

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

**SEPARATE INTERIM FINANCIAL STATEMENTS
AND LIMITED REVIEW REPORT
FOR THE NINE MONTHS ENDED
30 SEPTEMBER 2017**

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

**Separate interim financial statements
For the nine months ended 30 September 2017**

Contents	Page
Limited interim review report	1
Separate statement of financial position.....	2
Separate statement of profit or loss	3
Separate statement of comprehensive income.....	4
Separate statement of changes in equity.....	5
Separate statement of cash flows	6
Notes to the separate interim financial statements	7 – 42



Limited Review Report on the Separate Interim Financial Statements

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

Introduction

We have reviewed the accompanying separate statement of financial position of Middle East Glass Manufacturing Company (S.A.E.) as of 30 September 2017 and the separate statements of profits or losses, comprehensive income, changes in equity and cash flows for the nine months then ended, and a summary of significant accounting policies and other explanatory notes. Management is responsible for the preparation and fair presentation of these separate interim financial statements in accordance with Egyptian Accounting Standards. Our responsibility is to express a conclusion on these separate interim financial statements based on our review.

Scope of limited review

We conducted our 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 separate interim financial statements consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A 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 separate interim financial statements.

Conclusion

Based on our review, nothing has come to our attention that causes us to believe that the accompanying separate interim financial statements does not present fairly, in all material respects, the financial position of the company as at 30 September 2017, and of its financial performance and its cash flows for the nine 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



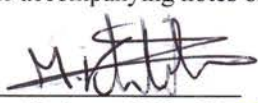
7 December 2017
Cairo

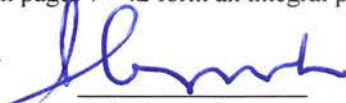
MIDDLE EAST GLASS MANUFACTURING COMPANY (S.A.E.)

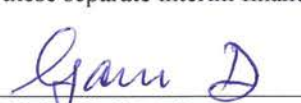
Separate statement of financial position - At 30 September 2017

(All amounts in Egyptian Pounds)			
	Note	30 September 2017	31 December 2016
<u>Non-current assets</u>			
Property, plant and equipment	5	124,956,573	132,616,190
Intangible assets	6	5,832,216	4,727,664
Investment in subsidiaries	7	263,778,478	263,778,478
Deferred tax assets	23	4,524,987	1,525,315
Total non-current assets		399,092,254	402,647,647
<u>Current assets</u>			
Inventories	8	120,135,007	108,868,252
Trade receivables	9	72,946,767	16,233,713
Prepaid expenses and other receivables	10	41,981,432	38,548,010
Due from tax authority	11	16,260,865	5,938,566
Due from related parties	12	665,480,315	640,982,043
Cash at banks and on hand	13	25,114,177	22,081,742
Total current assets		941,918,563	832,652,326
Total assets		1,341,010,817	1,235,299,973
<u>Owners' equity</u>			
Issued and paid up capital	20	50,322,580	50,322,580
Special reserve	20	172,217,162	172,217,162
Other reserves	20	13,129,007	13,129,007
Legal reserve	21	25,161,260	25,161,260
(Accumulated losses) / Retained earnings		(8,678,200)	21,832,781
Total owners' equity		252,151,809	282,662,790
<u>Non-current liabilities</u>			
Term loans	15	222,146,924	221,922,773
Retirement benefits obligations	22	6,201,071	6,863,606
Shareholder's loan	12	432,825,002	432,825,002
Total non-current liabilities		661,172,997	661,611,381
<u>Current liabilities</u>			
Provisions	14	16,636,061	18,934,928
Current portion of term loans	15	21,608,250	23,941,988
Bank overdrafts	16	127,490,539	137,445,198
Trade and notes payables	17	129,964,263	45,323,131
Accrued expenses and other payables	18	51,686,366	28,299,353
Due to related parties	12	63,520,559	31,570,473
Due to tax authority	19	16,779,973	5,510,731
Total current liabilities		427,686,011	291,025,802
Total owner's equity and liabilities		1,341,010,817	1,235,299,973

The accompanying notes on pages 7 - 42 form an integral part of these separate interim financial statements


Mr. Mohamed Khalifa
 Chief Financial Officer


Mr. Peter Carpenter
 Board Member


Mr. Abdu Galil Beshar
 Chairman

6 December 2017

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

**Separate statement of profits or losses
For the nine months ended 30 September 2017**

(All amounts in Egyptian Pounds)

	Note	Nine months ended 30 September		Three months ended 30 September	
		2017	2016	2017	2016
Net sales	24	317,636,844	175,449,847	93,592,254	68,238,021
Cost of sales		(234,814,750)	(133,945,407)	(69,673,827)	(54,441,329)
Gross profit		82,822,094	41,504,440	23,918,427	13,796,692
Selling and marketing expenses		(22,186,283)	(13,132,855)	(7,104,712)	(2,153,187)
General and administrative expenses		(26,131,450)	(22,101,643)	(7,945,516)	(8,371,938)
Other operating expense	25	(26,958)	(37,819)	(13,295)	(19,165)
Other operating income	26	5,214,649	8,673,798	2,651,022	2,128,124
Profit from operations		39,692,052	14,905,921	11,505,926	5,380,526
Finance costs - net	27	(62,456,413)	(36,532,617)	(17,653,675)	(13,241,399)
Net loss for the period before tax		(22,764,361)	(21,626,696)	(6,147,749)	(7,860,873)
Income tax	28	2,999,672	5,380,590	1,208,143	30,030
Net loss for the period		(19,764,689)	(16,246,106)	(4,939,606)	(7,830,843)
Basic and diluted Loss per share	30	(3.93)	(3.23)	(0.98)	(1.56)

The accompanying notes on pages 7 - 42 form an integral part of these separate interim financial statements.

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

**Separate statement of comprehensive income
For the nine months ended 30 September 2017**

(All amounts in Egyptian Pounds)

	Note	Nine months ended 30 September		Three months ended 30 September	
		2017	2016	2017	2016
Net loss for the period		<u>(19,764,689)</u>	<u>(16,246,106)</u>	<u>(4,939,606)</u>	<u>(7,830,843)</u>
Total comprehensive loss		<u>(19,764,689)</u>	<u>(16,246,106)</u>	<u>(4,939,606)</u>	<u>(7,830,843)</u>

The accompanying notes on pages 7 - 42 form an integral part of these separate interim financial statements.

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

**Separate statement of change in equity
For the nine months ended 30 September 2017**

(All amounts in Egyptian Pounds)

	Issued and paid up capital	Special reserve	Other reserve	Legal reserve	Retained earnings / (Accumulated losses)	Total
Balance at 1 January 2016	50,322,580	172,217,162	13,129,007	25,161,260	90,257,937	351,087,946
Dividends distribution	-	-	-	-	(4,450,325)	(4,450,325)
Total comprehensive loss	-	-	-	-	(16,246,106)	(16,246,106)
Balance at 30 September 2016	50,322,580	172,217,162	13,129,007	25,161,260	69,561,506	330,391,515
Balance at 1 January 2017	50,322,580	172,217,162	13,129,007	25,161,260	21,832,781	282,662,790
Dividends distribution	-	-	-	-	(10,746,292)	(10,746,292)
Total comprehensive loss	-	-	-	-	(19,764,689)	(19,764,689)
Balance at 30 September 2017	50,322,580	172,217,162	13,129,007	25,161,260	(8,678,200)	252,151,809

The accompanying notes on pages 7 - 42 form an integral part of these separate interim financial statements.

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

Separate statement of cash flows

For the nine months ended 30 September 2017

(All amounts in Egyptian Pounds)

	Note	30 September 2017	30 September 2016
<u>Cash flows from operating activities</u>			
Loss for the period before tax		(22,764,361)	(21,626,696)
<u>Adjusted by:</u>			
Depreciation	5	28,989,660	28,568,026
Amortization	6	509,127	463,011
Loss on sale of property, plant and equipment	25	26,958	37,819
Retirement benefits provision	22	976,359	750,000
Dividend distribution from subsidiaries	26	-	(5,220,031)
Finance cost	27	50,456,113	35,101,490
Foreign currency exchange losses		584,619	984,060
Finance income	27	(5,971)	(56,514)
		58,772,504	39,001,165
<u>Changes in working capital</u>			
Increase in inventories	8	(11,266,755)	(18,074,574)
Increase / (decrease) in trade receivables	9	(56,713,054)	8,614,620
Increase in prepaid expenses and other receivables	10 , 35	(14,179,714)	(11,836,029)
Increase in due from tax authority	11	(10,322,299)	(543,361)
Increase in due from related parties	12	(24,498,272)	(426,850,223)
Increase in trade payables	17	84,641,132	7,483,772
Increase in accrued expenses and other payables	18 , 35	21,879,297	5,676,145
Increase / (decrease) in due to tax authority	19	11,269,242	(1,028,352)
Increase in due to related parties	12	31,950,086	434,977,246
Provisions used	14	(2,298,867)	(3,715,903)
Payment of retirement employee benefits	22	(1,638,894)	(844,115)
Net cash generated from operations		87,594,406	32,860,391
Interest paid		(48,948,397)	(32,770,452)
Income tax paid	11	-	(3,164,352)
Net cash flows generated from / (used in) from operating activities		38,646,009	(3,074,413)
<u>Cash flows from investing activities</u>			
Purchase of property, plant and equipment	5	(21,375,095)	(13,361,444)
Proceeds from sale of property, plant and equipment	5	18,094	99,339
Purchase of intangible assets	6	(1,613,679)	-
Interest income received	27	5,971	56,514
Dividends income from subsidiaries		-	2,000,000
Net cash out flow from investing activities		(22,964,709)	(11,205,591)
<u>Cash flows from financing activities</u>			
Repayments of borrowings		(2,694,206)	(2,396,800)
Bank overdrafts		(9,954,659)	5,494,374
Net cash (outflow) / inflow from financing activities		(12,648,865)	3,097,574
<u>Net increase / (decrease) in cash and cash equivalents during the period</u>			
		3,032,435	(11,182,430)
Cash and cash equivalents at beginning of the period		22,081,742	17,095,272
Cash and cash equivalents at end of the period	13	25,114,177	5,912,842

The accompanying notes on pages 7 - 42 form an integral part of these separate interim financial statements.

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

Notes to the separate interim financial statements For nine months ended 30 September 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. (the "Company") was established in 1979 as an Egyptian joint stock company under the provisions of Law No. 43 of 1974 as amended by Law No. 230 of 1989 as amended by Law No. 8 of 1997, and is registered in the commercial register under number 193770 Cairo. The address of the company's registered office is Nasr City, 6th District, Industrial Zone, Cairo – Arab Republic of Egypt.

The company is listed on the Egyptian Stock Exchange.

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

The ultimate parent is Deram Holding Inc.

The parent of the company is MAC Investments S.A.E. with 51.43% ownership.

These separate interim financial statements have been approved for issuance by the Chairman of the Company on 6 December 2017.

2. Accounting policies

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

A. Basis of preparation of the separate interim financial statements

These separate interim financial statements have been prepared in accordance with Egyptian Accounting Standards (EAS) and the relevant laws, and on the basis of the historical cost convention, except for 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.

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

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

All other assets are classified as non-current.

The liability is classified as current when:

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

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

Notes to the separate interim financial statements For nine months ended 30 September 2017

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

Basis of preparation of the separate interim financial statements (continued)

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

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

Users of these reissued separate financial statements should read them together with the Group's consolidated financial statements as of and for the year ended 31 December 2015 in order to obtain full information on the financial position, results of operations, its cash flows and changes in equity of the Group as a whole.

The company has prepared these separate interim financial statements in accordance with local regulations. The company will prepare its consolidated interim financial statement within maximum 60 days from financial position date in accordance with the disclosure standards that has been set by the Egyptian Financial supervisory authorith (EFSA).

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

B. Foreign currency transaction

(1) Functional and presentation currency

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

(2) Transactions and balances

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

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

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

Notes to the separate interim financial statements For nine months ended 30 September 2017

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

Foreign currency transaction (continued)

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.

C. Property plant and equipment

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

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

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

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

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

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

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

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

Notes to the separate interim financial statements For nine months ended 30 September 2017

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

D. Investment in subsidiaries

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

E. Intangible assets

1. Computer software

The Company 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 Company has the intention to complete the intangible asset for use and
- The Company 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.

The Company 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 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 recognized as intangible assets and amortized using the straight line method over the estimated useful life of this know-how which is 10 years.

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

Technical assistance costs are stated at cost less accumulated amortization.

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

Notes to the separate interim financial statements For nine months ended 30 September 2017

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

F. Inventories

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

G. Financial assets

(1) Classification

The Company classifies its financial assets as loans and receivables. The classification depends on the purpose for which the financial assets were acquired. Management determines the classification of its financial assets at initial recognition.

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 Company's loans and receivables comprise 'trade and other receivables' and 'cash and cash equivalents' in the balance sheet.

(2) Initial recognition and measurement

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

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

(3) Subsequent measurement

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

(4) Derecognition

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

Notes to the separate interim financial statements For nine months ended 30 September 2017

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

H. Offsetting financial assets and liabilities

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

I. Impairment of financial assets

Financial assets carried at amortised cost

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

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

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

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

Notes to the separate interim financial statements For nine months ended 30 September 2017

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

J. Impairment of non-financial assets

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

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

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

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

K. Trade receivables

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

L. Cash and cash equivalents

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

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

Notes to the separate interim financial statements For nine months ended 30 September 2017

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

M. Financial liabilities

(1) Classification

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

(2) Recognition and derecognition

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

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

(3) Measurement

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

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

O. Current and deferred income taxes

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

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

Notes to the separate interim financial statements For nine months ended 30 September 2017

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

Current and deferred income taxes (continued)

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

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

Deferred income tax assets are recognised only to the extent that it is probable that future taxable profit will be available against which the temporary differences can be utilised.

P. Employee benefits

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

(1) Retirement benefits obligations

The company has two types of pension schemes.

The Company 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 Company pays fixed contributions to the General Authority for Social Insurance on mandatory basis. The Company has no further liabilities once its obligations are paid. The regular contributions are recognised as periodic cost for the year in which they are due and as such are included in staff costs.

Defined benefit plans

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

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

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.

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

Notes to the separate interim financial statements For nine months ended 30 September 2017

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

Employee benefits (continued)

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

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

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

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

(3) **Employees' share in legally defined profits**

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

Q. Operating leases

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

R. Provisions

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

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

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.

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

Notes to the separate interim financial statements For nine months ended 30 September 2017

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

Provisions (continued)

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

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

S. Contingent assets

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

T. 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.

U. Revenue recognition

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

(1) Sales of goods

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

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

Notes to the separate interim financial statements For nine months ended 30 September 2017

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

Revenue recognition (continued)

(2) Interest income

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

(3) Governmental subsidy on export sales

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 Company 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.

V. Dividends

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

W. 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 ordinary 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 Company. 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 Company 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.)

Notes to the separate interim financial statements For nine months ended 30 September 2017

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

Fair value of financial instruments (continued)

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

Fair value of bank 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.

Fair value was determined using level 2 input within the fair value hierarchy.

X. Comparatives

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

3. Financial risk management

(1) Financial risk factors

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

The Company's risk management policies are established to identify and analyse the risks faced by the Company and to monitor risks and adherence to limits for each risk with the objective of minimising any potential adverse effects on the financial performance of the company.

The Company does not use any derivative financial instruments to hedge certain risk exposure.

(A) Market risk

i) Foreign currency exchange rate risk

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

	30 September 2017	31 December 2016
US Dollars 10%	(673,059)	389,855
Euros 10%	(3,056,215)	(1,525,783)

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

Notes to the separate interim financial statements For nine months ended 30 September 2017

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

Financial risk management (continued)

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

	30 September 2017			31 December 2016
	Assets	Liabilities	Net	Net
US Dollars	53,138,987	(59,869,577)	(6,730,590)	3,898,551
Euros	3,818,679	(34,380,833)	(30,562,154)	(15,257,826)

ii) Cash flow and fair value interest rate risk

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

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

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

The sensitivity of the statement of profit or loss is the effect of the assumed changes in interest rates on the Company's profit for a year, based on the floating rate financial assets and financial liabilities held at 30 September 2017. There is no impact on the Company's equity.

	Increase / Decrease in basis points	Effect on profits (losses) for the period EGP
30 September 2017	± 10%	6,682,423
31 December 2016	± 10%	6,899,579

(B) Credit risk

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

The Company deals with banks and financial institutions with high independent rating and banks with high credit solvency if there is no independent credit rating.

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

MIDDLE EAST GLASS MANUFACTURING COMPANY (S.A.E.)**Notes to the separate interim financial statements
For nine months ended 30 September 2017**

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

Financial risk management (continued)**Transactions with major customers**

Revenue transaction with the Company's largest two customers (related parties) are equivalent to 45% of the total revenues for the year ended 30 September 2017 (30 September 2016: 35%).

Cash at banks and short term bank deposits:

	30 September 2017	31 December 2016
A	13,074,184	5,926,886
B	7,918,928	1,358,479
BBB	3,417,031	14,722,452
Total	24,410,143	22,007,817

(C) Liquidity risk

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

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

The table below summarises the maturities of the Company's undiscounted financial liabilities at 30 September 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
30 September 2017				
Trade and notes payable	129,964,263	-	-	-
Accrued expenses and other credit balances*	48,482,028	-	-	-
Due to related parties	-	63,520,559	-	-
Shareholders' loan	-	-	-	432,825,002
Bank overdraft	127,490,539	-	-	-
Term loans	61,093,140	45,670,703	73,352,848	249,004,465
Total	367,029,970	109,191,262	73,352,848	681,829,467

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

Notes to the separate interim financial statements For nine months ended 30 September 2017

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

Financial risk management (continued)

	Less than 6 month	Between 6 month & 1 year	Between 1 & 2 years	More than 2 years
31 December 2016				
Trade and notes payable	45,323,131	-	-	-
Accrued expenses and other credit balances*	27,080,509	-	-	-
Due to related parties	-	31,570,473	-	-
Shareholder's loan	-	-	-	432,825,002
Bank overdraft	137,445,198	-	-	-
Term loans	31,167,014	33,254,812	65,942,552	279,074,220
Total	241,015,852	64,825,285	65,942,552	711,899,222

The unused credit facility at 30 September 2017 is amount to LE 36,645,111 (31 December 2016: LE 27,238,980).

* Accrued expenses and other credit balances excluding advances from customers and social insurance.

(2) Capital risk management

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

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

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

The gearing ratios at 30 September 2017 and 31 December 2016 were as follows:

	30 September 2017	31 December 2016
Shareholders' loan	432,825,002	432,825,002
Term loans	243,755,174	245,864,761
Bank overdrafts	127,490,539	137,445,198
Total borrowings	804,070,715	816,134,961
Less: cash and bank balances	(25,114,177)	(22,081,742)
Net debt	778,956,538	794,053,219
Total owners' equity	252,151,809	282,662,790
Total capital	1,031,108,347	1,076,716,009
Gearing ratio	76%	74%

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

Notes to the separate interim financial statements For nine months ended 30 September 2017

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

4. Critical accounting estimates and judgments

(1) Critical accounting estimates and assumptions

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

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

Employee benefits

The determines employee benefit liabilities using an independent actuarial expert and it revises the sufficiency of these liabilities on an annual basis according to the accounting policy (2-P). Note (22) shows the main assumptions used to determine the employee benefit liabilities.

(2) Critical judgment in applying the accounting policies

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

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

Notes to the separate interim financial statements For the nine months ended 30 September 2017

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

5. Property, plant and equipment

30 September 2017	Land	Buildings	Machinery, equipment & molds	Vehicles and transportation	Furniture and office equipment	Computers	Projects under construction	Total
Cost								
Balance at beginning of the period	9,968,571	46,404,121	397,389,595	3,423,511	1,581,455	5,984,295	1,404,181	466,155,729
Additions	-	36,530	18,616,177	-	72,899	278,401	2,371,088	21,375,095
Disposals	-	-	-	-	-	(316,663)	(524,802)	(316,663)
Transfers from projects under construction	-	505,201	19,601	-	-	-	-	-
Balance at the end of the period	9,968,571	46,945,852	416,025,373	3,423,511	1,654,354	5,946,034	3,250,467	487,214,161
Accumulated depreciation								
Balance at beginning of the period	-	(27,471,702)	(297,902,940)	(2,172,547)	(1,076,344)	(4,916,006)	-	(333,539,539)
Depreciation expense	-	(1,206,587)	(27,111,832)	(304,211)	(94,950)	(272,080)	-	(28,989,660)
Disposals depreciation	-	-	-	-	-	271,611	-	271,611
Balance at the end of the period	-	(28,678,289)	(325,014,772)	(2,476,758)	(1,171,294)	(4,916,475)	-	(362,257,588)
Net book value at the end of the period	9,968,571	18,267,563	91,010,601	946,753	483,060	1,029,558	3,250,467	124,956,573
31 December 2016								
Cost								
Balance at beginning of the year	9,968,571	46,404,121	385,118,291	2,762,614	1,991,329	5,228,218	3,504,894	454,978,038
Additions	-	-	11,883,744	1,230,000	67,137	682,548	1,028,471	14,891,900
Disposals	-	-	(2,491,950)	(569,103)	(477,011)	(176,145)	-	(3,714,209)
Transfers from projects under construction	-	-	2,879,510	-	-	249,674	(3,129,184)	-
Balance at the end of the year	9,968,571	46,404,121	397,389,595	3,423,511	1,581,455	5,984,295	1,404,181	466,155,729
Accumulated depreciation								
Balance at beginning of the year	-	(25,886,619)	(264,236,015)	(2,218,781)	(1,428,399)	(4,871,071)	-	(298,640,885)
Depreciation expense	-	(1,585,083)	(36,147,206)	(387,731)	(124,949)	(219,486)	-	(38,464,455)
Disposals depreciation	-	-	2,480,281	433,965	477,004	174,551	-	3,565,801
Balance at the end of the year	-	(27,471,702)	(297,902,940)	(2,172,547)	(1,076,344)	(4,916,006)	-	(333,539,539)
Net book value at the end of the year	9,968,571	18,932,419	99,486,655	1,250,964	505,111	1,068,289	1,404,181	132,616,190

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

Notes to the separate interim financial statements For nine months ended 30 September 2017

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

Property, plant and equipment (continued)

Depreciation expense is classified as follows:

	30 September 2017	30 September 2016	31 December 2016
Cost of production	27,451,221	27,690,427	37,263,349
General and administrative expenses	1,164,763	475,293	674,021
Selling and marketing expenses	373,676	402,306	527,085
	28,989,660	28,568,026	38,464,455

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

Projects under construction are as follows:

	Balance at 1 January 2017	Additions during the period	Transfer to fixed assets	Balance at 30 September 2017
Others	1,404,181	2,371,088	(524,802)	3,250,467
	1,404,181	2,371,088	(524,802)	3,250,467

6. Intangible assets

A. Technical assistance costs

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

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

B. Computer software

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

	Technical information costs	Computer software	Projects under construction	Total
31 December 2016				
Cost				
Balance at the beginning of the year	5,156,143	2,423,499	-	7,579,642
Addition during the year	-	-	1,933,726	1,933,726
Balance at the end of the year	5,156,143	2,423,499	1,933,726	9,513,368
Accumulated amortization				
Balance at the beginning of the year	(2,062,457)	(2,105,900)	-	(4,168,357)
Amortization expense of the year	(515,614)	(101,733)	-	(617,347)
Balance at the end of the year	(2,578,071)	(2,207,633)	-	(4,785,704)
Net book value at end of the year	2,578,072	215,866	1,933,726	4,727,664

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

Notes to the separate interim financial statements For nine months ended 30 September 2017

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

Intangible assets (continued)

30 September 2017	Technical information costs	Computer software	Projects under construction	Total
Cost				
Balance at the beginning of the period	5,156,143	2,423,499	1,933,726	9,513,368
Addition during the period	-	1,222,188	391,491	1,613,679
Balance at the end of the period	5,156,143	3,645,687	2,325,217	11,127,047
Accumulated amortization				
Balance at the beginning of the period	(2,578,071)	(2,207,633)	-	(4,785,704)
Amortization expense of the period	(386,711)	(122,416)	-	(509,127)
Balance at the end of the period	(2,964,782)	(2,330,049)	-	(5,294,831)
Net book value at end of the period	2,191,361	1,315,638	2,325,217	5,832,216

A reclassification for computer software balance, which was listed under projects under construction for fixed assets to be included now under projects under construction for intangible assets (Note 37).

7. Investment in subsidiaries

On 30 September 2010, the Company purchased 60% of the issued capital of Medco Plast for Packing and Packaging System (S.A.E.) a joint stock company incorporated in 2010 as an "S.A.E." in compliance with Companies Law 159 of 1981 and registered in the commercial register under number 47627. The Company's headquarters is located at Kambiz Street, Dokki, Giza. The Company's main activity is the manufacture, sale and export of plastic containers for the food beverage industry, and manufacture of disposable plastic medical products for use in the pharmaceutical industry.

On 29 January 2014, the Company acquired 100% of Middle East Glass Containers Sadat S.A.E (previously Wadi Glass Containers S.A.E) shares, the Company's headquarters is located at Plot Number 254,255,256 extension of Fifth Industrial Zone, Sadat City, Menofia. On 2016 the company's name was changed to Middle East Glass in Sadat City (S.A.E). The Company's main activity is manufacturing all kinds of glass bottles.

On 10 November 2015, the Company established a new Company (Meg Misr Glass MEG S.A.E.) with ownership percentage of 99.97%, Meg Misr Glass MEG (S.A.E.) headquarters is located at 6 Mokhayam El-Daem Street, Nineth District, Nasr City, Cairo. The Company's main activity is manufacturing all kinds of glass bottles & the acquisition of other entities that operates in the same field.

	Ownership %	30 September 2017	31 December 2016
Middle East Glass Containers Sadat S.A.E (previously Wadi Glass Containers S.A.E)	100%	198,807,845	198,807,845
Medco Plast for Packaging and Wrapping Systems (S.A.E.)	60%	64,870,663	64,870,663
MEG Misr Glass (S.A.E.)	99.97%	99,970	99,970
		263,778,478	263,778,478

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

Notes to the separate interim financial statements For nine months ended 30 September 2017

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

8. Inventories

	30 September 2017	31 December 2016
Finished goods	45,881,199	43,692,639
Work in process	36,161,121	20,282,259
Spare parts	20,315,788	18,611,591
Raw materials	14,419,789	16,811,518
Packing materials	2,047,291	2,182,770
Fuel and oil	1,309,819	982,557
Goods held with third party	-	6,304,918
	120,135,007	108,868,252

Inventory value included in the cost of goods sold within the separate statement of profits or losses amounted to EGP 104,020,284 (30 September 2016: LE 35,181,961).

9. Trade receivables

	30 September 2017	31 December 2016
Trade receivables	73,365,481	16,652,427
Impairment in trade receivables	(418,714)	(418,714)
	72,946,767	16,233,713

The average credit period on trade receivables is 60 days. No interest is charged on the trade receivables overdue. The trade receivables above 60 days are provided for based on estimated irrecoverable amounts, determined by reference to past default experience and on management's assessment of current economic conditions as to the future recoverability of these balances.

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

Included in the Company's trade receivables balance debtors with a carrying amount of EGP 59,296,938 (31 December 2016: EGP 3,079,174) which are past due at the reporting date for which the Company has not recorded any provision as there has not been a significant change in credit quality and the amounts are still considered recoverable. The Company does not hold any collateral over these balances.

Ageing of past due but not impaired receivables:

	30 September 2017	31 December 2016
Past due for less than 3 months	25,763,628	3,057,900
Past due for more than 3 months	33,533,310	21,274
	59,296,938	3,079,174

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

Notes to the separate interim financial statements For nine months ended 30 September 2017

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

Trade receivables (continued)

In determining the recoverability of contract and trade receivables, the Company considers any change in the credit quality of the contract and trade receivables from the date the credit was initially granted up to the reporting date. At the reporting date, management has taken the current market conditions into account when assessing the credit quality of contract and trade receivables. The management also hold regular meetings with contract customers to renegotiate payment terms and to ensure the credit-worthiness of the ultimate end-users. In addition, the concentration of credit risk is limited due to the customer base being large and unrelated. Accordingly, taking all of the above into account, the management believes that there is no further credit provision required in excess of the current provision for doubtful debts. Most receivables collection and customer contracts are pledged against overdraft credit facilities (Note 16).

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

	30 September 2017	31 December 2016
Past due for more than 3 months	418,714	418,714
	418,714	418,714

10. Prepaid expenses and other receivables

	30 September 2017	31 December 2016
Advances to suppliers – raw material	20,876,844	13,561,304
Refundable deposits	5,081,428	5,690,644
Export subsidy	8,961,123	5,938,028
Other debit balances	3,000,000	11,397,477
Prepaid expenses	2,351,831	1,156,895
Employee loan and imprests	1,710,206	803,662
	41,981,432	38,548,010

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

Notes to the separate interim financial statements For nine months ended 30 September 2017

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

11. Due from tax authority

	30 September 2017	31 December 2016
Tax Authority – value added tax	11,331,030	2,594,160
Tax Authority – income tax	2,447,120	2,447,120
Tax Authority – Withholding tax	2,482,715	897,286
	16,260,865	5,938,566

The withholding tax movement is set out as follows:

	30 September 2017	31 December 2016
Balance at the beginning of the period / year	897,286	-
Paid during the period / year	1,585,429	897,286
Balance at the end of the period / year	2,482,715	897,286

The movement for income tax is set out as follows:

	30 September 2017	31 December 2016
Balance at the beginning of the period / year	2,447,120	(717,232)
Income tax paid during the period / year	-	3,164,352
Balance at the end of the period / year	2,447,120	2,447,120

12. Related parties

Transaction with related parties

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

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

The Coca-Cola Bottling Company – Egypt supplies the company with cullet (broken scrap glass) and for the period ended 30 September 2017 the total value of cullet supplied amounted to LE 3,184,478 (30 September 2016: LE 2,340,205).

During the period, the Company also made sales transactions with CCBCE within the normal course of business. Sales for the period ended 30 September 2017 amounted to LE 81,680,977 million (30 September 2016: LE 62,400,000).

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

Middle East Glass Containers Sadat S.A.E (previously Wadi Glass Containers S.A.E) is a related party as it is owned by Middle East Glass Manufacturing by 100%, transactions during the year represents in the loan paid to Wadi Holding on behalf of Middle East Glass Containers Sadat S.A.E (previously Wadi Glass Containers S.A.E) and also the amount of paid services.

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

Notes to the separate interim financial statements For nine months ended 30 September 2017

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

Related parties (continued)

During the period, the Company also made sales and purchase transactions with Middle East Glass Containers Sadat S.A.E (previously Wadi Glass Containers S.A.E) within the normal course of business. Purchases for the period ended 30 September 2017 amounted to LE 24,166,870 (30 September 2016: LE 5,287,206). Sales for the period ended 30 September 2017 amounted to LE 6,336,610 (30 September 2016: LE 1,062,484).

Meg Misr for Glass MEG (S.A.E.)

Meg Misr for Glass Meg Company is a related party as the company is owned by Middle East Glass Manufacturing Company by 99.97%

Sheba Investments Company (S.A.E.)

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

Misr for Glass Manufacturing Company (S.A.E.)

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

During the period, the Company also made sales transactions with Misr for Glass Manufacturing Company (S.A.E.) within the normal course of business. Sales for the period ended 30 September 2017 amounted to LE 62,682,530 (30 September 2016: LE 18,061,727). Purchases from Misr for Glass Manufacturing Company (S.A.E.) for the period ended 30 September 2017 amounted to L.E 18,103,340 (30 September 2016: LE 10,099,509).

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

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

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

Key management compensation

Amounts paid to the senior management during the period ended 30 September 2017 amounted to LE 12,733,899 (30 September 2016: LE 10,151,301).

Allocated as follows:

	30 September 2017	30 September 2016
General and administrative expenses	8,913,729	8,386,147
Selling and marketing expenses	3,820,170	1,765,154
	12,733,899	10,151,301

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

Notes to the separate interim financial statements For nine months ended 30 September 2017

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

Related parties (continued)

The balances with the related parties are as follows:

Due from related parties

	30 September 2017	31 December 2016
MEG Misr for Glass "MEG" (S.A.E.)*	443,709,560	443,277,323
Middle East Glass Containers Sadat S.A.E (previously Wadi Glass Containers S.A.E)	174,217,787	167,440,067
The Coca-Cola Bottling Company of Egypt (CCBCE) (S.A.E.)	37,388,481	20,237,050
Sheba Investment (S.A.E.)	9,905,311	6,680,604
Medco Plast for Packing and Packaging System (S.A.E)	-	3,220,031
Sanaa Beverages and Industrial Company Limited (SBI) – Yemen	48,494	126,968
Gulf Capital	210,682	-
	665,480,315	640,982,043

Due to related parties – current

	30 September 2017	31 December 2016
Misr for Glass Manufacturing S.A.E.	62,520,559	31,570,473
Medco Plast for Packing and Packaging System (S.A.E)	1,000,000	-
	63,520,559	31,570,473

Shareholders' loan – non-current *

432,825,002	432,825,002
-------------	-------------

During 2016, the shareholders have provided a loan amounting to LE 432,825,002 with the purpose of supporting the Company to acquire Misr for Glass Manufacturing Company. (S.A.E) The loan is non-interest bearing, does not have fixed repayment maturities and was subordinated for the favour of the Company bankers.

13. Cash at banks and on hand

	30 September 2017	31 December 2016
A. Local currency		
Current accounts	8,117,098	18,143,866
Cash on hand	528,327	31,042
	8,645,425	18,174,908
B. Foreign currency		
Current accounts	16,293,045	3,863,951
Cash on hand	175,707	42,883
	16,468,752	3,906,834
	25,114,177	22,081,742

MIDDLE EAST GLASS MANUFACTURING COMPANY (S.A.E.)**Notes to the separate interim financial statements
For nine months ended 30 September 2017**

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

14. Provisions

	Other provisions	Employee redundancy Provision	Total	
			30 September 2017	31 December 2016
Balance at the beginning of the period / year	11,067,307	7,867,621	18,934,928	7,094,567
Additions during the period / year	-	-	-	16,590,786
Usage during the period / year	(1,695,793)	(603,074)	(2,298,867)	(4,750,425)
Balance at the end of the period / year	9,371,514	7,264,547	16,636,061	18,934,928

Other provisions

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

Employee redundancy

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

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

**Notes to the separate interim financial statements
For the nine months ended 30 September 2017**

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

15. Bank borrowings

	30 September 2017			31 December 2016			
	Loan principal	Current portion	Medium-term portion	Total	Current portion	Medium -term portion	Total
Loan 1	108,500,000	2,000,000	34,166,670	36,166,670	1,999,998	34,166,672	36,166,670
Loan 2	39,038,580	1,000,000	8,771,356	9,771,356	1,000,000	8,771,356	9,771,356
Loan 3	64,000,000	3,000,000	22,600,000	25,600,000	3,000,000	22,600,000	25,600,000
Loan 4	172,547,345	10,000,000	151,000,346	161,000,346	10,000,000	151,000,345	161,000,345
Loan 5	13,650,000	5,608,250	5,608,552	11,216,802	7,941,990	5,384,400	13,326,390
		21,608,250	222,146,924	243,755,174	23,941,988	221,922,773	245,864,761

All loans are secured against the following guarantees and pledges:

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

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

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

Notes to the separate interim financial statements For nine months ended 30 September 2017

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

16. Bank overdrafts

	Secured by	Interest rate %	Credit limit	30 September 2017	31 December 2016
Credit facility 1	Promissory note	16.25	42,000,000	42,996,803	34,116,402
Credit facility 2	Receivables collections	18.75	45,000,000	38,115,799	62,684,178
Credit facility 3	Customer contracts	18.5	60,000,000	46,377,937	40,644,618
				<u>127,490,539</u>	<u>137,445,198</u>

17. Trade and notes payables

	30 September 2017	31 December 2016
Raw material suppliers	100,465,815	36,225,085
Service providers	26,216,178	4,505,599
Notes payables	3,282,270	4,592,447
	<u>129,964,263</u>	<u>45,323,131</u>

18. Accrued expenses and other payables

	30 September 2017	31 December 2016
Accrued expenses	32,166,784	10,423,249
Other payables	9,679,585	11,529,317
Accrued interest expense	5,498,606	3,990,890
Social insurance authority	2,045,845	977,164
Advances from customers	1,158,493	241,680
Retention	538,850	538,850
Board of directors remuneration	537,825	537,825
Dividends payable	60,378	60,378
	<u>51,686,366</u>	<u>28,299,353</u>

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

Notes to the separate interim financial statements For nine months ended 30 September 2017

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

19. Due to Tax Authority

	30 September 2017	31 December 2016
Tax Authority – Value adding tax	15,295,086	4,300,115
Tax Authority – Withholding tax	-	568,855
Other taxes	1,098,868	473,498
Tax Authority – Salary tax	386,019	168,263
	16,779,973	5,510,731

20. Issued and paid up capital

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

On 26 January 2015, the Extraordinary General Assembly Meeting approved the increase of the issued share capital from EGP 40,000,000 (forty million Egyptian pounds) to EGP 50,322,580 (fifty million nine hundred twenty two thousand five hundred and eighty Egyptian Pounds) with an amount of EGP 10,322,580 (ten million nine 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 which equal to EGP 10 (ten Egyptian pounds) per share and fair value of the shares is to be recorded at the Company's reserve account, and the total amount of the issuance of EGP 205,254,181 has been deposited with one of the Egyptian Banks, and the increase has been approved in the commercial register in 26 June 2015.

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

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

On 3 April 31 December 2014, the shareholders agreed to increase the paid up capital by approximately US \$28.7 million, equivalent to LE 205 million on that date, subsequently on 10 May 2015, the existing shareholders subscribed in the capital increase shares with total value of LE 205 million which was equivalent to US \$26.5 million. On the subscription date, the shareholders agreed to pay the remaining amount of the capital increase included in the above mentioned agreement amounting to US \$1.7 million (equivalent to LE 13,129,007) to be recorded under other reserves in the statement of owner's equity.

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

Notes to the separate interim financial statements For nine months ended 30 September 2017

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

21. Legal reserve

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

22. Retirement benefit obligations

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

	30 September 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:

	30 September 2017	31 December 2016
Present value of obligations	6,201,071	6,863,606
Liability at the financial position	6,201,071	6,863,606

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

	30 September 2017	31 December 2016
Balance at beginning of the period / year	6,863,606	6,373,632
Interest expense	624,870	637,363
Current service cost	351,489	582,721
Past service cost*	-	2,400,000
Total amount recognised in profit or loss	976,359	3,620,084
Re-measurement		
Gains from change in financial assumptions	-	(1,097,520)
Total amount recognised in other comprehensive income	-	(1,097,520)
Benefit payments from plan	(1,638,894)	(2,032,590)
Balance at end of the period / year	6,201,071	6,863,606

* During 2016, the Company made amendments to the terms of the benefit plan which resulted in past service cost of EGP 2,400,000.

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

Notes to the separate interim financial statements For nine months ended 30 September 2017

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

23. Deferred tax assets

a. Recognized deferred tax assets (liabilities):

	Balance sheet		Income statement	
	30 September 2017	31 December 2016	30 September 2017	30 September 2016
Tax loss	10,484,201	9,970,353	513,848	882,680
Employees redundancy	1,634,523	1,770,215	(135,692)	-
Retirement benefits obligations	1,395,241	1,544,312	(149,071)	(21,176)
Depreciation of property, plant and equipment	(8,988,978)	(12,180,370)	3,191,392	4,519,086
Tax effect on unrealized foreign currency	-	420,805	(420,805)	-
	<u>4,524,987</u>	<u>1,525,315</u>	<u>2,999,672</u>	<u>5,380,590</u>

b. Unrecognized Deferred tax assets:

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

	30 September 2017	31 December 2016
Tax impact on impairment of trade and notes receivables	<u>94,210</u>	<u>94,210</u>

24. Sales

	Nine months ended 30 September		Three months ended 30 September	
	2017	2016	2017	2016
Sales	319,465,055	176,375,268	94,049,112	69,153,498
Sales returns	(1,828,211)	(925,421)	(456,858)	(915,477)
	<u>317,636,844</u>	<u>175,449,847</u>	<u>93,592,254</u>	<u>68,238,021</u>

25. Other operating expense

	Nine months ended 30 September		Three months ended 30 September	
	2017	2016	2017	2016
Loss / (Gain) on sale of fixed assets	(26,958)	(37,819)	13,295	(19,165)
	<u>(26,958)</u>	<u>(37,819)</u>	<u>13,295</u>	<u>(19,165)</u>

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

Notes to the separate interim financial statements For nine months ended 30 September 2017

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

26. Other operating income

	Nine months ended 30 September		Three months ended 30 September	
	2017	2016	2017	2016
Dividends income from investments in subsidiaries	-	5,220,031	-	-
Export subsidy	3,933,998	3,134,172	2,055,114	2,053,671
Scrap sales	1,280,651	319,595	595,908	74,453
	5,214,649	8,673,798	2,651,022	2,128,124

27. Finance costs - net

	Nine months ended 30 September		Three months ended 30 September	
	2017	2016	2017	2016
Financial income	5,971	56,514	-	41,789
Interest expense	(50,456,113)	(35,101,490)	(15,591,496)	(13,648,516)
Foreign currency exchange (loss) / gain	(12,006,271)	(1,487,641)	(2,062,179)	365,328
	(62,456,413)	(36,532,617)	(17,653,675)	(13,241,399)

28. Income tax

	30 September 2017	30 September 2016
Deferred income tax (Note 23)	2,999,672	5,380,590
Total	2,999,672	5,380,590

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

	30 September 2017	30 September 2016
Net loss before tax	(22,764,361)	(21,626,696)
Tax calculated using enacted tax rate	(4,554,271)	(4,866,007)
Non-deductible expenses for tax purpose	1,195,269	18,214
Unused tax loans	567,710	-
Deductible expenses for tax purpose	(61,475)	(532,797)
Realized forex	420,805	-
Income tax	(2,431,962)	(5,380,590)

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

**Notes to the separate interim financial statements
For nine months ended 30 September 2017**

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

29. Expense by nature

	Nine months ended 30 September		Three months ended 30 September	
	2017	2016	2017	2016
Raw material used in production	115,782,788	54,365,850	40,963,885	19,123,804
Salaries and fringe benefits	48,356,438	39,449,512	14,963,863	14,333,271
Depreciation expense	28,989,660	28,568,026	9,234,213	9,197,382
Water and electricity expenses	62,324,471	38,497,116	24,605,608	13,094,679
Stationary and office expense	10,940,013	5,441,871	2,899,318	1,843,487
Vehicles and transportation expense	5,950,881	4,071,677	1,044,212	1,351,696
Other expense	3,734,555	6,392,032	291,834	1,982,594
Professional and consultancy fees	5,050,843	3,973,541	866,270	1,419,363
Rent expense	6,093,568	2,665,830	2,351,053	(564,529)
Marketing and advertisement expense	7,162,644	4,475,328	2,646,283	999,368
Amortization of intangible assets	509,127	463,011	200,453	154,337
Change in inventory	(11,762,505)	(19,183,889)	(15,342,937)	2,031,002
	283,132,483	169,179,905	84,724,055	64,966,454
	Nine months ended 30 September		Three months ended 30 September	
	2017	2016	2017	2016
Cost of sales	234,814,750	133,945,407	69,673,827	54,441,329
General and administrative expenses	26,131,450	22,101,643	7,945,516	8,371,938
Selling and marketing expenses	22,186,283	13,132,855	7,104,712	2,153,187
	283,132,483	169,179,905	84,724,055	64,966,454

30. Loss per share

Basic loss per share is calculated by dividing net loss by the number of ordinary issued share, without any consideration for employees or board of directors future dividends related to the period ended 30 September 2017. Since that the board of directors did not propose staff dividends distribution at the financial position issuing date.

Loss per share were set out as below:

	Nine months ended 30 September		Three months ended 30 September	
	2017	2016	2017	2016
Net loss available for distribution	(19,764,689)	(16,246,106)	(4,939,606)	(7,830,843)
Number of ordinary and issued shares	5,032,258	5,032,258	5,032,258	5,032,258
Loss per share	(3.93)	(3.23)	(0.98)	(1.56)

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

Notes to the separate interim financial statements For nine months ended 30 September 2017

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

Loss per share (continued)

The diluted loss per share is calculated by adjusting the weighted average number of ordinary shares outstanding to assume conversion of all dilutive potential ordinary shares. As of 30 September 2017 and 30 September 2016, the company does not have dilutive potential shares and therefore, diluted loss per share equal to basic loss per share.

31. Financial instruments by category

	Loans & receivables	
	30 September 2017	31 December 2016
Assets as per statement of financial position		
Trade and other receivables*	96,632,339	40,063,524
Cash and cash equivalents	25,114,177	22,081,742
Due from related parties	665,480,315	640,982,043
Financial liabilities		
	30 September 2017	31 December 2016
Liabilities as per statement of financial position		
Borrowings	243,755,174	245,864,761
Trade and other payables**	178,446,291	72,403,640
Bank overdraft	127,490,539	137,445,198
Shareholder's loan	432,825,002	432,825,002
Due to related parties	63,520,559	31,570,473

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

** Trade and other payables excludes advances from customers and social insurance.

32. Tax position

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

A. Corporate income tax

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

Years from 2009 to 31 December 2016

- Years from 2009 until 2014 an estimated inspection has been done, and the Company appealed in legal date.
- For the years 2015 and 2016, the Company is not yet inspected. The Company has submitted tax returns on the due date and no inspection has taken place.

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

Notes to the separate interim financial statements For nine months ended 30 September 2017

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

Tax position (continued)

B. Sales tax

From the beginning of operations until 31 December 2011

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

Years from 2012 until 2013

- The Company paid all liabilities due excluding the delay penalty which remains disputed.

Years from 2014 till 2016

- The Company has submitted tax returns on the due date and no inspection has taken place.

C. Salaries tax

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

Years from 1999 to 2004

The internal committee has been finalized for the years from 1999 to 2004 and the 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.

Years from 2005 to 2012

- The Company has been inspected and an additional assessment was issued for LE 9,215,217. The Company 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 2015.

E. Real Estate tax

Period from 1 July 2013 till 31 December 2016

- 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 agreed to pay monthly payments from February 2017. At the reporting date the remaining amount is LE 527,611.

33. Contingent liabilities

The company is contingently liable for letters of guarantee, letters of credit and shipping documents arising in the ordinary course of business amounting to be LE 56,856,121 as of 30 September 2017 (31 December 2016: LE 26,567,992).

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

Notes to the separate interim financial statements For nine months ended 30 September 2017

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

34. Commitments

Capital lease commitments	Instalment amount	Leasing amount	Lease period in months	Productive years
Equipment	10,726	559,344	48	4
Vehicles	64,867	3,102,334	48	4

35. Non-cash transactions

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

	30 September 2017
Unsettled accrued finance cost	1,507,716
Dividends distribution	10,746,292

36. Segment reporting

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

37. Reclassification

	Comparative figures before reclassification	Reclassification	Comparative figures after reclassification
Property, plant and equipment	134,549,916	(1,933,726)	132,616,190
Intangible assets	2,793,928	1,933,726	4,727,654

38. Subsequent events

The Company has signed an initial non-binding agreement with the investor for the purpose of acquiring 74% of the shares owned by the Company in Medco Plast for Packing and Packaging Systems S.A.E. The investor is about to start the due diligence process related to this acquisition this process is subject to the signing of the final agreement and obtaining the necessary approvals in accordance with the rules and regulations of the Egyptian Exchange.