CITADEL CAPITAL COMPANY S.A.E.
AND ITS SUBSIDIARIES
INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
FOR THE SIX MONTH PERIOD ENDED 30 JUNE 2021

Contents

Limited review report 1

Financial statements

Interim condensed consolidated statement of financial position 2
Interim condensed consolidated statement of profit or loss 3
Interim condensed consolidated statement of comprehensive income 4
Interim condensed consolidated statement of changes in equity 5
Interim condensed consolidated statement of cash flows 6

Notes to the interim condensed consolidated financial statements

Introduction 7
Significant changes in the current reporting period 7
Segment information 10
Profit and loss information 13
Discontinued operation 14
Investments in associates 15
Financial assets and financial liabilities 16
Non-financial assets and liabilities 22
Related party transactions 24
Basis of preparation of the interim condensed consolidated financial statements 26
Critical judgments in applying the Group's accounting policies 26
Going concern 30

Limited review report on the interim condensed consolidated financial statements

To: The Board of Directors of Citadel Capital Company (S.A.E.)

Introduction

We have reviewed the accompanying interim condensed consolidated statement of financial position of Citadel Capital Company (S.A.E.) and its subsidiaries (the "Group") as at 30 June 2021 and the related interim condensed consolidated statements of profit or loss, comprehensive income, changes in equity and cash flows for the six-month period then ended. Management is responsible for the preparation and fair presentation of these interim condensed consolidated financial statements in accordance with Egyptian Accounting Standard 30 "Interim financial reporting". Our responsibility is to express a conclusion on these interim condensed consolidated financial statements based on our limited review.

Scope of limited review

We conducted our limited review in accordance with Egyptian Standard on Review Engagements No. 2410, "Review of Interim Financial Statements 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, and applying analytical and other review procedures. A limited 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 condensed consolidated financial statements.

Conclusion

Based on our limited review, nothing has come to our attention that causes us to believe that the accompanying interim condensed consolidated financial statements are not prepared in all material respects, in accordance with Egyptian Accounting Standard 30 "Interim financial reporting".

Emphases of matters

Without qualifying our conclusion, we draw attention to the following:

1. As described in note (12) to the interim condensed consolidated financial statements, the Group incurred a net loss of approximately EGP 3.2 billion for the six-month period ended 30 June 2021 and as of that date its current liabilities exceeded its current assets by EGP 54.9 billion and it had accumulated losses of EGP 20.9 billion. In addition, as at 30 June 2021, some of the Group's subsidiaries were in breach of certain debt covenants and had defaulted in settling the loan instalments on some of their borrowings on the respective due dates. These events and conditions along with other matters disclosed in note (12) to the interim condensed consolidated financial statements, indicate the existence of a material uncertainty that may cast significant doubt about the Group's ability to continue as a going concern. The interim condensed consolidated financial statements do not include the adjustments that would be necessary if the Group were unable to continue as a going concern.
2. Note (11) to the interim condensed consolidated financial statements sets out the key considerations and critical accounting judgements applied by management in concluding that the Egyptian Refining Company ("ERC") should be consolidated by the Group. Should these judgements change, the Group may need to deconsolidate ERC.

Wael Sakr
R.A.A. 26144
F.R.A. 381

9 September 2021
Cairo

PricewaterhouseCoopers Ezzeldeen, Diab & Co.
pwc
برايس وترهاوس كوبرز عزالدين ودياب وشركاهم

PricewaterhouseCoopers Ezzeldeen, Diab & Co., Public Accountants
Plot no 211, Second Sector, City Center, New Cairo 11835, Egypt, PO Box 170 New Cairo
T: +20 2 2759 7700, F: +20 2 2759 7711, www.pwc.com

CITADEL CAPITAL COMPANY S.A.E.
AND ITS SUBSIDIARIES
INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
FOR THE SIX MONTH ENDED 30 JUNE 2021

(All amounts are shown in Thousand Egyptian Pounds unless otherwise stated)

Interim condensed consolidated statement of financial position - As of 30 June 2021

	Note	30 June 2021	31 December 2020
Non-current assets			
Fixed assets	8(a)	64,258,074	65,657,149
Right of use assets	8(b)	1,321,204	1,439,649
Intangible assets		576,334	577,265
Goodwill		205,570	205,570
Biological assets		439,844	430,706
Investments in associates	6	603,472	602,659
Financial assets at fair value through other comprehensive income		7,781	7,781
Trade and other receivables		535,078	565,437
Deferred tax assets		169,103	137,632
Total non-current assets		**68,116,460**	**69,623,848**
Current assets			
Inventories		3,294,746	2,650,315
Biological assets		5,699	12,758
Trade and other receivables		5,121,886	5,420,559
Due from related parties	9(a)	326,773	335,204
Financial assets at fair value through profit or loss		7,575	5,439
Investment in treasury bills		2,310,760	958,407
Restricted cash		656,823	662,765
Cash and cash equivalents		3,272,722	2,283,175
Total current assets		**14,996,984**	**12,328,622**
Assets classified as held for sale	5(c)(i)	35,173	35,052
Total assets		**83,148,617**	**81,987,522**
Equity			
Paid-up capital		9,100,000	9,100,000
Legal reserve		89,578	89,578
Reserves		636,620	575,466
Accumulated losses		(20,944,322)	(19,956,797)
Total equity attributable to owners of Citadel Capital Company		**(11,118,124)**	**(10,191,753)**
Non-controlling interests		10,376,747	12,533,535
Total equity		**(741,377)**	**2,341,782**
Non-current liabilities			
Loans and borrowings	7(a)	11,576,358	11,268,528
Lease liabilities		1,244,628	1,294,909
Borrowing from financial leasing entities	7(b)	141,258	-
Deferred tax liabilities		227,644	204,976
Trade and other payables		287,665	289,290
Derivative financial instruments	7(d)(iii)	485,942	677,154
Total non-current liabilities		**13,963,495**	**13,734,857**
Current liabilities			
Provisions	8(c)	2,219,899	2,109,032
Trade and other payables		11,566,801	10,791,169
Due to related parties	9(b)	1,651,413	1,610,562
Loans and borrowings	7(a)	53,593,553	50,464,096
Lease liabilities		362,343	341,839
Borrowing from financial leasing entities	7(b)	7,179	-
Financial liabilities at fair value through profit or loss		410,056	396,527
Current income tax liabilities		113,475	195,872
Total current liabilities		**69,924,719**	**65,909,097**
Liabilities associated with assets held for sale	5(c)(ii)	1,780	1,786
Total equity and liabilities		**83,148,617**	**81,987,522**

The accompanying notes on pages 7 - 33 form an integral part of these interim condensed consolidated financial statements.
Limited review report attached

Moataz Farouk
Chief Financial Officer

Hisham Hussein Elkhazinar
Managing Director

Ahmed Mohamed Hassanien Heikal
Chairman

9 September 2021

(All amounts are shown in Thousand Egyptian Pounds unless otherwise stated)

Interim condensed consolidated statement of profit or loss
For the six months period ended 30 June 2021

	Note	Six months ended 30 June		Three months ended 30 June	
		2021	2020	2021	2020
Continuing operations					
Revenue	3(b)	18,178,620	17,833,964	10,178,329	7,425,791
Cost of revenue		(18,188,682)	(17,758,282)	(9,831,100)	(7,817,100)
Gross (loss) / profit		**(10,062)**	**75,682**	**347,229**	**(391,309)**
General and administrative expenses		(1,074,360)	(763,662)	(515,625)	(366,806)
Selling and marketing expenses		(252,704)	(150,702)	(177,565)	(92,891)
Net impairment of financial assets		(10,463)	(30,442)	1,375	(11,975)
Other losses		(173,655)	(167,684)	(102,908)	(92,910)
Operating losses		**(1,521,244)**	**(1,036,808)**	**(447,494)**	**(955,891)**
Finance income	4(b)	461,260	202,597	303,685	(52,394)
Finance costs	4(b)	(2,098,426)	(2,381,208)	(1,083,926)	(1,180,118)
Share of gain/ (losses) of investments in associates		4,581	(423)	(4,446)	2,013
Loss before income tax		**(3,153,829)**	**(3,215,842)**	**(1,232,181)**	**(2,186,390)**
Income tax expense	4(c)	(83,596)	(915,924)	(50,143)	(315,289)
Net loss from continuing operations		**(3,237,425)**	**(4,131,766)**	**(1,282,324)**	**(2,501,679)**
Profit from discontinued operations	5(b)	-	46,960	-	-
Net loss for the period		**(3,237,425)**	**(4,084,806)**	**(1,282,324)**	**(2,501,679)**
Attributable to					
Owners of the parent company		(880,085)	(1,117,220)	(401,517)	(712,117)
Non-controlling interest		(2,357,340)	(2,967,586)	(880,807)	(1,789,562)
		(3,237,425)	**(4,084,806)**	**(1,282,324)**	**(2,501,679)**
Loss per share from continuing operations:					
Basic per share		(1.779)	(2.270)	(0.705)	(1.375)
Diluted per share		(1.779)	(2.270)	(0.705)	(1.375)
Loss per share from the net loss for the period:					
Basic per share		(1.779)	(2.244)	(0.705)	(1.375)
Diluted per share		(1.779)	(2.244)	(0.705)	(1.375)

The accompanying notes on pages 7 - 33 form an integral part of these interim condensed consolidated financial statements.

(All amounts are shown in Thousand Egyptian Pounds unless otherwise stated)

Interim condensed consolidated statement of comprehensive income
For the six months period ended 30 June 2021

	Six months ended 30 June		Three months ended 30 June	
	2021	**2020**	**2021**	**2020**
Net loss for the period	**(3,237,425)**	**(4,084,806)**	**(1,282,324)**	**(2,501,679)**
Other comprehensive income				
Items that may be reclassified to profit or loss				
Exchange differences on translation of foreign operations	469,089	332,553	487,465	881,041
Change in fair value of available for sale financial assets	1,982	547	(1,368)	1,543
Cash flow hedge	26,777	(380,625)	(13,999)	57,663
Income tax relating to these items	(6,025)	-	3,909	(98,839)
Other comprehensive income /(loss) for the period, net of tax	**491,823**	**(47,525)**	**476,007**	**841,408**
Total comprehensive loss for the period	**(2,745,602)**	**(4,132,331)**	**(806,317)**	**(1,660,271)**
Total comprehensive loss for the six-month period attributable to:				
Owners of the parent company	(778,188)	(1,015,599)	(281,083)	(478,942)
Non-controlling interest	(1,967,414)	(3,116,732)	(525,234)	(1,181,329)
	(2,745,602)	**(4,132,331)**	**(806,317)**	**(1,660,271)**
Total comprehensive loss for the six-month period arises from:				
Continuing operations	(2,745,602)	(4,179,291)	(806,317)	(1,660,271)
Discontinued operations	-	46,960	-	-
	(2,745,602)	**(4,132,331)**	**(806,317)**	**(1,660,271)**

The accompanying notes on pages 7 - 33 form an integral part of these interim condensed consolidated financial statements.

(All amounts are shown in Thousand Egyptian Pounds unless otherwise stated)

Interim condensed consolidated statement of changes in equity
For the six months period ended 30 June 2021

	Total equity attributable to owners of Citadel Capital Company S.A.E						
	Paid up capital	Legal reserve	Reserves	Accumulated losses	Total	Non-controlling interests	Total equity
Balances 1 January 2020	9,100,000	89,578	525,886	(17,268,830)	(7,553,366)	19,736,696	12,183,330
Effect of adoption of new accounting standard	-	-	-	(63,305)	(63,305)	(87,222)	(150,527)
Adjusted balance as at 1 January 2020	9,100,000	89,578	525,886	(17,332,135)	(7,616,671)	19,649,474	12,032,803
Total comprehensive loss for the period	-	-	101,621	(1,117,220)	(1,015,599)	(3,116,732)	(4,132,331)
Dividends distribution	-	-	-	(27,189)	(27,189)	(71,126)	(98,315)
Foreign exchange differences of shareholders reserve	-	-	(10,206)	-	(10,206)	-	(10,206)
Reclassification for the split of Taqa Electricity	-	-	29,869	(29,869)	-	-	-
Put option reserve	-	-	(60,570)	-	(60,570)	-	(60,570)
Non-controlling interests share from increase in the share capital of subsidiaries	-	-	-	-	-	873	873
Payments to Shareholders	-	-	-	-	-	(10,413)	(10,413)
Transactions with non-controlling interests	-	-	-	(425)	(425)	16,701	16,276
Balance at 30 June 2020	9,100,000	89,578	586,600	(18,506,838)	(8,730,660)	16,468,777	7,738,117
Balances 1 January 2021	9,100,000	89,578	575,466	(19,956,797)	(10,191,753)	12,533,535	2,341,782
Total comprehensive loss for the period	-	-	101,897	(880,085)	(778,188)	(1,967,414)	(2,745,602)
Dividends distribution	-	-	-	(107,440)	(107,440)	(242,896)	(350,336)
Foreign exchange differences of shareholders reserve	-	-	5,103	-	5,103	-	5,103
Transactions with non-controlling interests	-	-	(45,846)	-	(45,846)	36,291	(9,555)
Non-controlling interests share from increase in the share capital of subsidiaries	-	-	-	-	-	17,231	17,231
Balance at 30 June 2021	9,100,000	89,578	636,620	(20,944,322)	(11,118,124)	10,376,747	(741,377)

The accompanying notes on pages 7 - 33 form an integral part of these interim condensed consolidated financial statements.

QALAA HOLDINGS القلعة

(All amounts are shown in Thousand Egyptian Pounds unless otherwise stated)

Interim condensed consolidated statement of cash flows - For the six months period ended 30 June 2021

	30 June 2021	30 June 2020
Cash flows from operating activities		
Loss for the period before income tax	**(3,153,829)**	**(3,215,842)**
Net loss before income tax, adjusted for:		
Depreciation and amortization	2,204,435	1,855,959
Impairment in right of use of assets	181	-
Gain on settlement of lease contract	(16,362)	-
Gain from restructure of loans	(3,030)	-
Unrealized forex loss	36,524	49,357
Impairment in investment in treasury bills	27,695	-
Impairment of due from related parties – net	11	(320)
Impairment of trade and other receivables – net	(18,524)	17,177
Impairment of inventory – net	(13)	1,111
Ineffective portion of cash flow hedge	(162,060)	-
Share of profit of investments in associates	(4,581)	423
Effect of investments at fair value through profit or loss	(2,136)	(1,132)
Effect of financial liabilities at fair value through profit or loss	8,090	29,078
Gain on sale of fixed assets	(18,321)	(23,074)
Loss on sale of biological assets	9,174	6,925
Gains resulted from the change in FV less costs to sell of biological assets	(51,737)	(59,810)
Provisions – net	188,059	165,180
Interest expenses	2,098,426	2,365,109
Interest income	(223,628)	(202,597)
Operating gain before changes in working capital:	**918,374**	**987,544**
Changes in working capital		
Inventories	(644,133)	501,668
Trade and other payables	293,508	(81,879)
Trade and other receivables	348,950	465,015
Due from related parties	15,093	(60,008)
Due to related parties	40,381	221,742
Provisions used	(77,222)	(67,230)
Income tax paid	(180,714)	(212,155)
	714,237	**1,754,697**
Cash flows from operating activities of discontinued operations	-	-
Net cash flow generated from operating activities	**714,237**	**1,754,697**
Cash flows from investing activities		
Payments to purchase of fixed assets, PUC and intangible assets	(394,828)	(1,378,850)
Treasury bills	(1,379,993)	(1,729,062)
Proceeds from sale of fixed assets	24,878	33,849
Proceeds from sale of biological assets	40,492	19,030
Payments to increase ownership interest in subsidiaries	(9,555)	-
Interest received	223,628	202,596
Net cash flow used in investing activities	**(1,495,378)**	**(2,852,437)**
Cash flows from financing activities		
Proceeds from loans	622,568	167,443
Proceeds from banks - Overdrafts	2,784,028	1,110,160
Repayments of loans	(341,522)	(155,208)
Dividends paid	(350,336)	(98,315)
Payments to non-controlling interest shareholders	-	(10,413)
Proceeds from non-controlling interests	17,231	873
Restricted cash	5,942	(674,002)
Interest paid	(993,010)	(689,319)
	1,744,901	**(348,781)**
Cash flows from financing activities of discontinued operations	-	-
Net cash flow generated from (used in) financing activities	**1,744,901**	**(348,781)**
Net change in cash and cash equivalents during the period	**963,760**	**(1,446,521)**
Cash and cash equivalents at beginning of the period	2,283,175	3,667,814
Foreign currency translation differences	25,787	35,153
Cash and cash equivalents at end of the period	**3,272,722**	**2,256,446**

The accompanying notes on pages 7 - 33 form an integral part of these interim condensed consolidated financial statements.

1. Introduction

Citadel Capital Company "S.A.E." "The Holding Company" was incorporated in 2004 as an Egyptian joint stock company under Law No. 159 of 1981. It was registered in the commercial registered under number 11121, Cairo on 13 April 2004 The Holding Company's term is 25 years as of the date it is entered in the commercial registered and can be renewed. The Holding Company is registered in the Egyptian Stock Exchange.

The Holding Company's head office is in 1089 Nile Corniche, Four Season Nile Plaza, Garden City, Cairo, Egypt.

The purpose of the Group and main activities are described in note 3 on segment information.

The Holding Company is owned by Citadel Capital Partners Ltd. Company (Malta) by 23.49%.

The interim condensed consolidated financial statements were authorised to be issued by the Board of Directors on 9 September 2021.

2. Significant changes in the current reporting period

The existence of novel coronavirus (COVID-19) was confirmed in early 2020 and has spread across the whole world, causing disruptions to businesses and global economic activity in general. The extent and duration of such impacts remain uncertain and dependent on future developments that cannot be accurately predicted at this time, such as the transmission rate of the coronavirus and the extent and effectiveness of containment actions.

The situation differs greatly from region to region. Whereas some countries are keeping their borders closed, restricting the flow of goods, others are already starting to lift restrictions in areas with low rates of new infections. The global market conditions have affected market confidence and consumer spending patterns locally and globally. Though management expectations for the Group's different sectors post COVID-19 remains positive given its strategic importance.

The Group has continued to review its exposure to COVID-19 related and other emerging business risks.

Management is closely monitoring the COVID-19 situation and is in constant communication with leadership teams across its subsidiaries to identify risks posed by the pandemic and develop appropriate measures to ensure the health and safety of its employees and business continuity.

The Group's management has reviewed and assessed the impact of COVID-19 on the performance of the Group and generally the management believes that the Group are delivering growth and proving resilient in the face of COVID-19 supported by the diversification strategy of its portfolio.

(All amounts are shown in Thousand Egyptian Pounds unless otherwise stated)

Significant changes in the current reporting period (continued)

The impact of COVID-19 can be assessed as follows:

A- Business activities

The impact on revenue, cost of sales, gross profit and operating margin for the six months period ended are set in the table below.

Segment	**Impact of COVID-19 on revenue, cost of sales and gross profit**
Energy	1- ERC - The highly challenging external environment caused by COVID-19, coupled with oil markets volatility and significant pricing pressure on global petroleum products severely impacted performance. During the early months of 2021, oil prices started growing and the progress in COVID-19 vaccination has reflected an improvement in the oil demand and a gradual recovery in the global economic activity. The fire occurred on 3 March 2021 resulted in a 29 days stoppage and 20 days production slowdown in Q1 2021 followed by a 16 days stoppage in Q2 2021. In Q2 2021, The Refinery did its scheduled maintenance led to a full shutdown for an additional 18 days. Management are anticipating that this maintenance to drive an enhancement to the refinery operational efficiency. - Below is a summary of ERC results during the six months period: • Decrease in the six months period revenue by 6% • Decrease in costs by 2% • Overall result increase in gross loss of 42% 2- TAQA Arabia - TAQA Arabia's business operation was slightly impacted, the management believes that the COVID-19 pandemic had no material effects on the Group's performance based on the following facts: • Actual financial performance is aligned with the original budget. • Cash flows is aligned with earlier forecasts. • There are no material changes in mid-term and long-term growth rates as compared to the previous estimates. • There are no discontinued operations. • The positive performance was driven by a recovering external environment. - Below is a summary of TAQA Arabia consolidated results during the six months period: • Increase in the six months period revenue by 14% • Increase in costs by 15% • Overall result decrease in gross profit of 10%
Cement	- The Cement segment has not been adversely affected by COVID – 19. - Below is a summary of the Cement's segment results during the six months period. • Increase in the six months period in revenue by 7% • Decease in costs by 7% • Overall result increase in gross profit of 179%

(All amounts are shown in Thousand Egyptian Pounds unless otherwise stated)

Significant changes in the current reporting period (continued)

Segment	Impact of COVID-19 on revenue, cost of sales and gross profit
Transportation and logistics	- The Transportation and logistics segment have not been affected by COVID – 19, the decrease in operation due to the maintenance works at the main and small canal locks in the Nubariya Canal causing it to be inoperative for most of the first quarter of 2021. - Below is a summary of the Transportation and logistics' segment results during the six months period. • Decrease in the six months period in revenue by 28% • Decrease in costs by 14% • Overall result decrease in gross profit of 51%
Mining	- ASCOM's operational performance reflects a sustained recovery starting the second half of FY 2020 during which COVID-19 restrictions were eased. - Recovering export markets improved performance and led to increase in export sales volumes at "ACCM "and "Glass Rock". - Below is a summary of the Mining's segment results during the six months period. • Increase in the six months period in revenue by 21% • Increase in costs by 10% • Overall result increase in gross profit of 59%
Agriculture food industry	- The Agriculture food industry segment has not been affected by COVID 19. - Below is a summary of the Agriculture food industry's segment results during the six months period. • Increase in the six months period in revenue by 20% • Increase in costs by 28% • Overall result decrease in gross profit of 7%
Packaging and printing	- The Packaging and printing's segment has not been affected by COVID 19. - Below is a summary of the Packaging and printing's segment results during the six months period. • Increase in the six months period in revenue by 30% • Increase in costs by 41% • Overall result increase in gross profit of 3%

Refer to segment reporting in note 3 which discloses the respective segment performance.

- As a result of the impact, the Group has performed detailed impairment tests on the significant businesses.
- During the six months period the Group has incurred impairments on outstanding receivables (EGP 14.6 millions). The increase in impairments were mostly in the Cement segment.

Significant changes in the current reporting period (continued)

B- Funding and liquidity

- Due to COVID-19 the liquidity of ERC has been negatively impacted.For further information about the details of loans and borrowings which sets out loan terms, conditions, defaults and restructures. please refer to note 6(h) in the Group's annual consolidated financial statements for the year ended 31 December 2020.
- Note 7(c) provides details of the liquidity position of the Group and how its liquidity risk is managed.
- The effect on the Group going concern has been disclosed in note 12 on going concern.

C- Moving forward:

- At ERC, management has implemented multiple initiatives to mitigate the impacts of COVID 19 and soft oil markets on the refinery's margins. Key efforts included optimizing the product mix by reducing jet fuel production and prioritizing diesel, as well as shifting the refinery's input to 100% atmospheric residue oil (HFO) instead of previously sourcing a portion in crude oil.
- At National Printing, operations at the new state-of-the-art facility at El Baddar (subsidiary of Grandview) have commenced and was operating at full capacity in the first quarter of 2021 to further unlock value from this promising market.
- The easing restrictions related to COVID-19 started in the second half of FY 2020 also boded well for international trade, subsequently supporting improved performance at the Group's mining operations, where both ACCM and GlassRock witnessed growth in export volumes.
- The Group is also benefiting from the Egyptian government's stimulus plan and relief measures in response to the COVID-19, including energy price cuts and interest rate cuts. These relief measures will further support the Group' liquidity position and leading to significant reductions in interest expense and the Group's variable costs.
- Given the recent macroeconomic situation and the impact of COVID-19, in particular with regards to oil market volatility, ERC is currently negotiating to reach a debt-deferral agreement with its senior lenders.

3. Segment information

The Management Board is identified as the Chief Operating Decision-Maker (CODM) at Group level.

The information below shows the segment information provided to the CODM for the reportable segments for the six months period ended 30 June 2021 and also the basis on which revenue is recognized:

3(a) Description of segments and principal activities

The following summary describes each reportable segment:

Energy sector

Citadel Capital Company has invested in energy as one of the core industries within the Group segments. Its integrated investments along the value chain, midstream and downstream including refining, energy distribution, power generation and solid waste management, provide solutions that truly tackle the energy problems that faces today.

(All amounts are shown in Thousand Egyptian Pounds unless otherwise stated)

Segment information (continued)

Cement Sector
Citadel Capital Company's subsidiaries in the cement sector produce high-quality building materials that meet international environmental standards, while helping build critical national infrastructure in Africa and the Middle East. Citadel Capital, through its subsidiary company ASEC Holding, has pursued promising opportunities in regional markets with strong fundamentals where the demand for cement continues to outpace supply.

Transportation and logistics
Citadel Capital Company has invested in the river transport, logistics and port management sector as fuel subsidies are gradually removed in Egypt and fuel becomes more costly, manufacturers will be seeking alternative means of transporting goods. Nile logistics has a large fleet of fuel efficient barges, which are a more efficient, affordable and environmentally friendly that transfer cargo along the Nile. The capacity of one river barges is equivalent to 20-40 trucks, with only one-quarter of the emissions.

Mining
Citadel Capital Company investments in the mining sector help develop nations and add value to their natural resources. All of Group investments in the mining sector focus on research and development, precious metals mining, mining for the cement industry, quarry management and the production of insulation materials products for domestic and export consumption to help countries in Africa and the Middle East unlock their economic potential.

Agriculture food industries
Citadel Capital Company investments in agri-foods aim to overcome challenges facing the agricultural and food production sector in Egypt and the region. Citadel Capital Companies in the agri-foods sector bring trusted household names to market, through Dina farms, ICDP (Dina Farms' fresh dairy producer).

Packaging and printing sector
Citadel Capital invest in Packaging and printing segment aims to create shareholders liquidity while remaining firmly committed to capital growth Grandview group enjoys a strong market share in folder boxes, laminated boxes, books and paper in Egypt.

3(b) Segment revenues

Below is summary of operating results by segment. The amounts presented include inter-segment transactions, which are conducted in the normal course of business and priced in a manner similar to third party transactions. The revenue from external parties is measured in the same way as in the interim condensed consolidated statement of profit or loss.

				Timing of revenue recognition		
30 June 2021	**Segment revenue**	**Inter-segment revenue**	**Revenue from external customers**	**At a point in time**	**Over time**	**Total**
Energy	14,368,539	-	**14,368,539**	14,217,437	151,102	**14,368,539**
Cement	1,430,366	-	**1,430,366**	1,320,952	109,414	**1,430,366**
Transportation and logistics	112,997	-	**112,997**	112,997	-	**112,997**
Mining	467,767	-	**467,767**	467,767	-	**467,767**
Agriculture food industries	555,292	-	**555,292**	555,292	-	**555,292**
Financial services	-	-	-	-	-	-
Packaging & printing sector	1,113,895	-	**1,113,895**	1,113,895	-	**1,113,895**
Other	132,627	(2,863)	**129,764**	129,764	-	**129,764**
	18,181,483	**(2,863)**	**18,178,620**	**17,918,104**	**260,516**	**18,178,620**

(All amounts are shown in Thousand Egyptian Pounds unless otherwise stated)

Segment information (continued)

30 June 2020	Segment revenue	Inter-segment revenue	Revenue from external customers	Timing of revenue recognition: At a point in time	Over time	Total
Energy	14,546,795	-	14,546,795	14,411,185	135,610	**14,546,795**
Cement	1,336,221	-	1,336,221	1,197,874	138,347	**1,336,221**
Transportation and logistics	158,025	-	158,025	158,025	-	**158,025**
Mining	386,871	-	386,871	386,871	-	**386,871**
Agriculture food industries	463,427	-	463,427	463,427	-	**463,427**
Financial services	3,000	(3,000)	-	-	-	**-**
Packaging & printing sector	854,679	-	854,679	854,679	-	**854,679**
Other	97,747	(9,801)	87,946	87,946	-	**87,946**
	17,846,765	**(12,801)**	**17,833,964**	**17,560,007**	**273,957**	**17,833,964**

3(c) Segments assets

Segment assets are measured in the same way as in the interim condensed consolidated financial statements. These assets are allocated based on the operations of the segment and the physical location of the asset.

	30 June 2021			31 December 2020		
	Current assets	Non-current assets	Total assets	Current assets	Non-current assets	Total assets
Energy	10,583,047	61,319,822	**71,902,869**	8,650,221	63,215,152	**71,865,373**
Cement	2,935,584	2,417,476	**5,353,060**	2,540,563	1,993,183	**4,533,746**
Transportation and logistics	125,959	780,406	**906,365**	117,946	814,558	**932,504**
Mining	447,358	860,142	**1,307,500**	424,746	876,339	**1,301,085**
Agriculture food industries	252,541	1,198,304	**1,450,845**	274,156	1,182,743	**1,456,899**
Financial services	6,574,622	19,073,403	**25,648,025**	6,624,643	19,090,168	**25,714,811**
Packaging & printing sector	1,281,585	1,250,810	**2,532,395**	978,584	1,203,686	**2,182,270**
Other	200,221	43,573	**243,794**	179,764	37,656	**217,420**
	22,400,917	**86,943,936**	**109,344,853**	**19,790,623**	**88,413,485**	**108,204,108**
Elimination	(7,368,760)	(18,827,476)	**(26,196,236)**	(7,426,949)	(18,789,637)	**(26,216,586)**
Total	**15,032,157**	**68,116,460**	**83,148,617**	**12,363,674**	**69,623,848**	**81,987,522**

3(d) Segments liabilities

Segment liabilities are measured in the same way as in the interim condensed consolidated financial statements. These liabilities are allocated based on the operations of the segment.

	30 June 2021			31 December 2020		
	Current liabilities	Non-current liabilities	Total liabilities	Current liabilities	Non-current liabilities	Total liabilities
Energy	47,454,412	11,727,813	**59,182,225**	44,420,367	11,714,645	**56,135,012**
Cement	6,632,114	2,696,267	**9,328,381**	6,198,434	2,561,928	**8,760,362**
Transportation and logistics	2,022,464	258,041	**2,280,505**	1,947,631	279,352	**2,226,983**
Mining	622,188	803,480	**1,425,668**	617,210	763,957	**1,381,167**
Agriculture food industries	2,209,593	301,699	**2,511,292**	2,276,134	214,238	**2,490,372**
Financial services	19,459,688	775,614	**20,235,302**	19,279,558	766,521	**20,046,079**
Packaging & printing sector	1,501,447	555,569	**2,057,016**	1,302,777	461,383	**1,764,160**
Other	783,966	226,798	**1,010,764**	762,649	226,535	**989,184**
	80,685,872	**17,345,281**	**98,031,153**	**76,804,760**	**16,988,559**	**93,793,319**
Elimination	(10,759,373)	(3,381,786)	**(14,141,159)**	(10,893,877)	(3,253,702)	**(14,147,579)**
Total	**69,926,499**	**13,963,495**	**83,889,994**	**65,910,883**	**13,734,857**	**79,645,740**

(All amounts are shown in Thousand Egyptian Pounds unless otherwise stated)

4. Profit and loss information

4(a) Significant items

	30 June 2021	30 June 2020
Gains		
Gain on sale of Fixed Assets	18,321	23,074
Gain from sale of scrap	6,321	2,111
Expenses		
Provisions	(188,059)	(165,180)
Loss on sale of biological assets	(9,174)	(6,925)
Net change in the fair value of liabilities at fair value through profit and loss	(8,090)	(29,078)

4(b) Finance costs – net

	Six months ended 30 June		Three months ended 30 June	
	2021	2020	2021	2020
Credit interest	223,628	202,597	135,762	98,001
Gains from restructuring of loans	3,030	-	-	-
Ineffective portion of cash flow hedge	162,060	-	113,072	-
Net foreign exchange gain	72,542	-	54,851	(150,395)
Total finance income	**461,260**	**202,597**	**303,685**	**(52,394)**
Interest expenses	(2,006,393)	(2,299,335)	(1,035,805)	(1,139,956)
Lease interest expense	(92,033)	(65,774)	(48,121)	(24,063)
Net foreign exchange loss	-	(16,099)	-	(16,099)
Total Finance costs	**(2,098,426)**	**(2,381,208)**	**(1,083,926)**	**(1,180,118)**
Net	**(1,637,166)**	**(2,178,611)**	**(780,241)**	**(1,232,512)**

4(c) Income tax

Income tax expense is recognised based on management's estimate of the weighted average effective annual income tax rate expected for the full financial year. The average annual tax rate used for the period to 30 June 2021 is 3% compared to 4% for the six months ended 30 June 2020. There is no material change in the effective tax rate for the period as compared to prior period.

(All amounts are shown in Thousand Egyptian Pounds unless otherwise stated)

5. Discontinued operation

5(a) Description

During Q1 2020, the Group completed the legal documents to dispose its investments in Nile Company for Food Industries "Enjoy" with total assets of EGP 82,589 and total liability of EGP 129,549 resulted in a gain of EGP 46,960. There is no discontinued operations during the six months period ended 30 June 2021. For further information about the discontinued operation please refer to note 4 in the Group's annual consolidated financial statements for the year ended 31 December 2020.

5(b) Financial performance and cash flow information

Discontinued operations after tax are represented in the following:

Nile Company for Food industries	30 June 2021	30 June 2020
Gain on sale of Investment	-	46,960
Net profit for the period	-	46,960
Income tax	-	-
Profit from discontinued operations, net of tax	-	46,960

5(c) Assets and liabilities of disposal group classified as held for sale

(i) Assets

	El Baddar	Ledmore Holding Limited	Asenpro	Total
30 June 2021				
Fixed assets	22,389	-	5,728	**28,117**
Trade receivables and other debit balances	-	3,823	-	**3,823**
Cash and cash equivalents	-	3,233	-	**3,233**
Balance	**22,389**	**7,056**	**5,728**	**35,173**

	El Baddar	Ledmore Holding Limited	Asenpro	Total
31 December 2020				
Fixed assets	22,241	-	5,728	**27,969**
Trade receivables and other debit balances	-	3,837	-	**3,837**
Cash and cash equivalents	-	3,246	-	**3,246**
Balance	**22,241**	**7,083**	**5,728**	**35,052**

(ii) Liabilities

	Mena Home Furnishing Malls Ltd.	Ledmore Holding Limited	Asenpro	Total
30 June 2021				
Trade payables and other credit balances	822	709	-	**1,531**
Deferred tax	-	-	249	**249**
Balance	**822**	**709**	**249**	**1,780**

(All amounts are shown in Thousand Egyptian Pounds unless otherwise stated)

Discontinued operation (continued)

	Mena Home Furnishing Malls Ltd.	Ledmore Holding Limited	Asenpro	Total
31 December 2020				
Trade payables and other credit balances	826	711	-	**1,537**
Deferred tax	-	-	249	**249**
Balance	**826**	**711**	**249**	**1,786**

6. Investments in associates

The carrying amount of equity-accounted investments has changed as follows in the six months to 30 June 2021 as follows:

	30 June 2021
31 December 2020	**602,659**
Share of gain of investments in associates in Interim condensed consolidated statement of profit or loss	4,581
Share of loss of investments in associates in Interim condensed consolidated statement of comprehensive income	(3,768)
Balance	**603,472**

(All amounts are shown in Thousand Egyptian Pounds unless otherwise stated)

Financial position

7. Financial assets and financial liabilities

7(a) Borrowings

	30 June 2021			31 December 2020		
	Current	Non-current	Total	Current	Non-current	Total
Secured						
Bank loans	44,456,765	10,516,700	**54,973,465**	44,234,965	10,227,912	**54,462,877**
Loans from related parties	2,799,177	1,059,658	**3,858,835**	2,675,548	1,040,616	**3,716,164**
	47,255,942	**11,576,358**	**58,832,300**	**46,910,513**	**11,268,528**	**58,179,041**
Secured and Unsecured						
Short term facilities and bank overdrafts	6,337,611	-	**6,337,611**	3,553,583	-	**3,553,583**
	6,337,611	**-**	**6,337,611**	**3,553,583**	**-**	**3,553,583**
***Total* borrowings**	**53,593,553**	**11,576,358**	**65,169,911**	**50,464,096**	**11,268,528**	**61,732,624**

The Group has signed an agreement for restructuring the loan due on ASCOM for Carbonate Manufacturing Company for the benefit of Al-Ahli United Bank in March 2021 and the following resulted from the restructuring:

1- Reduction in the loan repayment terms to be 5 years instead of 7 years.
2- Reduction in the interest rate to become 4.5% above the LIBOR rate for 3 months instead of 5.5% and 6% above the LIBOR rate for 3 months.

Since there were no significant change in the value of the loan as a result of the exchange in the loan policies the present value of the loan has been recalculated using the original interest rate, this resulted in the recognition of gain resulting from the original value of the loan and the recalculated value, this gain was accounted for in the interim condensed consolidated statement of profit or loss amounting to EGP 3,030K.

In addition, it was agreed to add a new tier amounting to USD 3,900K to finance a part of the investments expenditures related to the Company's expansion of operation.

7(b) Borrowing from financial leasing entities

	30 June 2021
Borrowing from financial leasing entities (current portion)	7,179
Borrowing from financial leasing entities (Non-current portion)	141,258
Balance at 30 June 2021	**148,437**

One of the group's subsidiaries signed a financing contract. The contractual value of the contract amounted to EGP 321.9M, divided into two tranches.

The total value of the first tranche amounted to EGP 148.4M with interest rate 3% above LIBOR to be paid in quarterly installments until March 20, 2028.

The interest charged to Interim condensed consolidated statement of profit or loss during the period ended 30 June 2021 amount to EGP 3M.

(All amounts are shown in Thousand Egyptian Pounds unless otherwise stated)

Financial assets and financial liabilities (continued)

7(c) Maturities of financial liabilities

The table below summarises the maturities of the Group's financial liabilities at 30 June 2021 and 31 December 2020, based on contractual payment dates.

	Below 6 months	From 6 months to 1 year	From 1 year to 2 years	Above 2 years
31 December 2020				
Borrowings and interest	70,232,913	1,972,064	3,140,235	2,537,886
Trade payables and other credit balances	10,548,337	738,923	-	393,208
Due to related parties	-	1,527,728	-	-
Lease Liabilities	286,659	312,919	873,586	2,393,488
Derivative financial instruments	9,640	542,512	34,512	90,490
Financial liabilities at fair value through profit or loss	-	396,527	-	-
Total	**81,077,549**	**5,490,673**	**4,048,333**	**5,415,072**
30 June 2021				
Borrowings and interest	42,845,589	10,747,964	8,770,341	10,941,695
Trade payables and other credit balances	7,209,564	4,357,237	190,933	1,163,759
Due to related parties	1,637,633	13,780	-	-
Lease Liabilities	272,259	90,084	284,847	2,069,635
Borrowing from financial leasing entities	7,179	-	-	141,258
Derivative financial instruments	-	381,238	29,767	74,938
Financial liabilities at fair value through profit or loss	-	410,056	-	-
Total	**51,972,224**	**16,000,359**	**9,275,888**	**14,391,285**

7(d) Recognised fair value measurements

i) Fair value hierarchy

This section explains the judgements and estimates made in determining the fair values of financial instruments that are recognized and measured at fair value in the interim condensed financial statements. To provide an indication about the reliability of the inputs used in determining fair value, the Group has classified its financial instruments into the three levels prescribed under EAS 45 "*Fair value measurement*". An explanation of each level follows underneath the table.

Recurring fair value measurements are those that the accounting standards require or permit in the consolidated statement of financial position at the end of each reporting period. The level in the fair value hierarchy into which the recurring fair value measurements are categorized are as follows.

Recurring fair value measurements At 30 June 2021	**Level 1**	**Level 2**	**Level 3**	**Total**
Financial assets				
Financial assets at FVPL				
Egyptian listed equity instruments	7,575	-	-	**7,575**
Financial assets at FVOCI				
Unlisted equity instruments	-	7,781	-	**7,781**
Total financial assets	**7,575**	**7,781**	**-**	**15,356**
Financial liabilities				
Hedging derivatives – interest rate swaps	-	-	483,723	**483,723**
Written call option agreement	-	-	2,219	**2,219**
Trading derivatives	-	410,056	-	**410,056**
Total financial liabilities	**-**	**410,056**	**485,942**	**895,998**

(All amounts are shown in Thousand Egyptian Pounds unless otherwise stated)

Financial assets and financial liabilities (continued)

Recurring fair value measurements At 31 December 2020	**Level 1**	**Level 2**	**Level 3**	**Total**
Financial assets				
Financial assets at FVPL				
Egyptian listed equity instruments	5,439	-	-	**5,439**
Financial assets at FVOCI				
Unlisted equity instruments	-	7,781	-	**7,781**
Total financial assets	**5,439**	**7,781**	**-**	**13,220**
Financial liabilities				
Hedging derivatives – interest rate swaps	-	-	674,935	**674,935**
Written call option agreement	-	-	2,219	**2,219**
Trading derivatives	-	396,527	-	**396,527**
Total financial liabilities	**-**	**396,527**	**677,154**	**1,073,681**

There were no changes in the valuation technique for level 3 recurring fair value measurements during the period ended 30 June 2021 and 31 December 2020.

Level 1: The fair value of financial instruments traded in active markets (such as trading instruments) is based on quoted market prices (unadjusted) at the end of the reporting period. The quoted market price used for financial assets held by the Group is the current bid price. These instruments are included in level 1.

Level 2: The fair value of financial instruments that are not traded in an active market (for example, over-the-counter derivatives) is determined using valuation techniques which maximize the use of observable market data and rely as little as possible on entity-specific estimates. If all significant inputs required to fair value an instrument are observable, the instrument is included in level 2.

Level 3: If one or more of the significant inputs is not based on observable market data, the instrument is included in level 3. This is the case for unlisted equity securities and over the counter derivatives.

Transfers between levels of fair value hierarchy are deemed to occur at the end of each semi -annual reporting period.

ii) Valuation techniques used to determine fair values

Specific valuation techniques used to value financial instruments include:

- the use of quoted market prices or dealer quotes for similar instruments
- the fair value of interest rate swaps is calculated as the present value of the estimated future cash flows based on observable yield curves.
- Unlisted equity investments compose interest in an investment fund. Fair value is measured by reference to published net asset value of the fund.
- the fair value of the remaining financial instruments is determined using discounted cash flow analysis.

Aside from traded financial instruments, which are included in level 1, all of the resulting fair value estimates are included in level 2 except for derivative contracts, where the fair values have been determined based on present values and the discount rates used were adjusted for counterparty or own credit risk.

(All amounts are shown in Thousand Egyptian Pounds unless otherwise stated)

Financial assets and financial liabilities (continued)

iii) Fair value measurements using significant unobservable inputs (level 3)

The following table presents the changes in level 3 items for the period ended 30 June 2021 and 31 December 2020:

	Hedging derivatives	Total
Opening balance at 1 January 2020	**(330,356)**	**(330,356)**
losses recognised in Interim condensed consolidated statement of comprehensive income	(351,931)	**(351,931)**
losses recognised through Interim condensed consolidated statement of profit or loss	(2,219)	**(2,219)**
Forex gain	7,352	**7,352**
Closing balance at 31 December 2020	**(677,154)**	**(677,154)**
Gain recognised in Interim condensed consolidated statement of comprehensive income	26,777	**26,777**
Gain recognised through Interim condensed consolidated statement of profit or loss	162,060	**162,060**
Forex gain	2,375	**2,375**
Closing balance at 30 June 2021	**(485,942)**	**(485,942)**

iv) Valuation inputs and relationships to fair value

The following table summarizes the quantitative information about the significant unobservable inputs used in level 3 fair value measurements. See (ii) above for the valuation techniques adopted.

Description	Fair value at 30 June 2021	Fair value at 31 December 2020	Un-observable inputs *	Range of Inputs 30 June 2021	Range of Inputs 31 December 2020	Valuation Technique 30 June 2021	Valuation Technique 31 December 2020	Inputs used 30 June 2021	Inputs used 31 December 2020	sensitivity analysis
Hedging derivatives – Interest rate swaps (ERC)	(396,233)	(560,230)	Credit default rate	1.32%	1.32%	Discounted Cash flows dollar offset method	Discounted Cash flows dollar offset method	Yield curve Terminal growth Growth rate for years 1 to 5	Yield curve Terminal growth Growth rate for years 1 to 5	If an observable input changed by 5% this would result in change in fair value by 958K
Interest rate swap contracts – cash flow hedge (TAQA)	(87,490)	(114,705)	Credit default rate	2.3%	2.3%	Discounted Cash flows dollar offset method	Discounted Cash flows dollar offset method	Yield curve Terminal growth Growth rate for years 1 to 5	Yield curve Terminal growth Growth rate for years 1 to 5	If an observable input changed by 5% this would result in change in fair value by 710K
Written call option agreement	(2,219)	(2,219)	Probability of default rate	1.86%	1.86%	Option valuation model black Scholes	Option valuation model black Scholes	WACC Terminal growth Growth rate for years 1 to 5	WACC Terminal growth Growth rate for years 1 to 5	If an observable input changed by 5% this would result in change in fair value by 100K

* There were no significant inter-relationships between unobservable inputs that materially affect fair values.

There were no changes in the valuation technique for level 3 recurring fair value measurements during the period ended 30 June 2021 and 31 December 2020.

(All amounts are shown in Thousand Egyptian Pounds unless otherwise stated)

Financial assets and financial liabilities (continued)

v) Valuation processes

The finance department of relevant subsidiary includes a team that performs the valuations on quarterly basis. The finance department places a partial reliance on experts in the valuation of hedging derivatives.

The main level 3 inputs used by the Group are derived and evaluated as follows:

- Discount rates for financial assets and financial liabilities are determined using a capital asset pricing model to calculate a pre-tax rate that reflects current market assessments of the time value of money and the risk specific to the asset.
- Risk adjustments specific to the counterparties (including assumptions about credit default rates) are derived from credit risk gradings determined by the Group's internal credit risk management.
- Earnings growth factor for unlisted equity securities are estimated based on market information for similar types of companies.

vi) Valuation processes for recurring and non-recurring level 3 fair value measurements

Level 3 valuations are reviewed by the Group's financial officer who reports to the Board of Directors. The financial officer considers the appropriateness of the valuation model inputs, as well as the valuation result using various valuation methods and techniques. In selecting the most appropriate valuation model the financial officer performs back testing and considers which model's results have historically aligned most closely to actual market transactions.

The level three debt instruments are valued at the net present value of estimated future cash flows. The Group also considers liquidity, credit and market risk factors, and adjusts the valuation model as deemed necessary.

vii) Assets and liabilities not measured at fair value but for which fair value is disclosed

Fair values analyzed by level in the fair value hierarchy and the carrying value of assets and liabilities not measured at fair value are as follows:

	30 June2021				31 December 2020			
	Level 1 fair value	Level 2 fair value	Level 3 fair value	Carrying value	Level 1 fair value	Level 2 fair value	Level 3 fair value	Carrying value
Assets								
Financial assets at AC								
Trade and other receivables	-	-	5,098,444	**5,098,444**	-	-	4,957,320	**4,957,320**
Due from related parties	-	-	326,773	**326,773**	-	-	335,204	**335,204**
Treasury bills	-	-	2,310,760	**2,310,760**	-	-	958,407	**958,407**
Restricted cash	-	-	656,823	**656,823**	-	-	662,765	**662,765**
Cash and cash equivalents	-	-	3,272,722	**3,272,722**	-	-	2,283,175	**2,283,175**
Total assets	**-**	**-**	**11,665,522**	**11,665,522**	**-**	**-**	**9,196,871**	**9,196,871**

(All amounts are shown in Thousand Egyptian Pounds unless otherwise stated)

Financial assets and financial liabilities (continued)

	30 June 2021				31 December 2020			
	Level 1 fair value	Level 2 fair value	Level 3 fair value	Carrying value	Level 1 fair value	Level 2 fair value	Level 3 fair value	Carrying value
Liabilities								
Borrowings								
Loans and borrowings	-	-	65,169,911	**65,169,911**	-	-	61,732,624	**61,732,624**
Borrowing from financial leasing entities	-	-	148,977	**148,977**	-	-	-	-
Other financial liabilities								
Lease liabilities	-	-	1,606,970	**1,606,970**	-	-	1,636,748	**1,636,748**
Trade and other payables	-	-	10,214,975	**10,214,975**	-	-	9,547,968	**9,547,968**
Due to related parties	-	-	1,651,413	**1,651,413**	-	-	1,610,562	**1,610,562**
Total liabilities	-	-	**78,792,246**	**78,792,246**	-	-	**74,527,902**	**74,527,902**

The fair values in level 2 and level 3 of the fair value hierarchy were estimated using the discounted cash flows valuation technique. The fair value of floating rate instruments that are not quoted in an active market was estimated to be equal to their carrying amount. The fair value of unquoted fixed interest rate instruments was estimated based on estimated future cash flows expected to be received discounted at current interest rates for new instruments with similar credit risks and remaining maturities.

Financial assets carried at amortized cost. The fair value of floating rate instruments is normally their carrying amount. The estimated fair value of fixed interest rate instruments is based on estimated future cash flows expected to be received discounted at current interest rates for new instruments with similar credit risks and remaining maturities. Discount rates used depend on the credit risk of the counterparty.

Liabilities carried at amortized cost. Fair values of other liabilities were determined using valuation techniques. The estimated fair value of fixed interest rate instruments with stated maturities were estimated based on expected cash flows discounted at current interest rates for new instruments with similar credit risks and remaining maturities. The fair value of liabilities repayable on demand or after a notice period ("demandable liabilities") is estimated as the amount payable on demand, discounted from the first date on which the amount could be required to be paid.

viii) Presentation of financial instruments by measurement category

For the purposes of measurement, EAS 47 "Financial Instruments" classifies financial assets into the following categories: (a) financial assets at FVTPL; (b) debt instruments at FVOCI, (c) equity instruments at FVOCI and (d) financial assets at AC. Financial assets at FVTPL have two sub-categories: (i) Financial assets mandatorily measured at FVTPL, and (ii) assets designated as such upon initial recognition. In addition, finance lease receivables form a separate category.

7(e) Investment in treasury bills

The Group's investment in treasury bills increased during the six months period in 2021 from EGP 958 Million to EGP 2.3 Billion, this is mainly due to the increase in the excess cash for Silverstone (subsidiary of the group) , which was used to purchases investments in treasury bills. The treasury bills are mainly with maturity dates more than three month but less than one year. And average interest rate 12.25%.

(All amounts are shown in Thousand Egyptian Pounds unless otherwise stated)

7(f) Inventory

During 2021 the inventory balance had increased from EGP 2.6 Billion to EGP 3.2 Billion . this is mainly due to the increase in the raw material and Work in process for ERC (subsidiary of the group) by 242M. Also, there was an increase in the Spare parts, Work in process and Oils & Lubricants Inventory balances related to NDT (subsidiary of the group) by 275M.

8. Non-financial assets and liabilities

8(a) Fixed assets

Non-current	Freehold land	Freehold buildings	Furniture, fittings & equipment	Machinery, barges and vehicles	Assets under construction	Total
At 31 December 2020						
Cost	1,869,292	7,247,186	1,309,771	63,249,203	1,614,754	**75,290,206**
Accumulated depreciation and impairment	40	(959,083)	(560,968)	(7,566,731)	(546,315)	**(9,633,057)**
Net book amount	**1,869,332**	**6,288,103**	**748,803**	**55,682,472**	**1,068,439**	**65,657,149**
Period ended 30 June 2021						
Opening net book amount	**1,869,332**	**6,288,103**	**748,803**	**55,682,472**	**1,068,439**	**65,657,149**
Additions	158	3,218	5,622	35,363	350,467	**394,828**
Disposals	-	(1,254)	(19,643)	(30,272)	-	**(51,169)**
Transfers from Right of Use – cost	46,767	32,215	-	15,244	-	**94,226**
Transfers from assets under construction	-	142,238	4,595	551,422	(698,255)	**-**
Transfer to intangible assets	-	-	-	-	(23,786)	**(23,786)**
Foreign currency translation difference – cost	(4,362)	(74,060)	(7,749)	(959,020)	2,575	**(1,042,616)**
Effect of hyper-inflation – cost	4,828	116,192	9,258	1,552,965	-	**1,683,243**
Depreciation expense	(78)	(157,637)	(52,397)	(1,910,322)	-	**(2,120,434)**
Accumulated depreciation of disposals	-	466	15,538	24,457	-	**40,461**
Foreign currency translation difference – accumulated depreciation	420	42,033	4,949	319,733	721	**367,856**
Transfers from Right of Use- accumulated depreciation	-	-	-	(9,248)	-	**(9,248)**
Effect of hyper-inflation – accumulated depreciation	(884)	(82,047)	(8,652)	(640,853)	-	**(732,436)**
Net book value at 30 June 2021	**1,916,181**	**6,309,467**	**700,324**	**54,631,941**	**700,161**	**64,258,074**
At 30 June 2021						
Cost	1,916,683	7,465,735	1,301,854	64,414,905	1,245,755	**76,344,932**
Accumulated depreciation and impairment	(502)	(1,156,268)	(601,530)	(9,782,964)	(545,594)	**(12,086,858)**
Net book amount	**1,916,181**	**6,309,467**	**700,324**	**54,631,941**	**700,161**	**64,258,074**

(All amounts are shown in Thousand Egyptian Pounds unless otherwise stated)

8 (b) Right of use assets

right of use assets is recognised and classified as part of similar assets. Below is analysis for NBV of right of use assets leased under finance lease arrangements at 30 June 2021:

	Land	Buildings	Electricity supply contract	Machinery	Vehicles	Quarry	Total
At 31 December 2020							
Cost	730,512	487,548	237,242	122,333	9,919	25,586	**1,613,140**
Accumulated amortization and impairment	(50,737)	(48,664)	(18,030)	(49,707)	(4,787)	(1,566)	**(173,491)**
Opening net book amount	**679,775**	**438,884**	**219,212**	**72,626**	**5,132**	**24,020**	**1,439,649**
Additions	-	28,923	-	1,880	7,975	255	**39,033**
Disposals	(18,910)	(1,368)	-	-	-	-	**(20,278)**
Transfer to Fixed Assets -- cost	(46,767)	(32,215)	-	(11,240)	(4,004)	-	**(94,226)**
Foreign currency translation difference – cost	(2,391)	(399)	(908)	(8)	(7)	(203)	**(3,916)**
Amortization	(17,222)	(23,627)	(8,992)	(6,935)	(2,870)	(827)	**(60,473)**
Accumulated amortization of disposals	14,631	990	-	-	-	-	**15,621**
Transfer to Fixed Assets -- accumulated amortization	-	-	-	5,930	3,591	-	**9,521**
Foreign currency translation difference – accumulated amortization and impairment	144	(3,967)	80	22	24	(30)	**(3,727)**
Net book value at 30 June 2021	**609,260**	**407,221**	**209,392**	**62,275**	**9,841**	**23,215**	**1,321,204**
At 30 June 2021							
Cost	662,444	482,489	236,334	112,965	13,883	25,638	**1,533,753**
Accumulated amortization and impairment	(53,184)	(75,268)	(26,942)	(50,690)	(4,042)	(2,423)	**(212,549)**
Net book amount	**609,260**	**407,221**	**209,392**	**62,275**	**9,841**	**23,215**	**1,321,204**

8(c) Provisions

	Provision for claims*	Legal provisions	Other provisions	Total
Balance at 31 December 2020 and 1 January 2021	**1,849,198**	**6,343**	**253,491**	**2,109,032**
Provisions formed	98,822	1,103	103,234	**203,159**
Provisions used	(77,172)	(50)	-	**(77,222)**
Provisions no longer required	(15,100)	-	-	**(15,100)**
Foreign currency translation	73	(24)	(19)	**30**
Balance at 30 June 2021	**1,855,821**	**7,372**	**356,706**	**2,219,899**

* The provisions for claims has been formed against the probable claims from external parties in relation to Group activities. Information usually published on the provisions made according to accounting standards was not disclosed, as the management believes that doing so may seriously affect the outcome of negotiations with that party. The management reviews these provisions on a yearly basis, and the allocated amount is adjusted according to the latest developments, discussions and agreements with such parties.

Provisions for claims have not been discounted due to nature of uncertainty position of maturity dates.

(All amounts are shown in Thousand Egyptian Pounds unless otherwise stated)

9. Related party transactions

The Group entered into several transactions with companies and entities that are included within the definition of related parties, as stated in EAS 15, "Disclosure of related parties". The related parties comprise the Group's board of directors, their entities, companies under common control, and/ or joint management and control, and their partners and employees of senior management. The partners of joint arrangement and non-controlling interest are considered by the Group as related parties. The tables below show the nature and values of transactions with related parties during the period, and the balances due at the date of the interim condensed consolidated financial statements.

9(a) Due from related parties

		Nature of transactions		Balances	
Name of the Company	**Nature of relationship**	**Foreign Currency Translation Differences**	**Finance/ collection**	**30 June 2021**	**31 December 2020**
Golden Crescent Finco Ltd.	Investee	(1,757)	-	458,123	459,880
Emerald Financial Services Ltd.	Investee	(1,502)	-	390,799	392,301
Nile Valley Petroleum Ltd.	Investee	(1,377)	-	336,698	338,075
Benu one Ltd.	Investee	(629)	-	163,746	164,375
Citadel Capital Partners**	Parent	(195)	(5,583)	135,820	141,598
Logria Holding Ltd.	Investee	(370)	-	98,771	99,141
EIIC	Shareholder	(360)	-	93,720	94,080
Rotation Ventures	Investee	(327)	-	85,021	85,348
Golden Crescent Investment Ltd.	Investee	(229)	-	59,594	59,823
Mena Glass Ltd	Associate	(206)	-	53,670	53,876
Castrol Lubricants	Associate	-	-	39,200	39,200
Egyptian Company for International Publication	Investee	-	-	26,660	26,660
Visionaire	Investee	(78)	-	20,500	20,578
Allmed Medical Industries	Associate	(62)	-	15,932	15,994
Adena	Shareholder	(45)	-	11,715	11,760
Nahda Company – Sudan	Investee	(38)	-	10,073	10,111
Trianon	Investee	-	-	9,549	9,549
Citadel Capital AlQalaa- Saudi Arabia	Investee	-	-	1,188	1,188
El Kateb for Marketing & Distribution	Associate	-	-	1,003	1,003
Ascom Precious Metals (APM)	Associate	-	-	209	209
Others		-	(2,337)	31,240	33,577
Total				**2,043,231**	**2,058,326**
Less: Accumulated impairment loss*				(1,716,458)	(1,723,122)
				326,773	**335,204**

(All amounts are shown in Thousand Egyptian Pounds unless otherwise stated)

Related party transactions (continued)

*The accumulated impairment loss of due from related parties is as follows:-

	Balance as of 1 January 2021	Foreign currency translation differences	Formed	Balance as of 30 June 2021
Golden Crescent Finco Ltd.	459,882	(1,759)	-	**458,123**
Emerald Financial Services Ltd.	392,301	(1,502)	-	**390,799**
Nile Valley Petroleum Ltd.	338,075	(1,377)	-	**336,698**
Benu One Ltd	164,375	(629)	-	**163,746**
Logria Holding Ltd.	99,141	(380)	10	**98,771**
Rotation Ventures	85,348	(327)	-	**85,021**
Golden Crescent Investment Ltd.	59,823	(229)	-	**59,594**
Mena Glass	53,876	(206)	-	**53,670**
Visionaire	20,578	(78)	-	**20,500**
Allmed Medical Industries	15,994	(62)	-	**15,932**
Nahda	10,111	(38)	-	**10,073**
Trianon	1,154	(3)	4	**1,155**
Egyptian Company for International Publication	406	-	-	**406**
Citadel Capital Partners	85	(1)	(3)	**81**
El Kateb for Marketing & Distribution	60	-	-	**60**
EIIC	13	-	-	**13**
Others	21,900	(84)	-	**21,816**
	1,723,122	**(6,675)**	**11**	**1,716,458**

9(b) Due to related parties

		Nature of transactions		Balances	
Name of the Company	**Nature of relationship**	**Foreign currency translation differences**	**Finance/ payment**	**30 June 2021**	**31 December 2020**
Mena Glass Ltd.	Associate	(1,254)	-	535,722	536,976
Castrol Egypt	Associate	(74)	3,973	23,214	19,315
Others		-	1,809	15,181	13,372
				574,117	**569,663**
Due to shareholders					
IFC***	Shareholder	-	25,782	317,055	291,273
Ali Abu Zied	Shareholder	-	(5,109)	191,223	196,332
Aly Hassan el Deyekh	Shareholder	-	(4,008)	176,350	180,358
FHI	Shareholder	(1,449)	16,714	266,033	250,768
Fenix one Ltd.	Shareholder	(215)	-	56,075	56,290
El-Rashed	Shareholder	(120)	-	31,264	31,384
Omran	Shareholder	(60)	4,092	19,800	15,768
Ahmed Heikal	Chairman	-	-	766	766
Others		-	770	18,730	17,960
				1,077,296	**1,040,899**
				1,651,413	**1,610,562**

** This transaction mainly represents payments from CCII on behalf of Citadel Capital S.A.E to Citadel Capital Partners Ltd.

*** This transaction represents interest charged due to the share swap agreement between CCII and Citadel Capital Company S.A.E and IFC.

Related party transactions (continued)

9(c) Key management compensation

The Group paid EGP 249,806 as salaries and benefits to senior management personnel during the period ended 30 June 2021 (31 December 2020: EGP 258,106).

9(d) Terms and conditions

Transactions relating to dividends, calls on partly paid ordinary shares and subscriptions for new ordinary shares were on the same terms and conditions that applied to other shareholders.

The loans to related parties are repayable between 1 to 10 years from the reporting date. The average interest rate on the loans to related parties during the period was 7.5% (31 December 2020 – 7.5%). Outstanding balances are secured and are repayable in cash.

10. Basis of preparation of the interim condensed consolidated financial statements

Compliance with EAS

The interim condensed consolidated financial statements for the financial period ended 30 June 2021 have been prepared in accordance with the requirements of the Egyptian Accounting Standard (30) "Interim Financial Statements".

These interim condensed consolidated financial statements don't contain all the information required in preparing the full annual consolidated financial statements and should be read in conjunction with the Group's annual consolidated financial statements as at 31 December 2020.

The accounting policies adopted in the preparation of this interim condensed consolidated financial information are consistent with those of the previous financial year and corresponding interim reporting period, except for the estimation of income tax (see note 4(c))

11. Critical judgments in applying the Group's accounting policies

In general, applying the Group accounting policies does not require judgments other than the below and apart from those involving estimates that have significant effects on the amounts recognized in the interim condensed consolidated financial statements. There is no change during the period to the critical judgments from the Group's annual consolidated financial statements for the year ended 31 December 2020.

A) Hyperinflationary Economies

The Group exercises significant judgement in determining the onset of hyperinflation in countries in which it operates and whether the functional currency of its subsidiaries, associates is currency of a hyperinflationary economy.

Various characteristics of the economic environment of Sudan are taken into account. These characteristics include, but are not limited to, whether:

- the general population prefers to keep its wealth in non-monetary assets or in a relatively stable foreign currency;
- prices are quoted in a relatively stable foreign currency;

Critical judgments in applying the Group's accounting policies (continued)

- sales or purchase prices take expected losses of purchasing power during a short credit period into account;
- interest rates, wages and prices are linked to a price index;
- and the cumulative inflation rate over three years is approaching, or exceeds, 100%.

Following management's assessment, the Group's subsidiary in Sudan, Al-Takamol for Cement has been accounted for as entities operating in hyperinflationary economies.

B) Consolidation of Arab Refining Company – S.A.E "ARC" and its subsidiary Egyptian Refining Company – S.A.E ("ERC")

The Group currently holds 31.75% in Orient Investment Properties Ltd, which is the majority shareholder of ARC. ARC has a shareholding of 66.6% in ERC. Through the various shareholding structures, the Group holds an effective 13.1% shareholding in ERC and consolidates the ERC entity. ERC represents the most substantial portion of Orient and ARC.

ERC was set up for the purpose of constructing and operating refinery project and aims to provide benefits for its stakeholders such as debt and equity financiers in addition to cost savings to Egyptian General Petroleum Corporation (EGPC). The Group was involved with the setup and design of ERC.

In August 2019 ERC started its pre-completion operations which resulted in supplying EGPC with LPG, reformate, JET fuel, Diesel and Fuel oil products.

The full operation phase started at the beginning of the year 2020, Year 2020 marks the first full operational fiscal year for the ERC project. According to the clauses in ERC Deed of Shareholders Support the Group shall prior to the project completion and for two years thereafter, have control over ERC's decision-making, management and operations. Contractually with these clauses, the Group has the full ability to direct the relevant activities of ERC until two years post to the project completion terms have been met. The Group will need to reassess control if the Deed of Shareholders Support clauses no longer apply as this may result in control being lost by the Group at this date.

Whilst Egyptian General Petroleum Corporation (EGPC - significant shareholder in ERC) and ERC have entered into several contractual arrangements, which will be effective during the operational phase, these have been assessed and do not provide Egyptian General Petroleum Corporation (EGPC) with the control to direct the relevant activities of ERC. The Deed of Shareholders Support would override any such clauses in other contractual arrangements including any shareholder agreements of ARC or Orient Investment Properties if such clauses are contrary to the Group having control.

As at the 30 June 2021, ERC defaulted on certain of the loans with lenders. This has not impacted the rights afforded to the Group to direct the relevant activities via the Deed of Shareholders Support.

The Group is exposed to variable returns with the involvement with ERC. Variable returns consist of equity returns, fees for service contracts, guarantee fees incurred by the Group on behalf of ERC and exposure to reputational risk. As per the Deed of Shareholders Support , the Group continues to have the ability to use the power to affect the variable returns and is not acting as an agent when making decisions.

Management is of the view that the Group has control over ERC by virtue of shareholders agreements, exposure, or rights, to variable returns from its involvement with ERC; and can use its control over ERC to affect the amount of the Group's variable returns. Management considers that the relevant activities that most significantly affect variable returns will not be derived during the construction phase of the project but rather during the operational phase.

Critical judgments in applying the Group's accounting policies (continued)

Furthermore, management has applied judgement in determining if the Group controls Orient and ARC. It should be noted that ERC represents the most significant variable returns of both Orient and ARC. As such, whatever conclusion is reached for ERC would be considered appropriate for Orient and ARC.

In determining the appropriate accounting treatment for ERC, Orient and ARC management applied significant judgment. If management's judgments were to change, this would result in the deconsolidation of ARC and its subsidiary ERC. ERC currently has consolidated assets and liabilities impacting the consolidated financial position amounting to approximately EGP 60.3 billion and EGP 49.7 billion respectively as of 30 June 2021 and with a consolidated loss of EGP 2.8 billion for the six months period. The primary assets and liabilities making up these totals are represented in the fixed assets amounted EGP 56.4 billion, Trade and other payables amounted to EGP 3.6 billion and loans liabilities amounted to EGP 43.8 billion.

C) Functional currencies of different entities of the Group

Different entities within the Group have different functional currencies, based on the underlying primary economic environment in which the entities operate. Determining the functional depends on the currency which an entity generates and expends cash. The functional currency is the currency which:

- Mainly influences prices for goods and services,
- The country which competitive forces and regulations mainly determine the prices.
- The currency that influences labor, material and other costs of providing goods and services.

In some instances, it is not clear from the above what the functional currency should be, and consideration would be given to the currency financing is obtained and currency receipt of cash is retained. Management have exercised judgement in assessing the functional currency of some of the entities.

Specifically, in determination of the functional currency of the Egyptian Refining Company (ERC), the Group based its judgement on the fact that the company operates in a market where the price the goods and services are determined is based on global commodity markets. As such, the USD mainly influences prices of goods and services in ERC as well as a large proportion of labor, material and other costs. Moreover, the US Dollar is the currency in which ERC's business risks and exposures are managed, financing is obtained and cash from operating activities are retained. On this basis, management determined the functional currency for ERC to be USD.

D) Assessing whether the arrangement with EGPC is or contains a lease

ERC and EGPC signed a series of agreements where EGPC agreed that ERC would undertake a project to construct, operate, maintain and own at Mostorod a hydro-cracking complex to produce high value petroleum product and EGPC would off-take all the end products produced from the complex except for coke and Sulphur.

In line with the requirements Egyptian Accounting Standard 49, the Group has assessed whether the arrangement with EGPC is or contains a lease over the hydro-cracking complex. In making the assessment the Group considered the contractual provisions of the contracts and whether those provisions convey to EGPC the right to control the use of the hydro-cracking complex for a consideration over the period of the contract.

Critical judgments in applying the Group's accounting policies (continued)

Egyptian Accounting Standard 49 states that the arrangement is or contains a lease if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration. The contractual provisions of the contracts between EGPC and ERC do not convey to EGPC the right to control the use of the hydro-cracking complex over the duration of the off-take agreement. Furthermore, ERC controls the operations and maintenance of the hydro-cracking complex over the duration of the contract and decides on how the output would be by determining the appropriate product mix.

Although EGPC obtains substantially all the economic benefit from the hydro-cracking complex, albeit the product is purchased at market price, this indicator alone is not sufficient in isolation to conclude EGPC control the use of the complex. To control the use of the complex, EGPC is required to have not only the right to obtain substantially all of the economic benefits from use of an asset throughout the period of use (a 'benefits' element) but also the ability to direct the use of that asset (a 'power' element), i.e. EGPC must have decision-making rights over the use of the asset that give it the ability to influence the economic benefits derived from use of the asset throughout the period of use.

Management has judged that given the contractual provisions of the contracts do not convey EGPC with rights to control the use of the asset, the arrangement does not contain a lease and as such the arrangement is accounted for under Egyptian Accounting Standard 48 (revenue from contracts with customers) as a contract to provide product to EGPC. If it were judged that the contract should be accounted for as a lease, this may result in no recognition of fixed assets by ERC but possible a finance lease receivable.

E) Control Grandview Investment Holdings Corporation (Grandview)

Management have considered the accounting treatment and the principals in EAS 42 "Consolidated financial statements" and have determined that Grandview is controlled by the Group. In determining the appropriate accounting treatment for Grandview, management applied significant judgment and if management's judgments were to change, this would result in the deconsolidation of Grandview.

In 2005, Grandview Investment Holdings Corporation ("Grandview") was set up by the Group to undertake private equity investment in mid-cap companies in various industry sectors in the Middle East and North Africa. At the inception of Grandview, the Group initially owned 13% .

The Group appointed its subsidiary Sphinx Capital to manage the investments to be held by Grandview. This agreement was formalized through a participation arrangement which gave Sphinx Capital the majority of the voting rights and appointed the majority of the Board of Directors in Grandview and therefore power to control its relevant activities. In 2014 the Group increased its investment in Grandview to 48%.

The following are the key considerations and judgements applied by management in concluding that the Group had control over Grandview:

- The Group is able to appoint 5 of the 9 Board members of Grandview;
- Sphinx Capital has power over Grandview, which is demonstrated by the terms of the Participation agreement, whereby it has full discretion and responsibility over Grandview.

Critical judgments in applying the Group's accounting policies (continued)

Accordingly, the Group consolidated "Grandview Investment Corporation and its subsidiaries" in the interim condensed consolidated financial statements.

In determining the appropriate accounting treatment for Grandview, management applied significant judgment. If management's judgments were to change, this would result in the deconsolidation of Grandview and its subsidiaries. Grandview currently has consolidated assets and liabilities impacting the consolidated financial position amounting to approximately EGP 2.5 billion and EGP 2.1 billion respectively as of 30 June 2021 and with a consolidated profit of EGP 76 million for the six months period. The primary assets and liabilities making up these totals are represented in the fixed assets amounted EGP 1 billion, Trade and other receivables amounted to EGP 609 million and loans liabilities and overdrafts amounted to EGP 1.4 billion.

F) Control over Dar Elsherouk company

The Group have determined that they do not control Dar Elsherouk Company even though the Group owns 58.5% of the issued capital of this entity. It is not a controlled entity because the Group is not able to use its power over the entity to affect those returns as result of the contractual agreement signed between the Group and other shareholder that give the other shareholders the right to control as the chairman and the majority of board members hired by the other shareholder.

12. Going concern

The Group incurred a net loss of approximately EGP 3.2 billion for the six-month period ended 30 June 2021, with EGP 0.9 billion allocated to the owners of the parent company and EGP 2.3 billion allocated to the non-controlling interest (30 June 2020: EGP 4 billion net loss, where EGP 1.1 billion allocated to the owners of the parent company and EGP 2.9 billion allocated to the non-controlling interest). This has further increased the Group's accumulated losses to approximately EGP 20.9 billion as at 30 June 2021 (31 December 2020: EGP 19.9 billion).

As at 30 June 2021, the Group is financed by borrowings and bank facilities amounting to EGP 65.1 billion and the majority of the financing is within the energy sector. The Group had EGP 3.3 billion of cash and cash equivalents and the majority of the cash is also held within the energy sector.

During the six-month period ended 30 June 2021, some of the Group's subsidiaries (mainly under the cement and energy sectors) were in breach of their existing debt covenants. Furthermore, some of them have defaulted in the settlement of loan instalments on their due dates.

As a result of such breaches and defaults, an amount of EGP 43.8 billion was repayable on demand and accordingly, the relevant loans have been classified as current liabilities at 30 June 2021. This reclassification led to an increase in the Group's current liabilities which exceeded its current assets by EGP 54.9 billion (31 December 2020: EGP 53.5 billion), and currently the Group is in the process of renegotiating and restructuring the debts.

These conditions cast substantial doubt as to whether the Group will be able to meet its debt obligations as they became due and a material uncertainty exists that may cast substantial doubt on the Group's ability to continue as a going concern.

Going concern (continued)

The key factors which could lead the Group not being a going concern are considered to be:

- If the Group makes operating losses and does not generate sufficient cash flows from the operations.

- If the Group is unable to remedy any breaches of financial covenants or not able to renegotiate or restructure its debts.

Assessment of cash flow forecasts produced by management

The assessment of the going concern basis for the preparation of the interim condensed consolidated financial statements of the Group relies heavily on the ability of the Group to generate future cash flows in order to meet its obligations as they fall due and to successfully restructure the debts and remedy any breaches. Although the Group has a robust budgeting and forecasting process, there is an inherent uncertainty in the assumptions used in this process. This is further exacerbated by the current economic uncertainty caused by the COVID-19 pandemic and other factors such as changes in oil prices.

Management has prepared a comprehensive cash flow forecast for the next 5 years for each key component of the business which has been subject to each subsidiary's Board review and challenge. These cash flows including the underlying key assumptions, sensitivities and judgements made by management in these forecasts for each key component are consistently used for purposes of testing the non-current assets for impairment.

The key considerations in respect of assessing going concern are set out below:

Operational Activity

- ERC is a strategic national project with 4.7 million tons capacity of refined products per year, including 2.3 million tons of Euro V diesel representing more than 30%-40% of Egypt's current imports and 600,000 tons of jet fuel. ERC is working at full capacity since late August 2021 and has long-term non-cancelable supply contracts with the Egyptian General Petroleum Corporation to supply various products for 25 years.
- TAQA Arabia has also diversified its energy portfolio through the Benban solar energy project that commenced its operation in the first quarter of 2019. This has further strengthened the Group's cash inflows. TAQA continues to grow its market position opening more gas stations and constructing new solar energy plants which have enhanced its dominant position as major supplier for long-term strategic services under secured long-term contracts. TAQA contributed EGP 4.2 billion in revenue for the six-month period ended 30 June 2021 and generated positive cash flows in the period then ended. TAQA successfully commenced operations in the 6th of October industrial zone substation in March 2021 which will increase the group's profits and generate additional cash flows. TAQA also inaugurated a new subsidiary "TAQA Water", which will develop a variety of valuable water treatment solutions to serve the industrial, agricultural, touristic and real estate sectors.
- NDT Sudan operations were impacted in 2020 due to difficulties facing one of its subsidiaries (Al-Takamol) which are represented in multiple stoppages and logistical difficulties in importing refractories in Sudan. During the six-month period ended 30 June 2021, Al-Takamol was able to generate positive cash flows and increase its revenue compared to the same comparative period due to a significant increase in the average prices of cement.

Going concern (continued)

- ASCOM and its subsidiaries will continue to capitalize on growing exports and the recovery across regional markets. Management is planning to implement its sales channel diversification strategy with the aim of growing its local market presence. This strategy will act as a hedge against foreign exchange risk and will allow ASCOM to benefit from the local market's greater working capital dynamics, improved cash flow and healthy margins.
- Falcon - Dina Farms has implemented multiple efficiency and facility enhancement initiatives which has increased yields from milk producing cows. This strategy led to a positive upward trend in different metrics especially in terms of production and operating revenues.
- Grandview has been able to diversify and expand its product range. In particular corrugated cartons and various types of boxes expanded its customer base. Within Grandview, the National Printing subsidiary is the largest producer of packaging and printing products in Egypt and as such contributes to the performance of the business.
- Regardless of the impact of the maintenance works at the Nubaria canal locks, transportation, Logistics and Nile logistics (Sea port services as well as river transportation in Egypt) are showing growth driven by the company's stevedoring operations and improved operational efficiencies.

Liquidity Position

Some subsidiaries within the Group have experienced significant liquidity issues and in order to address the liquidity issues, management has undertaken the following actions:

- ERC (a subsidiary in the Energy sector) has loans outstanding as of 30 June 2021 amounting to EGP 42.6 Billions, where EGP 33.8 Billion are in default with senior lenders since 31 December 2020 and the rest of outstanding loans comprise of subordinated and working capital loans which are not in default to date.

- Senior loans of EGP 33.8 Billion from international financial institutions are currently in the process of being renegotiated and restructured. Based on the relevant correspondences with the senior lenders to date, management has reached a position whereby the lenders initially accepted to implement a debt restructuring process. As part of this process, the Group submitted its restructuring proposal to the senior lenders in March 2021 and in April 2021 the lenders responded whereby they partially accepted the proposal. However, this is subject to certain conditions precedent.

  ERC and Group Management have assessed the conditions precedent and are confident that an agreement will be reached. The remaining proposed amendments that are not yet agreed upon between the parties are still subject to further negotiations, which are expected to be finalized by the end of September 2021. The proposed amendments accepted to date provide the Group with the ability to significantly reduce the Group's cash outflows over the next 12 months. Also, ERC's proposals allow for the loan instalments to be extended over a longer term. This is being achieved through deferral rights for the scheduled repayment instalments. In addition, financial support has been requested in the form of a letter of credit from the shareholders and capital contributions to fund any shortfall in interest or principal repayment by ERC.

- The Group has reached advanced stages of negotiations over the restructuring of transportation and logistics debt with a balance of EGP 949.7 million outstanding as at 30 June 2021.
- Ascom's subsidiary (GlassRock) succeeded to restructure its debt to be paid over a longer period with lower interest rates.

Going concern (continued)

- For the cement segment and the QH level, the Group aims to settle all the overdue debts with local banks with a balance of EGP 9.4 billion outstanding as at 30 June 2021 at the Holding company, the wholly owned subsidiaries and National Development and Trading Company through a restructure from group of lenders, which is currently under negotiation.

Based on the current status of negotiations, management is confident that the debt renegotiation and restructuring initiatives would be successfully concluded.

Other initiatives

- Management will continue to focus on strategic positioning of the ERC and TAQA businesses and prioritize their growth.
- Management is in the process of implementing strategic capital transactions initiatives for the Energy operation segment that will generate cash inflows through local and foreign investors.
- In terms of the agriculture, printing and transportation segments, management actions are currently being considered to restructure and reduce both fixed and variable costs.
- The Group also continued to benefit from the government's exports incentive program, which strengthened the cash flows during the six-month period then ended.

Based on the above operational and liquidity factors as well as the other initiatives, the Group management is of the view that the Group would continue to realize its assets and discharge its liabilities in the normal course of business and operate as a going concern. Therefore, the interim condensed consolidated financial statements of the Group have been prepared on a going concern basis.