

Translation from Arabic

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

**Consolidated Financial Statements**  
**For The Financial Period Ended March 31, 2017**

**And Review Report**

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*Translation from Arabic*

### **Report on Review of Interim Consolidated Financial Statements To the Board of Directors of Egypt Kuwait Holding Company**

#### **Introduction**

We have performed a limited review for the accompanying consolidated statement of financial position of Egypt Kuwait Holding Company – An Egyptian Joint Stock Company subject to the provisions of Investment Incentives & Guarantees Law – as of March 31, 2017 and the related consolidated statements of income, comprehensive income, changes in equity and cash flows for the three-month 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 interim consolidated financial statements based on our 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 statements consists of making inquiries, primarily of persons responsible for financial and accounting matters in the Company, and applying analytical and other limited 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 interim consolidated financial statements.

#### **Basis for Qualified conclusion**

- (1) The provisions balance, in the consolidated statement of financial position, includes an amount of approximately USD 14.84 million which does not have a matching obligation out of which, an amount of approximately USD 13.33 million has been carried forward from previous years and the remaining amount of approximately USD 1.51 million has been formed during the current financial period. The aforementioned matter has led to a reduction in net profit for the year with an amount of approximately USD 1.51, an increase in the provisions balance as at March 31, 2017 by approximately USD 14.84 million, and a decrease in equity attributable to owners of the Company balance as at March 31, 2017 by approximately USD 14.84 million. We have issued a qualified auditor's report on the consolidated financial statements for the financial year ended on December 31, 2016 for the same reason.

- (2) Starting from 2012, the Company's management accounts for some available-for-sale investments through the early adoption of the International Financial Reporting Standard No. (9) "*Financial Instruments*" despite the fact that accounting for such investments should be made in accordance with the Egyptian Accounting Standard No. (26) "*Financial Instruments: - Recognition and Measurement*", the said matter has resulted in an increase in the balance of retained earnings with an amount of approximately USD 170.87 million, the decrease of the fair value reserve balance with an amount of approximately USD 163.03 million and also an increase in the net profit attributable to the equity holders of the Company for the period with an amount of USD 7.84 million. We have previously issued a qualified report on the audit of the consolidated financial statements for the financial year ended as at December 31, 2016, for the same reason.
- (3) The Company's management did not transfer the balance set aside for the share-based payments transactions approximately amounting to USD 17.56 million as at March 31, 2017 to retained earnings in spite of finalizing the share ownership procedures pertaining to part of the shares of the incentives and bonus plan to the executive board of directors and senior managers during the period. The matter that caused an overstatement in the balance set aside for the share-based payments transactions with an approximate amount of USD 17.56 million and a decrease in the retained earnings balance with the same amount.

### **Qualified Conclusion**

Based on our review on the consolidated financial statements of Egypt Kuwait Holding Company, with the exception of the effect of the matters described in paragraphs (1) & (3) in the Basis for Qualified Conclusion, nothing has come to our attention that causes us to believe that the accompanying interim consolidated financial statements do not present fairly in all material respects, the consolidated financial position of Egypt Kuwait Holding Company as at March 31, 2017 and of its financial performance and its cash flows for the three-month then ended in accordance with Egyptian Accounting Standards.

**KPMG Hazem Hassan**

**Public Accountants & Consultants**

Cairo, May 15, 2017

**Egypt Kuwait Holding Company**  
**(An Egyptian Joint Stock Company)**  
**Consolidated Statement of Financial Position**  
**As at March 31, 2017**

	Note No.	31/3/2017 USD	31/12/2016 USD
<b><u>Assets</u></b>			
<b><u>Non-current assets</u></b>			
Equity - accounted investees	(6)	64 691 307	63 782 363
Available -for- sale investments	(7)	117 953 739	116 953 348
Held to maturity financial assets	(8)	114 136 767	113 528 198
Property, plant and equipment (net)	(10)	219 024 473	221 707 554
Exploration & development assets	(11)	-	-
Projects under construction	(12)	14 739 770	12 173 378
Goodwill	(13)	52 000 005	51 038 635
Other intangible assets (net)	(14)	16 943 866	18 205 606
Other debtors & notes receivables	(15)	727 532	249 714
<b>Total non-current assets</b>		<b>600 217 459</b>	<b>597 638 796</b>
<b><u>Current assets</u></b>			
Cash at banks & on hand	(17)	272 711 432	242 186 165
Investment in treasury bills	(18)	14 168 223	12 353 745
Held to maturity financial assets	(8)	6 615 215	6 259 781
Financial assets at fair value through profit and loss	(19)	16 260 691	15 159 821
Trade & notes receivable	(20)	35 666 806	21 277 548
Egyptian General Petroleum Corporation	(9 -1)	1 750 814	1 416 404
Debtors & other debit balances	(21)	34 381 733	23 164 028
Inventories	(22)	49 236 253	46 498 518
Work in progress	(23)	6 585 197	7 604 774
Assets held for sale	(24)	38 368 005	38 368 005
<b>Total current assets</b>		<b>475 744 369</b>	<b>414 288 789</b>
<b>Total assets</b>		<b>1 075 961 828</b>	<b>1 011 927 585</b>
<b><u>Equity</u></b>			
Issued & fully paid up capital	(25)	256 110 292	256 110 292
Legal reserve	(26)	125 178 004	123 559 511
Special reserve - share premium	(27)	57 954 547	57 954 547
General reserve	(28)	8 380 462	8 380 462
Fair value reserve	(8) - (29)	( 161 571 234)	( 170 395 430)
Amount set aside for share-based payments transactions	(30)	17 561 848	17 561 848
Retained earnings		307 353 461	325 259 517
Foreign currency translation differences of foreign operations	(31)	( 210 297 930)	( 217 373 270)
		<b>400 669 450</b>	<b>401 057 477</b>
Non-controlling interests	(32)	225 141 243	224 276 236
<b>Total equity</b>		<b>625 810 693</b>	<b>625 333 713</b>
<b><u>Non-current liabilities</u></b>			
Long - term loans & bank facilities	(34)	102 883 988	119 409 164
Other long-term liabilities	(35)	317 468	372 908
Deferred tax liabilities	(36)	25 966 680	26 571 939
<b>Total non-current liabilities</b>		<b>129 168 136</b>	<b>146 354 011</b>
<b><u>Current liabilities</u></b>			
Provisions	(37)	23 105 070	21 448 727
Bank overdraft	(38)	4 957 214	4 841 589
Short term loan installments & bank facilities	(39)	76 829 496	76 213 486
Suppliers, subcontractors & notes payable	(40)	11 397 400	14 250 675
Egyptian General Petroleum Corporation	(9 -2)	35 415 596	23 983 418
Dividends payable		32 197 461	1 037 400
Creditors & other credit balances	(41)	137 076 162	98 459 966
Liabilities held for sale	(24)	4 600	4 600
<b>Total current liabilities</b>		<b>320 982 999</b>	<b>240 239 861</b>
<b>Total liabilities</b>		<b>450 151 135</b>	<b>386 593 872</b>
<b>Total equity and liabilities</b>		<b>1 075 961 828</b>	<b>1 011 927 585</b>

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

Group Chief Financial Officer

Senior Executive Vice President

Managing Director

Chairman & Managing Director

Medhat Hamed Bonna

Sahar Hassan Farahat

Sherif Al Zayat

Moataz Adel Al- Alfi

**Egypt Kuwait Holding Company**  
**(An Egyptian Joint Stock Company)**  
**Consolidated Income Statement**  
**For the financial period ended March 31, 2017**

		The three-month ended 31/3/2017	The three-month ended 31/3/2016
	Note No.	USD	USD
<b>Continuing operations</b>			
Operating revenues	(42)	96 666 566	95 493 127
Operating costs	(43)	( 65 025 637)	( 66 826 949)
<b>Gross profit</b>		<b>31 640 929</b>	<b>28 666 178</b>
Income from investment activity	(44)	7 075 810	8 080 679
Other income	(45)	4 171 382	33 376 096
Selling & distribution expenses	(46)	( 858 815)	( 2 790 938)
General & administrative expenses		( 7 309 495)	( 5 924 246)
Other expenses	(47)	( 1 659 193)	( 22 488 111)
<b>Operating profit</b>		<b>33 060 618</b>	<b>38 919 658</b>
Financing income	(48)	6 538 918	6 329 420
Financing costs	(48)	( 4 263 290)	( 2 882 508)
<b>Net financing income (costs)</b>		<b>2 275 628</b>	<b>3 446 912</b>
Share of profit (loss) of associates		( 330 342)	1 390 440
<b>Net profit for the period before income tax</b>		<b>35 005 904</b>	<b>43 757 010</b>
Income tax expense	(49)	( 7 134 412)	( 5 573 463)
<b>Net profit for the period from continuing operation</b>		<b>27 871 492</b>	<b>38 183 547</b>
<b>Discontinued operations</b>			
Loss from discontinued operation (net of income tax)	(50)	-	( 11 180 635)
Non-controlling interest shares in the gain from discontinued operation	(50)	-	-
<b>Net profit for the period</b>		<b>27 871 492</b>	<b>27 002 912</b>
<b>Net profit attributable to:</b>			
Owners of the Company		22 383 213	21 831 630
Non-controlling interests	(32)	5 488 279	5 171 282
<b>Net profit for the period</b>		<b>27 871 492</b>	<b>27 002 912</b>
<b>Earnings per share (US cent / Share)</b>	(51)	<b>2.14</b>	<b>2.05</b>
<b>Earnings per share (US cent / Share) from continuing operation</b>	(51)	<b>2.14</b>	<b>3.19</b>

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

**Egypt Kuwait Holding Company**  
**(An Egyptian Joint Stock Company)**  
**Consolidated Statement of Comprehensive Income**  
**For the financial period ended March 31, 2017**

	Note No.	The three-month ended 31/3/2017 USD	The three-month ended 31/3/2016 USD
<b>Net profit for the period</b>		27 871 492	27 002 912
<b>Other comprehensive income items</b>			
Net change in fair value of available -for- sale investments	(29)	9 358 242	549 170
Foreign currency translation difference of foreign operations	(31)	7 373 048	( 21 362 613)
<b>Total other comprehensive income items for the period before income tax</b>		<u>16 731 290</u>	<u>( 20 813 443)</u>
Income tax related to other comprehensive income items		-	-
<b>Total other comprehensive income for the period after income tax</b>		<u>16 731 290</u>	<u>( 20 813 443)</u>
<b>Total comprehensive income for the period</b>		<u><u>44 602 782</u></u>	<u><u>6 189 469</u></u>
<b>Total comprehensive income for the period attributable to:</b>			
Owners of the Company		38 282 749	3 601 628
Non-controlling interests		6 320 033	2 587 841
<b>Total comprehensive income for the period</b>		<u><u>44 602 782</u></u>	<u><u>6 189 469</u></u>

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

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

**Consolidated Statement of Changes in Equity**  
**BY VALUE**

**Attributable to equity holders of the Company**

Note No.	Share capital	Legal reserves	Special reserve - Share premium	General reserves	Fair value adjustments	Cumulative translation adjustments	Amount set aside for share based payment transactions	Retained earnings	Total	Non-controlling interests	Total equity
	USD	USD	USD	USD	USD	USD	USD	USD	USD	USD	USD
Balance as at January 1, 2016	256 110 292	121 957 282	57 954 547	8 380 462	(175 271 701)	(47 179 262)	-	299 919 262	521 870 882	269 784 026	791 654 908
<b>Change in equity during the period</b>											
Amounts transferred to legal reserves	-	1 602 229	-	-	-	-	-	(1 602 229)	-	-	-
Dividends distribution for shareholders	-	-	-	-	-	-	-	(24 391 456)	(24 391 456)	-	(24 391 456)
Dividends distribution for employees and board members	-	-	-	-	-	-	-	(9 094 834)	(9 094 834)	-	(9 094 834)
Non-controlling interests	-	-	-	-	-	-	-	-	-	(38 885 164)	(38 885 164)
<b>Comprehensive income for the period</b>											
Net profit for the period	-	-	-	-	-	-	-	21 831 630	21 831 630	5 171 282	27 002 912
Change in fair value of available -for- sale investments	-	-	-	-	584 836	-	-	-	584 836	(35 666)	549 170
Cumulative translation adjustments	-	-	-	-	-	(18 814 838)	-	-	(18 814 838)	(2 547 775)	(21 362 613)
<b>Total comprehensive income</b>	-	-	-	-	584 836	(18 814 838)	-	21 831 630	3 601 628	2 587 841	6 189 469
Balance as at March 31, 2016	256 110 292	123 559 511	57 954 547	8 380 462	(174 686 865)	(65 994 100)	-	286 662 373	491 986 220	233 486 703	725 472 923
Balance as at January 1, 2017	256 110 292	123 559 511	57 954 547	8 380 462	(170 395 430)	(217 373 270)	17 561 848	325 259 517	401 057 477	224 276 236	625 333 713
<b>Change in equity during the period</b>											
Amounts transferred to legal reserves	-	1 618 493	-	-	-	-	-	(1 618 493)	-	-	-
Dividends distribution for shareholders	-	-	-	-	-	-	-	(31 160 061)	(31 160 061)	-	(31 160 061)
Dividends distribution to employees and board members	-	-	-	-	-	-	-	(7 510 715)	(7 510 715)	-	(7 510 715)
Non-Controlling interests	-	-	-	-	-	-	-	-	-	(5 455 026)	(5 455 026)
<b>Comprehensive income for the period</b>											
Net profit for the period	-	-	-	-	-	-	-	22 383 213	22 383 213	5 488 279	27 871 492
Change in fair value of available -for- sale investments	-	-	-	-	8 824 196	-	-	-	8 824 196	534 046	9 358 242
Cumulative translation adjustments	-	-	-	-	-	7 075 340	-	-	7 075 340	297 708	7 373 048
<b>Total comprehensive income</b>	-	-	-	-	8 824 196	7 075 340	-	22 383 213	38 282 749	6 320 033	44 602 782
Balance as at March 31, 2017	256 110 292	125 178 004	57 954 547	8 380 462	(161 571 234)	(210 297 930)	17 561 848	307 353 461	400 669 450	225 141 243	625 810 693

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



**Egypt Kuwait Holding Company**  
**(An Egyptian Joint Stock Company)**  
**Consolidated Statement of Cash Flows**  
**For the financial Period ended March 31, 2017**

	Note No.	The three-month ended 31/3/2017 USD	The three-month ended 31/3/2016 USD
<b>Cash flows from operating activities</b>			
Net profit for the period before income tax		35 005 904	43 757 010
<b>Adjustments for:</b>			
Depreciation & amortization of property, plant and equipment and other non-tangible assets	(14) + (10)	6 706 128	7 133 891
Company's share of profits of associates	(6)	330 342	(1 093 946)
Unrealized gain on held for trading investments	44	( 193 365)	(1 065 199)
Accrued interest & financing expenses		2 883 663	2 882 508
Interest income		(6 538 918)	(3 539 033)
Capital gain		( 998 189)	( 68 879)
Provisions no longer required	(37)	( 10 693)	( 12 469)
Provisions other than depreciation	(37)	1 659 193	22 488 111
Reversal of impairment loss on debtors and other debit balances		-	(33 086 991)
Reversal of impairment loss on property, plant and equipment	(45)	(3 000 000)	-
Loss of disposal of discontinued operations	(50)	-	(11 180 635)
		<b>35 844 065</b>	<b>26 214 368</b>
<b>Changes in:-</b>			
Held for trading investments		(1 165 195)	6 064 682
Trade & notes receivable		(14 870 576)	(9 183 657)
Debtors & other debit balances		(11 312 696)	(8 863 868)
Inventories		(2 737 735)	3 033 865
Work in progress		1 019 577	1 489 792
Suppliers & subcontractors		(2 853 275)	3 507 860
Creditors & other credit balances		30 711 429	(8 682 435)
Egyptian General Petroleum Corporation		11 432 178	13 766 358
Blocked deposits		-	13 096 476
Time deposits	(17)	17 200 386	-
Provisions used	(37)	( 162 000)	-
Interest & financing expenses paid		(2 882 582)	(2 905 832)
Net change in assets of unconsolidated subscription due to loss of control		-	(39 363 876)
Net cash available from (used in) operating activities		<b>60 223 576</b>	<b>(1 826 267)</b>
<b>Cash flows from investing activities</b>			
Interest received		6 637 409	2 962 812
Payments for acquisition of property, plant and equipment & projects under construction		(3 762 479)	(1 555 779)
Proceeds from sale of property, plant and equipment		276	60 087
Proceeds from sale of other intangible assets		4 000 000	-
Proceeds from (Payments for) Egyptian General Petroleum Corporation		( 334 410)	1 302 308
Proceeds from sale of available -for- sale investments		13 065 444	-
Payments for acquisition of available -for- sale investments		-	(6 022 624)
Payments for held to maturity financial assets		(9 241 699)	-
Proceeds from held to maturity financial assets		8 788 386	-
Dividends received from associates		-	1 200 000
Payments for investment on treasury bills (more than three months)		-	(31 112 088)
Proceeds from treasury bills (more than three months)		7 794 343	-
Net cash available from (used in) investing activities		<b>26 947 270</b>	<b>(33 165 284)</b>
<b>Cash flows from financing activities</b>			
Repayment of long-term loans & bank facilities		(8 492 067)	(5 993 932)
Proceeds from long-term loans & bank facilities		597 894	-
Proceeds from short-term loans & bank facilities		13 105 331	7 758 798
Repayment of short-term loans & bank facilities		(21 120 324)	(50 042 679)
Proceeds from bank overdraft		-	26 172
Repayment of bank overdraft		( 39 560)	-
Payments for acquisition of non-controlling interests		(4 623 278)	41 424 300
Dividends paid		(7 510 715)	(9 094 834)
Net cash used in financing activities		<b>(28 082 719)</b>	<b>(15 922 175)</b>
Foreign currency translation differences		(1 908 838)	(7 965 200)
Net change in cash and cash equivalents during the period		<b>57 179 289</b>	<b>(58 878 926)</b>
Cash and cash equivalents at beginning of the period		103 682 428	346 901 181
Cash and cash equivalents at end of the period	(17)	<b>160 861 717</b>	<b>288 022 255</b>

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

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

**Notes to the consolidated financial statements**  
**For the financial period ended March 31, 2017**

**1- Background and activities**

- Egypt Kuwait Holding Company "The Company" was incorporated by virtue of the Chairman of General Investment Authority's resolution No. 197 of 1997, according to the provisions of Investment Law No. 230 of 1989 and according to Law No. 8 of 1997, concerning Investment Incentives & Guarantees and Law No. 95 of 1992 concerning Capital Market.

The Company was registered in Giza Governorate Commercial Registry under No. 114648 on 20/7/1997. The duration of the Company according to the Company's Statute, is 25 years starting from the date of registration in the Commercial Registry.

The Company's financial year starts on January 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:-

A - Securities underwriting and promotion.

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

C- Venture capital.

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

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

- The registered office of the Company is located at 14 Hassan Mohamed El Razaz St.-Dokki - Egypt. Mr. Moataz Adel AL-Alfi is the Chairman of the Company.
- The consolidated financial statements for the financial period ended March 31, 2017 comprise the financial statements of Egypt Kuwait Holding Company (the Parent Company) & its subsidiaries (together referred to as the "Group") and the Group's interest in associates and jointly controlled entities. The Group is involved in several activities which are represented in investment activities, selling & supplying of natural gas activity, drilling, petroleum & petrochemicals services activity, fertilizers activity, exploration & exploitation of oil, natural gas activity, chill technology by natural gas activity, communications and selling & distributing of chemicals & plastic activity, manufacturing of Formica chips & MDF of all types and sizes, and the activity of life insurance and responsibilities and properties insurance (note No. 3-1-1).

## **2- Basis of preparation of the consolidated financial statements**

### **a) Statement of compliance**

- These consolidated financial statements have been prepared in accordance with Egyptian Accounting Standards and relevant Egyptian laws and regulations.
- The consolidated financial statements were authorized for issuance by the Board of Directors of the Company on May 14, 2017.

### **b) Basis of measurement**

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

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

The methods used to measure fair values are discussed further in note No (2-e).

### **c) Functional and presentation currency**

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

### **d) Use of estimates and judgments**

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

### **e) Measurement of fair values**

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

### **3- Significant accounting policies**

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

#### **3-1 Basis of consolidation**

##### **3-1-1 Subsidiaries**

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

##### **3-1-2 Non-controlling interest**

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

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

##### **3-1-3 Loss of control**

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

##### **3-1-4 Interests in equity-accounted investees**

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

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

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

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

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

##### **3-1-5 Transactions eliminated on consolidation**

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

### **3-2 Foreign currency**

#### **3-2-1 Foreign currency transactions**

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

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

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

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

#### **3-2-2 Foreign operations**

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

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

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

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

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

### **3-3 Property, plant and equipment & depreciation**

#### **a) Recognition and measurement**

Items of property, plant and equipment are measured at cost less accumulated depreciation (3-3-C) and any accumulated impairment losses (3-12-b).

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

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

#### **b) Subsequent costs**

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

**c) Depreciation**

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

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

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

**3-4 Projects under construction**

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

**3-5 Intangible assets**

**3-5-1 Recognition and measurement**

**Goodwill**

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

**Exploration and development expenses**

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

**Other intangible assets**

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

### **Deferred charges**

Actual costs incurred by the Company while establishing Al Nubaria Electricity station in excess of contractual value and were not refunded from the Egyptian Holding Company for Natural Gas (EGAS) including the amount paid as a non-refundable grant. Cost of other assets is amortized using the straight line method over Fifteen years starting from pumping the Gas to the station.

### **3-5-2 Subsequent expenditures**

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

### **3-5-3 Amortization**

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

### **3-6 Financial instruments**

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

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

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

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

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

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

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

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

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

**3-6-2-2 Held – to – maturity financial assets**

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

**3-6-2-3 Loans and receivables**

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

**3-6-2-4 Available for sale financial assets**

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

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

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

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

**3-7 Inventories**

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

Petrochemicals inventories is valued based on the following basis:

- Inventories of purchased supplies, utilities and spare parts, fuel and oil are stated at cost. The cost is calculated based on moving average principle.

Unfinished goods

- The cost of work in process is determined based on indirect manufacturing costs till the latest production process reached and includes an appropriate share of overheads till the current process.

Finished goods

- Inventory of finished products is determined based on the cost or net realizable value which is lower.



### **3-8 Assets held for sale**

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

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

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

### **3-9 Construction contracts in progress**

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

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

### **3-10 Debtors and other debit balances**

Debtors are recorded at their nominal value net of any irrecoverable amounts. An estimate of doubtful debts is made when collections of the full amount is no longer probable. Bad debts are written off when identified. Other debit balances are stated at cost less impairment losses (3-12).

### **3-11 Cash and cash equivalents**

For the purpose of preparing the consolidated statement of cash flows, "cash & cash equivalents" comprise cash at banks & on hand, time deposits with original maturities of three month or less and net of bank overdraft balances, which are repayable on demand and form an integral part of the Group cash management.

### **3-12 Impairment of assets**

#### **a) Non-derivative financial assets**

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

Objective evidence that financial assets are impaired includes:

- Default or delinquency by a debtor;
- restructuring of an amount due to the Group on terms that the Group would not consider otherwise;
- Indications that a debtor or issuer will enter bankruptcy;
- Adverse changes in the payment status of borrowers or issuers;

- The disappearance of an active market for a security because of financial difficulties; or
- Observable data indicating that there is a measurable decrease in the expected cash flows from a group of financial assets.

For an investment in an equity security, objective evidence of impairment includes a significant or prolonged decline in its fair value below its cost. The Group considers a decline of 20% to be significant and a period of nine months to be prolonged.

#### **Financial assets measured at amortized cost**

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

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

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

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

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

#### **Available for sale financial assets**

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

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

#### **Equity-accounted investees**

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

**b) Non-financial assets**

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

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

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

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

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

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

**3-13 Finance leasing**

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

**3-14 Provisions**

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

**Provision for warranty**

A provision for warranties is recognized when the underlying products or services are sold, based on historical warranty data and a weighting of possible outcomes against their associated probabilities.

**Onerous contracts**

A provision for onerous contracts is measured at the present value of the lower of the expected cost of terminating the contract and the expected net cost of continuing with the contract. Before a provision is established, the Group recognizes any impairment loss on the assets associated with that contract.

**3-15 Loans and borrowings**

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

**3-16 Trade payables and other credit balances**

Trade payables and other credit balances are stated at cost.

**3-17 Share capital**

**a) Ordinary shares**

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

**b) Repurchase and reissue of ordinary share**

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

**c) Dividends**

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

**3-18 Equity settled share – based payments**

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

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

**3-19 Revenue**

**a) Gas activity revenue**

**Refundable works**

- Refundable revenues generated from executed works for the Egyptian Holding Company for Natural Gas (EGAS) in respect of the two projects at West of Alexandria and Borg Al Arab are recorded in the consolidated income statement using the percentage of completion method, based on the percentage of the actual cost according to the accrual basis up to the date of the consolidated balance sheet date divided by the total estimated cost until completion of the project multiplied by the total contractual value of the two projects.
- Refundable revenue generated from construction contracts are recorded using the percentage of completion method, contract execution costs that could not be estimated in a reliable way its revenues is recognized in the refundable cost limit.

#### **Minimum take commissions**

- Minimum commission revenue guaranteed by the agreement with the Egyptian General Petroleum Corporation for selling and piping natural gas is recognized after the first customer in the concession area. This commission is subject to audit and financial adjustments periodically at the end of each year.
- Minimum commission revenue in respect of pushing gas to Al Nubaria electrical station is represented in the company's minimum revenue included in the agreement concluded with the Egyptian Holding Company for Natural Gas (EGAS) and due at the end of each year of the agreement term.
- Fayum Gas Company receives minimum guaranteed commission from EGPC for operating, managing, and maintaining the gas transmission and distribution grid, annexes and for collecting payments from customers. The commission is calculated based on investment spent by Fayum Gas, with a minimum guaranteed internal rate of return (IRR) of 18%. Minimum commission is recognized in the income statement when it accrues at the higher of the actual commission or minimum commission guaranteed by EGPC. For actual gas sales, Fayum Gas remits the funds it collects to EGPC net of its actual commission, which is calculated as a percentage of gas consumption.

#### **Natural gas sales commission**

Revenues from natural gas sales commission are recognized on Al Nubaria electrical station according to the sold quantities and the agreed upon prices.

#### **Commercial sector revenue**

Revenues from commercial sector are recognized when the services are rendered to the customers.

#### **Bill of quantities revenue**

Bill of quantities revenues are recognized when the services are rendered to the client.

#### **Network operation & gas distribution commission**

Revenues from operation of network and gas distribution are recognized in the light of amounts distributed to customers and the agreed upon prices.

#### **Revenues & costs of construction contracts**

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

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

The provision for estimated losses according to the construction contracts in progress is formed - if any- in the financial period during which those losses are assessed.

#### **b) Communications, geographic maps and agencies activities revenue**

- Revenue from sale of geographic maps is recognized in the consolidated income statement when the significant risks and rewards of ownership have been transferred to the buyer.
- Revenue from services of agencies is recognized in the consolidated income statement when the service is rendered.

**c) Chemicals and plastic activity 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.

**d) Cooling technology by natural gas activity revenue**

- Revenues are recognized when goods are delivered to customers. 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.
- Contract revenue includes the initial amount agreed in the contract plus any variations in contract work, claims and incentive payments to the extent that is probable that they will result in revenue and can be measured reliably.

As soon as the outcome of a construction contract can be estimated reliably, contract revenue is recognized in profit or loss in proportion to the stage of completion of the contract which is determined by the Company's technicians. Contract expenses are recognized as incurred unless they create an asset related to future contract activity. The stage of completion is assessed by reference to surveys of work performed. When the outcome of a construction contract cannot be estimated reliably, contract revenue is recognized only to the extent of contract costs incurred that are likely to be recoverable. A provision for expected loss on a contract- if any- is formed in the financial period during which those losses are assessed.

**e) Sale of electricity**

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

**f) Fertilizers activity revenue**

Revenue from the sale of goods is recognized when the risks and rewards of ownership have been transferred to the buyer. No revenue is recognized if there is uncertainty for the consideration or its associated costs or any expected sales return or continuation of management involvement with the goods.

**g) Gain on sale of investments**

Gain on sale of investments in securities is recorded as soon as their ownership is transferred to the buyer and is computed based on the difference between the selling price and the book value on the date of sale.

**h) Finance income and finance costs**

The Group's finance income and finance costs include:

- Interest income;
- Interest expense;
- The foreign currency gain or loss on financial assets and financial liabilities;
- The gain on the measurement to fair value of any pre-existing interest in an acquiree in a business combination;

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.

**i) Commission income**

Commission income is recognized as it accrues in the consolidated income statement.

**j) Dividends**

Dividends income is recognized in the consolidated income statement on the date the Group's right to receive payments is established.

**3-20 Expenses**

**a) Lease payments**

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

**b) Employees' pension**

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

**c) Income tax**

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

**Current tax**

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

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

**Deferred tax**

Deferred tax is recognized in respect of temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes.

Deferred tax is not recognized for:

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

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

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

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

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

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

**d) General Authority for Investments fees**

Companies established under the provisions of the Investment law and according to the Free Zones System are not subject to income tax. However, according to the Investment law, 1% of the total revenues of these companies are due to General Authority for Investments. The said fees are calculated and charged to the consolidated income statement according to the accrual basis of accounting.

**3-21 Discontinued operations**

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

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

**3-22 Earnings per share**

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

**3-23 Segment reporting**

A business segment is a group of interrelated assets and operations engaged in providing products or services that are subject to risks and benefits that are different from those of other business segments or engaged in providing products or services within a particular economic environment that is attributed by risks and benefits different from those of segments operating in other economic environments.

**4- Financial risk management**

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

- Credit risk
- Liquidity risk
- Market risk.

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



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

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

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

#### **4-1 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.

Approximately 7.07 % of the Group's sales are attributable to sales transactions with a governmental customer and other sales are attributable to a large group of local customers. However, geographically there is no concentration of credit risk.

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

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

##### **Investments**

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

##### **Guarantees**

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

#### **4-2 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.

In addition, the Group maintains the following lines of credit:

- L.E 190.579 million equivalents to USD 10.506 million as unsecured bank facilities. Interest would be payable at a rate ranging between 16% and 16.5%.
- L.E 397.388 million equivalent to USD 21.906 million as bank facilities secured by commercial papers and collateral checks and promissory notes. Interest would be payable at a rate ranging between .5% and 3% above CORRIDOR rate for Egyptian Pound.
- L.E 152.164 million equivalent to USD 7.937 million as bank facilities secured by promissory notes. Interest would be payable at a rate ranging between .75% and 2.5% above LIBOR.
- L.E 311.972 million equivalents to USD 17.198 million as unsecured bank facilities. Interest would be payable at a rate ranging between 1.5% and 4%.

#### **4-3 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.

#### **4-4 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.

#### **4-5 Interest rate risk**

The Group adopts a policy of ensuring that about 0.26 % of its exposure to changes in interest rates on borrowings is on fixed rate basis. The Company does not enter into interest rate swap.

#### **4-6 Other market prices risk**

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

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

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

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

#### **4-7 Capital management**

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

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

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

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

## **5- Segment reporting**

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

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

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

### **Business segments**

The Group comprises the following main business segments:

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

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

### **Geographical segments**

The oil segment is managed on centralized basis, but is operated in Sudan. In presenting information on the basis of geographical segments, segment revenue is based on the geographical location of customers. Segment assets are based on the geographical location of the assets.

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Segment reporting Business segments	Oil & gas		Chemicals & fertilizers		Other operations		Less: discontinued operations		Total continuing operations	
	31/03/2017	31/03/2016	31/03/2017	31/03/2016	31/03/2017	31/03/2016	31/03/2017	31/03/2016	31/03/2017	31/03/2016
	USD	USD	USD	USD	USD	USD	USD	USD	USD	USD
<b>Revenues</b>										
Total segments revenues	14 988 421	24 326 911	82 656 431	71 932 807	5 767 183	8 408 034	-	-	103 412 035	104 667 752
<b>Segment result</b>	5 384 871	42 296 583	21 731 366	14 719 194	(808 099)	(19 927 206)	-	(28 707)	26 308 138	37 117 278
Interest & financing expenses	57 777	264 174	485 852	537 738	2 340 034	2 080 596	-	-	2 883 663	2 883 508
Interest income	384 058	265 287	2 345 328	1 702 809	3 909 532	1 664 454	-	93 517	6 538 918	3 539 033
Share of profits (loss) of associates	-	-	46 770	271 608	( 377 112)	822 338	-	( 206 494)	( 330 342)	1 390 440
<b>Net profit (loss) for the period before income tax</b>	5 115 362	31 326 789	27 945 221	16 822 360	1 973 699	(15 512 933)	-	(11 180 635)	35 034 282	43 816 851
Income tax	( 1 293 355)	( 1 725 636)	( 5 841 057)	( 3 847 827)	-	-	-	-	( 7 134 412)	( 5 573 463)
Zakat	-	-	( 14 936)	( 31 496)	-	-	-	-	( 14 936)	( 31 496)
(KFAS)Contribution to Kuwait foundation for the advancement of sciences	-	-	( 13 442)	( 28 345)	-	-	-	-	( 13 442)	( 28 345)
<b>Profits (Losses)</b>	3 822 007	29 601 153	22 075 786	12 914 692	1 973 699	(15 512 933)	-	(11 180 635)	27 871 492	38 183 547

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Segment reporting (Cont.)

Other information

	Oil & gas		Chemicals & fertilizers		Other operations		Less: discontinued operations		Total continuing operations	
	31/03/2017	31/12/2016	31/03/2017	31/12/2016	31/03/2017	31/12/2016	31/03/2017	31/12/2016	31/03/2017	31/12/2016
	USD	USD	USD	USD	USD	USD	USD	USD	USD	USD
Segments assets	154 721 061	126 281 093	543 844 520	530 443 186	312 704 940	291 420 939	38 368 005	38 368 005	972 902 516	909 777 213
Investment in equity accounted investees	-	-	18 801 814	15 416 035	45 889 493	48 366 332	-	-	64 691 307	63 782 367
Total assets	154 721 061	126 281 093	562 646 334	545 859 221	358 594 433	339 787 271	38 368 005	38 368 005	1 037 593 823	973 559 580
Total liabilities	116 101 461	89 590 741	98 926 704	101 474 513	235 122 970	195 528 618	4 600	4 600	450 146 535	386 589 272
	USD	USD	USD	USD	USD	USD	USD	USD	USD	USD
Capital expenditures	3 583 796	(1 244 439)	403 721	( 806 259)	9 016 661	(5 527 705)	-	-	13 004 178	( 7 578 403)
Depreciation of property, plant and equipment , exploration & development asset depletion and amortization of intangible assets	380 751	715 465	6 244 992	6 343 545	80 385	74 881	-	-	6 706 128	7 133 891

**6- Equity-accounted investees**

<u>Description</u>	<u>Legal form</u>	<u>Ownership</u> %	<u>Paid amount of participation</u> %	<u>Carrying amount as at 31/3/2017</u> USD	<u>Carrying amount as at 31/12/2016</u> USD
<b><u>Quoted investments</u></b>					
Delta Insurance Co.	S.A.E	32.02	100	6 010 159	5 460 482
<b><u>Unquoted investments</u></b>					
Egyptian Co. for Oil Tankers	S.A.E under the Private Free Zones System	30	100	17 818 175	18 148 175
Building Material Industries Co.*	S.A.E	30.068	100	25 135 266	24 116 623
El Sharouk for Mellamin & Resins Co.	S.A.E	49.95	100	726 827	628 014
Other associates	S.A.E	13.397	100	15 000 880	15 429 069
				<b>64 691 307</b>	<b>63 782 363</b>

- The fair value of the Group's investments in associates listed in the Egyptian Exchange (Delta Insurance Co.) amounted to USD 4 643 960 at the consolidated balance sheet data (2016: USD 2 571 179).

\* As from the beginning of 2013, its investment in Building Material Industries Co. has been reclassified as an associate due to the availability of significant influence of the company's management over this associate through participation of its financial and operating policies. The direct investment percentage is 15.068% and the indirect investment percentage through a subsidiary is 15%. The investment cost in Building Material Industries Co. amounts to USD 45 225 745. The market value of the Company's investments in Building Material Industries Co. amounted to USD 24 515 486 according to the last transactions made on these shares.

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

March 31, 2017	Equity USD	Current assets USD	Non current assets USD	Total assets USD	Current liabilities USD	Non current liabilities USD	Total liabilities USD	Revenues USD	Expenses USD	Profits (Losses) USD
Delta Insurance Co	16 241 099	30 778 143	43 970 835	74 748 978	57 408 339	1 099 540	58 507 879	5 502 527	1 178 663	4 323 864
Egyptian Company for Oil Tankers	58 732 633	37 191 775	97 620 356	134 812 131	43 098 605	32 980 893	76 079 498	44 625 818	44 501 034	124 784
El Shorouk for Melamine & Resins Co.	1 418 525	1 789 893	2 001 371	3 791 264	1 663 271	709 468	2 372 739	1 186 449	1 078 032	108 417
Building Material Industries Co. *	39 584 351	10 644 484	95 466 813	106 111 297	36 163 802	30 363 144	66 526 946	92 847 927	89 701 287	3 146 640
* The financial information of the above mentioned companies are based on the financial statements for the year ended December 31, 2016 since the preparation of financial statements for the financial period ended March 31, 2017 have not been completed yet.										
December 31, 2016										
Delta Insurance Co	15 564 400	35 064 043	33 732 245	68 796 288	52 959 929	271 959	53 231 888	12 519 627	1 958 607	10 561 020
Egyptian Company for Oil Tankers	58 732 633	37 191 775	97 620 356	134 812 131	43 098 605	32 980 893	76 079 498	44 625 818	44 501 034	124 784
El Shorouk for Melamine & Resins Co.	1 241 809	1 323 640	1 876 145	3 199 785	1 284 541	673 435	1 957 976	6 675 675	6 620 851	54 824
Building Material Industries Co.	39 584 351	10 644 484	95 466 813	106 111 297	36 163 802	30 363 144	66 526 946	92 847 927	89 701 287	3 146 640

**7- Available for sale investments**

<u>Description</u>	<u>Legal form</u>	<u>Ownership %</u>	<u>Paid amount of participation %</u>	<u>Balance as at 31/3/2017 USD</u>	<u>Balance as at 31/12/2016 USD</u>
<b><u>Investments at fair value</u></b>					
Portfolios managed by international investment managers (*)	-	-	-	71 834 013	71 435 926
Local companies securities listed in the Egyptian Exchange	S.A.E companies	-	100	2 094 502	1 540 237
<b><u>Investments measured at cost</u></b>					
I Squared Capital Investment Limited	Limited liability Co. at Cayman Islands	15	100	30 000 000	30 000 000
United Arab Chemical Carriers Co.	Limited by Shares Co. in UAE	3.16	100	14 025 224	13 977 185
Other companies **				170 761 304	170 761 304
				288 715 043	287 714 652
Impairment losses**				(170 761 304)	(170 761 304)
				117 953 739	116 953 348

\* This item is represented in the value of the investment portfolios owned by the Company in Kuwait and as from the beginning of 2012 they have been accounted for through the early adoption of IFRS (9) "Financial Instruments" instead of EAS (26) "Financial Instruments: - Recognition and Measurement". The said matter resulted in recognizing gains and losses on the re-measurement of these portfolios at fair value including the loss on disposal of part of them with total amount of USD 163.03 million that was included in equity under fair value reserve out of which an amount of USD 170.87 million belongs to period 2016 and the remaining amount belongs to the current period.

\*\* This item is represented in the value of investments in unconsolidated subsidiaries due to loss of control over them during the period as mentioned in detail in note No. (50).

**8- Held to maturity financial assets**

	<u>31/3/2017 USD</u>	<u>31/12/2016 USD</u>
Portfolios *	92 431 037	92 333 158
Governmental bonds	28 320 945	27 454 821
	<u>120 751 982</u>	<u>119 787 979</u>
<b><u>Classified as Follows:-</u></b>		
Current portion (due within one year)	6 615 215	6 259 781
Long – term portion (due after one year)	<u>114 136 767</u>	<u>113 528 198</u>

\* This balance represents the amortized cost of the portfolios held at a foreign banks and is represented in the value of time deposits of due dates ranging from 1.5 years to 3 years.

- The Group's exposure to interest rate risk and foreign currency risk related to cash at the banks and on hand are disclosed in note No. (55).



**9- Egyptian General Petroleum Corporation**

National Gas Co. "NATGAS" and Fayoum Gas Co. deal with the Egyptian General Petroleum Corporation represented by the Egyptian Holding Company for Natural Gas (EGAS) according to the agreements signed between the two parties. These agreements resulted in the following debit and credit balances:

**9-1 Debit balances**

	<u>31/3/2017</u> USD	<u>31/12/2016</u> USD
<b><u>National Gas Company (NATGAS)</u></b>		
Egyptian Holding Company for Natural Gas (EGAS)	300 335	256 715
	<u>300 335</u>	<u>256 715</u>
<b><u>Fayoum Gas Company</u></b>		
Egyptian Holding Company for Natural Gas (EGAS)	716 994	388 267
Egyptian General Petroleum Corporation	733 485	771 422
	<u>1 450 479</u>	<u>1 159 689</u>
	<u>1 750 814</u>	<u>1 416 404</u>
<b><u>Classified as Follows:-</u></b>		
Current portion (due within one year)	1 750 814	1 416 404
Long – term portion (due after one year)	-	-

**9-2 Credit balances**

Represented in the following:

	<u>31/3/2017</u> USD	<u>31/12/2016</u> USD
<b><u>National Gas (NATGAS)</u></b>		
Egyptian General Petroleum Corporation	35 115 187	23 841 039
	<u>35 115 187</u>	<u>23 841 039</u>
<b><u>Fayoum Gas Company</u></b>		
Egyptian Holding Company for Natural Gas (EGAS)	300 409	142 379
	<u>300 409</u>	<u>142 379</u>
	<u>35 415 596</u>	<u>23 983 418</u>
<b><u>Classified as Follows:-</u></b>		
Current portion (due within one year)	35 415 596	23 983 418
Long – term portion (due after one year)	-	-

- The Group's exposure to interest rate risk and foreign currency risk related to balances due to and from Egyptian General Petroleum Corporation are disclosed in note No. (55).

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**10- Property, plant and equipment**

	<u>Lands *</u> USD	<u>Buildings &amp; constructions</u> USD	<u>Vehicles</u> USD	<u>Furniture &amp; office equipment</u> USD	<u>Machinery &amp; equipment</u> USD	<u>Tools &amp; supplies</u> USD	<u>Stations &amp; electric transformers</u> USD	<u>Computer, software, hardware &amp; decorations</u> USD	<u>Leasehold improvements</u> USD	<u>Total</u> USD
<b>Cost</b>										
Cost as at 1/1/2016	14 942 088	58 267 081	11 487 486	7 258 153	389 713 888	2 085 820	36 059 450	5 587 387	1 664 527	527 065 880
Additions during the year	509 645	909 733	400 371	463 888	12 438 148	47 169	1 306 689	589 074	-	16 864 717
Disposals during the year	-	-	(257 505)	(61 471)	(2 358 581)	(343)	-	(29 120)	-	(2 707 020)
Cost of assets of discontinued operation**	-	(7 248 556)	(2 136 281)	(1 275 314)	-	(10 220)	-	(2 288 796)	(501 201)	(13 460 168)
<b>Cost as at 31/12/2016</b>	<b>15 451 733</b>	<b>51 928 458</b>	<b>9 494 071</b>	<b>6 385 256</b>	<b>399 793 455</b>	<b>2 122 426</b>	<b>37 566 139</b>	<b>3 858 545</b>	<b>1 163 326</b>	<b>527 763 409</b>
Cost as at 1/1/2017	15 451 733	51 928 458	9 494 071	6 385 256	399 793 455	2 122 426	37 566 139	3 858 545	1 163 326	527 763 409
Additions during the period	-	787 845	70 316	61 331	83 174	15 337	11 904	166 179	-	1 196 086
Disposals during the period	-	-	-	(275)	-	-	(3 196)	-	-	(3 471)
<b>Cost as at 31/3/2017</b>	<b>15 451 733</b>	<b>52 716 303</b>	<b>9 564 387</b>	<b>6 446 312</b>	<b>399 876 629</b>	<b>2 137 763</b>	<b>37 574 847</b>	<b>4 024 724</b>	<b>1 163 326</b>	<b>528 956 024</b>
<b>Depreciation and impairment</b>										
Accumulated depreciation and impairment as at 1/1/2016	-	19 515 360	9 565 774	6 054 159	176 224 877	1 734 226	6 047 875	4 551 068	1 081 779	224 775 118
Depreciation for the year	-	1 930 734	458 773	201 229	18 523 473	34 765	775 190	302 669	67 008	22 293 841
Accumulated depreciation of disposals	-	-	(257 505)	(60 979)	(1 363 231)	(343)	-	(28 887)	-	(1 710 945)
Accumulated depreciation and impairment of assets of discontinued operation**	-	(2 849 775)	(1 843 759)	(1 189 154)	-	(10 220)	-	(1 966 927)	(501 201)	(8 361 036)
<b>Accumulated depreciation and impairment as at 31/12/2016</b>	<b>-</b>	<b>18 596 319</b>	<b>7 923 283</b>	<b>5 005 255</b>	<b>193 385 119</b>	<b>1 758 428</b>	<b>6 823 065</b>	<b>2 837 923</b>	<b>647 586</b>	<b>236 996 978</b>
Accumulated depreciation and impairment as at 1/1/2017	-	18 596 319	7 923 283	5 005 255	193 385 119	1 758 428	6 823 065	2 837 923	647 586	236 996 978
Depreciation for the period	-	454 416	80 622	50 524	4 526 448	4 824	114 441	79 846	13 144	5 324 065
Accumulated depreciation of disposals	-	-	-	-	-	-	-	-	-	(1 385)
Accumulated depreciation and impairment as at 31/3/2017	-	19 050 735	8 003 905	5 055 779	197 911 567	1 763 052	6 936 121	2 937 769	660 730	242 319 658
Carrying amount as at 31/3/2017	15 451 733	33 665 568	1 560 482	1 390 333	201 965 062	374 711	30 638 726	1 086 955	502 596	286 636 366
Effect of foreign exchange	(7 116 239)	(10 485 569)	(999 910)	(829 933)	(26 615 684)	(315 789)	(20 921 230)	(236 434)	(91 105)	(67 611 893)
<b>Carrying amount as at March 31, 2017</b>	<b>8 335 494</b>	<b>23 179 999</b>	<b>560 572</b>	<b>560 400</b>	<b>175 349 378</b>	<b>58 922</b>	<b>9 717 496</b>	<b>850 521</b>	<b>411 491</b>	<b>219 024 473</b>
Carrying amount as at 31/12/2016	15 451 733	33 332 139	1 570 788	1 380 001	206 408 136	363 998	30 743 074	1 000 632	515 740	290 766 431
Effect of foreign exchange	(7 248 051)	(10 656 606)	(1 018 208)	(929 363)	(27 198 695)	(318 173)	(21 450 968)	(147 316)	(91 594)	(69 058 877)
<b>Carrying amount as at December 31, 2016</b>	<b>8 203 682</b>	<b>22 675 533</b>	<b>552 580</b>	<b>450 739</b>	<b>179 209 637</b>	<b>45 825</b>	<b>9 292 106</b>	<b>853 306</b>	<b>424 146</b>	<b>221 707 554</b>

- Fixed assets include an amount of USD 23 625 022 representing the cost of fully depreciated items as at March 31, 2017.

\* Lands item includes an amount of USD 637 thousand representing the value of plots of lands which its transfer of titles in name of the Group of companies are currently undertaken.

\*\* This item is represented in the value of the cost and accumulated depreciation of the assets of an unconsolidated subsidiary because of loss of control over it during 2016 as mentioned in detail in note No.(50).

**11- Exploration and development assets**

<u>Cost</u>	<u>Exploration of wells USD</u>	<u>Development of wells USD</u>	<u>Producing wells USD</u>	<u>Equipment/field services USD</u>	<u>Pipe lines USD</u>	<u>Under construction USD</u>	<u>Total USD</u>
Cost at 1/1/2016	24 095 854	105 830 089	196 250 837	163 791 243	159 832 556	459 995	650 260 574
Additions during the year	-	-	-	-	-	-	-
Cost of assets of discontinued operation*	(24 095 854)	(105 830 089)	(196 250 837)	(163 791 243)	(159 832 556)	( 459 995)	(650 260 574)
Cost at 31/12/2016	-	-	-	-	-	-	-
Cost at 1/1/2017	-	-	-	-	-	-	-
Additions during the period	-	-	-	-	-	-	-
Cost at 31/3/2017	-	-	-	-	-	-	-
<b><u>Accumulated depletion, amortization and impairment losses</u></b>							
Accumulated depletion, amortization and impairment losses as at 1/1/2016	24 095 854	104 780 635	136 438 814	131 070 961	159 819 873	459 995	556 666 132
Depletion for the year	-	-	-	-	-	-	-
Cost of assets of discontinued operation*	( 24 095 854)	( 104 780 635)	( 136 438 814)	( 131 070 961)	( 159 819 873)	( 459 995)	(556 666 132)
Accumulated depletion, amortization and impairment losses as at 31/12/2016	-	-	-	-	-	-	-
Accumulated depletion, amortization and impairment losses as at 1/1/2017	-	-	-	-	-	-	-
Depletion for the period	-	-	-	-	-	-	-
Accumulated depletion, amortization and impairment losses as at 31/3/2017	-	-	-	-	-	-	-
Carrying amount at 1/1/2016	-	1 049 454	59 812 023	32 720 282	12 683	-	93 594 442
Carrying amount at 31/12/2016	-	-	-	-	-	-	-
Carrying amount at 31/3/2017	-	-	-	-	-	-	-

\* This item is represented in the cost and accumulated depreciation and depletion of the assets of the unconsolidated subsidiary due to loss of control over it during 2016 as mentioned in detail in note No (50).

## 12- Projects under construction

This balance is represented as follows: -

	<u>31/3/2017</u> USD	<u>31/12/2016</u> USD
Construction of plant for fertilizers using nitrogen	14 471 667	14 471 667
Advance payments for purchasing of property, plant and equipment	14 126 733	11 083 582
Others	613 037	1 089 796
	29 211 437	26 645 045
Impairment losses	(14 471 667)	(14 471 667)
	<u>14 739 770</u>	<u>12 173 378</u>

## 13- Goodwill

This balance is represented in the following:

	<u>31/3/2017</u> USD	<u>31/12/2016</u> USD
The carrying amount of goodwill relating to National Gas Co. (NATGAS)	6 839 763	6 472 263
The carrying amount of goodwill relating to Sperea Co.	9 647 503	9 129 145
The carrying amount of goodwill relating to Fayoum Gas Co.	1 405 415	1 329 903
The carrying amount of goodwill relating to Alex Fert Co.	34 107 324	34 107 324
	<u>52 000 005</u>	<u>51 038 635</u>

## 14- Other intangible assets (net)

This balance is represented as follows:

	<u>Balance as at 1/1/2017</u> USD	<u>Additions during the period</u> USD	<u>Disposals during the period</u> USD	<u>Amortization for the period</u> USD	<u>Foreign exchange</u> USD	<u>Reversal of impairment losses***</u> USD	<u>Net as at 31/3/2017</u> USD
Deferred charges (*)	2 079 949	-	-	(108 985)	120 323	-	2 091 287
Right of use (**)	16 125 657	-	-	(1 273 078)	-	-	14 852 579
Water rights	3 000 000	-	(3 000 000)	-	-	-	-
	<u>21 205 606</u>	<u>-</u>	<u>(3 000 000)</u>	<u>(1 382 063)</u>	<u>120 323</u>	<u>-</u>	<u>16 943 866</u>
Impairment losses	(3 000 000)	-	-	-	-	3 000 000	-
	<u>18 205 606</u>	<u>-</u>	<u>(3 000 000)</u>	<u>(1 382 063)</u>	<u>120 323</u>	<u>3 000 000</u>	<u>16 943 866</u>

(\*) This item represents the additional actual costs incurred by National Gas Co.- NATGAS for carrying out of the works related to Nubaria Electrical Station that has not recovered from Egyptian Natural Gas (EGAS) including the grant of signing the agreement for Gas sales commission for the station first operation year which will be amortized over 15 years from the agreement term which is 20 years.

(\*\*) The right of use item is represented in the amounts paid to a related party as a right to use of the ammonia export pipeline owned by the related party on exporting the ammonia produced by the Group. According to the settlement contract, the outflow of the future economic benefits is expected to be obtained over ten years.

- (\*\*\*) During the period, the Company sold the water rights in full, and the Group collected an amount of USD 4 million. The impairment loss in the value of intangible assets with an amount of USD 3 million was reversed and the remaining amount was recorded as capital gain.

**15- Other debtors & notes receivable**

	<u>31/3/2017</u>	<u>31/12/2016</u>
	USD	USD
Property, plant and equipment selling receivables	60 360	63 860
Notes receivable	667 172	185 854
	<u>727 532</u>	<u>249 714</u>

- The Group's exposure to credit and foreign currency risks related to debtors is disclosed in note No. (55).

**16- Unrecognized deferred tax assets**

	<u>31/3/2017</u>	<u>31/12/2016</u>
	USD	USD
Deductible temporary differences	4 056 045	4 006 578
Tax losses	4 790	4 790
	<u>4 060 835</u>	<u>4 011 368</u>

Deferred tax assets have not been recognized in respect of these items because it is not probable that future taxable profit will be available, against which the Company can utilize the benefits there from.

**17- Cash at banks & on hand**

	<u>31/3/2017</u>	<u>31/12/2016</u>
	USD	USD
Cash on hand	392 409	109 977
Bank – current accounts	40 952 725	34 228 326
Bank – time deposits (less than three month)	106 021 365	67 088 080
Bank – time deposits (more than three month)	120 713 046	137 913 432
Checks under collection	4 631 887	2 846 350
	<u>272 711 432</u>	<u>242 186 165</u>

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

	<u>31/3/2017</u>	<u>31/3/2016</u>
	USD	USD
Cash at banks & on hand	272 711 432	316 376 851
<b>Add:</b>		
Investments in treasury bills - less than three months (note No. 18)	9 608 821	16 459 597
<b>Less:</b>		
Bank – time deposits (more than three month)	120 713 046	42 512 269
Bank overdraft – Local banks note No. (38)	745 490	2 301 924
Blocked deposits	-	-
Cash & cash equivalents in the consolidated statement of cash flows	<u>160 861 717</u>	<u>288 022 255</u>

- The Group's exposure to interest rate risk and foreign currency risk related to cash at banks & on hand are disclosed in note No. (55).

**18- Investments in treasury bills**

	<u>31/3/2017</u>	<u>31/12/2016</u>
	USD	USD
Treasury bills (due in 3 month)	9 608 821	-
Treasury bills (due more than 3 month)	6 010 384	12 909 253
Income from investment in treasury bills (not due yet)	(1 450 982)	(555 508)
	<u>14 168 223</u>	<u>12 353 745</u>

- The Group's exposure to interest rate risk and foreign currency risk related to cash at banks & on hand are disclosed in note No. (55).

**19- Financial assets at fair value through profit and loss**

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

	<u>31/3/2017</u>	<u>31/12/2016</u>
	USD	USD
Portfolios managed by international investment managers	10 419 806	10 359 108
Egyptian Companies' stocks (listed in the Egyptian Exchange)	355 349	261 974
Investments in direct mutual funds	420	398
Governmental bonds	5 485 116	4 538 341
Market value of financial assets at fair value through profit & losses	<u>16 260 691</u>	<u>15 159 821</u>

**20- Trade & notes receivable**

	<u>31/3/2017</u>	<u>31/12/2016</u>
	USD	USD
Local customers	20 224 282	11 834 802
Export customers	5 443 472	4 005 571
	<u>25 667 754</u>	<u>15 840 373</u>
Impairment losses on trade receivables	(135 892)	(96 649)
	<u>25 531 862</u>	<u>15 743 724</u>
Notes receivable	10 134 944	5 533 824
	<u>35 666 806</u>	<u>21 277 548</u>

- The Group's exposure to credit and foreign currency risks related to trade receivables is disclosed in note No. (55).

**21- Debtors & other debit balances**

	<u>31/3/2017</u>	<u>31/12/2016</u>
	USD	USD
Tax Authority	1 833 015	1 898 009
Prepaid expenses	1 293 825	866 305
Deposits with others	1 624 540	1 926 799
Imprests & employees advances	321 421	131 257
Uncollected bills	3 108 067	2 909 397
Suppliers - advance payments	3 473 115	3 514 934
Accrued revenues	3 995 459	3 220 263
Due from El Shorouk for Melamine & Resins Co. – an associate	1 585 718	1 219 049
Other debit balances	17 560 139	7 871 668
Due from unconsolidated subsidiaries *	137 214 059	137 214 059
	<u>172 009 358</u>	<u>160 771 740</u>
Impairment losses on debtors & other debit balances **	<u>(137 627 625)</u>	<u>(137 607 712)</u>
	<u>34 381 733</u>	<u>23 164 028</u>

\* This amount is represented in the value of balances due from an unconsolidated subsidiary at March 31, 2017 due to loss of control over it during 2016 as mentioned in details in note No. (50).

\*\* This balance includes an amount of USD 137 214 059 representing the impairment losses on the balances due from an unconsolidated subsidiary as at March 31, 2017 due to loss of control over it during 2016 as mentioned in detail in note No. (50).

– The Group's exposure to credit and foreign currency risks related to debtors is disclosed in note No. (55).

**22- Inventories**

	<u>31/3/2017</u>	<u>31/12/2016</u>
	USD	USD
Supplies – held on the gas company warehouses	7 481 907	6 186 959
Supplies – subcontractors' warehouses	788 146	862 588
Tools & equipment	182 883	124 793
Basic & secondary raw materials	15 683 560	10 576 578
Goods in transit	1 005 658	1 057 230
Spare parts & supplies	14 344 654	13 520 143
Packaging materials	185 061	229 624
Work in process	173 461	55 968
Finished goods	4 453 443	7 932 531
Letters of credit	80 255	35 983
Fuel and oil	466 643	456 842
Goods held with others	4 390 582	5 459 279
	<u>49 236 253</u>	<u>46 498 518</u>

**23- Work in progress**

This item is represented in the expenditures pertaining to projects of gas customers – commercial and house sector that have not been delivered yet to those customers of National Gas Company (NATGAS) at the consolidated balance sheet date and also to the expenditures of other projects as follows:

	<u>31/3/2017</u>	<u>31/12/2016</u>
	USD	USD
Cost of gas customers projects	6 543 399	7 576 290
Cost of other projects	41 798	28 484
	<u>6 585 197</u>	<u>7 604 774</u>

**24- Assets held for sale**

The assets of a subsidiary within other operating segment was presented as non-current assets held for sale as at March 31, 2017, whereas, an approval on selling offer have been taken during the financial year ended as at December 31, 2016, with respect to selling the entire number of shares owned by the Group in this company of which it owns 26% of the shares of a company (an associate) to a third party outside the Group. There are no impairment losses in value when measuring the investment at book value or fair value less the selling cost, whichever is less.

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

	<u>31/3/2017</u>	<u>31/12/2016</u>
	USD	USD
Equity-accounted investees	37 064 009	37 064 009
Debtors and other debit balances	1 303 996	1 303 996
	<u>38 368 005</u>	<u>38 368 005</u>

**- Liabilities held for sale**

	<u>31/3/2017</u>	<u>31/12/2016</u>
	USD	USD
Accrued expenses	4 600	4 600
	<u>4 600</u>	<u>4 600</u>

**25- Share capital**

- The Company's authorized share 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 paid in full. The issued capital has been increased and the share of the Company was split several times to reach an amount of USD 243 914 564.5 distributed over 975 658 258 shares of par value of US Cent 25 each paid in full.
- On June 11, 2015, the extra-ordinary general assembly of the Company unanimously approved the increase of the issued and paid – up capital from USD 243 914 564.5 to USD 256 110 292.5 with an amount of increase of USD 12 195 728 as bonus increase distributed over 48 782 912 bonus share whose nominal value amounts to 25 Cent for the purpose of financing the incentive & bonus plan of the Company's employees and managers and executive board of directors members.



ordinary general assembly of the Company unanimously approved to transfer earnings of the Company as shown in the consolidated financial statements for ended at December 31, 2014 that were approved by the shareholder's' ordinary ed on March 22, 2015 to 48 782 912 bonus shares with an amount of or the purpose of financing the incentive & bonus plan of the Company's gers and executive board of directors members, that has been approved by the upervisory Authority on November 12, 2014. Annotation to effect such increase ompany's commercial register on September 13, 2015. Accordingly, the issued 110 292 distributed over 1 024 441 170 shares with a par value of USD 25 cent ull.

26-

Companies' Law and the Parent Company's statute, the Company is required to set annual net profit to form a legal reserve. The transfer to legal reserve ceases once the % of the issued share capital. The reserve is not distributable. However, it can be he share capital or offset losses. The Parent Company is required to resume setting e annual net profit until it reaches 50% of the issued share capital of the Parent e reserve falls below the defined level (50% of the issued share capital), then the aired to resume setting aside 5% of the annual net profit until it reaches 50% of the ital. The legal reserve balance includes an amount of USD 89 528 204 representing ited to the legal reserve according to the provision of Article No. (94) of the executive raw No. 159 of 1981 related to the addition of the share premium to the legal reserve ulf of the issued capital out of which an amount of USD 17 045 454 was credited to the lem the value of capital increase made during 2014.

27-

Share - share premium

Amounting to USD 57 954 547 is represented in the remaining amount of the share pected from the share capital increase of a number of 136 363 636 shares during 2014 atg the amounts credited to the legal reserve.

28-

Grve

Grve item represents the amounts set aside from the Parent Company's profits in previous yeling to the resolutions of the General Assembly meeting of shareholders of the Parent Cthis reserve shall be used by a resolution from the General Assembly of shareholders baproposal from the Parent Company's board of directors in matters that could be favorable topany's interests.

29-

Fa reserve

Thincludes the cumulative net change in the fair value of available-for-sale investments until thenent is derecognized.

30-

Anset aside for share-based payments transactions

Thence of this item amounting to USD 17 561 848 as at March 31, 2017 is represented in the incin the equity related to granting and allocating the shares of the incentives and bonus plan as inced in details in note No. (52) below.

31-

Fon currency translation differences of foreign operations

The balance shown in the equity section as at March 31, 2017 is represented in the cumulative tranon adjustments resulting from translating the financial statements of subsidiaries from foreign currencies to US Dollars for the purpose of consolidating these statements in the consolidated financial statements for the financial Period ended at March 31, 2017. In addition, this balance inclu a share in the cumulative translation adjustments included in the consolidated equity of assoates.

### 32- Non-controlling interests

The balance of non - controlling interests of USD 225 141 243 as at March 31, 2017 is represented in their share in subsidiaries' equity as follows:

	Non-controlling interests	Non-controlling share in subsidiaries profits (losses) for the period	Non-controlling share in equity excluding profits (losses) for the period	Non-controlling interests as at 31/3/2017	Non-controlling interests as at 31/12/2016
	%	USD	USD		USD
National Gas Co. "NATGAS" (consolidated)	16.025	623 441	6 173 170	6 796 611	7 602 370
Globe Telecom Co. (consolidated)	0.07	118	896	1 014	963
Globe for Communications & Information Technology Co.	1	-	5 099	5099	4 825
International Financial Investments Co.	0.01	172	49 815	49 987	51 155
Energy Group	24.8	131	15 460	15 591	14 225
Cooling Technology by Natural Gas Co.- Gas Chill	14.014	2 244	(376 588)	(374 344)	(383 637)
Midor for Logistic Services Co.	0.11	(2)	159	157	158
Fayoum Gas Co.	22.01	83 335	495 467	578 802	509 056
Sprea Mistr for Production of Chemicals & Plastics Co.	0.01	916	4 424	5 340	4 586
Henosis for Construction & Real-Estate Development Co.	0.012	(14)	88	74	83
Capital Investment Limited Luxembourg	0.01	-	(3)	(3)	(2)
Middle East for River Transport Co.	0.01	-	306	306	306
Bawabat AlKuwait Holding Company	58.33	4 777 947	213 308 659	218 086 606	216 495 618
Arabian Company for Fertilizers	25.28	(9)	(23 988)	(23 997)	(23 470)
		<u>5 488 279</u>	<u>219 652 964</u>	<u>225 141 243</u>	<u>224 276 236</u>

### 33- Dividends declared and paid & board of directors remuneration

The shareholders of the Parent Company approved cash dividends for the financial year ended December 31, 2016 of 3.125 Cent/share with a total amount of USD 31 160 061 and has not approved any remunerations for the board of directors. The approval was made by the shareholders general assembly meeting of the Parent Company held on March 18, 2017.

The shareholders of the Parent Company approved cash dividends for the financial year ended December 31, 2015 of 2.5 Cent/share with a total amount of USD 24 391 456 and has not approved any remunerations for the board of directors. The approval was made by the shareholders general assembly meeting of the Parent Company held on March 15, 2016.

### 34- Long-term loans & bank facilities

- This note provides information about the contractual terms of the Group's loans, which are measured at amortized cost. For more information about the Group's exposure to interest rate, foreign currency and liquidity risks see note No. (55).

	<u>31/3/2017</u> USD	<u>31/12/2016</u> USD
<b><u>A- Loans &amp; bank facilities granted to Egypt Kuwait Holding Company</u></b>		
The value of USD loan granted to the Company from a bank according to the medium-term finance agreement of USD 100 million dated October 6, 2011 for the purpose of financing the industrial investments of the Group. The loan is to be repaid over 4 equal annual installments starting from 30/6/2012 and ending on 30/6/2015, The loan is guaranteed by the pledge of the investment portfolio owned by one of the subsidiaries whose market value amounting to approximately KD 49.9 million as at September 8, 2011. The loan bears an interest rate of 2% above LIBOR for 3 month. During December 2012, the negotiation was made with the bank to increase the loan to USD 125 million and to modify the payment schedule so that the loan is paid over 4 annual installments starting 30/9/2013 and ending 30/9/2016, each installment amounts to USD 25 million except the last installment which will be USD 50 million. The contract is currently under signing after being amended.	71 607 933	86 100 000
During October 2014, it was agreed with the bank to amend the payment schedule so that the loan is paid over 3 annual installments starting from 30/9/2015 and ending on 30/9/2017, each installment amounts to USD 25 million except the last installment which will be USD 50 million. During September the bank agreed to postpone the accrued installment from 30/9/2015 to 30/6/2016, Negotiations with the bank is currently in process to modify the loan re-payment schedule. On December 6, 2016 , the bank agreed to amend the loan payment schedule in order to settle the loan over 14 quarterly installments starting from 15/12/2016 and ending on 15/12/2020 at a value of USD 2 million each except for the first and the last installments amounting to USD 4 million & USD 62.1 million respectively which are guaranteed by the pledge of the investment portfolio owned by one of the subsidiaries whose market value amounted approximately to KWD 18.613 million on November 24, 2016. An interest rate of 1.75% above LIBOR (London Interbank Offered Rate) is to be computed on the loan for three months and the agreement came into force and the first installment thereof was paid during the month of December 2016. While signing the new agreement by means of the two parties is in process.		
Represents the balance of the medium - term loan granted to the Company from a bank with an amount of L.E 280 million or the equivalent in foreign currency for the purpose of financing the Company's activities according to the financing contract concluded with the bank during September 2014. The loan is to be repaid over 5 years and the withdrawal duration is 6 month starting from the date of approval. The loan bears an interest rate of the declared CORRIDOR lending rate of 2.7 % with minimum rate of 12% per annum including commission on the highest debit balance on the indebtedness in Egyptian Pound and bears 4% above LIBOR for three month on the indebtedness in foreign currency.	20 800 000	24 600 000
<b>C/F</b>	<b>92 407 933</b>	<b>110 700 000</b>

	<u>31/3/2017</u>	<u>31/12/2016</u>
	USD	USD
<b>B/F</b>	<b>92 407 933</b>	<b>110 700 000</b>
<b><u>B- Loans &amp; bank facilities granted to NATGAS Company</u></b>		
The amount used from the loan granted to the Company by a bank with an amount of L.E 20 million at an annual interest rate of 10.5 % to finance the purchase of assets for Borg Al Arab project. The loan shall be settled on ninety six monthly installments starting from 19/11/2010 till 19/11/2018.	293 746	318 696
The equivalent to the amount used from the loan granted to the Company by one of the banks with an amount of L.E 200 million or its equivalent in foreign currency for the purpose of utilizing such amount in financing Burj Al-Arab station. The loan shall be settled on 22 quarterly installments; the first installment shall fall due on 1/2/2018 till 1/5/2023 with an annual interest rate of 1.5 % above the lending rate of the indebtedness in the Egyptian pound; and an annual interest rate of 5 % above the LIBOR of the indebtedness in foreign currencies.	9 929 696	9 306 852
<b><u>C- Loans granted to Alex Fert</u></b>	<b>21 886 667</b>	<b>24 231 667</b>
The Company concluded a contract with Ahli United Bank for a medium-term loan with an amount of USD 50 million. The Company has used an amount of USD 46.9 million from the available loan balance based on the contract with the bank on July 22, 2014.		
The loan is secured by a first class commercial official mortgage on some of the production assets owned by the Company. The loan is to be repaid according to the schedules in the contract over 10 semiannual installments starting from the date of using the loan. Starting from June 2015, the Company pays the loan on monthly installments and the loan interest rate is variable and is determined in the light of the average LIBOR of six months in addition to a margin.		
	124 518 042	144 557 215
<b><u>Deduct:</u></b>		
Total current portion of long-term loan (note No. 39)	21 634 054	25 148 051
<b>Balance as at March 31, 2017</b>	<b>102 883 988</b>	<b>119 409 164</b>

### 35- Other long-term liabilities

This balance is represented in the following:-

	<u>31/3/2017</u>	<u>31/12/2016</u>
	USD	USD
Customers – advance payments for electricity connection	305 836	360 944
Deferred income	11 632	11 964
	317 468	372 908

The Group's exposure to foreign currency and liquidity risks related to long-term liabilities are disclosed in note No. (55).

### 36- Deferred tax liabilities

Deferred tax liabilities are attributable to the following:-

	<u>31/3/2017</u> USD	<u>31/12/2016</u> USD
Property, plant and equipment & other assets	25 966 680	26 571 939
	<u>25 966 680</u>	<u>26 571 939</u>

### 37- Provisions

Movement on provisions during the period is represented as follows:-

	<u>Balance as at 1/1/2017</u> USD	<u>Provisions formed during the period</u> USD	<u>Provisions used during the period</u> USD	<u>Provisions - no longer required during the period</u> USD	<u>Foreign exchange differences</u> USD	<u>Balance as at 31/3/2017</u> USD
Provision for technical risks of works	209 030	-	(57 114)	(10 693)	76 906	218 129
Provision for other liabilities- short term	21 219 092	1 659 193	(104 886)	-	91 012	22 864 411
Provision for onerous contracts	20 605	-	-	-	1 925	22 530
Total	<u>21 448 727</u>	<u>1 659 193</u>	<u>(162 000)</u>	<u>(10 693)</u>	<u>169 843</u>	<u>23 105 070</u>

### 38- Bank-overdraft

This balance shown on the consolidated balance sheet of USD 4 957 214 as at March 31, 2017 is represented as follows:

	<u>31/3/2017</u> USD	<u>31/12/2016</u> USD
The value of the temporary bank facilities granted to the Group and guaranteed by some of investment portfolios owned the Group as stated in note No. (19) Above.	4 211 724	4 251 284
Bank overdraft from local banks	745 490	590 305
	<u>4 957 214</u>	<u>4 841 589</u>

- For more information about the Group's exposure to interest rate, foreign currency, liquidity risks see note No. (55).

### 39- Short – term loan installments & bank facilities

This balance shown on the consolidated balance sheet amounting to USD 76 829 496 as at March 31, 2017 is represented in the loan installments and bank facilities balance granted to the Group as follows:

	<u>31/3/2017</u>	<u>31/12/2016</u>
	USD	USD
Current portion of loans and bank facilities as stated in note No. (34) above.	21 634 054	25 148 051
Credit facilities granted to the Parent Company and International Financial Investments Company (*)	52 629 431	47 552 502
Credit facilities granted to Cooling Technology by Natural Gas Co.	180 289	196 852
Credit facilities granted to Sprea Misr for Production of Chemicals & Plastics Co.(**)	2 385 722	3 155 840
Other credit facilities.	-	160 241
Balance as at March 31, 2017	<u>76 829 496</u>	<u>76 213 486</u>

(\*) The credit facilities balance granted to the Parent Company and International Financial Investments Company as at March 31, 2017 is represented as follows:

	<u>31/3/2017</u>	<u>31/12/2016</u>
	USD	USD
The amount used from the bank facility granted from a bank, according to the agreement concluded with the bank on August 15, 2012 with a total amount of L.E 150 million and bears an interest rate of 2.25% above CORRIDOR rate with minimum 10% for Egyptian pound withdrawals and 3.25% above LIBOR rate for 3 month for US dollar withdrawals. On August 31, 2015 it was agreed to renew and increase the facility limit with a total amount of LE 180 million that it's to be used within a maximum amount of USD 13.6 million in dollars and the rest to be used in Egyptian pounds and the facility ends on May 31, 2016. During the year, it was agreed to renew the credit facility to become L.E 180 million and /or within the limit of an amount of USD 3 million at maximum. In addition an annual interest rate of 0.75% above CORRIDOR rate (currently 15.75%) shall be due thereon for Egyptian Pound and 6% for the foreign currency .The term of the facility is one year that shall end on May 31, 2017, and this facility is guaranteed by a promissory note amounting to USD 180 and /or within the limit of an amount of USD 3 million at maximum.	9 989 272	7 237 405
Represent the amount used from the bank facility granted from a bank, according to the agreement concluded with the bank on September 17, 2015 it was agreed to grant the facility with a total amount of LE 200 million or it's equivalents in foreign currency that bears an interest rate of 1% above CORRIDOR rate with minimum 11.25% per annum for Egyptian pound indebtedness and 4% in addition to the borrowing rate of the bank indebtedness in foreign currency.	19 616 398	17 222 824
Represented in the amount used from the credit facility granted to the Company by one of the banks in accordance with the agreement concluded with the bank on July 1, 2014 based on which an approval to grant the Company credit facilities within the limit of L.E. 350 million or its equivalent in foreign currency, with an interest rate of 1.5 % above the Corridor rate including the commission on the highest debit balance without minimum limit on debit balance with Egyptian Pound and 4% in addition to the lending rate of the bank for the indebtedness in foreign currencies.	4 961 411	5 216 484
<b>C/F</b>	<u>34 567 081</u>	<u>29 676 713</u>

	<u>31/3/2017</u>	<u>31/12/2016</u>
	USD	USD
<b>B/F</b>	<b>34 567 081</b>	<b>29 676 713</b>

Represent the amount used of the credit facilities granted to the Company and International Financial Investments Company - a subsidiary, which is a credit facility in Egyptian Pound and US Dollar with a total amount of USD 26 million (or equivalent to EGP 173.714 million at maximum) till 30/11/2013, in accordance with the bank agreement obtained on February 2, 2013 for the purpose of financing the working capital requirements including financing the short-term investments. The credit facility bears an interest rate of 0.75% above the corridor mid-rate of the central bank (currently 10.25%) for withdrawals in Egyptian pound and 2.5% above LIBOR for 3 months in return for issuing a promissory note signed by both companies with a total amount of USD 26 million. In accordance with the bank approval on November 10, 2014, the credit facility was renewed for one year period that expired as at November 10, 2015 with a total amount of USD 26 million and L.E 31,818,181. On August 10, 2015, it was agreed to renew the credit facility for one year that ended as at July 31, 2016. Accordingly to the approval of the bank obtained on October 30, 2016, the credit facility was renewed again for another period that ended as at November 30, 2016 with a total amount of USD 26 million (or its equivalent in Egyptian Pound). Negotiations are currently in process with the bank to renew the credit facility for another period while taking into account that the amount used by the International Financial Investments Company amounts to L.E 3 777 339 as at March 31, 2017.

18 062 350 17 875 789

52 629 431 47 552 502

- (\*\*) The credit facilities balance granted to Sprea Misr for Production of Chemicals & Plastics Co. and Plasticchem Co.as at March 31, 2017 is represented as follows:

	<u>31/3/2017</u>	<u>31/12/2016</u>
	USD	USD
The amount used from the bank facilities granted to Sprea Misr for Production of Chemicals & Plastics Co. and Plasticchem Co. from a bank with a total amount of L.E 127.975 million and USD 500 000 and bears an interest rate of 2% per annum above CORRIDOR rate for Egyptian pound and 3% above LIBOR rate for US Dollar, and guaranteed by promissory note, trust receipt and insurance policy on the assets of the Group against all risks in favor of the bank.	1 582 729	1 577 010
The amount used from the credit facilities granted to the Company from a bank with total amount of L.E 120 million that bears an interest rate of 0.75% per annum above the average CORRIDOR rate.	89 383	-
The amount used from the credit facilities granted to the Company from a bank with total amount of L.E 120 million that bears an interest rate of 0.5% per annum above the average CORRIDOR rate and guaranteed by a corporate guarantee from Plasticchem Co. and the insurance against burglary and fire on the assets of Speria Cp. and its subsidiaries in favor of the bank.	713 610	1 578 830
	<u>2 385 722</u>	<u>3 155 840</u>

- For more information about the Group's exposure to interest rate, foreign currency, liquidity risks see note No. (55).

#### 40- Suppliers, subcontractors & notes payable

	<u>31/3/2017</u>	<u>31/12/2016</u>
	USD	USD
Sundry suppliers	10 298 732	13 561 087
Deferred payments to subcontractors	602 627	323 672
	<u>10 901 359</u>	<u>13 884 759</u>
Notes payable	496 041	365 916
	<u>11 397 400</u>	<u>14 250 675</u>

- The Group's exposure to foreign currency and liquidity risk related to suppliers are disclosed in note No. (55).

#### 41- Creditors & other credit balances

	<u>31/3/2017</u>	<u>31/12/2016</u>
	USD	USD
Customers - advance payments	23 747 290	23 688 555
Accrued expenses	23 146 170	23 359 418
Egyptian General Petroleum Corporation	16 726 615	9 670 530
Deposits to others	6 701 591	6 042 649
Income tax payable	11 018 553	13 151 242
Deferred income of minimum commission	7 848 252	-
Installments under collection	3 345 237	1 366 593
Unearned revenue of gas distribution commissions	303 746	3 829
Other credit balances	44 238 708	21 177 150
	<u>137 076 162</u>	<u>98 459 966</u>

- The Group's exposure to foreign currency and liquidity risks related to creditors are disclosed in note No. (55).

#### 42- Operating revenues

	<u>The three-month ended 31/3/2017</u>	<u>The three-month ended 31/3/2016</u>
	USD	USD
Gas supplies activity revenues	13 158 100	22 305 403
Communication & geographic maps activity revenue	9 144	-
Agencies activity revenue	473 990	823 460
Chemicals & plastic activity revenue	32 905 486	32 513 271
Cooling technology by natural gas activity revenue	445 170	734 502
Fertilizers activity revenue	49 674 676	39 116 491
	<u>96 666 566</u>	<u>95 493 127</u>



#### 43- Operating costs

	<u>The three-month ended 31/3/2017</u>	<u>The three-month ended 31/3/2016</u>
	USD	USD
Gas supplies activity cost	8 944 349	14 154 687
Communication & geographic maps activity cost	12 036	22 835
Agencies activity cost	319 567	610 486
Chemicals & plastic activity cost	20 570 621	22 047 304
Cooling technology by natural gas activity cost	335 690	582 297
Fertilizers activity cost	34 843 374	29 409 340
	<u>65 025 637</u>	<u>66 826 949</u>

#### 44- Income from investment activity

	<u>The three-month ended 31/3/2017</u>	<u>The three-month ended 31/3/2016</u>
	USD	USD
Gain on sale of held for trading investments	17 158	36 321
Income from held for trading investments	5 164	-
Unrealized gain on held for trading investments	193 365	1 065 199
Income from available -for- sale investments	5 029 804	5 968 843
Income from treasury bills	484 241	1 010 316
Income from governmental bonds	1 346 078	-
	<u>7 075 810</u>	<u>8 080 679</u>

#### 45- Other Income

	<u>The three-month ended 31/3/2017</u>	<u>The three-month ended 31/3/2016</u>
	USD	USD
Reversal of impairment loss on debtors	-	33 086 991
Reversal of impairment loss on intangible assets note No.(14)	3 000 000	-
Provisions - no longer required	10 693	12 469
Capital gain (loss)	998 189	68 879
Other	162 500	207 757
	<u>4 171 382</u>	<u>33 376 096</u>

#### 46- Selling & distribution expenses

	<u>The three-month ended 31/3/2017</u>	<u>The three-month ended 31/3/2016</u>
	USD	USD
Cooling technology by natural gas activity's selling & distribution expenses	21 478	48 367
Chemicals & plastic activity's selling & distribution expenses	764 658	1 190 609
Phosphate fertilizers activity's selling & distribution expenses	72 679	1 551 962
	<u>858 815</u>	<u>2 790 938</u>

**47- Other expenses**

	<u>The three-month ended 31/3/2017</u>	<u>The three-month ended 31/3/2016</u>
	USD	USD
Provisions formed	1 659 193	22 488 111
	<u>1 659 193</u>	<u>22 488 111</u>

**48- Net financing income**

	<u>The three-month ended 31/3/2017</u>	<u>The three-month ended 31/3/2016</u>
	USD	USD
<b><u>Financing income</u></b>		
Interest income	6 538 918	3 445 516
Foreign exchange profit	-	2 883 904
	<u>6 538 918</u>	<u>6 329 420</u>
<b><u>Financing costs</u></b>		
Financing expenses	(2 883 663)	(2 882 508)
Foreign exchange losses	(1 379 627)	-
	<u>(4 263 290)</u>	<u>(2 882 508)</u>
	<u>2 275 628</u>	<u>3 446 912</u>

**49- Income tax expense**

	<u>The three-month ended 31/3/2017</u>	<u>The three-month ended 31/3/2016</u>
	USD	USD
Current income tax expense	7 848 252	6 063 660
Deferred income tax benefit	(713 840)	(490 197)
	<u>7 134 412</u>	<u>5 573 463</u>

**50- Discontinued operations**

The item of losses from discontinued operations amounted to USD nil as follows:-

	<u>The three-month ended 31/3/2017</u>	<u>The three-month ended 31/3/2016</u>
	USD	USD
Discontinued operation loss – Drilling & Petroleum Service sector (A)	-	10 948 951
Discontinued operation loss – a Company from other operations sectors (B)	-	231 684
Losses from discontinued operations	<u>-</u>	<u>11 180 635</u>
The Parent Company's share in losses from discontinued operations	-	11 180 635
Losses per share from discontinued operations (US cent / Share)	<u>-</u>	<u>1,14</u>

- (A) On February 25, 2016, an agreement was signed whereby the transfer of the shares owned by the Group in a subsidiary working in the energy field was transferred to an investor outside the Group. The Group has assigned all management and voting rights related to the shares owned by the Group in this subsidiary. Accordingly this subsidiary has been accounted for as unconsolidated subsidiary in the consolidated financial statements as at March 31, 2017.

The Company's assets, liabilities, non-controlling interest, and its related items of comprehensive income have been excluded. The resulting losses from loss of control of USD 10 948 951 have been recognized in the income statement during 2016 and any remaining investments in the unconsolidated subsidiary have been recognized at fair value on that date.

Losses from discontinued operation is represented as follows:

	<b>The three-month ended 31/3/2017</b>	<b>The three-month ended 31/3/2016</b>
	<b>USD</b>	<b>USD</b>
<b>Results of discontinued operation</b>		
Revenues	-	-
Share of gain of associates	-	-
Expenses	-	-
Gains from operating activities	-	-
Income tax expense	-	-
Gains from operating activities, net of income tax	-	-
The Parent Company's share in gains from operating activities	-	-
The non-controlling interest in gains from operating activities	-	-
Loss on disposal of discontinued operation	-	(10 948 951)
Loss from discontinued operation (net of tax)	-	(10 948 951)
The Parent Company's share in loss from discontinued operation (net of tax)	-	(10 948 951)

- (B) During the financial year ended December 31, 2016, an approval on selling offer have been taken, with respect to selling the entire number of shares owned by the Group in a subsidiary company of which it owns 26% of the shares of a company (associate company) as mentioned in details in note No. (24) above.

The Company's assets and liabilities were not a discontinued operation and were not classified as non-current assets held for sale as at March 31, 2016. The comparative figures of the consolidated income statement were re-presented to show the discontinued operation separately from the continued operation.

Losses from discontinued operation is represented as follows:

	The three-month ended 31/3/2017 USD	The three-month ended 31/3/2016 USD
<b>Results of discontinued operation</b>		
Revenues	-	93 517
Share of loss of associates	-	(296 494)
Expenses	-	(28 707)
Losses from operating activities	-	(231 684)
Income tax expense	-	-
Losses from operating activities, net of income tax	-	(231 684)
The Parent Company's share in loss from operating activities	-	-
The non-controlling interest share in losses from operating activities	-	-
Loss on disposal of discontinued operations	-	-
Loss from discontinued operation (net of tax)	-	(231 684)
The Parent Company's share in loss from discontinued operation (net of tax)	-	(231 684)

## 51- Earnings per share

The calculation of earnings per share for the financial period ended March 31, 2017 was based on the profit attributable to ordinary shareholders and a weighted average number of ordinary shares outstanding during the period as follows:

### Profit attributable to equity holders

	The three-month ended 31/3/2017 USD	The three-month ended 31/3/2016 USD
Net profit for the period attributable to equity holders of the Parent Company	22 383 213	21 831 630
Employees' share in profit	(13 481)	(13 481)
Board of directors' emoluments of the Parent	-	-
Employees & board of directors' share in profit in subsidiaries and associates	(1 023 158)	(1 864 197)
Shareholders' share in net profit of the period	21 346 574	19 953 952
Weighted average number of shares outstanding during the period	997 121 957	975 658 258
Earnings per share (US cent / Share)	2.14	2.05

**Earnings per share from continued operations**

	<b><u>The three-month ended 31/3/2017</u></b>	<b><u>The three-month ended 31/3/2016</u></b>
	<b>USD</b>	<b>USD</b>
Net profit for the period attributable to equity holders of the Parent Company	22 383 213	33 012 265
Employees' share in profit	(13 481)	(13 481)
Board of directors' emoluments of the Parent Company	-	-
Employees & board of directors' share in profit in subsidiaries and associates	(1 023 158)	(1 864 197)
Shareholders' share in net profit of the period	21 346 574	31 134 587
Weighted average number of shares outstanding during the period	997 121 957	975 658 258
Earnings per share (US cent / share)	2,14	3,19

**Weighted average number of shares outstanding during the period :-**

	<b><u>The three-month ended 31/3/2017</u></b>	<b><u>The three-month ended 31/3/2016</u></b>
	<b>USD</b>	<b>USD</b>
Issued shares at the beginning of the period	975 658 258	975 658 258
Effect of issuance of bonus shares (incentive shares)	48 782 912	48 782 912
	1 024 441 170	1 024 441 170
Effect of issuance of incentive shares	(27 319 213)	(48 782 912)
Weighted average number of shares outstanding during the period	997 121 957	975 658 258

**52- Incentive and bonus plan of the Parent Company's employees and directors**

- On September 11, 2014, the extra - ordinary general assembly unanimously agreed to approve the incentive & bonus plan of the Company's employees and managers and executive board of directors members, through the allocation of 48 782 912 shares, at a percentage of 5% of its total shares issued till December 31, 2014 to apply the incentive and bonus plan through one of the following:-
  - Issuance of new shares through capital increase or by transferring from reserve or part thereof or retained earnings to shares by which the value of issued capital is increased.
  - Transfer of treasury shares to incentive and bonus plan and to be financed from reserves.
- On November 12, 2014, the Egyptian Financial Supervisory Authority approved applying the incentive & bonus plan of the Company's employees and board of directors members, which includes granting the Company's shares to the board members, managing directors, sectors 'heads', general managers and the other employees in the Company or its subsidiaries (equity settled share- based payments) according to the level of the Company's or individuals' economic performance pursuant to the shareholders, and the terms and conditions stated in the said plan.
- On June 11, 2015, the ordinary general assembly of the Company approved by the majority of votes to transfer part of the retained earnings as shown in the consolidated financial statements for the financial year ended at December 31, 2014, that were approved by the shareholder's' ordinary general assembly held on March 22, 2015 to 48 782 912 bonus shares with an amount of USD 12 195 728 for the purpose of financing the incentive & bonus plan of the Company's employees and managers and executive board of directors members, that has been approved by the Egyptian Financial Supervisory

Authority on November 12, 2014. Annotation to the effect of such increase was made on the Company's commercial register on September 13, 2015.

- On September 16, 2015 the Listing committee of the Egyptian stock exchange approved listing the incentive shares to finance the incentive and bonus plan for employees and board members. On October 5, 2015, the incentive shares were added to the shareholders register labeled as "the incentive and bonus plan for employees of Egypt Kuwait Holding Co."
- On June 9, 2016, the Supervisory Committee on the incentives and bonus plan agreed to grant and allocate all the shares belong to the incentives and bonus plan to the beneficiaries of the plan as well as determining the number of shares allocated to each one of them. The vesting date of such shares was also determined to be December 31, 2016. All the shares were granted to the executive members of the Board of Directors and the senior managers of the Company, a matter that resulted in recognizing an expense for equity-settled share-based payment arrangements in the consolidated income statement with a total amount of USD 17 561 848 and a corresponding increase with the same amount included in the equity caption under the item amount set aside for share-based payments transactions. The beneficiary may dispose of the shares only after the lapse of three years from the date of share transfer to him. During 2016, the beneficiary shall be entitled to receive 100 % of total dividends and exercise the right of voting on the resolutions of the Company.

Details of beneficiaries of the plan and the granting conditions of the shares to them are as follows:

<u>The Allottee</u>	<u>Grant date</u>	<u>Number of shares</u>	<u>Fair value of share at grant date</u> US cent	<u>Exercise Price</u> US cent	<u>Conditions</u>
The executive members of the Board of Directors and the senior managers	June 9, 2016	48 782 912	36	-	- The Company achieves increase in net profit by 15% annually
-					- Increase in the company's share price in the Egyptian Stock Exchange by 15% annually

- On February 27, 2017, the Supervision Committee of the incentives and bonus plan unanimously agreed to grant 21 463 699 shares to the beneficiaries of the plan while the methods of granting the remaining shares of the incentive plan and who deserve them shall be discussed in its upcoming meetings. On March 29, 2017, the ownership of such shares was transferred to the beneficiaries. Accordingly the available shares pertaining to incentives and bonus plan became 27 319 213 shares.

### 53- Controlled entities

Material subsidiaries are represented in the following:

<u>Subsidiary name</u>	<u>Country Of Incorporation</u>	<u>Ownership</u>	
		<u>31/3/2017</u> %	<u>31/12/2016</u> %
National Gas Company (NATGAS) S.A.E	Egypt	83.97	83.97
Al Nubaria for Natural Gas Company S.A.E	Egypt	83.97	83.97
Globe Telecom Company S.A.E	Egypt	99.93	99.93
Globe Fiber for Information & Communication Company S.A.E	Egypt	99.9	99.9
Globe for Trading & Agencies Company S.A.E	Egypt	100	100
International Financial Investments Company S.A.E under Private Free Zones System	Egypt	99.99	99.99
Ekuty Holding International - Limited by Shares	Cayman Islands	100	100
Al Watania for Electric Technology Company (Kahraba) S.A.E	Egypt	91.95	91.95
Globe for Communication & Information Technology Company S.A.E	Egypt	99	99
Midor for Logistic Services Company S.A.E	Egypt	99.89	99.89
Cooling Technology by Natural Gas Company (Gas Chill) S.A.E	Egypt	85.99	85.99
Spree Misr for Production of Chemicals & Plastics Company S.A.E	Egypt	100	100
Plastichem Company S.A.E	Egypt	99.997	99.997
Midor Suez for Oil Refining Company S.A.E	Egypt	99.99	99.99
Egyptian Company for Petrochemicals S.A.E	Egypt	99.2	99.2
Fayoum Gas Company S.A.E	Egypt	77.99	77.99
Fayoum Gas Holding Company - Limited Liability Co.	British Virgin Islands	100	100
Solidarity Group	United Arab of Emirates	100	100
Arabian Fertilizers - Limited Liability Co. at the Jebel Ali Free Zone	UAE	99.99	99.99
Arabian Company for Fertilizers. S.A.E	Egypt	74.72	74.72
National Energy Co - S.A.E	Egypt	99.99	99.99
Middle East for River Transport Co.- S.A.E under Private Free Zones System	Egypt	99.99	99.99
Alexfert Investments- Limited Liability Co. (***)	Cayman Islands	-	-
International Fertilizers Trading- Limited Liability Co.	Cayman Islands	99.99	99.99
Bawabat Al Kuwait Holding Company – S.A.K (*)	Kuwait	41.67	41.67
Alex Fert Co. (Abou Quir) - under the Public Free Zones System	Egypt	37.81	37.81
International Petrochemicals Investments Company - under the Public Free Zones System (**)	Egypt	46.14	46.14
International Logistics Company – L.L.C. (**)	Kuwait	41.67	41.67
Magnolia Holding LP Co. (**)	Cayman Islands	46.14	46.14
IPIC Global Co. (**)	Cayman Islands	46.14	46.14
Magnolia Energy Infrastructure LP Co. (**)	USA	46.14	46.14
Magnolia Idaho Nitrogen Co. (**)	USA	46.14	46.14
EKHO for Agriculture Development Co.	Egypt	100	100
Henosis for Construction & Real-Estate Development Co.	Egypt	99.99	99.99

Egypt Kuwait Holding Co.  
(An Egyptian Joint Stock Company)  
Notes to the consolidated financial statements (Cont.)  
For the financial period ended March 31, 2017

		<u>Translation from Arabic</u>	
Capital Investment Limited Luxembourg	Luxembourg	99.99	99.99
EKHO for Industrial Development Co	Egypt	100	100
MAT Trading Co.	Egypt	100	100
OGI Capital Limited	United Arab of Emirates	100	100

- The consolidated financial statements as at March 31, 2017 did not include some subsidiaries of the Group which are working in the energy field because of loss of control over them during 2016 as mentioned in detail in note No. (50) above.

(\*) Starting from April 1st, 2012, the investments in Bawabat Al Kuwait Holding Company and its subsidiaries (International Logistics Company, Alex Fert Co. "Abou Quir", International Petrochemicals Investments Company, Magnolia Holding LP Co., IPIC Global Co. Magnolia Energy Infrastructure LP Co. and Magnolia Idaho Nitrogen Co.) have been accounted for as subsidiaries of the Group instead of accounting for them as associates despite the fact that the Group has no more than 50% of their voting powers and this was because the Group has de- facto control over the financial and operating policies of Bawabat Al Kuwait Holding Company by the Group as the Group is the main shareholder in it and has half of the board of directors members of Bawabat Al Kuwait and one of its members works as the vice president and the managing director of Bawabat Al Kuwait, who stated to exercise his executive duties as from April 1st, 2012 and this matter has put the management contract of Bawabat Al Kuwait concluded with one of the Group's companies which is wholly owned by the Parent Company into effect. In addition, the smallness of contributions percentages in equity and the distribution of the non-controlling interests in the share capital significantly.

(\*\*) During year 2012, the Group through, IPIC Global Co. – a subsidiary and its subsidiaries acquired 99 % in the share capital of Magnolia Idaho Nitrogen (formerly Southeast Idaho Energy) in the United States of America of an amount of USD 3 million, which owns water rights of an amount of USD 3 million at the acquisition date, for the purpose of constructing a plant for producing fertilizers using Nitrogen extracted from an area near American Falls, Idaho.

On November 6, 2014, the Board of Directors of the subsidiary Company has decided that the fertilizers project is economically infeasible and has decided not to expend any further amounts other than the amounts already paid of USD 38 980 650. This decision was taken as a result of the decrease of the IRR due to the significant change in the investment cost of the project. Accordingly, the impairment testing for this investment was made on that date and it was concluded that the value of investment is impaired in full as follows :-

	<u>Note No.</u>	<u>USD</u>
<b><u>Impairment losses related to Nitrogen fertilizers project</u></b>		
Impairment losses on projects under construction	(12)	14 471 667
Impairment losses on intangible assets	(14)	3 000 000
<b>Total impairment losses related to Nitrogen fertilizers project</b>		<b><u>17 471 667</u></b>



The said investments were accounted for as an asset acquisition and not as a business combination due to the fact that the acquisition does not represent an activity in addition to the fact that the acquire has limited assets and did not carry out any operating or production activities. The said assets were recorded at the paid amount and the remaining amounts were not recorded until fulfilling the remaining terms of payment according to the contract and until determining the fair values of the net assets acquired in order to allocate the acquisition cost over the assets based on the relative fair value. In addition, the assets, liabilities and operating results of the said company for the financial year ended in December 31, 2016 and for the financial period ended March 31, 2017 were included in the consolidated financial statements at end of the year based on the management's reports prepared by the financial department of the said company as the audit and the review thereof have not been finalized yet.

- (\*\*\*) During 2016 the management of the Group has agreed to the offer to sell the shares owned by it in this company, As a result, Alexfert Investments Co's assets and liabilities were re-classified as non-current assets held for sale as mentioned in detail in note No. (24), (50).

#### **54- Transactions with related parties**

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

- The Parent Company rents part of its present premises from Delta Insurance Co. - An associate in which the Parent Company holds 32.02 % of its issued capital by virtue of lease contracts ending on June 30, 2020 and January 31, 2022. In addition, the Company has made Group insurance agreements with Delta Insurance Co.
- The Group has agreed with Abu Qir Fertilizers and Chemical Industries Company on signing rental contracts for a plot of land to construct the factory on it, a contract for a building to use it as a temporary headquarter for the Company's management and a contract for a plot of land to construct the water station. The Company has also agreed on signing a contract for using its sea and land facilities for exporting amounts of the produced ammonia.

## 55- Financial instruments

### 55-1 Credit risk

#### Exposure to credit risk

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

	Note No.	31/3/2017 USD	31/12/2016 USD
Property, plant and equipment selling receivables	(15)	60 360	63 860
Held to maturity financial assets	(8)	120 751 982	119 787 979
Due from Egyptian General Petroleum Corporation	(9)	1 750 814	1 416 404
Financial assets at fair value through profit and loss – Governmental bonds	(19)	5 485 116	4 538 341
Trade receivables	(20)	25 667 754	15 840 373
Cash & cash equivalents	(17)	272 319 023	242 076 188
		<u>426 035 049</u>	<u>383 723 145</u>

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

	31/3/2017 USD	31/12/2016 USD
Governmental customer	1 939 669	1 752 130
Retail customers	2 852 395	45 842
End user customers	17 183 032	11 453 234
Export customers	5 443 472	4 005 571
	<u>27 418 568</u>	<u>17 256 777</u>

### 55-2 Impairment losses

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

	31/3/2017		31/12/2016	
	Balance	Impairment	Balance	Impairment
	USD	losses USD	USD	losses USD
Not past due	3 316 291	-	2 646 520	-
Past due 0-30 days	7 470 670	-	3 752 386	-
Past due 1-3 month	8 487 170	-	5 677 990	-
Past due 3-12 month	5 285 678	-	4 005 256	-
More than one year	2 858 759	135 892	1 174 625	96 649
	<u>27 418 568</u>	<u>135 892</u>	<u>17 256 777</u>	<u>96 649</u>

Impairment loss amounting to USD 135 892 as at March 31, 2017 was basically attributable to chemicals & plastic and telecommunications and gas customers.

### 55-3 Liquidity risk

The following are the contractual maturities of financial liabilities:

#### March 31, 2017

	Carrying amount USD	6 months or less USD	6-12 months USD	1-2 years USD	2-5 years USD	More than 5 years USD
Secured bank loans & facilities	110 061 392	15 812 156	17 071 915	10 003 905	65 282 045	1 891 371
Unsecured bank facilities	69 652 092	52 652 092	3 800 000	7 600 000	5 600 000	-
Suppliers & subcontractors	11 397 400	11 096 983	300 417	-	-	-
Egyptian General Petroleum Corporation	52 142 211	52 142 211	-	-	-	-
Bank overdraft	4 957 214	4 957 214	-	-	-	-
	<u>248 210 309</u>	<u>136 660 656</u>	<u>21 172 332</u>	<u>17 603 905</u>	<u>70 882 045</u>	<u>1 891 371</u>

#### December 31, 2016

	Carrying amount USD	6 month or less USD	6-12 month USD	1-2 years USD	2-5 years USD	More than 5 years USD
Secured bank loans & facilities	127 032 596	20 537 703	18 937 396	9 923 379	75 418 201	2 215 917
Unsecured bank facilities	68 590 054	47 790 054	3 800 000	7 600 000	9 400 000	-
Suppliers & subcontractors	14 250 675	13 950 624	300 051	-	-	-
Egyptian General Petroleum Corporation	33 653 948	33 653 948	-	-	-	-
Bank overdraft	4 841 589	4 841 589	-	-	-	-
	<u>248 368 862</u>	<u>120 773 918</u>	<u>23 037 447</u>	<u>17 523 379</u>	<u>84 818 201</u>	<u>2 215 917</u>

### 55-4 Currency risk

#### Exposure to currency risk

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

#### March 31, 2017

Description	USD	L.E	K.W.D	EURO	GBP
Cash at banks & on hand	243 707 290	473 903 256	4 181 111	1 711 382	9 191
Held to maturity financial assets	92 431 037	513 741 950	-	-	-
Investment in treasury bills	-	257 011 565	-	-	-
Debtors	11 211 807	342 065 810	-	9	-
Due from Egyptian General Petroleum Corporation	-	31 759 759	-	-	-
Trade & notes receivables	1 331 724	617 674 738	-	1 021 493	-
Bank overdraft	(4 693 946)	(4 449 881)	-	(19 275)	-
Secured bank loans	(103 703 479)	(115 332 538)	-	-	-
Unsecured bank facilities	(49 887 442)	(358 530 749)	-	-	-
Due to Egyptian General Petroleum Corporation	-	(945 758 716)	-	-	-
Trade payables	(8 348 061)	(55 162 251)	-	(9 037)	-
Creditors	(42 022 454)	(560 899 852)	(1 970)	(545 502)	-
Other long-term liabilities	(11 632)	-	-	-	-
Net exposure	<u>140 014 844</u>	<u>196 023 091</u>	<u>4 179 141</u>	<u>2 159 070</u>	<u>9 191</u>

**December 31, 2016**

<b><u>Description</u></b>	<b><u>USD</u></b>	<b><u>L.E</u></b>	<b><u>K.W.D</u></b>	<b><u>EURO</u></b>	<b><u>GBP</u></b>
Cash at banks & on hand	211 493 503	567 232 819	-	1 147 683	4 089
Held to maturity financial assets	92 333 158	526 308 919	-	-	-
Investment in treasury bills	-	236 821 292	-	-	-
Debtors	10 089 565	1'75 413 629	-	139	-
Due from Egyptian General Petroleum Corporation	-	27 152 457	-	-	-
Trade & notes receivables	2 270 123	360 465 597	-	406 646	-
Bank overdraft	(4 785 212)	-	-	(58 836)	-
Secured bank loans	(121 166 075)	(112 461 200)	-	-	-
Unsecured bank facilities	(53 616 770)	(287 037 852)	-	-	-
Due to Egyptian General Petroleum Corporation	-	(645 146 187)	-	-	-
Trade payables	(11 518 638)	(52 207 152)	-	(9 037)	-
Creditors	(13 015 997)	(549 002 607)	(1 938)	(90 000)	-
Other long-term liabilities	-	(229 353)	-	-	-
Net exposure	<u>112 083 657</u>	<u>247 310 362</u>	<u>(1 938)</u>	<u>1 396 595</u>	<u>4 089</u>

The following exchange rates applied during the period:

	<b><u>Average exchange rate during the period ended</u></b>		<b><u>Spot rate</u></b>	
	<b><u>31/3/2017</u></b>	<b><u>31/3/2016</u></b>	<b><u>31/3/2017</u></b>	<b><u>31/12/2016</u></b>
L.E	17.77	8.02	18.14	19.17
K.D	0.3053	0.3017	0.3055	0.30655
EURO	0.945	0.90035	0.9318	0.9582
GBP	0.8102	0.68545	0.8030	0.8174
AED	3.6761	-	3.6721	3.68

**55-5 Interest rate risk**

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

	<b><u>Carrying amount</u></b>	
	<b><u>31/3/2017</u></b>	<b><u>31/12/2016</u></b>
	<b><u>USD</u></b>	<b><u>USD</u></b>
<b><u>Fixed rate instruments</u></b>		
Financial liabilities	474 035	3 671 408
	<u>474 035</u>	<u>3 671 408</u>
<b><u>Variable rate instruments</u></b>		
Financial liabilities	179 239 449	191 951 242
	<u>179 239 449</u>	<u>191 951 242</u>

The Group does not account for any fixed rate financial assets and liabilities at fair value through consolidated income statement and the Group does not designate derivatives (interest rate swaps) as hedging instruments under a fair value hedge accounting model. Therefore, a change in interest rates at the consolidated financial statements date would not impact the consolidated income statement.

## 55-6 Fair values

### Fair values versus carrying amounts

The fair values of financial assets and liabilities, together with the carrying amounts shown in the consolidated statement of financial position are as follow:

	31/3/2017		31/12/2016	
	Carrying Amount USD	Fair value USD	Carrying Amount USD	Fair value USD
Available for sale investments	117 953 739	117 953 739	116 953 348	116 953 348
Held to maturity financial assets	120 751 982	120 751 982	119 787 979	119 787 979
Due from Egyptian General Petroleum Corporation	1 750 814	1 750 814	1 416 404	1 416 404
Debtors	29 675 153	29 675 153	18 846 649	18 846 649
Cash and cash equivalents	272 711 432	272 711 432	242 186 165	242 186 165
Investments in treasury bills	14 168 223	14 168 223	12 353 745	12 353 745
Financial assets at fair value through profit or loss	16 260 691	16 260 691	15 159 821	15 159 821
Trade receivables	36 333 978	36 333 978	21 463 402	21 463 402
Secured bank loans	(110 061 392)	(110 061 392)	(127 032 596)	(127 032 596)
Unsecured bank facilities	(69 652 092)	(69 652 092)	(68 590 054)	(68 590 054)
Suppliers & subcontractors	(11 397 400)	(11 397 400)	(14 250 675)	(14 250 675)
Due to Egyptian General Petroleum Corporation	(52 142 211)	(52 142 211)	(33 653 948)	(33 653 948)
Creditors	(73 152 341)	(73 152 341)	(41 737 634)	(41 737 634)
Bank overdraft	(4 957 214)	(4 957 214)	(4 841 589)	(4 841 589)
Other long-term liabilities	(305 836)	(305 836)	(360 944)	(360 944)
	<u>287 937 526</u>	<u>287 937 526</u>	<u>257 700 073</u>	<u>257 700 073</u>

The basis for determining fair values is disclosed in note No. (2) above.

## 56- Capital commitments

Total capital commitments amounted to USD 18 677 as at March 31, 2017 represented in the amount of contributions in long – term investments which have not been requested to be paid till the consolidated balance sheet date (2016: USD 36 330).

## 57- Contingent liabilities

In addition to amounts provided for in the consolidated balance sheet, there are contingent liabilities as at March 31, 2017 totaled USD 16.707 million (2016: USD 16.381 million) represented in the following:

- Uncovered letters of credit amounting to USD 11 617 456 (2016: USD 11 815 209).
- Letters of guarantee issued by banks on the account of the Group and in favor of others amounting to USD 5 090 235 (2016: USD 4 565 957).
- Due to the delay in the execution of the contract concluded between one of the subsidiaries and one of its customers on October 12, 2009 the customer filed a lawsuit against the Company claiming for a compensation due to the said delay and subject matter is still considered before the court. The court issued in ruling to the effect of referring the lawsuit again to the Experts office and a session to consider the said lawsuit was determined to be held on June 18, 2014 then it was postponed several times till May 17, 2017, Based on the legal advisor's opinion, it is probable that the court shall issue its judgment in favor of the Company, in addition the claim of the customer to amend the contract value in proportion with the actual cost of the said project.

**58- Tax status**

The following is a summary of the tax position of the Company:

**Corporate profit tax**

- The Company enjoyed a tax exemption for 5 years according to Investment Law No. 8 of 1997 and ended on December 31, 2003.
- Tax inspection for corporate profit tax from inception till 2004 was carried out and the resulting tax differences were settled.
- Years from 2005 till 2008 The Company's records were not requested for inspection within the determined sample by the Tax Authority till authorizing of these financial statements for issuance.
- 2009 is currently inspected.
- Years from 2010 till 2016 The Company's records were not requested for inspection within the determined sample by the Tax Authority till authorizing of these financial statements for issuance.
- The annual tax returns are submitted on 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 2006 was carried out and the final assessment was determined and resulting differences were settled.
- The tax inspection for years from 2007 till 2013 was carried out and the final assessment was made and the Company settled the resulting differences.
- The tax inspection for years 2014 and 2015 is currently in process.
- As for year 2016, the Company did not receive any request for inspection from the Tax Authority.
- Monthly withheld taxes are settled on due dates.

**Stamp tax**

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

**Property tax**

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