



CITADEL CAPITAL COMPANY S.A.E.
AND ITS SUBSIDIARIES
CONSOLIDATED FINANCIAL STATEMENTS
31 DECEMBER 2019

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Auditor's report

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

Report on the consolidated financial statements

We have audited the accompanying consolidated financial statements of Citadel Capital Company (S.A.E.) and its subsidiaries (the "Group") which comprise the consolidated statement of financial position as at 31 December 2019 and the consolidated statements of profit or loss, comprehensive income, changes in equity and cash flows for the fiscal year then ended, and a summary of significant accounting policies and other explanatory notes.

Management's responsibility for the consolidated financial statements

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

Auditor's responsibility

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

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

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



The shareholders of Citadel Capital Company (S.A.E.)

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Basis for qualified opinion

As described in note (30) to the accompanying consolidated financial statements, the Group's management assessed that it had lost control over Africa Railways Limited and its subsidiaries (the "ARL Group") as at 31 December 2018 in light of the issuance of a court order during 2018 to liquidate the ARL Group. As a result, it deconsolidated the ARL Group as at 31 December 2018 and consequently recognised a gain in the consolidated statement of profit or loss of EGP 3.9 billion for the year then ended.

In view of the ambiguity surrounding the timing of the loss of control over the ARL Group, attributed to the commencement of its liquidation, we were unable to obtain sufficient appropriate audit evidence or perform any alternative procedures to determine whether the Group did indeed cease to have control over the ARL Group during the year ended 31 December 2018 or whether the control was actually lost during the year ended 31 December 2019.

Further, Group management was not able to obtain any recent financial information in respect of the underlying subsidiaries of the ARL Group. Accordingly, the Group's management based the deconsolidation during 2018, referred to above, on the latest information available to it as amended by its own assumptions and estimates of transactions it believed to have occurred after the date of that information. Consequently, we were unable to obtain sufficient, appropriate audit evidence to determine the reliability of the financial information of ARL Group used in the deconsolidation process and which led to the recognition of the gain of EGP 3.9 billion recorded in the consolidated statement of profit or loss during the year ended 31 December 2018.

We were therefore, unable to determine whether adjustments might be required to these amounts that could have an impact on the consolidated statement of financial position of the Group as at 31 December 2019 or its consolidated financial performance and consolidated cash flows for the year then ended.

Qualified opinion

In our opinion, except for the effects of such adjustments, if any, as might have been determined to be necessary had we been able to satisfy ourselves in respect of the matters referred to in the *Basis for qualified opinion* paragraph, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of Citadel Capital Company and its subsidiaries as at 31 December 2019 and of its financial performance and its cash flows for the fiscal year then ended in accordance with the Egyptian Accounting Standards and in light of the related Egyptian laws and regulations.



The shareholders of Citadel Capital Company (S.A.E.)

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Emphases of matter

Without further qualifying our opinion, we draw attention to the following matters:

- As described in note (29)(a)(iii) to the consolidated financial statements, the Group's accumulated losses amounted to EGP 17 billion and the Group's current liabilities exceeded its current assets by EGP 19.1 billion as at 31 December 2019. The Group is also in breach of some of its debt covenants and has defaulted in settling the loan instalments on certain of its borrowings on the respective due dates. These conditions, along with other matters set out in note (29)(a)(iii) indicate the existence of a material uncertainty that may cast significant doubt about the Group's ability to continue as a going concern.
- Note (2)(e)(i) to the consolidated financial statements sets out the key considerations and critical accounting judgements applied by management in concluding that 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

3 May 2020
Cairo



CITADEL CAPITAL COMPANY S.A.E.
AND ITS SUBSIDIARIES
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(All amounts are shown in Thousand Egyptian Pounds unless otherwise stated)

Consolidated statement of financial position - As of 31 December 2019

	Note	2019	2018
Non-current assets			
Fixed assets	6(a)	70,047,463	71,672,364
Intangible assets	6(b)	325,403	342,151
Goodwill	6(c)	238,181	238,181
Biological assets	6(d)	359,165	302,294
Investments in associates	2(f)	281,119	156,161
Available for sale financial assets	5(b)	12,314	16,496
Trade and other receivables	5(a)	899,745	806,459
Deferred tax assets	6(e)	128,410	14,257
Derivative financial instruments	5(f)	-	212,556
Total non-current assets		72,291,800	73,760,919
Current assets			
Inventories	6(f)	2,670,654	1,490,220
Biological assets	6(d)	18,219	27,283
Trade and other receivables	5(a)	6,753,310	3,908,637
Due from related parties	21(a)	346,023	507,436
Financial assets at fair value through profit or loss	5(c)	3,010	4,223
Cash at bank and in hand	5(d)	3,667,814	6,401,336
Total current assets		13,459,030	12,339,135
Assets classified as held for sale	3(c)	432,200	1,196,077
Total assets		86,183,030	87,296,131
Equity			
Paid-up capital	7(a)	9,100,000	9,100,000
Legal reserve		89,578	89,578
Reserves	7(c)	525,886	1,255,164
Accumulated losses		(17,268,830)	(16,189,793)
Total equity attributable to owners of Citadel Capital Company		(7,553,366)	(5,745,051)
Non-controlling interests		19,736,696	20,312,440
Total equity		12,183,330	14,567,389
Non-current liabilities			
Loans and borrowings	5(h)	40,542,959	44,445,192
Deferred tax liabilities	6(e)	199,525	211,597
Trade and other payables	5(e)	299,255	234,388
Derivative financial instruments	5(f)	257,893	-
Total non-current liabilities		41,299,632	44,891,177
Current liabilities			
Provisions	6(g)	1,627,711	1,321,340
Trade and other payables	5(e)	10,679,343	7,650,924
Due to related parties	21(b)	1,678,175	2,006,272
Loans and borrowings	5(h)	17,996,282	15,783,055
Financial liabilities at fair value through profit or loss	5(g)	364,592	355,296
Current income tax liabilities	6(h)	221,512	176,895
Total current liabilities		32,567,615	27,293,782
Liabilities associated with assets held for sale	3(c)	132,453	543,783
Total equity and liabilities		86,183,030	87,296,131

The accompanying notes on pages 9 - 102 form an integral part of these consolidated financial statements.

Auditor's report attached

Mostafaz Farouk
Chief Financial Officer

Hisham Hussein El Khazindar
Managing Director

Ahmed Mohamed Hassanien Heikal
Chairman

3 May 2020

CITADEL CAPITAL COMPANY S.A.E.
AND ITS SUBSIDIARIES
CONSOLIDATED FINANCIAL STATEMENTS



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

Consolidated statement of profit or loss - For the year ended 31 December 2019

	<u>Note</u>	<u>2019</u>	<u>2018</u>
Continuing operations			
Revenue	9	14,916,751	13,382,179
Cost of revenue	10	(12,789,984)	(11,359,745)
Gross profit		2,126,767	2,022,434
General and administrative expenses	11	(1,741,448)	(1,617,562)
Other operating expenses	12	(408,443)	(1,290,798)
Operating losses		(23,124)	(885,926)
Finance costs – net	14	(1,119,886)	(1,719,504)
Share of profit (loss) of investments in associates	15	(56,848)	(33,533)
Gain on sale of investments - net		-	422
Loss before income tax		(1,199,858)	(2,638,541)
Income tax expense	16	(218,317)	(136,463)
Net loss from continuing operations		(1,418,175)	(2,775,004)
(Loss) / profit from discontinued operations (attributable to owners of the parent company)	3(b)	(107,084)	3,704,072
Net (loss) / profit for the year		(1,525,259)	929,068
Attributable to			
Owners of the parent company		(1,135,537)	1,350,843
Non-controlling interest		(389,722)	(421,775)
		(1,525,259)	929,068
		(EGP/Share)	(EGP/Share)
Loss per share from continuing operations:			
Basic (loss) earnings per share (EGP/Share)	22	(0.624)	0.742
Diluted (loss) earnings per share (EGP/Share)	22	(0.624)	0.742
(Loss) / earning per share from discontinued operations:			
Basic (loss) / earnings per share		(0.1)	2.0
Diluted (loss) / earnings per share		(0.1)	2.0

The accompanying notes on pages 9 - 102 form an integral part of these consolidated financial statements.

CITADEL CAPITAL COMPANY S.A.E.
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(All amounts are shown in Thousand Egyptian Pounds unless otherwise stated)

Consolidated statement of comprehensive income - For the year ended 31 December 2019

	<u>Note</u>	<u>2019</u>	<u>2018</u>
Net (loss) / profit for the year		(1,525,259)	929,068
<u>Other comprehensive income</u>			
Exchange differences on translation of foreign operations		(2,187,002)	2,017,359
Share of other comprehensive income for associates accounted for using equity method	7(c)	16	(18,622)
Change in fair value of available for sale financial assets	7(c)	(2,079)	1,484
Cash flow hedge		(186,735)	94,990
Other comprehensive (loss) income for the year		(2,375,800)	2,095,211
Total comprehensive (loss) income for the year		(3,901,059)	3,024,279
 Total comprehensive (loss) income for the year attributable to:			
Owners of the parent company		(1,855,015)	2,654,054
Non-controlling interest		(2,046,044)	370,225
		(3,901,059)	3,024,279
 Total comprehensive income (loss) for the year arises from:			
Continuing operations		(3,793,975)	(679,793)
Discontinued operations		(107,084)	3,704,072
		(3,901,059)	3,024,279

The accompanying notes on pages 9 - 102 form an integral part of these consolidated financial statements.

**CITADEL CAPITAL COMPANY S.A.E.
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(All amounts are shown in Thousand Egyptian Pounds unless otherwise stated)

Consolidated statement of changes in equity - For the year ended 31 December 2019

Note	Total equity attributable to owners of Citadel Capital Company S.A.E					Non-controlling interests	Total equity
	Paid up capital	Legal reserve	Other reserves	Accumulated losses	Total		
Balance at 1 January 2018	9,100,000	89,578	(65,057)	(17,365,821)	(8,241,300)	17,127,455	8,886,155
Total comprehensive income for the year	-	-	1,303,211	1,350,843	2,654,054	370,225	3,024,279
Dividends distribution	-	-	-	(64,706)	(64,706)	(140,220)	(204,926)
Share of non-controlling interests from increase in the subsidiary capital	-	-	-	-	-	1,858,706	1,858,706
Foreign exchange differences of shareholders reserve	-	-	17,010	-	17,010	-	17,010
Non-controlling interests disposed	-	-	-	39,094	39,094	32,323	71,417
Effect of hyper-inflation economy	-	-	-	(183,021)	(183,021)	(63,391)	(246,412)
Transactions with non-controlling interests	-	-	-	33,818	33,818	1,127,342	1,161,160
Balance at 31 December 2018	9,100,000	89,578	1,255,164	(16,189,793)	(5,745,051)	20,312,440	14,567,389
Balances 1 January 2019	9,100,000	89,578	1,255,164	(16,189,793)	(5,745,051)	20,312,440	14,567,389
Effect of adoption of new accounting standard	-	-	-	6,177	6,177	4,464	10,641
Adjusted balance as at 1 January 2019	9,100,000	89,578	1,255,164	(16,183,616)	(5,738,874)	20,316,904	14,578,030
Total comprehensive loss for the year	-	-	(719,478)	(1,135,537)	(1,855,015)	(2,046,044)	(3,901,059)
Dividends distribution	-	-	-	(76,079)	(76,079)	(253,711)	(329,790)
Foreign exchange differences of shareholders reserve	-	-	159,043	-	159,043	-	159,043
Reclassifying the effect of prior year hyperinflation to translation reserve	-	-	(168,843)	168,843	-	-	-
Effect of hyper-inflation economy	-	-	-	-	-	(122,166)	(122,166)
Non-controlling interest hedging reserve	-	-	-	-	-	(192,005)	(192,005)
Non-controlling interests share from increase in the share capital of subsidiaries	-	-	-	-	-	1,402,839	1,402,839
Transactions with non-controlling interests	-	-	-	(42,441)	(42,441)	630,879	588,438
Balance at 31 December 2019	9,100,000	89,578	525,886	(17,268,830)	(7,553,366)	19,736,696	12,183,330

The accompanying notes on pages 9 - 102 form an integral part of these consolidated financial statements.

CITADEL CAPITAL COMPANY S.A.E.
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(All amounts are shown in Thousand Egyptian Pounds unless otherwise stated)

Consolidated statement of cash flows - For the year ended 31 December 2019

	Notes	2019	2018
Net cash flow (used in) / generated from operating activities	17(a)	(1,340,556)	2,744,224
Cash flows from investing activities			
Payments to purchase of fixed assets and projects under construction		(5,181,036)	(10,591,129)
Payments to purchase of intangible assets		-	(2,950)
Proceeds from sale of fixed assets and projects under construction		107,291	12,683
Payments to purchase of biological assets		-	(146,470)
Proceeds from sale of biological assets		51,555	16,600
Proceeds from sale of subsidiaries and assets held for sale		-	215,338
Proceeds from sale of available for sale financial assets		2,085	-
Interest received		254,924	240,782
		(4,765,181)	(10,255,146)
Cash flows from investing activities of discontinued operations		-	388,440
Net cash flow used in investing activities		(4,765,181)	(9,866,706)
Cash flows from financing activities			
Proceeds from loans		5,661,431	9,069,695
Repayments of loans		(3,496,908)	(166,955)
Proceeds from non-controlling interest		1,402,838	1,306,902
Dividends paid		(329,789)	(204,388)
Restricted cash		(630,600)	-
Interest paid		(215,047)	(1,644,438)
		2,391,925	8,360,816
Cash flows from financing activities of discontinued operations		-	(147,394)
Net cash flow generated from financing activities		2,391,925	8,213,422
Net change in cash and cash equivalents during the year		(3,713,812)	1,090,940
Cash and cash equivalents at beginning of the year		6,351,051	2,561,855
Foreign currency translation differences		349,690	2,698,256
Cash and cash equivalents at end of the year	5(d)	2,986,929	6,351,051

The accompanying notes on pages 9 - 102 form an integral part of these consolidated financial statements.

Notes to the consolidated financial statements - For the year ended 31 December 2019

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

Group structure

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 is represented in providing consultancy in financial and financing fields for different companies and preparing and providing the feasibility studies in the economical, engineering, technological, marketing, financial, administrative, borrowing contracts arrangements and financing studies for projects and providing the necessary technical support in different fields except legal consultancy, in addition to working as an agent of companies and projects in contracting and negotiations in different fields and steps especially negotiations in the management contracts, participation and technical support, and managing, executing and restructuring of projects.

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

The consolidated financial statements were authorised to be issued by the Board of Directors on 3 May 2020. The Ordinary General Assembly Meeting of shareholders has the right to amend the consolidated financial statements after its issuance.

2. Interests in other entities

2(a) Material subsidiaries

Below is a list of subsidiaries at 31 December 2019 and 31 December 2018 presenting the Group's interest in their ordinary shares which is equivalent to the Holding Company voting power.

Company name	Country of Incorporation	Group share%		Non-controlling interest %	
		2019	2018	2019	2018
Citadel Capital Holding for Financial Investments	Arab Republic of Egypt	99.99	99.99	0.01	0.01
Citadel Capital for International Investments Ltd.	British Virgin Island	100.00	100.00	-	-
Bright Living	Arab Republic of Egypt	56.17	56.17	43.83	43.83
International for Mining Consultation	Arab Republic of Egypt	99.99	99.99	0.01	0.01
International for Refinery Consultation	Arab Republic of Egypt	99.99	99.99	0.01	0.01
Arab Company for Financial Investments	Arab Republic of Egypt	94.00	94.00	6.00	6.00
Tanweer for Marketing and Distribution Company (Tanweer)	Arab Republic of Egypt	99.88	99.88	0.12	0.12
Financial Unlimited for Financial Consulting	Arab Republic of Egypt	99.88	99.88	0.12	0.12
Citadel Company for Investment Promotion	Arab Republic of Egypt	99.90	99.90	0.01	0.01
National Company for Touristic and Property Investment	Arab Republic of Egypt	99.88	99.88	0.12	0.12
United for Petroleum Refining Consultation	Arab Republic of Egypt	99.99	99.99	0.01	0.01
Specialized for Refining Consulting	Arab Republic of Egypt	99.99	99.99	0.01	0.01
Specialized for Real Estate Company	Arab Republic of Egypt	99.99	99.99	0.01	0.01

Notes to the consolidated financial statements - For the year ended 31 December 2019

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

Company name	Country of Incorporation	Group share%		Non-controlling interest %	
		2019	2018	2019	2018
ASEC Cement Co.	Arab Republic of Egypt	70.22	70.22	29.78	29.78
ASEC Environmental Protection Co. (ASENPRO)	Arab Republic of Egypt	63.01	63.01	36.99	36.99
ASEC Automation Co.	Arab Republic of Egypt	53.64	53.64	46.36	46.36
Grandiose Services Ltd.	British Virgin Island	100.00	100.00	-	-
ASEC for Integrated management	Sudan	99.90	99.90	0.1	0.1
Al Takamoul for Cement Ltd. Co.	Sudan	51.00	51.00	49.00	49.00
ASEC Syria Cement Co.	Syria	99.99	99.99	0.01	0.01
Dejalfa Offshore	British Virgin Island	67.13	67.13	32.87	32.87
ASEC Trading Company	Arab Republic of Egypt	99.88	99.88	0.12	0.12
United Foundries Company	Arab Republic of Egypt	67.46	67.46	32.54	32.54
Ledmore Holdings Ltd.	British Virgin Island	85.12	85.12	14.88	14.88
National Company for Marine Petroleum Services "PETROMAR"	Arab Republic of Egypt	93.54	93.54	6.46	6.46
Mashreq Petroleum Company	Arab Republic of Egypt	94.99	94.99	5.01	5.01
El Dawlia for Banking Services	Arab Republic of Egypt	70.00	70.00	30.00	30.00
Mena Home Furnishings Malls Ltd.	British Virgin Island	60.18	60.18	39.82	39.82
Investment Company for Modern Furniture	Arab Republic of Egypt	99.88	99.88	0.12	0.12
Citadel Capital Transportation Opportunities Ltd.	British Virgin Island	67.55	67.55	32.45	32.45
Nile Logistics S.A.E.	Arab Republic of Egypt	99.99	99.99	0.01	0.01
Citadel Capital Transportation Opportunities II Ltd – Malta	Republic of Mauritius	81.62	81.62	18.38	18.38
National Company for Multimodal Transport S.A.E.	Arab Republic of Egypt	99.88	99.88	0.12	0.12
National Company for River Transportation – Nile Cargo S.A.E.	Arab Republic of Egypt	99.99	99.99	0.01	0.01
National Company for River Ports Management S.A.E.	Arab Republic of Egypt	99.88	99.88	0.12	0.12
National Company for Maritime Clearance S.A.E	Arab Republic of Egypt	99.98	99.98	0.02	0.02
El-Orouba Company for Land Transportation S.A.E.	Arab Republic of Egypt	99.98	99.98	0.02	0.02
NMT for Trading S.A.E.	Arab Republic of Egypt	99.99	99.99	0.01	0.01
National Company for Marina Ports Management	Arab Republic of Egypt	99.90	99.90	0.1	0.1
NRTC Integrated Solutions Co. Ltd	Sudan	99.00	99.00	1.00	1.00
Nile Barges for River transport Co Ltd	Sudan	99.00	99.00	1.00	1.00
Regional River Investment Ltd	British Virgin Island	100.00	100.00	-	-
Falcon for Agriculture Investments	British Virgin Island	54.90	54.90	45.1	45.1
National Company for Investments and Agriculture	Arab Republic of Egypt	99.99	99.99	0.01	0.01
National Company for Food products	Arab Republic of Egypt	99.99	99.99	0.01	0.01
Dina Company for Agriculture and Investments	Arab Republic of Egypt	99.99	99.99	0.01	0.01
Dina for Auto Services	Arab Republic of Egypt	99.00	99.00	1.00	1.00
National Company for Agriculture Products	Arab Republic of Egypt	99.88	99.88	0.12	0.12
National Company for Integrated Food	Arab Republic of Egypt	99.99	99.99	0.01	0.01
Royal Food Company	Arab Republic of Egypt	99.99	99.99	0.01	0.01
Nile for Food Products "Enjoy"	Arab Republic of Egypt	99.99	99.99	0.01	0.01
Investments Company for Dairy Products	Arab Republic of Egypt	99.99	99.99	0.01	0.01
Tiba Farms for Agriculture Developments	Arab Republic of Egypt	95.88	95.88	4.12	4.12
Dina for Agriculture Development	Arab Republic of Egypt	100.00	100.00	-	-
National Company for Dairy Exchange	Arab Republic of Egypt	100.00	100.00	-	-

Notes to the consolidated financial statements - For the year ended 31 December 2019

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

Company name	Country of Incorporation	Group share%		Non-controlling interest %	
		2019	2018	2019	2018
Mena Development Limited	British Virgin Island	100.00	100.00	-	-
Anchor Real Estate Investments	British Virgin Island	100.00	100.00	-	-
Everys Holding Limited	British Virgin Island	100.00	100.00	-	-
Orient Investments Properties Ltd.	British Virgin Island	31.89	34.27	68.11	65.73
Arab Refining Company – S.A.E.	Arab Republic of Egypt	61.89	61.70	38.11	38.30
Egyptian Refining Company – S.A.E.	Arab Republic of Egypt	41.22	42.9	58.78	57.1
National Refining Company – S.A.E.	Arab Republic of Egypt	63.32	63.32	36.68	36.68
Cron dall Holdings Ltd.	British Virgin Island	94.53	94.53	5.47	5.47
Capella Management Investments Inc. Company	British Virgin Island	100.00	100.00	-	-
Lotus Management Investment Ltd. Company	British Virgin Island	100.00	100.00	-	-
Cordoba Investment Services Inc. Company	British Virgin Island	100.00	100.00	-	-
Tawazon for Solid Waste Management (Tawazon)	Arab Republic of Egypt	66.67	66.67	33.33	33.33
Egyptian Company for Solid Waste Recycling (ECARU)	Arab Republic of Egypt	70.00	75.63	30.00	24.37
Engineering Tasks Group (ENTAG)	Arab Republic of Egypt	70.00	75.73	30.00	24.37
Entag Oman Company	Oman	70.00	70.00	30.00	30.00
Qalaa Energy Ltd.	British Virgin Island	100.00	100.00	-	-
Mena Joint Investment Fund	Luxembourg	73.25	73.25	26.75	26.75
Africa Joint Investment Fund	Republic of Mauritius	31.00	31.00	69.00	69.00
Underscore International Holdings Ltd.	British Virgin Island	100.00	100.00	-	-
Valencia International Holdings Ltd.	British Virgin Island	100.00	100.00	-	-
Sphinx Egypt for Financial Consulting Company	Arab Republic of Egypt	69.88	69.88	30.12	30.12
Sphinx capital Corp	British Virgin Island	100.00	100.00	-	-
Melbourn Investments Ltd	British Virgin Island	100.00	100.00	-	-
Borton Hill Investments Ltd.	British Virgin Island	100.00	100.00	-	-
Metal Anchor Holdings Ltd.	British Virgin Island	15.00	15.00	85.00	85.00
Tempsford Investments Ltd	British Virgin Island	100.00	100.00	-	-
ASEC company for mining (ASCOM)	Arab Republic of Egypt	61.32	54.74	38.68	45.26
ASCOM Carbonate & Chemical Manufacture Company	Arab Republic of Egypt	99.99	99.99	0.01	0.01
ASCOM for Geology & mining – Syria	Arab Republic of Syria	95.00	95.00	5.00	5.00
Nebta for Geology & Mining – Sudan	Sudan	99.00	99.00	1.00	1.00
Glass Rock Insulation Company	Arab Republic of Egypt	92.50	92.50	7.50	7.50
ASCOMA Algeria	Republic of Algeria	99.40	99.40	0.60	0.60
Lazerg Travaux Public	Republic of Algeria	70.00	70.00	30.00	30.00
ASCOM Precious Metals Mining S.A.E	Arab Republic of Egypt	99.99	99.99	0.01	0.01
ASCOM Emirates for Mining UAE	Limited Partnership Company Emirates	69.40	69.40	30.60	30.60
ASCOM Middle East	Arab Republic of Egypt	100.00	100.00	-	-
Nubia Mining Development PLC	Sudan	52.80	52.80	47.20	47.20
Sahari Gold Company	Ethiopia	99.99	99.99	0.01	0.01
ASCOM for Geology & Mining – Ethiopia	Ethiopia	99.99	99.99	0.01	0.01
ASCOM Precious Metals – Sudan	Sudan	99.99	99.99	0.01	0.01
Golden Resources Company	Ethiopia	99.99	99.99	0.01	0.01
ASCOM Cyprus Ltd	Cyprus	99.99	99.99	0.01	0.01
International Company for Mineral Exploration – Cyprus	Cyprus	99.99	99.99	0.01	0.01
Golden International Ltd	Ethiopia	99.99	99.99	0.01	0.01
Grandview Investment Holding Corp.	British Virgin Island	48.02	48.02	51.98	51.98
National Printing Company	Arab Republic of Egypt	52.57	52.57	47.43	47.43

Notes to the consolidated financial statements - For the year ended 31 December 2019

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

Company name	Country of Incorporation	Group share%		Non-controlling interest %	
		2019	2018	2019	2018
Modern Shorouk for Printing and Packaging "El Shorouk"	Arab Republic of Egypt	47.27	47.27	52.73	52.73
El Baddar for Packaging "El Baddar"	Arab Republic of Egypt	49.26	49.26	50.74	50.74
Uniboard	Arab Republic of Egypt	25.56	25.56	74.44	74.44
Windsor	Arab Republic of Egypt	40.18	40.18	59.82	59.82
National Drilling	Arab Republic of Egypt	99.99	99.99	0.01	0.01
Egyptian Textile Ltd.	British Virgin Island	100	100	-	-
National Company for Textile	Arab Republic of Egypt	100	100	-	-

2(b) Key financial information for significant subsidiaries

31 December 2019	Total Assets	Total Equity	Total Revenue	Net Profit
Orient Investment Properties Ltd.	68,081,991	21,543,057	-	(294,783)
Silverstone Capital Investment Ltd. Group	7,119,387	1,500,366	7,724,127	379,207
National Development and Trading Company	4,542,248	(3,144,479)	2,731,249	(505,621)
ASEC Company for Mining (ASCOM)	1,469,749	(13,509)	967,050	(52,572)
Citadel Capital Transportation Opportunities Ltd.	775,142	(1,122,723)	235,983	(237,288)
Tawazon for Solid Waste Management (Tawazon) Company Group	444,509	220,729	410,296	20,590
United Foundries Company	146,654	(738,386)	171,521	39,224
Grandview Investment holdings	1,859,562	306,067	1,817,217	(78,922)
Falcon for Agriculture Investments Group	1,421,222	98,960	791,596	16,034
31 December 2018	Total Assets	Total Equity	Total Revenue	Net Profit
Orient Investment Properties Ltd.	71,174,614	24,462,573	-	(183,303)
Silverstone Capital Investment Ltd. Group	6,391,274	1,669,995	5,904,767	249,326
National Development and Trading Company	4,729,556	(2,382,642)	2,885,491	(531,487)
ASEC Company for Mining (ASCOM)	1,563,629	(42,636)	950,667	(102,822)
Citadel Capital Transportation Opportunities Ltd.	763,803	(948,021)	131,836	(276,817)
Tawazon for Solid Waste Management (Tawazon) Company Group	461,937	205,223	446,242	47,744
United Foundries Company	170,147	(769,917)	280,999	(41,963)
Grandview Investment holdings	1,945,465	394,503	1,959,637	(102,563)
Falcon for Agriculture Investments Group	1,311,774	86,892	752,210	4,997

Notes to the consolidated financial statements - For the year ended 31 December 2019

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

Interests in other entities (continued)

2(c) Non-controlling interests (NCI)

Set out below is summarised financial information for each subsidiary that has non-controlling interests that are material to the Group. The amounts disclosed for each subsidiary are before inter-company eliminations.

(i) Summarised financial position

31 December 2019	Silverstone	CCTO	NDT	Orient	Tawazon	Ascom	Grandview
Current assets	4,520,515	120,917	2,881,395	4,711,301	294,064	507,147	816,384
Current liabilities	4,058,497	1,865,819	5,325,383	7,695,725	210,418	1,342,757	1,071,012
Net current assets	462,018	(1,744,902)	(2,443,988)	(2,984,424)	83,646	(835,610)	(254,628)
Non-current assets	2,598,872	654,225	1,660,853	63,370,690	150,445	962,602	1,043,178
Non-current liabilities	1,560,525	32,046	2,361,344	38,843,209	13,361	140,500	482,482
Non-current net assets	1,038,347	622,179	(700,491)	24,527,481	137,084	822,102	560,696
Accumulated NCI	520,414	(346,764)	1,191,865	10,369,882	103,623	(78,941)	224,135

31 December 2018	Silverstone	CCTO	NDT	Orient	Tawazon	Ascom	Grandview
Current assets	4,190,835	89,250	3,069,207	4,435,954	315,413	503,006	1,169,259
Current liabilities	3,181,392	1,641,813	4,747,026	4,455,857	247,577	1,412,976	1,136,522
Net current assets	1,009,443	(1,552,563)	(1,677,819)	(19,903)	67,836	(909,970)	32,737
Non-current assets	2,200,439	674,553	1,660,349	66,738,660	146,525	1,060,623	882,152
Non-current liabilities	1,539,887	70,011	2,365,172	42,256,184	9,137	193,290	473,932
Non-current net assets	660,552	604,542	(704,823)	24,482,476	137,388	867,333	408,220
Accumulated NCI	514,292	(280,509)	1,385,018	9,339,623	87,885	(79,180)	213,755

(ii) Summarised comprehensive income

31 December 2019	Silverstone	CCTO	NDT	Orient	Tawazon	Ascom	Grandview
Revenue	7,724,127	235,983	2,731,249	-	410,296	967,050	1,817,217
Profit for the year	379,207	(237,288)	(505,621)	(294,783)	20,590	(52,572)	(78,922)
Other comprehensive income	(65,371)	(53,809)	(212,359)	(347,568)	(5,083)	1,699	58,195
Total comprehensive income	313,836	(291,097)	(717,980)	(642,351)	15,507	(50,873)	(20,727)
Profit allocated to NCI	(2,164)	(68,140)	(121,233)	(335,250)	15,738	239	21,500
Dividends to NCI	-	-	(45,619)	-	-	-	(1,420)

31 December 2018	Silverstone	CCTO	NDT	Orient	Tawazon	Ascom	Grandview
Revenue	5,904,767	131,836	2,885,491	-	446,242	950,667	1,959,637
Profit for the year	249,326	(276,817)	(531,487)	(183,303)	47,744	(102,822)	(102,563)
Other comprehensive income	(9,428)	2,448	670,429	170,074	235	(27,775)	(6,780)
Total comprehensive income	239,898	(274,369)	138,942	(13,229)	47,979	(130,597)	(109,343)
Profit allocated to NCI	17,043	(75,691)	579,357	18,144	26,141	(10,623)	(19,357)
Dividends to NCI	-	-	(23,608)	-	-	-	6,379

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

Interests in other entities (continued)

(iii) Summarised cash flows

31 December 2019	Silverstone	CCTO	NDT	Orient	Tawazon	Ascom	Grandview
Cash flows from							
- Operating activities	(13,999)	52,058	277,026	3,637,888	50,639	32,413	(17,544)
- Investing activities	(638,402)	(32,540)	6,417	(9,899,584)	(18,973)	(52,883)	(50,923)
- Financing activities	183,607	16,849	(112,228)	3,028,928	(21,549)	11,574	116,216
Net increase/ (decrease) in cash and cash equivalent	(468,794)	36,367	171,215	(3,232,768)	10,117	(8,896)	47,749

31 December 2018	Silverstone	CCTO	NDT	Orient	Tawazon	Ascom	Grandview
Cash flows from							
- Operating activities	276,369	(5,239)	512,416	(1,582,825)	19,377	92,700	5,487
- Investing activities	(1,494,630)	(10,971)	(45,298)	(5,859,042)	(38,056)	(20,025)	(174,174)
- Financing activities	1,453,808	17,269	(269,672)	10,677,268	19,742	(77,417)	109,174
Net increase/ (decrease) in cash and cash equivalent	235,547	1,059	197,446	3,235,401	1,063	(4,742)	(59,513)

2(d) Transactions with non-controlling interests

During 2019, the group sold 2% from its percentage of the issued shares of Orient Investment Properties Ltd, 5% of the issued shares of Taqa Arabia and 5 % of the issued shares of Ecaru and Entag.

2(e) Significant judgements

(i) Consolidation of Arab Refining Company – S.A.E “ARC” and its subsidiary Egyptian Refining Company – S.A.E (“ERC”)

In determining the appropriate accounting treatment for ERC, 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 68 billion and EGP 46 billion respectively as at 31 December 2019 and with a consolidated loss of EGP 295 million for the year then ended. The primary assets and liabilities making up these totals are represented in the projects under construction amounted EGP 63 billion, Trade receivables amounted to EGP 2.8 billion, inventories amounted to EGP 1 billion and loans liabilities amounted to EGP 41 billion.

(ii) Control over Egypt Refining Company (ERC)

ERC was set up for the purpose of constructing and operating refinery project and aim 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 set up and design of ERC.

Notes to the consolidated financial statements - For the year ended 31 December 2019

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

Interests in other entities (continued)

Management are 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 consider 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.

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.

In August 2019 the company started its pre-completion operations which resulted supplying EGPC with LPG, reformat, JET fuel, Diesel and Fuel Oil products

On 29 February 2020 the contractor has sent a notification to ERC that the contractor has attained initial acceptance and requested to issue the initial acceptance certificate as the contractor completed the requirements set forth in contracts including but not limited to the following:

- All unit's performance test, plant performance test and plant reliability test have been successfully completed
- The delay liquidated damages is comprehensively negotiated between the parties in good faith while reserving contractor's right and are to be settled through a settlement agreement in due course

Accordingly, group management operations expects to start the operation phase during the year ended 31 December 2020, considering it mark the first full operational fiscal year for the ERC project, which gives the Group two years on full control over the relevant activities through clauses in the ERC Deed of Shareholders Support. The Group shall always procure that and prior to the project completion it shall 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 completion of the construction phase.

Whilst Egyptian General Petroleum Corporation (EGPC) 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.

In determining the appropriate accounting treatment for ERC, 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 68 billion and EGP 46 billion respectively as at 31 December 2019 and with a consolidated loss of EGP 295 million for the year then ended. The primary assets and liabilities making up these totals are represented in the projects under construction amounted EGP 63 billion, Trade receivables amounted to EGP 2.8 billion, inventories amounted to EGP 1 billion and loans liabilities amounted to EGP 41 billion.

Notes to the consolidated financial statements - For the year ended 31 December 2019

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

Interests in other entities (continued)

As soon as the two-year period ended, the Group's management concluded that the non-controlling interest rights were insignificant and therefore the Group had the control over the ERC.

The Group has appointed the key management personnel of ERC such as the Chief Executive Officer and Chief Financial Officer and the majority of the board of directors are Group appointments.

The Group has the ability to use the power to affect the variable returns and is not acting in an agent capacity.

2(f) Interest in associates

	Place of business/ country of incorporation	Shareholding %		Carrying amount	
		2019	2018	2019	2018
Al Kateb Co for Marketing and Distribution *	Egypt	48.88%	48.88%	-	311
Castrol Egypt *	Egypt	49%	49%	-	-
Al Sharq for Book Stores	Egypt	40%	40%	13,316	12,685
Allmed Medical industries	UK	30%	-	103,202	-
Dar AL Sherouk Company	British Virgin Islands	58.51%	58.51%	126,712	130,767
Ascom Precious Metals (APM)**	Ethiopia	35.54%	35.54%	149,035	123,544
Total				392,265	267,307
Accumulated impairment loss				(111,146)	(111,146)
Net				281,119	156,161

*the Group management has stopped recognizing its share of losses for Castrol Egypt and Al Kateb Co for Marketing and Distribution as the Group's share of losses exceeded its investment.

**Asosa exploration license (Dish Mountain) :

The Asosa license area is located in Western Ethiopia. The license area was renewed seven times after the initial three-year exploration period, for a term of one-year each. The Asosa concession has completed nine years of exploration, and was renewed for another one year up to 6 May 2017. In a letter dated 16 March 2017, Ascom Mining Ethiopia (AME) requested an extension of the exploration license for further 24 months period. The Ministry Mines, Petroleum Natural Gas (the "Ministry") rejected this request since the ten year period of the exploration license has been utilized. The Ministry recommended AME to apply for a mining license. .

Based on Ministry's Recommendation, AME applied for mining license on 12 June 2017. On 27 June 2017 the Ministry replied to the request of AME for a mining license. The Ministry evaluated and commented on the feasibility study documents and it considered the documents as incomplete and requested the AME to complete and finalize all outstanding work in as short a period as possible. On the letter dated 14 September 2018, AME has requested an extension of time for submission of the Definitive Feasibility Study (DFS) of Dish Mountain Gold Exploration Project. The Ministry on its letter dated 30 October 2018, extend the time and instructs AME to finalize the study and submit the DFS prior to 30 September 2019

Notes to the consolidated financial statements - For the year ended 31 December 2019

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

Interests in other entities (continued)

AME is in the process of completing the final stage of exploration and completing the submission of the DFS of the Dish Mountain exploration. Based on the additional exploration license Dul, Ashashire and Menge (new locations), AME has submitted 2nd year work programme covering the period from September 2019 till September 2020, which has been approved by Ministry. In that work programme AME's view is that Dish Mountain and Dul, Ashashire and Menge project will be an addition to the Dish Mountain gold mine to be processed in one processing facility.

(i) Nature of activities

	Activities
Al Kateb Co for Marketing and Distribution	Marketing and distributing books including books and magazines, musical and cinematic, television and recording works
Al Sharq for Book Stores	Sale and distribution of literary and artistic products of all kinds, including books and magazines, musical and cinematic, television and recording works - Diwan Bookstores
Castrol Egypt	Castrol is a leading distributor and marketer of premium lubricating oils, greases and related services to automotive, industrial, marine, aviation, oil exploration and production.
Dar AL Sherouk Company	Sale and distribution of literary and artistic products of all kinds, including books and magazines, musical and cinematic, television and recording works.
Ascom Precious Metals (APM)	Exploration of Gold – Ethiopia
Allmed Medical industries	Manufacturing and distributing an end-to-end range of consumables Haemodialysis for Renal Care Therapies

(ii) Group share in results of associates

	Al Kateb Co for Marketing & Distribution		Al Sharq for Book Stores		Dar Al-Sherouk BVI		Ascom Precious Metals (APM)		Allmed Medical Industries	
	2019	2018	2019	2018	2019	2018	2019	2018	2019	2018
Opening at 1 January	311	531	12,685	12,577	130,767	135,424	123,544	143,503	-	-
Transfer from assets held for sale	-	-	-	-	-	-	-	-	219,488	-
Group share in profit (Loss) for the period	(311)	(220)	631	108	(3,573)	(3,931)	33,926	(19,959)	-	-
Group share in other comprehensive income	-	-	-	-	(482)	(726)	(8,435)	-	(87,521)	-
	-	311	13,316	12,685	126,712	130,767	149,035	123,544	103,202	-
Accumulated impairment	-	-	-	-	(111,146)	(111,146)	-	-	-	-
Carrying amount at 31 December	-	311	13,316	12,685	15,566	19,621	149,035	123,544	103,202	-

Notes to the consolidated financial statements - For the year ended 31 December 2019

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

Interests in other entities (continued)

(iii) Summarised financial information for associates

	Total assets	Total shareholders' equity	Total revenue	Net profit / (loss) for the year
31 December 2019				
Ascom Precious Metals (APM)	721,983	672,822	-	(122,923)
Dar Al Sherouk Company	233,703	119,965	59,499	(6,085)
Castrol Egypt	76,622	(375)	25,484	(29,780)
Al Kateb Co for Marketing and Distribution	24,165	4,310	11,956	(1,782)
Al Sharq for Book Stores	15,329	7,616	31,784	1,645
Allmed Medical Industries	1,676,933	644,271	1,127,284	(311,014)

	Total assets	Total shareholders' equity	Total revenue	Net profit / (loss) for the year
31 December 2018				
Ascom Precious Metals (APM)	706,259	381,074	-	(82,787)
Dar Al Sherouk Company – BVI	239,299	126,830	48,620	(6,718)
Castrol Egypt	110,387	(3,115)	52,445	(19,652)
Al Kateb Co for Marketing and Distribution	20,316	6,916	12,203	(448)
Al Sharq for Book Stores	12,514	5,980	30,294	269

3. Discontinued operation

3(a) Description

(i) Zahana Cement Company

Group management through National Development and Trading Company's management announced its intention to exit the Cement industry in Algeria invested through National Company and Trading Company. The Group management initiated an active program to locate a buyer in 2018. The investment in associate were consequently presented as held for sale in the consolidated financial statements.

3(b) Financial performance and cash flow information

Discontinued operations after tax are represented in the following:

	Zahana Cement Company	Total
2019		
Share of profit of investments in associates	(107,084)	(107,084)
Net loss for the year	(107,084)	(107,084)
Income tax	-	-
Profit (Loss) from discontinued operations, net of tax	(107,084)	(107,084)

Notes to the consolidated financial statements - For the year ended 31 December 2019

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

Discontinued operation (continued)

	Mena Home Furnishing Malls Ltd.	KU Railways Holding Limited	ESACO for Manufacturing Engineering and Construction	Zahana Cement Company	Falcon	Total
2018						
Discontinued operations						
Operating revenue	4,721	-	7,780	-	-	12,501
Operating costs	(11,592)	-	(16,828)	-	-	(28,420)
General and administrative expenses	(2,580)	(10,835)	(4,048)	-	-	(17,463)
Other (expenses)	(193)	-	(9,761)	-	-	(9,954)
Finance costs net	(12,703)	-	(1,076)	-	-	(13,779)
Share of profit of investments in associates	-	-	-	14,345	-	14,345
Net loss for the year	(22,347)	(10,835)	(23,933)	14,345	-	(42,770)
Income tax	-	-	(374)	(2,295)	-	(2,669)
Gain / (loss) on sale from discontinued operations	(247,036)	-	33,804	-	(657)	(213,889)
Gain from discontinued of subsidiary	-	3,963,400	-	-	-	3,963,400
(Loss) profit from discontinued operations, net of tax	(269,383)	3,952,565	9,497	12,050	(657)	3,704,072

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

(i) Assets

	Mena Home Furnishing Malls Ltd.	Subsidiaries of Falcon for Agriculture Investments Ltd. BVI	Ledmore Holding Limited.	Zahana Cement Company	ASEC for Manufacturing and Industries Project Co (ARESCO)	Allmed Medical Care Holdings	Total
2019							
Fixed assets	-	77,609	-	-	-	-	77,609
Intangible assets	-	1,034	-	-	-	-	1,034
Trade receivables and other debit balances	-	857	3,913	-	-	-	4,770
Investments in associates	-	-	-	425,204	-	-	425,204
Due from related parties	-	45	-	268	-	-	313
Cash and cash equivalents	-	4,677	3,310	-	-	-	7,987
	-	84,222	7,223	425,472	-	-	516,917
Impairment	-	-	-	(84,717)	-	-	(84,717)
Balance	-	84,222	7,223	340,755	-	-	432,200

	Mena Home Furnishing Malls Ltd.	Subsidiaries of Falcon for Agriculture Investments Ltd. BVI	Ledmore Holding Limited.	Zahana Cement Company	ASEC for Manufacturing and Industries Project Co (ARESCO)	Allmed Medical Care Holdings	Total
2018							
Fixed assets	-	77,609	369	-	112,726	-	190,704
Intangible assets	-	1,034	-	-	-	-	1,034
Projects under construction	-	-	-	-	15,674	-	15,674
Inventories	-	-	-	-	96,094	-	96,094
Trade receivables and other debit balances	-	857	170	-	175,765	-	176,792
Investments in associates	-	-	-	453,229	-	219,488	672,717
Due from related parties	-	50	-	195	4,869	20,635	25,749
Cash and cash equivalents	9	4,677	11,603	-	1,024	-	17,313
Balance	9	84,227	12,142	453,424	406,152	240,123	1,196,077

Notes to the consolidated financial statements - For the year ended 31 December 2019

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

Discontinued operation (continued)

(ii) Liabilities

	Mena Home Furnishing Malls Ltd.	Subsidiaries of Falcon for Agriculture Investments Ltd. BVI	Ledmore Holding Limited.	ASEC for Manufacturing and Industries Project Co (ARESCO)	Total
2019					
Provisions	-	16,352	-	-	16,352
Trade payables and other credit balances	843	114,533	725	-	116,101
Balance	843	130,885	725	-	132,453

	Mena Home Furnishing Malls Ltd.	Subsidiaries of Falcon for Agriculture Investments Ltd. BVI	Ledmore Holding Limited.	ASEC for Manufacturing and Industries Project Co (ARESCO)	Total
2018					
Due to related parties	-	-	-	5,173	5,173
Provisions	-	16,352	-	117,619	133,971
Bank overdraft	-	-	-	358	358
Trade payables and other credit balances	-	115,346	486	275,325	391,157
Other liabilities	-	-	-	15,318	15,318
Deferred tax liabilities	-	-	-	(2,194)	(2,194)
Balance	-	131,698	486	411,599	543,783

4. Hyper-inflationary economies

During 2018, the Group adopted IAS 29, "Financial Reporting in Hyperinflationary Economies". The Sudanese economy have been considered to be hyperinflationary. Accordingly, the results, cash flows and financial position of the Group's subsidiaries, Takamul for Cement Company have been expressed in terms of the measuring unit current at the reporting date.

4(a) Significant judgement

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;
- 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%.

Management exercises judgement as to when a restatement of the financial statements of a Group entity becomes necessary. Following management's assessment, the Group's subsidiaries in Sudan, Takamul for Cement have been accounted for as entities operating in hyperinflationary economies.

Notes to the consolidated financial statements - For the year ended 31 December 2019

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

Hyper-inflationary economies (continued)

The results, cash flows and financial positions of Takamul for Cement have been expressed in terms of the measuring units current at the reporting date. The inflation adjusted financial information, are stated in terms of current Sudanese Pound at the reporting date using Consumer Price Index (CPI) for Sudanese supplied by the Central Statistical Office. The general price indices used in adjusting the results, cash flows and the financial position of Takamul for Cement set out below is based on the Consumer Price Index (CPI) published by Sudan Bureau for Statistics. Management applied the below conversion factors as fixed assets additions took place during all of these years.

Year	Index	Conversion factor
2019	2291.21	1.21
2018	1489.84	1.95
2017	861.5	2.96
2016	688.37	3.77
2015	527.59	4.60
2014	468.6	5.45
2013	372.9	7.21
2012	262.79	10.30
2011	181.94	13.68

The net monetary gains from operating activities is as follows:

In thousand Sudanese Pound	Closing Position	Closing purchasing power	Inflation adjustments
Fixed assets	750,795	5,041,979	2,208,193
Project under construction	5,445	6,600	(35,164)
Inventories	982,432	1,319,942	147,382
Net monetary loss charged to the consolidated statement of profit or loss	-	-	47,747
Net monetary gain from operating activities	-	-	2,368,158

The effect on the consolidated statement of profit or loss is as follows:

In thousand Sudanese Pound	2019
Increase in revenue	1,330,762
Decrease in EBITDA	(90,061)
Net monetary gain	47,747
Decrease in profit after tax	(60,422)

Notes to the consolidated financial statements - For the year ended 31 December 2019

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

Financial position

5. Financial assets and financial liabilities

The Group holds the following financial instruments:

Financial assets	Notes	Assets at FVPL	Assets at FVOCI	Derivatives used for hedging	Loans and Receivables at amortised cost	Total
2019						
Trade and other receivables *	5 (a)	-	-	-	6,779,022	6,779,022
Due from related parties	21(a)	-	-	-	346,023	346,023
Available for sale financial assets	5(b)	-	12,314	-	-	12,314
Financial assets at fair value through profit or loss	5(c)	3,010	-	-	-	3,010
Cash and cash equivalent	5(d)	-	-	-	3,667,814	3,667,814
		3,010	12,314	-	10,792,859	10,808,183

Financial assets	Notes	Assets at FVPL	Assets at FVOCI	Derivatives used for hedging	Loans and Receivables at amortised cost	Total
2018						
Trade and other receivables *	5 (a)	-	-	-	3,788,170	3,788,170
Due from related parties	21(a)	-	-	-	507,436	507,436
Available for sale financial assets	5(b)	-	16,496	-	-	16,496
Derivative financial assets	5(f)	-	-	212,556	-	212,556
Financial assets at fair value through profit or loss	5(c)	4,223	-	-	-	4,223
Cash and cash equivalent	5(d)	-	-	-	6,401,336	6,401,336
		4,223	16,496	212,556	10,696,942	10,930,217

* excluding prepayments

Financial liabilities	Notes	Derivatives at FVPL	Derivatives used for hedging	Liabilities at amortised cost	Total
2019					
Trade and other payables **	5(e)	-	-	9,456,653	9,456,653
Due to related parties	21(b)	-	-	1,678,175	1,678,175
Lease liabilities	5(h)	-	-	283,087	283,087
Derivative financial liabilities	5(f)	364,592	257,893	-	622,485
Borrowings	5(h)	-	-	58,256,154	58,256,154
		364,592	257,893	69,674,069	70,296,554

Financial liabilities	Notes	Derivatives at FVPL	Derivatives used for hedging	Liabilities at amortised cost	Total
2018					
Trade and other payables **	5(e)	-	-	6,675,968	6,675,968
Due to related parties	21(b)	-	-	2,006,272	2,006,272
Lease liabilities	5(h)	-	-	173,619	173,619
Derivative financial liabilities	5(f)	355,296	-	-	355,296
Borrowings	5(h)	-	-	60,054,628	60,054,628
		355,296	-	68,910,487	69,265,783

** excluding non-financial liabilities

Notes to the consolidated financial statements - For the year ended 31 December 2019

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

Financial assets and financial liabilities (continued)

5(a) Trade and other receivables

	2019			2018		
	Current	Non-current	Total	Current	Non-current	Total
Trade receivables	5,570,873	24,242	5,595,115	2,787,088	11,821	2,798,909
Impairment for credit losses (note 2727(c))	(333,424)	-	(333,424)	(290,056)	-	(290,056)
	5,237,449	24,242	5,261,691	2,497,032	11,821	2,508,853
Other receivables	1,183,400	970,691	2,154,091	1,034,980	904,462	1,939,442
Impairment losses	(526,936)	(109,824)	(636,760)	(550,301)	(109,824)	(660,125)
	656,464	860,867	1,517,331	484,679	794,638	1,279,317
Financial assets at amortised cost						
Prepayments	859,397	14,636	874,033	926,926	-	926,926
Total trade and other receivables	6,753,310	899,745	7,653,055	3,908,637	806,459	4,715,096

(i) Classification as trade and other receivables

Trade receivables are amounts due from customers for goods sold or services performed in the ordinary course of business. If collection of the amounts is expected in one year or less they are classified as current assets. If not, they are presented as non-current assets. Trade receivables are generally due for settlement within 60 days and therefore are all classified as current. The Group's impairment and other accounting policies for trade and other receivables are outlined in note 29(n) and notes 29(j)(iv) respectively.

(ii) Other receivables

These amounts are generally arise from transactions outside the usual operating activities of the Group. No interest is usually charged on other receivables. The non-current other receivables are due and payable within three years from the end of the reporting period.

(iii) Fair value of trade and other receivables

Due to the short-term nature of the current receivables, their carrying amount is considered to be the same as their fair value. For the majority of the non-current receivables, the fair values are also not significantly different to their carrying amounts.

(iv) Impairment and risk exposure

Information about the impairment of trade and other receivables, their credit quality and the Group's exposure to credit risk, foreign currency risk and interest rate risk can be found in note 27(b) and note 27(c).

(v) Significant estimates

Impairment of trade receivables and other debit balances is estimated by monitoring ageing of receivables. The Group's management examines the credit position and ability of customers to make payments for their past due debts. Impairment is recognised for amounts due from customers whose credit position does not allow them to pay their dues as believed by the management. The amount of the loss is measured as the difference between the carrying value and the present value of future cash flows discounted at the original effective interest rate of the financial asset, and the carrying amount is reduced directly to the customer's balance.

Notes to the consolidated financial statements - For the year ended 31 December 2019

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

Financial assets and financial liabilities (continued)

5(b) Available-for-sale financial assets

	2019	2018
Non-current assets		
Unlisted equity securities	12,314	16,496
	12,314	16,496

(i) Classification of available for sale financial assets

Investments are designated as available-for-sale financial assets if they do not have fixed maturities and fixed or determinable payments, and management intends to hold them for the medium to long-term. Financial assets that are not classified into any of the other categories (at FVPL, or loans and receivables) are also included in the available-for-sale category.

The financial assets are presented as non-current assets unless they mature, or management intends to dispose of them within 12 months of the end of the reporting period.

(ii) Impairment indicators for available for sale financial assets

An equity security is considered to be impaired if there has been a significant or prolonged decline in the fair value below its cost. See [note 29\(j\)\(iv\)](#) for further details about the Group's impairment policies for financial assets.

(iii) Amounts recognised in profit or loss and other comprehensive income

During the year, the following gains/(losses) were recognised in profit or loss and other comprehensive income.

	2019	2018
Gains/(losses) recognised in other comprehensive income (see note 7c)	(2,079)	1,484
	(2,079)	1,484

(iv) Fair value, impairment and risk exposure

Information about the methods and assumptions used in determining fair value is provided in [note 5\(i\)](#).

5(c) Financial assets at fair value through profit or loss

	2019	2018
Current assets		
Egyptian listed equity securities	3,010	4,223
	3,010	4,223

(i) Classification of financial assets at fair value through profit or loss

The Group classifies financial assets at fair value through profit or loss if they are acquired principally for the purpose of selling in the short term, i.e., are held for trading. They are presented as current assets if they are expected to be sold within 12 months after the end of the reporting period; otherwise they are presented as non-current assets. The Group has not elected to designate any financial assets at fair value through profit or loss. See [note 29\(j\)](#) for the Group's other accounting policies for financial assets.

Notes to the consolidated financial statements - For the year ended 31 December 2019

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

Financial assets and financial liabilities (continued)

(ii) Amounts recognised in profit or loss

Changes in fair values of financial assets at fair value through profit or loss are recorded in "Other income (loss)" in profit or loss (2019 – loss of EGP 1,213; 2018 – loss of EGP 182).

(iii) Risk exposure and fair value measurements

Information about the Group's exposure to price risk is provided in [note 27\(b\)](#). For information about the methods and assumptions used in determining fair value please refer to [note 5\(i\)](#) below.

5(d) Cash at bank and in hand

	2019	2018
Current assets		
Time deposits	398,263	4,210,651
Banks - current accounts	1,857,051	991,624
Cheques under collection	15,578	24,080
Letters of guarantee	37,885	50,285
Cash on hand	6,565	9,347
Treasury bills (less than 3 months)	1,352,472	1,115,349
	3,667,814	6,401,336

(i) Reconciliation to cash flow statement

The above figures reconcile to the amount of cash shown in the statement of cash flows at the end of the financial year as follows:

	2019	2018
Balances as above	3,667,814	6,401,336
Restricted cash	(680,885)	(50,285)
Balances per statement of cash flows	2,986,929	6,351,051

(ii) Classification as cash equivalents

Term deposits are held with banks and presented as cash equivalents if they have a maturity of three months or less from the date of placement and are repayable with 24 hours' notice with no loss of interest. Treasury bills included under Cash and cash equivalent have original maturities of not more than three months from the date of acquisition, are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value. See [note 29\(o\)](#) for the Group's other accounting policies on cash and cash equivalents.

(iii) Restricted cash

The cash and cash equivalents disclosed above and in the statement of cash flows include EGP 38M (2018 – EGP 50M), which are placed with banks as cash cover for letters of guarantee issued in favour of the Group, EGP 383M in time deposits that are held by HSBC bank as collateral against the loan granted to Citadel Capital for International Investments on December 24, 2019 for a period of 6 months, EGP 260M that are held by HSBC bank as collateral against the loan. The restriction will be released upon the full repayment of EIB loan and therefore are not available for general use by the entities within the Group.

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

Financial assets and financial liabilities (continued)

The average effective interest rate on deposits at 31 December 2019 was 10 % (2018 – was 14 %). Time deposits and current accounts with banks are placed with local banks under the supervision of CBE.

5(e) Trade and other payables

	2019			2018		
	Current	Non-current	Total	Current	Non-current	Total
Trade Payables *	5,607,034	294,323	5,901,357	4,136,671	234,208	4,370,879
Accrued expenses	2,742,992	-	2,742,992	1,926,264	-	1,926,264
Advances from customers	151,201	-	151,201	41,310	-	41,310
Deferred revenue	203,970	-	203,970	353,328	-	353,328
Tax authority payable	1,082,670	-	1,082,670	792,413	-	792,413
Social insurance authority	84,104	-	84,104	22,298	-	22,298
Other credit balances	807,372	4,932	812,304	378,640	180	378,820
Total trade and other payables	10,679,343	299,255	10,978,598	7,650,924	234,388	7,885,312

Trade payables are unsecured and are usually paid within 60 days of recognition.

The carrying amounts of trade and other payables are considered to be the same as their fair values, due to their short-term nature.

*This balance includes the amount of EGP 552 million that is payable to Egyptian General Petroleum Corporation (EGPC) represents in purchases of unrefined petroleum products.

5(f) Financial derivatives assets (liabilities)

	2019	2018
Derivative financial asset (liabilities) of interest rate swap	(257,893)	212,556
	(257,893)	212,556

Egyptian Refining Company (a subsidiary) has entered into six Interest Rate Swap transactions with the following parties;

- Standard Chartered Bank.
- Societe General Corporate & Investment Banking.
- HSBC Bank Middle East Limited.
- KFW IPEX-Bank GMBH.
- Mitsubishi UFJ Securities International PLC.
- Credit Agricole Bank

The main terms of the transactions are as follows:

Trade date: June 25, 2012.

Effective date: July 3, 2012.

Termination date: December 20, 2024.

Fixed rate paid by the company is 2.3475%.

Floating rate paid by bank is USD - LIBOR - BBA semi-annual.

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Financial assets and financial liabilities (continued)

Maximum estimated amount under these transactions are:

- US\$789,445k by Standard Chartered Bank.
- US\$450,971k by Societe General Corporate & Investment Banking.
- US\$435,971k by HSBC Bank Middle East Limited.
- US\$107,759k by KFW IPEX - Bank GMBH.
- US\$189,467k by Mitsubishi UFJ Securities International PLC.
- US \$985,000k by Credit Agricole Bank

Maximum notional amount covered under Credit Agricole are

- US\$243,000k from the effective date till 19-June-2018
- US\$798,000k from 19-June-2018 till 19-December-2018
- US\$985,000k from 19-December-2018 till termination date

The following table summarizes the hedging assets / (liabilities) movement:

	2019	2018
Interest rate swaps – cash flow hedges		
Balance at 1 January	212,556	(32,187)
Change in fair value	(470,363)	243,590
Forex	(86)	1,153
Ending balance	(257,893)	212,556

The outstanding Interest Rate Swap (IRS) contracts at 31 December 2019 amounted to EGP 14.7 billion (31 December 2018: EGP 19.11 billion) equivalent to US \$ 919.7 million (31 December 2018: US \$1.07 billion).

The IRS fixed interest rates are 2.3475% and the floating rates are predominantly linked to LIBOR as determined at designated maturity of nine months.

The Hedging effectiveness test conducted at 31 December 2019 indicated that the IRS was highly effective, and accordingly the change in fair value of the IRS was recognised in other comprehensive income.

5(g) Financial liabilities at fair value through profit or loss

	2019	2018
Opening balance at 1 January	355,296	427,186
Financial liability fair value change through profit or loss	36,238	(90,199)
Interest expense	12,559	15,838
Foreign currency translation differences	(39,501)	2,471
	364,592	355,296

On 31 December 2014, Citadel Capital for International Investment "CCII" Company and Citadel Capital Company S.A.E. entered into swap agreement with former shareholder, through which CCII will acquire the former shareholders shareholding in one of the Group platforms against subscription in share capital increase of Citadel Capital Company.

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Financial assets and financial liabilities (continued)

The same parties on 31 December 2014 have commercially agreed, and Citadel Capital Company S.A.E. thus guarantees, that the disposal by the Company of the investment shares shall achieve to the former shareholders a specific target cash return of USD 25,378 (Target Return), to be unconditionally made available to the former shareholder no later than the longstop date on 30 March 2017. Therefore, the Group management at the end of each reporting period is measuring the fair value of Citadel Capital Company capital increase by reference to quoted market price of the share and measure the outstanding liability to reach the agreed target return.

Fair value of the outstanding liability recognized as of 31 December 2019 is US \$22,801 (31 December 2018: US \$19,893).

5(h) Borrowings

	2019			2018		
	Current	Non-current	Total	Current	Non-current	Total
<i>Secured</i>						
Bank loans	12,091,838	39,568,897	51,660,735	12,221,222	44,181,014	56,402,236
Loans from related parties	2,329,862	789,275	3,119,137	2,169,543	129,136	2,298,679
Lease liabilities	98,300	184,787	283,087	38,577	135,042	173,619
	14,520,000	40,542,959	55,062,959	14,429,342	44,445,192	58,874,534
<i>Unsecured</i>						
Short term facilities and bank overdrafts	3,476,282	-	3,476,282	1,353,713	-	1,353,713
	3,476,282	-	3,476,282	1,353,713	-	1,353,713
Total borrowings	17,996,282	40,542,959	58,539,241	15,783,055	44,445,192	60,228,247

(i) Secured liabilities and assets pledged as security

The secured loans are secured by a pledges partial pledges, negative pledge, first degree mortgages and bank guarantees that imposes certain covenants on the subsidiary that has received those loans. Below is list of key securities provided by the Group and its entities as security for borrowings:

Entity / Lender	Outstanding balance		Guarantees and debt covenants
	2019	2018	
Arab Financial Investments Company			
Commercial International Bank	203,907	214,990	- pledge for the shares owned in Asec Cement which cover more than 100% from the liability, in addition to pledge of all tangible and intangible assets. A renegotiated agreement was signed with bank in September 2018
Dina for Agriculture Investments			
Ahli United Bank	157,502	198,590	- First degree real estate mortgage for all the company's assets
The United Bank			First degree real estate pledge in favour of banks over the 7172 acres land owned by the company excluding land subject to sale.
Egyptian Arab Land Bank			
National Development and Trading company			
Qatar National Bank QNB	289,973	264,193	- Partial pledge of ASEC Cement company shares A rescheduling contract signed on 30 July 2019, loan to be settled fully on 30 June 2020
Arab Investment Bank	142,181	140,358	- Partial pledge of ASEC Cement Co. shares, ASEC Engineering shares and ASENPRO shares in favour of bank.

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Entity / Lender	Outstanding balance		Guarantees and debt covenants
	2019	2018	
Industrial Development and workers bank of Egypt	321,014	267,835	<p>A rescheduling contract signed on 9 July 2019, loan to be settled fully on 30 June 2020</p> <ul style="list-style-type: none"> - Pledge of ASEC Cement Co. shares, ASEC Engineering shares, ASENPRO shares and ASEC automation shares in favour of bank. - The loan was expected to be settled fully on December 2018 and the company defaulted in the payments and currently are negotiating with the bank for rescheduling the loan instalments, however, no default notice received or action taken by the lender.
Misr Iran Development Bank	228,822	184,605	<ul style="list-style-type: none"> - Pledge of 33.3 million of the Company's shares in its subsidiaries at a value of not less than 333% of the value of the loan amount, provided that the shares are owned by the Bank and the shares are distributed by the Bank approval. - The loan was expected to be settled fully on December 2018 and the company defaulted in the payments and currently are negotiating with the bank for rescheduling the loan instalments, however, no default notice received or action taken by the lender.
Arab Swiss Engineering Co. (ASEC)			
Ahli United Bank	61,397	62,437	- Granted by the administrative building owned by the company.
Al Baraka Bank	4,254	10,329	- Assignment of White Sinai Co. management contract.
ASEC Cement Company			
Sudanese Egyptian Bank	26,185	4,691	- Pledge on the land of the factory, machinery and equipment of Al Takamoul for Cement Ltd. Co.
Animal Resources Bank	-	5,353	- The loan has been obtained with guarantee of cement issuing voucher equal to 100% of the Murabha value.
Taqi Arabia			
Commercial International Bank	426,103	378,391	<ul style="list-style-type: none"> - Pledge all stocks related to Gas Group in favour of the Bank. - All dividends related to Gas Group should be transferred to Taqi Arabia account at HSBC, in which all transferred dividends must cover 1,25 of annual payment.
Taqi Marketing			
HSBC	85,793	31,568	- The company maintain a constant percentage in the contract plus restricted dividends distribution till payment of instalments and accrued interest.
Banque De Caire			
National Bank of Egypt			
Swent Group			
IFC	857,730	968,427	<ul style="list-style-type: none"> - First degree commercial mortgage on materials, and related tools and equipment. - Not to make any distributions unless the instalments are fully paid and commitment to some financial ratios.
Egyptian Refining Company ("ERC")			
Japan bank for International Cooperation	7,920,519	9,443,947	<ul style="list-style-type: none"> - The major covenants and guarantees for Egyptian Refining Company S.A.E ("ERC") syndicated loans with some exceptions to the general rules as stated in the common terms agreement are : - Commercial mortgage - Real mortgage for any acquisition or constructions having a book value of more than a specific amount. - Pledge for the shares of Arab Refining Company and Specialized Refining Consultancy S.A.E. - Promissory notes. - Guarantee contracts with EIB and KEXIM. - ERC shall comply with the insurance and reinsurance requirements. - ERC shall not incur or permit to subsist any Financial Indebtedness other than allowed Financial Indebtedness.

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Entity / Lender	Outstanding balance		Guarantees and debt covenants
	2019	2018	
			<ul style="list-style-type: none"> - ERC shall not undertake any material capital or operating expenditures except for certain conditions as stated in the common terms agreement. - ERC shall not create or permit to subsist any Security Interest over all or any of its assets. - ERC shall not sell or otherwise dispose of all or any material part of its assets, either in a single transaction or a series of transactions that are outside the normal course of business. - ERC shall not acquire any company or entity or any shares or any business or undertaking (or, in each case, any interest in any of them) or incorporate any company or entity. - ERC shall not enter into any amalgamation, demerger, merger, reconstruction, consolidation or winding-up. - Restrictions on entering into loans and guarantees' agreements; - ERC shall not repurchase, cancel or redeem its shares or otherwise reduce its share capital or make payments in respect of any convertible or hybrid instrument other than distributions permitted under the Finance Documents. - All shares and other instruments issued by ERC shall be subject to security as envisaged by the "common terms agreement" and the "Deed of Shareholder Support" unless such shares or other instruments are issued to a Government Entity, in which case they shall be subject to an irrevocable power of attorney.
			Loans renegotiation :
			- The first loan instalment was due on 20 December 2017. On 31 January 2018, an amended agreement was signed with banks based on which the loan has been rescheduled so that the first instalment will be due on 20 June 2019.
Group of commercial banks (NEXI Covered Lenders)	5,280,346	6,042,698	original, signed, undated and blank promissory notes. The Company has finalized all commercial and real estate mortgage procedures and registered at its Commercial Registration.
Export – Import Bank of Korea (KEXIM)	9,093,929	10,498,372	original, signed, undated and blank promissory notes. The Company has finalized all commercial and real estate mortgage procedures and registered at its Commercial Registration.
Financial institution (KEXIM Initial Guaranteed facility lenders)	2,640,173	3,020,632	original, signed, undated and blank promissory notes. The Company has finalized all commercial and real estate mortgage procedures and registered at its Commercial Registration.
European Investment Bank	6,600,432	7,466,107	original, signed, undated and blank promissory notes. The Company has finalized all commercial and real estate mortgage procedures and registered at its Commercial Registration.
African Development Bank	2,933,525	3,572,000	original, signed, undated and blank promissory notes. The Company has finalized all commercial and real estate mortgage procedures and registered at its Commercial Registration.
African Development Bank	578,535	599,394	original, signed, undated and blank promissory notes. The Company has finalized all commercial and real estate mortgage procedures and registered at its Commercial Registration.
GS Engineering & Construction Corp	1,167,940	869,382	original, signed, undated and blank promissory notes.

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Entity / Lender	Outstanding balance		Guarantees and debt covenants
	2019	2018	
GS Engineering & Construction Corp	1,788,867	977,776	The Company has finalized all commercial and real estate mortgage procedures and registered at its Commercial Registration. original, signed, undated and blank promissory notes. The Company has finalized all commercial and real estate mortgage procedures and registered at its Commercial Registration.
MITSUI & CO. Ltd	3,692,987	4,192,497	original, signed, undated and blank promissory notes. The Company has finalized all commercial and real estate mortgage procedures and registered at its Commercial Registration.
Consent fees	172,345	-	- Additional consent fee on total commitments amortized through the revised repayment schedule, provided that interest at the rate applicable under each Facility shall accrue on the outstanding consent fee amount as if it was loan principal under the Facility, such interest being payable on each interest payment date and also being characterized as consent fee.
Mitsui NEXI Insurance Premium-	206,533	-	- original, signed, undated and blank promissory notes. The Company has finalized all commercial and real estate mortgage procedures and registered at its Commercial Registration.
Mitsui -compounded interest	62,489	-	- original, signed, undated and blank promissory notes. The Company has finalized all commercial and real estate mortgage procedures and registered at its Commercial Registration.
Less : Deferred borrowing costs (Egyptian Refining Company)	(1,064,230)	(1,318,237)	This balance represents the necessary financing cost incurred by the Company to obtain the credit facility and loans required to finance its project. It will be amortized over the life of the loan using the effective interest rate.
Citadel Capital			
Citi Bank (syndication loan) and other banks (Arab African International Bank, Arab International bank, Bank De Caire, Banque Misr, and Piraeus bank)	3,856,929	4,307,989	- First degree lien contract of shares owned by the Company in National Development and Trading Company. - First degree lien contract of shares of one of the subsidiaries. Loans renegotiation: Renegotiations are currently in progress with lenders to reschedule debt repayment The debt covenants for these loans are as follows: - The Company must ensure that Consolidated Tangible Net Worth is not at any time less than U.S.\$400 million. - The Company must ensure that Unconsolidated Tangible Net Worth is not at any time less than U.S.\$500 million. - The Company must ensure that the ratio of Cash Available for Debt Service to Net Finance Costs is not, for any Measurement Period, less than 1.35:1 - The Company must ensure that its aggregate interests (directly or indirectly) in its largest two investments (as identified in the most recently delivered Valuation) shall not represent more than 85% of the Value of the interests held by the Company.

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Entity / Lender	Outstanding balance		Guarantees and debt covenants
	2019	2018	
			<ul style="list-style-type: none"> - The ratio of its Current Assets to Current Liabilities is not less than 1.2:1 - The aggregate amount of Advisory Fees actually received by the Company and Citadel Capital Ltd. in cash in each financial year of the Company are at least equal to 85% of the Budgeted Advisory Fees for that financial year - The ratio of United Foundries Company (UCF) Financial Indebtedness to (UCF) Tangible Net Worth is not more than 2:1 - The ratio of ASCOM Financial Indebtedness to ASCOM Tangible Net Worth is not more than 2:1 - The ratio of NDT Total Liabilities to NDT Tangible Net Worth is not more than 1:1 - The ratio of NDT Financial Indebtedness to NDT Tangible Net Worth is not more than 2:1 - The ratio of Gozour Financial Indebtedness to Gozour Tangible Net Worth is not more than 2:1 - The ratio of Taqa Arabia Financial Indebtedness to Taqa Arabia Tangible Net Worth is not more than 2:1 - The ratio of ERC Financial Indebtedness to ERC Tangible Net Worth is not more than 2.5:1 - The ratio of Africa Railways Financial Indebtedness to Africa Railways Tangible Net Worth is not more than 2.5:1
International for Refining			
Arab International Bank	487,938	548,257	<p>Letter of guarantee from Standard Chartered Bank of Korea Limited with the amount due to Arab International Bank.</p> <p>Loans renegotiation : The company renegotiated its loan in September 2018 with the bank to reach a rescheduled repayment.</p> <p>There are no debt covenants set by the bank but the loan is covered by letters of guarantee</p>
National Company for Refining Consultation			
Arab International Bank	1,394,668	1,436,126	<p>Pledge of the Company's shares (50 million) in Orient Investments Properties Ltd. In favour of the bank.</p> <p>Debt renegotiation : The company renegotiated its loan in September 2018 with the bank to reach a rescheduled repayment.</p>
National Company for Multimodal Transport			
Arab African International Bank, and Banque Misr (syndicated loan)	741,536	593,228	<ul style="list-style-type: none"> - Open the revenue account with the Loan Agent (Banque Misr). - First degree pledge over the revenue account. - First degree mortgage on the barges - First degree mortgage over tangible and intangible assets - Insurance policies over the new barges. - Assign the borrower's rights under the insurance policies covering the operating barges for the full replacement value against all insurable risks to be endorsed in favour of the Security Agent for itself and on behalf of the banks. - Assign all borrower's compensation rights under the insurance policies covering the borrower new barges during construction in favour of the Security Agent (Arab African International Bank) for itself & on behalf of the banks.

Notes to the consolidated financial statements - For the year ended 31 December 2019

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

Entity / Lender	Outstanding balance		Guarantees and debt covenants
	2019	2018	
			<ul style="list-style-type: none"> - Assign proceeds from long term transportation service contracts signed with the borrower's customers in favour of the Security Agent. - Assign the borrower's rights of any damages arising under the Material project contracts and related banks' guarantees under such contracts in favour of Security Agent - The debt service ratio to be not less than 1.1 till the date of repayment of the loans.
			<p>Debt renegotiation : Negotiation is currently in progress with banks to reschedule the loan instalments.</p>
ASCOM company for chemicals and carbonates manufacturing			
Ahli United Bank	156,394	69,905	<ul style="list-style-type: none"> - First degree mortgage for all property and real estate on the project. - First degree commercial mortgage on calcium carbonate production line. - Deposit all earnings resulting from future sale contracts related to calcium carbonate production in operating account. - The company undertakes not to change, pledge, mortgage, sell or lease (or change any of the main or consequential moral rights) over any mortgaged assets as per this contract, and not to provide any proxy to make any mortgage on these assets during the finance period without obtaining a prior written consent of the bank. - The waiver of the value of final letter of guarantee issued by ALPINE, provided that such letter is acceptable to the Bank and is expressly waived in favour of the Bank. - Opening the account of the insurance proceeds with the bank. - Maintain certain financial ratios as well as some commitments related to new borrowing operations, dividends and new investments. - The debt service ratio is not less than 1:2 for the entire period and the financial leverage shall not exceed 1 during the financing period. <p>Debt renegotiation : The company renegotiated its loan in October 2018 with the bank to reach a rescheduled repayment where by, the first instalment will be due on 1 January 2019 and the last instalment will be due on 1 July 2020.</p>
Glass Rock company for isolation			
Banque Misr	586,581	662,049	<ul style="list-style-type: none"> - First degree mortgage for all property and real estate on the project. - First degree commercial mortgage on all physical and moral assets. - Deposit all earnings resulting from future sale contracts in favour of the bank. - The company undertakes not to change, pledge, mortgage, sell or lease (or change any of the main or consequential moral rights) over any mortgaged assets as per this contract, and not to provide any proxy to make any mortgage on these assets during the finance period without obtaining a prior written consent of the bank.

Notes to the consolidated financial statements - For the year ended 31 December 2019

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Entity / Lender	Outstanding balance		Guarantees and debt covenants
	2019	2018	
			<ul style="list-style-type: none"> - ASEC company for mining (the holding company) undertake the obligation to pay the company's debt in case of default. - The Financial leverage should not exceed 2.5 in 2018 and 1.2 in 2019,2020 & 2021. - The Current ratio should not be less than 1 in years 2017 to 2021. - The Debt service ratio should not be less than 1.2 in the years 2018 to 2021. - The company's sales in foreign currencies should be used to pay instalments. - The company should have 80% of free cash flow that should be used to make mandatory accelerated payment of instalments. - Any payment of intercompany loans, dividends or capital expenditures should not be done before getting written approval from the bank - During 2019, the company renegotiated its borrowings with the banks to reach a rescheduled repayment where by, the instalments will be repaid over 9 years.
Trimstone Assets Holdings Ltd.			
Arab International Bank	154,322	361,117	<ul style="list-style-type: none"> - First degree pledge over all shares owned TAQA Arabia covering 115% of the value of the existing liability in favour of Arab international Bank - First degree pledge over shares of Citadel Capital for financial consultancy covering 35% of the value of the existing liability in favour of Arab international Bank
			<p>Debt renegotiation :</p> <p>The full principal of the loan and accrued interest was due on 30 September 2015 and the company didn't pay on due dates and currently the company is negotiating with the banks to reschedule the loan repayments and no agreement is reached yet between the company and the bank.</p>
Windsor for trading and Manufacturing			
Qatar National Bank	11,025	14,714	<ul style="list-style-type: none"> - First degree commercial mortgage on materials, and related tools and equipment. - Not to make any distributions unless the instalments are fully paid and commitment to some financial ratios
United Company for Paper and Carton Manufacturing			
Arab African Bank	340,500	260,722	<ul style="list-style-type: none"> - Pledge for all raw materials and machines - The company shall not pay any dividends or any other payments to shareholders as financing owners' equity or shareholders loan unless paying the whole accrued amount of the loan.
El Baddar			
QNB	51,591	-	<ul style="list-style-type: none"> - EGP 40 million tenor 1 year ended Dec.2020 secured by Shorouk undertaking. - EGP 30 m tenor 5 years ended Dec.2024 on a quarterly instalments secured by assets mortgage
Modern East for printing and packing			
Export development bank Egypt	-	51,794	<ul style="list-style-type: none"> - First degree lien contract of materials and physical assets for warehouses and equipment's related to the company - Not to make any distributions unless the instalments are fully paid and commitment to some financial ratios.
	51,660,735	56,402,236	

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

Financial assets and financial liabilities (continued)

Loans from related parties

Entity/ Lender	Outstanding balance		Guarantees and debt covenants
	2019	2018	
National Development and Trading Company			
Financial Holding International	2,011,187	2,017,744	The guarantees are represented in lien on part of National Development and Trading Company shares in Arab Swiss Engineering Co.
Vinegar Company	41,805	41,941	
United Foundries			
Financial Holding International	130,996	137,860	The guarantees are represented in a first degree lien of United Foundries Company shares in Ameryah Metal Company (one of its subsidiaries) with a percentage of 99.72%
Orient			
QPI Egypt, QPI Limited and ARC	833,385	-	Distribution of dividends shall be permitted during the grace period and at any repayment date to the extent, in the latter case, that scheduled repayments due at such repayment date and/or any deferred repayments from previous repayment dates are repaid.
Grandview			
Yousef Allam & CO	101,764	101,134	There are no Guarantees and debt covenants and this balance represents payment under capital increase and till reporting date the Company did not start legal procedures to capitalise this amount to capital.
	3,119,137	2,298,679	

Lease liabilities are effectively secured as the rights to the leased assets recognised in the financial statements revert to the lessor in the event of default.

The carrying amounts of financial and non-financial assets pledged as security for current and non-current borrowings are disclosed in [note 6\(a\)\(vi\)](#).

(ii) Compliance with loan covenants

The Group has not complied with all of the financial covenants of its borrowing facilities during the 2019 and 2018 reporting period, see [note 5\(h\)\(i\)](#) for details.

(iii) Finance leases

Group management has applied the treatment in Egyptian Accounting Standard No. (49) of the amendments to the Egyptian Accounting Standards issued by the Minister of Investment Decree No. 69 of 2019. Accordingly, the standard has been applied to all finance lease contracts subject to Law 95/1995 and its amendments. The effective date of application is the beginning of the annual reporting period during which the leasing law No. 95 for the year 1995 - and its amendments - were cancelled and the issuance of the law regulating the financial leasing activities number 167 for the year 2018.

The Group leases various plant and equipment with a carrying amount of EGP 415,997 (2018 – EGP 278,684) under finance leases expiring within three to seven years. Under the terms of the leases, For the majority of lease contracts, the Group has the option to acquire the leased assets for 1 EGP on expiry of the leases.

Notes to the consolidated financial statements - For the year ended 31 December 2019

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

Financial assets and financial liabilities (continued)

	2019	2018
Commitments in relation to finance leases are payable as follows:		
Within one year	119,276	61,985
Later than one year	235,599	216,699
	354,875	278,684
Future finance charges	(71,788)	(105,065)
Recognised as a liability	283,087	173,619
The present value of finance lease liabilities is as follows:		
Within one year	98,300	38,577
Later than one year	184,787	135,042
Minimum lease payments excluding future finance charges	283,087	173,619

Rental payments included in the lease liabilities are all fixed and doesn't included any variable and contingent payments nor prepayments.

(iv) Fair value

For the majority of the borrowings, the fair values are not materially different to their carrying amounts, since the interest payable on those borrowings is either close to current market rates or the borrowings are of a short-term nature.

(v) Risk exposures

Details of the Group's exposure to risks arising from current and non-current borrowings are set out in note 27 (b).

5(i) 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 recognised and measured at fair value in the 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

At 31 December 2019

Financial assets

Financial assets at FVPL

Egyptian listed equity instruments

Available for sale financial assets

Unlisted equity instruments

Total financial assets

Financial liabilities

Hedging derivatives – interest rate swaps

Trading derivatives

Total financial liabilities

Notes	Level 1	Level 2	Level 3	Total
5(c)	3,010	-	-	3,010
5(b)	-	12,314	-	12,314
	3,010	12,314	-	15,324
5(f)	-	-	257,893	257,893
5(g)	-	364,592	-	364,592
	-	364,592	257,893	622,485

Notes to the consolidated financial statements - For the year ended 31 December 2019

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

Financial assets and financial liabilities (continued)

Recurring fair value measurements					
At 31 December 2018	Notes	Level 1	Level 2	Level 3	Total
Financial assets					
Financial assets at FVPL					
Egyptian listed equity instruments	5(c)	4,223	-	-	4,223
Hedging derivatives – interest rate swaps	5(f)	-	-	212,556	212,556
Available for sale financial assets					
Unlisted equity instruments	5(b)	-	16,496	-	16,496
Total financial assets		4,223	16,496	212,556	233,275
Financial liabilities					
Trading derivatives	5(g)	-	355,296	-	355,296
Total financial liabilities		-	355,296	-	355,296

There were no transfers between levels 1, 2 and 3 for recurring fair value measurements during the year.

Level 1: The fair value of financial instruments traded in active markets (such as trading instruments) is based on quoted market prices 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 maximise 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.

(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
- the available for sale 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.

Notes to the consolidated financial statements - For the year ended 31 December 2019

(All amounts in the notes 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 periods ended 31 December 2019 and 31 December 2018:

	Hedging derivatives	Total
Opening balance at 1 January 2018 - asset (liability)	(32,187)	(32,187)
Gains (losses) recognised in other comprehensive income	243,590	243,590
Forex	1,153	1,153
Closing balance at 31 December 2018	212,556	212,556
Gains (losses) recognised in other comprehensive income	(470,363)	(470,363)
Gains (losses) recognised in other income	-	-
Forex	(86)	(86)
Closing balance at 31 December 2019	(257,893)	(257,893)

(iv) Valuation inputs and relationships to fair value

The following table summarises 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		Un-observable inputs *	Range of Inputs		Relationship of unobservable inputs to fair value
	2019	2018		2019	2018	
Hedging derivatives – Interest rate swaps	(257,893)	212,556	Credit default rate	1.32%	1.32%	Applying a credit risk rate of 1.32% results in a change in fair value of hedging derivatives.

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

(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 group.
- Earnings growth factor for unlisted equity securities are estimated based on market information for similar types of companies.

Notes to the consolidated financial statements - For the year ended 31 December 2019

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

6. Non-financial assets and liabilities

6(a) Fixed assets

Non-current	Freehold land	Freehold buildings	Furniture, fittings and equipment	Machinery, barges and vehicles	Assets under construction	Total
At 1 January 2018						
Cost	2,044,006	1,703,434	603,142	6,035,328	55,838,418	66,224,328
Accumulated depreciation and impairment	(79)	(406,422)	(536,477)	(3,449,066)	(631,715)	(5,023,759)
Net book amount	2,043,927	1,297,012	66,665	2,586,262	55,206,703	61,200,569
Year ended 31 December 2018						
Opening net book amount	2,043,927	1,297,012	66,665	2,586,262	55,206,703	61,200,569
Additions	1,951	58,852	55,049	875,515	9,799,054	10,790,421
Disposals	-	(1,689)	(5,026)	(24,708)	(8,718)	(40,141)
Transfers from assets under construction	-	10,959	1,430	90,709	(103,098)	-
Transfers to assets held for sale - cost	(43,133)	(82,442)	(1,600)	(19,199)	(18,504)	(164,878)
Deconsolidated subsidiaries - cost	-	(20,630)	(86,775)	(530,558)	-	(637,963)
Foreign currency translation difference - cost	5,303	(62,838)	(36,672)	(1,098,891)	257,499	(935,599)
Effect of hyper-inflation - cost	-	97,293	9,111	1,316,556	-	1,422,960
Depreciation expense	(339)	(55,572)	(19,909)	(430,793)	-	(506,613)
Accumulated depreciation of disposals	-	1,094	4,377	17,992	-	23,463
Deconsolidated subsidiaries - accumulated depreciation	-	20,630	86,777	530,555	(424)	637,538
Foreign currency translation difference - accumulated depreciation	275	48,372	35,854	422,676	-	507,177
Effect of hyper-inflation - accumulated depreciation	(41)	(96,411)	(11,436)	(514,518)	-	(622,406)
Impairment loss	-	-	(14)	(106)	(2,044)	(2,164)
Net book value at 31 December 2018	2,007,943	1,214,630	97,831	3,221,492	65,130,468	71,672,364
At 31 December 2018						
Cost	2,008,127	1,702,939	538,659	6,644,752	65,702,980	76,597,457
Accumulated depreciation and impairment	(184)	(488,309)	(440,828)	(3,423,260)	(572,512)	(4,925,093)
Net book amount	2,007,943	1,214,630	97,831	3,221,492	65,130,468	71,672,364
Year ended 31 December 2019						
Opening net book amount	2,007,943	1,214,630	97,831	3,221,492	65,130,468	71,672,364
Additions	48,791	128,071	36,778	252,787	5,666,344	6,132,771
Disposals	(43,393)	(8,817)	(3,793)	(48,160)	(1,657)	(105,820)
Transfers from assets under construction	4,231	1,126,374	6,164	48,423	(1,185,192)	-
Transfers from assets held for sale - cost	33,763	161,418	18,797	282,532	15,674	512,184
Transfer to intangible assets	-	-	-	-	(6,862)	(6,862)
Foreign currency translation difference - cost	(105,855)	(230,241)	(24,051)	(831,634)	(6,912,234)	(8,104,015)
Effect of hyper-inflation - cost	1,138	41,348	2,156	567,770	(6,446)	605,966
Depreciation expense	(41)	(97,071)	(39,444)	(351,180)	-	(487,736)
Accumulated depreciation of disposals	-	2,181	2,627	37,261	-	42,069
Foreign currency translation difference - accumulated depreciation	557	46,118	13,044	281,782	22,472	363,973
Effect of hyper-inflation - accumulated depreciation	(36)	(24,694)	(2,211)	(171,692)	-	(198,633)
Transfers from assets held for sale - accumulated depreciation	-	(92,206)	(17,837)	(268,755)	-	(378,798)
Net book value at 31 December 2019	1,947,098	2,267,111	90,061	3,020,626	62,722,567	70,047,463
At 31 December 2019						
Cost	1,946,802	2,921,092	574,710	6,916,470	63,272,607	75,631,681
Accumulated depreciation and impairment	296	(653,981)	(484,649)	(3,895,844)	(550,040)	(5,584,218)
Net book amount	1,947,098	2,267,111	90,061	3,020,626	62,722,567	70,047,463

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Non-financial assets and liabilities (continued)

(i) Right of use assets

On the application of first phase of EAS (49), 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 1 January 2019:

	Land	Buildings & constructions	Machinery, equipment & tools	Assets under construction	Total
NBV	46,992	32,448	56,768	279,789	415,997

(ii) Capitalized borrowing costs

Property, plant and equipment include an amount of EGP 1 billion as at 31 December 2019 (2018: EGP 963 M) that was projects under constructions as at 31 December 2018 that represents solar power plant. The capitalized borrowing costs on the plant during 2019 which is represented in interest and other finance costs was 6.3M (2018: EGP 23.9M capitalized on projects under constructions) and is calculated based on specific borrowings for construction purposes.

(iii) Depreciation, method used and useful lives

Depreciation expense is allocated in the consolidated statement of profit or loss, as follows:

	2019	2018
Cost of sales	379,638	382,006
General and administration expenses	108,098	124,607
	487,736	506,613

The straight line method is used to allocate the depreciation of fixed assets consistently to their residual values over their estimated useful lives, except for lands, which are characterised with unlimited estimated useful life. Below are the estimated useful lives of each type of the assets' groups:

Buildings and constructions	5-50 years
Leasehold improvements	3-10 years
Machinery, equipment and tools	4-33 years
Furniture and office equipment	4-16 years
Computers	2-10 years
Barges	5-20 years
Vehicles	3-20 years
Solar plant	25 years

(iv) Proceeds from sale of fixed assets

Proceeds from sale of fixed assets in consolidated cash flows statement, as follows:

	2019	2018
Net book value for disposal assets	63,751	7,960
Gain on disposal of fixed assets (Note 12)	43,540	4,723
Proceeds from sale of fixed assets	107,291	12,683

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Non-financial assets and liabilities (continued)

(v) Changes in estimates

There were no material changes in the depreciation method, residual values or useful lives for any of the categories of fixed assets during the current period or prior year.

The subsidiary Takamol Sudan is operating in a hyperinflationary economy from 1 January 2018 onwards. Hyperinflation accounting resulted in the write up of non-monetary assets and a resulting increase in the carrying value of these operations. No impairment indicators identified during the year.

(vi) Non-current assets pledged as security

Borrowings (note 5(h)) are secured by various categories of fixed assets with the following carrying amounts:

	Carrying amount of fixed assets
Subsidiaries:	
National Company for Development and Trading "NDT"	812,119
Orient Investment Properties Ltd.	62,099,475
Asec for Mining – ASCOM	1,058,747
Taq Marketing	859,128

(vii) Projects under construction

Balance of projects under construction comprises of the following:

	2019	2018
Energy sector	62,529,341	64,993,168
Transportation and logistics sector	88,174	74,931
Packaging and printing sector	44,601	8,150
Financial services sector	23,160	23,178
Agriculture and food sector	17,902	11,306
Cement sector	16,126	13,641
Mining sector	1,447	6,094
Others	1,816	-
Total	62,722,567	65,130,468

Energy sector include an amount of EGP 62 billion as at 31 December 2019 against EGP 63.8 billion as at 31 December 2018 represents the project of Egyptian Refining Company – a subsidiary in the energy sector. The capitalized borrowing costs on projects under construction which is represented in interest and other finance costs amounted to EGP 14.4 billion (31 December 2018: EGP 13 billion) and is calculated based on specific borrowings for construction purposes.

(viii) Critical accounting estimates and assumption

Fixed assets are considered a significant part of the Group's total assets and the relevant depreciation expense is also considered a significant part of the annual operating expenses. The useful life of fixed assets, which is based on management's estimates and assumptions had a material impact on the amounts of fixed assets. Fixed assets have useful lives ranging between 2 year to 50 years. The useful life of each item of fixed assets is estimated based on experience of similar assets and guided by other companies' estimates the internal estimates concluded by the technical department, as well as the expected flow of economic benefits to the Group during the period of the operation of that asset. Estimates and assumptions of the useful lives of fixed assets are reviewed periodically in the event of any changes or adjustment to useful lives and the residual value. Such adjustment, if any, will be applied on the future periods.

Notes to the consolidated financial statements - For the year ended 31 December 2019

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Non-financial assets and liabilities (continued)

6(b) Intangible assets

	Computer software	Exploration license and extraction	Trademark	Customer contracts	Other license	Railway right of utilization	Total
1 January 2018							
Cost	101,450	40,684	369,512	461,637	5,101	2,258,132	3,236,516
Accumulated amortization	(85,233)	(8,406)	-	(222,622)	-	(787,099)	(1,103,360)
Accumulated impairment	(62)	(32,278)	(23,301)	-	-	(1,471,033)	(1,526,674)
Net carrying value	16,155	-	346,211	239,015	5,101	-	606,482
Year ended 31 December 2018							
Net book value at 1 January 2018	16,155	-	346,211	239,015	5,101	-	606,482
Additions	2,950	-	-	-	-	-	2,950
Deconsolidation of subsidiary – cost	(39,601)	-	-	-	-	(2,260,678)	(2,300,279)
Foreign currency translation differences – cost	362	-	-	-	-	2,546	2,908
Amortization during the year	(3,454)	-	-	(35,765)	-	-	(39,219)
Deconsolidation of subsidiary – accumulated amortisation	39,379	-	-	-	-	787,987	827,366
Foreign currency translation differences- accumulated amortization	(124)	-	-	-	-	(888)	(1,012)
Impairment during the year	-	-	(222,977)	-	(5,101)	-	(228,078)
Deconsolidation of subsidiary-accumulated impairment	-	-	-	-	-	1,472,692	1,472,692
Foreign currency translation differences- accumulated impairment	-	-	-	-	-	(1,659)	(1,659)
Net book value	15,667	-	123,234	203,250	-	-	342,151
31 December 2018:							
Cost	65,161	40,684	369,512	461,637	5,101	-	942,095
Accumulated amortization	(49,432)	(8,406)	-	(258,387)	-	-	(316,225)
Accumulated impairment	(62)	(32,278)	(246,278)	-	(5,101)	-	(283,719)
Net carrying value	15,667	-	123,234	203,250	-	-	342,151

Notes to the consolidated financial statements - For the year ended 31 December 2019

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

Non-financial assets and liabilities (continued)

	Computer software	Exploration license and extraction	Trademark	Customer contracts	Other license	Railway right of utilization	Total
The year ended							
31 December 2019							
Net book value at							
1 January 2019	15,667	-	123,234	203,250	-	-	342,151
Additions	14,421	-	-	-	-	-	14,421
Foreign currency translation differences – cost	(4,755)	-	-	-	-	-	(4,755)
Amortization during the year	(5,324)	-	-	(25,164)	-	-	(30,488)
Foreign currency translation differences- accumulated amortization	4,074	-	-	-	-	-	4,074
Net book value	24,083	-	123,234	178,086	-	-	325,403
31 December 2019							
Cost	74,827	40,684	369,512	461,637	5,101	-	951,761
Accumulated amortization	(50,682)	(8,406)	-	(283,551)	-	-	(342,639)
Accumulated impairment	(62)	(32,278)	(246,278)	-	(5,101)	-	(283,719)
Net carrying value	24,083	-	123,234	178,086	-	-	325,403

(i) Amortization, method used and useful lives

Amortization expense is allocated in the consolidated statement of profit or loss, as follows:

	2019	2018
Cost of sales	5,324	3,454
General and administration expenses	25,164	35,765
	30,488	39,219

The straight line method is used to allocate the amortization of intangible assets consistently over their estimated useful lives, except for trademarks which has indefinite lives.. Below are the estimated useful lives of each type of the assets' groups:

Licences	10 years
Customer contracts	4-18 years
Computer software	10 years

The Group's management amortised intangible assets related to new technology provided by one of the Korean companies using the straight-line basis over 5 – 10 years which was assumed based on the technical experience of the Group's management and the future technical utilisation of such technology or the life of the contract whichever is shorter. Estimates and assumptions of the useful lives of intangible assets- technical information are reviewed periodically in the event of any changes or adjustment to useful lives and the residual value. Such adjustment, if any, will be applied on the future periods.

Notes to the consolidated financial statements - For the year ended 31 December 2019

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

Non-financial assets and liabilities (continued)

Intangible assets with definite useful life

- Customer contracts were acquired as part of the business combination of Silverstone Capital Investment Ltd segment attributable to TAQA Arabia CGU. Customer contracts recognized at their fair value at the date of acquisition and are subsequently amortized on a straight- line based on the expected useful lives contracts of future economic benefits. The Group management has assessed the existing customer contracts for impairment and no indication for impairment exists.

Intangible assets with indefinite useful life - trademark

- Trademark amounted to EGP 108,279 as a result of the acquisition of Silverstone Capital Investment Ltd. attributable to TAQA Arabia CGU that owns the trademark of TAQA and operates a network of service stations selling refined petroleum products and fuel oil to retail, industrial and whole sale customers. These rights have no definite useful life.
- Trademark amounted to EGP 14,955 as a result of the acquisition of Falcon for Agricultural Investments Ltd. that owns trademark of Dina Farms CGU which produces pasteurized fresh milk and sells dairy produce locally and internationally. These rights have no definite useful life.

(ii) Significant estimates

Impairment test for indefinite useful life intangible assets

Indefinite life intangible assets are monitored by management at the level of operating segment – cash generating unit. The impairment of intangible assets is reviewed annually to ensure that the carrying value of the intangible assets does not exceed the recoverable amount.

The Group management test the impairment of the trademarks based on the recoverable amount for cash generating unit which is estimated by calculating the value in use by using net forecasted cash flow for the next five years. Management determine assumptions related to cash flow forecasting based on previous experience and market predictions by preparing business plans using the growth rate and the discount rate prevailing. Cash flows beyond the five-year period are extrapolated using the estimated growth rate stated below. This growth rate is consistent with forecasts included in industry reports specific to the industry where each CGU operates.

Assumptions used by the Group when testing the impairment of TAQA Arabia trademark as at 31 December 2019 are as follows:

	2019	2018
Average gross margin	11%	9.4%
Sales growth rate	16%	23%
Pre-tax discount rate	21%	16.9%
Growth rate beyond five years	4%	4%

Sensitivity of recoverable amounts

The growth rate beyond five years has been estimated to be 4%. If all other assumptions kept the same, a reduction of this growth rate by 100% would give a value in use exceed the current carrying amount.

Notes to the consolidated financial statements - For the year ended 31 December 2019

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

Non-financial assets and liabilities (continued)

The discount rate in the forecast period has been estimated to be 21%. If all other assumptions kept the same, and the discount rate is 30% would give a value in use exceed the current carrying amount.

Assumptions used by the Group when testing the impairment of Dina Farms trademark as at 31 December 2019 are as follows:

	2019	2018
Average gross margin	28%	24%
Sales growth rate	15%	10%
Pre-tax discount rate	20%	16%
Growth rate beyond five years	4%	4%

Sensitivity of recoverable amount

The growth rate in the forecast period has been estimated to be 4%. If all other assumptions kept the same, a reduction of this growth rate by 100% would give a value in use exceed the current carrying amount.

The discount rate in the forecast period has been estimated to be 20%. If all other assumptions kept the same, and the discount rate is 27% would give a value in use exceed the current carrying amount.

Group management has considered and assessed reasonably possible changes in any of the key assumptions and no instances were identified that could cause the carrying amount to exceed the recoverable amount and could result in an impairment for any intangible assets allocated to TAQA or Dina Farms CGUs.

6(c) Goodwill

The following companies are considered the CGU(s), which was the basis for Goodwill resulting from acquisition.

	Sector	Balance at 1 January 2019	Balance as at 31 December 2019
Falcon for Agricultural Investments Ltd. Group-BVI	Agriculture and Food Sector	205,570	205,570
Tawazon for Solid Waste Management (Tawazon) Company Group	Energy Sector	32,611	32,611
Balance		238,181	238,181

	Sector	Balance at 1 January 2019	Impairment	Balance as at 31 December 2019
Falcon for Agricultural Investments Ltd. Group-BVI	Agriculture and Food Sector	205,570	-	205,570
Tawazon for Solid Waste Management (Tawazon) Company Group	Energy Sector	32,611	-	32,611
Balance		238,181	-	238,181

Notes to the consolidated financial statements - For the year ended 31 December 2019

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

Non-financial assets and liabilities (continued)

(i) Significant estimates Impairment of goodwill

The Group test the Goodwill impairment annually based on recoverable amount of cash-generating unit is estimated by calculating the value in use, using pre-tax cash flows based on financial budgets approved by management, which cover a period of five years maximum. The management determines the specific assumptions of cash flow forecasts based on past experience and expectations of the market. Group management determines assumptions related to cash flow forecasting based on sales growth and operating costs and estimated profits. Taking into consideration capital expenditures for future renewable plans.

Goodwill is allocated to cash-generating units (CGUs, which represent the lowest level within the Group at which the goodwill is monitored by management which is the level of the operating segment)

The recoverable amount of each CGU was determined based on value-in-use calculations. These calculations use cash flow projections based on financial budgets approved by management covering a five-year period. Cash flows beyond the five-year period are extrapolated using the estimated growth rate stated below. The growth rates do not exceed the long-term average growth rate for the business sector of the economy in which the CGU operates.

Assumptions used for value-in-use calculations to which the recoverable amount is most sensitive were:

	Dina for Agricultural Investments	Tawazon for Solid Waste Management
Growth rate beyond five years	4%	4%
Pre-tax discount rate	20%	21%
Average of gross profit	28%	20%

Growth rate: This is represent in the weighted average of growth rate used for forecasting the cash flows of the years following the financial budget period. Growth rates correspond with the reports of the industry where the CGU is adopted.

Profit margins : Estimations are based on the historical performance and management's expectation of the future.

Discount rate before tax: This rate reflects the risks related to the CGU and the industry where these units are adopted.

(ii) Impairment charge

During the year ended 31 December 2019, Impairment losses of EGP Nil were recognized in the goodwill related to Dina for Agriculture Investments and Tawazon for Solid Waste Management

Notes to the consolidated financial statements - For the year ended 31 December 2019

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

Non-financial assets and liabilities (continued)

6(d) Biological assets

	2019	2018
Non-current		
Pregnant heifer, dry and dairy cows	203,527	158,287
Heifers	145,904	132,958
Fruitful fruit gardens and orchards	6,636	9,169
Fruitless fruit gardens and orchards	3,098	1,880
	359,165	302,294
Current		
Plants	20,620	29,783
Accumulated impairment loss	(2,401)	(2,500)
Net	18,219	27,283
Total	377,384	329,577

Biological assets are accounted for in accordance with the Group policy disclosed in [note 29\(f\)](#) and is measured at fair value less cost to sell.

(i) Measuring biological assets at fair value:

Cattles are measured at fair value less cost to sell on the reporting date, based on market prices for similar age, breed and genetic. The fair value of dairy milk, growing fruit gardens and orchards is determined using the discounted cash flow model based on the expected fruits yield by plantation size, the market price for fruits after allowing for harvesting cost. the group has classified its non-financial and assets and liabilities into the three levels prescribed under EAS 45 "Fair value measurement". An explanation of each level is provided in [note 5\(i\)\(i\)](#).

Cattles, diary milk and growing fruit gardens and orchards fall under level 2 of the fair value hierarchy.

(ii) Valuation process

The fair value of biological assets (herd) is measured through the observable market of the same breed (Holstein) in the United States of America and all other costs necessary incurred by the company to bring the assets to its location. Price quotation are obtained through the company's supply chain department.

(iii) Reconciliation of biological assets carrying amount are as follows:

	2019	2018
Balance as at 1 January	302,294	242,835
Gains resulted from the change in fair value less cost to sell	110,373	98,337
Decrease due to sales	(49,198)	(38,878)
Disposals	(1,491)	-
Foreign currency translation	(2,813)	-
Balance	359,165	302,294

(iv) Financial risk strategy

The Group prices exposure for financial risks resulted from prices changes of dairy cattle and the Group did not expect decrease in dairy Cattles prices in the future, wherefore the Group did not have financial derivatives or contracts. Management review the price lists of dairy cattle consistency and take into consideration the effective risk management when needed. See [note 27\(b\)\(ii\)](#) for price risk management.

Notes to the consolidated financial statements - For the year ended 31 December 2019

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

Non-financial assets and liabilities (continued)

6(e) Deferred tax balances

	2019		2018	
	Asset	Liabilities	Asset	Liabilities
Provisions	(14,707)	-	(9,194)	-
Fixed assets	-	191,068	-	183,270
Tax losses	(55,677)	-	(5,062)	-
Hedge Reserve – Swap Contract	(58,026)	8,457	(1)	28,327
Total	(128,410)	199,525	(14,257)	211,597
Net deferred tax liabilities		71,115		197,340

The movement of net deferred tax liabilities are as follows:

	2019	2018
Balance at 1 January	197,340	226,756
Charged to the consolidated statement of profit or loss (Note 16)	(5,417)	(77,031)
Charged to the consolidated statement of other comprehensive income	(100,843)	54,354
Foreign currency translation differences	(19,965)	(6,739)
Net deferred tax liabilities	71,115	197,340

(i) Significant estimates

The deferred tax assets include an amount of EGP 55,677 which relates to carried forward tax losses of Grandview and NDT groups. The Group has concluded that the deferred assets will be recoverable using the estimated future taxable income based on the approved business plans and budgets. The subsidiaries are expecting to generate taxable income from 2020 onwards. The losses can be carried forward for 5 years and would expire by 2024. The Group has unrecognised carry forward tax losses as of 31 December 2019 amounting to EGP 721m and the related deferred tax assets amounted to EGP 106m which has not been recognized as it is not probable that future taxable profits will be available, which the Group can utilize the benefits relating to these assets.

6(f) Inventories

	2019	2018
Consignment goods*	744,973	-
Raw materials	735,262	633,825
Spare parts	543,971	421,868
Work in process	304,533	83,511
Finished goods	265,912	201,086
Others	70,645	91,178
Oil and lubricants	12,515	14,521
Packing materials	10,117	12,709
Goods in transit	7,412	18,681
Letters of credit	18,972	52,525
Total	2,714,312	1,529,904
Less: Write-down of inventory provision	(43,658)	(39,684)
Net	2,670,654	1,490,220

* The balance represents the crude oil held by EGPC in favour of the Company.

Notes to the consolidated financial statements - For the year ended 31 December 2019

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

Non-financial assets and liabilities (continued)

The movement of the inventory provision was as follows:

	2019	2018
Balance at 1 January	39,684	340,793
Formed during the year	5,720	2,848
Used during year	(333)	-
No longer required	(150)	(998)
Transfer from assets held for sale	-	(305,225)
Foreign currency translation differences	(1,263)	2,266
	43,658	39,684

6(g) Provisions

	Provision for claims*	Legal provisions	Other provisions	Total
Balance at 1 January 2018	973,097	2,102	16,007	991,206
Re-class to creditor and other credit balance	(31,745)	-	(3,106)	(34,851)
Provisions formed (Note 12)	668,481	201	3,664	672,346
Provisions used	(110,504)	(87)	(1,924)	(112,515)
Provisions no longer required (Note 12)	(58,085)	-	-	(58,085)
Disposal of subsidiaries	(126,669)	-	(11,652)	(138,321)
Foreign currency translation	3,705	7	(2,152)	1,560
Balance at 31 December 2018 and 1 January 2019	1,318,280	2,223	837	1,321,340
Re-class from current tax liability	7,482	-	-	7,482
Provisions for capitalized PUC	-	-	134,316	134,316
Provisions formed (Note 12)	190,745	-	51,550	242,295
Provisions used	(173,163)	-	-	(173,163)
Provisions no longer required (Note 12)	(17,379)	-	(5,639)	(23,018)
Transferred from liabilities held for sale	115,928	-	1,692	117,620
Foreign currency translation	(8,479)	(45)	9,363	839
Balance at 31 December 2019	1,433,414	2,178	192,119	1,627,711

- * 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.

Notes to the consolidated financial statements - For the year ended 31 December 2019

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

Non-financial assets and liabilities (continued)

6(h) Current income tax liabilities

	2019	2018
Balance at 1 January	176,895	238,608
Income tax paid during the year	(161,653)	(175,728)
Income tax for the year (Note 16)	223,734	213,494
Withholding tax paid	(30,286)	(50,989)
Transferred from assets held for sale	22,412	(26,632)
Foreign currency translation differences	(2,108)	(21,858)
Reclassification to provisions	(7,482)	-
	221,512	176,895

7. Equity

7(a) Paid-up capital

The Company's authorized capital is EGP 10 Billion and the issued and paid-in capital is EGP 9.1 billion representing 1,820,000,000 shares distributed between 1,418,260,351 ordinary stocks and 401,739,649 preferred stocks. Preferred shares have the advantage of triple voting right comparing with ordinary share on the decisions of the Company's extraordinary and ordinary general assembly meetings according to the decision of the Company's extra-ordinary general assembly meeting held on 12 May 2008 and also paragraph No. (3) of article No. (18) of the Company's article of associations. Those preferred shares are owned by Citadel Capital Partners Ltd. Company, the principle shareholder of the Company. The shareholders' structure - is represented in the following:

Shareholder's name	Percentage	No. of Shares	Amount
Citadel Capital Partners Ltd.	23.49%	427,455,671	2,137,278
Olayan Saudi Investment company	7.69%	139,922,871	699,614
Emirates International Investments Company	5.54%	100,900,000	504,500
Other shareholders	63.28%	1,151,721,458	5,758,608
	100%	1,820,000,000	9,100,000

7(b) Legal reserve

As required by the Company's Articles of Association, 5% of the net profit shall be transferred to constitute the legal reserve, once the financial statements are approved by the Company's ordinary general assembly meeting. Such transfer may be discontinued when the reserve equals 50% of the Company's issued and paid up capital. Whenever this reserve is lower than this percentage, the deduction should be continued. This reserve is not available for distribution.

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

Equity (continued)

7(c) Other reserves

	Shareholders reserve	Fair value- available-for- sale financial assets	Foreign currency translation differences	The company's share in the change of equity of associates companies	Hedging reserve	Total
Balance at 1 January 2018	(1,536,003)	1,670	1,546,406	(67,586)	(9,544)	(65,057)
Revaluation fair value for available-for-sale financial assets	-	1,484	-	-	-	1,484
Foreign currency translation differences	17,010	-	1,285,850	-	-	1,302,860
The company's share in the change of equity of associates companies	-	-	-	(18,622)	-	(18,622)
Hedge risk in interest rates of swap contracts	-	-	-	-	34,499	34,499
Balance at 31 December 2018 and 1 January 2019	(1,518,993)	3,154	2,832,256	(86,208)	24,955	1,255,164
Effect of hyper-inflation economy	-	-	(168,845)	-	-	(168,845)
Revaluation of available-for-sale at fair value	-	(2,079)	-	-	-	(2,079)
Foreign currency translation differences	159,044	-	(647,611)	-	-	(488,567)
The company's share in the change of equity of associates companies	-	-	-	16	-	16
Hedge risk in interest rates of swap contracts	-	-	-	-	(69,803)	(69,803)
Balance at 31 December 2019	(1,359,949)	1,075	2,015,800	(86,192)	(44,848)	525,886

(i) Shareholders reserve

Egyptian Refining Company "ERC" contractually agreed that, ERC shall procure that it and its shareholders allocated to the Egyptian General Petroleum Corporation "EGPC" a fifteen percent (15%) shareholding in ERC at a price equal to the par value of the relevant shares. Half of such price shall be paid by EGPC in cash upon demand by ERC in the same manner as all other shareholders of ERC, whereupon ERC shall promptly procure that transfer or issue to EGPC of shares in ERC representing a fifteen percent (15%) shareholding in ERC. The remaining half of such price shall be paid by the Arab Refining Company S.A.E on behalf of EGPC and paid back by EGPC to the Arab Refining Company S.A.E (a) by way of retentions from dividends payable to EGPC in respect of such shares or (b) immediately upon any sale by EGPC of any such shares, If EGPC does not pay the half of such price payable in cash upon the demand of ERC, ERC shall be deemed to have satisfied its obligations under this agreement, and EGPC shall be deemed to have elected not to become a shareholder in ERC.

EGPC has not assumed the risks related to the un-paid shares to which they have subscribed for in ERC share capital as EGPC is protected from any losses related to half of the shares, does not receive any dividends until the loan is settled and will benefit from the shares. EGPC assumes no downside on the ERC shares but receives the upside of the shares. The total amount of shares is USD 85,050 representing 6.28% shareholding in ERC.

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

Equity (continued)

The loan extended to EGPC does not accrue interest and there is no security or recourse to other assets for which contractual right of payment could be established, where shares paid on behalf of EGPC have been included in the non-controlling interest line item for the value of 2019 USD 85,050. Until the loan is repaid, the shares will be continued to be shown as not issued to EGPC.

In accordance with Egyptian Accounting Standard "EAS 39"- Share based payments, where such a transaction occurs the rationale is that the entity must have received some unidentifiable

(ii) Hedging reserve

The hedging reserve includes the cash flow hedge reserve and the costs of hedging reserve. The cash flow hedge reserve is used to recognise the effective portion of gains or losses on derivatives that are designated and qualify as cash flow hedges.

The Group defers the changes in the forward element of forward contracts and the time value of option contracts in the costs of hedging reserve. These deferred costs of hedging are included in the initial cost of the project under construction when it is recognised.

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Performance

8. Segment information

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

8(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.

Cement Sector

Citadel Capital Company 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 investments 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. Time to move cargo via river barges, which are a more efficient, affordable and environmentally friendly means of transport relative to trucking. The capacity of one river barges is equivalent to 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 agrifoods aim to overcome challenges facing the agricultural and food production sector in Egypt and the region. Citadel Capital Companies in the agrifoods 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.

The following summary describes the entities of each reportable segment:

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

Agriculture and food sector

- Wafra Agriculture S.A.E Group.
- Falcon for Agriculture Investments Group
- Everys Holdings Limited

Energy Sector

- Silverstone Capital Investments Ltd. Group
- Orient Investment Properties Ltd. Group
- Ledmore Holdings Ltd. Group
- Tawazon for Solid Waste Management (Tawazon)
- Qalaa Energy Ltd.

Transportation and logistics Sector

- Citadel Capital Transportation Opportunities Ltd. Group

Financial services Sector:

- Citadel Capital Holding for Financial Investments
- Citadel Capital Ltd
- Sequoia Williwow Investments Ltd
- Arab Company for Financial Investments
- Lotus Alliance Limited
- Citadel Capital Holding for Financial Investment – Free Zone
- Citadel Capital for international Investment Ltd
- International for Mining Consultation
- International for Refinery Consultation
- Tanweer for Marketing and Distribution Company (Tanweer)
- Financial Unlimited for Financial Consulting
- Citadel Company for Investment Promotion
- National Company for Touristic and Property Investment
- United for Petroleum Refining Consultation
- Specialized for Refining Consulting
- Specialized for Real Estate Company
- National Company for Refining Consultation
- Citadel Capital Algeria
- Valencia Trading Holding Ltd.
- Andalusia Trading Investments
- Citadel Capital Financing Corp.
- Brennan Solutions Ltd.

- Mena Enterprises Ltd.
- Alcott Bedford Investments Ltd.
- Eco-Logic Ltd.
- Alder Burke Investments Ltd.
- Black Anchor Holdings Ltd.
- Cobalt Mendoza
- Africa Railways Investments Ltd.
- Darley Dale Investments Ltd.
- Citadel Capital Joint Investment Fund Management Limited
- Mena Joint Investment Fund
- Trimestone Assets Holding Limited – BVI
- Cardinal Vine Investments Ltd
- Global Service Realty Ltd
- Crondall Holdings Ltd
- Africa Joint Investments Fund
- Underscore International Holdings Ltd
- Valencia Regional Investments Ltd
- Sphinx Egypt for Financial Consulting Company
- Investment Company for Modern Furniture

Mining Sector:

- ASEC company for mining (ASCOM)

Packaging and Printing Sector:

- Grandview Investment Holding

Cement Sector

- National Company for Development and Trading Group

Others:

- United Foundries Company

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

Segment information (continued)

8(b) Segment results, assets, liabilities and

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 part transactions. The revenue from external parties is measured in the same way as in the statement of profit or loss.

Operating results	2019			2018		
	Operating revenue	Operating cost	Gross profit / (loss)	Operating revenue	Operating cost	Gross profit / (loss)
Energy	8,134,423	(7,286,545)	847,878	6,351,008	(5,750,503)	600,505
Cement	2,731,553	(2,397,287)	334,266	2,885,491	(2,265,404)	620,087
Transportation and logistics	235,983	(186,563)	49,420	131,836	(157,575)	(25,739)
Mining	967,050	(711,151)	255,899	950,667	(708,240)	242,427
Agriculture food industries	871,200	(670,126)	201,074	816,686	(642,133)	174,553
Financial services	8,529	(8,553)	(24)	111,857	(107,537)	4,320
Packaging & printing sector	1,817,217	(1,380,394)	436,823	1,959,637	(1,594,944)	364,693
Other	171,521	(161,562)	9,959	280,999	(233,556)	47,443
	14,937,476	(12,802,181)	2,135,295	13,488,181	(11,459,892)	2,028,289
Elimination	(20,725)	12,197	(8,528)	(106,002)	100,147	(5,855)
Total as per the statement of profit or loss	14,916,751	(12,789,984)	2,126,767	13,382,179	(11,359,745)	2,022,434

8(c) Segment assets

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

Segment assets	2019			2018		
	Current assets	Non-current assets	Total assets	Current assets	Non-current assets	Total assets
Energy	9,927,110	66,493,662	76,420,772	9,384,187	69,502,977	78,887,164
Cement	2,913,671	1,660,964	4,574,635	3,069,207	1,660,349	4,729,556
Transportation and logistics	120,917	654,225	775,142	89,257	674,553	763,810
Mining	507,147	962,601	1,469,748	503,007	1,060,623	1,563,630
Agriculture food industries	337,080	1,088,525	1,425,605	311,203	1,004,334	1,315,537
Financial services	6,742,063	19,598,826	26,340,889	5,973,341	20,787,257	26,760,598
Packaging & printing sector	816,384	1,043,178	1,859,562	1,063,313	882,152	1,945,465
Other	121,135	25,519	146,654	141,719	28,434	170,153
	21,485,507	91,527,500	113,013,007	20,535,234	95,600,679	116,135,913
Elimination	(7,594,277)	(19,235,700)	(26,829,977)	(7,000,022)	(21,839,760)	(28,839,782)
Total	13,891,230	72,291,800	86,183,030	13,535,212	73,760,919	87,296,131

Notes to the consolidated financial statements - For the year ended 31 December 2019

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

Segment information (continued)

8(d) Segments liabilities

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

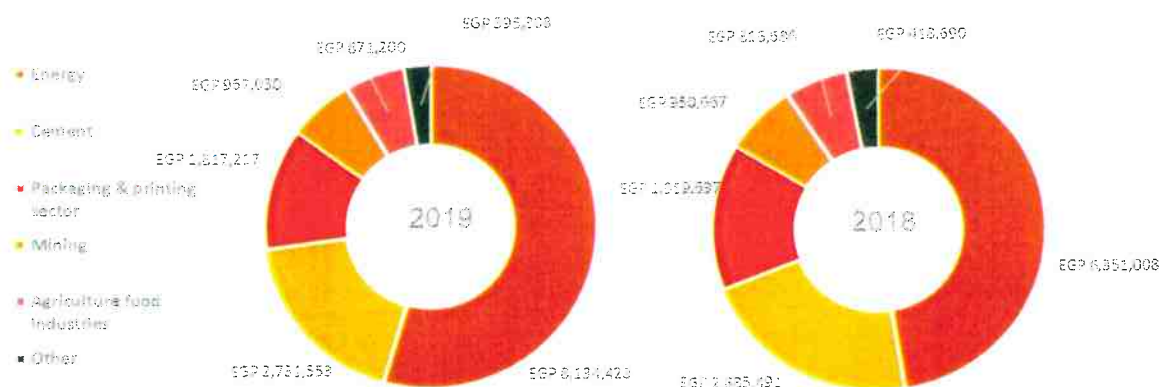
Segment liabilities	2019			2018		
	Current liabilities	Non-current liabilities	Total liabilities	Current liabilities	Non-current liabilities	Total liabilities
Energy	12,246,560	40,417,094	52,663,654	8,199,327	43,805,208	52,004,535
Cement	5,360,792	2,361,344	7,722,136	4,747,026	2,365,172	7,112,198
Transportation and logistics	1,865,819	32,046	1,897,865	8,304,337	70,011	8,374,348
Mining	1,342,757	140,500	1,483,257	1,412,976	193,290	1,606,266
Agriculture food industries	2,356,950	174,509	2,531,459	2,361,736	193,942	2,555,678
Financial services	18,783,087	435,060	19,218,147	18,686,966	618,591	19,305,557
Packaging & printing sector	1,071,012	482,482	1,553,494	1,077,030	473,932	1,550,962
Other	647,235	237,802	885,037	968,065	367,800	1,335,865
	43,674,215	44,280,837	87,955,052	45,757,463	48,087,946	93,845,409
Elimination	(10,974,144)	(2,981,205)	(13,955,349)	(17,919,898)	(3,196,769)	(21,116,667)
Total	32,700,068	41,299,632	73,999,700	27,837,565	44,891,177	72,728,742

9. Revenue

	2019	2018
Sale of goods	11,775,219	10,895,478
Services	3,141,532	2,486,701
Total revenue from continuing operations	14,916,751	13,382,179

9(a) Segment revenue

The four segments that drive majority of revenues from external sales are the energy, cement, packaging and printing, mining and agriculture food, with the energy segment contributes more than 50% of sales. Below is segment revenues after elimination of inter-segment sales.



Notes to the consolidated financial statements - For the year ended 31 December 2019

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

10. Cost of revenue

	2019	2018
Energy sector	7,286,545	5,750,503
Cement Sector	2,397,287	2,265,404
Packaging and printing sector	1,380,394	1,594,944
Mining sector	711,151	708,240
Agriculture and Food sector	670,126	642,133
Transportation and Logistics sector	186,563	157,575
Others	149,366	233,556
Financial services sector	8,552	7,390
	12,789,984	11,359,745

11. General, administrative, selling and marketing expenses

	2019	2018
Wages, salaries and other staff costs	634,157	619,287
Selling and marketing	318,483	327,668
Depreciation and amortization	133,262	138,085
Consultancy fees	158,150	118,149
Donations	23,279	27,731
Rent	19,754	10,777
Travel and accommodation	18,479	16,831
Advertising and public relations	10,172	8,224
Others	425,712	350,810
	1,741,448	1,617,562

12. Other operating expenses

	2019	2018
(Reversal) impairment loss:		
Impairment loss of due from related parties (Note 21(a))	2,117	-
Reversal of impairment losses of due from related parties (Note 21(b))	(6,709)	(114,040)
Impairment loss of trade receivables and other debit balances	60,218	327,221
Reversal of impairment losses of trade receivables and other debit balances	(5,338)	(9,841)
Write-down of inventory (Note 6(f))	5,720	2,848
Reversal of inventory write-down (Note 6(f))	(150)	(998)
Impairment of other debit balances	3,290	3,000
Impairment of fixed assets (Note 6(a))	-	2,164
Impairment of intangible assets (Note 6(b))	-	228,079
Impairment of goodwill	-	62,076
Available for sale investments	-	269
	59,148	500,778
Other (gains) losses:		
Gain on sale of fixed assets (Note 6(a))	(43,540)	(4,723)
Provisions no longer required (Note 6(g))	(23,018)	(58,085)
Net change in the fair value of investments at fair value through profit and loss	1,213	182
Provisions (Note 6(g))	242,295	672,346
Gain (Loss) on sale of biological assets	(866)	2,094
Loss on sale of investments	-	-
Net change in the fair value of liabilities at fair value through profit and loss (Note 5(g))	36,238	(90,199)
Management fees	135,844	-
Other (income) expenses	1,129	268,405
	349,295	790,020
Total other operating expenses	408,443	1,290,798

Notes to the consolidated financial statements - For the year ended 31 December 2019

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

13. Expenses by nature

	2019	2018
Cost of revenue	12,789,984	11,359,745
General, administrative, selling and marketing expenses (Note 11)	1,741,448	1,617,562
	14,531,432	12,977,307
	2019	2018
Fuel and lubricants	4,720,705	3,664,263
Manufacturing materials	2,376,545	2,448,490
Electricity and utilities supplies	1,936,443	1,827,955
Wages, salaries and other staff costs	1,773,746	1,494,795
Gas network construction	747,751	490,809
Depreciation and amortization	518,224	586,718
Rent	300,222	314,166
Transportation and vehicles	251,907	220,623
Maintenance	236,984	209,289
Professional and consultancies fees	162,033	283,899
Gas car conversion	54,099	27,802
Travel and accommodation	35,067	32,954
Tools and equipment	32,142	7,195
Promotion, advertisement and gifts and public relation	32,008	10,389
Donations	23,279	71,031
Insurance	21,266	15,509
Supplies	337,664	344,859
Others	971,347	926,561
	14,531,432	12,977,307

14. Finance income and costs

	2019	2018
Interest income	(254,924)	(240,782)
Interest expenses	1,999,330	1,797,090
Foreign currency exchange differences	(624,520)	163,196
	1,119,886	1,719,504

15. Share of profit (loss) of investments in associates

	2019	2018
Ascom Precious Metals (APM)	33,926	(28,973)
Al Sharq for Book Stores	631	108
ALLMED Medical Industries	(87,521)	-
Al Kateb Co for Marketing and Distribution	(311)	(219)
Dar AL Sherouk Company	(3,573)	(4,449)
	(56,848)	(33,533)

Notes to the consolidated financial statements - For the year ended 31 December 2019

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

16. Income tax

16(a) Income tax expense

	2019	2018
Current income tax (Note 6(h))	223,734	213,494
Deferred income tax	(5,417)	(77,031)
	218,317	136,463

16(b) Significant estimates

The Group is subject to income tax in several countries. Majority of the Group's operations is concentrated in Egypt and is subject to income tax rules in that jurisdiction. The provision for income tax is estimated by the Group through the tax department and management's consultants. Because of the nature of the procedures of estimating tax liabilities in Egypt, the final outcome of the tax estimate by the Tax Authority may not be realistic. Therefore, additional possible tax liabilities may arise as a result of tax inspection, and the estimate of Tax Authority for tax due from the Group. In case of any variation between the preliminary and final estimates, such variation will affect the income tax expense in the period in which it arises.

16(c) Numerical reconciliation of income tax expense to prima facie tax payable

The tax expense on the Group's profit before tax differs from the theoretical amount of income tax expense that would arise using the weighted average tax rate, as follows:

	2019	2018
Net (loss) before tax	1,199,858	(2,638,541)
Income tax based on tax rate	(269,968)	(593,672)
Expenses not deductible for tax purposes	252,177	7,628
Income not taxable for tax purposes	(84,574)	(23,540)
Effect of tax losses	320,682	746,047
Income tax expense	218,317	136,463

Notes to the consolidated financial statements - For the year ended 31 December 2019

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

Cash flows

17. Cash flow information

17(a) Net cash flow generated from / (used in) operating activities

	Notes	2019	2018
Cash flows from operating activities			
Loss for the year before income tax		(1,199,858)	(2,638,541)
Adjusted to:			
Depreciation and amortization	13	518,224	586,718
Unrealised forex gain		(235,736)	22,423
Gain from deconsolidation of subsidiaries, net of tax		-	3,704,072
Reversal of impairment of due from related parties - net	12	(4,592)	(114,040)
Impairment of trade and other receivables - net	12	15,948	317,380
Impairment of available for sale investments	12	-	269
Impairment of other debit balances	12	-	3,000
Impairment of fixed assets	12	-	2,164
Impairment of intangible assets	12	-	290,155
Write down of inventory - net	12	5,237	1,850
Share of profit of investments in associates	15	56,848	33,533
Effect of investments at fair value through profit or loss	12	1,213	182
Effect of financial liabilities at fair value through profit or loss	12	36,238	(90,199)
Capital gain	12	(44,406)	(2,629)
Gains resulted from the change in FV less costs to sell of biological assets		(110,373)	(98,337)
Provisions - net	12	219,277	614,261
Interest expenses	14	1,999,330	1,797,090
Interest income	14	(254,924)	(240,782)
Operating profit before changes in working capital		1,002,426	4,188,569
Changes in working capital:			
Inventories		(1,079,250)	77,762
Trade and other receivables		(2,808,428)	(461,224)
Due from related parties		170,874	(44,713)
Due to related parties		(333,269)	599,657
Trade and other payables		2,012,852	(1,039,194)
Provisions used	6(g)	(173,163)	(112,515)
Income tax paid	6(h)	(161,653)	(175,728)
		(1,369,611)	3,032,614
Cash flows from operating activities of discontinued operations		29,055	(288,390)
Net cash flow (used in) generated from operating activities		(1,340,556)	2,744,224

17(b) Non-cash investing and financing activities

	2019	2018
Unrealised forex on borrowings	(235,736)	22,423
Acquisition of fixed assets by means of finance lease	814,337	-

17(c) Net debt reconciliation

Below is an analysis of net debt and the movements in net debt for each of the periods presented.

	2019	2018
Net debt		
Cash and cash equivalent (note 5.d (i))	2,986,929	6,351,051
Borrowings – repayable within one year (including overdraft)	(17,996,282)	(15,783,055)
Borrowings – repayable after one year	(40,542,959)	(44,445,192)
Net debt	(55,552,312)	(53,877,196)

Notes to the consolidated financial statements - For the year ended 31 December 2019

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

Cash flow information (continued)

	Liabilities from financing activities						Total
	Cash	Cash equivalent	Finance lease		Borrowings		
			Due in 1 year	Due after 1 year	Due in 1 year	Due after 1 year	
Net debt at 1 January 2018	2,124,477	437,378	(38,577)	(135,042)	(14,966,015)	(36,018,918)	(48,596,697)
Cash flows	(1,099,426)	4,888,622	-	-	(778,463)	(8,313,655)	(5,302,922)
Foreign exchange adjustments	-	-	-	-	-	22,423	22,423
Other non-cash movements	-	-	-	-	-	-	-
Net debt as at 31 December 2018	1,025,051	5,326,000	(38,577)	(135,042)	(15,744,478)	(44,310,150)	(53,877,196)
Cash flows	359,467	(3,958,265)	(46,062)	(187,823)	(2,153,504)	3,511,455	(2,474,732)
Acquisitions – borrowings	-	-	-	-	-	676,259	676,259
Other non-cash movements	234,676						234,676
Acquisitions – finance lease	-	-	-	138,078	-	-	138,078
Net debt as at 31 December 2019	1,619,194	1,367,735	(84,639)	(184,787)	(17,897,982)	(40,122,436)	(55,302,915)

Notes to the consolidated financial statements - For the year ended 31 December 2019

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

Unrecognised items

18. Contingent liabilities and contingent assets

The contingent liabilities as at 31 December 2019 are as follows:

18(a) ASEC Automation Co.

	2019	2018
Letters of guarantee	880	1,374

18(b) ASEC Environmental Protection Co.

	2019	2018
Letters of guarantee	551	2,118

18(c) Arab Swiss Engineering Co.

	2019		2018		
	Euro	EGP	Euro	Dirham	EGP
Letters of guarantee	-	33,928	739	241	28,800

18(d) ASEC for Manufacturing and Industries Project Co.

	2019			2018		
	Euro	USD	EGP	Euro	USD	EGP
Letters of guarantee	-	-	126,883	2,669	77,083	160,839

Citadel Capital Partners Ltd (CCP) pledged 21 million of preferred shares to the favour of HSBC on behalf of ARESCO.

18(e) United Foundries Company

	2019	2018
Letters of guarantee (outstanding)	1,482	1,482
Total	1,482	1,482

18(f) ASEC Company for Mining

	2019	2018
Letters of guarantee – (unsecured portion)	1,599	22,205
Total	1,599	22,205

The uncovered portion of letters of guarantee amounted to EGP 1.6 million (equivalent to US \$100 K) issued from banks in favour of ASCOM Carbonate & Chemical Manufacture Company (subsidiary).

Notes to the consolidated financial statements - For the year ended 31 December 2019

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

19. Commitments

19(a) Capital commitments

The capital commitments as at 31 December 2019 are as follows:

(i) Egyptian refining company

Non-exercised contracts amounted to USD 258 million equivalent to EGP 4.12 billion (31 December 2018: USD 702 million equivalent to EGP 12.5 billion)

(ii) ASEC for Manufacturing and Industries project Co.

	Contract commitment amount	
	2019	2018
Self-extinguishing system in the factory	-	100
Total	-	100

20. Events occurring after the reporting period

The existence of novel coronavirus (Covid-19) was confirmed in early 2020 and has spread across mainland China and beyond, causing disruptions to businesses and global economic activity. The Group considers this outbreak to be a non-adjusting post balance sheet event.

The potential impact of the coronavirus outbreak on the Group's performance remains uncertain. Up to the date of this Report, the outbreak has not had a material impact on the results of the Group. However, management continue to monitor the situation closely, including the potential impacts on the Group's segment results and our employees. The situation could change at any time and there can be no assurance that the coronavirus outbreak will not have a material adverse impact on the future results of the Group.

Group operating segments is working mainly in Mining, Manufacturing, Energy, Printing and Transportation sectors.

As the situation is fluid and rapidly evolving, management do not consider it practicable to provide a quantitative estimate of the potential impact of this outbreak on the Group's assets and liabilities. The impact of this outbreak on the macroeconomic forecasts will be incorporated into the Group's EAS 47 estimates of expected credit loss provisions in 2020.

Notes to the consolidated financial statements - For the year ended 31 December 2019

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

Other information

21. 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 year, and the balances due at the date of the consolidated financial statements.

21(a) Due from related parties

Name of the Company	Nature of relationship	Nature of transactions		Outstanding balances	
		Foreign Currency Translation Differences	Finance	2019	2018
Golden Crescent Finco Ltd.	Investee	(54,845)	-	468,975	523,820
Emerald Financial Services Ltd.	Investee	(47,593)	(6,393)	400,564	454,550
Nile Valley Petroleum Ltd.	Investee	(40,348)	-	344,526	384,874
Benu one Ltd.	Investee	(19,604)	-	167,624	187,228
Citadel Capital Partners	Parent	(12,016)	(140,070)	102,745	254,831
Logria Holding Ltd,	Investee	(10,901)	-	100,945	111,846
Rotation Ventures	Investee	(10,179)	-	87,035	97,214
EIIC	Shareholder	(9,350)	-	79,950	89,300
Golden Crescent Investment Ltd.	Investee	(7,134)	-	61,006	68,140
Mena Glass Ltd	Associate	(6,425)	-	54,942	61,367
Castrol Lubricants	Associate	(2,118)	21,085	39,200	20,233
Egyptian Company for International Publication	Investee	-	-	26,460	26,460
Visionaire	Investee	(2,486)	(80)	21,255	23,821
Adena	Shareholder	(1,402)	-	11,993	13,395
Trianon	Investee	(1,023)	2,359	11,105	9,769
Nahda Company - Sudan	Investee	(1,206)	-	10,311	11,517
Hisham El Sherif	Shareholder	-	8,206	8,206	-
Citadel Capital AlQalaa- Saudi Arabia	Investee	(138)	31	1,207	1,314
Allmed Medical Industries	Associate	-	16,310	16,310	-
El Kateb for Marketing & Distribution	Associate	(106)	98	1,003	1,011
ASEC Electric Rewinding and Repair Co (REPLECO)	Investee	-	-	526	526
Ascom Precious Metals (APM)	Associate	-	-	209	209
Golden Resources	Investee	4	-	76	72
Citadel Capital East Africa	Investee	(8)	-	60	68
Egyptian Polypropylene Bags Co.	Investee	-	-	20	20
Scimitar Production Egypt Ltd	Investee	-	(17,335)	-	17,335
Haider	Investee	-	(1,658)	-	1,658
Others				60,736	84,630
Total				2,076,989	2,445,208
Less: Accumulated impairment loss*				(1,730,966)	(1,937,772)
				346,023	507,436

Notes to the consolidated financial statements - For the year ended 31 December 2019

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

Related party transactions (continued)

21(c) Key management compensation

The Group paid EGP 232,998 - as salaries and benefits to senior management personnel during the year ended 31 December 2019 (31 December 2018: EGP 223,283).

22. (Losses) earnings per share

Basic (losses) earnings per share is calculated by dividing the (loss) / profit attributable to equity holders of the Group by the weighted average number of ordinary shares in issue during the period after excluding ordinary shares held in treasury.

	2019	2018
Net profit (loss) for equity holders of the parent company	(1,135,537)	1,350,843
Weighted average number of shares including preferred shares with the same distribution rights as ordinary shares	1,820,000,000	1,820,000,000
Basic (losses) earnings per share (EGP)	(0.624)	0.742

Diluted (losses) / earnings per share is calculated by adjusting the weighted average number of ordinary shares outstanding to assume conversion of all dilutive potential ordinary shares. The Group does not have any categories of dilutive potential ordinary shares on 31 December 2019 and 31 December 2018, hence the diluted (losses) / earnings per share is the same as the basic (losses) / earnings per share.

23. Employees Stock Option Plan

The Company's extraordinary general assembly meeting held on 20 February 2008 approved to add a new article to the Company Article of Association to adopt a plan or more to motivate employees, managers and executive board of directors - Employees Stock Option Plan (ESOP) in accordance with decision No. 282 for 2005 which modified executive regulation for the law No. 159 / 1981.

On 18 October 2018, Citadel BOD announces to the Egyptian stock market, its intention to renew the expired ESOP plan for eight years starting from the approval of FRA on the plan. On 10 December 2018, Citadel Company's extraordinary general assembly meeting approved the new plan. The renewed ESOP promises employees, managers and executive board of directors' members to acquire shares/ designate share as follows:

- Total designated ESOP is the same number of shares approved through the old plan with minor increase to reach 120 million shares. Entitlement mechanism will be as follows:
 - 30% of the designated shares will be issued at 5.25 pounds per share from ESOP starting date till 30 April 2023.
 - 70% of the designated shares will be issued at 6 pounds per share from ESOP starting date till 30 April 2026.
- Exercise on shares have to be either through:
 - Paying the 5.25 pounds or the 6 pounds per share to the company and obtain the ownership of the shares., or
 - Requesting the oversight committee to pay him/her the remaining amount of the designated shares selling proceeds after deducting the agreed share price of 5.25 pounds or the 6 pounds per share.

The Company has not yet obtained the approvals from the Financial Regulatory Authority on the employees stock option plan until the preparation of these consolidated financial statements. Accordingly, it is not yet activated.

Notes to the consolidated financial statements - For the year ended 31 December 2019

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

24. Tax position of Citadel Capital Company

24(a) Corporate tax

The Company submitted its tax returns on regular basis for the years from 2005 to 2018 according to tax law No. 91/2005. The Company's books have not been inspected yet.

24(b) Payroll tax

The Company deducts the salaries tax according to tax law no. 91/2005 and the Company's books have been inspected for the period since inception till 31 December 2009 but the authority did not inform the Company with results yet, and the years from 2010 to 2018 have not been inspected yet.

24(c) Stamp duty tax

The Company's books have been inspected since inception till 31 July 2006 and settled the due amounts resulted from inspection.

The Company's books have been inspected from 1 August 2006 to 31 December 2013 and the dispute has been transferred to Internal Committee.

The Company's books have not been inspected for the years after 2013.

24(d) Withholding tax

The Company applies the withholding tax in accordance with tax law No. 91/2005. The Company's books have not been inspected since inception till 31 December 2019.

25. Comparative figures

Certain comparative figures have been reclassified in the consolidated statement of financial position to conform with the current period presentation. The following table summarizes the reclassification on the consolidated financial position as at 31 December 2018.

	31 December 2018 As issued	Reclassifications	31 December 2018 After Reclassification
Investments in associates	165,961	(9,800)	156,161
Non-current portion of trade receivables and other debit balances	785,622	9,800	795,422
Due from related parties	528,071	(20,635)	507,436
Non-current assets held for sale	1,175,442	20,635	1,196,077
Current income tax liabilities	208,986	(32,091)	176,895
Trade payables and other credit balances	7,618,833	32,091	7,650,924

Notes to the consolidated financial statements - For the year ended 31 December 2019

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

Comparative figures (Continued)

The results of the discontinued operations of the previous year of "ASEC for Manufacturing and Industrial Projects (ARESCO)" were reclassified to the consolidated statement of profit or loss items as a result of the group's retreat from the decision to sell the company. The following table summarizes the reclassification on the consolidated statement of profit or loss as at 31 December 2018.

	31 December 2018 As issued	Reclassifications	31 December 2018 After Reclassification
Revenue	13,169,971	212,208	13,382,179
Cost of revenue	(11,126,918)	(232,827)	(11,359,745)
General and administrative expenses	(1,592,055)	(25,507)	(1,617,562)
Other operating expenses	(1,243,115)	(47,683)	(1,290,798)
Finance costs – net	(1,715,496)	(4,008)	(1,719,504)
Income tax expense	(135,810)	(653)	(136,463)
Net Losses from discontinued operations for the year	(140,587)	140,587	-
(Loss) / profit from discontinued operations	3,746,189	(42,117)	3,704,072

Notes to the consolidated financial statements - For the year ended 31 December 2019

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

Financial risk management (continued)

27(a) Derivatives

The Group uses derivative financial instruments to hedge certain risk exposures. Where all relevant criteria are met, hedge accounting is applied to remove the accounting mismatch between the hedging instrument and the hedged item. This will effectively result in recognising interest expense at a fixed interest rate for the hedged floating rate loans.

The Company has the following derivative financial instruments:

	2019	2018
Non-current (liabilities) assets		
Interest rate swap contracts – cash flow hedges	(257,893)	212,556
Total non-current derivative financial instrument (liabilities) assets	(257,893)	212,556

(i) Classification of derivatives

Derivatives are accounted for at fair value through profit or loss unless they are designated as hedges. They are presented as current assets or liabilities if they are expected to be settled within 12 months after the end of the reporting year.

The Group's accounting policy for its cash flow hedges is set out in [note 29\(i\)](#).

All derivative financial instruments are represented in interest rate swaps which have maturities of more than twelve months and are classified within 'non-current assets/liabilities'.

(ii) Hedge ineffectiveness

Cash flow hedge is a hedge of the exposure to variability in cash flows that is attributable to a particular risk associated with a recognized asset or liability, such as all or some future interest payments on variable rate debt or a highly probable forecast transaction and could affect profit or loss.

A hedge is normally regarded as highly effective if, at inception and throughout the life of the hedge, the enterprise can expect changes in the cash flows of the hedged item to be almost fully offset by the changes in the cash flows of the hedging instrument, and actual results are within a range of 80%-125%.

The Group enters into interest rate swaps that have similar critical terms as the hedged item, such as, payment dates, maturities and notional amount. The Group does not hedge 100% of its loans, therefore the hedged item is identified as a proportion of the outstanding loans up to the notional amount of the swaps. As all critical terms matched during the year, the economic relationship was 100% effective.

In hedges of interest rate swap, ineffectiveness may arise if the timing of the forecast transaction changes from what was originally estimated, or if there are changes in the credit risk of the derivative counterparty. It may occur due to:

- The credit value/debit value adjustment on the interest rate swaps which is not matched by the loan, and
- Differences in critical terms between the interest rate swaps and loans.

There was no ineffectiveness during the year ended 31 December 2019 or the year ended 31 December 2018 in relation to the interest rate swaps.

Notes to the consolidated financial statements - For the year ended 31 December 2019

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

Financial risk management (continued)

27(b) Market risk

(i) Foreign exchange risks

Foreign exchange rates risks are the risks of fluctuations in the fair value of future cash flows of a financial instrument due to changes in foreign currency exchange rates. The following analysis shows the calculation of the effect of reasonable and possible changes in foreign currencies against the functional currency of the Group while keeping all other variables constant, on the consolidated statement of comprehensive income:

	2019	2018
United States Dollar 10%	115,457	(360,308)
Euro 10%	62,805	11,019
Sterling Pound 10%	(206)	(43)
United Arab Emirates Dirham 10%	1,557	801
Saudi Arabia Riyal 10%	(47)	(68)
Sudanese Pound 10%	(10)	(202)
Algerian Dinar 10%	2,019	13,816
Swiss Franc 10%	68	(286)
Jordanian Dinar 10%	280	169
Riyal Omani	-	-
Syrian Lira	(779)	-

The following table shows the currencies position denominated in Egyptian Pounds at the date of the consolidated statement of financial position:

	2019			2018
	Assets	Liabilities	Net	Net
United States Dollar 10%	2,767,791	(1,613,219)	1,154,572	(3,603,079)
Euro 10%	1,252,748	(624,702)	628,046	110,192
Sterling Pound 10%	294	(2,351)	(2,057)	(428)
United Arab Emirates Dirham 10%	15,939	(373)	15,566	8,009
Saudi Arabia Riyal 10%	170	(643)	(473)	(678)
Sudanese Pound 10%	11	(108)	(97)	(2,022)
Algerian Dinar 10%	20,824	(631)	20,193	138,163
Swiss Franc 10%	684	-	684	(2,864)
Jordanian Dinar 10%	2,886	(84)	2,802	1,686
Libyan Dinar	-	(7,793)	(7,793)	-
Riyal Omani 10%	-	(50,537)	(50,537)	-
Syrian Lira 10%	-	(8,523)	(8,523)	-

(ii) Price risk

The Group's exposure to equity securities price risk arises from investments held by the Group and classified in the statement of financial position either as available-for-sale or at fair value through profit or loss (FVPL).

Available-for-sale financial assets are measured at cost less impairment due to the difficulty in calculating fair value reliably. Financial assets at fair value through profit or loss are considered immaterial, and accordingly the Group considered that repotes to price risk is insignificant.

The Group is also exposed to risks arising from environmental and climatic changes, and commodity prices affecting the biological asset held by the Group.

The Group has strong environmental policies and procedures in place to comply with environmental and other laws.

Notes to the consolidated financial statements - For the year ended 31 December 2019

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

Financial risk management (continued)

(iii) Cash flows and fair value interest rate risks

The group's main interest rate risk arises from long-term borrowings with variable rates, which expose the group to cash flow interest rate risk. Group policy is to maintain at least 90% of Egyptian Refining Company S.A.E syndicate borrowings at fixed rate using interest rate swaps to achieve this when necessary. During the year ended 31 December 2019 and 31 December 2018, the group's borrowings at variable rate were mainly denominated in Egyptian Pounds and US Dollars.

The Group's borrowings and receivables are carried at amortized cost. The borrowings are periodically contractually repriced and to that extent are also exposed to the risk of future changes in market interest rates.

The Group manages its cash flow interest rate risk by using floating-to-fixed interest rate swaps. Under these swaps, the Group agrees with other parties to exchange, at specified intervals (mainly quarterly), the difference between fixed contract rates and floating rate interest amounts calculated by reference to the agreed notional principal amounts. Generally, the Group raises long-term borrowings at floating rates and swaps them into fixed rates that are lower than those available if the Group borrowed at fixed rates directly.

The exposure of the Group's borrowing to interest rate changes and the contractual at the end of the reporting period are as follows:

	2019	% of loans	2018	% of loans
Variable rate borrowings	58,539,241	94.85%	57,145,948	94.88%

27(c) Credit risk

Credit risk arises from cash and cash equivalents, deposits with banks and financial institutions, as well as credit exposures to trade receivables and other debit balances and amounts due from related parties. The Group's credit risk is managed as a whole, except for the credit risk related to the customers' account balances, as each of the Group's companies manages and analyses the credit risk of their own customers.

For banks and financial institutions, only high-credit-quality and rating banks and financial institutions are accepted.

For the new customers, their credit risk are analysed before standard payment and delivery terms and conditions are agreed with customers.

If trade receivables are independently rated, these ratings are used. If there is no independent rating, risk control assesses the credit quality of the customer, taking into account its financial position, past experience and other factors. Credit limits are set for each customer based on internal and external credit limits in accordance with limits set by the board. The credit limits are regularly reviewed for each individual customer.

Balances exposed to credit risks are as follows:

	2019	2018
Trade receivables and other debit balances	7,653,055	4,715,096
Due from related parties	346,023	507,436
Cash and bank balances	3,667,814	6,401,336
	11,666,892	11,623,868

Notes to the consolidated financial statements - For the year ended 31 December 2019

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

Financial risk management (continued)

Impairment of trade and other receivables movement represented as follows:

	2019	2018
Balance at 1 January	950,181	1,397,895
Formed during the year	60,218	327,221
No longer required	(5,338)	(9,841)
Utilised during the year	(11,497)	(169,323)
Transfer from assets held for sale	21,965	(595,498)
Foreign currency translation differences	(43,345)	(273)
Balance	972,184	950,181

27(d) Liquidity risk

Liquidity risk is the risk that the Group will not be able to meet its financial obligations as they fall due, due to shortage of funding. Group's exposure to liquidity risk results primarily from the lack of offset between assets of maturities of assets and liabilities.

The management makes cash flow projections on periodic basis, which are discussed during the Executive Committee's meeting of the parent company, and takes the necessary actions to negotiate with suppliers, follow-up the collection process from customers and manage the inventory balances in order to ensure sufficient cash is maintained to discharge the Group's liabilities. The Group's management monitors liquidity requirements to ensure it has sufficient cash and cash equivalents to meet operational needs while maintaining sufficient cash cover to meet the cash outflows to settle the obligations of loans and borrowings to be able to maintain financial terms, guarantees and covenants at all times.

The Group limits liquidity risk by maintaining sufficient bank facilities and reserves, and by monitoring cash forecast and actual cash flows and matching the maturity profiles of financial assets and liabilities.

The table below summarises the maturities of the Group's financial liabilities at 31 December 2019 and 31 December 2018, 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 2019				
Borrowings	3,504,440	14,608,310	8,321,585	32,104,906
Trade payables and other credit balances	-	10,679,343	299,255	-
Due to related parties	-	1,678,175	-	-
Total	3,504,440	26,965,828	8,620,840	32,104,906
31 December 2018				
Borrowings	14,957,254	864,378	204,894	44,201,721
Trade payables and other credit balances	7,650,924	-	234,388	-
Due to related parties	-	2,006,272	-	-
Total	22,608,178	2,870,650	439,282	44,201,721

Notes to the consolidated financial statements - For the year ended 31 December 2019

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

28. Capital risk management

The Group's objectives when managing capital are to safeguard the Group's ability to continue as a going concern in order to provide returns for shareholders and benefits for other stakeholders using the financial statements. The Groups also aims to maintain an optimal capital structure to reduce the cost of capital.

In order to maintain or adjust the capital structure, the Group may adjust the amount of dividends paid to shareholders, return capital to shareholders, issue new shares or sell assets to reduce the Group's debts.

The Group monitors capital on the basis of the gearing ratio. This ratio is calculated as net debt divided by total capital. Net debt is calculated as total borrowings and bank overdrafts less cash and bank balances. The total share capital comprises the amount of equity and net loans.

Net debt to total capital ratio

Net debt to total capital ratio as at 31 December 2019 and 31 December 2018 is as follows:

	2019	2018
Total borrowings		
Loans and borrowings	58,539,241	60,228,247
Less: Cash and bank balances	(3,667,814)	(6,401,336)
Net borrowings	54,871,427	53,826,911
Equity	12,183,330	14,567,389
Total capital	67,054,757	68,394,300
Net debt to total capital	82%	79%

29. Summary of significant accounting policies

The principal accounting policies applied in the preparation of these consolidated financial statements are summarised below. They were applied consistently over the presented financial periods unless otherwise stated:

29(a) Basis of preparation

(i) Compliance with EAS

The consolidated financial statements of the Citadel Capital Company "S.A.E." group have been prepared in accordance with Egyptian Accounting Standards (EAS), Egyptian Accounting Standards Interpretations (EAI) and relevant laws. The financial statements comply with The Egyptian Accounting Standards and its modifications as issued by the Minister of Investment and International Cooperation on 18 March 2019.

(ii) Historical cost convention

The financial statements have been prepared on a historical cost basis, except for the following:

- certain financial assets (including derivative instruments) – measured at fair value
- biological assets – measured at fair value, and
- defined benefit plans – measured using the projected credit method.
- Assets and liabilities arising from lease contracts.
- Goodwill.

Notes to the consolidated financial statements - For the year ended 31 December 2019

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

Summary of significant accounting policies (continued)

(iii) Going concern

As of 31 December 2019, the Group's accumulated losses amounted to approximately EGP 17 billion (31 December 2018: EGP 16 billion) and the Group's current liabilities exceeded its current assets by EGP 19.1 billion (31 December 2018: EGP 14.9 billion). The Group has made a net loss of approximately EGP 1.5 billion for the year ended 31 December 2019 (31 December 2018: EGP 929 million profit). In addition, the Group is also in breach of its existing debt covenants and some of the subsidiaries have defaulted in settling loan instalments on their due dates. Loans, including interest, amounting to EGP 6.6 billion where default has occurred which makes this amount repayable on demand, have been classified as current liabilities as at 31 December 2019. These circumstances indicate significant doubts as to whether the Group will be able to meet its debt obligations as they fall due and continue its operations without a significant curtailment.

These matters indicate the existence of a material uncertainty that may cast significant doubt about the Group's ability to continue as a going concern.

Management have prepared a comprehensive cash flow forecast for the next 5 years resulting from the following management actions that will be implemented and some of these are already in an advanced completion stage. Furthermore, management forecasted increase in cash inflows from revenue operating activities as resulted from:

- Egyptian Refinery Company "ERC" started trial operations starting from August 2019 and supplied the local markets with its refined petroleum products and management expects the year ending 31 December 2020 to be the first full operational fiscal year for the ERC project which will increase cash inflow to the Group.
- TAQA Arabia has also diversified its energy portfolio through the Benban solar energy project that commenced its operation in March 2019, which will strengthen the Group's cash inflows. Further, TAQA is strengthening its market position through new openings that enhance its dominant position as major supplier for long-term strategic services under secured long-term contracts.
- Management has strategic capital transactions initiatives that will generate cash inflows through local and foreign investors, for the Energy operating segment which lies under strategic long-term secured customer contracts and other intangible assets.
- Implementing a restructuring and reorganisation plan for non-core assets which includes the disposal of non-core investments and assets. This is expected to contribute approximately EGP 500 million as cash proceeds from the disposals.
- Increase in the operational cash inflows in agricultural, printing and cement operating segments resulting from management actions in place to restructure and reduce the fixed and variable costs, which will strengthen the management financial position.
- Loans of approximately EGP 5 billion included currently within current liabilities are anticipated to be restructured onto a longer term basis and negotiations are underway in this regard with the lenders. The interest on these borrowings is expected to be serviced through the net cash savings resulting from the actions described above.

With the expected cash flows from the above strategic initiatives and debt restructuring plans, management is confident that sufficient cash flows will be generated to meet loans and debt obligations as they fall due and continue the operations of the Group without significant curtailment. Accordingly, the consolidated financial statements of the Group have been prepared on a going concern basis.

Notes to the consolidated financial statements - For the year ended 31 December 2019

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

Summary of significant accounting policies (continued)

(iv) Classification of assets and liabilities

The Group presents its assets and liabilities in the consolidated statement of financial position based on current/ non-current classification. The asset is classified as current when it is:

- * Expected to be realised or intended to be sold or used in normal operating course;
- * Held primarily for trading.
- * Expected to be realised within 12 months after the end of the reporting period, or
- * Cash or cash equivalents unless restricted from being exchanged or used to settle a liability for at least twelve months after the reporting period.

All other assets are classified as non-current.

The liability is classified as current when:

- * It is expected to be settled in normal operating course;
- * Held primarily for trading.
- * Expected to be realised within 12 months after the end of the reporting period, or
- * The entity does not have an unconditional right to defer the settlement of the liability for at least twelve months after the end of the reporting period.

The Group classifies all other liabilities as non-current. Deferred tax assets and liabilities are classified as non-current.

(v) New and amended standards adopted by the Group

The Group applied the following standards, amendments and interpretations for the first time to its annual report as of 1 January 2019:

- EAS (4) - "Statement of Cash Flows" - amendments specified for presenting the changes in the liabilities resulting from the financing activities;
- EAS (34) "Investment Property" - amendments to introduce application of the fair value model to measure investment properties by investment property funds.
- EAS (49) - "Leases" - First Phase (Finance leases); and
- EAI (1) - "Public Service Concessions Arrangements" - According to this accounting interpretation, the entity that enters into public service concession arrangements shall classify the assets that arise from these arrangements as either financial assets or intangible assets according to specific criteria in the accounting interpretation.

The Group changed its accounting policies and made adjustments on retrospective basis after applying EAS (49) in relation to finance leases, and this has been disclosed below. Comparative figures have not been restated in accordance with EAS (49). Most of other amendments mentioned above had no effect on the amounts recognised in prior periods, and are not expected to materially affect current or future periods.

The impact of applying EAS (49) - "Leases" : First Phase - Finance leases

The Group enters, as a lessee, into finance leases as a suitable financing alternative to acquire some of the assets necessary for activities. According to EAS (20), lease payments under finance lease arrangements are recognized in the statement of income on a straight-line basis over the period of the contract, and any assets whose ownership is transferred to the Group at the end of the lease period is recognised at the contractual value if the Group chooses to exercise the right to purchase those assets.

Notes to the consolidated financial statements - For the year ended 31 December 2019

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

Summary of significant accounting policies (continued)

The Management has assessed finance lease arrangements outstanding at 1 January 2019, which resulted in the Group retaining assets or properties after exercising the right to purchase them, and in accordance with EAS (49), the Group recognized right of use assets for an of EGP 136,216 million and lease liability for an amount of EGP 125,575 million as at 1 January 2019.

Consolidated statement of financial position	As reported under previous EAS 20 31 December 2018	Effect of transition to EAS (49)	As reported under EAS 49 1 January 2019
Right of use assets	6,541,896	136,208	6,678,104
Accumulated losses	(16,189,793)	6,177	(16,183,616)
Non-controlling interest	20,312,440	4,464	20,316,904
Lease payable	(234,388)	(125,567)	(359,955)

The value of the right of use assets has been measured and recognised on initial application on the basis of the amount that should have been recognized, if the new standard was applied at the inception of the lease with its depreciation at rates consistent with the nature of the leased asset from the date of beginning of the contract until the date of initial application. Lease liabilities was measured on initial application on the basis of the present value of future payments discounted using the implicit rate in the lease.

For new finance lease arrangements entered into after the date of initial application of EAS 49, right of use assets are recognized in the statement of financial position and measured at an amount equivalent to the lease liabilities amount after adjustment for any advance lease payments. Right of use assets are subsequently amortized using the straight-line method over the shorter of expected useful life for similar owned assets or the lease term unless there is a transfer of ownership or purchase option which is reasonably certain to be exercised at the end of the lease term. If there is a transfer of ownership or purchase option which is reasonably certain to be exercised at the end of the lease term, the lessee depreciates the right-of-use asset over the useful life of the underlying asset.

Lease liabilities are initially measured at the present value of future lease payments discounted using implicit rate in the lease. Subsequently, lease liabilities are measured using the effective interest rate after adjustment for any advance lease payments.

(vi) New standards and interpretations not yet adopted

On 28 March 2019, the Minister of Investment issued Resolution No. 69 of 2019, amending some provisions of the Egyptian Accounting Standards, which include some new accounting standards and amendments to some existing standards. These amendments were published in the Official Gazette on 7 April 2019. The significant amendments are summarised below, which should be applied for the financial periods beginning on or after the 1st of January 2020 and have not been early adopted by the Group. The Group's preliminary assessment of the impact of these new standards and amendments is set out below.

EAS (38) "Employees benefits"

Amended to introduce new measurement rules to account for amendment, curtailment or settlement to benefit plans. The Group does not expect to be affected by this amendment.

Notes to the consolidated financial statements - For the year ended 31 December 2019

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

Summary of significant accounting policies (continued)

EAS (42) "Consolidated financial statements"

Amended to introduce definition of investment entity and provided exception from consolidating particular subsidiaries for investment entities. The Group does not expect to be affected by this amendment.

EAS (47) "Financial instruments"

The standard includes new classification and measurement method categories of financial assets that reflect the business model in order to manage the assets and the characteristics of its cash flows.

The Group has reviewed its financial assets and financial liabilities and expects the following impact from the application of the new standard on 1 January 2020:

Classification and measurement of financial assets and liabilities

- According to EAS 47, the financial asset is classified at the initial recognition either as financial assets at amortised cost, financial assets at fair value through comprehensive income or financial assets at fair value through profit or loss. The classification of financial assets in accordance with EAS 47 depends on the business model which manages the financial asset, contracted cash flows and its characteristics.
- According to the Group's business model, trade receivables and other debit balances are classified as financial assets at amortised cost. Therefore, the Group does not expect any effect of applying the new guidelines on the classification and measurement of these financial assets.
- Cash and cash equivalents' definition as per EAS 4 remains unchanged with the application of EAS 47, short-term investments and time deposits will continue to be presented under cash and cash equivalents, being highly liquid investments that are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value.
- Equity instruments currently classified as available-for-sale investments meet the classification at fair value through other comprehensive income (FVOCI) under EAS 47, which the Group has elected to classify them as such.
- Equity instruments currently measured at fair value through profit or loss (FVPL) will continue to be measured on the same basis under EAS 47.

Accordingly, the Group does not expect the new guidance to affect the classification and measurement of these financial assets. However, Impairment losses that was previously recognised for outstanding available-for-sale financial assets will be reversed to accumulated losses on 1 January 2020. Further, gains or losses realised on the sale of financial assets at FVOCI will no longer be transferred to profit or loss on sale, but instead reclassified below the line from the FVOCI reserve to Accumulated Losses.

- EAS 47 largely maintains the requirements contained in EAS 25 related to the classification and measurement of financial liabilities, therefore, no significant impact on the Group's accounting policies related to financial liabilities.
- The rules for de-recognition were transferred from the EAS 26 and has not been changed.
- The new hedge accounting rules will align the accounting for hedging instruments more closely with the Group's risk management practices. As a general rule, more hedge relationships might be eligible for hedge accounting, as the standard introduces a more principles-based approach. The Group has confirmed that its current hedge relationships will qualify as continuing hedges upon the adoption of EAS 47.

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

Summary of significant accounting policies (continued)

Impairment of financial assets

The new impairment model requires recognition of impairment provisions based on expected credit losses instead of credit losses incurred only, as is the case in accordance with EAS 26. It applies to financial assets classified at amortised cost, debt instruments measured at FVOCI, contract assets under EAS 48 "Revenue from Contracts with Customers", lease receivables, loan commitments, and some financial guarantee contracts. The Group is still in progress in evaluating the impact in credit losses for trade receivables provision, and no significant impairment is expected on account of bank balances.

The new standard also introduces extended terms of disclosure and changes in presentation. It is expected to change the nature and size of the Group's disclosures regarding its financial instruments, especially in the year in which the new standard is applied.

EAS (47) is effective for financial periods beginning on or after the 1 January 2020, and early application is permitted, provided that the revised EASs No. (1) "Presentation of financial statements", (25) "Financial instruments: Presentation", (26) "Financial instruments: Classification and Measurement" and (40) "Financial instrument: Disclosures" are applied at the same time. The Group will apply the new rules retrospectively as of 1 January 2020, with the adoption of the practical means permitted under the standard. Comparative figures for 2019 will not be restated.

EAS (48) "Revenue from Contracts with Customers"

This standard establishes a comprehensive concept framework by determining the amount and timing of revenue recognition. This standard replaces EAS (11) "Revenue", which covers contracts for sales of goods and services, and EAS (8) "Construction contracts".

The new standard is based on the principle of revenue recognition when control of a good or service transfers to a customer.

The management has preliminarily assessed the effects of applying the new standard on the Group's financial statements, and has determined that recognition and measurement of revenue for all current existing contracts in accordance with the EAS 48 consisting of five steps will have effect on its deferred revenue to be increased by approximately 21 Million EGP and retained earnings decreased by 21 million EGP on 1 January 2020.

It applies to the financial years beginning on or after 1 January 2020. The Group intends to apply the new standard by using a modified approach for application retrospectively, which means that the cumulative effect of the application will be recognized in the retained earnings from 1 January 2020, and that the comparative figures will not be restated.

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Summary of significant accounting policies (continued)

EAS (49) "Leases"

The Group has applied First Phase of EAS (49) in relation to finance lease arrangements as disclosed earlier. The Second Phase of EAS (49) relates to lease arrangements other the finance leases (operating leases) and is applicable from 1 January 2020. Early adoption is permitted if applied together with EAS (48) "Revenue from Contracts with Customers" at the same time.

EAS (49) provides tenants with a single model of accounting for leases. The tenant recognizes the right of use as an asset, which represents its right to use the leased item, and a lease liability to pay rentals. The only exceptions are short-term leases and leases of low-value assets. The accounting for lessors will not significantly change.

The Group currently accounts for the non-finance leases (operating leases) by recognizing the lease payments as an expense in the period for which they are due. The Group has formed a team for the project of the second phase of EAS 49, which reviewed the operating lease arrangements of the Group during the year in light of the new operating lease accounting rules. On the date of these financial statements, the Group has non-cancellable operating leases commitments for the amount of 324 million as indicated in Note 5h(ii).

The Group expects to recognize the right of use assets arising from the remaining lease commitments of approximately 39 million on 1 January 2020, the lease liabilities approximately the same amount (after amending it with the advances and outstanding lease receivables at 31 December 2019).

The Group expects decrease in net profit after tax as a result of applying the new rules. It is also expected that the increase of earnings before interest, tax, depreciation and amortization (EBITDA) as the lease payments were entered into EBITDA account, also the amount of usufruct asset depreciation and interest on lease liabilities will not be included in its account in the future.

Cash flows from operating operations will increase and cash flows from financing operations will decrease as the payment of the principle amount of the lease liability will be classified within cash flows from the financing operations.

The Group will apply the second phase of EAS 49 in relation to operating leases from the mandatory application date from 1 January 2020. The group intends to apply the simplified transition approach and will not restate comparative amounts for the year prior to first adoption.

The Group intends to use the practical expedient provided by the standard and right of use assets arising from operating leases will be measured at the amount of the lease liability at the date of the initial application (adjusted for any advance or due rental expense).

There are no other standards that are not yet effective and that would be expected to have a material impact on the Group in the current or future reporting periods and on foreseeable future transactions.

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

Summary of significant accounting policies (continued)

29(b) Principles of consolidation and equity accounting

(i) Subsidiaries

Subsidiaries are all entities (including structured entities) over which the Group has control. The Group controls an entity when the Group 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. Subsidiaries are fully consolidated from the date on which control is transferred to the Group. They are deconsolidated from the date that control ceases.

Inter-company transactions, balances and unrealised gains on transactions between group companies are eliminated. Unrealised losses are also eliminated unless the transaction provides evidence of an impairment of the transferred asset. Accounting policies of subsidiaries have been changed where necessary to ensure consistency with the policies adopted by the group.

Acquisition method

The acquisition method of accounting is used to account for all business combinations, regardless of whether equity instruments or other assets are acquired. The consideration transferred for the acquisition of a subsidiary comprises the:

- fair values of the assets transferred
- liabilities incurred to the former owners of the acquired business
- equity interests issued by the group
- fair value of any asset or liability resulting from a contingent consideration arrangement, and
- fair value of any pre-existing equity interest in the subsidiary.

Identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are, with limited exceptions, measured initially at their fair values at the acquisition date. The Group recognises any non-controlling interest in the acquired entity on an acquisition-by-acquisition basis either at fair value or at the non-controlling interest's proportionate share of the acquired entity's net identifiable assets.

Acquisition-related costs are expensed as incurred.

Where settlement of any part of cash consideration is deferred, the amounts payable in the future are discounted to their present value as at the date of exchange. The discount rate used is the entity's incremental borrowing rate, being the rate at which a similar borrowing could be obtained from an independent financier under comparable terms and conditions.

Contingent consideration is classified either as equity or a financial liability. Amounts classified as a financial liability are subsequently remeasured to fair value, with changes in fair value recognised in profit or loss.

If the business combination is achieved in stages, the acquisition date carrying value of the acquirer's previously held equity interest in the acquiree is re-measured to fair value at the acquisition date. Any gains or losses arising from such re-measurement are recognised within statement of profit or loss.

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

Summary of significant accounting policies (continued)

Changes in ownership interests held within controlling interests

When the ratio of equity held within controlling interests changes, the Group changes the amounts recorded for controlling and non-controlling shares to reflect such changes in the relevant shares in the subsidiary. The Group recognises directly within the equity of the parent company any difference between the amount of changing the non-controlling shares and the fair value of the consideration paid or received.

Disposal of subsidiaries

When the Group ceases to have control, the Group recognises any retained investment in the company that was a subsidiary at its fair value at the date when control is lost, with the resultant change recognised as profit or loss attributable to the owners of the parent company.

Goodwill

Goodwill arises on the acquisition of subsidiaries and represents the excess of the consideration transferred, the amount of any non-controlling interest in the acquiree and the acquisition-date fair value of any previous equity interest in the acquiree over the fair value of the identifiable net assets acquired, and contingent liabilities at the date of acquisition. If the consideration transferred, non-controlling interest in the acquiree and the date of acquisition fair value of the Group's equity previously held at the acquiree is less than the net of the identifiable acquired assets and liabilities assumed at the date of acquisition, the Group recognises the resulting gain is directly recognized in consolidated statement of profit or loss at the date of acquisition and the gains are attributed to the parent shareholders.

For the purpose of impairment testing, goodwill acquired in a business combination is allocated to each of the Group's CGUs, or groups of CGUs, that is expected to benefit from the synergies of the combination. Each unit or group of units to which the goodwill is allocated represents the lowest level within the entity at which the goodwill is monitored for internal management purposes. Goodwill is monitored inside the Group at the operating segments level.

The Group undertakes impairment reviews of goodwill acquired in a business combination annually by comparing the CGU carrying amount including goodwill with its recoverable amount, which is the higher of fair value less costs of sale and value in use. The Group recognises any impairment loss immediately in profit or loss, and is not subsequently reversed.

Measurement period

The measurement period is the year required for the Group to obtain the information needed for initial measurement of the items resulting from the acquisition of the subsidiary, and does not exceed one year from the date of acquisition. In case the Group obtains new information during the measurement period relative to the acquisition, amendment is made retrospectively for the amounts recognised at the date of acquisition.

Notes to the consolidated financial statements - For the year ended 31 December 2019

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

Summary of significant accounting policies (continued)

(ii) Associates

Associates are all entities over which the Group has significant influence but not control or joint control. This is generally the case where the Group holds between 20% and 50% of the voting rights. Investments in associates are accounted for using the equity method of accounting (see (iv) below), after initially being recognised at cost.

(iii) Equity method

Under the equity method of accounting, the investments are initially recognised at cost and adjusted thereafter to recognize the Group's share of the post-acquisition profits or losses of the investee in profit or loss, and the Group's share of movements in other comprehensive income of the investee in other comprehensive income. Dividends received or receivable from associates and joint ventures are recognised as a reduction in the carrying amount of the investment.

Changes in ownership interest

If the ownership interest in an associate is reduced but significant influence is retained, only a proportionate share of the reduction rate of the amount of profit or loss previously recognised in other comprehensive income is reclassified to profit or loss when relevant assets or liabilities are disposed of.

Losses of equity-accounted investment

When the Group's share of losses in an equity-accounted investment equals or exceeds its interest in the entity, the Group ceases to recognise its share in further losses. Once the Group's share is reduced to zero, further losses are recognised but only to the extent of incurred legal or constructive obligations or made payments on behalf of the other entity. When those companies realise profits in subsequent years, the Group resumes to recognise its share in those profits, but only after its share of profits equals its share in unrecognised losses.

Transactions with equity-accounted investment

Unrealised gains on transactions between the Group and its associates are eliminated to the extent of the Group's interest in these entities. Unrealised losses are also eliminated unless the transaction provides evidence of an impairment of the asset transferred. Accounting policies of equity-accounted investees have been changed where necessary to ensure consistency with the policies adopted by the Group.

Goodwill resulting from investment in equity-accounted entities

The excess of the total transferred consideration over the Group's share in the net fair value for the acquired determinable assets and assumed liabilities at the date of acquisition is recognised as goodwill. The goodwill resulting from contribution in associates is recognised within the cost of investment in the entity net of the accumulated impairment losses in the investment value of associates and is not be recognised separately.

Notes to the consolidated financial statements - For the year ended 31 December 2019

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

Summary of significant accounting policies (continued)

Impairment of equity-accounted investment

Investments in associates are assessed for impairment where indicators of impairment are present. The recoverable amount of an investment in an associate is the higher of value in use or fair value less costs of disposal and is assessed separately for each associate. Any resulting impairment loss is not allocated against the notional goodwill and purchase price allocation, but against the investment as a whole. Therefore, any reversal of the conditions led to recognising the impairment losses will be recognised to the extent in which the recoverable amount subsequently increases, provided it does not exceed the impairment losses previously recognised.

29(c) Foreign currency transactions

(i) Functional and presentation currency

The financial statements of each of the Group's entities are measured and presented using the currency of the primary economic environment in which the entity operate ('the functional currency'). The consolidated financial statements are presented in thousand Egyptian Pounds, which is the Group's functional and presentation currency.

(ii) Transactions and balances

Foreign currency transactions are translated into the functional currency using the exchange rates at the dates of the transactions. Foreign exchange gains and losses resulting from the settlement of such transactions, and from the translation of monetary assets and liabilities denominated in foreign currencies at year end exchange rates, are generally recognised in profit or loss. They are deferred in equity if they relate to qualifying cash flow hedges and qualifying net investment hedges or are attributable to part of the net investment in a foreign operation.

Foreign exchange gains and losses that relate to borrowings are presented in the statement of profit or loss, within finance costs. All other foreign exchange gains and losses are presented in the statement of profit or loss on a net basis within other gains/(losses).

Non-monetary items that are measured at fair value in a foreign currency are translated using the exchange rates at the date when the fair value was determined. Translation differences on assets and liabilities carried at fair value are reported as part of the fair value gain or loss. For example, translation differences on non-monetary assets and liabilities such as equities held at fair value through profit or loss are recognised in profit or loss as part of the fair value gain or loss, and translation differences on non-monetary assets such as equities classified as at fair value through other comprehensive income are recognised in other comprehensive income.

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

Summary of significant accounting policies (continued)

29(d) Fixed assets

The Group applies the cost model at measurement of fixed assets. All fixed assets are stated at historical cost less depreciation. Historical cost includes expenditure that is directly attributable to the acquisition of the items.

Subsequent costs are included in the asset's carrying amount or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Group and the cost of the item can be measured reliably. The carrying amount of any component accounted for as a separate asset is derecognised when replaced. All other repairs and maintenance are charged to profit or loss during the reporting period in which they are incurred.

The depreciation methods and periods used by the group are disclosed in Note 6a(iii)

The Group reviews the residual value of fixed assets and estimated useful lives of fixed assets at the end of each fiscal year, and adjusted when expectations differ from previous estimates.

The carrying amount of the fixed asset is reduced to the recoverable amount, if the recoverable amount of an asset is less than its carrying amount. This reduction is considered as a loss resulting from impairment.

Gains or losses on the disposal of an item of fixed assets from the books are determined based on the difference between the net proceeds from the disposal of the item and the net book value of the item, and the gain or loss resulting from the disposal of fixed assets is included in the consolidated statement of profit or loss.

29(e) Intangible assets

(i) Goodwill

Goodwill is measured as described in [note 29\(b\)](#). Goodwill on acquisitions of subsidiaries is included in intangible assets. Goodwill is not amortised but it is tested for impairment annually, or more frequently if events or changes in circumstances indicate that it might be impaired, and is carried at cost less accumulated impairment losses. Gains and losses on the disposal of an entity include the carrying amount of goodwill relating to the entity sold.

Goodwill is allocated to cash-generating units for the purpose of impairment testing. The allocation is made to those cash-generating units or groups of cash-generating units that are expected to benefit from the business combination in which the goodwill arose. The units or groups of units are identified at the lowest level at which goodwill is monitored for internal management purposes, being the operating segments [\(note 8\)](#).

(ii) Trademarks, licenses and customer contracts

Separately acquired trademarks and licences are shown at historical cost. Trademarks, licenses and customer contracts acquired in a business combination are recognised at fair value at the acquisition date. They have a finite useful life and are subsequently carried at cost less accumulated amortisation and impairment losses. (trademarks have indefinite useful life)

Notes to the consolidated financial statements - For the year ended 31 December 2019

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

Summary of significant accounting policies (continued)

(iii) Computer software

Costs associated with maintaining software programmes are recognised as an expense as incurred. Development costs that are directly attributable to the design and testing of identifiable and unique software products controlled by the group are recognised as intangible assets when the following criteria are met:

- it is technically feasible to complete the software so that it will be available for use;
- management intends to complete the software and use or sell it;
- there is an ability to use or sell the software;
- it can be demonstrated how the software will generate probable future economic benefits;
- adequate technical, financial and other resources to complete the development and to use or sell the software are available; and
- the expenditure attributable to the software during its development can be reliably measured.

Directly attributable costs that are capitalised as part of the software include employee costs and an appropriate portion of relevant overheads.

Capitalised development costs are recorded as intangible assets and amortised from the point at which the asset is ready for use.

(iv) Research and development

Research expenditure and development expenditure that do not meet the criteria in ((iii)) above are recognised as an expense as incurred. Development costs previously recognised as an expense are not recognised as an asset in a subsequent period.

(v) Amortisation methods and periods

Refer to [note 6\(b\)\(i\)](#) for details about amortisation methods and periods used by the group for intangible assets.

29(f) Biological assets

Biological assets are measured at fair value less cost to sell. Cost to sell include the incremental selling costs, including auctioneers' fees, commission paid to brokers and dealers, and estimated costs of transport to the market but excludes finance costs and income taxes.

Cattles held for slaughter are classified as immature until they are ready for slaughter. Livestock are classified as current assets if they are to be sold within one year.

The fruit gardens and orchards growing on the trees are accounted for as biological assets until the point of harvest. Harvested Fruits are transferred to inventory at fair value less cost to sell when harvested.

Change in fair value of livestock and fruit gardens and orchards on trees are recognized in the statement of profit or loss.

Farming cost such as feeding, labour cost, pasture maintenance, veterinary services and sheering are expensed as incurred. The cost of purchase of cows plus transportation charges are capitalized as part of biological assets.

Notes to the consolidated financial statements - For the year ended 31 December 2019

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

Summary of significant accounting policies (continued)

29(g) Impairment of non-financial assets

Goodwill and intangible assets that have an indefinite useful life are not subject to amortisation and are tested annually for impairment, or more frequently if events or changes in circumstances indicate that they might be impaired.

Other non-financial assets are tested for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable.

An impairment loss is recognised for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs of disposal and value in use. For the purposes of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash inflows which are largely independent of the cash inflows from other assets or groups of assets (cash-generating units).

Non-financial assets other than goodwill that suffered an impairment are reviewed for possible reversal of the impairment at the end of each reporting period. Impairment losses recognised in prior years are reversed when there is an indication that such losses no longer exist or have decreased. Reversal of loss of impairment should not exceed the carrying amount that would have been determined (net of depreciation). Such reversal is recognised in the statement of profit or loss.

29(h) Non-current assets (or disposal groups) held for sale and discontinued operations

Non-current assets (or disposal groups) are classified as held for sale if their carrying amount will be recovered principally through a sale transaction rather than through continuing use and a sale is considered highly probable. They are measured at the lower of their carrying amount and fair value less costs to sell, except for assets such as deferred tax assets, and financial assets that are carried at fair value, which are specifically exempt from this requirement.

An impairment loss is recognised for any initial or subsequent write-down of the asset (or disposal group) to fair value less costs to sell. A gain is recognised for any subsequent increases in fair value less costs to sell of an asset (or disposal group), but not in excess of any cumulative impairment loss previously recognised. A gain or loss not previously recognised by the date of the sale of the noncurrent asset (or disposal group) is recognised at the date of derecognition.

Non-current assets (including those that are part of a disposal group) are not depreciated or amortised while they are classified as held for sale. Interest and other expenses attributable to the liabilities of a disposal group classified as held for sale continue to be recognised.

Non-current assets classified as held for sale and the assets of a disposal group classified as held for sale are presented separately from the other assets in the balance sheet. The liabilities of a disposal group classified as held for sale are presented separately from other liabilities in the balance sheet.

A discontinued operation is a component of the entity that has been disposed of or is classified as held for sale and that represents a separate major line of business or geographical area of operations, is part of a single coordinated plan to dispose of such a line of business or area of operations, or is a subsidiary acquired exclusively with a view to resale. The results of discontinued operations are presented separately in the statement of profit or loss.

Notes to the consolidated financial statements - For the year ended 31 December 2019

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

Summary of significant accounting policies (continued)

29(i) Inventories

Inventories are measured at the lower of cost and net realisable value. Cost is determined using weighted average method. The cost comprises direct materials, direct labour and an appropriate proportion of variable and fixed overhead expenditure, the latter being allocated on the basis of normal operating capacity, that are incurred by the Group in bringing the inventories to their present location and condition, but excludes borrowing costs. Net realisable value is the estimated selling price in the ordinary course of business less the estimated costs of completion and any other costs necessary to complete the sale. The amount of any write-down of inventories to net realisable value and all losses of inventories shall be recognised as an expense in the period when the write-down or loss occurs

29(j) Investments and other financial assets

(i) Classification

The group classifies its financial assets in the following categories:

- financial assets at fair value through profit or loss,
- loans and receivables,
- available-for-sale financial assets.

The classification depends on the purpose for which the investments were acquired. Management determines the classification of its investments at initial recognition.

Financial assets at fair value through profit or loss

Financial assets at fair value through profit or loss are financial assets held for trading. A financial asset is classified in this category if acquired principally for the purpose of selling or re-purchase in the short-term or as the part of a specified managed financial instruments portfolio. Derivatives are also categorised as held for trading unless they are designated as hedges. Assets in this category are classified as current assets if expected to be recovered within 12 months from the date of the end of financial period.

Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. Financial assets included in such group are presented as current asset if expected to be recovered within 12 months from the date of the end of the period. The Group's loans and receivables comprise 'Trade receivables and other debit balances' and 'Due from related parties' and 'cash and cash equivalents' in the statement of financial position.

Available-for-sale financial assets

Available-for-sale financial assets are non-derivatives assets that are designated in this category and not classified as loans and receivables or held to maturity financial assets or financial assets at fair value through profit or loss. They are included in non-current assets unless the investment matures or management intends to dispose of it within 12 months of the end of the reporting period. If so, they are classified within current assets.

Notes to the consolidated financial statements - For the year ended 31 December 2019

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

Summary of significant accounting policies (continued)

(ii) Recognition and derecognition

Regular way purchases and sales of financial assets are recognised on trade-date, the date on which the Group commits to purchase or sell the asset. Financial assets are derecognised when the rights to receive cash flows from the financial assets have expired or have been transferred and the Group has transferred substantially all the risks and rewards of ownership.

When securities classified as available-for-sale are sold, the accumulated fair value adjustments recognised in other comprehensive income are reclassified to profit or loss as gains and losses from investment securities.

(iii) Measurement

At initial recognition, the Group measures a financial asset at its fair value plus, in the case of a financial asset not at fair value through profit or loss, transaction costs that are directly attributable to the acquisition of the financial asset. Transaction costs of financial assets carried at fair value through profit or loss are expensed in profit or loss.

Loans and receivables are subsequently carried at amortised cost using the effective interest method.

Available-for-sale financial assets and financial assets at fair value through profit or loss are subsequently carried at fair value. Gains or losses arising from changes in the fair value are recognised as follows:

- for 'financial assets at fair value through profit or loss' – in profit or loss within 'other operating income / (expenses)'.
- for available-for-sale financial assets that are monetary securities denominated in a foreign currency – translation differences related to changes in the amortised cost of the security are recognised in profit or loss and other changes in the carrying amount are recognised in other comprehensive income
- for other monetary and non-monetary securities classified as available-for-sale – in other comprehensive income.

(iv) Impairment

The Group assesses at the end of each reporting period whether there is objective evidence that a financial asset or group of financial assets is impaired. A financial asset or a group of financial assets is impaired and impairment losses are incurred only if there is objective evidence of impairment as a result of one or more events that occurred after the initial recognition of the asset (a 'loss event') and that loss event (or events) has an impact on the estimated future cash flows of the financial asset or group of financial assets that can be reliably estimated. In the case of equity investments classified as available-for-sale, a significant or prolonged decline in the fair value of the security below its cost is considered an indicator that the assets are impaired.

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

Summary of significant accounting policies (continued)

Assets carried at amortised cost

For loans and receivables, the amount of the loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows (excluding future credit losses that have not been incurred) discounted at the financial asset's original effective interest rate. The carrying amount of the asset is reduced and the amount of the loss is recognised in profit or loss. If a loan has a variable interest rate, the discount rate for measuring any impairment loss is the current effective interest rate determined under the contract. As a practical expedient, the Group may measure impairment on the basis of an instrument's fair value using an observable market price.

If, in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognised (such as an improvement in the debtor's credit rating), the reversal of the previously recognised impairment loss is recognised in profit or loss.

Assets classified as available-for-sale

If there is objective evidence of impairment for available-for-sale financial assets, the cumulative loss – measured as the difference between the acquisition cost and the current fair value, less any impairment loss on that financial asset previously recognised in profit or loss – is removed from equity and recognised in profit or loss.

Impairment losses on equity instruments that were recognised in profit or loss are not reversed through profit or loss in a subsequent period.

If the fair value of a debt instrument classified as available-for-sale increases in a subsequent period and the increase can be objectively related to an event occurring after the impairment loss was recognised in profit or loss, the impairment loss is reversed through profit or loss.

(v) Income recognition

Interest income

Interest income from financial assets at fair value through profit or loss, available-for-sale securities and loans and receivables is included in 'finance income/ (costs) – net'.

Interest income is recognised using the effective interest method. When a receivable is impaired, the Group reduces the carrying amount to its recoverable amount, being the estimated future cash flow discounted at the original effective interest rate of the instrument, and continues unwinding the discount as interest income. Interest income on impaired loans is recognised using the original effective interest rate.

Dividends income

Dividends on financial assets at fair value through profit or loss and available-for-sale equity instruments are recognised in profit or loss as part of revenue from continuing operations when the Group's right to receive payments is established.

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

Summary of significant accounting policies (continued)

29(k) Offsetting financial asset and liability

Financial assets and liabilities are offset and the net amount reported in the statement of financial position when there is a legally enforceable right to offset the recognised amounts and the Group has an intention to settle on a net basis or realise the asset and settle the liability simultaneously. The legally enforceable right must not be contingent on future events and must be enforceable in the normal course of business and in the event of default of the counterparty, and should reflect the Group's normal practices and requirements of financial requirements and other conditions related to the considerations of the risk and timing of the Group's cash flows.

29(l) Derivatives and hedging activities

Derivatives are initially recognised at fair value on the date a derivative contract is entered into and are subsequently re-measured at their fair value at the end of each reporting period. The method of recognising the resulting gain or loss depends on whether the derivative is designated as a hedging instrument, and if so, the nature of the item being hedged. The Group designates derivatives as hedges of a particular risk associated with a recognised asset or liability or a highly probable forecast transaction (cash flow hedge).

The Group documents at the inception of the transaction, the relationship between hedging instruments and hedged items, as well as its risk management objectives and strategy for undertaking various hedging transactions. The Group also documents its assessment, both at hedge inception and on an ongoing basis, of whether the derivatives that are used in hedging transactions are highly effective in offsetting changes in fair values or cash flows of hedged items.

The fair values of various derivative instruments used for hedging purposes as well as movements on the hedging reserve in other comprehensive income are disclosed in [note 7\(c\)](#). The full fair value of a hedging derivative is classified as a non-current asset or non-current liability when the remaining maturity of the hedged item is more than 12 months and as a current asset or current liability when the remaining maturity of the hedged item is less than 12 months. Trading derivatives, if any, are classified as a current asset or current liability.

Cash flow hedge

The effective portion of changes in the fair value of derivatives that are designated and qualify as cash flow hedges is recognised in other comprehensive income and accumulated in reserves in equity. The gain or loss relating to the ineffective portion is recognised immediately in profit or loss within 'other gains/ (losses) – net'.

Amounts accumulated in equity relating to the effective portion of interest rate swaps hedging variable rate borrowings are recognized in the consolidated statement of profit or loss within 'finance costs'.

When a hedging instrument expires or is sold, or when a hedge no longer meets the criteria for hedge accounting, any cumulative gain or loss existing in equity at that time remains in equity and is recognized when the previously hedged item or forecast transaction is ultimately recognized in the statement of profit or loss. When a hedged item expires or terminated or when a forecast transaction is no longer expected to occur, the cumulative gain or loss that was reported in equity is immediately transferred to the consolidated statement of profit or loss within 'other gains/(losses) – net'.

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Summary of significant accounting policies (continued)

29(m) Financial guarantee contracts

Financial guarantee contracts are recognised as a financial liability at the time the guarantee is issued. The liability is initially measured at fair value and subsequently at the higher of the amount determined in accordance with EAS 28 "Provisions, contingent liabilities and contingent assets" and the amount initially recognised less cumulative amortisation, where appropriate.

The fair value of financial guarantees is determined as the present value of the difference in net cash flows between the contractual payments under the debt instrument and the payments that would be required without the guarantee, or the estimated amount that would be payable to a third party for assuming the obligations.

Where guarantees in relation to loans or other payables of associates are provided for no compensation, the fair values are accounted for as contributions and recognised as part of the cost of the investment.

29(n) Trade receivables

Trade receivables are amounts due from the Group's customers for merchandise sold or services performed in the Group's ordinary course of business. If collection is expected within 12 months from the date of the financial statements or in the Group's normal operating cycle of the business, they are classified as current assets. Trade receivables are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method, less provision for impairment (See [note 29\(i\)](#) for further information about the Group's accounting for trade receivables).

29(o) Cash and cash equivalents

In the consolidated statement of cash flows, cash and cash equivalents includes cash in hand and with banks, deposits held at call with banks, other short-term investments with original maturities of not more than three months from the date of placement that are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value.

29(p) Capital

Ordinary shares are classified within equity. Share premium, if any, are added to legal reserve to the extent of half of the issued capital, and the remaining balance of the premium is transferred to a special reserve, after deducting the shares issuance expenses (net of any advantage related to their income taxes) from the amount of share premium.

Where any Group company repurchases the Company's equity instruments (treasury shares), the consideration paid or received in exchange for those instruments, including any directly attributable incremental transaction costs (net of income tax) is deducted from the equity attributable to the owners of Citadel Capital Company as treasury shares until the shares are cancelled or reissued. Where such ordinary shares are subsequently reissued, any consideration received, net of any directly attributable incremental transaction costs and the related income tax effects, is included in equity attributable to the owners of Citadel Capital Company.

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

Summary of significant accounting policies (continued)

29(q) Preferred shares

The Group's non –redeemable preferred shares are classified as equity, because they bear discretionary voting power only, do not contain any obligations to deliver cash or other financial assets and do not require settlement in a variable number of the Group's equity instruments.

29(r) Income tax

The income tax expense or credit for the period is the tax payable on the current period's taxable income based on the applicable income tax rate for each jurisdiction adjusted by changes in deferred tax assets and liabilities attributable to temporary differences and to unused tax losses.

The current income tax charge for the period is calculated on the basis of the tax laws enacted or substantively enacted at the end of the reporting period in the countries where the company and its subsidiaries and associates operate and generate taxable income. Management annually evaluates tax positions taken in tax returns with respect to situations in which applicable tax regulation is subject to interpretation. It establishes provisions, where appropriate, on the basis of amounts expected to be paid to the tax authorities.

Current and deferred tax is recognised in profit or loss, except to the extent that it relates to items recognised in other comprehensive income or directly in equity. In this case, the tax is also recognized in other comprehensive income or directly in equity, respectively.

Deferred income tax is provided in full, using the liability method, on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the consolidated financial statements. However, deferred tax liabilities are not recognised if they arise from the initial recognition of goodwill. Deferred income tax is also not accounted for if it arises from initial recognition of an asset or liability in a transaction other than a business combination that, at the time of the transaction, affects neither accounting nor taxable profit or loss. Deferred income tax is determined using tax rates (and laws) that have been enacted or substantially enacted by the end of the reporting period and are expected to apply when the related deferred income tax asset is realised or the deferred income tax liability is settled.

Deferred tax assets are recognised only if it is probable that future taxable amounts will be available to utilise those temporary differences and losses.

Deferred tax liabilities and assets are not recognised for temporary differences between the carrying amount and tax bases of investments in foreign operations where the company is able to control the timing of the reversal of the temporary differences and it is probable that the differences will not reverse in the foreseeable future.

Deferred tax assets and liabilities are offset where there is a legally enforceable right to offset current tax assets and liabilities and where the deferred tax balances relate to the same taxation authority. Current tax assets and tax liabilities are offset where the entity has a legally enforceable right to offset and intends either to settle on a net basis, or to realise the asset and settle the liability simultaneously.

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Summary of significant accounting policies (continued)

29(s) Employees' benefits

(i) Short-term obligations

Liabilities for wages and salaries, including non-monetary benefits, annual leave and accumulating sick leave that are expected to be settled wholly within 12 months after the end of the period in which the employees render the related service are recognised in respect of employees' services up to the end of the reporting period and are measured at the amounts expected to be paid when the liabilities are settled. The liabilities are presented as current employee benefit obligations in the consolidated statement of financial position.

(ii) Pension obligations

The Group pays contributions to publicly administered pension insurance plans on a mandatory basis in the countries it operates. The Group has no further payment obligations once the contributions have been paid. The contributions are recognised as employee benefit expense when they are due and as such are included in staff costs. Prepaid contributions are recognised as an asset to the extent that a cash refund or a reduction in the future payments is available.

(iii) Termination benefits

Termination benefits are payable when employment is terminated by the Group before the normal retirement date, or whenever an employee accepts voluntary redundancy in exchange for these benefits. The Group recognises termination benefits at the earlier of the following dates: (a) when the Group can no longer withdraw the offer of those benefits; and (b) when the entity recognises costs for a restructuring that is within the scope of EAS 28 and involves the payment of termination benefits. In the case of an offer made to encourage voluntary redundancy, the termination benefits are initially measured based on the number of employees expected to accept the offer. Benefits falling due more than 12 months after the end of the reporting period are discounted to present value.

(iv) Employees' share in legally defined profits

In accordance with EAS (38) "Employees Benefits" and Company's articles of association, the Group recognises the employees' share in cash dividends as deduction from equity in a similar manner to dividends paid to the Group owners, and as liabilities when the shareholders of the company approve the dividends in their General Assembly Meeting. The Group does not record any liabilities for the employees' share of undistributed profits.

29(t) Leases

(i) Finance lease

As explained in [note 29\(a\)\(v\)](#) above, the Group has changed its accounting policy for finance leases where the Group is the lessee. The new policy and the impact of the change are described in [note 29\(a\)\(v\)](#).

Until 31 December 2018, leases within the scope of law 95 of 1995, lease costs including maintenance expense of leased assets are recognised in the statement of profit or loss in the year they are incurred. When the Group decided to exercise the right to purchase the leased item, the cost of the right to purchase was capitalised as a fixed asset, which is depreciated over the useful life of the expected remaining life of the asset in the same method followed with similar assets.

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

Summary of significant accounting policies (continued)

(ii) Operating lease

Leases in which the risks and rewards of ownership are retained by the lessor are classified as operating leases. Payments made under operating leases (net of any incentives received from the lessor) are recognised as expense in the consolidated statement of profit or loss on a straight-line basis over the period of the lease.

29(u) Borrowings

Borrowings are initially recognised at fair value, net of transaction costs incurred. Borrowings are subsequently measured at amortised cost. Any difference between the proceeds (net of transaction costs) and the redemption amount is recognised in profit or loss over the period of the borrowings using the effective interest method.

Fees paid on the establishment of loan facilities are recognised as transaction costs of the loan to the extent that it is probable that some or all of the facility will be drawn down. In this case, the fee is deferred until the draw-down occurs. To the extent there is no evidence that it is probable that some or all of the facility will be drawn down, the fee is capitalised as a prepayment for liquidity services and amortised over the period of the facility to which it relates.

Borrowings are removed from the statement of financial position when the obligation specified in the contract is discharged, cancelled or expired. The difference between the carrying amount of a financial liability that has been extinguished or transferred to another party and the consideration paid, including any noncash assets transferred or liabilities assumed, is recognised in profit or loss as other income or finance costs.

Borrowings are classified as current liabilities unless the Group has an unconditional right to defer the settlement of the liability for at least 12 months after the date of the consolidated financial statements.

29(v) Borrowing costs

General and specific borrowing costs directly attributable to the acquisition, construction or production of qualifying assets, which are assets that necessarily take a substantial period to get ready for their intended use or sale, are added to the cost of those assets, until such time as the assets are substantially ready for their intended use or sale.

Investment income earned on the temporary investment of specific borrowings pending their expenditure on qualifying assets is deducted from the borrowing costs eligible for capitalisation. The Group recognises other borrowing costs as expenses in the year the Group incurs such costs.

29(w) Shareholders reserve

Loans provided to Egyptian General Petroleum Corporation (EGPC) to purchase shares in Egyptian Refining Company (ERC), a wholly owned subsidiary, are deducted from equity and accounted for as an equity-settled share based payment.

The fair value of option granted to EGPC is recognised as a share-based payment with a corresponding increase in equity. The total amount to be expensed is determined by reference to the fair value of the options granted and the option issued to EGPC vests immediately.

Notes to the consolidated financial statements - For the year ended 31 December 2019

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

Summary of significant accounting policies (continued)

29(x) Provisions, contingent liabilities and contingent assets

(i) Provisions

Provisions are recognised when the Group has a present (legal or constructive) obligation as a result of past events; it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation; and the amount has been reliably estimated. Provisions are not recognised for future operating losses.

The Group recognises the commitments required for restructuring and not related to the Group's effective activities within the costs of the provision of restructure.

Where there are a number of similar obligations, the likelihood that an outflow will be required in settlement is determined by considering the class of obligations as a whole. A provision is recognised even if the likelihood of an outflow with respect to any one item included in the same class of obligations may be small.

Where the impact of the time value of money is significant, the amount of the provision is the present value of expenditures expected to be required to settle the obligation using a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the obligation. The increase in the provision due to passage of time is recognised as interest expense in the statement of profit or loss.

(ii) Contingent liabilities

Contingent obligation is a present obligation that arose due to past events, and was not recognised because it was not expected to have an outflow of resources embodying economic benefits to settle the obligation, or the amount could not be reliably estimated. Instead the Group disclosed its contingent liabilities in its note to the consolidated financial statements.

(iii) Contingent assets

A contingent asset is a possible asset that may arise from past events because of occurring or non-occurring of contingent future events that are not under the Group control. The Group recognises the contingent assets in the statement of financial position when the realisation of the relevant revenue is certain. Contingent assets are disclosed only when there is a possibility of inflow of economic benefits.

If some or all of the expenditure required to settle a provision is expected to be reimbursed by another party outside the Group, the reimbursement should be recognised as a separate asset in the statement of financial position, when, and only when, it is virtually certain that reimbursement will be received if the Group settles the obligation. The amount recognised should not exceed the amount of the provision.

Notes to the consolidated financial statements - For the year ended 31 December 2019

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

Summary of significant accounting policies (continued)

29(y) Trade payables

Trade payables are recognised initially at the amount of goods or services received from others, whether they received invoices or not. When they are material, goods and services received, as well as the trade payables are recognised at the present value of the cash outflow expected by using interest rate of similar loans. Trade payables are then carried at amortised cost using the effective interest rate.

29(z) Segment reporting

Operating segments are reported in a manner consistent with the internal reporting provided to the Group's Chief Operating Decision-Maker (CODM). The CODM, who is responsible for allocating resources and assessing performance of the operating segments, has been identified as the Management Board, consisting:

Ahmed Heikal Chairman & Founder	Hisham El-Khazindar Co-Founder & Managing Director	Moataz Farouk Chief Financial Officer
Tarek Salah Managing Director, Head of Cement	Karim Sadek Board Member, Head of Transportation & Logistics	Abdalla El-Ebiary Managing Director

The Management Board convenes on a quarterly basis, or more frequently if needed, and is responsible for reviewing, amending, and endorsing the subsidiary companies' financial performance and overall strategy.

The management board assesses the performance of the operating segments based on the total revenues / the operating profit / the total assets of segment / the total liabilities and equity of segment. This measurement basis excludes discontinued operations. Interest income and expenditure are allocated to segments, as this type of activity is driven by the Group's head office, which manages the cash flows and liquidity requirements.

29(aa) Revenue recognition

Revenue is measured at the fair value of the consideration received or receivable for goods sold or service rendered within the Group's normal course of business. Amounts disclosed as revenue are net of returns, trade allowances, rebates and amounts collected on behalf of third parties.

The Group recognises revenue when the amount of revenue can be reliably measured, it is probable that future economic benefits will flow to the Group and specific criteria have been met for each of the Group's activities as described below. The amount of revenue is not considered accurately measurable unless all cases of uncertainty regarding the possibility of the collection of the amount due are excluded. The Group bases its estimates on historical results, taking into consideration the type of customer, the type of transaction and the specifics of each arrangement.

Notes to the consolidated financial statements - For the year ended 31 December 2019

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

Summary of significant accounting policies (continued)

(i) Sales of goods

Revenue is recognised from the sale of goods to traders or contractors who have the right to sell them and determine their prices when the goods are delivered to them, and the Group does not retain significant risks of ownership of the goods, there is no obligation that prevent those traders or contractors to accept the goods sold. Delivery is recognised, both in the Group's stores or in specific locations, according to the agreements. When the Group transfers the significant risk and rewards of the ownership of goods to the traders, it retains neither continuing managerial involvement to the degree usually associated with ownership nor effective control over the goods sold. Sales to traders do not comprise the element of financing, as the credit year granted to them is 90 days.

(ii) Rendering of services

Revenue resulting from services rendered is recognised in the related year when the execution of the transaction can be measured at the end of the reporting period on the basis of services performed to date in relation to the total services to be performed.

29(bb) Government grant

Grants from the government are recognised at their fair value where there is a reasonable assurance that the grant will be received and the Group will comply with all attached conditions. Government grants are recognised under other income in the statement of profit or loss.

29(cc) Dividends

Dividends are recognised as liabilities in the consolidated financial statements for the amount of any dividend declared, being appropriately authorised by the Company's General Assembly of Shareholders and no longer at the discretion of the Group, on or before the end of the reporting period but not distributed at the end of the reporting period.

29(dd) Earnings per share

(i) Basic earnings per share

Basic earnings per share is calculated by dividing:

- the profit attributable to owners of the Company, excluding any costs of servicing equity other than ordinary shares
- by the weighted average number of ordinary shares outstanding during the financial year, adjusted for bonus elements in ordinary shares issued during the year and excluding treasury shares (Note 7(a)).

(ii) Diluted earnings per share

Diluted earnings per share adjusts the figures used in the determination of basic earnings per share to take into account:

- the after income tax effect of interest and other financing costs associated with dilutive potential ordinary shares, and
- the weighted average number of additional ordinary shares that would have been outstanding assuming the conversion of all dilutive potential ordinary shares.

Notes to the consolidated financial statements - For the year ended 31 December 2019

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

30) Significant Events

The Group has indirect investments in Rift Valley Railways (Kenya) Limited "RVRK" and Rift Valley Railways (Uganda) Limited "RVRU" through its subsidiaries Africa Railways Limited "ARL", Ambience Ventures Limited and Kenya Uganda Railways Holding Limited "KURH" and Rift Valley Railways "RVR". ARL is the parent of the underlying subsidiaries RVRK, RVRU, AVL and KURH.

Since 2011, RVRK and RVRU had been operating two railway concessions by virtue of 25 years signed concession agreements between both companies and the governments of Kenya and Uganda respectively.

During July 2017 and January 2018, the courts and governments of Kenya and Uganda issued separate adjudications and orders to terminate the two concession agreements and, as a result, the Governments of Kenya and Uganda terminated their respective concession agreements due to default in payment of concession fees, rent and non-compliance with other key performance indicators. In accordance with the terms of the concession agreements, the respective Governments took over the assets of RVRK and RVRU. Accordingly, the Group management recognised an impairment for the entire carrying amount of the assets relating to both RVRK and RVRU amounting to EGP 3.25 billion within the consolidated financial statements for the year ended 31 December 2017.

During January 2018, and after the Government of Uganda's decision to terminate the concession agreement, the Group's management concluded that they had, at that point, lost any future economic benefit from the freight railways services which was the sole purpose of RVRK and RVRU.

Accordingly, RVRK and RVRU were forced to cease to operate and the Group lost control over the freight railways business as well as the power to control the entities. Related to this, Group management has been unable to obtain the financial information and accounting records for both companies as of 31 December 2018 and 31 December 2019.

On 3 December 2018 ex-employees of ARL filed a legal case against Africa Railways Limited for settlement of their dues. The Court has suo-motto issued notice to ARL to respond to the legal case. The parent entities could not represent ARL in the court in response to the order and indicated that the Company did not have sufficient funds to meet its obligation.

As a result, on 18 March 2019, an application to appoint a liquidator over ARL was filed. The company is considered insolvent and not able to pay its debts owed to ex-employees. Whilst these actions only occurred during 2019, Group's management are of the view that loss of control occurred prior to 31 December 2018 as the statutory demand conditions were invoked.

In accordance with paragraph no. 25 of the Egyptian Accounting Standard no. 42, and as a result of loss of control over the railways concession, Group management deconsolidated those entities during the year ended 31 December 2018 which resulted in a gain recognized in the consolidated statement of profit or loss of EGP 3.9 billion in that year, as set out in the table below.

Notes to the consolidated financial statements - For the year ended 31 December 2019

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

Significant events (continued)

Furthermore, the loan agreements and related finance documents entered into between the subsidiaries of ARL and its financiers indicated that on deconsolidation there would be no further recourse to Citadel Capital as a legal entity. Accordingly, Citadel had not provided for any financial guarantees or other credit enhancements, having remained in compliance with all conditions of the financing documents.

Deconsolidation of ARL gain recognised during the year ended 31 December 2018 as follows:

	31 December 2018
Liabilities related to subsidiaries derecognised – ARL and KURH	3,867,343
Liabilities related to subsidiaries derecognised – RVRK and RVRU	1,166,642
Liabilities related to subsidiaries derecognised – ARLL	276,265
Release of the translation reserve	(863,427)
Non-controlling interest derecognized	(483,422)
	3,963,401