Misr Cement (Qena) Company (SAE)
Cairo - Egypt

Consolidated Financial Statements
For the Period Ended June 30, 2022
And Limited Review Report

Contents

KRESTON EGYPT
Tamer Nabarawy & Co.

Translation of Audit's report
Originally issued in Arabic

Limited Review Report

To: The chairman and members of the board of directors of MISR CEMENT (QENA) COMPANY (S.A.E) (Egyptian Joint Stock Company)

Introduction

We have performed a limited review for the accompanying consolidated interim financial statements of Misr Cement (Qena) Company (S.A.E) which comprise the consolidated interim financial position as of June 30, 2022 and the related consolidated interim statements of income, consolidated interim other comprehensive income, consolidated interim change of shareholders' equity and consolidated interim cash flows for the six 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 the Egyptian Accounting Standards. our responsibility is to express a conclusion on these consolidated interim financial statements based on our limited review.

Scope of Limited Review

We conducted our limited review in accordance with the Egyptian Standard on Review Engagements 2410, "limited review of consolidated interim financial statements performed by the Independent Auditor of the entity". A limited review of consolidated 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 the 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 companying consolidated interim financial statements do not present fairly, in all material respects the consolidated interim financial position of Misr Cement (Qena) Company (S.A.E) as at June 30, 2022 and of financial performance and its cash flows for the six months then ended in accordance with the Egyptian accounting standards.

Emphasis of matter paragraph:

Without considering this as a qualification, we depended on audited and not approved consolidated financial statement for Misr Cement Beton Company (Previously Aseco Ready Mix) (S.A.E), so it has a financial effect on the consolidated interim financial statement.

Cairo, August 14, 2022

Auditor

G Farag

Gomaa Farag
Financial Regulatory Authority
Register Number (345)
Tamer Nabarawy and Co.
Kreston Egypt

KRESTON EGYPT
Tamer Nabarwy & Co.
Public Accountants & Consultants

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CONSOLIDATED INTERIM STATEMENT OF FINANCIAL POSITION

	Notes	30 June 2022	31 December 2021
		EGP	EGP
Assets			
Non-current Assets			
Fixed assets – Net	(5)	2 019 756 301	2 076 650 071
Projects under construction	(6)	80 840 258	88 001 953
Assets right to use	(7)	6 699 092	6 827 921
Financial investment held for sale through OCI	(8)	--	--
Investments in associates	(9)	15 807 588	17 519 074
Goodwill		481 159 424	481 159 424
Intangible assets	(10)	227 419 956	231 628 313
Deferred tax assets	(19)	14 938 441	14 938 441
Total non-current assets		**2 846 621 060**	**2 916 725 197**
Current assets			
Inventory	(11)	545 859 434	509 762 987
Accounts and notes receivable	(12)	54 074 349	39 618 397
Debtors and other debit balances	(13)	439 679 755	171 727 427
Investments held for sale		1 618 400	1 618 400
Cash on hand and at banks	(14)	148 852 737	97 032 842
Total current assets		**1 190 084 675**	**819 760 053**
Total assets		**4 036 705 735**	**3 736 485 250**
Equity			
Issued & paid up capital	(15)	720 000 000	720 000 000
Reserves	(16)	210 929 335	206 198 292
Retained earnings		462 932 243	378 014 112
Net profit for the period / year		53 656 862	146 060 561
Total equity (company's shareholders)		**1 447 518 440**	**1 450 272 965**
Non- controlling shareholders interests	(17)	477 770 418	454 204 191
Total equity		**1 925 288 858**	**1 904 477 156**
Non-current liabilities			
Long term loans	(18)	123 760 570	248 052 768
Accrued land operating lease	(7)	26 308 794	25 078 706
Deferred tax liabilities	(19)	327 717 266	335 647 893
Total non-current liabilities		**477 786 630**	**608 779 367**
Current liabilities			
Provisions	(20)	83 983 669	80 763 145
Credit facilities	(21)	420 302 982	307 105 701
Current portion of long term loans	(18)	255 902 708	257 336 026
Suppliers and notes payable		595 008 495	362 171 225
Receivables – advanced payments		51 321 279	52 002 756
Lease contract liability	(7)	1 457 163	1 457 163
Creditors and other credit balances	(22)	202 709 298	127 961 194
Accrued income tax	(23)	22 944 653	34 431 517
Total current liabilities		**1 633 630 247**	**1 223 228 727**
Total liabilities		**2 111 416 877**	**1 832 008 094**
Total equity and liabilities		**4 036 705 735**	**3 736 485 250**

- The accompanying notes are an integral part of the Consolidated financial statements.
- Limited review report attached.

Managing Director	Group Chief Financial	Group Financial Manager
Tarek Talaat	Ramy Morsy	Moustafa Abd Elrazek

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CONSOLIDATED INTERIM STATEMENT OF INCOME (Profit and Loss)

	Notes	First Six Months		Second Three Months	
		30 June 2022	30 June 2021	30 June 2022	30 June 2021
		EGP	EGP	EGP	EGP
Net Sales		1 295 850 470	1 285 027 272	627 091 351	572 289 228
(Less)					
Cost of Sales	(24)	(1 075 594 998)	(1 063 815 138)	(560 667 462)	(459 034 251)
Gross Profit		**220 255 472**	**221 212 134**	**66 423 889**	**113 254 977**
Selling and marketing expenses	(25)	(14 062 254)	(10 887 695)	(7 585 868)	(2 498 219)
General and administrative expenses	(26)	(73 117 595)	(71 461 702)	(33 146 641)	(39 080 447)
Other Revenues	(27)	2 025 300	1 228 259	927 891	663 914
Other expenses		(264 946)	(2 917 503)	(199 509)	(2 705 146)
Provisions charged		(3 220 524)	(473 759)	(1 559 927)	--
Total		**(88 640 019)**	**(84 512 400)**	**(41 564 054)**	**(43 619 898)**
Net operating Income		**131 615 453**	**136 699 734**	**24 859 835**	**69 635 079**
Add/(Less)					
Financial expenses		(39 181 812)	(50 087 371)	(20 037 667)	(23 460 859)
Operating lease - Interest		(1 230 089)	--	(622 262)	--
Amortization assets right to use		(128 829)	--	(64 415)	--
Expected credit loss		(131 149)	--	95 396	--
Foreign currency exchange		7 912 812	(320 390)	1 696 338	191 458
Credit interest		2 608 274	2 713 638	1 159 441	1 410 338
Net profits for the period before Income Taxes		**101 464 660**	**89 005 611**	**7 086 666**	**47 776 016**
(Less)					
Income Tax	(23)	(23 704 622)	(20 277 459)	(10 539 175)	(9 758 436)
Deferred Tax		7 930 627	377 639	8 289 403	165 115
Net profits after income taxes and before non-controlling shareholders' profits		**85 690 665**	**69 105 791**	**4 836 894**	**38 182 695**
Distributed as follow:-					
Controlling shareholders'		53 656 862	61 415 615	(5 974 343)	32 467 694
Non-controlling Shareholders' interest profits		32 033 803	7 690 176	10 811 237	5 715 001
		85 690 665	**69 105 791**	**4 836 894**	**38 182 695**

- The accompanying notes are an integral part of the consolidated financial statements.

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Tarek Talaat	Ramy Morsy	Moustafa Abd Elrazek

CONSOLIDATED INTERIM STATEMENT OF COMPREHENSIVE INCOME

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	First Six Months		Second Three Months	
	30 June 2022	*30 June 2021*	*30 June 2022*	*30 June 2021*
	EGP	EGP	EGP	EGP
Net profits for the period after taxes	85 690 665	69 105 791	4 836 894	38 182 695
Add :				
Other comprehensive income	--	--	--	--
Comprehensive income for the period	**85 690 665**	**69 105 791**	**4 836 894**	**38 182 695**
Distributed as follow :				
Controlling shareholders'	53 656 862	61 415 615	(5 974 343)	32 467 694
Non-controlling shareholders' interest profits	32 033 803	7 690 176	10 811 237	5 715 001
	85 690 665	**69 105 791**	**4 836 894**	**38 182 695**

- The accompanying notes are an integral part of the consolidated financial statements.

Managing Director
Tarek Talaat

Group Chief Financial
Ramy Morsy

Group Financial Manager
Moustafa Abd Elrazek

CONSOLIDATED INTERIM STATEMENT OF CHANGE IN EQUITY

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Controlling shareholder's interests

	Issued & Paid up Capital EGP	Reserves EGP	Retained earnings EGP	Net Profit for the Period EGP	Total EGP	Non- controlling shareholders interest EGP	Total Equity EGP
30 June 2021							
Balance as of 1 January 2021	720 000 000	199 526 661	400 198 968	33 849 273	1 353 574 902	425 608 684	1 779 183 586
Transferred to retained earnings	--	--	33 849 273	(33 849 273)	--	--	--
Transferred to reserves	--	2 368 796	(2 368 796)	--	--	--	--
Dividends distribution	--	--	(25 502 458)	--	(25 502 458)	(38)	(25 502 496)
Total Comprehensive income for the period	--	--	--	61 415 615	61 415 615	7 690 176	69 105 791
Balance as of 30 June 2021	720 000 000	201 895 457	406 176 987	61 415 615	1 389 488 059	433 298 822	1 822 786 881
30 June 2022							
Balance as of 1 January 2022	720 000 000	206 198 292	378 014 112	146 060 561	1 450 272 965	454 204 191	1 904 477 156
Transferred to retained earnings	--	--	146 060 561	(146 060 561)	--	--	--
Transferred to reserves	--	4 731 043	(4 731 043)	--	--	--	--
Non-controlling shareholders' shares from subsidiaries	--	--	--	--	--	188	188
Dividends distribution	--	--	(56 411 387)	--	(56 411 387)	(8 467 764)	(64 879 151)
Total comprehensive income for the period	--	--	--	53 656 862	53 656 862	32 033 803	85 690 665
Balance as of 30 June 2022	720 000 000	210 929 335	462 932 243	53 656 862	1 447 518 440	477 770 418	1 925 288 858

-The accompanying notes are an integral part of the consolidated financial statements.

Managing Director
Tarek Talaat

Group Chief Financial
Ramy Morsy

Group Financial Manager
Moustafa Abd Elrazek

CONSOLIDATED INTERIM STATEMENT OF CASH FLOWS

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	Notes	30 June 2022 EGP	30 June 2021 EGP
Cash Flows From Operating Activities			
Net Profits before income taxes		101 464 660	89 005 611
Adjustments to reconcile net profit to cash flows			
Depreciation of fixed assets	(5)	73 267 113	71 792 447
Amortization assets right to use		128 829	--
Amortization of intangible assets	(9)	4 245 997	4 786 053
Exchanged Foreign currency		(7 912 812)	320 390
Operating lease – interest		1 230 089	--
Expected credit loss		131 149	--
Provision charged during the period		3 220 524	473 759
Financial expenses		39 181 812	50 087 371
Credit interests		(2 608 274)	(2 713 638)
Operating profits before changes in current assets and current liabilities		**212 349 087**	**213 751 993**
Change in inventory	(10)	(36 096 447)	(35 869 106)
Change in accounts receivables and notes receivables	(11)	(14 483 478)	(12 648 816)
Change in land operating lease contract		--	1 221 479
Change in debtors and other debit balances	(12)	(267 945 739)	(40 182 183)
Change in receivables – advance payments		(681 477)	53 557 124
Change in suppliers and notes payable		232 837 270	162 967 208
Change in creditors and other credit balances	(21)	32 506 296	(51 935 269)
Cash flows from operating activities		**158 485 512**	**290 862 430**
Paid Income taxes	(26)	(35 191 486)	(20 922 089)
Net cash from operating activities		**123 294 026**	**269 940 341**
Cash flows from investing activities			
Payments for purchase fixed assets and projects	(5)	(9 249 288)	(12 558 949)
Dividends from Investments in associates		1 711 486	837 001
Credit interest collected		2 498 064	2 638 497
Change in Time deposits (maturing after three months)	(13)	--	3 853 307
Net cash from investing activities		**(5 039 738)**	**(5 230 144)**
Cash flows from financing activities			
Change in credit banks		113 197 281	(24 483 836)
Paid debit interests		(39 600 875)	(50 866 538)
Change in loans	(17)	(125 725 516)	(117 944 579)
Non-controlling shareholders' shares from subsidiaries		188	--
Dividends distribution paid		(22 218 283)	(6 437 187)
Net cash flow financing activities		**(74 347 205)**	**(199 732 140)**
Net changes in cash and cash equivalents		**43 907 083**	**64 978 057**
Exchange Foreign currency		7 912 812	(320 390)
Cash and cash equivalent – beginning of the period		95 681 842	82 294 625
Cash and cash equivalent – end of period		**147 501 737**	**146 952 292**
For the purpose of preparing a statement of cash flows cash and cash equivalents are represented in the following:			
Cash and cash equivalent		148 852 737	146 952 292
Time deposits - maturing after six months		(1 351 000)	--
Cash And Cash Equivalent – End of the period		**147 501 737**	**146 852 292**

- The accompanying notes are an integral part of the consolidated financial statements.

Managing Director	Group Chief Financial	Group Financial Manager
Tarek Talaat	Ramy Morsy	Moustafa Abd Elrazek

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1. About the Company
Misr Cement (Qena) Company (S.A.E)

1.1. Company's Background

- MISR CEMENT CO, (QENA) COMPANY (S.A.E) was established under the provisions of Law No, 159 of 1981 and its executive regulations, The company was registered in commercial registry under No, 45832 Qena in May 25, 1997, The initial contract and the statute of the company was published in companies document issue No, 2096 in November, 1997.

1.2. Company's purpose

- The production of Cement in its different forms and other by products ,the production and trading of other construction materials and construction supplies, So in order to attain its purpose the company may import the necessary equipment ,The company may participate in any ways with other companies in conducting similar activities which may help in achieving its purpose in Egypt or abroad, And it also may merge with previously stated bodies or acquire them in accordance with the provision of laws and its executive regulations.
- MISR CEMENT CO, (QENA) COMPANY (S.A.E) assigned the technical management, operation and maintenance of the factory, as well as business consulting for the operation of the quarry to the Arab Swiss Engineering "ASIC ".
- MISR CEMENT CO, (QENA) COMPANY (S.A.E) assigned operation and supply of raw materials, as well as the work of cutting and indexing of limestone quarry to ASEC Company for Mining " ASCOM".

1.3. The Company's Location

- The head office is located in the city of Qeft in Qena Governorate.
- Based on the decision of the Extraordinary General Assembly held on March 30, 2022, the company's head office was changed to be: 22 Anwar Al-Mufti Street - Tiba Project 2000 - Nasr City- Cairo. The entry was made in the commercial register on May 12, 2022.

1.4. The company duration

- The duration of the company is 25 years starting from the date of the registration in the commercial register.
- Based on the decision of the Extraordinary General Assembly held on March 30, 2022, the duration of the company was set to start from May 24, 2022 and end on May 23, 2047 according to the record in the Commercial Register. The entry was made in the commercial register on May 12, 2022.

1.5. Financial year

- The company begins from 1 January and ends at the end of December of each year.
- The company is registered on both Cairo and Alexandria Exchange Market.

1.6. Approval of the financial statements

- The consolidated Financial Statements of the Company for the period ended June 30, 2022 were authorized for issuance in accordance with a resolution of the board of directors on August 14, 2022

Background for the subsidy companies owned by MISR CEMENT COMPANY (QENA) (S.A.E)
Following is a background on the subsidiary companies owned by Misr Cement Company including the direct and indirect percentage of ownership for Misr Cement Company in the subsidies as follows:

	Investment nature	30 june2022	31 December 2018	1 November 2015
		%	%	%
MISR CEMENT BETON (Previously ASECO READY MIX) (S.A.E)	Direct	99.9	99.9	45
MISR CEMENT MINYA (Previously MINYA PORTLAND CEMENT) (S.A.E)	Direct	60.36	60.36	13.88
QENA FOR MAINTENANCE (S.A.E)	Indirect	99.8	--	--

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1. About the Company (follow)

1.6. Approval of the Financial Statements (follow)

Misr Cement - Beton (S.A.E) (Previously ASECO READY MIX)

- ASECO READY MIX (S.A.E) was established in Egypt under Law No. 8 of 1997 and its executive regulations. The company was registered in commercial registry under No.41747 Cairo at 20 October 2009.
- On 26 March 2016 the extraordinary general assembly meeting decided to relocate the company's head office to 22 street Anwar Mofty – Tiba 2000 – Nasr city – Cairo and the management taken process to change in commercial registry dated on December 6, 2016.
- The duration of the company is 25 years starting from the date of the registration in the commercial register.
- The purpose of the company is to establish and operate factory to produce the Cement and concrete products.
- Based on the decision of the Extraordinary General Assembly held on November 11, 2018, the name of the company, ASECO READY MIX, has been amended, and this was indicated in the Commercial Registry on January 21, 2019.
- The percentage of ownership for MISR CEMENT COMPANY (S.A.E) Company in ASECO READY MIX (S.A.E) is 45%.
- In 1 November 2015, MISR CEMENT COMPANY (S.A.E) acquired ASECO READY MIX by purchasing 208 998 shares in which represents 54.9%, resulting in goodwill amounts to EGP 42,984,816 represents the difference in the investment cost amounts to EGP 70,631,716 54.9% from the ASECO FOR CEMENT COMPANY's total net assets in the acquisition date amounts to EGP 27,646,900.
- The goodwill was recorded under the long-term assets in the consolidated Financial Statements and the goodwill is tested for impairment regularly and in the case of impairment the losses will be allocated in the consolidated statement of profits and losses.
- As so, the percentage of ownership for MISR CEMENT COMPANY (S.A.E) in ASECO READY MIX COMPANY (S.A.E) became 99.9%.
- Based on the decision of the Extraordinary General Assembly held on October 24, 2021, the name of the company was modified to become Misr Cement - Beton, and this was noted in the commercial registry on November 3, 2021.

MISR CEMENT MINYA (Previously MINYA PORTLAND CEMENT) (S.A.E)

- ARAB NATIONAL COMPANY FOR CEMENT (S.A.E) was established according to Law No. 8 of 1997 and its executive regulations number 669 for the year 2006.The Company was registered in commercial registry under No, 19045 Cairo on 1 June, 2006.
- On 22 March 2016 the extraordinary general assembly meeting decided to relocate the company's head office to 22 street Anwar Mofty – Tiba 2000 – Nasr city – Cairo and the management taken process to change in Commercial registry is pending.
- The purpose for the company is to establish and operate factory to produce all types of cement and use the quarry's materials and produce construction materials, also manufacturing the necessary packages for the company's products.
- In 30 December 2012 the extraordinary general assembly meeting decided to change the company's name to be Minya Portland Cement instead of ARAB NATIONAL COMPANY FOR CEMENT (S.A.E) and the name was changed in the company's journal and the commercial register in 2 October 2013.
- Based on the decision of the extraordinary general assembly meeting dated on November 22, 2020 the company's name changed to Minya Portland cement (S.A.E) and the company was registered in commercial registry under No.10253 dated on 4 March ,2019.
- The percentage of ownership for Misr Cement company (S.A.E) in PORTLAND EL Company (S.A.E) amounts to 13.88%.

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MISR CEMENT MINYA (Previously MINYA PORTLAND CEMENT) (S.A.E) (Follow)

- In 1 November 2015 Misr Cement Company (S.A.E) acquired 44 872 676 shares in Misr Cement - Beton (S.A.E) (Previously ASECO Company) (S.A.E) which represents 46.48% from the total shares for the company, resulted in a goodwill balance amounts to EGP

- 438,174,608 which represents the difference between the investment cost amounts to EGP 932,844,955 and 46.48% of the total net assets for PORTLAND COMPANY (S.A.E) in the acquisition date amounts to EGP 494,670,347.

- The goodwill balance was recorded in the consolidated Financial Statements in the non- current assets section and it is tested for impairment in the consolidated Financial Statements regularly and in the case of loss in the goodwill it is recorded in the consolidated financial statements.

- As so the percentage of ownership for Misr Cement Company (S.A.E) in Minya Portland Cement (S.A.E) became to 60.36%.

2. Basis for financial statement 's preparation

2.1 Basis of consolidating the financial statements

- The consolidated Financial Statements are prepared by consolidating the Financial Statements of the Holding Company and its subsidiaries through collecting similar items of assets, liabilities, equity, revenue and expenses.

- Investment in subsidiaries was eliminated from holding company for consolidated purpose.

- Unrealized intercompany transactions are eliminated for consolidated purpose.

- Non-Controlling shareholders in net assets and net income of subsidiaries controlled by the parent company is recorded in a separate account within the Equity in the consolidated Financial Statements and is calculated by their share in the book value of net assets of subsidiaries.

The acquisition cost was distributed as follows:

1. The fair value of assets and liabilities in the acquisition date of investment and within the limits of the share of the parent company that was acquired on that date
2. The increase in the acquisition cost over the parent company share in equity of the subsidiaries companies are recognized as goodwill.

2.2 Following Polices and regulations

- The consolidated Financial Statements are prepared according to the Egyptian accounting policies and regulations.

2.3 The presented and disclosed currency

The Financial Statements are presented in the Egyptian pound which is the same currency of transactions and the main and significant activities in the company.

2.4 Basis of measurement

The Financial Statements are prepared accorded to the historical cost principle

3. Significant accounting estimates and personal judgments

3.1 The significant estimates and assumptions

The preparation of Financial Statements according to the Egyptian accounting standards requires that management uses personal judgments and making estimates and assumptions that can affect the application of policies and the values of assets and liabilities also revenues and expenses. The estimates and assumptions are evaluated based on past experience and some other factors including the expected future events that fit these circumstances.

These estimates and assumptions are reviewed annually and any differences in the accounting estimates are recognized in the year in which these estimates are changed, and if these differences affect the year in which these changes are made and future years, these differences are recorded in the year in which the adjustments are made and the future years. The most significant estimates and assumptions the company uses are as follows:

3. **Significant accounting estimates and personal judgments (Follow)**

3.1 The significant estimates and assumptions (Follow)

a. Income tax

The Company is subjected to corporate income tax. The Company estimates the income tax provision by using expert's advice. In case of any difference between any of the final and preliminary results, these differences will affect the income tax and deferred income tax provision in these years.

b. Impairment of receivables

The evaluation in the value of receivables is made through debt aging. The Company management is studying the credit position and the ability of payments of the customers who their numerous debts are due during the credit limit granted to them and the impairment is recorded with the value of the due amounts on the customers who the Company management indicate that their credit position do not allow them to pay their liabilities.

c. Useful lives of fixed assets

The estimated useful life is depending on estimation and personal judgment based on the experience of the Company with similar fixed assets taking into consideration the estimated usage of the asset and number of working shifts and technical limitations. Residual values and useful lives of assets are reviewed on annual basis.

d. Impairment of Inventory

The company's management reduces the obsolete and low turn-over inventory into its net ordinary value based on special reports about its usage and future benefits.

3.2 Significant personal judgments in applying the company's accounting policies

Applied accounting policies do not require from management is personal judgment which may have a significant impact on the value recognized in the financial statements.

3.3 Fair value measurement

a. The fair value of financial instruments is identified according to the market value of the financial instruments or similar financial instruments on the date of the financial statements. The value of the financial assets is identified by their replacement cost, while the value of the financial liabilities is identified by the current prices that can settle these liabilities.
b. In case there is no active market to determine the fair value of the financial instruments the fair value is estimated using different valuation methods taking in consideration the prices of recent transactions and using the current fair value of other significantly similar Instruments-Deducted cash flow method- or any other evaluation method results in values on which we can depend.
c. When using the deducted cash flow method as a method of evaluation the future cash flow is estimated based on the best estimates by management. And the used deduction rate is identified based on the prevailing price in the market in the date of the Financial Statements of instruments similar in nature and conditions.

4. **Significant accounting policies**

The accounting policies set out below have been applied consistently to all years presented in these financial statements.

4.1 Foreign currencies translation

Transaction in foreign currencies are initially recorded using the exchange rate prevailing on the date of the transaction.
Monetary assets and liabilities denominated in foreign currencies are retranslated using the exchange rates prevailing at the balance sheet date, all differences are recognized in the statement of income.
Non – monetary items that are major are historical cost in foreign currencies are translated using the exchange rate prevailing at the date of the initial recognition.

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4. Significant accounting policies (Follow)

4.2 Fixed assets and its Depreciation

a. The first recognition and initial measurement

Fixed assets are stated at the historical cost after deducting accumulated depreciation and accumulated impairment losses.

b. Subsequent Cost

Such cost includes the cost of replacing part of the fixed assets when that cost is incurred, if the recognition criteria are met, Likewise, when major improvements are performed, its cost is recognized in the carrying amount of the fixed assets as a replacement if the recognition criteria are satisfied, all other repair and maintenance costs are recognized in the statement of profit or loss as incurred.

c. Depreciation

Depreciation is determined based on the fixed assets less salvage value as residual value at the end of estimated useful life.

The Salvage value of asset is the net amount currently expected to be obtained as a result of Disposal, if it is in the expected condition at the end of its useful life.

The depreciation amount is carried on the income statement according to the straight line method by the useful life estimated to each kind of fixed assets except land that not depreciated, the depreciation of fixed assets is depreciated according to the following rates:

Assets	Depreciation rate
Buildings, constructions and facilities	5% - 6.6%
Machinery and equipment	5% - 10%
Motor vehicles	20%
Tools	10%
Furniture, fixtures and office equipment	10% - 50%

4.3 Projects under construction

Projects under construction represent the amounts that are incurred for constructing or purchasing fixed assets until it is ready to be used in the operation, upon which it is transferred to fixed assets.

4.4 Intangible assets

- Intangible assets are started at the historical cost and the historical cost deducts of accumulated amortization and accumulated impairment losses.
- Intangible assets with definite useful lives are amortized over the economic life of the asset and a measurement test is conducted when there is an indication of the asset's impairment. The amortization method for an intangible asset with a definite life are reviewed at least at the end of each year.

4.5 Financial Leased Assets

The original (right to use) asset and a commitment to lease contracts are recognized at the start date of the lease, whereby the lease contract commitment is measured at the present value of unpaid rental payments on that date, discounted using the interest rate on the additional borrowing of the company, and results in financing expenses in accordance with Accounting Standard No. (49) for the year 2019.

4.6 Investments in associates

Investments in associates are recorded at equity method is applied to account for investments associates, whereby, investments are recorded based on the equity method including any goodwill, deducting any impairment losses.

4.7 Investments at fair value through other comprehensive income

These assets are initially measured at cost. Subsequent to initial recognition, they are measured at fair value and changes therein, other than impairment losses and foreign currency differences on debt instruments, are recognized in other comprehensive income and accumulated in the fair value reserve. When these assets are de-recognized, the accumulated gain or losses in equity is reclassified as profit or losses – if the company cannot estimate the fair value, it can be stated at cost less impairment.

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4 Significant accounting policies (follow)

4.8 Inventory

The Inventory elements are valued as follows:

a. Raw materials, gasoline, diesel fuel, packaging and spare parts: at the lower of cost (using the weighted average method) or net realizable value.
b. Work in progress: at the lower of the cost of production based on the cost sheets or net realizable value.
c. Finished goods: at the lower of the cost of production based on the cost sheets or net realizable value.

Cost of production includes unit's share of direct materials, direct labor and both direct and indirect overheads.

Net realizable value is the estimated selling price in the ordinary course of business, less the estimated costs of completion and the estimated costs necessary to make the sale.

The amount of any write down of inventories to net realizable value and all losses of inventories shall be recognized in cost of sales in the statement of Income statement in the year the write down or loss occurs, the amount of any reversal of any write down of inventories, arising from an increase in net realizable value, shall be recognized as reduction of cost of sales in the statement of Income statement in the year in which the reversal occurs.

4.9 Revenue

A. Sales

Revenue from sale is recognized at the fair value after deducting returns, commercial and quantity discounts. The revenues are recognized at the transfer of risks and returns of goods to the purchaser and at the presence of enough expectation about the flow of economic benefits in the sale transaction and in case of the company didn't hold the right of continuous managerial interference on goods to the purchaser at the receipt of goods, and in case of exporting the risks and returns of sold goods ownerships are identified based on the freight conditions as the revenue usually recognized when the goods are loaded on the truck.

- **Sale of goods (Local)**

  Revenue from sale of goods is recognized when the significant risks and rewards of ownership of the goods have passed to the buyer, usually on delivery of the goods.

- **Sale of goods (Export)**

  Revenue from sale of goods is recognized when the significant risks and rewards of ownership of the goods have passed to the buyer, usually on delivery of the goods according to contract terms.

B. Distributed dividends

Revenue is recognized when the company's right to receive the payment is established.

C. Interest income

Revenue is recognized as interest incurred using the effective interest method.

4.10 Expected Credit Loss

- The company has two types of financial assets that are subject to the expected credit losses model according to this methodology:

a. Customer balances and notes receivables generated from services to customers
b. Contract principles related to the company's contracts with customers

- The company applies the simplified approach to the impairment of financial assets in accordance with the Egyptian Accounting Standard No. (47) Financial Instruments in order to measure expected credit losses, which uses a provision for expected credit losses over the life time of all customer balances and contract assets with customers
- To calculate the ECL, we depended on the customer and contract assets with customers' balances as a group based on common credit risk characteristics and the number of days past due.

4. Significant accounting policies (follow)

4.10 Expected Credit Loss (follow)

Where the assets of the contract with the customer relate to the work in progress that has not been invoiced and has the same risk characteristics as customer balances for the same types of contracts Accordingly, the company concluded that the expected credit loss rates for customer balances are a reasonable approximation of the expected credit loss rates for the assets of contracts with customers

- ECL rates depended on analyzes of sales payments over the 36 months before December 31, 2021 and the corresponding historical credit losses incurred during this period.
- The default rate calculated through this approach and used to calculate ECL is the company's historical default rates for each level of number of days past due by the company's customers, which is depended on sales payment analyzes over the 36 months before December 31 2021 and the corresponding historical credit losses that have been incurred during this period
- In order to determine losses related to customer balances, notes receivables, and contract assets, the minimum allowable loss in case of failure (Loss Given Default) for each balance at risk is 100% due to the lack of any guarantee with the company.
- The amount that the debtor owes to the company at the time of the failure to pay is known as the balance exposed to failure (Exposure at Default), and the clearing is recognized in the statement of financial position between the balance of the debiting customer and the balance of the same crediting customer, the balance exposed to failure is determined as the unpaid balance on the date of the report, including any interest accrued till the date of the report.
- Egyptian Accounting Standard No. (47) Requires that the purpose of estimating ECL is not a worst-case scenario or a best-case scenario estimate. Instead, the ECL estimate should always reflect the probability that credit losses will occur, even if the most likely outcome is no credit losses. Therefore, the company applies macroeconomic scenarios to expected credit losses, where historical loss rates are adjusted to reflect current and future information about macroeconomic factors that affect the ability of customers to settle outstanding debt balances. The company has determined that the gross domestic product and the current account balance as a percentage of the gross domestic product and the annual change in the rate of inflation "average consumer prices" in the Arab Republic of Egypt, which is the country are sale the goods and the services so these indicators are the most relevant factors and thus adjust the loss rates historical based on expected changes in these factors.
- The applying of the Egyptian Accounting Standard No. 47 "Financial Instruments" from January 1, 2021 led to changes in the accounting policies, which are resulted to amendments are recognized in the financial statements as on December 31, 2020. Where there is an impact on the opening balance of the retained earnings on January 1 2021 amount to EGP 16 487 597.

4.11 Provisions

A provision is recognized in the balance sheet when the Company has a present or legal or constructive obligation as a result of past events, and it is probable that an outflow of economic benefits will be required to settle the obligation. Provisions are reviewed at the date of preparing the Financial Statements and adjusted when necessary to show its best estimate.

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4. Significant accounting policies (follow)

4.12 Taxes

A. Income Tax

Income tax is a tax on the Company's profit and is calculated according to the relevant laws, regulations, and instructions that are currently being implemented in this regard while using the prevailing income tax at the date of preparing the balance sheet. The tax on income should be reflected in income statement.

B. Deferred taxes

Deferred tax occurs to reflect the existence of some temporary differences due to the difference in time frames when the current value of assets and liabilities are recognized between the prevailing taxation principles and accounting principles that are adhered to when preparing the financial statement.
The deferred tax is determined according to the prevailing method used to settle the present value of assets and liabilities. It should be taken into account that the deferred tax maybe considered an asset of the company if there is a possibility that it may be used to reduce the accrued tax profits of the company for future years, and the amount of the deferred tax considered as an asset of the company is reduced by the amount that may not be off-set against future taxes.

4.13 Receivables, notes receivable, debtors and other debit balances and suppliers' advanced payment

- Receivables, notes receivable, debtors and other debit balances and suppliers' advanced payments are stated at the original invoice amount net of any impairment losses that is expected not to be collected by the company.

4.14 Related party transactions

Transactions with related parties are recorded in the same way as its normal operations according to the conditions stated by the company's management and on the same basis as transactions with others.

4.15 Treasury shares

Treasury shares are initially measured at cost value and are deducted from the equity in balance sheet.

4.16 Legal reserve

According to the Company's articles of association, 5% of the net profits of the year are transferred to the legal reserve until this reserve reaches 50% of the issued capital, when the reserve falls below that limit the company should start deducting it again.

4.17 General reserve

The general reserve is formed from the company's profit in the previous year`s according to the general assembly meeting resolution; This reserve is used upon a decision from the general assembly meeting based on the proposal of the board of directors and the interest of company.

4.18 Capital reserve

- The capital reserve is formed by the amount of capital gains and the fixed assets endowed to the company.

4.19 Borrowing

- Borrowings are initially recognized at the received value of the consideration received. Amounts maturing within a year are classified as current liabilities, unless the Company has the right to postpone the settlement for a year exceeding one year after the balance sheet date, then the loan balance should be classified as long term liabilities.

- After initial recognition, interest bearing loans and borrowings are subsequently measured at amortized cost using the effective interest rate method. Gains and losses are recognized in the income statement when the liabilities are derecognized as well as through the effective interest rate method amortization process.
Amortized cost is calculated by taking into account any discount or premium on acquisition and fee or costs that are an integral part of the effective interest rate. The effective interest rate amortization is included in finance cost in the income statement.

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4. Significant accounting policies (follow)

4.20 Expenses

All expenses including cost of sales, selling and marketing expenses, general and administrative expenses and other expenses are recognized and charged to the statement of income in the financial year in which these expenses were incurred.

4.21 Borrowing cost

Borrowing costs directly attributable to the acquisition, construction or production of qualifying assets, which are assets that necessarily take a substantial year of time to get ready for their intended use or sale are capitalized as part of the cost of the assets. All other borrowing costs are expensed in the year in which they are incurred. The borrowings costs are represented in interest and other finance costs that company pay to obtain the funds.

4.22 Pension plan for employees

The company pays its share in the social security according to social security law No, 79 for the year 1975 and its amendments, and its included in salaries and wages account in the income statement on accrual basis.

4.23 The Contingents Liabilities and Commitments

Contingent liabilities of which the company is part of as well as off-balance sheet commitments which don't represent actual assets or liabilities at the date of financial statements.

4.24 Dividends

Dividends are recognized as an obligation in the year which the declarations of distributions are made.

4.25 Cash Flow Statement

The cash flow statement is prepared according to the indirect method.

4.26 Cash and cash equivalent

Cash and cash equivalents include cash on hand and at banks, time deposits accrued within three months and deducting from it time deposits accrued after three months and letter of grantees cover also the current bank accounts (credit balances).

4.27 Comparative Figures

The comparative figures were reclassified to comply with current figures.

4.28 Earnings per share

The company presented the data related to the basic share of its regular shares. Earnings per share is calculated by dividing the company's profits on the number of ordinary shares of the company by the weighted average of the number of shares during the year.

4.29 Capital management

- The Board of Director's policy is to always maintain a strong capital base to maintain investor, creditors and market confidence and to sustain future development of the business.
- The board of directors aims to make a balance between the highest interest rates available with reasonable terms and conditions to maintain a healthy capital structure.

4.30 Fair value of financial instruments

The financial instruments are represented in the company's financial assets and liabilities and the financial assets include the account receivables, notes receivables and other debt balances and cash on hand and at bank also the financial liabilities include customers advanced payments, contractors, accounts and notes payable and other credit balances.
According to the basis of evaluation followed in evaluating the company's assets and liabilities which is present in the disclosure footnotes of the financial statements, the fair value of the financial instruments doesn't differ significantly from its book value at the date of the preparation of the financial statements.

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4. Significant accounting policies (follow)

4.31 Financial instruments and risk management related

The company's financial instruments are balances of bank accounts, cash in hand, Receivables & Notes Receivables, Debtors & other debit balances, creditors and other credit balances. The following shows the risks related to the financial instruments and the procedures continued by the company to minimize the effect of such risks:

A. Credit risk

This risk is represented in the disability of clients to pay their outstanding liabilities, this risk is considered limited as the clients have a solid credit history.

B. Liquidity risk

The liquidity risk is represented by factors that impact the repayment of amount or all of the company's commitment according to the company's policy the suitable policies are taken to decrease the risk level to the minimum.

C. Interest rate risk

Interest rate risk is represented in the change in value of financial instrument due to the fluctuation of the market interest rates. This risk is considered limitied as the company depends on its own resources in financing its financial needs to pay its current obligations and finance the fixed assets.

D. Foreign currency risk

The foreign currency risk is the fluctuation of currency exchange rates since that affect the company's open receivables and payables balance in foreign currency also asset and liability evaluation in foreign currency. Also as it is indicated in note(4-1) the assets and liabilities in foreign currency are evaluated using the official rate in the date of preparing the financial statements.

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5. Fixed assets

30 June 2022	Land EGP	Buildings and Constructions EGP	Machinery and Equipment EGP	Motor Vehicles EGP	Tools EGP	Furniture, Fixtures and computers EGP	Enhancements of Rental Places EGP	Total EGP
Cost at 1 January 2022	7 543 974	1 033 983 726	2 329 058 551	116 342 528	14 289 787	32 726 873	1 689 327	3 535 634 766
Additions during the period	--	2 764 530	3 305 589	5 475 048	565 726	3 358 106	904 344	16 373 343
Cost at 30 June 2022	**7 543 974**	**1 036 748 256**	**2 332 364 140**	**121 817 576**	**14 855 513**	**36 084 979**	**2 593 671**	**3 552 008 109**
Accumulated Depreciation at 1 January 2022	--	324 986 291	1 023 014 751	72 595 355	8 188 727	28 618 290	1 581 281	1 458 984 695
Depreciation for the period	--	16 243 779	50 750 292	4 471 448	588 737	1 083 209	129 648	73 267 113
Accumulated Depreciation at 30 June 2022	--	**341 230 070**	**1 073 765 043**	**77 066 803**	**8 777 464**	**29 701 499**	**1 710 929**	**1 532 251 808**
Net book value at 30 June 2022	**7 543 974**	**695 518 186**	**1 258 599 097**	**44 750 773**	**6 078 049**	**6 383 480**	**882 742**	**2 019 756 301**

This balance includes the recording of assets that fully depreciated and still used which is reprehensive in: -

	Buildings and Constructions EGP	Machinery and Equipment EGP	Motor Vehicles EGP	Tools EGP	Furniture, Fixtures and computers EGP	Leasehold improvements EGP	Total EGP
Depreciated asset that still used	18 012 376	24 964 446	14 814 456	4 651 956	21 277 565	1 140 783	84 861 582

There is a commercial mortgage over fixed assets of Misr Cement Company (Qena) as collateral against the long term loan (Note 18).
There is a commercial mortgage over all the existing, new tangible and intangible fixed assets of MISR CEMENT MINYA (Previously MINYA PORTLAND CEMENT COMPANY) as collateral against the long term loan (Note 18).

5. **Fixed assets (follow)**

31 December 2021	Land EGP	Buildings and Constructions EGP	Machinery and Equipment EGP	Motor Vehicles EGP	Tools EGP	Furniture, Fixtures and computers EGP	Enhancements of Rental Places EGP	Total EGP
Cost at 1 January 2021	7 543 974	1 021 682 688	2 321 926 905	112 257 846	13 894 694	30 772 137	1 604 342	3 509 682 586
Additions during the year	--	12 301 038	7 131 646	5 149 276	395 093	2 063 209	84 985	27 125 247
Disposals during the year	--	--	--	(1 064 594)	--	(108 473)	--	(1 173 067)
Cost at 31 December 2021	**7 543 974**	**1 033 983 726**	**2 329 058 551**	**116 342 528**	**14 289 787**	**32 726 873**	**1 689 327**	**3 535 634 766**
Accumulated Depreciation at 1 January 2021	--	292 143 852	922 821 333	64 892 087	7 166 528	27 151 177	1 471 572	1 315 646 549
Depreciation for the year	--	32 842 439	100 193 418	8 209 733	1 022 199	1 575 586	109 709	143 953 084
Depreciation of Disposals	--	--	--	(506 465)	--	(108 473)	--	(614 938)
Accumulated Depreciation at 31 December 2021	--	**324 986 291**	**1 023 014 751**	**72 595 355**	**8 188 727**	**28 618 290**	**1 581 281**	**1 458 984 695**
Net book value at 31 December, 2021	**7 543 974**	**708 997 435**	**1 306 043 800**	**43 747 173**	**6 101 060**	**4 108 583**	**108 046**	**2 076 650 071**

This balance includes the recording of assets that fully depreciated and still used which is reprehensive in.

	Buildings and Constructions EGP	Machinery and Equipment EGP	Motor Vehicles EGP	Tools EGP	Furniture, Fixtures and computers EGP	Leasehold improvements EGP	Total EGP
Depreciated asset that still used	18 012 376	24 964 446	14 363 127	4 651 956	21 208 532	1 140 783	**84 341 220**

There is a commercial mortgage over fixed assets of Misr Cement Company (Qena) as collateral against the long term loan (Note 18).
There is a commercial mortgage over all the existing, new tangible and intangible fixed assets of MISR CEMENT MINYA (Previously MINYA PORTLAND CEMENT COMPANY) as collateral against the long term loan (Note 18).

6. Projects under construction

	30 June 2022	31 December 2021
	EGP	EGP
Buildings and constructions	76 399 651	77 623 601
Machinery and equipment	1 177 598	7 387 286
Advanced payments	1 330 539	1 965 396
Information Systems	1 932 470	1 025 670
	80 840 258	**88 001 953**

7. Assets right to use

1- Operating assets

	30 June 2022	31 December 2021
	EGP	EGP
Cost as of January 1, 2022	10 306 294	10 306 294
Total cost as of June 30 ,2022	**10 306 294**	**10 306 294**
Accumulated amortization as of June 30, 2022	**3 478 373**	**3 220 717**
Amortization of the period / year	128 829	257 656
Accumulated amortization as of June 30,2022	**3 607 202**	**3 478 373**
Net book value as of June 30 ,2022	**6 699 092**	**6 827 921**

2- Operating lease liabilities

	30 June 2022	31 December 2021
	EGP	EGP
Lease liabilities - current portion	1 457 163	1 457 163
Lease liabilities – Non - current portion	26 308 794	25 078 706
	27 765 957	**26 535 869**

8. Financial investment held for sale through OCI

	Percentage of ownership	30/6/2022	31/12/2021
		EGP	EGP
The Egyptian African company for investment	3%	--	150 000
(Less):			
Impairment in available for sale investments		--	(149 999)
Disposals*		--	(1)
		--	--

The Extraordinary General Assembly meeting of The Egyptian African Company for Investment and Development was held in May18th, 2016 and has decided to hold the company's activities till 31 December 2019 after the company's losses reached EGP 2.95 million as of 31 December 2015. Following to continued losses and not achieving profits, the Extraordinary General Assembly held on December 25, 2019 decision, place the company under liquidation.

* According to the Ordinary General Assembly meeting held on March 15, 2021, it was decided to approve the results of the liquidation accounts business, and the company was removed from the commercial registry on July 6, 2021

9. Investments in associates

	Percentage of ownership	Balance as of 30 June 2022 EGP	Balance as of 31 December 2021 EGP
South of Upper Egypt Company of sacks manufacturing	20%	15 807 588	17 519 074
		15 807 588	**17 519 074**

10. Intangible assets

	30 June 2022 EGP	31 December 2021 EGP
Cost		
Beginning Balance	282 079 705	277 680 376
Additions during the period/ year	37 640	4 399 329
Ending Balance for the period/ year	**282 117 345**	**282 079 705**
Accumulated amortization		
Beginning Balance for the period/ year	(50 451 392)	(41 230 073)
Amortization during the period/ year	(4 245 997)	(9 221 319)
Ending Balance period/ year	**(54 697 389)**	**(50 451 392)**
Net book value at the end of period / year	**227 419 956**	**231 628 313**

Intangible assets are represented to the license of Misr Cement Minya (Previously Minya Portland Cement) and SAP Program for Misr Cement (Qena) Company.

11. Inventory

	30 June 2022 EGP	31 December 2021 EGP
Raw materials	58 110 185	55 550 376
Gasoline, Mazot & coal	171 195 223	26 902 849
Spare parts	139 208 643	86 135 089
Work in progress	134 412 265	295 978 627
Finished goods	42 933 118	45 196 046
	545 859 434	**509 762 987**

12. Accounts receivable and notes receivable

	30 June 2022 EGP	31 December 2021 EGP
Accounts receivable	70 390 000	56 288 658
Notes receivable	382 136	--
	70 772 136	**56 288 658**
(Less) :		
Expected credit loss	(16 697 787)	(16 670 261)
	54 074 349	**39 618 397**

13. Debtors and other debit balances

	30 June 2022	31 December 2021
	EGP	EGP
Advanced payment – suppliers	314 393 622	58 628 087
(ASEC) Technical Managing	--	3 247 102
Tax authority– value added tax	20 737 382	16 529 162
Tax authority– withholding taxes	23 105 283	21 091 861
Deposits with others	40 569 731	38 209 832
Prepaid expenses	6 674 243	8 066 308
Cover of letter of guarantee	3 294 000	3 294 000
Letter of credit	2 880 000	2 880 000
Accrued interest on time deposits	166 358	56 148
Other debit balances	30 176 355	21 938 525
	441 996 974	**173 941 025**
(Less):		
Expected credit loss	(2 317 219)	(2 213 598)
	439 679 755	**171 727 427**

14. Cash on hand and at banks

	30 June 2022	31 December 2021
	EGP	EGP
Cash on hand	5 393 145	2 797 092
Current accounts in banks	110 985 182	88 155 205
Time deposit (maturing during three months)	28 759 080	2 250 885
Time deposits (maturing more than three months)	1 351 000	1 351 000
Checks under collection	2 364 330	2 478 660
	148 852 737	**97 032 842**

15. Paid up Capital

- The Company's authorized capital amounts to EGP 600 000 000,while the issued capital amounted to EGP 300 000 000 distributed over 30 000 000 shares of par value EGP 10 each, based on the decision of the extraordinary general assembly held on 22nd of march 2009 the capital was deducted by an amount of EGP 1 220 000 for 122 000 treasury shares, and it was registered in the commercial register in on 5th of July 2009, thus the paid up capital became EGP 298 780 000 distributed over 29 878 000 shares of par value EGP 10 per share .
- According to a board members meeting No 186 held on September 12, 2017 and authorized from GAFI on 25 September 2017 which decided to increase the capital with amount EGP 301 220 000 divided to 30 122 000 shares at EGP 10 per share, became EGP 600 000 000 as registered in the commercial register on 31 January 2018 No. 4955.
- The Ordinary General Assembly held on 28 March 2018 decided to distribute a free share for every 5 shares from retained earnings to share become 72 000 000 shares instead of 60 000 000 shares thus the paid up capital become EGP 720 000 000 instead of EGP 600 000 000 and it was registered in the commercial register on 29 May 2018 no. 23904.

15. Paid up Capital (follow)

To become authorized capital amount to EGP 1 500 000 000, and issued and paid up capital amount to EGP 720 000 000 distributed on shareholder's as follow:

	Percentage (%) of Participation	No. of shares	Paid up capital EGP
NCB Capital Company (NBE)	21.31%	15 341 386	153 413 860
Egyptian Federation for Construction and Building Contractors	11.27%	8 115 317	81 153 170
Egyptian Company for investment projects	10.07%	7 251 096	72 510 960
Egyptian Kuwait Investment Company	9.88%	7 114 206	71 142 060
National Investment Bank	9.58%	6 895 599	68 955 990
Egypt Company for Life Insurance	9.37%	6 748 839	67 488 390
QNB for finance services	6.69%	4 821 514	48 215 140
Individual & IPO	21.83%	16 512 043	165 120 430
	% 100	**72 000 000**	**720 000 000**

16. Reserves

	Legal reserve EGP	General reserve EGP	Capital reserve EGP	Total EGP
Balance at 1 January 2022	188 277 478	10 216 984	7 703 830	206 198 292
Reserves during the period	4 690 538	--	40 505	4 731 043
Balance at 30 June 2022	**192 968 016**	**10 216 984**	**7 744 335**	**210 929 335**

17. Non-Controlling shareholder's interests

First: Change in non-controlling interest shareholders

	30 June 2022 EGP	31 December 2021 EGP
Beginning Balance for the period / year	454 204 191	425 608 684
Non-controlling interest -share in net profit for the period / year	32 033 803	27 837 967
Non-controlling shareholders' shares from subsidiaries	188	--
The company share from the retained earning adjustments	--	757 578
Non-controlling interest -share in dividends distribution	(8 467 764)	(38)
Ending balance for the period / year	**477 770 418**	**454 204 191**

Second: non-controlling shareholders' balance in subsidiaries

Non-controlling shareholders' balance in subsidiaries

	Percentage of ownership %	30 June 2022 EGP	31 December 2021 EGP
Misr Cement Minya (Previously Minya Portland Cement) shareholders			
Safari limited for investments	30.72	370 278 172	352 014 046
Industrial Fund for Developing countries	4.64	55 914 882	53 156 857
FLSmidth	4.27	51 514 139	48 973 182
National Company for development and trading	--	62 441	59 361
Others	--	375	356
Misr Cement - Beton (S.A.E) (Previously ASECO READY MIX) shareholders			
Others	0.01	409	389
		477 770 418	**454 204 191**

18. Long term loan

	30 June 2022 EGP	31 December 2021 EGP
The balance accrual		
Misr Cement (Qena) company	181 687 748	242 402 042
Misr Cement Minya (Previously Minya Portland Cement company)	197 975 530	262 986 752
	379 663 278	**505 388 794**
The Current portion		
Misr Cement (Qena) company	(121 428 586)	(121 428 586)
Misr Cement Minya (Previously Minya Portland Cement company)	(134 474 122)	(135 907 440)
Total of the current portion	**(255 902 708)**	**(257 336 026)**
Total long term loans	**123 760 570**	**248 052 768**

- The company has acquired a long term loan in November 16th, 2015 amounted to EGP 910 259 259 from the total loans balance of the Company which amounts to EGP 915 000 000 that was given by combined banks (National bank of Egypt, Commercial bank of Egypt and Misr bank) with percentage of 33.3% for each , the National bank of Egypt will be the main facilitator of the loan, the loan was acquired to finance the acquisition (hinted in Note 5), to be settled on 15 payments half annually starting from November 16th, 2015 until November 16th, 2022 with 2.25% interest rate to be added to the average corridor rate of the central bank.
- There is a mortgage on the fixed assets of the Misr Cement Company (Qena) as collateral for the long term loan (Note 5).
- There is a commercial mortgage on all the shares owned by Misr Cement Company (Qena) for the subsidy companies acquired by the company as collateral for the long term loan.
- On December 31,2010 Misr Cement Minya (Previously Minya Portland Cement) signed a joint loan contract of 1 102 million Egyptian pounds with Arab African International Bank (loan agent).
- On June 12, 2013 Misr Cement Minya (Previously Minya Portland Cement Company) performed an amendment on the loan contract by increasing the loan amount from EGP 1 102 million to become EGP 1 227 million and it will be paid over 13 annual installments starting from September 30, 2014 instead of September 30, 2013 each by an amount of EGP 92.85 million and ends on September 30, 2023.
- There is a commercial mortgage over all the existing, new tangible and intangible fixed assets of Misr Cement Minya (Previously Minya Portland Cement) as collateral against the long term loan (Note 5)

19. Deferred Tax Assets / (Liabilities)

	Assets		Liabilities	
	30/6/2022 EGP	31/12/2021 EGP	30/6/2022 EGP	31/12/2021 EGP
Beginning balance for the period	14 938 441	15 387 081	335 647 893	335 019 177
Assets and (liabilities) movements-deferred tax	--	(448 640)	(7 930 627)	628 716
Ending balance for the period	**14 938 441**	**14 938 441**	**327 717 266**	**335 647 893**

20. Provisions

	Balance as of 1 January 2022 EGP	Charged during the period EGP	Balance as of 30 June 2022 EGP
Tax provision	8 516 731	--	8 516 731
Provision for other claims and litigations	21 269 174	3 220 524	24 489 698
Provision for claims	50 977 240	--	50 977 240
	80 763 145	**3 220 524**	**83 983 669**

21.Credit Facilities

The balance of the debit current account on June 30,2022 of Qena Cement Company, has facilities amounted EGP 420 302 982 from the National Bank of Egypt to finance the purchase of raw materials and production tools within limited amount to EGP 100 000 000.

22:Creditors and other credit balances

	30 June 2022	31 December 2021
	EGP	EGP
Tax authority	16 677 865	8 544 278
Retention	17 115 076	16 111 264
Syndicate Stamps	6 400 195	6 385 852
Employees services association	174 142	461 636
Social insurance authority	2 855 059	2 777 753
Tax authority- value add tax	17 544 404	24 866 418
Production development fees	3 486 106	3 734 437
Accrued debit interests	2 543 629	2 962 692
Accrued expenses	41 755 928	36 496 528
Creditors - Dividends	45 016 729	2 355 861
Other- creditors	49 140 165	23 264 475
	202 709 298	**127 961 194**

23. Accrued Income tax

	30 June 2022	31 December 2021
	EGP	EGP
Beginning balance	34 431 517	20 441 340
Accrued income tax for the period	23 704 622	34 912 268
Payments to tax authority	(35 191 486)	(20 922 091)
	22 944 653	**34 431 517**

24.Cost of sales

	30 June 2022	30 June 2021
	EGP	EGP
Depreciation and amortization	93 726 492	70 755 807
Governmental fees and technical management contract fees	130 516 261	240 941 182
Electricity and power	460 191 751	487 037 951
Raw materials and packaging materials	221 430 085	212 685 169
Rent	7 563 409	2 496 406
Indirect costs	162 167 000	49 898 623
	1 075 594 998	**1 063 815 138**

25.Selling and marketing expenses

	30 June 2022	30 June 2021
	EGP	EGP
Depreciation	142 476	307 366
Salaries and wages	9 520 536	8 179 250
Others	4 399 242	2 401 079
	14 062 254	**10 887 695**

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26.General and administrative expenses

	30 June 2022	30 June 2021
	EGP	EGP
Depreciation And Amortization	1 111 344	846 933
Salaries and wages	30 931 454	37 477 871
Donations	2 910 850	1 378 103
Others	38 163 947	31 758 795
	73 117 595	**71 461 702**

27 .Other Revenues

	30 June 2022	30 June 2021
	EGP	EGP
Fixtures remaining	100 848	19 145
Rent	781 623	524 115
Revenue from transport ,shipping and handling	18 175 068	21 092 168
Revenue from spare parts	2 524 259	414 479
Others	464 818	684 999
	22 046 616	**22 734 906**
Transport shipping and handling expenses	(17 497 057)	(21 092 168)
Spare Parts Cost	(2 524 259)	(414 479)
	2 025 300	**1 228 259**

28.Related party transactions

The transactions with related parties between Misr Cement Company (S.A.E) and its subsidiaries where all the balances resulting from the transactions between the company's group are completely disposed including the sales, expenses and dividends. Also all the revenues and losses resulting from transactions between the company's group that have been recognized in the assets as inventory and fixed assets have been Disposed.

	Sales /service revenue	Purchases /cost of services
Misr Cement Minya (Previously Minya Portland Cement)	91 200	--
Misr Cement Beton (Previously ASECO for ready mix company)	9 533 618	--
Qena company for management and maintenance	--	194 087
Misr Cement Minya (Previously Minya Portland Cement)/ Misr Cement Beton (Previously ASECO for ready mix company)	9 771 518	--
Qena company for management and maintenance/ Misr Cement Beton (Previously ASECO for ready mix company)	215 377	--
Qena company for management and maintenance/ Misr Cement Minya (Previously Minya Portland Cement)	7 394 232	--
	27 005 945	**194 087**

Also, the transaction between the related parties are presented in the between Misr cement company and some shareholders and associate companies.

Company	Nature of the relation	Type	30 june 2022
			EGP
Misr Insurance	Shareholder	Insurance installments	1 120 081
South of upper Egypt company (main supplier)	Associate	Sacks supplying	11 752 848

29.Capital Commitments

	Currency	Contract amount	Balance as of 30 June 2022
Misr Cement Minya (Previously Minya Portland Cement)	EGP	24 597 953	1 245 860
Misr Cement Minya (Previously Minya Portland Cement)	EUR	285 000	3 879 976

30.Contingent liabilities

The letters of guarantee that issued at the Company's request from the banks in favor of third parties as follows:

	The letters of Guarantee	Cash Cover
	EGP	EGP
Misr Cement Minya (Previously Minya Portland Cement)	7 492 384	Non-fully covered
Misr Cement Qena company	3 294 000	Fully covered
	10 786 384	

31.Tax Situation

a. Corporate taxes

An Introduction:

The company was established according to the law No.159 for the year 1981 and the general authority for investment and free zones approved that the company is exempted for tax for cement only according to the law of assurance and incentive of investment No. 8 for the year 1997 and that starts from the next year of production (6 April 2002) and for ten years which starts from 1 January 2003 to 31 December 2012.

Financial year ended on 31 December 2013 considered the first year subjected to tax.

1. Years from beginning of the activity to 2004

All tax differences that are due for that year are paid.

2. Years from 2005/2007

- The company was inspected in these years the differences were settled and the taxes were paid.
- Tax authority objected on the appeal committee's decision about the provision used for the year 2007 with amount of EGP 11,661,503 based on the fact that the provision represent amounts transferred to abroad and must be subjected to article 56 of law 91 for the year 2005 and decided to debit amount and subject it to 20% amounted to EGP 2,915,376 and filed a lawsuit against the company being considered of Qena first instance. The court used experts to consider the difference. We have prepared a note include the legal defense and discussions with the expert about it and issue the expert report that the tax authority does not have the right to subject the provision used according to article 56 from the law no,91 for the year 2005 and its executive regulations an initial judgment was issued in 24 September 2014 for the right for the company about the appeal committee

  The country appeal representative objected on the decision and it is currently being reviewed in Qena court,the tax consultant`s opinion is not to form any provision for this appeal

3. Years from 2008/2012

All tax differences that are due have been paid.

31. **Tax Situation (followed)**

4. **Years from 2013/2014**

The Tax authority inspected the company's documents for those years and a claim no 19 was sent with a difference amounted to EGP 4 020 232, However The company objected on the legal dates and currently the company is forming a committee for re-inspecting the company`s files and documents for these years.

5. **Years from 2015/2018**

The tax authority sent (19 form) with estimated tax for those years and the company was objected at the legal date and waiting to set a date forming a committee to re-inspect with the actual document of the company.

6. **Year 2019/2020**

- The company presented the annual tax position at its legal dates
- The Tax authority didn't inspect the company's documents for the year.

b. **Salary tax**

1. **Years from beginning of the activity to 2014**

- The tax authority inspected those years and the company paid the tax due for this year.

2. **Years from 2015/2019**

- The company deduct the tax from the employees and export it to the tax authority at the legal dates
- The tax authority provided estimated tax (38 form) for those years and the company was objected at the legal date and waiting to set a date forming a committee to re-inspect with the actual document of the company

3. **Year 2020**

- The company withholds the tax from the employees and exports it to the tax authority at the legal dates.
- The Tax authority didn't inspect the company's documents for those year.

b. **Value added tax (Sales Tax)**

1. **Years from beginning of the activity to 2007**

The inspection for that year has been completed and the differences were paid and the dispute was resolved.

2. **Years from 2008/2010**

The Tax authority inspected the company for that year and a (15 D A M) form was issued with differences in sales tax amounting to EGP 1 147 876, and the company has objected on this form and the review was completed by Supreme Committee which reduced the amount to EGP 697 549 and this amounts was paid, and lawsuit has been filed by this amount. An application was made to end the dispute in accordance with the provisions of Law 79 of 2016 and its amendments, and no session has been scheduled to date.

3. **Years from 2011/2015**

The company was inspected for these years and the difference was paid.

31. **Tax Situation (followed)**

4. **Years from 2016/2019**

The company's books and documents were inspected and issued model 15 with the total differences amount to EGP 3 260 034 and model was objected and the dispute has been resolved by internal committee by decreasing the tax differences to amount EGP 1 467 518 and the accrued differences were paid.

5. **Year 2020**

- The company provided the tax returns on their legal dates.
- The Tax authority doesn't inspect the company's documents for year 2019.

d. **Development of the country's financial resources fees**

1. **Years from 5 May 2008 to 2019**
   - The company paid the tax till due to date.
2. **Year 2020**

- The tax authority inspected the company's books and documents about this year and the authority issued a claim for the accrued development resources differences amount to EGP 82 388 and was objected on this claim and the dispute is being considered before the internal committee.

e. **Property tax**

- The law no 196 for the year 2008 issued the real estate tax and adjusted by the law number 103 for the year 2012. And then once more with law no 117 for the year 2014.
- The company submitted its property tax return on its property which it owns to the tax authority according to the law No. 196 of 2008 and its adjustments.
- The appeal committee's decision was to estimate the annual tax on the company`s factory by EGP 844 576 which results in an accrued tax till 31 December 2021 by EGP 7 178 896 and delay fee, The company pays the tax due, and a case was filed to consider the dispute before the court, and the court issued its decision rejecting the case
- The appeal committee`s decision was to estimate the annual tax on Safag`s land for EGP 4 776 and the company paid the accrued tax till 31 December 2021 amounting to EGP 40 596 and delay fees.
- The real estate tax authority filed form 3 real estate tax on the company`s head office to estimate the annual tax by EGP 55 423 by total of accrued tax of EGP 471 096 till 31 December 2021 and delay fees.
  The company pays the tax due, and the forms have been challenged for consideration of the dispute before the Appeal Committee.
- The real estate tax authority filed form 3 (real estate tax) on the elevating water station for EL- Kalabya canal for EGP 1 155 by total amount EGP 9 818 till 31 December 2021 and delay fees, the company has paid that claim.
- The real estate tax authority filed form 3 real estate tax for the lime quarry that the company is licensed to use from the Qena governorate, estimating the annual tax at EGP 648 099, with a total tax due EGP 5 508 842 EGP until December 31, 2021 and delay fees, and the company appealed against it in The legal date. And the decision of the Appeal Committee was issued to reduce the annual tax due for the period from 1/7/2013 to 31/3/2016 to become an amount of EGP 200 872 annually, and the interest was approved for the period from 1/4/2016 to 31/12/2020 at an amount of 648 099 Egyptian pounds. annually.
- The real estate tax authority filed form 3 real estate tax for the sand quarry that the company is licensed to use from the governorate of Qena, estimating the annual tax at EGP 32 640 with a total tax due EGP 277 440 EGP until December 31, 2021 and delay fees, the company appealed against it on the legal date, and the appeal committee approved the assignment's estimates, and a decision was issued by the appeal committee supporting the decision.

31. Tax Situation (followed)

The Tax situation for Misr Cement Minya (Previously Minya Portland Cement)

A. Corporate tax

The company submitted the tax return for the year ended 31 December 2020 in the legally determined date.

Years from 2010 till 2016

- The tax Authority has estimated the examination of the company for the years 2010 to 2012
- The company has appealed the form within the legal date, and a decision was issued by the appeal committee to re-examine those years, and was completed and the re-examination report was written, and the papers are being prepared to form a committee.
- The Taxes authority assessed the company's assessment and sent form 19 for the years 2013 to 2016 and appealed against it on the legal date.
- The opinion of tax consultant of the company believes that there is no need to estimate a potential tax provision for those years until a tax examination is conducted according to the company's books and documents.

Years from 2017 till 2020

- The tax examination has not been completed until now.
- The company submitted the tax return for the fiscal year ending on December 31, 2020 on the legally specified date.

B. Salaries and salaries equivalent tax

- The company deduct the tax from the employees and export it to the tax authority.
- Payroll taxes for the period from 2006 to 2012 were examined and approved by the committee and linked to tax differences of EGP 193 486, and the differences are being paid.
- The company is being examined from 2013 to 2020 at the request of the tax center for major financiers.

C. Value add tax / Sales tax

- According to decision of General Investment Authority issued in November 2013, it was decided to consider starting the activity from August 2013, and the company has been registered with the competent sales tax officials, and the sales tax returns are submitted on the specified dates. Paying the differences at due until 31 December 2013.
- The company has filed a lawsuit against the Ministry of Finance (Sales Tax Authority) to absolve it of paying the sales tax on capital goods for the cement production line, as well as recovering what has been paid from sales tax equivalent to 5% of the total value of the tax claimed by the sales tax collector The previous payment was made upon receipt of the capital goods at the customs. The decision of the conciliation committees to settle disputes at the Egyptian Tax Authority was issued to support the company's requests. The objection was made by the tax authority and the dispute was referred to the judiciary. The dispute is still pending before the judiciary.

Years from 2014 to 2015

The company was inspected and the tax due was settled.

Years from 2016 to 2019

- The years 2016 to 2019 were examined on 9/5/2021, and form 15 stamp tax was issued on 05/26/2021 with a total tax difference of EGP 147 573 844 and an objection on the form was submitted on 23/6/2021.
- A memo of objections was submitted on 7/7/2021, and a date was set for the Internal Committee on 1/8/ 2021, and the internal committee's decision ended with tax differences of EGP 427 567 due in accordance with the decision of the Internal Committee after reducing the value of tax differences by an amount of EGP 87 409 269. The amount of EGP 59 737 012 was referred to the Appeal Committee.
- The company's tax advisor has not been able to calculate an estimation of the final value of the tax claim for any differences, if any, because the appeal committee's decision has not been issued to date.

31. **Tax Situation (followed)**

d) Withholding tax

- The company applies the withholding tax on its transactions with others according to the income tax law no. 91 for the year 2005 and is paid on its legal dates.

e) Stamp tax

- Regarding to stamp duty, the company was inspected till December 31, 2015 and the tax due was settled.
- The company was accounted estimated according to 19 stamps for the period from 2016 to 2019 with a total amount of EGP 9 932 214. The penalty was objected, and the committee decided to re-examine, and the examination papers are being prepared.

f) Real estate tax

- The company paid the due tax for the year from July 2013 to 2020.
- And the year 2021, the company paid an amount of EGP 786 562.

The Tax status for Misr Cement - Beton (S.A.E) (Previously ASECO READY MIX)

The company was established according to act no. 159 for the year 1981 and the company's tax status is as follows:

A. Corporate tax

- The company was examined from the beginning of the activity until 2015 and the objection was made on it.
- The company was inspected from 2016 to 2018 by total amount 101 644 052 EGP, was objected and still the process of examination.
- The company submitted the tax return for the year ended 31 December 2020 and the tax due was settled.

B. Salaries tax

- The company deducts the salaries tax and pays it to the tax authority
- The company was inspected and paid from the beginning of the activity to 2017.

C. The value added tax

- The company was registered with the Sales Tax Department, and the company was examined for the period from the beginning of the activity until December 31, 2016.
- According to the articles of the value added tax law no, 67 for the year 2016, the stated acts are applied on the company starting from 8th of September 2016.
- The inspection in progress about value tax from 2017 to 2019.

D. Stamp tax

- The company was examined and settlement from start of activity till 2014.
- The company is being examined about years 2015 till 2018.

The Tax status for Qena for maintenance

The company was established in 26/6/2018 according to the law No.159 for the year 1981 and the law No.95 for 1992,
The following is the tax position of the company, explaining each tax:-

A. Corporate tax

- Activity starting date 26/6/2018, and the company submits income returns on a regular basis and pays tax dues.
- The company has not examined income taxes to date and has not received any notifications of the examination or any tax claims

B. Salaries tax

- The company is regular in submitting quarterly and annual employment earnings forms and pays the tax due on the legal dates.
- The company has not examined employment taxes to date, and it has not received any notifications of the examination or any tax claims.

31. Tax Situation (followed)

C. Value add tax

- The company was registered with the Value Added Tax Authority on 10/13/2021.
- The company is regular in submitting value-added declarations and paying the tax due.
- The company has not examined the value-added taxes to date and has not received any notifications of the examination or any tax claims.

D. Stamp tax

The tax inspection wasn't made till that date and the company did not receive any notifications of the examination or any tax claims

32. Important Events

- The second half of march 2020 have witnessed the beginning of the impact of the outbreak of corona virus on the Egyptian market and the Egyptian government announced unprecedented measures to combat the virus infection and it's spread, The company has formed a risk committee to manage the crisis and the objectives of this year has been defined in maintaining all employees and securing them from corona risks as well as continuing the company's operations, all risks were studied and evaluated and taken a serious of precautionary measures to reduce all risks on employees and to ensure the continuity of the supply chain (operational, manufacturing, sales and collection operations in this year. And there is not effect on the company's current economic situation (it's financial position, business result and cash flow).
- And given to of the lack of clarity of the effects that could be caused by the development of the situation related to the effect of the spread of the virus (Covid-19) in the future, the effects of development on the company's activity cannot be determined precisely at the present time.
- During the year 2022, Misr Cement Qena Company terminated the contract with The Arab Swiss Engineering Company – ASEC and the factory will be self-managed.

Managing Director	Group Chief Financial	Group Financial Manager
Tarek Talaat	Ramy Morsy	Moustafa Abd Elrazek