

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

**LIMITED REVIEW REPORT AND INTERIM
CONDENSED CONSOLIDATED FINANCIAL
STATEMENTS FOR THE NINE MONTHS PERIOD
ENDED 30 SEPTEMBER 2019**

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

**Consolidated interim condensed financial statements
For the nine months period ended 30 September 2019**

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Limited review report on the consolidated interim condensed financial statements

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

Introduction

We have reviewed the accompanying consolidated condensed statement of financial position at 30 September 2019 of Middle East Glass Manufacturing Company (S.A.E.) and the related consolidated condensed statements of profits or losses, comprehensive income, changes in equity and cash flows for the nine months then ended. Management is responsible for the preparation and fair presentation of these interim financial statements in accordance with Egyptian Accounting Standards. Our responsibility is to express a conclusion on these consolidated interim condensed financial statements based on our review.

Scope of limited review

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

Conclusion

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

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

28 November 2019
Cairo



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


Consolidated condensed statement of financial position - As at 30 September 2019

(All amounts in Egyptian Pounds)

	Notes	30 September 2019	31 December 2018
Non-current assets			
Property, plant and equipment	4	1,022,135,064	1,072,396,788
Intangible assets		278,024,453	289,864,347
Investment in associates		157,727,228	153,152,360
Derivative financial instruments		28,033,615	28,033,615
Right of use assets	2	68,090,040	-
Total non-current assets		1,554,010,400	1,543,447,110
Current assets			
Inventory		320,445,650	326,036,727
Trade and notes receivables		323,681,074	288,403,810
Prepaid expenses and other receivables		374,169,342	309,095,862
Due from tax authority		106,525,457	46,130,620
Due from related parties		87,124,353	82,492,368
Cash and bank balances		55,791,377	49,218,858
Total current assets		1,267,737,253	1,101,378,245
Total assets		2,821,747,653	2,644,825,355
Owners' equity			
Issued and paid up capital		50,322,580	50,322,580
Legal reserve		25,161,260	25,161,260
Share premium reserve		172,217,162	172,217,162
Other reserves		13,129,007	13,129,007
Payments under capital increase		432,825,002	432,825,002
Accumulated losses		(127,153,817)	(278,333,396)
Total owners' equity		566,501,194	415,321,615
Non-current liabilities			
Bank borrowings	5	640,175,322	783,101,973
Retirement benefits obligations		9,667,812	10,014,978
Deferred tax liabilities		76,725,399	82,157,302
Long term notes payable		-	2,390,918
Derivative financial instruments		50,412,519	50,412,519
Lease liabilities	2	40,833,233	-
Total non-current liabilities		817,814,285	928,077,690
Current liabilities			
Provisions		30,464,238	31,464,238
Bank borrowings	5	370,355,958	303,501,784
Bank overdrafts	5	260,297,387	222,333,210
Trade and notes payables		348,976,238	400,338,113
Accrued expenses and other payables		267,582,887	231,493,147
Due to tax authority		134,497,711	111,540,558
Due to related parties		553,417	755,000
Lease liabilities	2	24,704,338	-
Total current liabilities		1,437,432,174	1,301,426,050
Total owners' equity and liabilities		2,821,747,653	2,644,825,355

The accompanying notes on pages 7 - 18 form an integral part of these consolidated financial statements.

Auditor's report attached


Mr. Mohamed Khalifa
Chief Financial Officer


Mr. Peter Carpenter
Board Member


Mr. Abdul Galil Beshar
Chairman

28 November 2019

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

Consolidated statement of income - For the nine months ended 30 September 2019

(All amounts in Egyptian Pounds)

	Notes	Nine months ended 30 September		Three months ended 30 September	
		2019	2018	2019	2018
Sales		1,309,680,353	1,182,631,810	420,446,041	402,466,948
Cost of sales		(895,858,283)	(797,251,144)	(292,319,760)	(278,688,749)
Gross profit		413,822,070	385,380,666	128,126,281	123,778,199
Selling and marketing expenses		(139,705,266)	(173,485,771)	(52,410,131)	(53,934,462)
General and administrative expenses		(1,087,813)	(64,091,144)	(17,774,092)	(22,797,459)
Other operating expenses	6	(28,706,500)	(3,692,483)	(15,205,759)	(1,092,483)
Other operating income		67,879,125	66,995,655	21,587,591	27,272,736
Profits from operation		242,201,616	211,106,923	64,323,890	73,226,531
Finance costs, net		(102,673,429)	(216,703,530)	(17,059,494)	(82,537,208)
Share of gain in associate accounted for using the equity method		4,574,868	-	3,166,614	-
Net (loss) / profit before tax		144,103,055	(5,596,607)	50,431,010	(9,310,677)
Income tax		(15,457,539)	(4,605,563)	(4,572,005)	(417,768)
Net (Loss) / profit for the period from continuing operations		128,645,516	(10,202,170)	45,859,005	(9,728,445)
Profit for the period from discontinued operations (net of tax)					
Net profit for the period	8	45,119,063	35,559,088	-	14,560,452
		173,764,579	25,356,918	45,859,005	4,832,007
Net profit for the period from discontinued operations (net of tax) is attributable to:					
Owners' equity		45,119,063	21,335,453	-	8,736,271
Non-controlling interests		-	14,223,635	-	5,824,181
		45,119,063	35,559,088	-	14,560,452
Net profit for the period is attributable to:					
Owners' equity		173,764,579	11,133,283	45,859,005	(992,174)
Non-controlling interest		-	14,223,635	-	5,824,181
		173,764,579	25,356,918	45,859,005	4,832,007
(Loss) Earnings per share (Basic / diluted) from continuing and discontinued operations					
Earnings per share from continuing operations	//A	2.56	(0.20)	0.91	(0.19)
Earnings per share from discontinued operations	7/B	0.90	0.42	0.00	0.17
Total earnings / (loss) per share		3.46	0.22	0.91	(0.02)

The accompanying notes on pages 7 - 18 form an integral part of these consolidated financial statements.

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

Consolidated statement of other comprehensive income - For the nine months ended 30 September 2019

(All amounts in Egyptian Pounds)

	<u>Nine months ended 30 September 2019</u>	<u>2018</u>	<u>Three months ended 30 September 2019</u>	<u>2018</u>
Net profit for the period	173,764,579	25,356,918	45,859,005	4,832,007
Total comprehensive income	<u>173,764,579</u>	<u>25,356,918</u>	<u>45,859,005</u>	<u>4,832,007</u>
Total comprehensive income attributable to:				
Owners' equity	173,764,579	11,133,283	45,859,005	(992,174)
Non-controlling interests	-	14,223,635	-	5,824,181
	<u>173,764,579</u>	<u>25,356,918</u>	<u>45,859,005</u>	<u>4,832,007</u>

The accompanying notes on pages 7 - 18 form an integral part of these consolidated financial statements.

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

Consolidated statement of changes in equity - For the nine months ended 30 September 2019

(All amounts in Egyptian Pounds)	Issued and		Special reserve	Payment under capital increase		Other reserves	Accumulated losses	Total shareholders' equity	Non-controlling interest	Total owners' equity
	paid up capital	Legal reserve		Special reserve	under capital increase					
Balance at 1 January 2018	50,322,580	25,161,260	172,217,162	432,825,002	13,129,007	(506,541,354)	87,113,657	62,769,340	249,882,997	
Profit for the period	-	-	-	-	-	11,133,283	11,133,283	14,223,635	25,356,918	
Dividend distribution	-	-	-	-	-	(9,791,192)	(9,791,192)	-	(9,791,192)	
Balance at 30 September 2018	50,322,580	25,161,260	172,217,162	432,825,002	13,129,007	(505,199,263)	88,455,748	76,992,975	265,448,723	
Balance at 1 January 2019	50,322,580	25,161,260	172,217,162	432,825,002	13,129,007	(278,333,396)	415,321,615	-	415,321,615	
Total comprehensive income for the period	-	-	-	-	-	173,764,579	173,764,579	-	173,764,579	
Cumulative effect on adoption of Egyptian Accounting Standard 49 (Note 2)	-	-	-	-	-	(4,839,455)	(4,839,455)	-	(14,839,455)	
Dividend distribution	-	-	-	-	-	(7,745,545)	(7,745,545)	-	(7,745,545)	
Balance at 30 September 2019	50,322,580	25,161,260	172,217,162	432,825,002	13,129,007	(127,153,817)	566,501,194	-	566,501,194	

The accompanying notes on pages 7 - 18 form an integral part of these consolidated financial statements.

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

Consolidated statement of cash flows - For the nine months ended 30 September 2019

(All amounts in Egyptian Pounds)

	Note	30 September 2019	30 September 2018
<u>Cash flows from operating activities</u>			
Net profit for the period before tax		144,103,055	(5,596,607)
<u>Adjusted by:</u>			
Interest expenses		165,527,031	207,564,365
Interest income		-	(37,071)
Depreciation and amortization		126,785,700	115,226,048
Share of gain in associate accounted for using the equity method		(4,574,868)	-
Loss on sale of property, plant and equipment		380,243	996,037
Amortization of right of use asset		5,119,064	-
Unrealised foreign exchange (gain) loss		(37,303,316)	6,006,001
Retirement benefits obligation			3,670,107
Operating profit before changes in working capital		380,036,909	327,828,880
Inventories		5,591,077	(11,482,891)
Trade and notes receivables		(35,277,264)	(43,306,537)
Prepaid expenses and other receivables		(88,366,190)	(148,500,484)
Due from tax authority		(60,394,837)	(39,109,139)
Due from related parties		(3,802,052)	13,911,782
Trade and notes payables		(51,361,875)	26,383,637
Accrued expenses and other payables		20,722,468	28,190,063
Due to tax authority		55,758,467	33,798,930
Due to related parties		(201,583)	919,576
Provisions used		(1,000,000)	(2,873,406)
Payment of employees retirement benefits		(347,166)	-
Cash flows generated from operations		221,357,954	185,760,411
Interest paid		(150,159,759)	(90,929,302)
Income tax paid		(66,789,839)	-
Cash flows generated from continuing operations		4,408,356	94,831,109
Cash flows used in operating activities from discontinued operations		-	(65,325,948)
Net cash flows generated from operating activities		4,408,356	29,505,161
<u>Cash flows from investing activities</u>			
Purchase of property, plant and equipment		(66,798,448)	(50,785,833)
Proceeds from sale of property, plant and equipment		904,190	1,631
Purchase of intangible assets		-	(378,195)
Interest income received		-	37,071
Cash flows used in investing activities from continuing operations		(65,894,258)	(51,125,326)
Cash flows generated from (used in) investing activities from discontinued operation		58,218,146	(38,434,846)
Net cash flows used in investing activities		(7,676,112)	(89,560,172)
<u>Cash flows from financing activities</u>			
Bank overdrafts		37,964,177	(3,167,757)
Repayments of long-term borrowings		(18,769,161)	(13,325,070)
Proceeds from long-term borrowings		-	4,680,720
Payments for long term notes payable		(2,390,918)	(5,632,888)
Lease liability		(6,963,823)	-
Cash generated from (used in) financing activities from continuing operations		9,840,275	(17,444,995)
Cash flows generated from financing activities from discontinued operations		-	100,831,023
Net cash generated from financing activities		9,840,275	83,386,028
Increase in cash and cash equivalent		6,572,519	23,331,017
Cash and cash equivalent at beginning of the period		49,218,858	52,990,662
Cash and cash equivalents at end of the period		55,791,377	76,321,679
Cash from continuing operations		55,791,377	71,632,630
Cash from discontinued operations		-	4,689,049
		55,791,377	76,321,679

The accompanying notes on pages 7 - 18 form an integral part of these consolidated financial statements.

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

Notes to the interim condensed consolidated financial statements For the nine months period ended 30 September 2019

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

1. General information

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

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

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

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

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

<u>Subsidiaries</u>	<u>Share</u>	<u>Activity</u>
Middle East Glass Containers Sadat	99.97%	Manufacturing Glass Containers
MEG Misr for Glass MEG	99.97%	Manufacturing Glass Containers
Misr for Glass Manufacturing (owned 99.97% by MFG Misr for Glass MFG)		Manufacturing all kinds of Glass Bottles and the acquisition of other entities that operate in the same field

These interim condensed consolidated financial statements have been approved for issuance by the Chairman of the Board of Directors on 28 November 2019.

2. Accounting policies

The principal accounting policies applied in the preparation of these interim condensed consolidated financial statements are the same as included in the annual consolidated financial statements for the year ended 31 December 2018 financial statements. These policies have been consistently applied to all the periods presented, unless otherwise stated.

A. Basis of preparation

These interim condensed consolidated financial statements as at 30 September 2019 have been prepared in accordance with EAS 30 Interim financial reporting. As permitted by EAS 30, the Company has opted to prepare a condensed version as compared to the year end consolidated financial statements.

These interim condensed consolidated financial statements do not include all of the information and disclosures required for a complete set of consolidated financial statements, and should be read in conjunction with the Company's annual financial statements for the year ended 31 December, 2018.

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

Notes to the interim condensed consolidated financial statements For the nine months period ended 30 September 2019

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

B. New standards, interpretations and amendments adopted by the Company

On 28 March 2019, the minister of Investment issued a decree no. 69 for 2019 which includes new standards and amendments to the existing standards. The amendments in the FASs have been published in the official gazette on 7 April 2019. These changes are mainly represented in three new standards which should be adopted for the financial periods commencing on or after 1 January 2020 as follows:

1- EAS No. (48) – Revenue from contracts with customers:

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

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

2- EAS No. (47) – Financial instruments:

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

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

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

3- EAS No. (49) – Leases:

EAS No. 49 introduces a single lease accounting model for lease contracts. A lessee recognizes his right-of-use for assets and the lease liability representing the lease instalments liability. There are some exemptions for short-term lease contracts and assets lease contracts with low value. This standard replaces the EAS No. 20 'Accounting rules and standards related to financial leases'. The group is required to adopt EAS 49 from 1 January 2020 except for finance lease contracts that were subject to law 95 for the year 1995 and finance lease contracts subject to law 176 for the year 2018, for which the group is required to adopt EAS 49 effective 1 January 2019.

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

Notes to the interim condensed consolidated financial statements
For the nine months period ended 30 September 2019

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

Basis of preparation (continued)

The Company performed a detailed assessment of EAS 49 for all finance lease contracts as per the above transition requirements and the impact of its adoption as at 1 January 2019 noted as follows:

	31 December 2018	Impact of EAS 49	1 January 2019
Assets			
Non-current assets			
Property, plant and equipment	1,072,396,788	-	1,072,396,788
Intangible assets	289,864,347	-	289,864,347
Investment in associates	153,152,360	-	153,152,360
Derivative financial instruments	28,033,615	-	28,033,615
Right of use assets	-	73,209,103	73,209,103
Total non-current assets	1,543,447,110	73,209,103	1,616,656,213
Current assets			
Inventories	326,036,727	-	326,036,727
Trade and notes receivables	288,403,810	-	288,403,810
Prepayments and other receivables	309,095,862	(15,547,164)	293,548,698
Due from tax authority	46,130,620	-	46,130,620
Due from related parties	82,492,368	-	82,492,368
Cash and cash equivalents	49,218,858	-	49,218,858
Total current assets	1,101,378,245	(15,547,164)	1,085,831,081
Total assets	2,644,825,355	57,661,939	2,702,487,294
Owner's equity and liabilities			
Issued and paid up capital	50,322,580	-	50,322,580
Legal reserve	25,161,260	-	25,161,260
Share premium reserve	172,217,162	-	172,217,162
Other reserves	13,129,007	-	13,129,007
Payments under capital increase	432,825,002	-	432,825,002
Accumulated losses	(278,333,396)	(14,839,455)	(293,172,851)
Net owner's equity	415,321,615	(14,839,455)	400,482,160
Liabilities			
Non-Current liabilities			
Long-term loans	783,101,973	-	783,101,973
Retirement benefits obligations	10,014,978	-	10,014,978
Deferred tax liabilities	82,157,302	-	82,157,302
Long term notes payable	2,390,918	-	2,390,918
Derivative financial instruments	50,412,519	-	50,412,519
Lease liabilities	-	62,474,522	62,474,522
Total non-current liabilities	928,077,690	62,474,522	990,552,212
Current liabilities			
Provisions	31,464,238	-	31,464,238
Current portion of long-term loans	303,501,784	-	303,501,784
Bank overdrafts	222,333,210	-	222,333,210
Trade and notes payable	400,338,113	-	400,338,113
Accruals and other payables	231,493,147	-	231,493,147
Due to tax authority	111,540,558	-	111,540,558
Lease liabilities	-	10,026,872	10,026,872
Due to related parties	755,000	-	755,000
Total current liabilities	1,301,426,050	10,026,872	1,311,452,922
Total owner's equity and liabilities	2,644,825,355	57,661,939	2,702,487,294

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

Notes to the interim condensed consolidated financial statements
For the nine months period ended 30 September 2019

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

Basis of preparation (continued)

Upon initial recognition, the right of use asset is measured as the amount equal to initially measured lease liability adjusted for lease prepayments. Subsequently, the right of use asset is measured at cost net of any accumulated depreciation and accumulated impairment losses. Depreciation is calculated on a straight-line basis over the shorter of estimated useful lives of the right of use assets or the lease term, unless there is a bargain purchase option at the end of the lease.

The lease liability was measured upon initial recognition at the present value of the future lease payments, discounted with the Company's incremental borrowing rate. Generally, the Company uses its incremental borrowing rate as the discount rate. Subsequently lease liabilities are measured at amortized cost using the effective interest rate method.

Right-of-use assets and lease liabilities will be remeasured subsequently if any one of the following events occurs:

- Change in lease price due to indexation or rate which has become effective in reporting period.
- Modifications to the lease contract.
- Reassessment of the lease term.

Transition

The Company adopted EAS 49 for finance lease contracts on 1 January 2019. The Company adopted the standard using the modified retrospective approach. And that comparatives were not restated.

The weighted-average incremental borrowing rate applied to lease liabilities recognized on 1 January 2019 was 19%.

The following table reconciles the Company's operating lease commitments as at 1 January 2019, to the lease liabilities recognized upon initial application of EAS 49 at 1 January 2019.

Operating lease commitments as at 1 January 2019	110,998,322
Short term leases	-
Total undiscounted lease commitments	110,998,322
Discounting effect using incremental borrowing rate	(38,496,928)
Lease liability recognized on balance sheet as at 1 January 2019	72,501,394
EAS 49 lease liability presented as:	
Non-current	62,474,522
Current	10,026,872
	72,501,394

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

Notes to the interim condensed consolidated financial statements
For the nine months period ended 30 September 2019

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

Basis of preparation (continued)

Lease liability as at 30 September 2019

	<u>30 September 2019</u>
Commitments in relation to leases are payable as follows:	
Within one year	24,704,338
From one to two years	69,262,386
Minimum lease payments	<u>93,966,724</u>
Discount Rate	19%

The present value of lease liabilities is as follows:

Within one year	24,704,338
Later than one year	40,833,233
Present Value of Minimum Lease Payments	<u>65,537,571</u>

Right of use assets as at 30 September 2019:

	<u>30 September 2019</u>
Beginning of the period	73,209,103
Amortization during the period	(5,119,063)
Balance as at 30 September 2019	<u>68,090,040</u>

C. 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.

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

**Notes to the interim condensed consolidated financial statements
For the nine months period ended 30 September 2019**

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

Fair value of financial instruments (continued)

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.

D. Liquidity risk management

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

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

The table below summarises the maturities of the Group's undiscounted financial liabilities at 30 September 2019, 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
30 September 2019				
Trade and notes payable	348,976,238	-	-	-
Accrued expenses and other payables	244,285,627	-	-	-
Bank overdrafts	195,612,455	64,684,932	-	-
Due to related parties	-	553,417	-	-
Lease liability	6,271,594	6,881,546	15,836,003	36,548,428
Loans and borrowings	281,742,687	88,616,594	175,616,048	464,555,951
Future interest payments	45,003,070	40,665,260	68,980,107	111,855,088
Total	1,121,891,671	201,401,749	260,432,158	612,959,467
	Less than 6 month	Between 6 month & 1 year	Between 1 & 2 years	More than 2 years
31 December 2018				
Accounts and notes payable	282,964,065	117,374,048	-	-
Accrued expenses and other payables*	140,212,617	28,026,395	-	-
Bank overdrafts	160,477,097	61,856,113	-	-
Loans and borrowings	236,333,838	98,614,008	216,455,420	622,821,984
Long term notes payable	-	-	2,390,918	-
Total	819,987,617	305,870,564	218,846,338	622,821,984

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

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3. Critical accounting estimates and judgments

(1) Critical accounting estimates and assumptions

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

a. Employee benefits

Management determines employee benefit liabilities using an independent actuarial expert and revises the sufficiency of these liabilities on an annual basis according to the accounting policy.

b. Property, plant and equipment – useful life

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

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

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

c. Intangible assets useful lives – customer relationships

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

d. Fair value measurement of derivative financial instruments

The fair value of financial instruments that are not traded in an active market is determined using valuation techniques. The Group uses its judgment in appropriately estimating the fair value of derivative financial instruments. Derivative financial instruments held by the Group do not have observable market price and so the Group is required to identify appropriate valuation models in calculating these fair values in making its estimates, priority is given to observable inputs.

(2) Critical judgment in applying the accounting policies

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

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

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4. Property, plant and equipment

	Land	Buildings	Machinery, equipment and molds	Vehicles and transportation	Furniture and office equipment	Computers & software	Projects under construction	Total
30 September 2019								
Cost								
Balance at beginning of the period	316,756,515	222,527,470	1,493,130,606	17,060,055	2,508,546	7,621,396	44,433,305	2,114,037,893
Additions	-	1,767,088	62,474,473	92,770	499,227	230,233	1,734,657	66,798,448
Disposals	-	-	(5,426,211)	(181,399)	-	-	(829,932)	(7,437,542)
Transferred from projects under construction	-	-	28,184,217	-	-	511,770	(28,695,987)	-
Balance at the end of the period	316,756,515	224,294,558	1,577,363,085	16,971,426	3,007,773	8,353,399	16,642,043	2,173,398,799
Accumulated depreciation								
Balance at beginning of the period	-	(75,637,855)	(949,699,224)	(14,221,962)	4,297,446	6,379,511	-	(1,041,641,106)
Depreciation expense	-	(7,451,593)	(105,123,278)	(1,195,387)	(718,017)	(457,531)	-	(114,945,806)
Disposals depreciation	-	-	5,141,779	181,398	-	-	-	5,323,177
Balance at the end of the period	-	(83,089,448)	(1,049,680,723)	(15,235,951)	3,579,429	(6,837,042)	-	(1,151,263,735)
Net book value at the end of the period	316,756,515	141,205,110	527,682,362	1,735,475	16,587,202	1,526,357	16,642,043	1,022,135,064
31 December 2018								
Cost								
Balance at beginning of the year	316,756,515	211,686,508	1,274,542,211	16,203,360	11,846,701	7,244,353	207,145,693	2,045,425,341
Additions	-	235,588	35,059,075	877,195	145,662	267,512	49,319,317	85,904,349
Reclassification from assets held for sale	-	-	1,982,161	-	-	-	-	1,982,161
Disposals	-	-	(18,135,791)	(140,500)	(20,843)	-	(976,824)	(19,273,958)
Transferred from projects under construction	-	10,605,374	199,682,950	120,000	537,026	169,531	(211,054,881)	-
Balance at the end of the year	316,756,515	222,527,470	1,493,130,606	17,060,055	12,508,546	7,621,396	44,433,305	2,114,037,893
Accumulated depreciation								
Balance at beginning of the year	-	(65,926,397)	(822,279,786)	(12,650,032)	(9,370,803)	(5,695,554)	-	(915,923,572)
Depreciation expense	-	(9,711,458)	(127,419,438)	(1,712,430)	(948,796)	(682,957)	-	(140,475,078)
Disposals depreciation	-	-	-	140,500	14,617,045	-	-	14,757,545
Balance at the end of the year	-	(75,637,855)	(949,699,224)	(14,221,962)	4,297,446	(6,379,511)	-	(1,041,641,105)
Net book value at the end of the year	316,756,515	146,889,615	543,431,383	2,838,093	16,805,992	1,241,885	44,433,305	1,072,396,788
Balance at the end of the year	-	(65,926,397)	(822,279,786)	(12,650,032)	(9,370,803)	(5,695,554)	-	(915,923,572)
Net book value at the end of the year	316,756,515	145,760,111	452,262,425	3,553,328	2,475,898	1,547,799	207,145,693	1,129,501,769

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Property, plant and equipment (continued)

Pledge on assets:

All machinery, tools and production lines are subject to commercial pledges, as collateral in the first degree for bank loans extended to the Group (Note 5).

Project under constructions analysis is as follows:

Balance at 1 January 2019	Additions during the year	Disposal	Transfer to fixed asset	Balance at 30 September 2019
44,433,305	1,734,657	(829,932)	(28,695,987)	16,642,043

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

	30 September 2019
New and upgraded furnace	526,880
Others	1,207,777
	<u>1,734,657</u>

5. Bank borrowings and overdrafts

	30 September 2019	31 December 2018
A. Borrowings - current portion		
Bank loans	370,355,958	303,501,784
Bank overdrafts	260,297,387	222,333,210
Total current portion	<u>630,653,345</u>	<u>525,834,994</u>
B. Borrowings non-current portion		
Bank loans	640,175,322	783,101,973
Total non-current portion	<u>640,175,322</u>	<u>783,101,973</u>
Total	<u>1,270,828,667</u>	<u>1,308,936,967</u>

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

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

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

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6. Other operating expenses

	Nine months ended 30 September		Three months ended 30 September	
	2019	2018	2019	2018
Fire related costs *	12,285,047	-	12,285,047	
Medical insurance accrual	4,861,557		1,595,494	-
Other expenses	11,559,896	3,692,483	1,325,218	1,092,483
	<u>28,706,500</u>	<u>3,692,483</u>	<u>15,205,759</u>	<u>1,092,483</u>

* This amount represents cost resulted for fire accident occurred during the period in one of the company's production lines. The company submitted a details of capital losses to the insurance company so that it can be reimbursed under current insurance policies. The incident was managed properly to allow continuity of operation and delivery of products to customers in a regular manner. There was no significant Effect on the operations.

No reimbursement income is recognized in the statement of profit or loss for the period, which will be recognized only when a final assessment of the claim is agreed with the insurance company.

7. Earnings per share

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

A. Earnings per share from continuing operations

	Nine months ended 30 September		Three months ended 30 September	
	2019	2018	2019	2018
Net profit / (loss)	128,645,516	(10,202,170)	45,859,005	(9,728,445)
Weighted average number of issued and paid shares	50322580	50322580	50322580	50322580
Earnings (Loss) per share	<u>2.56</u>	<u>(0.20)</u>	<u>0.91</u>	<u>(0.19)</u>

B. Earnings per share from discontinued operations

	Nine months ended 30 September		Three months ended 30 September	
	2019	2018	2019	2018
Net profit attributable to owners' equity	45,119,063	21,335,453	-	8,736,271
Weighted average number of issued and paid shares	50322580	50322580	50322580	50322580
Earnings per share	<u>0.90</u>	<u>0.42</u>	<u>-</u>	<u>0.17</u>

The diluted earnings per share is calculated by adjusting the weighted average number of ordinary shares outstanding assuming full conversion of all potential dilutive ordinary shares. As of 30 September 2019, the parent company does not have potential diluted shares and therefore, diluted earnings per share is equal to basic loss per share.

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

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

On 14 November 2018, the transaction closed and the consideration for the sales shares representing 74% of its investment in Medco Plast was FGP 505,847,342, of which EGP 101,169,486 was held in escrow account for completion price adjustment and potential warranty and tax claims in accordance with the terms of the sale and purchase agreement which is customary in sale transaction. The Company retains a non controlling interest of 15.6% in the issued capital of Medco Plast which is recognized as an investment in associate. The value of the investment in associate was measured at fair value at the loss of control date.

(a) The table below shows the results of the discontinued operations for the period ended 30 September 2019 and for the period ended 30 September 2018

	Nine months ended 30 September		Three months ended 30 September	
	2019	2018	2019	2018
Revenues	-	831,218,412		290,321,864
Other income*	58,218,146	-	-	-
Expenses	-	(795,659,324)		(275,761,412)
Profits of discontinued operations	58,218,146	35,559,088	-	14,560,452
Income tax	(13,099,083)	-	-	-
Profits of discontinued operations after tax	45,119,063	35,559,088	-	14,560,452

* Other income comprises amounts released from the deferred portion of Medco Plast sale consideration. This deferred consideration was initially retained in escrow account in accordance with the terms of the sale and purchase agreement and was released during the period after receiving the final completion price adjustment report.

9. Financial instruments by category

Financial assets:

	Loans and receivables	
	30 September 2019	31 December 2018
Trade and notes receivables	323,681,074	288,403,810
Due from related parties	87,124,353	82,492,368
Other receivables	306,208,938	216,791,737
Derivative financial instruments	28,033,615	28,033,615
Cash and bank balances	55,791,377	49,218,858

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Financial instruments by category (continued)

Financial liabilities:

	Other financial liabilities	
	30 September 2019	31 December 2018
Borrowings	1,010,531,280	1,308,936,967
Trade and other payable	348,976,238	400,338,113
Accrued expenses and other payables	244,285,627	168,239,012
Derivative financial instruments	50,412,519	50,412,519
Lease liabilities	65,537,571	-

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

10. Non-cash transactions

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

	30 September 2019
Unsettled finance cost	15,367,272
Dividends distribution approved by the General Assembly Meeting deducted from the advances paid to employees	7,745,545

11. Segment reporting

The Group did not prepare the segment reporting disclosure but the activities of the Group is wholly related to the manufacture and sale of glass containers. This is in accordance with the presentations to the Board of Directors.

12. Significant events

On 11 July 2019, the Company's Board of Directors decided to increase the issued capital by EGP 32,800,000, using the amounts paid under capital increase and the financial regulatory authority approved to proceed with the capital increase procedures.