MIDDLE EAST GLASS MANUFACTURING COMPANY (S.A.E.)

AUDITOR'S REPORT AND CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2018

MIDDLE EAST GLASS MANUFACTURING COMPANY (S.A.E.)

Consolidated financial statements - For the year ended 31 December 2018

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Auditor's report

To: The shareholders of Middle East Glass Manufacturing Company (S.A.E.)

Report on the consolidated financial statements

We have audited the accompanying consolidated financial statements of Middle East Glass Manufacturing Company (S.A.E.) which comprise the consolidated financial position as of 31 December 2018 and the consolidated statements of profits or losses, 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 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 responsibility also includes selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances.

Auditor's responsibility

Our responsibility is to express an opinion on these consolidated financial statements based on our audit. We conducted our audit in accordance with 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 entity'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 entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements.

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

Opinion

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of Middle East Glass Manufacturing Company (S.A.E.) as of 31 December 2018, and of its financial performance and its cash flows for the fiscal year then ended in accordance with Egyptian Accounting Standards and in light of the related Egyptian laws and regulations.

Mohamed Ahmed Fouad, CPA
R.A.A. 11595
F.R.A. 235

18 June 2019
Cairo

MIDDLE EAST GLASS MANUFACTURING COMPANY (S.A.E.)

Consolidated statement of financial position - As at 31 December 2018

(All amounts in Egyptian Pounds)

	Notes	2018	2017
Non-current assets			
Property, plant and equipment	5	1,072,396,788	1,130,437,412
Intangible assets	6	289,864,347	301,487,466
Investment in associates	7	153,152,360	-
Derivative financial insturments	8	28,033,615	-
Total non-current assets		**1,543,447,110**	**1,431,924,878**
Current assets			
Inventory	9	326,036,727	346,364,003
Trade and notes receivables	10	288,403,810	277,921,766
Prepaid expenses and other receivables	11	309,095,862	217,118,616
Due from tax authority	12	46,130,620	28,292,414
Non-current assets held for sale	13	-	1,982,161
Due from related parties	14	82,492,368	66,733,245
Cash and bank balances	15	49,218,858	45,371,842
Total current assets		**1,101,378,245**	**983,784,047**
Assets of disposal group classified as held for sale	34/A	-	876,394,171
Total assets		**2,644,825,355**	**3,292,103,096**
Owners' equity			
Issued and paid up capital	21	50,322,580	50,322,580
Legal reserve	22	25,161,260	25,161,260
Share premium reserve	21	172,217,162	172,217,162
Other reserves	21	13,129,007	13,129,007
Payments under capital increase	21	432,825,002	432,825,002
Accumulated losses	23	(278,333,396)	(506,541,354)
Total owners' equity		**415,321,615**	**187,113,657**
Non-controlling interest	24	-	62,769,340
Total equity		**415,321,615**	**249,882,997**
Non-current liabilities			
Bank borrowings	17/B	783,101,973	937,012,099
Retirement benefits obligations	25	10,014,978	7,017,888
Deferred tax liabilities	27	82,157,302	53,526,548
Long term notes payable		2,390,918	12,912,917
Derivative financial insturments	8	50,412,519	-
Total non-current liabilities		**928,077,690**	**1,010,469,452**
Current liabilities			
Provisions	16	31,464,238	43,045,057
Bank borrowings	17/A	525,834,994	658,809,749
Trade and notes payables	18	400,338,113	402,205,271
Accrued expenses and other payables	19	231,493,147	210,250,498
Due to tax authority	20	111,540,558	33,003,353
Due to related parties	14	755,000	-
Total current liabilities		**1,301,426,050**	**1,347,313,928**
Liabilities directly associated with disposal group classified as held for sale	34/B	-	684,436,719
Total owners' equity and liabilities		**2,644,825,355**	**3,292,103,096**

The accompanying notes on pages 8 - 59 form an integral part of these consolidated financial statements.
Auditor's report attached

Mr. Mohamed Khalifa
Chief Financial Officer

Mr. Peter Carpenter
Board Member

Mr. Abdul Galil Besher
Chairman

17June, 2019

(In the notes all amounts are shown in Egyptian Pounds unless otherwise stated)

1. General information

Middle East Glass Manufacturing Company S.A.E. (the Company) was established in 1979 as an Egyptian joint stock company under the provisions of Law No. 43 of 1974 as amended by Law No. 230 of 1989 as amended by Law No. 8 of 1997, and is registered in the commercial register under number 193770 Cairo. The address of the Company's registered office is Nasr City, 6th District, Industrial Zone, Cairo – Arab Republic of Egypt.

The Company is listed on the Egyptian Stock Exchange (EGX).

The Company and its subsidiaries together comprise "the Group".

The registered office of the Company is 6 Mokhayam El-Daem Street, Sixth District, Nasr City, Cairo. The Company's main activity is manufacturing all kinds of glass bottles and the acquisition of other entities that operate in the same field.

The main activities of the Group are as follows:

(1) Manufacture, sales and export of glass containers used for the packaging of food and beverage.
(2) Manufacture, sale and export of plastic products for the food and beverage industry and disposable plastic medical products for the pharmaceutical industry.
(3) Acquiring other companies working in the same field.

The parent of the company is MENA Glass Holdings Limited with 51.43% ownership.

On 9 July 2018, Mac Investments S.A.E. formerly "the Parent Company with 51.43% ownership" sold 100% of its shares in the Company to MENA Glass Holdings Limited and accordingly, is the parent of the Company.

Subsidiaries	Share	Activity
Middle East Glass Containers Sadat (previously Wadi Glass Container)	99.97%	Manufacturing Glass Containers
MEG Misr for Glass MEG	99.97%	Manufacturing Glass Containers
Misr for Glass Manufacturing (owned 99.97% by MEG Misr for Glass MEG)	-	Manufacturing all kinds of Glass Bottles and the acquisition of other entities that operate in the same field

These consolidated financial statements have been approved for issuance by the Chairman of the Board of Directors on 17 June 2019.

2. Accounting policies

The principal accounting policies adopted in the preparation of these consolidated financial statements are set out below:

A. Basis of preparation of the consolidated financial statements

These consolidated financial statements have been prepared in accordance with Egyptian Accounting Standards (EAS) and the relevant laws, and are prepared on the basis of the historical cost convention, except for derivative financial instruments which are measured at fair value through profit or loss, and the employees' defined benefits obligation, which are measured at the present value of the liabilities.

The Group presents its assets and liabilities in the statement of financial position based on current/ non-current classification. An 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.

The preparation of the consolidated financial statements in conformity with EASs requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the Group's accounting policies. Note (4) describes the significant accounting estimations and assumptions of these consolidated financial statements, as well as significant judgments used by the Group's management when applying the Group's accounting policies.

EAS requires the reference to the International Financial Reporting Standards (IFRS) when there is no EAS, or legal requirements that explain the treatment of specific balances and transactions.

B. New Egyptian Accounting Standards ("EAS") and interpretations not yet adopted:

On 28 March 2019, the Minister of Investment issued a Decree no. 69 for 2019 which includes new standards and amendments to the existing accounting standards. The amendments in the EAS were published in the official gazette on 7 April 2019. These changes consist of three new standards which should be adopted for the financial periods commencing on, or after 1 January 2020 as follows:

1- EAS No. (47) – "Financial instruments":
This standard should be adopted for the financial periods commencing on or after 1 January 2020. Early adoption is permitted, providing that the amended standards No. (1), (25), (26) and (40) should be adopted at the same time.

The standard includes a new classes of classification and impairment model for financial assets which reflects the business model in order to manage the assets and their cash flows through this business model.

EAS No. (47) replaced the 'incurred loss' model in EAS No. (26) by the 'expected credit loss' model.

2- EAS No. (48) – "Revenue from contracts with customers":
This standard should be adopted for the financial periods commencing on or after 1 January 2020. Early adoption is permitted, providing that the amended standards No. (1), (25), (26) and (40) should be adopted at the same time.

This standard established a comprehensive framework for determining how much and when revenues should be recognized. This standard replaces EAS No. (11) 'revenues' and EAS No. (8) 'construction contracts'.

3- EAS No. (49) – "Leases":
This standard should be adopted for the financial periods commencing on or after 1 January 2020. Early adoption is permitted, providing that the amended standard No. (48) – 'Revenue from contracts with customers' should be adopted at the same time.

EAS No. (49) introduces a single lease accounting model for lease contracts. A lesee recognizes his right-of-use for assets and lease liability which represents his lease instalments liability. There are some exemptions for short-term lease contracts and assets lease contracts with low value.

This standard replaces the EAS No. (20) 'Accounting rules and standards related to financial lease'.

C. Basis of consolidation

(1) Subsidiaries

Subsidiaries are entities (including structured entities) over which the group has control. The group controls an entity when it is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity. Subsidiaries are fully consolidated from the date on which control is transferred to the group. They are deconsolidated from the date that control ceases.

i. Acquisition method

The Group applies the acquisition method to account for business combinations.
The consideration transferred in a business combination is measured at the fair value accounted for as the fair value of the assets transferred and the liabilities incurred by the Group to the former owners of the acquiree and the equity interests issued by the Group. The consideration transferred includes the fair value of any asset or liability resulting from a contingent consideration arrangement. Identifiable assets acquired and liabilities and contingent liabilities assumed are measured initially at their fair values at the acquisition date. In any business combination, the group recognises any non-controlling interest in the subsidiary at the proportionate share of the recognised amounts of acquiree's identifiable net assets at the date of acquisition. Acquisition-related costs are expensed as incurred.

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 other comprehensive income.

Inter-company assets, liabilities, equity, income, expenses and cash flows related to transactions between group companies are eliminated. When necessary, amounts reported by subsidiaries have been adjusted to conform with the Group's accounting policies.

ii. 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.

iii. 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 resulting change recognised as profit or loss attributable to the owners of the parent company.

iv. 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 amount of the identifiable acquired assets and liabilities assumed at the date of acquisition, the Group recognises the gain resulting from profit and loss at the date of acquisition and the gains are attributed to the Group.

Basis of consolidation (continued)

For the purposes 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.

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

v. Measurement period

The measurement period is the period 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.

C. Foreign currency translation

(1) Functional and presentation currency

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

(2) Transactions and balances

Transactions made in foreign currency during the period are initially recognised in the functional currency of the Group on the basis of translation of foreign currency using the spot prevailing exchange rates between the functional currency and the foreign currency at the date of the transaction, and the monetary items denominated in foreign currency are also translated using the closing rates at the end of each financial period. Foreign exchange gains and losses resulting from the settlement of such monetary items and from the translation of monetary items denominated in foreign currencies at the same period or in previous financial statements, are generally recognised by the Group in the profit and loss in the period in which these difference arise, except when currency exchange differences resulting from the translation of non-monetary item are deferred in other comprehensive income, which constitutes an effective part of net investment hedges in a foreign operation or an effective part of cash flow risk hedges.

Exchange differences resulting from the changes in the amortised cost of the monetary financial asset available for sale are recognised in profits and losses. Any changes in the carrying amount are recognised within other comprehensive income.

Translation differences on non-monetary financial assets and liabilities are recognised as part of the fair value gain or loss. Translation differences on non-monetary financial assets and liabilities such as equities held at fair value through profit or loss are recognised as profit or loss as part of fair value gain or loss. For available for sale financial assets, which do not represent monetary items (e.g. equity instruments), gains or losses recognised within other comprehensive income include any elements of related foreign currencies swaps.

D. Property, plant and equipment

The Group applies the cost model at measurement of fixed assets, and fixed assets are recognised at cost net of accumulated depreciation and accumulated impairment losses. The cost of fixed assets includes any costs directly associated with bringing the asset to a working condition for its use intended by the management of the Group.

The Group recognises subsequent costs of the acquisition of the fixed asset as a separate asset, only when it is probable that future economic benefits will flow to the Group and the cost of the item can be measured reliably. The Group recognises in the carrying value of fixed asset the cost incurred to replace part of that asset at the date such costs are borne, and the carrying amount of replaced parts are derecognised. The Group recognises the costs of daily servicing of the fixed assets in the statement of profit or loss.

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	16 – 50 years
Machinery and equipment	5 - 10years
Moulds	Units of production method
Vehicles	5 - 10 years
Furniture and office equipment	4 - 10 years
Computers	3 - 5 years

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 book value of the item, and the gain or loss resulting from the disposal of fixed assets is included in the statement of profit and loss

E. Impairment of non-financial assets

Intangible assets that have an indefinite useful life or goodwill are tested annually for impairment at the date of financial statements.

Non-financial assets that have definite useful lives, and they are subject to depreciation or amortisation are tested for impairment whenever events or changes in circumstances indicate that the asset incurred impairment losses.

The asset is tested for impairment by comparing its carrying amount with 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 largely independent cash inflows from other inflows of assets or groups of assets (cash-generating units).

Impairment of non-financial assets (continued)

The Group recognises impairment losses in the statement of profit or loss whenever the carrying amount of an asset exceeds its recoverable amount.

At the end of each financial period the Group assesses whether there is an indication that the impairment loss of any asset other than goodwill, which is recognised in prior years are not impaired, the Group then evaluates the recoverable amount of that asset.

Impairment losses recognised in prior years are reversed when there is an indication that such losses no longer exist or have decreased. Loss of impairment, which 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.

F. Investment in associates

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

Interest in associates is accounted for using the equity method. It is initially recognized at cost, which includes transaction costs. Subsequent to initial recognition, the investment cost is adjusted by the Group's share of the profit or loss and other comprehensive income of equity-accounted investments, until the date on which significant influence ceases.

G. Intangible assets

(i) Finite useful lives

Intangible assets with finite lives are measured at cost of acquisition or production and are amortised using the straight-line method over their respective estimated useful lives. Finite lived intangible assets are assessed for impairment whenever there is an indication that they may be impaired. The amortisation period and method are reviewed annually.

1. Computer software

Separately acquired software licences are shown at cost less the accumulated amortization and the accumulated impairment losses. The Group charges the amortization amount of the software licences consistently over their estimated useful lives of five years using the straight-line method.

The costs of the acquisition of computer software licenses that are not considered an integral part of computers are recognized as intangible assets on the basis of costs related to preparing the asset for use in the purpose for which it was acquired.

2. Technical assistance cost

Amounts paid with respect to technical assistance services are recognised as intangible assets and amortized using the straight line method over the estimated useful life of this know how which is 10 years.

The know how provided by Techpack Solutions Company Limited (Korea) under a Technical Services Agreement concluded with the Group mainly comprises fees for technical assistance for the methods, techniques and processes to be applied by the Group in the normal course of business.

Technical assistance costs are stated at cost less accumulated amortization.

Intangible assets (continued)

3. **Customers' relationships**
The customer relationships is valued at the fair value at the date of the acquisition, the customers relationships will be amortized using the straight line method over 5 years which represents the period of the projected cash flows of the customers list.

(ii) Infinite useful lives

Goodwill
Goodwill represents the excess of the cost of an acquisition over the fair value of the group's share of the net identifiable assets of the acquired subsidiary at the date of acquisition. Goodwill on acquisitions of subsidiaries is included in 'intangible assets'. The management carry annual impairment test to determine if the carrying amount of the goodwill exceed its recoverable amount. Goodwill is reduced to its recoverable amount if the carry amount exceeds the recoverable amount. Impairment losses on goodwill are recorded in the statement of profit or loss and the impairment losses on goodwill are not reversed.

H. Inventories

Inventories are stated at the lower of cost and net realizable value. Cost is determined using the weighted average method. The cost of finished goods and work in progress comprises raw materials, direct labor, other direct costs and related production overheads but excludes borrowing costs. Net realizable value is the estimated selling price in the ordinary course of business, less the costs of completion and selling expenses. Allowance is established for slow-moving and obsolete items on the basis of management's judgment.

I. Non-current assets (or disposal groups) held for sale

Non-current assets and disposal groups are classified as held for sale if it is considered highly probable that their carrying amount will be principally recovered through a sale transaction rather than through continuing use. This condition is regarded as met only when the sale is highly probable and the asset (or disposal group) is available for immediate sale in its present condition. In order for a sale to be considered highly probable, management must be committed to a plan to sell the asset, an active programme to locate a buyer and complete the plan must have been initiated, and the sale expected to be completed within one year from the date of classification. In the event that the criteria for continued classification as held for sale are no longer met, the assets are reclassified to property, plant and equipment and the depreciation charge is adjusted for the depreciation that would have been recognised had the assets not been classified as held for sale. Non-current assets and disposal groups classified as held for sale are measured at the lower of the individual assets' previous carrying amount and fair value less costs to sell.

J. Financial assets

1. Classification

The Group classifies its financial assets in the following categories: financial assets at fair value through profit or loss, loans and receivables. The classification depends on the purpose for which the financial assets were acquired. Management determines the classification of its financial assets at initial recognition.

Financial assets at fair value through profit or loss

Financial assets at fair value through profits or losses 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 listed in such group are presented as current asset if expected to be recovered within 12 months from the date of the end of the financial period. The group's loans and receivables comprise 'trade and other receivables' and 'cash and cash equivalents' and 'due from related parties' in the balance sheet.

2. Initial recognition and measurement

A financial asset is recognised when the Group becomes a party to the contractual provisions of the financial asset.

The acquisition of a financial asset is initially measured at fair value, in addition to other costs directly associated with the execution of the transaction, except for financial assets that are designated at fair value through profit or loss, which are measured initially at fair value only and all other costs associated with the execution of the transaction are charged to the statement of profit or loss.

3. Subsequent measurement

Loans and receivables and held to maturity financial assets are subsequently measured at amortised cost using the effective interest rate. Interests calculated are recognised in the statement of profit or loss within finance income/ (costs) - net

4. Derecognition

i. Financial assets are derecognised when the rights to receive cash flows from the financial assets have expired or where the Group has transferred substantially all risks and rewards of ownership.

ii. The financial asset is derecognised at its carrying amount at the date of derecognition, and the profit / (loss) of derecognition is recognised in the statement of profit or loss within the profit/ (loss) on investment.

iii. The profit/ (loss) of the derecognition of financial asset represents the difference between the carrying amount at the date of derecognition and the proceeds resulting from the derecognition of the financial asset, except for available for sale financial assets, where the profit/ (loss) of the drecognition of financial asset represents the difference between the carrying amount at the date of recognition and the proceeds resulting from the financial asset, in addition to the accumulated profit or loss previously recognised within other comprehensive income.

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.

L. Impairment of financial assets

1. Financial assets carried at amortised cost

The Group assesses impairment at the end of each reporting period whenever there is objective evidence that a specific financial asset or a group of financial assets may be 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.

Evidence of impairment may include indications that the debtors or a group of debtors is experiencing significant financial difficulty, violation of contract terms such as default or delinquency in interest or principal payments, or the probability that they will enter bankruptcy or other financial reorganisation, and where observable data indicate that there is a measurable decrease in the estimated future cash flows since the initial recognition, or, changes in economic of domestic conditions that correlate with defaults of the Group's assets.

For loans and receivables category, 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 the statement of profit or loss. Loans expected to be uncollectible are written off by deduction from the relevant provision, and any subsequent proceeds are recognised as revenue in the statement of profit and loss. If a loan or held-to-maturity investment 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 the consolidated statement of profit or loss.

M. 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.

N. 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, less credit balances. In the consolidated statement of financial position, bank overdrafts are shown within current liabilities.

O. Borrowings

The Group recognises borrowings initially at fair value plus any directly attributable transaction costs incurred. Borrowings are subsequently carried at amortised cost; any difference between the original value (net of transaction costs) and value at the date of maturity is recognised in the statement of 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 the Groups expects that all of the facility will be drawn down. In this case, the fee is deferred until the draw-down occurs.

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.

P. 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 of time 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.

When funds are borrowed for the purpose of acquiring a qualifying asset to bear the cost of borrowing, the Group determines the amount of borrowing costs that are capitalised on this asset, which is the actual borrowing costs incurred by the entity during the period because of the borrowing transaction less any revenue realised from the temporary investment of borrowed funds.

The Group recognises other borrowing costs as expenses in the period the Group incurs such costs.

Q. Financial liabilities

1. **Classification**
The Group classifies its financial liabilities as financial liabilities at fair value through profit and loss and other financial liabilities. The classification of the financial liability depends on the purpose of acquisition at the initial recognition.

2. **Recognition and derecognition**
A financial asset is recognised in the statement of financial position when - and only when- the Group becomes a party to the contractual provisions of the financial liability. The Group removes the financial liability (or part of it) from the statement of financial position when it is disposed, cancelled or expired.

The Group accounts for the exchange between an existing borrower and lender of debt instruments with substantially different terms as an extinguishment of the original financial liability and the recognition of a new financial liability. The difference between the carrying amount of a financial liability (or part of it) extinguished or transferred to another party including non-amortised expenses, and the consideration paid to settle the liability are recognised in profit or loss.

Financial liabilities (continued)

3. **Measurement**
At initial recognition, the Group measures the financial liabilities at fair value plus transaction costs, except for financial liabilities at fair value through profit or loss where all other attributable costs are charged to the statement of profit or loss. The other financial liabilities, represented in trade payables and other payables, and bank loans, are subsequently measures at amortised cost using the effective interest method.

R. Capital

Ordinary shares are classified within equity. Share premiums, 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 share premium reserve, after deducting the shares issue expenses (net of any tax benefit) from the amount of share premium.

If any of the Group's companies repurchases its own equity instruments (treasury shares), these instruments are presented net of equity, amount paid or received in exchange for those instruments is recognised directly in the parent's equity.

S. Current and deferred income taxes

The Group recognises the current and deferred income tax as revenues or expenses and is included in the profit or loss for the period. Current and deferred income tax is recognised in other comprehensive income or directly in equity if it related to items recognised - in the same period or different periods- in the statement of comprehensive income or directly in equity.

The income tax for the year is calculated on the basis of the tax laws enacted at the balance sheet date. Management annually evaluates tax situation through tax returns, taking into account the differences that may arise from some interpretations issued by administrative or regulatory authorities, and establishes the appropriate provisions on the basis of amounts expected to be paid to the tax authority.

Deferred income tax is recognised on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the consolidated financial statements.

Deferred income tax is determined using tax rates and laws that have been enacted at the date of the consolidated financial statements and are expected to apply when the related deferred income tax asset is used or the deferred income tax liability is settled.

The deferred tax liabilities are not recognised if they arise from the initial recognition of goodwill. Deferred income tax is not recognised 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 tax assets are recognised only to the extent that it is probable that future taxable profit will be available against which the temporary differences can be utilised.

Deferred tax liabilities are recognised on temporary differences arising from investments in subsidiaries, associates and shares in joint arrangements, except for such cases where the timing of the settlement of the temporary difference is controlled by the Group and it is probable that the temporary differences will not settled in the foreseeable future. Generally the Group is unable to control the settlement of the temporary difference for associates, only where there is an agreement in place that gives the Group the ability to control the settlement of the temporary difference.

Current and deferred income taxes (continued)

Deferred tax assets are recognised on deductible temporary differences arising from investments in subsidiaries, associates and equity shares in joint ventures only to the extent that it is probable the temporary differences will settled in the future and there is future taxable profit available against which the temporary differences can be utilised.

Deferred income tax assets and liabilities are offset when the Group has a legally enforceable right to offset current tax assets against current tax liabilities and when the deferred income taxes assets and liabilities relate to income taxes levied by the same taxation authority on either the same taxable entity or different taxable entities where there is an intention to settle the current taxable liabilities and assets on a net basis.

T. Employee benefits

The Group operates various employees' benefits schemes, including both defined benefit and defined contribution pension plans and post-employment medical plans.

(1) Pension obligations
The Group has two types of pension schemes.

Defined contribution plans
The defined contribution plan is a pension plans under which the Group pays fixed contributions to the General Authority for Social Insurance on mandatory basis. The Group has no further liabilities once its obligations are paid. The regular contributions are recognised as periodic cost for the year in which they are due and as such are included in staff costs.

Defined benefit plans
A defined benefit plan is a post-employment plan that is not a defined contribution plan.

Typically defined benefit plans define an amount of pension benefit that an employee will receive on retirement, using a formula that is usually dependent on employees' average wages, and the number of the years of service.

The net defined benefit obligation recognised in the statement of financial position is the present value of the defined benefit obligation at the end of the reporting period. The annual defined benefits obligations are determined annually by independent actuary using the projected unit credit method. The present value of the defined benefit obligations is determined by discounting the estimated future cash outflows using discount rate at the end of the financial reporting period on market returns of government bonds that are denominated in the currency and the estimated period for the defined benefit obligations.

The Group recognises the current service cost of the defined benefit obligation in the statement of profit or loss, except where included in the cost of an asset that reflects the increase in the defined benefit obligations relating to services performed to the Group during the current year or when changes or curtailments are made to the plan.

The Group recognises the cost of past service as an expense when benefit changes or is curtailed, and when the Group recognises the restructuring costs, whichever is earlier in the statement of profit or loss.

Net interest is calculated on the net defined benefit obligation by multiplying the net defined benefit obligation by a discount rate as determined at the beginning of the annual financial period. These costs are included within finance cost in the statement of profit or loss.

Employee benefits (continued)

Actuarial gains and losses, which are the changes in the present value of the defined benefit obligation that arises from experience adjustments and changes in actuarial assumptions, are recognised in other comprehensive income in the period in which they arise.

(2) 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 costs and benefits obligation are initially measured. The Group measures and recognises the subsequent changes in accordance to the nature of the benefits based on the number of employees expected to accept the offer of benefits. Where it is not expected to settle the benefits falling due before 12 months after the end of the reporting period, the benefits are discounted to their present value.

(3) Employees' share in legally defined profits

The Group recognises expected cash dividends as the employees' share in accordance with the companies' articles of association, to be included as part of dividends in equity, and as liabilities when the ordinary general assembly meeting of the shareholders of the Group approve the proposed dividends. The Group does not record any liabilities in the employees' share of undistributed dividends.

U. Leases

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 discounts received from the lessor) are recognised as expense in the statement of profit or loss on a straight-line basis over the period of the lease.

V. 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. 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.

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 be reliably estimated. Instead the Group disclosed its contingent liabilities in its note to the consolidated financial statements.

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. However, it is expected that an outflow of resources is required to settle all items of obligations.

Provisions (continued)

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 borrowing cost in the statement of profit or loss.

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.

W. 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.

X. Revenue recognition

Revenue is measured at the fair value of the consideration received or receivable, and represents amounts receivable for goods sold or service rendered in the normal course of business, net of value added taxes, discounts, or deductions. The Group recognises revenue when the amount of revenue can be reliably measured; when it is probable that future economic benefits will flow to the Group; and when 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 estimate of return on historical results, taking into consideration the type of customer, the type of transaction and the related specifics arrangement.

1. **Sales of goods**
   Revenue is recognised from the sale of goods to customers 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 customers accepting the goods sold. Delivery is recognised, either in the Group's stores or in specific locations, according to the contracts for sale of goods. When the Group transfers the significant risk and rewards of the ownership of goods to the customers, it retains neither continuing managerial involvement to the degree usually associated with ownership nor effective control over the goods sold.

2. **Interest income**
   Interest income is recognised on a time-proportionate basis using the effective interest method. When a receivable balance resulting from the recognition of interest is impaired, the carrying amount is reduced to the present value of the future cash flows discounted at the original effective interest rate.

Revenue recognition (continued)

3. **Export subsidy – Government of Egypt**
   The Government of Egypt operates an export subsidy program managed by the Export Development Fund. The scheme was established under law 155 of 2002 to create incentives for Egyptian companies to grow exports. The Group operates in a qualifying sector and the subsidy represents a percentage of the export value depending on a set of variables including the percentage of local components, location of the factory, export destination amongst others. The subsidy on export sales is recognized when there is proper evidence that the Group will earn this subsidy under the prevailing rules and conditions. The subsidy is recognised under other income in the statement of profit or loss.

4. **Dividend income**
   Dividend income is recognised when the right to receive payment is established.

Y. Dividends

Dividends are recognised as liabilities in the consolidated financial statements at the end of the financial period in which the dividends are approved by the General Assembly of the Shareholders of the Group.

Z. Operating segments

The Group evaluates its segmental reporting under Egyptian accounting standards. The Group derives its revenues through two business segments which are the manufacturing and selling of glass and also manufacturing of plastic for the beverage and pharmaceutical packaging industries. Based on the governance structure of the Group, including decision making authority and oversight, the Group has determined that the Board is its Chief Operating Decision Maker (CODM), and the Board, as the CODM, allocates resources and evaluates performance at a segmental level and therefore the group has two operating segments

AA. Fair value of financial instruments

Fair value is the price that would be received to sell an asset or paid to settle a liability in an orderly transaction between market participants at the measurement date. The fair value measurement is based on the presumption that the transaction to sell the asset or pay the liability takes place either:

- In the principal market for the asset or liability, or
- In the absence of a principal market, the most advantageous market for the asset or the liability.

The Group should be able to have access to the principal market or the most advantageous market. In the absence of principal market, the Group does not need to conduct a thorough search of all possible markets to determine the principal or the most advantageous market. However, the Group takes into consideration all information reasonably available.

The table below shows the financial assets and liabilities at fair value in the consolidated financial statements at 31 December 2018 within the hierarchy of the fair value, based on the input levels that are considered to be significant to the fair value measurement as a whole:

- Level 1 - Inputs of quoted prices (unadjusted) in active markets for identical assets or liabilities, which the Group can have access to at the date of measurement.
- Level 2- Inputs other than quoted prices included within level 1 that are observable for the asset or liability, either directly or indirectly.
- Level 3- Unobservable inputs of the asset or the liability.

BB. Comparatives

Where necessary, comparative figures is reclassified to conform to changes in presentation in current year.

3. Financial risk management

(1) Financial risk factors

The Group's activities expose it to a variety of financial risks. These risks include market risks (including foreign currency exchange risks, prices risks, cash flow interest rate risks and fair value risks), credit risks, and liquidity risks.

The Group's management aims to minimise the potential adverse effects on the Group's financial performance, through the monitoring process performed by the Group's Finance Department and board of directors at the level of the Parent Company.

(A) Market risk

i. Foreign currency exchange rates risk

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 profit or loss:

	2018	2017
US Dollars 10%	(54,224,996)	(44,364,891)
Euros 10%	(5,775,317)	(6,600,390)
UAE Dirhams 10%	-	6,915,365
Saudi Riyal 10%	-	5,372,301
GBP %	(427,131)	-

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

	2018			2017
	Assets	Liabilities	Net	Net
US Dollars	161,085,979	(703,335,934)	**(542,249,955)**	**(443,648,905)**
Euros	2,015,849	(59,769,017)	**(57,753,168)**	**(66,003,900)**
UAE Dirhams	-	-	**-**	**69,153,651**
Saudi Riyal	-	-	**-**	**53,723,005**
GBP	52,744	(4,324,051)	**(4,271,307)**	-

ii. Price risk

The Group does not have investments in equity securities or debt instruments listed and traded in financial markets, and accordingly are not subject to risk of change in the fair value of the investments as a result of the changes in prices.

(In the notes all amounts are shown in Egyptian Pounds unless otherwise stated)

Financial risk management (continued)

iii. Cash flow and fair value exchange interest rate risk

Interest rate risk is the risk that the fair value of future cash flows of a financial instrument will fluctuate because of changes in market interest rates.

The Group is exposed to interest rate risk on its variable interest bearing assets and liabilities (bank overdrafts, and term loans). The risk is managed by the Group by maintaining an appropriate mix between borrowings and bank facilities with floating rates.

The following table demonstrates the sensitivity of the consolidated statement of profit or loss to reasonably possible changes in interest rates, with all other variables held constant.

The sensitivity of the statement of comprehensive income is the effect of the assumed changes in interest rates on the Group's profit for a year, based on the floating rate financial assets and financial liabilities held at 31 December 2018.

	Increase / Decrease in basis points	Effect on profit for the year EGP
31 December 2018		
EGP	10%	24,869,802
31 December 2017		
EGP	10%	31,919,857

(B) Credit risk

Credit risk arises from cash and cash equivalents, deposits with banks and financial institutions, as well as credit exposures to customers', including outstanding receivables and committed transactions 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.

If existing customers 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.

Management believes that customers' impairment provisions are adequate. Note (9) related to the financial assets provides more information on the credit risk.

No major customers contributed with more than 10% of the Group's total revenue for the financial year ended 31 December 2018.

(In the notes all amounts are shown in Egyptian Pounds unless otherwise stated)

Financial risk management (continued)

(C) 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.

Management makes cash flow projections on periodic basis, and takes the necessary actions to negotiate with suppliers, follow-up the collections from customers and manage 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, by monitoring cash forecast and actual cash flows and matching the maturity profiles of financial assets and liabilities. Balances due to suppliers are normally settled with an average of 120 days from the date of purchase.

The table below summarises the maturities of the Group's undiscounted financial liabilities at 31 December 2018 and 31 December 2017, based on contractual payment dates and current market interest rates.

	Less than 6 month	Between 6 month & 1 year	Between 1 & 2 years	More than 2 years
31 December 2018				
Accounts and notes payable	282,964,065	117,374,048	-	-
Accrued expenses and other payables*	140,212,617	28,026,395	-	-
Bank overdrafts	160,477,097	61,856,113	-	-
Loans and borrowings	236,333,838	98,614,008	216,455,420	622,821,984
Long term notes payable	-	-	2,390,918	-
Total	**819,987,617**	**305,870,564**	**218,846,338**	**622,821,984**

	Less than 6 month	Between 6 month & 1 year	Between 1 & 2 years	More than 2 years
31 December 2017				
Accounts and notes payable	208,040,536	181,251,818	11,533,469	1,379,448
Accrued expenses and other payables*	157,620,333	24,302,428	-	-
Bank overdrafts	337,956,832	71,079,731	-	-
Loans and borrowings	259,650,036	585,541,553	278,129,341	1,070,376,418
Long-term notes payable	-	-	-	12,912,917
Total	**963,267,737**	**862,175,530**	**289,662,810**	**1,084,668,783**

The unused credit facility at 31 December 2018 amounts to LE 319,326,343 (2017: LE 110,589,100).

* Accrued expenses and other payables presented above excludes advances from customers.

(In the notes all amounts are shown in Egyptian Pounds unless otherwise stated)

Financial risk management (continued)

(2) Capital risk management

The Group's objectives when managing capital is 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 Group 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 dividend paid to shareholders, return capital to shareholders, issue new shares or sell assets to reduce the Group's debts.

The Group monitors capital structure based on its gearing ratio. Gearing is calculated as the ratio of net debt divided by total capital. Net debt comprises total borrowings and bank overdrafts less cash and bank balances and total capital comprises the equity plus net debt.

The gearing ratios at 31 December 2018 and 31 December 2017 were as follows:

	2018	**2017**
Loans and borrowings	1,086,603,757	1,186,785,285
Bank overdrafts and credits	222,333,210	409,036,563
Long term notes payable	2,390,918	12,912,917
Less: Cash and bank balances	(49,218,858)	(45,371,842)
Net debt	**1,262,109,027**	**1,563,362,923**
Total equity	415,321,615	249,882,997
Total capital	**1,677,430,642**	**1,813,245,920**
Gearing ratio	**75%**	**86%**

The main reason for the decrease in the gearing ratio in 31 December 2018 comparing to 31 December 2017 is the operating profit for 2018 and repayment of a portion of bank borrowings.

Debt covenants

The Group is required to comply with certain financial covenants for bank loan facilities and as at the statement of financial position date was not fully compliant with all covenants; unconditional waivers were from the lending banks.

4. Critical accounting estimates and judgments

(1) Critical accounting estimates and assumptions

The preparation of these financial statements requires management to make judgements, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets and liabilities, income and expense. Actual results may differ from these estimates. The significant judgements made in applying the Group's accounting policies were applied consistently across the annual periods. The significant judgements and key sources of estimation uncertainty that have a significant effect on the amounts recognised in these financial statements are outlined below.

a. Employee benefits
Management determines employee benefit liabilities using an independent actuarial expert and revises the sufficiency of these liabilities on an annual basis according to the accounting policy (Note 2.T). Note (25) shows the main assumptions used to determine the employee benefit liabilities.

b. Property, plant and equipment – useful life
Property, plant and equipment are a substantial portion of the total assets of the Group, depreciation expense that is related to this property, plant and equipment is a substantial portion of annual operating expenses.

The useful life of property, plant and equipment which were based on management estimation and assumptions has a significant impact on assets value. Each item of the property, plant and equipment has a useful life estimation based on the past experience of corresponding assets, expected period in which economic benefits will flow to the Group during the operation of the asset.

The useful life of property, plant and equipment estimates and assumptions are reviewed periodically to assess if there is any adjustments or changes related to useful life or residual values if there is any adjustments will be implemented on future years.

c. Intangible assets useful lives – customer relationships
The Group amortizes customer relationships arising from a business combination using the straight line method over 5 years which is estimated to be the period of the projected cash flows for customer relationships.

d. Impairment of goodwill
The group tests whether goodwill has suffered any impairment on an annual basis in accordance with the accounting policy stated in Note 2-G-ii. The recoverable amounts of cash generating units are determined based on value-in-use calculations. These calculations require the use of estimates (Note 6).

e. Impairment of trade receivables
Impairment of trade receivables are estimated according to the aging of the debts. Management assesses the credit position and the payment ability of customers in which their debt is overdue as per the given credit facility and estimates, accordingly the Group recognizes the required impairment.

Critical accounting estimates and judgments (continued)

f. **Fair value measurement of derivative financial instruments**
The fair value of financial instruments that are not traded in an active market is determined using valuation techniques. The Group uses its judgment in appropriately estimating the fair value of derivative financial instruments. Derivative financial instruments held by the Group do not have observable market price and so the Group is required to identify appropriate valuation models in calculating these fair values in making its estimates, priority is given to observable inputs. For details of Key assumptions used and the impact of changes to these assumption refer to Note 26.

(2) Critical judgment in applying the accounting policies

Investment in Medco Plast for Packing and Packaging Systems (S.A.E.)
The Company's management estimated the Company's level of influence over Medco Plast for Packing and Packaging Systems S.A.E. ("Medco Plast") and concluded that it is a significant influence, although the Company owns less than 20% of the issued capital shares. This determination is based on the composition of and representation rights on the board Medco Plast and therefore, the investment was classified as investment in associate.

(In the notes all amounts are shown in Egyptian Pounds unless otherwise stated)

5. Property, plant and equipment

	Land	Buildings	Machinery, equipment and molds	Vehicles and transportation	Furniture and office equipment	Computers & software	Projects under construction	Total
31 December 2018								
Cost								
Balance at beginning of the year	316,756,515	211,686,508	1,274,542,211	16,203,360	11,846,701	7,244,353	207,145,693	**2,045,425,341**
Additions	-	235,588	35,059,075	877,195	145,662	267,512	49,319,317	**85,904,349**
Reclassification from assets held for sale	-	-	1,982,161	-	-	-	-	**1,982,161**
Disposals	-	-	(18,135,791)	(140,500)	(20,843)	-	(976,824)	**(19,273,958)**
Transferred from projects under construction	-	10,605,374	199,682,950	120,000	537,026	109,531	(211,054,881)	-
Balance at the end of the year	**316,756,515**	**222,527,470**	**1,493,130,606**	**17,060,055**	**12,508,546**	**7,621,396**	**44,433,305**	**2,114,037,893**
Accumulated depreciation								
Balance at beginning of the year	-	(65,926,397)	(822,279,786)	(12,650,032)	(9,370,803)	(5,696,554)	-	**(915,923,572)**
Depreciation expense	-	(9,711,458)	(127,419,438)	(1,712,430)	(948,796)	(682,957)	-	**(140,475,078)**
Disposals depreciation	-	-	-	140,500	14,617,045	-	-	**14,757,545**
Balance at the end of the year	**-**	**(75,637,855)**	**(949,699,224)**	**(14,221,962)**	**4,297,446**	**(6,379,511)**	**-**	**(1,041,641,105)**
Net book value at the end of the year	**316,756,515**	**146,889,615**	**543,431,383**	**2,838,093**	**16,805,992**	**1,241,885**	**44,433,305**	**1,072,396,788**
31 December 2017								
Cost								
Balance at beginning of the year	329,296,952	218,996,168	1,533,379,516	23,623,618	13,463,006	8,759,064	195,073,831	**2,322,592,155**
Additions	-	213,169	68,815,816	735,457	559,454	923,695	81,178,847	**152,426,438**
Reclassification from assets held for sale	-	-	5,645,385	-	-	-	-	**5,645,385**
Disposals	-	-	(60,719,604)	(791,746)	(398,354)	(316,660)	-	**(62,226,364)**
Transferred from projects under construction	-	505,201	18,170,196	-	-	-	(18,675,397)	-
Transfer to disposal group classified as held for sale	(12,540,437)	(8,028,030)	(290,749,098)	(7,363,969)	(1,777,405)	(2,121,746)	(50,431,588)	**(373,012,273)**
Balance at the end of the year	**316,756,515**	**211,686,508**	**1,274,542,211**	**16,203,360**	**11,846,701**	**7,244,353**	**207,145,693**	**2,045,425,341**
Accumulated depreciation								
Balance at beginning of the year	-	(57,703,147)	(851,382,324)	(15,503,258)	(9,649,057)	(5,967,080)	-	**(940,204,866)**
Depreciation expense	-	(10,684,173)	(154,132,600)	(2,918,547)	(1,205,851)	(847,051)	-	**(169,788,222)**
Transfer to disposal group classified as held for sale	-	2,460,923	123,361,723	4,825,856	1,257,262	845,966	-	**132,751,730**
Disposals depreciation	-	-	59,873,415	945,917	226,843	271,611	-	**61,317,786**
Balance at the end of the year	**-**	**(65,926,397)**	**(822,279,786)**	**(12,650,032)**	**(9,370,803)**	**(5,696,554)**	**-**	**(915,923,572)**
Net book value at the end of the year	**316,756,515**	**145,760,111**	**452,262,425**	**3,553,328**	**2,475,898**	**1,547,799**	**207,145,693**	**1,129,501,769**

(In the notes all amounts are shown in Egyptian Pounds unless otherwise stated)

Property, plant and equipment (continued)

Pledge on assets:
All machinery, tools and production lines are subject to commercial pledges, as collateral in the first degree for bank loans extended to the Group (Note 17).

Project under constructions analysis is as follows:

Balance at 1 January 2018	Additions during the year	Disposal	Transfer to fixed asset	Balance at 31 December 2018
207,145,693	49,319,317	(976,824)	(211,054,881)	**44,433,305**

The balance of project under construction as of 31 December 2018 is represented as flows:

	2018
New and upgraded furnace	3,423,899
New batch house	40,678,877
Others	330,529
	44,433,305

Borrowing cost
During the year ended 31 December 2018, the Group capitalized borrowings costs amounting to LE Nil (2017: LE 6,170,460) on qualifying assets. The capitalization rate used to determine the amount of borrowing costs to be capitalized is the interest rate applicable to the Group's specific borrowings during the year is 21%.

Depreciation expense is classified as follows:

	2018	2017
Cost of goods sold	136,488,038	144,310,534
General and administrative expenses	1,579,730	1,065,943
Selling and marketing expenses	2,407,310	1,535,933
	140,475,078	**146,912,410**

(In the notes all amounts are shown in Egyptian Pounds unless otherwise stated)

6. Intangible assets

	Technical information cost	Computer software	Goodwill	Customers relationships	Projects under constructions*	2018
31 December 2018						
Cost						
Balance at 1 January	5,156,143	6,791,781	258,614,988	64,745,000	2,325,169	**337,633,081**
Additions	-	2,843,199	-	-	150,420	**2,993,619**
Transfer from project under construction	-	2,475,589	-	-	(2,475,589)	-
Balance	**5,156,143**	**12,110,569**	**258,614,988**	**64,745,000**	-	**340,626,700**
Accumulated amortization						
Balance at 1 January	(3,093,685)	(4,049,486)	-	(28,066,800)	-	**(35,209,971)**
Amortization expense	(515,614)	(2,087,768)	-	(12,949,000)	-	**(15,552,382)**
Balance	**(3,609,299)**	**(6,137,254)**	-	**(41,015,800)**	-	**(50,762,353)**
Net book value	**1,546,844**	**5,973,315**	**258,614,988**	**23,729,200**	-	**289,864,347**

	Technical information cost	Computer software	Goodwill	Customers relationships	Projects under constructions*	2017
Cost						
Balance at 1 January	5,156,143	4,784,637	294,649,154	64,745,000	1,933,726	**371,268,660**
Transfer to disposal group classified as held for sale	-	-	(36,034,166)	-	-	**(36,034,166)**
Additions	-	2,007,144	-	-	391,442	**2,398,586**
Balance	**5,156,143**	**6,791,781**	**258,614,988**	**64,745,000**	**2,325,168**	**337,633,080**
Accumulated amortization						
Balance at 1 January	(2,578,071)	(3,224,574)	-	(15,117,800)	-	**(20,920,445)**
Amortization expense	(515,614)	(824,912)	-	(12,949,000)	-	**(14,289,526)**
Balance	**(3,093,685)**	**(4,049,486)**	-	**(28,066,800)**	-	**(35,209,971)**
Net book value	**2,062,458**	**2,742,295**	**258,614,988**	**36,678,200**	**2,325,168**	**302,423,109**

* The projects under constructions comprises certain computer software.

(In the notes all amounts are shown in Egyptian Pounds unless otherwise stated)

Intangible assets (continued)

A. Technical assistance costs

In July 2011, the Group concluded an agreement with Techpack Solutions Company - (South Korea) for the purpose of providing the Group with technical assistance services for the manufacturing, processing, inspecting, testing and packaging of Contract Glassware, and in particular the methods, to produce Narrow Neck Press and Blow lightweight bottles, in the normal course of business. The costs to obtain the right and license to manufacture, sell glass containers upon receiving such services are recorded as Technical Assistance Costs.

B. Goodwill

Goodwill is allocated to Middle East Glass Containers Sadat S.A.E. and Misr for Glass Manufacturing S.A.E. each representing the cash generating units (CGU) to which goodwill is related.

The recoverable amount of the CGU is determined based on value-in-use calculations. These calculations use pre-tax cash flow projections based on business plan approved by management covering a 5 year-period. Assumptions related to future cash flows are based on past experience and expectations for the market.

C. Customers relationships

A customer relationships were acquired as a part of the acquisition of Middle East Glass Containers Sadat S.A.E. and Misr for Glass Manufacturing S.A.E., and were valued at fair value at the date of the acquisition. The customers relationships balance is amortized using the straight line method over 5 years which represents the period of the projected cash flows of the customers relationships.

D. Business combination

Middle East Glass Containers Sadat (S.A.E.)

On 29 January 2014, the Group acquired 100% of Wadi Glass Containers S.A.E. (renamed Middle East Glass Containers Sadat (S.A.E.)).

The net identifiable assets and goodwill are as follows:

	29 January 2014
Acquisition cost:	
Cash paid	207,807,845
Fair value of net assets acquired	(25,814,357)
Customer list arising from acquisition	(8,404,149)
Goodwill	**173,589,339**

(In the notes all amounts are shown in Egyptian Pounds unless otherwise stated)

Intangible assets (continued)

Misr for Glass Manufacturing Company S.A.E.
On 19 January 2016. The Group acquired 100% of the shares of Misr for Glass Manufacturing Company S.A.E.

Assets, liabilities and acquisition cost are as follows:

	19 January 2017
Purchase price paid at acquisition	735,587,740
Refund from escrow account during measurement year	(18,945,537)
Acquisition cost	**716,642,203**
Intangible assets arising from purchase price allocation (customer relationship)	(53,901,000)
Fair value of net assets acquired	(577,715,556)
Goodwill	**85,025,647**

Goodwill is related primarily to the value of the synergies of the combined business operations, new customers relationships, growth opportunities and skilled labour. Goodwill is not tax deductible for tax purpose.

E. Recoverable amount of Goodwill

The Group performs an impairment test for the goodwill on annual basis, the recoverable amount is determined based on calculating value in-use which require the use of assumptions and the value-in-use calculation is based on projected cash flows according to 5 year business plan approved by management.

The cash flows beyond the 5 years is extrapolated using the growth rate specified below which is consistence with the forecast related to the industry in which the cash generating units operate.

Fair value of the value in use was determined using inputs within level 3 of fair value hierarchy.

The Group used the following assumptions in performing goodwill impairment at 31 December 2018:

Average gross profit	30%
Pre-tax discount rate	26%
Growth rate	5%

Sales volume: average annual growth rate over the budgeting period with reference to past performance and management expectations.

Growth rate: represent the average growth rate used to extrapolate the cash flows beyond the budget period. The growth rates are consistent with the forecast of the industry's reports.

Gross profits: Gross and operating margins are based on the business plans approved by the Board. Key assumptions are made within these plans about volume, pricing, discounts and costs based on historical data, current strategy and expected market trends.

(In the notes all amounts are shown in Egyptian Pounds unless otherwise stated)

Intangible assets (continued)

Pre-tax discount rate: A weighted-average cost of capital was applied specific to each CGU as a hurdle rate to discount cash flows. The discount rates represent the current market assessment of the risks specific to each CGU, taking into consideration the time value of money and individual risks of the underlying assets that have not been incorporated in the cash flow estimates.

Sensitivity to the changes in the assumptions:
Management believe that no reasonable change in any of the above key assumptions (growth rate, gross profit, discount rate) would cause the carrying value of the CGU including goodwill to materially exceed its recoverable amount.

7. Investment in associates

	Ownership %	2018	2017
Medco Plast for Packing and Packaging System (S.A.E)	15.6%	153,152,360	-
		153,152,360	**-**

Investment in associate represents the retained investment in Medco Plast after the sale of 74% of the initial 60% equity stake which led to a loss of control on 13 November 2018. The value of the retained investment is recognized as Investment in associate.

The investment in associate was recognized at fair value at the loss of control date. Fair value was determined using level 3 unobservable inputs according to the fair value hierarchy.

	2018
Balance at 1 January 2018	-
Fair value of the equity investment retained at disposal date	155,290,439
Group's share of loss during the year using the equity method	(2,138,079)
	153,152,360

The fair value of the net assets acquired has been determined on a provisional basis until the finalization of the purchase price allocation study as the acquisition was conducted shortly before the financial statements date.

	Group's share of				
	Assets	Liabilities	Revenue	Losses	Ownership percentage
31 December 2018	974,151,115	838,219,694	952,735,329	(13,047,714)	15.6%

(In the notes all amounts are shown in Egyptian Pounds unless otherwise stated)

Investment in associates (continued)

The acquisition cost has been allocated on a provisional basis as follows:

	2018
Cost of investment in associate at the loss of control date	155,290,439
Deduct:	
Group's share in fair value of net asset at the date of acquisition of associate (September 2010)*	(23,343,381)
Notional goodwill arises from acquisition of associate	**131,947,058**

* Fair value of net assets are as follows:

	Fair value on a provisional basis 13 November 2018
Fixed assets	239,739,012
Trade and notes receivable and other receivables	387,246,174
Inventory	198,971,536
Due from related parties	131,389,571
Cash and bank balances	8,199,304
Provisions	(700,000)
Bank borrowings and overdraft	(726,070,282)
Trade and notes payable and other payables	(68,108,712)
Deferred tax liabilities	(21,029,550)
Fair value of acquired net assets	**149,637,053**
Group's share in fair value of net assets at the date of acquisition of associate	**23,343,381**

(In the notes all amounts are shown in Egyptian Pounds unless otherwise stated)

8. Derivative financial instruments

The Group has following financial instruments:

	2018	2017
Non-current asset		
Put option(A)	28,033,615	-
Non-current liabilities		
Call option(A)	50,412,519	-

A. The Group entered into an agreement with the buyer of the 74% equity stake in Medcoplast, whereby the Company has the right but not the obligation, to sell the 15.6% remaining interest (the "put option") exercisable after 36 months. In the event the option is exercised the sale price must be equal to or greater than the transaction consideration agreed with the buyer for the sale of the 74% interest in 2018. The Buyer of the 74% stake also has a right but not the obligation to buy the 15.6% stake (the Call Option") which can only be exercised after expiry of the put option exercise period.

B. **Classification of derivatives**

Derivatives are only used for economic hedging purposes and not speculative investments. However, where derivatives do not meet the hedge accounting criteria, they are classified as "held for trading" for accounting purpose and are accounted for at fair value through profit or loss. They are presented as non-current assets and non-current liabilities according to their maturity dates.

Amounts recognised in the statement of profits or losses are as follows:

	2018
Fair value loss on derivative financial instruments	(50,412,519)
Fair value gain on derivative financial instruments	28,033,615
Net fair value loss on derivative financial instruments	**(22,378,904)**

C. **Fair value measurement**

For information about the methods and assumptions used in determining the fair value of derivatives refer to Note 26.

9. Inventories

	2018	2017
Finished goods	150,942,000	165,781,550
Spare parts	93,301,317	81,902,960
Work in progress	50,106,923	65,521,093
Raw materials	28,432,473	23,791,518
Packing and wrapping materials	20,829,622	17,630,725
Fuel and oil	2,844,196	2,259,604
Goods in transit	656,625	-
	347,113,156	**356,887,450**
Allowance for impairment in inventory value	(21,076,429)	(10,523,447)
	326,036,727	**346,364,003**

(In the notes all amounts are shown in Egyptian Pounds unless otherwise stated)

Inventories (continued)

	2018	2017
Allowance for impairment in inventory value:		
Balance at 1 January	10,523,447	10,523,447
Charged during the year	10,552,982	-
	21,076,429	**10,523,447**

10. Trade and notes receivables

	2018	2017
Trade receivables	299,671,574	278,860,209
Notes receivables	7,328,657	14,285,750
	307,000,231	**293,145,959**
Allowance for doubtful debts	(18,596,421)	(15,224,193)
	288,403,810	**277,921,766**

The movement of impairments of account receivables and notes receivables are as follows:

	2018	2017
Balance at 1 January	15,224,193	15,966,899
Transfer to disposal group classified as held for sale	-	(1,324,221)
Charged for the year	3,851,330	581,515
Utilized during the year	(479,102)	-
	18,596,421	**15,224,193**

The average credit period on trade receivables is 90 days. No interest is charged on the trade receivables overdue. The trade receivables above 90 days are provided for based on estimated irrecoverable amounts, determined by reference to past default experience and on management's assessment of current economic conditions as to the future recoverability of these balances.

Before accepting any new customer, the Group assesses the potential customer's credit quality and defines credit limits by customer.

Included in the Group's trade receivables balance are debtors with a carrying amount of EGP 148,143,276 (31 December 2017: EGP 121,235,031) which are past due at the reporting date for which the Group has not recorded any provision as there has not been a significant change in credit quality and the amounts are still considered recoverable. The Group do not hold any collateral over these balances.

Aging of past due but not impaired receivables:

	2018	2017
Past due for less than 3 months	117,176,107	63,181,491
Past due for more than 3 months	30,967,169	58,053,540
	148,143,276	**121,235,031**

(In the notes all amounts are shown in Egyptian Pounds unless otherwise stated)

Trade and notes receivables (continued)

In determining the recoverability of trade receivables, the Group considers any change in the credit quality of the receivables from the date the credit was granted up to the reporting date. At the reporting date, management has taken the current market conditions into account when assessing the credit quality of trade receivables. In addition, the concentration of credit risk is limited due to the customer base being large in number and unrelated. Accordingly, and, taking all of the above into account, the directors believe that there is no further credit provision required in excess of the current allowance for doubtful debts.

Impaired trade receivables against which an allowance for doubtful debts has been made is:

	2018	2017
Past due for more than 3 months	18,596,421	15,224,193
	18,596,421	**15,224,193**

11. Prepaid expenses and other receivables

	2018	2017
Accrued export subsidies	160,230,210	92,804,423
Advances to suppliers	87,305,608	35,681,337
Refundable deposits	41,511,897	32,166,801
Employees imprest and loans	9,453,686	4,428,878
Other receivables	5,595,944	48,368,823
Prepaid expenses	4,998,517	3,668,354
	309,095,862	**217,118,616**

(In the notes all amounts are shown in Egyptian Pounds unless otherwise stated)

12. Due from tax authority

	2018	2017
Tax authority - Sales tax on purchases	36,213,738	23,177,131
Tax authority - Withholding tax	7,469,762	2,668,163
Tax authority - Income tax	2,447,120	2,447,120
	46,130,620	**28,292,414**

The withholding tax movement is as follows:

	2018	2017
Balance at the beginning of the year	2,668,163	5,551,465
Balance acquired in business combination	-	-
Transfers to income tax	-	(2,961,970)
Paid during the year	4,801,599	2,963,112
Transfer to disposal group classified as held for sale	-	(2,884,444)
Balance at the end of the year	**7,469,762**	**2,668,163**

13. Non-current assets held for sale

	2018	2017
Machinery and equipment	-	1,982,161
	-	**1,982,161**

Non-current assets held for sale comprise certain machinery and equipment acquired as part of the acquisition of Misr for Glass Manufacturing. These machinery and equipment has been reclassified to property plant and equipment as the conditions for classification as asset held for sale is not met.

(In the notes all amounts are shown in Egyptian Pounds unless otherwise stated)

14. Related parties

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 management decides the terms and conditions of transactions and services provided from/ to related parties, as well as other expenses. Below is the statement that shows the nature and values of transaction with related parties during the year, and the balances due at the date of the consolidated financial statements.

Below is the statement of the nature and amounts of related parties transaction during the year, as well as the balances due at the date of the consolidated financial statements.

The following are the transactions with related parties:

	2018	2017
a. Sales of goods		
Coca-Cola Bottling Company of -Egypt – (CCBCE)	149,114,802	148,557,612
	149,114,802	**148,557,612**

	2018	2017
b. Purchases of goods and services		
Coca-Cola Bottling Company of -Egypt – (CCBCE)	3,312,265	3,387,547
	3,312,265	**3,387,547**

	2018	2017
c. Top management compensation		
Paid during the year	22,483,553	24,176,888
	22,483,553	**24,176,888**

According to the above transactions, the following balances are outstanding:

	Nature of relationship	2018	2017
Due from related parties – current assets			
Coca-Cola Bottling Company of Egypt	Under common control	68,353,813	56,006,977
Sheba Investments	Under common control	14,026,235	10,326,054
Gulf Capital	Shareholder	-	277,736
Sana'a Beverages and Industrial Company Limited (SBI)	Under common control	112,320	122,478
		82,492,368	**66,733,245**

	2018	2017
Due to related parties		
Gulf Capital	755,000	-
	755,000	**-**

(In the notes all amounts are shown in Egyptian Pounds unless otherwise stated)

Related parties (continued)

Sheba Investments
Sheba Investment is a related party as the Chairman of the Company is a shareholder. The transaction during the year comprises services paid on behalf of the Company.

The Coca-Cola Bottling Company of Egypt – (CCBCE)
Coca-Cola Bottling Company of Egypt – (CCBCE) is a related party under common ownership with the Company. All transactions between both companies are based on previous agreements and the pricing for the sale of goods and reserves is arm's length based on normal trading rules, conditions and market prices.

Sanaa Beverages and Industrial Company Limited – (SBI)
Sanaa Beverages and Industrial Company Limited is a related party since it has common ownership with the Company. All transactions are based on previous agreements and the pricing for the sale of goods and services is arm's length based on normal trading rules, conditions and market prices.

Gulf Capital
Gulf Capital is a related party as it invests in Middle East Glass Manufacturing Company (S.A.E.) by 36%. Transactions during the year represent payments on behalf of the Group.

15. Cash and bank balances

	2018	2017
Current account at banks	45,780,473	43,118,439
Checks under collections	2,740,042	-
Cash on hand	698,343	2,253,403
Total	**49,218,858**	**45,371,842**
Cash from continuing operations	49,218,858	45,371,842
Cash from discontinued operations	-	7,618,820
Total	**49,218,858**	**52,990,662**

16. Provisions

	Employee redundancy Provision	Other provisions	2018	2017
Balance at beginning of the year	10,827,282	32,217,775	**43,045,057**	**47,700,396**
Additions during the year	-	2,681,978	**2,681,978**	**-**
Transfer to disposal group classified as held for sale	-	-	**-**	**(200,000)**
Utilised during the year	-	(14,262,797)	**(14,262,797)**	**(4,455,339)**
Balance at end of the year	**10,827,282**	**20,636,956**	**31,464,238**	**43,045,057**

Other provisions

Other provisions relate to claims expected to be made by an external parties in connection with the Group's operations. The information usually required by accounting standards is not disclosed because the management believes that to do so would seriously prejudice the outcome of the negotiations with those parties. These provisions are reviewed by management annually and the amount provided is adjusted based on latest developments, discussions and agreements with those external parties.

Employee redundancy provision

Employee redundancy provision has been formed against the expected termination cost of employees' contracts and are recognized in the period in which the Group becomes legally or constructively committed to pay such amounts, with proper communication to employees.

17. Bank borrowings and overdraft

	2018	2017
A. Borrowings - current portion		
Bank loans	303,501,784	249,773,186
Bank overdrafts	222,333,210	409,036,563
Total current portion	**525,834,994**	**658,809,749**
B. Borrowings non-current portion		
Bank loans	783,101,973	937,012,099
Total non-current portion	**783,101,973**	**937,012,099**
Total	**1,308,936,967**	**1,595,821,848**

Bank facilities extended to group companies are subject to security arrangements as follows:

- Key customers contracts.
- Restrictions over transfers of subsidiaries' shares owned by the Company.
- Commercial pledges over plant and machineries.
- Insurance and assets acquired in favor of the banks.
- Cross corporate guarantee.

The average interest rate on loans is 2.75% over the Central Bank of Egypt lending rate (the "corridor" rate) for loans in Egyptian pounds, 4.75% over Euribor for loans in Euro and 3.75% over 3 month Libor for loans denominated in US Dollars.

(In the notes all amounts are shown in Egyptian Pounds unless otherwise stated)

18. Trade and notes payables

	2018	2017
Trade payable	284,033,899	288,689,901
Notes payable	116,304,214	113,515,370
	400,338,113	**402,205,271**

19. Accrued expenses and other payables

	2018	2017
Accrued expenses	120,421,508	104,898,845
Advances from customers	63,254,135	27,181,262
Accrued interest expense	28,171,544	56,990,701
Other payables	18,290,426	20,033,215
Social insurance authority	1,355,534	1,146,475
	231,493,147	**210,250,498**

20. Due to tax authority

	2018	2017
Current income tax	80,187,083	11,288,031
Tax authority - VAT	11,929,069	11,721,202
Tax authority - salaries tax	8,514,848	3,878,887
Tax authority - withholding tax	5,476,384	1,018,719
Other taxes	5,433,174	5,096,514
	111,540,558	**33,003,353**

Movement in current income tax is as follows:

	2018	2017
Balance 1 January	11,288,031	-
Additions from continuing operations	4,584,023	11,288,031
Additions from discontinued operations	75,603,060	-
Payment	(11,288,031)	-
	80,187,083	**11,288,031**

(In the notes all amounts are shown in Egyptian Pounds unless otherwise stated)

21. Issued and paid up capital

The total number of authorized ordinary shares is 15 million shares with a par value of EGP10 per share. The issued and paid up capital is 5,032,258 shares with a par value of EGP 10 per share. All issued shares are fully paid.

On 26 January 2015, an Extraordinary General Assembly Meeting of Shareholders approved an increase of the issued share capital from EGP 40,000,000 (forty million Egyptian pounds) to EGP 50,322,580 (fifty million nine hundred twenty two thousand five hundred and eighty Egyptian Pounds) with an amount of EGP 10,322,580 (ten million three hundred twenty two thousand five hundred and eighty Egyptian Pounds) by issuing 1,032,258 new shares for subscription by the existing shareholders at a fair value of EGP 198.84 per share amounting to a total amount of EGP 205,254,181 (two hundred and five million two hundred fifty four thousand one hundred and eighty one Egyptian Pounds. The difference between the nominal value and fair value of the shares is recorded in reserves account. The increase was approved in the commercial register on 26 June 2015.

According to the Law No 159 for the year 1981 and its regulations, the total value of the premium issued for the capital increase has been included in the legal reserve after deducting issuance cost to reach what is equivalent to the half of the issued capital and the remaining balance has been included in share premium reserve as follows:

	2018
Share premium	194,931,601
Less: Issuance cost	(6,414,554)
Net share premium	**188,517,047**
Transferred to legal reserve	(16,299,885)
Transferred to share premium reserve	**172,217,162**

Other reserves

On 3 April 2014, the existing shareholders agreed to increase the paid up capital by approximately US $28.7 million which was equivalent to LE 205 million on that date. Subsequently on 10 May 2015, the existing shareholders subscribed in the capital increase with total value of LE 205 million equivalent to US $26.5 million at that date. On the subscription date, the shareholders agreed to pay the remaining amount of the capital increase included in the above mentioned agreement amounting to US $1.7 million (equivalent to LE 13,129,007) which is recorded under other reserves in the statement of owner's equity.

Payments under capital increase

According to the resolution of the Extra Ordinary General Assembly Meeting held on 2017, the shareholders decided to convert the shareholder loan amounted EGP 432,825,002 into share capital and accordingly, the balance has been recognized as payment under increase in capital in the statement of shareholders' equity till the finalization of legal requirements.

Share split:

On 14 September 2017, the Extraordinary General Assembly Meeting approved a ten-for-one share split of its ordinary share, accordingly the shares par value has become 1 EGP instead of EGP 10 per share before split and the number of issued shares became 50322580 instead of 5032258. The share split has been approved in the commercial register on 31 January 2018.Earning per share information have been retrospectively adjusted to reflect new number of shares and par value.

(In the notes all amounts are shown in Egyptian Pounds unless otherwise stated)

22. Legal reserve

In accordance with the Companies' law number 159 for year 1981, 5 % of the net profit for the year shall be transferred to the legal reserve account until it reaches 20% of paid up capital. This reserve is not available for distribution to shareholders.

23. Accumulated losses

	2018	2017
Balance at beginning of the year	(506,541,354)	(540,342,121)
Net profit for the year	238,056,312	44,547,058
Dividends distribution during the year	(9,848,354)	(10,746,291)
Premeasurement of retirement benefit obligations - actuarial gains	-	-
Balance at end of the year	**(278,333,396)**	**(506,541,354)**

24. Non-controlling interest

	2018	2017
Balance at beginning of the year	62,769,340	43,868,477
Net profit of the year	12,115,501	18,900,863
Non-controlling interest derecognized as a result of disposal of subsidiary	(74,884,841)	-
Balance at end of the year	**-**	**62,769,340**

25. Retirement benefits obligation

Defined benefit obligation

Employees of the Group are entitled upon their retirement, partial disability or to an end of service gratuity based on a defined benefit plan. The entitlement is based on the length of service and final remuneration package of the employee upon retirement. The defined benefit obligation is calculated using the projected additional unit method takes into consideration the principal actuarial assumptions as follows:

	2018	2017
Discount rate	15.25%	15.25%
Average salary increase rate	7%	7%
Life table	49 – 52	49-52

The amounts recognized at the statement of financial position date are determined as follows:

	2018	2017
Present value of obligation	10,014,978	7,017,888
Liabilities as per the statement of financial position	**10,014,978**	**7,017,888**

(In the notes all amounts are shown in Egyptian Pounds unless otherwise stated)

Retirement benefits obligation (continued)

Movement in the liability recognized in the statement of financial position:

	2018	2017
Balance at beginning of the year	**7,017,888**	**6,863,606**
Interest expense	1,070,230	1,216,050
Current service cost	3,219,890	684,027
Gain on settlement of retirement benefit obligation	(946,939)	-
Total amount recognised in profit or loss	**10,361,069**	**8,763,683**
Remeasurement		
Gains from change in financial assumptions	-	-
Total amount recognised in OCI	-	-
Benefit payments during the year	(346,091)	(1,745,795)
Balance at end of the year	**10,014,978**	**7,017,888**

26. Fair value measurement

The fair values of financial instruments are not materially different from their carrying values. The fair value of financial assets and liabilities are considered at the amount at which the instrument could be exchanged in a current transaction between willing parties. The following methods and assumptions were used to estimate the fair values:

- Bank balances and cash, trade receivables, other financial assets, due from related parties, trade and other payables and due to related parties approximate their carrying amounts, largely due to the short-term maturities of these instruments.

- Fair value of bank loans approximates fair value since they are variable interest bearing loans so the loans principal approximate fair value.

- The fair value of put and call options where determined using significant unobservable input within level 3 within the fair value hierarchy as follows:

  The fair value was determined using Black-Scholes-Merton options pricing model.

  Earning before interest, tax, depreciation and amortization "EBITDA"; this was determined in accordance with a projected business plan approved by management.

Maturity	7.7 years for the call option and 4.7 years for the put option
Volatility	Assumed to be 19.39% based on the EGX 30.
Risk free rate	Estimated to be 6.3% based on the yield of Egyptian Government Bonds maturing closest to the maturity date of the options.

(In the notes all amounts are shown in Egyptian Pounds unless otherwise stated)

Fair value measurement (continued)

Sensitivity of fair value to the changes in significant inputs:
If the risk free rate increase / decrease in by 1% with the rest of the inputs remaining constant, the fair value of the put option will decrease / increase by EGP 4.6 million and the fair value of the call option will decrease / increase by EGP 6 million.

If the volatility rate is increase/ decrease by 1% with the other inputs remaining constant, the fair value of the put option will decrease / increase by EGP 1.6 million and the fair value of the call option will decrease / increase by EGP 1.5 million.

If Earnings before interest, taxes, depreciation and amortization ("EBITDA") increase by 10% with the other inputs remaining constant, the fair value of the put option will increase by EGP 12.6 million and the fair value of the call option will decrease by EGP 8 million.

If Earnings before interest, taxes, depreciation and amortization ("EBITDA") decrease by 10% with other inputs remaining constant, the fair value of the put option will decrease by EGP 21 million and the fair value of the call option will increase by EGP 9.6 million.

27. Deferred tax liabilities

A. Recognized deferred tax asset (liability)

	Financial position		Statement of Profits or losses	
	2018	**2017**	**2018**	**2017**
Tax losses carried forward	-	5,302,107	(5,302,107)	(4,668,246)
Retirement benefits obligation	2,334,427	2,334,427	-	790,115
Employees redundancy provision	2,253,370	1,579,025	674,345	(891,094)
Depreciation of property, plant and equipment	(23,513,320)	(27,821,364)	4,308,045	7,754,491
Unrealized revaluation gain of investment	(34,940,349)	-	(34,940,349)	-
Acquired fixed assets revaluations	(28,291,430)	(34,920,743)	6,629,312	6,716,233
Unrealized foreign exchange losses	-	-	-	(420,805)
	(82,157,302)	**(53,526,548)**	**(28,630,754)**	**9,280,694**

The deferred tax expense is as follows:

	2018	**2017**
Deferred income tax from continuing operations (Note 32)	6,309,595	9,280,694
Deferred income tax from discontinued operations* (Note 34)	(34,940,349)	1,621,807
	(28,630,754)	**10,902,501**

* Deferred income tax includes applicable corporation tax on the unrealized revaluation gains of the retained investment in Medco Plast. Deferred income tax has been classified within the discontinued operations.

(In the notes all amounts are shown in Egyptian Pounds unless otherwise stated)

Deferred tax liabilities (continued)

B. Unrecognized deferred tax assets

Unrecognized deferred tax assets were not recorded due to the uncertainty of future benefit.

	2018	2017
Tax effect of impairment of trade and notes receivable	2,278,054	3,425,443
Tax effect on inventory provision	3,683,207	2,367,776
Tax effect on net fair value loss on derivative financial instruments	5,035,254	-
	10,996,515	**5,793,219**

28. Sales, net

	2018	2017
Local sales	744,699,180	522,215,357
Export sales	860,098,085	829,292,203
Sales returns	(3,227,545)	(2,290,469)
Total	**1,601,569,720**	**1,349,217,091**

29. Other operating expense

	2018	2017
Net fair value loss on derivative financial instruments (Note 8)	22,378,904	-
Other provisions	19,714,565	-
Other expense	8,553,237	3,604,082
Loss on sale of property, plant and equipment	3,123,152	-
Allowance for doubtful debts	-	581,515
	53,769,858	**4,185,597**

30. Other operating income

	2018	2017
Accrued export subsidy	78,653,881	64,614,973
Scrap sales	11,818,787	3,878,104
Other income	6,406,672	3,355,615
Gain on sale of property, plant and equipment	-	1,507,583
	96,879,340	**73,356,275**

(In the notes all amounts are shown in Egyptian Pounds unless otherwise stated)

31. Finance costs, net

	2018	2017
Interest income	59,100	437,635
Foreign currency exchange losses	(4,923,754)	(860,267)
Interest expense	(297,041,436)	(243,328,903)
	(301,906,090)	**(243,751,535)**

32. Income tax

	2018	2017
Current income tax	(4,584,023)	(14,250,001)
Deferred income tax (Note 26)	6,309,595	9,280,694
	1,725,572	**(4,969,307)**

33. (Loss) / Earnings per share

Basic earnings / (loss) per share is calculated by dividing the net profit / (loss) attributable to the shareholders of the parent company by the weighted average number of ordinary shares issued, after considering the proposed employees' profit share.

A. Earnings per share from continuing operations

	2018	2017
Net profit attributable to owners' equity*	(69,169,154)	9,405,079
Weighted average number of issued and paid shares	50322580	50322580
(loss)/earning per share	**(1.4)**	**0.19**

* After deduction of a proposed profit share distribution to employees amounting to EGP 8,000,000 approved by the board of directors on 30 September 2018 subject to the approval of the General Assembly Meeting of the subsidiary.

B. Earnings per share from discontinued operations

	2018	2017
Net profit attributable to owners' equity	299,225,466	28,351,295
Weighted average number of issued and paid shares	50322580	50322580
Earning per share	**5.9**	**0.57**

The diluted earnings per share is calculated by adjusting the weighted average number of ordinary shares outstanding assuming full conversion of all potential dilutive ordinary shares. As of 31 December 2018 and 31 December 2017, the parent company does not have potential diluted shares and therefore, diluted earnings per share is equal to basic loss per share.

(In the notes all amounts are shown in Egyptian Pounds unless otherwise stated)

34. Assets and liabilities of disposal group classified as held-for-sale and discontinued operations

In October 2017, the Board of Directors of the Company approved the sale of 74% of its 60% investment in "Medco Plast for Packing and Packaging System S.A.E." (Medco Plast).

On 13 November 2018, the transaction closed and the consideration for the sales shares representing 74% of its investments in Medco Plast amounted to EGP 505,847,342 of which EGP 101,169,486 was held in escrow account for completion price adjustment and potential warranty and tax claim in accordance with the terms of the sale and purchase agreement which is customary in sale transaction. The Company retains a non controlling interest of 15.6% in the issued capital of Medco Plast which is recognized as an investment in associate. The value of the investment in associate was measured at fair value at loss of control date.

(a) Assets of Medco Plast classified as held-for-sale as of 31 December:

	2018	2017
Fixed assets	-	240,260,545
Goodwill	-	36,034,167
Trade and other receivables	-	238,407,349
inventories	-	171,331,743
Due from related parties	-	182,741,547
Cash on hand and at bank	-	7,618,820
Total	**-**	**876,394,171**

(b) Liabilities of Medco Plast classified as held-for-sale

	2018	2017
Trade and other payables	-	93,231,423
Provisions	-	200,000
Deferred tax liabilities	-	20,518,034
Fixed assets creditors	-	30,097,980
Bank borrowings and overdrafts	-	540,389,282
Total	**-**	**684,436,719**

(c) The table below shows the results of the discontinued operations for the period from 1 January 2018 till 13 November 2018 (loss of control date) and for the year ended 31 December 2017

	2018	2017
Revenues	873,919,521	892,418,222
Other income	9,508,260	6,983,146
Expenses	(852,627,512)	(850,527,403)
Profit of discontinued operations	**30,800,269**	**48,873,965**
Income tax	(511,516)	(1,621,807)
Profit of discontinued operations after tax	**30,288,753**	**48,873,965**
Gain on sale of discontinued operations –net of tax (e)	281,052,214	-
Profit from discontinued operations	**311,340,967**	**47,252,158**

(In the notes all amounts are shown in Egyptian Pounds unless otherwise stated)

Assets and liabilities of disposal group classified as held-for-sale (continued)

(d) Cash flows from discontinued operations

	2018	2017
Cash flow from operating activities	(118,126,523)	(54,046,233)
Cash flows from investing activities (including proceeds from sale of discontinued)	359,602,540	(61,540,761)
Cash flows from financing activities	155,583,020	99,013,910
Total cash flows	**397,059,037**	**(16,573,084)**

(e) Gain on sale of discontinued operations represented as follows:

	2018
Sale consideration	505,847,343
Deduct: Amounts held in escrow	(101,169,486)
Cash received	**404,677,857**
Fair value of retained investment	155,290,438
Deduct: Carrying value of net assets	(148,361,362)
Gain on sale of discontinued operations before tax	**411,606,933**
Cost of disposal	(20,011,310)
Tax on gain on disposal of discontinued operations (f)	(110,543,409)
Gain on sale of subsidiary net of tax	**281,052,214**

Gain on sale of discontinued operations includes an amount of EGP 155,290,428 including the revaluation of the retained investment to fair value.

(f) Taxes on gain of on sale of discontinued operations:

	2018
Income tax	75,603,060
Deferred tax on the unrealised revaluation gain on investments (Note 27)	34,940,349
	110,543,409

(g) Proceeds from the sale of discontinued operations is as follows:

	2018
Cash received	404,677,857
Deduct: cash disposed of	(8,199,304)
Proceeds from sale of discontinued operations, net of cash disposed of – cash flow from investing activities	**396,478,553**

(In the notes all amounts are shown in Egyptian Pounds unless otherwise stated)

35. Cost of sales

	2018	2017
Raw materials and consumables used in production	414,241,538	346,915,863
Water and electricity expense	318,533,199	283,316,111
Salaries and fringe benefits	150,360,717	125,824,079
Depreciation and amortization	136,487,977	144,310,534
Maintenance expenses	36,940,215	27,710,396
Other expenses	11,452,270	14,099,012
Change in inventory	8,065,263	(61,958,742)
Vehicle and transportation	7,711,781	8,718,618
Rent expense	10,429,341	4,257,938
	1,094,222,301	**893,193,809**

36. Selling and marketing expenses

	2018	2017
Exports expenses	157,469,644	132,610,346
Salaries and fringe benefits	23,368,198	19,503,086
Rent expense	12,034,654	7,615,056
Advertisement and marketing	11,860,220	9,582,751
Vehicle and transportation	7,817,326	6,011,824
Other expenses	5,624,534	3,234,988
Depreciation and amortization	2,407,310	1,535,933
Water and electricity expense	1,507,239	1,221,779
	222,089,125	**181,315,763**

37. General and administrative expenses

	2018	2017
Depreciation and amortization	17,132,112	15,355,469
Maintenance expenses	2,080,058	3,421,961
Other expenses	6,506,085	6,573,107
Professional and consultancy fees	6,299,636	8,914,068
Rent expense	2,383,976	1,947,692
Salaries and fringe benefits	50,168,810	38,930,590
Vehicle and transportation	1,027,731	2,646,855
Water and electricity expense	1,619,925	1,171,850
	87,218,333	**78,961,592**

(In the notes all amounts are shown in Egyptian Pounds unless otherwise stated)

38. Financial instruments by category

Financial assets:

	Loans and receivables	
	2018	2017
Trade and notes receivables	288,403,810	277,921,766
Due from related parties	82,492,368	66,733,245
Other receivables	216,791,737	177,768,925
Derivative financial instruments	28,033,615	-
Cash and bank balances	49,218,858	45,371,842

Financial liabilities:

	Other financial liabilities	
	2018	2017
Borrowings	1,308,936,967	1,595,821,848
Trade and other payable	400,338,113	402,205,271
Accrued expenses and other payables	168,239,012	183,069,236
Derivative financial instruments	50,412,519	-

- Other receivables presented above excludes prepaid expenses and advances to suppliers.
- Accrued expenses and other payables presented above excludes advances from customers and social insurance authority.

39. Segment reporting

The segment in formation disclosed in the table above represents the segment information provided to the chief operating decision makers of the Group.

Management has determined the operating segments based on the information reviewed by the chief operating decision makers of the group for the purpose of allocating and assessing resources.

The chief operating decision makers consider the business from products perspective. Although Rusks, Wafer, and Candy do not meet the quantitative threshold required by EAS 41 for reportable segments, management has concluded that these segments should be reported as it is closely monitored by the chief operating decision makers as it is expected to materially contribute to the Group revenue in the future.

The chief operating decision makers assesses the performance of the operating segments based on their operating profit.

There were no inter-segment sales made during the year.

Finance income and finance cost are not allocated to segments, as this type of activity is driven by the central treasury function which manage the cash position of the group.

Operating profit exclude the effects of depreciation.

(In the notes all amounts are shown in Egyptian Pounds unless otherwise stated)

Segment reporting (continued)

The operating segments are based on reports reviewed by the management of the group, who treat the business from prospective of two segments (Glass and Plastic).

	Glass segment		Plastic segment		Total	
	2018	2017	2018	2017	2018	2017
Operating results						
Net revenue	1,601,569,720	1,349,217,091	873,919,521	892,418,222	**2,475,489,241**	**2,241,635,312**
Segment gross profit	**507,347,419**	**456,023,282**	**152,608,390**	**164,318,166**	**659,955,809**	**620,341,448**
Operating profit	241,149,443	264,916,605	116,738,412	121,516,361	**357,887,855**	**386,432,966**
Interest income	59,100	437,635	-	-	**59,100**	**437,635**
Finance cost	(297,041,436)	(243,328,903)	(85,370,014)	(74,373,512)	**(382,411,450)**	**(317,702,415)**
Foreign exchange (loss) gain	(4,923,754)	(860,267)	(568,129)	1,731,116	**(5,491,883)**	**870,849**
Income tax	(1,725,572)	(4,969,307)	(511,516)	(1,621,807)	**(2,237,088)**	**(6,591,114)**
Net (loss) profit for the year	(61,169,154)	16,195,763	30,288,753	47,252,158	**(30,880,401)**	**63,447,921**
Gain on sale of discontinued operations –net of tax	281,052,214	-	-	-	**281,052,214**	-
Net profit including Gain on sale of discontinued operations	219,883,060	16,195,763	30,288,753	47,252,158	**250,171,813**	**63,447,921**
Other information						
Segment assets	2,644,825,355	2,415,708,925	-	876,394,171	**2,644,825,355**	**3,292,103,096**
Segment liabilities	2,229,503,740	2,357,783,380	-	684,436,719	**2,229,503,740**	**3,042,220,099**
Depreciation and amortization	156,027,460	161,201,936	-	22,875,811	**156,027,461**	**184,077,747**

40. Contingencies

The Group had contingent liabilities in respect of letters of guarantees arising in the ordinary course of business from which it is anticipated that no material liabilities will arise to third parties amounting to LE 642,281 as of 31 December 2018 (2017: LE 62,397,580).

41. Tax position

Due to the nature of the tax assessment process in Egypt, the final outcome of the assessment by the Tax Authority might not be realistically estimated. Therefore, additional liabilities are contingent upon the tax inspection and assessment of the Tax Authority. A summary of the tax status of the group to 31 December 2017 is set below:

(1) Middle East Glass Manufacturing Company

A. Corporate income tax

Income tax inspections have been completed with the Egyptian Tax Authority up to the year 2008 and CIT was paid and settled .

Years from 2009 to 31 December 2017

- Years from 2009 until 2014 an estimated inspection has been done, and the Company appealed in legal date.
- For the years 2015 and 2017, the Company is not yet been inspected. But has lodged tax returns on the due date.

B. Sales tax and value added tax

From the beginning of operations until 31 December 2011

- The Tax Authority has inspected the company's records and all sales tax liabilities were paid.

Years from 2012 until 2013

- The Tax Authority has inspected the Company's records, and the Company paid all liabilities due.

Years from 2014 till 2015

- The Company has been inspected and the inspection assessment amounted to LE 497,354, and it was appealed.
- The dispute was resolved and resulted in a claim amounting to EGP 342,315. A payment amounting to EGP 358,291 was made.

Years 2017 and 2018

- The Company has not been inspected yet.

C. Salaries tax

The Company records were inspected and settled from inception to 1998.

Years from 1999 to 2004

The internal committee has finalized the years from 1999 to 2004 and the Company was reassessed for an amount of LE 1,114,590 which was further appealed. A penalty was advised for LE 622,500 plus a development charge of LE 111,430. And an amount of LE 770,181 has been paid in full settlement.

Tax position (continued)

Years from 2005 to 2012

- The Company was inspected and an additional assessment was issued for LE 9,215,217.
- The inspection outcome on the legal due date.
- The internal committee has been finalized and original tax has been paid in addition to the delay penalty.

Years from 2013 to 2017

- The Company is currently preparing for tax inspection for the years 2013 till 2017.
- The company has submitted tax returns on the legal due time.
- The Company's records have not been inspected for the years 2017 and 2018.

D. Stamp duty tax

- The inspections were complete and settled till 31 December 2015.
- Inspection for the year 2016 was completed and an amount of EGP 7,602 was paid.
- The Company's records have not been inspected for the years 2017 and 2018.

E. Real Estate tax

Period from 1 July 2013 till 31 December 2017

- The Company has imposed an amount of LE 2,251,391 and it has paid an amount of LE 1,917,845 and the remaining amount is LE 333,546 was paid.
- The Company has imposed an amount of LE 1,934,573 for the years 2016 and 2017 and was settled.
- The Company has imposed an amount of LE 1,967,290 for the year 2018 and was agreed to pay monthly payments starting from January 2018 and the full amount was settled.

(2) Middle East Glass for Containers Sadat (Wadi Glass Containers Company S.A.E. previously)

a. Corporate tax

- The Company is exempted to 2017.
- Years 2009 to 2012, the Company has estimated inspection and the Company appealed on the legal date.
- The Company submitted the tax return on its legal dates to 2017.

b. Salary tax

- The Company's records were inspected to the year 2013.
- The Company's records have not been inspected for the years 2014 to 2018.

c. Sales tax and value added tax

- The Company's records were inspected to the year 2016.
- The Company's records have not been inspected for the years 2017 to 2018.

d. Stamp tax

- The Company's records were inspected to the year 2013.
- The Company's records have not been inspected for the years 2014 to 2018.

e. Real Estate tax

- The amount of 722,230 LE was settled for the period from 1/7/2013 to 31/12/2017.
- The amount of 160,606 LE has been assessed and paid for the year 2018, The Company has settled the full amount. The amount of LE 676,698 has been settled for the year 2018.

Tax position (continued)

(3) Misr Company for Glass Manufacturing

a. Corporate tax

- The Company was exempt from corporate tax until 31 December 2009 and there are no other tax due on the Company and the years 2010 till 2014 has estimated inspection and the company appeal
- The corporate tax return are submitted regularly on the legal dates according to the law until the year of 2017.

b. Sales & Value Added tax

- The company has been inspected for the period from inception until 31 December 2014 and the due amount was paid, regarding 2015-2016 the company has been inspected and the tax form was received. Sales tax returns are submitted regularly on the legal dates and there is no tax due.

c. Salary tax

- Examined and paid until 31 December 2014. The Company pays salary taxes monthly.
- For the years 2015 – 2016 inspected and received the forms.

d. Stamp tax

- The Company records were inspected the years to 2014 and payments was made.
- Regarding 2015-2016 no tax inspection has been made to date.

e. Real Estate tax

- Inspection and payment was done until 31 December 2018.

42. Commitments

A) Operating lease commitments

	Instalment amount (Monthly)	Leasing amount	Lease year in months	Productive years
Equipment	89,988	4,237,080	48	4

B) Capital commitments

At 31 December 2018, the Group has capital commitments amounting to EGP 8,315,546 (2017: EGP 8,315,546) for buildings and machineries.

The company entered a lease contracts with a third party to obtain an asset, where the total contract value is amounted to EGP 124,293,180 The company has paid an advance amounted to 12,003,121 and the future lease commitment amounted to EGP 112,290,059. The lease terms are five years. And the lease agreements are renewable at the end of the lease period.

The total payments of future non-cancellable financial leases are as follows:

	2018
Less than one year	45,538,180
over 1 year and less than 5 years	66,751,879
	112,290,059

43. Non-cash transactions

For the cash flow statement preparation purposes, the group posted non-cash transaction which is not presented in the statement of cash flows. As follows:

	2018
Employee profit share deducted from amounts paid under dividends distribution was included on other receivable	9,848,354

44. Subsequent events

On 31 March 2019, the Company signed a financing contract with the International Finance Corporation (IFC) to provide the Company with medium term finance amounting to US $100 million to refinance local bank debt denominated in EGP and to support the Company's capital expenditure program.

MIDDLE EAST GLASS MANUFACTURING COMPANY (S.A.E.)

Consolidated statement of financial position - As at 31 December 2018

(All amounts in Egyptian Pounds)

	Notes	2018	2017
Non-current assets			
Property, plant and equipment	5	1,072,396,788	1,129,501,769
Intangible assets	6	289,864,347	302,423,109
Investment in associates	7	153,152,360	-
Derivative financial insturments	8	28,033,615	-
Total non-current assets		**1,543,447,110**	**1,431,924,878**
Current assets			
Inventory	9	326,036,727	346,364,003
Trade and notes receivables	10	288,403,810	277,921,766
Prepaid expenses and other receivables	11	309,095,862	217,118,616
Due from tax authority	12	46,130,620	28,292,414
Non-current assets held for sale	13	-	1,982,161
Due from related parties	14	82,492,368	66,733,245
Cash and bank balances	15	49,218,858	45,371,842
Total current assets		**1,101,378,245**	**983,784,047**
Assets of disposal group classified as held for sale	34/A	-	876,394,171
Total assets		**2,644,825,355**	**3,292,103,096**
Owners' equity			
Issued and paid up capital	21	50,322,580	50,322,580
Legal reserve	22	25,161,260	25,161,260
Share premium reserve	21	172,217,162	172,217,162
Other reserves	21	13,129,007	13,129,007
Payments under capital increase	21	432,825,002	432,825,002
Accumulated losses	23	(278,333,396)	(506,541,354)
Total owners' equity		**415,321,615**	**187,113,657**
Non-controlling interest	24	-	62,769,340
Total equity		**415,321,615**	**249,882,997**
Non-current liabilities			
Long-term loans	17/B	783,101,973	937,012,099
Retirement benefits obligations	25	10,014,978	7,017,888
Deferred tax liabilities	27	82,157,302	53,526,548
Long term notes payable		2,390,918	12,912,917
Derivative financial insturments	8	50,412,519	-
Total non-current liabilities		**928,077,690**	**1,010,469,452**
Current liabilities			
Provisions	16	31,464,238	43,045,057
Current portion of long-term loans	17/A	303,501,784	249,773,186
Bank overdrafts	17/A	222,333,210	409,036,563
Trade and notes payables	18	400,338,113	402,205,271
Accrued expenses and other payables	19	231,493,147	210,250,498
Due to tax authority	20	111,540,558	33,003,353
Due to related parties	14	755,000	-
Total current liabilities		**1,301,426,050**	**1,347,313,928**
Liabilities directly associated with disposal group classified as held for sale	34/B	-	684,436,719
Total owners' equity and liabilities		**2,644,825,355**	**3,292,103,096**

The accompanying notes on pages 8 - 59 form an integral part of these consolidated financial statements.
Auditor's report attached

Mr. Mohamed Khalifa **Chief Financial Officer**	**Mr. Peter Carpenter** **Board Member**	**Mr. Abdul Galil Besher** **Chairman**

June 2019

MIDDLE EAST GLASS MANUFACTURING COMPANY (S.A.E.)

Consolidated statement of profits or losses - For the year ended 31 December 2018

(All amounts in Egyptian Pounds)

	Notes	2018	2017
Sales, net	28	1,601,569,720	1,349,217,091
Cost of sales	35	(1,094,222,301)	(893,193,809)
Gross profit		**507,347,419**	**456,023,282**
Selling and marketing expenses	36	(222,089,125)	(181,315,763)
General and administrative expenses	37	(87,218,333)	(78,961,592)
Other operating expense	29	(53,769,858)	(4,185,597)
Other operating income	30	96,879,340	73,356,275
Profit from operations		**241,149,443**	**264,916,605**
Share of net loss of associate accounted for using the equity method	7	(2,138,079)	-
Finance costs, net	31	(301,906,090)	(243,751,535)
(Loss) / profit before tax		**(62,894,726)**	**21,165,070**
Income tax	32	1,725,572	(4,969,307)
Net (loss) / profit from continuing operations		**(61,169,154)**	**16,195,763**
Net profit for the year from discontinued operations (net of tax)	34/C	311,340,967	47,252,158
Net profit for the year		**250,171,813**	**63,447,921**
Net profit for the year from discontinued operations (net of tax) is attributable to :			
Owners' equity		299,225,466	28,351,295
Non-controlling interest		12,115,501	18,900,863
		311,340,967	**47,252,158**
Net profit for the year is attributable to :			
Owners equity		238,056,312	44,547,058
Non-controlling interest		12,115,501	18,900,863
		250,171,813	**63,447,921**
(Loss) / Earnings per share (Basic / Diluted) from continuing and discontinued operations:			
Earnings per share from continuing operations	33.A	(1.4)	0.19
Earnings per share from discontinued operations	33.B	5.9	0.56
Total earnings per share		**4.5**	**0.76**

The accompanying notes on pages 8 - 59 form an integral part of these consolidated financial statements.

MIDDLE EAST GLASS MANUFACTURING COMPANY (S.A.E.)

Consolidated statement of comprehensive income - For the year ended 31 December 2018

(All amounts in Egyptian Pounds)

	Note	2018	2017
Net profit for the year		250,171,813	63,447,921
Other comprehensive income		-	-
Total comprehensive income		**250,171,813**	**63,447,921**
Total comprehensive income for the year is attributable to :			
Owners' equity		238,056,312	44,547,058
Non-controlling interest		12,115,501	18,900,863
		250,171,813	**63,447,921**
Total comprehensive income attributable to owners' equity arises from:			
Continuing operations		(61,169,154)	16,195,763
Discontinued operations		299,225,466	28,351,295
		238,056,312	**44,547,058**

The accompanying notes on pages 8 - 59 form an integral part of these consolidated financial statements.

MIDDLE EAST GLASS MANUFACTURING COMPANY (S.A.E.)

Consolidated statement of changes in equity - For the year ended 31 December 2018

(All amounts in Egyptian Pounds)

	Issued and paid up capital	Legal reserve	Share premium reserve	Other reserve	Payment under capital increase	Accumulated losses	Total owners' equity	Non-controlling interest	Total equity
Balance at 1 January 2017	50,322,580	25,161,260	172,217,162	13,129,007	-	(540,342,121)	(279,512,112)	43,868,477	(235,643,635)
Payment under capital increase	-	-	-	-	432,825,002	-	432,825,002	-	432,825,002
Total comprehensive income for the year	-	-	-	-	-	44,547,058	44,547,058	18,900,863	63,447,921
Dividend distribution	-	-	-	-	-	(10,746,291)	(10,746,291)	-	(10,746,291)
Balance at 31 December 2017	50,322,580	25,161,260	172,217,162	13,129,007	432,825,002	(506,541,354)	187,113,657	62,769,340	249,882,997
Balance at 1 January 2018	50,322,580	25,161,260	172,217,162	13,129,007	432,825,002	(506,541,354)	187,113,657	62,769,340	249,882,997
Total comprehensive income for the year	-	-	-	-	-	238,056,312	238,056,312	12,115,501	250,171,813
Dividends distribution	-	-	-	-	-	(9,848,354)	(9,848,354)	-	(9,848,354)
Derecognized on disposal of subsidiary due to loss of control	-	-	-	-	-	-	-	(74,884,841)	(74,884,841)
Balance at 31 December 2018	50,322,580	25,161,260	172,217,162	13,129,007	432,825,002	(278,333,396)	415,321,615	-	415,321,615

The accompanying notes on pages 8 - 59 form an integral part of these consolidated financial statements.

MIDDLE EAST GLASS MANUFACTURING COMPANY (S.A.E.)

Consolidated statement of cash flows - For the year ended 31 December 2018

(All amounts in Egyptian Pounds)

	Note	2018	2017
Cash flows from operating activities			
Profit for the year before tax		328,700,881	21,165,070
Adjusted by:			
Finance cost	31	297,041,436	243,328,903
Interest income	31	(59,100)	(437,635)
Depreciation and amortization	6 - 5	156,027,460	161,201,936
Fair value loss on derivative financial instruments	29	22,378,904	-
Loss/(Gain) on sale of property and equipment	29/30	3,123,152	(1,507,583)
Provisions formed		17,086,290	581,515
Gains on disposal of subsidiary	34	(411,606,933)	-
Share of loss in associate using equity method	7	2,138,079	-
Gain on settlement of retirement benefit obligation	25	(946,939)	-
Retirement benefit obligations provision	25	4,290,120	1,900,077
Unrealised foreign exchange loss		13,428,191	(23,441,597)
Operating profit before changes in working capital		**431,601,541**	**402,790,686**
Inventory	9	9,774,294	(61,982,762)
Trade and notes receivables	10	(14,333,374)	(63,913,688)
Prepaid expenses and other receivables	11	(101,825,600)	(124,341,558)
Due from tax authority	12	(17,838,206)	(11,582,049)
Due from related parties	14	(15,759,123)	(43,688,623)
Trade and notes payables	18	(1,867,158)	186,049,857
Accrued expenses and other payables	19	50,061,806	42,579,530
Due to tax authority	20	9,639,004	28,638,118
Due to related parties	14	755,000	(3,220,031)
Provisions used	16	(14,262,797)	(4,455,339)
Payment of employees retirement benefits	25	(346,091)	(1,745,795)
Cash inflow from operations		**335,599,296**	**345,128,346**
Interest paid		(325,860,593)	(192,871,115)
Income tax paid		(11,288,031)	(2,961,970)
Cash inflow from operating activities from continuing operations		**(1,549,328)**	**149,295,261**
Cash outflow from operating activities from discontinued operations		**(118,126,523)**	**(54,046,233)**
Net cash (outflow) inflow from operating activities		**(119,675,851)**	**95,249,028**
Cash flows from investing activities			
Purchase of property, plant and equipment	5	(85,904,349)	(85,446,807)
Capitalised borrowing cost	5	-	(6,170,460)
Proceeds from sale of property, plant and equipment		1,393,262	2,416,161
Purchase of intangible assets	6	(2,993,619)	(1,666,995)
Proceeds from disposal of subsidiary, net of cash disposed	34	396,478,553	
Interest income received	31	59,100	437,635
Cash inflow (outflow) from investing activities from continuing operations		**309,032,947**	**(90,430,466)**
Cash outflow from investing activities from discontinued operations		**(36,876,013)**	**(61,540,761)**
Net cash inflow (outflow) from investing activities		**272,156,934**	**(151,971,227)**
Cash flows from financing activities			
Fixed assets creditors		-	(25,720)
Bank overdrafts	17	(186,703,353)	(9,915,309)
Repayments of borrowings	17	(119,291,175)	(27,414,557)
Loans proceeds	17	4,680,620	(19,825,038)
Payments of long-term notes payable		(10,521,999)	-
Cash outflow from financing activities from continuing operations		**(311,835,907)**	**(57,180,624)**
Cash inflow from financing activities from discontinued operations		**155,583,020**	**99,013,910**
Net cash (outflow) inflow from financicing activities		**(156,252,887)**	**41,833,286**
Decrease in cash and bank balances		**(3,771,804)**	**(14,888,913)**
Cash and banks balances at beginning of the year		52,990,662	67,879,575
Cash and bank balances at end of the year	15	**49,218,858**	**52,990,662**

The accompanying notes on pages 8 - 59 form an integral part of these consolidated financial statements.