

**Translated**

**Egypt Kuwait Holding Company**  
**and its subsidiaries**  
**Consolidated financial statements**  
**For the financial period ended at June 30, 2020**  
**and limited review report**

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### **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, 2020 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, 2020 , and of its financial performance and its cash flows for the six -month period then ended in accordance with Egyptian Accounting Standards.

#### **Emphasis of Matter Paragraph**

As indicated in Note No. (55) from the notes to the financial statements. Most of the world countries, including Egypt, were exposed to the novel epidemic of Corona virus (Covid-19) during the first half of year 2020. This epidemic caused disturbances in most commercial and economic activities in general and on certain number of group's activities, such as energy, fertilizer and chemicals activity in particular. Therefore, this might have a significant impact on the pre-defined operational, marketing



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plans and future cash flows associated with it in addition to the associated elements of revenues, cost of revenues and the effect on gross / net profit of the group during the period / the following periods. As indicated in the above-mentioned note, the Group's management is taking the advantage of the actions taken by the Egyptian government to support these activities as well as reducing the cost of production and changing the selling mix of certain activities in addition to taking several actions to face this risk and limiting its impact on its financial position. However, in light of instability and uncertainty as a result of the current events, the magnitude of the impact of that event depends mainly on the time period for the continuation of those effects at which that event is expected to end and the effects and capacity that it entails the group to fulfill its plans to face this threat, which is difficult to determine at the current time.

KPMG Hazem Hassan

Public Accountants & Consultants

Cairo, August 13 , 2020

Egypt Kuwait Holding Company  
(An Egyptian Joint Stock Company)  
Consolidated statement of financial position as of June 30, 2020  
All numbers are in US Dollars

Translated

	Note No.	30/6/2020	31/12/2019
<b>Assets</b>			
<b>Non-current assets</b>			
Equity - accounted investees (associates Companies)	(17)	7 114 105	7 115 188
Financial assets at fair value through other comprehensive income	(18)	236 682 393	13 562 361
Financial assets at amortized cost	(19)	160 108 049	130 667 336
Property, plant and equipment and projects under construction	(20)	247 483 874	247 240 804
Exploration & development assets	(21)	79 105 927	87 764 078
Rights of use assets	(22)	11 855 438	-
Goodwill	(23)	62 896 661	63 044 332
Intangible assets	(24)	1 907 635	3 135 663
Biological assets	(25)	760 706	765 449
Notes receivables		89 870	1 089 685
<b>Total non-current assets</b>		<b>808 004 658</b>	<b>554 384 896</b>
<b>Current assets</b>			
Cash and cash equivalents	(26)	186 918 914	120 025 608
Financial assets at amortized cost	(19)	145 976 620	375 206 499
Financial assets at fair value through profit or loss	(27)	33 692 790	48 126 690
Trade & notes receivables	(28)	94 151 827	81 435 983
Derivative financial instruments	(29)	1 524 532	105 542
Other current assets	(30)	74 499 855	67 556 010
Inventories	(31)	68 925 306	71 136 984
Work in progress	(32)	29 258 648	39 514 422
Non current assets held for sale	(33)	13 255 557	13 255 557
<b>Total current assets</b>		<b>648 204 049</b>	<b>816 363 295</b>
<b>Total assets</b>		<b>1 456 208 707</b>	<b>1 370 748 191</b>
<b>Equity and Liabilities</b>			
<b>Equity of the Parent Company</b>			
Issued & paid up capital	(34)	256 110 292	256 110 292
Legal reserve	(35)	127 895 052	127 240 575
Other reserves	(35)	( 179 375 237)	( 121 605 778)
Share-based payments	(36)	-	9 549 602
Retained earnings	(37)	293 080 464	303 457 398
Treasury shares	(38)	( 2 568 211)	-
<b>Total equity of the owners of the Parent Company</b>		<b>495 142 360</b>	<b>574 752 089</b>
Non-controlling interests	(14)	223 024 969	218 525 369
<b>Total equity</b>		<b>718 167 329</b>	<b>793 277 458</b>
<b>Non-current liabilities</b>			
Long-term loans	(39)	145 574 864	72 139 732
Other long-term liabilities	(40)	4 308 617	1 490 124
Lease contracts liabilities	(22)	10 539 893	-
Deferred tax liabilities	(41)	18 867 438	21 079 258
<b>Total non-current liabilities</b>		<b>179 290 812</b>	<b>94 709 114</b>
<b>Current liabilities</b>			
Provisions	(42)	27 938 134	24 989 085
Banks overdraft		678 191	1 052 868
Portion due during a year of long-term loans	(39)	54 031 293	46 400 400
Bank facilities	(43)	197 657 808	109 313 199
Lease contracts liabilities	(22)	1 047 543	-
Insurance policyholders rights	(44)	94 477 245	90 624 355
Suppliers, contractors, notes payable & other credit balances	(45)	160 726 917	179 369 647
Accrued income tax		22 193 435	31 012 065
<b>Total current liabilities</b>		<b>558 750 566</b>	<b>482 761 619</b>
<b>Total liabilities</b>		<b>738 041 378</b>	<b>577 470 733</b>
<b>Total equity and liabilities</b>		<b>1 456 208 707</b>	<b>1 370 748 191</b>

\* The accompanying notes on pages from (6) to (72) 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-Montasir Adel Al-Ali

\*Limited Review Report " attached "

EGYPT KUWAIT HOLDING CO.  
S.A.E  
C.R. # 114648

**Egypt Kuwait Holding Company**  
**(An Egyptian Joint Stock Company)**

Translated

**Consolidated statement of income for the financial period ended of June 30, 2020**

All numbers are in US Dollars

	Note No.	The six-month ended 30/06/2020		The six-month ended 30/06/2019	
		From 1/4/2020 till 30/6/2020	From 1/1/2020 till 30/6/2020	From 1/4/2019 till 30/6/2019	From 1/1/2019 till 30/6/2019
Revenues	(6)	137 958 074	290 285 859	133 026 426	267 925 542
Cost of revenue recognition	(7)	( 91 926 244)	( 196 451 844)	( 91 089 658)	( 181 282 011)
<b>Gross profit</b>		<b>46 031 830</b>	<b>93 834 015</b>	<b>41 936 768</b>	<b>86 643 531</b>
Income from investments	(8)	12 223 822	20 843 768	6 668 974	12 872 607
Other income	(9)	1 214 620	1 566 437	1 499 385	4 548 512
Selling & distribution expenses	(10)	( 833 334)	( 2 260 473)	( 921 815)	( 1 971 229)
General & administrative expenses		( 6 853 157)	( 15 847 684)	( 8 328 894)	( 16 407 679)
Reversal of impairment (charges) for expected credit losses	(11)	407 454	1 903 297	( 15 946)	861 431
Other expenses	(12)	( 14 766)	( 3 035 655)	( 502 127)	( 825 201)
<b>Net operating profit</b>		<b>52 176 469</b>	<b>97 003 705</b>	<b>40 336 345</b>	<b>85 721 972</b>
Interest income		1 156 044	2 659 945	5 455 780	10 757 909
Forward foreign exchange contracts' profit (losses)		( 234 921)	2 306 725	320 208	630 485
Financing expenses		( 4 518 182)	( 8 430 034)	( 3 012 718)	( 6 200 014)
Net profit (losses) from foreign currency translation differences		( 1 084 118)	3 772 584	( 936 886)	( 1 271 047)
<b>Net financing cost</b>		<b>( 4 681 177)</b>	<b>309 220</b>	<b>1 826 384</b>	<b>3 917 333</b>
Company's share of profit of Equity - accounted investees (associates Companies)		-	-	361 028	( 499 339)
<b>Net profit for the period before income tax</b>		<b>47 495 292</b>	<b>97 312 925</b>	<b>42 523 757</b>	<b>89 139 966</b>
Income tax	(13)	( 7 981 156)	( 17 071 520)	( 8 145 082)	( 17 270 891)
<b>Net profit for the period</b>		<b>39 514 136</b>	<b>80 241 405</b>	<b>34 378 675</b>	<b>71 869 075</b>
<b>Net profit attributable to:</b>					
Owners of the Parent Company		29 751 356	60 092 312	26 211 017	55 009 160
Non-controlling interests	(14)	9 762 780	20 149 093	8 167 658	16 859 915
<b>Net profit for the period</b>		<b>39 514 136</b>	<b>80 241 405</b>	<b>34 378 675</b>	<b>71 869 075</b>
<b>Basic / Diluted earnings per share of profits (US cent / Share)</b>	(15)	<b>2.51</b>	<b>5.07</b>	<b>2.21</b>	<b>4.68</b>

\* The accompanying notes on pages from (6) to (72) 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 of June 30, 2020**  
**All numbers are in US Dollars**

	<u>The six-month ended 30/06/2020</u>		<u>The six-month ended 30/06/2019</u>	
	<u>From 1/4/2020</u>	<u>From 1/1/2020</u>	<u>From 1/4/2019</u>	<u>From 1/1/2019</u>
	<u>till 30/6/2020</u>	<u>till 30/6/2020</u>	<u>till 30/6/2019</u>	<u>till 30/6/2019</u>
Net profit for the period	39 514 136	80 241 405	34 378 675	71 869 075
<u>Other comprehensive income</u>				
<u>Items that will not be reclassified to profit or loss</u>				
Financial assets at fair value through other comprehensive income	10 591 526	( 51 562 127)	( 1 181 784)	( 2 827 837)
	<u>10 591 526</u>	<u>( 51 562 127)</u>	<u>( 1 181 784)</u>	<u>( 2 827 837)</u>
<u>Items may be reclassified subsequently to profit or loss</u>				
Foreign currency translation differences	( 3 429 932)	( 5 260 026)	10 284 797	16 630 779
	<u>( 3 429 932)</u>	<u>( 5 260 026)</u>	<u>10 284 797</u>	<u>16 630 779</u>
Total other comprehensive income for the period after deducting tax	7 161 594	( 56 822 153)	9 103 013	13 802 942
Total comprehensive income	<u>46 675 730</u>	<u>23 419 252</u>	<u>43 481 688</u>	<u>85 672 017</u>
Total comprehensive income attributable to:				
Owners of the Parent Company	35 135 686	2 322 853	34 512 717	68 224 174
Non-controlling interests	11 540 044	21 096 399	8 968 971	17 447 843
Total comprehensive income	<u>46 675 730</u>	<u>23 419 252</u>	<u>43 481 688</u>	<u>85 672 017</u>

\* The accompanying notes on pages from (6) to (72) are an integral part of these consolidated financial statements and to be read therewith.

Consolidated statement of changes in equity for the financial period ended at June 30, 2020

All numbers are in US Dollars

	Notes No.	Issued & 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	Total equity
<b>Balance as of January 1, 2019 before adjustments</b>		256 110 292	126 248 763	57 954 547	8 380 462	6 145 550	(14 005 332)	(141 524 775)	17 561 848	348 956 516	(221 050)	507 029 466	208 417 221	715 446 687
<b>Prize years adjustments</b>		-	-	-	-	-	-	-	-	(664 787)	-	(664 787)	(20)	(664 807)
<b>Balance as of January 1, 2019 after adjustments</b>		256 110 292	126 248 763	57 954 547	8 380 462	6 145 550	(14 005 332)	(141 524 775)	17 561 848	248 191 799	(221 050)	506 364 679	208 417 201	711 782 080
<b>Total comprehensive income</b>		-	-	-	-	-	-	-	-	35 009 160	-	35 009 160	16 829 915	71 839 075
Net profit for the period		-	-	-	-	(2 332 113)	15 547 127	15 215 014	-	-	-	15 215 014	587 928	15 802 942
Other comprehensive income		-	-	-	-	(9 332 113)	15 547 127	15 215 014	-	58 009 160	-	48 224 174	17 447 843	65 672 017
<b>Transactions with owners of the Company</b>		-	991 812	-	-	-	-	-	-	(991 812)	-	-	-	-
Transferred to legal reserve		-	-	-	-	-	-	-	-	(50 860 331)	-	(50 860 331)	-	(50 860 331)
Dividends distribution for shareholders		-	-	-	-	-	-	-	-	(13 054 413)	-	(13 054 413)	(3 305 199)	(16 359 611)
Dividends distribution for employees and board members		-	-	-	-	-	-	-	-	-	-	-	(16 919 492)	(16 919 492)
Dividends distribution for non-controlling interests in subsidiaries		-	-	-	-	-	-	-	-	-	-	-	(181 629)	(181 629)
Acquisition from non-controlling interests		-	-	-	-	-	-	-	-	473 365	221 050	694 415	364 761	1 059 197
Sale of treasury shares		-	991 812	-	-	-	-	-	-	(64 221 540)	221 050	(63 038 678)	(10 194 345)	(83 233 021)
<b>Total transactions with owners of the Company</b>		-	991 812	-	-	-	-	-	-	-	221 050	-	(10 194 345)	(83 233 021)
<b>Other changes</b>		-	-	-	-	-	-	-	-	-	-	-	(503 732)	(503 732)
Changes in non-controlling interests		-	-	-	-	-	-	-	-	-	-	-	(503 732)	(503 732)
<b>Total other changes</b>		-	-	-	-	-	-	-	-	-	-	-	(503 732)	(503 732)
<b>Balance as of June 30, 2019</b>		256 110 292	127 240 575	57 954 547	8 380 462	9 811 487	(196 458 203)	(138 311 719)	17 561 848	318 949 419	-	511 510 375	203 166 948	715 717 323
<b>Balance as of January 1, 2020</b>		256 110 292	127 240 575	57 954 547	8 380 462	107 032	(188 047 809)	(121 602 778)	9 549 602	303 427 398	-	574 725 049	218 525 369	793 277 418
Effect of initial application of EAS No. 47 "Financial Instruments"	(37)	-	-	-	-	-	-	-	-	(1 687 134)	-	(1 687 114)	(1 287 406)	(2 974 520)
<b>Balance as of January 1, 2020 (after adjusting the effect of the application)</b>		256 110 292	127 240 575	57 954 547	8 380 462	107 032	(188 047 809)	(121 602 778)	9 549 602	301 770 314	-	573 064 935	217 237 963	790 302 938
<b>Comprehensive income</b>		-	-	-	-	-	-	-	-	60 092 312	-	60 092 312	20 149 093	80 241 405
Net profit for the period		-	-	-	-	(54 037 365)	(3 732 094)	(57 769 459)	-	-	-	(57 769 459)	947 306	(56 822 153)
Other comprehensive income		-	-	-	-	(4 037 948)	(3 732 094)	(57 769 459)	-	60 092 312	-	2 322 853	21 096 399	23 419 212
<b>Transactions with owners of the Company</b>		-	654 477	-	-	-	-	-	-	(654 477)	-	-	-	-
Transferred to legal reserve		-	-	-	-	-	-	-	-	(61 466 470)	-	(61 466 470)	-	(61 466 470)
Dividends distribution for shareholders		-	-	-	-	-	-	-	-	(16 210 787)	-	(16 210 787)	(3 817 354)	(20 028 141)
Dividends distribution for employees and board members		-	-	-	-	-	-	-	-	-	-	-	(9 033 348)	(9 033 348)
Dividends distribution for non-controlling interests in subsidiaries		-	-	-	-	-	-	-	-	-	-	-	-	-
Net changes in share based payments	(36)	-	-	-	-	-	-	-	(9 549 602)	9 549 602	-	-	-	-
Purchase of treasury shares	(38)	-	-	-	-	-	-	-	(9 549 602)	-	(2 568 211)	(2 568 211)	-	(2 568 211)
<b>Total transactions with owners of the Company</b>		-	654 477	-	-	-	-	-	(9 549 602)	68 783 133	(2 568 211)	(40 248 664)	(12 870 903)	(93 116 970)
<b>Other changes</b>		-	-	-	-	-	-	-	-	-	-	-	(2 438 491)	(2 438 491)
Changes in non-controlling interests		-	-	-	-	-	-	-	-	-	-	-	(2 438 491)	(2 438 491)
<b>Total other changes</b>		-	-	-	-	-	-	-	-	-	-	-	(2 438 491)	(2 438 491)
<b>Balance as of June 30, 2020</b>		256 110 292	127 895 052	57 954 547	8 380 462	(51 930 343)	(191 779 903)	(179 375 237)	-	293 080 464	(2 568 211)	495 142 360	223 024 969	718 167 339

\* The accompanying notes on pages from (6) to (72) are an integral part of these consolidated financial statements and to be read therewith.



**Egypt Kuwait Holding Company**  
(An Egyptian Joint Stock Company)

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**Consolidated statement of cash flows for the financial period ended on June 30, 2020**

All numbers are in US Dollars

	Note No.	The six-month ended 30/06/2020	The six-month ended 30/06/2019
<b><u>Cash flows from operating activities</u></b>			
Net profit for the period before tax		97 312 925	89 139 966
<b><u>Adjustments for:</u></b>			
Depreciation & amortization		23 486 784	19 173 491
Gain on sale of financial assets at fair value through other comprehensive income		-	(1 545 217)
Company's share of profit of Equity - accounted investees (associates Companies)		-	499 339
Changes in fair value of financial assets at fair value through profit and loss		1 358 673	( 399 902)
Financing expenses		8 430 034	6 200 014
Interest income		(2 659 945)	(10 757 909)
Capital gain		( 108 105)	( 12 731)
Provisions no longer required		( 377 358)	( 244 613)
Provisions formed		3 035 655	825 201
Reversal of impairment loss on investments		-	(2 345 302)
Forward foreign exchange contracts' profit		(2 306 725)	( 630 485)
Income from investments in treasury bills and governmental bonds		(21 795 326)	(9 970 638)
Expected credit losses		(1 903 297)	( 861 431)
		<u>104 473 315</u>	<u>89 069 783</u>
<b><u>Change in:</u></b>			
Financial assets at fair value through profit or loss		13 075 227	(4 807 904)
Trade & notes receivables		(11 819 239)	(9 236 195)
Other current assets		(4 084 073)	(9 951 634)
Inventory		2 209 089	928 514
Work in process		10 255 774	3 259 966
Lease contracts liabilities		1 047 543	-
Suppliers, contractors, notes payable & other credit balances		(20 942 969)	16 067 312
Insurance policyholders rights		3 852 890	9 447 133
Time deposits		4 778 443	(5 244 893)
Provisions used		( 474 162)	( 524 433)
Income tax paid		(28 443 506)	(24 692 669)
Net cash from operating activities		<u>73 928 332</u>	<u>64 314 980</u>
<b><u>Cash flows from investing activities</u></b>			
Interest collected		2 964 592	10 323 641
Payments for acquisition of property, plant and equipment, and projects under construction	(16)	(9 218 187)	(33 188 556)
Payments for exploration & development assets	(16)	-	-
Proceeds from sale of property, plant and equipment, and projects under construction	(16)	1 238 488	43 015
Proceeds from (payments for) financial assets at fair value through other comprehensive income		(277 300 135)	6 587 655
Proceeds from (payments for) financial assets at amortized cost		221 329 133	(19 829 960)
Net cash used in investing activities		<u>(60 986 109)</u>	<u>(36 064 205)</u>
<b><u>Cash flows from financing activities</u></b>			
Proceeds from loans and bank facilities		226 797 993	121 874 316
Payment of loans and bank facilities		(57 387 359)	(52 203 097)
Payment of financing expenses		(8 391 725)	(6 200 014)
Non-controlling interests		(2 438 491)	117 561
Payments of purchase of treasury shares		(2 568 211)	-
Proceeds from sale of treasury shares		-	1 059 197
Dividends paid		(89 032 101)	(77 581 838)
Forward foreign exchange contracts' profit		864 723	-
Payments of lease contracts liabilities		(1 700 323)	-
Net cash (used in) from financing activities		<u>66 144 506</u>	<u>(12 933 875)</u>
Foreign currency translation differences of accumulated financial statements		(2 936 442)	10 890 280
Net change in cash and cash equivalents during the period		76 150 287	26 207 180
Balance of cash and cash equivalents at beginning of the period		172 688 385	224 172 327
Balance of cash and cash equivalents at end of the period	(26)	<u>248 838 672</u>	<u>250 379 507</u>

\* The accompanying notes on pages from (6) to (72) 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. 114 648 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 1<sup>st</sup> and ends on December 31<sup>st</sup> 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: -
  - Securities underwriting and promotion.
  - Participation in Companies, which issue securities or increasing their capital.
  - 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 and Kuwait Stock Exchange.
- The consolidated financial statements comprise of the financial statements of Egypt Kuwait Holding Company (the Parent Company) & its subsidiaries (referred to as the "Group") and the Group's share in the profit or loss of associates is also included. 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 and 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 property and real estate development.

**2- Accounting framework of the preparation consolidated financial statements**

- The consolidated financial statements have been prepared in accordance with Egyptian accounting standards in compliance with Egyptian Laws.
- The consolidated financial statements were authorized for issuance by the Board of Directors of the Company on August 13, 2020.
- Details of the Group's accounting policies are included in Note 56.
- This is the first interim financial statements of the Group in which Egyptian Accounting Standard No.47 "Financial instruments", Egyptian Accounting Standard No.48 "Revenue from Contracts with Customers", and Egyptian Accounting Standard No. 49 "Lease

contracts" have been applied. The related changes to significant accounting policies are described in Note No. (5).

**3- Functional and presentation currency**

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

**4- Use of estimates and judgments**

- In preparing these consolidated financial statements, management has made judgements and estimates that affect the application of the Group's accounting policies and the reported amounts of assets, liabilities, income and expenses. Actual results may differ from these estimates
- Estimates and underlying assumptions are reviewed on an ongoing basis.

**A- Judgments**

Information about judgements made in applying accounting policies that have the most significant effects on the amounts recognized in the financial statements is included in the following notes:

- Note 56-4 – revenue recognition: revenue is recognized as detailed in the accounting policies applied.
- Note 56-17 – equity-accounted investees (associates Companies): whether the Group has significant influence over an investee.
- Note 5 – lease contracts classification.

**B- Assumptions and estimation uncertainties**

Information about assumptions and estimation uncertainties at June 30, 2020 that might have a significant risk of resulting in a material adjustment to the carrying amounts of assets and liabilities in the next financial year is included in the following notes:

- Note 25 – determining the fair value of biological assets based on significant unobservable inputs.
- Notes 42 – recognition and measurement of provisions and contingencies: key assumptions about the likelihood and magnitude of an outflow of resources.
- Note 11 – measurement of ECL for cash at banks, trade and notes receivables and other current assets.

**C- Measurement of fair values**

Certain number of the Group's accounting policies and disclosures require measurement of fair values, for both financial and non-financial assets and liabilities.

The Group has an established control framework with respect to fair values measurement. This includes the presence valuation team that has overall responsibility for reviewing all fair values according to the different levels in the hierarchies referred to below, and a report of those values and methods of measuring them will be issued directly to the board of directors. A report on the material matters related to the evaluation process will be issued to the Internal Audit Committee.

Accreditation is measured in the fair value of assets and liabilities mainly on available market data, and the data that is relied upon in the evaluation is classified according to the following hierarchy:

- Level 1: quoted prices (unadjusted) in active markets for identical assets or liabilities.

- Level 2: inputs of the quoted prices included in level (1) that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices).
- Level 3: inputs for the asset or liability that are not based on observable market data (unobservable inputs).

The Group recognizes transfers between levels of the fair value hierarchy at the end of the financial year during which the change has occurred.

Further information about the assumptions made in measuring fair values is included in the following notes:

- Note 36 – share-based payments.
- Note 51 – financial instruments

#### **5- Changes in significant accounting policies**

The Group applied Egyptian Accounting Standard No. 47 “Financial instruments” (see A), Egyptian Accounting Standard No. 48 “Revenue from Contracts with Customers” (see B), and Egyptian Accounting Standard No. 49 “Lease contracts” (see C) from January 1, 2020.

Certain number of other new standards have been applied from January 1, 2020; however, there is material impact on the Group’s financial statements resulted from implementation of such standards.

Considering the method of applying the changes in the accounting policies, the Group has chosen to recognize differences resulted from the implementation of the above-mentioned new standards “if any” in retained earnings at January 1, 2020. Comparative information was not restated to reflect the requirements of the new standards, the effect of applying those standards are primarily attributable to the increase in financial assets impairment losses (see A) and the effect of lease contracts (see C-2).

#### **A- Egyptian Accounting Standard No. (47) – Financial Instruments**

Egyptian Accounting Standard No. 47 sets out requirements for recognition and measuring financial assets & liabilities, and certain contracts for buying and selling non-financial items. This standard replaces the Egyptian Accounting Standard No. 25 Financial instruments: presentation and disclosure, Egyptian Accounting Standard No. 26 Financial instruments: recognition and measurement and, Egyptian Accounting Standard No. 40 Financial instruments: disclosures applied to the disclosure for year 2020.

As a result of adoption Egyptian Accounting Standard No. 47, the Group adopted amendments to Egyptian Accounting Standard No. 1 regarding the presentation of financial statements, which requires presentation of impairment in the value of financial assets in a separate item in the statement of profit or loss and other comprehensive income statement. Previously, the Group’s policy was to include impairment losses on trade receivables, notes receivables and other current asset’s values in other expenses. So, the Group reclassified the impairment losses, recognized under Egyptian Accounting Standard No. 26, from other expenses to expected credit losses in the statement of profit and loss and other comprehensive income for the period ended June 30, 2020.

Impairment losses on other financial assets are presented under “finance costs”, like the presentation under Egyptian Accounting Standard No. 26 and are not presented separately in the statement of profit or loss and statement of other comprehensive income due to materiality considerations.

In addition, the Group has adopted amendments to Egyptian Accounting Standard No. 40 - Financial Instruments: disclosures applied to disclosures for the financial period ended June 30, 2020 but have not generally been applied to comparative information.

**Classification and measurement of financial assets and financial liabilities**

Egyptian Accounting Standard No. 47 contains major classifications of financial assets: measurement at amortized cost, fair value through other comprehensive income and fair value through profit or loss. The classification of financial assets under Egyptian Accounting Standard No. 47 is generally based on the business model in which the financial asset is managed and the contractual cash flow characteristics. Egyptian Accounting Standard No. 47 eliminates the previous Egyptian Accounting Standard No. 26 categories from held-to-maturity, loans, debtors, and available for sale. Under Egyptian Accounting Standard No. 47, derivatives embedded in contracts in where the host is a financial asset in the scope of the standard are never separated. Instead, hybrid financial instrument as a whole is assessed for classification.

Egyptian Accounting Standard No. 47 largely retains the existing requirements in EAS No. 26 for the classifications and measurement of financial liabilities.

The adoption Egyptian Accounting Standard No. 47 has not had significant effect on the Group's accounting policies related to financial liabilities and derivative financial instruments.

For an explanation of how the Group classifies financial instruments and accounts, and their measurement of related profits or losses under Egyptian Accounting Standard No. 47, refer to Note No. (56).

The effect of adopting of Egyptian Accounting Standard No. 47 on the carrying amounts of financial assets on January 1, 2020 relates solely to the new impairment requirements. The following table and the accompanying notes below explain the original classifications and measurement categories according to the Egyptian Accounting Standard No. 26 and the new classifications and measurement according to the Egyptian Accounting Standard No. 47 for each categories of the Group's financial assets and financial liabilities as of January 1, 2020.

	Note	Original classification under EAS No. 26	New classification under EAS No. 47	Note No.	Original carrying amount under EAS No. 26	New carrying amount under EAS No. 47
<b>Financial assets</b>						
Equity instruments	A	Financial investments available for sale	Fair value through OCI	(18)	13 562 361	13 562 361
Equity instruments		Financial investments at fair value through profit or loss	Financial investments at fair value through profit or loss	(27)	48 126 690	48 126 690
Financial assets at amortized cost		Financial assets at amortized cost	Amortized cost	(19)	505 873 835	505 873 835
Trade receivables	B	Loans & debtors	Amortized cost	(28)	35 599 451	35 343 968
Other current assets	B	Loans & debtors	Amortized cost	(30)	67 556 010	67 313 400
Cash & cash equivalent		Loans & debtors	Amortized cost	(26)	120 025 608	117 549 181
<b>Total financial assets</b>					<b>790 472 654</b>	<b>787 498 134</b>

Financial liabilities	Note	Original classification according to EAS No. (26)	The new classification according to EAS No. (47)	Note No.	Original carrying amount according to EAS No. (26)	The new carrying amount according to EAS No. (47)
Loans		Other financial liabilities	Other financial liabilities	(39)	118 540 132	118 540 132
Bank facilities		Other financial liabilities	Other financial liabilities	(43)	109 313 199	109 313 199
Bank overdraft		Other financial liabilities	Other financial liabilities	-	1 052 868	1 052 868
Suppliers, contractors, notes payable & other credit balances		Other financial liabilities	Other financial liabilities	(45)	179 369 647	179 369 647
Insurance policy holders' rights		Other financial liabilities	Other financial liabilities	(44)	90 624 355	90 624 355
<b>Total financial liabilities</b>					<b>498 900 201</b>	<b>498 900 201</b>

- A- These equity securities represent investments that the Group intends to hold for the long term for strategic purposes. As permitted by Egyptian Accounting Standard No. 47, the Group designated these investments at the date of initial application as measured at fair value through other comprehensive income. Unlike the Egyptian Accounting Standard No. 26, the accumulated fair value reserve related to these investments will never be reclassified to profit or loss.
- B- Trade & notes receivables, and other current assets that were classified as loans and accounts receivable under Egyptian Accounting Standard No. 26 at amortized cost. An increase in the allowance for impairment over these receivables was recognized in opening retained earnings of January 1, 2020 on transition to EAS No. 47.

- **Impairment on financial assets**

- Egyptian Accounting Standard No. 47 replaces "incurred loss" model in EAS No. 26 with the "expected credit losses" (ECL) model. The new impairment model applies to financial assets measured at amortized cost, contract assets and investments in debt securities measured at fair value through other comprehensive income, but not to investments in equity instruments. Under Egyptian Accounting Standard No. 47, credit losses are recognized earlier than Egyptian Accounting Standard No. 26 - see Note No. (56-19).
- For assets in the scope of Egyptian Accounting Standard No. 47 impairment model, impairment losses are general expected to increase and become more volatile. The Group has determined that applying application of Egyptian Accounting Standard No. 47 's impairment requirements at January 1, 2020 results in an additional allowance for impairment as follows:-

Loss allowance according to EAS No. 26 at December 31, 2019	5 899 021
The additional impairment losses recognized at January 1, 2020 on trade receivables balances at December 31, 2019	255 483
The additional impairment losses recognized at January 1, 2020 on other current assets balances at December 31, 2019	242 610
The additional impairment losses recognized at January 1, 2020 on cash at banks balances at December 31, 2019	2 476 427
Loss allowance according to EAS No. (47) in December 31, 2019	<u>8 873 541</u>

Additional information on how the Group measures the allowance for impairment is described in Note No. (56-19).

**B- Egyptian Accounting Standard No. (48) – Revenue from Contracts with Customers**

Egyptian Accounting Standard No. (48) establishes a comprehensive framework for determining whether, how much and when revenue is recognized. It replaced the following EASs (EAS No. (11) "Revenue" and EAS No. (8) "Construction Contracts"). Revenue is recognized when a customer obtains control of the goods or services. Also, determining the timing of control transfer of control at a point of time or over time - requires personal judgment.

The Group has adopted Standard No. (48) using the cumulative effect method (without practical expedients), with the effect of initially applying this standard recognized at the date of initial application on January 1, 2020. Applying this standard has no significant impact on retained earnings and non-controlling interests balances at January 1, 2020.

**C- Egyptian Accounting Standard No. (49) – Lease Contracts**

Egyptian Accounting Standard No. (49) "Lease Contracts" introduces a single accounting model for the lessor and the lessee where a lessee recognizes a right-of-use asset representing its right to use the underlying asset and a lease liability representing its obligation to make lease payments, taking into account that the lease contracts are not classified in respect of the lessee as operating or finance lease contracts. There are optional exemptions for short-term lease contracts and low-value lease contracts.

As for a lessor, he shall classify each lease contract either as an operating lease or a finance lease contract.

As for the finance lease, a lessor must recognize the assets 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.

As for operating leases, a 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.

EAS No. (49) replaces EAS No. (20) – "Accounting Rules and Standards related to Financial Leasing"

The Group has applied the EAS No. (49) using the retrospective approach from the first application date on January 1, 2020.

On transition to Egyptian Accounting Standard No. (49), the Group elected to apply the practical method to exclude the evaluation according to which the transactions represent lease contracts. The Group applied Egyptian Accounting Standard No. (49) only to contracts that were previously identified as lease contracts. contracts that were not identified as lease contracts under Egyptian Accounting Standard No. (20) were not reassessed. Therefore, the definition of a lease contract under Egyptian Accounting Standard No. (49) was applied only to contracts entered into or changed on January 1, 2020 or after that date. The Group used a number of the following practical incentives when applying Egyptian Accounting Standard No. (49) to lease contracts previously classified as operating lease contracts under Egyptian Accounting Standard No. (20):

- Apply a single discount rate to a Group of lease contracts with identical characteristics to a reasonable extent.
- Apply the exemption by not recognizing the assets and liabilities of the right of use asset which expire during year 2020.
- Excluded the initial direct cost from the measurement of the right of use asset on the date initial application.

The Group also elected to use recognition' exemptions for lease contracts that do not exceed lease terms 12 months or less from the first application date and do not include the option to purchase "short-term lease contracts" as well as low-value lease contracts "low-value assets".

#### **1- Before applying Egyptian Accounting Standard No. (49)**

The Group has lease contracts for different lease items such as branches, commercial offices and stores. Before the adoption of Egyptian Accounting Standard No. (49), the Group included the rental value due from the financial lease contracts, in addition to the maintenance and repair expenses incurred by the Group's Companies in the leased assets in the consolidated statement of income during each financial period. If the Group's Companies use the right to purchase the leased asset at the end of the contract time, this asset is classified as a property at the value paid to exercise the right to purchase the agreed upon asset according to the contract, and it is depreciated over the estimated useful life of it according to the depreciation policy the Group Companies apply with respect to the identical fixed assets.

#### **2-After applying Egyptian Accounting Standard No. (49)**

Upon the initial application of Egyptian Accounting Standard No. (49), the Group applied a single approach to recognition and measurement for all lease contracts in which the Company was considered as lessee, except short-term lease contracts and low-value asset lease contracts, the Group has recognized the lease contracts liabilities to pay the lease payments and the right of use asset that represent the right to use the assets subject to the contract, in accordance with the modified retrospective approach, with regard to operating lease contracts, the right of use asset has been measured using the amount equal to the lease contract liabilities amended by any prepaid lease payments or amount due related to a lease contract recognized in the statement of financial position at the beginning of the application date (1/1/2020). Accordingly, retained earnings were not adjusted at the beginning of the application.

#### **Lease contracts**

At the beginning of the contract, the Group assesses whether the contract includes lease arrangements, and in relation to such arrangements, the Group recognizes the right of use assets and lease contracts liabilities except for short-term lease contracts and low-value asset contracts as follows:



**Right of use assets**

The Group recognized the right of use assets on the initial application's date, (right of use assets are measured at cost, less any accumulated losses from impairment and accumulated amortization, accordingly to be adjusted as a result of any revaluation of the lease liabilities, cost of right of use assets includes the amount of recognized lease contracts liabilities, the initial direct costs incurred and lease payments on or before the start date less any rental incentives received. Unless the Group is reasonably certain of obtaining ownership of the leased asset at the end of the lease term, the recognized right of use assets are amortized on a straight-line basis over the estimated productive useful life period or lease term, whichever is more, the right of use asset is subject to impairment

**Lease contracts liabilities**

On the initial application's date, the Group has recognized the lease liabilities measured by the present value of the lease payments to be paid over the duration of the lease, lease payments includes fixed payments (including guaranteed fixed payments) less due lease incentives receivable and variable lease payments that depend on an index or rate, and the amounts expected to be paid under the residual value guarantees, lease payments also include the price of exercising the purchase option that is certain and reasonably the Group exercises and payments of termination fees of the lease, if the lease contract reflects that the Group exercises the termination option, variable lease payments which do not rely on an index or rate are recognized as an expense during the period in which the event or condition that fulfills the payment condition occurs.

When calculating the present value of lease payments, the Group uses the additional borrowing rate at the start date of the lease since the implicit interest rate in the lease was not easily determined, after the start date, lease contracts liabilities balances are increased to reflect the accumulation of interest and the decrease of the lease payments provided. In addition, the carrying amount of the lease contracts liabilities are re-measured if there is an amendment or change in the lease term or a change in the fixed lease payments included or a change in the evaluation of the purchase of the underlying asset

**Short-term lease contracts**

The Group applies the exemption granted to the short-term lease contract on the short-term lease contracts (i.e. lease contracts with a lease term of 12 months or less from the start date and do not include a purchase option). Lease payments on short-term lease contracts are recognized as expenses on a straight-line basis over the lease term.

**The significant judgments in determining the term of the lease for contracts that includes renewal options**

The Group defines the term of the lease contract as the irrevocable period of the lease contract. In addition to any periods covered by the option to extend the lease contract if this right can be exercised in a reasonable degree, or any periods covered by the option to terminate the lease contract, if it is certain to exercise this right.

The Group has the option for certain lease contracts to lease assets for additional periods, the Group applies judgment in assessing whether it is certain and reasonable to exercise the option of renewal, this means that all relevant factors that create an economic incentive to practice renewal are taken into consideration, after the start date, the Group edits the lease term if there is a major event or change in conditions under its control and affects its ability to exercise (or not exercise) the renewal option (for example) a change in business strategy.

On transition to Egyptian Accounting Standard No. (49), the Group recognized the right of use assets equal to the liabilities of the lease contracts.

## Notes to the consolidated financial statements

For the financial period ended at June 30, 2020

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

**6-Revenues**

	<u>The six-month ended 30/6/2020</u>		<u>The six-month ended 30/6/2019</u>	
	<u>From 1/4/2020</u>	<u>From 1/1/2020</u>	<u>From 1/4/2019</u>	<u>From 1/1/2019</u>
	<u>till 30/6/2020</u>	<u>till 30/6/2020</u>	<u>till 30/6/2019</u>	<u>till 30/6/2019</u>
Fertilizers activity revenue	54 664 754	102 058 367	50 734 195	105 038 726
Chemicals & plastic activity revenue	26 847 962	61 320 906	32 363 829	64 854 146
Gas supplies activity revenues	31 616 877	70 248 698	34 186 027	62 295 931
Drilling and petroleum services activity	13 758 824	28 474 986	6 821 097	15 618 460
Insurance activity	9 408 574	23 072 004	8 182 161	17 008 630
Cooling technology by natural gas activity revenue	679 711	2 797 028	497 962	2 571 719
Agencies activity revenue	235 985	457 170	241 155	537 930
Other activity revenue	745 387	1 856 700	-	-
	<u>137 958 074</u>	<u>290 285 859</u>	<u>133 026 426</u>	<u>267 925 542</u>

**7-Cost of revenue recognition**

	<u>The six-month ended 30/6/2020</u>		<u>The six-month ended 30/6/2019</u>	
	<u>From 1/4/2020</u>	<u>From 1/1/2020</u>	<u>From 1/4/2019</u>	<u>From 1/1/2019</u>
	<u>till 30/6/2020</u>	<u>till 30/6/2020</u>	<u>till 30/6/2019</u>	<u>till 30/6/2019</u>
Fertilizers activity cost	40 709 502	74 690 006	35 929 532	74 321 853
Chemicals & plastic activity cost	16 995 341	40 179 636	22 147 268	44 382 395
Gas supplies activity cost	20 300 097	47 792 014	23 591 635	40 718 828
Drilling and petroleum services activity cost	5 699 224	12 276 555	2 705 088	6 059 858
Insurance activity cost	7 025 816	17 770 885	6 237 344	13 360 795
Cooling technology by natural gas activity cost	495 492	2 232 869	280 476	2 007 704
Agencies activity cost	169 765	337 910	198 315	430 578
Other activity cost	531 007	1 171 969	-	-
	<u>91 926 244</u>	<u>196 451 844</u>	<u>91 089 658</u>	<u>181 282 011</u>

## Notes to the consolidated financial statements

For the financial period ended at June 30, 2020

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

**8-Income from investments**

	<u>The six-month ended 30/6/2020</u>		<u>The six-month ended 30/6/2019</u>	
	<u>From 1/4/2020</u> <u>till 30/6/2020</u>	<u>From 1/1/2020</u> <u>till 30/6/2020</u>	<u>From 1/4/2019</u> <u>till 30/6/2019</u>	<u>From 1/1/2019</u> <u>till 30/6/2019</u>
Income from investment in treasury bills	4 563 343	14 802 901	4 260 932	7 481 676
Income from governmental bonds	4 495 452	6 992 425	1 267 928	2 488 962
Income from financial assets at amortized cost	296 896	296 896	-	-
Gain on sale of investments at fair value through other comprehensive income	-	-	-	1 545 217
Change in fair value of financial assets at fair value through profit or loss	2 758 678	(1 358 673)	252 764	399 902
Income from investments at fair value through other comprehensive income	109 453	110 219	861 019	930 519
Income from investments at fair value through profit or loss	-	-	26 331	26 331
	<u>12 223 822</u>	<u>20 843 768</u>	<u>6 668 974</u>	<u>12 872 607</u>

**9-Other Income**

	<u>The six-month ended 30/6/2020</u>		<u>The six-month ended 30/6/2019</u>	
	<u>From 1/4/2020</u> <u>till 30/6/2020</u>	<u>From 1/1/2020</u> <u>till 30/6/2020</u>	<u>From 1/4/2019</u> <u>till 30/6/2019</u>	<u>From 1/1/2019</u> <u>till 30/6/2019</u>
Drawback and exports support revenue	476 531	476 531	316 719	1 250 585
Provisions no longer required	377 358	377 358	5 977	244 613
Reversal of impairment loss on equity - accounted investees (associates Companies)	-	-	1 120 964	2 345 302
Capital gains	74 929	108 105	12 731	12 731
Other	285 802	604 443	42 994	695 281
	<u>1 214 620</u>	<u>1 566 437</u>	<u>1 499 385</u>	<u>4 548 512</u>

**10-Selling & distribution expenses**

	<u>The six-month ended 30/6/2020</u>		<u>The six-month ended 30/6/2019</u>	
	<u>From 1/4/2020</u> <u>till 30/6/2020</u>	<u>From 1/1/2020</u> <u>till 30/6/2020</u>	<u>From 1/4/2019</u> <u>till 30/6/2019</u>	<u>From 1/1/2019</u> <u>till 30/6/2019</u>
Chemicals & plastic activity's	691 458	1 862 864	795 729	1 731 827
Fertilizers activity's	94 518	188 834	99 733	188 611
Cooling technology by natural gas activity's	32 234	68 731	26 353	50 791
Other	15 124	140 044	-	-
	<u>833 334</u>	<u>2 260 473</u>	<u>921 815</u>	<u>1 971 229</u>

**11-Reversal of Impairment (charges) for expected credit losses**

	<u>The six-month ended 30/6/2020</u>		<u>The six-month ended 30/6/2019</u>	
	<u>From 1/4/2020</u> <u>till 30/6/2020</u>	<u>From 1/1/2020</u> <u>till 30/6/2020</u>	<u>From 1/4/2019</u> <u>till 30/6/2019</u>	<u>From 1/1/2019</u> <u>till 30/6/2019</u>
Expected credit losses on other current assets	(27 807)	(132 021)	-	-
Reversal of expected credit losses on other current assets	1 512 543	3 516 675	(15 946)	861 431
Reversal of expected credit losses on trade & notes receivables	(19 270)	-	-	-
Expected credit losses on cash at banks	(1 058 012)	(1 481 357)	-	-
	<u>407 454</u>	<u>1 903 297</u>	<u>(15 946)</u>	<u>861 431</u>

**12-Other expenses**

	<u>The six-month ended 30/6/2020</u>		<u>The six-month ended 30/6/2019</u>	
	<u>From 1/4/2020</u> <u>till 30/6/2020</u>	<u>From 1/1/2020</u> <u>till 30/6/2020</u>	<u>From 1/4/2019</u> <u>till 30/6/2019</u>	<u>From 1/1/2019</u> <u>till 30/6/2019</u>
Provisions formed	14 766	3 035 655	502 127	825 201
	<u>14 766</u>	<u>3 035 655</u>	<u>502 127</u>	<u>825 201</u>

**13-Income tax**

	<u>The six-month ended 30/6/2020</u>		<u>The six-month ended 30/6/2019</u>	
	<u>From 1/4/2020</u> <u>till 30/6/2020</u>	<u>From 1/1/2020</u> <u>till 30/6/2020</u>	<u>From 1/4/2019</u> <u>till 30/6/2019</u>	<u>From 1/1/2019</u> <u>till 30/6/2019</u>
Current income tax expense	9 247 692	19 333 056	9 118 119	18 629 270
Deferred income tax	(1 266 536)	(2 261 536)	(973 037)	(1 358 379)
	<u>7 981 156</u>	<u>17 071 520</u>	<u>8 145 082</u>	<u>17 270 891</u>

**Adjustments to calculate the effective tax rate**

	<u>The Six- month</u> <u>ended 30/6/2020</u>	<u>The Six- month</u> <u>ended 30/6/2019</u>
Consolidated net accounting profit before income tax	97 312 925	89 139 966
Tax rate	% 22.5	% 22.5
Expected income tax on accounting profit	21 895 408	20 056 492
Expenses are not applicable to tax deduction	90 386	164 481
Tax exemptions	(2 469 348)	(4 325 517)
Provisions effect	102 639	28 834
Property, plant & equipment depreciation and other assets amortization	1 465 891	1 376 446
	(2 790)	-
Capital gain & loss	(13 794)	8 465
Books' currency differences	(1 735 336)	1 320 069
Others	(2 261 536)	(1 358 379)
Deferred income tax		
<b>Tax according to consolidated income statement</b>	<b>17 071 520</b>	<b>17 270 891</b>
<b>Effective tax rate</b>	<b>% 17.54</b>	<b>% 19.38</b>

**14-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 profits/(losses)	Non-controlling interests as in 30/6/2020	Non-controlling interests as in 31/12/2019
National Gas Co. "Natgas"	16.02	2 723 588	15 002 124	17 725 712	16 705 763
Globe for Communications & Information Technology Co.	1	(2)	5 705	5 703	5 740
Cooling Technology by Natural Gas Co.- Gas Chill	14.01	55 095	444 942	500 037	448 202
Midor Suez for Oil Refinery Co.	0.002	-	6	6	6
El Fayoum Gas Co.	22.01	324 758	1 488 124	1 812 882	1 642 016
Bawabat Al Kuwait Holding Company	45.81	14 439 248	166 290 066	180 729 314	179 949 111
Arabian Company for Fertilizers	22.28	(353)	(22 372)	(22 725)	(22 372)
El Shorouk for Melamine & Resins co.	8.49	(24 975)	170 912	145 937	171 604
NSCO Co.	0.003	390	680	1 070	682
Delta Insurance co.	43.52	2 631 344	19 495 689	22 127 033	19 624 617
<b>Total</b>		<b>20 149 093</b>	<b>202 875 876</b>	<b>223 024 969</b>	<b>218 525 369</b>

**15-Basic / diluted earnings per share of profits**

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

	<b><u>The six-month ended 30/6/2020</u></b>		<b><u>The six-month ended 30/6/2019</u></b>	
	<b><u>From 1/4/2020 till 30/6/2020</u></b>	<b><u>From 1/1/2020 till 30/6/2020</u></b>	<b><u>From 1/4/2019 till 30/6/2019</u></b>	<b><u>From 1/1/2019 till 30/6/2019</u></b>
Net profit for the period (owners of the parent Company)	29 751 356	60 092 312	26 211 017	55 009 160
Employees' share in profit – proposal	(193 365)	(202 795)	(9 430)	(18 860)
Employees & board of directors' share in profit in subsidiaries and associates-proposal	(3 908 330)	(8 072 674)	(3 684 695)	(7 369 390)
Shareholders' share in net profit of the period	<b>25 649 661</b>	<b>51 816 843</b>	<b>22 516 892</b>	<b>47 620 910</b>
Weighted average number of shares outstanding during the period	1 021 791 248	1 021 791 248	1 017 206 623	1 017 206 623
Earnings per share (US cent / Share)	<b>2,51</b>	<b>5,07</b>	<b>2,21</b>	<b>4,68</b>

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

	The six- month ended 30/6/2020	The six- month ended 30/6/2019
Issued shares at the beginning of the period	1 017 206 623	1 006 064 846
Effect of issuance of bonus shares to finance the incentive shares	7 234 547	11 141 777
Treasury shares	(2 649 922)	-
Weighted average number of shares outstanding during the period	<u>1 021 791 248</u>	<u>1 017 206 623</u>

#### 16- Non-cash transactions

For the purpose of preparing the consolidated statement of cash flows for the financial period ended June 30, 2020, the effect of the following transactions has been excluded from investing activities which considered as noncash transactions:

4 669 811	Property, plant & equipment additions – land included in notes payables
1 067 138	Uncollected portion from PPE disposals – land deduction from noted payables
766 055	Exploration & development assets additions included in provisions

#### 17- Equity-accounted investees (associates companies)

	Ownership %	30/6/2020	31/12/2019
<b><u>Investments not listed in stock exchange</u></b>			
TOSS Co. (Limited Liability Co.- Cayman Islands)	28.07	6 940 362	6 940 362
Inayah Egypt for Medical care Programs Management Co.	20	173 743	174 826
Egyptian Tankers Co. (S.A.E.- Free Zone)	30	17 128 175	17 128 175
		<u>24 242 280</u>	<u>24 243 363</u>
Impairment losses		(17 128 175)	(17 128 175)
		<u>7 114 105</u>	<u>7 115 188</u>

**18-Financial assets at fair value through other comprehensive income**

	Ownership		
	%	30/6/2020	31/12/2019
<b><u>Financial assets at fair value</u></b>			
Portfolios managed by abroad investment manager	-	218 660 693	1 391 204
Local companies' securities listed in the Egyptian Stock Exchange (EGX)	-	8 388 842	2 395 561
<b><u>Financial assets measured at cost*</u></b>			
United Arab Chemical Carriers Co.	1.19%	13 970 259	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
		<b>275 485 105</b>	<b>52 365 073</b>
Impairment losses		(38 802 712)	(38 802 712)
		<b>236 682 393</b>	<b>13 562 361</b>

\*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 7, 2020.

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.

The movement of financial assets at fair value is as follows: -

	30/6/2020	31/12/2019
Cost	278 611 661	5 432 818
Fair value	227 049 534	3 786 765
Fair value reserve	(51 562 127)	(1 646 053)
<b><u>Classified as follows:</u></b>		
Parent Company' shareholders	(54 037 365)	(1 443 251)
Non-controlling interests	2 475 238	(202 802)
	<b>(51 562 127)</b>	<b>(1 646 053)</b>

**19-Financial assets at amortized cost**

	<u>30/6/2020</u>	<u>31/12/2019</u>
Portfolios (banks deposits) held at a foreign bank	-	90 003 411
Portfolios (treasury bills) held at an abroad investment manager	-	175 578 012
Investment certificates at local banks "Insurance Sector"	113 283 767	98 241 895
Governmental bonds	44 829 687	22 626 081
Treasury bills	145 976 620	109 625 076
Designated governmental bonds "Insurance Sector"	1 994 595	9 799 360
	<u>306 084 669</u>	<u>505 873 835</u>
<b><u>Classified as follows: -</u></b>		
Short term (due within one year)	145 976 620	375 206 499
Long term (due after one year)	160 108 049	130 667 336



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

Notes to the consolidated financial statements (Cont.) for the financial period ended of June 30, 2020

All numbers are in US Dollars

Transferred

20- Properties, plant and equipment and projects under construction

	Land	Buildings & constructions	Vehicles & transportation	Furniture & office equipment	Machinery & equipment	Tools & supplies	Stations, generators & electric transformers	Computer, software & decorations	Leasehold Improvements	Projects under construction	Total
Cost as of 1/1/2019	27 893 023	56 435 608	11 949 480	7 993 881	406 164 643	2 337 242	62 594 946	6 346 145	1 282 103	22 972 515	606 189 588
Additions	156 573	1 203 905	858 172	663 863	5 394 226	19 497	6 117 100	473 833	613	-	14 890 782
Change in projects under construction	-	-	-	-	-	-	-	-	-	(4 575 867)	(4 575 867)
Disposals	-	-	(113 039)	(107 561)	(1 016 247)	-	(523 597)	(22 213)	(57 673)	-	(1 840 329)
Cost as of 31/12/2019	28 049 596	57 661 513	12 694 614	8 550 183	410 543 622	2 356 739	68 188 449	6 997 765	1 225 045	18 396 648	615 664 174
Cost as of 1/1/2020	28 049 596	57 661 513	12 694 614	8 550 183	410 543 622	2 356 739	68 188 449	6 997 765	1 225 045	18 396 648	615 664 174
Additions	6 335 346	308 844	235 414	228 518	345 061	23 288	846 892	257 999	-	-	8 581 362
Change in projects under construction	-	-	-	-	-	-	-	-	-	5 306 636	5 306 636
Disposals	(2 163 404)	(1 1851)	(67 044)	-	(4 192)	-	-	-	(21 778)	-	(2 258 269)
Cost as of 30/6/2020	32 221 538	57 968 506	12 862 984	8 778 701	410 884 491	2 380 027	69 035 341	7 255 764	1 203 267	23 703 284	636 293 903
Depreciation and impairment loss											
Accumulated depreciation and impairment loss as of 1/1/2019	-	23 782 433	9 378 992	6 119 187	229 696 348	1 791 688	9 148 376	4 752 799	737 492	-	285 397 335
Depreciation	-	2 297 643	661 767	426 780	18 014 888	38 363	2 033 060	652 476	36 017	-	24 160 994
Accumulated depreciation of disposals	-	-	(111 639)	(90 638)	(663 137)	-	(370 881)	(22 213)	-	-	(1 258 508)
Accumulated depreciation and impairment losses as of 31/12/2019	-	26 080 096	9 929 120	6 455 329	247 048 099	1 830 051	10 810 555	5 383 062	763 509	-	308 299 821
Accumulated depreciation and impairment losses as of 1/1/2020	-	26 080 096	9 929 120	6 455 329	247 048 099	1 830 051	10 810 555	5 383 062	763 509	-	308 299 821
Depreciation	-	976 158	371 160	242 870	9 164 094	20 160	1 250 498	296 949	18 009	-	12 339 898
Accumulated depreciation of disposals	-	(1 043)	(58 163)	-	(1 543)	-	-	-	-	-	(60 748)
Accumulated depreciation and impairment losses as of 30/6/2020	-	27 053 211	10 242 118	6 698 199	256 210 650	1 850 211	12 061 053	5 680 012	781 518	-	320 578 971
Carrying amount as of 31/12/2019	28 049 596	31 581 417	2 765 494	2 094 854	163 495 523	526 688	57 377 894	1 614 703	461 536	18 396 648	306 364 353
Effect of change in foreign exchange rates	(5 440 271)	(10 349 944)	(897 873)	(737 191)	(25 675 532)	(419 597)	(15 601 231)	(113 048)	(90 231)	229 069	(59 123 549)
Carrying amount as of December 31, 2019	22 609 325	21 231 473	1 867 621	1 357 663	137 820 291	107 091	41 776 663	1 501 655	371 305	18 625 717	247 240 804
Carrying amount as of 30/6/2020	32 221 538	30 915 295	2 620 866	2 080 502	154 673 841	529 816	56 974 288	1 575 753	421 749	23 703 284	305 714 932
Effect of change in foreign exchange rates	(5 605 944)	(10 392 436)	(904 198)	(763 518)	(25 757 814)	(420 148)	(15 853 352)	(118 209)	(90 107)	1 675 848	(58 231 058)
Carrying amount as of June 30, 2020	26 615 594	20 520 859	1 716 668	1 317 984	128 916 027	109 668	41 121 756	1 457 544	331 642	25 376 132	247 483 874

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

Notes to the consolidated financial statements (Cont.) for the financial period ended as of June 30, 2020

All numbers are in US Dollars

Translated

21- Exploration and development assets

<u>Cost</u>	<u>Producing wells</u>	<u>Equipment / field services</u>	<u>Total</u>
As of 1/1/2019	39 505 967	6 854 406	46 360 373
Additions	51 000 000	27 041 500	78 041 500
Adjustments	(4 200 000)	-	(4 200 000)
As of 31/12/2019	<u>86 305 967</u>	<u>33 895 906</u>	<u>120 201 873</u>
As of 1/1/2020	86 305 967	33 895 906	120 201 873
Additions	766 055	-	766 055
As of 30/6/2020	<u>87 072 022</u>	<u>33 895 906</u>	<u>120 967 928</u>
<u>Accumulated amortization, depletion, and impairment losses</u>			
As of 1/1/2019	18 212 126	349 104	18 561 230
Amortization	12 973 270	903 295	13 876 565
As of 31/12/2019	<u>31 185 396</u>	<u>1 252 399</u>	<u>32 437 795</u>
As of 1/1/2020	31 185 396	1 252 399	32 437 795
Amortization	8 537 011	887 195	9 424 206
As of 30/6/2020	<u>39 722 407</u>	<u>2 139 594</u>	<u>41 862 001</u>
Carrying amount of 31/12/2019	<u>55 120 571</u>	<u>32 643 507</u>	<u>87 764 078</u>
Carrying amount of 30/6/2020	<u>47 349 615</u>	<u>31 756 312</u>	<u>79 105 927</u>

**22-Right of use assets**

	<u>Lands &amp; real estate</u>
<u>Cost</u>	
Cost as of 1/1/2020	-
Additions	12 465 337
Cost as of 30/6/2020	<u>12 465 337</u>
<u>Accumulated depreciation</u>	
Accumulated depreciation as of 1/1/2020	-
Depreciation	(497 334)
Accumulated depreciation as of 30/6/2020	<u>(497 334)</u>
Net amount	<u>11 968 003</u>
Effect of foreign exchange rate	(112 565)
Net carrying amount	<u>11 855 438</u>

\* Present value of the total liabilities resulted from right of use at June 30, 2020 is amounted to USD 11 587 436 as follows:

	<u>US Dollars</u>
Short-term lease contracts liabilities	1 047 543
Long-term lease contracts liabilities	10 539 893
	<u>11 587 436</u>

**23-Goodwill**

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

	<u>30/6/2020</u>	<u>31/12/2019</u>
National Gas Co. (Natgas)	7 687 312	7 735 240
Sprea Misr	10 842 983	10 910 580
El Fayoum Gas Co.	1 579 571	1 589 420
Alex Fertilizer Co.	34 107 324	34 107 324
Delta Insurance Co.	3 576 388	3 598 685
Shield Gas Systems Co.	5 103 083	5 103 083
	<u>62 896 661</u>	<u>63 044 332</u>

\* The difference in the goodwill balance as of June 30, 2020 and the balance as of December 31, 2019 is represented in the effect of the translation from Egyptian Pound to US Dollar (financial statements' presentation currency).

**24-Intangible assets**

	Net as at 1/1/2020	Amortization	Translation differences	Net as at 30/6/2020
Deferred revenue charges*	1 036 944	(251 627)	(2 682)	782 635
Right to use**	848 719	(848 719)	-	-
Other assets**	1 250 000	(125 000)	-	1 125 000
	<b>3 135 663</b>	<b>(1 225 346)</b>	<b>(2 682)</b>	<b>1 907 635</b>

\* This item is represented in the 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 item 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

**25-Biological assets**

The balance is represented in the acquisition cost of the tree forest (Eucalyptus and Casorina trees) which amounted to USD 760 706 (year 2019: an amount of USD 765 449), this cost reflecting the fair value of the forest which was purchased by one of the group's subsidiaries and located on the leased land by the subsidiary during December 2019, the difference in the biological assets balance as of June 30, 2020 and the balance as of December 31, 2019 is represented in the effect of the translation from Egyptian Pound to US Dollar (financial statements' presentation currency).

**26-Cash and cash equivalents**

	30/6/2020	31/12/2019
Cash on hand	431 581	300 956
Bank – current accounts	91 850 158	32 939 260
Bank – time deposits (less than three month)	96 765 251	79 775 805
Bank – time deposits (more than three month)	2 231 144	7 009 587
	<b>191 278 134</b>	<b>120 025 608</b>
Expected credit loss	(4 359 220)	-
	<b>186 918 914</b>	<b>120 025 608</b>

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

	30/6/2020	30/6/2019
Cash & cash equivalents	191 278 134	189 046 581
Investments in treasury bills - during three months	60 469 873	67 567 899
Bank – time deposits (more than three month)	(2 231 144)	(5 593 576)
Banks overdraft	(678 191)	(641 397)
	<b>248 838 672</b>	<b>250 379 507</b>

**27-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:

	30/6/2020	31/12/2019
Portfolios managed by abroad investment managers	2 154 925	1 782 377
Egyptian Companies' stocks (listed in the Egyptian Stock Exchange)	331 448	380 844
Investments funds	-	2 261 051
Governmental bonds	31 206 417	43 702 418
	<b>33 692 790</b>	<b>48 126 690</b>

**28-Trade & notes receivable**

	30/6/2020	31/12/2019
Trade receivables	46 117 325	35 599 451
Egyptian General Petroleum Corporation*	34 655 195	31 940 682
	<b>80 772 520</b>	<b>67 540 133</b>
Expected credit losses	(650 968)	(547 758)
Notes receivable	14 030 275	14 443 608
	<b>94 151 827</b>	<b>81 435 983</b>

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

	30/6/2020	31/12/2019
Natgas Co.	897 268	949 756
El Fayoum Gas Co.	1 493 388	1 537 030
NSCO Co.	32 264 539	29 453 896
	<b>34 655 195</b>	<b>31 940 682</b>

**29-Derivative financial instruments**

The balance of USD 1 524 532 (Year 2019: amount of USD 105 542) is represented in the value of forward exchange contracts profit which recorded in finance income. During the period, one of the Group's subsidiaries signed forward exchange contracts in US Dollars with a related bank which deals with, The contractual value of these contracts is amounted to EGP 24 605 950 as of June 30, 2020 (concluding forward exchange contracts, the contractual value is amounted to EGP 437 200 000 as of December 31, 2019).

**30-Other current assets**

	30/6/2020	31/12/2019
Tax Authority	14 493 099	14 402 514
Accrued revenue	13 790 943	9 244 744
Accounts receivables from insurance	6 325 501	8 455 462
Uncollected issued bills	10 089 474	6 030 843
Suppliers-advanced payments	6 082 998	5 880 278
Deposits with others	5 401 968	5 623 544
Cheques under collection	2 731 939	4 868 829
Prepaid expenses	2 735 020	3 071 700
Due to IPIC Co.' shareholders	-	3 044 448
Insurance and reinsurance Companies	2 404 214	2 688 271
Due to building materials industries Co.	432 448	2 575 349
Loans guaranteed by individuals' insurance policies	413 246	437 418
Imprests & employee's custodies	544 845	339 069
Payments to employees under dividends distributions	202 795	-
Due from related parties *	166 845 972	170 345 972
Other debit balances	14 538 209	6 244 804
	<b>247 032 671</b>	<b>243 253 245</b>
Expected credit losses	(172 532 816)	(175 697 235)
	<b>74 499 855</b>	<b>67 556 010</b>

\* This item is 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 2019: amounted to USD 170 345 972).

**31- Inventory**

	30/6/2020	31/12/2019
Supplies	34 004 352	32 212 822
Spare parts and tools	18 026 854	17 866 827
Finished goods and work in process	4 708 228	9 159 911
Letters of credit & goods in transit	439 287	582 824
Fuel and oil	12 037 080	11 607 684
	<b>69 215 801</b>	<b>71 430 068</b>
Write down of inventory	(290 495)	(293 084)
	<b>68 925 306</b>	<b>71 136 984</b>

**32-Work in process**

	30/6/2020	31/12/2019
Gas sectors	-	12 003 427
Land & buildings under development	28 413 798	26 918 055
Others	844 850	592 940
	<b>29 258 648</b>	<b>39 514 422</b>

**33-Non-current assets held for sale**

Assets related to the Building Materials Industries Company – equity-accounted investees, are presented as non-current held for sale as of June 30, 2020, as during the year 2019 agreement was signed to manage the sale of shares owned by the Group in the Building Materials Industries Company - equity-accounted investees of 38.32% to a party outside the Group.

**34-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 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 affect 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.

**35-Reserves**

	30/6/2020	31/12/2019
Special reserve – share premium	57 954 547	57 954 547
General reserve	8 380 462	8 380 462
Fair value reserve	(53 930 343)	107 022
Foreign exchange reserves	(191 779 903)	(188 047 809)
	<u>(179 375 237)</u>	<u>(121 605 778)</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 year 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 is represented in the accumulated net change in the fair value of 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 associate's owner equity's translations.

**36-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 detail in Note No. (46).

**37-The impact of initial application of EAS No. 47 "Financial Instruments"**

During the period, the retained earnings and the non-controlling interests' balances are decreased by an amount of USD 1 687 114 and USD 1 287 406 respectively as a result of the application of EAS No. (47) Financial Instruments. In accordance with Minister of Investment Decision No. (69) for the year 2019 issued on March 18, 2019.



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

**Translated**

**Notes to the consolidated financial statements**

**For the financial period ended at June 30, 2020**

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

**38-Treasury shares**

The balance is represented in the value of 2 649 922 shares of the Egyptian-Kuwait Holding Company at a cost of USD 2 568 211 purchased during March 2020 in order to maintain the stability of the share price and support the stock in the market.

**39-Loans**

<u>The Company name</u>	<u>Loan's currency</u>	<u>Interest rates</u>	<u>Maturity date</u>	<u>30/6/2020</u>	<u>31/12/2019</u>
<b><u>Egypt Kuwait Holding Company</u></b>					
Loan guaranteed by investment portfolio	USD	4% above Libor-3 months	2019-2022	86 400 000	88 001 000
Loan guaranteed by a promissory note	USD	2.5% above Libor-3 months	2019	-	11 200 000
Loan guaranteed by investment portfolio	USD	2.5% above Libor-6 months	2022-2027	77 000 000	-
<b><u>National Gas Co. "Natgas"</u></b>					
Loan guaranteed by first class official trade mortgage over some production assets	EGP	1% above the minimum borrowing rate by 17.75% till November 2019 & without a minimum after that date till the end of the loan	2019-2026	8 621 216	7 686 153
Loan guaranteed by deposits	EGP	Interest 6.10%-6 months fully due at the end of the period	2020	2 927 509	-
Loan guaranteed by deposits	EGP	Interest 6.10%-6 months fully due at the end of the period	2020	4 186 311	-
Loan guaranteed by treasury bills	EGP	0.25% above average Corridor rate	2021	3 717 472	-
<b><u>AD Astra Co.</u></b>					
Loan guaranteed by the pledge of the acquired assets	Euro	From 2% to 2.75% annually above Libor	2018-2020	16 753 649	11 652 979
<b>Total</b>				<b>199 606 157</b>	<b>118 540 132</b>
<b>Current loans</b>				<b>54 031 293</b>	<b>46 400 400</b>
<b>Non-current loans</b>				<b>145 574 864</b>	<b>72 139 732</b>

**40-Other long-term liabilities**

	30/6/2020	31/12/2019
Notes payable	3 462 738	617 924
Customers advance payment	235 624	253 830
Other payable	610 255	618 370
	<b>4 308 617</b>	<b>1 490 124</b>

**41-Deferred tax liabilities**

	30/6/2020	31/12/2019
Property, plant and equipment & other assets	18 867 438	21 079 258
	<b>18 867 438</b>	<b>21 079 258</b>

**Deferred tax assets-not recognized**

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

**42-Provisions**

	Balance as at 1/1/2020	Provisions formed	Provisions used	Provisio ns no longer required	Translation differences	Balance as at 30/6/2020
Retention provisions	252 003	-	-	-	(1 562)	250 441
Other provisions*	24 737 082	3 840 019	(474 162)	(377 358)	(37 888)	27 687 693
	<b>24 989 085</b>	<b>3 840 019</b>	<b>(474 162)</b>	<b>(377 358)</b>	<b>(39 450)</b>	<b>27 938 134</b>

\* 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.

\* The provisions formed during the period includes an amount of USD 804 364, represented in the present value of the expected cost to bring the asset to its first intended condition recognized in the exploration and development assets item amounting to USD 766 055 and USD 38 309 as part of financing expenses during the period.

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**43-Bank facilities**

<u>The Company name</u>	<u>Facility' Currency</u>	<u>Interest rate</u>	<u>30/6/2020</u>	<u>31/12/2019</u>
<b><u>Egypt Kuwait Holding Company</u></b>				
Credit facility guaranteed by a promissory note	EGP & USD	0.5% annually above corridor, 2.5% above Libor generally for USD	17 855 437	14 296 580
Facility without guarantee	USD	2.9% above Libor 3 months for USD	25 000 000	25 000 000
Credit facility guaranteed by investment portfolio	USD	From 3.3125% to 4.3125%	30 890 845	20 000 000
Credit facility guaranteed by investment portfolio for one of the subsidiaries	USD	2.75% above Libor for 3 months	31 000 000	-
<b><u>Cooling Technology by Natural Gas Co.- Gas Chill</u></b>				
Bank overdraft guaranteed by deposits	EGP	2% over deposit interest rate	116 651	54 437
<b><u>National Gas Co. (Natgas)</u></b>				
Credit facility guaranteed by a promissory note	EGP	0.5% above corridor	10 715 283	5 511 095
Credit facility guaranteed by a promissory note	EGP	0.75% above corridor	1 754 563	-
Credit facility guaranteed by a promissory note	EGP	0.5% above corridor	3 123 151	-
Credit facility guaranteed by a promissory note	EGP	0.5% above corridor	3 195 484	-
Credit facility guaranteed by a promissory note	EGP	0.5% above corridor	1 503 166	536 982
<b><u>Alex Fert Co.</u></b>				
Credit facility guaranteed by Deposits	USD	2.5% over deposit rate	39 391 729	37 983 869
Credit facility guaranteed by investment portfolio	USD	1.625% annually above Libor for 3 months	5 985 000	5 930 236
<b><u>Sprea Misr Co.</u></b>				
Credit facility without guarantee	EGP	8% annually	19 405 332	-
<b><u>Shield gas Co.</u></b>				
Credit facility guaranteed by Deposits	USD	1% over deposit rate	748 425	-
Credit facility guaranteed by investment portfolio	USD	2.25% annually above Libor for 3 months	149 242	-
<b><u>OGI Co.</u></b>				
Credit facility guaranteed by investment portfolio	USD	0.859% annually	6 823 500	-
			<b>197 657 808</b>	<b>109 313 199</b>

**44-Insurance policyholder's rights**

	30/6/2020	31/12/2019
Technical provisions for individual' insurance	71 005 649	68 666 094
Technical provisions for property and liability insurance	21 316 671	20 175 884
Policyholder's rights for investments units	2 154 925	1 782 377
	<b>94 477 245</b>	<b>90 624 355</b>

**45-Suppliers, contractors, notes payable & other creditors**

	30/6/2020	31/12/2019
Suppliers & contractors	25 904 124	23 916 912
Notes payable	2 653 459	2 477 133
Trade receivables – Advanced payments	43 820 742	55 853 142
Accrued expenses	41 552 702	50 613 523
Deposits from others	11 758 371	11 526 837
National Egyptian Authority for Petroleum*	4 587 690	9 074 058
Insurance and reinsurance Companies	8 164 557	7 129 748
Collected installments	2 890 423	2 671 066
Dividends payable	1 196 641	1 037 646
Dividends payable-non-controlling interests	2 293 894	936 831
Insured current account	1 999 507	878 449
Employees' dividends payable	189 410	114 730
Property, Plant & equipment creditors	-	61 410
Other credit balances	13 715 397	13 078 162
	<b>160 726 917</b>	<b>179 369 647</b>

\*National Egyptian Authority for Petroleum balance concerning the following companies: -

	30/6/2020	31/12/2019
National Gas Co. (Natgas)	-	6 502 575
El Fayoum Gas Co.	4 587 690	2 571 483
	<b>4 587 690</b>	<b>9 074 058</b>

**46-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 were 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 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 was 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 was 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 was transferred to the beneficiaries.
- On February 16, 2020, the incentives and bonus committee unanimously agreed to grant 7 234 547 shares to the beneficiaries of the plan after the approval of the board of directors, on February 26, 2020 the board of directors approved this granted. So all shares were granted to the beneficiaries.
- According to the above-mentioned granted decisions, the Incentive and Bonus Plan' movements are as follows:

	No. of shares
Shares for Incentive and Bonus Plan	48 782 912
<b><u>Deduct:</u></b>	
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
Shares granted to the second criterion on February 16, 2020	7 234 547
<b>Total shares granted</b>	<b>(48 782 912)</b>
<b>Total remaining available shares</b>	<b>-</b>

**47-Subsidiaries Companies**

Main subsidiaries are represented in the following:

	Country of Incorporation	Direct & indirect Ownership %	
		30/6/2020	31/12/2019
<b><u>Companies under direct control</u></b>			
International Financial Investments Co. S.A. E	Egypt	100	100
Bawabat Al Kuwait Holding Co.– S.A.K *	Kuwait	54.21	54.19
Delta Insurance Co.	Egypt	56.48	56.48
Globe for Communication & Information Technology Co.	Egypt	99	99
Globe Telecom Co.	Egypt	100	100

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	Country of Incorporation	Direct & indirect Ownership %	
		30/6/2020	31/12/2019
EKHO for Agriculture Development Co.	Egypt	100	100
EKHO for Industrial Development Co	Egypt	100	100
MAT Company for trading	Egypt	100	100
EKHN B.V.	Netherlands	100	100
Global MDF Industries B.V.	Netherlands	100	100
<b><u>Subsidiaries Companies of International Financial Investments Co.</u></b>			
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	100	100
El Fayoum Gas Holding Company	Virgin Islands	100	100
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	83.98	83.98
EK Global Investments Co.	Cayman Islands	100	100
Nahood International Limited Co.	United Arab of Emirates	60	60
Solidarity Mena Limited Co.	United Arab of Emirates	100	100
Solidarity International Limited Co.	United Arab of Emirates	100	100
MEA Investments 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.	Cayman Islands	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
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	Spain	100	100
AD ASTRA PROYECTO MEDINA, S.L. Co.	Spain	100	100
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

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	Country of Incorporation	Direct & indirect Ownership %	
		30/6/2020	31/12/2019
International Fertilizer trading Co.	Cayman Islands	100	100
NSCO Investment INC Co.	Panama	99.997	99.997
IFIC Investments Limited Co.	United Arab of Emirates	100	100
IFIC Global Co.	Cayman Islands	100	100
<b><u>Subsidiary of Globe Telecom Co.</u></b>			
Globe for Trading & Agencies Co.	Egypt	100	100
<b><u>Subsidiaries of National Gas Co.- Natgas</u></b>			
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	83.98	83.98
<b><u>Subsidiaries of BKH Megan Co.</u></b>			
Middle East for River Transport Co.- S.A.E	Egypt	100	100
<b><u>Subsidiaries of National Energy Company</u></b>			
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
<b><u>Subsidiaries of Bawabat Al Kuwait Holding Co.</u></b>			
Alex Fert Co. - S.A.E.	Egypt	45.29	45.29
International Petrochemicals Investments Company	Egypt	52.14	52.14
IPIC (under optional liquidation)			
International Logistics Co. – L.L.C.	Kuwait	54.19	54.19
Magnida Holding LP Co. (under optional liquidation)	Cayman Islands	52.14	52.14
IPIC Global Co.	Cayman Islands	52.14	52.14
<b><u>Subsidiary of Egyptian Company for Petrochemicals</u></b>			
El Shorouk for Melamine & Resins Co.	Egypt	91.51	91.51
<b><u>Subsidiary of Global MDF Co.</u></b>			
Cairo Wood for Imports and Exports Co. (S.A.E.)	Egypt	100	100
Nile waste Co.	Egypt	100	100
Nile wood Co. (S.A.E.)	Egypt	100	100

\* An additional 0.02% in Bawabat Al Kuwait Holding Co.' capital share was acquired during the period.

-The consolidated financial statements as of June 30, 2020 doesn't include some subsidiaries of the Energy Group due to loss of control over them during 2016.



**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. 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 of EGP 237 600 with annual increase amounting to EGP 16 632 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.
- In addition to the above-mentioned, the Company leases part of its current headquarters from Delta Insurance Company- a subsidiary Company- according to lease contracts ending at June 30, 2020 and January 31, 2022 in addition to that, the Company undertook collective insurance with Delta Insurance Company.

**49- Dividends approved, and board of directors' remuneration**

The board of directors of the Parent Company proposed cash dividends for the financial year ended December 31, 2019 of 6 Cent/share with a total amount of USD 61 466 470. No remunerations for the board of directors was proposed. This proposal is subject to the approval of shareholders general assembly meeting of the Parent Company held on March 28, 2020.

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.

**50- 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 ad hoc 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.

### **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 price risk**

Equity price risk arises from equity instruments measured at fair value through other comprehensive income and management of the Group monitors the equity securities in its investment portfolio based on market indices.

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.

**51-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:

	30/6/2020	31/12/2019
Other current assets	239 739 185	234 406 809
Financial assets at amortized cost	306 084 669	505 873 835
Trade & notes receivable	94 892 665	83 073 426
	<b>640 716 519</b>	<b>823 354 070</b>

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

	30/6/2020	31/12/2019
Governmental customers	34 769 392	32 146 382
Retail customers	10 514 752	9 639 259
Final consumers customers	26 359 265	17 259 714
Export customers	9 129 111	8 494 778
Notes receivable	14 120 145	15 533 293
	<u>94 892 665</u>	<u>83 073 426</u>

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

	30/6/2020		31/12/2019	
	Balance	Impairment	Balance	Impairment
Past due within 30 days	5 109 332	-	4 909 249	-
Past due from 1-3 month	3 796 140	-	3 897 100	-
Past due from 3 months-1 year	65 997 179	-	61 864 218	-
More than one year	19 990 014	(650 968)	12 402 859	(547 758)
	<u>94 892 665</u>	<u>(650 968)</u>	<u>83 073 426</u>	<u>(547 758)</u>

Liquidity risk

The following are the contractual maturities of financial liabilities:

June 30, 2020

	Due date			
	Carrying amount	During 1 year	1-2 years	2-5 years
loans & bank facilities	397 263 965	251 689 101	145 574 864	
Banks overdraft	678 191	678 191	-	-
Suppliers, contractors, noted payables & other creditors	116 906 175	116 906 175	-	-
Accrued income tax	22 193 435	22 193 435	-	-
Insurance policyholders' rights	94 477 245	94 477 245	-	-
	<u>631 519 011</u>	<u>485 944 147</u>	<u>145 574 864</u>	<u>-</u>

December 31, 2019

	Carrying amount	During 1 year	Due date	
			1-2 years	2-5 years
loans & bank facilities	227 853 331	155 713 599	72 139 732	-
Banks overdraft	1 052 868	1 052 868	-	-
Suppliers, contractors, noted payables & other creditors	123 516 505	123 516 505	-	-
Accrued income tax	31 012 065	31 012 065	-	-
Insurance policyholders' rights	90 624 355	90 624 355	-	-
	<u>474 059 124</u>	<u>401 919 392</u>	<u>73 139 732</u>	<u>-</u>

Currency riskCurrency risk exposure

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

30 June 2020

Description	L.E	K.W. D	EURO	GBP	AED	JPY
Cash & cash equivalents	479 189 653	47 122	983 133	53 333	103 246	301 446
Financial assets at amortized cost	1 677 708 625	-	-	-	-	-
Other current assets	1 096 175 493	-	-	-	-	-
Trade & notes receivable	842 867 777	-	1 835 328	-	-	-
Bank loans	(406 786 525)	-	-	-	-	-
Bank facilities	(642 591 980)	-	-	-	-	-
Suppliers, contractors, noted payables & other creditors	(1 070 524 062)	(204)	(1 704 081)	-	(76 854)	-
Net risk exposure	<u>(1 976 038 981)</u>	<u>46 918</u>	<u>1 114 380</u>	<u>53 333</u>	<u>26 392</u>	<u>301 446</u>

**31 December 2019**

Description	L.E	K.W. D	EURO	GBP	AED	JPY
Cash & cash equivalents	515 946 379	698 085	407 333	117 699	103 569	302 352
Financial assets at amortized cost	1 722 895 105	-	-	-	-	-
Other current assets	957 872 072	-	-	8 124	-	-
Trade & notes receivables	665 456 426	-	706 550	-	-	-
Loans	(125 113 456)	-	-	-	-	-
Bank facilities	(155 845 465)	-	-	-	-	-
Suppliers, contractors, noted payables & other creditors	(1 179 404 386)	(2 694 212)	(129 181)	(4 139)	(77 550)	-
Net risk exposure	2 401 806 675	(1 996 127)	984 702	121 684	26 019	302 352

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	
	30/6/2020	30/6/2019	30/6/2020	31/12/2019
L.E	15.9	17.32	16.14	16.04
K.W. D	0.3096	0.3038	0.3081	0.3036
EURO	0.8928	0.8849	0.9920	0.8936
GBP	0.8130	0.7720	0.9377	0.7576
AED	3.7	3.6731	3.7	3.6704

**Sensitivity Analysis**

A reasonably possible strengthening (weakening) of 5% other currencies exchange rate against US Dollar As of June 30, 2020 would have affected the measurement of financial instruments denominated in a foreign currency and affected equity and profit or loss by the amounts shown below. This analysis assumes that all other variables, in particular interest rates, remain constant and ignores any impact of forecast sales and purchases.

	Equity		Profit or Loss	
	Strengthening	Weakening	strengthening	Weakening
L.E	6 548 172	(5 924 537)	2 213 308	(2 002 517)
EURO	(58 169)	52 629	20 665	(18 697)
K.W. D	2 787 046	(2 521 613)	482 001	(436 096)
AED	98 675	(89 277)	22 782	(20 612)
	9 375 724	(8 482 798)	2 738 756	(2 477 922)

A reasonably possible strengthening (weakening) of 5% other currencies exchange rate against US dollar as of December 31, 2019 would have affected the measurement of financial instruments

## Notes to the consolidated financial statements

For the financial period ended at June 30, 2020

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

denominated in a foreign currency and affected equity and profit or loss by the amounts shown below. This analysis assumes that all other variables, in particular interest rates, remain constant and ignores any impact of forecast sales and purchases.

	Equity		Profit or Loss	
	Strengthening	Weakening	strengthening	Weakening
L.E	5 285 959	(4 798 085)	3 830 199	(3 480 969)
EURO	(24 934)	23 212	33 597	(29 745)
GBP	8 597	(7 533)	8 597	(7 533)
K.W. D	2 153 060	(1 936 776)	1 089 260	(974 291)
AED	75 800	(68 581)	67 857	(61 395)
USD	1 937	(1 925)	1 937	(1 925)
	<u>7 500 419</u>	<u>(6 789 688)</u>	<u>5 031 447</u>	<u>(4 555 858)</u>

Interest rate risk

The interest rate profile of the Group's interest bearing-financial instruments at the consolidated financial statements date:

	<u>30/6/2020</u>	<u>31/12/2019</u>
Financial liabilities at fixed rate	19 405 331	6 102 514
	<u>19 405 331</u>	<u>6 102 514</u>
Financial liabilities at variable rate	377 858 634	221 750 817
	<u>377 858 634</u>	<u>221 750 817</u>

52-Capital commitments

Total capital commitments amounted to USD 530 601 as of June 30, 2020 is 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 2019: an amount of USD 721 850).

53-Contingent liabilities

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

- Uncovered letters of credit amounting to USD 15 299 833 (year 2019: an amount of USD 11 068 608).
- Letters of guarantee issued by banks on the account of the Group and in favor of others amounting to USD 9 902 244 (year 2019: an amount of USD 11 159 564).

54-Tax statusCorporate profit tax

- The Company has 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, no taxes forms are received from the Tax Authority and 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.
- 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 settlement are under progress.
- Years 2017 till 2018 documents have been submitted and currently is being inspected.
- Monthly withheld taxes are settled on due dates.

**Stamp tax**

- Inspection for the stamp tax from inception 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 was carried out and resulting differences were settled.
- The due tax is 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.

**55-Significant events during the financial statements**

At the beginning of year 2020, the novel epidemic of Corona (Covid-19) has been spread and the World Health Organization announced that the outbreak of this virus can be described as a pandemic and a global epidemic, which led to the world's governments, including the Egyptian government to set up a precautionary measures to combat the spread of this epidemic, This includes travel & quarantine restrictions and the closure of some businesses. These measures cause economic slowdown and contraction globally and in local level, which had an impact on all the activities in different ways.

The size and nature of the most significant potential and specific financial impacts for this risk generally on economic climate and the Group's activity in particular are identified as follow:

- **Customer credit risk granted to customers and high indicators of payment failure.**
- **Stock market price fluctuations and significant changes in the fair values of financial assets and investments.**
- **Increased presence indication of non-financial assets and investments' decline.**



- **Risk of inability to achieve growth rates for the pre-defined business plan, associated with the changes in the expectations of the cash flows, and therefore the effect on going concern.**

However, the Group's management is taking the advantage of the actions taken by the Egyptian government to support these activities, such as reducing interest rate and postponing the debts payment to face this risk and limiting its impact on its financial position. Certain significant actions are:

- Working on group's advantage of Central Bank's initiative to reduce interest rates and delay in payment of debts for a period of six months.
- Advantage of income tax installment' initiative for year 2019.
- Maintain sufficient cash liquidity in different currencies within the limits necessary to proceed its activity.
- Invest the available surplus liquidity at the maximum return to maximize profitability.
- Providing raw materials, exclusion of unnecessary expenses and reducing the cost of production, negotiate with local suppliers for the maximum possible credit limit period for payment, obtaining the maximum payment discount from external suppliers to avoid the effect of the expected increase in the foreign exchange rate and maintaining the margins of profitability.
- For end-consumer Companies such as natural gas delivery sector Companies. The Group's management is keen to clarify the precautionary measures for customers which contributes to their reassurance of maintaining business execution rates.

**Expected effect on financial statements for the remaining period of the current fiscal year ending December 31, 2020 as follow:**

**Fertilizer, chemicals and plastic activities**

- Average fertilizer prices are decreased in the first quarter of the year compared to the estimated budget, which decreases the revenues compared to the estimated budget. Expecting to continue this decline until the end of the third quarter of the year. However, this decline is offset by a reduction in the cost of production, which leads to absorb the decrease in the value of sales and maintain the lack of substantial decrease in total net profit and the estimated budget during the period.
- There is no expected effect on the collection from external or local customers.
- Changing the selling mix is according to market conditions by selecting to produce and sell the most demanding and profitable products.

**Natural gas delivery activity**

Despite the expected decline in both the number of residential customers converted to natural gas and expected decline in value of gas consumption collections compared to the estimated budget. However, part of this revenue was offset by increased other Companies' activities and precautionary measures to exclude unnecessary expenses and minimizing other expense. As expecting, no significant impact on the net profit resulting from that activity.

**Other Group's activities**

It is not expected that there will be a significant financial effect on the rest of the Group's activities during the period till the end of 2020.

**The Group's management has also implemented a number of precautionary and preventive measures as follows:**

- Follow all precautionary and preventive measures announced by the World Health Organization and the Egyptian Ministry of Health.
- Minimize the presence of staff to the maximum extent possible while enabling the work from home policy to be as effective as possible.
- Minimize the number of business dealers to the maximum extent possible and all modern technological means to reduce the number of meetings and gatherings.
- Measure the temperatures for all the visitors to the Group's companies and factories before entering and following all the necessary and announced procedures from the Egyptian Ministry of Health when any suspicious cases arise of high temperatures or any other symptoms.
- Conduct disinfectant and sterilization campaigns in the some of the Group companies' areas as a community service, which helps to establish positive relationships between customers and the Group.
- Workers wear all protective tools while working such as face masks, gloves, medical sanitizers and frequently warning them and the customers who visit the offices and factories to social distance.

**56-Significant accounting policies applied**

The Group has consistently applied the following accounting policies to all periods presented in these consolidated financial statements, except if mentioned otherwise (see also Note No. 5).

**56.1 Basis of consolidation**

**Business combinations**

- The Group accounts for business combinations 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.
- Acquisition costs (Transaction costs) are expensed as incurred and services received, except if related to the issue of debt or equity securities.
- The consideration transferred does not include amounts related to the settlement of pre-existing relationships between the acquirer and acquired entity. 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 meets the definition of a financial instrument is classified as equity, then it is not remeasured, and settlement is accounted for within equity. Otherwise, other contingent consideration is remeasured at fair value at each reporting date and subsequent changes in the fair value of the contingent consideration are recognized in profit or loss.

**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 controlled are included in the consolidated financial statements from the date that control on which control commences until the date that control ceases.

**Non-controlling interests**

NCI are measured initially at their proportionate share of the acquirer's identifiable net acquired assets.

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

**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 comprehensive income. Any resulting gain or loss is recognized in profit or loss. Any interests retained in the former subsidiary is measured at fair value when control is lost.

**Interest in equity – accounted investees**

The Group's interests in equity-accounted investees comprise interests in associates Companies and joint ventures.

And has no rights to the assets, and obligations for the liabilities, relating to an arrangement. Associate Companies are companies in which the Group has significant influence over financial and operating policies but does not extend to be a control or a joint venture.

A joint venture is when the Group has rights only to the net assets of the arrangements.

Investments in associates and joint ventures are accounted for using the equity method and are recognized initially at cost. The cost of the investments includes transaction costs.

Subsequent measurement in the consolidated financial statements by increasing or decreasing the carrying value of the investment by the Group's share of the profit or loss and OCI items of the equity-accounted investees, until the date that significant influence ceases\ joint control is stopped.

**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. Unrealized losses are eliminated in the same way as unrealized gains, but only to the extent that there is no evidence of impairment of transferred asset value.

**56.2 Foreign currency**

**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:

- An investment in equity securities designated as at FVOCI (except on impairment, in which case foreign currency differences that have been recognized in OCI are reclassified to profit or loss);
- 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.

#### Foreign operations

The assets and liabilities of foreign operations, including goodwill and adjustments arising on acquisition, are translated at the exchange rates at the reporting date. Revenues and expenses of foreign operations are translated into US Dollar at the exchange rates at dates of the transactions.

Foreign currency differences are recognized in OCI items and the accumulated balance in the translation differences reserve, excluding the translation differences allocated to non-controlling interests.

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 the 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 the consolidated income statement.

#### **56.3** Discontinued operation

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.

Classification as a discontinued operation occurs at the earlier of disposal or when the operation meets the criteria to be classified as held for sale.

When an operation is classified as a discontinued operation, the comparative statement of profit or loss and OCI is represented as if the operation had been discontinued from the start of the comparative year.

#### **56.4** Revenue recognition

The Group applied the EAS No. 48 as of January 1, 2020. Information about the Group's accounting policies relating to contracts with customers is provided in five steps as identified (in Note No.5-B):

Revenue from contracts with customers is recognized by the group based on five step module as identified in EAS No. 48:

Step 1: Determine the contract (contracts) with customer: A contract is defined as an agreement between two or more parties that meets the rights and obligations based on specified standards which must be met for each contract.

Step 2: Determine the performance obligations in contract: Performance obligations is a consideration when the goods and services are delivered.

Step 3: Determine the transaction price: Transaction price is the compensation amount that

the Group expects to recognize to receive for the transfer of goods or services to customer, except for the collected amounts on behalf of other parties.

Step 4: Allocation of the transaction price of the performance obligations in the contract: If the service concession arrangement contains more than one performance obligation, the Group will allocate the transaction price on each performance obligation by an amount that specifies an amount against the contract in which the Group expects to receive in exchange for each performance obligation satisfaction.

Step 5: Revenue recognition when the entity satisfies its performance obligations.

The Group satisfy the performance obligation and recognize revenue over time, if one of the following criteria is met: -

- a) Group performance does not arise any asset that has an alternative use of the Group and the Group has an enforceable right to pay for completed performance until the date.
- b) The Group arise or improves a customer-controlled asset when the asset is arise or improved.
- c) The customer receives and consumes the benefits of Group performance at the same time as soon as the group has performed.

For performance obligations, if one of the above conditions is met, revenue is recognized in the period in which the Group satisfies performance obligation.

When the Group satisfies performance obligation by providing the services promised, it creates an asset based on payment for the contract performance obtained, when the amount of the contract received from customer exceeds the amount of the revenue recognized, resulting advance payments from the customer (contractual obligation)

Revenue is recognized to the extent that is potential for the flow of economic benefits to the Group, revenue and costs can be measured reliably, where appropriate.

The application of Egyptian Accounting Standard No. 48 requires management to use the following judgements:

#### **Satisfaction of performance obligation**

The Group should assess all contracts with customers to determine whether performance obligations are satisfied over a period of time or at a point in time in order to determine the appropriate method for revenue recognition. The Group estimated that, and based on the agreement with customers, the Group does not arise asset has alternative use to the Group and usually has an enforceable right to pay it for completed performance to the date.

In these circumstances, the Group recognizes revenue over a period of time, and if that is not the case, revenue is recognized at a point in time for the sale of goods, and revenue is usually recognized at a point in time.

#### **Determine the transaction price**

The Group has to determine the price of the transaction in its agreement with customers, using this judgement, the Group estimates the impact of any variable contract price on the contract due to discount, fines, any significant financing component in the contract, or any non-cash contract.

#### **Control transfer in contracts with customers**

If the Group determines the performance obligations satisfaction at a point of time, revenue is recognized when control of related contract' assets are transferred to the customer.

**In addition, the application of Egyptian Accounting Standard No. 48 has resulted in:**  
**Allocation of the transaction price of performance obligation in contracts with customers**

The Group elected to apply the input method to allocate the transaction price to performance obligations accordingly that revenue is recognized over a period of time, the Group considers the use of the input method, which requires recognition of revenue based on the Group's efforts to satisfy performance obligations, provides the best reference to the realized revenue. When applying the input method, the Group estimates efforts or inputs to satisfy a performance obligation, In addition to the cost of satisfying a contractual obligation with customers, these estimates include the time spent on service contracts.

**Other matters to be considered**

Variable consideration if the consideration pledged in a contract includes a variable amount, then the Group shall estimate the amount of the consideration in which it has a right in exchange for transferring the goods or services pledged to the customer, the Group estimates the transaction price on contracts with the variable consideration using the expected value or the most likely amount method. this method is applied consistently throughout the contract and for identical types of contracts.

**The significant funding component**

The Group shall adjust the amount for the contract pledged for the time value of the cash if the contract has a significant funding component.

**Revenue recognition**

**Sale of goods revenue**

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.

**Services revenue**

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.

**Gas lines conversion revenue**

Revenue is recognized when gas is delivered to the customer.

**Gas distribution commissions revenue**

Revenues from operation of network and gas distribution are recognized in the light of amounts distributed to customers and the agreed upon prices and in some areas, commission are recognized according to the actual commission or the minimum take commission whichever is greater.

**Sale of electricity revenue**

Revenue is recognized when the service is completely rendered, and issuance of customers' electricity consumption invoices.

**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 are recognized when ownership transfers to the buyer, based on the difference between the sale price and its carrying amount at the date of the sale.

**56.5 Employee benefits**

**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 statement of profit or loss 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 years. 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 statement of profit or loss as they are incurred according to accrual basis of accounting.

**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.

**56.6 Finance income and costs**

The Group's finance income and finance costs include:

- Interest income.
- Interest expense.
- Net gain or loss on financial assets at FVTPL.
- Foreign currency gain or loss on financial assets and financial liabilities.

Interest income or expense is recognized 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.

The 'effective interest rate' is the rate that exactly discounts estimated future cash payments or receipts through the expected life of the financial instrument to:

- The gross carrying amount of the financial asset; or
- The amortized cost of the financial liability.

In calculating interest income and expense, the effective interest rate is applied to the gross carrying amount of the asset (when the asset is not credit-impaired) or to the amortized cost of the liability. However, for financial assets that have become credit-impaired subsequent to initial recognition, interest income is calculated by applying the effective interest rate to the amortized cost of the financial asset. If the asset is no longer credit-impaired, then the calculation of interest income reverts to the gross basis.

**56.7 Income tax**

Current income tax expense and deferred tax is recognized as revenue or expense in profit or loss for the year except in cases where the tax arises from a process or event that is recognized - in the same period or in different period- outside profit or loss whether in other comprehensive income, equity directly or business combination

**Current income tax**

Current taxes for the current and prior periods which have not yet been paid are recognized as a liability. If the taxes were actually paid in the current and prior periods exceed the amount due for these periods, then this increase is recognized as an asset. The value of current tax liabilities (assets) for the current and prior periods are measured by the value expected to be paid to (recovered from) the tax authority. Using the applicable tax rates (and effective tax laws) or in the process of being issued on the financial period ended. 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 recognized for all temporary differences that are expected to be taxed except for the following:

- The initial recognition of goodwill.
- Or the initial recognition of assets or liabilities in a transaction that is:
  1. Not a business combination.
  2. And not affects neither accounting nor taxable profit or loss (tax 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. Temporary differences on the initial recognition of assets or liabilities in a transaction that is not a business combination and that affects neither accounting nor taxable profit or loss;

Future taxable profits are determined based on business plans for individual subsidiaries in the Group. Unrecognized deferred tax assets are reassessed at each reporting date and recognized to the extent that it has become probable that future taxable profits that allows for the deferred tax asset to be absorbed.

Deferred tax is measured at the tax rates that are expected to be applied to temporary differences when 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.

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

**56.8 Earnings per share**

Earnings 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.



**56.9 The General Authority for Investment and Free Zones (GAFI) fees**

For the Group Companies which established under the provisions of the Investment law and according to the Free Zone System , their profits are not subject to income tax. However, according to the Investment Law, a charge of 1% of the total revenues of these Companies is due to the General Authority for investment and is calculated and charged on the consolidated income statement according to the accrual basis.

**56.10 Property, plant & equipment & Depreciation****Recognition and measurement**

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

If significant parts of an item of property, plant and equipment have different useful lives, they are accounted for as separate items (major components) of property, plant and equipment.

Any gain and loss on disposal of an item of property and equipment is recognized in consolidated statement of income.

**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.

**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 for each type of property, plant and equipment, and is generally recognized in consolidated statement of income and other comprehensive income. Land is not depreciated. The estimated useful lives of property, plant and equipment for current and comparative periods 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.

**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.

**56.11 Exploration and development assets**

The Company applies the (successful efforts) method in relation to capitalization of expenditures. As follows:

Direct expenses incurred in carrying out geological and geophysical in the field and all costs relating to these investigations are charged to income statement.

All exploration acquisition costs are capitalized, which includes the consideration of the acquisition in addition to any future expenditures that the company pay on behalf of the farm out party regarding to this acquisition.

Exploration drilling cost and cost of drilling an exploration well are initially capitalized pending determination whether or not the well contains proven reserves.

If proven reserves are found, the cost of the well is transferred to production wells and depleted using the "unit of production" method.

If proven reserves are not discovered the capitalized drilling costs are charged to income statement.

All development and production drilling costs which include drilling and development costs are capitalized and are recognized among the cost of developing the proven reserve.

Dry development wells are capitalized and remain part of the development costs of the production reservoir.

Development wells are depleted when starting production.

Under construction are recognized initially at cost. Cost includes all expenditures directly attributable to bringing the asset to a working condition for its intended use.

Under construction are transferred to its related caption when they are completed and are ready for their intended use.

The exploration and development assets depletion rate is determined according to the production during the financial period as follows:

Description	Depletion basis
Productive wells	Depletion rate is determined based on the percentage of the actual production volume during the period to the volume of developed proven reserve.
Upstream Facilities	Depletion rate is determined based on percentage of the actual production volume during the period to the volume of proven reserve.
Pipelines	Depletion rate is determined based on percentage of the actual production volume during the period to the volume of proven reserve.

**56.12 Intangible assets****Recognition and measurement****Goodwill**

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

**Research and development**

Expenditure on research activities is recognized as expense when incurred.

Development expenditure is capitalized only if the expenditure attributable to the intangible asset during the development period can be measured reliably, a technical feasibility study is available to complete the intangible asset, making it available for sale or to use, future economic benefits are probable from the intangible asset, and the availability of sufficient technical, financial, and other resources to complete development and to use or sell the intangible asset. Intent availability to complete the intangible asset to use or sell, the ability to

use or sell the intangible asset. Otherwise, it is recognized as expense when 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 are recognized, including deferred income expenditures, the right to use, other assets in which they have definite useful lives are measured at cost less accumulated amortization and accumulated impairment losses.

#### **Subsequent expenditures**

Subsequent expenditure on capitalized intangible assets is capitalized only when it increases the future economic benefits which relates to research and development projects under implementation that recognized as an intangible asset. All other expenditures including expenditure on internally generated goodwill and brands are expensed as incurred.

#### **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 the consolidated statement of income. Goodwill is not amortized.

### **56.13 Inventories**

Inventories are measured at lower of cost and net realizable value. The cost of inventories is based on the moving average principle and cost 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.

### **56.14 Works 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.

### **56.15 Non-current 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 remeasurement are recognized in profit or loss. 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.

### **56.16 Cash and cash equivalents**

For the purpose of preparing the consolidated statement of cash flows, "cash & cash equivalents" comprises cash at banks & on hand, time deposits with maturities of three months or less, also treasury bills due within three months, and bank overdrafts deducted.

**56.17 Financial instruments****1) Recognition and initial measurement**

Trade receivables and debt securities issued are initially recognized when they are originated. All other financial assets and financial liabilities are initially recognized when the Group becomes a party to the contractual provisions of the instrument.

A financial asset (unless it is a trade receivable without a significant financing component) or financial liability is initially measured at fair value plus, for an item not at FVTPL, transaction costs that are directly attributable to its acquisition or issue. A trade receivable without a significant financing component is initially measured at the transaction price.

**2) Classification and subsequent measurement****Financial assets- The applied policy from January 1, 2020**

On initial recognition, a financial asset is classified as measured at: amortized cost; FVOCI – debt investment; FVOCI – equity investment; or FVTPL.

Financial assets are not reclassified subsequent to their initial recognition unless the Group changes its business model for managing financial assets, in which case all affected financial assets are reclassified on the first day of the first reporting period following the change in the business model.

A financial asset is measured at amortized cost if it meets both of the following conditions and is not designated as at FVTPL:

- It is held within a business model whose objective is to hold assets to collect future cash flows.
- Its contractual terms give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

A debt investment is measured at FVOCI if it meets both of the following conditions and is not designated as at FVTPL:

- It is held within a business model whose objective is achieved by both collecting contractual cash flows and selling financial assets .
- Its contractual terms give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

On initial recognition of an equity investment that is not held for trading, the Group may irrevocably elect to present subsequent changes in the investment's fair value in OCI. This election is made on an investment-by-investment basis.

All financial assets not classified as measured at amortized cost or FVOCI as described above are measured at FVTPL. This includes all derivative financial assets. On initial recognition, the Group may irrevocably designate a financial asset that otherwise meets the requirements to be measured at amortized cost or at FVOCI as at FVTPL if doing so eliminates or significantly reduces an accounting mismatch that would otherwise arise.

The accounting policies related to the application are similar to the accounting policies applied by the Group, with the exception of the following accounting policy, which came into effect starting from January 1, 2020.

**Financial assets- Business Model Assessment: Policy applied from January 1, 2020**

The Group makes an assessment of the objective of the business model in which a financial asset is held at a portfolio level because this best reflects the way the business is managed, and information is provided to management. The information considered includes:

- The stated policies and objectives for the portfolio and the operation of those policies in practice. These include whether management's strategy focuses on earning contractual interest income, maintaining a particular interest rate profile, matching the duration of the financial assets to the duration of any related liabilities or expected cash outflows or realizing cash flows through the sale of the assets;
- How the performance of the portfolio is evaluated and reported to the Group's management; and
- The risks that affect the performance of the business model (and the financial assets held within that business model) and how those risks are managed;
- How managers of the business are compensated – e.g. whether compensation is based on the fair value of the assets managed or the contractual cash flows collected; and
- The frequency, volume and timing of sales of financial assets in prior periods, the reasons for such sales and expectations about future sales activity.

Transfers of financial assets to third parties in transactions that do not qualify for derecognition are not considered sales for this purpose, consistent with the Group's continuing recognition of the assets.

Financial assets that are held for trading or are managed and whose performance is evaluated on a fair value basis are measured at FVTPL.

**Financial assets – Assessment whether contractual cash flows are solely payments of principal and interest: Policy applied from 1 January 2020**

For the purposes of this assessment, 'principal' is defined as the fair value of the financial asset on initial recognition. 'Interest' is defined as consideration for the time value of money and for the credit risk associated with the principal amount outstanding during a particular period of time and for other basic lending risks and costs (e.g. liquidity risk and administrative costs), as well as a profit margin.

In assessing whether the contractual cash flows are solely payments of principal and interest, the Group considers the contractual terms of the instrument. This includes assessing whether the financial asset contains a contractual term that could change the timing or amount of contractual cash flows such that it would not meet this condition. In making this assessment, the Group considers:

- Contingent events that would change the amount or timing of cash flows;
- Terms that may adjust the contractual coupon rate, including variable-rate features;
- Prepayment and extension features; and
- Terms that limit the Group's claim to cash flows from specified assets (e.g. non-recourse features).

A prepayment feature is consistent with the solely payments of principal and interest criterion if the prepayment amount substantially represents unpaid amounts of principal and interest on the principal amount outstanding, which may include reasonable additional compensation for early termination of the contract. Additionally, for a financial asset acquired at a discount or premium to its contractual per amount, a feature that permits or requires prepayment at an amount that substantially represents the contractual par amount plus accrued (but unpaid) contractual interest (which may also include reasonable additional compensation for early termination) is treated as consistent with this criterion if the fair value of the prepayment feature is insignificant at initial recognition.

**Financial assets – Subsequent measurement and gains and losses: Policy applied from January 1, 2020**

<b>Financial assets classified at FVTPL</b>	Financial assets at FVTPL are measured at fair value. Changes in the fair value, including any interest or dividend income, are recognized in profit or loss.
<b>Financial assets at amortized cost</b>	These assets are subsequently measured at amortized cost using the effective interest method. The amortized cost is reduced by impairment losses. Interest income, foreign exchange gains and losses and impairment are recognized in profit or loss. Any gain or loss on derecognition is recognized in profit or loss.
<b>Equity investments at FVOCI</b>	These assets are subsequently measured at fair value. Dividends are recognized as income in profit or loss unless the dividend clearly represents a recovery of part of the cost of the investment. Other net gains and losses are recognized in OCI and are never reclassified to profit or loss.
<b>Debt investments at FVOCI</b>	These assets are subsequently measured at fair value. Interest income calculated using the effective interest method, foreign exchange gains and losses and impairment are recognized in profit or loss. Other net gains and losses are recognized in OCI. On derecognition, gains and losses accumulated in OCI are reclassified to profit or loss.

**Financial assets – Policy applied before January 1, 2020**

The Group classifies financial assets into one of the following classifications:

- Loans and debts
- Investments held to maturity
- Investments available for sale
- At fair value through profit or loss

**Financial assets – Subsequent measurement and gains and losses: Policy applied before January 1, 2020**

<b>Financial assets at FVTPL</b>	Financial assets at FVTPL are measured at fair value. Changes in the fair value, including any interest or dividend income, are recognized in profit or loss.
<b>Financial assets held to maturity</b>	The amortized cost is measured using the effective interest method.
<b>Financial assets available for sale</b>	Financial assets are measured at fair value. Changes in fair value 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.

**Financial liabilities – Classification, subsequent measurement and gains and losses**

Financial liabilities are classified as measured at amortized cost or FVTPL. A financial liability is classified as at FVTPL if it is classified as held-for-trading, it is a derivative or it is designated as such on initial recognition. Financial liabilities at FVTPL are measured at fair value and net gains and losses, including any interest expense, are recognized in profit or loss. Other financial liabilities are subsequently measured at amortized cost using the effective interest method. Interest expense and foreign exchange gains and losses are recognized in profit or loss. Any gain or loss on derecognition is also recognized in profit or loss.

**3) Derecognition**

**Financial assets**

The Group derecognizes a financial asset when the contractual rights to the cash flows from the financial 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 in which the Group neither transfers nor retains substantially all of the risks and rewards of ownership and it does not retain control of the financial asset.

The Group enters into transactions whereby it transfers assets recognized in its statement of financial position but retains either all or substantially all of the risks and rewards of the transferred assets. In these cases, the transferred assets are not derecognized.

**Financial liabilities**

The Group derecognizes a financial liability when its contractual obligations are discharged or cancelled or expire. The Group also derecognizes a financial liability when its terms are modified and the cash flows of the modified liability are substantially different, in which case a new financial liability based on the modified terms is recognized at fair value.

On derecognition of a financial liability, the difference between the carrying amount extinguished and the consideration paid (including any non-cash assets transferred or liabilities assumed) is recognized in profit or loss.

**4) Offsetting**

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 set off the amounts and it intends either to settle them on a net basis or to realize the asset and settle the liability simultaneously.

**56.18 Share capital**

**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".

**Repurchase and re-issue of ordinary share (treasury shares)**

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.

**Dividends**

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

**56.19 Impairment**

**1) Non-derivative financial assets**

**Policy applied from January 1, 2020**

**Financial instruments and contract assets**

The Group recognizes loss allowances for ECLs on:

- Financial assets measured at amortized cost;
- Debt investments measured at FVOCI; and
- Contract assets.

The Group measures loss allowances at an amount equal to lifetime ECLs, except for the following, which are measured at 12-month ECLs:

- Debt securities that are determined to have low credit risk at the reporting date; and
- Other debt securities and bank balances for which credit risk (i.e. the risk of default occurring over the expected life of the financial instrument) has not increased significantly since initial recognition.
- Loss allowances for trade receivables and lease receivables are always measured at an amount equal to lifetime ECLs.

When determining whether the credit risk of a financial asset has increased significantly since initial recognition and when estimating ECLs, the Group considers reasonable and supportable information that is relevant and available without undue cost or effort. This includes both quantitative and qualitative information and analysis, based on the Group's historical experience and informed credit assessment and including forward-looking information.

The Group assumes that the credit risk on a financial asset has increased significantly if it is more than 30 days past due.

**The Group considers a financial asset to be in default when:**

- The debtor is unlikely to pay its credit obligations to the Group in full, without recourse by the Group to actions such as releasing security (if any is held); or
- The financial asset is more than 90 days past due.

The Group considers a debt security to have low credit risk when its credit risk rating is equivalent to the globally understood definition of 'investment grade'.

Lifetime ECLs are the ECLs that result from all possible default events over the expected life of a financial instrument.

12-month ECLs are the portion of ECLs that result from default events that are possible within the 12 months after the reporting date (or a shorter period if the expected life of the instrument is less than 12 months).

The maximum period considered when estimating ECLs is the maximum contractual period over which the Group is exposed to credit risk.

**Measurement of ECLs**

ECLs are a probability-weighted estimate of credit losses. Credit losses are measured as the present value of all cash shortfalls (i.e. the difference between the cash flows due to the entity in accordance with the contract and the cash flows that the Group expects to receive).

ECLs are discounted at the effective interest rate of the financial asset.



**Credit-impaired financial assets**

At each reporting date, the Group assesses whether financial assets carried at amortized cost and debt securities at FVOCI are credit impaired. A financial asset is 'credit-impaired' when one or more events that have a detrimental impact on the estimated future cash flows of the financial asset have occurred.

**Evidence that a financial asset is credit-impaired includes the following observable data:**

- Significant financial difficulty of the borrower or issuer;
- A breach of contract such as a default or being more than 90 days past due;
- The restructuring of a loan or advance by the Group on terms that the Group would not consider otherwise;
- It is probable that the borrower will enter bankruptcy or other financial reorganization; or
- The disappearance of an active market for a security because of financial difficulties.

**Presentation of allowance for ECL in the statement of financial position**

Loss allowances for financial assets measured at amortized cost are deducted from the gross carrying amount of the assets.

For debt securities at FVOCI, the loss allowance is charged to profit or loss and is recognized in OCI.

**Write-off**

The gross carrying amount of a financial asset is written off when the Group has no reasonable expectations of recovering a financial asset in its entirety or a portion thereof. For individual customers, the Group has a policy of writing off the gross carrying amount when the financial asset is two years past due based on historical experience of recoveries of similar assets. For corporate customers, the Group individually makes an assessment with respect to the timing and amount of write-off based on whether there is a reasonable expectation of recovery. The Group expects no significant recovery from the amount written off. However, financial assets that are written off could still be subject to enforcement activities in order to comply with the Group's procedures for recovery of amounts due.

**Policy applied before January 1, 2020**

**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 at amortized cost** The Group assessed 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 used historical information on the timing of recoveries and the amount of loss incurred and made 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.

**Equity-accounted investees** Impairment losses in equity-accounted investees are measured by comparing their carrying amount with the recoverable amount, and the impairment losses are recognized in profit or loss and the impairment loss is reversed when preferential changes occur in the estimates used to determine the recoverable amount.

**Financial assets available for sale** 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.

## **2) Non-financial assets**

At each reporting date, the Group reviews the carrying amounts of its non-financial assets (other than inventories, work in progress, 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 the previous years.

#### **56.20 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 increase in the carrying amount of the provision resulting from the use of the discount to figure out the present value, which reflects the passage of time, is recognized as a finance cost.

#### **56.21 Lease contracts**

##### **1) Determining whether the arrangement contains a lease contract or not**

At inception of a contract, the Group assesses whether a contract is, or contains, a lease.

Initially or when evaluating any arrangement that contains a contract lease, the Group separates the payments and the other consideration which are required by the arrangement of the lease and those of other elements based on their relative fair values. If the Group concludes with a finance lease that it is not possible to separate the payments in a reliable manner, then the asset and the liability are recognized at an amount equal to the fair value of the underlying asset; Then the liability is reduced when the payments is fulfilled and the finance cost calculated on the obligation is recognized using the Group's additional borrowing rate.

##### **2) Leased assets**

Lease contracts for property, plant and equipment that are transferred in a large degree to the Group, all of the risks and rewards associated with the property are classified as finance leases. Leased assets are initially measured at an amount equal to the fair value of the fair value and the present value of the minimum lease payments, whichever is less. After initial recognition, the assets are accounted for according to the accounting policy applied to that asset.

Assets held under other contracts leases are classified as operating contracts leases and are not recognized in the Group's statement of financial position.

##### **3) Lease payments**

Operating leases' payments are recognized in profit or loss on a straight-line basis over the term of the lease. Received lease incentives are recognized as an integral part of the total lease expense, over the lease term.

The minimum lease payments of finance leases are divided between financing expenses and the reduction of unpaid liabilities. Finance charges are charged for each period during the lease period to reach a fixed periodic interest rate on the remaining balance of the obligation.

**56.22 Operating profit**

Operating profit is the result generated from the continuing principal revenue-producing activities of the Group as well as other income and expenses related to operating activities. Operating profit excludes net finance costs, the share equity-accounted investees, and income taxes.

**56.23 Fair value measurement**

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date in the principal or, in its absence, the most advantageous market to which the Group has access at that date. The fair value of a liability reflects its non-performance risk.

A number of the Group's accounting policies and disclosures require the measurement of fair values, for both financial and non-financial assets and liabilities.

When one is available, the Group measures the fair value of an instrument using the quoted price in an active market for that instrument. A market is regarded as 'active' if transactions for the asset or liability take place with sufficient frequency and volume to provide pricing information on an ongoing basis.

If there is no quoted price in an active market, then the Group uses valuation techniques that maximize the use of relevant observable inputs and minimize the use of unobservable inputs. The chosen valuation technique incorporates all the factors that market participants would take into account in pricing a transaction.

If an asset or a liability measured at fair value has a bid price and an ask price, then the Group measures assets and long positions at a bid price and liabilities and short positions at an ask price.

The best evidence of the fair value of a financial instrument on initial recognition is normally the transaction price – i.e. the fair value of the consideration given or received. If the Group determines that the fair value on initial recognition differs from the transaction price and the fair value is evidenced neither by a quoted price in an active market for an identical asset or liability nor based on a valuation technique for which any unobservable inputs are judged to be insignificant in relation to the measurement, then the financial instrument is initially measured at fair value, adjusted to defer the difference between the fair value on initial recognition and the transaction price. Subsequently, that difference is recognized in profit or loss on an appropriate basis over the life of the instrument but no later than when the valuation is wholly supported by observable market data or the transaction is closed out.

**56.24 Insurance activity' policies**

**Insurance activity revenue**

Revenues from long-term insurance policies are fully recognized in the consolidated statement of income 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 Investment- insurance activity**

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 income of each insurance branch, (properties – individuals branches) 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.

**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 .

**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.

**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.

**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%) x50% 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.

**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.

**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.

**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.

**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 is 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, 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.

#### **57-Segment reporting**

A segment is a group of related assets and operations that have a different risks and benefits from that of other sectors or within a single economic environment characterized by its own risks and benefits from those related to sectors operating in a different economic environment.



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, cooling technology by natural gas, insurance activity and investment activity.

#### **Geographical segments**

In presenting information on the basis of 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 of June 30, 2020  
All numbers are in US Dollars

57- Segment reporting (Cont.)

	OH & gas sector		Chemicals & fertilizers sector		Other operations		Discontinuing Operations		Total	
	2020	2019	2020	2019	2020	2019	2020	2019	2020	2019
Revenues	101 520 712	80 486 111	163 379 273	169 892 871	25 385 874	17 546 560	-	-	290 285 859	267 925 542
Net operating profit	38 643 533	31 199 741	48 077 866	39 846 407	10 282 306	14 675 824	-	-	97 003 705	85 721 972
Financing expenses	( 781 974)	( 668 793)	( 1 756 774)	( 260 149)	( 5 891 286)	( 5 271 072)	-	-	( 8 430 034)	( 6 200 014)
Interest income	798 284	1 036 667	1 387 846	3 211 643	473 815	6 509 599	-	-	2 659 945	10 757 909
Company's share of profit / (loss) of Equity - accounted investees (associates Companies)	-	1 845 963	-	-	-	( 2 345 302)	-	-	-	( 499 339)
Net profit before income tax	38 410 994	33 270 648	50 052 826	42 360 985	8 849 105	13 508 333	-	-	97 312 925	89 139 966
Income tax	( 6 147 644)	( 5 814 932)	( 11 113 624)	( 11 255 109)	189 748	( 200 850)	-	-	( 17 071 520)	( 17 270 891)
Net profit for the period	32 263 351	27 455 716	38 939 202	31 105 876	9 038 852	13 307 483	-	-	80 241 405	71 869 075
Total assets	436 865 924	404 868 846	641 872 957	609 563 068	377 469 826	343 060 720	-	13 255 557	1 456 208 707	1 370 748 191
Equity - accounted investees (associates Companies)	6 940 362	6 940 362	-	-	173 743	174 826	-	-	7 114 105	7 115 188
Total liabilities	248 119 317	239 979 512	159 067 371	138 126 975	330 854 690	199 364 246	-	-	738 041 378	577 470 733
Depreciation & amortization	( 11 943 309)	( 6 442 948)	( 11 129 019)	( 12 379 408)	( 414 456)	( 351 135)	-	-	( 23 486 784)	( 19 173 491)

**57-Use of estimates and judgments**

The preparation of the consolidated financial statements in conformity with Egyptian Accounting Standards (EASs) 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 period if the revision affects both current and future periods.

**The significant judgements made by management in applying the Group's accounting policies was as following**

**Judgments**

Information about judgements made in applying accounting policies that have the most significant effects on the amounts recognized in the financial statements is included in the following notes:

- Determine if the arrangement includes a lease.
- Lease contracts classification.

**Use of estimates and assumptions**

The Group assess future estimates and assumptions, the resulting accounting estimates are rarely equal to the relevant actual results. Below are the estimates and assumptions that are subject to significant risks which may causes a significant adjustment to the carrying amounts of assets and liabilities during the following financial year.

**Impairment of non-financial assets**

The Group evaluates the asset at the date of the financial reporting, if there is an indication that the asset value has decreased. If any indication is found, the Group evaluates the collectable amount of the asset, the collectable amount of the asset is the asset fair value less cost of sale or its used value which is higher. When evaluating the used value, the estimated future cash flows of the asset are discounted to its present value using a discount rate reflects current market valuation of the time value of money and the risks specific to the asset. When determining the fair value deducted by the costs of sale, recent market transactions are considered.

If the collectable amount of the asset is estimated to be less than its carrying amount, the asset carrying amount is reduced to its collectable amount, the impairment loss is recognized directly in the income statement.

If the impairment loss is subsequently reversed, the asset carrying amount is increased to the adjusted value of the collectable amount, but only to the extent the carrying amount do not exceed the carrying amount that could have been determined in the absence of an impairment loss of the carrying amount of the asset in previous years, The reversed impairment loss is recognized directly in the income statement.

**Expected credit losses provision for commercial customers**

The Group uses provision record to calculate expected credit losses for commercial customers, the provision rates are based on the customer Company's delay days.

The provision record is initially based on the observed historical Group default rates, the Group calculates the matrix accurately to adjust the historical credit loss experiment with forward-looking information. For example, if the expected economic conditions (i.e. GDP and the overall inflation rate) are expected to deteriorate over the next year, which may increase the number of defaults in the industrial sector, the historical default rates are adjusted. At each reporting date, the historical default rates are updated and observed and changes in future-oriented estimates are analyzed.

The assessment of the relationship between the historical default rates that are observed, the expected economic conditions and the expected credit losses is a significant estimate. The experiment of the historical credit loss and expectations of the Group's economic conditions may not represent the actual default of the customer's payment in the future.

**Provisions**

Provisions are recognized when the Group has legal or constructive obligation from past event, and settlement of obligations is probable, and its value can be measured reliably.

The amount recognized as a provision is the best estimate of the consideration required to settle the present obligation at the reporting date taking into account the risks and uncertainties surrounding the obligation, when the provision is measured using the estimated cash flows to settle the current obligation, its carrying amount is the present value of those cash flows.

In the event that some or all of the economic benefits required are recoverable settle the provision from a third party, the amount due is recognized as an asset if it is certain to be recovered and can be measured in a reliable manner.

**Useful life of fixed assets**

The Group management determines the estimated productive life of the fixed assets for the purpose of calculating depreciation, which is calculated after consideration of the expected use of the asset or actual aging. The department regularly reviews estimated productive ages at least annually and the method of depreciation to ensure that the method and time of depreciation are agreed with the expected pattern of economic benefits of assets.

**Lease contracts – estimation of the additional borrowing rate**

The Group cannot easily determine the implied interest rate in the contract lease, and therefore uses the additional borrowing rate to measure the lease obligations. The additional borrowing rate is the interest rate that the group must pay to assume the necessary financing over a similar period and with a similar guarantee to obtain an asset with the same value as the "right of use" in a similar economic environment. Therefore, the additional borrowing rate reflects what the group "must pay", which requires an estimation when there are no declared rates or when it needs to be modified to reflect the terms and conditions of the lease contract.