

**MIDDLE EAST GLASS MANUFACTURING  
COMPANY (S.A.E.) AND ITS SUBSIDIARIES**

**LIMITED REVIEW REPORT  
AND CONSOLIDATED INTERIM FINANCIAL  
STATEMENTS FOR THE THREE MONTHS PERIOD  
ENDED 31 MARCH 2017**

# MIDDLE EAST GLASS MANUFACTURING COMPANY (S.A.E.) AND ITS SUBSIDIARIES

## Consolidated interim financial statements

For the three months period ended 31 March 2017

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## Limited review report on the consolidated financial statements

**To: The Board of Directors of Middle East Glass Manufacturing Company and its subsidiaries (S.A.E.)**

### Introduction

We have reviewed the accompanying consolidated interim statement of financial position as of 31 March 2017 of Middle East Glass Manufacturing Company and its subsidiaries (S.A.E.) (the Group) and the related consolidated statements of profits or losses, other comprehensive income, changes in equity and cash flows for the three months period then ended, and a summary of significant accounting policies and other explanatory notes. Management is responsible for the preparation and fair presentation of these consolidated interim financial statements in accordance with Egyptian Accounting Standards. Our responsibility is to express a conclusion on these interim consolidated interim financial statements based on our limited review.

### Scope of limited review

We conducted our limited review in accordance with Egyptian Standard on Review Engagements No. 2410, "Review of Interim Financial Statements Performed by the Independent Auditor of the Entity." A limited review of interim consolidated financial statements consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A limited review is substantially less in scope than an audit conducted in accordance with Egyptian Standards on Auditing and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion on these consolidated interim financial statements.

### Conclusion

In our conclusion, nothing has come to our attention that causes us to believe that the accompanying consolidated interim financial statements is not prepared in all material respects, the financial position of the Middle East Glass Manufacturing Company and its subsidiaries S.A.E. as at 31 March 2017, and of its financial performance and its cash flows for the three months period then ended in accordance with Egyptian Accounting Standards.

Mohamed Ahmed Fouad, CPA  
R.A.A. 11595  
E.F.S.A. 235  
Mansour & Co. PricewaterhouseCoopers  
Public Accountants & Consultants

8 August 2017  
Cairo




MIDDLE EAST GLASS MANUFACTURING COMPANY (S.A.E.) AND ITS SUBSIDIARIES


Consolidated statement of financial position - As at 31 March 2017

(All amounts in Egyptian Pounds)			
	Notes	31 March 2017	31 December 2016
<b>Non-current assets</b>			
Property, plant and equipment	5	1,373,899,370	1,384,806,018
Intangible assets	6	344,450,300	347,929,486
<b>Total non-current assets</b>		<b>1,718,349,670</b>	<b>1,732,735,504</b>
<b>Current assets</b>			
Inventories	7	394,696,370	381,325,379
Trade and notes receivables	8	372,993,403	384,142,251
Prepaid expenses and other receivables	9	145,685,549	116,145,500
Due from tax authority	10	26,391,959	21,044,712
Non-current assets held for sale	11	7,627,546	7,627,546
Due from related parties	12	274,234,872	135,407,422
Cash and bank balances	13	101,327,722	67,879,575
<b>Total current assets</b>		<b>1,322,957,421</b>	<b>1,113,572,385</b>
<b>Total assets</b>		<b>3,041,307,091</b>	<b>2,846,307,889</b>
<b>Owners' equity</b>			
Issued and paid up capital	19	50,322,580	50,322,580
Legal reserve	20	25,161,260	25,161,260
Other reserve	19	13,129,007	13,129,007
Special reserves	19	172,217,162	172,217,162
(Accumulated losses) / Retained earnings	21	(523,166,543)	(527,646,798)
<b>Total (deficit) owners' equity</b>		<b>(262,336,534)</b>	<b>(266,816,789)</b>
Non-controlling interest	22	48,136,465	43,868,477
<b>Total (deficit) equity</b>		<b>(214,200,069)</b>	<b>(222,948,312)</b>
<b>Non-current liabilities</b>			
Borrowings and bank overdrafts	15/D	1,181,476,333	1,141,336,400
Retirement benefits obligation	23	6,342,704	6,863,606
Deferred tax liabilities	25	78,104,337	81,703,470
Shareholder's loan	12	432,825,002	432,825,002
Fixed assets creditors		45,951,656	53,771,231
<b>Total non-current liabilities</b>		<b>1,744,700,032</b>	<b>1,716,499,709</b>
<b>Current liabilities</b>			
Provisions	14	46,299,956	47,700,396
Bank borrowings and overdraft	15/A	1,014,632,192	952,809,790
Trade and notes payables	16	306,097,215	231,333,148
Accrued expenses and other payables	17	125,418,572	108,190,208
Due to tax authority	18	18,359,193	12,722,950
<b>Total current liabilities</b>		<b>1,510,807,128</b>	<b>1,352,756,492</b>
<b>Total owners' equity and liabilities</b>		<b>3,041,307,091</b>	<b>2,846,307,889</b>

The accompanying notes on pages 7 - 51 form an integral part of these consolidated interim financial statements.

  
Mr. Mohamed Khalifa  
Chief Financial Officer

  
Mr. Peter Carpenter  
Board Member

  
Mr. Abdul Galil Beshar  
Chairman

7 August 2017  
Auditor's report attached



# MIDDLE EAST GLASS MANUFACTURING COMPANY (S.A.E.) AND ITS SUBSIDIARIES

## Consolidated statement of profit or loss For the three months period ended 31 March 2017

(All amounts in Egyptian Pounds)

	Notes	31 March 2017	31 March 2016
Sales	26	529,906,551	245,899,162
Cost of sales		(389,793,995)	(199,053,967)
<b>Gross profit</b>		<b>140,112,556</b>	<b>46,845,195</b>
Selling and marketing expenses		(44,160,691)	(27,252,253)
General and administrative expenses		(19,541,903)	(17,076,835)
Other operating expense	27	(189,343)	(18,482,331)
Other operating income	28	18,243,770	2,867,198
<b>Profit / (loss) from operations</b>		<b>94,464,389</b>	<b>(13,099,026)</b>
Finance costs, net	29	(89,315,279)	(69,867,947)
<b>Net profit / (loss) before tax</b>		<b>5,149,110</b>	<b>(82,966,973)</b>
Income tax	30	3,599,133	966,630
<b>Net profit / (loss) for the period</b>		<b>8,748,243</b>	<b>(82,000,343)</b>
<b>Distributed as follows:</b>			
Owners' equity		4,480,255	(84,655,081)
Non-controlling interest		4,267,988	2,654,738
		<b>8,748,243</b>	<b>(82,000,343)</b>
<b>Earning / (Loss) per share (Basic / Diluted)</b>	31	<b>0.89</b>	<b>(16.80)</b>

The accompanying notes on pages 7 - 51 form an integral part of these consolidated interim financial statements.

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

**Consolidated statement of other comprehensive income**  
**For the three months ended 31 March 2017**

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(All amounts in Egyptian Pounds)

	<u>31 March 2017</u>	<u>31 March 2016</u>
Net profit / (loss) for the period	<u>8,748,243</u>	<u>(82,000,343)</u>
<b>Total comprehensive profit / (loss)</b>	<b><u>8,748,243</u></b>	<b><u>(82,000,343)</u></b>

The accompanying notes on pages 7 - 51 form an integral part of these consolidated interim financial statements.

**MIDDLE EAST GLASS MANUFACTURING COMPANY (S.A.E.) AND ITS SUBSIDIARIES**

**Consolidated statement of changes in equity  
For the three months period ended 31 March 2017**

	(All amounts in Egyptian Pounds)				Retained earnings		Non- controlling interest	Total equity
	Issued and paid up capital	Legal reserve	Special reserve	Other reserves	(Accumulated losses)	Total owners' equity		
<b>Balance at 1 January 2016</b>	50,322,580	25,161,260	172,217,162	13,129,007	114,286,547	375,116,556	53,098,013	428,214,569
Total comprehensive loss for the period	-	-	-	-	(84,655,081)	(84,655,081)	2,654,738	(82,000,343)
<b>Balance at 31 March 2016</b>	<u>50,322,580</u>	<u>25,161,260</u>	<u>172,217,162</u>	<u>13,129,007</u>	<u>29,631,466</u>	<u>290,461,475</u>	<u>55,752,751</u>	<u>346,214,226</u>
<b>Balance at 1 January 2017</b>	50,322,580	25,161,260	172,217,162	13,129,007	(527,646,798)	(266,816,789)	43,868,477	(222,948,312)
Total comprehensive profit for the period	-	-	-	-	4,480,255	4,480,255	4,267,988	8,748,243
<b>Balance at 31 March 2017</b>	<u>50,322,580</u>	<u>25,161,260</u>	<u>172,217,162</u>	<u>13,129,007</u>	<u>(523,166,543)</u>	<u>(262,336,534)</u>	<u>48,136,465</u>	<u>(214,200,069)</u>

The accompanying notes on pages 7 - 51 form an integral part of these consolidated interim financial statements.

# MIDDLE EAST GLASS MANUFACTURING COMPANY (S.A.E.) AND ITS SUBSIDIARIES

## Consolidated statement of cash flows

For the three months period ended 31 March 2017

(All amounts in Egyptian Pounds)

	Note	31 March 2017	31 March 2016
<b>Cash flows from operating activities</b>			
Net profit / (loss) for the period before tax		5,149,110	(82,966,973)
<b>Adjusted by:</b>			
Interest expenses	29	68,216,272	31,404,769
Interest income	29	(3,611)	(86,774)
Depreciation and amortization	5,6	48,295,792	44,928,581
Gain on sale of property, plant and equipment	28	(80,547)	13,171
Retirement benefits provision	23	250,000	250,000
Unrealized foreign exchange losses		(9,407,132)	-
<b>Cash flows from operating activities before changes in working capital</b>		<b>112,419,884</b>	<b>(6,457,226)</b>
Inventories	8	(13,370,991)	(37,561,370)
Trade and notes receivables	9	11,148,848	(35,830,527)
Prepaid expenses and other receivables	10	(29,540,049)	(7,728,782)
Due from tax authority	11	(5,347,247)	1,623,101
Due from related parties	12	(138,827,450)	(15,157,904)
Trade and notes payables	16	74,764,067	8,929,562
Accrued expenses and other payables	17	(7,406,670)	(7,466,938)
Due to tax authority	18	5,636,243	(5,576,953)
Provisions used	14	(1,400,440)	(1,554,029)
Payment of employees retirement benefits	23	(770,902)	(258,357)
<b>Cash flows generated from (used in) operations</b>		<b>7,305,293</b>	<b>(107,039,423)</b>
Interest paid		(43,581,238)	(25,351,079)
<b>Net cash outflow from operating activities</b>		<b>(36,275,945)</b>	<b>(132,390,502)</b>
<b>Cash flows from investing activities</b>			
Purchase of property, plant and equipment	5	(33,933,009)	(29,909,740)
Payment for acquisition of subsidiary, net of cash acquired		-	(695,894,470)
Proceeds from sale of property, plant and equipment	5	103,598	416,264
Interest income received	29	3,611	86,774
<b>Net cash outflow from investing activities</b>		<b>(33,825,800)</b>	<b>(725,301,172)</b>
<b>Cash flows from financing activities</b>			
Property, plant and equipment creditors		(6,872,694)	(19,119,044)
Bank overdrafts	15	98,228,637	87,410,576
Repayments of borrowings	15	(46,752,640)	(5,213,769)
Proceeds from borrowings	15	55,894,995	373,463,990
Shareholders loan	12	-	432,825,002
<b>Net cash inflow from financing activities</b>		<b>100,498,298</b>	<b>869,366,755</b>
<b>Increase in cash and cash equivalent</b>		<b>30,396,553</b>	<b>11,675,081</b>
Cash and cash equivalent at beginning of the period	13	63,471,240	30,800,257
<b>Cash and cash equivalents at end of the period</b>	13	<b>93,867,793</b>	<b>42,475,338</b>

The accompanying notes on pages 7 - 51 form an integral part of these consolidated interim financial statements.



## MIDDLE EAST GLASS MANUFACTURING COMPANY (S.A.E.) AND ITS SUBSIDIARIES

### Notes to the consolidated interim financial statements For the three months period ended 31 March 2017

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

#### 1. General information

Middle East Glass Manufacturing Company S.A.E. 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, 6<sup>th</sup> District, Industrial Zone, Cairo – Arab Republic of Egypt.

The company is listed on the Egypt Stock Exchange.

The company and its subsidiaries together comprise "the group".

On 10 November 2015, the Group established MEG Misr for Glass MEG (S.A.E.), with ownership 99.7%. The address of the Company is registered office is 6 Mokhayam El-Daem Street, Ninth District, Nasr City, Cairo. The Company's main activity is manufacturing all kinds of glass bottles and the acquisition of other entities that operate in the same field.

The main activities of the group are as follows:

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

The ultimate parent is Deram Holding Company INC. The parent of the company is MAC Investments S.A.E. with 51.43% ownership.

Subsidiaries	Share	Activity
Medco Plast for Packing & Wrapping Systems	60%	Manufacturing Plastic for Packing
Middle East Glass Containers Sadat (previously Wadi Glass Container)	100%	Manufacturing Glass Containers
MEG Misr for Glass	99.97%	Manufacturing Glass Containers
Misr for Manufacturing Glass (owned 100% by MEG Misr for Glass)	-	Manufacturing all kinds of Glass Bottles and the acquisition of other entities that operate in the same field

These consolidated financial statements have been approved for issuance by the chairman. The General Assembly of shareholders has the power to amend the consolidated financial statements after being issued.

## MIDDLE EAST GLASS MANUFACTURING COMPANY (S.A.E.) AND ITS SUBSIDIARIES

### Notes to the consolidated interim financial statements For the three months period ended 31 March 2017

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

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#### 2. Accounting policies

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

##### A. Basis of preparation of the consolidated financial statements

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

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

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

All other assets are classified as non-current

The liability is classified as current when:

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

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

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

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



## MIDDLE EAST GLASS MANUFACTURING COMPANY (S.A.E.) AND ITS SUBSIDIARIES

### Notes to the consolidated interim financial statements For the three months period ended 31 March 2017

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

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#### B. Basis of consolidation

##### (1) Subsidiaries

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

##### i. Acquisition method

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

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

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

##### ii. Changes in ownership interests held within controlling interests

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

##### iii. Disposal of subsidiaries

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



## MIDDLE EAST GLASS MANUFACTURING COMPANY (S.A.E.) AND ITS SUBSIDIARIES

### Notes to the consolidated interim financial statements For the three months period ended 31 March 2017

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

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#### Basis of consolidation (continued)

##### iv. Goodwill

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

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

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

##### v. Measurement period

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

#### C. Foreign currency translation

##### (1) **Functional and presentation currency**

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

##### (2) **Transactions and balances**

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



## MIDDLE EAST GLASS MANUFACTURING COMPANY (S.A.E.) AND ITS SUBSIDIARIES

### Notes to the consolidated interim financial statements For the three months period ended 31 March 2017

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

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#### Foreign currency translation (continued)

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 Group 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 Group.

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

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

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

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

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

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

## MIDDLE EAST GLASS MANUFACTURING COMPANY (S.A.E.) AND ITS SUBSIDIARIES

### Notes to the consolidated interim financial statements For the three months period ended 31 March 2017

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

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#### E. Impairment of non-financial assets

Intangible assets that have an indefinite useful life or intangible assets not ready to use are tested annually for impairment at the date of financial statements.

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

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

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

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

Impairment losses recognised in prior years are reversed when there is an indication that such losses no longer exist or have decreased. Loss of impairment, which should not exceed the carrying amount that would have been determined (net of depreciation). Such reversal is recognised in the statement of profit or loss.

The following assets have specific characteristics for impairment testing:

#### F. Intangible assets

##### 1. Computer software

The Group recognised the costs associated with maintaining computer software programmes as an expense as incurred. Computer software resulting during the development phase recognised as intangible asset when the following criteria are met:

- it is technically feasible to complete the software product so that it will be available for use; and
- The Group has the intention to complete the intangible asset for use and
- The Group is able to use the intangible asset. and
- it can be demonstrated how the software product will generate probable future economic benefits; and
- adequate technical, financial and other resources to complete the development and to use the software product are available; and
- the expenditure attributable to the software product during its development can be reliably measured.

Expenditures include directly attributable costs that are charged on acceptable and consistent manner to form computer software, develop or prepare them for their intended use, and salaries, wages and other costs related directly to employees and end-users for the formation of computer software.



## MIDDLE EAST GLASS MANUFACTURING COMPANY (S.A.E.) AND ITS SUBSIDIARIES

### Notes to the consolidated interim financial statements For the three months period ended 31 March 2017

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

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#### Intangible assets (continued)

The Group recognises other development costs which do not meet the required criteria as expenses as incurred. Expenditures related to intangible assets, which were initially recognised as expenses are not recognised in a subsequent date as part of the cost of intangible asset. The Group charges the amortisation amount of the computer software consistently over their estimated useful lives of 4 years using the straight-line method.

#### 2. Technical assistance cost

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

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

Technical assistance costs are stated at cost less accumulated amortization.

#### 3. Goodwill

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

#### 4. Customers list

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

#### G. Inventories

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

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

The Groups classifies the non-current asset (or disposal groups) as held for sale if their carrying amount will be recovered principally through a sale transaction rather than through continuing use. The asset (or disposal group) 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 Group measures the non-current asset (or group disposal), which is classified as assets held for sale on the basis of the lower of carrying amount and fair value less costs to sell.

## MIDDLE EAST GLASS MANUFACTURING COMPANY (S.A.E.) AND ITS SUBSIDIARIES

### Notes to the consolidated interim financial statements For the three months period ended 31 March 2017

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

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#### I. Financial assets

##### 1. Classification

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

##### Loans and receivables

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

##### 2. Initial recognition and measurement

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

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

##### 3. Subsequent measurement

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

##### 4. Derecognition

- i. Financial assets are derecognised when the rights to receive cash flows from the financial assets have expired or where the Group has transferred substantially all risks and rewards of ownership.
- ii. The financial asset is derecognised at its carrying amount at the date of derecognition, and profit / (loss) of derecognition is recognised in the statement of profit or loss within the profit/ (loss) on investment.
- iii. The profit/ (loss) of the derecognition of financial asset represents the difference between the carrying amount at the date of derecognition and the proceeds resulting from the derecognition of the financial asset, except for the available for sale financial assets which, where the profit/ (loss) of the derecognition 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.



## MIDDLE EAST GLASS MANUFACTURING COMPANY (S.A.E.) AND ITS SUBSIDIARIES

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#### **J. Offsetting financial asset and liability**

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

#### **K. Impairment of financial assets**

##### **1. Financial assets carried at amortised cost**

The Group assesses impairment at the end of each reporting period whenever there is objective evidence that a specific financial asset or a group of financial assets may be impaired. A financial asset or a group of financial assets is impaired and impairment losses are incurred only if there is objective evidence of impairment as a result of one or more events that occurred after the initial recognition of the asset (a 'loss event') and that loss event (or events) has an impact on the estimated future cash flows of the financial asset or group of financial assets that can be reliably estimated.

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

For loans and receivables category, the amount of the loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows (excluding future credit losses that have not been incurred) discounted at the financial asset's original effective interest rate. The carrying amount of the asset is reduced and the amount of the loss is recognised in the statement of profit or loss. Loans expected to be uncollectible are written off by deduction from the relevant provision, and any subsequent proceeds are recognised as revenue in the statement of profit and loss. If a loan or held-to-maturity investment has a variable interest rate, the discount rate for measuring any impairment loss is the current effective interest rate determined under the contract. As a practical expedient, the Group may measure impairment on the basis of an instrument's fair value using an observable market price.

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

#### **L. Trade receivables**

Trade receivables are amounts due from the Group's customers for merchandise sold or services performed in the Group's ordinary course of business. If collection is expected within 12 months from the date of the financial statements or in the Group's normal operating cycle of the business, they are classified as current assets. Trade receivables are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method, less provision for impairment.



## MIDDLE EAST GLASS MANUFACTURING COMPANY (S.A.E.) AND ITS SUBSIDIARIES

### Notes to the consolidated interim financial statements For the three months period ended 31 March 2017

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#### **M. Cash and cash equivalents**

In the consolidated statement of cash flows, cash and cash equivalents includes cash in hand and with banks, deposits held at call with banks, other short-term investments with original maturities of not more than three months from the date of placement, less bank overdrafts. In the consolidated statement of financial position, bank overdrafts are shown within current liabilities.

#### **N. Borrowings**

The Group recognises borrowings initially at fair value plus any directly attributable transaction costs incurred. Borrowings are subsequently carried at amortised cost; any difference between the original value (net of transaction costs) and value at the date of maturity is recognised in the statement of profit or loss over the period of the borrowings using the effective interest method.

Fees paid on the establishment of loan facilities are recognised as transaction costs of the loan to the extent that the Groups expects that all of the facility will be drawn down. In this case, the fee is deferred until the draw-down occurs.

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

#### **O. Financial liabilities**

##### **1. Classification**

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

##### **2. Recognition and derecognition**

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

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

##### **3. Measurement**

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

## MIDDLE EAST GLASS MANUFACTURING COMPANY (S.A.E.) AND ITS SUBSIDIARIES

### Notes to the consolidated interim financial statements

For the three months period ended 31 March 2017

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#### **P. 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 special reserve, after deducting the shares issue expenses (net of any advantage related to their income taxes) from the amount of share premium.

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

#### **Q. Current and deferred income taxes**

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

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

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

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

The deferred tax liabilities are not recognised if they arise from the initial recognition of goodwill. Deferred income tax is not recognised if it arises from initial recognition of an asset or liability in a transaction - other than a business combination - that at the time of the transaction affects neither accounting nor taxable profit or loss.

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

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



## MIDDLE EAST GLASS MANUFACTURING COMPANY (S.A.E.) AND ITS SUBSIDIARIES

### Notes to the consolidated interim financial statements For the three months period ended 31 March 2017

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#### **Current and deferred income taxes (continued)**

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

#### **R. Employee benefits**

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

##### **(1) Retirement benefits obligations**

The Group has two types of pension schemes.

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

##### Defined contribution plans

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

##### Defined benefit plans

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

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

The net defined benefit obligation recognised in the statement of financial position is the present value of the defined benefit obligation at the end of the reporting period 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 Group recognises the current service cost of the defined benefit obligation in the statement of profit or loss, except where included in the cost of an asset that reflects the increase in the defined benefit obligations relating to services performed to the Group during the current year or when changes or curtailments are made to the plan.

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



## MIDDLE EAST GLASS MANUFACTURING COMPANY (S.A.E.) AND ITS SUBSIDIARIES

### Notes to the consolidated interim financial statements For the three months period ended 31 March 2017

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#### Employee benefits (continued)

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

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 period in which they arise.

#### (2) Employees' share in legally defined profits

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

#### S. Leases

##### Operating lease

Leases in which the risks and rewards of ownership are retained by the lessor are classified as operating leases.

Payments made under operating leases (net of any discounts received from the lessor) are recognised as expense in the statement of profit or loss on a straight-line basis over the period of the lease.

#### T. Provisions

Provisions are recognised when the Group has a present (legal or constructive) obligation as a result of past events; it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation; and the amount has been reliably estimated. The Group recognises the commitments required for restructuring and not related to the Group's effective activities within the costs of the provision of restructure.

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

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

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.



## MIDDLE EAST GLASS MANUFACTURING COMPANY (S.A.E.) AND ITS SUBSIDIARIES

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#### Provisions (continued)

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

#### U. Contingent assets

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

#### V. 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.

#### W. Revenue recognition

Revenue is measured at the fair value of the consideration received or receivable, and represents amounts receivable for goods sold or service rendered due to the Group's normal course of business, stated net of value added taxes, discounts, or deductions. The Group recognises revenue when the amount of revenue can be reliably measured; when it is probable that future economic benefits will flow to the Group; and when specific criteria have been met for each of the group's activities, as described below. The amount of revenue is not considered accurately measurable unless all cases of uncertainty regarding the possibility of the collection of the amount due are excluded. The Group bases its estimate of return on historical results, taking into consideration the type of customer, the type of transaction and the related specifics arrangement.

##### 1. Sales of goods

Revenue is recognised from the sale of goods to traders or contractors who have the right to sell them and determine their prices when the goods are delivered to them, and the Group does not retain significant risks of ownership of the goods, there is no obligation that prevent those traders or contractors to accept the goods sold. Delivery is recognised, either in the Group's stores or in specific locations, according to the agreements. When the Group transfers the significant risk and rewards of the ownership of goods to the traders, it retains neither continuing managerial involvement to the degree usually associated with ownership nor effective control over the goods sold. Sales to traders do not comprise the element of financing, as the credit period granted to them is 60 days.

##### 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.

## MIDDLE EAST GLASS MANUFACTURING COMPANY (S.A.E.) AND ITS SUBSIDIARIES

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#### Revenue recognition (continued)

##### 3. Government's export subsidy

The government subsidy on the export sales is recognised as a percentage of the value of exported goods, when there is a proper evidence that the Group will deserve this subsidy and meet all required condition to obtain such subsidy, which is recognised under other income in the statement of profit or loss.

#### X. Dividends

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

#### Y. Operating segments

Operating segments are reported in a manner consistent with the internal reporting provided to the Group's chief operating decision-maker. The chief operating decision-maker, who is responsible for allocating resources and assessing performance of the operating segments, has been identified as the executive director of the holding company/ chairman of the board of the holding company/ the executive committee in charge of operations.

#### Z. Fair value of financial instruments

Fair value is the price that would be received to sell an asset or paid to transfer 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 transfer the liability takes place either:

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

The principal or the most advantageous market must be accessible to by the Group. The fair value of an asset or a liability is measured using the assumptions that market participants would use when pricing the asset or liability, assuming that market participants act in their economic best interest.

A fair value measurement of a non-financial asset takes into account a market participant's ability to generate economic benefits by using the asset in its highest and best use or by selling it to another market participant that would use the asset in its highest and best use.

The Group uses valuation techniques that are appropriate in the circumstances and for which sufficient data are available to measure fair value, maximising the use of relevant observable inputs and minimising the use of unobservable inputs.

All assets and liabilities for which fair value is measured or disclosed in the financial statements are categorised within the fair value hierarchy, described as follows, based on the lowest level of inputs that is significant to the fair value measurement as a whole:

- Level 1: Quoted (unadjusted) market prices in active markets for identical assets or liabilities;
- Level 2: Valuation techniques for which the lowest level input that is significant to the fair value measurement is directly or indirectly observable.
- Level 3: Valuation techniques for which the lowest level input that is significant to the fair value measurement is unobservable.



## MIDDLE EAST GLASS MANUFACTURING COMPANY (S.A.E.) AND ITS SUBSIDIARIES

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#### AA. Comparatives

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

### 3. Financial risk management

#### (1) Financial risk factors

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

The Group's management aims to minimise the potential adverse effects on the Group's financial performance, through the monitoring process performed by the Group's Finance Department, the Holding Company's General Manager, Executive Committee at the level of the Parent Company.

The Group does not use any derivative financial instruments to hedge specific risks.

#### (A) Market risk

##### i. Foreign currency exchange rates risk

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

	31 March 2017	31 December 2016
US Dollars 10%	(46,662,190)	(20,546,468)
Euros 10%	(3,519,597)	1,620,202
UAE Dirhams 10%	5,519,597	4,053,005
Saudi Riyal 10%	383,498	384,292

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

	31 March 2017			31 December 2016
	Assets	Liabilities	Net	Net
US Dollars	694,921,049	(1,161,542,954)	(466,621,905)	(205,464,688)
Euros	48,713,422	(83,909,389)	(35,195,967)	16,202,018
UAE Dirhams	59,024,349	-	59,024,349	40,530,054
Saudi Riyal	3,834,981	-	3,834,981	3,842,918



## MIDDLE EAST GLASS MANUFACTURING COMPANY (S.A.E.) AND ITS SUBSIDIARIES

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#### Financial risk management (continued)

The Central Bank of Egypt announced on November 3, 2016 the floatation of foreign exchange rates against the Egyptian Pound, and increasing the rates of interest on deposits and lending by 3%. Based on this, the official rates of foreign currencies are determined against the Egyptian Pound in local banks in accordance with market supply and demand.

#### ii. Price risk

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

#### iii. Cash flow and fair value exchange interest rate risk

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

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

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

The sensitivity of the statement of comprehensive income is the effect of the assumed changes in interest rates on the Group's profit for a year, based on the floating rate financial assets and financial liabilities held at 31 December 2016. There is no impact on the Group's equity.

	<u>Increase / Decrease in basis points</u>	<u>Effect on profit for the year EGP</u>
31 March 2017 EGP	10%	39,529,953
31 December 2016 EGP	10%	37,694,631

#### (B) Credit risk

Credit risk arises from cash and cash equivalents, deposits with banks and financial institutions, as well as credit exposures to wholesale and retail customers' credit limits, including outstanding receivables and committed transactions. The Group's credit risk is managed as a whole, except for the credit risk related to the customers' account balances, as each of the Group's companies manages and analyses the credit risk of their own customers.

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

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

## MIDDLE EAST GLASS MANUFACTURING COMPANY (S.A.E.) AND ITS SUBSIDIARIES

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#### Financial risk management (continued)

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

Management believes that customers' impairment provisions are adequate. Note (8) related to the financial assets provided other information on the credit risk.

The credit risk is minor for retail customers and individuals, as sales are settled in cash or using credit cards.

#### Transactions with major customers

The revenues derived from the largest two customers are equivalent to 18% of the total revenues for the year ended 31 March 2017 (31 December 2016: 28%).

Cash at banks and short term bank deposits credit ratings are as follows:

	31 March 2017	31 December 2016
A	16,627,497	14,078,363
AA	2,980,366	2,557,821
B	22,594,742	26,741,946
BB	30,373,058	759,673
BBB	22,604,112	22,390,508
CCC	1,495	-
<b>Total</b>	<b>95,181,270</b>	<b>66,528,311</b>

#### (C) Liquidity risk

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

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

The Group limits liquidity risk by maintaining sufficient bank facilities and reserves, and by monitoring cash forecast and actual cash flows and matching the maturity profiles of financial assets and liabilities. Balances due to suppliers are normally settled within 60 days from the date of purchase.



# MIDDLE EAST GLASS MANUFACTURING COMPANY (S.A.E.) AND ITS SUBSIDIARIES

## Notes to the consolidated interim financial statements For the three months period ended 31 March 2017

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### Financial risk management (continued)

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

	Less than 6 month	Between 6 month & 1 year	Between 1 & 2 years	More than 2 years
<b>31 March 2017</b>				
Fixed assets creditors	-	-	45,941,368	-
Accounts and notes payable	155,756,468	95,049,022	10,288	-
Accrued expenses and other payables	133,425,806	-	-	-
Bank overdraft	730,475,829	90,207,577	-	-
Loans and borrowings	162,623,712	155,942,383	308,845,429	1,375,313,409
Shareholders' loan	-	-	-	432,825,002
<b>Total</b>	<b>1,182,281,815</b>	<b>341,198,982</b>	<b>354,797,085</b>	<b>1,808,138,411</b>
	Less than 6 month	Between 6 month & 1 year	Between 1 & 2 years	More than 2 years
<b>31 December 2016</b>				
Fixed assets creditors	-	-	53,771,231	-
Accounts and notes payable	239,721,890	-	-	-
Accrued expenses and other payables	94,755,933	-	-	-
Bank overdraft	722,554,114	-	-	-
Loans and borrowings	156,147,291	196,171,611	282,504,563	1,480,312,378
Shareholders' loan	-	-	-	432,825,002
<b>Total</b>	<b>1,213,179,228</b>	<b>196,171,611</b>	<b>336,275,794</b>	<b>1,913,137,380</b>

### (2) Capital risk management

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

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

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

# MIDDLE EAST GLASS MANUFACTURING COMPANY (S.A.E.) AND ITS SUBSIDIARIES

## Notes to the consolidated interim financial statements For the three months period ended 31 March 2017

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

### Financial risk management (continued))

The gearing ratios at 31 March 2017 and 31 December 2016 were as follows:

	31 March 2017	31 December 2016
Loans and borrowings	1,367,865,845	1,367,183,741
Shareholders loan	432,825,002	432,825,002
Bank overdrafts	828,242,680	722,554,114
Less: Cash and bank balances	(101,327,722)	(71,859,982)
<b>Net debt</b>	<b>2,527,605,805</b>	<b>2,450,702,875</b>
Total owners' equity	(214,200,069)	(222,948,312)
<b>Total capital</b>	<b>2,313,405,736</b>	<b>2,227,754,563</b>
<b>Gearing ratio</b>	<b>109%</b>	<b>110%</b>

The main reason for the increase in the gearing ratio in 31 March 2017 comparing to 31 December 2016 is obtaining loans during the year to support the acquisition of Misr for Glass Manufacturing Company.

## 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 group 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 group uses.

#### a. Employee benefits

The group's management determines the 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 (Note 2.R). Note (23) shows the main assumptions used to determine the employee benefit liabilities.

#### b. Property, plant and equipment – useful life

Property, plant and equipment are a substantial portion from the total assets of the group, depreciation expense that is related to this property, plant and equipment is substantial portion from the annual operating expenses.

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

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



## MIDDLE EAST GLASS MANUFACTURING COMPANY (S.A.E.) AND ITS SUBSIDIARIES

### Notes to the consolidated interim financial statements For the three months period ended 31 March 2017

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

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#### **Critical accounting estimates and judgments (continued))**

**c. Intangible assets useful lives – customer list**

The group amortizes customer list arising from business combination using the straight line method over 5 years which is estimated to be the period of the projected cash flows for customer list.

**d. Impairment of goodwill**

The group tests annually whether goodwill has suffered any impairment in accordance with the accounting policy stated in note 2-E-B. The recoverable amounts of cash generating units have been determined based on value-in-use calculations, these calculation require the use of estimates (Note 6).

**e. Impairment of trade receivables**

Impairment of trade receivables estimated according to the debts aging. The management assesses the credit position and the payment ability of the customers in which their debts overdue as per the given credit facility, accordingly the Group recognized the required impairment.

**(2) Critical judgment in applying the accounting policies**

In general applying the group's accounting policies does not require judgments.

# MIDDLE EAST GLASS MANUFACTURING COMPANY (S.A.E.) AND ITS SUBSIDIARIES

## Notes to the consolidated interim financial statements - For the three months period ended 31 March 2017

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

### 5. Property, plant and equipment

	31 December 2016							
	Land	Buildings	and molds	transportation	equipment	Computers	construction	
Cost								
Cost at the beginning of the year	49,296,473	91,507,663	832,685,242	10,441,170	6,120,988	7,411,849	95,869,529	1,093,332,914
Assets acquired from subsidiary	280,000,479	117,254,563	593,833,648	11,085,084	7,069,052	-	31,943,588	1,041,186,414
Total assets cost for the group	329,296,952	208,762,226	1,426,518,890	21,526,254	13,190,040	7,411,849	127,813,117	2,134,519,328
Additions	-	9,844,014	60,516,124	3,683,263	1,685,632	1,277,403	121,705,468	198,711,904
Disposals	-	(1,099,626)	(4,305,226)	(1,585,899)	(575,168)	(179,862)	-	(7,745,781)
Transferred to Fixed Assets	-	1,489,554	50,771,800	-	-	249,674	(52,511,028)	-
Reclassification	-	-	(122,072)	-	122,072	-	-	-
Balance at end for the year	329,296,952	218,996,168	1,533,379,516	23,623,618	14,422,576	8,759,064	197,007,557	2,325,485,451
Accumulated Depreciation								
Balance at the beginning of the year	-	(29,147,170)	(397,198,999)	(5,926,991)	(4,114,867)	(5,421,836)	-	(441,809,863)
Accumulated Depreciation for assets acquired from subsidiary	-	(18,944,563)	(299,494,648)	(7,342,084)	(5,056,587)	-	-	(330,837,882)
Total depreciation for the group	-	(48,091,733)	(696,693,647)	(13,269,075)	(9,171,454)	(5,421,836)	-	(772,647,745)
Depreciation Expense	-	(9,971,798)	(159,104,751)	(3,240,328)	(1,403,145)	(718,232)	-	(174,438,254)
Disposals	-	360,384	4,296,681	1,006,145	570,368	172,988	-	6,406,566
Reclassification	-	-	119,393	-	(119,393)	-	-	-
Balance at the end of the year	-	(57,703,147)	(851,382,324)	(15,503,258)	(10,123,624)	(5,967,080)	-	(940,679,433)
Net book value for the year end	329,296,952	161,293,021	681,997,192	8,120,360	4,298,952	2,791,984	197,007,557	1,384,806,018
31 March 2017								
Cost								
Balance at beginning of the period	329,296,952	218,996,168	1,533,379,516	23,623,618	14,422,576	8,759,064	197,007,557	2,325,485,451
Additions	-	61,009	24,160,858	291,000	417,115	50,315	9,781,710	34,762,007
Disposals	-	-	(1,268,522)	-	(2,593)	(273,411)	-	(1,544,526)
Balance at the end of the period	329,296,952	219,057,177	1,556,271,852	23,914,618	14,837,098	8,535,968	206,789,267	2,358,702,932
Accumulated depreciation								
Balance at beginning of the period	-	(57,703,147)	(851,382,324)	(15,503,258)	(10,123,624)	(5,967,080)	-	(940,679,433)
Depreciation expense	-	(2,678,139)	(40,705,571)	(822,407)	(383,080)	(227,409)	-	(44,816,606)
Disposals depreciation	-	-	435,738	-	162	256,577	-	692,477
Balance at the end of the period	-	(60,381,286)	(891,652,157)	(16,325,665)	(10,506,542)	(5,937,912)	-	(984,803,562)
Net book value at the end of the period	329,296,952	158,675,891	664,619,695	7,589,953	4,330,556	2,598,056	206,789,267	1,373,899,370



## MIDDLE EAST GLASS MANUFACTURING COMPANY (S.A.E.) AND ITS SUBSIDIARIES

### Notes to the consolidated interim financial statements For the three months period ended 31 March 2017

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

#### Property, plant and equipment (continued)

The Group have leased assets which not recognised as fixed assets according to policy no. 2d and Epytian accounting standerd no.20 which recognise the lease payments as expenses in statement of profits or losses during the year.

#### Pledge on assets:

All machineries, tools and production lines are subject to commercial pledges, as collateral in the first degree for the loans given to the group by the bank (Note 15).

Project under constructions analysis are as follows:

	Balance at 1 January 2017	Additions during the year	Balance at 31 March 2017
Others	179,734,245	6,854,907	186,589,152
Husky machines instalments	17,273,312	2,926,803	20,200,115
	<b>197,007,557</b>	<b>9,781,710</b>	<b>206,789,267</b>

The balance of project under construction as of 31 March 2017 is represented as flows:

	31 March 2017
New furnace	68,974,897
Forming machines	36,643,322
Blender	35,685,467
Machinery and equipment	22,120,918
Husky machines	20,200,115
Compressor machines	11,192,830
Others	3,850,905
Buildings	3,246,733
Renewal of furnace	2,700,629
Computer software	2,173,441
	<b>206,789,267</b>

**MIDDLE EAST GLASS MANUFACTURING COMPANY (S.A.E.)  
AND ITS SUBSIDIARIES**

**Notes to the consolidated interim financial statements - For the three months period ended 31 March 2017**

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

**6. Intangible assets**

	Technical information cost	Computer software	Goodwill	Customers list	31 March 2017
<b>Cost</b>					
Balance at 1 January	5,156,143	3,825,067	294,649,154	64,745,000	368,375,364
<b>Balance</b>	<b>5,156,143</b>	<b>3,825,067</b>	<b>294,649,154</b>	<b>64,745,000</b>	<b>368,375,364</b>
<b>Accumulated amortization</b>					
Balance at 1 January	(2,578,071)	(2,750,007)	-	(15,117,800)	(20,445,878)
Amortization expense	(128,904)	(113,032)	-	(3,237,250)	(3,479,186)
<b>Balance</b>	<b>(2,706,975)</b>	<b>(2,863,039)</b>	<b>-</b>	<b>(18,355,050)</b>	<b>(23,925,064)</b>
<b>Net book value</b>	<b>2,449,168</b>	<b>962,028</b>	<b>294,649,154</b>	<b>46,389,950</b>	<b>344,450,300</b>

	Technical information cost	Computer software	Goodwill	Customers list	31 December 2016
<b>Cost</b>					
Balance at 1 January	5,156,143	3,792,932	209,623,506	10,844,000	229,416,581
Additions		32,135	85,025,648	53,901,000	138,958,783
<b>Balance</b>	<b>5,156,143</b>	<b>3,825,067</b>	<b>294,649,154</b>	<b>64,745,000</b>	<b>368,375,364</b>
<b>Accumulated amortization</b>					
Balance at 1 January	(2,062,457)	(2,305,916)	-	(2,168,800)	(6,537,173)
Amortization expense	(515,614)	(444,091)	-	(12,949,000)	(13,908,705)
<b>Balance</b>	<b>(2,578,071)</b>	<b>(2,750,007)</b>	<b>-</b>	<b>(15,117,800)</b>	<b>(20,445,878)</b>
<b>Net book value</b>	<b>2,578,072</b>	<b>1,075,060</b>	<b>294,649,154</b>	<b>49,627,200</b>	<b>347,929,486</b>



## MIDDLE EAST GLASS MANUFACTURING COMPANY (S.A.E.) AND ITS SUBSIDIARIES

### Notes to the consolidated interim financial statements For the three months period ended 31 March 2017

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

#### Intangible assets (continued)

##### A. Technical assistance costs

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

##### B. Goodwill

Goodwill is allocated to Medco Plast for Packing and Wrapping Systems S.A.E., Middle East Glass Containers Sadat S.A.E. and Misr for glass Manufacturing S.A.E. which represents the cash generating units (CGU) to which goodwill is related.

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

##### C. Customers list

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

##### D. Business combination

###### Medco Plast for Packing and Wrapping Systems S.A.E.

On 30 September 2010, the group acquired 60% of the share capital of Medco Plast for Packing and Wrapping Systems Company S.A.E.

Amount of the net identifiable assets and goodwill as follows:

	<u>30 September 2010</u>
<b>Acquisition cost:</b>	
Cash paid	62,993,700
Direct cost of acquisition	1,876,963
<b>Total acquisition cost</b>	<b>64,870,663</b>
Fair value of net assets acquired	(28,836,496)
<b>Goodwill</b>	<b><u>36,034,167</u></b>

## MIDDLE EAST GLASS MANUFACTURING COMPANY (S.A.E.) AND ITS SUBSIDIARIES

### Notes to the consolidated interim financial statements For the three months period ended 31 March 2017

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

#### Intangible assets (continued)

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

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

Amounts of the net identifiable assets and goodwill are as follows:

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

##### Misr for Glass Manufacturing Company S.A.E.

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

Assets, liabilities and acquisition cost are as follows:

	<u>19 January 2016</u>
Purchase price paid at acquisition	735,587,741
Refund from escrow account during measurement period	(18,945,537)
<b>Acquisition cost</b>	<u><b>716,642,204</b></u>
Intangible assets arising from purchase price allocation (customer list)	(53,901,000)
Fair value of net assets acquired	(577,715,556)
<b>Goodwill</b>	<u><u>85,025,648</u></u>

Goodwill is related primarily to the value of skilled labor and benefits from the increased market share resulting from the acquisition, the goodwill is not considered taxable.

Acquisition cost include EGP 50 million held in escrow account until the selling shareholders fulfil all obligations and guarantees mentioned in the shares purchase agreement. During the measurement period, the Group has refunded an amount of EGP 18,945,537 from the escrow account and this amount has been deducted from the acquisition cost and goodwill.

#### **E. Recoverable amount of Goodwill**

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

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

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



# MIDDLE EAST GLASS MANUFACTURING COMPANY (S.A.E.) AND ITS SUBSIDIARIES

## Notes to the consolidated interim financial statements For the three months period ended 31 March 2017

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

### 7. Inventories

	31 March 2017	31 December 2016
Finished goods	157,712,313	158,372,343
Raw materials	131,984,740	119,850,321
Spare parts	80,817,017	75,321,839
Packing and wrapping materials	17,268,013	12,016,906
Work in progress	13,804,257	23,504,941
Fuel and oil	2,731,706	2,136,033
Goods in transit	901,771	646,443
	<b>405,219,817</b>	<b>391,848,826</b>
Provision for impairment in inventory value	(10,523,447)	(10,523,447)
	<b>394,696,370</b>	<b>381,325,379</b>

### 8. Trade and notes receivables

	31 March 2017	31 December 2016
Accounts receivables	381,360,302	392,903,928
Notes receivables	7,600,000	7,205,222
	<b>388,960,302</b>	<b>400,109,150</b>
Allowance for doubtful debt	(15,966,899)	(15,966,899)
	<b>372,993,403</b>	<b>384,142,251</b>

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 Group assesses the potential customer's credit quality and defines credit limits by customer.

Included in the Group's trade receivables balance are debtors with a carrying amount of EGP 127,687,557 (31 December 2016: EGP 131,800,845) which are past due at the reporting date for which the Group has not recorded any provision as there has not been a significant change in credit quality and the amounts are still considered recoverable. The Group do not hold any collateral over these balances.

Ageing of past due but not impaired receivables:

	31 March 2017	31 December 2016
Past due for less than 3 months	48,558,705	54,321,219
Past due for more than 3 months	79,128,852	77,479,626
	<b>127,687,557</b>	<b>131,800,845</b>

# MIDDLE EAST GLASS MANUFACTURING COMPANY (S.A.E.) AND ITS SUBSIDIARIES

## Notes to the consolidated interim financial statements For the three months period ended 31 March 2017

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

### Trade and notes receivables (continued)

In determining the recoverability of contract and trade receivables, the Group 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 project directors 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 directors believe that there is no further credit provision required in excess of the current provision for doubtful debts.

Ageing of impaired trade receivables against which a provision for doubtful debts has been made:

	<b>31 March 2017</b>	<b>31 December 2016</b>
Past due for more than 3 months	15,966,899	15,966,899
	<b>15,966,899</b>	<b>15,966,899</b>

### 9. Prepaid expenses and other receivables

	<b>31 March 2017</b>	<b>31 December 2016</b>
Advances to suppliers	55,667,103	43,172,717
Accrued export subsidies	38,763,680	32,160,501
Other debit balances	33,755,132	26,465,974
Refundable deposits	10,084,977	9,628,840
Prepaid expenses	3,978,150	2,425,234
Employees imprest and loans	3,439,726	1,535,578
Indemnification asset	-	759,875
	<b>145,688,768</b>	<b>116,148,719</b>
Other receivables impairment provision	(3,219)	(3,219)
	<b>145,685,549</b>	<b>116,145,500</b>

### 10. Due from tax authority

	<b>31 March 2017</b>	<b>31 December 2016</b>
Tax authority - Sales tax on purchases	16,231,223	13,044,444
Tax authority - Withholding tax	7,711,933	5,551,465
Tax authority - Income tax	2,447,120	2,447,120
Other taxes	1,683	1,683
	<b>26,391,959</b>	<b>21,043,029</b>



# MIDDLE EAST GLASS MANUFACTURING COMPANY (S.A.E.) AND ITS SUBSIDIARIES

## Notes to the consolidated interim financial statements For the three months period ended 31 March 2017

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

### Due from tax authority (continued)

The withholding tax movement are as follows:

	31 March 2017	31 December 2016
Balance at the beginning of the period / year	5,551,465	2,519,109
Balance acquired in business combination	-	1,531,801
Transfers to income tax	-	(3,606,277)
Paid during the period / year	2,160,468	5,106,832
<b>Balance at the end of the period / year</b>	<b>7,711,933</b>	<b>5,551,465</b>

### 11. Non-current assets held for sale

	31 March 2017	31 December 2016
Machineries	7,627,546	7,627,546
	<b>7,627,546</b>	<b>7,627,546</b>

The non-current assets held for sale are represented in machineries acquired as part of the acquisition of Misr for Glass Manufacturing S.A.E.. The Group's management decided to sell the machineries.

### 12. Related parties

Deram Holding (INC) is the ultimate parent company as it owns which owns 99.99% of MAC Investments S.A.E. MAC Investments (The parent Company) owns 51.43% of Middle East Glass Manufacturing Company S.A.E.

The following are the transactions with related parties:

	31 March 2017	31 December 2016
<b>a. Sales of goods</b>		
Coca-Cola Bottling Company of Egypt – (CCBCE)	163,314,373	316,580,403
	<b>163,314,373</b>	<b>316,580,403</b>
	31 March 2017	31 December 2016
<b>b. Purchases of goods and services</b>		
<b>Purchases of goods</b>		
Coca-Cola Bottling Company of Egypt – (CCBCE)	632,080	3,198,449
	<b>632,080</b>	<b>3,198,449</b>
	31 March 2017	31 December 2016
<b>c. Top management compensation</b>		
Paid during the period / year	9,043,993	17,677,700
	<b>9,043,993</b>	<b>17,677,700</b>

# MIDDLE EAST GLASS MANUFACTURING COMPANY (S.A.E.) AND ITS SUBSIDIARIES

## Notes to the consolidated interim financial statements For the three months period ended 31 March 2017

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

### Related parties (continued)

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

	Nature of relations	31 March 2017	31 December 2016
<u>Due from related parties</u>			
Coca Cola Bottling of Egypt – (CCBCE)	Affiliate	208,697,181	70,841,788
Global Beverages Company – Libya	Affiliate	57,599,784	57,758,025
Sheba Investments	Affiliate	7,831,837	6,680,604
Sanaa Beverages and Industrial Company Limited (SBI)	Affiliate	59,429	126,968
Other affiliate companies (Non-controlling interest)		46,641	37
		<b>274,234,872</b>	<b>135,407,422</b>
		<b>31 March 2017</b>	<b>31 December 2016</b>
<u>Due to related parties – non current:</u>			
Shareholders' loan	Group's shareholders	432,825,002	432,825,002
		<b>432,825,002</b>	<b>432,825,002</b>

During the year, the shareholders have provided a loan amounting to LE 432,825,002 with the purpose of supporting the Group's in acquiring Misr for Glass Manufacturing Company. (S.A.E) The loan is non-interest bearing and does not have fixed repayment maturities and it was subordinated for the favour of the group's lenders.

### Sheba Investments

Sheba Investment is a related party as the Chairman of Middle East Glass Manufacturing Company S.A.E. is an investor in the Company.

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

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

### Global Beverages Company – Libya (GBC):

Global Beverages Company- Libya is as a related party since it is under common control with Middle East Glass Manufacturing Company.

### Sanaa Beverages and Industrial Company Limited – (SBI)

Sanaa Beverages and Industrial Company Limited is as a related party since it has common ownership with Middle East for Glass Manufacturing. All transactions between both companies bearing, payments are based on previous agreements and the pricing between both companies is at arm's length based on the trading rules, conditions and market prices.



# MIDDLE EAST GLASS MANUFACTURING COMPANY (S.A.E.) AND ITS SUBSIDIARIES

## Notes to the consolidated interim financial statements For the three months period ended 31 March 2017

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

### 13. Cash and bank balances

	31 March 2017	31 December 2016
Current account at banks	95,181,270	66,528,311
Cash on hand	6,146,452	1,351,264
<b>Total</b>	<b>101,327,722</b>	<b>67,879,575</b>

For the purpose of cash flow preparation, cash and bank balances consists of:

	31 March 2017	31 December 2016	31 March 2016
Cash and bank balances	101,327,722	67,879,575	42,475,338
Bank overdraft	(7,459,929)	(4,408,335)	-
	<b>93,867,793</b>	<b>63,471,240</b>	<b>42,475,338</b>

### 14. Provisions

	Restructuring provision	Other provisions	31 March 2017	31 December 2016
Balance at beginning of the period / year	11,430,357	36,270,039	47,700,396	21,819,978
Provision acquired in acquisition	-	-	-	16,000,000
Additions during the period / year	-	-	-	21,019,396
Usage during the period / year	-	(1,400,440)	(1,400,440)	(11,138,978)
<b>Balance at end of the period / year</b>	<b>11,430,357</b>	<b>34,869,599</b>	<b>46,299,956</b>	<b>47,700,396</b>

#### Other provision

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

#### Restructuring provision

Restructuring provision comprise employees' contracts termination costs, and are recognized in the period in which the Group becomes legally or constructively committed to pay such amounts, as well as approving the restructuring plan with proper communication to employees.

# MIDDLE EAST GLASS MANUFACTURING COMPANY (S.A.E.) AND ITS SUBSIDIARIES

## Notes to the consolidated interim financial statements For the three months period ended 31 March 2017

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

### 15. Borrowings and bank overdrafts

	31 March 2017	31 December 2016
<b>A. Borrowings - current portion</b>		
Bank loans	186,389,512	225,847,341
Bank overdrafts	820,782,751	722,554,114
Bank credit balances	7,459,929	4,408,335
<b>Total current portion</b>	<b>1,014,632,192</b>	<b>952,809,790</b>
<b>B. Borrowings non-current portion</b>		
Bank loans	1,181,476,333	1,141,336,400
<b>Total non-current portion</b>	<b>1,181,476,333</b>	<b>1,141,336,400</b>
<b>Total</b>	<b>2,196,108,525</b>	<b>2,094,146,190</b>

The bank facilities given to the group are pledged against the following:

- Portion of contracts signed with customers.
- Restrictions over subsidiaries' shares owned by the Group.
- Commercial pledge of plant and machinery financed by the banks.
- Irrevocable personal guarantee issued by the minority shareholder of subsidiary.
- Assignment of insurance on pledged assets in favor of the bank.

Average interest rate on loans is 2.75% over corridor rate for loans in Egyptian pound, 4.75% over Eurobor for loans in Euro and 3.75% over Libor for loans in US Dollars.

### 16. Trade and notes payables

	31 March 2017	31 December 2016
Trade payable	279,392,925	204,729,673
Notes payable	26,704,290	26,603,475
	<b>306,097,215</b>	<b>231,333,148</b>



## MIDDLE EAST GLASS MANUFACTURING COMPANY (S.A.E.) AND ITS SUBSIDIARIES

### Notes to the consolidated interim financial statements For the three months period ended 31 March 2017

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

#### 17. Accrued expenses and other payables

	31 March 2017	31 December 2016
Accrued expenses	61,770,866	71,259,947
Accrued interest expense	31,167,947	6,532,913
Other payables	18,872,413	15,117,648
Advances from customers	9,469,616	11,944,326
Retention	2,613,452	1,845,425
Social insurance authority	1,524,278	1,489,949
	<b>125,418,572</b>	<b>108,190,208</b>

#### 18. Due to tax authority

	31 March 2017	31 December 2016
Tax authority - salaries tax	6,688,852	6,378,921
Tax authority - sales tax	10,100,717	4,300,115
Tax authority - withholding tax	1,247,776	1,563,015
Other taxes	321,848	480,899
	<b>18,359,193</b>	<b>12,722,950</b>

#### 19. 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 three hundred twenty two thousand five hundred and eighty Egyptian Pounds) with an amount of EGP 10,322,580 (ten million three hundred twenty two thousand five hundred and eight 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 value and fair value of the shares is to be recorded at the Group's reserve account, and the total amount of the issuance of EGP 205,254,180 has been deposited with one of the Egyptian Banks, and the increase has been approved in the commercial register in 26 June 2015.

## MIDDLE EAST GLASS MANUFACTURING COMPANY (S.A.E.) AND ITS SUBSIDIARIES

### Notes to the consolidated interim financial statements For the three months period ended 31 March 2017

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

#### Issued and paid up capital (continued)

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 special reserve as follows:

	<b>31 March 2017</b>
Share capital premium	194,931,601
Deduct: Issuance cost	(6,414,554)
<b>Net share capital premium</b>	<b>188,517,047</b>
Transferred to legal reserve	(16,299,885)
<b>Transferred to special reserve</b>	<b>172,217,162</b>

On 3 April 2014, the existing shareholders agreed to increase the paid up capital by approximately US \$28.7 million which was equivalent to LE 205 million on that date, subsequently on 10 May 2015, the existing shareholders have 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.

#### 20. Legal reserve

In accordance with the Companies Law No. 159 of 1981 and the Articles of Association of the Group, 5% of annual net profit is transferred to the legal reserve. Upon the recommendation of the Board of Directors, the group may stop such transfers when the legal reserve reaches 50% of the issued capital. The reserve is not eligible for distribution to shareholders.

#### 21. (Accumulated losses) / Retained earning

	<b>31 March 2017</b>	<b>31 December 2016</b>
Balance at January 1	(527,646,798)	116,733,667
Net (loss) / profit for the period / year	4,480,255	(640,447,653)
Dividends paid during the period / year	-	(5,030,332)
Remeasurement of retirement benefit obligations	-	1,097,520
<b>Balance at 31 December</b>	<b>(523,166,543)</b>	<b>(527,646,798)</b>



# MIDDLE EAST GLASS MANUFACTURING COMPANY (S.A.E.) AND ITS SUBSIDIARIES

## Notes to the consolidated interim financial statements For the three months period ended 31 March 2017

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

### 22. Non-controlling interest

	31 March 2017	31 December 2016
Balance at beginning of the period / year	43,868,477	53,098,013
Net (loss) / profit of the period / year	4,267,988	(5,362,844)
Dividends distribution attributable to non-controlling interest	-	(3,866,692)
<b>Balance at end of the period / year</b>	<b>48,136,465</b>	<b>43,868,477</b>

### 23. Retirement benefits obligation

#### Defined benefit obligation

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

	31 March 2017	31 December 2016
Discount rate	15.25%	15.25%
Average salary increase rate	4%	4%
Life table	49-52	49-52

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

	31 March 2017	31 December 2016
Present value of obligations	6,342,704	6,863,606
<b>Liability at the financial position</b>	<b>6,342,704</b>	<b>6,863,606</b>

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

	31 March 2017	31 December 2016
<b>Balance at beginning of the period / year</b>	<b>6,863,606</b>	<b>6,373,632</b>
Interest expense	159,341	637,363
Current service cost	90,659	582,721
Past service cost	-	2,400,000
<b>Total amount recognised in profit or loss</b>	<b>250,000</b>	<b>3,620,084</b>
<b>Remeasurement</b>		
Gains from change in financial assumptions	-	(1,097,520)
<b>Total amount recognised in OCI</b>	<b>-</b>	<b>(1,097,520)</b>
Benefit payments from plan	(770,902)	(2,032,590)
<b>Balance at end of the period / year</b>	<b>6,342,704</b>	<b>6,578,592</b>

## MIDDLE EAST GLASS MANUFACTURING COMPANY (S.A.E.) AND ITS SUBSIDIARIES

### Notes to the consolidated interim financial statements For the three months period ended 31 March 2017

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

#### 24. Fair value measurement

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

- Bank balances and cash, trade receivables, other financial assets, due from related parties, trade and other payables and due to related parties approximate their carrying amounts, largely due to the short-term maturities of these instruments.
- Customers are evaluated by the Group according to standards like interest rates, special risk factors and personal credit quality of the customer.  
According to this evaluation, provisions for the expected losses are formed. As at 31 March 2017, the listed amounts for these balances, net from the provisions does not differ materially from its fair value.
- Fair value of bank borrowings and other financial liabilities as well as other non-current financial liabilities is estimated by discounting future cash flows using rates currently available for debts on similar items, credit risk and remaining maturities and since such liabilities is variable interest bearing, so management was in view the fair value approximate its carrying value.
- The recoverable amount of the goodwill was evaluated by using level 3 inputs note (6).

#### 25. Deferred tax liabilities

##### A. Recognized deferred tax liability

	Financial position		Statement of Profits or losses	
	31 March 2017	31 December 2016	31 March 2017	31 March 2016
Depreciation of property, plant and equipment	(51,245,070)	(54,472,083)	3,227,013	2,145,337
Retirement benefits	1,427,108	1,544,312	(117,204)	(1,880)
Tax losses carried forward	9,201,423	9,970,353	(768,930)	1,328,576
Restructuring provision	2,470,119	2,470,119	-	-
Unrealized foreign exchange losses	-	420,805	(420,805)	-
Acquired fixed assets revaluations	(39,957,917)	(41,636,976)	1,679,059	-
	<b>(78,104,337)</b>	<b>(81,703,470)</b>	<b>3,599,133</b>	<b>3,472,033</b>



# MIDDLE EAST GLASS MANUFACTURING COMPANY (S.A.E.) AND ITS SUBSIDIARIES

## Notes to the consolidated interim financial statements For the three months period ended 31 March 2017

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

### Deferred tax liabilities (continued)

#### B. Unrecognized deferred tax assets

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

	31 March 2017	31 December 2016
Tax effect on inventory provision	2,367,776	2,367,776
Tax effect of impairment of trade and notes receivables	3,592,552	3,592,552
Tax effect of impairment of prepaid expenses and other debit balances	723	723
	<b>5,961,051</b>	<b>5,961,051</b>

### 26. Sales

	31 March 2017	31 March 2016
Glass sales	342,464,485	150,078,640
Plastic sales	188,992,551	95,820,522
Sales returns and allowances plastic / glass	(1,550,485)	-
<b>Total</b>	<b>529,906,551</b>	<b>245,899,162</b>

### 27. Other operating expense

	31 March 2017	31 March 2016
Others	189,343	2,814,439
Acquisition-related cost	-	15,667,892
	<b>189,343</b>	<b>18,482,331</b>

### 28. Other operating income

	31 March 2017	31 March 2016
Export subsidy	15,185,218	1,264,777
Scrap sales	1,668,367	804,876
Other income	1,309,638	810,716
Loss from sale of property plant and equipment	80,547	(13,171)
	<b>18,243,770</b>	<b>2,867,198</b>

# MIDDLE EAST GLASS MANUFACTURING COMPANY (S.A.E.) AND ITS SUBSIDIARIES

## Notes to the consolidated interim financial statements For the three months period ended 31 March 2017

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

### 29. Finance costs, net

	<u>31 March 2017</u>	<u>31 March 2016</u>
Interest income	3,611	86,774
Foreign currency exchange (loss)	(21,102,618)	(38,549,952)
Finance cost	(68,216,272)	(31,404,769)
	<u>(89,315,279)</u>	<u>(69,867,947)</u>

### 30. Income tax

	<u>31 March 2017</u>	<u>31 March 2016</u>
Current income tax	-	(2,505,403)
Deferred income tax (Note 22)	3,599,133	3,472,033
	<u>3,599,133</u>	<u>966,630</u>

### 31. Earning / (loss) per share

Basic earning / (loss) per share is calculated by dividing the net profit / (loss) attributable to parent Company shareholders by the weighted average number of ordinary shares issued, without any consideration for employees profit share or board of directors payments related to the three months period ended 31 March 2017.

	<u>31 March 2017</u>	<u>31 March 2016</u>
Net attributable loss	4,480,255	(84,655,081)
Number of issued and paid shares	5032258	5032258
<b>Loss per share</b>	<u><b>0.89</b></u>	<u><b>(16.8)</b></u>

The diluted earning / (loss) per share is calculated by adjusting the weighted average number of ordinary shares outstanding assuming full conversion of all potential dilutive ordinary shares. As of 31 March 2017 and 31 March 2016, the group does not have potential diluted shares and therefore, diluted earning / (loss) per share is equal to basic loss per share.



# MIDDLE EAST GLASS MANUFACTURING COMPANY (S.A.E.) AND ITS SUBSIDIARIES

## Notes to the consolidated interim financial statements For the three months period ended 31 March 2017

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

### 32. Expenses by nature

	31 March 2017	31 March 2016
Raw materials and consumables used in production	161,748,028	121,240,029
Salaries and fringe benefits	51,165,763	37,401,019
Depreciation expenses	48,295,792	44,928,593
Water and electricity expense	72,460,663	44,712,350
Other expenses	68,684,441	12,727,465
Material and plant machinery maintenance	5,788,583	5,685,728
Rent expense	5,076,574	5,636,970
Vehicle and transportation	3,876,373	3,215,603
Professional and consultancy fees	971,071	1,651,429
Exports expenses	31,354,107	17,421,154
Marketing and advertising expenses	1,207,077	633,948
Change in inventory	2,868,117	(51,871,233)
	<b>453,496,589</b>	<b>243,383,055</b>

### 33. Financial statements by category

#### Financial assets:

	<b>Loans and receivables</b>	
	31 March 2017	31 December 2016
Trade and notes receivables	372,993,403	384,142,251
Due from related parties	274,234,872	135,407,422
Other receivables	86,578,620	70,677,331
Cash and bank balances	101,327,722	67,879,575
	<b>835,134,617</b>	<b>658,106,579</b>

#### Financial liabilities:

	<b>Other financials liabilities</b>	
	31 March 2017	31 December 2016
Borrowings	2,196,108,525	2,094,146,190
Trade and other payable	306,097,215	231,333,148
Accrued expenses and other payables	114,424,669	94,755,933
Fixed asset creditors	45,951,656	53,771,231
	<b>2,662,582,065</b>	<b>2,474,006,502</b>

- Other receivables presented above excludes prepaid expenses and advances to suppliers.

- Accrued expenses and other payables presented above excludes accrued taxes advances from customers and social insurance authority.

# MIDDLE EAST GLASS MANUFACTURING COMPANY (S.A.E.) AND ITS SUBSIDIARIES

## Notes to the consolidated interim financial statements For the three months period ended 31 March 2017

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

### 34. Segment reporting

The operating segment has been determined based on the reports reviewed by the management of the group, the management of the group considers the business from product prospective (Glass-Plastic).

	Glass containers segment		Plastic products segment		Total	
	31 March 2017	31 March 2016	31 March 2017	31 March 2016	31 March 2017	31 March 2016
<b>Operating results</b>						
Net Revenue	340,914,000	150,078,640	188,992,551	95,820,522	529,906,551	245,899,162
<b>Segment gross profit</b>	<b>109,033,024</b>	<b>25,384,046</b>	<b>31,079,532</b>	<b>21,461,149</b>	<b>140,112,556</b>	<b>46,845,195</b>
Operating profit / (loss)	71,612,178	(27,375,350)	22,852,211	14,276,324	94,464,389	(13,099,026)
Interest income	3,611	86,774	-	-	3,611	86,774
Finance cost	(55,205,946)	(24,481,675)	(13,010,326)	(6,923,094)	(68,216,272)	(31,404,769)
Foreign exchange (loss) / gain	(21,930,700)	(40,338,895)	828,082	1,788,943	(21,102,618)	(38,549,952)
Income tax	3,599,133	3,472,033	-	(2,505,403)	3,599,133	966,630
Net (loss) / profit for the period	(1,921,724)	(88,637,113)	10,669,967	6,636,770	8,748,243	(82,000,343)
Non-controlling interest	-	-	4,267,988	2,654,738	4,267,988	2,654,738
	<b>31 March 2017</b>	<b>31 December 2016</b>	<b>31 March 2017</b>	<b>31 December 2016</b>	<b>31 March 2017</b>	<b>31 December 2016</b>
<b>Other information</b>						
Segment assets	2,307,967,284	2,207,571,351	733,339,807	638,736,538	3,041,307,091	2,846,307,889
Segment liabilities	2,642,508,445	2,540,190,788	612,998,715	529,065,413	3,255,507,160	3,069,256,201
Depreciation and amortization	40,901,506	163,977,386	7,394,286	24,369,573	48,295,792	188,346,959



## MIDDLE EAST GLASS MANUFACTURING COMPANY (S.A.E.) AND ITS SUBSIDIARIES

### Notes to the consolidated interim financial statements

For the three months period ended 31 March 2017

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

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#### 35. Contingencies

The group had contingent liabilities in respect of letter of guarantees arising in the ordinary course of business from which it is anticipated that no material liabilities will arise to third parties amounting to LE 45,058,204 as of 31 March 2017 (31 December 2016: LE 117,938,303).

#### 36. Tax position

Due to the nature of the tax assessment process in Egypt, the final outcome of the assessment by the Tax Authority might not be realistically estimated. Therefore, additional liabilities are contingent upon the tax inspection and assessment of the Tax Authority. A summary of the tax status of the group to 31 December 2016 is set below:

##### (1) Middle East Glass Manufacturing Company

###### A. Corporate income tax

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

###### Years from 2009 to 31 December 2016

- The inspection was not initiated, and the Company has submitted tax returns on the legal due date.

###### B. Sales tax

###### From the beginning of operations until 31 December 2011

- The Tax Authority has inspected the company's records and the amount of the tax imposed was paid, and additional tax was imposed amounted LE 850,000.

###### Years from 2012 till 2013

- The Company has been inspected and amount of LE 161,205 was to be paid, and the Company has rejected the inspection outcome and the dispute was settled with the internal committee with tax difference of LE 102,821, and the amount has been paid excluding the delay penalty.

###### Years from 2014 till 2016

- The inspection was not initiated, and the Company has submitted tax return on the legal due date.

###### C. Salaries tax

The salaries tax was inspected and settled from inception to 1998 and paid.

###### Years from 1999 to 2004

The internal committee has been finalized for the years from 1999 to 2004 and the additional tax inspection assessment amounted to LE 3,198,165. In addition to late payments amounted to LE 685,487, it was settled by the Company and there is a reassessment for same items amounted to LE 1,114,590 and it was appealed, also an amount of LE 622,500 has been imposed and a development charge amounting LE 111,430.

## MIDDLE EAST GLASS MANUFACTURING COMPANY (S.A.E.) AND ITS SUBSIDIARIES

### Notes to the consolidated interim financial statements For the three months period ended 31 March 2017

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

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#### Tax position (continued)

##### Years from 2005 to 2012

- The Company has been inspected and amount of LE 9,215,217 was to be paid and the Company has rejected the inspection outcome on the legal due date.

##### Years from 2013 to 2016

- The Company is currently preparing for tax inspection for the years 2013 & 2014 and the years 2015 & 2016 is still not inspected.
- The company has submitted tax returns on the legal due time.
- 

#### **D. Stamp duty tax**

- The inspections were complete and settled till 31 December 2011.
- The Company has been inspected for the years 2012 & 2013 and amount of LE 54,888 was paid.
- The Company is currently under inspection for the years 2014 & 2015.

#### **E. Real Estate tax**

##### Period from 1 July 2013 till 31 December 2015

- The Company has imposed an amount of LE 2,251,391 and it has paid an amount of LE 1,917,845 and the remaining amount is LE 333,546 was paid.
- The Company has imposed an amount of LE 1,934,573 for the years 2016 and 2017 and it has agreed to pay monthly payments from February 2017 and it has paid an amount of LE 351,740 and the remaining amount is LE 1,582,833.

#### **(2) Medco Plast for Packing and Wrapping Systems Company "S.A.E." (existing company)**

##### **Medco Plast for Packing and Wrapping System (S.A.E.)**

###### **Corporate tax**

- The Company have submitted the tax return on due dates and have settled all tax payments till 30 April 2015.

###### **Salaries tax**

- The Company is consistent in paying salary tax and no examination has taken place yet.

###### **Sales tax**

- The Company submits the tax returns on their due date. The Company has been inspected till 2013 and tax has been paid.

###### **Stamp tax**

- The Company has been inspected till 2012 and tax due has been settled.

##### **Medco Company – Mohamed Hassan Samaha and his partner (merged Company)**

- The following is the tax position for Medco Company (Mohamed Hassan Samaha and his partner) – (merged Company). Based on certificate issued from tax authority at Giza tax area (tax authority 6 October) on 4 November 2012:



## MIDDLE EAST GLASS MANUFACTURING COMPANY (S.A.E.) AND ITS SUBSIDIARIES

### Notes to the consolidated interim financial statements For the three months period ended 31 March 2017

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

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#### Tax position (continued)

##### Corporate tax:

- The Company has paid the corporate tax related to tax inspection for years 1995 to 2010 and related penalty.

##### Salary tax:

- The Company has paid the tax amount related to tax inspection for years 1996 / 2010 and related penalty.

##### Stamp tax:

- The Company has paid the tax amount related to tax inspection for year 1996/2010.

##### Sales tax:

- The Company was examined for sales tax till 2008 and the Company has received form 15 and paid the examination differences also period 2009 / 2010 has been examined and the Company has received form 15 with total amount LE 534,060.
- The Company complained to the appeals committee and reduce the tax with amount LE 95,727.
- The Company submit a request to the department of tax refund with amount LE 306,375 in relation to export business. The Company paid LE 131,958 under collection of differences until the completion of the final settlement after the tax refund.

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

##### A- Corporate tax

- The Company has not been inspected since inception till 31 December 2016.
- The Company is exempted for 10 years from 1 January 2008 till 31 December 2017.

##### B- Salary tax

- The Company's records were inspected till the year 2009 and the taxes due were paid.
- No tax inspection took place for the years from 2010 till 31 December 2016.

##### C- Sales tax

- The Company was inspected from inception till 2007.
- No tax inspection took place for the years from 2008 till 31 December 2016.

##### D- Stamp tax

- The Company's records were inspected till 31 July 2006 and the taxes due were paid.
- No tax inspection took place for the period from 1 August 2006 till 30 September 2016.

#### (4) Misr Company for Glass Manufacturing

##### a. Corporate tax

- The Company has paid the corporate tax until 2009. The tax returns were submitted until 2015 and all the due tax from the returns were paid. The Company is exempt until 31 December 2009 and there are no other tax due on the Company and the years 2010 till 2014 has estimated inspection and the company appeal.

## MIDDLE EAST GLASS MANUFACTURING COMPANY (S.A.E.) AND ITS SUBSIDIARIES

### Notes to the consolidated interim financial statements

For the three months period ended 31 March 2017

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

#### Tax position (continued)

**b. Value Added tax**

- Inspection and payment was done until 31 December 2006 and regarding 2007 – 2009, the dispute with the tax authority is currently being settled. Regarding 2010 – 2012 inspection was made along with a committee and the due amount was paid. Regarding 2013 – 2014 inspection was made and the dispute is currently being settled. The sales tax returns are submitted regularly on the legal dates there is no tax due.

**c. Salary tax**

- Examined and paid until 31 December 2012 and for the years 2013- 2014 was inspected and paid. The Company pays what is deducted monthly.

**d. Stamp tax**

For 2006 – 2009 was inspected and final forms are under issuing. Inspected the years from 2010 till 2014 and payment was made.

**e. Property tax**

Period from 1 July 2013 till 31 December 2016

- The Company has imposed an amount of LE 2,940,678 and it has paid an amount of LE 500,000 and the remaining amount is LE 2,440,678.

#### 37. Commitments

<u>Capital lease commitments</u>	<u>Instalment amount</u>	<u>Leasing amount</u>	<u>Lease period in months</u>	<u>Productive years</u>
Equipment	10,726	559,244	48	4
Vehicles	72,879	3,206,484	48	4

#### Property, plant & equipment commitments

At 31 March 2016, The Group have capital commitment amounted to 17,158,296 representing in buildings and machineries.



## MIDDLE EAST GLASS MANUFACTURING COMPANY (S.A.E.) AND ITS SUBSIDIARIES

### Notes to the consolidated interim financial statements For the three months period ended 31 March 2017

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

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#### 38. Non-cash transactions

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

	<u>31 March 2017</u>
Sale of Fixed Assets to related parties	828,998
Unsettled accrued finance cost	24,635,034