

*Translated*

**Egypt Kuwait Holding Company**  
**and its subsidiaries**  
**Interim Consolidated financial statements**  
**For the financial period ended at June 30, 2022**  
**and limited review report**

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## **Hazem Hassan**

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**Translated**

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

#### **Introduction**

We have reviewed the accompanying consolidated statement of financial position of Egypt Kuwait Holding Company – An Egyptian Joint Stock Company, as of June 30, 2022 and the related consolidated statements of income, comprehensive income, changes in equity and cash flows for the Six-months period then ended, and a summary of significant accounting policies and other explanatory notes. Management is responsible for the preparation and fair presentation of these interim consolidated financial statements in accordance with Egyptian Accounting Standards. Our responsibility is to express a conclusion on these consolidated interim financial statements based on our limited review.

#### **Scope of Limited Review**

We conducted our review in accordance with Egyptian Standard on Review Engagements 2410, "Review of Interim Financial Information Performed by the Independent Auditor of the Entity". A Limited review of interim financial information consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with Egyptian Standards on Auditing and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion on these consolidated financial statements.

#### **Conclusion**

Based on our review of the consolidated financial statements of Egypt Kuwait Holding Company, nothing has come to our attention that causes us to believe that the accompanying consolidated interim financial information do not present fairly, in all material respects, the consolidated financial position of Egypt Kuwait Holding Company as of June 30, 2022, and of its financial performance and its cash flows for the Six-months period then ended in accordance with Egyptian Accounting Standards.

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

As indicated in Note No. (50) 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 period. This epidemic caused disturbances in most commercial and economic activities in general and on certain number of group's activities, such as energy, fertilizer and chemicals activity in particular. Therefore, this might have a significant impact on the pre-defined operational, marketing plans and future cash flows associated with it in addition to the associated elements of revenues, cost of revenues and the effect on gross / net profit of the group during the period and the following periods.



Hazem Hassan

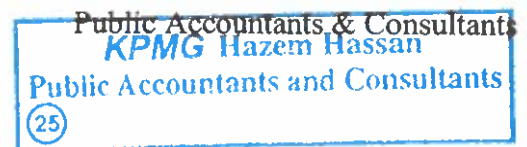
Translated

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

KPMG Hazem Hassan

KPMG Hazem Hassan

Cairo, 14 August , 2022



Egypt Kuwait Holding Company  
(An Egyptian Joint Stock Company)  
Interim consolidated statement of financial position as of June 30, 2022  
All numbers are in US Dollars

Translated

	Note No.	30/6/2022	(Restated) 31/12/2021	(Restated) 1/1/2021
<b>Assets</b>				
<b>Non-current assets</b>				
Equity-accounted investees (associates Companies)	(15)	19 969 472	19 046 486	24 612 567
Financial assets at fair value through other comprehensive income	(16)	180 526 377	143 449 731	237 188 715
Financial assets at amortized cost	(17)	288 533 892	335 806 633	204 080 463
Property, plant and equipment and projects under construction	(18)	307 100 533	296 141 133	263 642 413
Exploration & development assets	(19)	171 109 318	166 390 837	73 012 244
Right of use assets	(20)	10 272 606	12 091 339	12 801 010
Goodwill	(21)	85 972 201	139 615 877	63 514 041
Intangible assets	(22)	892 486	1 190 960	1 682 136
Biological assets	(23)	3 273 394	3 270 479	1 550 797
Trade & notes receivables		3 048 335	123 333	263 245
<b>Total non-current assets</b>		<b>1 070 698 614</b>	<b>1 117 127 068</b>	<b>882 347 653</b>
<b>Current assets</b>				
Cash and cash equivalents	(24)	380 548 050	190 013 037	212 867 993
Financial assets at fair value through other comprehensive income	(16)	70 361 323	66 232 783	-
Financial assets at amortized cost	(17)	87 703 805	351 098 103	211 187 961
Financial assets at fair value through profit or loss	(25)	31 603 782	54 109 648	39 404 659
Trade & notes receivables	(26)	122 493 007	104 248 145	79 382 105
Derivative financial instruments	(27)	-	1 209 064	-
Other current assets	(28)	92 824 377	132 825 240	75 643 258
Inventories	(29)	100 521 440	88 717 153	73 698 519
Work in progress	(30)	31 594 653	31 941 307	32 338 938
Non-current assets held for sale	(31)	28 155 558	28 155 558	13 255 557
<b>Total current assets</b>		<b>945 809 995</b>	<b>1 048 550 038</b>	<b>737 878 990</b>
<b>Total assets</b>		<b>2 016 508 609</b>	<b>2 165 677 106</b>	<b>1 620 226 643</b>
<b>Equity and Liabilities</b>				
<b>Equity of the Parent Company :</b>				
Issued & paid up capital	(32)	281 721 321	281 721 321	256 110 292
Set aside for issued & paid up capital increase		-	-	25 611 029
Legal reserve		139 587 671	128 055 146	127 895 032
Other reserves	(33)	( 280 082 294)	( 180 427 018)	( 163 440 787)
Retained earnings	(34)	481 821 923	444 234 326	310 028 262
Treasury shares		-	-	( 8 199 619)
<b>Total equity of the Parent Company</b>		<b>613 048 621</b>	<b>673 583 775</b>	<b>548 004 169</b>
Non-controlling interests	(34-12)	267 697 040	235 477 190	237 662 360
<b>Total equity</b>		<b>880 745 661</b>	<b>909 060 965</b>	<b>785 666 529</b>
<b>Liabilities</b>				
<b>Non-current liabilities</b>				
Long-term loans	(35)	300 626 421	256 739 897	142 324 271
Bank facilities	(39)	120 785 840	198 688 990	135 107 429
Other long-term liabilities	(36)	3 931 780	3 886 761	2 841 505
Lease contracts liabilities	(20)	9 159 878	9 871 539	10 829 778
Deferred tax liabilities	(37)	11 843 793	14 088 096	17 786 770
<b>Total non-current liabilities</b>		<b>446 350 712</b>	<b>483 275 283</b>	<b>308 889 783</b>
<b>Current liabilities</b>				
Provisions	(38)	69 449 917	69 894 101	34 327 480
Portion due during the year of long-term loans	(35)	51 151 135	116 782 700	67 793 230
Bank facilities	(39)	109 160 558	128 912 633	123 474 130
Lease contracts liabilities	(20)	1 681 453	2 453 880	1 546 294
Insurance policyholder's rights	(40)	98 010 689	115 307 443	105 377 827
Suppliers, contractors, notes payable & other credit balances	(41)	298 344 569	284 062 249	163 280 408
Derivative financial instruments	(27)	2 836 913	-	-
Accrued income tax		58 777 000	55 927 852	29 870 992
<b>Total current liabilities</b>		<b>689 412 236</b>	<b>773 340 158</b>	<b>525 670 361</b>
<b>Total liabilities</b>		<b>1 135 762 948</b>	<b>1 256 616 141</b>	<b>834 560 114</b>
<b>Total equity and liabilities</b>		<b>2 016 508 609</b>	<b>2 165 677 106</b>	<b>1 620 226 643</b>

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

Group Chief Financial Officer  
Medhat Hamed Benon

Managing Director  
Sherif Al-Zayni

Chairman  
Loay Jassim Al-Kharafi

\* Limited review report "attached"

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

Egypt Kuwait Holding Company  
(An Egyptian Joint Stock Company)

Interim consolidated statement of income for the financial period ended June 30, 2022

All numbers are in US Dollars

	Note No.	The six months ended 30/6/2022		The six months ended 30/6/2021	
		From 1/4/2022 To 30/6/2022	From 1/1/2022 To 30/6/2022	From 1/4/2021 To 30/6/2021	From 1/1/2021 To 30/6/2021
Revenues	(5)	274 609 512	549 109 425	170 661 652	349 306 733
Cost of revenue recognition	(6)	( 133 009 296)	( 269 080 119)	(103 268 175)	( 217 230 833)
Gross profit		141 600 216	280 029 306	67 393 477	132 075 900
Income from investments	(7)	9 743 732	25 870 393	15 137 462	28 022 820
Other income	(8)	1 293 166	16 317 162	1 457 836	2 618 820
Selling & distribution expenses	(9)	( 2 001 657)	( 4 170 494)	(1 918 984)	( 3 589 260)
General & administrative expenses		( 11 683 363)	( 29 663 040)	(9 191 136)	( 17 156 499)
Reversal of expected credit (losses)		( 882 640)	2 366 651	40 140	435 683
Other expenses	(10)	( 1 939 960)	( 2 412 014)	( 668 683)	( 1 975 560)
Net operating profit		136 129 494	288 337 964	72 250 112	140 431 904
Interest income		1 294 300	2 370 898	1 190 113	2 875 288
Forward foreign exchange contracts' (losses) profit		( 539 172)	( 3 698 376)	2 897 866	2 897 866
Financing expenses		( 7 662 482)	( 15 947 216)	(5 465 278)	( 9 929 500)
Net profit (losses) from foreign currency translation differences		669 416	( 3 008 904)	( 128 659)	( 732 557)
Net financing cost		( 6 237 938)	( 20 283 598)	( 1 505 958)	( 4 888 903)
Company's share of profit of equity - accounted investees (associates Companies)		424 125	1 014 546	294 528	709 131
Net profit for the period before income tax		130 315 681	269 068 912	71 038 682	136 252 132
Income tax	(11)	( 28 447 151)	( 53 183 468)	( 14 754 301)	( 26 957 170)
Net profit for the period		101 868 530	215 885 444	56 284 381	109 294 962
Net profit attributable to:					
Owners of the Parent Company		72 386 361	143 442 805	45 176 130	87 919 072
Non-controlling interests	(12)	29 482 169	72 442 639	11 108 251	21 375 890
Net profit for the period		101 868 530	215 885 444	56 284 381	109 294 962
Basic / Diluted earnings per share of profits (US cent / Share)	(13)	5.96	11.45	3.44	6.67

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

Egypt Kuwait Holding Company  
(An Egyptian Joint Stock Company)

Interim consolidated statement of comprehensive income for the financial period ended June 30, 2022

All numbers are in US Dollars

	Note No.	The six months ended 30/6/2022		The six months ended 30/6/2021	
		From 1/4/2022 To 30/6/2022	From 1/1/2022 To 30/6/2022	From 1/4/2021 To 30/6/2021	From 1/1/2021 To 30/6/2021
Net profit for the period		101 868 530	215 885 444	56 284 381	109 294 962
<b>Other comprehensive income</b>					
<u>Items that will not be reclassified to statement of income</u>					
Financial assets at fair value through other comprehensive income	(16)	( 11 544 858)	( 20 102 458)	1 191 858	( 12 867 479)
		( 11 544 858)	( 20 102 458)	1 191 858	( 12 867 479)
<u>Items may be reclassified subsequently to statement of income</u>					
Foreign currency translation differences		( 13 928 565)	( 92 235 563)	10 183 116	490 154
		( 13 928 565)	( 92 235 563)	10 183 116	490 154
Total other comprehensive income for the period after deducting tax		( 25 473 423)	( 112 338 021)	11 374 974	( 12 377 325)
Total comprehensive income		76 395 107	103 547 423	67 659 355	96 917 637
<b>Total comprehensive income attributable to:</b>					
Owners of the Parent Company		48 780 169	43 787 529	54 972 346	78 616 966
Non-controlling interests		27 614 938	59 759 894	12 687 009	18 300 671
Total comprehensive income		76 395 107	103 547 423	67 659 355	96 917 637

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

Interim consolidated statement of changes in equity for the financial period ended June 30, 2022

All numbers are in US Dollars

	Note No.	Issued & paid up capital	Set aside for issued & paid up capital increase	Legal reserve	Reserves				Related earnings	Treasury shares	Total equity of the parent Company	Non-controlling interests	Total equity
					Special reserve - Share premium	General reserve	Fair value reserve	Translation reserve					
Balance as of January 1, 2021 before adjustment		256 110 292	25 611 029	127 895 052	57 954 547	8 380 462	(54 656 195)	(182 622 817)	321 852 054	(8 199 679)	552 324 745	237 723 793	790 048 538
Prior period adjustments		-	-	-	-	-	7 503 216	-	(11 823 792)	-	(4 320 576)	(61 433)	(4 382 009)
Balance as of January 1, 2021 after adjustment	(14)	256 110 292	25 611 029	127 895 052	57 954 547	8 380 462	(47 152 979)	(182 622 817)	310 028 262	(8 199 679)	548 004 169	237 662 360	785 666 539
<b>Comprehensive income</b>													
Net profit for the period		-	-	-	-	-	-	-	87 919 072	-	87 919 072	21 375 890	109 294 962
Other comprehensive income		-	-	-	-	-	(8 932 508)	(1 369 598)	-	-	(9 302 106)	(3 075 219)	(12 377 325)
Total comprehensive income		-	-	-	-	-	(8 932 508)	(1 369 598)	87 919 072	-	78 616 966	18 300 671	96 917 637
<b>Transactions with owners of the Company</b>													
Issued & paid up capital increase		25 611 029	(25 611 029)	-	-	-	-	-	-	-	-	-	-
Transferred to legal reserve		-	-	160 094	-	-	-	-	(1 660 094)	-	-	-	-
Employees and board members' dividends		-	-	-	-	-	-	-	(16 277 709)	-	(16 277 709)	(4 073 438)	(20 351 147)
Non-controlling interests in subsidiaries' dividends		-	-	-	-	-	-	-	-	-	-	(4 414 174)	(4 414 174)
Acquisition of non-controlling interests without change in control		-	-	-	-	-	-	-	(17 204 725)	-	(17 204 725)	(39 981 144)	(57 185 869)
Sale of treasury shares		-	-	-	-	-	-	-	752 517	8 199 679	8 952 196	-	8 952 196
Total transactions with owners of the Company		25 611 029	(25 611 029)	160 094	-	-	-	-	(32 890 011)	8 199 679	(24 530 238)	(48 468 756)	(72 998 994)
<b>Other changes</b>													
Changes in non-controlling interests		-	-	-	-	-	-	-	-	-	-	(555 619)	(555 619)
Total other changes		-	-	-	-	-	-	-	-	-	-	(555 619)	(555 619)
Balance as of June 30, 2021		281 721 321	-	128 055 146	57 954 547	8 380 462	(56 085 487)	(182 992 415)	365 897 323	-	602 090 897	206 938 656	809 029 553
<b>Balance as of January 1, 2022 before adjustment</b>		281 721 321	-	128 055 146	57 954 547	8 380 462	(68 848 500)	(185 416 743)	456 058 118	-	677 904 351	235 538 623	913 442 974
Prior period adjustments		-	-	-	-	-	7 503 216	-	(11 823 792)	-	(4 320 576)	(61 433)	(4 382 009)
Balance as of January 1, 2022 after adjustment	(14)	281 721 321	-	128 055 146	57 954 547	8 380 462	(61 345 284)	(185 416 743)	444 234 326	-	673 583 775	235 477 190	909 060 965
<b>Total Comprehensive Income</b>													
Net profit for the period		-	-	-	-	-	-	-	143 442 805	-	143 442 805	72 442 639	215 885 444
Other comprehensive income		-	-	-	-	-	(17 060 186)	(82 595 090)	-	-	(99 655 276)	(12 682 745)	(112 338 021)
Total comprehensive income		-	-	-	-	-	(17 060 186)	(82 595 090)	143 442 805	-	43 787 529	59 759 894	103 547 423
<b>Transactions with owners of the Company</b>													
Transferred to legal reserve		-	-	1 532 525	-	-	-	-	(1 532 525)	-	-	-	-
Shareholders' dividends		-	-	-	-	-	-	-	(78 881 970)	-	(78 881 970)	-	(78 881 970)
Employees and board members' dividends		-	-	-	-	-	-	-	(25 440 713)	-	(25 440 713)	(5 102 656)	(30 543 369)
Non-controlling interests in subsidiaries' dividends		-	-	-	-	-	-	-	-	-	-	(20 625 571)	(20 625 571)
Total transactions with owners of the Company		-	-	1 532 525	-	-	-	-	(194 805 208)	-	(194 805 208)	(25 728 227)	(130 050 918)
<b>Other changes</b>													
Changes in non-controlling interests		-	-	-	-	-	-	-	-	-	-	(1 811 817)	(1 811 817)
Total other changes		-	-	-	-	-	-	-	-	-	-	(1 811 817)	(1 811 817)
Balance as of June 30, 2022		281 721 321	-	129 587 671	57 954 547	8 380 462	(78 405 470)	(268 011 833)	481 821 923	-	613 948 621	267 697 040	880 745 661

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



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

**Interim consolidated statement of cash flows for the financial period ended June 30, 2022**

All numbers are in US Dollars

	Note No.	The six months ended in 30/6/2022	The six months ended in 30/6/2021
<b>Cash flows from operating activities</b>			
Net profit for the period before income tax		269 068 912	136 252 132
<b>Adjustments for:</b>			
Depreciation & amortization		25 834 538	18 937 439
Company's share of profit of Equity - accounted investees (associates Companies)		(1 014 546)	(709 131)
Changes in fair value of financial assets at fair value through profit or loss		(2 380 706)	374 250
Financing expenses		15 947 216	9 929 500
Interest income		(2 370 898)	(2 875 288)
Capital gain		(110 379)	(777 829)
Provisions no longer required		(869 479)	(410 083)
Provisions formed		2 412 014	1 975 560
Reversal of write down of inventory		(39 407)	-
Foreign exchange currency differences		7 102 034	-
Gain on sale of subsidiary's share		(8 542 398)	-
Forward foreign exchange contracts' losses (profit)		3 698 376	(2 897 866)
Income from financial assets at fixed return		(18 864 033)	(28 202 150)
Other income - loan settlement		49 654 784	-
Reversal of expected credit losses		(2 366 651)	(435 683)
		<u>337 159 377</u>	<u>131 160 851</u>
<b>Change in:</b>			
Financial assets at fair value through profit or loss		24 886 572	(2 728 148)
Trade & notes receivables		(21 616 628)	(27 931 327)
Other current assets		36 709 797	(29 271 264)
Inventories		(11 764 880)	(1 658 765)
Work in progress		346 654	1 045 926
Lease contracts liabilities		1 084 663	(148 956)
Suppliers, contractors, notes payable & other credit balances		10 512 357	32 750 863
Insurance policyholders' rights		(17 296 754)	1 540 851
Time deposits		46 384 454	(580 486)
Restricted deposits		-	(40 000 000)
Provisions used		(565 132)	(293 956)
Paid income tax		(38 245 440)	(24 770 447)
<b>Net cash from operating activities</b>		<u>367 595 040</u>	<u>39 115 142</u>
<b>Cash flows from investing activities</b>			
Collected interest		7 205 929	1 791 365
Payments for additions of property, plant & equipment, and projects under construction	(14)	(37 055 885)	(16 832 247)
Payments for additions of biological assets		(220 900)	(341 627)
Payments for additions of exploration & development assets		(16 052 744)	(10 331 276)
Proceeds from sale of property, plant and equipment		124 474	909 868
(Payments for) proceeds from financial assets at fair value through other comprehensive income		(67 537 910)	5 151 105
Proceeds from (payments for) financial assets at amortized cost		280 800 525	(154 592 196)
Proceeds from sale of investments in subsidiaries		15 000 000	-
<b>Net cash from (used in) investing activities</b>		<u>182 263 489</u>	<u>(174 245 008)</u>
<b>Cash flows from financing activities</b>			
Proceeds from loans and bank facilities		114 289 962	187 178 351
Payments of loans and bank facilities		(233 690 228)	(103 476 459)
Payments of financing expenses		(15 870 610)	(9 852 894)
Non-controlling interests		(30 592 637)	(74 015 336)
Proceeds from sale of treasury shares		-	8 952 196
Paid dividends		(126 709 621)	(16 277 709)
Proceeds from forward foreign exchange contracts' profit		531 095	372 146
<b>Net cash (used in) financing activities</b>		<u>(292 042 039)</u>	<u>(7 119 705)</u>
Foreign currency translation differences of accumulated financial statements		(69 791 913)	5 058 434
<b>Net change in cash and cash equivalents during the period</b>		<u>188 024 577</u>	<u>(137 191 137)</u>
Cash and cash equivalents at beginning of the period		253 572 583	351 562 628
<b>Cash and cash equivalents at end of the period</b>	(24)	<u>441 597 160</u>	<u>214 371 491</u>

\* The accompanying notes on pages from (6) to (65) are an integral part of these interim 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.
- On March 31, 2022, the General Assembly of the shareholders of the Holding Company approved to extend the duration of the Company for additional 25 years.
- The Company's financial year starts on January 1<sup>st</sup> and ends on December 31<sup>st</sup> each year.
- The Company's purpose is represented in investment in all activities stated in Article 1 of Law No. 230 of 1989, provided that its object does not include accepting deposits or performing banking transactions and comprise the following activities: -
  - Securities underwriting and promotion.
  - Participation in Companies, which issue securities or increasing their capital.
  - Venture capital.

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

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

- The registered office of the Company is located at 14 Hassan Mohamed El Razaz St.-Dokki-Egypt. Mr. Loay Jassim Al-Kharafi 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, the activity of life insurance generally, real estate development and Microfinance and consumer finance.

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

- The consolidated financial statements have been prepared in accordance with Egyptian accounting standards in compliance with Egyptian Laws.
- The consolidated financial statements were authorized for issuance by the Board of Directors of the Company on August 14, 2022.
- Details of the Group's accounting policies are included in Note 52.

**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 52-4 – revenue recognition: revenue is recognized as detailed in the accounting policies applied.
- Note 52-1 – equity-accounted investees (associates Companies): whether the Group has significant influence over an investee.
- Note 52-22 – lease contracts classification.

**B- Assumptions and estimation uncertainties**

Information about assumptions and estimation uncertainties at June 30, 2022 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 (52-21)–recognition and measurement of provisions and contingencies: key assumptions about the likelihood and magnitude of an outflow of resources.
- Note (52-20) – 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.

**5- Revenues**

	The six-months ended 30/6/2022		The six-months ended 30/6/2021	
	From 1/4/2022 To 30/6/2022	From 1/1/2022 To 30/6/2022	From 1/4/2021 To 30/6/2021	From 1/1/2021 To 30/6/2021
Fertilizer's activity revenues	132 927 072	256 571 560	63 688 720	128 681 680
Chemicals & plastic activity revenues	58 963 766	113 114 632	40 351 918	87 674 699
Gas & electricity supplies activity revenues	31 909 283	73 269 336	34 219 187	68 715 261
Drilling and petroleum services activity revenues	35 702 712	70 881 660	16 466 445	30 248 530
Insurance activity revenues	11 869 579	28 442 479	12 668 316	28 767 929
Cooling technology by natural gas activity revenues	985 123	3 382 550	2 231 189	3 435 077
Agencies activity revenues	165 422	372 381	188 398	387 407
Other activity revenues	2 086 555	3 074 827	847 479	1 396 150
	<b>274 609 512</b>	<b>549 109 425</b>	<b>170 661 652</b>	<b>349 306 733</b>

**6-Cost of revenue recognition**

	The six-months ended 30/6/2022		The six-months ended 30/6/2021	
	From 1/4/2022 To 30/6/2022	From 1/1/2022 To 30/6/2022	From 1/4/2021 To 30/6/2021	From 1/1/2021 To 30/6/2021
Fertilizer's activity costs	47 289 158	98 463 931	38 884 737	81 913 988
Chemicals & plastic activity costs	38 279 680	67 502 163	23 458 288	53 353 802
Gas & electricity supplies activity costs	21 114 724	47 924 257	22 902 375	44 815 653
Drilling and petroleum services activity costs	13 516 515	26 067 640	5 767 538	10 705 103
Insurance activity costs	9 698 039	22 442 939	9 591 717	22 256 487
Cooling technology by natural gas activity costs	766 039	3 031 986	1 878 011	2 831 230
Agencies activity costs	111 292	236 085	134 153	272 820
Other activity costs	2 233 849	3 411 118	651 356	1 081 750
	<b>133 009 296</b>	<b>269 080 119</b>	<b>103 268 175</b>	<b>217 230 833</b>

**7- Income from investments**

	<b>The six-months ended 30/6/2022</b>		<b>The six-months ended 30/6/2021</b>	
	<b>From 1/4/2022 To 30/6/2022</b>	<b>From 1/1/2022 To 30/6/2022</b>	<b>From 1/4/2021 To 30/6/2021</b>	<b>From 1/1/2021 To 30/6/2021</b>
Income from financial assets at fixed return	2 814 038	18 864 033	20 794 774	28 202 150
Gain on sale of financial assets at fixed return	-	-	(6 053 335)	-
Gain from investments at fair value through profit or loss	286 297	662 346	-	-
Change in fair value of financial assets at fair value through profit or loss	(1 579 863)	(2 380 706)	201 103	(374 250)
Income from investments at fair value through other comprehensive income	(319 139)	182 321	194 920	194 920
Gain on sale of subsidiary's share	8 542 399	8 542 399	-	-
	<b>9 743 732</b>	<b>25 870 393</b>	<b>15 137 462</b>	<b>28 022 820</b>

**8- Other income**

	<b>The six-months ended 30/6/2022</b>		<b>The six-months ended 30/6/2021</b>	
	<b>From 1/4/2022 To 30/6/2022</b>	<b>From 1/1/2022 To 30/6/2022</b>	<b>From 1/4/2021 To 30/6/2021</b>	<b>From 1/1/2021 To 30/6/2021</b>
Drawback and exports subsidies revenues	538 643	976 513	847 073	847 073
Provisions no longer required	372 849	869 479	203 694	410 083
Capital gain	6 326	110 379	30 424	777 829
Loan settlement*	-	13 772 060	-	-
Other	375 348	588 731	376 645	583 835
	<b>1 293 166</b>	<b>16 317 162</b>	<b>1 457 836</b>	<b>2 618 820</b>

- \* On February 23, 2022, MOG Energy Company (one of the group companies) signed a settlement contract for the joint loan granted from several banks, which provides for a final settlement by paying an amount of USD 27 million approximately in return for exempting the company from paying the total remaining amount of the loan value and the interest payable, totaling the amount on the settlement date USD 63.42 million approximately.
- On February 27, 2022, the management of MOG Energy Company ended the settlement with the banks and paid the agreed settlement amount, and the company obtained clearances from all the lending banks, each according to its share in the loan.



- \* The group share of that exemption amounting to USD 49.65 million approximately, the goodwill value of MOG Energy Company has been reduced (Note No. 21), and the remaining amount of settlement has been recognized in other income account with an amount of USD 13.77 million approximately.

#### 9- Selling & distribution expenses

	The six-months ended 30/6/2022		The six-months ended 30/6/2021	
	From 1/4/2022 To 30/6/2022	From 1/1/2022 To 30/6/2022	From 1/4/2021 To 30/6/2021	From 1/1/2021 To 30/6/2021
Chemicals & plastic activity	1 758 361	3 712 793	1 686 935	3 170 780
Fertilizers activity	156 712	275 068	133 836	224 842
Cooling technology by natural gas activity	48 908	94 460	39 331	78 805
Other	37 676	88 173	58 882	114 833
	<u>2 001 657</u>	<u>4 170 494</u>	<u>1 918 984</u>	<u>3 589 260</u>

#### 10- Other expenses

	The six-months ended 30/6/2022		The six-months ended 30/6/2021	
	From 1/4/2022 To 30/6/2022	From 1/1/2022 To 30/6/2022	From 1/4/2021 To 30/6/2021	From 1/1/2021 To 30/6/2021
Provisions formed	1 939 960	2 412 014	668 683	1 975 560
	<u>1 939 960</u>	<u>2 412 014</u>	<u>668 683</u>	<u>1 975 560</u>

#### 11- Income tax

	The six-months ended 30/6/2022		The six-months ended 30/6/2021	
	From 1/4/2022 To 30/6/2022	From 1/1/2022 To 30/6/2022	From 1/4/2021 To 30/6/2021	From 1/1/2021 To 30/6/2021
Current income tax expense	27 480 264	54 781 038	15 463 057	28 363 250
Deferred income tax expense (benefit)	966 887	(1 597 570)	(708 756)	(1 406 080)
	<u>28 447 151</u>	<u>53 183 468</u>	<u>14 754 301</u>	<u>26 957 170</u>

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**Notes to the interim consolidated financial statements (Cont.)**

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**Adjustments to calculate the effective tax rate**

	<b>The six- months ended 30/6/2022</b>	<b>The six- months ended 30/6/2021</b>
Consolidated net accounting profit before income tax	269 068 912	136 252 132
Tax rate	22.5 %	22.5 %
Expected income tax on accounting profit	60 540 505	30 656 730
Expenses not applicable to tax deduction	161 273	191 198
Tax exemptions	(8 708 541)	(4 327 764)
Provision's effect	(18 108)	342 275
Property, plant & equipment' depreciation, and other assets amortization	1 628 650	1 593 906
Capital gain & loss	528 694	(14 274)
Books' currency differences	648 565	859
Other	-	(79 680)
Deferred income tax	(1 597 570)	(1 406 080)
<b>Tax according to consolidated statement of income</b>	<b>53 183 468</b>	<b>26 957 170</b>
<b>Effective tax rate</b>	<b>19.77 %</b>	<b>19.78 %</b>

**12- Non-controlling interests**

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

	<b>Non- controlling interests %</b>	<b>Non- controlling share in subsidiaries' profits</b>	<b>Non- controlling share in equity excluding profits (losses) for the period</b>	<b>Non-controlling interests as of 30/6/2022</b>	<b>Non-controlling interests as of 31/12/2021</b>
National Gas Co. "Natgas"	16.02	2 894 276	19 423 909	22 318 185	25 132 616
Globe for Communications & Information Technology Co.	1	-	4 878	4 878	5 834
Cooling Technology by Natural Gas Co.- Gas Chill	14.01	17 931	584 828	602 759	752 652
Gas Technology Co.- Go Gas	0.80	-	10 788	10 788	12 903
Midor Suez for Oil Refinery Co.	0.002	-	6	6	6
El Fayoum Gas Co.	22.01	437 431	2 021 215	2 458 646	2 701 219
Bawabat Al Kuwait Holding Company	35.46	44 604 084	144 766 298	189 370 382	171 344 363
Arabian Company for Fertilizers	19.81	199	(18 139)	(18 338)	(18 537)
El Shorouk for Melamine & Resins Co.	4.95	13 719	107 635	121 354	130 091
NSCO Co.	0.0007	106	474	580	474
Delta Insurance Co.	36.78	2 045 966	23 551 911	24 597 877	26 266 399
MOG Energy Co.	21.71	22 552 057	(564 012)	21 988 045	9 149 170
Global MDF	16.20	(123 130)	6 365 008	6 241 878	-
		<b>72 442 639</b>	<b>196 254 799</b>	<b>267 697 040</b>	<b>235 477 190</b>

**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 number of outstanding shares as follows:

	<u>The six-months ended 30/6/2022</u>		<u>The six-months ended 30/6/2021</u>	
	From 1/4/2022 To 30/6/2022	From 1/1/2022 To 30/6/2022	From 1/4/2021 To 30/6/2021	From 1/1/2021 To 30/6/2021
Net profit for the period (owners of the parent Company)	72 386 361	143 442 805	45 176 130	87 919 072
Employees & board member's share in profit -parent Co.	(3 985 467)	(7 967 520)	(2 455 969)	(4 911 938)
Employees & board member's share in profit in subsidiaries - proposal	(1 270 197)	(6 410 655)	(3 904 209)	(7 808 418)
Shareholder's share in net profit for the period	<u>67 130 697</u>	<u>129 064 630</u>	<u>38 815 952</u>	<u>75 198 716</u>
Number of outstanding shares during the period	1 126 885 287	1 126 885 287	1 126 885 287	1 126 885 287
<b>Basic/diluted earnings per share of profits (US cent / Share)</b>	<u>5.96</u>	<u>11.45</u>	<u>3.44</u>	<u>6.67</u>

- Number of outstanding shares during the period calculated as follows:

	<u>The six- months ended 30/6/2022</u>	<u>The six- months ended 30/6/2021</u>
Issued shares at the beginning of the period	1 126 885 287	1 016 393 170
Effect of bonus shares issuance	-	102 444 117
Treasury shares	-	8 048 000
<b>Number of outstanding shares during the period</b>	<u>1 126 885 287</u>	<u>1 126 885 287</u>

**14- Non-cash transactions**

For the purpose of preparing the consolidated statement of cash flows for the financial period ended June 30, 2022, the effect of the amount USD 719 439 – Property, plant & equipment additions – recorded in suppliers, contractors, notes payables & other creditors has been excluded from investing activities which considered as a non-cash transaction.



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**15- Equity-accounted investees (associates companies)**

	<b>Ownership</b>	<b>30/6/2022</b>	<b>31/12/2021</b>
	<b>%</b>		
<b><u>Investments listed in stock exchange</u></b>			
El-Mohandes Insurance Company	24.99	19 561 151	18 546 476
<b><u>Investments not listed in stock exchange</u></b>			
Inayah Egypt for Medical Care Programs Management Co.	12.644	408 321	500 010
The Egyptian Company for Petroleum Tankers	30	17 128 175	17 128 175
		<b>37 097 647</b>	<b>36 174 661</b>
Impairment losses		(17 128 175)	(17 128 175)
		<b>19 969 472</b>	<b>19 046 486</b>

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

	<b>30/6/2022</b>	<b>31/12/2021</b>
Portfolios managed by investment managers abroad	259 299 121	217 503 717
Local companies' securities listed in the Egyptian Stock Exchange (EGX)	1 051 672	1 641 890
	<b>260 350 793</b>	<b>219 145 607</b>
Expected credit losses	(9 463 093)	(9 463 093)
	<b>250 887 700</b>	<b>209 682 514</b>
Non-current	180 526 377	143 449 731
Current	70 361 323	66 232 783
	<b>250 887 700</b>	<b>209 682 514</b>

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

	<b>30/6/2022</b>	<b>31/12/2021</b>
Fair value	260 350 793	219 145 607
<b><u>Deduct:</u></b>		
Cost	342 872 692	281 565 048
<b>Fair value reserve</b>	<b>(82 521 899)</b>	<b>(62 419 441)</b>
<b><u>Classified as follows:</u></b>		
Shareholders of the Parent Company	(78 405 470)	(61 345 284)
Non-controlling interests	(4 116 429)	(1 074 157)
	<b>(82 521 899)</b>	<b>(62 419 441)</b>

**17- Financial assets at amortized cost**

	<b>30/6/2022</b>	<b>31/12/2021</b>
Investment certificates in local banks "Insurance Sector"	3 246 408	3 882 877
Designated investment certificates in banks "Insurance Sector"	50 005 322	68 962 444
Governmental bonds	161 635 751	188 059 712
Treasury bills	87 705 805	351 098 103
Designated governmental bonds "Insurance Sector"	71 781 981	72 647 271
Governmental bonds in Insurance Sector	1 864 430	2 254 349
	<b>376 239 697</b>	<b>686 904 756</b>
<b><u>Classified as follows: -</u></b>		
Current (due within one year)	87 705 805	351 098 103
Non-current (due after one year)	288 533 892	335 806 653

18- Properties, plant and equipment and projects under construction	Land	Buildings & constructions	Vehicles & transportation	Furniture & office equipment	Machinery & equipment	Tools & supplies	Stations, generators & electric transformers	Computer, software & decorations	Leasehold improvements	Irrigation network	Projects under construction	Total
Cost as of 1/1/2021	32,542,061	59,211,756	13,064,941	9,107,096	412,506,459	2,406,228	81,367,136	8,274,938	1,183,588	-	40,800,595	660,463,898
Additions	6,465	221,440	1,508,415	1,000,068	2,282,836	225,622	3,771,755	1,329,541	-	2,749,726	-	13,095,868
Change in projects under construction	-	-	-	-	-	-	-	-	-	-	-	-
Disposals	-	(31,026)	(234,938)	(37,863)	-	-	-	(126,463)	-	-	45,846,932	45,846,932
Cost of assets acquired through business combination	-	-	569,617	465,178	-	-	-	1,086,889	441,872	-	-	(430,290)
Cost as of 31/12/2021	32,548,526	59,402,170	14,987,135	10,534,479	414,789,295	2,631,850	85,138,891	10,564,905	1,625,460	2,749,726	87,271,402	722,163,839
Cost as of 1/1/2022	32,548,526	59,402,170	14,907,135	10,534,479	414,789,295	2,631,850	85,138,891	10,564,905	1,625,460	2,749,726	87,271,402	722,163,839
Additions	894,487	132,752	597,902	423,651	984,538	32,758	1,078,423	1,240,843	-	-	-	5,365,354
Change in projects under construction	-	-	-	-	-	-	-	-	-	-	-	-
Disposals	-	-	(122,071)	(54,636)	-	-	(534,535)	-	-	-	-	32,389,970
Cost as of 30/6/2022	33,443,013	59,534,922	15,482,966	10,983,494	415,773,833	2,664,608	85,682,779	11,805,748	1,625,460	2,749,726	119,661,372	(611,242)
Depreciation and impairment losses	-	-	-	-	-	-	-	-	-	-	-	759,337,931
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	13,338,925	6,075,888	767,027	-	-	331,958,403
Depreciation	-	2,145,195	938,997	639,946	18,544,833	84,583	2,902,731	642,864	35,826	488,518	-	36,483,493
Accumulated depreciation of disposals	-	(15,083)	(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	11,659,401	8,098,932	253,949,856	1,915,699	16,331,656	7,789,707	1,244,725	488,518	-	361,672,821
Accumulated depreciation and impairment losses as of 1/1/2022	-	30,203,927	11,659,401	8,098,932	253,949,856	1,915,699	16,331,656	7,789,707	1,244,725	488,518	-	361,672,821
Depreciation	-	1,024,768	484,647	323,987	9,219,213	51,095	1,592,534	549,624	18,009	222,433	-	13,536,310
Accumulated depreciation of disposals	-	-	(7,976)	(54,636)	-	-	(534,535)	-	-	-	-	(597,147)
Accumulated depreciation and impairment losses as of 30/6/2022	-	31,228,695	12,136,472	8,368,283	293,219,069	1,966,794	17,379,655	8,339,331	1,262,734	710,951	-	374,611,984
Carrying amount as of 31/12/2021	32,548,526	29,198,243	3,247,534	2,435,547	130,839,439	716,151	68,817,235	2,775,198	380,735	2,261,208	87,271,402	360,491,018
Effect of change in foreign exchange rates	(5,060,315)	(10,202,601)	(800,166)	(554,245)	(25,636,937)	(417,939)	(14,663,760)	(35,872)	(141,628)	(1,441)	(6,742,961)	(64,349,855)
Carrying amount as of December 31, 2021	27,488,211	18,995,642	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	296,141,133
Carrying amount as of 30/6/2022	33,443,013	28,306,327	3,346,494	2,535,211	122,551,764	697,814	68,903,124	3,466,417	362,726	2,030,775	119,661,372	384,715,937
Effect of change in foreign exchange rates	(8,675,680)	(9,035,386)	(1,121,949)	(724,808)	(23,676,589)	(453,461)	(23,464,354)	(226,759)	(143,628)	(353,506)	(5,462,517)	(73,338,637)
Carrying amount as of June 30, 2022	24,767,333	19,270,841	2,224,545	1,810,403	98,875,175	244,353	44,838,770	3,239,658	219,093	1,686,269	114,198,855	311,377,300

*Translated*

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Notes to the interim consolidated financial statements (Cont.) for the financial period ended June 30, 2022

All numbers are in US Dollars

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 1/1/2021	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	<u>258 078 242</u>	<u>24 095 854</u>	<u>105 830 089</u>	<u>224 230 654</u>	<u>159 832 556</u>	<u>61 940 069</u>	<u>834 007 464</u>
As of 1/1/2022	258 078 242	24 095 854	105 830 089	224 230 654	159 832 556	61 940 069	834 007 464
Additions	36 097 652	347 597	-	37 804 464	-	4 387 746	78 637 459
Disposals	-	-	-	( 244 746)	-	-	( 244 746)
Change in projects under constructions	-	-	-	-	-	(61 940 069)	(61 940 069)
As of 30/6/2022	<u>294 175 894</u>	<u>24 443 451</u>	<u>105 830 089</u>	<u>261 790 372</u>	<u>159 832 556</u>	<u>4 387 746</u>	<u>850 460 108</u>
<u>Accumulated amortization, depletion, and impairment losses</u>							
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	<u>212 095 976</u>	<u>24 095 854</u>	<u>104 780 635</u>	<u>166 811 586</u>	<u>159 832 556</u>	<u>-</u>	<u>667 616 607</u>
As of 1/1/2022	212 095 976	24 095 854	104 780 635	166 811 586	159 832 556	-	667 616 607
Amortization	6 976 774	38 903	-	4 718 506	-	-	11 734 183
As of 30/6/2022	<u>219 072 750</u>	<u>24 134 757</u>	<u>104 780 635</u>	<u>171 530 092</u>	<u>159 832 556</u>	<u>-</u>	<u>679 350 790</u>
Carrying amount as of 31/12/2021	<u>45 982 266</u>	<u>-</u>	<u>1 049 454</u>	<u>57 419 068</u>	<u>-</u>	<u>61 940 069</u>	<u>166 390 857</u>
Carrying amount as of 30/6/2022	<u>75 103 144</u>	<u>308 694</u>	<u>1 049 454</u>	<u>90 260 280</u>	<u>-</u>	<u>4 387 746</u>	<u>171 109 318</u>

**20- Right of use assets**

	<u>30/6/2022</u>	<u>31/12/2021</u>
<b><u>Cost</u></b>		
Cost at the beginning of the period	13 966 015	13 765 315
Additions	-	23 357
Cost of assets acquired through business combination	-	177 343
<b>Cost at the end of the period</b>	<b><u>13 966 015</u></b>	<b><u>13 966 015</u></b>
<b><u>Accumulated depreciation</u></b>		
Accumulated depreciation at the beginning of the period	(1 933 589)	(1 011 385)
Depreciation	(450 194)	(895 602)
Accumulated depreciation of assets acquired through business combination	-	(26 602)
<b>Accumulated depreciation at the end of the period</b>	<b><u>(2 383 783)</u></b>	<b><u>(1 933 589)</u></b>
<b>Net amount</b>	<b><u>11 582 232</u></b>	<b><u>12 032 426</u></b>
Effect of change in foreign exchange rates	(1 309 626)	59 113
<b>Net carrying amount</b>	<b><u>10 272 606</u></b>	<b><u>12 091 539</u></b>

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

	<u>30/6/2022</u>	<u>31/12/2021</u>
Short-term lease contracts liabilities	1 681 455	2 453 880
Long-term lease contracts liabilities	9 159 878	9 871 539
	<b><u>10 841 333</u></b>	<b><u>12 325 419</u></b>

**21- Goodwill**

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

	<u>30/6/2022</u>	<u>31/12/2021</u>
National Gas Co. (Natgas)	6 603 151	7 897 722
Sprea Misr	9 313 730	11 139 765
El Fayoum Gas Co.	1 356 801	1 622 806
Alex Fertilizer Co.	34 107 324	34 107 324
Delta Insurance Co.	3 072 001	3 674 278
Shield Gas Co.	5 103 083	5 103 083
MOG Energy Co.	26 416 111	76 070 899
	<b><u>85 972 201</u></b>	<b><u>139 615 877</u></b>

**22-Intangible assets**

	Net as of 1/1/2022	Amortization	Translation differences	Net as of 30/6/2022
Deferred revenue charges*	440 960	(110 291)	(63 183)	267 486
Other assets**	750 000	(125 000)	-	625 000
	<u>1 190 960</u>	<u>(235 291)</u>	<u>(63 183)</u>	<u>892 486</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**

	30/6/2022	31/12/2021
Tree forests	561 391	781 527
Wages, salaries, and consultations	969 935	926 936
Fertilizers and pesticides	153 600	156 008
Tools' rent	150 643	162 892
Right of use assets' amortization	189 486	196 929
Usufruct benefit	310 903	260 400
Property plant and equipment' depreciation	674 388	545 505
Other	263 048	240 282
	<u>3 273 394</u>	<u>3 270 479</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 one of the subsidiaries.

**24- Cash and cash equivalents**

	30/6/2022	31/12/2021
Banks – current accounts	198 117 401	100 683 428
Banks – time deposits (less than three months)	182 813 285	44 232 861
Banks – time deposits (more than three months)	369 186	46 753 640
Cash on hand	1 304 375	565 628
	<u>382 604 247</u>	<u>192 235 557</u>
Expected credit losses	(2 056 197)	(2 222 520)
	<u>380 548 050</u>	<u>190 013 037</u>

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

	30/6/2022	30/6/2021
Cash & cash equivalents	382 604 247	205 125 681
Investments in treasury bills - during three months	59 362 099	50 217 962
Restricted deposits	-	(40 000 000)
Time deposits (more than three months)	(369 186)	(972 152)
	<u>441 597 160</u>	<u>214 371 491</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:

	30/6/2022	31/12/2021
Portfolios managed by investment managers "Insurance Sector"	4 325 308	4 516 140
Egyptian Companies' stocks (listed in the Egyptian Stock Exchange)	151 477	264 570
Investments funds	8 785 182	19 983 393
Governmental bonds	18 341 815	29 345 545
	<u>31 603 782</u>	<u>54 109 648</u>

## 26- Trade & notes receivable

	30/6/2022	31/12/2021
Trade receivables	64 739 713	51 199 301
Egyptian General Petroleum Corporation*	42 450 377	35 760 966
	<u>107 190 090</u>	<u>86 960 267</u>
(Deduct): Expected credit losses	(2 093 527)	(1 648 743)
Notes receivable	17 398 444	18 936 621
	<u>122 495 007</u>	<u>104 248 145</u>

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

	30/6/2022	31/12/2021
Natgas Co.	1 172 233	1 574 082
El Fayoum Gas Co.	430 793	515 251
NSCO Co.	40 847 351	33 671 633
	<u>42 450 377</u>	<u>35 760 966</u>



**27- Derivative financial instruments**

The balance of USD 2 836 913 is represented in financial liabilities – derivative financial instruments (year 2021: USD 1 209 064 financial assets – derivative financial instruments), as one of the Group's subsidiaries signed forward exchange contracts in USD with a related bank which deals with, the contractual value of these contracts is amounted to EGP 507 330 000 as of June 30, 2022 (EGP 220 640 000 as of December 31, 2021), these transactions resulted in losses amounting to EGP 63 760 000 during the period (profits amounting to EGP 57 483 037 during year 2021) were recognized in the consolidated statement of income.

**28- Other current assets**

	30/6/2022	31/12/2021
Accrued revenue	26 630 421	25 584 303
Suppliers-advanced payments	9 263 040	34 848 801
Tax Authority	14 942 055	17 010 528
Uncollected issued bills	-	9 581 844
Accounts receivables from insurance	8 553 333	14 608 452
Deposits with others	8 880 801	7 845 372
Prepaid expenses	2 551 342	2 404 235
Cheques under collection	3 590 192	2 234 338
Due from Building Materials Industries Co.	5 675 334	4 530 289
Insurance and reinsurance Companies	1 896 211	1 621 485
Payments to employees under dividends account	795 379	1 280 892
Imprests & employees' custodies	473 673	299 734
Loans guaranteed by individuals' insurance policies	299 688	374 451
Refunded networks costs from the corporation	788 895	2 504 293
Due from Sudapet Co.	1 411 896	1 411 896
Debtors- west Jabal al-Zeit	1 142 656	2 641 930
Due from Egyptian Hydrocarbon Co.	500 000	500 000
Other debit balances	11 984 011	11 640 912
	<b>99 378 927</b>	<b>140 923 755</b>
Expected credit losses	(6 554 550)	(8 098 515)
	<b>92 824 377</b>	<b>132 825 240</b>

**29- Inventories**

	30/6/2022	31/12/2021
Supplies	46 569 645	33 952 200
Spare parts and tools	31 475 155	30 423 646
Fuel and oil	15 679 762	14 023 698
Finished goods and work in process	7 429 763	10 949 173
Letters of credit & goods in transit	4 526	45 254
	<b>101 158 851</b>	<b>89 393 971</b>
(Deduct): Inventory write down	(637 411)	(676 818)
	<b>100 521 440</b>	<b>88 717 153</b>



**30- Work in progress**

	30/6/2022	31/12/2021
Land & buildings under development	31 295 178	30 770 371
Others	299 475	1 170 936
	<b>31 594 653</b>	<b>31 941 307</b>

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

	30/6/2022	31/12/2021
Building Materials Industries Co.*	13 255 558	13 255 558
Egyptian Hydrocarbon Co.**	14 900 000	14 900 000
	<b>28 155 558</b>	<b>28 155 558</b>

\* Assets related to Building Materials Industries Company – Equity - accounted investees (associates Companies) are presented as non-current held for sale as of June 30, 2022, during the last quarter of year 2019, an agreement was signed to manage the sale of shares owned by the group in 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 June 30, 2022, 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**

	30/6/2022	31/12/2021
Special reserve – share premium	57 954 547	57 954 547
General reserve	8 380 462	8 380 462
Fair value reserve	(78 405 470)	(61 345 284)
Foreign exchange reserves	(268 011 833)	(185 416 743)
	<b>(280 082 294)</b>	<b>(180 427 018)</b>

**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.

**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 periods adjustments**

During the period, the opening retained earnings' balance and non-controlling interests were restated by an amount of USD 11 823 792 and an amount of USD 61 433 respectively as follows:

	<b><u>Retained earnings</u></b>	<b><u>Non- controlling interests</u></b>
The retained earnings has been decreased by the amount of expected credit losses for some of the Financial Investments at Fair Value Through Other Comprehensive Income (Group-funded investment portfolios) which were recorded in the financial year 2020 included in the fair value reserve instead of the consolidated income statement on that date.	7 503 216	-
The retained earnings has been decreased by the unrecorded liabilities during years from 2003 to 2020.	4 320 576	61 433
	<b><u>11 823 792</u></b>	<b><u>61 433</u></b>

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**Notes to the interim consolidated financial statements (Cont.)**

**For the financial period ended June 30, 2022**

**All amounts are in US Dollars unless otherwise is mentioned**

**35- Loans**

	<u>Loan's currency</u>	<u>Interest rates</u>	<u>Maturity date</u>	<u>30/6/2022</u>	<u>31/12/2021</u>
<b><u>Egyptian Kuwait Holding Co.</u></b>					
Loan guaranteed by investment portfolio	USD	2.75% above Libor-6 months.	2023-2026	60 000 000	-
Loan guaranteed by investment portfolios	USD	2.5% above Libor-6 months.	2022-2027	200 000 000	200 000 000
<b><u>National Gas Co. "Natgas"</u></b>					
Loan without guarantee	EGP	8% decreasing rate according to the central bank initiative.	2021-2026	5 213 508	7 067 052
Loan guaranteed by treasury bills	EGP	0.25% above average Corridor rate.	2021	8 089 590	4 705 273
<b><u>AD Astra Co.</u></b>					
Loan guaranteed by the pledge of the acquired assets	Euro	From 1.75% to 3.25% annually.	2036	13 429 435	14 689 273
<b><u>MOG Energy Co.</u></b>					
Loan without guarantee	USD	From 4.75% to 5.50% annually above Libor-6 Months.	2021-2022	-	90 695 521
Loan without guarantee	USD	-	2022-2028	13 709 522	14 088 741
<b><u>Asprea for Chemicals Co.</u></b>					
A loan secured by a commercial mortgage on the financed assets	EGP	0.50% annually above Corridor rate, announced by the Central Bank with interest rate 1.25% above Libor for USD	2022-2026	22 053 395	14 849 774
<b><u>Sprea misr for Chemicals &amp; Plastic Co.</u></b>					
Loan without guarantee	EGP	0.75% annually above Corridor rate, announced by the Central Bank and 1.25% above Libor for USD	2021-2026	5 171 578	477 013
<b>C/F</b>				<b>327 667 028</b>	<b>346 572 647</b>

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

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**Notes to the interim consolidated financial statements (Cont.)**

**For the financial period ended June 30, 2022**

**All amounts are in US Dollars unless otherwise is mentioned**

<b>B/F</b>	<b><u>Loan's currency</u></b>	<b><u>Interest rates</u></b>	<b><u>Maturity date</u></b>	<b><u>30/6/2022</u></b>	<b><u>31/12/2021</u></b>
				<b>327 667 028</b>	<b>346 572 647</b>
<b><u>Nile Wood Co.</u></b>					
A loan secured by a commercial mortgage on the financed assets	EGP	8% annually, and replaced by a return of 1.5% above corridor rate in the event of that the financing departs from the initiative of the Central Bank of Egypt.	2023-2028	24 110 528	26 949 950
<b>Total</b>				<b>351 777 556</b>	<b>373 522 597</b>
<b>Current loans</b>				<b>51 151 135</b>	<b>116 782 700</b>
<b>Non-current loans</b>				<b>300 626 421</b>	<b>256 739 897</b>

**36- Other long-term liabilities**

	<b><u>30/6/2022</u></b>	<b><u>31/12/2021</u></b>
Notes payable	-	835 962
Customers advance payment	2 576 713	1 635 105
Deferred revenue	1 356 067	1 415 694
	<b>3 932 780</b>	<b>3 886 761</b>

**37- Deferred tax liabilities**

	<b><u>30/6/2022</u></b>	<b><u>31/12/2021</u></b>
Property, plant and equipment and other assets	11 845 793	14 088 096
	<b>11 845 793</b>	<b>14 088 096</b>

**Deferred tax assets-not recognized**

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

**38- Provisions**

	<b><u>Balance as of 1/1/2022</u></b>	<b><u>Provisions formed</u></b>	<b><u>Provisions used</u></b>	<b><u>Provisions no longer required</u></b>	<b><u>Translation differences</u></b>	<b><u>Balance as of 30/6/2022</u></b>
Retention provisions	373 549	8 027	-	(101 300)	(53 537)	226 740
Other provisions*	69 520 552	3 125 239	(565 132)	(768 179)	(2 089 302)	69 944 430
	<b>69 894 101</b>	<b>3 133 266</b>	<b>(565 132)</b>	<b>(869 479)</b>	<b>(2 142 839)</b>	<b>69 449 917</b>

\* The provisions relate to expected claims from certain entities related to 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 721 252, is represented in the financing expenses of the present value of the provisions 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.

**39- Bank facilities**

<u>Egyptian Kuwait Holding Co.</u>	<u>Facility's Currency</u>	<u>Interest rate</u>	<u>30/6/2022</u>	<u>31/12/2021</u>
Credit facility without guarantee	EGP & USD	0.5% annually above corridor, 2.5% above Libor generally for USD	18 108 647	17 406 827
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	130 907	24 488 071
Credit facility guaranteed by investment portfolio	USD	1.125%	44 875 859	36 500 000
Facility guaranteed by investment portfolio for one of the subsidiaries	USD	2.75% above LIBOR for 3 months	30 000 000	78 900 000
Facility without guarantee	USD & EGP	1% annually above corridor and 2.5% above LIBOR for 3 months for USD	13 704 664	28 690 896
Facility without guarantee	USD & EGP	0.75% annually above corridor and 2.3% above LIBOR generally for USD	29 944 042	29 996 685
Facility guaranteed by investment portfolio for one of the subsidiaries	EGP	0.25% above corridor	15 965 939	19 116 282
<u>Gas Chill Co.</u>				
Credit facility guaranteed by deposits	EGP	2% over deposit interest rate	608 053	1 915 593
<u>National gas Co. "Natgas"</u>				
Facility without guarantee	EGP	0.5% above corridor	3 672 837	2 832 976
Facility without guarantee	EGP	0.75% above corridor	45 472	870 929
Facility without guarantee	EGP	0.5% above corridor	1 105 663	4 204 890
Facility without guarantee	EGP	0.25% above corridor	4 012	-
Facility without guarantee	EGP	0.25% above corridor	2 467 825	6 446 042
Facility without guarantee	EGP	8% annually as part of the Central Bank's initiative to support industrial activity.	9 034 483	-
C/F			<b>169 668 403</b>	<b>251 369 191</b>

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**For the financial period ended June 30, 2022**

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<b>B/F</b>	<b><u>Facility's Currency</u></b>	<b><u>Interest rate</u></b>	<b><u>30/6/2022</u> 169 668 403</b>	<b><u>31/12/2021</u> 251 369 191</b>
Facility without guarantee	EGP	8% annually as part of the Central Bank's initiative to support industrial activity.	1 967 610	.
Facility without guarantee	EGP	8% annually as part of the Central Bank's initiative to support industrial activity.	2 082 516	747 244
Facility without guarantee	EGP	8% annually as part of the Central Bank's initiative to support industrial activity	7 858 773	8 466 159
Facility without guarantee	EGP	8% decreasing rate according to the Central Bank's initiative	1 150 927	2 476 769
<b><u>Sprea misr for Chemicals &amp; Plastic Co.</u></b>				
Facility without guarantee	EGP	8% annually as part of the Central Bank's initiative to support industrial activity.	5 879 104	5 697 208
Facility without guarantee	EGP	8% annually as part of the Central Bank's initiative to support industrial activity.	1 553 503	18 076 874
Facility without guarantee	EGP	8% annually as part of the Central Bank's initiative to support industrial activity	5 962 363	11 096 037
Facility without guarantee	EGP	8% annually as part of the Central Bank's initiative to support industrial activity	15 268 399	16 563 433
Facility without guarantee	EGP	8% annually as part of the Central Bank's initiative to support industrial activity	626 235	.
Facility without guarantee	EGP	0.5% above corridor	5 063 753	.
Facility without guarantee	EGP	8% annually as part of the Central Bank's initiative to support industrial activity.	2 852 989	3 051 685
<b>C/F</b>			<b>219 934 575</b>	<b>317 544 600</b>



B/F	<u>Facility's Currency</u>	<u>Interest rate</u>	<u>30/6/2022</u>	<u>31/12/2021</u>
			219 934 575	317 544 600
<b><u>Bedayty for Small &amp; Micro Projects Co.</u></b>				
Facility without guarantee	EGP	0.25% above corridor	9 797 815	-
<b><u>Shield Gas Co.</u></b>				
Credit facility guaranteed by investment portfolio	USD	2.5% annually above LIBOR for 3 months	-	3 383 033
Credit facility without guarantee	AED	3.83%	37 300	99 114
Credit facility without guarantee	AED	2.5% above IBOR rate	176 708	269 956
<b><u>OGI Co.</u></b>				
Credit facility guaranteed by investment portfolio	USD	0.859% annually	-	6 304 920
			<b>229 946 398</b>	<b>327 601 623</b>
<b>Current facilities</b>			<b>109 160 558</b>	<b>128 912 633</b>
<b>Non-current facilities</b>			<b>120 785 840</b>	<b>198 688 990</b>

**40- Insurance policyholder s' rights**

	<u>30/6/2022</u>	<u>31/12/2021</u>
Technical provisions for individual's insurance	71 672 563	25 659 612
Technical provisions for property and liability insurance	21 415 451	84 408 112
Policyholder s' rights for investments units	4 325 308	4 516 140
Provision for outstanding claims	597 367	723 579
	<b>98 010 689</b>	<b>115 307 443</b>

**Egypt Kuwait Holding Co. (An Egyptian Joint Stock Company)****Translated****Notes to the interim consolidated financial statements (Cont.)****For the financial period ended June 30, 2022****All amounts are in US Dollars unless otherwise is mentioned****41- Suppliers, contractors, notes payable & other creditors**

	<b>30/6/2022</b>	<b>31/12/2021</b>
Suppliers & contractors	32 599 989	38 505 684
Notes payable	6 609 686	4 428 933
Customers – Advanced payments	48 833 772	48 361 318
Accrued expenses	48 213 248	48 373 467
Deposits from others	12 198 601	17 537 275
National Egyptian Authority for Petroleum*	24 244 367	17 195 798
Insurance and reinsurance Companies	10 698 258	10 890 500
Collected installments	1 287 863	962 725
Dividends payable	1 546 778	1 196 641
Dividends payable-non-controlling interests	6 727 110	10 824 862
Insured current account	2 311 701	1 123 908
Financing from non- controlling interests	8 341 996	7 952 840
Operating companies	7 042 849	7 042 845
Employees' dividends payable	7 257 574	168 670
Property, plant & equipment creditors	719 439	648 132
Other credit balances	79 711 338	68 848 651
	<b>298 344 569</b>	<b>284 062 249</b>

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

	<b>30/6/2022</b>	<b>31/12/2021</b>
National Gas Co. (Natgas)	9 233 003	8 550 566
El Fayoum Gas Co.	15 011 364	8 645 232
	<b>24 244 367</b>	<b>17 195 798</b>

**42- Subsidiaries Companies**

Main subsidiaries are represented in the following:

	Country of Incorporation	Direct & indirect Ownership %	
		30/6/2022	31/12/2021
<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	64.54
Delta Insurance Co.	Egypt	63.22	63.22
Globe for Communication & Information Technology Co.	Egypt	99	99
Globe Telecom Co.	Egypt	100	100
ECO for Agriculture Development Co.	Egypt	100	100
MAT Company for Trading	Egypt	100	100
EKH N B.V.	Netherlands	100	100
Global MDF Industries B.V.	Netherlands	83.8	100
EKH Microfinance	Netherlands	100	100



**Egypt Kuwait Holding Co. (An Egyptian Joint Stock Company)****Translated****Notes to the interim consolidated financial statements (Cont.)****For the financial period ended June 30, 2022****All amounts are in US Dollars unless otherwise is mentioned**

	Country of Incorporation	Direct & indirect Ownership %	
		30/6/2022	31/12/2021
<b><u>Companies under direct control</u></b>			
Mega Me for Trade Co.	Egypt	100	100
Arab Company For Phosphate Fertilizer	Egypt	100	100
OGI Capital Limited Co.(L.L.C) Free Zone – Jabal Ali	United Arab of Emirates	100	100
<b><u>Subsidiaries Companies of International Financial Investments Co.</u></b>			
Sprea Misr for Production of Chemicals & Plastics Co. S.A. E	Egypt	100	100
Egyptian Company for Petrochemicals S.A.E	Egypt	100	100
National Energy Co - S.A. E	Egypt	100	100
El Fayoum Gas Holding Company	Virgin Islands	100	100
Midor Suez Oil Refining Co.	Egypt	100	100
NSCO INVESTMENT LIMITED Company	Cayman Islands	99.9993	99.9993
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	100
MEA Investments Co.	United Arab of Emirates	100	100
Africa Netherlands	Netherlands	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
AD ASTRA REAL ESTATE, S.L. Co.	Spain	100	100
AD ASTRA PROYECTO MISR, S.L. Co.	Spain	100	100
AD ASTRA PROYECTO ALCAZAR, S.L. Co.	Spain	100	100
AD ASTRA PROYECTO CAIRO, S.L. Co.	Spain	100	100
SISTEMAS INDUSTRIALES SALGAR II S.L Co.	Spain	100	100
AD ASTRA PROYECTO MEDINA, S.L. Co.	Spain	100	100

**Egypt Kuwait Holding Co. (An Egyptian Joint Stock Company)****Translated****Notes to the interim consolidated financial statements (Cont.)****For the financial period ended June 30, 2022****All amounts are in US Dollars unless otherwise is mentioned**

	Country of Incorporation	Direct & indirect Ownership %	
		30/6/2022	31/12/2021
<b><u>Subsidiaries Companies of International Financial</u></b>			
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	99.9993
IFIC Investments Limited Co.	United Arab of Emirates	100	100
IFIC Global Co.	Cayman Islands	100	100
MOG Energy group Companies	Egypt	78.29	78.29
<b><u>Subsidiary of Globe Telecom Co.</u></b>			
Globe for Trading & Agencies Co.	Egypt	100	100
<b><u>Subsidiaries of National Gas Co. Natgas</u></b>			
Al Watania for Electric Technology Co.(Kahraba) S.A.E.	Egypt	95.91	95.91
Al Nubaria for Natural Gas Co. S.A.E.	Egypt	83.98	83.98
Egypt Kuwait Investment Holding Limited Company	United Arab of Emirates	100	100
Kahraba Future Co.	Egypt	91.95	91.95
Gas Line Co.	Egypt	83.98	83.98
<b><u>Subsidiaries of BKH Megan Co.</u></b>			
Middle East for River Transport Co.- S.A.E	Egypt	100	100
Mert Holding	Cayman Islands	100	100
BMIC Holding	Cayman Islands	100	100
<b><u>Subsidiaries of National Energy Company</u></b>			
Cooling Technology by Natural Gas Co. (Gas Chill) S.A.E.	Egypt	85.99	85.99
El Fayoum Gas Co. S.A.E.	Egypt	77.99	77.99
Technology Gas Co. GoGas	Egypt	99.20	99.20
<b><u>Subsidiaries of Bawabat Al Kuwait Holding Co.</u></b>			
Alex Fert Co. - S.A.E.	Egypt	57.3	57.3
International Logistics Co. – L.L.C.	Kuwait	64.54	64.54
Polar Star Investments Co.	United Arab of Emirates	57.3	57.3
<b><u>Subsidiary of Egyptian Company for Petrochemicals</u></b>			
El Shorouk for Melamine & Resins Co.	Egypt	93.05	93.05

	Country of Incorporation	Direct & indirect Ownership %	
		30/6/2022	31/12/2021
<b><u>Subsidiary of Global MDF Co.</u></b>			
Cairo Wood for Imports and Exports Co. (S.A.E.)	Egypt	83.8	100
Nile Waste Co.	Egypt	83.8	100
Nile Wood Co. (S.A.E.)	Egypt	83.8	100
ECO for Agriculture Development Co.	Egypt	83.8	100
<b><u>Subsidiaries of Sprea Misr for Production of Chemicals &amp; Plastics Co.</u></b>			
Asprea for Chemicals Co. (S.A.E.)	Egypt	100	100
<b><u>Subsidiaries of EKH Microfinance Co.</u></b>			
Bedayty for Small & Micro Projects Co.	Egypt	100	100
Bedayaty for Consumer Finance Co.	Egypt	100	100

- 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 during year 2016.

#### 43- 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 421 000 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.

#### **44- 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 approved cash dividends for the financial year ended December 31, 2021 of 7 Cent/share with a total amount of USD 78 881 970, approved remunerations for the board of directors amounting to USD 8 542 983, approved employees' dividends amounting to USD 1 280 892. The approval was made by the shareholders general assembly meeting of the Parent Company held on March 31, 2022.

#### **45- 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.

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.

**46- Financial instruments****Credit risk exposure**

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

	30/6/2022	31/12/2021
Other current assets	92 989 213	103 670 719
Financial assets at amortized cost	376 239 697	686 904 756
Trade & notes receivable	127 636 869	106 020 241
	<b>596 865 779</b>	<b>896 595 716</b>

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

	30/6/2022	31/12/2021
Governmental customers	42 451 375	35 762 159
Retail customers	6 601 989	6 643 452
Final consumers customers	47 911 935	38 443 707
Export customers	12 627 011	6 110 949
Notes receivable	18 044 559	19 059 974
	<b>127 636 869</b>	<b>106 020 241</b>

**Egypt Kuwait Holding Co. (An Egyptian Joint Stock Company)**  
**Notes to the interim consolidated financial statements (Cont.)**  
**For the financial period ended June 30, 2022**  
**All amounts are in US Dollars unless otherwise is mentioned**

**Translated**

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

	<b>30/6/2022</b>		<b>31/12/2021</b>	
	<b>Balance</b>	<b>Impairment</b>	<b>Balance</b>	<b>Impairment</b>
Past due within 30 days	22 476 762	-	30 287 998	-
Past due from 1-3 month	13 958 635	-	8 249 865	-
Past due from 3 months-1 year	89 957 501	(849 556)	66 163 950	(330 315)
More than one year	1 243 971	(1 243 971)	1 318 428	(1 318 428)
	<b>127 636 869</b>	<b>(2 093 527)</b>	<b>106 020 241</b>	<b>(1 648 743)</b>

**Liquidity risk**

The following are the contractual maturities of financial liabilities:

**June 30, 2022**

	<b>Due date</b>				
	<b>Carrying amount</b>	<b>During 1 year</b>	<b>1-2 years</b>	<b>2-5 years</b>	<b>More than 5 years</b>
Loans & bank facilities	581 723 954	160 311 693	23 443 664	26 543 498	371 425 099
Suppliers, contractors, noted payables & other creditors	249 510 797	249 510 797	-	-	-
Accrued income tax	58 777 000	58 777 000	-	-	-
Insurance policyholders' rights	98 010 689	98 010 689	-	-	-
	<b>988 022 440</b>	<b>566 610 179</b>	<b>23 443 664</b>	<b>26 543 498</b>	<b>371 425 099</b>

**December 31, 2021**

	<b>Due date</b>				
	<b>Carrying amount</b>	<b>During 1 year</b>	<b>1-2 years</b>	<b>2-5 years</b>	<b>More than 5 years</b>
Loans & bank facilities	701 124 220	245 695 333	236 859 917	145 723 472	72 845 498
Suppliers, contractors, noted payables & other creditors	235 700 931	235 700 931	-	-	-
Accrued income tax	55 927 852	55 927 852	-	-	-
Insurance policyholders' rights	115 307 443	115 307 443	-	-	-
	<b>1 108 060 446</b>	<b>652 631 559</b>	<b>236 859 917</b>	<b>145 723 472</b>	<b>72 845 498</b>

Currency riskCurrency risk exposure

The Group exposure to foreign currency risk was as follows based on original currencies.

June 30, 2022

Description	L.E	K.W. D	EURO	GBP	AED	JPY
Cash & cash equivalents	862 209 563	8 098	5 120 980	30 634	11 602 172	-
Assets and financial investments	7 317 690 640	-	-	-	-	-
Other current assets	1 380 872 236	-	254 893	-	1 089 208	-
Trade & notes receivable	1 411 729 356	-	642 599	-	11 233 987	-
Bank loans	(1 403 916 282)	-	(3 769 132)	-	(2 886 427)	-
Bank facilities	(1 446 873 752)	-	(8 513 289)	-	(785 955)	-
Suppliers, contractors, notes payable & other creditors	(2 719 426 974)	(1 414)	(7 617 658)	(5 752)	(10 987 459)	-
Net risk exposure	5 402 284 787	6 684	(13 881 607)	24 882	9 265 526	-

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, notes payable & 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



The following is the average exchange rates during the period:

US Dollar	Average exchange rate during the period		Spot rate at the financial statements date	
	30/6/2022	30/6/2021	30/6/2022	31/12/2021
L.E	17.24	15.69	18.79	15.71
K.W. D	0.3045	0.3012	0.3070	0.3021
EURO	0.9146	0.8333	0.9519	0.8849
GBP	0.7707	0.7194	0.8227	0.7407
AED	3.6725	3.6725	3.6725	3.6725

### Sensitivity Analysis

A reasonably possible strengthening (weakening) of 5% other currencies exchange rate against US Dollar as of June 30, 2022 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.

### June 30, 2022

Description	Equity		Profit or Loss	
	Strengthening	Weakening	Strengthening	Weakening
L.E	11 244 375	(10 242 467)	3 863 012	(3 564 092)
EURO	(973 964)	873 803	(868 883)	778 730
GBP	1 957	(1 733)	1 957	(1 733)
K.W.D	5 680 055	(5 136 182)	2 335 408	(2 110 073)
AED	(116 306)	102 848	28 217	(27 910)
USD	14 070	(13 996)	14 071	(13 996)
	<b>15 850 187</b>	<b>(14 417 727)</b>	<b>5 373 782</b>	<b>(4 939 074)</b>

### 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
	<b>18 000 401</b>	<b>(16 421 776)</b>	<b>7 982 482</b>	<b>(7 357 946)</b>

**Interest rate risk**

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

	30/6/2022	31/12/2021
Financial liabilities at fixed rate	129 473 815	204 673 645
Financial liabilities at variable rate	452 250 139	496 450 575
	<b>581 723 954</b>	<b>701 124 220</b>

**47- Capital commitments**

Total capital commitments amounted to USD 24 924 022 as of June 30, 2022 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 2021: an amount of USD 27 348 825).

**48- 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 33 162 656 (year 2021: an amount of USD 9 205 369).
- Letters of guarantee issued by banks on the account of the Group and in favor of others amounting to USD 18 686 621 (year 2021: an amount of USD 8 733 527).

**49- 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 year 2009 was carried out and the resulted differences were settled.
- 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 2016 was carried out and the final assessment was determined and resulting differences were settled.
- Years from January 2017 till 2019 is under inspection.
- Monthly withheld taxes are settled on due dates.

**Stamp tax**

- Inspection for the stamp tax from inception till 2016 was carried out and the final assessment was made, and the Company settled the resulting differences.
- Years 2017 till 2019 was carried out, notified and appeal was submitted.
- The due tax is settled on due dates.

**Property tax**

- The company has been notified by the accrued tax related to some properties owned by the company till 2021 and the survey of the Company's rest properties has not been carried out .

**50- 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 period 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.

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 period ended June 30, 2022:**

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:

**a-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.

**b- 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.

**c- 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.
- 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.

**51- 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**

7 503 216	Decrease in other reserves balance – Fair value reserve
11 823 792	Decrease in retained earnings balance
61 433	Decrease in non-controlling interests balance
4 756 072	Increasing provisions balance
374 063	Decrease in Suppliers, contractors, notes payable & other credit balances – Accrued

Consolidated change in equity statement

11 823 792	Decrease in retained earnings balance
61 433	Decrease in non-controlling interests balance
7 503 216	Decrease in other reserves balance – Fair value reserve

**52- Significant accounting policies applied**

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

**52-1 Basis of consolidation****Business combinations**

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

**Subsidiaries**

Subsidiaries are entities controlled by the Group.

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

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

**Non-controlling interests**

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



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

**Loss of control**

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

**Equity – accounted investees**

The Group's 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.

**52-2 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.

### **52-3 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.

### **52-4 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.

**52-5 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.

#### **52-6 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.

#### **52-7 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.

#### **52-8 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.

#### **52-9 The General Authority for Investment and Free Zones (GAFI) fees**

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

#### **52-10 Property, plant & equipment & Depreciation**

##### **Recognition and measurement**

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

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

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

##### **Subsequent costs**

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

##### **Depreciation**

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

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

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

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.

#### **52-11 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.



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.

## **52-12 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.

## **52-13 Biological assets**

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

**52-14 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.

**52-15 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.

**52-16 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.

**52-17 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.

**52-18 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.

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

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**

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

#### **Financial 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.

## **52-19 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.

**52-20 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.

**52-21 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.

**52-22 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.

**52-23 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.

**52-24 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.

## **52-25 Insurance activity polices**

### **Insurance activity revenue**

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

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

### **Net income from Investment- insurance activity**

Net income from investment is allocated as follows:

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

### **Accounts receivable from insurances**

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

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

**Insurance and reinsurance companies (Debit balances)**

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

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

**Technical provisions for Insurance on individuals and fund formation**

**a) Mathematical reserve**

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

**b) Provision for outstanding claims**

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

**Technical provisions for properties and liabilities insurances**

**a) Provision for unearned premium**

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

The unearned provision is equal to the sum of multiplying net premiums of the branch whose loss rate exceeds (100%) x50% of the actual loss rate for the year presented pertaining to all branches except for transportation branches, where this percentage equals 25%. The application of this rule is limited to annual premiums while excluding the long-term ones, taking into consideration that the provision, after the recalculation, shall not exceed the net premiums of the branches after revaluating and deducting the non-recurring significant accidents for which the Company prepares a statement to be approved by the Egyptian Financial Supervisory Authority (EFSA). This rule applies to all branches carrying out properties and liabilities insurances, except for obligatory motor insurance branch.

**b) Provisions for outstanding claims**

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

**c) Provisions for retrograded fluctuations**

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



**Credit balances of insurance and reinsurance companies**

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

**Allocation of general and administrative expenses – insurance activity**

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

**Production costs - insurance activity**

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

**Insurance activity risks****Regulatory framework of the Risk Management Department**

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

**Insurance risk**

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

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

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

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

**Technical bases used in estimating the mathematical reserve****First: Used Life Table**

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

Partial disability and permanent total disability: reinsurance rates.

**Second: Used Interest Rates**

**Collective Contracts**

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

**Individual Contracts**

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

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

Maximum rates allowed to be used are 3%.

**Third: Methods used to calculate reserves**

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

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

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

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

**Fourth: Assumptions regarding wage scale**

The client will 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.

**53- 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.

**Continued Segment Report**

**54- 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.