Translation from Arabic

Ezz Steel Company
(An Egyptian Joint Stock Company)

Consolidated Interim Financial Statements
For The Nine Months Ended September 30, 2017
And Limited Review Report

Translation from Arabic

Ezz Steel Company
(An Egyptian Joint Stock Company)

Consolidated Interim Financial Statements
For The Nine Months Ended September 30, 2017
And Limited Review Report

Index

KPMG

Hazem Hassan
Public Accountants & Consultants

Translation from Arabic

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Limited Review Report on Consolidated Interim Financial Statements

To The Board of Directors of Ezz Steel Company

Introduction

We have performed a limited review on the accompanying consolidated statement of financial position of Ezz Steel Company "an Egyptian joint stock company" as of September 30, 2017 and the related consolidated statements of income, 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 consolidated interim financial statements in accordance with Egyptian Accounting Standards. Our responsibility is to express a conclusion on these interim financial statements based on our limited review.

Scope of Limited Review

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

Conclusion

Based on our limited review, nothing has come to our attention that causes us to believe that the accompanying consolidated interim financial statements do not present fairly, in all material respects, the consolidated financial position of the Company as of September 30, 2017 and of its consolidated financial performance and its consolidated cash flows for the nine months then ended in accordance with Egyptian Accounting Standards.

Emphasis of matters

Without qualifying our conclusion, we draw attention to the followings:

1- As explained in note no. (36-1) of the notes to the consolidated interim financial statements, Al-Ezz Rolling Mills Company and Al-Ezz Flat Steel Company (subsidiaries of Al Ezz Steel Company) obtained two licenses from the Industrial Development Authority to produce sponge iron and billet included within the group of the licenses the Authority has given to the qualified companies in Egypt for free. However, Al-Ezz Rolling Mills Company started the establishment of a factory for the production of sponge iron, while Al-Ezz Flat Steel Company did not start any projects to make use of the license.

   The said subject was referred to the criminal court to claim the payment of fees related to these licenses in addition to any penalties that may be imposed by the court. On September 15, 2011, the court issued a ruling whose pronouncement included imposing penalties on the former chairman of Ezz Steel Company and the former chairman of the Industrial Development Authority jointly with an amount of L.E 660 Million, and the withdrawal of the two licenses granted to each of Al-Ezz Rolling Mills Company and Al-Ezz Flat Steel Company. The company's management has taken procedures to revoke the ruling with all its consequences resulting there from.

   During the court session held on December 20, 2012, the court of cassation issued its ruling to the effect of cassating the appealed against ruling and referring the lawsuit to another circuit for consideration, which means revoking the previous ruling. A court session was set on April 6, 2013 to consider the lawsuit before the court to which it was referred to, and the court session was delayed to December 5, 2013 then the said case was adjourned to overturn the judgment issued by the lower court due to the fact that the administration of justice in this regard. The legal Advisor of the group was of the opinion that the cancelation of the abovementioned judgment means carrying out retrial proceedings.

   Accordingly, the court case was deliberated in several sessions before the retrial court circuit and a pleading session was set to be considered on March 5, 2018 to finalize the required procedures for settlement. Currently, it is difficult in the meantime to determine the final outcome that may arise from such lawsuit until a final ruling is issued by the legal bodies in this regard.

2- As explained in note no. (34-3-1) of the notes to the consolidated interim financial statements, the tax claims due from Al Ezz El Dekheila for Steel – Alexandria Company (subsidiary company) – amounted to LE 219 million according to the forms received from the Tax Authority on February 17, 2011 concerning the tax imposed on the flat steel project which has previously enjoyed a tax exemption for the years 2000 – 2004.

   The subsidiary's management opinion is that the tax inspection was previously made for the company pertaining to these years, and an agreement was reached in the Internal Committee, while the disputed point pertaining to the cancellation of the development duty on the exempted movable tax base was referred to the Appeal Committee which issued a resolution on June 12, 2010 to the effect of cancelling the development duty imposed on the exempted movable tax base, while the other tax bases shall remain exempted for the disputed years. The due tax was paid in full as per the resolution of the Internal Committee; accordingly the dispute amicably came to an end and became final and decisive.

The subsidiary's management and its legal advisor are of the opinion that the company's tax position is stable as the resolution of the Appeal Committee supported the company and the company's position became indisputable from the legal point of view. Subsequently, the Tax Authority cannot dispute with the company about these years once again. The company filed a lawsuit of discharge from any indebtedness before the court under no. 405 of the year 2011.

Al Ezz El Dekheila for Steel - Alexandria (EZDK) Company reached an agreement with the Tax Authority to cancel the administrative attachment imposed on the company as a result of the above mentioned dispute. The paid amounts are LE 254.2 million, including delay interest amounting to LE 35 million.

The subsidiary is of the opinion that this procedure shall not change the legal & tax position of the company as it reserves its right to reimburse what has been paid immediately upon the issuance of a court ruling pertaining to lawsuit No.405 of 2011. Currently, it is difficult in the meantime to determine the final outcome that may arise from such lawsuit until a final ruling is issued by the legal bodies in this regard. Currently, it is difficult in the meantime to determine the final outcome that may arise from such lawsuit until a final ruling is issued by the legal bodies in this regard.

3- As explained in note no. (29-1) and note no. (37-2) of the notes to the consolidated interim financial statements, there is a dispute raised between Al Ezz El Dekheila for Steel - Alexandria (EZDK) company-subsidiary- and the Sales Tax Authority about the amount of the additional tax on materials stevedoring category amounting to LE 127.5 million till June 28, 2012. On October 3, 2012, the company paid the principal tax amounting to LE 104 million along with its right to maintain a reservation on the settlement until the Sales Tax Authority ceases all the actions taken against Alexandria Port Authority which in its turn shall cease all the actions taken against the subsidiary including the lift of attachment on the subsidiary's balances at the various banks.

However, the company's management paid an amount of LE 127.5 million which represents the additional tax claimed, along with its right to maintain a reservation on the settlement, Accordingly, Alexandria Port Authority notified the banks to lift the administrative attachment imposed on the Company's balances at the said banks in favor of the Port Authority.

Based on the opinion of its tax advisor, the subsidiary company's management is of the opinion that Alexandria Port Authority is not entitled to claim the Company to pay sales tax in return for usufruct of the equipment of mining ores dock related to the handling of ores in El – Dekheila Port, the occupation of the yards allocated for this purpose and carrying out the works of operation and maintenance necessary for such equipment due to the fact that they are not subjected to sales tax. Furthermore, the payment of such amount or amounts by the company to Alexandria Port Authority, either at the present time or in the future, as a tax in return for the same service, does not mean its approval of subjecting the service to taxation along with the continuity of legal proceedings taken by the company to confirm the fact that such service is not subject to sales tax.

KPMG Hazem Hassan
Public Accountants & Consultants

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Public Accountants and Consultants
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Cairo, December 13, 2017

Translation from Arabic

Ezz Steel Company
(An Egyptian Joint Stock Company)

Consolidated Statement of Financial Position as at:

	Note No.	30/9/2017 LE(000)	31/12/2016 LE(000)
Non Current Assets			
Fixed assets (net)	(10-1)	26 857 272	28 144 636
Projects under construction	(11)	843 481	609 178
Investments in associates	(12-1)	115	115
Available-for-sale investments	(12-2)	109 880	109 880
Deferred tax assets	(30-1)	2 162 687	2 719 242
Long term lending to others	(13)	38 746	37 419
Other assets	(14)	30 315	30 315
Goodwill	(38-9)	315 214	315 214
Total non current assets		**30 357 710**	**31 965 999**
Current Assets			
Inventory	(15)	7 856 459	6 131 422
Trade and notes receivable (net)	(16)	108 891	287 324
Debtors and other debit balances (net)	(17)	3 042 690	2 595 637
Suppliers - advance payments (net)		498 160	168 831
Investments in treasury bills	(38-8)	126 851	11 974
Cash and cash equivalents	(19)	5 016 877	5 104 712
Total current assets		**16 649 928**	**14 299 900**
Total Assets		**47 007 638**	**46 265 899**
Shareholders' Equity			
Issued and paid - up capital	(20-2)	2 716 325	2 716 325
Reserves	(21)	182 090	182 090
Modification surplus of fixed assets	(10-2)	2 165 675	2 297 341
Retained losses		(3 223 588)	(1 967 635)
Treasury stocks	(22)	(71 921)	(71 921)
Foreign entites translation reserve		3 847 720	4 061 344
Total holding company shareholders' equity		**5 616 301**	**7 217 544**
Non-controlling interest		3 197 734	2 979 278
Total Shareholders' equity		**8 814 035**	**10 196 822**
Liabilities			
Non Current Liabilities			
Long-term loans	(27)	9 351 097	9 234 971
Long-term liabilities	(29)	1 269 829	831 238
Deferred tax liabilities	(30-1)	3 694 247	3 700 847
Total non current liabilities		**14 315 173**	**13 767 056**
Current Liabilities			
Banks - overdraft	(19)	14 114	60 070
Loan installments and credit facilities due within one year	(27)	14 562 564	14 916 461
Trade and notes payable	(23)	5 470 996	4 467 327
Trade receivables - advance payments		1 629 087	1 243 424
Creditors and other credit balances	(24)	1 942 356	1 390 308
Income tax		25 784	3 267
Liability of the supplementary pension scheme	(25)	5 590	4 673
Provisions	(26)	227 939	216 491
Total current liabilities		**23 878 430**	**22 302 021**
Total liabilities		**38 193 603**	**36 069 077**
Total shareholders' equity and liabilities		**47 007 638**	**46 265 899**

The accompanying notes from No. (1) to No. (38) form an integral part of these consolidated interim financial statements.

ezzsteel
Sadat City
شركة حديد عز ش.م.م
Ezz Steel Co. S.A.E

Chairman & Managing Director

Paul Philipe Chekaiban

Limited Review Report "attached"

Translation from Arabic

Ezz Steel Company

(An Egyptian Joint Stock Company)

Consolidated Statement of Income

	Note No.	For The Nine Months Ended: 30/9/2017 LE(000)	For The Nine Months Ended: 30/9/2016 LE(000)	For The Three Months Ended: 30/9/2017 LE(000)	For The Three Months Ended: 30/9/2016 LE(000)
Sales (net)	(38-18)	29 353 301	14 920 081	11 439 463	5 917 400
Less :					
Cost of sales	(3)	(26 768 852)	(13 461 831)	(10 085 137)	(5 278 028)
Gross profit		**2 584 449**	**1 458 250**	**1 354 326**	**639 372**
Add (Less):					
Other operating revenues	(4)	50 110	35 276	18 754	12 671
Selling and marketing expenses	(5)	(208 703)	(137 160)	(57 139)	(65 147)
Administrative and general expenses	(6)	(737 399)	(530 470)	(264 463)	(193 067)
Other operating expenses	(7)	(25 374)	(17 221)	(4 423)	(4 511)
Operating profit		**1 663 083**	**808 675**	**1 047 055**	**389 318**
Add (Less):					
Finance income	(8)	359 608	211 662	141 056	61 485
Finance cost	(8)	(2 671 881)	(1 173 845)	(1 036 939)	(408 951)
Foreign currency exchange differences gains / (losses)	(8)	160 611	(618 439)	37 888	(65 289)
Net finance costs		**(2 151 662)**	**(1 580 622)**	**(857 995)**	**(412 755)**
Net loss for the period before tax		**(488 579)**	**(771 947)**	**189 060**	**(23 437)**
(Less) Add:					
Income tax		(25 784)	(11 514)	(7 645)	(697)
Deferred tax	(30-2)	(562 899)	39 291	(288 422)	(103 780)
Net loss for the period		**(1 077 262)**	**(744 170)**	**(107 007)**	**(127 914)**
Attributable to:					
Owners of the company		(1 386 039)	(564 184)	(315 142)	(187 721)
Non-controlling interest		308 777	(179 986)	208 135	59 807
Net loss for the period		**(1 077 262)**	**(744 170)**	**(107 007)**	**(127 914)**
Basic and diluted loss per share for the period (LE/share)	(9)	**(2.60)**	**(1.06)**	**(0.59)**	**(0.35)**

The accompanying notes from No. (1) to No. (38) form an integral part of these consolidated interim financial statements.

Ezz Steel Company

(An Egyptian Joint Stock Company)

Consolidated Statement of Comprehensive Income

		For The Nine Months Ended:		For The Three Months Ended:	
	Note No.	30/9/2017 LE(000)	30/9/2016 LE(000)	30/9/2017 LE(000)	30/9/2016 LE(000)
Net loss for the period		(1 077 262)	(744 170)	(107 007)	(127 914)
Add/(less):					
Realized portion of modification surplus of fixed assets (transferred to retained earnings during the period)	(10-2)	(187 680)	—	(63 692)	—
Translation differences of foreign entities		(300 381)	479 878	(171 502)	(5 525)
Total comprehensive income		**(1 565 323)**	**(264 292)**	**(342 201)**	**(133 439)**
Attributable to:					
Owners of the company		(1 731 329)	(223 674)	(481 493)	(191 755)
Non-controlling interest		166 006	(40 618)	139 292	58 316
		(1 565 323)	**(264 292)**	**(342 201)**	**(133 439)**

The accompanying notes from No. (1) to No. (38) form an integral part of these consolidated interim financial statements.

Ezz Steel Company
(An Egyptian Joint Stock Company)

Consolidated Statement of Changes in Equity
For The Nine Months Ended September 30, 2017

	Capital LE (000)	Reserves LE (000)	Modification surplus of fixed assets LE (000)	Retained losses LE (000)	Foreign entites translation reserve LE (000)	Treasury stocks LE (000)	Total holding company Shareholders Equity LE (000)	Non-controlling interest LE (000)	Total shareholders' equity LE (000)
Balance as of 1/1/2016	2 716 325	182 090	–	(58 018)	529 438	(71 921)	3 297 914	1 483 758	4 781 672
Comprehensive income									
Net loss for the period	–	–	–	(564 184)	–	–	(564 184)	(179 986)	(744 170)
Foreign entites translation differences	–	–	–	–	340 510	–	340 510	139 368	479 878
Total comprehensive income	–	–	–	(564 184)	340 510	–	(223 674)	(40 618)	(264 292)
Transactions with company's shareholders									
The share of the company and the non controlling interest in the employees and board of directors of the subsidiary companies 2015 dividends	–	–	–	(1 043)	–	–	(1 043)	(1 084)	(2 127)
Total transactions with company's shareholders	–	–	–	(1 043)	–	–	(1 043)	(1 084)	(2 127)
Balance as of 30/9/2016	2 716 325	182 090	–	(623 245)	869 948	(71 921)	3 073 197	1 442 056	4 515 253
Balance as of 1/1/2017	2 716 325	182 090	2 297 341	(1 967 635)	4 061 344	(71 921)	7 217 544	2 979 278	10 196 822
Comprehensive income items									
Net loss for the period	–	–	–	(1 386 039)	–	–	(1 386 039)	308 777	(1 077 262)
Realized portion of modification surplus of fixed assets (transferred to retained earnings during the period)	–	–	(131 666)	–	–	–	(131 666)	(56 014)	(187 680)
Foreign entites translation differences	–	–	–	–	(213 624)	–	(213 624)	(86 757)	(300 381)
Total comprehensive income	–	–	(131 666)	(1 386 039)	(213 624)	–	(1 731 329)	166 006	(1 565 323)
Realized portion of modification surplus of fixed assets (transferred to retained earnings during the period)	–	–	–	131 666	–	–	131 666	56 014	187 680
Transactions with company's shareholders									
Non-controling interest share in subsidary company's dividends	–	–	–	–	–	–	–	(2 025)	(2 025)
The share of the company and the non controlling interest in the employees and board of directors of the subsidiary companies 2016 dividends	–	–	–	(1 580)	–	–	(1 580)	(1 539)	(3 119)
Total transactions with the company's shareholders	–	–	–	(1 580)	–	–	(1 580)	(3 564)	(5 144)
Balance as of 30/9/2017	2 716 325	182 090	2 165 675	(3 223 588)	3 847 720	(71 921)	5 616 301	3 197 734	8 814 035

The accompanying notes from No. (1) to No. (38) form an integral part of these consolidated interim financial statements.

Ezz Steel Company
(An Egyptian Joint Stock Company)

Consolidated Statement of Cash flows
For The Nine Months Ended 30 September:

	Note No.	30/9/2017 LE(000)	30/9/2016 LE(000)
Cash flows from operating activities			
Net loss for the period before income tax		(488 579)	(771 947)
Adjustments to reconcile net loss to net cash provided by operating activities			
Depreciation	(10-1)	1 077 751	599 703
Amortization of accrued interest on treasury bills		(8 382)	(1 661)
Assets impairment reversal		—	(1 000)
Capital lease expense charged to income statement	(28)	30 156	8 380
Provisions formed during the period	(7)	12 000	4 000
Provisions no longer required	(4)	(175)	—
Capital gains	(4)	(327)	(4 283)
Interest & finance expenses	(8)	2 670 840	1 173 845
Present value difference of long term lending		(1 450)	(1 909)
Differences resulting from the change in liability of the supplementary pension scheme	(25)	5 178	13 379
Foreign currency exchange differences		(159 945)	549 816
		3 137 067	**1 568 323**
Changes in working capital			
Inventory		(1 775 167)	859 122
Trade receivables, debtors and other debit balances		(694 032)	(224 130)
Trade payables, creditors and other credit balances		2 809 582	(653 849)
Liability of the supplementary pension scheme		1 734	2 382
Net cash provided by operating activities		**3 479 184**	**1 551 848**
Used provisions	(26)	(377)	(727)
Income tax paid		(3 267)	(7 275)
Interest paid		(2 586 170)	(1 138 966)
Net cash flows provided by (used in) operating activities		**889 370**	**404 880**
Cash flows from investing activities			
Payments for purchase of fixed assets and projects under construction		(605 692)	(820 642)
Payments for purchase of financial investment (treasury bills)		(164 669)	(54 333)
Proceeds from reclaim of financial investment (treasury bills)		58 174	60 700
Proceeds from sale of fixed assets		706	5 487
Payments for lending employees		(11 171)	(21 885)
Proceeds from lending employees		4 512	18 131
Net cash used in investing activities		**(718 140)**	**(812 542)**
Cash flows from financing activities			
Net proceeds (payments) from credit facilities		225 810	1 215 646
Payments for long term liabilities		(17)	(16)
proceeds from blocked time-deposits and current accounts aginst the medium term finance agreement		537 888	939 341
Payments for loans		(452 695)	(2 189 344)
Proceeds from loans		297 450	617 792
Capital lease payments		(31 910)	(21 010)
Paid dividends		(77 068)	(65 512)
Net cash provided by financing activities		**499 458**	**496 897**
Change in cash and cash equivalents during the period		**670 688**	**89 235**
Cash and cash equivalents at the beginning of the period	(19)	**2 598 427**	**1 647 865**
Translation differences of financial statement of foreign entities		(2 032)	3 484
Cash and cash equivalents at the ending of the period	(19)	**3 267 083**	**1 740 584**

The accompanying notes from No. (1) to No. (38) form an integral part of these consolidated interim financial statements.

Ezz Steel Company
(An Egyptian Joint Stock Company)

Notes To The Consolidated Interim Financial Statements
For The Nine Months Ended September 30, 2017

1. BACKGROUND

- Al Ezz Steel Rebars Company "an Egyptian Joint Stock Company" was established under the provisions of Law no. 159 of 1981, and was registered in the Commercial Register in Menofia Governorate under no. 472 on April 2, 1994. The preliminary establishment contract and the Company's statute were published in the Companies' Gazette issue no. 231 of April 1994. The Company is located in Sadat City.
- The Extra-ordinary General Assembly in its meeting dated October 3, 2009 approved to change the Company's name to "Ezz Steel", this amendment was registered in the Commercial Registry on November 1, 2009.
- The Company is located in 35 Lebnon street– El Mohandseen – Cairo – Arab Republic of Egypt.
- Chairman is Mr. / Paul Philipe Chekaiban.
- The company is – a subsidiary company- of Al Ezz Group Holding Company for Industry & Investment "Ezz Industries Group" (Parent Company) which contributed in the Company's capital by 65.36%.
- The nominal shares of the company are being traded in the Egyptian stock exchange and London stock exchange.

Subsidiaries

Al Ezz Rolling Mills Company (ERM) – previously named Al Ezz Steel Mills Company (ESM) – an Egyptian joint Stock Company - was established in 1986 under law no. 43 of 1974, which was replaced by law no. 8 of 1997.

Al Ezz El Dekheila for Steel - Alexandria (EZDK) - an Egyptian Joint Stock Company was established in 1982 as a Joint Investment Company under law no. 43 of 1974 which was replaced by law no. 8 of 1997.

Al Ezz El Dekheila for Steel - Alexandria (EZDK) has the following subsidiaries:

Al Ezz Flat Steel Company (EFS) - an Egyptian Joint Stock Company - was established in 1998 under the provisions of the Investment Guarantees and Incentives law no. 8 of 1997.

Iron for Industrial, Trading and Constructing Steel Company (Contra Steel) – was established according to the decree of the specialized committee in the Ministry of Economy and Foreign Trade (corporate fine) under the provisions of law No. 159 of 1981.

Misr for Pipes & Casting Industry Company – was established in August 29, 1992 under the provisions of law No. 159 of 1981.

The Purpose of the Company & Its Subsidiaries

The Company and its subsidiaries purpose is manufacturing, trading and distribution of iron and steel products of all kinds and associated products and services.

The following is an analysis of investments in the subsidiary Companies of Ezz Steel Company which are included in the consolidated interim financial statements:

	30/9/2017 Percentage Share %	31/12/2016 Percentage Share %
Al Ezz Rolling Mills Company (ERM)	98.91 Direct	98.91 Direct
Al Ezz El Dekheila For Steel - Alexandria (EZDK)	54.59 Direct	54.59 Direct
Al Ezz Flat Steel (EFS)	71.07 (Direct & Indirect) Through Al Ezz El Dekheila	71.07 (Direct & Indirect) Through Al Ezz El Dekheila
Iron for Industrial, Trading and Constructing Steel Company (Contra Steel)	49.13 (Indirect) Through Al Ezz El Dekheila	49.13 (Indirect) Through Al Ezz El Dekheila
Misr for Pipes & Casting Industry Company	47.49 (Indirect) Through Al Ezz El Dekheila	47.49 (Indirect) Through Al Ezz El Dekheila

Issuance of consolidated interim financial statements

- These consolidated interim financial statements were approved by the company's BOD for issuance on December 13, 2017.

2. Basis For The Preparation of The consolidated interim financial statements

2.1 Statement of compliance

These consolidated interim financial statement has been prepared in accordance with Egyptian Accounting Standard and in light of Egyptian laws and regulations.

2.2 Basis of measurement

These consolidated interim financial statements are prepared on the historical cost convention, except for assets and liabilities which are measured at fair value.

During 2016, the Group's management adopted the special accounting treatment stated in annex (A) of the modified Egyptian Accounting Standard no. (13) as amended in 2015 "The Effects of Changes in Foreign Exchange Rates", the cost and accumulated depreciation of some fixed assets categories are modified using modification factors which are stated in the above-mentioned annex, as described in details in note no. (38-2).

2.3 Functional and presentation currency

These consolidated interim financial statements are presented in thousands of Egyptian pound.

2.4 Use of estimates and judgments

The preparation of the consolidated interim financial statements in conformity with Egyptian Accounting Standards requires the management to make judgments, estimates and assumptions that affect the application of policies and reported amounts of assets and liabilities, income and expenses and the actual results may differ from these estimates.

The estimates and associated assumptions are based on historical experience and various other factors that are believed to be reasonable under the current circumstances, the results of which form the basis of making the judgments about the carrying values of assets and liabilities. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on a going basis. Any differences to accounting estimates are recognized in the period in which the estimate is revised if these differences affects the period of the revision and future periods then these differences are recognized in the period of the revision and future periods.

And the following represents the most significant items in which assumption and professional judgment has been made:

- Impairment loss on assets.
- Recognition of deferred tax assets.
- Contingencies and Provisions.
- Operational useful life of fixed assets.

2.5 Fair value measurement

The fair value of financial instruments is determined based on the market value of financial instruments or similar financial instruments at the date of the separate interim financial statements without deducting any estimated future costs of sale. Financial assets values are determined at current prices for the purchase of those assets, while determining the value of financial liabilities at the current prices, which would settle those commitments.

In the absence of an active market to determine the fair value of financial instruments, the fair value is estimated using various valuation techniques, taking into account recent transactions prices, guided by the current fair value of other substantially similar instruments - discounted cash flow method - or any other methods to produce reliable results.

When using the discounted cash flow method as a method of evaluation, future cash flows are estimated based on the best estimate of the management. Discount rate used is determined in the light of the prevailing market price at the date of the consolidated interim financial statements for financial instruments similar in nature and terms.

2.6 Basis of consolidation

- The consolidated interim financial statements include assets, liabilities and result of operations of Ezz Steel Company (Holding Company) and all subsidiary companies which are controlled by the Holding Company, the Company controls an entity when it is exposed to, or has right to, variable returns from its involvement with the entity and has ability to affect those returns through its power over the investee.
- All inter-Company balances, transactions and unrealized profits were eliminated.
- Non-controlling interest in the net equity and in net earnings of subsidiary companies are included in a separate item "non-controlling interest" in the consolidated interim financial statements, and is calculated to be equivalent to their share in the carrying amount of the subsidiaries net assets at the date of the consolidated interim financial statements. Non-controlling share in profits and losses of the subsidiary companies are included in a separate line item in the consolidated statement of income.
- The provided profit and losses from acquisition or selling shares from non-controlling interest without changing of the holding Company's control, its directly recorded in shareholders' equity.

3. COST OF SALES

	Note No.	For the nine months ended: 30/9/2017 LE (000)	30/9/2016 LE (000)	For the three months ended: 30/9/2017 LE (000)	30/9/2016 LE (000)
Raw Materials		21 501 611	10 065 189	7 675 323	4 223 661
Salaries & Wages		1 162 917	858 392	439 209	311 091
Fixed assets depreciation	(10-1)	1 050 147	580 862	352 409	195 288
Supplementary pension scheme cost		3 416	9 179	1 138	4 350
Manufacturing overhead expenses		3 421 593	1 570 554	1 225 985	593 319
Manufacturing cost		**27 139 684**	**13 084 176**	**9 694 064**	**5 327 709**
Change in inventory – finished product and work in process		(370 832)	377 655	391 073	(49 681)
		26 768 852	**13 461 831**	**10 085 137**	**5 278 028**

4. OTHER OPERATING REVENUES

	Note No.	For the nine months ended: 30/9/2017 LE (000)	30/9/2016 LE (000)	For the three months ended: 30/9/2017 LE (000)	30/9/2016 LE (000)
Provision no longer required	(26)	175	-	-	-
Assets Impairment reversal		-	1 000	-	-
Capital gain (loss)		327	4 283	147	(29)
Other revenues		49 608	29 993	18 607	12 700
		50 110	**35 276**	**18 754**	**12 671**

5. SELLING & MARKETING EXPENSES

	Note No.	For the nine months ended: 30/9/2017 LE (000)	30/9/2016 LE (000)	For the three months ended: 30/9/2017 LE (000)	30/9/2016 LE (000)
Salaries & Wages		65 415	49 715	24 381	18 096
Advertising		19 354	30 468	3 977	26 990
Fixed assets depreciation	(10-1)	4 728	3 977	1 297	1 319
Supplementary pension scheme cost		286	666	96	262
Other expenses		118 920	52 334	27 388	18 480
		208 703	**137 160**	**57 139**	**65 147**

6. ADMINISTRATIVE & GENERAL EXPENSES

	Note No.	For the nine months ended: 30/9/2017 LE (000)	30/9/2016 LE (000)	For the three months ended: 30/9/2017 LE (000)	30/9/2016 LE (000)
Salaries & Wages		451 050	357 254	168 595	125 702
Spare parts and maintenance		3 880	15 307	(8 770)	6 091
Fixed assets depreciation	(10-1)	22 876	14 864	7 862	4 733
Supplementary pension scheme cost		1 476	3 534	492	1 482
Other expenses		258 117	139 511	96 284	55 059
		737 399	**530 470**	**264 463**	**193 067**

7. OTHER OPERATING EXPENSES

	Note No.	For the nine months ended: 30/9/2017 LE (000)	30/9/2016 LE (000)	For the three months ended: 30/9/2017 LE (000)	30/9/2016 LE (000)
Donations		11 777	8 925	2 826	608
Formed provisions during the period	(26)	12 000	4 000	-	-
Others expenses		1 597	4 296	1 597	3 903
		25 374	**17 221**	**4 423**	**4 511**

8. FINANCE INCOME AND COST

	For the nine months ended: 30/9/2017 LE (000)	30/9/2016 LE (000)	For the three months ended: 30/9/2017 LE (000)	30/9/2016 LE (000)
Finance income				
Finance and interest income	359 608	211 662	141 056	61 485
Total finance income	**359 608**	**211 662**	**141 056**	**61 485**
Finance Cost				
Interest & finance	(2 671 881)	(1 173 845)	(1 036 939)	(408 951)
Total finance cost	**(2 671 881)**	**(1 173 845)**	**(1 036 939)**	**(408 951)**
Foreign currency exchange differences	**160 611**	**(618 439)**	**37 888**	**(65 289)**
Net finance costs	**(2 151 662)**	**(1 580 622)**	**(857 995)**	**(412 755)**

9. BASIC AND DILUTED LOSS PER SHARE FOR THE PERIOD

	For the nine months ended: 30/9/2017	30/9/2016	For the three months ended: 30/9/2017	30/9/2016
Owners of the company share				
Net loss for the period (LE 000)	(1 386 039)	(564 184)	(315 142)	(187 721)
Weighted average number of outstanding shares during the period (share)*	533 802 313	533 802 313	533 802 313	533 802 313
Basic and diluted loss per share for the period (LE / share)	**(2.60)**	**(1.06)**	**(0.59)**	**(0.35)**

* 9 462 714 shares were eliminated for calculating the weighted average number of outstanding shares during the period which represent treasury stocks (Note no. 22).

10. FIXED ASSETS (NET)

10.1 The following is the movement of fixed assets during the current period and comparative period:

	Land	Buildings	Machinery & equipment	Vehicles	Furniture & office equipment	Tools & appliances	Leasehold improvments	Total
	LE (000)	LE (000)	LE (000)	LE (000)	LE (000)	LE (000)	LE (000)	LE (000)
Cost:								
As of January 1, 2016	673 757	4 392 112	16 672 643	200 616	148 583	77 789	3 902	22 169 402
Additions during the period	—	49 728	114 903	6 600	18 742	8 634	—	198 607
Disposals during the period	—	(8 535)	(81 425)	(1 771)	(2 139)	(1 485)	—	(95 355)
Translation differences of foreign entities	13 596	361 718	818 018	308	2 172	5 798	—	1 201 610
As of September 30, 2016	687 353	4 795 023	17 524 139	205 753	167 358	90 736	3 902	23 474 264
As of January 1, 2017	812 247	10 525 350	36 146 128	299 662	258 385	161 473	3 902	48 207 147
Additions during the period	—	18 063	203 246	3 122	22 512	4 068	—	251 011
Disposals during the period	—	—	(1 207)	(4 569)	(120)	—	—	(5 896)
Translation differences of foreign entities	(7 561)	(201 170)	(455 524)	(145)	(1 288)	(3 287)	—	(668 975)
As of September 30, 2017	804 686	10 342 243	35 892 643	298 070	279 489	162 254	3 902	47 783 287
Accumulated depreciation:								
As of January 1, 2016	—	1 497 408	9 199 926	121 389	84 124	51 767	3 902	10 958 516
Depreciation for the period	—	84 917	472 173	24 901	11 049	6 663	—	599 703
Accumulated depreciation of disposals during the period	—	(8 535)	(77 112)	(1 771)	(2 119)	(1 485)	—	(91 022)
Translation differences of foreign entities	—	67 918	271 101	302	2 060	3 656	—	345 037
As of September 30, 2016	—	1 641 708	9 866 088	144 821	95 114	60 601	3 902	11 812 234
As of January 1, 2017	—	2 362 096	17 239 658	212 087	139 204	105 564	3 902	20 062 511
Depreciation for the period	—	178 954	832 552	32 474	21 066	12 705	—	1 077 751
Accumulated depreciation of disposals during the period	—	—	(891)	(4 554)	(72)	—	—	(5 517)
Translation differences of foreign entities	—	(41 774)	(163 321)	(144)	(1 189)	(2 302)	—	(208 730)
As of September 30, 2017	—	2 499 276	17 907 998	239 863	159 009	115 967	3 902	20 926 015
Carrying amount:								
As of September 30, 2016	687 353	3 153 315	7 658 051	60 932	72 244	30 135	—	11 662 030
As of December 31, 2016	812 247	8 163 254	18 906 470	87 575	119 181	55 909	—	28 144 636
As of September 30, 2017	804 686	7 842 967	17 984 645	58 207	120 480	46 287	—	26 857 272
Fixed assets fully depreciated and still in use as of September 30, 2017	-	128 657	435 480	136 546	80 458	49 103	3 902	834 146

— The land item includes a piece of land with a total area of 928 km2 purchased by Ezz flat steel from Gulf of Suez Development Company with a total value about LE 28 Million including the Suez governorate fees amounting to LE 5 million (equivalent to USD 956 K) for the purpose of establishing an industrial project, however, according to the contract this land can not be registered under the company's name until all installments are paid, the final payment was made on 15/10/2010 and currently the procedures to register the land under the company's name are in process.

— Al Ezz El Dekheila For Steel - Alexandria - subsidiary - company is still completing the registration procedures for some of the land purchased from different parties.

— Al Ezz Rolling Mills company has not registered the new factory land in Al Ain El Sokhna under the company's name till now which amounted to LE 29.64 million.

— Depreciation for the period charged to statement of income as follows:

	Note no.	For the The Nine Months Ended: 30/9/2017 LE(000)	30/9/2016 LE(000)
Cost of sales	(3)	1 050 147	580 862
Selling and marketing expenses	(5)	4 728	3 977
General & administrative expenses	(6)	22 876	14 864
		1 077 751	599 703

10.2 The following is the movement of modification surplus of fixed assets resulted from adopting the special accounting treatment stated in annex (A) of the modified Egyptian Accounting Standard no. (13) as amended in 2015 "The Effects of Changes in Foreign Exchange Rates",:

	LE000
Modification surplus of fixed assets at the date of floating exchange rate (November 3, 2016)	4 013 795
Income tax	(903 104)
Modification surplus of fixed assets after income tax	**3 110 691**
Realized portion of modification surplus of fixed assets during 2016	(40 809)
Modification surplus of fixed assets at December 31, 2016	**3 069 882**
Realized portion of modification surplus of fixed assets during the period	(187 680)
Modification surplus of fixed assets at September 30, 2017	**2 882 202**
Attributable to:	
Owners of company	2 165 675
Non-controlling interest	716 527
	2 882 202

11. PROJECTS UNDER CONSTRUCTION

	30/9/2017 LE (000)	31/12/2016 LE (000)
Constructions expansion	43 079	31 517
Machinery under installation	718 938	532 768
Design and construction of administrative building	3 980	3 980
Advance payments for purchase of machinery	77 139	40 568
Advance payments for building	345	345
	843 481	**609 178**

12. INVESTMENTS

	Participation Percentage %	Investments cost 30/9/2017 LE (000)	Investments cost 31/12/2016 LE (000)
12-1 Investments in associates			
Egyptian German Co. for Flat Steel Marketing (Franco) (L.L.C) (under liquidation)	40	90	90
Al Ezz El Dekheila for Steel – Egypt (EZDK)	50	25	25
Contribution in EZDK Steel UK LTD – note no. (37-1)	50	-	-
		115	**115**

12-2 Available-for-sale investments	Note No.	Investments cost 30/9/2017 LE (000)	Investments cost 31/12/2016 LE (000)
Egyptian Company for Cleaning and Security Services		80	80
Arab Company for Special Steel (SAE)		17 726	17 726
Al Ezz Group Holding Company For Industry & Investment*		109 800	109 800
		127 606	**127 606**
Less:			
Impairment loss on Arab Company for Special Steel	(18)	17 726	17 726
		109 880	**109 880**

* This item is represented in the participation of Ezz Rolling Mills Company- a subsidiary company- in Al Ezz Group Holding Company For Industry & Investment "Ezz Industries group" (parent company) by 6 100 000 shares that constitutes a participation percentage of 3.813%.

13. LONG TERM LENDING TO OTHERS

Long term lending is represented in the following:

	Note No.	30/9/2017 LE (000)	31/12/2016 LE (000)
The loans granted to the Company's employees- paid over monthly installments for 2 years (interest free)		13 897	11 881
Employees' housing loan - paid over monthly installments for 10 years (interest free)	(13-1)	17 318	20 569
Employees' Umrah loan - paid over monthly installments for 2 years (interest free)	(13-2)	273	552
Employees' Hajj and Jerusalem visit loan - paid over monthly installments for 6 years (interest free)	(13-3)	7 013	3 876
Employees' housing loan for those who were negatively affected by gate No.(8) project - paid on installments over a period up to 7 years (interest free)	(13-4)	245	541
		38 746	**37 419**

13.1 Present value of the employees' housing loan installments:

	Note No.	30/9/2017 LE (000)	31/12/2016 LE (000)
Total employees' housing loan		38 007	39 234
Less:			
Short term lending (included in debtors & other debit balances)	(17)	9 458	5 382
Nominal value of the long term- employees' housing loan		**28 549**	**33 852**
Less:			
Differences resulting from the change in the fair value of the employees' housing long term loans		11 231	13 283
The present value of the employees' housing long term loan installments		**17 318**	**20 569**

The employees' housing loan of Al Ezz El Dekheila for Steel - Alexandria represents the value of the free interest loan to help the young employees in the company to have their own residential unit with an amount of LE 36 Million, according to Board of Directors' decree during the years 2012/2013. The Board of Directors agreed in its meeting held on March 13, 2013 to increase the interest free loan for the employees housing with an amount of LE 7 Million thus, the amount of the loan became LE 43 Million. On May 11, 2015, the loan increased to an amount of LE 48 Million under the approval of Chief Executive Officer of the Company. This loan was granted according to specific regulations to achieve the goal and guarantee the Company's right to recover the loan during 10 years as it is deemed as revolving loan that grants the beneficiary from this project 30% of the value of the apartment which is equivalent to LE 36 K to be paid on installments over 10 years without any burdens or interest on the employees according to the regulations laid down by the Human Resources Department.
The number of beneficiaries from this loan till September 30, 2017 is 1 938 beneficiary with a total value of LE 38 Million and the collectible due installments during the year amounted to LE 9.5 Million which is recorded under the item of debtors & other debit balance – short term lending (note no. 17).

The balance of this loan (which represents the long term portion) was recorded at its present value after deducting the differences arising from the change in the fair value as of the consolidated interim financial statements date according to a discount rate which is determined by the Company at an annual rate of 13% during the period of the interest free loan that is charged to the consolidated statement of income.

13.2 The employees advance payments Umrah loans of Al Ezz El Dekheila for Steel – Alexandria company are represented in the value of the loans granted by the company to the employees and their families every 3 years with an amount of LE 9 K per employee or LE 18 K per employee with one or more members of his family, in addition to the financial support provided by the Company with an amount of LE 1 000 per employee, LE 1 500 per employee with one member of his family or LE 2 000 per employee with two members of his family according to the Human Resources Manager's decision on December 19, 2012 and its amendments on October 24, 2013 provided that the said loan shall be paid over 24 months.

On June 17, 2015, the Company approved increasing Umrah supporting with 25% to be the support which the company presented to the one employee is LE 1 250 and the employee with one of his family is LE 1 875 or LE 2 500 in case of two persons from the family. Thus, the installments due for collection within one year amounted to LE 1.3 Million were recorded under the item of debtors & other debit balances- short term lending (note no.17).

13.3 The employees advance payments Hajj and Jerusalem visit loans of Al Ezz El Dekheila for Steel – Alexandria company are represented in the value of the loans granted by the Company to the employees once in their career with an amount of LE 30 K which the Company provide financial support to the employee with an amount of LE 4 K and premium the remaining amount for 6 years according to the Human Resources Manager's decision on March 28, 2013. And on June 17, 2015, the Company approved to increase Hajj support by 25% to become LE 5 000. And on May 4, 2016, it was approved for Hajj loan to become LE 36 K instead of LE 30 K and for Hajj support to increase from LE 5000 to LE 6000. The installments due for collection in one year amounted to LE 1.6 Million were recorded under the item of debtors & other debit balances- short term lending (note no.17).

13.4 **Present value of the installments of the employees' housing loan granted to those who were negatively affected by gate no. (8) Project:**

	Note No.	30/9/2017 LE (000)	31/12/2016 LE (000)
Total employees' housing loan		847	1 208
Less:			
Short term lending (included in debtors & other debit balances)	(17)	486	459
Nominal value of the long term- employees' housing loan for those who were negatively affected by gate No.(8) project		**361**	**749**
Less:			
Differences resulting from the change in the fair value of the employees' housing long term loans for those who were negatively affected by gate No. (8) project		116	208
The present value of the employees' housing long term loan for those who were negatively affected by gate No.(8) project installments		**245**	**541**

The employees' housing loan for those who were negatively affected by gate no. (8) project of Al Ezz El Dekheila for Steel - Alexandria represents the value of the free interest loan to help the employees and the negatively affected by gate no. (8) Project from apartments no. (6) till no. (15) related to Al Ezz El Dekheila for Steel – Alexandria company, according to Head of Human Resources Department decree on September 18, 2013.

This loan was granted by an amount of LE 3 K per year within a maximum limit LE 20 K according to the remaining years for the beneficiary until the retirement age to be paid on installments without any burdens or interest on the employees according to the regulations laid down by the Human Resources Department. The number of beneficiaries from this loan is 171 beneficiary with a total value of LE 0.9 Million to be paid on installments over a period up to 7 years and the collectible due installments during the year amounted to LE 486 K which is recorded under the item of debtors & other debit balance – short term lending (note no. 17).

The balance of this loan (which represents the long term portion) was recorded at its present value after deducting the differences arising from the change in the fair value as of the consolidated interim financial statements date according to a discount rate which is determined by the Company at an annual rate of 13% during the period of the interest free loan that is charged to the consolidated statement of income.

14. OTHER ASSETS

The amount is represented in the paid up amount during the period by both of Al Ezz Flat Steel Company (EFS) – subsidiary company – Al Ezz Rolling Mills Company – subsidiary company – to Industrial Development Authority which amounted to LE 24 785 K and LE 5 530 K respectively for the approval of expanding the steel rebar production, the necessary procedures to obtain licenses are process.

15. INVENTORY

	30/9/2017 LE (000)	31/12/2016 LE (000)
Raw materials and supplies	3 049 447	2 075 993
Work in process	416 251	220 329
Finished products	1 518 222	1 098 411
Finished products – DRI	67 552	312 454
Spare parts and supplies	2 212 732	1 802 510
Goods in transit	561 575	497 159
Letter of credit	30 680	124 566
	7 856 459	**6 131 422**

16. TRADE AND NOTES RECEIVABLE

	Note No.	30/9/2017 LE (000)	31/12/2016 LE (000)
Trade receivables		117 203	306 408
Trade receivables – Related parties	(31-1)	2 682	1 773
Notes receivable		18 663	8 800
		138 548	**316 981**
Less:			
Impairment loss on trade receivables	(18)	29 657	29 657
		108 891	**287 324**

17. DEBTORS AND OTHER DEBIT BALANCES

	Note No.	30/9/2017 LE (000)	31/12/2016 LE (000)
Deposits with others		707 150	681 482
Tax Authority *		1 087 654	987 000
Tax Authority – usufruct **		127 477	127 477
Tax Authority – sales tax – capital goods installments***		–	95 284
Customs Authority		261 069	34 269
Accrued revenues		3 360	3 139
Prepaid expenses****		77 721	66 516
Alexandria Port Authority		42 232	65 196
Short - term lending – employees' housing loan	(13-1)	9 458	5 382
Short - term lending – employees' loans		32 920	23 689
Short - term lending – employees' Umrah loans	(13-2)	1 328	1 696
Short - term lending – employees' Hajj and Jerusalem visit loans	(13-3)	1 633	1 043
Short - term lending – employees' housing loan for those who were negatively affected by gate No.(8) project	(13-4)	486	459
Letters of guarantee cash margin		135	165
Due from related parties	(31-2)	308 749	213 653
Advance payment under the account of employees' dividends		307 477	235 541
The Cairo Economic Court*****		35 060	35 060
Other debit balances******		92 131	71 936
		3 096 040	**2 648 987**
Less:			
Impairment loss on debtors and other debit balances	(18)	53 350	53 350
		3 042 690	**2 595 637**

* The Tax Authority balances includes an amount of LE 254.2 Million represents advance payment under the account of scheduling the tax claims of Al Ezz El Dekheila for Steel – Alexandria – a subsidiary with respect to the flat steel projects according to what is mentioned in detail in Note No.(34-3-1) in addition to an amount of LE 233 Million which represents the advance payment under the account of corporate tax inspection differences of Al Ezz El Dekheila for Steel - Alexandria for years 2005/2008. And an amount of L.E 15 Million paid to Large Taxpayers Tax Authority under the account of corporate tax inspection differences for years from 2009 till 2013.

** Tax Authority – usufruct balances represents the value of advance payments of additional sales tax usufruct for Al Ezz El Dekheila for Steel – Alexandria – company on the mining ores dock and storing area in El Dekheila Port which is amounted to LE 127.5 Million - note no. (37-2).

*** Sales tax installments is represented in the balance of sales tax installments related to import capital goods related to Ezz Rolling Mills Company - a subsidiary.

**** Prepaid expenses includes LE 1 754 K represented in the current portion of advance payment of capital lease contracts – note no. (28).

***** The Cairo Economic Court balance represents the due to company in the previous paid amounts after deducting the penalties that judged in the misdemeanor no. 368 of the year 2013 related to the monopoly of Steel Bars product against some officials of the group companies that the Court of Cassation issued on November 25, 2014 which is amounted to LE 20.5 Million and the legal procedures are in process to redeem this amount from the court.

****** The other debit balances item includes amount of LE 49.5 Million represented 15% of the license related to 2nd which production line which paid on February 2012 by Ezz Rolling Mills Company - a subsidiary.

18. IMPAIRMENT LOSS ON ASSETS

	Note No.	30/9/2017 LE (000)	31/12/2016 LE (000)
Impairment loss on trade and notes receivables	(16)	29 657	29 657
Impairment loss on debtors and other debit balances	(17)	53 350	53 350
Impairment loss on advances to suppliers		5 611	5 611
Impairment loss on investments available for sale	(12-2)	17 726	17 726
		106 344	**106 344**

19. CASH AND CASH EQUIVALENTS

	30/9/2017 LE (000)	31/12/2016 LE (000)
Banks - time deposits	160 617	412 140
Banks – current accounts	4 602 079	4 640 910
Cheques under collection	61 444	41 802
Cash on hand	192 737	8 705
Investment funds	-	1 155
	5 016 877	**5 104 712**
Less:		
Banks – overdraft	14 114	60 070
Bloked time deposits and current accounts within the credit conditions granted by the bank for the Group companies	1 735 680	2 446 215
Cash and cash equivalents in the statement of cash flows	3 267 083	2 598 427

20. CAPITAL

20.1 Authorized capital

The company's authorized share capital is LE 8 Billion.

20.2 The issued and paid in capital

The issued and paid capital after the increase is LE 2 716 325 K (Two Million, Seven Hundred and Sixteen Million, Three Hundred and Twenty Five Thousand Egyptian Pound) distributed over 543 265 027 shares with a par value of LE 5 per share paid in full. The issued and paid in capital after the increase was registered in the Commercial Register with no. 1176 Menouf city on October 30, 2008.

21. RESERVES

	30/9/2017 LE (000)	31/12/2016 LE (000)
Legal reserve*	1 358 163	1 358 163
Other reserves (Additional paid in capital)**	2 620 756	2 620 756
The difference resulting from the acquisition of additional percentage in subsidiary's capital***	(3 796 829)	(3 796 829)
	182 090	**182 090**

* **Legal reserve:** 5% of net profit should be appropriated to form legal reserve; the Company will stop appropriation once the legal reserve balance reaches 50% of the Company's issued capital; in case the reserve balance becomes less than stated percentage, the appropriation will continue.

The legal reserve may be used for the benefit of the Company based on a proposal by the Board of Directors after approval by the General Assembly.

** **Other reserves:** Additional paid in capital resulted from capital increase for the acquisition of Al Ezz El Dekheila for Steel shares, and bonds converted to shares.

*** **The difference resulting from the acquisition of additional percentage in subsidiaries' capital is represented in the following:**

	LE (000)
Represents the difference between the cost of acquiring an additional percentage in Al Ezz El Dekheila for Steel – Alexandria capital on February 2006 (represents 29.39% from its capital) and the net carrying amount of these shares since this difference was as a result from transactions under common control from companies within the same group.	3 280 493
Represents the difference between the cost of acquiring additional percentage in Al Ezz El Dekheila for Steel – Alexandria capital – subsidiary – on April 2010 (which represents 1.35% from its capital) and the net carrying amount of these shares since this transaction was made in the presence of the company's control over the subsidiary. The company has purchased these shares from shareholders outside Ezz group.	127 162
Represents the difference between the cost of acquiring 7.23% from the capital of Al Ezz Flat Steel Company – subsidiary – on November 2015 and the net carrying amount of these shares, the difference resulted from acquiring additional shares in non-controlling interest share in the subsidiary.	389 174
	3 796 829

22. TREASURY STOCKS

- Treasury stocks as of September 30, 2017 represents the value of 9 462 714 share of Ezz Steel Company owned by Al Ezz Rolling Mills Company (ERM) – (subsidiary company) which amounting to LE 71 921 K, and it is classified as treasury stock for the consolidation purpose.

23. TRADE AND NOTES PAYABLE

	30/9/2017 LE (000)	31/12/2016 LE (000)
Trade payables	5 105 250	4 399 151
Notes payable	365 746	68 176
	5 470 996	4 467 327

24. CREDITORS AND OTHER CREDIT BALANCES

	Note No.	30/9/2017 LE (000)	31/12/2016 LE (000)
Fixed assets – creditors		376 085	497 581
Accrued interest		351 960	274 653
Accrued expenses		751 395	317 632
Tax Authority		140 421	36 066
Performance guarantee retention		32 614	30 928
Sales tax installments		26	104 114
Tax Authority – sales tax		211 090	34 518
Dividends payable		1 561	1 561
Due to related parties	(31-3)	318	12
Alexandria Port Authority		10 708	11 053
Alexandria Port Authority - sales tax	(29-1)	3 973	3 973
Other credit balances		62 205	78 217
		1 942 356	**1 390 308**

25. LIABILITY OF THE SUPPLEMENTARY PENSION SCHEME

As of the first of January 2013, according to decision of the board of directors of Al Ezz El Dekheila for Steel - Alexandria dated December 27, 2012, the Company resolved to grant the employees of the company the benefit of supplementary pension scheme as well as Contra Steel company, for the benefit of any case of retirement at the age of sixty, death or occupational disability of any employee as the company grants all the employees a fixed monthly pension at the age of sixty for ten years and the pension amount is determined based on the year of disbursement and the subscription is collected from the employees of the company based on their age categories while the company bears the remaining cost.

The balance of the subscriptions share paid till September 30, 2017 amounted to LE 25 Million after the deduction of the value of pension paid to the employees eligible to obtain the supplementary pension amounting to LE 8.3 Million till September 30, 2017 while the value of the supplementary pension scheme cost reached during the period ended as at September 30, 2017 the amount of LE 5.1 Million which was charged to the consolidated statement of income according to the report prepared by the actuary.

	Note No	30/9/2017 LE (000)	31/12/2016 LE (000)
Total liability of the supplementary pension scheme and distributed as follow:		**71 500**	**64 589**
Recorded in current liabilities		5 590	4 673
Recorded in long term liabilities	(29)	65 910	59 916
		71 500	**64 589**

First: The movements of liabilities during the period are represented in the following:-

	30/9/2017 LE (000)	31/12/2016 LE (000)
Balance at the beginning of January	49 486	44 100
Present service cost	6	3 520
Return cost	5 171	8 769
Employees paid subscriptions	25 214	20 929
	79 877	**77 318**
Less:		
Paid pensions during the period	8 377	5 787
Actuarial gains from the defined benefits scheme for pensions	-	6 942
	71 500	**64 589**

Second: The amounts recognized in the consolidated statement of income are represented as follows:-

	30/9/2017 LE (000)
Current service cost	6
Return cost	5 171
	5 177

The main actuarial assumptions used by the company according to the study prepared by the actuary are represented as follows:-

Average assumptions to determine the assets of the benefits	**30/9/2017**	**31/12/2016**
A- Average discount rate	15.25 %	15.25 %
B- Average inflation rate	11 %	11 %
Average assumptions to determine the liabilities of the benefits	**30/9/2017**	**31/12/2016**
A- Average discount rate	17 %	17 %
B- Average inflation rate	14 %	14 %

Sensitivity Analysis of the system:

The following is the impact of the sensitivity assumptions movement of the discount rate related to the liabilities/cost of the supplementary pension scheme benefits according to the study prepared by the actuary.

	Discount rate 14.75 %	Discount rate 15.25 %	Discount rate 15.75 %
Liability current cost	66 206	63 931	61 791
Service cost	8 802	8 723	8 645

26. PROVISIONS

	Balance as at 1/1/2017 LE (000)	Formed provision during the period LE (000)	Provision no longer required LE (000)	Used provision during the period LE (000)	Balance as at 30/9/2017 LE (000)
Tax provision and claims	214 536	12 000	(175)	(377)	225 984
Employees Lawsuits provision	1 955	-	-	-	1 955
	216 491	**12 000**	**(175)**	**(377)**	**227 939**

27- LOANS & CREDIT FACILITIES

Borrowing company	Borrowing purpose		Interest rate %	Payment terms	Payment period	Short term portion LE(000)	Long term portion LE(000)	Total LE(000)	Warranties and conditions
27-1 Ezz Steel									
Loans - local currency	Restructuring of the credit facilities granted to the company.		3.5% over Corridor.	26 non equal quarterly installments	1-7 years	300 000	1 172 107	1 472 107	Registering a first degree fond de commerce mortgage on the company, the company should keep its share in the subsidiaries without any ammendments,also keeping some financial ratios and indicators that is specified in the loan agreement during the period of the agreement.
Banks - credit facilities			Average 19 % for the Egyptian Pound, and 5% for the US Dollar			4 163 399	—	4 163 399	Without guarantees within a limit of LE 3.8 Billion.
27-2 Al Ezz El Dekheila for Steel - Alexandria									
Loans - local currency	To finance Steel Rebars activities.	Variable interest	Corridor deposit 2.5% Corridor lending 1.5% - 1.75%	Installments fully paid in one installment on its due date	2-6 years	—	4 283 394	4 283 394	
Loans - foreign currency		Variable interest	over monthly Libor 3%-4%	Installments fully paid in one installment on its due date	2-8 years	888 676	935 992	1 824 668	
Banks - credit facilities	To finance working capital and letter of credit.		- Average lending and discount rate puplished from the Centeral Bank on withdrown amount of egyptian pound - And based on Libor rate on withdrown amounts of US Dollar			5 694 181	—	5 694 181	
27-3 Al Ezz Flat Steel									
Loans - local currency	To finance flat steel project in El Ein El-Sokhna -Suez.		Related to lending and discount rate puplished from the Centeral Bank of Egypt	Semiannual	August18, 2004 until February 18, 2013	68 302	—	68 302	Real estate mortgage on the company's land and assets as well as a commercial pledge on all tangible and intangible assets pledgeand possession mortgage on inventories and the company waived its right in construction and supplying contracts and technical support and insurance in favor of banks.
Loans - foreign currency			Related variable to Libor price.			1 702 311	—	1 702 311	
Banks - credit facilities			Based on an interest rate related to the lending and discount average rate declared by the Central Bank of Egypt in addition to a commission on the highest debit balance.			1 070 074	—	1 070 074	Possession mortgage on inventories and joint guarantee from Al Ezz Steel Company and Al Ezz El Dekheila for Steel - Alexandria Company with a maximum limit of LE 400 Million and waiving of all export contracts for the banks favor and depositing all local sales revenue at the banks and the insurance on inventories against robbery in favor of banks.
27-4 Ezz Rolling Mills									
Loans - local currency	To finance activities of DRI Factory.		Lending rate for one night from Central Bank before 2 working days beginning from every interest period (3 month for the first section) and (monthly for the second section)in addition to the margin.	quarterly installments for the first section and monthly installments for the second section	1-10 years	295 127	2 959 604	3 254 731	Within a limit of LE 3.05 Billion gruanted by group of real estate mortgages and commercial mortgage.
Banks - credit facilities			1.75% over Corridor on the uncovered portion from the limit.			380 494	—	380 494	
Balance as of September 30, 2017						14 562 564	9 351 097	23 913 661	
Balance as of December 31, 2016						14 916 461	9 234 971	24 151 432	

27.1 **Ezz Steel Company (Holding company)**

- On January 18, 2015, the company signed an agreement with the National Bank of Egypt and the Arab African International Bank (security agent) to grant the company a joint long term loan amounted to LE 1.7 Billion due within 7 years from the date of signing the contract, the purpose of the loan is to restructure the banks credit facilities granted to the company through paying the current liabilities due to the banks, according to the agreement the company will issue an official irrevocable power of attorney authorizing the security agent for itself and on behalf of the banks to conclude and register a first degree fond de commerce mortgage on the company including Sadat factory within six months from the first withdrawal date also the borrower should keep his share in the subsidiaries without any amendments, as will keeping some financial ratios and indicators that is specified in the loan agreement during the period of the agreement. It will be paid on 26 non equal quarterly installments, the first installment accrued on August 2015 starting from the ending of six months of the first withdrawal on February 5, 2015, with an average return of 3.5% above Corridor published form the Central Bank of Egypt paid every three months.
- The commission of arrangement and finance cover guarantee (transaction cost of the loan) is 7.5 per thousand amounting LE 12.75 Million has been paid when the company get the loan, and the balance appears after deducting the amortization of the period from the date of obtaining the loan till September 30, 2017 deducted from the loan balance.
- The installments paid until September 30, 2017 amounted to LE 220 Million (against LE 60 Million on December 31, 2016).

27.2 **Al Ezz El Dekheila for Steel – Alexandria (Subsidiary)**

27.2.1 On August 1, 2014, the Company reached an agreement with the Arab African International Bank (AAIB) to extend the period of some short-term credit facilities granted to the Company to become a medium-term revolving facility for 3 years to be ended on October 31, 2017 in order to finance the current activity of the Company with a total amount of USD 158 million or its equivalent in local currency with an interest rate of 1.5% over the overnight lending Corridor rate declared by the Central Bank of Egypt with regard to the withdrawn amounts in Egyptian Pound and 3% over the monthly Libor rate on the withdrawn amounts in US Dollar while taking into consideration that in case of any partial or entire payment of the syndicated loan, the Company can increase the revolving credit facility limit with the same amount paid and at December 2016 the credit facility was renewed for another 3 years ending at July 2020.

- The medium-term revolving facility included a portion in the local currency whose balance amounted to LE 2 418 Million as at September 30, 2017 and a portion in foreign currency whose balance amounted to LE 340 Million as at September 30, 2017 equivalent to USD 19 Million.

27.2.2 In April 1, 2008, the company acquired a medium term loan from Qatar National Bank - Al Ahli – (previously named as National Societe Generale Bank) amounted to LE 150 Million or its equivalent in foreign currencies the loan is to be fully paid in one installment on its due date June 30, 2013.

- Several addendums to the finance contracts were concluded, the most recent on March 16, 2015 amending the interest rate on foreign currencies to 3.75% above monthly Libor instead of 3% above monthly Libor according to the facility contract terms.
- The revolving medium term loan includes a portion in local currency amounting to LE 1 076 Million as of September 30, 2017 and a portion in foreign currency amounting to L.E. 469 Million the equivalent of USD 26 million.

27.2.3 In December 2010, the Company acquired a revolving medium term loan from Qatar National Bank - Al Ahly – (previously named as National Societe Generale Bank) amounted USD 51.95 Million in a manner that did not exceed an amount of LE 300 Million or its equivalent in USD, for the purpose of financing the company's working capital and partially refinancing the company's investment relating to updates in the line of rebar mills and a project to address the new smoke and manufacturing area, turning the iron mills and / or partial refinancing of the permanent level of spare parts. The loan is to be fully paid in one installment on its due date June 30, 2016. The due date was extended for a year to become September 30, 2017 till the renewing of the mentioned loan and the subject matter is still before the bank's management for approval.

Several addendums to the finance contracts were concluded, the most recent on March 16, 2015 amending the interest rate on foreign currencies to 3.75% above monthly Libor instead of 3% above monthly Libor according to the facility contract terms.

- The balance as of September 30, 2017 is LE 889 Million equivalent to USD 50 Million which is included in long term liabilities installments due within one year in current liabilities.

27.2.4 In December 2010, the Company acquired a revolving medium term loan from National Bank Of Egypt amounted USD 58.9 Million within a limit of USD 100 Million or its equivalent in Egyptian Pound, for the purpose of financing the general investment requirements and to balance the Company's financial structure .The loan is to be fully paid in one installment on its due date October, 2015 with interest rate 1.75% above monthly Libor with respect to the amounts withdrawn in US Dollar.

- Several addendums to the finance contracts were concluded, the most recent on December 31, 2014 extending the revolving medium term loan for another three years till October 17, 2018.
- The balance as of September 30, 2017 is LE 497 Million.

27.2.5 On June 30, 2014, the Company has made an agreement with the Export Development Bank of Egypt to extend the short term credit facilities granted to the company to become a revolving medium term credit facility (for 3 years) to end on April 30, 2017 with an amount of LE 390 Million or the equivalent in foreign currency to finance the ongoing activities of the company.

- Several addendums to the finance contracts were concluded, the most recent on June 1, 2015 where the company was notified the amendment of the interest rate on foreign currency to 4% above montly Libor to be applied based on the contract terms.
- The Company was notified on May 25, 2016 with the extension of the revolving medium term credit facility period for an additional year to be due at April 30, 2018. The debit interest rate was amended to become 4.5% above Libor.
- The revolving medium term loan includes a portion in local currency amounting to L.E. 292 Million as of September 30, 2017 and a portion in foreign currency whose balance amounted to LE 101 Million as at September 30, 2017 equivalent to USD 5.7 Million.

27.3 Al Ezz Flat Steel (Subsidiary)

The Royal Bank of Scotland (RBS) which replaced the National Westminster Bank acts as the inter-creditor agent for Al Ezz Flat Steel Company - a subsidiary - as well as an agent for the international syndicated loans in which nine banks participated.

According to the loans agreements, the National Bank of Egypt acts as the Onshore Security Agent, and the Royal Bank of Scotland acts as the Offshore Security Agent. The most significant guarantees provided are represented in real estate mortgage and commercial pledge on the land, the tangible and intangible assets of the company, a possessory lien on the inventory and assignment of the company's rights stated in the contracts of construction, supply, technical support agreements and insurance policies in favor of the banks.

The interests on the National Bank of Egypt (NBE) and SACE guaranteed loans is calculated in USD based on a variable interest rate related to LIBOR. The interests on Banque Misr loan is calculated in Egyptian pound based on Lending and discount rate declared by the central bank of Egypt. The company reached an agreement with the lenders to reschedule the loan installments in September 2004. The Company started paying the rescheduled installments regularly as of August 2004 until August 2010, and the Company is in process of reaching an agreement with the banks to reschedule loans installments again.

The balance of the loan installments due within a year according to the loans agreements amount to USD 100 Million equivalent to LE 1.771 Billion representing the installments due since the payment cessation date until September 30, 2017.

27.4 **Ezz Rolling Mills (Subsidiary)**

The loan balance is represented as follows:-

	30/9/2017 LE (000)	31/12/2016 LE (000)
Total loan balance	3 254 731	3 164 719
Less:		
Current portion	295 127	121 937
Non-current portion	2 959 604	3 042 782

28. Capital lease

- The Company signed lease contracts with Corplease (Leasing Company) as at June 27, 2016 to lease 2 floors in Nile Plaza Building according to capital lease law for eight years ending at June 2024, the contracts provide the right to the Company to own those assets at a predetermined value at the end of the contract period. On July 18, 2017, the company signed appendex to this contracts to finance fixtures and finishes for one of the leased floors and adding it to the leased asset and amending the lease contract, for Eight years ending at July 2025.
- On November 13, 2016, the Company signed a lease contract with Corplease (Leasing Company) to finance the fixtures and finishes for the floors that have been leased in Nile Plaza building for the period of Eight years ending at November 2024, the contracts data as follow:

Description	Contract number	Contracts starting date	Contracts period	Total Value of contracts LE (000)	Payment method Quarterly Installment	Payments till 30/9/2017 LE (000)	Capital lease liability 30/9/2017 LE (000)
Corplease	4537	2016	8 years	288 416	32	44 775	243 641
	4538						
Corplease	4675	2016	8 years	47 203	32	3 895	43 308
				335 619		**48 670**	**286 949**

- Capital lease expenses for the period are amounted to LE 30 156 K included in administrative and general expenses – Note no. (6).
- Advance payments, which are included in prepaid expenses – note no. (17), are amounted to LE 1 754 K (against LE 9 721 K as of December 31, 2016).
- The capital lease liabilities till end of contracts as follows :

	2017 LE (000)	2018 LE (000)	2019 LE (000)	2020 LE (000)	5 years and More LE (000)	Total LE (000)
Capital lease liability	8 122	34 781	40 386	43 965	159 695	286 949

- The company has issued checks in favor of the leasing company covered all capital lease liabilities till July 2025.

29. LONG TERM LIABILITIES

	Note No.	30/9/2017 LE (000)	31/12/2016 LE (000)
Fixed assets- creditors		29	47
Notes payable		456 678	-
Alexandria Port Authority	(29-1)	91 356	94 298
Liability of the supplementary pension scheme	(25)	65 910	59 916
lending from others	(29-2)	655 856	676 977
		1 269 829	**831 238**

29.1 The balance recorded in the liabilities-long term amounted to LE 91 356 K represents the value of delay interest claimed by the Alexandria Port Authority, in additional to the accrued liabilities due within one year amounted to LE 3 973 K included within creditors and other credit balances (note no. 24) represents the value of the original sales tax due to the Port Authority for previous years as there is still a dispute between Alexandria Port Authority and Sales Tax Authority about the subjection of stevedoring fees and the usufruct as to whether its nature is operating services to others or not and the dispute was referred to court.

And the said dispute between Alexandria Port Authority and the Tax Authority resulted in the fact that the Company is the entity that shall bear the tax amounts in case of the settlement of the dispute to the contrary to the benefit of the Authority, in addition, due to the fact that Alexandria Port Authority issued on June 29, 2011 an administrative attachment on the Company's accounts in some banks, the company filed lawsuit no. 1409 of the year 2011 in order to lift the attachment order and all the banks were notified of the lawsuit for the lift of the attachment.

However, the lawsuit was postponed for the session held on September 17, 2012, and a ruling was issued to reject the company's Lawsuit.

The Sales Tax Authority claimed the company to pay the principal tax amounting to LE 104 Million in addition to tax amounting to LE 127.5 Million till June 28, 2012. On October 3, 2012, the Company paid the principal tax amounting to LE 104 Million along with its right to maintain a reservation on the payment until the Sales Tax Authority ceases all the actions taken against Alexandria Port Authority which in its turn shall cease all the actions taken against the company including the lift of attachment on the Company's balances at the various banks.

Consequently, the company filed an appeal against the ruling under no. (747) of the year 2012 – the court of the Appeal 2012, The session held on June 24, 2013. Where a ruling was issued to the effect of suspending the case until the constitutional action no. 54 for the judicial year no. 35 J Supreme Constitutional court is constitutionally settled, and the lawsuit has been completed, the report and the said report has not been submitted, yet (note no. 37-2). Based on the opinion of its tax advisor, the company's management is of the opinion that Alexandria port Authority is not entitled to claim the Company to pay sales tax in return for usufruct of the equipment of mining ores dock related to the handling of ores in El–Dekheila Port, the occupation of the yards allocated for this purpose and carrying out the works of operation and maintenance necessary for such equipment due to the fact that they are not subjected to sales tax.

- Furthermore, the payment of such amount or amounts by the company to Alexandria Port Authority, either at the present time or in the future, as a tax in return for the same service, does not mean its approval of subjecting the service to taxation along with the continuity of legal proceedings taken by the Company to confirm the fact that such service is not subjected to sales tax. However, the company's management paid an amount of LE 127.5 million of the additional tax claimed by virtue of post-dated checks starting from December 31, 2012 for one year. Accordingly, Alexandria Port Authority notified the banks to lift the administrative attachment imposed on the Company's balances at the banks in favor of the Port Authority (note no. 37-2). And the paid amounts against the additional tax claimed were recorded under the item of debtors & other debit balances.

29.2 Al Ezz Flat Steel Company borrowed USD 37 million equivalent to LE 656 million from Daniele Company based on a contract dated September 27, 2013 and the loan was used in full on October 1, 2013 to pay part of the loan due to the National Bank of Egypt (NBE), Banque Misr and the foreign banks which syndicated the loan by virtue of the guarantee of SACE, and the interests thereof are calculated based on variable interest rate related LIBOR.

30. DEFERRED TAX

30.1 Recognized deferred tax assets and liabilities

	30/9/2017		31/12/2016	
	Assets	**Liabilities**	**Assets**	**Liabilities**
	LE (000)	**LE (000)**	**LE (000)**	**LE (000)**
Items				
Fixed assets	-	(3 694 247)	-	(3 700 847)
Provisions	24 543	-	21 913	-
Impairment loss on debtors	10 893	-	10 893	-
Impairment loss on investments	3 988	-	3 988	-
Write-down of inventory	3 317	-	1 673	-
Tax losses	1 858 616	-	1 863 927	-
Foreign currency exchange differences loss	261 330	-	816 848	-
	2 162 687	(3 694 247)	**2 719 242**	(3 700 847)
Net deferred tax (liability)		**(1 531 560)**		**(981 605)**

30.2 Recognized deferred tax charged to the consolidated statement of income.

	For the Nine months ended:	
	30/9/2017	**30/9/2016**
	LE (000)	**LE (000)**
Net deferred tax	(1 531 560)	(552 982)
Less:		
Translation difference	12 944	(2 920)
Previously charged deferred tax	(981 605)	(589 353)
Deferred tax charged to the consolidated statement of income (expense)/revenue	**(562 899)**	**39 291**

30.3 Unrecognized deferred tax assets

	30/6/2017	**31/12/2016**
	LE (000)	**LE (000)**
Impairment loss on Receivables , debtors and other debit balances	7 442	7 442
Provisions	26 279	25 932
Foreign currency exchange differences loss	65 064	52 887
Tax losses	255 402	121 943
	354 187	**208 204**

Deferred tax assets have not been recognized in respect of the above items due to uncertainty of the utilization of their benefits in the foreseeable future.

31. RELATED PARTIES TRANSACTIONS

The Company conducts commercial transactions with related parties. These transactions occurred during the period are represented in the sales and purchases transactions of products in favor of those companies which amounted to LE 65 370 K and LE 105 K respectively in addition to rent amounted to LE 1 143 K The following is the most important of these transactions and related balances:

	Nature of Transaction	Transaction Volume during the period LE (000)	Balance as of 30/9/2017 Debit/(credit) LE (000)	Balance as of 31/12/2016 Debit/(credit) LE (000)
31-1 Items included in trade and notes receivable				
- Al Ezz for Trading and Distributing Building Materials (Affiliated company)	- Sales	65 370	2 682	1 773
			2 682	**1773**
31-2 Items included in debtors and other debit balances				
- Al Ezz Group Holding Company For Industry & Investment (Holding company)			285 032	184 298
- Gulf of Suez Development Company (Affiliated company)			51	23
- Al Ezz for Ceramics and Porcelain (GEMMA) (Affiliated company)			23 666	29 332
	- Purchases	105		
	- Rent	1 143		
			308 749	**213 653**
31-3 Items included in creditors and other credit balances				
- Al Ezz for Trading and Distributing Building Materials (Affiliated company)			(318)	(12)
			(318)	**(12)**

32. CONTINGENT LIABILITIES

Contingent liabilities is represented in the value of bails and guarantees on behalf of some subsidiaries to guarantee the fulfilment of all of its commitments stated in the joint facility contracts between the subsidiaries and some banks, the company's General Assembly has authorized these bails and guarantee which is as follows:

The subsidiary company	Bail value	Subject of the bail
Al Ezz Rolling Mills Company	LE 3 356 Million	The execution of the subsidiary's obligations arising from the joint-facility contract between the it and some banks to finance the remaining part of the construction and operating costs of a plant to produce DRI in Al Ain Al Sokhna.
	LE 200 Million	Short term financing from Banque Misr, and bailing the subsidiary in case the bank increased the short term financing amount which is given to it with an additional maximum amount of LE 300 Million.
	LE 350 Million	Bailing the subsidiary in the short term finance which is given to it by The National Bank Of Egypt and in case the bank increased the short term financing amount which is given to it with an additional maximum amount of LE 350 Million.
Al Ezz Flat Steel Company	USD 30 Million	Guaranteeing the credit facilities which is given to the subsidiary by The National Bank Of Egypt with an amount of USD 60 Million and its interests and commissions and any other extension until the amounts are fully settled.
	LE 250 Million	Bailing the subsidiary in 50% of the total short term finance which is given to it by The National Bank Of Egypt.

- On November 13, 2013, the General Assembly of Al Ezz El Dekheila for Steel – Alexandria Company (subsidiary company) decided to issue a joint guarantee in favor of Al Ezz flat steel (subsidiary company) with an amount of USD 30 million and its returns and commissions from National Bank of Egypt and delegating the Managing Director of Al Ezz El Dekheila for steel-Alexandria- to sign the joint guarantee contract with the said bank, and it was signed on January 2, 2014 with an amount of L.E 200 million excluding returns, commissions and fees.
- Contingent liabilities are represented in the amount of the letters of guarantee which are not covered that were issued by the Company's banks and subsidiaries in favor of others and the uncovered letters of credit, detailed as follows:

	30/9/2017 LE (000)	31/12/2016 LE (000)
Letters of guarantee		
Egyptian Pound	6 578	2 029
US Dollar	19 470	20 097
Letters of credit		
US Dollar	262 231	690 103
Euro	106 967	222 484

- The amount of letters of guarantee issued by the banks in favor of Contra Steel Company – subsidiary company – in favor of others on September 30, 2017 amounted to LE 632.5 K fully covered (against LE 632.5 K as of December 31, 2016 fully covered).

33. CAPITAL COMMITMENTS

- The capital commitments for Al Ezz Steel (Holding Company) as at September 30, 2017 amounted to LE 37.38 Million equivalent to Euro 1.79 Million.
- The capital commitments for Al Ezz El Dekheila for Steel - Alexandria Company as at September 30, 2017 are represented in the amount of LE 183 Million (against LE 480 Million on December 31, 2016).
- The capital commitments also include amount of EURO 952 K (equivalent to LE 19.9 Million) representing the remaining value of purchase of machinery and equipment after deducting the advance payments from Daniele Company (an Italian company) for Al Ezz Flat Steel Company.

34. TAX POSITION

34.1 Ezz Steel Company

34.1.1 Corporate tax

- The Company is granted a tax exemption according to the article no. 24 of law no. 159 for 1979 relating to the development of new urban communities, for a period of ten years which started on January 1, 1997 and ended on December 31, 2006.
- The Tax Authority inspected the Company's books and all disputes were settled until December 31, 2014 and there is no taxes due.
- The Company submitted tax returns until 2016 according to the provisions of law no. 91 of 2005.

34.1.2 Withholding tax

- During 2016, the Company settled the amount of LE 51 749 K from the withholding tax balance against part from salaries tax due from the Company at 31/12/2016.

34.1.3 Sales tax

- The tax inspection was made for the Company's books until year 2012 and the tax differences were paid in full.
- The years 2013 and 2014 were inspected and the company is waiting for the results of the inspection.
- On September 7, 2016, the law no. 67 for year 2016 of value add tax has been issued to be effective starting from September 8, 2016. The Company submitted tax returns on the legal dates according to this law.

34.1.4 Salary tax

- The Company's books was inspected until year 2012 and there is no any due amounts on the company.
- The Tax Authority finished inspection of the Company's books until years 2013 and 2014 and the company appealed in legal dates, currently the company finishing the dispute with internal committee.

34.2 Al Ezz Rolling Mills Company

34.2.1 Corporate tax

- The Company established its factory in the 10th of Ramadan City and according to the article no. (24) of law no. 159 for 1979 relating to the development of new urban communities, the Company is tax exempted until December 31, 1999.
- The Tax Authority inspected the Company's books and a settlement was made until 2013 and the taxes due were paid and there are no any due amounts on the company for this period.

34.2.2 VAT

- The Tax Authority inspected the Company's books until 2014 and the taxes due were paid.

34.2.3 Salary tax

- The Company's books have been inspected until year 2013 and the taxes due were paid.

34.3 Al Ezz El Dekheila for Steel – Alexandria Company

34.3.1 Corporate Tax

- The company submits the tax returns pertaining to the corporate profits tax to the competent tax inspectorate on annual basis on due legal dates, in addition it pays the due tax as per these tax returns.
- The General Authority For Investment "GAFI" has granted a tax exemption to the flat steel project in implementation of the provisions of law no. 162 / 2000 according to the certificate issued by the General Authority for Investment on January 2, 2006 for a period of five years starting from January 1, 2001 as the date of production inception was determined during the year 2000 based on the ruling issued by the Administrative Causes Court on July 16, 2005.
- Tax inspection was made for the company for the years 2000 / 2004, and an agreement was reached in the Internal Committees after proving the tax exemption granted to the company with respect to the flat steel project as per the certificate issued by GAFI on January 2, 2006 by virtue of which the flat steel project was exempted based on the Administrative Causes Court ruling issued on July 16, 2005, The disputed issue (cancelling the state resources development duty on the movables tax base) was referred to the Appeal Committee.

  And on June 12, 2010, the committee issued its resolution responding positively to the motions of the company with respect to the cancellation of the financial resources development duty on the exempted movable tax base while the other tax bases shall remain exempted according to the resolution of the Internal Committee issued for the disputed years 2000 – 2004. The due tax was paid in full and form no. (9) Paid attachment was obtained; accordingly the dispute was amicably settled and became final and decisive according to the provisions of law.

  The company was notified of the tax – claim amounts for the years 2000/2004 according to forms no. (3), and (4), received from large taxpayers' Center of the Tax Authority on February 17, 2011 with an amount of LE 219 million. These forms represent the amount of the tax imposed on the flat steel project which had previously enjoyed a tax exemption for the same period. Despite the fact that the company's tax and legal positions are stable due to the issuance of the Appeal Committee resolution which supported the company and which was approved by the Authority and was not objected thereto, accordingly it became legally indisputable. Subsequently, the Tax Authority cannot dispute with the company about these years once again. The company filed a lawsuit to discharge from any indebtedness before the court in order to safeguard the company's rights. On February 17, 2011, The Tax Authority has held the accounts of Al Ezz El Dekheila for Steel - Alexandria (EZDK) kept at banks with an amount of LE 219 million according to the tax assessment made based on the fact that the profits of the flat steel projects for the years 2000/2004 are subjected to taxation. Al Ezz El Dekheila for Steel - Alexandria (EZDK) Company reached an agreement with the Tax Authority to cancel the administrative attachment imposed on the company as a result of the above mentioned dispute against paying LE 50 million during September and October 2011, and settle the remaining tax claims amounting to LE 169.3 Million on 24 installments.

The first installment amounting to LE 8.3 million due in November 2011, while the remaining due amount shall be paid on 23 monthly installments at LE 7 million each, in addition to the delay interest on the amount paid on installments. The paid amounts is LE 254.2 million, including delay interest amounting to LE 35 million. The Company's opinion that this procedure shall not change the legal & tax position of the company as it reserves its right to reimburse what has been paid immediately upon the issuance of a court ruling in favor of the company pertaining to lawsuit no. 405 of 2011. Which recorded with no. 963 year 2012 tax total Alexandria, which was deliberated during sessions. The Primary Court of Alexandria issued its ruling with lack of jurisdiction and transferred the case to Alexandria's Administrative Court and the court has set a session at January 20, 2018.

- The company's tax inspection was made for years 2005/2006 and the company was notified of form no. (19) – taxes on February 21, 2011. The tax differences amounted to LE 95.1 Million, and the company appealed against these forms on the legal due dates, as the year 2005 represent the 5th year of the flat steel project which is applicable to the above mentioned exemption which is legally immune, the dispute for those years was referred to the Appeal Committee.
- The Appeal Committee issued its decision to subject the 5th year to tax in violation of its previous decision related to the years 2000/2004 even though the tax exemption can't be divided or legally canceled, hence the company filed the lawsuit no. 245 for the year 2014 tax - Alexandria Court for the purpose of accepting the appeal in form and the plea to the nullification of the Appeal Committee's decision and its subsequence effects, on January 27, 2016 court session, The Primary Court Of Alexandria issued its ruling with lack of jurisdiction and transferred the case to Alexandria's Administrative Court and the court didn't set a session for it yet.
- The Tax Authority demanded that the company pays an amount of LE 120.6 million based on the article no. 111 of the law no. 91/2005, the company appealed on that demand by filing a warrant for the chief of the Tax Authority and his legal advisor, the company paid all these tax differences during the period from June till October 2014 with reserving that the company recovers all the amounts that were paid if a judicial ruling is issued in its favor.
- The company ensures the validity of its position and the strength of its defense since that the litigation for the year 2005/2006 is about the continuance of the tax exemption that was decided and secured by law for the years 2000/2004 as it's the same subject and it was reviewed before court so the tax exemption cannot be divided. The company pointed that in paying any amounts under the account of taxes considering that these procedure will not harm its legal and tax positions and its right in recovering all the amounts that was previously paid once a judicial ruling is issued in the company's favor. The Company filed a lawsuit no. 269 for the year 69J Administrative Justice Alexandria requesting that the Tax Authority has no right in demanding any amounts for the delay of the payment of taxes for the years 2005 till 2014, and the court didn't set a session for it, yet.
- The company's tax inspection was made for years 2007/2008 and the company was notified of form no. (19) – taxes on August 23, 2012. The tax differences amounted to LE 15 million, and the company appealed against these forms in the legal due dates. The said differences are currently considered by the internal committee and no date has been set to consider it yet. During the month of October 2014, the Company paid the amount of LE 15 million that represented the tax inspection differences along with preserving the Company's right to refund what had been previously paid once a decision is issued in favor of the Company.
- The company's tax inspection was made for years 2009/2010 and the company has been notified with form no. (19) tax, the tax differences amounted to LE 105 million, the company has appealed on this form in the legal dates, and the dispute was transferred to internal committee, the committee approved most of the differences except LE 17 million that was transferred to appeal committee that did not set an appeal session till now, the company paid LE 15 million as part of the inspection deference till the issuance of the committee's decision.
- The tax authority inspected the years 2011/2013 and the company has been notified with tax form no. (19), the tax differences amounted to LE 163 million, the company appealed on this form in the legal date, and the dispute was referred to internal committee, the committee approved an amount of LE 6 million that was fully paid.
- The company presented its tax returns for the years 2014-2015 at the legal dates according to law provisions, the company paid all the due taxes according to these tax returns.

- The general department of the Counter Tax Evasion notified the company of tax differences amounting to LE 7 million resulting from fund transfers abroad during the years 2000/2010 and the said issue is still considered before court, and a ruling was issued to the effect of the inadmissibility of considering the case previously adjudicated in relation to felony No. 11743 for the year 2011, El Agouza felonies. However, the public prosecution filed an appeal against the ruling, A ruling was issued at the session held on November 9, 2013 to the effect of cancelling the appealed ruling and referring the lawsuit documents to the Court of First Instance to issue its ruling regarding the subject matter of lawsuit no.639 for the year 2013, the company paid all the amounts according to form no. 19 issued by the authority beside the additional forms for the years 2000/2010 and the session was postponed and the court didn't set a session for it till now.
- The tax inspection for years from 2014 till 2016 is currently in process, and the company were not notified with any tax form yet.

34.3.2 Salary Tax and value added tax(VAT)

- The company pays the tax on the legal due dates and submits the tax reconciliations according to the provisions of law.
- Tax inspection was made till year 2012 and tax differences have been fully paid.
- The tax inspection for years from 2013 till 2016 is currently in process, and the company were not notified with any tax form yet.

34.3.3 Sales Tax and VAT

- The company submits its monthly tax returns regularly on the specified legal due dates.
- Tax inspection was made for the company with respect to the general sales tax till April 30, 2009 and the Inspectorate of large taxpayers has notified the Company of form no. (15) - taxes, a matter which made the inspectorate claims for the tax differences with an amount of LE 40.7 million. However, grievance was made to this form and the differences stated therein, as these differences represented the refusal of the Tax Authority to allow the company to deduct the tax imposed on the capital commodities pursuant to law no. 9/2005 and the ministerial decrees no. 295 and 296 of year 2005 which grant the company the right to deduct the sales tax paid with respect to the capital commodities, a matter which made the company file lawsuit no. 988 of year 2011 – Civil Circuit against the Tax Authority claiming for its right to deduct the tax which was previously paid with respect to the capital commodities. The company has previously settled these differences in order to avoid the penalties in case a legal ruling is issued to the detriment of the company.

  However, the ruling of the Court of First Instant was issued at the session held on December 30, 2012 to the effect of rejecting the lawsuit and the company appealed against the court ruling. On August 29, 2013, the Court of Appeal issued its ruling to the effect of cancelling the appealed against ruling of the Court of First Instance and the lawsuit was referred to the Administrative Court and recorded with no. 10229 for the year 68 J, the lawsuit was postponed to November 19,2017 session, as the court referred the litigation to the committee established by the state council to consider the tax and duties lawsuits and no session set for it yet.
- Tax inspection was made for the period starting from May 1, 2009 till December 31, 2010. And the company was notified of form no. (15) The tax differences amounted to LE 77.3 million, and the company appealed against these forms on the legal due dates and the dispute for this year was referred to the reconciliation committee of the Large Taxpayer Center, points of contention have been considered by the Head of Tax Authority and agreed to deduct the payments previously paid by the company that amounted to LE 70 million and the dispute is represented in the amount of LE 7 million and the said dispute was considered by the Grievance Committee and a decision was taken to refer the matter to the courts. The company made the litigation no. 334 for the year 2013 Tax before it was referred to the administrative court, registered by the number 25999 for the year 67J Administrative Judiciary as a session was set on January 19, 2018 for the expert to present his report. The company paid an amount of LE 4.5 million, and the remaining portion with the amount of LE 2.5 million is represented in sales tax imposed on the lent billet which was regained.
- The period from the first of January 2011 till December 31, 2011 was inspected and the company has been notified with form no. (15), the differences amounted to LE 1.5 million fully paid.

- Tax inspection for the year 2012 were performed and the company was notified with form no. (15) and with an amount of LE 18.9 million and the company appealed and the dispute is before the complaints committee, the company requested to represent the dispute before the formed committee to settle the tax disputes related to applying the law no. 79 for the year 2016 and the company's defense and supported documents are currently being presented, and after legal deliberations, the committee agreed to authorize the approval of soft coal discount by L.E 12.1 million with due tax by L.E 6.8 million to lime and coarse coal, and the tax is non-deductible and it was fully paid.
- Tax inspection for the year 2013 were performed and the company was notified with form no. (15) with differences which are amounted to LE 23.3 Million and the Company appealed on it, and the dispute was before the appeal committee then the conflict was presented to the tax dispute settlement committee. After legal deliberations and submission of documents, the committee agreed to due sales tax by L.E 6.5 million and it was fully paid.
- The tax inspection was not performed from 2014 till now.

34.3.4 Sales Tax on imports of iron oxide ore

- The Egyptian Customs Authority claimed the amount of LE 1.9 Billion that represents the value of sales tax on imported iron oxide ore and the claim was made based on retroactive for the period from the first of January 2008 till December 31, 2012. The company has submitted a memo to the Minister of Finance to the effect that iron oxide ore imports should not be subjected to taxation as philosophy of the law of sales tax made the industrial product an intermediate link in tax collection, where the tax previously paid is deducted from tax collected when selling the product and whereas the company during previous periods was remitting supplying everything that has been collected upon selling the product, without any deduction and the company has no will when customs release was in place on this product.

  Hence, the company should not be charged by any amounts because it was not a reason for non-collection of tax nor in how the release of this raw material. The company's management and its tax advisor are of the opinion that the Customs has no right in the amounts claimed from the company because the company is applying the core of the law in addition, the company is an intermediate link with respect to tax collection and remitting it to the Tax Authority on legal due dates and there are no grounds to claim tax differences.

- The company filed lawsuit no. 9160 for the year 68 J - Administrative Court Alexandria - appealing against the issued ruling and the lawsuit is held for the report the College of Commissioners. Although, the company filed lawsuit No. 563 for the year 2013 Commercial Total Alexandria which recorded by no. 14721 for the year 69 J Alexandria Administrative Judgment to clearance the company from the required tax dispute, Which issued a decision to annulment the company's claim of LE 2 billion value of sales tax on the consignments released from January 1, 2008 until December 31, 2012 with the consequent effects of the company's acquittal of the amount of the claim and the session was set at October 8, 2017 for documents and the court referred the lawsuit to the committee established by the state council to consider the tax and duties lawsuits and the session was not determined yet.

34.3.5 Sales Tax for the usufruct amounts claimed by Alexandria Port Authority

- The claim of usufruct sales tax due to Alexandria Port Authority was settled and an agreement was reached to pay the principal and additional tax by means of post-dated cheques ended on December 31, 2013 and a letter was obtained from Counter Tax Evasion Authority. The company filed lawsuit no. 1609 for year 2014 Alexandria total to request from both Alexandria Port Authority and the Minister of Finance to refund amount of LE 249.5 Million that represent the value of what the tax authority receive under account sales tax against the license for the use of equipment and pier of mining materials, the lawsuit has been transferred to Alexandria administrative court and the court doesn't set a session for it till now.

34.3.6 Service Charges related to imported equipment for production use

- The company filed a lawsuit to reimburse the service charges pertaining to the equipment imported to be used in production which were paid to the Customs Authority under no. 2112/2002 regarding the shipments represented in the equipment and spare parts in implementation of the provision of law no. 66 / 1963, article no. (111) which stipulated the unconstitutionality thereof, since the Customs Authority has not rendered any services to the company with respect to the shipments incoming to the company from abroad. The amounts claimed by the company from the Customs Authority amounted to LE 126 million.

On February 27, 2011, a ruling was issued by Alexandria Civil Court with respect to lawsuit no. (2112), obligating the two defendants to pay the plaintiff company an amount of LE 103.9 million along with the legal interest 4% from the date of the legal claim until the date of the actual settlement. The ruling was appealed against and a ruling was issued on November 6, 2012 in favor of the company to the effect of conforming the ruling at first degree, currently the executive version of the ruling has been issued by the legal affairs department which follows up the reimbursement process. and to notify the Customs Authority thereof, However, it is currently in the process of following up the issuance of a letter from the State Litigation Authority stating that there is no objection to disbursement, and the tax authority has been appealed against the ruling taking into consideration that the company announced on 22/1/2013 that is filed the appeal no.77 for the year 83 J before the court of cassation against the ruling issued by the court of appeal in favor of the company.

On February 6, 2012, the appeal ruling was issued in favor of the company supporting the first degree rule and the executive form of the ruling was extracted by the department of legal affairs which follow the reclaim, the Tax Authority appealed and the case isn't settled till now.

34.4 Al Ezz Flat Steel Company

34.4.1 Corporate tax

- In the light of issuing law no. 114 of 2008 on May 5, 2008, the private free zones license were deleted and the company become subject to corporate tax from that date.
- The Tax Authority inspected the Company's books for year 2008 and the result of the inspection was tax losses for this year.
- The Tax Authority inspected the Company's books for year 2009 and resulted in tax losses for that year and the dispute points were referred to the Internal Committee.
- The Tax Authority inspected the Company's books for year 2010 and 2011 and the inspection resulted in tax losses.
- The Tax Authority inspected the Company's book for years from 2012 till 2014 and the Company doesn't receive the result of this inspection.

34.4.2 Salary tax

- The Tax Authority inspected the Company's books until 2007 and finalize all the disputes and there is no any due amounts on the Company.
- The Tax Authority inspected the Company's books for years 2008 until 2011 and the company objected in the legal due dates.

34.4.3 Sales tax and VAT

- The Tax Authority inspected the Company's books until 31/12/2012 and the company paid the due amount.
- The tax inspection was performed for the years 2013/2014 and no claims are due regarding this matter till this date.

34.4.4 Stamp tax

- Tax inspection was made till 2012 and there is no claims on the company in this regard up to this date.
- Tax inspection was made for the years 2013/2014 and the company hasn't receive the inspection results yet.

35. FINANCIAL INSTRUMENTS AND RISK MANAGEMENT

35.1 Financial instruments

The Company's financial instruments are represented in cash and cash equivalents, debtors, investments, trade payable, notes payable, creditors, loans, and banks-overdraft balances. The book value of these financial instruments does not materially differ from its fair value at the financial position date.

35.2 Interest rate risk

The interest risk is represented in the interest rates changes on the company's debts, represented in loans (before deducting issuance cost) and credit facilities which amounted to LE 24 577 410 K as of September 30, 2017 (LE 24 837 669 K as of December 31, 2016). Financing interest and expenses related to these balances amounted to LE 2 671 881 K during the period (LE 1 173 845 K during the same period from the previous year). Time-deposits and investment fund amounted to LE 160 617 K as of September 30, 2017 (LE 413 296 K as of December 31, 2016), interest income related to these balances amounted to LE 359 608 K during the period (LE 211 662 K during the same period from the previous year). The company works on getting the best terms available in the market regarding the credit facilities to mitigate this risk, also the company reviews the prevailing interest rates in the market periodically which reduces the interest rate risk.

35.3 Credit risk

The carrying amount of financial assets represents the maximum credit risk exposure. The maximum exposure to credit risk at the consolidated interim financial statements date is:

	Note No.	30/9/2017 LE (000)	31/12/2016 LE (000)
Long term lending to others	(13)	38 746	37 419
Trade and notes receivables	(16)	108 891	287 324
Debtors and other debit balances	(17)	3 042 690	2 595 637
Suppliers - advance payments		498 160	168 831
Investments in treasury bills		126 851	11 974
Cash and cash equivalents	(19)	4 824 140	5 096 007

35.4 Foreign currency risk

The foreign currency risk represents the risk of fluctuation in exchange rates which in turn affects the Company's cash inflows and outflows in foreign currency as well as the value of its foreign currencies monetary assets and liabilities. The Company has foreign currency monetary assets and liabilities equivalent to LE 1 427 104 K and LE 13 238 451 K respectively, as of the financial position date.

The Company's net exposures in foreign currencies at the financial position date are as follows:

Foreign Currency	(Deficit)/Surplus In thousand
US Dollars	(591 859)
Euro	(63 123)
Swiss Frank	13
Sterling Pound	(163)
Japanese Yen	(119 147)
AED	10

As shown in note no. (38-1) "Foreign currency translation", the balances of monetary assets and liabilities denominated in foreign currencies shown above were valued using the prevailing exchange rate of the banks that the Company deals with at the consolidated interim financial statements.

Foreign currencies rates as of the Consolidated interim financial position date is as follows:

	Closing rate at		Average rate for the nine months ended	
	30/9/2017	**31/12/2016**	**30/9/2017**	**30/9/2016**
US Dollars	17.70	18.25	18.0000	8.6175
Euro	20.8772	19.4381	20.092	9.6359
Swiss Frank	18.2268	18.1249	18.3455	8.8687
Sterling Pound	23.7906	22.6063	23.0987	11.9938

35.5 Fair values for financial instruments

The financial instruments are represented in the balance of cash on hand and at banks, loans and credit facilities, trade receivables, investments, debtors and creditors.

The fair value of these financial instruments does not materially differ from its book value.

36. THE LITIGATION STATUS

36.1 Al-Ezz Rolling Mills Company & Al-Ezz Flat Steel Company– Subsidiaries Companies

Al-Ezz Rolling Mills Company and Al-Ezz Flat Steel Company (subsidiaries of Al Ezz Steel Company) obtained two licenses from the Industrial Development Authority to produce sponge iron and billet included within the group of the licenses the Authority has given to the qualified companies in Egypt for free. However, Al-Ezz Rolling Mills Company started the establishment of a factory for the production of sponge iron, while Al-Ezz Flat Steel Company did not start any projects to make use of the license.

The said subject was referred to the criminal court to claim the payment of fees related to these licenses in addition to any penalties that may be imposed by the court. On September 15, 2011 the court issued a ruling whose pronouncement included imposing penalties on the former chairman of Ezz Steel Company and the former chairman of the Industrial Development Authority jointly with an amount of LE 660 million, and the withdrawal of the two licenses granted to each of Al-Ezz Rolling Mills Company and Al-Ezz Flat Steel Company. The company's management has taken procedures to revoke the ruling with all its consequences resulting there from.

During the court session held on December 20, 2012, the court of cassation issued its ruling to the effect of casting the appealed against ruling and referring the lawsuit to another circuit for consideration, which means revoking the previous ruling. A court session was set on April 6, 2013 to consider the lawsuit before the court to which it was referred to, then the said case was adjourned to overturned the judgment issued by the lower court due to the fact that the administration of justice in this regard on December 5, 2013. The legal Advisor of the group was of the opinion that the cancelation of the above mentioned judgment means carrying out retrial proceedings. Accordingly, the case was deliberated in several sessions before the retrial court circuit and a pleading session was set to be considered on March 5, 2018 to finalize required procedures for settlement.

On October 3, 2012 the Industrial Development Authority decrees to issue a new temporary license to Al-Ezz Rolling Mills Company with a value of LE 330 million and to be renewed annually. On November 13, 2012 the company paid an amount of LE 49.50 million that (included in other debit balances Item – note no. (17) Represents 15% from the value of the license, in addition to granting the company a grace period of 18 months, the remaining 85% of the license value will be paid on five equal annual installments, and in case of the company committed with the installments and paid the full amount it will obtain the permanent license.

36.2 Al Ezz Dekheila Steel Company Alexandria – A Subsidiary Company

36.2.1 Workers Lawsuits Regarding Profits Differences :

Some workers whose services for the company came to an end filed 73 lawsuits claiming the calculation of the profits differences for years from 2004 till 2010 based on the gross salary at a percentage of 10% of the profits and they laid down the grounds of their lawsuits based on the stipulation of the first article of labor law no. (12) For the year 2003 and the stipulation of article no. (41) of the Joint-Stock Companies Law no. 159 of 1981.

The rulings were issued in regard to (71) lawsuits ranging between refusal and dropping as the company complied with the core of the law when calculating the employees' share in profits according to the authority vested thereto by virtue of the stipulation of article no. (12) of the Arab and Foreign Capital Investment Law no. (43)/1974 and article no. (52) of the company's Articles of Association issued by virtue of decree no. (90)/1981 which authorize the board of directors and the General Assembly of the company to determine the percentage, the criterion and the manner of the profits appropriation.

However, the Court of Appeal confirmed the issued rulings of refusal or dropping in 14 lawsuits, and there are (55) lawsuits that have not been appealed against and the rulings thereof acquired the opposability of res judicata due to the lapse of the date of appeal thereof, while the remaining two lawsuits were canceled, not renewed and were considered legally as there were not existed.

Some workers of Al Ezz Dekheila Steel Company Alexandria filed 6 lawsuits concerning the financial differences of the social allowances for the years from 1996 until 2010, in which the company insisted on adhering to the agreement that was concluded between the company and the workers on July 7, 2011 which resulted in the fact that the company paid the said financial differences of the social allowances and the court lapsed the litigation and there is still on litigation remaining under deliberation.

The company's management and its legal advisor are of the opinion that the company complied with the proper core of law in regard to the profits appropriation for the employees thereof according to the company's articles of association without prejudice to the rights of any of the employees thereof.

36.2.2 The lawsuits Referred to the Criminal Court:

On June 26, 2011, a referral order was issued to the Criminal Court by the Public Prosecution "Supreme Public Fund Prosecution" regarding lawsuit no. (197) for the year 2011 - Public Fund Count registered under no. (38) for the year 2011 to limit the scope of the public fund investigation against some of the officials in the company in criminal incidents related to the allegation of illicit gain or facilitating the illicit gain of third parties to the detriment of the public fund, and some decisions were issued regarding conservatory attachment and non-disposal in relation to some officials.

Some of the officials related to this case have been resigned while the remaining employees who referred to the criminal court still in their jobs as the accusations against them had not been issued a final judgment of a criminal court.

On March 6, 2013, a ruling was issued by the court of criminal justice and sentences against some company officials have been issued including custodial penalties and pecuniary penalties in addition to dismissal from office against those who were convicted.

On December 14, 2013, the Court of Cassation issued its ruling to the effect of nullification of the previously issued ruling and to refer the lawsuit to Giza Criminal Court, the court has decided to delegate technical committee to examine the lawsuit documents and the session was postponed to the third week of January 2018 to present the report of reconciliation with the state.

The Legal advisor of the company is of the opinion that the appeal resulted in the cancellation of all sanctions issued against former officials of the company and a re-trial again for them, especially after the Court of Cassation rejected the appeal of the public prosecutor in acquittals.

36.2.3 Lawsuits before Court Concerning The Trespass on The Company's lands:

Some individuals and companies trespassed a part of the company's lands with an area of approximately 17 feddans purchased from the State Property Protection Authority whose total area is approximately 108 feddans that were allocated to the company and received thereby according to the receipt report dated December 13, 1998 issued by virtue of decree no. (80) of 1993 of Alexandria Governor, and the company paid the price of such land in full according to the agreement concluded between the company and the State Property Protection Authority on June 19, 2008. The trespass was erased at September 12,2017 and the company received the land in accordance with the delivery report from the state property protection authority and ElAgami district after erasing trespass from main road and legal actions are in process to finalize the land register.

36.2.4 Lawsuits before Court Concerning The Monopoly of Steel Bars product:

The Court of cassation , ruled on its session held on November 25, 2014 to amend the appeal of lawsuit no.368 of the year 2013 economic concerning what is presented by the Public Prosecutor Office against some officers of Ezz steel company during the period from May 16, 2005 until December 31, 2006 concerning their professional capacities in Ezz Steel company and some of the companies affiliated to Ezz group relating to the monopoly of steel bars product inside the Arab republic of Egypt in Violation of non-competition and anti-monopoly act no. 3 for the year 2005 and re-affirming a ruling to the effect of imposing a fine on the officers of Ezz Steel company and some other companies of Al-Ezz Group with an amount of LE 200.5 million.

The financial penalty will be a fine of EGP 20.5 million imposed on some officials of the Company.

The legal advisor of the company is of the opinion that claiming the inflicted penalty imposed on the officers of the Company by virtue of the court ruling is not legally acceptable and each company of the group should bear the fines in proportion to the benefits gained without claiming the officials of the Company fined pursuant to the case.

37. OTHER TOPICS

***37.1* EZDK Steel UK limited Company**

On July 11, 2011, a ruling was issued by the judicial bodies in the United Kingdom to subject EZDK Steel UK LTD, a subsidiary company, to be under the managerial control of BDO LLP England Institute in the United Kingdom due to its insolvency and based on the fact that the shareholders reached an agreement in regard to the procedures necessary to be taken to the effect of the company's liquidation.

However, the company still under the managerial control that Institute till the financial statements date (the investment cost reached the amount of LE 510 with a participation percentage of 50% of the company's capital).

***37.2* Alexandria Port Authority**

- On June 19, 2011, Alexandria Port Authority issued an administrative attachment order with respect to the accounts of Al Ezz El Dekheila for Steel - Alexandria (EZDK) kept at some banks, where the value of the attachment order amounted to LE 181.2 million (without specific particulars regarding the breakdown of this amount), and the procedures of the said attachment came into force on October 26, 2011. The amounts kept at the banks under attachment reached the amount of LE 66 million as the amount in return for the claims made by the Authority pertaining to the sales tax and delay interest imposed on the materials stevedoring category (the core of a legal dispute that has not been settled yet), and being the subject matter of lawsuit no. 797 of 2010 filed by Alexandria Port Authority against sales Tax Authority and Al Ezz El Dekheila for Steel - Alexandria (EZDK) in order to guarantee receiving the amounts pertaining to the judgments that might be issued against Alexandria Port Authority with respect to the sales tax assessment as the said ruling of that lawsuit was scheduled on September 17, 2012. And a judgment was issued to the effect of dismissing the case and the company an appeal against the lawsuit no. 747 for 2012, and the session is postponed to June 24, 2013. And adjournment of the session has taken place until the constitutional action no.54 for the judicial year no.35 the lawsuit deliberation was settled.

  The commissioner decided to set a date for submitting the report and the said report has not been submitted, yet. (note No. 29-1).

  The Sales Tax Authority claimed the company to pay the principal tax amounting to LE 104 million in addition to tax amounting to LE 127.5 million till June 28, 2012 in return for usufruct of the equipment of mining ores dock related to the handling of ores in El Dekheila Port.

On October 3, 2012, the company paid the principal tax amounting to LE 104 million along with its right to maintain a reservation on the settlement until the Sales Tax Authority ceases all the actions taken against Alexandria Port Authority which in its turn shall cease all the actions taken against the company including the lift of attachment on the company's balances at the various banks. The sales tax authority is of the opinion the necessity of payment the additional tax in order to cease the mentioned procedures.
The company's management paid an amount of LE 127.5 million under the account of the additional tax claimed by virtue of post-dated checks starting from December 31, 2012 for one year. Accordingly, Alexandria Port Authority notified the banks to lift the administrative attachment imposed on the Company's balances at the banks in favor of the Port Authority.
Based on the opinion of its tax advisor, the company's management is of the opinion that Alexandria port Authority is not entitled to claim the Company to pay sales tax in return for usufruct of the equipment of mining ores dock related to the handling of ores in El – Dekheila Port, the occupation of the yards allocated for this purpose and carrying out the works of operation and maintenance necessary for such equipment as its not subjected for sales tax, the payment of such amount or amounts by the company to Alexandria Port Authority, either at the present time or in the future, as a tax in return for the same service, does not mean its approval of subjecting the service to taxation along with the continuity of legal proceedings taken by the company to confirm the fact that such service is not subjected to sales tax. the payment of such amount or amounts by the company to Alexandria Port Authority, either at the present time or in the future, as a tax in return for the same service, does not mean its approval of subjecting the service to taxation along with the continuity of legal proceedings taken by the company to confirm the fact that such service is not subjected to sales tax.
The company has also established Case no. 1609 of year 2014 against both the Port Authority and the Tax Authority requesting the recovery the collected amount from the company under the name of the sales tax for the period from 15/02/2003 till December 2013 in the amount of LE 249 525 k, A session date to be considered on November 27, 2014 and ruling was issued to the effect of the lack of jurisdiction and referring the lawsuit to the Administrative Court, However, a session for considering the said appeal has not been determined up to this date.

38. SIGNIFICANT ACCOUNTING POLICIES FOR THE CONSOLIDATED INTERIM FINANCIAL STATEMENTS

The group's companies apply the following accounting policies on constant basis which conform to that applied in all presented years, taking into consideration the new issues and amendments issued to the Egyptian Accounting Standards (EAS) which has been effective on 1/1/2016 (note no. 41).

38.1 Foreign currency translation

The group maintains its accounts in Egyptian Pound. Transactions denominated in foreign currencies are translated at foreign exchange rate prevailing at the date of transactions. Monetary assets and liabilities denominated in foreign currencies at the balance sheet date are translated at the foreign exchange rates prevailing, at that date. Non-monetary items that are measured in terms of historical cost in foreign currencies are translated using the exchange rates at that date of the transaction. Foreign currency differences arising on the translation are recognized in the consolidated statement of income at the consolidated interim financial statements date in consolidated statement of income.

Financial statements of Al Ezz Flat Steel (EFS)

EFS maintains its accounting records in US Dollar. For the purpose of preparation of the Consolidated Interim financial statements, the assets and liabilities are translated into Egyptian Pound at the closing exchange rate ruling at the financial statements date. The income statement items are translated into Egyptian Pound at the average exchange rate for the period. Equity items are translated by historical rate and Exchange differences arising from the translation are recorded in the shareholders equity.

38.2 Fixed assets and depreciation

Fixed assets are stated at historical cost less accumulated depreciation and accumulated impairment losses. Depreciation - except rolling rings - is charged to the consolidated statement of income on straight-line basis over the estimated useful lives of assets. The management of the company regularly reconsiders the remaining useful lives of the fixed assets in order to determine whether they match the previously estimated useful lives and if there is a significant difference, the assets depreciation will be calculated in accordance with the remaining estimated useful life.

During 2016 modified cost model was adopted by the group, which the cost and accumulated depreciation for some categories of fixed assets (Machinery and equipment, Vehicles, Furniture and office equipment, Tools and supplies) are modified using modification factors stated in annex (A) of EAS no. (13). The increase of net fixed assets which are qualified to modification, were recognized in other comprehensive income items and was presented as a separate item in equity under the name of "modification surplus of fixed assets". The realized portion of modification surplus of fixed assets is transferred to retained earnings or losses in case of disposal or abandonment of the asset which qualified for modification or usage (depreciation difference resulting from the adaption of the special accounting treatment).

The estimated useful life for each type of assets is as follows:

Asset	Estimated useful life Years
Buildings	
– Buildings	25 – 50
– Other buildings	8
Machinery and equipment	
– Machinery and equipment	5 – 25
– Rolling rings (machinery and equipment)	According to actual use (ERM 5-6 based on 3 shifts)
Vehicles	2 – 5
Furniture and office equipment	
– Furniture and office equipment	3 – 10
– Central air conditioning and fixtures	8
Tools and appliances	4 – 5
Improvements on leased buildings	The lower of lease term or assets' useful lives

Profits or losses resulting from fixed assets disposal are charged to the consolidated statement of income.

38.3 *Cost subsequent to acquisition*

The replacement cost of an asset component is recognized in the asset cost after the elimination of the cost of this component when such cost is incurred by the company and in case it is probable that future economic benefits shall inflow to the group as a result of the replacement of this component conditional on the ability to measure its cost with a high level of accuracy. However, the other costs are to be recognized in the consolidated statement of income as an expense when incurred.

38.4 *Projects under construction*

Projects under construction are recognized initially at cost. Cost includes all expenditures directly attributable to bringing the asset to a working condition for its intended use. Projects under construction are transferred to fixed assets at its cost when they are completed and are ready for their intended use.

38.5 *Other assets*

- Other assets are licenses cost which are capable of generating future economic benefits.
- Other assets are stated at purchased cost including any expenses that are directly attributable to preparing the asset for its intended use, net of accumulated amortization and impairment losses.

38.6 *Investments in associates*

Investments in associates are accounted for using the equity method and are recognized initially at cost. The Group's investment includes goodwill identified on acquisition, net of any accumulated impairment losses, if any. The consolidated interim financial statements include the Group's share of income, and expenses of equity accounted investee, after adjustments to align accounting policies with those of the Group, from the date that significant influence commences to the date that significant influence ceases. When the Group's share of losses exceeds its interest in an equity accounted investee, the carrying amount is reduced to nil and recognition of further losses is discontinued except to the extent that the Group has an obligation or has made payments on behalf of the associate.

In case of the excess in the cost of acquisition over the company share in net fair value of the assets, liabilities and contingent liabilities as well in associates on the date of acquisition, the goodwill is recognized as a part of investment book value, thus it will be subjected to the impairment loss on the investment.

38.7 Available-for-sale investments

Available-for-sale investments are initially measured at fair value and as of the consolidated interim financial statements date, the change in the fair value whether gain or loss is recognized directly in equity, except for impairment losses which are transferred to profit or loss. When an investment is derecognized, the cumulative gain or loss in equity is transferred to profit or loss.

The fair value for available-for-sale investments is identified based on the quoted price of the exchange market in an active market at the consolidated financial position date, except for investments which are not quoted in a stock exchange in an active market, in this case they are measured at cost net of impairment loss.

38.8 Investments in treasury bills

Investments in treasury bills are stated in the financial statements are initially measured at fair value and subsequently measured by depreciated cost, the difference between acquiring cost and the realizable value during the period is amortized from acquiring date to maturity date using actual interest rate.

38.9 Goodwill

Goodwill represents the excess of the acquisition cost over the fair value of the identifiable assets acquired at the date of acquisition. Goodwill is tested for impairment at consolidated financial position date. If events or changes in circumstances indicate that the goodwill might be impaired, impairment loss "If any" is charged to the consolidated statement of income for the period.

38.10 Inventory

Inventory is valued at cost or net realizable value whichever is lower. Net realizable value is the estimated selling price in the ordinary course of business, less the estimated costs of completion and selling expenses. Cost is determined as follows:

- Raw materials: is valued at its cost up to bringing them to warehouses, and the outgoing is evaluated using the first in first out method.
- Spare parts, materials, and supplies: are valued at cost up to bringing them to warehouses, and the outgoing is evaluated using the weighted average method.
- Work in process: according to the actual manufacturing cost which includes direct materials and labor cost in addition to share of indirect manufacturing cost incurred until the last production stage reached.
- Finished products: according to the actual manufacturing cost.

38.11 Trade and notes receivables and debtors

Trade and notes receivable and debtors are initially stated at their fair value and subsequently measured by depreciated cost using the effective interest rate and reduced by estimated impairment losses from its value.

38.12 Cash and cash equivalents

Cash and cash equivalents in the statement of cash flows comprise cash balances, banks current accounts, time deposits, market money fund bills and treasury bills which do not exceed three months and banks overdrafts that are repayable on demand and form an integral part of the Group's cash management preparing are included as a component of cash equivalents. The consolidated statement of cash flows is prepared and presented according to indirect method.

38.13 Trade and notes payable and creditors

Trade and notes payable and creditors are primary stated at fair value and subsequently measured by depreciated cost using the actual interest rate.

38.14 Impairment loss on assets

A. *Financial assets*

A financial asset is considered to be impaired if objective evidence indicates that one or more events have had a negative effect on the estimated future cash flows of that asset.

An impairment loss in respect of a financial asset measured at amortized cost is calculated as the difference between its carrying amount, and the present value of the estimated future cash flows discounted at the original effective interest rate. An impairment loss in respect of an available-for-sale financial asset is calculated by reference to its current fair value.

Individually significant financial assets are tested for impairment on an individual basis. The remaining financial assets are assessed collectively in groups that share similar credit risk characteristics.

All impairment losses are recognized in profit or loss. Any cumulative loss in respect of an available-for-sale financial asset recognized previously in equity is transferred to profit or loss.

An impairment loss is reversed if the reversal can be related objectively to an event occurring after the impairment loss was recognized. For financial assets measured at amortized cost and available-for-sale financial assets that are debt securities, the reversal is recognized in consolidated income statement. For available-for-sale financial assets that are equity securities, the reversal is recognized directly in equity.

B. *Non-financial assets*

The carrying amounts of the Company's non-financial assets, other than deferred tax assets, are reviewed at each reporting date to determine whether there is any indication of impairment.

An impairment loss is recognized if the carrying amount of an asset or its cash-generating unit exceeds its recoverable amount. A cash-generating unit is the smallest identifiable asset group that generates cash flows that are largely independent from other assets and groups. Impairment losses are recognized in the consolidated statement of income.

The recoverable amount of an asset or cash-generating unit is the greater of its value in use and its fair value less costs to sell.

Impairment losses recognized in prior periods are assessed at consolidated interim financial statements date for any indications that the loss has decreased or no longer exists. An impairment loss is reviewed if there has been a change in the estimates used to determine the recoverable amount. An impairment loss is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of depreciation or amortization, if no impairment loss had been recognized.

38.15 Interest-bearing borrowings

Interest-bearing borrowings are recognized initially at fair value less attributable transaction costs. Subsequent to initial recognition, interest-bearing borrowings are stated at amortized cost on an effective interest basis with any difference between cost and redemption value being recognized in the consolidated statement of income.

Borrowing cost of financing fixed assets are capitalized to finance qualified fixed assets during the construction period till the asset is reachable for use from the economical view.

38.16 Provisions

Provisions are recognized when the Company has a legal or constructive obligation as a result of a past event and it is probable that a flow of economic benefits will be required to settle the obligation. If the effect is material, provisions are determined by discounting the expected future cash flows at a pre-tax rate that reflects current market assessment of the time value of money and, where appropriate, the risks specific to the liability. The provisions balances are reviewed on a going basis at the financial position date to disclose the best estimate on the current period.

38.17 Share capital

Repurchase of share capital

Upon the repurchase of issued capital shares of the company (whether direct way or by using one of its subsidiaries), it is recognized with the amount paid in return for the repurchase, process which includes all direct costs and all costs related to repurchasing, as a reduction in owners' equity, and it shall be classified as treasury stock deducted from the total owners' equity side.

38.18 Revenues

a) Sales revenues

Sales revenues are recognized when the risks and benefits of goods are transferred to the purchaser at delivering the goods. The sales is not recognized in case of non-assurance of the collection of these revenue or inability to determine any related costs or any expected sales return or the continues of the management relation with the sold product.

b) Dividends

Dividends income is recognized in the consolidated income statement on the date where the company has the right to receive investees' dividends occurred after the date of acquisition.

c) Interest income

Interest income is recognized in the profit or loss as it accrues using the effective interest rate method.

38.19 Capital lease contracts

The due rental value, expenses of maintenance and repair of assets leased based on capital lease contracts in accordance with the provisions of the leasing no. 95 for the year 1995 as an expense in the income statement for the period according to the accrual basis, and at end of the contract and if the Company desired to purchase the assets leased, it will be recognized as fixed assets with the amount paid to exercise the right to purchase those assets stated in the contract and to be depreciated over the estimated useful life remaining to them.

38.20 Earnings per share

The Group presents basic earnings per share (EPS) data for its ordinary shares. Basic EPS is calculated by dividing the profit or loss attributable to ordinary shareholders of the Company by the weighted average number of ordinary shares outstanding during the period.

38.21 Income Tax

Income tax on the profit or loss for the period comprises current income tax and deferred tax. Income tax is recognized in the consolidated income statement except to the extent that it relates to items recognized directly in equity, in which case it is recognized in equity. Current tax is the expected tax payable on the taxable income, using tax rates enacted or substantially enacted at the consolidated financial position date.

Deferred tax is provided using the financial position liability method, providing for temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. The amount of deferred tax provided is based on the expected manner of realization or settlement of the carrying amount of assets and liabilities, using tax rates enacted or substantively enacted at the consolidated financial position date.

A deferred tax asset is recognized only to the extent that it is probable that future taxable profits will be available against which the asset can be utilized. Deferred tax assets are reduced to the extent that it is no longer probable that the related tax benefit will be realized during the upcoming periods.

38.22 Financial risk management

The Group has exposure to the following risks from its use of financial instruments:

* Credit risk
* Liquidity risk
* Market risk

This note presents information about the Group's exposure to each of the above risks, the Group objectives, policies and processes for measuring and managing risks, and the Group management of capital. Further quantitative disclosures are included throughout these consolidated interim financial statements.

The Board of Directors has overall responsibility for the establishment and oversight of the Group risk management framework.

The Group risk management policies are established to identify and analyse the risks faced by the Group, to set appropriate risk limits and controls, and to monitor risks and adherence to limits. Risk management policies and systems are reviewed regularly to reflect changes in market conditions and the Group's activities.

The Group, aims to develop a disciplined and constructive control environment in which all employees understand their roles and obligations.

38.22.1 Credit risk

Credit risk is the risk that one party to a financial instrument will fail to discharge an obligation and cause the other party to incur financial loss.

This risk is mainly resulting from the Group's trade and other debtors.

Trade receivable & other debtors

The Group's exposure to credit risk is influenced mainly by the individual characteristics of each customer. The demographics of the Group's customer base, including the default risk has less of an influence on credit risk.

Most of Group's revenue is represented in sales transaction with many customers with close values for each customer, hence, there is no concentration of credit risk on specific customers.

Cash and cash equivalents

Credit risk relating to cash and cash equivalents - except cash on hand - and financial deposits arises from the risk that the counterparty becomes insolvent and accordingly is unable to return the deposited funds. To mitigate this risk, whenever possible, the Group conducts transactions and deposits funds with financial institutions with high investment grade.

38.22.2 Liquidity risk

Liquidity risk is the risk that the Group will not be able to meet its financial obligations as they fall due. The Group's approach to managing liquidity is to ensure, as far as possible, that it will always have sufficient liquidity to meet its liabilities when due, under both normal and stressed conditions, without incurring unacceptable losses or risking damage to the Group's reputation.

The Group ensures that the sufficient cash on demand to meet expected operational expenses for a suitable period, including the service of financial obligations; this excludes the potential impact of extreme circumstances that cannot reasonably be predicted, such as natural disasters.

38.22.3 Market risk

Market risk is the risk that changes in market prices, such as foreign currency exchange rates, interest rates and equity prices will affect the Group's income or the value of its holdings of financial instruments.

The objective of market risk management is to manage and control market risk exposures within acceptable parameters, while optimising the return.

Currency risk

The Group is exposed to currency risk on transactions that are denominated in a currency other than the respective functional currencies of the Group, primarily the U.S. Dollars (USD) and Euro. In respect of monetary assets and liabilities denominated in foreign currencies, the Group ensures that its net exposure is kept to an acceptable level through purchase or sale of the foreign currencies with current prices when that is necessary to face un-balanced short term.

Interest rate risk

The Group is exposed to market risks as a result of changes in interest rates particularly in relation to borrowings. Borrowings issued at floating rates expose the Group to cash flow interest rate risk. Borrowings issued at fixed rates expose the Group to fair value interest rate risk.

The basic strategy of interest rate risk management is to balance the debt structure with an appropriate mix of fixed and floating interest rate borrowings based on the Group's perception of future interest rate movements.

Other market prices risk

This risk arises from changes in the price of available-for-sale investments held by the Group, the Group's management monitors the equity instruments in the investments' portfolio according to the market and objective valuation of the financial statements related to these shares. Material investments within the portfolio are managed on an individual basis and all buy and sell decisions are approved by the Board of Directors. The primary goal of the Group's investment strategy is to maximize investment returns and the management consults external advisors in this regard.

38.22.4 Capital management

The Board of Directors' policy is to maintain a strong capital base so as to maintain investor, creditor and market confidence and to sustain future development of the business. The Boards of Directors monitors the return on capital, which the Group defines as net operating income divided by total shareholders' equity, the Board also monitors the level of dividends paid to shareholders. There were no changes in the Group's approach to capital management during the period. The Group is not subject to externally imposed capital requirements.