

Translated

Egypt Kuwait Holding Company
and its subsidiaries
Consolidated financial statements
For the financial year ended December 31, 2021
and Independent Auditor's report

Translated

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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 of December 31, 2021, the consolidated statements of income, comprehensive income, changes in equity and cash flows for the year then ended, and a summary of significant accounting policies and other explanatory notes.

Management's Responsibility for the 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.

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 of December 31, 2021, and of its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with the Egyptian Accounting Standards and the Egyptian laws and regulations relating to the preparation of these consolidated financial statements.

Emphasis of Matter Paragraph

As indicated in Note No. (53) from the notes to the financial statements. Most of the world countries, including Egypt, were exposed to the novel epidemic of Corona virus (Covid-19) during year 2020. Effect of this epidemic is extended till current year. This pandemic caused disturbances in most commercial and economic activities in general and on certain number of group's activities, such as energy, fertilizer and chemicals activity in particular. Therefore, this might have a significant impact on the pre-defined operational, marketing plans and future cash flows associated with it, in addition to the associated elements of revenues, cost of revenues and the effect on gross / net profit of the group during the year and the following periods. As indicated in the above-mentioned note, the Group's management is taking the advantage of the actions taken by the Egyptian government to support these activities as well as reducing the cost of production and changing the selling mix of certain activities in addition to taking several actions to face this risk and limiting its impact on its financial position. However, in light of instability and uncertainty as a result of the current events, the magnitude of the impact of that event depends mainly on the time period for the continuation of those effects at which that event is expected to end and the effects and capacity that it entails the group to fulfill its plans to face this threat, which is difficult to determine at the current time.

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

KPMG Hazem Hassan



Cairo, February 27, 2022

Translated

Egypt Kuwait Holding Company
(An Egyptian Joint Stock Company)
Consolidated statement of financial position as of December 31, 2021

All numbers are in US Dollars	Note No.	31/12/2021	(Restated) 31/12/2020	(Restated) 01/01/2020
Assets				
Non-current assets				
Equity - accounted investees (associates Companies)	(15)	19 046 486	24 612 567	7 115 188
Financial assets at fair value through other comprehensive income	(16)	143 449 731	237 188 715	13 562 361
Financial assets at amortized cost	(17)	335 806 653	204 080 465	130 667 336
Property, plant and equipment and projects under construction	(18)	296 141 133	263 642 413	247 240 804
Exploration & development assets	(19)	166 390 857	73 012 244	87 764 078
Right of use assets	(20)	12 091 539	12 801 010	-
Goodwill	(21)	139 615 877	63 514 041	63 044 332
Intangible assets	(22)	1 190 960	1 682 156	3 135 663
Biological assets	(23)	3 270 479	1 550 797	765 449
Notes receivables		123 353	263 245	1 089 685
Total non-current assets		1 117 127 068	882 347 653	554 384 896
Current assets				
Cash and cash equivalents	(24)	190 013 037	212 867 993	117 549 094
Financial assets at fair value through other comprehensive income	(16)	66 232 783	-	-
Financial assets at amortized cost	(17)	351 098 103	211 287 961	375 206 499
Financial assets at fair value through profit or loss	(25)	54 109 648	39 404 659	48 126 690
Trade & notes receivables	(26)	104 248 145	79 382 105	81 060 014
Derivative financial instruments	(27)	1 209 064	-	-
Other current assets	(28)	132 825 240	75 643 258	66 724 132
Inventories	(29)	88 717 153	73 698 519	71 136 984
Work in progress	(30)	31 941 307	32 338 938	39 514 422
Non-current assets held for sale	(31)	28 155 558	13 255 557	13 255 557
Total current assets		1 048 550 038	737 878 990	812 573 392
Total assets		2 165 677 106	1 620 226 643	1 366 958 288
Equity and Liabilities				
Equity of the Parent Company				
Issued & paid up capital	(32)	281 721 321	256 110 292	256 110 292
Set aside for issued & paid up capital increase		-	25 611 029	-
Legal reserve		128 055 146	127 895 052	127 240 575
Other reserves	(33)	(187 930 234)	(170 944 003)	(121 605 778)
Share-based payments		-	-	9 549 602
Retained earnings	(34)	456 058 118	321 852 054	301 065 830
Treasury shares	(35)	-	(8 199 679)	-
Total equity of the Parent Company		677 904 351	552 324 745	572 360 521
Non-controlling interests	(34) + (12)	235 538 623	237 723 793	216 828 148
Total equity		913 442 974	790 048 538	789 188 669
Liabilities				
Non-current liabilities				
Long-term loans	(36)	256 739 897	142 324 271	72 139 732
Bank facilities	(40)	198 688 990	135 107 429	-
Other long-term liabilities	(37)	3 886 761	2 841 505	1 490 124
Lease contracts liabilities	(20)	9 871 539	10 829 778	-
Deferred tax liabilities	(38)	14 088 096	17 786 770	21 378 144
Total non-current liabilities		483 275 283	308 889 753	95 008 000
Current liabilities				
Provisions	(39)	65 138 029	29 571 408	24 989 085
Banks overdraft		-	-	1 052 868
Portion due during the year of long-term loans	(36)	116 782 700	67 793 230	46 400 400
Bank facilities	(40)	128 912 633	123 474 130	109 313 199
Lease contracts liabilities	(20)	2 453 880	1 546 294	-
Insurance policyholders rights	(41)	115 307 443	105 377 827	90 624 355
Suppliers, contractors, notes payable & other credit balances	(42)	284 436 312	163 654 471	179 369 647
Accrued income tax		55 927 852	29 870 992	31 012 065
Total current liabilities		768 958 849	521 288 352	482 761 619
Total liabilities		1 252 234 132	830 178 105	577 769 619
Total equity and liabilities		2 165 677 106	1 620 226 643	1 366 958 288

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

Group Chief Financial Officer
Medhat Hamed Bonna

Managing Director
Sherif Al Zayat

Chairman

EGYPT KUWAIT HOLDING CO.
S.A.E

C. R. # 114648

*Audit Report " attached "

Egypt Kuwait Holding Company
(An Egyptian Joint Stock Company)

Consolidated statement of income for the financial year ended December 31, 2021

	<u>Note No.</u>	<u>2021</u>	<u>2020</u>
All numbers are in US Dollars			
Revenues	(5)	767 513 492	557 890 306
Cost of revenue recognition	(6)	(466 328 222)	(378 360 930)
Gross profit		301 185 270	179 529 376
Income from investments	(7)	64 422 810	44 814 480
Other income	(8)	6 389 938	2 969 541
Selling & distribution expenses	(9)	(6 533 885)	(3 972 090)
General & administrative expenses		(41 044 574)	(30 118 739)
Reversal (charges) for expected credit losses		(3 024 002)	3 245 820
Other expenses	(10)	(21 830 909)	(6 199 930)
Net operating profit		299 564 648	190 268 458
Interest income		4 698 516	5 478 908
Forward foreign exchange contracts' profit		3 661 340	2 763 899
Financing expenses		(25 490 707)	(18 436 548)
Net (losses) profit from foreign currency translation differences		(953 516)	2 179 888
Net financing cost		(18 084 367)	(8 013 853)
Company's share of profit of equity - accounted investees (associates Companies)		1 504 681	578 750
Net profit for the year before income tax		282 984 962	182 833 355
Income tax	(11)	(57 299 091)	(28 953 370)
Net profit for the year		225 685 871	153 879 985
Net profit attributable to:			
Owners of the Parent Company		170 859 668	116 296 720
Non-controlling interests	(12)	54 826 203	37 583 265
Net profit for the year		225 685 871	153 879 985
Basic / Diluted earnings per share of profits (US cent / Share)	(13)	12.64	9.47

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

Egypt Kuwait Holding Company
(An Egyptian Joint Stock Company)

Consolidated statement of comprehensive income for the financial year ended December 31, 2021

All numbers are in US Dollars

	Note No.	2021	2020
Net profit for the year		225 685 871	153 879 985
Other comprehensive income			
Items that will not be reclassified to statement of income			
Financial assets at fair value through other comprehensive income	(16)	(18 961 213)	(50 059 046)
		(18 961 213)	(50 059 046)
Items may be reclassified subsequently to statement of income			
Foreign currency translation differences		(151 720)	4 175 518
		(151 720)	4 175 518
Total other comprehensive income for the year after deducting tax		(19 112 933)	(45 883 528)
Total comprehensive income		206 572 938	107 996 457
Total comprehensive income attributable to:			
Owners of the Parent Company		153 873 437	66 958 495
Non-controlling interests		52 699 501	41 037 962
Total comprehensive income		206 572 938	107 996 457

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

	Notes No.	Issued & paid up capital	Set aside of issued & paid up capital increase	Legal reserve	Special reserve - Share premium	General reserve	Reserves			Share-based payment	Retained earnings	Treasury shares	Total equity of the parent Company	Non-controlling interests	(Revised) Total equity
							Fair value reserve	Transition reserve	Total other reserves						
Balance as of January 1, 2020 (before adjustment)		256 110 292	-	127 340 215	57 954 547	8 308 462	107 022	(100 847 009)	(131 685 770)	9 549 682	301 770 284	-	573 064 975	217 237 963	790 302 938
Prior period adjustments	(14)	-	-	-	-	-	-	-	-	-	(704 454)	-	(704 454)	(409 815)	(1 114 269)
Balance as of January 1, 2020 (after adjustment)		256 110 292	-	127 340 215	57 954 547	8 308 462	107 022	(100 847 009)	(131 685 770)	9 549 682	301 065 830	-	573 360 521	216 828 148	789 188 669
Comprehensive income															
Net profit for the year		-	-	-	-	-	-	-	-	-	116 296 720	-	116 296 720	37 583 365	153 879 985
Other comprehensive income:		-	-	-	-	-	(54 763 217)	5 434 992	(49 338 225)	-	(49 338 225)	-	(49 338 225)	1 454 697	(45 883 528)
Total comprehensive income		-	-	-	-	-	(54 763 217)	5 434 992	(49 338 225)	-	(49 338 225)	-	(49 338 225)	41 037 962	107 996 457
Set aside of issued & paid up capital increase		-	25 611 029	-	-	-	-	-	-	-	(35 611 029)	-	-	-	-
Transferred to legal reserve		-	-	654 477	-	-	-	-	-	-	(654 477)	-	-	-	-
Shareholders dividends		-	-	-	-	-	-	-	-	-	(61 466 470)	-	(61 466 470)	-	(61 466 470)
Employees and board members dividends		-	-	-	-	-	-	-	-	-	(16 765 435)	-	(16 765 435)	(13 719 769)	(20 485 284)
Non-controlling interests in subsidiaries dividends		-	-	-	-	-	-	-	-	-	-	-	-	(12 785 930)	(12 785 930)
Net changes of share-based payment		-	-	-	-	-	-	-	-	(9 549 682)	9 549 682	-	-	-	-
Acquisition of minority share		-	-	-	-	-	-	-	-	-	(562 687)	-	(562 687)	562 687	-
Purchase of treasury shares		-	-	-	-	-	-	-	-	(9 549 682)	(9 549 679)	(10 199 679)	(10 199 679)	(10 199 679)	(10 199 679)
Total transactions with owners of the Company		-	25 611 029	654 477	-	-	-	-	-	(9 549 682)	(95 510 496)	(10 199 679)	(86 994 271)	(15 943 012)	(102 937 283)
Other changes		-	-	-	-	-	-	-	-	-	-	-	-	-	-
Changes in non-controlling interests		-	-	-	-	-	-	-	-	-	-	-	-	(4 199 305)	(4 199 305)
Total other changes		-	-	-	-	-	-	-	-	-	-	-	-	(4 199 305)	(4 199 305)
Balance as of December 31, 2020		256 110 292	-	127 995 652	57 954 547	8 308 462	(54 656 195)	(102 412 017)	(170 944 003)	-	311 052 854	-	553 354 745	237 723 793	790 048 538
Balance as of January 1, 2021 (before adjustment)		256 110 292	-	127 995 652	57 954 547	8 308 462	(54 656 195)	(102 412 017)	(170 944 003)	-	312 556 540	(10 199 679)	553 029 199	238 133 608	791 163 207
Prior period adjustments	(14)	-	-	-	-	-	-	-	-	-	(704 454)	-	(704 454)	(409 815)	(1 114 269)
Balance as of January 1, 2021 (after adjustment)		256 110 292	-	127 995 652	57 954 547	8 308 462	(54 656 195)	(102 412 017)	(170 944 003)	-	311 852 085	(10 199 679)	553 324 745	237 723 793	790 048 538
Total comprehensive income															
Net profit for the year		-	-	-	-	-	-	-	-	-	170 859 640	-	170 859 640	54 026 203	225 085 843
Other comprehensive income		-	-	-	-	-	-	-	-	-	-	-	-	(7 136 701)	(7 136 701)
Total comprehensive income		-	-	-	-	-	-	-	-	-	170 859 640	-	170 859 640	52 699 501	208 573 938
Transactions with owners of the Company															
Issued & paid up capital increase		25 611 029	(25 611 029)	-	-	-	-	-	-	-	-	-	-	-	-
Transferred to legal reserve		-	-	160 094	-	-	(14 192 305)	(2 793 936)	(16 906 131)	-	(160 094)	-	(16 906 231)	(5 264 036)	(25 309 338)
Employees and board members dividends		-	-	-	-	-	-	-	-	-	(20 041 302)	-	(20 041 302)	(30 744 004)	(30 744 004)
Non-controlling interests in subsidiaries dividends		-	-	-	-	-	-	-	-	-	(17 204 725)	-	(17 204 725)	(39 981 344)	(57 185 969)
Acquisition of non-controlling interests without change in control		-	-	-	-	-	-	-	-	-	-	-	-	22 609 465	22 609 465
Acquisition of subsidiaries with non-controlling interests		-	-	-	-	-	-	-	-	-	-	-	-	-	-
Sale of treasury shares	(15)	-	-	-	-	-	-	-	-	-	792 517	8 199 679	8 992 196	-	8 992 196
Total transactions with owners of the Company		25 611 029	(15 411 029)	160 094	-	-	-	-	-	-	(36 653 604)	8 199 679	(28 279 831)	(53 384 319)	(81 070 150)
Other changes		-	-	-	-	-	-	-	-	-	-	-	-	-	-
Changes in non-controlling interests		-	-	-	-	-	-	-	-	-	-	-	-	(1 503 352)	(1 503 352)
Total other changes		-	-	-	-	-	-	-	-	-	-	-	-	(1 503 352)	(1 503 352)
Balance as of December 31, 2021		281 721 321	-	128 055 146	57 954 547	8 308 462	(68 846 500)	(105 416 743)	(187 930 134)	-	456 848 110	-	677 904 351	235 538 623	913 443 974

* The accompanying notes on pages from 16 to 66 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, 2021

All numbers are in US Dollars

	Note No.	2021	2020
Cash flows from operating activities			
Net profit for the period before income tax		282 984 962	182 833 355
Adjustments for:			
Depreciation & amortization		47 450 420	46 646 152
Company's share of profit of Equity - accounted investees (associates Companies)		(1 504 681)	(578 750)
Changes in fair value of financial assets at fair value through profit or loss		61 252	(207 635)
Financing expenses		25 490 707	18 436 548
Interest income		(4 698 516)	(5 478 908)
Capital gain		(861 725)	(31 001)
Provisions no longer required		(2 440 985)	(469 358)
Provisions formed		21 232 201	6 199 930
Reversal of write down of inventory		599 239	-
Forward foreign exchange contracts' profit		(3 661 340)	(2 763 899)
Gain on sale of financial assets at amortized cost		-	(296 895)
Income from financial assets at amortized cost		(64 165 685)	(44 300 231)
Other income		-	(222 251)
Reversal (charges) for expected credit losses		3 024 002	(3 245 820)
		303 509 851	196 521 237
Change in:			
Financial assets at fair value through profit or loss		(14 766 241)	8 929 666
Trade & notes receivables		(11 298 797)	2 317 300
Other current assets		(50 216 501)	(2 376 943)
Inventories		(15 617 873)	(2 561 535)
Work in progress		397 631	7 175 484
Lease contracts liabilities		(461 794)	(1 363 943)
Suppliers, contractors, notes payable & other credit balances		(14 650 740)	(20 923 102)
Insurance policyholder's rights		9 929 616	14 753 472
Time deposits		(46 361 974)	6 617 921
Provisions used		(1 073 670)	(1 737 343)
Income tax paid		(33 985 998)	(33 874 112)
Net change in assets of the acquired company at the acquisition date		71 230 671	-
Net cash from operating activities		196 634 181	173 478 102
Cash flows from investing activities			
Collected interest		(571 390)	2 111 880
Payments for additions of property, plant, equipment, and projects under construction	(14)	(58 294 668)	(43 282 948)
Payments for additions of biological assets		826 863	(689 751)
Payments for additions of exploration & development assets	(14)	(45 838 491)	(3 695 776)
Payments for acquisition of right of use assets		(23 357)	(25 300)
Proceeds from sale of property, plant and equipment		1 050 318	1 067 716
Proceeds from (payments for) financial assets at fair value through other comprehensive income	(14)	7 867 055	(278 394 397)
Payments for acquisition of investments in subsidiaries		-	(16 913 968)
(Payments for) proceeds from financial assets at amortized cost		(236 041 938)	211 139 262
Net cash used in investing activities		(331 025 608)	(128 683 282)
Cash flows from financing activities			
Proceeds from loans and bank facilities		234 130 032	320 602 997
Payments of loans and bank facilities		(70 518 451)	(79 757 268)
Payments of financing expenses		(25 414 101)	(18 359 942)
Non-controlling interests		(93 678 288)	(4 818 494)
Payments of purchase of treasury shares		-	(8 199 679)
Proceeds from sale of treasury shares		8 952 196	-
Dividends paid		(20 041 302)	(84 366 542)
Forward foreign exchange contracts' profit		2 451 506	2 869 441
Net cash from financing activities		35 881 592	127 970 513
Foreign currency translation differences of accumulated financial statements		519 790	6 108 910
Net change in cash and cash equivalents during the year		(97 990 045)	178 874 243
Cash and cash equivalents at beginning of the year		351 562 628	172 688 385
Cash and cash equivalents at end of the year	(24)	253 572 583	351 562 628

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

1- Company's background and activities

- Egypt Kuwait Holding Company "The Company" was incorporated by virtue of the Chairman of General Investment Authority's resolution No. 197 of 1997, according to the provisions of Investment Law No. 230 of 1989 and according to Law No. 8 of 1997, concerning Investment Incentives & Guarantees and Law No. 95 of 1992 concerning Capital Market. The Company was registered in Giza Governorate Commercial Registry under No. 114 648 on 20/7/1997. The duration of the Company according to the Company's Statute, is 25 years starting from the date of registration in the Commercial Registry.
- The Company's financial year starts on January 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: -
 - Securities underwriting and promotion.
 - Participation in Companies, which issue securities or increasing their capital.
 - Venture capital.

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

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

- The registered office of the Company is located at 14 Hassan Mohamed El Razaz St.-Dokki-Egypt. Mr. Al Moataz Adel AL-Alfi is the Chairman of the Company.
- The Company is listed in the Egyptian Stock Exchange of the Arab Republic of Egypt and Kuwait Stock Exchange.
- The consolidated financial statements comprise of the financial statements of Egypt Kuwait Holding Company (the Parent Company) & its subsidiaries (referred to as the "Group") and the Group's share in the profit or loss of associates is also included. The Group is involved in several activities which are represented in investment activities, selling & supplying of natural gas activity, drilling, petroleum, petrochemicals services activity, fertilizers activity, exploration and exploitation of oil, natural gas activity, chill technology by natural gas activity, communications and selling & distributing of chemicals & plastic activity, manufacturing of Formica chips & MDF of all types and sizes, and the activity of life insurance generally and real estate development.

2- Accounting framework of the preparation consolidated financial statements

- The consolidated financial statements have been prepared in accordance with Egyptian accounting standards in compliance with Egyptian Laws.
- The consolidated financial statements were authorized for issuance by the Board of Directors of the Company on February 27, 2022.
- Details of the Group's accounting policies are included in Note 55.

3- Functional and presentation currency

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

4- Use of estimates and judgments

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

A- Judgments

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

- Note 55-4 – revenue recognition: revenue is recognized as detailed in the accounting policies applied.
- Note 55-1 – equity-accounted investees (associates Companies): whether the Group has significant influence over an investee.
- Note 55-22 – lease contracts classification.

B- Assumptions and estimation uncertainties

Information about assumptions and estimation uncertainties at December 31, 2021 that might have a significant risk of resulting in a material adjustment to the carrying amounts of assets and liabilities in the next financial year is included in the following notes:

- Notes (55-21)–recognition and measurement of provisions and contingencies: key assumptions about the likelihood and magnitude of an outflow of resources.
- Note (55-20) – measurement of ECL for cash at banks, trade and notes receivables and other current assets.

C- Measurement of fair values

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

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

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

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

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

Notes to the consolidated financial statements

For the financial year ended December 31, 2021

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

5- Revenues

	2021	2020
Fertilizer's activity revenue	280 292 383	193 608 026
Chemicals & plastic activity revenue	171 475 841	107 618 372
Gas & electricity supplies activity revenues	145 947 926	134 428 500
Drilling and petroleum services activity	93 614 734	55 206 024
Insurance activity	66 221 209	54 679 747
Cooling technology by natural gas activity revenue	5 979 575	8 332 840
Agencies activity revenue	739 816	845 476
Other activity revenue	3 242 008	3 171 321
	767 513 492	557 890 306

6- Cost of revenue recognition

	2021	2020
Fertilizer's activity cost	155 157 285	141 436 679
Chemicals & plastic activity cost	118 420 548	70 284 144
Gas & electricity supplies activity cost	95 807 243	89 006 298
Drilling and petroleum services activity cost	39 634 513	26 385 896
Insurance activity cost	49 965 707	41 595 778
Cooling technology by natural gas activity cost	4 264 655	6 878 628
Agencies activity cost	465 206	618 905
Other activity cost	2 613 065	2 154 602
	466 328 222	378 360 930

7- Income from investments

	2021	2020
Income from financial assets at amortized cost	64 165 685	44 300 231
Gain on sale of financial assets at amortized cost	-	296 895
Loss from sale of investments at fair value through profit or loss	-	(5 751)
Change in fair value of financial assets at fair value through profit or loss	61 252	207 635
Income from investments at fair value through other comprehensive income	195 873	15 470
	64 422 810	44 814 480

8- Other income

	2021	2020
Drawback and exports support revenue	1 631 050	1 221 044
Provisions no longer required	2 440 985	469 358
Capital gain	861 725	31 001
Other	1 456 178	1 248 138
	6 389 938	2 969 541

Notes to the consolidated financial statements

For the financial year ended December 31, 2021

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

9- Selling & distribution expenses

	2021	2020
Chemicals & plastic activity's	5 640 920	3 076 245
Fertilizers activity's	481 670	375 800
Cooling technology by natural gas activity's	156 266	159 158
Other	255 029	360 887
	6 533 885	3 972 090

10- Other expenses

	2021	2020
Provisions formed	21 232 201	6 199 930
Write down of inventory	598 708	-
	21 830 909	6 199 930

11- Income tax

	2021	2020
Current income tax expense	59 966 419	32 899 513
Deferred income tax	(2 667 328)	(3 946 143)
	57 299 091	28 953 370

Adjustments to calculate the effective tax rate

	2021	2020
Consolidated net accounting profit before income tax	282 984 962	182 833 355
Tax rate	22.5 %	22.5 %
Expected income tax on accounting profit	63 671 617	41 137 505
Expenses are not applicable to tax deduction	867 138	374 160
Tax exemptions	(11 248 822)	(7 865 175)
Provision's effect	3 903 256	(2 984 933)
Property, plant & equipment depreciation, and other assets amortization	2 835 948	2 470 989
Capital gain & loss	(26 309)	(6 897)
Books' currency differences	(31 237)	(105 087)
Other	(5 172)	(121 049)
Deferred income tax	(2 667 328)	(3 946 143)
Tax according to consolidated statement of profit or loss	57 299 091	28 953 370
Effective tax rate	20.25%	15.84%

12- Non-controlling interests

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

	Non-controlling interests %	Non-controlling share in subsidiaries profits/(losses)	Non-controlling share in equity excluding profits/(losses) for the year	Non-controlling interests as of 31/12/2021	Non-controlling interests as of 31/12/2020
National Gas Co. "Natgas"	16.02	5 911 427	19 282 622	25 194 049	20 883 662
Globe for Communications & Information Technology Co.	1	-	5 834	5 834	5 834
Cooling Technology by Natural Gas Co.- Gas Chill	14.01	192 537	560 115	752 652	610 536
Gas Technology Co. (Go Gas)	0.80	159	12 744	12 903	-
Midor Suez for Oil Refinery Co.	0.002	-	6	6	6
El Fayoum Gas Co.	22.01	679 439	2 021 780	2 701 219	2 147 796
Bawabat Al Kuwait Holding Company	35.46	37 690 082	133 654 281	171 344 363	191 064 145
Arabian Company for Fertilizers	19.81	(308)	(18 229)	(18 537)	(23 124)
El Shorouk for Melamine & Resins Co.	4.95	5 885	124 206	130 091	167 161
NSCO Co.	0.0007	186	288	474	1 340
Delta Insurance co.	36.78	5 655 510	20 610 889	26 266 399	22 866 437
MOG Energy co.	21.71	4 691 286	4 457 884	9 149 170	-
		54 826 203	180 712 420	235 538 623	237 723 793

13- Basic / diluted earnings per share of profits

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

	2021	2020
Net profit for the year (owners of the parent Company)	170 859 668	116 296 720
Employees' share in profit & board of directors' share in profit of the parent Company- proposal	(9 823 876)	(64 477 365)
Employees & board of directors' share in profit in subsidiaries - proposal	(18 565 472)	(13 563 937)
Shareholders' share in net profit of the year	142 470 320	96 255 418
Weighted average number of shares outstanding during the year	1 126 885 287	1 016 393 170
Basic / diluted Earnings per share of profits (US cent / Share)	12.64	9.47

Notes to the consolidated financial statements

For the financial year ended December 31, 2021

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

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

	2021	2020
Issued shares at the beginning of the year	1 016 393 170	1 017 206 623
Effect of issuance of bonus shares	102 444 117	-
Effect of issuance of bonus shares to finance the incentive shares	-	7 234 547
Treasury shares	8 048 000	(8 048 000)
Weighted average number of shares outstanding during the year	1 126 885 287	1 016 393 170

14- Non-cash transactions

For the purpose of preparing the consolidated statement of cash flows for the financial year ended December 31, 2021, the effect of the following transactions has been excluded from investing activities which considered as non-cash transactions:

- 10 647 278 Exploration & development assets additions –recorded in suppliers, subcontractors, noted payables & other creditors- accrued expenses.
- 648 132 Property, plant & equipment additions – recorded in suppliers, subcontractors, noted payables & other creditors.
- 1 868 127 Uncollected portion from sale of financial assets at fair value through OCI, recorded in trade and notes receivables.

15- Equity-accounted investees (associates companies)

	Ownership %	31/12/2021	31/12/2020
<u>Investments listed in stock exchange</u>			
El-Mohandes Insurance Company	24.99	18 546 476	17 253 617
<u>Investments not listed in stock exchange</u>			
TOSS Co. (Limited Liability Co.- Cayman Islands)*	-	-	6 940 362
Inayah Egypt for Medical Care Programs Management Co.	12.644	500 010	418 588
Egyptian Tankers Co. (S.A.E.- Free Zone)	30	17 128 175	17 128 175
		36 174 661	41 740 742
Impairment losses		(17 128 175)	(17 128 175)
		19 046 486	24 612 567

*During the year, an additional share capital was indirectly acquired in TOSS Co., and the group gained control over this company, and thus it became one of the group's subsidiaries.

16- Financial assets at fair value through other comprehensive income

	Ownership		
	%	31/12/2021	31/12/2020
Portfolios managed by abroad investment managers	-	210 000 501	225 603 364
Local companies' securities listed in the Egyptian Stock Exchange (EGX)	-	1 641 890	1 814 581
United Arab Chemical Carriers Co.	-	-	14 108 171
MOG Energy Co.- previously named Tri Ocean Co. *	-	-	34 462 504
TOD Company*	-	-	2 807
		211 642 391	275 991 427
Impairment losses		(1 959 877)	(38 802 712)
		209 682 514	237 188 715
Long term		143 449 731	237 188 715
short term		66 232 783	-
		209 682 514	237 188 715

* This amount is represented in the value of direct investments in MOG Energy Co. "Tri Ocean Co. previously", control lost over this Company during the year 2016 due to the waiver of 35% from the shares of Solidarity group limited (the owner of MOG Energy Co. "Tri Ocean Co. previously"). During the year, the 35% shares has been restored, and accordingly, the group gained control over this company.

* A lawsuit was filed by the management of MOG Energy Co. - under No. 433 for year 2016 related to a case of misappropriation of significant funds. The first hearing of the case was set before the Southern Cairo Criminal Court on November 24, 2018 and the call has been delayed several times, most recently one was on December 5, 2020 until the court's verdict is decided. On the same call the court ruled with a sense of embarrassment and referred the lawsuit to another circuit, the first session was scheduled for March 31, 2021 and the call has been postponed to the May 26, 2021 session for pleading and the presence of the accused. On that date, the court ruled in absentia sentenced the three defendants to life imprisonment, and refund an amounts equivalent to the seized amounts and financial penalty equivalent to the embezzled amounts, whereas, one of the defendants repeated the procedures, on July 27, 2021, he was sentenced in his presence to three years in prison, and fined him with a financial penalty equivalent to the various amounts and refund the embezzled amounts with the confiscation of the seized counterfeit documents and charged him with criminal expenses. 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.

Notes to the consolidated financial statements

For the financial year ended December 31, 2021

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

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

	31/12/2021	31/12/2020
Fair value	211 642 391	227 417 945
<u>Deduct:</u>		
Cost	281 555 782	278 370 123
Fair value reserve	(69 913 391)	(50 952 178)
<u>Classified as follows:</u>		
Owners of the parent company	(68 848 500)	(54 656 195)
Non-controlling interests	(1 064 891)	3 704 017
	(69 913 391)	(50 952 178)

17- Financial assets at amortized cost

	31/12/2021	31/12/2020
Investment certificates at local banks "Insurance Sector"	72 845 321	112 612 841
Governmental bonds	188 059 712	73 646 665
Treasury bills	351 098 103	211 287 961
Designated governmental bonds "Insurance Sector"	74 901 620	17 820 959
	686 904 756	415 368 426
<u>Classified as follows: -</u>		
Short term (due within one year)	351 098 103	211 287 961
Long term (due after one year)	335 806 653	204 080 465

80- Transland, capital and commitment and projects under construction

	Land	Buildings & constructions	Vehicles & transportation	Furniture & office equipment	Machinery & equipment	Tools & supplies	Stations, generators & electric transformers	Computer, software & derivations	Leasehold improvements	Irrigation network	Projects under construction	Total
Cost as of 1/1/2020	20 049 596	57 661 513	12 694 614	8 550 183	410 543 622	2 356 739	68 188 449	6 997 765	1 225 045	-	18 396 648	614 664 174
Additions	6 668 184	1 552 104	628 373	589 422	1 972 204	98 002	13 178 087	1 295 512	-	-	-	25 982 488
Change in projects under construction	-	-	-	-	-	-	-	-	-	-	22 403 947	22 403 947
Disposals	(2 175 719)	(1 861)	(258 946)	(32 509)	(9 367)	(48 513)	-	(18 339)	(41 457)	-	-	(2 586 711)
Cost as of 31/12/2020	31 542 061	59 211 756	13 064 041	9 187 896	412 506 459	2 406 228	81 367 136	8 274 938	1 183 588	-	40 800 595	640 463 898
Cost as of 1/1/2021	32 542 061	59 211 756	13 064 041	9 107 096	412 506 459	2 406 228	81 367 136	8 274 938	1 183 588	-	40 800 595	640 463 898
Additions	6 465	221 440	1 508 415	1 000 068	2 282 836	255 632	3 771 755	1 379 541	-	2 749 726	-	13 095 868
Change in projects under construction	-	-	-	-	-	-	-	-	-	-	45 846 932	45 846 932
Disposals	-	(31 074)	(234 938)	(37 863)	-	-	-	(126 463)	-	-	-	(430 290)
Cost of assets acquired through business combination	-	-	569 617	465 178	-	-	-	1 086 889	441 872	-	623 875	3 187 431
Cost as of 31/12/2021	32 548 526	59 401 176	14 907 125	10 554 479	414 789 295	2 631 860	85 138 891	10 564 985	1 625 460	2 749 726	87 271 462	722 163 839
Depreciation and impairment loss	-	-	-	-	-	-	-	-	-	-	-	-
Accumulated depreciation and impairment loss as of 1/1/2020	-	26 080 096	9 929 120	6 455 329	247 048 099	1 810 051	10 810 555	5 383 062	763 509	-	-	308 299 821
Depreciation	-	1 994 767	763 194	561 931	18 370 190	49 578	2 548 370	711 165	44 975	-	-	25 044 170
Accumulated depreciation of disposals	-	(1 049)	(258 946)	(10 697)	(6 587)	(48 513)	-	(18 339)	(41 457)	-	-	(185 588)
Accumulated depreciation and impairment losses as of 31/12/2020	-	28 073 814	10 433 368	7 006 563	265 411 702	1 831 116	13 358 925	6 075 888	767 027	-	-	332 958 403
Accumulated depreciation and impairment losses as of 1/1/2021	-	28 073 814	10 433 368	7 006 563	265 411 702	1 831 116	13 358 925	6 075 888	767 027	-	-	332 958 403
Depreciation	-	2 145 195	938 997	639 946	18 544 833	84 583	2 962 731	642 864	35 826	488 518	-	26 483 493
Accumulated depreciation of disposals	-	(15 082)	(210 192)	(710)	(6 679)	-	-	(9 034)	-	-	-	(241 697)
Accumulated depreciation of assets acquired through business combination	-	-	497 628	453 133	-	-	-	1 079 989	441 872	-	-	2 472 622
Accumulated depreciation and impairment losses as of 31/12/2021	-	30 203 927	11 659 801	8 098 932	283 949 856	1 915 699	16 321 656	7 789 707	1 244 725	488 518	-	361 678 021
Carrying amount as of 31/12/2020	32 542 061	31 137 942	2 630 673	2 300 533	147 094 757	575 112	68 008 211	2 199 050	416 561	-	40 800 595	327 503 495
Effect of change in foreign exchange rates	(5 017 774)	(10 213 996)	(187 303)	(711 922)	(25 372 332)	(417 994)	(18 730 644)	(48 372)	(130 525)	-	(6 278 180)	(63 863 082)
Carrying amount as of December 31, 2020	27 524 287	20 923 946	1 758 370	1 588 611	121 722 425	157 118	53 277 547	2 150 678	286 036	-	34 522 415	263 640 413
Carrying amount as of 31/12/2021	32 548 526	29 199 243	3 247 334	2 435 547	130 819 419	716 151	68 817 235	2 775 198	380 735	2 261 208	87 271 462	360 491 018
Effect of change in foreign exchange rates	(5 060 315)	(10 202 601)	(800 186)	(654 245)	(25 636 937)	(417 939)	(14 863 760)	(125 872)	(143 628)	(1 441)	(6 742 961)	(64 349 855)
Carrying amount as of December 31, 2021	27 488 211	18 996 642	2 447 148	1 781 302	105 202 502	298 212	54 153 475	2 749 326	237 107	2 259 767	80 528 441	296 141 153

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

Notes to the consolidated financial statements (Cont.) for the financial year ended December 31, 2021

All numbers are in US Dollars

Translated

19- Exploration and development assets

<u>Cost</u>	<u>Producing wells</u>	<u>Exploration wells</u>	<u>Development wells</u>	<u>Equipment / field services</u>	<u>Pipelines</u>	<u>Projects under construction</u>	<u>Total</u>
As of 1/1/2020	86 305 967	-	-	33 895 906	-	-	120 201 873
Additions	766 055	-	-	-	-	3 695 776	4 461 831
As of 31/12/2020	87 072 022	-	-	33 895 906	-	3 695 776	124 663 704
As of 1/1/2021	87 072 022	-	-	33 895 906	-	3 695 776	124 663 704
Additions	2 377 597	-	-	-	-	58 244 293	60 621 890
Adjustments	(3 846 697)	-	-	-	-	-	(3 846 697)
Cost of assets acquired through business combination	172 475 320	24 095 854	105 830 089	190 334 748	159 832 556	-	652 568 567
As of 31/12/2021	258 078 242	24 095 854	105 830 089	224 230 654	159 832 556	61 940 069	834 007 464
<u>Accumulated amortization, depletion, and impairment losses</u>							
As of 1/1/2020	31 185 396	-	-	1 252 399	-	-	32 437 795
Amortization	17 617 490	-	-	1 596 175	-	-	19 213 665
As of 31/12/2020	48 802 886	-	-	2 848 574	-	-	51 651 460
As of 1/1/2021	48 802 886	-	-	2 848 574	-	-	51 651 460
Amortization	15 158 701	-	-	5 051 363	-	-	20 210 064
Accumulated amortization of assets acquired through business combination	148 134 389	24 095 854	104 780 635	158 911 649	159 832 556	-	595 755 083
As of 31/12/2021	212 095 976	24 095 854	104 780 635	166 811 506	159 832 556	-	667 616 607
Carrying amount as of 31/12/2020	38 269 136	-	-	31 047 332	-	3 695 776	73 012 244
Carrying amount as of 31/12/2021	45 982 266	-	1 049 454	57 419 068	-	61 940 069	166 390 857

20- Right of use assets

	<u>31/12/2021</u>	<u>31/12/2020</u>
<u>Cost</u>		
Cost as of 1/1/2021	13 765 315	-
Additions	23 357	13 765 315
Assets acquired through business combination	177 343	-
Cost as of 31/12/2021	<u>13 966 015</u>	<u>13 765 315</u>
<u>Accumulated depreciation</u>		
Accumulated depreciation as of 1/1/2021	(1 011 385)	-
Depreciation	(895 602)	(1 011 385)
Accumulated depreciation of assets acquired through business combination	(26 602)	-
Accumulated depreciation as of 31/12/2021	<u>(1 933 589)</u>	<u>(1 011 385)</u>
Net amount	<u>12 032 426</u>	<u>12 753 930</u>
Effect of foreign exchange rate	59 113	47 080
Net carrying amount as of December 31, 2021	<u>12 091 539</u>	<u>12 801 010</u>

* Present value of the total liabilities resulted from right of use as follows:

	<u>31/12/2021</u>	<u>31/12/2020</u>
Short-term lease contracts liabilities	2 453 880	1 546 294
Long-term lease contracts liabilities	9 871 539	10 829 778
	<u>12 325 419</u>	<u>12 376 072</u>

21- Goodwill

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

	<u>31/12/2021</u>	<u>31/12/2020</u>
National Gas Co. (Natgas)	7 897 722	7 887 681
Sprea Misr	11 139 765	11 125 601
El Fayoum Gas Co.	1 622 806	1 620 743
Alex Fertilizer Co.	34 107 324	34 107 324
Delta Insurance Co.	3 674 278	3 669 609
Shield Gas Co.	5 103 083	5 103 083
MOG Energy Co.	76 070 899	-
	<u>139 615 877</u>	<u>63 514 041</u>

22-Intangible assets

	Net as of 1/1/2021	Amortization	Translation differences	Net as of 31/12/2021
Deferred revenue charges*	682 156	(242 373)	1 177	440 960
Other assets**	1 000 000	(250 000)	-	750 000
	<u>1 682 156</u>	<u>(492 373)</u>	<u>1 177</u>	<u>1 190 960</u>

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

** This item is represented in the amounts paid to others, whereby, it is expected to obtain future economic benefits to the subsidiary which will be amortized over 8 years.

23- Biological assets

	31/12/2021	31/12/2020
Tree forests	781 527	780 534
Wages, salaries, and consultations	926 936	388 311
Fertilizers and pesticides	156 008	82 397
Tool's rent	162 892	106 665
Right of use assets' amortization	196 929	95 597
Usufruct benefit	260 400	-
Property plant and equipment' depreciation	545 505	15 724
Other	240 282	81 569
	<u>3 270 479</u>	<u>1 550 797</u>

This balance is represented in the acquisition cost of the tree forest (Eucalyptus and Casorina trees) which are located on the leased land by the subsidiary.

24- Cash and cash equivalents

	31/12/2021	31/12/2020
Banks – current accounts	100 683 428	93 199 056
Banks – time deposits (less than three months)	44 232 861	121 433 550
Banks – time deposits (more than three months)	46 753 640	391 666
Cash on hand	565 628	168 063
	<u>192 235 557</u>	<u>215 192 335</u>
Expected credit loss	(2 222 520)	(2 324 342)
	<u>190 013 037</u>	<u>212 867 993</u>

Notes to the consolidated financial statements

For the financial year ended December 31, 2021

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account is represented as follows:

	31/12/2021	31/12/2020
Cash & cash equivalents	192 235 557	215 192 335
Investments in treasury bills - during three months	108 090 666	136 761 959
Bank – time deposits (more than three months)	(46 753 640)	(391 666)
	<u>253 572 583</u>	<u>351 562 628</u>

25- Financial assets at fair value through profit or loss

This balance 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:

	31/12/2021	31/12/2020
Portfolios managed by abroad investment managers	4 516 140	2 905 957
Egyptian Companies' stocks (listed in the Egyptian Stock Exchange)	264 570	287 320
Investments funds	19 983 393	5 759 512
Governmental bonds	29 345 545	30 451 870
	<u>54 109 648</u>	<u>39 404 659</u>

26- Trade & notes receivable

	31/12/2021	31/12/2020
Trade receivables	51 199 301	29 789 742
Egyptian General Petroleum Corporation*	35 760 966	38 895 038
	<u>86 960 267</u>	<u>68 684 780</u>
Expected credit losses	(1 648 743)	(1 021 669)
Notes receivable	18 936 621	11 718 994
	<u>104 248 145</u>	<u>79 382 105</u>

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

	31/12/2021	31/12/2020
Natgas Co.	1 574 082	1 092 516
El Fayoum Gas Co.	515 251	500 438
NSCO Co.	33 671 633	37 302 084
	<u>35 760 966</u>	<u>38 895 038</u>

27- Derivative financial instruments

The balance of USD 1 209 064 (year 2020: zero) is represented in forward foreign exchange contracts' profits which was recognized in financing income, as one of the Group's subsidiaries signed forward exchange contracts in US Dollars with a related bank which deals with, the contractual value of these contracts is amounted to EGP 220 640 000 as of December 31, 2021 (Year 2020: zero).

28- Other current assets

Notes to the consolidated financial statements

For the financial year ended December 31, 2021

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

	31/12/2021	31/12/2020
Accrued revenue	25 584 303	16 254 012
Suppliers-advanced payments	34 848 801	8 710 473
Tax Authority	17 010 528	15 961 020
Uncollected issued bills	9 581 844	9 034 673
Accounts receivables from insurance	14 608 452	10 128 281
Deposits with others	7 845 372	5 614 922
Prepaid expenses	2 404 235	2 902 975
Cheques under collection	2 234 338	2 143 629
Due from Building Materials Industries Co.	4 530 289	597 568
Insurance and reinsurance Companies	1 621 485	1 708 888
Payments to employees under dividends account	1 280 892	662 529
Imprests & employees' custodies	299 734	221 534
Loans guaranteed by individuals' insurance	374 451	435 074
Refunded networks costs from the corporation	2 504 293	-
Due from Sudapet Co.	1 411 896	-
Debtors- west Jabal al-Zeit	2 641 930	-
Due from Egyptian Hydrocarbon Co.	500 000	-
Due from related parties	-	165 845 972
Other debit balances	11 640 912	8 132 213
	140 923 755	248 353 763
Expected credit losses	(8 098 515)	(172 710 505)
	132 825 240	75 643 258

29- Inventories

	31/12/2021	31/12/2020
Supplies	33 952 200	27 055 318
Spare parts and tools	30 423 646	22 964 420
Fuel and oil	14 023 698	14 504 335
Finished goods and work in process	10 949 173	8 051 688
Letters of credit & goods in transit	45 252	1 200 337
	89 393 973	73 776 098
Write down of inventory	(676 818)	(77 579)
	88 717 153	73 698 519

30- Work in progress

	31/12/2021	31/12/2020
Gas sectors	-	99 311
Land & buildings under development	30 770 371	31 823 881
Others	1 170 936	415 746
	31 941 307	32 338 938

31- Non-current assets held for sale

	31/12/2021	31/12/2020
Building Materials Industries Co.*	13 255 558	13 255 557
Egyptian Hydrocarbon Co.**	14 900 000	-
	<u>28 155 558</u>	<u>13 255 557</u>

* Assets related to the Building Materials Industries Company – Equity - accounted investees (associates Companies) are presented as non-current held for sale as of December 31, 2021, during the last quarter of year 2019, an agreement was signed to manage the sale of shares owned by the group in the Building Materials Industries Company - Equity - accounted investees (associates Companies) of 38.32% to a party outside the group. The agreement to manage the sale process has been continued until an appropriate selling price is determined for the group.

**Assets related to the Egyptian Hydrocarbon Company – financial assets at fair value through other comprehensive income are presented as non-current held for sale as of December 31, 2021, during year 2017 one of the group's subsidiaries signed an agreement for sale 10% Egyptian Hydrocarbon Company shares to a party outside the group, An amount of USD 2 million was obtained as a selling advance during year 2017, which is recognized in the credit balances, and the contract with the buyer was renewed until the rest of the contract value is paid.

32-Share capital

- The Company's authorized capital is USD 500 million (Five hundred million USD).
- The issued capital was initially determined amounted to USD 120 million (One hundred & twenty million USD) distributed over 12 million shares at a par value of USD 10 per share. The Founders and subscribers through methods other than public subscription have subscribed to 9 million shares at a value of USD 90 million (Only ninety million USD) 3 million shares at USD 30 million (Only thirty million USD) were offered for public subscription and they were fully underwritten. The issued capital was fully paid. The issued capital has been increased and the share of the Company was split several times to reach an amount of USD 281 721 321.75 distributed over 1 126 885 287 shares of par value of US Cent 25 each fully paid and has been noted in the commercial register.

33- Reserves

	31/12/2021	31/12/2020
Special reserve – share premium	57 954 547	57 954 547
General reserve	8 380 462	8 380 462
Fair value reserve	(68 848 500)	(54 656 195)
Foreign exchange reserves	(185 416 743)	(182 622 817)
	<u>(187 930 234)</u>	<u>(170 944 003)</u>

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Legal reserve

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

Special reserve – share premium

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

General reserve

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

Fair value reserve

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

Translation differences reserve

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

34- Prior period adjustments

During the year, the retained earnings and the non-controlling interests balances of 1st January ,2020 were restated by an amount of USD 704 454 and an amount of USD 409 815, respectively, in order to correct the retrospective accounting error during 2019 for one of the group's subsidiaries. This error resulted from unrecognized impairment losses for due amounts of the subsidiary company on year 2019.

35- Treasury shares

During the year 8 048 000 shares of Egyptian – Kuwait Holding Company were sold at a cost of USD 8 199 679, which resulted in profit with an amount of USD 752 517 added to retained earnings balance.

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36- Loans

	<u>Loan's currency</u>	<u>Interest rates</u>	<u>Maturity date</u>	<u>31/12/2021</u>	<u>31/12/2020</u>
<u>Egyptian Kuwait Holding Co.</u>					
Loan guaranteed by investment portfolio	USD	4% above Libor-3 months	2019-2022	-	86 400 000
Loan guaranteed by investment portfolios	USD	2.5% above Libor-6 months	2022-2027	200 000 000	77 000 000
<u>National Gas Co. "Natgas"</u>					
Loan guaranteed by first class official trade mortgage over some production owned by the company	EGP	1% above the minimum borrowing rate by 17.75% till November 2019 & 1% after that date till the end of the loan	2021-2026	-	10 082 580
Loan guaranteed by treasury bills	EGP	8% decreasing rate according to the central bank initiative.	2021	7 067 052	3 194 910
Loan guaranteed by treasury bills	EGP	0.25% above average Corridor rate	2021	4 705 273	2 993 230
<u>AD Astra Co.</u>					
Loan guaranteed by the pledge of the acquired assets	Euro	From 1.75% to 2.50% annually above Libor rate	2036	14 689 273	18 735 051
<u>MOG Energy co.</u>					
Loan without guarantee	USD	From 4.75% to 5.50% annually above Libor-6 Months.	2021-2022	91 453 759	-
Loan without guarantee	USD	-	2022-2028	13 330 503	-
<u>Asprea for Chemicals Co.</u>					
Loan guarantee by one of the group companies	EGP	8% decreasing rate according to the central bank initiative.	2022-2026	14 849 774	-
<u>Asprea Misr for Chemicals & Plastic Co.</u>					
loan guarantee by insurance policy	EGP	0.57% annually above Corridor rate, announced by the Central Bank	2021-2026	477 013	-
B/F				346 572 647	198 405 771

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	<u>Loan's currency</u>	<u>Interest rates</u>	<u>Maturity date</u>	<u>31/12/2021</u>	<u>31/12/2020</u>
<u>Egyptian Kuwait Holding Co.</u>					
C/F				346 572 647	198 405 771
<u>Nile Wood Co.</u>					
Loan guaranteed by the pledge of the building and the financial elements of the factory after operating and mortgage deposits	EGP	8% annually replaced with a return of by 1.5% above Corridor rate, annual borrowing in case of funding deviation from the initiative of the Central Bank of Egypt.	2020-2028	26 949 950	11 711 730
Total				<u>373 522 597</u>	<u>210 117 501</u>
Current loans				<u>116 782 700</u>	<u>67 793 230</u>
Non-current loans				<u>256 739 897</u>	<u>142 324 271</u>

37- Other long-term liabilities

	<u>31/12/2021</u>	<u>31/12/2020</u>
Noted payable	835 962	2 616 805
Customers advance payment	1 635 105	224 700
Deferred revenue	1 415 694	-
	<u>3 886 761</u>	<u>2 841 505</u>

38- Deferred tax liabilities

	<u>31/12/2021</u>	<u>31/12/2020</u>
Property, plant and equipment and other assets	14 088 096	17 786 770
	<u>14 088 096</u>	<u>17 786 770</u>

Deferred tax assets-not recognized

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

39- Provisions

	<u>Balance as of 1/1/2021</u>	<u>Provisions formed</u>	<u>Provisions used</u>	<u>Provisions no longer required</u>	<u>Provisions of acquired subsidiaries</u>	<u>Translation differences</u>	<u>Balance as of 31/12/2021</u>
Retention provisions	323 838	49 555	(224)	-	-	380	373 549
Other provisions*	29 247 570	21 548 676	(1 073 446)	(2 440 985)	16 985 642	497 023	64 764 480
	<u>29 571 408</u>	<u>21 598 231</u>	<u>(1 073 670)</u>	<u>(2 440 985)</u>	<u>16 985 642</u>	<u>497 403</u>	<u>65 138 029</u>

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

- The provisions formed during the period includes an amount of USD 63 198, represented in the present value of the expected cost to bring the asset to its first intended condition recognized in the exploration and development assets item amounting to USD 766 055 during year 2020.

40- Bank facilities

	<u>Facility's Currency</u>	<u>Interest rate</u>	<u>31/12/2021</u>	<u>31/12/2020</u>
Credit facility guaranteed by a promissory note	EGP & USD	0.5% annually above corridor, 2.5% above Libor generally for USD	17 406 827	18 281 120
Facility without guarantee	USD	2.9% above Libor 3 months for USD	-	25 000 000
Facility guaranteed by investment portfolio for one of the subsidiaries	EGP & USD	1.25% annually above Libor 3 months, 0.5% annually above corridor rate	24 488 071	-
Credit facility guaranteed by investment portfolio	USD	1.125%	36 500 000	28 150 460
Facility guaranteed by investment portfolio for one of the subsidiaries	USD	2.75% above Libor for 3 months	78 900 000	51 900 000
Facility without guarantee	USD & EGP	1% annually above corridor and 2.5% above Libor for 3 months for USD	28 690 896	16 473 348
Facility without guarantee	USD & EGP	0.75% annually above corridor and 2.3% above Libor generally for USD	29 996 685	30 056 965
Facility guaranteed by investment portfolio for one of the subsidiaries	EGP	0.25% above corridor	19 116 282	-
<u>Gas Chill Co.</u>				
Credit facility guaranteed by deposits	EGP	2% over deposit interest rate	1 915 593	294 515
<u>National gas Co. "Natgas"</u>				
Credit facility guaranteed by a promissory note	EGP	0.5% above corridor	2 832 976	11 131 846
Credit facility guaranteed by a promissory note	EGP	0.75% above corridor	870 929	1 115 074
B/F			240 718 259	182 403 328

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C/F	<u>Facility's Currency</u>	<u>Interest rate</u>	<u>31/12/2021</u> 240 718 259	<u>31/12/2020</u> 182 403 328
Credit facility guaranteed by a promissory note	EGP	0.5% above corridor	4 204 890	2 401 302
Credit facility guaranteed by a promissory note	EGP	0.5% above corridor	-	1 739 532
Credit facility guaranteed by a promissory note	EGP	0.25% above corridor	6 446 042	-
Credit facility guaranteed by a promissory note	EGP	8% annually as part of the Central Bank's initiative to support industrial activity.	747 244	1 229 469
Credit facility without guarantee	EGP	8% annually as part of the Central Bank's initiative to support industrial activity	8 466 159	-
Credit facility guaranteed by a promissory note	EGP	8% Decreasing rate according to the Central Bank's initiative	2 476 769	-
<u>Alex Fertilizer Co.</u>				
Credit facility guaranteed by Deposits	USD	2.5% over deposit rate	-	38 065 811
Credit facility guaranteed by investment portfolio	USD	1.625% above Libor for 3 months	-	4 650 000
<u>Bawabat Al Kuwait Holding Company</u>				
Credit facility guaranteed by investment portfolio	USD	1.625% above Libor for 3 months	-	265 000
<u>Sprea misr for Chemicals & Plastic Co.</u>				
Credit facility guaranteed by a promissory note	EGP	8% annually as part of the Central Bank's initiative to support industrial activity.	5 697 208	7 808 873
Credit facility guaranteed by an insurance policy against both the risk of fire and burglary in favor of the bank at rate of 110% of the company's assets value.	EGP	8% annually as part of the Central Bank's initiative to support industrial activity.	18 076 874	4 399 791
B/F			286 833 445	242 963 106

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C/F	Facility's Currency	Interest rate	31/12/2021 286 833 445	31/12/2020 242 963 106
Credit facility guaranteed by a promissory note and providing the bank with an insurance policy against theft and fire on the inventories.	EGP	8% annually as part of the Central Bank's initiative to support industrial activity	16 563 433	-
Credit facility guaranteed by a promissory note and providing the bank with an insurance policy against theft and fire on the inventories.	EGP	8% annually as part of the Central Bank's initiative to support industrial activity.	3 051 685	3 969 574
Shield Gas Co.				
Credit facility guaranteed by deposits	USD	1% over deposit rate	-	908 780
Credit facility guaranteed by investment portfolio	USD	2.5% annually above Libor for 3 months	3 383 033	143 059
Credit facility without guarantee	AED	Interest rate 3.83%	99 114	-
Credit facility without guarantee	AED	Interest rate 2.5% above Libor	269 956	-
OGI Co.				
Credit facility guaranteed by investment portfolio	USD	0.859% annually	6 304 920	6 487 641
			327 601 623	258 581 559
Current facilities			128 912 633	123 474 130
Non-current facilities			198 688 990	135 107 429

41- Insurance policyholder's rights

	31/12/2021	31/12/2020
Technical provisions for individual's insurance	25 659 612	24 229 828
Technical provisions for property and liability insurance	84 408 112	77 450 050
Policyholder's rights for investments units	4 516 140	2 905 957
Provision for outstanding claims	723 579	791 992
	115 307 443	105 377 827

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42- Suppliers, contractors, noted payable & other creditors

	31/12/2021	31/12/2020
Suppliers & contractors	38 505 684	19 469 972
Noted payable	4 428 933	4 328 721
Trade receivables – Advanced payments	48 361 318	47 467 116
Accrued expenses	48 747 530	40 119 855
Deposits from others	17 537 275	13 323 693
National Egyptian Authority for Petroleum*	17 195 798	4 558 398
Insurance and reinsurance Companies	10 890 500	9 394 337
Collected installments	962 725	2 136 759
Dividends payable	1 196 641	1 196 641
Dividends payable-non-controlling interests	10 824 862	3 620 315
Insured current account	1 123 908	1 160 629
Financing from non- controlling interests	7 952 840	-
Operating companies	7 042 845	-
Employees' dividends payable	168 670	168 901
Property, plant & equipment creditors	648 132	597 147
Other credit balances	68 848 651	16 111 987
	284 436 312	163 654 471

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

	31/12/2021	31/12/2020
National Gas Co. (Natgas)	8 550 566	1 396 948
El Fayoum Gas Co.	8 645 232	3 161 450
	17 195 798	4 558 398

43- 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, 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, On June 11, 2015, the ordinary general assembly of the Company approved by the majority of votes to transfer part of the retained earnings to bonus shares to financed incentive This increase was noted in the company's commercial register on September 13 2015, and on September 16, 2015 the listing committee approved the Egyptian Stock Exchange, and on October 5, 2015 the increase shares were added to the company's shareholder register.
- 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 and the system was ended during year 2020.

44- Subsidiaries Companies

Main subsidiaries are represented in the following:

	Country of Incorporation	Direct & indirect Ownership %	
		31/12/2021	31/12/2020
<u>Companies under direct control</u>			
International Financial Investments Co. S.A. E	Egypt	100	100
Bawabat Al Kuwait Holding Co.– S.A.K *	Kuwait	64.54	54.65
Delta Insurance Co.*	Egypt	63.22	61.5
Globe for Communication & Information Technology Co.	Egypt	99	99
Globe Telecom Co.	Egypt	100	100
ECO for Agriculture Development Co.	Egypt	100	100
ECO for Industrial Development Co	Egypt	100	100
MAT Company for Trading	Egypt	100	100
EKHN B.V.	Netherlands	100	100
Global MDF Industries B.V.	Netherlands	100	100
EKH Microfinance	Netherlands	100	-
Mega Me for Trade Co.	Egypt	100	-
<u>Subsidiaries Companies of International Financial Investments Co.</u>			
Sprea Misr for Production of Chemicals & Plastics Co. S.A. E	Egypt	100	100
Egyptian Company for Petrochemicals S.A.E	Egypt	100	100
National Energy Co - S.A. E	Egypt	100	100
El Fayoum Gas Holding Company	Virgin Islands	100	100
Midor Suez Oil Refining Co.	Egypt	100	100
NSCO INVESTMENT LIMITED Company	Cayman Islands	99.9993	99.997
BKH Megan	Cayman Islands	100	100
Arabian Fertilizer Limited Co.	United Arab of Emirates	100	100
National Gas Company (NATGAS) S.A. E	Egypt	83.98	83.98
Nahood International Limited Co.	United Arab of Emirates	60	60
Solidarity Mena Limited Co.	United Arab of Emirates	100	100
Solidarity International Limited Co.	United Arab of Emirates	100	100
Solidarity group limited Co.*	United Arab of Emirates	100	65
MEA Investments Co.	United Arab of Emirates	100	100
Polar Star Investments Co.	United Arab of Emirates	100	100
Egypt Kuwait Investments Holding Limited Co.	United Arab of Emirates	100	100
IFIC Petrochemicals Co.	Cayman Islands	100	100
Ekuity Holding International - Limited by Shares	Cayman Islands	100	100
Henosis for Construction & Real-Estate Development Co.	Egypt	100	100
Capital Investment Limited Luxembourg Co.	Luxembourg	100	100

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	Country of Incorporation	Direct & indirect Ownership %	
		31/12/2021	31/12/2020
OGI Capital - Limited Liability Co.- Free Zone - Jebel Ali	United Arab of Emirates	100	100
AD ASTRA REAL ESTATE, S.L. Co.	Spain	100	100
AD ASTRA PROYECTO MISR, S.L. Co.	Spain	100	100
AD ASTRA PROYECTO ALCAZAR, S.L. Co.	Spain	100	100
AD ASTRA PROYECTO CAIRO, S.L. Co.	Spain	100	100
SISTEMAS INDUSTRIALES SALGAR II S.L	Spain	100	100
AD ASTRA PROYECTO MEDINA, S.L. Co.	Spain	100	100
Gas Serve Co.	Egypt	100	100
Shield Gas Co.	United Arab of Emirates	100	100
EEK Investment Holding LTD Co.	United Arab of Emirates	100	100
International Fertilizer trading Co.	Cayman Islands	100	100
NSCO Investment INC Co.	Panama	99.9993	99.997
IFIC Investments Limited Co.	United Arab of Emirates	100	100
IFIC Global Co.	Cayman Islands	100	100
<u>Subsidiary of Solidarity group Ld.</u>			
MOG Energy group Companies *	Egypt	78.29	-
<u>Subsidiary of Globe Telecom Co.</u>			
Globe for Trading & Agencies Co.	Egypt	100	100
<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	83.98	83.98
<u>Subsidiaries of BKH Megan Co.</u>			
Middle East for River Transport Co.- S.A.E	Egypt	100	100
<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
Technology Gas Co. GoGas	Egypt	99.20	-
<u>Subsidiaries of Bawabat Al Kuwait Holding Co.</u>			
Alex Fert Co. - S.A.E.	Egypt	57.3	45.57
International Logistics Co. – L.L.C.	Kuwait	64.54	54.65
<u>Subsidiary of Egyptian Company for Petrochemicals</u>			
El Shorouk for Melamine & Resins Co.	Egypt	93.05	93.39
<u>Subsidiary of Global MDF Co.</u>			
Cairo Wood for Imports and Exports Co. (S.A.E.)	Egypt	100	100
Nile Waste Co.	Egypt	100	100

	Country of Incorporation	Direct & indirect Ownership %	
		31/12/2021	31/12/2020
Nile Wood Co. (S.A.E.)	Egypt	100	100
<u>Subsidiaries of Sprea Misr for Production of Chemicals & Plastics Co.</u>			
Asprea for Chemicals Co. (S.A.E.)	Egypt	100	100
<u>Subsidiary of EKH Microfinance Co.</u>			
Bedayty for Small & Micro Projects Co.	Egypt	100	-
Bedayaty for Consumer Finance Co.	Egypt	100	-

* During the year, an additional 9,89 % in Bawabat Al Kuwait Holding Co.' capital share was acquired, 1.75% in Delta Insurance Co's capital share, 5,81% in Alex fertilizer Co.'s capital share, and 35% in Solidarity group Limited's capital share to be the group total shares in MOG Energy Co. 78.29%

45- Transactions with related parties

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

- The Group has agreed with Abu Qir Fertilizers and Chemical Industries Co. on signing rental contracts for a plot of land to construct the factory on it with a yearly rental value USD 622 494 effective from July 15, 2003 and last for 25 years, a contract for a building to use it as a temporary headquarter for the Company's management with an annual rental value of EGP 237 600 with annual increase amounting to EGP 16 632 effective from December 1, 2003 and last for July 14, 2028. The Company has also leased a plot of land with an annual rental value of USD 421 to construct a water station effective from January 30, 2005 and last for 25 years. The Company has also agreed with Abu Qir Fertilizers and Chemical Industries Company on signing a contract for using its sea and land facilities for exporting amounts of the produced ammonia.

46- Dividends approved, and board of directors' remuneration

- 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.

The shareholders of the Parent Company unanimously proposed the interim dividends approved by the Ordinary General Assembly of the company held on December 27, 2020, interim dividends by 10% of the issued and paid-up capital as bonus shares dividends per 10 shares from the retained earnings represented in the separate financial statements, for the financial period ended September 30, 2020, with a total amount of USD 25 611 029, and it was decided to distribute remunerations to the Board of Directors members with an amount of

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USD 5 814 836, and employees' profit shares with an amount of USD 662 529, which was approved by the Parent company's shareholders' general assembly held on March 30, 2021.

The shareholders of the Parent Company approved cash dividends for the financial year ended December 31, 2019 of 6 Cent/share with a total amount of USD 61 466 470 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 28, 2020.

47- Financial risk management

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

- Credit risk
- Liquidity risk
- Market risk.

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

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

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

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

Credit risk

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

Trade and other receivables

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

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

Investments

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

Guarantees

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

Liquidity risk

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

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

Market risk

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

Currency risk

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

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

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

Interest rate risk

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

Other market price risk

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

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

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

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

Capital management

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

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

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

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

48- 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:

	<u>31/12/2021</u>	<u>31/12/2020</u>
Other current assets	103 670 719	236 740 315
Financial assets at amortized cost	686 904 756	415 368 426
Trade & notes receivable	106 020 241	80 667 019
	<u>896 595 714</u>	<u>732 775 760</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:

	<u>31/12/2021</u>	<u>31/12/2020</u>
Governmental customers	35 762 159	39 124 216
Retail customers	6 643 452	8 546 880
Final consumers customers	38 443 707	18 620 821
Export customers	6 110 949	2 392 863
Notes receivable	19 059 974	11 982 239
	<u>106 020 241</u>	<u>80 667 019</u>

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

	<u>31/12/2021</u>		<u>31/12/2020</u>	
	<u>Balance</u>	<u>Impairment</u>	<u>Balance</u>	<u>Impairment</u>
Past due within 30 days	30 228 299	-	5 715 702	-
Past due from 1-3 month	8 249 865	-	3 972 849	-
Past due from 3 months-1 year	44 611 902	(140 207)	69 989 443	(32 644)
More than one year	22 930 175	(1 508 536)	989 025	(989 025)
	<u>106 020 241</u>	<u>(1 648 743)</u>	<u>80 667 019</u>	<u>(1 021 669)</u>

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

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Liquidity risk

The following are the contractual maturities of financial liabilities:

December 31, 2021

	Due date				
	Carrying amount	During 1 year	1-2 years	2-5 years	More than 5 years
Loans & bank facilities	701 124 220	245 695 333	236 859 917	145 723 472	72 845 498
Suppliers, contractors, noted payables & other creditors	236 074 994	236 074 994	-	-	-
Accrued income tax	55 927 852	55 927 852	-	-	-
Insurance policyholders' rights	115 307 443	115 307 443	-	-	-
	1 108 434 509	653 005 622	236 859 917	145 723 472	72 845 498

December 31, 2020

	Due date			
	Carrying amount	During 1 year	1-2 years	2-5 years
Loans & bank facilities	468 699 060	191 267 360	277 431 700	-
Suppliers, contractors, noted payables & other creditors	116 187 355	116 187 355	-	-
Accrued income tax	29 870 992	29 870 992	-	-
Insurance policyholders' rights	105 377 827	105 377 827	-	-
	720 135 234	442 703 534	277 431 700	-

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Currency riskCurrency risk exposure

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

December 31, 2021

Description	L.E	K.W. D	EURO	GBP	AED	JPY
Cash & cash equivalents	747 058 446	278	6 754 555	12 883	247 059	419
Assets and financial investments	11 206 086 573	-	-	-	-	-
Other current assets	1 302 350 099	-	232 531	-	5 514 612	-
Trade & notes receivable	766 336 954	-	963 316	-	11 160 697	-
Bank loans	(1 121 022 217)	-	(12 663 167)	(27 300)	(12 424 188)	-
Bank facilities	(1 287 754 041)	-	-	-	(1 355 408)	-
Suppliers, contractors, noted payables & other creditors	(4 086 478 716)	-	(7 141 441)	(5 757)	(34 642 604)	-
Net risk exposure	7 526 577 098	278	(11 854 206)	(20 174)	(31 499 832)	419

December 31, 2020

Description	L.E	K.W. D	EURO	GBP	AED	JPY
Cash & cash equivalents	912 483 481	25 562	2 398 798	12 332	350 073	419
Assets and financial investments	6 703 098 717	-	-	-	-	-
Other current assets	1 469 000 010	-	219 305	-	178 539	-
Trade & notes receivables	489 062 149	-	358 318	-	244 269	-
Bank loans	(627 118 978)	-	942 526)	-	517 221)	-
Bank facilities	(600 139 938)	-	(343 753)	(149 875)	365 557)	-
Suppliers, contractors, noted payables & other creditors	(5 332 312 529)	-	(446 203 6)	(5 757)	902 011)	-
Net risk exposure	3 014 072 913	25 562	756 062)	(143 300)	011 909)	419

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For the financial year ended December 31, 2021

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The following is the average exchange rates during the period:

US Dollar	Average exchange rate during the year		Spot rate at the financial statements date	
	31/12/2021	31/12/2020	31/12/2021	31/12/2020
L.E	15.70	15.81	15.71	15.73
K.W. D	0.3018	0.3067	0.3021	0,3037
EURO	0.8475	0.8772	0.8849	0,8130
GBP	0.7246	0.7813	0.7407	0,7299
AED	3.6725	3.7037	3.6725	3,7037

Sensitivity Analysis

A reasonably possible strengthening (weakening) of 5% other currencies exchange rate against US Dollar as of December 31, 2021 would have affected the measurement of financial instruments denominated in a foreign currency and affected equity and profit or loss by the amounts shown below. This analysis assumes that all other variables, in particular interest rates, remain constant and ignores any impact of forecast sales and purchases.

December 31, 2021

Description	Equity		Profit or Loss	
	Strengthening	Weakening	Strengthening	Weakening
L.E	14 691 118	(13 427 941)	6 615 305	(6 121 254)
EURO	(889 717)	795 582	(827 128)	738 953
GBP	(1 971)	1 722	(1 971)	1 722
K.W. D	4 510 100	(4 083 067)	2 605 994	(2 360 304)
AED	(262 511)	245 605	(363 100)	336 614
USD	(46 618)	46 323	(46 618)	46 323
	18 000 401	(16 421 776)	7 982 482	(7 357 946)

December 31, 2020

Descriptio	Equity		Profit or Loss	
	Strengthening	Weakening	Strengthening	Weakening
L.E	9 691 761	(8 823 056)	4 864 551	(4 455 580)
EURO	(1 276 486)	1 128 709	(1 253 288)	1 107 721
GBP	(14 437)	12 586	(14 437)	12 586
K.W. D	3 372 653	(3 068 873)	890 889	(823 468)
AED	(7 833)	15 454	(97 400)	96 491
USD	66 928	(66 504)	66 928	(66 504)
	11 832 581	(10 801 684)	4 457 243	(4 128 754)

Notes to the consolidated financial statements

For the financial year ended December 31, 2021

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Interest rate risk

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

	<u>31/12/2021</u>	<u>31/12/2020</u>
Financial liabilities at fixed rate	204 673 645	28 004 747
Financial liabilities at variable rate	496 450 757	440 694 313
	<u>701 124 220</u>	<u>468 699 060</u>

49- Capital commitments

Total capital commitments amounted to USD 27 428 300 as of December 31, 2021 is represented in the amount of contributions in long-term investments and property, plant & equipment which have not been requested to be paid till the consolidated financial position date (year 2020: an amount of USD 30 578 539).

50- Contingent liabilities

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

- Uncovered letters of credit amounting to USD 27 247 676 (year 2020: an amount of USD 6 551 193).
- Letters of guarantee issued by banks on the account of the Group and in favor of others amounting to USD 10 608 967 (year 2020: an amount of USD 10 827 947).

51- Tax status**Corporate profit tax**

- The Company has a tax exemption for 5 years according to Investment Law No. 8 of 1997 and ended on December 31, 2003.
- Tax inspection for corporate profit tax from inception till 2004 was carried out and the resulting tax differences were settled.
- Years from 2005 till 2008, no taxes forms are received from the Tax Authority and the Company's records were not requested for inspection within the determined sample by the Tax Authority till authorizing of these financial statements for issuance.
- Tax inspection for year 2009 was carried out and the resulted differences were settled. Carried forward losses item was submitted to the tax appeal committees for further memos. The decision was issued to support the opinion of the tax authority, and the assessment, payment, and final settlement were made.
- Years from 2010 to 2020, the preparation of inspection are currently under process.
- The annual tax returns were submitted on the due date according to the provisions of Law No. 91 of 2005.

Salary tax

- The tax inspection for salary tax for the period from inception till 2013 was carried out and the final assessment was determined and resulting differences were settled.
- Years 2014 till 2016 was carried out and the final assessment was determined and resulting differences were settled.

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- Period from January 2017 till 2019 is under inspection.
- Period from January 2020 till 15 December 2021, monthly withheld taxes are settled on due dates.

Stamp tax

- Inspection for the stamp tax from inception till 31/7/2006 was carried out and the final assessment was made, and the Company settled the resulting differences.
- Period from August 1, 2006 till 2016 was carried out and the final assessment was determined and resulting differences were settled.
- Years 2017 till 2019 was carried out, notified and appeal was submitted.
- The due tax is settled on due dates.

Property tax

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

52- Comparative figures

Some comparative figures of the consolidated statement of financial position and consolidated statement of changes in equity were restated as a result of what have been mentioned in detail in note No. (34). Items affected by restatement are as the follows:

Consolidated statement of financial position

Decrease of other current assets – Insurance and reinsurance companies.	400 842
Decrease of other current assets – Expected credit losses.	414 541
Increase of liabilities deferred tax balance	298 886
Decrease of retained earnings balance	704 454
Decrease of non-controlling interests balance	409 815

Consolidated change in equity statement

Decrease of retained earnings balance	704 454
Decrease of non-controlling interests balance	409 815

53- Significant events during the financial statements

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

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

- Customer credit risk granted to customers and high indicators of payment failure.
- Stock market price fluctuations and significant changes in the fair values of financial assets and investments.
- Increased presence indication of non-financial assets and investments' decline.
- Risk of inability to achieve growth rates for the pre-defined business plan, associated with the changes in the expectations of the cash flows, and therefore the effect on going concern.

Notes to the consolidated financial statements

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

- Working on group's advantage of Central Bank's initiative to reduce interest rates and delay in payment of debts for a period of six months.
- Maintain sufficient cash liquidity in different currencies within the limits necessary to proceed its activity.
- Invest the available surplus liquidity at the maximum return to maximize profitability.
- Exclusion of unnecessary expenses.

Expected effect on financial statements for the upcoming following of the financial year ended December 31, 2021:

It is not expected that there will be a significant financial effect on the rest of the Group's activities during the following periods as follows:

Fertilizer, chemicals and plastic activities

- Despite the continuing spread of the new epidemic of Corona (Covid-19), the group management succeeded in continuing the growth of operation and achieving an increase in sales growth rates, and it is expected that there will be no material impact on the net profit resulting from this field.
- There is no expected effect on the collection from external or local customers for the invested companies.
- Changing the selling mix is according to market conditions by selecting to produce and sell the most demanding and profitable products of the invested companies.

Natural gas delivery activity

Despite the expected decline in both the number of residential customers converted to natural gas and expected decline in value of gas consumption collections compared to the estimated budget of the first financial quarter year 2020 of the invested companies. However, part of this revenue was offset by increased other Companies' activities and precautionary measures to exclude unnecessary expenses and minimizing other expense. As expecting, no significant impact on the net profit resulting from that activity.

Other Group's activities

It is not expected that there will be a significant financial effect on the rest of the Group's activities during the following periods.

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

- Follow all precautionary and preventive measures announced by the World Health Organization and the Egyptian Ministry of Health.
- Minimize the presence of staff to the maximum extent possible while enabling the work from home policy to be as effective as possible.
- Minimize the number of business dealers to the maximum extent possible and all modern technological means to reduce the number of meetings and gatherings.

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- Measure the temperatures for all the visitors to the Group's companies and factories before entering and following all the necessary and announced procedures from the Egyptian Ministry of Health when any suspicious cases arise of high temperatures or any other symptoms.
- Conduct disinfectant and sterilization campaigns in the some of the Group companies' areas as a community service, which helps to establish positive relationships between customers and the Group.
- Workers wear all protective tools while working such as face masks, gloves, medical sanitizers and frequently warning them and the customers who visit the offices and factories to social distance.

54- Subsequent events

Summary of the decisions of the Board of Directors of the Egyptian Kuwait Holding Company held on 27/2/2022

- Unanimously approve the draft dividend distribution for the fiscal year ending on December 31, 2021, which is represented in cash distributions to shareholders at a rate of 28% of the nominal value of the share at 7 US cents per share, with a value of 78.88 million US dollars, in preparation for submission to the Ordinary General Assembly company for approval.
- Unanimously approve the invitation of the Ordinary General Assembly to be held on Wednesday, March 30, 2022 at three o'clock in the afternoon, using modern means of communication.
- Unanimously approve the invitation of the Extraordinary General Assembly to be held on Wednesday, March 30, 2022, following the end of the Ordinary General Assembly meeting, in order to approve the extension of the Company's duration for the next 25 years, and to amend Article (5) of the Company's Articles of Association, using the modern means of communication.
- Mr. Moataz Al-Alfi's apology for chairing the company's board of directors, while he continues to be a member of the board of directors, with sincere thanks to him for the great efforts he made during the years since the company's establishment to date.
- Approval of the appointment of Mr. Loay Jassem Al-Kharafi as Chairman of the Company's Board of Directors.
- Approval of the appointment of Mr. Adel Al-Moataz Al-Alfi as Vice Chairman of the Board of Directors of the company.
- Briefing on the appointment of Mr. Talal Jassem Al-Kharafi as a member of the company's board of directors, representing the International Company for Financial Investments, instead of its previous representative, Mr. Asaad Ahmed Omran Al-Banwan.
- Approval of the appointment of Mr. Tariq Yahya Muhammad Ahmad Al-Khishi as the head of investor relations in the company.
- On February 23, 2022, the MOG Energy Company (one of the group companies) signed a settlement contract for the joint loan granted to it by several banks, which provides for a final settlement of that loan by paying an amount of USD 27 098 313 in return for exempting the

company from paying the total remaining amount of the loan value and the interest payable on it, totaling the amount on the settlement date USD 64 518 248 noting that the balance of that loan at the date of the financial statements is USD 91453 759 (Note No. 36).

- The group's share of that exemption amounts to USD 50 509 216, and during year 2022 the goodwill value of the MOG Energy Company will be reduced (Note No. 21), and therefore this exemption will not have an impact on the equity of the parent company during 2022.

55- Significant accounting policies applied

The Group has consistently applied the following accounting policies during all financial periods presented in these consolidated financial statements.

55-1 Basis of consolidation

Business combinations

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

Subsidiaries

Subsidiaries are entities controlled by the Group.

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

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

Non-controlling interests

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

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

Loss of control

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

Interest in equity – accounted investees

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

And has no rights to the assets, and obligations for the liabilities, relating to an arrangement.

Associate Companies are companies in which the Group has significant influence over financial and operating policies but does not extend to be a control or a joint venture.

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

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

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

Transactions eliminated on consolidation

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

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

55-2 Foreign currency

Foreign currency transactions

Transactions in foreign currencies are translated into the respective functional currencies of Group companies at the exchange rates at the dates of the transactions.

Monetary assets and liabilities denominated in foreign currencies are translated into the functional currency at the exchange rate at the reporting date.

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

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

Foreign currency differences are generally recognized in profit or loss.

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

- An investment in equity securities designated as at FVOCI (except on impairment, in which case foreign currency differences that have been recognized in OCI are reclassified to profit or loss);
- A financial liability designated as a hedge of the net investment in a foreign operation to the extent that the hedge is effective.
- Qualifying cash flow hedges to the extent that the hedges are effective.

Foreign operations

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

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

When a foreign operation is disposed of in its entirety or partially such that control, significant influence or joint control is lost, the cumulative amount in the translation reserve

related to that foreign operation is reclassified to the consolidated income statement as part of the gain or loss on disposal.

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

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

55-3 Discontinued operation

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

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

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

55-4 Revenue recognition

The Group applied the EAS No. 48 as of January 1, 2020.

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

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

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

Step 3: Determine the transaction price: Transaction price is the compensation amount that the Group expects to recognize to receive for the transfer of goods or services to customer, except for the collected amounts on behalf of other parties.

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

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

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

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

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

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

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

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

Satisfaction of performance obligation

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

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

Determine the transaction price

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

Control transfer in contracts with customers

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

In addition, the application of Egyptian Accounting Standard No. 48 has resulted in:

Allocation of the transaction price of performance obligation in contracts with customers

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

Other matters to be considered

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

The significant funding component

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

Revenue recognition**Sale of goods revenue**

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

Services revenue

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

Gas lines conversion revenue

Revenue is recognized when gas is delivered to the customer.

Gas distribution commissions revenue

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

Sale of electricity revenue

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

Rental income

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

Gain on sale of investments

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

55-5 Employee benefits**Employees' pension**

The Group contributes to the government social insurance system for the benefit of its personnel in accordance with the social insurance law. Under this law, the employees and the employers contribute into the system on a fixed percentage-of-salaries basis. The Group's liability is confined to the amount of its contribution. Contributions are charged to the consolidated statement of profit or loss using the accrual basis of accounting.

Some Companies within the Group contribute to the Group Insurance plan for the benefit of their employees at an insurance Company. According to this plan, employees are granted end of service benefit on retirement, death and full disability during the service years. End of service benefits are repayable by the insurance company. The Companies contribution is confined to the annual insurance premiums. The Group contributions are charged to the consolidated statement of profit or loss as they are incurred according to accrual basis of accounting.

Equity settled share – based payments

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

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

55-6 Finance income and costs

The Group's finance income and finance costs include:

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

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

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

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

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

55-7 Income tax

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

Current income tax

Current taxes for the current and prior periods which have not yet been paid are recognized as a liability. If the taxes were actually paid in the current and prior periods exceed the amount due for these periods, then this increase is recognized as an asset. The value of current tax liabilities (assets) for the current and prior periods are measured by the value expected to be paid to (recovered from) the tax authority. Using the applicable tax rates (and effective tax laws) or in the process of being issued on the financial period ended. Current tax also includes any tax arising from dividends. Current tax assets and liabilities are offset only if certain criteria are met.

Deferred tax

Deferred tax is recognized in respect of temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. Deferred tax is recognized for all temporary differences that are expected to be taxed except for the following:

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

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

Deferred tax assets are recognized for unused tax losses, unused tax credits and deductible temporary differences to the extent that it is probable that future taxable profits will be available against which they can be used. Temporary differences on the initial recognition of assets or liabilities in a transaction that is not a business combination and that affects neither accounting nor taxable profit or loss;

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

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

The measurement of deferred tax reflects the tax consequences that would follow from the manner in which the Group expects, at the reporting date, to recover or settle the carrying amount of its assets and liabilities.

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

55-8 Basic / diluted earnings per share of profit

Basic / diluted earnings per share of profit is calculated by dividing the profit attributable to ordinary shareholders of the Company (After excluding the employees' profit share and the remuneration of the Board of Directors members) by the weighted average number of ordinary shares outstanding during the period.

55-9 The General Authority for Investment and Free Zones (GAFD) fees

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

55-10 Property, plant & equipment & Depreciation

Recognition and measurement

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

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

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

Subsequent costs

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

Depreciation

Depreciation is calculated to write off the cost of items of property, plant and equipment less their estimated residual values using the straight-line method over their estimated useful lives for each type of property, plant and equipment, and is generally recognized in consolidated statement of income and other comprehensive income. Land is not depreciated.

The estimated useful lives of property, plant and equipment for current and comparative periods are as follows:

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

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

Projects under construction

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

55-11 Exploration and development assets

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

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

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

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

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

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

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

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

Development wells are depleted when starting production.

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

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

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

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

55-12 Intangible assets**Recognition and measurement****Goodwill**

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

Research and development

Expenditure on research activities is recognized as expense when incurred.

Development expenditure is capitalized only if the expenditure attributable to the intangible asset during the development period can be measured reliably, a technical feasibility study is available to complete the intangible asset, making it available for sale or to use, future economic benefits are probable from the intangible asset, and the availability of sufficient technical, financial, and other resources to complete development and to use or sell the intangible asset. Intent availability to complete the intangible asset to use or sell, the ability to use or sell the intangible asset. Otherwise, it is recognized as expense when incurred. Subsequent to initial recognition, development expenditure is measured at cost less accumulated amortization and any accumulated impairment losses.

Other intangible assets

Other intangible assets are recognized, including deferred income expenditures, the right to use, other assets in which they have definite useful lives are measured at cost less accumulated amortization and accumulated impairment losses.

Subsequent expenditures

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

Amortization

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

55-13 Biological assets

Biological assets are recognized at cost less accumulated depreciation and impairment losses of the asset value.

55-14 Inventories

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

55-15 Works in progress

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

55-16 Non-current assets held for sale

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

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

Impairment losses on initial classification as held-for-sale or held-for-distribution and subsequent gains and losses on remeasurement are recognized in profit or loss. Once classified as held-for-sale, intangible assets and property, plant and equipment are no longer amortized or depreciated, and any equity-accounted investee is no longer equity accounted.

55-17 Cash and cash equivalents

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

55-18 Financial instruments

1) Recognition and initial measurement

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

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

2) Classification and subsequent measurement

Financial assets

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

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

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

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

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

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

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

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

Financial assets- Business Model Assessment

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

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

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

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

Financial assets – Assessment whether contractual cash flows are solely payments of principal and interest

For the purposes of this assessment, 'principal' is defined as the fair value of the financial asset on initial recognition. 'Interest' is defined as consideration for the time value of money

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and for the credit risk associated with the principal amount outstanding during a particular period of time and for other basic lending risks and costs (e.g. liquidity risk and administrative costs), as well as a profit margin.

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

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

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

Financial assets – Subsequent measurement and gains and losses

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

Financial liabilities – Classification, subsequent measurement and gains and losses

Financial liabilities are classified as measured at amortized cost or FVTPL. A financial liability is classified as at FVTPL if it is classified as held-for-trading, it is a derivative or it is designated as such on initial recognition. Financial liabilities at FVTPL are measured at

fair value and net gains and losses, including any interest expense, are recognized in profit or loss. Other financial liabilities are subsequently measured at amortized cost using the effective interest method. Interest expense and foreign exchange gains and losses are recognized in profit or loss. Any gain or loss on derecognition is also recognized in profit or loss.

3) Derecognition**Financial assets**

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

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

Financial liabilities

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

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

4) Offsetting

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

55-19 Share capital**Ordinary shares**

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

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

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

Dividends

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

55-20 Impairment

1) Non-derivative financial assets

Financial instruments and contract assets

The Group recognizes loss allowances for ECLs on:

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

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

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

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

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

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

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

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

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

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

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

Measurement of ECLs

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

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

Credit-impaired financial assets

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

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

- Significant financial difficulty of the borrower or issuer;
- A breach of contract such as a default or being more than 120 days past due;
- The restructuring of a loan or advance by the Group on terms that the Group would not consider otherwise;
- It is probable that the borrower will enter bankruptcy or other financial reorganization; or
- The disappearance of an active market for a security because of financial difficulties.

Presentation of allowance for ECL in the statement of financial position

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

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

Write-off

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

2)Non-financial assets

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

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

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

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

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

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

55-21 Provisions

Provisions are determined by discounting the expected future cash flows at a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the liability. The increase in the carrying amount of the provision resulting from the use of the discount to figure out the present value, which reflects the passage of time, is recognized as a finance cost.

55-22 Lease contracts**1) Determining whether the arrangement contains a lease contract or not**

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

2) Leased assets

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

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

3) Lease payments

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

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

55-23 Operating profit

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

55-24 Fair value measurement

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

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

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

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

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

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

55-25 Insurance activity policies

Insurance activity revenue

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

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

Net income from Investment- insurance activity

Net income from investment is allocated as follows:

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

Accounts receivable from insurances

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

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

Insurance and reinsurance companies (Debit balances)

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

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

Technical provisions for Insurance on individuals and fund formation

a) Mathematical reserve

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

b) Provision for outstanding claims

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

Technical provisions for properties and liabilities insurances

a) Provision for unearned premium

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

The unearned provision is equal to the sum of multiplying net premiums of the branch whose loss rate exceeds $(100\%) \times 50\%$ 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.

Credit balances of insurance and reinsurance companies

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

Allocation of general and administrative expenses – insurance activity

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

Production costs - insurance activity

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

Insurance activity risks

Regulatory framework of the Risk Management Department

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

Insurance risk

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

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

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

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

Technical bases used in estimating the mathematical reserve

First: Used Life Table

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

Partial disability and permanent total disability: reinsurance rates.

Second: Used Interest Rates

Collective Contracts

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

Individual Contracts

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

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

Maximum rates allowed to be used are 3%.

Third: Methods used to calculate reserves

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

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

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

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

Fourth: Assumptions regarding wage scale

The client will provide 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.

56- Segment reporting

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

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

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

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

Business segments

The Group comprises the following main business segments:

- Energy sector.
- Chemicals & Fertilizers sector.
- Insurance sector.
- Wood Processing sector.
- Other operations.

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

Geographical segments

In presenting information on the basis of geographical segments, segment revenue is based on the geographical location of customers. Segment assets are based on the geographical location of the assets.

Egypt Kuwait Holding Co. (An Egyptian Joint Stock Company)
Notes to the consolidated financial statements (Cont.) for the financial year ended December 31, 2021
All numbers are in US Dollars

56- Statement Reporting (Cont.)

	Energy sector		Chemicals & fertilizers sector		Insurance sector		Wood processing sector		Other operations		Total	
	2021	2020	2021	2020	2021	2020	2021	2020	2021	2020	2021	2020
Revenue	245 542 234	197 987 364	451 768 224	301 226 398	66 221 209	54 679 747	168 864	301 448	3 813 761	3 715 349	767 513 492	557 890 386
Net operating profit	80 294 987	73 051 228	138 408 500	79 876 654	18 140 693	14 149 883	(2 590 973)	(1 091 112)	63 711 361	24 281 805	299 564 648	190 268 458
Financing expenses	(6 927 471)	(2 210 303)	(4 917 253)	(3 351 631)	-	-	374 483	223 079	(14 020 366)	(13 097 693)	(35 490 787)	(18 436 548)
Interest income	1 226 556	1 718 936	1 896 846	2 503 594	116 612	358 537	564 191	235 722	884 311	662 119	4 698 516	5 478 998
Company's share of profit of equity-accounted investees (associates Companies)	-	-	-	-	1 504 681	578 750	-	-	-	-	1 504 681	578 750
Net profit (loss) for the year before income tax	74 661 164	72 508 475	142 305 064	84 649 606	19 767 713	15 100 895	(2 034 785)	(698 129)	48 285 806	11 272 508	282 984 962	182 833 355
Income tax	(14 073 567)	(12 123 940)	(40 015 441)	(16 376 708)	(13 307 243)	(11 408 022)	(90 318)	(34 020)	10 187 478	10 989 320	(57 399 891)	(28 953 378)
Net profit for the year	65 829 678	60 384 535	102 289 623	68 272 898	17 087 032	14 546 534	(2 125 103)	(732 150)	42 684 641	11 408 168	225 685 071	153 879 985
Total assets	703 674 490	463 112 858	804 028 140	679 344 000	191 825 725	168 453 162	83 294 142	56 214 143	382 854 609	253 101 480	2 165 677 186	1 620 226 643
Equity - accounted investees (associates Companies)	-	6 940 362	-	-	18 546 476	17 253 618	-	-	500 010	418 587	19 046 486	24 612 567
Total liabilities	(527 605 952)	(241 315 195)	(189 181 059)	(156 256 040)	(133 976 523)	(123 229 798)	(48 112 839)	(26 877 207)	(353 357 759)	(282 499 865)	(1 252 234 132)	(838 178 185)
Depreciation & amortization	(25 773 011)	(24 246 873)	(20 714 499)	(21 428 894)	(198 749)	(318 455)	(189 240)	(57 741)	(574 921)	(523 189)	(47 458 428)	(46 646 152)

57- Use of estimates and judgments

The preparation of the consolidated financial statements in conformity with Egyptian Accounting Standards (EASs) requires management to make judgments, estimates and assumptions that affect the application of policies and reported amounts of assets and liabilities, income and expenses. The estimates and associated assumptions are based on historical experience and various other factors that are believed to be reasonable under the circumstances, the results of which form the basis of making the judgments about the carrying values of assets and liabilities that are readily apparent from other sources. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis, revisions to accounting estimates are recognized in the period in which the estimate is revised if the revision affects only that period or in the period of the revision and future period if the revision affects both current and future periods.

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

Judgments

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

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

Use of estimates and assumptions

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

Impairment of non-financial assets

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

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

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

Expected credit losses provision for commercial customers

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

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

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

Provisions

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

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

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

Useful life of fixed assets

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

Lease contracts – estimation of the additional borrowing rate

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