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

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

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

Separate 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 separate financial statements

We have audited the accompanying separate financial statements of Middle East Glass Manufacturing Company (S.A.E.) which comprise the separate statement of financial position as of 31 December 2018 and the separate 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 separate financial statements

These separate financial statements are the responsibility of the Company's management. Management is responsible for the preparation and fair presentation of these separate 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 these separate 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 separate 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 separate financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the separate financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the separate 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 separate 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 separate 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 separate financial statements.

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To the shareholders of Middle East Glass Manufacturing Company (S.A.E.)
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Opinion

In our opinion, the separate 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.

Report on other legal and regulatory requirements

The Company maintains proper financial records, which includes all that is required by the law and the Company's statutes, and the accompanying financial statements are in agreement therewith. Also the Company applies a costing system that meets its designated purpose, and the inventory counts were taken by the management in accordance with proper principles.

The financial information included in the Board of Directors' report is prepared in accordance with law No. 159 of 1981 and its executive regulations, is in agreement with Company's accounting records, within the limits that such information recorded therein.

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

18 June 2019
Cairo

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

Separate statement of financial position - At 31 December 2018

(All amounts in Egyptian Pounds)

	Note	2018	2017
Non-current assets			
Property, plant and equipment	5	100,863,383	120,094,846
Intangible assets	6	3,135,866	5,606,253
Investment in subsidiaries	7	631,882,817	198,907,815
Deferred tax assets	25	-	139,856
Investment in associate	8	155,290,438	-
Derivative financial instruments	9	28,033,615	-
Total non-current assets		**919,206,119**	**324,748,770**
Current assets			
Inventories	10	114,968,741	146,328,798
Trade receivables	11	92,587,490	34,214,629
Prepaid expenses and other receivables	12	93,774,089	47,412,079
Due from tax authority	13	7,826,899	12,379,879
Due from related parties	14	429,558,990	685,263,774
Cash at banks and on hand	15	23,035,945	18,926,848
Assets classified as held-for-sale	16	-	64,870,663
Total current assets		**761,752,154**	**1,009,396,670**
Total assets		**1,680,958,273**	**1,334,145,440**
Owners' equity			
Issued and paid up capital	23	50,322,580	50,322,580
Share premium reserve	23	172,217,162	172,217,162
Other reserves	23	13,129,007	13,129,007
Legal reserve	24	25,161,260	25,161,260
Payments under increase in capital	23	432,825,002	432,825,002
Retained earnings		344,969,306	10,602,100
Total owners' equity		**1,038,624,317**	**704,257,111**
Non-current liabilities			
Bank borrowings	18	145,938,371	198,493,971
Retirement benefits obligations	25	7,386,696	7,017,888
Deferred tax liability	26	36,820,274	-
Derivative financial instruments	9	50,412,519	-
Total non-current liabilities		**240,557,860**	**205,511,859**
Current liabilities			
Provisions	17	10,166,924	16,108,451
Bank borrowings	18	72,480,000	45,955,600
Bank overdrafts	19	61,015,157	125,523,436
Trade and notes payables	20	88,082,596	132,967,951
Accrued expenses and other payables	21	77,090,453	52,116,702
Due to related parties	14	755,000	36,472,610
Due to tax authority	22	92,185,966	15,231,720
Total current liabilities		**401,776,096**	**424,376,470**
Total owner's equity and liabilities		**1,680,958,273**	**1,334,145,440**

The accompanying notes on pages 8 - 47 form an integral part of these separate financial statements.

Auditor's report attached

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

17June. 2019

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

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

(All amounts in Egyptian Pounds)

	Notes	2018	2017
Sales	27	727,657,515	427,786,009
Cost of sales	33	(581,473,049)	(304,174,025)
Gross profit		**146,184,466**	**123,611,984**
Selling and marketing expenses	34	(32,101,218)	(29,788,184)
General and administrative expenses	35	(34,517,134)	(35,410,218)
Other operating expense	28	(58,231,263)	-
Other operating income	29	14,733,399	10,293,623
Gain from sale of a subsidiary	30	356,024,860	-
Gain on revaluation of related investment	30	139,072,772	-
Profit from operations		**531,165,882**	**68,707,205**
Finance costs, net	31	(84,228,890)	(67,806,135)
Profit for the year before tax		**446,936,992**	**901,070**
Income tax	32	(109,569,277)	(1,385,459)
Net profit / (loss) for the year		**337,367,715**	**(484,389)**
Profit / (loss) per share (basic / diluted)	36	**6.5**	**(0.01)**

The accompanying notes on pages 8 - 47 form an integral part of these separate financial statements.

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

(All amounts in Egyptian Pounds)

	2018	2017
Net profit / (loss) for the year	337,367,715	(484,389)
Total comprehensive income / (loss) for the year	**337,367,715**	**(484,389)**

The accompanying notes on pages 8 - 47 form an integral part of these separate financial statements.

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

Separate statement of changes in owners' equity - For the year ended 31 December 2018

(All amounts in Egyptian Pounds)

	Issued and paid up capital	Payment under increase in capital	Share premium reserve	Other reserve	Legal reserve	Retained earnings	Total
Balance at 31 December 2016 and 1 January 2017	**50,322,580**	-	**172,217,162**	**13,129,007**	**25,161,260**	**21,832,781**	**282,662,790**
Total comprehensive loss for the year	-	-	-	-	-	(484,389)	**(484,389)**
Dividends distribution	-	-	-	-	-	(10,746,292)	**(10,746,292)**
Transaction with shareholders in their capacity as owners:							
Payment under increase in capital from shareholders	-	432,825,002	-	-	-	-	**432,825,002**
Balance at 31 December 2017	**50,322,580**	**432,825,002**	**172,217,162**	**13,129,007**	**25,161,260**	**10,602,100**	**704,257,111**
Balance at 31 December 2017 and 1 January 2018	**50,322,580**	**432,825,002**	**172,217,162**	**13,129,007**	**25,161,260**	**10,602,100**	**704,257,111**
Total comprehensive income for the year	-	-	-	-	-	337,367,715	**337,367,715**
Dividends distribution	-	-	-	-	-	(3,000,509)	**(3,000,509)**
Balance at 31 December 2018	**50,322,580**	**432,825,002**	**172,217,162**	**13,129,007**	**25,161,260**	**344,969,306**	**1,038,624,317**

The accompanying notes on pages 8 - 47 form an integral part of these separate financial statements.

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

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

(All amounts in Egyptian Pounds)

	Note	2018	2017
Cash flows from operating activities			
Net profit for the year before tax		446,936,992	901,070
Adjusted by:			
Depreciation	5	34,118,957	37,689,725
Amortization	6	1,225,825	735,042
Net fair value loss on derivative financial instruments	9	22,378,904	-
Loss / (Gain) on sale of property, plant and equipment	28/29	3,217,601	(358,133)
Gain on sale of a subsidiary	30	(495,097,632)	-
Retirement benefits provision	25	1,661,836	1,900,077
Provisions	28	11,485,812	-
Interest expenses	31	85,785,897	62,697,689
Gain on settlement of retirement employee benefits	25	(946,939)	-
Unrealized foreign currency		(431,200)	1,278,885
Cash flow from operating activities before changes in working capital		**110,336,053**	**104,844,355**
Changes in working capital			
Inventories	10	20,807,075	(37,460,546)
Trade and notes receivables	11	(58,372,861)	(17,980,916)
Prepaid expenses and other receivables	12	(49,362,519)	(19,610,361)
Due from tax authority	13	4,552,980	(6,441,313)
Due from related parties	14	(175,785,737)	(44,281,731)
Trade and notes payables	20	(44,885,355)	87,644,820
Accrued expenses and other payables	21	35,961,186	10,790,804
Due to tax authority	22	4,345,099	9,720,989
Due to related parties	14	(35,717,610)	4,902,137
Provisions used	17	(6,874,357)	(2,826,477)
Payment of retirement employee benefits	25	(346,089)	(1,745,795)
Cash (outflow) / inflow from operating activities		**(195,342,135)**	**87,555,966**
Interest paid		(96,773,332)	(49,671,144)
Net cash (outflow) / inflow from operating activities		**(292,115,467)**	**37,884,822**
Cash flows from investing activities			
Purchase of property, plant and equipment	5	(19,244,199)	(25,213,430)
Proceeds from sale of property, plant and equipment	5	1,139,105	403,182
Purchase of intangible assets	6	(239,920)	(1,613,631)
Proceeds from sale of a subsidiary	16	404,677,857	-
Net cash inflow / (outflow) from investing activities		**386,332,843**	**(26,423,879)**
Cash flows from financing activities			
Repayments of bank borrowings	18	(25,600,000)	(2,694,075)
Bank overdrafts	19	(64,508,279)	(11,921,762)
Net cash outflow from financing activities		**(90,108,279)**	**(14,615,837)**
Net increase (decrease) in cash and cash equivalents		**4,109,097**	**(3,154,894)**
Cash and cash equivalents at beginning of the year		18,926,848	22,081,742
Cash and cash equivalents at end of the year	15	23,035,945	18,926,848

the non cash transaction are disclosed in Note 38.

The accompanying notes on pages 8 - 47 form an integral part of these separate financial statements.

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.

The company's principal activities are the manufacture, sale and export of glass containers used for the packaging of food and beverages. The company has manufacturing operations in the Arab Republic of Egypt.

The parent of the company is MENA Glass Holdings Limited.

On 9 July 2018, Mac Investments S.A.E. formerly "the Parent Company with 51.4% ownership" sold 100% of its shares in the Company to MENA Glass Holdings Limited and accordingly, is the parent of the Company.

These separate financial statements have been approved for issuance by the Chairman of the Company on 17 June 2019.

2. Accounting policies

The principal accounting policies adopted in the preparation of this separate financial statements which applied consistently on the years presented unless otherwise stated are set out below:

A. Basis of preparation of the separate financial statements

These separate financial statements have been prepared in accordance with Egyptian Accounting Standards (EAS) and the relevant laws, and 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 obligation.

The Company 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 the normal course of operations;
* 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 the normal course of operation;
* 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 Company classifies all other liabilities as non-current. Deferred tax assets and liabilities are classified as non-current.

Basis of preparation of the separate financial statements (continued)

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

Users of these separate financial statements should read them together with the Group's consolidated financial statements as of and for the year ended 31 December 2018 in order to obtain full information on the financial position, results of operations, its cash flows and changes in equity of the Group as a whole.

EAS require 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 accounting 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. Foreign currency transaction

(1) Functional and presentation currency

The financial statements of the Company are measured and presented using the currency of the primary economic environment in which the Company operates ('the functional currency'). The separate financial statements are presented in Egyptian Pounds, which is the Company's functional and presentation currency.

(2) Transactions and balances

Transactions made in foreign currency during the year are initially recognised in the functional currency of the Company 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 year. 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 Company in the profit and loss in the year 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 gains 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 Company applies the cost model at measurement of fixed assets, and the fixed assets are recognised on their costs net of the accumulated depreciation and accumulated impairment losses. The cost of fixed asset includes any costs directly associated with bringing the asset to a working condition for its use intended by the management of the Company.

The Company 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 Company and the cost of the item can be measured reliably. The Company 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 Company 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.

Property plant and equipment (continued)

Below are the estimated useful lives of each type of the assets' Company:

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

The Company 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 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. Investment in subsidiaries

Investments in subsidiaries is accounted for using the cost method. Investment in subsidiaries in the separate financial statements is stated at cost. The Cost method require recognition of investment at cost and recording of investment income to the extent of dividends distribution received from investee. The subsidiaries is entities controlled by the Company, a subsidiary is consolidated when the Company is exposed, or has rights, to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee,

F. Investment in associates

Associate companies are all entities that are subject to significant influences by an investor. These investments are recognized in the financial statements by the cost method. The significant influence is the ability to participate in making decisions related to operational and financial policies of investee but does not reach to the control or joint control over those policies.

G. Intangible assets

1. **Computer software**
   Separately acquired software licences are shown at cost less the accumulated amortization and the accumulated impairment losses. The Company 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.

Intangible assets (continued)

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

   The knowhow provided by Techpack Solutions Company Limited (Korea) under a Technical Services Agreement concluded with the Company mainly comprises fees for technical assistance services provided to the Company.

   Technical assistance costs are stated at cost less accumulated amortization.

H. Inventories

Inventories are measured at the lower of cost and net realisable value. Cost is determined using weighted average method. The cost of finished goods and work in progress comprises costs of purchase, costs of conversion and other costs (based on normal operating capacity), incurred by the Company in bringing the inventories to their present location and condition, and excludes borrowing costs. Net realisable value is the estimated selling price in the ordinary course of business less the estimated costs of completion and any other costs necessary to complete the sale. The amount of any write-down of inventories to net realisable value and all losses of inventories shall be recognised as an expense in the year the write-down or loss occurs

I. Financial assets

(1) Classification
The Company classifies its financial assets as financial assets at fair value through profits or losses 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 year. The Company's loans and receivables comprise 'trade and other receivables' and 'cash and cash equivalents' in the statement of financial position.

(2) Initial recognition and measurement
A financial asset is recognised when the Company 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.

Financial assets (continued)

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

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

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 the available for sale financial assets which, 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.

J. Offsetting financial assets and liabilities

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 Company 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 Company's normal practices and requirements of financial requirements and other conditions related to the considerations of the risk and timing of the Company's cash flows.

K. Impairment of financial assets

Financial assets carried at amortised cost
The Company 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 Company's assets.

Impairment of financial assets (continued)

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 Company 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 separate statement of profit or loss.

L. Impairment of non-financial assets

The Company assesses, at each reporting date, whether there is an indication that an asset may be impaired. If any indication exists, or when annual impairment testing for an asset is required, the Company estimates the asset's recoverable amount. An asset's recoverable amount is the higher of an asset's or CGUs fair value less costs to sell and its value in use. Recoverable amount is determined for an individual asset, unless the asset does not generate cash inflows that are largely independent of those from other assets or groups of assets. When the carrying amount of an asset or CGU exceeds its recoverable amount, the asset is considered impaired and is written down to its recoverable amount.

In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. In determining fair value less costs to sell, recent market transactions are taken into account. If no such transactions can be identified, an appropriate valuation model is used. These calculations are corroborated by valuation multiples, quoted share prices for publicly traded companies or other available fair value indicators.

The Company bases its impairment calculation on detailed budgets and forecast calculations, which are prepared separately for each of the Company's CGUs to which the individual assets are allocated. These budgets and forecast calculations generally cover a period of one to five years. For longer periods, a long-term growth rate is calculated and applied to project future cash flows after the fifth year.

Impairment losses are recognized in the separate statement of profit or loss in expense categories consistent with the function of the impaired asset.

M. Trade receivables

Trade receivables are amounts due from the Company's customers for merchandise sold or services performed in the Company's ordinary course of business. If collection is expected within 12 months from the date of the financial statements or in the Company'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. Assets held-for-sale

The Company classifies the non-current asset as held-for-sale if their carrying amount will be recovered principally through a sale transaction rather than through continuing use. The asset should be available for immediate sale in its condition without any conditions except the conventional and usual conditions for such assets, and sale is considered highly probable. The Company measures the non-current asset, which is classified as assets held for sale on the basis of the lower of carrying amount and fair value less costs to sell.

O. Cash and cash equivalents

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

P. Financial liabilities

(1) Classification

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

The Company 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.

(3) Measurement

At initial recognition, the Company 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.

Q. 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 advantage related to their income taxes) from the amount of share premium.

If the Company's 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

R. Current and deferred income taxes

The Company recognises the current and deferred income tax as revenues or expenses and is included in the profit or loss for the year. 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 separate financial statements.

Deferred income tax is determined using tax rates and laws that have been enacted at the date of the separate 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 income 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 income tax assets and liabilities are offset when the Company 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.

S. Employee benefits

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

(1) Retirement benefits obligations

The company has two types of pension schemes.

Defined contribution plans

The defined contribution plan is a pension plans under which the Company pays fixed contributions to the General Authority for Social Insurance on mandatory basis. The Company 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.

Employee benefits (continued)

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 less the fair value of plan assets. 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 Company 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 Company during the current year or when changes or curtailments are made to the plan.

The Company recognises the cost of past service as an expense when benefit changes or is curtailed, and when the Company 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 year. These costs are included within finance cost in the statement of profit or loss.

(2) **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 charged in other comprehensive income in the year in which they arise.

(3) **Employees' share in legally defined profits**
The Company 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 company approved the proposed dividends. The Company does not record any liabilities in the employees' share of undistributed dividends

T. Operating leases

Leases in which the risks and rewards of ownership are retained by the lessor are classified as operating leases. Payment made under operating leases (net of any incentives received from the lessor) is charged to the statement of profits or losses on a straight line basis over the years of the lease.

U. Provisions

Provisions are recognised when the Company 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 Company recognises the commitments required for restructuring and not related to the Company'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 Company disclosed its contingent liabilities in its note to the separate financial statements.

Provisions (continued)

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.

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 Company, 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 Company settles the obligation. The amount recognised should not exceed the amount of the provision.

V. Contingent assets

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

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 services rendered due to the Company's normal course of business, stated net of value added taxes, discounts, or deductions. The Company recognises revenue when the amount of revenue can be reliably measured; when it is probable that future economic benefits will flow to the Company; and when specific criteria have been met for each of the Company'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 Company 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 traders or customers who have the right to sell them and determine their prices when the goods are delivered to them, and the Company does not retain significant risks of ownership of the goods, there is no obligation that prevent those traders or customers to accept the goods sold. Delivery is recognised, both in the Companys' stores or in specific locations, according to the agreements. When the Company transfers the significant risk and rewards of the ownership of goods to the traders, it retains neither continuing managerial involvement to the degree usually associated with ownership nor effective control over the goods sold. Sales to traders do not comprise the element of financing, as the credit period granted to them is average 60 days.

Revenue recognition (continued)

(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.

(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 Company operates in a qualifying sector and the subsidy represents a percentage up to 10% of the export value depending on a set of variables including the percentage of local components, location of the factory, export destination and amongst others. The subsidy on export sales is recognized when there is proper evidence that the Company will deserve this subsidy under the prevailing rules and conditions. The subsidy is recognised under other income in the statement of profit or loss.

Y. Dividends

Dividends are recognised as liabilities in the separate financial statements at the end of the financial year in which the dividends are approved by the Company's General Assembly of Shareholders.

Z. Fair value measurement

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

The table below shows the financial assets and liabilities at fair value in the separate 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 Company 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.

AA. Comparatives

Where necessary comparative figures have been reclassified to confirm the changes in presentation in current year.

3. Financial risk management

(1) Financial risk factors

The Company's activities expose it to a variety of financial risks; market risk (including the effects of foreign currency exchange rates risk, the Company does not expose to price risk as there is no investments in the fair value, cash flow and fair value interest rate risk) as well as credit risk and liquidity risk.

The Company aims to limits the risk with the objective of minimising any potential adverse effects on the financial performance of the company.

(A) Market risk

i) Foreign currency exchange rate risk

Foreign currency exchange risk is the risk that the fair value of the financial instrument will fluctuate because of the changes in foreign exchange rates, the following analysis shows the effect of a reasonably possible movement of foreign currencies in relation to the functional currency of the Company with all other variables held constant on the separate statement of profit or loss.

	2018	2017
US Dollars 10%	280,462	(3,412,345)
Euros 10%	(3,539,183)	(3,033,940)

At year-end, foreign currency net asset positions presented in Egyptian Pounds were as follows:

	2018			2017
	Assets	Liabilities	Net	Net
US Dollars	27,538,316	(24,733,699)	**2,804,617**	**(34,123,452)**
Euros	946,629	(36,338,459)	**(35,391,830)**	**(30,339,400)**

ii) Cash flow and fair value 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 Company is exposed to interest rate risk on its interest bearing assets and liabilities (bank overdrafts, and term loans). The risk is managed by the Company by maintaining an appropriate mix between fixed and floating rate borrowings.

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

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

Financial risk management (continued)

The sensitivity of the separate statement of profit or loss is the effect of the assumed changes in interest rates on the Company'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 profits or losses for the year EGP
31 December 2018	± 10%	5,553,680
31 December 2017	± 10%	7,399,460

(B) Credit risk

Credit risk arises from cash and deposits with banks, as well as credit exposures to notes and trade receivables, credit is managed for the Company as whole.

The Company deals with banks and financial institutions with high independent rating and banks with high credit solvency if there is no independent credit rating all banks that the Company dealing with are controlled by the Central Bank of Egypt.

The Company's systems and procedures to assess the credit quality of trade customers and take into account their financial position, market reputation, past experience and other relevant factors. Provisions are accounted for doubtful debts on a case by case basis.

Transactions with major customers
Revenue transaction with the Company's largest two customers (one of them a related party) are equivalent to 50% of the total revenues for the year ended 31 December 2018 (2017: 41%).

(C) Liquidity risk

Liquidity risk is the risk that the Company will encounter difficulty in meeting financial obligations due to shortage of funds. The Company's exposure to liquidity risk arises primarily from mismatches of the maturities of financial assets and liabilities.

The Company limits its liquidity risk by ensuring adequate bank facilities are available and by maintaining adequate reserves, by monitoring forecast and actual cash flows and matching the maturity profiles of financial assets and financial liabilities. Trade payables are normally settled within 90 days of the date of purchase.

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

Financial risk management (continued)

The table below summarises the maturities of the Company's undiscounted financial liabilities at 31 December 2018, 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				
Trade and notes payable	88,082,596	-	-	-
Accrued expenses and other payables*	50,598,854	-	-	-
Due to related parties	-	755,000	-	-
Bank overdraft	61,015,157	-	-	-
Term loans	58,980,000	13,500,000	34,500,000	111,438,372
Future interest payment	16,388,343	15,057,718	25,340,852	30,834,579
Total	**275,064,950**	**29,312,718**	**59,840,852**	**142,272,951**

	Less than 6 month	Between 6 month & 1 year	Between 1 & 2 years	More than 2 years
31 December 2017				
Trade and notes payable	132,967,951	-	-	-
Accrued expenses and other payables*	52,102,932	-	-	-
Due to related parties	-	36,472,610		
Bank overdraft	125,523,436	-	-	-
Term loans	25,645,000	20,310,600	32,991,473	165,502,498
Future interest payments	38,515,033	37,234,161	37,584,222	74,402,724
Total	**374,754,352**	**94,017,371**	**70,575,695**	**239,905,222**

* Accrued expenses and other credit balances excludes advances for customers.

The unused credit facility at 31 December 2018 is amount to LE 87,734,396 (2017: LE 21,476,564).

(2) Capital risk management

The company's objectives when managing capital are to safeguard its ability to continue as a going concern in order to provide returns for shareholders and benefits for other stakeholders and to maintain an optimal capital structure to reduce the cost of capital.

In order to maintain or adjust the capital structure, the company may adjust the amount of dividends, return capital to shareholders, issuing new shares or sell assets to reduce debt.

The company monitors capital on the basis of its gearing ratio. This ratio is calculated as net debt divided by total capital. Net debt comprises total borrowings and bank overdrafts less cash and bank balances. Total capital comprises owners' equity plus net debt, as shown in the financial position.

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

Financial risk management (continued)

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

	2018	2017
Bank borrowings	218,418,371	244,449,571
Bank overdrafts	61,015,157	125,523,436
Total borrowings	**279,433,528**	**369,973,007**
Less: cash and bank balances	(23,035,945)	(18,926,848)
Net debt	**256,397,583**	**351,046,159**
Total owners' equity	1,038,624,317	704,257,111
Total capital	**1,295,021,900**	**1,055,303,270**
Gearing ratio	**20%**	**33%**

The decrease in the gearing ratio is due to achieving net profit amounting to LE 337,367,715 during the year.

Debt covenants

Under the terms of the loan facilities, the Company is required to comply with the following financial covenants:

- Current ratio should not fall below 1:1.
- Debt service ratio should not fall below 1.00 throughout the life of the term loan.
- Financial leverage ratio shout not exceed 1.00 throughout the life of the term loan.
- Net capital expenditure shout not exceed LE 10 million throughout the life of the term loan.

On 31 December 2018, the Company was not in compliance with all of the debt covenants, however, it obtained an unconditional waiver from the lending bank.

4. Critical accounting estimates and judgments

(1) Critical accounting estimates and assumptions

Estimates and assumptions are continually evaluated and are based on historical experience and other factors, including expectations on future events that are believed to be reasonable under the circumstances.

The company makes estimates and assumptions concerning the future. The resulting accounting estimates may by definition, not equal the related actual results and the following are the critical estimates and assumptions that the company uses.

a. Employee benefits

The determines employee benefit liabilities using an independent actuarial expert and it revises the sufficiency of these liabilities on an annual basis according to the accounting policy (2-S). Note (25) shows the main assumptions used to determine the employee benefit liabilities.

b. 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 Company uses its judgment in appropriately estimating the fair value of derivative financial instruments. Derivative financial instruments held by the Company do not have observable market price and so the Company 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 9.

(2) Critical judgment in applying the accounting policies

Investment in Medco Plast for Packing and Packaging Systems (S.A.E.)

Management assessed the Company's level of influence over Medco Plast for Packing and Packaging Systems S.A.E.("Medco Plast") and concluded that it has significant influence, despite owning less than 20% of the issued capital of Medco Plast. This conclusion is based on the composition of and representation rights on the company's board therefore, the investment was classified as Investment in associate.

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

5. Property, plant and equipment

2018	Land	Buildings	Machinery, equipment & moulds	Vehicles and transportation	Furniture and office equipment	Computers	Projects under construction	Total
Cost								
Balance at beginning of the year	**9,968,571**	**46,969,222**	**418,299,023**	**3,867,413**	**1,654,354**	**6,366,944**	**3,926,972**	**491,052,499**
Additions	-	185,823	17,864,039	490,079	132,893	191,433	379,932	**19,244,199**
Disposals	-	-	(17,976,253)	(140,500)	-	-	(976,824)	**(19,093,577)**
Transfers from projects under construction	-	1,603,151	563,782	-	-	109,531	(2,276,464)	-
Balance at the end of the year	**9,968,571**	**48,758,196**	**418,750,591**	**4,216,992**	**1,787,247**	**6,667,908**	**1,053,616**	**491,203,121**
Accumulated depreciation								
Balance at beginning of the year	-	(29,081,912)	(333,093,283)	(2,557,006)	(1,203,097)	(5,022,355)	-	**(370,957,653)**
Depreciation expense	-	(1,617,227)	(31,349,839)	(532,337)	(108,605)	(510,949)	-	**(34,118,957)**
Disposals depreciation	-	-	14,596,372	140,500	-	-	-	**14,736,872**
Balance at the end of the year	-	**(30,699,139)**	**(349,846,750)**	**(2,948,843)**	**(1,311,702)**	**(5,533,304)**	-	**(390,339,738)**
Net book value at the end of the year	**9,968,571**	**18,059,057**	**68,903,841**	**1,268,149**	**475,545**	**1,134,604**	**1,053,616**	**100,863,383**
2017								
Cost								
Balance at beginning of the year	**9,968,571**	**46,404,121**	**397,389,595**	**3,423,511**	**1,581,455**	**5,984,295**	**1,404,181**	**466,155,729**
Additions	-	59,900	20,889,827	443,902	72,899	699,309	3,047,593	**25,213,430**
Disposals	-	-	-	-	-	(316,660)	-	**(316,660)**
Transfers from projects under construction	-	505,201	19,601	-	-	-	(524,802)	-
Balance at the end of the year	**9,968,571**	**46,969,222**	**418,299,023**	**3,867,413**	**1,654,354**	**6,366,944**	**3,926,972**	**491,052,499**
Accumulated depreciation								
Balance at beginning of the year	-	(27,471,702)	(297,902,940)	(2,172,547)	(1,076,344)	(4,916,006)	-	**(333,539,539)**
Depreciation expense	-	(1,610,210)	(35,190,343)	(384,459)	(126,753)	(377,960)	-	**(37,689,725)**
Disposals depreciation	-	-	-	-	-	271,611	-	**271,611**
Balance at the end of the year	-	**(29,081,912)**	**(333,093,283)**	**(2,557,006)**	**(1,203,097)**	**(5,022,355)**	-	**(370,957,653)**
Net book value at the end of the year	**9,968,571**	**17,887,310**	**85,205,740**	**1,310,407**	**451,257**	**1,344,589**	**3,926,972**	**120,094,846**

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

Property, plant and equipment (continued)

Depreciation expense is classified as follows:

	2018	2017
Cost of production	32,608,464	36,293,076
General and administrative expenses	990,879	897,796
Selling and marketing expenses	504,893	498,853
	34,104,236	**37,689,725**

Proceeds from sale of fixed assets in the statement of cash flows are as follows:

	2018	2017
Net carrying amount of disposed assets	4,356,705	45,049
(Losses) / gains on disposal of fixed assets	(3,217,601)	358,133
Proceeds on sale of fixed assets	**1,139,104**	**403,182**

- All the machinery, equipment and production lines are subject to commercial pledges, as collateral in the first degree against bank borrowings.

Projects under construction are as follows:

	Balance at 1 January 2018	Additions during the year	Disposals	Transfer to fixed assets	Balance at 31 December 2018
Others	3,926,972	379,932	(976,824)	(2,276,464)	**1,053,616**
	3,926,972	**379,932**	**(976,824)**	**(2,276,464)**	**1,053,616**

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

6. Intangible assets

A. Technical assistance costs

The technical assistance costs are represented in new technology "Narrow Neck Press Glass (light weight)"

The technical assistance costs are mainly represented in the fees of technical assistance, according to the contract enacted between Middle East Glass Manufacturing Company and Techpack Solutions Company - (Korea).

B. Computer software

Software costs are not part of the computers cost and the following is the form of intangible assets.

2018	Technical information costs	Computer software	Projects under construction	Total
Cost				
Balance at the beginning of the year	5,156,143	3,645,687	2,325,169	**11,126,999**
Addition during the year	-	89,500	150,420	**239,920**
Transfer from projects under construction	-	991,107	(991,107)	-
Reallocation of cost of intangible assets to related parties	-	-	(1,484,482)	**(1,484,482)**
Balance at the end of the year	**5,156,143**	**4,726,294**	-	**9,882,437**
Accumulated amortization				
Balance at the beginning of the year	(3,093,685)	(2,427,061)	-	**(5,520,746)**
Amortization expense of the year	(515,614)	(710,211)	-	**(1,225,825)**
Balance at the end of the year	**(3,609,299)**	**(3,137,272)**	-	**(6,746,571)**
Net book value at end of the year	**1,546,844**	**1,589,022**	-	**3,135,866**

2017	Technical information costs	Computer software	Projects under construction	Total
Cost				
Balance at the beginning of the year	5,156,143	2,423,499	1,933,726	**9,513,368**
Addition during the year	-	1,222,188	391,443	**1,613,631**
Balance at the end of the year	**5,156,143**	**3,645,687**	**2,325,169**	**11,126,999**
Accumulated amortization				
Balance at the beginning of the year	(2,578,071)	(2,207,633)	-	**(4,785,704)**
Amortization expense of the year	(515,614)	(219,428)	-	**(735,042)**
Balance at the end of the year	**(3,093,685)**	**(2,426,061)**	-	**(5,520,746)**
Net book value at end of the year	**2,062,458**	**1,218,626**	**2,325,169**	**5,606,253**

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

7. Investment in subsidiaries

On 29 January 2014, the Company acquired 100% of Middle East Glass Containers Sadat S.A.E (previously Wadi Glass Containers S.A.E) shares, the Company's headquarters is located at Plot Number 254,255,256 extension of Fifth Industrial Zone, Sadat City, Menofia. On 2017 the company's name was changed to Middle East Glass in Sadat City (S.A.E). The Company's main activity is the manufacture and sale all kinds of glass bottles.

On 10 November 2015, the Company established a new Company (MEG Misr for Glass MEG S.A.E.) with an ownership percentage of 99.97%, and headquarters is located at 6 Mokhayam El-Daem Street, Nineth District, Nasr City, Cairo and the main activity is manufacturing all kinds of glass bottles & the acquisition of other entities that operates in the same field. In January 2016, MEG Misr for Glass MEG (S.A.E.) acquired 100% of the issued capital of Misr for Glass Manufacturing (S.A.E.). The Company's principal activity is the manufacturing and sale of all kind of glass bottles. The Company's head quarter is located at Mostord, Qalubya, Egypt.

According to an Extraordinary General Assembly Meeting held on 9 December 2018, the Company approved as the major shareholder in MEG Misr for Glass MEG to increase the paid up capital of MEG Misr for Glass MEG amounting to EGP 433,724,700 by conversion the amounts due from MEG Misr for Glass MEG.

	Ownership %	2018	2017
Middle East Glass Containers Sadat S.A.E (previously Wadi Glass Containers S.A.E)	100%	198,807,845	198,807,845
MEG Misr Glass (S.A.E.)	99.97%	433,074,972	99,970
		631,882,817	**198,907,815**

8. Investment in associates

	Ownership %	2018	2017
Medco Plast for Packing and Packaging System (S.A.E)	15.6%	155,290,438	-
		155,290,438	**-**

Investment in associate represent the retained investment in Medco Plast for Packing and Packaging System (S.A.E) after loss of control due to selling 74% of the 60% in the issued capital of Medco Plast. The value of the retained investment has been 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 observable level 3 inputs from the fair value hierarchy.

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

9. Derivative financial instruments

The Company has the following derivative financial instruments:

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

A. The Company entered into an agreement with the buyer of the 74% 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.

C. Fair value measurement

Amounts recorded in the statement of profits or losses as follows:

	2018	2017
Fair value loss on derivative financial instruments	(50,412,519)	-
Fair value gain on derivative financial instruments	28,33,615	-
Fair value net loss on derivative financial instruments	**33,643**	**-**

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 option pricing model.

Below are the assumptions used in the valuation:

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

Maturity	7.7 years for call option and 4.7 years for put option
Volatility	Assumed to be 19.39% based on the EGX 30 as a proxy.
Risk free rate	Assumed 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)

Derivative financial instruments (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 decrease by EGP 21 million and the fair value of the call option will increase by EGP 9.6 million.

10. Inventories

	2018	2017
Work in process	43,374,390	58,871,330
Finished goods	40,683,258	51,488,252
Spare parts	20,868,038	19,309,865
Raw materials	16,169,624	11,358,515
Packing materials	2,738,416	4,212,954
Fuel and oil	1,031,372	1,087,882
Goods held with third party	656,625	-
	125,521,723	**146,328,798**
Inventory provisions*	(10,552,982)	-
Net inventory	**114,968,741**	**146,328,798**

Inventory provision movement as follows:

	2018	2017
Balance at 1 January	-	-
Additions formed during the year (Note 27)	10,552,982	-
Balance at 31 December	**10,552,982**	**-**

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

11. Trade and notes receivables

	2018	2017
Trade receivables	92,976,301	31,224,911
Notes receivables	29,903	3,408,432
Impairment in trade receivables	(418,714)	(418,714)
	92,587,490	**34,214,629**

The average credit period on trade receivables is 60 days. No interest is charged on the trade receivables overdue. The trade receivables above 60 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 Company assesses the potential customer's credit quality and defines credit limits by customer.

Included in the Company's trade receivables balance debtors with a carrying amount of EGP 44,104,279 (2017: EGP 9,392,074) which are past due at the reporting date for which the Company has not recorded any provision as there has not been a significant change in credit quality and the amounts are still considered recoverable. The Company does not hold any collateral over these balances.

Aging of past due but not impaired receivables:

	2018	2017
Past due for less than 3 months	42,149,091	8,720,690
Past due for more than 3 months	1,955,188	671,384
	44,104,279	**9,392,074**

In determining the recoverability of contract and trade receivables, the Company considers any change in the credit quality of the contract and trade receivables from the date the credit was initially 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 contract and trade receivables. The management also hold regular meetings with contract customers to renegotiate payment terms and to ensure the credit-worthiness of the ultimate end-users. In addition, the concentration of credit risk is limited due to the customer base being large and unrelated. Accordingly, taking all of the above into account, the management believes that there is no further credit provision required in excess of the current provision for doubtful debts. Most receivables collection and customer contracts are pledged against overdraft credit facilities (Note 18).

Ageing of impaired contract and trade receivables against which the provision for doubtful debts has been made:

	2018	2017
Past due for more than 3 months	418,714	418,714
	418,714	**418,714**

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

12. Prepaid expenses and other receivables

	2018	2017
Advances to suppliers – raw material	46,680,083	18,358,873
Export subsidy	20,135,842	12,749,970
Refundable deposits	11,682,275	6,273,633
Other receivables	8,194,388	5,309,018
Prepaid expenses	4,312,530	2,722,181
Employee loan and imprests	2,768,971	1,998,404
	93,774,089	**47,412,079**

13. Due from tax authority

	2018	2017
Tax Authority – value added tax	738,828	7,264,596
Tax Authority – income tax	2,447,120	2,447,120
Tax Authority – Withholding tax	4,640,951	2,668,163
	7,826,899	**12,379,879**

The withholding tax movement is set out as follows:

	2018	2017
Balance at the beginning of the year	2,668,163	897,286
Paid during the year	1,972,788	1,770,877
Balance at the end of the year	**4,640,951**	**2,668,163**

14. Related parties

Transaction with related parties

The Coca-Cola Bottling Company of Egypt – (CCBCE)

Coca-Cola Bottling Company of Egypt – (CCBCE) is a related party under common ownership with Middle East Glass Manufacturing Company. All transactions between both companies are based on agreements negotiated on an arm's length basis consistent with established trading rules, conditions and market prices.

The Coca-Cola Bottling Company – Egypt supplies the company with cullet (broken scrap glass) and for the year ended 31 December 2018 the total value of cullet supplied amounted to LE 3,312,265 (2017: LE 3,387,547).

During the year, the Company also made sales transactions with CCBCE within the normal course of business. Sales for the year ended 31 December 2018 amounted to LE 149,114,802 million (2017: LE 107,210,692).

Related parties (continued)

Middle East Glass Containers Sadat S.A.E (previously Wadi Glass Containers S.A.E)
Middle East Glass Containers Sadat S.A.E (previously Wadi Glass Containers S.A.E) is a related party as it is owned 100% by Middle East Glass Manufacturing.

During the year, the Company also made sales and purchase transactions with Middle East Glass Containers Sadat S.A.E within the normal course of business. Purchases for the year ended 31 December 2018 amounted to LE 67,337,174 (2017: LE 37,292,597). Sales for the year ended 31 December 2018 amounted to LE 20,913,175 (2017: LE 7,637,478).

Meg Misr for Glass MEG (S.A.E.)
Meg Misr for Glass Meg Company is a related party as the company is owned by Middle East Glass Manufacturing Company by 99.97%. Transactions during the year comprise the conversion of the amount due from Meg Misr for Glass MEG to investment in subsidiaries (Note 7).

Sheba Investments Company (S.A.E.)
Sheba Investment is a related party as the Chairman of Middle East Glass Manufacturing Company S.A.E. is an investor in the Company and the transactions during the year are shown net in a cross charges between the two companies.

Misr for Glass Manufacturing Company (S.A.E.)
Misr for Glass Manufacturing Company is a related party as it is owned 100% by Meg Misr for Glass Meg Company S.A.E. and the transactions during the year comprise cash transfers for the purpose of financing and managing working capital in addition to the sales and purchases of goods during the normal course of business.

During the year, the Company also made sales transactions with Misr for Glass Manufacturing Company (S.A.E.) within the normal course of business. Sales for the year ended 31 December 2018 amounted to LE 143,721,010 (2017: LE 76,052,058). Purchases from Misr for Glass Manufacturing Company (S.A.E.) for the year ended 31 December 2018 amounted to L.E 174,261,196 (2017: LE 34,824,841).

Sanaa Beverages and Industrial Company Limited – (SBI) – Yemen
Sanaa Beverages and Industrial Company Limited is a related party as it has common ownership with Middle East for Glass Manufacturing. All transactions between both companies are based on agreements negotiated on an arm's length basis consistent with established trading rules, conditions and market prices.

During the year, the Company didn't make sales transactions with Sanaa Beverages and Industrial Company Limited – (SBI) Yemen.

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 Company.

Key management compensation
Amounts paid to the senior management during the year ended 31 December 2018 amounted to LE 13,602,537 (2017: LE 15,019,346).

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

Related parties (continued)

Allocated as follows:

	2018	2017
General and administrative expenses	9,657,802	10,663,736
Selling and marketing expenses	3,944,735	4,355,610
	13,602,537	**15,019,346**

The balances with the related parties are as follows:

Due from related parties

	2018	2017
MEG Misr for Glass "MEG" (S.A.E.)*	10,980,000	443,709,560
Middle East Glass Containers Sadat S.A.E (previously Wadi Glass Containers S.A.E)	276,952,240	181,564,190
The Coca-Cola Bottling Company of Egypt (CCBCE) (S.A.E.)	68,165,389	49,263,756
Sheba Investment (S.A.E.)	14,026,235	10,326,054
Medco Plast for Packing and Packaging System (S.A.E)	59,322,806	-
Gulf Capital	112,320	122,478
Sanaa Beverages and Industrial Company Limited (SBI) – Yemen	-	277,736
	429,558,990	**685,263,774**

Due to related parties

	2018	2017
Misr for Glass Manufacturing S.A.E.	-	35,472,610
Medco Plast for Packing and Packaging System (S.A.E)	-	1,000,000
Gulf Capital	755,000	-
	755,000	**36,472,610**

15. Cash and bank balances

	2018	2017
A. Local currency		
Current accounts	7,942,698	6,378,263
Cash on hand	206,791	138,708
	8,149,489	**6,516,971**
B. Foreign currency		
Current accounts	14,850,778	12,403,898
Cash on hand	35,678	5,979
	14,886,456	**12,409,877**
	23,035,945	**18,926,848**

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

16. Assets classified as held-for-sale

	2018	2017
Investment in subsidiary	-	64,870,663
	-	**64,870,663**

On 13 November 2018, the Company sold 74% of its 60% equity investment in Medco Plast for a consideration of EGP 505,847,342 of which an amount of EGP 101,169,486 was held in escrow account pending completion of the completion price adjustment, potential warranty and tax claims in accordance with the term of the sales and purchase agreement. A non controlling interest of 15.6% has been retained in Medco Plast which was recognized as an Investment in associate. The value of the investment in associate was measured at fair value at the loss of control date.

Gain on sale of subsidiary 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 investment in subsidiary	(64,870,663)
Gain on sale of subsidiary	**495,097,632**

The gain on sale of subsidiary includes an amount of EGP 139,072,772 comprising the gain on revaluation of the retained investment to fair value, the calculation is shown below:

	2018
Fair value of retained investment	155,290,438
Deduct: Carrying value of retained investment	(16,217,666)
Gain on revaluation of retained investment	**139,072,772**

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

17. Provisions

	Other provisions	Employee redundancy Provision	Total 2018	Total 2017
Balance at the beginning of the year	8,843,905	7,264,546	**16,108,451**	18,934,928
Additions during the year	932,830	-	**932,830**	-
Usage during the year	(6,874,357)	-	**(6,874,357)**	(2,826,477)
Balance at the end of the year	**2,902,378**	**7,264,546**	**10,166,924**	**16,108,451**

Other provisions

Other provisions relate to claims expected to be made by other parties in connection with the company'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 other parties. These provisions are reviewed by management annually and the amount provided is adjusted based on latest developments, discussions and agreements with those other parties.

Employee redundancy provision

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

18. Bank borrowings

		2018			2017		
	Loan principal	Current portion	Long-term portion	Total	Current portion	Long -term portion	Total
Loan 1	108,500,000	13,000,000	23,166,670	**36,166,670**	7,000,000	29,166,670	**36,166,670**
Loan 2	39,038,580	3,000,000	6,771,356	**9,771,356**	2,000,000	7,771,356	**9,771,356**
Loan 3	64,000,000	-	-	-	6,000,000	19,600,000	**25,600,000**
Loan 4	172,547,345	45,000,000	116,000,345	**161,000,345**	25,000,000	136,000,345	**161,000,345**
Loan 5	13,650,000	11,480,000	-	**11,480,000**	5,955,600	5,955,600	**11,911,200**
		72,480,000	**145,938,371**	**218,418,371**	**45,955,600**	**198,493,971**	**244,449,571**

All loans are secured against the following guarantees and pledges:

(1) First degree commercial pledge against all machineries, equipment and production lines.
(2) First degree pledge of the Company's shares in "Medco Plast for Packing and Packaging System".
(3) First degree pledge of the Company's shares in "Middle East Glass Containers Sadat S.A.E (previously Wadi Glass Containers S.A.E)".

The average interest rate on loans is 2.75% over Central Bank of Egypt corridor rate for loans in Egyptian Pounds and 4.75% over Eurobor for loans in Euro.

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

19. Bank overdrafts

	Secured by	Average interest rate %	Credit limit	2018	2017
Credit facility 1	Promissory note	17.25	42,000,000	6,994,457	34,954,565
Credit facility 2	Receivables collections	19.75	45,000,000	25,888,069	53,118,732
Credit facility 3	Customer contracts	19.5	60,000,000	26,383,078	37,450,139
Credit banks				1,749,553	-
				61,015,157	**125,523,436**

20. Trade and notes payables

	2018	2017
Raw material suppliers	36,496,622	70,744,755
Service providers	23,906,978	36,497,238
Notes payables	27,678,996	25,725,958
	88,082,596	**132,967,951**

21. Accrued expenses and other payables

	2018	2017
Accrued expenses	31,330,403	16,656,812
Advances from customers	26,491,599	13,770
Other payables	11,719,737	17,124,333
Accrued interest expense	6,030,000	17,017,435
Social insurance authority	638,553	524,191
Board of directors remuneration	537,825	537,825
Retention	281,958	181,958
Dividends payable	60,378	60,378
	77,090,453	**52,116,702**

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

22. Due to tax authority

	2018	2017
Tax Authority – Value adding tax	11,929,069	11,721,202
Tax Authority – Salary tax	4,437,279	1,757,349
Other taxes	-	1,066,222
Corporation tax	72,609,147	-
Tax Authority – Withholding tax	3,210,471	686,947
	92,185,966	**15,231,720**

Current income tax movement:

	2018	2017
Balance at 1 January	-	-
Additions	72,609,147	-
	72,609,147	**-**

23. Issued and paid up capital

The total authorized number of ordinary shares is 15 million shares with a par value of EGP10 per share. The issued and paid up capital is 5032258 shares with par value EGP 10 per share. All issued shares are fully paid.

On 26 January 2015, the Extraordinary General Assembly Meeting approved the 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) through issuing 1,032,258 shares through inviting existing shareholders to subscribe in the increase shares in the fair value of the share amounting EGP 198,84 per share with 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 which equal to EGP 10 (ten Egyptian pounds) per share and fair value of the shares is to be recorded at the Company's reserve account, and the total amount of the issuance of EGP 205,254,181 has been deposited with one of the Egyptian Banks, and the increase has been approved in the commercial register in 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 capital premium	194,931,601
Deduct: Issuance cost	(6,414,554)
Net share capital premium	**188,517,047**
Transferred to legal reserve	(16,299,885)
Transferred to share premium reserve	**172,217,162**

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

Issued and paid up capital (continued)

Other reserves
On 3 April 2014, the shareholders agreed to increase the paid up capital by approximately US $28.7 million, equivalent to LE 205 million on that date, subsequently on 10 May 2015, the existing shareholders subscribed in the capital increase shares with total value of LE 205 million which was equivalent to US $26.5 million. 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) to be recorded under other reserves in the statement of owner's equity.

During 2017, the shareholders have decided to convert the loan amounted EGP 432,825,002 into share capital, hence the balance has been recognized as payment under increase in capital in the statement of shareholders equity and the Company is in process of completing the legal procedures.

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.

24. Legal reserve

In accordance with the companies' law number 159 for year 1981, 5 % of the net profit for the year is transferred to the legal reserve account. The transfer to legal reserve account stops once it reaches 20% of paid up capital. This reserve is not available for distribution to shareholders.

25. Retirement benefit obligations

Employees of the company 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 obligations	7,386,696	7,017,888
Liability at the financial position	**7,386,696**	**7,017,888**

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

Retirement benefit obligations (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	1,070,228	1,216,050
Current service cost	591,608	684,027
Adjustments to retirement benefit obligations	(946,939)	-
Total amount recognised in profit or loss	**714,897**	**1,900,077**
Remeasurement		
Benefit payments from plan	(346,089)	(1,745,795)
Balance at end of the year	**7,386,696**	**7,017,888**

26. Deferred tax assets

a. Recognized deferred tax assets (liabilities):

	Statement of financial position		Statement of profits or losses	
	2018	2017	2018	2017
Carry forward tax loss	-	5,302,107	(5,302,107)	(4,668,246)
Employees redundancy	1,634,523	1,634,523	-	(135,692)
Retirement benefits obligations	1,662,007	1,579,025	82,982	34,713
Depreciation of property, plant and equipment	(5,176,455)	(8,375,799)	3,199,344	3,804,571
Unrealized gain on investment	(34,940,349)		(34,940,349)	
Tax effect of unrealized foreign currency	-	-	-	(420,805)
	(36,820,274)	**139,856**	**(36,960,130)**	**(1,385,459)**

b. Unrecognized deferred tax assets:

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

	2018	2017
Tax impact on impairment of inventory	2,374,421	-
Tax impact on impairment of trade and notes receivables	94,210	94,210
Tax impact on net fair value loss on derivative financial instruments (Note 9)	5,035,253	-

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

27. Sales

	2018	2017
Local sales	430,960,092	232,554,009
Export sales	133,566,087	113,699,111
Intercompany sales	164,634,185	83,689,536
Sales returns	(1,502,849)	(2,156,647)
	727,657,515	**427,786,009**

28. Other operating expense

	2018	2017
Net fair value loss on derivative financial instruments (note 9)	22,378,904	-
Inventory provision	10,552,982	
Medical insurance expense	1,039,417	
Expenses related to disposal of a subsidiary	20,011,310	-
Loss on sale of fixed assets	3,217,601	-
Other provisions	932,830	-
Other expenses	98,219	-
	58,231,263	**-**

29. Other operating income

	2018	2017
Export subsidy	8,839,841	7,722,844
Other income	1,584,939	2,212,646
Gain from sale of fixed assets	-	358,133
Scrap sales	4,308,619	-
	14,733,399	**10,293,623**

30. Gain on sale of a subsidiary

Referring to Note 15, gain on disposal of Medco Plast for Packing and Packaging System (S.A.E) is represented as follows:

	2018
Gain on sale of a controlling interest	356,024,860
Revaluation of the retained investment gains	139,072,772
	495,097,632

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

31. Finance costs - net

	2018	2017
Interest expenses	(85,785,897)	(62,697,689)
Foreign currency exchange losses	1,557,007	(5,108,446)
	(84,228,890)	**(67,806,135)**

32. Income tax

	2018	2017
Current income tax	(72,609,147)	-
Deferred income tax (Note 26)	(36,960,130)	(1,385,459)
	(109,569,277)	**(1,385,459)**

The tax on the Company's loss before tax differs from the theoretical amount that would otherwise arise using the tax rates as follows:

	2018	2017
Profit before tax	469,315,896	901,070
Tax calculated using enacted tax rate	105,596,077	202,741
Non-deductible expenses for tax purpose	4,627,122	1,042,395
Deductible expenses for tax purpose	(653,922)	-
Unused tax losses	-	140,323
Income tax	**109,569,277**	**1,385,459**

33. Cost of sales

	2018	2017
Goods purchased for resale	241,814,810	72,117,438
Raw materials and consumables used in production	112,804,386	88,259,112
Water and electricity expense	94,076,723	83,883,701
Salaries and fringe benefits	46,489,303	40,237,285
Depreciation and amortization	32,608,464	36,293,076
Change in inventory	26,301,934	(40,298,235)
Maintenance expenses	18,899,486	12,363,212
Rent expense	4,649,945	2,281,299
Other expenses	3,489,484	6,574,647
Vehicle and transportation	338,514	2,462,490
	581,473,049	**304,174,025**

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

34. Selling and marketing expenses

	2018	2017
Depreciation and amortization	519,614	498,853
Exports expenses	11,158,017	8,618,249
Other expenses	3,176,793	1,802,091
Rent expense	3,450,117	4,655,821
Salaries and fringe benefits	6,920,940	8,257,470
Vehicle and transportation	4,350,508	3,806,782
Water and electricity expense	1,497,771	1,142,651
Advertisement and marketing	1,027,458	1,006,267
	32,101,218	**29,788,184**

35. General and administrative expenses

	2018	2017
Depreciation and amortization	2,216,704	1,632,838
Maintenance expenses	1,158,662	2,753,451
Other expenses	3,403,563	1,418,825
Professional and consultancy fees	4,739,318	7,032,413
Rent expense	1,236,716	873,855
Salaries and fringe benefits	19,428,258	18,398,870
Vehicle and transportation	287,081	2,055,892
Water and electricity expense	1,086,123	771,590
Advertisement and marketing	960,709	472,484
	34,517,134	**35,410,218**

36. Earnings / (loss) per share

Basic earnings / (loss) per share is calculated by dividing the net profit / (loss) by the weighted average by the number of ordinary issued share, with consideration for employees or board of directors future dividends related to the year ended 31 December 2018.

Earnings / (loss) per share were set out as below:

	2018	2017
Net profit / (loss) for the year*	329,367,715	(484,389)
Weighted average number of ordinary paid and issued shares	50322580	50322580
Loss per share	**6.5**	**(0.01)**

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

Earnings / (loss) per share (continued)

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

* Net distributable profit for the year was calculated after deducting the proposed distribution for employees amounting to EGP 8,000,000.

37. Financial instruments by category

	Loans & receivables	
	2018	**2017**
Assets as per statement of financial position		
Trade and other receivables*	135,368,966	60,545,654
Cash and cash equivalents	23,035,945	18,926,848
Due from related parties	429,558,990	685,263,774
Derivative financial instruments	28,033,615	-

	Financial liabilities	
	2018	**2017**
Liabilities as per statement of financial position		
Borrowings	218,418,371	244,449,571
Trade and other payables**	138,781,448	184,546,692
Bank overdraft	59,265,604	125,523,436
Due to related parties	755,000	36,472,610
Derivative financial instruments	50,412,519	-

* Trade and other receivables excludes prepaid expenses and advances to suppliers.

** Trade and other payables excludes advances from customers.

38. Tax position

Due to the nature of the tax assessment process in Egypt, the final outcome of the assessment by the Tax Authority cannot be realistically estimated. Therefore, additional liabilities are contingent upon the tax inspection and assessment of the Tax Authority.

A. Corporate income tax

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

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 under tax inspection.
- For the years from 2015 to 2017, the Company was not inspected but lodged tax returns on the due dates.

Tax position (continued)

B. Sales 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 Company paid all liabilities due.

Years from 2014 to 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 from 2016 to 2018

- The Company has not been inspected yet.

C. Salaries tax

The salaries tax records were inspected and all liabilities settled from inception to 1998.

Years from 1999 to 2004

The internal committee has been finalized for the years from 1999 to 2004 and the Company was reassessed a reassessment for an amount of LE 1,114,590 which was further appealed. A penalty was advised for an amount of LE 622,500 plus a development charge of LE 110,430. Subsequently an amount of EGP 770,181 was paid.

Years from 2005 to 2012

- The Company records were inspected and an additional assessment was issued for LE 9,215,217.
- The Company rejected the inspection outcome on the legal due date.
- An internal committee completed deliberations and original tax was paid in addition to a 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.

D. Stamp duty tax

- The inspections were complete and settled to 31 December 2015.
- The inspection for 2016 was completed and an amount of EGP 7,602 was paid.

E. Real Estate tax

Period from 1 July 2013 till 31 December 2017

- The Company was assessed of LE 2,251,391.
- The Company has inspected an amount of LE 1,934,8763 for the years from 2016 and 2017 and paid.
- The Company was assessed of LE 967,290 for 2018 and is now paid in full.

39. Contingent liabilities

The company is contingently liable for letters of guarantee, letters of credit and shipping documents arising in the ordinary course of business amounting to be LE 642,281as of 31 December 2018 (2017: LE 10,242,281).

40. Commitments

Operating lease commitments	Instalment amount	Leasing amount	Lease period in months	Productive years
Vehicles	89,988	4,237,080	48	4

41. Non-cash transactions

For cash flows statement preparation purposes, the Company posted non-cash transaction which is not presented in the statement of cash flows as follows:

	2018
Dividends distribution	3,000,509
Reallocation of intangible assets to related parties	1,484,482
Transfer of balance due from related party to investment in subsidiary	433,174,998

42. Segment reporting

The Company did not prepare a segment reporting disclosure as all the Company's activities are represented in the sale of glass products. And this is in accordance with the presentation to the Board of Directors.

43. 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.