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

Separate Interim Financial Statements
For The Period Ended June 30, 2022
And Limited Review Report

Contents

Translation of Audit's report
Originally issued in Arabic

Limited Review Report

To: The Chairman and member 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 accompany separate interim financial statements of MISR CEMENT (QENA) COMPANY (S.A.E) which comprise the separate interim statement of financial position as at June 30, 2022 and the related separate interim statements of income Separate interim, other comprehensive income Separate interim, change of equity Separate interim and cash flows Separate interim for the six-month then ended, and a summary of significant accounting policies and other explanatory notes. Management is responsible for the preparation and Fair presentation of these separate interim financial statements in accordance with the Egyptian Accounting Standards, our responsibility is to express a conclusion on these separate 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 separate interim financial statement performed by the independents Auditor of the entity". A limited review of separate interim financial statements consists of making inquiries primarily to 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 such an audit opinion on these separate interim financial statement.

Conclusion:

Based on our limited review, nothing has come to our attention that causes us to believe that the accompany separate interim financial statements do not present fairly, in all material respect the separate interim financial position of MISR CEMENT (QENA) COMPANY (S.A.E) as at june 30, 2022 and its financial performance and its cash flow for the six-month ended then, in accordance with Egyptian accounting standards.

Cairo, August 14, 2022.

KRESTON EGYPT
Tamer Nabarwy & Co.
Public Accountants & Consultants

Auditor

Gomaa Farag
Financial Regulatory Authority
Register Number (345)
Tamer Nabarawy and Co.
KRESTON EGYPT

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Separate interim Statement of Financial Position

	Note	30 June 2022	31 December 2021
Assets		EGP	EGP
Non-current assets			
Fixed assets	(5)	415 710 874	445 220 114
Intangible assets	(6)	1 566 674	1 890 813
Project under construction		1 267 038	130 738
Investments in subsidiaries	(7)	1 158 934 322	1 157 304 322
Financial investments at fair value through OCI	(8)	--	--
Investments in associates	(9)	800 000	800 000
Deferred tax Assets	(17)	14 938 441	14 938 441
Total non-current assets		**1 593 217 349**	**1 620 284 428**
Current assets			
Inventory	(10)	230 817 620	266 438 270
Due from related parties	(11-A)	21 845 681	14 519 521
Debtors and other debit balances	(12)	273 701 795	35 643 009
Cash on hand and at banks	(13)	91 863 940	50 116 217
Total current assets		**618 229 036**	**366 717 017**
Total assets		**2 211 446 385**	**1 987 001 445**
Equity			
Issued and paid up capital	(14)	720 000 000	720 000 000
Reserves	(15)	210 929 335	206 198 292
Retained earnings		329 284 771	289 530 197
Net Profit for the period/ year		39 726 661	93 810 764
Total Equity		**1 299 940 767**	**1 309 539 253**
Non-current liabilities			
Long term loans	(16)	60 259 163	120 973 456
Deferred tax liabilities	(17)	60 490 610	64 002 746
Total non-current liabilities		**120 749 773**	**184 976 202**
Current liabilities			
Provisions	(18)	69 699 664	69 699 664
Facilities	(20)	97 803 034	48 149 674
Current portion of long term loans	(16)	121 428 585	121 428 585
Receivables – advance payments		19 593 807	27 296 250
Suppliers and notes payable	(19)	343 789 556	105 275 346
Due to related parties	(11-B)	2 219 898	15 053 887
Creditors and other credit balances	(21)	121 783 358	74 688 737
Current income tax		14 437 943	30 893 847
Total current liabilities		**790 755 845**	**492 485 990**
Total liabilities and equity		**2 211 446 385**	**1 987 001 445**

- The accompanying notes are an integral part of these separate interim financial statements.
- limited review report attached

Managing Director	Group Chief Financial	Group Financial Manager
Tarek Talaat	Ramy Morsy	Moustafa Abdel Razek

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Separate interim Statement of Income

	Note	First Six Months		Second three Months	
		30 June 2022	30 June 2021	30 June 2022	30 June 2021
		EGP	EGP	EGP	EGP
Net Sales		573 696 420	611 136 955	264 814 391	269 657 814
(Less):					
Cost of sales	(23)	(489 996 730)	(493 072 673)	(248 411 908)	(209 355 305)
Gross profit		**83 699 690**	**118 064 282**	**16 402 483**	**60 302 509**
Selling and marketing expenses	(24)	(6 130 599)	(5 048 840)	(3 028 689)	(2 703 532)
General and administrative expenses	(25)	(33 794 464)	(36 149 776)	(14 633 314)	(20 283 966)
Amortization of intangible assets		(324 139)	(1 206 217)	(162 069)	(1 105 699)
Other revenue	(26)	1 925 763	1 090 810	1 008 902	608 949
Board of directors' salaries, attendance and transportation allowances		(3 488 237)	(3 007 412)	(2 939 725)	(2 039 882)
Total expenses		**(41 811 676)**	**(44 321 435)**	**(19 754 895)**	**(25 524 130)**
Net Operating profits		**41 888 014**	**73 742 847**	**(3 352 412)**	**34 778 379**
Add / (Less):					
Finance expenses		(15 162 038)	(22 828 152)	(7 957 467)	(11 019 734)
Provisions charged		--	(473 759)	--	--
Expected credit loss		(110 000)	--	1 702 440	--
Foreign currency exchange differences		6 222 968	94 063	1 003 571	141 452
Credit interest		2 297 050	2 489 283	1 144 221	1 390 359
Revenue from investments in associate and subsidiaries companies		15 872775	6 763 889	--	--
Net Profits for the period before Taxes		**51 008 769**	**59 788 171**	**(8 463 218)**	**25 290 456**
(Less):					
Income tax		(14 794 244)	(16 605 423)	(1 628 798)	(7 863 044)
Deferred Tax		3 512 136	3 602 558	1 741 348	1 801 279
Net Profits For The period After Taxes		**39 726 661**	**46 785 306**	**(8 350 668)**	**19 228 691**
Earnings per share (EGP/Share)	(27)	**0.48**	**0.56**	**(0.05)**	**0.25**

- The accompanying notes are an integral part of these separate interim financial statements.

Managing Director	Group Chief Financial	Group Financial Manager
Tarek Talaat	Ramy Morsy	Moustafa Abdel Razek

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Separate interim Statement of Comprehensive Income

	First Six months		Second Six months	
	30 June 2022	30 June 2021	30 June 2022	30 June 2021
	EGP	EGP	EGP	EGP
Net Profits For The period After Taxes	39 726 661	46 785 306	(8 350 668)	19 228 691
Add / (Less):				
Other comprehensive income	--	--	--	--
Total comprehensive income for the period	**39 726 661**	**46 785 306**	**(8 350 668)**	**19 228 691**

- The accompanying notes are an integral part of these separate interim financial statements.

Managing Director	Group Chief Financial	Group Financial Manager
Tarek Talaat	Ramy Morsy	Moustafa Abdel Razek

Misr Cement (Qena) Company (S.A.E)

Separate interim Financial statements For The period Ended June 30, 2022

Separate interim statement of Change in Equity

	Issued and Paid up Capital	Reserves	Retained Earnings	Net Profit for the period	Total
	EGP	EGP	EGP	EGP	EGP
30 June 2021					
Balance at 1 January 2021	**720 000 000**	**199 526 661**	**282 445 514**	**47 375 911**	**1 249 348 086**
Transferred to retained earnings	--	--	47 375 911	(47 375 911)	--
Transferred to reserves	--	2 368 796	(2 368 796)	--	--
Distributed Dividends	--	--	(23 933 813)	--	(23 933 813)
Total Comprehensive Income for the period	--	--	--	46 785 306	46 785 306
Balance at 30 June 2021	**720 000 000**	**201 895 457**	**303 518 816**	**46 785 306**	**1 272 199 579**
30 June 2022					
Balance at 1 January 2022	**720 000 000**	**206 198 292**	**289 530 197**	**93 810 764**	**1 309 539 253**
Transferred to retained earnings	--	--	93 810 764	(93 810 764)	--
Transferred to reserves	--	4 731 043	(4 731 043)	--	--
Distributed dividends	--	--	(49 325 147)	--	(49 325 147)
Total comprehensive income for the period	--	--	--	39 726 661	39 726 661
Balance at 30 June 2022	**720 000 000**	**210 929 335**	**329 284 771**	**39 726 661**	**1 299 940 767**

- The accompanying notes are an integrated part of these separate interim financial statements.

Managing Director	Group Chief Financial	Group Financial Manager
Tarek Talaat	Ramy Morsy	Moustafa Abdel Razek

Separate interim Statement of Cash Flows

	Note	30 June 2022 EGP	30 June 2021 EGP
Cash Flows From Operating Activities			
Net Profits for the period before taxes		51 008 769	59 788 171
Adjustment to reconcile net profit to cash flow from operating activities			
Depreciation of fixed assets	(5)	31 059 779	31 125 043
Amortization of intangible assets	(6)	324 139	1 206 217
Revenue from investment		(15 872 775)	(6 763 889)
Provisions charged	(19)	--	473 759
Expected credit loss		110 000	--
Foreign currency exchange	(4.1)	(6 222 968)	(94 063)
Debit interest		15 162 038	22 828 152
Credit interest	(4.9)	(2 297 050)	(2 489 283)
Net Operating profits		**73 271 932**	**106 074 107**
Change in inventory	(10)	35 620 650	(4 441 537)
Change in accounts receivables and notes receivables		--	(3 833 080)
Change in related parties	(11)	(20 160 149)	3 842 947
Change in debtors and other debit balances	(12)	(223 822 416)	(32 175 340)
Change in receivables – advance payments		(7 702 443)	27 220 383
Change in suppliers	(19)	238 514 210	46 781 156
Change in creditors and other credit balances	(21)	9 887 299	(5 821 816)
Cash flow from operating activities		**105 609 083**	**137 646 820**
(Payment) of income tax		(31 250 148)	(17 650 270)
Net cash Flows from operating activities		**74 358 935**	**119 996 550**
Cash flows from investing activities			
(Payments) For purchase fixed assets	(5)	(1 550 539)	(278 786)
(Payments) in project under construction		(1 136 300)	--
(Payments) in investment in subsidiaries		(1 630 000)	--
Collected credit interest		2 297 050	2 489 283
Change in Time deposits - maturing more than three months		--	1 351 000
Collected from dividends distributions		1 526 405	3 981 614
Net cash Flows from investing activities		**(493 384)**	**7 543 111**
Cash flows from financing activities			
Change in facilities		49 653 360	(24 483 836)
Paid from loans		(60 714 293)	(60 714 293)
Debit interest paid		(15 581 101)	(23 607 319)
Distributed dividends - paid		(11 698 762)	(5 002 120)
Net cash flows from financing activities		**(38 340 796)**	**(113 807 568)**
Net cash and cash equivalents during the period		**35 524 755**	13 732 093
Foreign Currency exchange differences	(4.1)	6 222 968	94 063
Cash and cash equivalent – beginning of the period		48 765 217	56 942 439
Cash And Cash Equivalent – End of the period		**90 512 940**	**70 768 595**
For the purpose of preparing the statement of cash flow :			
Cash and cash equivalent		91 863 940	70 768 595
(Less):			
Time deposit – maturing after three months		(1 351 000)	--
Cash and cash equivalent – end of the period		**90 512 940**	**70 768 595**

- The accompanying notes are an Integral part of these separate interim financial statements.

Managing Director	Group Chief Financial	Group Financial Manager
Tarek Talaat	Ramy Morsy	Moustafa Abdel Razek

Notes to the interim separate Financial Statements

1. **About the Company**

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

- Cement production 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) have 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 periods 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 Fiscal Year For begins from 1 January and ends at the end of December of each year.
- The company is registered on both Cairo and Alex Exchange Market.

1.6. Approval of the financial statements

The 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.

2. **Basis For financial statement's preparation**

- The separate financial statements of the Company have been prepared in accordance with the Egyptian accounting standards and the applicable laws and regulations.
- The financial statements have been prepared under the going concern assumption and on the historical cost basis under the fair market value.
- The financial statements have been prepared and presented in Egyptian pound, which is the Company's functional currency.

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 yearly 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:

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. Expected credit loss in value of commercial debtors.

The evaluation in the value of receivables is mage 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 grated for them and the impairment is recorded with the value of the due amounts on the customers who the Company management sees 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 yearic 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 the use of personal judgment which may have a significant impact on the value recognized in the financial statements.

3.3 Fair value measurement

- 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.
- 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.
- 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

Transactions 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.

Nonmonetary items that are measured at historical cost in foreign currencies are translated using the exchange rates prevailing at the date of the initial recognition.

4.2 Fixed assets and its Depreciation

The first recognition and initial measurement

Fixed assets are stated at the historical cost deducts of accumulated depreciation and accumulated impairment losses.

a. 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.

b. 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 are 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 Intangible assets

The intangible assets are initially recognized at the cost then they are recognized at the cost less the accumulated amortization and the accumulated impairment.

The intangible assets with a definite life are amortized throughout the assets' economic life. An impairment test is made whenever there is an indicator of the assets' impairment. The amortization year and method of the intangible assets with a definite life are revised at least once at the end of each fiscal year.

4.4 Projects under construction

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

4. Significant accounting policies (followed)

4.5 Investments in subsidiaries and associates

Investments in subsidiaries and associates are recorded at cost less losses of its impairment, in subsidiaries are accounted for at cost including transaction cost and in case the investment is impaired, the carrying amount is adjusted by the value of this impairment and is charged to the Income Statement for each investment separately.

4.6 Financial investments at fair value through OCI

Available for sale investments are initially recognized at cost After initial measurement, available for sale investments are measured at fair value with unrealized gains or losses recognized directly in equity until the investment is derecognized, at which time the cumulative gain or loss recorded in equity is recognized in the statement of income, or determined to be impaired, at which time the cumulative loss recorded in equity is recognized in the statement of income, if the fair value of an equity instrument cannot be reliably measured, the investment is carried at cost

4.7 Inventory

The Inventory elements are valued as follows:

a) Raw materials, gasoline, mazot, 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.

4.8 Revenue

- **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.

- **Dividends**

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

- **Interest income**

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

4.9 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. 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

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4. Significant accounting policies (followed)

4.9 Expected Credit Loss (followed)

- 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.

4.10 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.

4.11 Taxes

- **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.

- **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.

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4. Significant accounting policies (followed)

4.12 Accounts Receivable, notes receivable, debtors and other debit balances and suppliers' advanced payment

Accounts receivable, 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.

4.13 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.

4.14 Treasury shares

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

4.15 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

4.16 General reserve

The general reserve is formed from the company's profit in the previous years 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.

4.17 Capital reserve

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

4.18 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.

4.19 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.

4.20 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.

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4. Significant accounting policies (followed)

4.21 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.

4.22 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 balance sheet.

4.23 Dividends

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

4.24 Cash Flow Statement

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

4.25 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)

4.26 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.

4.27 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.

4.28 Comparative figures

The comparative figures reclassified to comply with current figures.

4.29 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 separate financial instruments doesn't differ significantly from its book value at the date of the preparation of the financial statements.

4. Significant accounting policies (followed)

4.30 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 limited 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 (2A) the assets and liabilities in foreign currency are evaluated using the official rate in the date of preparing the financial statements.

5. Fixed assets

30 June 2022	Land EGP	Buildings and constructions EGP	Machinery and Equipment EGP	Motor Vehicles EGP	Tools EGP	Furniture and Fixtures EGP	Total EGP
Cost at 1 January 2022	**7 221 739**	**276 010 861**	**981 454 250**	**6 852 244**	**13 894 694**	**12 798 875**	**1 298 232 663**
Additions during the period	--	--	--	--	--	1 550 539	**1 550 539**
Cost at 30 June 2022	**7 221 739**	**276 010 861**	**981 454 250**	**6 852 244**	**13 894 694**	**14 349 414**	**1 299 783 202**
Accumulated depreciation at 1 January 2022	--	**185 990 369**	**640 483 160**	**6 846 700**	**8 089 028**	**11 603 292**	**853 012 549**
Depreciation for the period	--	6 295 059	23 988 714	1 386	461 361	313 259	**31 059 779**
Accumulated depreciation at 30 June 2022	--	**192 285 428**	**664 471 874**	**6 848 086**	**8 550 389**	**11 916 551**	**884 072 328**
Net book value at 30 June 2022	**7 221 739**	**83 725 433**	**316 982 376**	**4 158**	**5 344 305**	**2 432 863**	**415 710 874**

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 and Fixtures EGP	Total EGP
Cost of fully depreciated assets and still being used.	18 012 376	20 779 876	6 838 384	4 651 956	10 894 898	**61 177 490**

- There is a commercial mortgage over fixed assets (machinery and equipment) amounting to EGP 732 525 606 as collateral against the long-term loan (Note 16).
- The machinery and equipment balance includes foreign exchange differences resulting from liabilities associated to the assets amounting to EGP 34 421 282 in addition to an amount of EGP 5 390 150 transferred from Projects Under Constructions

- The depreciation expense charged this year has been allocated to the statement of Income Statement as follows:

Cost of Sales (Note 22)	43 011 802
Selling and marketing expenses (Note 23)	73 403
General and administrative expenses (Note 24)	276 235
	43 361 440

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5. **Fixed assets (Followed)**

	Land EGP	Buildings and Constructions EGP	Machinery and Equipment EGP	Motor Vehicles EGP	Tools EGP	Furniture and Fixtures EGP	Total EGP
31 December 2021							
Cost at 1 January 2021	**7 221 739**	**275 707 228**	**981 454 250**	**6 852 244**	**13 894 694**	**12 034 258**	**1 297 164 413**
Additions during the year	--	303 633	--	--	--	873 090	1 176 723
Disposals during the year	--	--	--	--	--	(108 473)	(108 473)
Cost at 31 December 2021	**7 221 739**	**276 010 861**	**981 454 250**	**6 852 244**	**13 894 694**	**12 798 875**	**1 298 232 663**
Accumulated depreciation at 1 January 2021	--	**172 990 129**	**592 505 732**	**6 843 928**	**7 166 528**	**11 453 749**	**790 960 066**
Depreciation for the year	--	13 000 240	47 977 428	2 772	922 500	258 016	**62 160 956**
Accumulated depreciation of Disposals	--	--	--	--	--	(108 473)	**(108 473)**
Accumulated depreciation at 31 December 2021	--	**185 990 369**	**640 483 160**	**6 846 700**	**8 089 028**	**11 603 292**	**853 012 549**
Net book value at 31 December 2021	**7 221 739**	**90 020 492**	**340 971 090**	**5 544**	**5 805 666**	**1 195 583**	**445 220 114**

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 and Fixtures EGP	Total EGP
Cost of fully depreciated assets and still being used.	18 012 376	20 779 876	6 838 384	4 651 956	10 894 898	**61 177 490**

- There is a commercial mortgage over fixed assets (machinery and equipment) amounting to EGP 732 525 606 as collateral against the long term loan (Note 17).
- The machinery and equipment balance includes foreign exchange differences resulting from liabilities associated to the assets amounting to EGP 34 421 282, in addition to an amount of EGP 5 390 150 transferred from Projects Under Constructions
- The depreciation expense charged this year has been allocated to the statement of Income Statement as follows: -

Cost of inventory	58 950 457
Selling and marketing expenses	160 547
General and administrative expenses	300 571
	59 411 575

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6. Intangible assets

	30 June 2022 EGP	31 December 2021 EGP
SAP program	4 357 577	2 010 361
Additions during the period/ year	--	2 347 216
Balance at 30 June 2022	**4 357 577**	**4 357 577**
(less):		
Accumulated amortization at 1 January 2022	(2 466 764)	(804 144)
amortization during the period / year	(324 139)	(1 662 620)
Accumulated amortization on 30 June 2022	**(2 790 903)**	(2 466 764)
Net book value on 30 June 2022	**1 566 674**	**1 890 813**

7. Investments in subsidiaries

	Percentage of Ownership	30 June 2022 EGP	31 December 2021 EGP
Misr Cement Minya (Minya portland Previously) (S.A.E)	**60.36%**	1 066 863 275	1 066 863 275
Misr cement (Beton) (S.A.E) (ASECO for ready mix "previously")	**99.90%**	92 071 047	90 441 047
		1 158 934 322	**1 157 304 322**

- The balance of the investment in subsidiaries amounts to EGP 1,157,304,322 includes an amount of EGP 9,325,000 commissions and fees related to the loan acquired by the company to finance the acquisition of and Misr Cement Minya (Minya portland Previously) (S.A.E) and Misr cement Beton (ASECO for Ready Mix "previously") concrete stock, this amount was added to the cost of the investment due to the need to finance the acquisition with it, a letter was received by the company from the lending bank that the amount will be repaid along with the loan on 15 payments.

- In 1 November 2015 a selling contract was signed between QENA CEMENT (S.A.E) and Misr cement-Beton (S.A.E) (ASECO FOR ready mix) to purchase 44 872 676 common stock owned to Misr Cement Minya (Minya portland Previously) (S.A.E) which represent 46.48% and it represents its full ownership for the company with a price of EGP 20.75 for each stock, to be total share 58 274 508 common stock which represent 60.36% and purchasing 208 998 shares owned in Misr cement-Beton (S.A.E) (ASECO for ready mix- previously) (S.A.E) which present 55% and that represents its full ownership in the company with a price of EGP 334.1 for each share in addition to all the commissions and transfer of ownership expenses the company's shares become 3 636 980 share which represent 99.90% . In addition to brokerage commissions, transfer of ownership and the transfer fees.
- All the company's investment in subsidiaries "shares" are pledged as collateral against the long term loans.

8. Financial investments at fair value through OCI

	Percentage of ownership	30 June 2022 EGP	31 December 2021 EGP
The Egyptian African company for investment	3%	--	150 000
(Less):			
Expected credit loss		--	(149 999)
Deposals *		--	(1)
		--	--

- The Extraordinary General Assembly meeting of The Egyptian African Company for Investment and Development was held in May 18th, 2016 and has decided to hold the company's activities that starts 3 years from 31 December 2016 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 September 25, 2019 decision, place the company under liquidation.

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*Pursuant to ordinary general assembly meeting held on March 15, 2021 it was decided to approve the results of liquidation accounts business, and the company was removed from the commercial registry on July 6, 2021.

9. Investments in associates

	Percentage of ownership	30 June 2022	31 December 2021
		EGP	EGP
South of Upper Egypt Company for sacks Manufacturing	20%	800 000	800 000
		800 000	**800 000**

10. Inventory

	30 June 2022	31 December 2021
	EGP	EGP
Raw materials	20 037 987	13 115 083
Coal and diesel	94 209 071	7 997 643
Spare parts	30 211 716	28 286 200
Work in progress	61 279 218	195 272 769
Finished goods	25 079 628	21 766 575
	230 817 620	**266 438 270**

11. Transactions with related parties

During the period, many financial transactions took place between the company and related parties, and the most important transaction balances were as follows:

A) Due from related parties

	30 June 2022	31 December 2021
	EGP	EGP
Misr cement Beton (S.A.E) (ASECO for Ready Mix-previously)	22 018 399	14 692 239
(Less):		
Expected credit loss	(172 718)	(172 718)
	21 845 681	**14 519 521**

B) Due to related parties

	30 June 2022	31 December 2021
	EGP	EGP
Misr Cement Minya (Minya portland Previously) (S.A.E)	2 219 898	15 053 887
	2 219 898	**15 053 887**

12. Debtors and other debit balances

	30 June 2022	31 December 2021
	EGP	EGP
(ASEC) Managing technical	--	3 247 102
Tax authority– addition tax	8 554 376	6 353 966
Customs duty	3 343 276	431 276
Deposits with others	13 569 334	13 512 935
Prepaid expenses	2 095 586	1 178 020
Cash cover letter of guarantee (Note No. 30)	3 294 000	3 294 000
Advance payments*	225 762 344	4 087 795
Employees borrowings	3 177 258	1 082 840
Other debit balances	1 524 667	4 310 491
Accrued revenue – dividends distribution	14 377 779	31 409
	275 698 620	**37 529 834**
(Less):		
Expected credit loss	(1 996 825)	(1 886 825)
	273 701 795	**35 643 009**

13. Cash on hand and at banks

	30 June 2022	31 December 2021
	EGP	EGP
Current accounts - Local currency	39 063 751	44 812 386
Current accounts - foreign currency	18 710 036	63 604
Time deposit - maturing during three months	27 856 500	1 356 500
Time deposits - maturing after three months	1 351 000	1 351 000
Cash on hand	4 882 653	2 532 727
	91 863 940	**50 116 217**

14. Issued and 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 December 12, 2017 and authorized from GAFI on 25 December 2017 which decided to increase the capital with amount EGP 301 220 000 divided to 30 122 000 shares at EGP 10 per share,and the issuing capital became EGP 600 000 000 as registered in the commercial register on 31 January 2018 No. 4955
- based on the decision of the extraordinary general assembly held on 28 of March 2018 distribute free stocks about stock for five stocks holders from the retained earnings and the number of shares become 72 000 000 instead of 60 000 000 shares and the paid capital become 720 000 000 Egyptian pound instead of 600 000 000 Egyptian pound as registered in the commercial register on 29 May 2018 No. 23904 .

14 .Issued and Paid Up Capital (followed)

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:

	No. of shares	Par Value	Capital issuing	Paid up capital	Percentage
		EGP	EGP	EGP	%
NCB Capital Company (NBE)	15 341 386	10	153 413 860	153 413 860	21.31%
Egyptian Federation for Construction and Building Contractors	8 115 317	10	81 153 170	73 153 170	11.27%
Egyptian Company for investment projects	7 251 096	10	72 510 960	72 510 960	10.07%
Egyptian Kuwaiti investment company	7 114 206	10	71 142 060	71 142 060	9.88%
National Investment Bank	6 895 599	10	68 955 990	68 955 990	9.58%
Egypt Company for Life Insurance	6 748 839	10	67 488 390	67 488 390	9.37%
QNB for finance services	4 821 514	10	48 215 140	48 215 140	6.69%
Individuals and IPO	16 512 043	10	165 120 430	165 120 430	21.83%
	72 000 000		**720 000 000**	**720 000 000**	**100%**

15. Reserves

	Legal reserve	General reserve	Capital reserve	Total
	EGP	EGP	EGP	EGP
Balance at beginning of period	**188 277 478**	**10 216 984**	**7 703 830**	**206 198 292**
Charged during the period	4 690 538	--	40 505	4 731 043
Balance as of 30/6/2022	**192 968 016**	**10 216 984**	**7 744 335**	**210 929 335**

16. Long term loans

In November 16th, 2015, the Company has acquired a long term loan amounting to EGP 910,259,259 from total loan amounted EGP 915,000,000 which represents a portion of the loan granted from the banks' association (National Bank of Egypt, Commercial International Bank and Misr Bank) which represents 33.3% for each bank. Conditioning that the National Bank of Egypt will be the main facilitator of the loan, for the purpose of financing the acquisition transactions (Note 7). To be settled on 15 semiannual installments starting from November 16th, 2015 until November 15th, 2023, with 2.25% interest rate plus the average Central Bank corridor rate, according to that, the loan amount in 30 June 2022 became EGP 181 687 748.

	30 June 2022	31 December 2021
	EGP	EGP
Long term loans	181 687 748	242 402 041
Current portion from long term loans	(121 428 585)	(121 428 585)
	60 259 163	**120 973 456**

There is a commercial pledge on the fixed assets (machinery and equipment) with amount EGP 732,525,606 as collateral for the long term loan (Note 5).
There is a commercial pledge over the shares owned by the Company of its acquired subsidiaries which represents collateral against the long term loans (Note 7).

17. Deferred Tax Assets / (Liabilities)

	Assets		Liabilities	
	31/6/2022	31/12/2021	31/6/2022	31/12/2021
	EGP	EGP	EGP	EGP
Balance at the beginning of the year	14 938 441	15 387 081	64 002 746	69 774 402
Assets (liabilities) deferred tax movements	--	(448 640)	(3 512 136)	(5 771 656)
Balance at the ending of the period / year	**14 938 441**	**14 938 441**	**60 490 610**	**64 002 746**

18. Provisions

	Balance as of 1 January 2022	Charged during the period	Balance as of 30 June 2022
	EGP	EGP	EGP
Tax provision	8 516 731	--	8 516 731
Provision for current claims and litigations according to legal opinion	21 269 174	--	21 269 174
Provision for claims	39 913 759	--	39 913 759
	69 699 664	--	**69 699 664**

19. Suppliers and Notes payable

	30 June 2022	31 December 2021
	EGP	EGP
Suppliers	329 041 396	105 275 346
Notes payables	14 748 160	--
	343 789 556	**105 275 346**

20. Facilities

The company has facilities in 30 June 2022 amounted EGP 97 803 034 from the National Bank of Egypt to finance the purchase of raw materials and production tools within limited amount to EGP 100 000 000.

21. Creditors and other credit balances

	30 June 2022	31 December 2021
	EGP	EGP
Tax authority	3 143 130	5 008 178
Due to ASEC (Managing technical)	8 756 033	--
Value added tax on Cement	15 367 702	14 860 102
Production development fees	3 486 106	3 734 437
Retentions	17 115 076	16 111 264
Syndicate Stamps	6 400 195	6 385 852
Employees services association	174 142	461 636
Social insurance authority	1 231 820	966 080
Accrued debit interests	2 543 629	2 962 692
Accrued for suppliers (Cement transportation)	7 254 486	7 153 470
Payables for purchase fixed assets	7 406 832	7 406 832
Credit – Dividends	38 669 522	1 043 137
Solidarity contribution of medical insurance accrual	1 457 630	3 164 024
Other credit balances	8 777 055	5 431 033
	121 783 358	**74 688 737**

22. Cost of Sales

	30 June 2022	30 June 2021
	EGP	EGP
Depreciation	43 011 805	29 703 719
Governmental fees and Technical management fees	79 878 884	92 228 964
Packing materials	88 545 377	108 175 754
Electricity and power	235 533 628	242 760 218
Indirect cost	43 027 036	20 204 018
	489 996 730	**493 072 673**

23. Selling and marketing expenses

	30 June 2022	30 June 2021
	EGP	EGP
Salaries and wages	4 397 966	4 164 341
Depreciation	73 403	116 798
Stamps	155 598	85 944
Traveling and Transportation expenses	85 728	23 584
Others expenses	1 217 904	658 173
	6 130 599	**5 048 840**

24. General and administrative expenses

	30 June 2022	30 June 2021
	EGP	EGP
Depreciation	276 235	228 616
Salaries and wages	17 268 462	20 480 206
Donations	1 936 910	1 073 911
Insurance Expenses	341 990	2 081 333
Public relations and advertisement expenses	2 106 742	1 053 299
Other services expenses	1 491 857	259 634
Training, researches and consulting expenses	1 100 010	840 846
Medical and pension funds	1 039 611	1 650 106
Transportation and travelling expenses	931 269	52 492
Material and supplies	868 642	235 212
Rent and transportation allowances	663 524	209 300
Solidarity contribution of medical insurance	1 457 630	1 556 845
Other expenses	4 311 582	6 427 976
	33 794 464	**36 149 776**

25. Other Revenues

	30 June 2022	30 June 2021
	EGP	EGP
Rent	32 497	524 115
Revenue from Transport, shipping and handling	18 175 068	21 092 168
Revenue from spare parts	2 524 259	414 479
Miscellaneous revenue	1 215 255	566 695
	21 947 079	**22 597 457**
(Less):		
Transport, shipping and handling cost	(17 497 057)	(21 092 168)
Spare parties cost	(2 524 259)	(414 479)
	1 925 763	**1 090 810**

26. Earnings per share

	30 June 2022	30 June 2021
	EGP	EGP
Net profits for the period	39 726 661	46 785 306
Employees profit share	(3 774 033)	(4 444 604)
Board of directors' bonus	(1 596 630)	(2 200 144)
Remaining profits	**34 355 999**	**40 140 558**
Number of shares	72 000 000	72 000 000
Earnings per share	**0.48**	**0.56**

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26. Earnings per share (followed)

	30 June 2022	30 June 2021
	EGP	EGP
Expected average of number of shares: 72 000 000 ×6/6=	72 000 000	72 000 000
Expected average of number of shares issued during the period	--	--
	72 000 000	**72 000 000**

27. Related party transaction

During the year the company and the related parties had a transaction between them based on the general assembly meeting:

	Nature of the relation	Type	31 March 2022
Misr Insurance	Shareholder	Insurance installments	1 269 099
South of upper Egypt company (main supplier)	Associate company	Supplying bags	39 443 529
Misr Cement Beton (Previously ASECO for ready mix company)	Subsidiary company	Cement sales	16 846 754
Misr Cement Beton (Previously ASECO for ready mix company)	Subsidiary company	Others income	223 368
Minya Portland Cement	Subsidiary company	Rent revenue	521 074

28. 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 have been paid.

28. Tax Situation (Followed)

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.

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 / 2021

- 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.

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28. **Tax Situation (Followed)**

c) 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 form (15 D A M) 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 to avoid the penalties, the dispute was referred to the court, the case is being taken to court.

3. Years from 2011/2015

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

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 2020/2021

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

D) Development of the country's financial resources fees

1. Years from 5 May 2008 to 30 June 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 dispute is still pending before the competent court, as for the committee to end the conflict.
- 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 amount EGP 40 596 and delay fees, the company has paid.

28. Tax Situation (Followed)

- 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. and the company the tax till due to date and the forms were appealed to resolve the dispute in front of 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 exploit by 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 the company appealed against it in The legal date
- The real estate tax authority filed form 3 real estate tax for the sand quarry that the company is licensed to use by 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 the company appealed against it on time Legal.

29. Contingent liabilities

The name of bank issued letter of grantee	Letter of grantee amount EGP	Covered amount EGP	Uncovered amount EGP
National bank of Egypt	3 294 000	3 294 000	--

30. 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 Abdel Razek