rate for the year presented pertaining to all branches except for transportation branches, where this percentage equals 25%. The application of this rule is limited to annual premiums while excluding the long-term ones, taking into consideration that the provision, after the recalculation, shall not exceed the net premiums of the branches after revaluating and deducting the non-recurring significant accidents for which the Company prepares a statement to be approved by the Egyptian Financial Supervisory Authority (EFSA).

This rule applies to all branches carrying out properties and liabilities insurances, except for obligatory motor insurance branch.

b) Provisions for outstanding claims

A provision for outstanding claims is separately formed for each insurance branch to cover the claims incurred from accidents reported before the financial year-end and still exist at the financial position date, as well as the accidents that-might have occurred and not reported till the financial position date.

c) Provisions for retrograded fluctuations

A provision for retrograded fluctuations is formed to cover any contingent losses especially as a result of losses that may arise from natural hazards and risks of riots and vandalism in accordance with the rules stipulated in the executive regulations of Law No. 10 for the year 1981.

3-29 Credit balances of insurance and reinsurance companies

The credit balances of insurance and reinsurance companies are recognized at fair value. These balances are represented in the current accounts balances of insurance and reinsurance companies, credit balances of reinsurance agreements and retained provisions from reinsurers at the date of the financial statements.

3-30 Allocation of general and administrative expenses - insurance activity

Direct general and administrative expenses including salaries, wages and other direct expenses of insurance branches are charged to the accounts of revenues and expenses of the general insurance branches. While indirect expenses are distributed at the percentage of 90% as indirect general and administrative expenses and 10% as indirect investment expenses. Then the 90% is distributed one third of these expenses by direct wages and two third of these expenses are distributed by direct premiums after excluding 50% of the indirect expenses of the company's branches and charging them to production costs.

3-31 Production costs - insurance activity

The indirect production costs shall be distributed at the percentage of the due and paid commissions and allowance of each branch of the insurance branches after adding 50% of the indirect expenses of the company's branches and charging them to the production costs.

4- Insurance activity risks

Regulatory framework of the Risk Management Department

The objective of the Company's Risk Management Department and Financial Management Department is to protect the Company's shareholders from events that impede the achievement of financial performance objectives, including

failure to take advantage of opportunities. Risk Management Department also works on protecting the rights of policyholders by ensuring that all commitments towards policyholders are met in accordance with the methods in practice. Top management recognizes the necessity to have effective and efficient risk management systems.

Insurance risk

The risk of insurance contracts are represented in the possibility of the occurrence of the insured event resulting in a financial claim as indicated in the insurance contracts; bearing in mind that such risks are random and unpredictable. The risks facing the Company is the occurrence of the insured risk and the volume of the recorded claim.

The Company carries out insurance activities for individuals - insurance on liabilities and properties in all various branches.

- All forms of insurance for individuals. Temporary life insurance.
- Life insurance with profit sharing.

In addition to the abovementioned, there are additional insurance coverage to be added to each type in return for an additional premium at the request of the client.

Technical bases used in estimating the mathematical reserve

First: Used Life Table

Life and death rates of table A 49/52 ULT, taking into account using the premiums calculated on the basis of the life table A 67/70 ULT for the contracts that the Authority stipulated when approving them, while the remaining bases used in pricing shall remain constant.

Partial disability and permanent total disability: reinsurance rates.

Second: Used Interest Rates

Collective Contracts

Vary depending on the benefits of each collective contract, however, the interest rate does not exceed 8% according to the instructions of the Authority.

Individual Contracts

An interest rate of 4.25% is used for all individual insurance policies except the "Aman al-Tool" pension insurance policy, a 6% interest rate is used, and that represents the same rates used to calculate the present value of the profits in case of insurance policies with profit sharing.

The assumptions related to the insurance policies issued in foreign currencies.

Maximum rates allowed to be used are 3%.

Third: Methods used to calculate reserves

Forward-looking method is used in the endowment life insurance and temporary contracts while the unearned premium method is used for the temporary contracts whose term is less than five years.

For the policies related to investment units, the reserve value is calculated as follows:

For the portion of protection: total annual net risk premiums based on life table A 49/52 ULT.

For the portion of investment: total investment balances with respect to the customers up to the date of valuation.

Fourth: Assumptions regarding wage scale

The client will provides us with the percentage of the increase in wages and we calculate the reserve in this case using the interest rate that is equivalent to the difference between the percentage of the increase required by the customer and the annual interest rate; taking into consideration the maximum authorized interest rate according to the instructions of the Authority.

Fifth: Amounts charged to administrative expenses

As for individual operations: according to the specifications of each policy approved by the Authority.

As for collective transactions: the amounts charged with respect to the administrative expenses of each collective contract shall be sent prior to issuance and shall be approved by the Authority. These rates are to be taken into account when estimating the reserve of collective contracts.

The main risks the Company faces are as follows:

- Mortality rates risk - risk of loss due to the discrepancy between the mortality rates of the policyholders and the expected rates.
- Risk of morbidity rates - risk of loss due to the discrepancy between morbidity rates among policyholders and the expected rates.
- Age risk the risk of loss due to the age of the pensioner as he may live for a longer period than what was expected.
- Return on investment risk - risk of loss due to discrepancy between the actual expenses and the expected rates.
- Risk of decisions taken by the policyholder - risk of loss due to the different behavior of policyholders (cancellation and liquidation rates) than what was expected.

Regarding the property and liability insurance, the Company practices activities that encompass various insurance branches (fire, marine, automotive , engineering, petroleum, medical treatment, hazards ...), and studies the inherent risks that include the risk of recurrence or concentration in the insurance claims of large amounts of compensation as well as the geographical concentration within each insurance branch on a case by case basis while taking into account the relative volume of the branch's operations in proportion with the total activity of the Company and trying to maintain a balance with respect to the Company's subscription portfolio.

In order to reduce the insurance risk, the Company lays down the subscription and retention policies and the limits of the powers and authorities in addition to the subscription powers that determine the authorized and responsible persons for the completion of the execution of the insurance and reinsurance contracts.

The implementation of these instructions are periodically reviewed and the developments that take place in the market are followed up accurately and the necessary measures are taken to reflect them in the subscription instructions if required.

The Company also uses reinsurance to manage insurance risk by entering into proportional and non-proportional agreements with third parties for reinsurance purposes.

Reinsurance activity risks

As customarily applied in the other insurance companies and in order to limit the risk of encountering loss arising from insurance claims of large amounts, the Company engage into reinsurance agreements with other parties. These reinsurance contracts allow greater diversification in the business field and enable management to monitor the possibility of encountering loss due to significant risks and provide additional growth potential. However, this procedure does not relieve the Company of its obligations towards its insured parties, and the Company shall remain liable to its policyholders for the reinsured part of the compensation under settlement in case the reinsurers fail to comply with their obligations under the reinsurance contract and therefore the credit risk shall remain with respect to reinsurance -to the extent that any reinsurer is unable to settle his obligations.

To limit the probability of being exposed to huge losses as a result of the default of re-insurances. The Company evaluates the credit worthiness of its reinsurers in addition monitoring the concentration of the credit risks, both on a periodic basis.

The Company re-insure only those parties with good credit ratings. As their credit ratings are reviewed on a periodical basis.

5- Financial risk management

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

- Credit risk
- Liquidity risk
- Market risk.

This note presents information about the Group's exposure to each of the above risks, the Group's objectives, policies and processes for measuring and managing risk, and the Parent Company's management of capital. Further quantitative disclosures are included throughout these consolidated financial statements.

The Board of Directors of the Parent Company has overall responsibility for the establishment and oversight of the Group's risk management framework. The Board also is responsible for identifying and analyzing the risks faced by the Group, to set appropriate risk limits and controls, and to monitor risks and adherence to limits.

The Group management aims to develop a disciplined and constructive control environment in which all employees understand their roles and obligations.

The Board of Directors of the Parent Company is assisted in its oversight role by the Audit Committee and Internal Audit. Internal Audit undertakes both regular and suddenly reviews of risk management controls and procedures, the result of which are reported to the Board of Directors.

Credit risk

Credit risk is the risk of financial loss to the Group if a customer or counterparty to a financial instrument fails to meet its contractual obligations, and arises principally from the Group's trade and other receivables.

Trade and other receivables

The Group's exposure to credit risk is influenced mainly by the individual characteristics of each customer. The demographics of the Group's customer base including the default risk of the industry has less an influence on credit risk.

The Group Management has established credit policies under which each new customer is analyzed individually for credit worthiness before the Group's standard payment and delivery terms and conditions are offered. Customers that fail to meet the Group's benchmark credit worthiness may transact with the Group only on a prepayment basis. No previous impairment loss was resulted from transactions with trade receivables.

The Group establishes an allowance for impairment that represents its estimate of incurred losses in respect of trade and other receivables based on historical data of transactions with them.

Investments

The Group limits its exposure to credit risk by only investing in active and liquid securities. Management does not expect any counterparty to fail to meet its obligations.

Guarantees

The Group's policy is to provide financial guarantees only to wholly-owned subsidiaries.

Liquidity risk

Liquidity risk is the risk that the Group will not be able to meet its financial obligations as they fall due.

The Group's approach to managing liquidity is to ensure, as far as possible, that it will always have sufficient liquidity to meet its liabilities when due, under both normal and stressed conditions, without incurring unacceptable losses or risking damage to the Group's reputation. Typically the Group ensures that it has sufficient cash on demand to meet expected operational expenses for an appropriate period including the servicing of financial obligations, this excludes the potential impact of extreme circumstances that cannot reasonably be predicted, such as natural disasters.

Market risk

Market risk is the risk that changes in market prices, such as foreign exchange rates, interest rates and equity prices will affect the Group's income or the value of its holdings of financial instruments.

The objective of market risk management is to manage and control market risk exposures within acceptable parameters, while optimizing the return.

Currency risk

The Group is exposed to currency risk on borrowings that are denominated in a currency other than the respective functional currencies of Group entities, primarily the Egyptian Pound.

Interest on borrowings is denominated in currencies that match the cash flows generated by the underlying operations of the Group. This provides an economic hedge and no derivatives are entered into.

The Company's investments in other subsidiaries are not hedged as those currency positions are considered to be long-term in nature.

Interest rate risk

The Group adopts a policy of ensuring that the exposure to changes in interest rates on borrowings is on fixed rate basis. The Company does not enter into interest rate swap.

Other market prices risk

Equity price risk arises from available for sale equity securities and management of the Group monitors the equity securities in its investment portfolio based on market indicates.

Material investments within the portfolio are managed on an individual basis and all buy and sell decisions are approved by the Board of Directors of the Parent Company.

The primary goal of the Group's investment strategy is to maximize investment returns. Management is assisted by external advisors in this regard.

In accordance with this strategy certain investments are designated as held for trading investments because their performance is actively monitored and they are managed on a fair value basis.

Capital management

The Group policy is to maintain a strong capital base so as to maintain investors, creditors and market confidence and to sustain future development of the business.

The Board of Directors of the Parent Company monitors the return on capital, which the Company defines as net profit for the period divided by total shareholders' equity, the Board of Directors also monitors the level of dividends to shareholders.

The Board of the Parent Company seeks to maintain a balance between the higher returns that might be possible with higher levels of borrowings and the advantages and security afforded by a sound capital position.

There were no changes in the Group's approach to capital management during the period; the Parent Company is not subject to externally imposed capital requirements

6- New Issues and Amendments issued to the Egyptian Accounting Standards (EAS's) and have not been adopted yet

On March 18, 2019, the Minister of Investment and International Cooperation introduced amendments to some provisions of the Egyptian Accounting Standards issued thereby by virtue of Decree No. 110 of 2015 , which include some new accounting standards as well as introducing amendments to certain existing standards. The most prominent amendments are as follows:

Egypt Kuwait Holding Co. (An Egyptian Joint Stock Company)

Translated

Notes to the consolidated financial statements (Cont.)

For the financial period ended at June 30, 2019

All amounts are in US Dollars if otherwise isn't mentioned

New or Amended Standards	A Summary of the Most Significant Amendments	The Possible Impact on the Financial Statements	Date of Implementation
1- The new Egyptian Accounting Standard No. (47) "Financial Instruments"	<p>1- The new Egyptian Accounting Standard No. (47), "Financial Instruments", supersedes the corresponding related issues included in the Egyptian Accounting Standard No. (26), "Financial Instruments: Recognition and Measurement". Accordingly, Egyptian Accounting Standard No. 26 was amended and reissued after cancelling the paragraphs pertaining to the issues addressed in the new Standard No. (47) and the scope of the amended Standard No. (26) was specified and intended to deal only with limited cases of Hedge Accounting according to the choice of the enterprise.</p> <p>2- Pursuant to the requirements of the Standard, financial assets are classified based on their subsequent measurement whether at amortized cost, or fair value through other comprehensive income or at fair value through profit or loss, in accordance with the enterprise business model for managing financial assets and the contractual cash flow characteristics of the financial asset.</p> <p>3- When measuring the impairment of financial assets the Incurred Loss Model is replaced by the Expected Credit Loss (ECL) Models, which requires measuring the impairment of all financial assets measured at amortized cost and financial</p>	The Management is currently assessing the potential impact of implementing the amendment of the standard on the financial statements.	This standard applies to financial periods beginning on or after January1st, 2020, and the early implementation thereof is permitted; provided that the amended Egyptian Accounting Standards Nos.(1), (25), (26) and (40) are to be simultaneously applied.

Egypt Kuwait Holding Co. (An Egyptian Joint Stock Company)

Translated

Notes to the consolidated financial statements (Cont.)

For the financial period ended at June 30, 2019

All amounts are in US Dollars if otherwise isn't mentioned

New or Amended Standards	A Summary of the Most Significant Amendments	The Possible Impact on the Financial Statements	Date of Implementation
	<p>instruments measured at fair value through other comprehensive income from their initial recognition date regardless whether there is any indication of the occurrence of loss event.</p> <p>4- based on the requirements of this standard the following standards were amended :</p> <ul style="list-style-type: none"> -Egyptian Accounting Standard No. (1) "Presentation of Financial Statements" as amended in 2019] -Egyptian Accounting Standard No. (4) - "Statement of Cash Flows". -Egyptian Accounting Standard No. (25) - "Financial Instruments: Presentation. -Egyptian Accounting Standard No. (26) - "Financial Instruments: Recognition and Measurement". - Egyptian Accounting Standard - EAS No. (40) - "Financial Instruments: Disclosures " 		-These ammendments are effective as of the date of implementing Standard No. (47)]
<p>The new Egyptian Accounting Standard No. (48)</p> <p>- "Revenue from Contracts with Customers"</p>	<p>1.The new Egyptian Accounting Standard No. (48) - "Revenue from Contracts with Customers" shall supersede the following standards and accordingly such standards shall be deemed null and void:</p> <p>a-Egyptian Accounting Standard No. (8) - "Construction Contracts" as amended in 2015.</p> <p>b-Egyptian Accounting Standard No. (11) – "Revenue" as amended in 2015.</p> <p>2.For revenue recognition, Control Model is used instead of Risk and Rewards Model.</p>	<p>The Management is currently assessing the potential impact of implementing the amendment of the standard on the financial statements</p>	<p>Standard No(48) applies to financial periods beginning on or after January1st, 2020, and the early</p>

Egypt Kuwait Holding Co. (An Egyptian Joint Stock Company)
Notes to the consolidated financial statements (Cont.)
For the financial period ended at June 30, 2019
All amounts are in US Dollars if otherwise isn't mentioned

Translated

New or Amended Standards	A Summary of the Most Significant Amendments	The Possible Impact on the Financial Statements	Date of Implementation
	<p>3. incremental costs of obtaining a contract with a customer are recognized as an asset if the enterprise expects to recover those costs and the costs of fulfilling the contract are to be recognized as an asset when certain conditions are met</p> <p>4. the standard requires that contract must have a commercial substance in order for revenue to be recognized</p> <p>5. Expanding in the presentation and disclosure requirements</p>		
The new Egyptian Accounting Standard No. (49) "Lease Contracts"	<p>1- The new Egyptian Accounting Standard No. (49) "Lease Contracts" shall supersede and revoke Standard No. (20), "Accounting Rules and Standards related to Financial Leasing" issued in 2015</p> <p>2- The Standard introduces a single accounting model for the lessor and the lessee where the lessee recognizes the usufruct of the leased asset as part of the company's assets and recognizes a liability that represents the present value of the unpaid lease payments under the company's liabilities, taking into account that the lease contracts are not classified in respect of the lessee as operating or finance lease contracts.</p> <p>3- As for the lessor, he shall classify each lease contract either as an operating lease or a finance lease contract.</p> <p>4- As for the finance lease, the lessor must recognize the assets</p>	<p>The Management is currently assessing the potential impact of implementing the amendment of the standard on the financial statements.</p>	<p>This standard No. (49) applies to financial periods beginning on or after January 1st, 2020, and the early implementation thereof is permitted if Egyptian Accounting Standard No. (48) "Revenue from Contracts with Customers" is simultaneously applied. Except for the above-mentioned date of enforcement, Standard No. (49) applies to lease contracts that were subjected to Finance Lease Law No. 95 of 1995 and its amendments and were treated according to Egyptian Accounting Standard No. 20, "Accounting rules and standards related to financial leasing" as well as the finance lease</p>

Egypt Kuwait Holding Co. (An Egyptian Joint Stock Company)
Notes to the consolidated financial statements (Cont.)
For the financial period ended at June 30, 2019
All amounts are in US Dollars if otherwise isn't mentioned

Translated

New or Amended Standards	A Summary of the Most Significant Amendments	The Possible Impact on the Financial Statements	Date of Implementation
	<p>held under a finance lease contract in the Statement of Financial Position and present them as amounts receivable with an amount equivalent to the amount of the net investment in the lease contract.</p> <p>5- As for operating leases, the lessor must recognize the lease payments of operating lease contracts as income either based on the straight-line method or based on any other regular basis.</p>		<p>contracts that arise under and are subjected to Law No. 176 of 2018 to the effect of regulating both financial leasing and factoring activities starting from the beginning of the annual reporting period in which Law No. (95) of 1995 was revoked and Law No. (176) of 2018 was issued.</p>
Egyptian Accounting Standard No. (38) as ammended " Employees Benefits "	<p>A number of paragraphs were introduced and amended in order to amend the Accounting Rules of Settlements and Curtailments of Benefit Plans</p>	<p>The Management is currently assessing the potential impact of implementing the amendment of the standard on the financial statements.</p>	<p>This standard No. (38) applies to financial periods beginning on or after January 1st, 2020, and the early implementation thereof is permitted.</p>
Egyptian Accounting Standard No. (42) as ammended " Consolidated Financial Statements "	<p>Some paragraphs related to the exclusion of the Investment Entities from the consolidation process were added . This amendment has resulted in introducing an amendment to some of the standards related to the subject of the Investment Entities. The standards that were ammended are as follows:</p> <ul style="list-style-type: none"> - (ESA 15) Related Party Disclosures - (ESA 17) Consolidated and Separate Financial Statements - (ESA 18) Investments in Associates - (ESA 24) Income Taxes - (ESA 29) Business Combinations - ESA(30) Periodical Financial Statements 	<p>The Management is currently assessing the potential impact of implementing the amendment of the standard on the financial statements.</p>	<p>This standard applies to financial periods beginning on or after January 1st, 2020, and the early implementation thereof is permitted.</p> <p>-The new or amended Paragraphs pertaining to the amended standards concerning the investment entities shall apply on the effective date of Egyptian Accounting Standard No. (42) "Consolidated Financial Statements", as amended and issued in 2019</p>

Egypt Kuwait Holding Co. (An Egyptian Joint Stock Company)
Notes to the consolidated financial statements (Cont.)
For the financial period ended at June 30, 2019
All amounts are in US Dollars if otherwise isn't mentioned

Translated

New or Amended Standards	A Summary of the Most Significant Amendments	The Possible Impact on the Financial Statements	Date of Implementation
	- EAS (44) Disclosure of Interests in Other Entities.		
Issuance of Egyptian Accounting Interpretation No.(1)"Public Service Privileges Arrangements" ...	This interpretation provides guidance on the accounting by operators of public service privileges arrangements from a public entity to a private entity for the construction, operation and maintenance of the infrastructure for public utilities such as roads, bridges, tunnels, hospitals, airports, water supply facilities, power supplies and communications networks. ..., etc This interpretation gives the option of continuing to apply the prior treatment of public service privileges arrangements that prevailed prior to January 1st, 2019 on entities that used to recognize and measure the assets of these arrangements as fixed assets in accordance with Egyptian Accounting Standard No. 10 "Fixed Assets and Depreciation" until their useful lives are expired .	The Management is currently assessing the potential impact of implementing the amendment of the standard on the financial statements	Interpretation No.(1) applies to financial periods beginning on or after January 1st, 2019,
Egyptian Accounting Standard No. (22) as amended " Earnings per Share	The scope of implementation of the Standard was amended to be applied to the separate, or consolidated financial statements issued to all enterprises.	There is no impact of implementing the amendment of the standard on the financial statements	This amendment is introduced and shall apply to financial periods beginning on or after January 1st, 2019.
Egyptian Accounting Standard No. (34) as amended " Real Estate Investment	The Fair Value Model option for all enterprises is no longer used when the subsequent measurement of their real estate investments is made and compliance shall apply only to the Cost Model. while only real estate investment funds are obliged to use the Fair Value Model, upon the subsequent	The Management is currently assessing the potential impact of implementing the amendment of the standard on the financial statements	This amendment is introduced and shall apply to financial periods beginning on or after January 1st, 2019.

Egypt Kuwait Holding Co. (An Egyptian Joint Stock Company)
Notes to the consolidated financial statements (Cont.)
For the financial period ended at June 30, 2019
All amounts are in US Dollars if otherwise isn't mentioned

Translated

New or Amended Standards	A Summary of the Most Significant Amendments	The Possible Impact on the Financial Statements	Date of Implementation
Egyptian Accounting Standard No. (4) as ammended " Statemnet of Cash Flows"	<p>measurement of all their real estate assets.</p> <p>Based on this amendment, the following standards were ammended:</p> <p>Egyptian Accounting Standard No. (32) Non-current Assets Held for Sale and Discontinued Operation</p> <p>Egyptian Accounting Standard No. (31) Impairment of Assets</p> <p>This standard requires the entity to provide disclosures that enable users of the financial statements to assess changes in liabilities arising from finance activities, including both changes arising from cash flows or non-cash flows .</p>	<p>There is no impact of implementing the amendment of the standard on the financial statements</p>	<p>This amendment is introduced and shall apply to financial periods beginning on or after January 1st, 2019.</p>

7- Segment reporting

Segment information is presented in respect of the Group's business and geographical segments. The primary format of business segments is based on the Group management and internal reporting structure.

Segment results, assets and liabilities include items directly attributable to a segment as well as those that can be allocated on a reasonable basis.

Segment capital expenditure is the total cost incurred during the period to acquire property, plant and equipment and intangible assets other than goodwill.

Business segments

The Group comprises the following main business segments:

- Oil & gas sector.
- Fertilizers & chemicals sector.
- Other operations.

Other operations include the communications, geographical maps, agencies, and cooling technology by natural gas activity, insurance activity and investment activity.

Geographical segments

Segment revenue is based on the geographical location of customers. Segment assets are based on the geographical location of the assets

Egypt Kuwait Holding Co. (An Egyptian Joint Stock Company)
Notes to the consolidated financial statements (Cont.) for the financial period ended at June 30, 2019
All numbers are in US Dollars

7- Segment reporting (Cont.)

	Oil & gas sector		Chemicals & fertilizers sector		Other operations		Total	
	2019	2018	2019	2018	2019	2018	2019	2018
Revenues	80 486 111	155 604 326	169 892 871	53 089 006	17 546 560	16 143 100	267 925 542	214 836 432
Net operating profit	31 199 741	26 584 141	39 846 407	38 421 736	14 675 824	1 156 017	85 721 972	66 161 894
Financing expenses	(668 793)	(902 213)	(260 149)	(1 213 143)	(5 271 072)	(4 235 690)	(6 200 014)	(6 351 066)
Interest income	1 036 667	607 346	3 211 643	6 286 376	6 509 599	7 430 566	10 757 909	14 324 288
Company's share of profit / (loss) of Equity - accounted investees (associates Companies)	1 845 963	-	-	-	(2 345 302)	1 351 012	(499 339)	1 351 012
Net profit before income tax	33 270 648	26 300 395	42 360 985	44 104 128	13 508 333	5 588 090	89 139 966	75 992 613
Income tax	(5 814 932)	(3 868 858)	(11 255 109)	(8 669 802)	(200 850)	(149 130)	(17 270 891)	(12 687 790)
Net profit for the period	27 455 716	21 579 519	31 105 876	36 315 800	13 307 483	5 409 504	71 869 075	63 304 823
Total assets	344 537 852	297 604 166	539 532 302	532 567 330	327 019 130	286 533 387	1 211 089 284	1 116 704 883
Equity - accounted investees (associates Companies)	5 676 021	3 830 058	-	-	13 002 314	12 389 230	18 678 335	16 219 288
Total liabilities	213 907 307	193 309 052	93 479 011	93 663 257	189 985 643	117 950 494	497 371 961	404 922 803
Depreciation & amortization	6 442 948	6 542 121	12 379 408	12 680 748	351 135	240 566	19 173 491	19 463 435

Egypt Kuwait Holding Co. (An Egyptian Joint Stock Company)
Notes to the consolidated financial statements (Cont.)
For the financial period ended at June 30, 2019
All amounts are in US Dollars if otherwise isn't mentioned

Translated

8- Equity-accounted investees (associates Companies)

	Ownership		
	%	30/6/2019	31/12/2018
<u>Investments not listed in stock exchange</u>			
Building Materials Industries Co. (S.A.E.)	38.32	32 443 263	34 175 480
TOSS Co. (Limited Liability Co.- Cayman Islands)	28.07	5 676 020	3 830 058
Egyptian Tankers Co. (S.A.E.- Free Zone)	30	17 128 175	17 128 175
		55 247 458	55 133 713
Impairment losses *		(36 569 123)	(38 914 425)
		18 678 335	16 219 288

*** The impairment loss analysis is as follow:**

	Building Materials Industries Co.	Egyptian Tankers Co.	Total
Beginning balance	21 786 250	17 128 175	38 914 425
Reversal of impairment loss during the period	(2 345 302)	-	(2 345 302)
	19 440 948	17 128 175	36 569 123

Egypt Kuwait Holding Co. (An Egyptian Joint Stock Company)

Translated

Notes to the consolidated financial statements (Cont.)

For the financial period ended at June 30, 2019

All amounts are in US Dollars if otherwise isn't mentioned

9- Available – for – sale investments

	<u>Ownership %</u>	<u>30/6/2019</u>	<u>31/12/2018</u>
<u>Investments measured at fair value</u>			
Portfolios managed by abroad investment manager	-	12 097 388	19 649 028
Local companies' securities listed in the Egyptian Stock Exchange (EGX)	-	2 712 965	3 052 045
<u>Investments measured at cost*</u>			
Inayah Egypt for Medical care Programs Management Co.	20%	59 880	55 928
United Arab Chemical Carriers Co.	1.19%	14 100 139	14 112 997
MOG Energy Co.- previously named Tri Ocean Co. **	15.27%	34 462 504	34 462 504
TOD Company	28.07%	2 807	2 807
		<u>63 435 683</u>	<u>71 335 309</u>
Impairment losses		<u>(38 802 712)</u>	<u>(38 802 712)</u>
		<u>24 632 971</u>	<u>32 532 597</u>

*Investments are not listed in the Egyptian Stock Exchange (EGX) and are recorded at cost, due to the difficulty of determining the fair value thereof in a reliable manner.

**This amount is represented in the value of direct investments in MOG Energy Co. Tri Ocean Co. previously, accordingly lost control over this Company during the year 2016. A lawsuit was filed before the court by the management of MOG Energy Co. - under No. 433 for year 2016 related to a case of misappropriation of significant funds. The first hearing of the case was set before the Southern Cairo Criminal Court on November 24, 2018 and the call has been delayed several times, most recently on September 22, 2019.

No negative impact was reflected neither on the financial statements of MOG Energy Co. nor on the consolidated financial statements or separate financial statements belonging to the Company, as in case of collecting amounts from the defendants, a positive impact shall be reflected on the financial statements of MOG Energy Co. An impairment loss was fully formed for this investment in the consolidated financial statements.

Egypt Kuwait Holding Co. (An Egyptian Joint Stock Company)**Translated****Notes to the consolidated financial statements (Cont.)****For the financial period ended at June 30, 2019****All amounts are in US Dollars if otherwise isn't mentioned****10- Financial assets at amortized cost**

	30/6/2019	31/12/2018
Portfolios (bank deposits) held at a foreign bank	87 303 060	89 326 568
Portfolios (treasury bills) held at an abroad investment manager	11 549 661	10 027 500
Investment certificates at local banks "Insurance Sector"	82 155 689	68 691 275
Governmental bonds	21 737 912	20 308 945
Treasury bills	136 718 505	70 726 776
Designated governmental bonds "Insurance Sector"	10 081 558	10 768 900
	349 546 385	269 849 964

Classified as follows:

Short-term (due within one year)	235 571 226	170 080 844
Long-term (due after one year)	113 975 159	99 769 120

Egypti Kwait Holding Co. (An Egyptian Joint Stock Company)

Notes to the consolidated financial statements (Cont.) for the financial period ended at June 30, 2019

All amounts are in US Dollars

Continued

11. Equipment, plant and equipment and projects under construction

	Land	Buildings A construction	Vehicles A transportation	Furniture A office equipment	Machinery A equipment	Tools & supplies	Stationary generators & electric transformers	Computer, software & accessories	Leasehold improvements	Projects under construction	Total
(net as at 1/1/2018)	17 180 026	52 901 621	9 914 644	6 701 415	400 782 419	2 291 333	36 675 643	4 049 887	1 109 170	25 154 067	536 838 275
Additions	1 930 310	257 183	1 230 703	495 814	3 804 760	66 682	23 063 732	1 037 743	5 150	-	33 683 697
Change in projects under construction	-	-	-	-	-	-	-	-	-	(13 967 074)	(13 967 074)
Assets acquired through business combination	8 728 977	2 484 542	1 020 673	826 548	1 582 460	-	106 537	1 877 428	129 783	-	16 316 999
Disposals	-	(117 470)	(216 340)	(29 916)	-	(20 793)	-	(8 913)	(22 000)	-	(418 636)
Cost as at 31/12/2018	27 839 333	55 525 876	10 949 480	7 993 881	406 664 643	2 337 242	61 845 932	6 546 145	1 232 185	21 244 993	602 729 630
Cost as at 1/1/2019	27 839 333	55 525 876	11 949 480	7 993 881	406 664 643	2 337 242	61 845 932	6 546 145	1 232 185	21 244 993	602 729 630
Additions	-	-	439 300	348 394	752 314	17 307	2 990 508	297 151	-	-	4 845 174
Change in projects under construction	-	-	-	-	-	-	-	-	-	28 343 282	28 343 282
Disposals	-	-	-	-	-	-	-	-	(29 966)	-	(29 966)
Cost as at 30/6/2019	27 839 333	55 525 876	12 388 780	8 333 481	406 917 157	2 354 549	64 836 440	6 843 296	1 232 139	49 588 275	635 879 346
Depreciation and impairment loss	-	20 415 120	8 727 126	5 224 915	211 471 159	1 783 017	6 756 688	3 153 041	690 483	-	237 918 547
Depreciation	-	1 868 664	433 137	295 991	17 526 284	29 464	1 761 720	535 704	37 003	-	22 487 971
Accumulated depreciation of disposals	-	(68 692)	(211 269)	(29 427)	(15 026)	(20 793)	-	(8 210)	-	-	(353 417)
Accumulated depreciation of assets acquired through business combination	-	1 189 800	929 998	627 708	713 935	-	65 637	1 072 264	-	-	4 596 342
Accumulated depreciation and impairment as at 31/12/2018	-	23 431 892	9 378 991	8 119 187	219 696 548	1 791 488	8 781 841	4 732 799	777 492	-	284 649 440
Accumulated depreciation and impairment loss as at 1/1/2019	-	23 431 892	9 378 992	8 119 187	219 696 548	1 791 488	8 781 841	4 732 799	777 492	-	284 649 440
Depreciation	-	949 274	128 734	203 247	8 938 699	18 190	949 258	367 963	18 266	-	11 774 131
Accumulated depreciation of disposals	-	-	-	(8 256)	-	-	-	-	-	-	(8 256)
Accumulated depreciation and impairment as at 30/6/2019	-	24 371 166	9 787 726	8 314 370	228 635 247	1 809 738	9 738 383	5 100 763	745 758	-	296 419 818
Net book value as at 30/6/2019	27 839 333	31 154 710	2 681 054	2 019 025	188 282 110	544 671	55 126 137	1 722 534	506 381	49 588 275	339 464 318
Effect of change in foreign exchange rates	(6 048 641)	(10 038 240)	(939 437)	(805 090)	(28 303 394)	(422 082)	(17 206 334)	(137 822)	(96 117)	1 839 576	(60 138 231)
Net book value as at June 30, 2019	21 790 692	21 096 470	1 741 617	1 213 935	160 978 716	122 589	37 919 803	1 584 712	410 264	51 427 851	279 326 087
Net book value as at 31/12/2018	27 839 333	35 103 954	2 570 489	1 874 694	176 466 293	543 554	53 084 487	1 703 346	554 415	31 244 993	318 864 187
Effect of change in foreign exchange rates	(7 095 540)	(10 448 034)	(1 002 801)	(875 552)	(27 250 962)	(427 126)	(19 632 832)	(1 064 171)	(102 198)	1 710 009	(65 231 831)
Net book value as at December 31, 2018	18 743 793	24 655 920	1 567 687	1 000 142	149 215 331	116 428	33 451 655	1 639 175	452 217	22 955 002	253 632 356

Egypt Kuwait Holding Co. (An Egyptian Joint Stock Company)

Notes to the consolidated financial statements (Cont.) for the financial period ended June 30, 2019

All numbers are in US Dollars

Translated

12- Exploration and development assets

<u>Cost</u>	<u>Producing wells</u>	<u>Equipment / field services</u>	<u>Total</u>
As of 1/1/2018	-	-	-
Assets acquired through business combination	17 828 128	6 763 380	24 591 508
Additions	17 026 120	-	17 026 120
As of 31/12/2018	<u>34 854 248</u>	<u>6 763 380</u>	<u>41 617 628</u>
As of 1/1/2019	34 854 248	6 763 380	41 617 628
Adjustments	(4 200 000)	-	(4 200 000)
As of 30/06/2019	<u>30 654 248</u>	<u>6 763 380</u>	<u>37 417 628</u>
<u>Accumulated depletion, amortization and impairment losses</u>			
As of 1/1/2018	-	-	-
Amortization	13 560 407	258 078	13 818 485
As of 31/12/2018	<u>13 560 407</u>	<u>258 078</u>	<u>13 818 485</u>
As of 1/1/2019	13 560 407	258 078	13 818 485
Amortization	4 419 756	123 252	4 543 008
As of 30/6/2019	<u>17 980 163</u>	<u>381 330</u>	<u>18 361 493</u>
Carrying amount at 31/12/2018	<u>21 293 841</u>	<u>6 505 302</u>	<u>27 799 143</u>
Carrying amount at 30/06/2019	<u>12 674 085</u>	<u>6 382 050</u>	<u>19 056 135</u>

Egypt Kuwait Holding Co. (An Egyptian Joint Stock Company)**Translated****Notes to the consolidated financial statements (Cont.)****For the financial period ended at June 30, 2019****All amounts are in US Dollars if otherwise isn't mentioned****13- Right of use assets**

This balance is represented in the value of the right of use assets of 3 electric generators purchased by the financial leasing system during year 2008 in accordance with the finance lease law No. 95 of 1995. The full value of the obligation was paid and transfer of ownership of the generators to the company. Cost and accumulated depreciation are as follows:

	<u>30/6/2019</u>	<u>31/12/2018</u>
<u>Cost</u>		
Cost at the beginning of the period	749 014	749 014
Additions	-	-
Cost at the end of the period	<u>749 014</u>	<u>749 014</u>
<u>Accumulated depreciation</u>		
Accumulated depreciation at the beginning of the period	387 331	350 300
Depreciation	19 050	37 031
Accumulated depreciation at the end of the period	<u>406 381</u>	<u>387 331</u>
Net	<u>342 633</u>	<u>361 683</u>
Effect of change in exchange rates	21 400	(3 221)
Net Book value	<u>364 033</u>	<u>358 462</u>

14- Goodwill

This balance is represented in the carrying amount of goodwill resulted from acquisition the following Companies:

	<u>30/6/2019</u>	<u>31/12/2018</u>
National Gas Co. (Natgas)	7 429 535	6 939 222
Sprea Misr for Production of Chemicals & Plastics Co.	10 479 385	9 787 792
El Fayoum Gas Co.	1 526 604	1 425 855
Alex Fertilizer Co.	34 107 324	34 107 324
Delta Insurance Co.	3 456 461	3 228 350
Shield Gas Systems Co.	5 103 083	5 103 083
	<u>62 102 392</u>	<u>60 591 626</u>

Egypt Kuwait Holding Co. (An Egyptian Joint Stock Company)

Translated

Notes to the consolidated financial statements (Cont.)

For the financial period ended at June 30, 2019

All amounts are in US Dollars if otherwise isn't mentioned

15- Intangible assets

	Net as at 1/1/2019	Amortization	Translation differences	Net as at 30/6/2019
Deferred revenue charges*	1 363 494	(223 634)	88 040	1 227 900
Right to use**	5 941 031	(2 546 156)	-	3 394 875
Other assets**	1 500 000	(64 462)	-	1 435 538
	<u>8 804 525</u>	<u>(2 834 252)</u>	<u>88 040</u>	<u>6 058 313</u>

*This item is represented in the additional actual costs related to Nubaria Electrical Station and pressure reduction station in Beheira government. Both stations will be delivered to the Egyptian Natural Gas Holding Company (EGAS) at the end of the agreement. Which will be amortized over 15 years.

** This items represents the amounts paid to others, whereby, it is expected to obtain future economic benefits to the subsidiary which will be amortized as follows:

Right to use	10 years
Other assets	8 years

16- Investments' property

	Land	Built properties	Total
Cost as at 1/1/2018	-	-	-
Cost acquired through business combination	53 690	813 564	867 254
Transferred from property, plant, & equipment	-	116 168	116 168
Cost as at 31/12/2018	<u>53 690</u>	<u>929 732</u>	<u>983 422</u>
Cost as at 1/1/2019	53 690	929 732	983 422
Additions	-	-	-
Cost as at 30/6/2019	<u>53 690</u>	<u>929 732</u>	<u>983 422</u>
Accumulated depreciation as at 1/1/2018	-	-	-
Accumulated depreciation acquired through business combination	-	281 245	281 245
Depreciation	-	11 316	11 316
Transferred from property, plant, & equipment	-	68 000	68 000
Accumulated depreciation as at 31/12/2018	<u>-</u>	<u>360 561</u>	<u>360 561</u>
Accumulated depreciation as at 1/1/2019	-	360 561	360 561
Depreciation	-	3 050	3 050
Accumulated depreciation as at 30/6/2019	<u>-</u>	<u>363 611</u>	<u>363 611</u>

Egypt Kuwait Holding Co. (An Egyptian Joint Stock Company)

Translated

Notes to the consolidated financial statements (Cont.)

For the financial period ended at June 30, 2019

All amounts are in US Dollars if otherwise isn't mentioned

	Land	Built properties	Total
Net book value at 30/6/2019	53 690	566 121	619 811
Effect of foreign exchange rate	3 312	32 969	36 281
Net book value at 30/6/2019	57 002	599 090	656 092
Net book value at 31/12/2018	53 690	569 171	622 861
Effect of foreign exchange rate	(450)	(4 701)	(5 151)
Net book value at 31/12/2018	53 240	564 470	617 710

17- Cash and Cash equivalents

	30/6/2019	31/12/2018
Cash on hand	2 028 276	827 831
Bank – current accounts	114 125 355	79 295 325
Bank – time deposits (less than three month)	62 297 798	122 814 918
Bank – time deposits (more than three month)	5 593 576	348 683
Checks under collection	5 001 576	3 657 172
	189 046 581	206 943 929

For the purpose of preparing the consolidated statement of cash flows, cash & cash equivalents account is represented as follows:

	30/6/2019	30/6/2018
Cash and Cash equivalents	189 046 581	261 180 188
Investments in treasury bills - during three months	67 567 899	5 763 632
Bank – time deposits (more than three month)	(5 593 576)	(376 297)
Banks overdraft	(641 397)	(343 957)
	250 379 507	266 223 566

18- Financial assets at fair value through profit or loss

This item is represented in the market value of the portfolios owned by the Group, which consist of Egyptian Companies' shares, governmental bonds and portfolios managed by abroad investment managers for the purpose of dealing in international stock exchanges. These investments are represented as follows:

	30/6/2019	31/12/2018
Portfolios managed by abroad investment managers	1 553 617	1 105 970
Egyptian Companies' stocks (listed in the Egyptian Stock Exchange)	434 088	483 802
Investments in Investments funds	7 981 164	1 779 467
Governmental bonds	7 229 820	8 621 644
	17 198 689	11 990 883

Egypt Kuwait Holding Co. (An Egyptian Joint Stock Company)

Translated

Notes to the consolidated financial statements (Cont.)

For the financial period ended at June 30, 2019

All amounts are in US Dollars if otherwise isn't mentioned

19- Trade & notes receivable

	30/6/2019	31/12/2018
Trade receivables	51 104 392	36 933 208
Egyptian General Petroleum Corporation*	24 759 399	29 555 824
Impairment losses of trade receivables	(1 365 061)	(2 230 672)
Notes receivable	8 373 422	9 110 113
	82 872 152	73 368 473

* Egyptian General Petroleum Corporation' balance is related to the following companies:

	30/6/2019	31/12/2018
Natgas Co.	611 442	247 278
El Fayoum Gas Co.	1 388 491	1 285 559
NSCO Co.	22 759 466	28 022 987
	24 759 399	29 555 824

20- Other current assets

	30/6/2019	31/12/2018
Tax Authority	12 248 913	10 502 337
Suppliers-advanced payments	8 253 583	9 023 166
Accrued revenue	7 749 990	4 950 955
Accounts receivables from insurance	4 322 311	3 526 150
Prepaid expenses	4 316 878	3 290 853
Deposits with others	4 915 898	4 781 584
Uncollected issued bills	5 888 093	3 474 259
Due to IPIC Co.' shareholders	3 044 448	3 044 448
Payments to employees under dividends distributions	-	771 362
Property, plant and equipment's' debtors	2 013 592	2 263 606
Insurance and reinsurance Companies	1 310 513	1 678 847
Due to building materials industries Co.	2 434 773	186 420
Imprests & employees custodies	533 427	377 776
Loans guaranteed by individuals' insurance policies	496 586	382 694
Due from related parties *	172 345 972	173 345 972
Other debit balances	5 793 186	3 313 004
Impairment losses*	(177 279 418)	(177 772 021)
	58 388 745	47 141 412

Egypt Kuwait Holding Co. (An Egyptian Joint Stock Company)**Translated****Notes to the consolidated financial statements (Cont.)****For the financial period ended at June 30, 2019****All amounts are in US Dollars if otherwise isn't mentioned**

- * This item represented in due balances from one of subsidiaries. It worth mentioning that the Company lost control over the above mentioned subsidiary during year 2016. This balance is fully impaired which is formed (Year 2018: amounted to USD 173 345 972).

21- Inventory

	30/6/2019	31/12/2018
Supplies	32 725 388	32 783 553
Spare parts and tools	17 004 985	19 793 982
Finished goods and work in process	8 460 257	8 755 057
Letters of credit & goods in transit	1 685 052	139 450
Fuel and oil	16 536 085	15 866 839
Write down of inventory	(292 554)	(291 154)
	<u>76 119 213</u>	<u>77 047 727</u>

22- Work in progress

	30/6/2019	31/12/2018
Gas sectors	2 224 759	7 125 612
Land & buildings under development	24 690 252	23 078 071
Others	132 458	103 752
	<u>27 047 469</u>	<u>30 307 435</u>

23- Share capital

- The Company's authorized capital is USD 500 million.
- The issued capital was initially determined amounted to USD 120 million (One hundred & twenty million USD) distributed over 12 million shares at a par value of USD 10 per share. The Founders and subscribers through methods other than public subscription have subscribed to 9 million shares at a value of USD 90 million (Only ninety million USD) 3 million shares at USD 30 million (Only thirty million USD) were offered for public subscription and they were fully underwritten. The issued capital was fully paid. The issued capital has been increased and the share of the Company was split several times to reach an amount of USD 243 914 564.5 distributed over 975 658 258 shares of par value of US Cent 25 each fully paid.
- On June 11, 2015, the extra-ordinary general assembly of the Company unanimously approved the increase of the issued and paid – up capital from USD 243 914 564.5 to USD 256 110 292.5 with an amount of increase of USD 12 195 728 as bonus increase distributed over 48 782 912 bonus share whose nominal value amounts to 25 Cent for the purpose of financing the incentive & bonus plan of the Company's employees and managers and executive board of directors members issued from the Egyptian Financial Supervisory Authority on 12 November 2014.
- On June 11, 2015, the ordinary general assembly of the Company unanimously approved to transfer part of the retained earnings of the Company as shown in the consolidated financial statements for the financial year ended at December 31, 2014 that were approved by the shareholder's' ordinary general assembly held on March 22, 2015 to

Egypt Kuwait Holding Co. (An Egyptian Joint Stock Company)
Notes to the consolidated financial statements (Cont.)
For the financial period ended at June 30, 2019
All amounts are in US Dollars if otherwise isn't mentioned

Translated

48 782 912 bonus shares with an amount of USD 12 195 728 for the purpose of financing the incentive & bonus plan of the Company's employees and managers and executive board of directors members, that has been approved by the Egyptian Financial Supervisory Authority on November 12, 2014. Annotation to effect such increase was made on the Company's commercial register on September 13, 2015. Accordingly, the issued capital is USD 256 110 292.5 distributed over 1 024 441 170 shares with a par value of USD 25 cent each that is fully paid.

24- Reserves

	<u>30/6/2019</u>	<u>31/12/2018</u>
Special reserve – share premium	57 954 547	57 954 547
General reserve	8 380 462	8 380 462
Fair value reserve	3 811 437	6 143 550
Foreign exchange reserves	(198 458 205)	(214 005 332)
	<u>(128 311 759)</u>	<u>(141 526 773)</u>

Legal reserve

According to the Companies' Law and the Parent Company's article of association, the Company is required to set aside 5% of the annual net profit of the holding Company to form the legal reserve. The transfer to legal reserve ceases once the reserve reach 50% of the issued share capital of the holding Company. The reserve is not distributable. However, it can be used to increase the share capital or offset losses. The holding Company is required to set aside 5% of the annual net profit until it reaches 50% of the issued share capital of the holding Company.

Special reserve – share premium

The balance is represented in the remaining amount of the share premium of the issued share capital' increase of a number of 136 363 636 shares during 2014 after deducting the amount of USD 17 045 454 credited to the legal reserve.

General reserve

General reserve item represents the amounts set aside from the holding Company's profits in previous years according to the resolutions of the General Assembly Meeting of shareholders of the holding Company. This reserve shall be used by a resolution from the General Assembly of shareholders based on a proposal from the holding Company's board of directors in matters that could be favorable to the Company's interests.

Fair value reserve

This item represents in the accumulated net change in the fair value of investments financial assets at fair value through other comprehensive income until the investment is derecognized.

Translation differences reserve

This item represents in the accumulated differences resulted in the financial statements translations for the subsidiary companies from foreign currency to USD in addition to its share in accumulated differences in associates owner equity's translations.

Egypt Kuwait Holding Co. (An Egyptian Joint Stock Company)

Translated

Notes to the consolidated financial statements (Cont.)

For the financial period ended at June 30, 2019

All amounts are in US Dollars if otherwise isn't mentioned

25- Share-based payments transactions

This balance is represented in the increase in the equity related to granting and allocating the shares of the incentives and bonus plan as mentioned in details in Note No. (45).

26- Prior period adjustments

During the period, the net profit for the year 2017 and the balance of non-controlling interests were restated by an amount of USD 664 787 and an amount of USD 20, respectively, in order to correct the retrospective accounting error during 2017 for one of the group's subsidiaries. This error resulted from unrecognized expenses for previous years that were included in prepaid expenses.

27- Treasury shares

During the period, number of treasury shares of Egypt Kuwait Holding Company related to Delta Insurance Company portfolio "one of the group subsidiaries" were sold. The number of sold treasury shares amounted to 687 269 shares, related cost amounted to USD 221 050 and the resulted profit from such transaction amounted to USD 838 147, an amount of USD 473 386 was added to retained earnings and an amount of USD 364 761 was added to non-controlling interests.

28- Non-controlling interests

The balance of non-controlling interests is represented in the share in subsidiaries' equity as follows:

	Non-controlling interests %	Non-controlling share in subsidiaries profits (losses)	Non-controlling share in equity excluding dividends	Non-controlling interests as at 30/6/2019	Non-controlling interests as at 31/12/2018
National Gas Co. "Natgas"	16.02	2 524 709	10 992 347	13 517 056	11 529 045
Globe for Communications & Information Technology Co.	1	-	5 516	5 516	5 152
Cooling Technology by Natural Gas Co.- Gas Chill	14.01	52 625	303 999	356 624	282 112
Midor for Logistic Services Co.	0.1	(2)	136	134	136
Midor Suez for Oil Refinery Co.	0.002	-	6	6	6
El Fayoum Gas Co.	22.01	345 045	1 169 588	1 514 633	1 240 331
Bawabat Al Kuwait Holding Company	45.87	12 368 623	156 885 116	169 253 739	177 059 245
Arabian Company for Fertilizers	22.30	(315)	(21 879)	(22 194)	(21 885)
El shorouk for Melamine & resins co.	8.49	34 642	145 585	180 227	391 953
NSCO Co.	0.003	214	179	393	179
Delta Insurance co.	43.52	1 534 374	15 826 440	17 360 814	14 930 927
Total		16 859 915	185 307 033	202 166 948	205 7 201

Egypt Kuwait Holding Co. (An Egyptian Joint Stock Company)
Notes to the consolidated financial statements (Cont.)
For the financial period ended at June 30, 2019
All amounts are in US Dollars if otherwise isn't mentioned

Translated

29- Loans

The Company	Loan's currency	Interest rates	Maturity date	30/6/2019	31/12/2018
<u>Egypt Kuwait Holding Company</u>					
Loan guaranteed by the pledge of the investment portfolio owned by one of the subsidiaries	USD	1.750% above Libor- 3 months	2018-2020	-	6 070 949
Loan guaranteed by a promissory note	USD	4% above Libor-3 months	2019-2020	3 600 000	5 400 000
Loan guaranteed by a promissory note	USD	4% above Libor-3 months	2019	2 000 000	4 000 000
Loan guaranteed by a promissory note	USD	5% above Libor-3 months	2018-2022	10 500 000	13 500 000
Loan guaranteed by a promissory note	EGP	1% above the corridor	2019-2021	2 994 012	3 355 705
Loan guaranteed by investment portfolio	USD	4% above Libor-3 months	2019-2022	68 001 000	-
Loan guaranteed by a promissory note	USD	2.9% above Libor-3 months	2019-2020	25 000 000	-
<u>Alex Fert Co.</u>					
Loan guaranteed by first class official trade mortgage over some production assets of the Company	USD	Variable, according to the average Libor in excess to margin	2018-2019	-	5 471 667
<u>AD Astra Co.</u>					
Loan guaranteed by the pledge of the acquired assets	Euro	From 2% to 2.75% annually above Libor	2018-2020	9 294 036	7 203 469
Total				121 389 048	45 001 790
Short-term loans				48 397 805	26 998 321
Long-term loans				72 991 243	18 003 469

Egypt Kuwait Holding Co. (An Egyptian Joint Stock Company)

Translated

Notes to the consolidated financial statements (Cont.)

For the financial period ended at June 30, 2019

All amounts are in US Dollars if otherwise isn't mentioned

30- Other long-term liabilities

	<u>30/6/2019</u>	<u>31/12/2018</u>
Notes payable	1 272 500	1 188 766
Customers advance payment	259 872	257 735
Other payable	599 723	564 993
	<u>2 132 095</u>	<u>2 011 494</u>

31- Deferred tax liabilities

	<u>30/6/2019</u>	<u>31/12/2018</u>
Property, plant and equipment & other assets	22 139 324	23 254 655
	<u>22 139 324</u>	<u>23 254 655</u>

Deferred tax assets-not recognized

The deferred tax assets for tax losses and the deductible temporary differences isn't recognized because of uncertainty for existing enough future tax profits that can benefits these assets.

32- Provisions

	<u>Balance as at 1/1/2019</u>	<u>Formed</u>	<u>Used</u>	<u>Provisions - no longer required</u>	<u>Translation differences</u>	<u>Balance as at 30/6/2019</u>
Retention provisions	221 035	52 044	(169 960)	-	5 541	108 660
Other provisions*	19 153 651	773 157	(354 473)	(244 613)	598 733	19 926 455
	<u>19 374 686</u>	<u>825 201</u>	<u>(524 433)</u>	<u>(244 613)</u>	<u>604 274</u>	<u>20 035 115</u>

* The provisions relate to expected claims from certain entities related the Company's business. The usual disclosure information about the provisions has not been disclosed in accordance with Egyptian accounting standards, as we believe that doing so will seriously affect the results of the negotiations with those entities.

33- Bank facilities

<u>company name</u>	<u>Facility' Currency</u>	<u>Interest rate</u>	<u>30/6/2019</u>	<u>31/12/2018</u>
<u>Egypt Kuwait Holding Company</u>				
Credit facility guaranteed by a promissory note	EGP & USD	1.25% annually above corridor and 5% above Libor-3 months for USD	899 870	10 006 000
Credit facility guaranteed by a promissory note	EGP & USD	0.5% annually above corridor, 3.75% above Libor generally for USD	16 373 733	18 214 850
C/F			<u>17 273 603</u>	<u>28 220 850</u>

Egypt Kuwait Holding Co. (An Egyptian Joint Stock Company)

Translated

Notes to the consolidated financial statements (Cont.)

For the financial period ended at June 30, 2019

All amounts are in US Dollars if otherwise isn't mentioned

B/F	company name	Facility' Currency	Interest rate	30/6/2019 17 273 603	31/12/2018 28 220 850
	Facility guaranteed by a promissory note signed by the holding Company and the International Financial Investments Co.	USD	0.75 % above corridor and 4.75% above Libor for 3 months for USD	-	14 180 960
	Credit facility without guarantee.	USD	2% above Libor for 3 months for USD	25 000 000	-
	<u>International Financial Investments Co.</u>				
	Credit facility guaranteed by a promissory note signed by the holding Company and International Financial Investments Co.	USD	0.75% above corridor and 4.75% above Libor for 3 months for USD	-	3 766 717
	<u>Cooling Technology by Natural Gas Co.- (Gas Chill)</u>				
	Bank overdraft guaranteed by deposits		2% over deposit interest rate	301 257	235 664
	<u>National Gas Co. (Natgas)</u>				
	Credit facility guaranteed by a promissory note	EGP	0.5% above corridor	2 856 855	4 943 492
	Credit facility guaranteed by a promissory note	EGP	0.75% above corridor	430 530	864 524
	Credit facility guaranteed by a promissory note	EGP	0.5% above corridor	932 793	1 731 847
	Credit facility guaranteed by a promissory note	EGP	0.5% above corridor	1 056 435	-
	<u>Sheild Gas Co.</u>				
	Credit facility guaranteed by deposits	AED	1.5% over deposit price	6 707	630 165
				47 858 180	54 574 219

Egypt Kuwait Holding Co. (An Egyptian Joint Stock Company)**Translated****Notes to the consolidated financial statements (Cont.)****For the financial period ended at June 30, 2019****All amounts are in US Dollars if otherwise isn't mentioned****34- Suppliers, contractors, notes payable & other creditors**

	30/6/2019	31/12/2018
Suppliers & contractors	28 550 178	33 364 485
Notes payable	1 970 782	1 677 159
Trade receivables – Advanced payments	50 684 969	50 720 897
Dividends payable	1 037 646	1 037 400
Accrued expenses	43 948 045	39 261 044
Dividends payable-non-controlling interests	7 411 766	668 246
National Egyptian Authority for Petroleum*	14 609 614	9 964 720
Deposits from others	9 495 330	8 559 654
Employees' dividends payable	3 165 842	77 693
Insurance and reinsurance Companies	4 740 313	4 817 928
Collected installments	2 351 449	2 074 424
Property, Plant & equipment creditors	790 544	1 170 803
Insured current account	836 161	476 974
Other credit balances	13 050 508	10 281 243
	182 643 147	164 152 670

***Egyptian authority for petroleum balance concerning the following companies :-**

	30/6/2019	31/12/2018
Natgas Co.	10 645 529	5 762 012
Fayoum Gas Co.	3 964 085	4 202 708
	14 609 614	9 964 720

35- Insurance policyholder rights

	30/6/2019	31/12/2018
Technical provisions for individual' insurance	60 710 806	54 777 290
Technical provisions for property and liability insurance	16 443 238	13 384 053
Policy holder rights for investments units	1 374 420	919 988
	78 528 464	69 081 331

Egypt Kuwait Holding Co. (An Egyptian Joint Stock Company)

Translated

Notes to the consolidated financial statements (Cont.)

For the financial period ended at June 30, 2019

All amounts are in US Dollars if otherwise isn't mentioned

36- Revenues

	The six-month ended 30/6/2019		The six-month ended 30/6/2018	
	From 1/4/2019	From 1/1/2019	From 1/4/2018	From 1/1/2018
	Till 30/6/2019	Till 30/6/2019	Till 30/6/2018	Till 30/6/2018
Gas supplies activity revenues	34 186 027	62 295 931	17 139 843	35 193 626
Communication & geographic maps activity revenue	-	-	24 981	92 992
Agencies activity revenue	241 155	537 930	340 845	689 699
Chemicals & plastic activity revenue	32 363 829	64 854 146	33 892 480	66 868 289
Cooling technology by natural gas activity revenue	497 962	2 571 719	356 263	521 411
Fertilizers activity revenue	50 734 195	105 038 726	43 816 610	88 736 036
Drilling and petroleum services activity	6 821 097	15 618 460	9 325 473	17 895 380
Insurance activity	8 182 161	17 008 630	7 062 758	14 838 999
	<u>133 026 426</u>	<u>267 925 542</u>	<u>111 959 253</u>	<u>224 836 432</u>

37- Cost of revenue recognition

	The six-month ended 30/6/2019		The six-month ended 30/6/2018	
	From 1/4/2019	From 1/1/2019	From 1/4/2018	From 1/1/2018
	Till 30/6/2019	Till 30/6/2019	Till 30/6/2018	Till 30/6/2018
Gas supplies activity cost	23 591 635	40 718 828	11 058 308	20 888 977
Communication & geographic maps activity cost	-	-	13 577	37 409
Agencies activity cost	198 315	430 578	178 698	358 636
Chemicals & plastic activity cost	22 147 268	44 382 395	24 497 506	47 548 622
Cooling technology by natural gas activity cost	280 476	2 007 704	294 290	415 474
Fertilizers activity cost	35 929 532	74 321 853	33 698 461	66 770 149
Drilling and petroleum services activity	2 705 088	6 059 858	4 044 119	7 712 651
Insurance activity cost	6 237 344	13 360 795	5 580 426	11 587 761
	<u>91 089 658</u>	<u>181 282 011</u>	<u>79 365 385</u>	<u>155 319 679</u>

Egypt Kuwait Holding Co. (An Egyptian Joint Stock Company)
Notes to the consolidated financial statements (Cont.)
For the financial period ended at June 30, 2019
All amounts are in US Dollars if otherwise isn't mentioned

Translated

38- Income from investments

	The six-month ended 30/6/2019		The six-month ended 30/6/2018	
	From 1/4/2019 Till 30/6/2019	From 1/1/2019 Till 30/6/2019	From 1/4/2018 Till 30/6/2018	From 1/1/2018 Till 30/6/2018
Gain from acquisition of subsidiaries	-	-	-	348 088
Gain from sale of available -for-sale Investments	-	1 545 217	-	-
Income from held for trading investments	861 019	930 519	-	25 151
Income from investment in treasury bills	4 260 932	7 481 676	(130 710)	74 562
Income from governmental bonds	1 267 928	2 488 962	665 096	1 272 548
Income from sale of financial investments at fair value through profit or loss	26 331	26 331	2 171 921	4 530 796
Change in fair value of financial assets at fair value through profit or loss	252 764	399 902	1 168 773	2 396 368
	6 668 974	12 872 607	3 875 080	8 647 513

39- Other Income

	The six-month ended 30/6/2019		The six-month ended 30/6/2018	
	From 1/4/2019 Till 30/6/2019	From 1/1/2019 Till 30/6/2019	From 1/4/2018 Till 30/6/2018	From 1/1/2018 Till 30/6/2018
Provisions no longer required	5 977	244 613	17 251 274	17 251 274
Reversal of impairment loss on debtors	-	1 000 000	-	-
Reversal of impairment loss on equity - accounted investees (associates Companies)	1 120 964	2 345 302	-	-
Capital gains	12 731	12 731	86 026	86 373
Net profit and income from properties' investments	11 086	18 197	17 567	24 313
Drawback and exports support revenue	316 719	1 250 585	258 092	535 773
Other	42 994	695 281	419 802	799 146
	1 510 471	5 566 709	18 032 761	18 696 879

Egypt Kuwait Holding Co. (An Egyptian Joint Stock Company)
Notes to the consolidated financial statements (Cont.)
For the financial period ended at June 30, 2019
All amounts are in US Dollars if otherwise isn't mentioned

Translated

40- Selling & distribution expenses

	The six-month ended 30/6/2019		The six-month ended 30/6/2018	
	From 1/4/2019 Till 30/6/2019	From 1/1/2019 Till 30/6/2019	From 1/4/2018 Till 30/6/2018	From 1/1/2018 Till 30/6/2018
Cooling technology by natural gas activity's	26 353	50 791	23 544	47 284
Chemicals & plastic activity's	795 729	1 731 827	1 022 986	2 244 297
Fertilizers activity's	99 733	188 611	80 601	159 310
	921 815	1 971 229	1 127 131	2 450 891

41- General and Administrative expense

	The six-month ended 30/6/2019		The six-month ended 30/6/2018	
	From 1/4/2019 Till 30/6/2019	From 1/1/2019 Till 30/6/2019	From 1/4/2018 Till 30/6/2018	From 1/1/2018 Till 30/6/2018
Wages, Salaries & Employees benefits	2 731 741	5 540 422	1 971 480	3 911 118
Consulting & Professional fees	1 360 522	2 012 600	1 638 233	2 562 656
Gifts & donations	329 826	458 448	185 463	663 658
Bank charges	23 250	42 428	45 534	216 256
Travelling & Transportation	148 754	455 182	182 872	410 830
Governmental fees	1 002 331	2 504 656	681 546	1 480 538
Stationary & printing	23 659	48 805	17 319	32 985
Subscriptions fees	82 285	151 593	80 462	134 770
Utilities & telephone	66 892	122 508	44 172	97 766
Depreciation & Amortization	1 753 312	3 361 016	1 115 845	2 704 989
Maintenance & spare parts	207 463	480 256	307 443	515 786
Advertising	78 078	168 964	74 464	125 304
Rent	129 673	245 069	119 434	202 911
BOD Remunerations	47 512	100 060	29 048	73 521
Others	354 682	733 869	246 224	772 726
	8 339 980	16 425 876	6 739 539	13 905 814

Egypt Kuwait Holding Co. (An Egyptian Joint Stock Company)
Notes to the consolidated financial statements (Cont.)
For the financial period ended at June 30, 2019
All amounts are in US Dollars if otherwise isn't mentioned

Translated

42- Other expenses

	The six-month ended 30/6/2019		The six-month ended 30/6/2018	
	From 1/4/2019	From 1/1/2019	From 1/4/2018	From 1/1/2018
	Till 30/6/2019	Till 30/6/2019	Till 30/6/2018	Till 30/6/2018
Impairment loss on equity – accounted investees	-	-	13 807 674	13 807 674
Provisions formed	502 127	825 201	(157 744)	316 873
Impairment loss on debtors	15 946	138 569	81 933	217 999
	<u>518 073</u>	<u>963 770</u>	<u>13 731 863</u>	<u>14 342 546</u>

43- Income tax

	The six-month ended 30/6/2019		The six-month ended 30/6/2018	
	From 1/4/2019	From 1/1/2019	From 1/4/2018	From 1/1/2018
	Till 30/6/2019	Till 30/6/2019	Till 30/6/2018	Till 30/6/2018
Current income tax expense	9 118 119	18 629 270	6 470 712	13 965 687
Deferred income tax	(973 037)	(1 358 379)	(657 166)	(1 277 897)
	<u>8 145 082</u>	<u>17 270 891</u>	<u>5 813 546</u>	<u>12 687 790</u>

44- Earnings per share

The calculation of earnings per share was based on the profit attributable to ordinary shareholders and a weighted average number of ordinary shares outstanding as follows:

	The six-month ended 30/6/2019		The six-month ended 30/6/2018	
	From 1/4/2019	From 1/1/2019	From 1/4/2018	From 1/1/2018
	Till 30/6/2019	Till 30/6/2019	Till 30/6/2018	Till 30/6/2018
Net profit for the period (owners of the parent Company)	26 211 017	55 009 160	23 003 729	48 382 614
Employees' share in profit – proposal	(8 232)	(16 464)	(8 232)	(16 464)
Employees & board of directors' share in profit in subsidiaries and associates-proposal	(3 568 177)	(7 252 872)	(3 255 371)	(6 510 741)
Shareholders' share in net profit of the period	<u>22 634 608</u>	<u>47 739 824</u>	<u>19 740 126</u>	<u>41 855 409</u>
Weighted average number of shares outstanding during the period	1 017 206 623	1 017 206 623	1 005 377 577	1 005 377 577
Earnings per share (US cent / Share)	<u>2.23</u>	<u>4.69</u>	<u>1.96</u>	<u>4.16</u>

Egypt Kuwait Holding Co. (An Egyptian Joint Stock Company)**Translated****Notes to the consolidated financial statements (Cont.)****For the financial period ended at June 30, 2019****All amounts are in US Dollars if otherwise isn't mentioned**

- Weighted average number of shares outstanding during the period calculated as follows:

	<u>The six-month ended 30/6/2019</u>	<u>The six-month ended 30/6/2018</u>
Issued shares at the beginning of the period	1 006 064 846	997 121 957
Effect of issuance of bonus shares to finance the incentive shares	11 141 777	8 942 889
Effect of repurchased shares (treasury shares)	-	(687 269)
Weighted average number of shares outstanding during the period	<u>1 017 206 623</u>	<u>1 005 377 577</u>

45- Incentive and bonus plan of the Company's employees and managers

- On September 11, 2014, the extra - ordinary general assembly unanimously agreed to approve the incentive & bonus plan of the Company's employees and managers and executive board of directors members, through the allocation of 48 782 912 shares, at a percentage of 5% of its total shares issued till December 31, 2014 to apply the incentive and bonus plan through one of the following:-
 - Issuance of new shares through capital increase or by transferring from reserve or part thereof or retained earnings to shares by which the value of issued capital is increased.
 - Transfer of treasury shares to incentive and bonus plan and to be financed from reserves.
- On November 12, 2014, the Egyptian Financial Supervisory Authority approved applying the incentive & bonus plan of the Company's employees and board of directors members, which includes granting the Company's shares to the board members, managing directors, sectors 'heads', general managers and the other employees in the Company or its subsidiaries (equity settled share- based payments) according to the level of the Company's or individuals' economic performance pursuant to the shareholders, and the terms and conditions stated in the said plan.
- On June 11, 2015, the ordinary general assembly of the Company approved by the majority of votes to transfer part of the retained earnings as shown in the consolidated financial statements for the financial year ended at December 31, 2014, that were approved by the shareholder's' ordinary general assembly held on March 22, 2015 to 48 782 912 bonus shares with an amount of USD 12 195 728 for the purpose of financing the incentive & bonus plan of the Company's employees and managers and executive board of directors members, that has been approved by the Egyptian Financial Supervisory Authority on November 12, 2014. Annotation to the effect of such increase was made on the Company's commercial register on September 13, 2015.
- On September 16, 2015 the Listing committee of the Egyptian stock exchange approved listing the incentive shares to finance the incentive and bonus plan for employees and board members. On October 5, 2015, the incentive shares was added to the shareholders register labeled as "the incentive and bonus plan for employees of Egypt Kuwait Holding Co."
- On June 9, 2016, the Supervisory Committee on the incentives and bonus plan agreed to grant and allocate all the shares of the incentives and bonus plan to the beneficiaries of the plan as well as determining the number of shares allocated to each one of them.

The vesting date of such shares was also determined to be December 31, 2016. All the shares were granted to the executive members of the Board of Directors and the senior managers of the Company, a matter that resulted in recognizing an expense for equity-settled share-based payments transactions, in the consolidated Statement of profit or loss and other comprehensive income with a total amount of USD 17 561 848 and a corresponding increase with the same amount included in the equity under the amount set aside for share-based payments transactions caption during 2016. The beneficiary may dispose of the shares only after the lapse of three years from the date of share transfer to him. During this year, the beneficiary shall be entitled to receive 100 % of total dividends and exercise the right of voting on the resolutions of the Company.

- The conditional terms for granting shares are as follows:

A) Increase the Company's net profit by 15% annually.

B) Increase the Company's share price by 15% annually in the Egyptian stock Exchange.

Details of beneficiaries of the plan are as follows:

<u>The assigned party shares</u>	<u>Granted date</u>	<u>Number of shares</u>	<u>Fair value of share at granted date</u>	<u>Exercise Price</u>
The executive members of the Board of Directors and the senior managers	June 9, 2016	48 782 912	36 US cent	-

- On February 27, 2017, the Committee of the incentives and bonus plan, unanimously agreed to grant 21 463 699 shares to the beneficiaries of the plan, while the methods of granting the remaining shares of the incentive plan and who deserve them shall be discussed in its upcoming meetings. On March 29, 2017, the ownership of such shares were transferred to the beneficiaries.

- On March 24, 2018, the Company's Incentive and Bonus Plan Committee unanimously decided to grant 2 927 757 shares to the beneficiaries of the plan, which is represented in the value of the remaining shares allocated for fulfilling the first criterion pertaining to the growth of the Company's profits with a total number of shares that reached 24 391 456 shares. It also decided to unanimously approve granting 6 015 132 shares to the beneficiaries of the plan for fulfilling the second criteria related to increasing the Company's share price in the Egyptian Stock Exchange at an annual rate of 15% with a total number of shares that reached 24 391 456 shares. On March 29, 2018, the ownership of these shares were transferred to the beneficiaries.

- On March 30, 2019, the Company's Incentive and Bonus Plan Committee unanimously decided to grant 11 141 777 shares to the beneficiaries of the plan. This decision is to fulfill the second criteria related to increasing the Company's share price in the Egyptian Stock Exchange. at an annual rate of 15% with a total number of shares that reached 24 391 456 shares. On April 4, 2019 the ownership of these shares were transferred to the beneficiaries.

- According to the above-mentioned granted decisions, the Incentive and Bonus Plan' movements are as follows:

Egypt Kuwait Holding Co. (An Egyptian Joint Stock Company)
Notes to the consolidated financial statements (Cont.)
For the financial period ended at June 30, 2019
All amounts are in US Dollars if otherwise isn't mentioned

Translated

	No. of shares
Shares for Incentive and Bonus Plan	48 782 912
Shares granted to the first criterion on February 27, 2017	21 463 699
Shares granted to the first criterion on March 24, 2018	2 927 757
Shares granted to the second criterion on March 24, 2018	6 015 132
Shares granted to the second criterion on March 30, 2019	11 141 777
Total shares granted	(41 548 365)
Total remaining available shares	7 234 547

46- Subsidiaries acquisition

Shield Gas Systems Co.:

The Group acquired all shares of Shield Gas systems Co. during October 2018, accordingly this Company becomes fully controlled by the group starting from that date.

The comparison between the consideration paid and the book value of the share acquired from the net assets of Shield Gas Co. at the date of acquisition is as follows:-

Consideration paid	3 524 441
Increase of liabilities from the assets on the acquisition date	1 578 642
Acquisition result	5 103 083

Purchase price allocation study is in process to determine the fair value of the identified assets and the goodwill resulted from this transaction.

47- Subsidiaries Companies

A- Main subsidiaries are represented in the following:

	Country of Incorporation	Ownership % Direct & indirect	
		30/6/2019	31/12/2018
<u>Companies under direct control</u>			
International Financial Investments Co. S.A.E	Egypt	100	100
Bawabat Al Kuwait Holding Co.- S.A.K **	Kuwait	54.13	54.10
Delta Insurance Co. (A subsidiary acquired during the period)	Egypt	56.48	56.48
Globe for Communication & Information Technology Co.	Egypt	99	99
Globe Telecom Co.	Egypt	100	100
Globe Fiber Co.	Egypt	99.93	99.93
EKHO for Agriculture Development Co.	Egypt	100	100
EKHO for Industrial Development Co	Egypt	100	100
MAT Company for trading	Egypt	100	100

Egypt Kuwait Holding Co. (An Egyptian Joint Stock Company)

Translated

Notes to the consolidated financial statements (Cont.)

For the financial period ended at June 30, 2019

All amounts are in US Dollars if otherwise isn't mentioned

	Country of Incorporation	Ownership % Direct & indirect	
		30/6/2019	31/12/2018
<u>Subsidiaries Companies of International Financial Investments Co.</u>			
Sprea Misr for Production of Chemicals & Plastics Co. S.A.E	Egypt	100	100
Egyptian Company for Petrochemicals S.A.E	Egypt	100	100
National Energy Co - S.A.E	Egypt	99.99	99.99
El Fayoum Gas Holding Company	Virgin Islands	100	100
Midor Logistics Co.	Egypt	99.89	99.89
Midor Suez Oil Refining Co.	Egypt	100	100
NSCO INVESTMENT LIMITED Company	Cayman Islands	99.997	99.997
BKH Megan	Cayman Islands	100	100
Arabian Fertilizer Limited Co.	United Arab of Emirates	100	100
National Gas Company (NATGAS) S.A.E	Egypt	83.97	83.97
EK Global Investments Co.	Cayman Islands	100	100
Nahood International Limited Co.	United Arab of Emirates	100	100
Solidarity Mena Limited Co.	United Arab of Emirates	100	100
Solidarity International Limited Co.	United Arab of Emirates	100	100
Capital Investment Limited Luxembourg Co.	United Arab of Emirates	100	100
MEA Investments Co.	United Arab of Emirates	100	100
Capital Investment Limited Co.	United Arab of Emirates	100	100
Polar Star Investments Co.	United Arab of Emirates	100	100
Egypt Kuwait Holding Limited Co.	United Arab of Emirates	100	100
IFIC Petrochemicals Co.	Egypt	100	100
Ekuity Holding International - Limited by Shares	Cayman Islands	100	100
Henosis for Construction & Real-Estate Development Co.	Egypt	100	100
Capital Investment Limited Luxembourg Co.	Luxembourg	100	100
OGI Capital - Limited Liability Co.- Free Zone - Jebel Ali	United Arab of Emirates	100	100
Nile Wood Co. S.A.E.	Egypt	100	100
AD ASTRA REAL ESTATE, S.L. Co.	Spain	100	100
AD ASTRA PROYECTO MISR, S.L. Co.	Spain	100	100
AD ASTRA PROYECTO ALCAZAR, S.L. Co.	Spain	100	100
AD ASTRA PROYECTO CAIRO, S.L. Co.	Spain	100	100
SISTEMAS INDUSTRIALES SALGAR II S.L Co.	Spain	100	100
AD ASTRA PROYECTO MEDINA, S.L. Co.	Spain	100	100

Egypt Kuwait Holding Co. (An Egyptian Joint Stock Company)

Translated

Notes to the consolidated financial statements (Cont.)

For the financial period ended at June 30, 2019

All amounts are in US Dollars if otherwise isn't mentioned

	Country of Incorporation	Ownership % Direct & indirect	
		30/6/2019	31/12/2018
Gas serve Co.	Egypt	100	100
Shield Gas systems Co.	United Arab of Emirates	100	100
EEK Investment Co.	United Arab of Emirates	100	100
NSCO Panama INC Co.*	Panama	99.997	-
IFIC Investments Limited Co.*	United Arab of Emirates	100	-
<u>Subsidiary of Globe Telecom Co.</u>			
Globe for Trading & Agencies Co.	Egypt	99.93	99.93
<u>Subsidiaries of National Gas Co.- Natgas</u>			
Al Watania for Electric Technology Co.-Kahraba S.A.E.	Egypt	91.95	91.95
Al Nubaria for Natural Gas Co. S.A.E.	Egypt	83.97	83.97
<u>Subsidiaries of BKH Megan Co.</u>			
Middle East for River Transport Co.- S.A.E	Egypt	99.99	99.99
<u>Subsidiaries of National Energy Company</u>			
Cooling Technology by Natural Gas Co. (Gas Chill) S.A.E.	Egypt	85.99	85.99
El Fayoum Gas Co. S.A.E.	Egypt	77.99	77.99
<u>Subsidiaries of Bawabat Al Kuwait Holding Co.</u>			
Alex Fert Co. - S.A.E.	Egypt	44.38	44.38
International Petrochemicals Investments Company IPIC (under optional liquidation)	Egypt	50.83	50.83
International Logistics Co. – L.L.C.	Kuwait	52.67	52.67
Magnida Holding LP Co. (under optional IPIC Global Co.	Cayman Islands	50.83	50.83
	Cayman Islands	50.83	50.83
<u>Subsidiary of Egyptian Company for Petrochemicals</u>			
El Shorouk for Melamine & Resins Co. **	Egypt	91.51	78
<u>Subsidiary of Nile Wood Co.</u>			
Cairo Wood for Imports and Exports Co. (S.A.E.)	Egypt	100	100

* These Companies were established during the period.

** An additional 0.03% in Bawabat Al Kuwait Holding Co.' capital share was acquired during the period, also an additional 13.51% El Shorouk for Melamine & Resins Co.' capital share was acquired.

- The consolidated financial statements as of 30 June 2019 doesn't include some subsidiaries of the Energy Group due to loss of control over them during 2016.

B- Loss control over Companies

During the first quarter of 2016, a stake of the Group's investments in MOG ENERGY Co. (previously named as Tri Ocean for Energy Co.) was sold. Under the sale contract, all management and voting rights in the said Company were assigned for the benefit of the Buyer in return for the Buyer's compliance with specific contractual terms. Accordingly, the consolidated financial statements of MOG ENERGY Co. and its subsidiaries were excluded and not aggregated as part of the consolidated financial statements of the Company based on the management's estimates.

- The Company received a letter from the head of central financial reporting supervisory department in the Financial Supervisory Authority "FRA" during 2018 based on one of the company's shareholders owning 10 000 share from the Egyptian Kuwait holding company's shares complain related to certain comments on the consolidated financial statements. One of those comments related to assessment of the control lost over MOG Energy Company "previously named as Tri Ocean for Energy Company".
- Further comment were raised in the letter mentioned above on consolidated financial statements, related to recalculation of the beneficiaries' bonus resulted from the incentive and bonus scheme. Number of meetings were held with the FRA to clarify the company's views in this regard, legal advisor opinion was obtained to support the company's position regarding the assessment of the control lost over MOG Energy Company starting from the date of the assignment contract. Finally, it was agreed with the FRA to hold an extra ordinary general assembly meeting to decide on the incentive and bonus committee's resolution regarding shares allocation.

An extraordinary general assembly meeting held on 17 December 2018 approved the incentive and bonus committee's resolution regarding shares allocation. Majority of the shareholders representing 99.6% from the shares attending such extraordinary meeting after excluding the shares of all shareholders participated on the committee's resolution regarding shares allocation, their representatives, beneficiaries and any other related shareholders from the voting process approving such decision.

Based on the letter from the FRA dated January 3, 2019, an agreement between the company and the FRA concluded that the company would pay an amount of reconciling the company's violation of the Egyptian Stock Exchange disclosures rules.

48- Transactions with related parties

Related parties are represented in the Parent Company & subsidiaries' shareholders, and companies in which they own directly shares giving them significant influence or controls over the Group. The Group's companies made several transactions with related parties and these transactions have been done in accordance with the terms determined by the Board of Directors of these companies. The conditions of those transactions were equivalent to those prevailing in the free market. Significant transactions are represented in following:-

- The Group has agreed with Abu Qir Fertilizers and Chemical Industries Co. on signing rental contracts for a plot of land to construct the factory on it with a yearly rental value USD 622 494 effective from July 15, 2003 and last for 25 years, a contract for a building to use it as a temporary headquarter for the Company's management with an annual rental value EGP 237 600 with annual increase amounting to EGP 16 632

Egypt Kuwait Holding Co. (An Egyptian Joint Stock Company)**Translated****Notes to the consolidated financial statements (Cont.)****For the financial period ended at June 30, 2019****All amounts are in US Dollars if otherwise isn't mentioned**

effective from December 1, 2003 and last for July 14, 2028. The Company has also leased a plot of land with an annual rental value of USD 421 to construct a water station effective from January 30, 2005 and last for 25 years. The Company has also agreed with Abu Qir Fertilizers and Chemical Industries Company on signing a contract for using its sea and land facilities for exporting amounts of the produced ammonia.

- On February 28, 2017, the board of directors of the Parent Company unanimously decided to set an amount of 5% of the annual profits to the chairman and managing director of the Company. The decision is effective from the 2016 results and decided to grant part of the said amount to the employees. The said amount will be set and granted from the board of directors' bonuses of subsidiaries.

49- Dividends declared & paid, and board of directors remuneration

The shareholders of the Parent Company approved cash dividends for the financial year ended December 31, 2018 of 5 Cent/share with a total amount of USD 50 860 331 and has not approved any remunerations for the board of directors. The approval was made by the shareholders general assembly meeting of the Parent Company held on March 30, 2019.

The shareholders of the Parent Company approved cash dividends for the financial year ended December 31, 2017 of 5 Cent/share with a total amount of USD 50 303 242 and has not approved any remunerations for the board of directors. The approval was made by the shareholders general assembly meeting of the Parent Company held on March 24, 2018.

50- Financial instruments**Credit risk exposure**

The carrying amount of financial assets represents the maximum credit exposure. The maximum exposure to credit risk at the consolidated financial statements' date are as follows:

	30/6/2019	31/12/2018
Other current assets	223 097 702	212 599 414
Financial assets at amortized cost	349 546 385	269 849 964
Trade & notes receivables	84 252 885	75 882 301
	<u>656 896 972</u>	<u>558 331 679</u>

The maximum exposure to credit risk for trade receivables at the consolidated financial statements' date according to the type of customer are as follows:

	30/6/2019	31/12/2018
Governmental customers	25 412 926	30 132 986
Retail customers	24 375 580	18 276 605
Final consumers customers	13 767 833	9 362 271
Export customers	12 307 452	8 717 170
Notes receivables	8 389 094	9 393 269
	<u>84 252 885</u>	<u>75 882 301</u>

Egypt Kuwait Holding Co. (An Egyptian Joint Stock Company)

Translated

Notes to the consolidated financial statements (Cont.)

For the financial period ended at June 30, 2019

All amounts are in US Dollars if otherwise isn't mentioned

The aging of trade receivables at the consolidated financial statements' date are as follows:

	30/6/2019		31/12/2018	
	Balance	Impairment losses	Balance	Impairment losses
Past due within 30 days	4 509 912	-	9 750 209	-
Past due from 1-3 month	3 672 251	-	10 653 395	-
Past due from 3 months-1 year	50 969 406	-	53 864 614	(616 589)
More than one year	25 101 316	(1 365 061)	1 614 083	(1 614 083)
	<u>84 252 885</u>	<u>(1 365 061)</u>	<u>75 882 301</u>	<u>(2 230 672)</u>

Liquidity risk

The following are the contractual maturities of financial liabilities:

30 June 2019

	Due date			
	Carrying amount	During 1 year	1-2 years	2-5 years
loans & bank facilities	169 247 228	119 150 221	21 996 807	28 100 200
Banks overdraft	641 397	641 397	-	-
Suppliers, contractors, noted payables & other creditors	131 958 178	131 958 178	-	-
Accrued income tax	22 005 191	22 005 191	-	-
Insurance policyholders rights	78 528 464	78 528 464	-	-
	<u>402 380 458</u>	<u>352 283 451</u>	<u>21 996 807</u>	<u>28 100 200</u>

31 December 2018

	Due date			
	Carrying amount	During 1 year	1-2 years	2-5 years
loans & bank facilities	99 576 009	88 776 009	4 800 000	6 000 000
Banks overdraft	94 994	94 994	-	-
Suppliers, contractors, noted payables & other creditors	113 431 773	112 243 007	634 186	554 580
Accrued income tax	27 376 964	27 376 964	-	-
Insurance policyholders rights	69 081 331	69 081 331	-	-
	<u>309 561 071</u>	<u>297 572 305</u>	<u>5 434 186</u>	<u>6 554 580</u>

Egypt Kuwait Holding Co. (An Egyptian Joint Stock Company)

Translated

Notes to the consolidated financial statements (Cont.)

For the financial period ended at June 30, 2019

All amounts are in US Dollars if otherwise isn't mentioned

Currency risk

Currency risk exposure

The Group's exposure to foreign currency risk was as follows based on notional amounts:

30 June 2019

Description	L.E.	K.W.D	EURO	GBP	AED	JPY
Cash & cash equivalents	835 772 488	119 259	3 402 592	42 508	103 601	1 273 079
Financial assets at amortized cost	480 430 889	-	-	-	-	-
Other current assets	813 883 505	-	506	-	-	-
Trade & notes receivables	787 640 812	-	838 967	-	-	-
Loans	(245 082 794)	-	-	-	-	-
Bank facilities	(10 307 794)	-	-	-	-	-
Suppliers, contractors, noted payables & other creditors	(1 141 825 068)	(9 655)	(1 374 941)	-	-	-
Net risk exposure	<u>1 520 512 038</u>	<u>109 604</u>	<u>2 867 124</u>	<u>42 508</u>	<u>103 601</u>	<u>1 273 079</u>

31 December 2018

Description	L.E.	K.W.D	EURO	GBP	AED	JPY
Cash & cash equivalents	391 710 295	382 074	1 134 922	41 233	103 512	1 253 579
Financial assets at amortized cost	982 065 293	-	-	-	-	-
Other current assets	491 479 592	-	252	-	-	-
Trade & notes receivables	520 810 872	-	1 722 382	-	-	-
Loans	(3 355 705)	-	(7 203 469)	-	(2 316 783)	-
Bank facilities	(199 026 417)	-	-	-	-	-
Suppliers, contractors, noted payables & other creditors	(821 477 581)	(8 149)	(3 496 268)	-	-	-
Net risk exposure	<u>1 362 206 349</u>	<u>373 925</u>	<u>(7 842 181)</u>	<u>41 233</u>	<u>(2 213 271)</u>	<u>1 253 579</u>

Egypt Kuwait Holding Co. (An Egyptian Joint Stock Company)

Translated

Notes to the consolidated financial statements (Cont.)

For the financial period ended at June 30, 2019

All amounts are in US Dollars if otherwise isn't mentioned

- The following is the average exchange rates during the period:

US dollar	Average exchange rate during the period		Spot rate at the financial statements' date	
	30/6/2019	30/6/2018	30/6/2019	31/12/2018
L.E	17.32	17.73	16.70	17.88
K.W.D	0.3038	0.30032	0.3040	0.3036
EURO	1.130	0.848458	1.137	0.8688
GBP	1.2952	0.752257	1.2707	0.77712
AED	3.6731	3.673639	3.6703	3.67647

Interest rate risk

At the consolidated financial statements, the interest rate profile of the Group's interest bearing-financial instruments was:

	30/6/2019	31/12/2018
Financial liabilities at fixed rate instruments	5 577 870	7 775 527
	<u>5 577 870</u>	<u>7 775 527</u>
Financial liabilities at variable rate instruments	163 669 358	91 800 482
	<u>163 669 358</u>	<u>91 800 482</u>

51- Capital commitments

Total capital commitments amounted to USD 1.93 Million on June 30,2019 approximately represented in the amount of contributions in long-term investments and property, plant & equipment which have not been requested to be paid till the consolidated financial position date (year 2018: an amount of USD 2.46 million).

52- Contingent liabilities

In addition to amounts provided for in the consolidated statement of financial position, there are contingent liabilities represented in the following:

- Uncovered letters of credit amounting to USD 17 000 021 (year 2018: an amount of USD 11 264 497).
- Letters of guarantee issued by banks on the account of the Group and in favor of others amounting to USD 16 627 442 (year 2018: an amount of USD 11 292 155).

53- Tax status

Corporate profit tax

- The Company enjoyed a tax exemption for 5 years according to Investment Law No. 8 of 1997 and ended on December 31, 2003.
- Tax inspection for corporate profit tax from inception till 2004 was carried out and the resulting tax differences were settled.
- Years from 2005 till 2008 The Company's records were not requested for inspection within the determined sample by the Tax Authority till authorizing of these financial statements for issuance.

Egypt Kuwait Holding Co. (An Egyptian Joint Stock Company)

Translated

Notes to the consolidated financial statements (Cont.)

For the financial period ended at June 30, 2019

All amounts are in US Dollars if otherwise isn't mentioned

- Tax inspection for year 2009 was carried out and the resulted differences were settled. Carried forward losses item was submitted to the tax appeal committees for further memos. This item has been returned to the tax authority for final decision.
- Years from 2010 to 2012, the preparation of inspection are currently under process.
- Years 2013 & 2014, the Company was notified by tax inspection request Form no. (19). The Company submits an appeal and the legal procedures for the re-examination of the documents and submitting the legal books are in progress.
- Regarding years from 2015 till 2018, the annual tax returns were submitted on the due date according to the provisions of Law No. 91 of 2005 and the Company's has not been notified of tax inspection yet by the Tax Authority.

Salary tax

- The tax inspection for salary tax for the period from inception till 2013 was carried out and the final assessment was determined and resulting differences were settled.
- Years 2014 till 2016 was carried out and the final assessment was determined and resulting differences were settled.
- Monthly withheld taxes are settled on due dates.

Stamp tax

- Inspection for the stamp tax for the period from the beginning of activity till 31/7/2006 was carried out and the final assessment was made and the Company settled the resulting differences.
- Period from August 1, 2006 till 2016 is currently inspected.
- The due tax are settled on due dates.

Property tax

The survey of the Group's properties has not been carried out by the tax Enumeration and Assessment Committee yet.

54- Comparative figures

- Some comparative figures of the consolidated statement of financial position and consolidated statement of changes in equity were restated as a result of what have been mentioned in detail in note No. (26). Items affected by restatement are as the follows:

Consolidated statement of financial position

Decrease of cash and cash equivalents balance	22 980
Decrease of other current Assets	625 217
Decrease of retained earnings balance	664 787
Decrease of non-controlling interests balance	20
Increase of suppliers, contractors, notes payables & other creditors balance	16 610

Egypt Kuwait Holding Co. (An Egyptian Joint Stock Company)

Translated

Notes to the consolidated financial statements (Cont.)

For the financial period ended at June 30, 2019

All amounts are in US Dollars if otherwise isn't mentioned

Consolidated change in equity statement

Decrease of retained earnings balance	664 787
Decrease of non-controlling interests balance	20

- Some comparative figures were reclassified to comply with the presentation of the current financial period as the follows:

Items of consolidated statement of financial position that are affected by reclassification are as the follows:

Increase of Property, plant & equipment and projects under constructions balance	22 597 440
Decrease of projects under constructions balance	22 955 902
Increase of right of use assets balance	358 462
Increase of inventory balance	406 105
Increase of suppliers, contractors, notes payables & other creditors balance	8 011 955
Decrease of suppliers, contractors, notes payables balance	34 982 814
Increase of accrued income tax balance	27 376 964
Increase of legal reserve balance	126 248 763
Decrease of other reserves balance	126 248 763