

Translated

Egypt Kuwait Holding Company
Consolidated Financial Statements
For the financial year ended December 31, 2018
And Auditor's Report

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Hazem Hassan

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Translated

Auditor's Report

To the Shareholders of Egypt Kuwait Holding Company

Report on the Consolidated Financial Statements

We have audited the accompanying consolidated financial statements of Egypt Kuwait Holding Company S.A.E, which comprise the consolidated financial position as at December 31, 2018, the consolidated statements of income, comprehensive income, changes in equity and cash flows for the financial year then ended, and a summary of significant accounting policies and other explanatory notes.

Management's Responsibility for the Consolidated Financial Statements

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

Auditor's Responsibility

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

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements.

Hazem Hassan

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

Opinion

In our opinion, the consolidated financial statements present fairly, in all material respects, the consolidated financial position of Egypt Kuwait Holding Company as at December 31, 2018, and of its consolidated financial performance and its consolidated cash flows for the year ended in accordance with the Egyptian Accounting Standards and the Egyptian laws and regulations relating to the preparation of these consolidated financial statements.

Report on Other Legal and Regulatory Requirements

The Company keeps proper accounting records, which include all that is required by law and the statutes of the Company, the financial statements, are in agreement thereto.

The financial information included in the board of directors' report, prepared in accordance with Law No. 159 of 1981 and its executive regulations, is in agreement with the Company's books of account.

KPMG Hazem Hassan
Public Accountants & Consultants

Cairo, February 27, 2019

Egypt Kuwait Holding Company
(An Egyptian Joint Stock Company)

Consolidated Statement of Financial Position As at December 31, 2018

All numbers are in US Dollars

	Note No.	31/12/2018	31/12/2017 (Restated)
Assets			
Non-current assets			
Equity - accounted investees	(7)	16 219 288	29 201 428
Available -for- sale Investments	(8)	32 532 597	28 860 567
Financial assets held to maturity	(9)	99 769 120	108 551 255
Property, plant and equipment	(10)	230 251 113	207 741 912
Exploration & development assets	(11)	27 799 143	24 591 508
Projects under construction	(12)	22 955 902	25 154 067
Goodwill	(13)	60 591 626	52 413 767
Other intangible assets	(14)	8 804 525	14 595 297
Investment property	(15)	617 710	-
Other debtors & notes receivables	(16)	283 156	11 727 932
Total non-current assets		499 824 180	502 837 733
Current assets			
Cash and cash equivalents	(17)	206 966 909	224 894 312
Financial assets held to maturity	(9)	170 080 844	137 185 652
Financial assets at fair value through profit or loss	(18)	11 990 883	15 024 540
Trade & notes receivable	(19)	73 368 473	61 302 728
Debtors & other debit balances	(20)	47 766 629	37 587 084
Inventory	(21)	76 641 622	60 225 430
Work in process	(22)	30 307 435	6 718 212
Non-current assets held for sale	(23)	-	4 552 500
Total current assets		617 122 795	547 490 458
Total assets		1 116 946 975	1 050 328 191
Equity			
Issued & paid up capital	(24)	256 110 292	256 110 292
Reserves	(25)	(15 278 010)	(14 625 462)
Share-based payments	(26)	17 561 848	17 561 848
Retained earnings	(28)	248 856 586	218 489 193
Treasury shares	(27)	(221 050)	-
Total equity of the owners of the parent Company		507 029 666	477 535 871
Non-controlling interests	(29)	205 417 221	212 842 905
Total equity		712 446 887	690 378 776
Liabilities			
Non-current liabilities			
Loans and borrowings	(30)	18 003 469	36 441 090
Other long-term liabilities	(31)	2 011 494	7 871 026
Deferred tax liabilities	(32)	23 254 655	24 367 095
Total non-current liabilities		43 269 618	68 679 211
Current liabilities			
Provisions	(33)	19 374 686	33 206 603
Bank overdraft		94 994	577 005
Loans and borrowings	(30)	26 998 321	25 924 898
Bank facilities	(34)	54 574 219	67 537 852
Suppliers, subcontractors & notes payable	(35)	34 982 814	17 264 912
Insurance policyholders rights	(36)	69 081 331	-
Creditors & other credit balances	(37)	156 124 105	146 758 934
Total current liabilities		361 230 470	291 270 204
Total liabilities		404 500 088	359 949 415
Total equity and liabilities		1 116 946 975	1 050 328 191

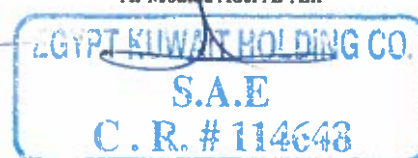
* The accompanying notes on pages from (6) to (58) are an integral part of these consolidated financial statements and to be read therewith.

Group Chief Financial Officer
Medhat Hamed Bonna

Managing Director
Sherif Al Zayat

Chairman & Managing Director
Al-Moataz Adel Al-Alfi

* Auditor's report "attached".



Egypt Kuwait Holding Company
(An Egyptian Joint Stock Company)

Consolidated Statement of Income for the financial year ended December 31 , 2018

All numbers are in US Dollars

	Note No.	2018	2017 (Restated)
Continuing operations			
Operating revenues	(38)	461 984 536	348 761 731
Operating costs	(39)	(316 627 970)	(252 352 093)
Gross profit		145 356 566	96 409 638
Income from investments	(40)	23 062 499	65 343 591
Other income	(41)	22 257 071	37 364 507
Selling & distribution expenses	(42)	(4 107 229)	(3 172 594)
General & administrative expenses		(29 564 623)	(22 042 463)
Other expenses	(43)	(14 700 430)	(47 950 611)
Operating profit		142 303 854	125 952 068
Interest income		26 754 355	25 818 742
Financing expenses		(12 061 904)	(13 055 679)
Foreign currency translation differences		(5 864 340)	(1 897 515)
Net financing cost		8 828 111	10 865 548
Company's share of profit / (loss) of associates		1 287 086	(375 828)
Net profit for the year before income tax		152 419 051	136 441 788
Income tax	(44)	(27 204 163)	(18 780 633)
Net profit for the year from continuing operations		125 214 888	117 661 155
Discontinued operations			
Gain from discontinued operation (net of income tax)	(45)	-	17 256 512
Net profit for the year		125 214 888	134 917 667
Net profit attributable to:			
Owners of the Parent Company		95 112 870	118 752 847
Non-controlling interests	(29)	30 102 018	16 164 820
Net profit for the year		125 214 888	134 917 667
Basic earnings per share (US cent / Share)	(46)	8.15	10.59
Net profit for the year from continuing operations			
Owners of the Parent Company		95 112 870	101 496 335
Non-controlling interests		30 102 018	16 164 820
Net profit for the year from continuing operations		125 214 888	117 661 155
Basic earnings per share (US cent / Share) from continuing operations	(46)	8.15	8.86

* The accompanying notes on pages from (6) to (58) are an integral part of these consolidated financial statements and to be read therewith.

Translated

Egypt Kuwait Holding Company
(An Egyptian Joint Stock Company)

Consolidated Statement of Comprehensive Income for the financial year ended December 31, 2018

All numbers are in US Dollars

	<u>2018</u>	<u>2017</u>
		(Restated)
Net profit for the year	125 214 888	134 917 667
<u>Other comprehensive income items</u>		
<u>Items may be reclassified to profit or loss:</u>		
Change in fair value for investments available -for- sale	2 783 634	5 963 444
Foreign currency translation differences	2 007 541	6 992 791
<u>Deduct:</u> Adjustments for reclassification of losses to the income statement	(6 183 113)	(6 165 565)
Total comprehensive income	123 822 950	141 708 337
Total comprehensive income for the year attributable to:		
Owners of the Parent Company	93 389 563	120 120 642
Non-controlling interests	30 433 387	21 587 695
Total comprehensive income for the year	123 822 950	141 708 337

* The accompanying notes on pages from (6) to (58) 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 Changes in Equity for the financial year ended December 31, 2018
All numbers are in US Dollars

	Issued & paid up capital	Legal reserve	Special reserve - Share premium	General reserve	Fair value reserve	Translation reserve	Total reserves	Share-based payment	Retained earnings	Treasury shares	Total equity of the owners of the parent Company	Non-controlling interests	Total equity
Balance as at January 1, 2017	256 110 292	125 559 511	57 954 547	8 340 462	9 867 000	(217 373 270)	(17 611 750)	17 561 848	140 231 517	-	396 291 907	224 276 216	620 568 143
Comprehensive income													
Net profit for the year	-	-	-	-	-	-	-	-	118 752 847	-	118 752 847	16 164 820	134 917 667
Other comprehensive income	-	-	-	-	(4 785 013)	6 152 808	1 367 795	-	-	-	1 367 795	5 422 875	6 790 670
Total comprehensive income	-	-	-	-	(4 785 013)	6 152 808	1 367 795	-	-	-	1 367 795	21 587 695	141 708 337
Transactions with owners of the Company													
Transferred to legal reserve	-	1 618 493	-	-	-	-	1 618 493	-	(1 618 493)	-	-	-	-
Dividends distribution for shareholders	-	-	-	-	-	-	-	-	(31 160 061)	-	(31 160 061)	-	(31 160 061)
Dividends distribution for employees and board members	-	-	-	-	-	-	-	-	(7 510 715)	-	(7 510 715)	-	(7 510 715)
Total transactions with owners of the Company	-	1 618 493	-	-	-	-	1 618 493	-	(40 678 171)	-	(38 059 678)	205 902	(38 679 776)
Other changes													
Acquisition of non-controlling interests	-	-	-	-	-	-	-	-	(205 902)	-	(205 902)	205 902	-
Changes in non-controlling interests	-	-	-	-	-	-	-	-	(245 902)	-	(245 902)	(33 226 928)	(33 226 928)
Total other changes	-	-	-	-	-	-	-	-	(245 902)	-	(245 902)	(33 021 026)	(33 226 928)
Balance as at December 31, 2017	256 110 292	125 178 004	57 954 547	8 340 462	5 081 987	(211 220 462)	(14 025 462)	17 561 848	218 489 193	-	477 535 871	212 843 905	690 378 776
Balance as at January 1, 2018 (before adjustment)	256 110 292	125 178 004	57 954 547	8 340 462	5 081 987	(211 220 462)	(14 025 462)	17 561 848	218 489 193	-	478 928 559	214 716 217	693 644 776
Prior period adjustments (Note no. 28)	-	-	-	-	-	-	-	-	(1 392 688)	-	(1 392 688)	(1 873 312)	(3 266 000)
Balance as at January 1, 2018 (after adjustment)	256 110 292	125 178 004	57 954 547	8 340 462	5 081 987	(211 220 462)	(14 025 462)	17 561 848	218 489 193	-	477 535 871	212 843 905	690 378 776
Comprehensive income													
Net profit for the year	-	-	-	-	-	-	-	-	95 112 870	-	95 112 870	30 102 018	125 214 888
Other comprehensive income	-	-	-	-	1 061 563	(3 784 870)	(1 723 307)	-	-	-	(1 723 307)	331 369	(1 391 938)
Total comprehensive income	-	-	-	-	1 061 563	(3 784 870)	(1 723 307)	-	-	-	(631 437)	30 433 387	123 822 950
Transactions with owners of the Company													
Transferred to legal reserve	-	1 070 759	-	-	-	-	1 070 759	-	(1 070 759)	-	-	-	-
Dividends distribution for shareholders	-	-	-	-	-	-	-	-	(50 303 242)	-	(50 303 242)	-	(50 303 242)
Dividends distribution for employees and board members	-	-	-	-	-	-	-	-	(12 603 305)	-	(12 603 305)	-	(12 603 305)
Treasury shares	-	-	-	-	-	-	-	-	-	(221 050)	(221 050)	-	(221 050)
Total transactions with owners of the Company	-	1 070 759	-	-	-	-	1 070 759	-	(63 977 306)	(221 050)	(63 127 597)	-	(63 127 597)
Other changes													
Acquisition of non-controlling interests	-	-	-	-	-	-	-	-	(768 171)	-	(768 171)	(6 945 206)	(7 713 377)
Changes in non-controlling interests	-	-	-	-	-	-	-	-	(768 171)	-	(768 171)	(30 913 775)	(30 913 775)
Total other changes	-	-	-	-	-	-	-	-	(768 171)	-	(768 171)	(37 859 071)	(38 627 242)
Balance as at December 31, 2018	256 110 292	126 248 763	57 954 547	8 340 462	6 143 550	(214 005 332)	(13 278 010)	17 561 848	248 855 586	(221 050)	587 839 666	208 417 231	712 446 897

* The accompanying notes on pages from (6) to (58) 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 Cash flows for the financial year ended December 31 , 2018

All numbers are in US Dollars

	Note No.	2018	2017 (Restated)
<u>Cash flows from operating activities</u>			
Net profit for the year before income tax		152 419 051	136 441 788
<u>Adjustments for:</u>			
Depreciation & amortization		42 131 833	27 195 200
Gain on sale of available-for-sale investments		-	(49 969 456)
Company's share of profit / (loss) of equity - accounted investees		(1 287 086)	375 828
Unrealized gain of financial assets at fair value through profit and loss		(107 791)	(588 741)
Financing expenses		12 061 904	13 055 679
Interest income		(26 754 355)	(25 818 742)
Capital gain		(114 068)	(966 063)
Provisions no longer required		(16 207 330)	(138 110)
Provisions		2 065 002	11 817 238
Reversal of impairment loss on debtors & other debit balances		(3 808 530)	(31 094 062)
Impairment loss on debtors and other debit balances		833 677	5 558
Reversal of impairment loss on inventory		(13 207)	-
Impairment loss on investments		11 801 751	35 951 321
Reversal of impairment loss of assets		-	(3 267 773)
		173 020 851	112 999 665
<u>Change in:</u>			
Financial assets at fair value through profit or loss		3 141 448	355 426
Trade & notes receivable		(8 728)	(48 723 976)
Debtors & other debit balances		2 591 982	11 580 000
Inventory		(15 018 258)	(13 726 912)
Work in progress		(23 589 223)	886 562
Suppliers, subcontractors & notes payable		17 604 582	3 014 237
Creditors & other credit balances		(95 547 760)	22 252 747
Insurance policyholders rights		69 081 331	-
Time deposits		2 288 249	135 276 500
Provisions used		(768 073)	(426 615)
Financing expenses paid		(12 061 904)	(13 058 720)
Net change in assets of the acquired company		-	(24 703 718)
Net cash available from operating activities		120 734 497	185 725 196
<u>Cash flows from investing activities</u>			
Interest received		26 529 185	26 161 460
Subsidiaries acquisition (net cash acquired)		(6 916 450)	-
Payments for acquisition of property, plant and equipment, projects under construction, intangible assets & investment property		(39 664 249)	(20 004 857)
Payments for acquisition of exploration & development assets		(17 026 120)	-
Proceeds from sale of property, plant and equipment		191 309	26 308
Proceeds from sale of other intangible assets		-	4 535 546
Proceeds from (Payments for) sale of available-for-sale investments		(2 553 778)	129 937 958
Proceeds from (Payments for) financial assets held to maturity		52 618 129	(108 776 120)
Dividends received from equity - accounted investees		-	499 242
Proceeds from disposal of discontinued operations		-	42 639 917
Net cash available from investing activities		13 178 026	75 019 454
<u>Cash flows from financing activities</u>			
Proceeds from loans and borrowings		145 367 264	145 575 326
Payment of loans and borrowings		(175 695 095)	(215 545 420)
Payments for acquisition of non-controlling interests		(7 713 467)	(19 055 040)
Non-controlling interests		(30 492 310)	(8 749 013)
Dividends paid		(62 906 547)	(38 670 776)
Net cash used in financing activities		(131 440 155)	(136 444 923)
Foreign currency translation differences		(2 798 014)	(3 461 202)
Net change in cash and cash equivalents during the year		(325 646)	120 838 525
Cash and cash equivalents at beginning of the year		224 520 953	103 682 428
Cash and cash equivalents at end of the year	(17)	224 195 307	224 520 953

* The accompanying notes on pages from (6) to (58) are an integral part of these consolidated financial statements and to be read therewith.

1- Company's background and activities

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

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

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

A - Securities underwriting and promotion.

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

C- Venture capital.

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

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

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

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

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

2- Basis of preparation of the consolidated financial statements

a) Statement of compliance

- These consolidated financial statements have been prepared in accordance with Egyptian Accounting Standards and relevant Egyptian laws and regulations.
- The consolidated financial statements were authorized for issuance by the Board of Directors of the Company on February 27, 2019.

b) Basis of measurement

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

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

c) Functional and presentation currency

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

d) Use of estimates and judgments

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

e) Measurement of fair values

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

3- Significant accounting policies

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

3-1 Business combination

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

A- Subsidiaries

Subsidiaries are entities controlled by the Group. The Group controls an entity when it is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity. The financial statements of subsidiaries are included in the consolidated financial statements from the date on which control commences until the date on which control ceases.

B- Non-controlling interests

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

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

C- Loss of control

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

D- Interests in equity-accounted investees

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

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

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

Interests in associates and the joint venture are accounted for using the equity method. They are initially recognized at cost, which includes transaction costs. Subsequent to initial recognition, the consolidated financial statements include the Group's share of the profit or loss and OCI of equity accounted investees.

E- Transactions eliminated on consolidation

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

3-2 Foreign currency

A- Foreign currency transactions

Transactions in foreign currencies are translated into the respective functional currencies of Group companies at the exchange rates at the dates of the transactions. Monetary assets and liabilities denominated in foreign currencies are translated into the functional currency at the exchange rate at the reporting date. Non-monetary assets and liabilities that are measured at fair value in a foreign currency are translated into the functional currency at the exchange rate when the fair value was determined. Non-monetary items that are measured based on historical cost in a foreign currency are translated at the exchange rate at the date of the transaction. Foreign currency differences are generally recognized in profit or loss.

However, foreign currency differences arising from the translation of the following items are recognized in OCI:

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

B- Foreign operations

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

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

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

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

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

3-3 Property, plant and equipment & depreciation

a) Recognition and measurement

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

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

Any gain or loss on disposal of an item of property, plant & equipment is recognized in consolidated statement of income.

b) Subsequent costs

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

c) Depreciation

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

<u>Asset</u>	<u>Years</u>
Usufruct of lands	25
Buildings of the Parent Company's premises	50
Buildings & constructions	20-56 or according to lease term, which is lower
Machinery & equipment	3 - 20
Stations & electric transformers	10
Means of transportation	4 - 10
Furniture & office equipment	2 - 10
Computer hardware & software and Decorations	3 - 6.67
Air-conditions	4 - 6.67
Tools & supplies	5
Leasehold improvements	Over the lower of lease term or estimated useful life which is lower

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

3-4 Projects under construction

Projects under construction are recognized initially at cost. Cost includes all expenditures directly

Attributable to bringing the assets to a working condition for its intended use. Projects under construction are transferred to property, plant and equipment caption when they are completed and are ready for their intended use.

3-5 Intangible assets

3-5-1 Recognition and measurement

Goodwill

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

Exploration and development

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

Other intangible assets

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

3-5-2 Subsequent expenditures

Subsequent expenditure on capitalized intangible assets is capitalized only when it increases the future economic benefits embodied in the specific asset to which it relates. All other expenditures are expensed as incurred.

3-5-3 Amortization

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

3-6 Financial instruments

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

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

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

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

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

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

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

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

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

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

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

3-6-2-3 Loans and receivables

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

3-6-2-4 Available for sale investments

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

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

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

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

3-7 Inventory

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

3-8 Work in progress

All expenditures directly attributable to works in process are included in work in process account till the completion of these works. They are transferred to completed residential units ready for sale caption when they are completed. Work in process are stated at the balance sheet date at lower of cost and net realizable value. It includes all direct costs that related to preparation of units to sell it and in the assigned purpose.

3-9 Construction contracts in progress

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

In the statement of financial position, construction contracts in progress for which costs incurred plus recognized profits exceed progress billings and recognized losses are presented as trade and other receivables. Contracts for which progress billings and recognized losses exceed costs incurred plus recognized profits are presented as deferred income/revenue. Advances received from customers are presented as deferred.

3-10 Investments property

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

3-11 Assets held for sale

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

Such assets, or disposal groups, are generally measured at the lower of their carrying amount and fair value less costs to sell. Any impairment loss on a disposal group is allocated first to goodwill, and then to the remaining assets and liabilities on a pro rata basis, except that no loss is allocated to inventories, financial assets, deferred tax assets, employee benefit assets, investment property or biological assets, which continue to be measured in accordance with the Group's other accounting policies. Impairment losses on initial classification as held-for-sale or held-for distribution and subsequent gains and losses on re-measurement are recognized in consolidated income statement.

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

3-12 Debtors and other debit balances

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

3-13 Cash and cash equivalents

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

3-14 Impairment of assets

a) Non-derivative financial assets

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

Objective evidence that financial assets are impaired includes:

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

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

Financial assets measured at amortized cost

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

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

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

Losses are recognized in profit or loss and reflected in an allowance account. When the Group considers that there are no realistic prospects of recovery of the asset, the relevant amounts are written off.

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

Available for sale financial assets

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

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

Equity-accounted investees

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

b) Non-financial assets

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

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

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

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

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

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

3-15 Finance leasing

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

3-16 Provisions

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

3-17 Loans and borrowings

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

3-18 Trade payables and other credit balances

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

3-19 Share capital

a) Ordinary shares

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

b) Repurchase and reissue of ordinary share

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

c) Dividends

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

3-20 Equity settled share – based payments

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

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

3-21 Revenue

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

Sale of goods revenues

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

Service revenues

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

Revenues & costs of construction contracts

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

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

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

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

Natural gas distribution revenues

Revenue is recognized when gas is converted to the clients

Natural gas sales commission

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

Sale of electricity

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

Insurance activity revenue

Revenues from long-term insurance policies are fully recognized in the consolidated statement of profit or after excluding a percentage of 100% of the premiums value belonging to the following financial years after deducting the percentage of such years from the production commission with a percentage that must not exceed 20% of the premium value.

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

in the statement of financial position till the completion of the insurance year of such accounts.

Net income from investments - insurance sector

Net income from investment is allocated as follows:

- Return on investment of funds designated for the rights of policyholders shall be recorded in the consolidated statement of profit or loss of each insurance branch, (properties - 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,

Rental income

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

Gain on sale of investments

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

Interest income and Dividends

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

3-22 Expenses

a) Lease payments

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

b) Employees' pension

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

c) Income tax

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

Current tax

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

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

Deferred tax

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

- taxable temporary differences arising on the initial recognition of goodwill
- temporary differences on the initial recognition of assets or liabilities in a transaction that:

1) is not a business combination

2) Neither affects accounting nor taxable profit or loss.

- temporary differences related to investments in subsidiaries, associates and joint arrangements to the extent that the Group is able to control the timing of the reversal of the temporary differences and it is probable that they will not reverse in the foreseeable future

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

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

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

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

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

d) General Authority for Investments fees

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

3-23 Discontinued operations

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

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

3-24 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 year.

3-25 Accounts Receivable from insurances

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

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

3-26 Insurance and reinsurance companies (Debit balances)

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

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

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

a) Mathematical reserve

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

b) Provision for outstanding claims

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

3-28 Technical provisions for properties and liabilities insurances

a) Provision for unearned premium

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

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

b) Provisions for outstanding claims

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

c) Provisions for retrograded fluctuations

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

3-29 Credit balances of insurance and reinsurance companies

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

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

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

3-31 Production costs - insurance activity

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

4- Insurance activity risks

Regulatory framework of the Risk Management Department

The objective of the Company's Risk Management Department and Financial Management Department is to protect the Company's shareholders from events that impede the achievement of financial performance objectives, including failure to take advantage of opportunities. Risk Management Department also works on protecting the rights of policyholders by ensuring that all commitments towards policyholders are met in accordance with the methods in practice. Top management recognizes the necessity to have effective and efficient risk management systems.

Insurance risk

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

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

- All forms of insurance for individuals. Temporary life insurance.

- Life insurance with profit sharing.

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

Technical bases used in estimating the mathematical reserve

First: Used Life Table

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

Partial disability and permanent total disability: reinsurance rates.

Second: Used Interest Rates

Collective Contracts

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

Individual Contracts

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

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

Maximum rates allowed to be used are 3%.

Third: Methods used to calculate reserves

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

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

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

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

Fourth: Assumptions regarding wage scale

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

Fifth: Amounts charged to administrative expenses

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

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

The main risks the Company faces are as follows:

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

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

In order to reduce the insurance risk, the Company lays down the subscription and retention policies and the limits of the powers and authorities in addition to the subscription powers that determine the authorized and responsible persons for the completion of the execution of the insurance and reinsurance contracts. The implementation of these instructions are periodically reviewed and-the developments that take place in the market are followed up accurately and the necessary measures are taken to reflect them in the subscription instructions if required.

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

Reinsurance activity risks

As customarily applied in the other insurance companies and in order to limit the risk of encountering loss arising from insurance claims of large amounts, the Company engage into reinsurance agreements with other parties. These reinsurance contracts allow greater diversification in the business field and enable management to monitor the possibility of encountering loss due to significant risks and provide additional growth potential. However, this procedure does not relieve the Company

of its obligations towards its insured parties, and the Company shall remain liable to its policyholders for the reinsured part of the compensation under settlement in case the reinsurers fail to comply with their obligations under the reinsurance contract and therefore the credit risk shall remain-with respect to reinsurance -to the extent that any reinsurer is unable to settle his obligations.

To limit the probability of being exposed to huge losses as a result of the default of re-insurances. The Company evaluates the credit worthiness of its reinsurers in addition monitoring the concentration of the credit risks, both on a periodic basis. The Company re-insure only those parties with good credit ratings. As their credit ratings are reviewed on a periodical basis.

5- Financial risk management

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

- Credit risk
- Liquidity risk
- Market risk.

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

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

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

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

Credit risk

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

Trade and other receivables

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

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

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

Investments

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

Guarantees

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

Liquidity risk

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

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

Market risk

Market risk is the risk that changes in market prices, such as foreign exchange rates, interest rates and equity prices will affect the Group's income or the value of its holdings of financial instruments. The objective of market risk management is to manage and control market risk exposures within acceptable parameters, while optimizing the return.

Currency risk

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

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

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

Interest rate risk

The Group adopts a policy of ensuring that about 1.09% of its exposure to changes in interest rates on borrowings is on fixed rate basis. The Company does not enter into interest rate swap.

Other market prices risk

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

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

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

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

Capital management

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

The Board of Directors of the Parent Company monitors the return on capital, which the Company defines as net profit for the year 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 year; the Parent Company is not subject to externally imposed capital requirements.

6- Segment reporting

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

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

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

Business segments

The Group comprises the following main business segments:

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

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

Geographical segments

The oil segment is managed on centralized basis, but is operated in Sudan. 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.

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Notes to the consolidated financial statements (Cont.) for the financial year ended December 31, 2018

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6- Segment reporting (Cont.)

	Oil & gas		Chemicals & fertilizers		Other operations		Discontinued operations		Total	
	2018	2017	2018	2017	2018	2017	2018	2017	2018	2017
Operating revenues	118 668 934	53 455 750	310 305 604	291 908 311	33 009 998	3 397 670	-	-	461 984 536	348 761 731
Net operating profit	50 977 845	56 513 394	61 395 764	60 220 492	29 930 245	9 218 182	-	-	142 303 854	125 952 068
Financing expenses	(1 426 758)	(1 476 620)	(1 632 858)	(3 385 939)	(9 002 288)	(8 193 120)	-	-	(12 061 904)	(13 055 679)
Interest income	1 671 806	1 157 905	10 949 430	10 127 261	14 133 119	14 533 576	-	-	26 754 355	25 818 742
Company's share of profit / (loss) of associates	3 827 251	-	-	(1 435 851)	(2 540 165)	1 060 023	-	-	1 287 086	(375 828)
Net profit for the year before income tax	55 031 693	56 477 518	71 414 580	66 831 700	25 972 778	30 389 082	-	17 256 512	152 419 051	136 441 788
Income tax	(8 404 001)	(5 903 195)	(18 510 833)	(12 446 731)	(289 329)	(430 707)	-	-	(27 204 163)	(18 780 633)
Net profit	46 627 693	50 574 322	52 903 747	54 384 969	25 683 448	29 958 376	-	-	125 214 888	134 917 667
Total assets	297 846 258	263 791 410	532 567 330	574 742 926	286 533 387	211 793 855	-	-	1 116 946 975	1 050 328 191
Equity - accounted investees	3 830 058	-	-	19 286 251	12 389 230	9 915 177	-	-	16 219 288	29 201 428
Total liabilities	192 886 337	126 996 714	93 663 257	101 203 051	117 950 494	131 749 650	-	-	404 500 088	359 949 415
Depreciation & amortization	16 514 101	1 666 316	25 037 803	25 174 100	579 929	354 784	-	-	42 131 833	27 195 200

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7- Equity-accounted investees

	Ownership	31/12/2018	31/12/2017
	%		
<u>Listed in stock exchange investments</u>			
Delta Insurance Co.(S.A.E.)*	-	-	6 320 555
<u>Not listed in stock exchange investments</u>			
Building Materials Industries Co. (S.A.E.)	38.32	34 175 480	36 581 169
El Shorouk for Melamine & Resins Co. (S.A.E.)*	-	-	836 703
TOSS Co. (Limited Liability Co.- Cayman Islands)	28.07	3 830 058	-
Egyptian Tankers Co. (S.A.E.- Free Zone)**	30	17 128 175	-
		55 133 713	43 738 427
Impairment losses ***		(38 914 425)	(14 536 999)
		16 219 288	29 201 428

*During the year, an additional interest was acquired in the share capital of Delta Insurance Company and El-shorouk for Melamine & Resins Co. Accordingly, the Group has control over these companies. (Note no. 48)

**The investment in Egyptian Tankers Co. was reclassified from non-current asset held for sale by the fair value (Note no. 23)

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

	Building Materials Industries Co.	Egyptian Tankers Co.	Total
Beginning balance	14 536 999	-	14 536 999
Impairment transferred from non-current assets held for sale	-	12 575 675	12 575 675
Impairment loss formed during the year	7 249 251	4 552 500	11 801 751
	21 786 250	17 128 175	38 914 425

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Summary of financial information for associates, not adjusted for the percentage ownership held by the Group:

Description	Equity	Current assets	Non-current assets	Total assets	Current liabilities	Non-current liabilities	Total liabilities	Revenues	Expenses	Profits (Losses)
December 31, 2018										
Egyptian Tankers Co. *	46 026 210	36 141 214	88 703 418	124 844 632	62 238 462	16 579 960	78 818 422	38 298 653	43 935 648	(5 636 995)
TOSS Co. **	3 136 156	130 481 765	62 866 915	193 348 680	190 212 524	-	190 212 524	39 920 078	28 750 517	11 169 561
Building Materials Industries Co. ***	32 703 690	12 633 140	107 829 692	120 462 832	44 145 363	43 613 779	87 759 142	54 815 523	64 871 549	(10 056 026)

*The financial information of the above-mentioned Company according to the financial statements for the financial year ended September 30, 2018 since the Company's financial statements for the financial year ended December 31, 2018 have not been the prepared.

**The financial information of the above-mentioned Company according to the financial statements for the financial year ended March 31, 2018 and the Company's share in profit for the financial year ended December 31, 2018 was calculated based on management report which prepared for this purpose since the Company's financial statements for the financial year ended December 31, 2018 have not been the prepared.

***The financial information of the above-mentioned Company according to the financial statements for the financial year ended December 31, 2017 and the Company's share in loss for the financial year ended December 31, 2018 was calculated based on management report which prepared for this purpose since the Company's financial statements for the financial year ended December 31, 2018 have not been the prepared.

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8- Available – for – sale investments

	<u>Ownership</u>	<u>31/12/2018</u>	<u>31/12/2017</u>
<u>Investments measured at fair value</u>			
Portfolios managed by abroad investment manager	-	19 649 028	17 819 727
Local companies' securities listed in the Egyptian Stock Exchange (EGX)	-	3 052 045	3 293 328
<u>Investments measured at cost*</u>			
Inayah Egypt for Medical care Programs Management Co.	20%	55 928	-
United Arab Chemical Carriers Co.	1.19%	14 112 997	14 178 197
MOG Energy Co.- previously named Tri Ocean Co. **	15.27%	34 462 504	34 462 504
TOD Company	28.07%	2 807	2 807
		<u>71 335 309</u>	<u>69 756 563</u>
Impairment losses		<u>(38 802 712)</u>	<u>(40 895 996)</u>
		<u>32 532 597</u>	<u>28 860 567</u>

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

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

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.

9- Financial assets held to maturity

	<u>31/12/2018</u>	<u>31/12/2017</u>
Portfolios (deposits) held at a foreign bank	89 326 568	112 565 707
Portfolios (treasury bills) held at an abroad investment manager	10 027 500	85 097 661
Investment certificates at local banks "Insurance Sector"	68 691 275	-
Governmental bonds	20 308 945	22 184 180
Treasury bills	70 726 776	25 889 359
Designated governmental bonds "Insurance Sector"	10 768 900	-
	<u>269 849 964</u>	<u>245 736 907</u>
Classified as follows:-		
Short-term (due within one year)	170 080 844	137 185 652
Long-term (due after one year)	99 769 120	108 551 255

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10- Property, plant and equipment (net)										Transferred
Cost	Land	Buildings & constructions	Vehicles & transportation	Furniture & office equipment	Machinery & equipment	Tools & supplies	Stations, generators & electric transformers	Computer, software & decorations	Leasehold improvements	Total
As at 1/1/2017	15 451 733	51 928 458	9 494 071	6 385 256	399 793 455	2 122 426	37 566 139	3 858 545	1 163 326	527 763 409
Additions	1 728 293	973 163	423 489	321 891	1 037 539	56 717	164 897	289 270	28 909	5 024 168
Assets acquired through business combination	-	-	-	-	-	112 210	-	-	-	112 210
Reversal of impairment loss of property, plant & equipment	-	-	-	-	-	-	(267 773)	-	-	(267 773)
Disposals	-	-	(2 916)	(5 732)	(38 545)	-	(38 602)	(97 928)	(23 065)	(206 788)
Cost as at 31/12/2017	17 180 026	52 901 621	9 914 644	6 701 415	400 792 449	2 291 353	37 424 661	4 049 887	1 169 170	532 425 226
As at 1/1/2018	17 180 026	52 901 621	9 914 644	6 701 415	400 792 449	2 291 353	37 424 661	4 049 887	1 169 170	532 425 226
Additions	1 930 310	257 183	1 230 703	495 814	3 804 760	66 682	25 063 752	1 027 743	5 150	33 882 097
Assets acquired through business combination	8 728 997	2 484 542	1 020 673	826 568	1 582 460	-	106 537	1 477 428	129 785	16 356 990
Disposals	-	(117 470)	(216 540)	(29 916)	(15 026)	(20 793)	-	(8 913)	(22 000)	(430 658)
Cost as at 31/12/2018	27 839 333	55 525 876	11 949 480	7 993 881	406 164 643	2 337 242	62 594 950	6 546 145	1 282 105	582 233 655
Depreciation and impairment loss										
Accumulated depreciation and impairment as at 1/1/2017	-	18 596 319	7 923 283	5 005 255	193 385 119	1 758 428	6 823 065	2 857 923	647 586	236 986 978
Depreciation	-	1 835 801	306 759	225 392	18 124 581	24 589	465 345	393 047	42 899	21 418 413
Accumulated depreciation of disposals	-	-	(2 916)	(5 732)	(38 545)	-	(1 422)	(97 929)	-	(146 544)
Accumulated depreciation and impairment as at 31/12/2017	-	20 432 120	8 227 126	5 224 915	211 471 155	1 783 017	7 286 988	3 153 041	690 485	258 268 847
Carrying amount										
Accumulated depreciation and impairment as at 1/1/2018	-	20 432 120	8 227 126	5 224 915	211 471 155	1 783 017	7 286 988	3 153 041	690 485	258 268 847
Depreciation	-	1 868 664	433 137	295 991	17 526 284	29 464	1 798 751	535 704	37 007	22 525 002
Accumulated depreciation of disposals	-	(68 692)	(211 269)	(29 427)	(15 026)	(20 793)	-	(8 210)	-	(353 417)
Assets acquired through business combination	-	1 189 800	929 998	627 708	713 935	-	62 637	1 072 264	-	4 596 342
Accumulated depreciation and impairment as at 31/12/2018	-	23 421 892	9 378 992	6 119 187	229 696 348	1 791 688	9 148 376	4 752 799	727 492	285 036 774
Net book value as at 31/12/2018	27 839 333	32 103 984	2 570 488	1 874 694	176 468 295	545 554	53 446 574	1 793 346	554 613	297 196 881
Effect of foreign exchange	(7 098 560)	(10 448 034)	(1 002 801)	(873 552)	(27 250 983)	(427 126)	(19 636 057)	(106 457)	(102 198)	(66 945 768)
Net book value as at December 31, 2018	20 740 773	21 655 950	1 567 687	1 001 142	149 217 312	118 428	33 810 517	1 686 889	452 415	230 251 113
Net book value as at 31/12/2017	17 180 026	32 469 501	1 687 518	1 476 500	189 321 294	508 336	30 137 673	896 846	478 685	274 156 379
Effect of foreign exchange	(7 049 762)	(10 385 577)	(992 503)	(815 674)	(26 373 781)	(314 270)	(20 161 127)	(230 795)	(90 978)	(66 414 467)
Net book value as at December 31, 2017	10 130 264	22 083 924	695 015	660 826	162 947 513	194 066	9 976 546	666 051	387 707	207 741 912

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11- Exploration and development assets

<u>Cost</u>	<u>Producing wells</u>	<u>Equipment / field services</u>	<u>Total</u>
As of 1/1/2017	-	-	-
Assets acquired through business combination	17 828 128	6 763 380	24 591 508
Additions	-	-	-
As of 31/12/2017	<u>17 828 128</u>	<u>6 763 380</u>	<u>24 591 508</u>
As of 1/1/2018	17 828 128	6 763 380	24 591 508
Additions	17 026 120	-	17 026 120
As of 31/12/2018	<u>34 854 248</u>	<u>6 763 380</u>	<u>41 617 628</u>
<u>Accumulated depletion, amortization and impairment losses</u>			
As of 1/1/2017	-	-	-
Amortization	-	-	-
As of 31/12/2017	<u>-</u>	<u>-</u>	<u>-</u>
As of 1/1/2018	-	-	-
Amortization	13 560 407	258 078	13 818 485
As of 31/12/2018	<u>13 560 407</u>	<u>258 078</u>	<u>13 818 485</u>
Carrying amount at 1/1/2017	<u>-</u>	<u>-</u>	<u>-</u>
Carrying amount at 31/12/2017	<u>17 828 128</u>	<u>6 763 380</u>	<u>24 591 508</u>
Carrying amount at 31/12/2018	<u>21 293 841</u>	<u>6 505 302</u>	<u>27 799 143</u>

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12- Projects under construction

	<u>31/12/2018</u>	<u>31/12/2017</u>
Advance payments for purchasing of property, plant & equipment	12 578 565	802 543
Exploration & development works	7 183 595	-
Electric transformers	878 644	22 391 682
Others	2 315 098	1 959 842
	<u>22 955 902</u>	<u>25 154 067</u>

13- Goodwill

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

	<u>31/12/2018</u>	<u>31/12/2017</u>
National Gas Co. (Natgas)	6 939 222	6 997 929
Sprea Misr for Production of Chemicals & Plastics Co.	9 787 792	9 870 597
El Fayoum Gas Co.	1 425 855	1 437 917
Alex Fertilizer Co.	34 107 324	34 107 324
Delta Insurance Co.	3 228 350	-
Shield Gas Systems Co.	5 103 083	-
	<u>60 591 626</u>	<u>52 413 767</u>

14- Other intangible assets

	<u>Net as at 1/1/2018</u>	<u>Amortization</u>	<u>Translation differences</u>	<u>Net as at 31/12/2018</u>
Deferred revenue charges*	1 811 953	(434 717)	(13 373)	1 363 494
Right to use**	11 033 344	(5 092 313)	-	5 941 031
Other assets**	1 750 000	(250 000)	-	1 500 000
	<u>14 595 297</u>	<u>(5 777 030)</u>	<u>(13 373)</u>	<u>8 804 525</u>

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

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

Right to use	10 years
Other assets	8 years

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15- Investments' property

	Land	Built properties	Total
Acquired costs through business combination	53 690	813 564	867 254
Additions	-	-	-
Transferred from property, plant, & equipment	-	116 168	116 168
Translation differences	(450)	(7 475)	(7 925)
Cost as at 31/12/2018	53 240	922 257	975 497
<u>Depreciation</u>			
Accumulated depreciation acquired through business combination	-	281 245	281 245
Depreciation	-	11 316	11 316
Transferred from property, plant, & equipment	-	68 000	68 000
Translation differences	-	(2 774)	(2 774)
Accumulated depreciation at 31/12/2018	-	357 787	357 787
Net book value at 31/12/2018	53 240	564 470	617 710
Net book value at 31/12/2017	-	-	-

16- Other debtors & notes receivable

	31/12/2018	31/12/2017
Property, plant and equipment' debtors	-	41 020
Notes receivable	283 156	11 686 912
	283 156	11 727 932

17- Cash and Cash equivalents

	31/12/2018	31/12/2017
Cash on hand	827 831	340 554
Bank – current accounts	79 318 305	85 699 697
Bank – time deposits (less than three month)	122 814 918	131 390 323
Bank – time deposits (more than three month)	348 683	2 636 932
Checks under collection	3 657 172	4 826 806
	206 966 909	224 894 312

Egypt Kuwait Holding Co. (An Egyptian Joint Stock Company)**Translate****Notes to the consolidated financial statements****For the financial year ended December 31, 2018****All numbers are in US Dollars if otherwise isn't mentioned**

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

	31/12/2018	31/12/2017
Cash and Cash equivalents	206 966 909	224 894 312
Investments in treasury bills - during three months	17 672 076	2 840 578
Bank – time deposits (more than three month)	(348 683)	(2 636 932)
Bank overdraft	(94 995)	(577 005)
	224 195 307	224 520 953

18- Financial assets at fair value through profit and 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:

	31/12/2018	31/12/2017
Portfolios managed by abroad investment managers	1 105 970	4 427 594
Egyptian Companies' stocks (listed in the Egyptian Stock Exchange)	483 802	635 152
Investments funds	1 779 467	1 749 442
Governmental bonds	8 621 644	8 212 352
	11 990 883	15 024 540

19- Trade & notes receivable

	31/12/2018	31/12/2017
Trade receivables	36 933 208	33 488 580
Egyptian General Petroleum Corporation*	29 555 824	12 168 660
Impairment losses of trade receivables	(2 230 672)	(130 821)
Notes receivable	9 110 113	15 776 309
	73 368 473	61 302 728

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

	31/12/2018	31/12/2017
Natgas Co.	247 278	833 936
El Fayoum Gas Co.	1 285 559	1 968 326
NSCO Co.	28 022 987	9 366 398
	29 555 824	12 168 660

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20- Debtors & other debit balances

	<u>31/12/2018</u>	<u>31/12/2017</u>
Tax Authority	10 502 337	3 334 422
Prepaid expenses	3 468 690	2 120 444
Deposits with others	3 704 624	1 854 577
Imprests & employees advances	377 776	109 739
Uncollected issued bills	3 474 259	4 402 327
Suppliers-advance payments	9 233 555	5 517 642
Accrued revenues	4 950 955	3 520 190
Other debit balances	16 480 482	17 149 879
Due from related parties *	173 345 972	177 145 972
Impairment losses of debtors & other debit balances *	(177 772 021)	(177 568 108)
	<u>47 766 629</u>	<u>37 587 084</u>

* This item represented in balance due from one of subsidiaries, this balance is fully impaired during 2017. It worth mentioning that the company lost control over the above mentioned subsidiary during year 2016.

21- Inventory

	<u>31/12/2018</u>	<u>31/12/2017</u>
Supplies	32 783 553	33 953 570
Spare parts and tools	19 387 877	15 733 256
Finished goods and work in process	8 755 057	9 811 535
Letters of credit & goods in transit	139 450	252 149
Fuel and oil	15 866 839	474 920
Write down of inventory	(291 154)	-
	<u>76 641 622</u>	<u>60 225 430</u>

22- Work in progress

	<u>31/12/2018</u>	<u>31/12/2017</u>
Gas sectors	7 125 612	6 656 065
Land & buildings under development	23 078 071	-
Others	103 752	62 147
	<u>30 307 435</u>	<u>6 718 212</u>

23- Non-current assets held for sale

	31/12/2018	31/12/2017
Investment in Egyptian Tankers Company	17 128 175	17 128 175
Impairment losses	(12 575 675)	(12 575 675)
	4 552 500	4 552 500
Transferred to Equity - accounted investees	(4 552 500)	-
	-	4 552 500

On July 2, 2017, a conditional agreement was signed to sell the 30% owned shares in the Egyptian Tanker Company to an external party from the Group as result of the due diligence procedures for these shares. As this contract was not implemented, it was reclassified as Equity - accounted investees (Note No. 7)

24- 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 paid in full. 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 paid in full.
- 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.
- 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 effect such increase was made on the Company's commercial register on September 13, 2015. Accordingly, the issued capital is USD 256 110 292 distributed over 1 024 441 170 shares with a par value of USD 25 cent each that is paid in full.

25- Reserves

	<u>31/12/2018</u>	<u>31/12/2017</u>
Legal reserve	126 248 763	125 178 004
Special reserve – share premium	57 954 547	57 954 547
General reserve	8 380 462	8 380 462
Fair value reserve	6 143 550	5 081 987
Foreign exchange reserves	(214 005 332)	(211 220 462)
	<u>(15 278 010)</u>	<u>(14 625 462)</u>

Legal reserve

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

Special reserve – share premium

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

General reserve

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

Fair value reserve

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

Translation differences reserve

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

26- Share-based payments transactions

This balance is represented in the increase in the equity related to granting and allocating the shares of the incentives and bonus plan as mentioned in details in Note No. (47).

27- Treasury shares

This balance represents the amount of number of 687 269 shares of the Egypt Kuwait Holding Company' shares at a cost of USD 221 050 by the Delta Insurance Company' portfolio (one of the Group's subsidiaries). For the purpose of maintaining the par value of the share stability and supporting the share in the market.

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

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28- Prior period adjustments

During the year, net profit and non-controlling interests balance were restated by an amount of USD 1 392 688 and USD 1 873 312 respectively, in order to correct the retrospective accounting error starting from 2017 for one of the group's subsidiaries.

This error resulted from unrecognized additional gas quantities used during year 2017, an agreement between the subsidiary and the Egyptian Natural Gas Holding Company was taken place during last quarter of 2018 to determine the additional quantity pricing.

29- 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) for the year	Non-controlling share in equity excluding profits (losses)	Non-controlling interests as at 31/12/2018	Non-controlling interests as at 31/12/2017
National Gas Co. "Natgas"	16.025	3 782 764	7 746 281	11 529 045	9 146 641
Globe Telecom Co.	-	-	-	-	1 167
Globe for Communications & Information Technology Co.	1	(11)	5 163	5 152	5 207
International Financial Investments Co.	-	-	-	-	26 383
Egyptian Company for Petrochemicals	-	-	-	-	17 567
Cooling Technology by Natural Gas Co.- Gas Chill	14.014	46 162	235 950	282 112	248 897
Midor for Logistic Services	0.011	(5)	141	136	160
Midor Suez for Oil Refinery	0.0000	-	6	6	-
El Fayoum Gas Co.	22.01	484 574	755 757	1 240 331	822 869
Sprea Misr for Production of Chemicals & Plastics Co.	-	-	-	-	6 698
Henosis for Construction & Real-Estate Development Co.	-	-	-	-	88
Middle East for River Transport Co.	-	-	-	-	306
Bawabat Al Kuwait Holding Company	45,90	23 025 776	154 033 469	177 059 245	202 588 657
Arabian Company for Fertilizers	22.30	(303)	(21 582)	(21 885)	(24 298)
Nahood International Limited Co.	-	-	-	-	2 563
El shorouk for Melamine & resins co.	21.73	56 618	335 335	391 953	-
NSCO Co.	0.0000	497	(298)	199	-
Delta Insurance co.	43,52	2 705 946	12 224 981	14 930 927	-
Total		30 102 018	175 315 203	205 417 221	212 842 905

Egypt Kuwait Holding Co. (An Egyptian Joint Stock Company)
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30- Loans and borrowings

The company name	Loan's currency	Interest rates	Maturity date	31/12/2018	31/12/2017
<u>Egypt Kuwait Holding Company</u>					
Guaranteed by the pledge of the investment portfolio owned by one of the subsidiaries	USD	1.750% above Libor- 3 months	2018-2020	6 070 949	10 839 328
Loan guaranteed by a promissory note	USD	4% above Libor-3 months	2019-2020	5 400 000	9 000 000
Loan guaranteed by a promissory note	USD	4% above Libor-3 months	2019	4 000 000	8 000 000
Loan guaranteed by a promissory note	USD	5% above Libor-3 months	2018-2022	13 500 000	15 000 000
Loan guaranteed by a promissory note	EGP	1% above the corridor	2019-2021	3 355 705	4 512 126
<u>National Electricity Technology Company (Kahraba)</u>					
Loan guaranteed by a promissory note	EGP	10.5% annually	2018	-	162 867
<u>Alex Fert Co.</u>					
Guaranteed by first class official trade mortgage over some production assets	USD	Variable, according to the average Libor in excess to margin	2018-2019	5 471 667	14 851 667
<u>AD Astra Co.</u>					
Guaranteed by the pledge of the acquired assets	Euro	From 2% to 2.75% annually above Libor	2018-2020	7 203 469	-
Total				45 001 790	62 365 988
Short-term loans				26 998 321	25 924 898
Long-term loans				18 003 469	36 441 090

31- Other long-term liabilities

	31/12/2018	31/12/2017
Egyptian General petroleum Corporation*	-	7 572 033
Notes payable	1 188 766	-
Customers advance payment	257 735	290 197
Other payable	564 993	8 796
	2 011 494	7 871 026

* Egyptian General Petroleum Corporation' balance is related to El Fayoum for Gas Co.

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

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32- Deferred tax liabilities

	<u>31/12/2018</u>	<u>31/12/2017</u>
Property, plant and equipment & other assets	23 254 655	24 367 095
	<u>23 254 655</u>	<u>24 367 095</u>

Deferred tax assets-not recognized

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

33- Provisions

	<u>Balance as at 1/1/2018</u>	<u>Provisions formed</u>	<u>Provisions of acquired subsidiaries</u>	<u>Provisions used</u>	<u>Provisions - no longer required</u>	<u>Translation differences</u>	<u>Balance as at 31/12/2018</u>
Retention provisions	265 303	16 835	-	-	-	(61 103)	221 035
Other provisions*	32 941 300	2 048 167	1 329 961	(768 073)	(16 207 330)	(190 374)	19 153 651
Total	<u>33 206 603</u>	<u>2 065 002</u>	<u>1 329 961</u>	<u>(768 073)</u>	<u>(16 207 330)</u>	<u>(251 477)</u>	<u>19 374 686</u>

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

34- Bank facilities

<u>company name</u>	<u>Facility' Currency</u>	<u>Interest rate</u>	<u>31/12/2018</u>	<u>31/12/201</u>
<u>Egypt Kuwait Holding Company</u>				
Credit facility guaranteed by a promissory note	USD & EGP	1.25% annually above corridor and 5% above Libor-3 months for USD	10 006 000	10 080 15
Credit facility guaranteed by a promissory note	USD & EGP	0.5% annually above corridor, 3.75% above Libor generally for USD	18 214 434	18 744 85
Bank facilities guaranteed by Securities portfolio	USD	6.25 % above Libor and 4.95% above Libor for 3 months for USD	416	8 167 33
Facility guaranteed by a promissory note signed by the holding Company and the International Financial Investments Co.	USD	0.75% annually above corridor and 4.75% above Libor for 3 months for USD	14 180 960	14 401 09
C/F			<u>42 401 810</u>	<u>51 393 43</u>

Egypt Kuwait Holding Co. (An Egyptian Joint Stock Company)
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company name	Facility' Currency	Interest rate	31/12/2018	31/12/2017
B/F			42 401 810	51 393 43
<u>International Financial Investments Co.</u>				
Credit facility guaranteed by a promissory note signed by the holding Company and International Financial Investments Co.	USD	0.75% annually above corridor and 4.75% above Libor for 3 months for USD	3 766 717	3 780 571
<u>Cooling Technology by Natural Gas Co.- Gas Chill</u>				
Bank overdraft guaranteed by deposits	EGP	2% over deposit interest rate	235 664	193 828
<u>Sprea Misr for Production of Chemicals & Plastics Co.</u>				
Credit facility guaranteed by a promissory note and insurance policy on Company's assets for any risks for the bank's favor.	USD & EGP	0.75% annually above corridor for EGP and 4% above Libor for USD	-	1 769 224
<u>National Gas Co. (Natgas)</u>				
Credit facility guaranteed by a promissory note	EGP	20.10%	-	510 813
Credit facility guaranteed by a promissory note	EGP	19.75%	4 943 492	6 118 142
Credit facility guaranteed by a promissory note	EGP	0.75% over corridor	864 524	3 771 836
Credit facility guaranteed by a promissory note	EGP	17.75%	1 731 847	-
<u>Sheild Gas Co.</u>				
Credit facility guaranteed by deposits	AED	1.5% over deposit price	630 165	-
			54 574 219	67 537 85

35- Suppliers, subcontractors & notes payable

	31/12/2018	31/12/2017
Suppliers & contractors	33 305 655	16 270 856
Notes payable	1 677 159	994 056
	34 982 814	17 264 912

36- Insurance policy holder rights

	31/12/2018	31/12/2017
Technical provisions for individual' insurance	54 777 290	-
Technical provisions for property and liability	13 384 053	-
Policy holder rights for investments units	919 988	-
	69 081 331	-

Egypt Kuwait Holding Co. (An Egyptian Joint Stock Company)**Translate****Notes to the consolidated financial statements****For the financial year ended December 31, 2018****All numbers are in US Dollars if otherwise isn't mentioned****37- Creditors & other credit balances**

	31/12/2018	31/12/2017
Insurance and reinsurance companies	4 817 928	-
Customers – advance payments	50 720 897	33 900 541
Accrued expenses	38 854 938	27 304 464
Egyptian General Petroleum Corporation*	9 964 720	41 927 691
Deposits for others	8 559 654	6 063 140
Corporate tax	27 376 964	18 936 793
Dividends payable	1 037 400	1 037 400
Other credit balances	14 791 604	17 588 905
	156 124 105	146 758 934

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

National Gas Co. (Natgas)	5 762 012	23 827 895
El Fayoum Gas Co.	4 202 708	18 099 796
	9 964 720	41 927 691

38- Operating revenues

	2018	2017
Gas supplies activity revenues	78 665 857	53 455 750
Communication & geographic maps activity revenue	74 017	363 812
Agencies activity revenue	1 440 594	1 538 078
Chemicals & plastic activity revenue	121 983 923	114 896 518
Cooling technology by natural gas activity revenue	1 311 979	1 495 780
Fertilizers activity revenue	188 321 682	177 011 793
Drilling activity and petroleum services revenue	38 691 098	-
Insurance activity revenue	31 495 386	-
	461 984 536	348 761 731

39- Operating costs

	2018	2017
Gas supplies activity cost	49 068 234	32 754 005
Communication & geographic maps activity cost	46 125	98 472
Agencies activity cost	879 673	1 017 301
Chemicals & plastic activity cost	86 219 034	77 709 578
Cooling technology by natural gas activity cost	1 020 667	1 020 344
Fertilizers activity cost	135 803 846	139 752 393
Drilling activity and petroleum services cost	18 246 620	-
Insurance activity cost	25 343 771	-
	316 627 970	252 352 093

Egypt Kuwait Holding Co. (An Egyptian Joint Stock Company)
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40- Income from investments

	<u>2018</u>	<u>2017</u>
Gain from sale of financial assets at fair value through OCI	-	49 969 456
Gain from sale of financial investments at fair value through profit or loss	-	41 459
Gain on previously held interest in subsidiaries	6 183 113	-
Gain from acquisition of subsidiaries	348 088	-
Income from investments available -for- sale	1 268 571	5 616 387
Income from investments in treasury bills	10 190 303	4 293 178
Income from governmental bonds	4 939 527	4 822 045
Income from sale of financial investments at fair value through profit and loss	25 106	12 325
Unrealized gain of financial investments at fair value through profit and loss	107 791	588 741
	<u>23 062 499</u>	<u>65 343 591</u>

41- Other Income

	<u>2018</u>	<u>2017</u>
Provisions no longer required	16 207 330	138 110
Reversal of impairment loss of debtors	3 808 530	31 094 062
Reversal of impairment loss on inventory	13 207	-
Reversal of impairment loss of intangible assets	-	3 000 000
Reversal of impairment loss on property, plant & equipment	-	267 773
Capital gain	114 068	966 063
Net profit and income from properties' investments	47 265	-
Others	2 066 671	1 898 499
	<u>22 257 071</u>	<u>37 364 507</u>

42- Selling & distribution expenses

	<u>2018</u>	<u>2017</u>
Cooling technology by natural gas activity's	97 739	65 102
Chemicals & plastic activity's	3 703 803	2 774 265
Fertilizers activity's	305 687	333 227
	<u>4 107 229</u>	<u>3 172 594</u>

43- Other expenses

	<u>2018</u>	<u>2017</u>
Provisions formed	2 065 002	11 817 238
Impairment loss of debtors	833 677	5 558
Impairment loss of equity – accounted investees	11 801 751	-
Bad debts	-	176 494
Impairment loss of financial investments available - for- sale	-	6 433 492
Impairment loss of financial investments at fair value through profit or loss	-	16 289 654
Impairment loss of non-current assets held for sale	-	13 228 175
	<u>14 700 430</u>	<u>47 950 611</u>

Egypt Kuwait Holding Co. (An Egyptian Joint Stock Company)**Translate****Notes to the consolidated financial statements****For the financial year ended December 31, 2018****All numbers are in US Dollars if otherwise isn't mentioned****44- Income tax**

	2018	2017
Current income tax	29 749 624	21 137 897
Deferred income tax	(2 545 461)	(2 357 264)
	27 204 163	18 780 633

45- Discontinued operations

Items represented as follow:

	2018	2017
Discontinued operations profit –a Company from other operations corporate sector(A)	-	18 276 512
Discontinued operations loss –a Company from other operations corporate sector(B)	-	(1 020 000)
Profit from discontinued operations	-	17 256 512
Earnings per share for the holding company from discontinued operations	-	17 256 512
Earnings per share from discontinued operations (US cent / Share)	-	1.73

A. During the financial year ended December 31, 2016, an approval on selling offer have been taken, with respect to selling the entire number of shares owned by the Group in a subsidiary company of which it owns 26% of the shares of a company (an associate) the transaction was executed during sep,2017.

B. On July 2, 2017, a conditional sale contract was concluded to the effect of selling the shares owned by the Group in the Egyptian Company for Oil Tankers (an associate) that represent 15% of the Company's shares to a third party outside the Group in return for an amount of USD15 million in the light of the results of the due diligence investigation on the said shares.

46- Earnings per share

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

	2018	2017
Net profit for the year attributable to owners of the holding Company	95 112 870	118 752 847
Employees' share in profit - proposal	(32 929)	(27 100)
Remuneration of board of directors of the holding company- proposal	-	-
Employees & board of directors' share in profit in subsidiaries and associates- proposal	(13 152 118)	(13 138 032)
Shareholders' share in net profit of the year	81 927 823	105 587 715
Weighted average number of shares outstanding during the year	1 005 377 577	997 121 957
Earnings per share (US cent / Share)	8,15	10,59

- Employees' profit share and of board of directors remuneration was based of board of directors' proposal to be discussed and approved by the general assembly meeting.

Earnings per share from continuing operations

	2018	2017
Net profit for the year attributable to owners of the holding Company	95 112 870	101 496 335
Employees' share in profit - proposal	(32 929)	(27 100)
Remuneration of board of directors of the holding company- proposal	-	-
Employees & board of directors' share in profit in subsidiaries and associates- proposal	(13 152 118)	(13 138 032)
Shareholders' share in net profit of the year	81 927 823	88 331 203
Weighted average number of shares outstanding during the year	1 005 377 577	997 121 957
Earnings per share (US cent / Share)	8,15	8,86

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

	2018	2017
Issued shares at the beginning of the year	997 121 957	1 024 441 170
Effect of incentive shares	8 942 889	(27 319 213)
Effect of repurchased shares (treasury shares)	(687 269)	-
Weighted average number of shares outstanding during the year	1 005 377 577	997 121 957

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

- On September 11, 2014, the extra - ordinary general assembly unanimously agreed to approve the incentive & bonus plan of the Company's employees and managers and executive board of directors members, through the allocation of 48 782 912 shares, at a percentage of 5% of its total shares issued till December 31, 2014 to apply the incentive and bonus plan through one of the following:-

- Issuance of new shares through capital increase or by transferring from reserve or part thereof or retained earnings to shares by which the value of issued capital is increased.
- Transfer of treasury shares to incentive and bonus plan and to be financed from reserves.

- On November 12, 2014, the Egyptian Financial Supervisory Authority approved applying the incentive & bonus plan of the Company's employees and board of directors members, which includes granting the Company's shares to the board members, managing directors, sectors 'heads , general managers and the other employees in the Company or its subsidiaries (equity settled share- based payments) according to the level of the Company's or individuals' economic performance pursuant to the shareholders , and the terms and conditions stated in the said plan.

- On June 11, 2015, the ordinary general assembly of the Company approved by the majority of votes to transfer part of the retained earnings as shown in the consolidated financial statements for the financial year ended at December 31, 2014, that were approved by the shareholder's' ordinary general assembly held on March 22, 2015 to 48 782 912 bonus shares with an amount of USD 12 195 728 for the purpose of financing the incentive & bonus plan of the Company's employees and managers and executive board of directors members, that has been approved by the Egyptian Financial Supervisory Authority on November 12, 2014. Annotation to the effect of such increase was made on the Company's commercial register on September 13, 2015.
- On September 16, 2015 the Listing committee of the Egyptian stock exchange approved listing the incentive shares to finance the incentive and bonus plan for employees and board members. On October 5, 2015, the incentive shares was added to the shareholders register labeled as "the incentive and bonus plan for employees of Egypt Kuwait Holding Co."
- On June 9, 2016, the Supervisory Committee on the incentives and bonus plan agreed to grant and allocate all the shares of the incentives and bonus plan to the beneficiaries of the plan as well as determining the number of shares allocated to each one of them. The vesting date of such shares was also determined to be December 31, 2016. All the shares were granted to the executive members of the Board of Directors and the senior managers of the Company, a matter that resulted in recognizing an expense for equity-settled share-based payments transactions, in the consolidated Statement of profit or loss and other comprehensive income with a total amount of USD 17 561 848 and a corresponding increase with the same amount included in the equity under the amount set aside for share-based payments transactions caption during 2016. The beneficiary may dispose of the shares only after the lapse of three years from the date of share transfer to him. During this year, the beneficiary shall be entitled to receive 100 % of total dividends and exercise the right of voting on the resolutions of the Company.
- The conditional terms for granting shares are as follows:
 - A) Increase the Company's net profit by 15% annually.
 - B) Increase the Company's share price by 15% in the Egyptian stock market.
 Details of beneficiaries of the plan are as follows:

The assigned party shares	Granted date	Number of shares	Fair value of share at granted date	Exercise Price
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 Supervision 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 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.

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

	No. of shares
Shares for Incentive and Bonus Plan	48 782 912
Shares granted 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
Total shares granted	(30 406 588)
Total remaining available shares	18 376 324

48- Subsidiaries Acquisition

Delta Insurance Co.

During the year, the Group acquired additional shares of Delta Insurance Co. 24.46%. As a result, the Group's equity interest in Delta Insurance Co. increased from 32.02% to 56.48%. The Group has control over Delta Insurance Company.

The comparison between the consideration paid and the consideration of the share acquired from the net assets of Delta Insurance Co. on the date of acquisition is as follows:-

Fair value for the Company's net assets on the date of control	27 964 206
The consideration of 56.48 % from the net assets of the Co. on the date of control.	16 803 706
Acquisition result as the following:	11 160 500

Fixed Assets-Land	7 932 150
Goodwill	3 228 350

El Shorouk for Melamine & Resins Co.

During March 2018, the Group acquired additional share from El Shorouk for Melamine & Resins Co. 28.02%. Accordingly, the Group's equity interest in El Shorouk for Melamine & Resins Co. increased from 49.95% to 77.97%. The Group has control over El Shorouk for melamine & resins Company.

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The comparison between the consideration paid and the book value of the share acquired from the net assets of El Shorouk for Melamine & Resins Co. on the date of acquisition.

Consideration paid	90 555
Share of acquired shares from the net assets of the Company	(438 643)
Acquisition profit	(348 088)

Shield Gas Systems Co.:

The Group acquired all shares of Shield Gas systems Co. during October 2018, accordingly this Company becomes fully controlled by the group starting from that date. The comparison between the consideration paid and the book value of the share acquired from the net assets of Shield Gas Co. at the date of acquisition is as follows:-

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

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

49- Subsidiaries Companies**A- Main subsidiaries are represented in the following:**

	Country of Incorporation	Ownership %	
		2018	2017
<u>Companies under direct control</u>			
International Financial Investments Co. S.A.E	Egypt	100	99.99
Bawabat Al Kuwait Holding Co.– S.A.K **	Kuwait	54.10	49.75
Delta Insurance Co. (A subsidiary acquired during the year)	Egypt	56.48	-
Globe for Communication & Information Technology Co.	Egypt	99	99.93
Globe Telecom Co.	Egypt	100	99.93
Globe Fiber Co.	Egypt	99.93	99.93
EKHO for Agriculture Development Co.	Egypt	100	100
EKHO for Industrial Development Co	Egypt	100	100
MAT Company for trading	Egypt	100	100
<u>Subsidiaries companies of International Financial Investments Co.</u>			
Spreea Misr for Production of Chemicals & Plastics Co. S.A.E	Egypt	100	100
Egyptian Company for Petrochemicals S.A.E	Egypt	100	99.2
National Energy Co - S.A.E	Egypt	99.99	99.99
El Fayoum Gas Holding Company	Virgin Islands	100	100

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	Country of Incorporation	Ownership %	
		2018	2017
Midor Logistics Co.	Egypt	99.89	99.89
Midor Suez Oil Refining Co.	Egypt	100	100
NSCO INVESTMENT LIMITED Company	Cayman Islands	99.997	99.997
BKH Megan	Cayman Islands	100	100
Arabian Fertilizer Limited Co.	United Arab of Emirates	100	100
National Gas Company (NATGAS) S.A.E	Egypt	83,97	83,97
EK Global Investments Co.	Cayman Islands	100	100
Nahood International Limited Co.	United Arab of Emirates	100	60
Solidarity Mena Limited Co.	United Arab of Emirates	100	100
Solidarity International Limited Co.	United Arab of Emirates	100	100
Capital Investment Limited Luxembourg Co.	United Arab of Emirates	100	100
MEA Investments Co.	United Arab of Emirates	100	100
Capital Investment Limited Co.	United Arab of Emirates	100	100
Polar Star Investments Co.	United Arab of Emirates	100	100
Egypt Kuwait Holding Limited Co.	United Arab of Emirates	100	100
IFIC Petrochemicals Co.	Egypt	100	100
Ekuity Holding International - Limited by Shares	Cayman Islands	100	100
Henosis for Construction & Real-Estate Development Co.	Egypt	100	99.99
Capital Investment Limited Luxembourg Co.	Luxembourg	100	99.99
OGI Capital - Limited Liability Co.- Free Zone - Jebel Ali	United Arab of Emirates	100	100
Nile Wood Co. S.A.E.	Egypt	100	100
AD ASTRA REAL ESTATE, S.L. Co.*	Spain	100	-
AD ASTRA PROYECTO MISR, S.L. Co.*	Spain	100	-
AD ASTRA PROYECTO ALCAZAR, S.L. Co.*	Spain	100	-
AD ASTRA PROYECTO CAIRO, S.L. Co. *	Spain	100	-

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	Country of Incorporation	Ownership %	
		2018	2017
SISTEMAS INDUSTRIALES SALGAR II S.L Co. *	Spain	100	-
AD ASTRA PROYECTO MEDINA, S.L. Co. *	Spain	100	-
Gas serve Co.*	Egypt	100	-
Shield Gas systems Co.*	United Arab of Emirates	100	-
EEK Investment Co.*	United Arab of Emirates	100	-
<u>Subsidiary of Globe Telecom Co.</u>			
Globe for Trading & Agencies Co.	Egypt	99.93	99.93
<u>Subsidiaries of National Gas Co.- Natgas</u>			
Al Watania for Electric Technology Co.-Kahraba S.A.E.	Egypt	91.95	91.95
Al Nubaria for Natural Gas Co. S.A.E.	Egypt	83.97	83.97
<u>Subsidiaries of BKH Megan Co.</u>			
Middle East for River Transport Co.- S.A.E	Egypt	99.99	99.99
<u>Subsidiaries of National Energy Company</u>			
Cooling Technology by Natural Gas Co. (Gas Chill) S.A.E.	Egypt	85.99	85.99
El Fayoum Gas Co. S.A.E.	Egypt	77.99	77.99
<u>Subsidiaries of Bawabat Al Kuwait Holding Co.</u>			
Alex Fert Co. - S.A.E.	Egypt	44.38	42.64
International Petrochemicals Investments Company IPIC (under optional liquidation)	Egypt	50.83	50.02
International Logistics Co. – L.L.C.	Kuwait	52.67	49.75
Magnida Holding LP Co. (under optional liquidation)	Cayman Islands	50.83	50.02
IPIC Global Co.	Cayman Islands	50.83	50.02
<u>Subsidiary of Egyptian Company for Petrochemicals</u>			
El Shorouk for Melamine & Resins Co. (A subsidiary acquired during the year)	Egypt	78	-
<u>Subsidiary of Nile Wood Co.</u>			
Cairo wood Co.	Egypt	100	-

* These companies were established during the year.

** An additional 4.35% from Bawabat Al Kuwait Holding Co. share was acquired during the year, this transaction considered as control accordingly, the resulted losses with an amount of USD 768 171 was recorded in the equity section.

- The consolidated financial statements as of 31 December 2018 doesn't include some subsidiaries of the Energy Group due to loss of control over them during 2016.

B- Loss control over Subsidiaries

- 1- During the first quarter of 2016, a stake of the Group's investments in MOG ENERGY Co. (previously named as Tri Ocean for Energy Co.) was sold. Under the sale contract, all management and voting rights in the said Company were assigned for the benefit of the Buyer in return for the Buyer's compliance with specific contractual terms. Accordingly, the consolidated financial statements of MOG ENERGY Co. and its subsidiaries were excluded and not aggregated as part of the consolidated financial statements of the Company based on the management's estimates.
- 2- The company received a letter from the head of central financial reporting supervisory department in the Financial supervisory authority "FRA" based on one of the company's shareholders owning 10 000 share from the Egyptian Kuwait holding company's shares complain related to certain comments on the consolidated financial statements. One of those comments related to assessment of the control lost over Mog Energy Company "previously named as Tri Ocean for Energy Company".

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

Further comment were raised in the letter mentioned on note "49-B-2" related to recalculation of the beneficiaries' bonus resulted from the incentive and bonus scheme. Number of meetings were held with the FRA to clarify the company's views in this regard, legal advisor opinion was obtained to support the company' position regarding the assessment of the control lost over Mog Energy company starting from the date of the assignment contract. Finally, it was agreed with the FRA to hold an extra ordinary general assembly meeting to decide on the incentive and bonus committee's resolution regarding shares allocation.

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

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

50- Transactions with related parties

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

- The Group has agreed with Abu Qir Fertilizers and Chemical Industries Co. on signing rental contracts for a plot of land to construct the factory on it with a yearly rental value

USD 622 494 effective from July 15, 2003 and last for 25 years, a contract for a building to use it as a temporary headquarter for the Company's management with an annual rental value EGP 237 600 with annual increase amounting to EGP 16 632 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.

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

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

The shareholders of the Parent Company approved cash dividends for the financial year ended December 31, 2016 of 3.125 Cent/share with a total amount of USD 31 160 061 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 18, 2017.

52- 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:

	31/12/2018	31/12/2017
Debtors & other debit balances	212 836 405	207 558 126
Financial investments held to maturity	269 849 964	245 736 907
Trade & notes receivables	75 882 301	73 120 461
	<u>558 568 670</u>	<u>526 415 494</u>

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

	31/12/2018	31/12/2017
Governmental customers	30 132 986	2 903 393
Retail customers	18 276 605	13 786 989
Final consumers customers	9 362 271	22 517 325
Export customers	8 717 170	6 449 533
Notes receivables	9 393 269	27 463 221
	<u>75 882 301</u>	<u>73 120 461</u>

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Impairment losses

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

	31/12/2018		31/12/2017	
	Balance	Impairment losses	Balance	Impairment losses
Not past due	-	-	-	-
Past due within 30 days	9 750 209	-	21 454	-
Past due from 1-3 month	10 653 395	-	5 159 963	-
Past due from 3-12 month	53 864 614	-	48 722 656	-
More than one year	1 614 083	(2 230 672)	19 216 388	(130 821)
	75 882 301	(2 230 672)	73 120 461	(130 821)

Liquidity risk

The following are the contractual maturities of financial liabilities:

31 December 2018

		Due date			
	Carrying amount	During 1 year	1-2 years	2-5 years	More than 5 years
Bank loans & facilities	99 671 003	88 871 003	4 800 000	6 000 000	-
Creditors & other credit balances	105 968 201	105 968 201	-	-	-
Suppliers & subcontractors	36 171 580	34 982 814	634 186	554 580	-
	241 810 784	229 822 018	5 434 186	6 554 580	-

31 December 2017

		Due date			
	Carrying amount	During 1 year	1-2 years	2-5 years	More than 5 years
Bank loans & facilities	130 480 845	102 473 102	17 207 743	10 800 000	-
Creditors & other credit balances	120 439 222	120 439 222	-	-	-
Suppliers & subcontractors	17 264 912	17 264 912	-	-	-
	268 184 979	240 177 236	17 207 743	10 800 000	-

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Currency risk

Currency risk exposure

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

31 December 2018

Description	L.E.	K.W.D	EURO	GBP	AED	JPY
Cash at banks & on hand	391 710 295	382 074	1 134 922	41 233	103 512	1 253 579
Financial assets held to maturity	982 065 293	-	-	-	-	-
Debtors & other debit balances	491 479 592	-	252	-	-	-
Trade & notes receivables	520 810 872	-	1 722 382	-	-	-
Guaranteed bank loans	(3 355 705)	-	(7 203 469)	-	(2 316 783)	-
Not guaranteed bank facilities	(199 026 417)	-	-	-	-	-
Creditors & other credit balances	(710 667 793)	(8 149)	(3 402 898)	-	-	-
Trade payable	(110 809 788)	-	(93 370)	-	-	-
Net risk exposure	1 362 206 349	373 925	(7 842 181)	41 233	(2 213 271)	1 253 579

31 December 2017

Description	L.E.	K.W.D	EURO	GBP
Cash at banks & on hand	958 528 010	2 439	1 091 861	93 318
Investments held to maturity	2 985 924 698	-	-	-
Debtors & other debit balances	607 632 157	-	-	-
Trade & notes receivables	622 851 001	-	772 724	7 642
Guaranteed bank loans	(2 887 630)	-	-	-
Not guaranteed bank facilities	(113 185 648)	-	-	-
Creditors & other credit balances	(1 395 834)	(1 970)	(2 645 210)	-
Trade payables	(51 143 491)	-	(10 894)	-
Net risk exposure	5 006 323 263	469	(791 519)	100 960

The following is the average exchange rates during the year:

	Average exchange rate during the year		Spot rate at the financial statements' date	
	2018	2017	31/12/2018	31/12/2017
L.E	17.82	17.83	17.88	17.73
K.W.D	0.3021	0.302100	0.3036	0.30225
EURO	0.85108	0.8990	0.8688	0.8399
GBP	0.375855	0.77860	0.77712	0.7399
AED	3.67364	3.675	3.67647	3.670

Interest rate risk

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

	31/12/2018	31/12/2017
Financial liabilities at fixed rate instruments	7 775 527	6 791 822
	<u>7 775 527</u>	<u>6 791 822</u>
Financial liabilities at variable rate instruments	91 800 482	123 112 018
	<u>91 800 482</u>	<u>123 112 018</u>

53- Capital commitments

Total capital commitments amounted to USD 2.46 on December 31, 2018 approximately represented in the amount of contributions in long-term investments and property, plant & equipment which have not been requested to be paid till the consolidated financial position date (year 2017: an amount of USD 3.78 million).

54- Contingent liabilities

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

- Uncovered letters of credit amounting to USD 11 264 497 (year 2017: an amount of USD 7 075 824).
- Letters of guarantee issued by banks on the account of the Group and in favor of others amounting to USD 11 292 155 (year 2017: an amount of USD 10 077 426).

55- Tax status**Corporate profit tax**

- The Company enjoyed a tax exemption for 5 years according to Investment Law No. 8 of 1997 and ended on December 31, 2003.
- Tax inspection for corporate profit tax from inception till 2004 was carried out and the resulting tax differences were settled.
- Years from 2005 till 2008 The Company's records were not requested for inspection within the determined sample by the Tax Authority till authorizing of these financial statements for issuance.
- Tax inspection for year 2009 was carried out and the resulting tax differences were settled.
- Years 2013 & 2014, the Company was notified by tax inspection request Form no. (31) and Form no. (32) and the preparation of inspection documents are currently under process.
- Regarding years from 2015 till 2017, 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.
- The tax inspection for years 2014 till 2016 was carried out and the company settled the resulting differences and the settlement is currently in process.
- Monthly withheld taxes are settled on due dates.

Stamp tax

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

Property tax

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

56- Comparative figures

Some comparative figures of the consolidated statement of financial position, consolidated income statement, consolidated statement of changes in equity and consolidated statement of cash flows were restated as a result of what have been mentioned in detail in note No. (28). Items affected by restatement are as the follows:

Consolidated statement of financial position

Increase of suppliers, subcontractors & notes payable balance	4 214 196
Decrease of creditors & other credit balance	948 196
Decrease of retained earnings balance	1 392 688
Decrease of non-controlling interest balance	1 873 312

Consolidated income statement

Increase in the operating costs	4 214 196
Decrease of income tax	948 196
Decrease of non-controlling interest	1 873 312

Consolidated statement of changes in equity

Decrease of net profit for year 2017 company's shareholders	1 392 688
Decrease of non-controlling interest balance	1 873 312

	Earnings per share	
	Before adjustments	After Adjustments
Earnings per share	10.73	10.59
Earnings per share from continuing operations	9.00	8.86

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

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

Increase of investment held to maturity balance	25 889 359
Decrease of investment in treasury bills balance	25 889 359
Increase of trades & notes receivable balance	2 802 262
Decrease debtors & other debit balances	2 802 262
Increase of Other long-term liabilities balance	7 572 033
Increase of banks overdrafts balance	577 005
Decrease of credit facilities balance	5 089 131
Increase of loans balance	4 512 126
Decrease of Egyptian General Petroleum Corporation balance	32 534 911
Decrease of dividends payable balance	1 037 400
Increase of creditors & other credit balances	26 000 278