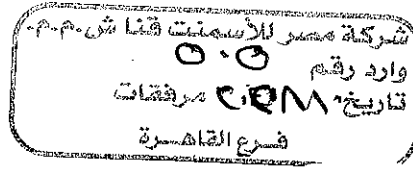


# Misr Cement (Qena) Company (SAE) Cairo - Egypt

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Separate Interim Financial Statements  
For the period ended 30 June 2020  
And Auditor's Limited Review Report



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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 accompany separate interim financial statements of MISR CEMENT (QENA) COMPANY (S.A.E) which comprise the separate interim statement of financial position as at 30 June, 2020 and the related separate interim statements of income, other comprehensive income, change of equity and cash flows 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 30 June, 2020 and its financial performance and its cash flow for the Six-month ended then, in accordance with Egyptian accounting standards.

### Emphasis of matter paragraph

#### Subsequent events following the financial period that do not require an amendment to the financial statements:

Without considering this as a qualification, the impact of the recent outbreak (Covid-19) virus on the global economy and the markets continues and it's negative impact related to the developments of this event, which can be achieved in the future in several ways. The company has taken procedures to reduce the impact associated with the development of the event and to identify these effects see Note No (31) of the notes to the financial statements for the financial period ending 30 June 2020.

Cairo: August 10, 2020



Financial Regulatory Authority  
Register Number (345)

Tamer Nabarawy and Co.  
Kreston Egypt


**Misr Cement (Qena) Company (S.A.E)**  
 Separate Interim Financial statements For The Period Ended 30 June 2020

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**Separate Interim Statement of Financial Position**

	Note	30 June 2020	31 December 2019
		EGP	EGP
<b>Assets</b>			
<b>Non-current assets</b>			
Fixed assets	(5)	536 509 844	563 955 645
Intangible assets	(6)	1 407 253	1 608 289
Projects under construction	(7)	--	2 601 960
Investments in subsidiaries	(8)	1 157 304 322	1 157 304 322
Investments Available for sale	(9)	1	1
Investments in associates	(10)	800 000	800 000
Deferred tax Assets	(19)	14 593 236	14 593 236
<b>Total non-current assets</b>		<b>1 710 614 656</b>	<b>1 740 863 453</b>
<b>Current assets</b>			
Inventory	(11)	306 788 823	332 385 979
Accounts receivables and notes receivables	(12)	--	--
Due from related parties	(13)	18 734 953	15 982 008
Debtors and other debit balances	(14)	68 753 948	59 242 724
Cash on hand and at banks	(15)	83 345 447	122 681 248
<b>Total current assets</b>		<b>477 623 171</b>	<b>530 291 959</b>
<b>Total assets</b>		<b>2 188 237 827</b>	<b>2 271 155 412</b>
<b>Equity</b>			
Issued and paid up capital	(16)	720 000 000	720 000 000
Reserves	(17)	199 526 661	197 764 472
Retained earnings		282 445 514	270 918 761
Net Profit for the period / year		42 156 076	35 243 767
<b>Total Equity</b>		<b>1 244 128 251</b>	<b>1 223 927 000</b>
<b>Non-current liabilities</b>			
Long term loans	(18)	303 116 333	363 830 626
Deferred tax liabilities	(19)	72 024 708	73 656 341
<b>Total non-current liabilities</b>		<b>375 141 041</b>	<b>437 486 967</b>
<b>Current liabilities</b>			
Provisions	(20)	64 583 103	64 657 703
Current portion of long term loans	(18)	121 428 585	121 428 585
Receivables – advance payments		62 209 705	59 874 740
Suppliers and notes payable		231 278 605	206 369 571
Creditors and other credit balances	(21)	77 432 032	143 478 667
Income tax		12 036 505	13 932 179
<b>Total current liabilities</b>		<b>568 968 535</b>	<b>609 741 445</b>
<b>Total liabilities and equity</b>		<b>2 188 237 827</b>	<b>2 271 155 412</b>

- The accompanying notes are an integral part of these separate interim financial statements.  
 - Auditor's Limited Review report attached

**Managing Director**  
  
**Tarek Talaat Ahmed**

**Financial Manager**  
  
**Ahmed Abdel Hamid Emam**

**Misr Cement (Qena) Company (S.A.E)**  
**Separate Interim Financial statements For The Period Ended 30 June 2020**

Translation of financial statements  
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**Separate Interim Statement of Income**

	Note	30 June 2020	30 June 2019	30 June 2020	30 June 2019
		EGP	EGP	EGP	EGP
		First Six Months		Second Three months	
Net Sales		612 759 616	638 454 825	249 807 100	294 558 795
<b>(Less):</b>					
Cost of sales	(22)	(508 919 373)	(530 056 355)	(205 225 858)	( 240 293 612)
<b>Gross profit</b>		<b>103 840 243</b>	<b>108 398 470</b>	<b>44 581 242</b>	<b>54 265 183</b>
Selling and marketing expenses	(23)	(4 363 716)	( 11 569 518)	(2 607 694)	( 5 870 761)
General and administrative expenses	(24)	(31 879 525)	(34 188 597)	(18 462 678)	( 18 929 199)
Amortization of intangible assets		(201 036)	(201 036)	(100 518)	50 259
Other revenue	(25)	3 742 837	1 970 527	2 369 419	1 212 431
Board of directors' salaries, attendance and transportation allowances		(3 265 191)	(6 382 396)	(2 644 488)	( 5 446 900)
<b>Total expenses</b>		<b>(35 966 631)</b>	<b>(50 371 020)</b>	<b>(21 445 959)</b>	<b>( 28 984 170)</b>
<b>Net Operating profits</b>		<b>67 873 612</b>	<b>58 027 450</b>	<b>23 135 283</b>	<b>25 281 013</b>
<b>Add / (Less):</b>					
Finance expense		(35 280 989)	(60 056 636)	(16 396 318)	( 29 114 558)
Foreign Currency exchange differences		(234 582)	(631 159)	(136 337)	(366 707)
Credit interest		3 463 126	6 927 154	1 877 143	3 118 595
Capital gain		4 153 492	--	4 119 958	--
Investment revenues		12 586 289	7 779 850	(632 000)	--
<b>Net Profits for the period before Taxes</b>		<b>52 560 948</b>	<b>12 047 659</b>	<b>11 967 729</b>	<b>(1 081 657)</b>
<b>(Less):</b>					
Income tax		(12 036 505)	(2 300 104)	(3 742 168)	(2 300 104)
Deferred Tax		1 631 633	(1 648 989)	591 890	(353 136)
<b>Net Profits For The period After Taxes</b>		<b>42 156 076</b>	<b>8 098 566</b>	<b>8 817 451</b>	<b>(3 734 897)</b>
<b>Earnings per share</b>	(26)	<b>0.52</b>	<b>0.12</b>	<b>0.11</b>	<b>(0.04)</b>

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

**Managing Director**  
  
**Tarek Talaat Ahmed**

**Financial Manager**  
  
**Ahmed Abdel Hamid Emam**

**Misr Cement (Qena) Company (S.A.E)**  
**Separate Interim Financial statements For The Period Ended 30 June 2020**


Translation of financial statements  
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**Separate Interim Statement of Comprehensive Income**

	30 June 2020	30 June 2019	30 June 2020	30 June 2019
	EGP	EGP	EGP	EGP
	First Six months		Second Three months	
Net Profits For The period After Taxes	42 156 076	8 098 566	8 817 451	(3 734 897)
<b>Add / (Less):</b>				
Other comprehensive income	--	--	--	--
<b>Total comprehensive income for the period</b>	<b>42 156 076</b>	<b>8 098 566</b>	<b>8 817 451</b>	<b>(3 734 897)</b>

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

  
**Managing Director**  
**Tarek Talaat Ahmed**

  
**Financial Manager**  
**Ahmed Abdel Hamid Emam**


**Misr Cement (Qena) Company (S.A.E)**  
**Separate Interim Financial statements For The Period Ended 30 JUNE 2020**

**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
<b>30 June 2019</b>					
Balance as of 1 January 2019	720 000 000	193 731 991	242 157 848	76 546 338	1 232 436 177
Transferred to retained earnings	-	-	76 546 338	(76 546 338)	-
Transferred to reserves	-	4 032 481	(4 032 481)	-	-
Dividends distribution	-	-	(45 076 944)	-	(45 076 944)
Total Comprehensive Income for the period	-	-	-	8 098 566	8 098 566
<b>Balance as of 30 June 2019</b>	<b>720 000 000</b>	<b>197 764 472</b>	<b>269 594 761</b>	<b>8 098 566</b>	<b>1 195 457 799</b>
<b>30 June 2020</b>					
Balance as of 1 January 2020	720 000 000	197 764 472	270 918 761	35 243 767	1 223 927 000
Transferred to retained earnings	-	-	35 243 767	(35 243 767)	-
Transferred to Reserves	-	1 762 189	(1 762 189)	-	-
Dividends distribution	-	-	(21 954 825)	-	(21 954 825)
Total Comprehensive Income for the period	-	-	-	42 156 076	42 156 076
<b>Balance as of 30 June 2020</b>	<b>720 000 000</b>	<b>199 526 661</b>	<b>282 445 514</b>	<b>42 156 076</b>	<b>1 244 128 251</b>

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

**Managing Director**  
  
**Tarek Talaat Ahmed**

**Financial Manager**  
  
**Ahmed Abdel Hamid Emam**


**Misr Cement (Qena) Company (S.A.E)**  
 Separate Interim Financial statements For The Period Ended 30 JUNE 2020

**Separate Interim Statement of Cash Flows**

	30 JUNE 2020	30 JUNE 2019
Note	EGP	EGP
<b>Cash Flows From Operating Activities</b>		
Net Profits for the period before taxes	52 560 948	12 047 659
<b>Adjustment to reconcile net profit to cash flow from operating activities</b>		
Depreciation of fixed assets	(5) 31 228 055	31 077 374
Amortization of intangible assets	(6) 201 036	201 036
Investment revenue	(12 586 289)	( 7 779 850)
Capital gain	(4 153 492)	--
Foreign currency exchange	(4.1) 234 582	631 159
Debit interest	35 280 989	60 055 636
Credit interest	(9.4) (3 463 126)	(6 927 154)
<b>Net Operating profits</b>	<b>99 302 703</b>	<b>89 305 860</b>
Change in inventory	(11) 25 597 156	( 91 907 457)
Change in accounts receivables and notes receivables	(12) --	2 438 859
Change in due from related parties	(13) ( 2 752 945)	( 360 789)
Change in debtors and other debit balances	(14) 4 407 688	( 138 085 820)
Change in receivables – advance payments	2 334 965	2 128 303
Change in suppliers	24 909 034	207 280 053
Change in creditors and other credit balances	(21) (63 847 270)	(9 853 061)
<b>Cash flow from operating activities</b>	<b>89 951 331</b>	<b>60 945 948</b>
(Payment) of income tax	(13 932 179)	2 300 104
Unrequired provision	(74 600)	--
<b>Net cash Flows from operating activities</b>	<b>75 944 552</b>	<b>63 246 052</b>
<b>Cash flows from investing activities</b>		
(Payments) For Purchase fixed assets	(5) (4 720 564 )	( 1 908 461)
Adjustment on fixed assets	--	936 654
Change in projects under constructions	(7) 1 616 200	( 2 205 254)
Proceeds From credit interests	3 463 126	3 970 716
Change in current accounts blocked in banks	--	19 435 030
Change in Time deposits maturing after three months	(15) 1 351 000	1 351 000
Proceeds from dividends	4 744 939	7 779 850
<b>Net cash Flows from investing activities</b>	<b>6 454 701</b>	<b>29 359 535</b>
<b>Cash flows from financing activities</b>		
Payable in loans	(60 714 293)	(60 714 293)
Payable debit interest	(37 829 396)	(62 761 458)
Dividends paid	(21 605 783)	(23 343 613)
<b>Net cash flows from financing activities</b>	<b>(120 149 472)</b>	<b>(146 819 364)</b>
<b>Net cash and cash equivalents during the period</b>	<b>(37 750 219)</b>	<b>(54 213 777)</b>
Foreign Currency exchange differences	(4.1) (234 582)	( 631 159)
Cash and cash equivalent – beginning of the period	(15) 121 330 248	145 963 197
<b>Cash And Cash Equivalent – End of the period</b>	<b>(15) 83 345 447</b>	<b>91 118 261</b>
Cash on hand and at banks	(15) 83 345 447	97 122 858
Current accounts blocked in banks	(15) --	( 6 004 597)
	<b>83 345 447</b>	<b>91 118 261</b>

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

**Managing Director**  
  
**Tarek Talaat Ahmed**

**Financial Manager**  
  
**Ahmed Abdel Hamid Emam**



**Misr Cement (Qena) Company (S.A.E)**  
**Separate Interim Financial statements For The Period Ended 30 June 2020**

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**Notes to the separate interim 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.

**1.4. The company duration**

- The duration of the company is 25 years starting from the date of the registration in the commercial register.

**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 30 June 2020 were authorized for issuance in accordance with a resolution of the board of directors in August 10, 2020

**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.

**Misr Cement (Qena) Company (S.A.E)**  
**Separate Interim Financial statements For The Period Ended 30 June 2020**

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**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 periodically and any differences in the accounting estimates are recognized in the period in which these estimates are changed, and if these differences affect the period in which these changes are made and future periods, these differences are recorded in the period in which the adjustments are made and the future periods. 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 periods.

**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 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 periodic 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.

**Misr Cement (Qena) Company (S.A.E)**  
**Separate Interim Financial statements For The Period Ended 30 June 2020**

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**4. Significant accounting policies**

The accounting policies set out below have been applied consistently to all periods 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:

<b>Assets</b>	<b>Depreciation rate</b>
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 period and method of the intangible assets with a definite life are revised at least once at the end of each fiscal year.

<b>Assets</b>	<b>Amortization rate</b>
SAP- Program	20%

**Misr Cement (Qena) Company (S.A.E)**  
**Separate Interim Financial statements For The Period Ended 30 June 2020**

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**4. Significant accounting policies (followed)**

**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.

**4.5 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 Investments Available for sale**

Available for sale investments are initially recognized at fair value including direct attributable expenses 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

Equity securities: where there is an evidence of impairment, the cumulative loss is removed from the equity and recognized in the statement of income, impairment losses on equity investments are not reversed through the statement of income increases in the fair value after impairment are recognized directly in equity Debt securities: where there is an evidence of impairment, loss is removed from the equity and recognized in the statement of income and interest continues to be accrued at original rate on the reduced carrying amount of the asset, if the fair value of the debt investment increases and the can be objectively related to an event occurring after the impairment loss was recognized in the income statement, the impairment loss is reversed through the statement of income.

**4.7 Investments Held to maturity**

Held to maturity investments are non-derivative financial assets with fixed or determinable payments and fixed maturities that the company's management has the positive intention and ability to hold to maturity.

Held to maturity investments are initially recognized at fair value inclusive direct attributable expenses.

After initial recognition, the held to maturity investments are measured at amortized cost using the effective interest method less impairment. Gains and losses are recognized in profit or loss when the investments are derecognized or impaired, impairment is recovered, as well as through the amortization process.

**4.8 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.

**Misr Cement (Qena) Company (S.A.E)**  
**Separate Interim Financial statements For The Period Ended 30 June 2020**

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**4. Significant accounting policies (followed)**

**4.9 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.

**4.10 Impairment in value of Non-current assets**

**- Financial assets**

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

An impairment loss in respect of an available-for-sale financial asset is calculated by reference to its current fair value. Individually significant financial assets are tested for impairment on an individual basis, all impairment losses are recognized in income statement. Impairment losses are reversed in the income statement when there is evidence supporting reversing the impairment losses.

**- Non-financial assets**

The Company's non-financial assets, other than, Assets arising from construction contracts and inventories are reviewed to determine whether there is any indication of impairment, If any such indication exists then the asset's recoverable amount is estimated. An impairment loss is recognized if the carrying amount of an asset or its cash-generating unit exceeds its recoverable amount. A cash-generating unit is the smallest identifiable asset group that generates cash flows that largely are independent from other assets and groups. Impairment losses are recognized in the income statement. The recoverable amount of an asset or cash-generating unit is the greater of its value in use and its fair value less its selling costs. The previously recognized impairment losses for other assets are reviewed in the date of the financial statements. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. An impairment loss is reversed if there has been a change in the estimates used to determine the recoverable amount. An impairment loss is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of depreciation or amortization, if no impairment loss had been recognized.

**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 (followed)**

**4.12 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.

**4.13 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.

**4.14 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 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.

**4.18 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.

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**4. Significant accounting policies (followed)**

**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 period 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 period 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 balance sheet.

**4.24 Dividends**

Dividends are recognized as an obligation in the period 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 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 period.

**4.28 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.

**4.29 Comparative figures**

The comparative figures reclassified to comply with current figures.

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**4. Significant accounting policies (followed)**

**4.30 Fair value of financial instruments**

The financial instruments is 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 don't differ significantly from its book value at the date of the preparation of the financial statements.

**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 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.



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5. Fixed assets	Land	Buildings and constructions	Machinery and Equipment	Motor Vehicles	Tools	Furniture and Fixtures	Total
	EGP	EGP	EGP	EGP	EGP	EGP	EGP
<b>30 June 2020</b>							
Cost as of 1 January 2020	7 221 739	275 135 947	983 196 857	6 960 144	8 470 993	11 772 893	1 292 758 573
Additions during the period	--	985 760	--	--	4 625 701	94 863	5 706 324
Disposals during the period	--	(414 479)	(1 742 607)	--	--	--	(2 157 086)
<b>Cost as of 30 June 2020</b>	<b>7 221 739</b>	<b>275 707 228</b>	<b>981 454 250</b>	<b>6 960 144</b>	<b>13 096 694</b>	<b>11 867 756</b>	<b>1 296 307 811</b>
<b>Accumulated depreciation as of 1 January 2020</b>	--	<b>159 884 677</b>	<b>544 406 444</b>	<b>6 827 856</b>	<b>6 419 819</b>	<b>11 264 132</b>	<b>728 802 928</b>
Depreciation for the period	--	6 550 439	24 256 329	61 987	269 450	89 850	31 228 055
Accumulated depreciation of Disposals	--	(22 451)	(210 565)	--	--	--	(233 016)
<b>Accumulated depreciation as of 30 June 2020</b>	--	<b>166 412 665</b>	<b>568 452 208</b>	<b>6 889 843</b>	<b>6 689 269</b>	<b>11 353 982</b>	<b>759 797 967</b>
<b>Net book value as of 30 June 2020</b>	<b>7 221 739</b>	<b>109 294 563</b>	<b>413 002 042</b>	<b>70 301</b>	<b>6 407 425</b>	<b>513 774</b>	<b>536 509 844</b>

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

Buildings and Constructions	Machinery and Equipment	Motor Vehicles	Tools	Furniture and Fixtures	Total
EGP	EGP	EGP	EGP	EGP	EGP
12 772 969	11 508 057	6 340 284	4 625 643	10 840 601	46 087 554

- There is a commercial pledge over fixed assets (machinery and equipment) amounting to EGP 732,525,606 as collateral against the long term loan (Note 18).

- 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 period has been allocated to the statement of Income statement As follows:

Cost of inventory (Note 22)	30 665 226
Selling and marketing expenses ( Note 23)	111 317
General and administrative expenses ( Note 24)	451 512
	<b>31 228 055</b>

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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
<b>31 December 2019</b>							
Cost as of 1 January 2019	7 221 739	275 135 947	983 555 629	6 946 284	8 470 993	11 676 008	1 293 006 600
Adjustments on the beginning balance	-	-	(936 654)	-	-	-	(936 654)
Additions during the year	-	-	577 882	13 860	-	104 363	696 105
Disposals during the year	-	-	-	-	-	(7 478)	(7 478)
<b>Cost as of 31 December 2019</b>	<b>7 221 739</b>	<b>275 135 947</b>	<b>983 196 857</b>	<b>6 960 144</b>	<b>8 470 993</b>	<b>11 772 893</b>	<b>1 292 758 573</b>
<b>Accumulated depreciation as of 1 January 2019</b>	-	146 817 656	496 079 293	6 696 041	5 962 616	10 984 478	666 540 084
Depreciation for the year	-	13 067 021	48 327 151	131 815	457 203	283 563	62 266 753
Accumulated depreciation of Disposals	-	-	-	-	-	(3 909)	(3 909)
<b>Accumulated depreciation as of 31 December 2019</b>	-	159 884 677	544 406 444	6 827 856	6 419 819	11 264 132	728 802 928
<b>Net book value as of 31 December 2019</b>	<b>7 221 739</b>	<b>115 251 270</b>	<b>438 790 413</b>	<b>132 288</b>	<b>2 051 174</b>	<b>508 761</b>	<b>563 955 645</b>

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
	12 772 969	11 508 057	6 340 284	4 611 063	10 503 932	45 736 305

- There is a commercial pledge over fixed assets (machinery and equipment) amounting to EGP 732,525,606 as collateral against the long term loan (Note 18).

- 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 (Note 22)	61 441 108
Selling and marketing expenses ( Note 23)	226 487
General and administrative expenses ( Note 24)	599 158
	<b>62 266 753</b>

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**6. Intangible assets**

	<b>30/6/2020</b>	<b>31/12/2019</b>
	<b>EGP</b>	<b>EGP</b>
SAP program	1 608 289	2 010 361
(less)		
Amortization during the period / year	(201 036)	(402 072)
	<b>1 407 253</b>	<b>1 608 289</b>

**7. Projects under construction**

	<b>30/6/2020</b>	<b>31/12/2019</b>
	<b>EGP</b>	<b>EGP</b>
Advanced Payments	--	1 621 000
Coal	--	980 960
	<b>--</b>	<b>2 601 960</b>

**8. Investments in subsidiaries**

	Percentage of ownership	<b>30/6/2020</b>	<b>31/12/2019</b>
		<b>EGP</b>	<b>EGP</b>
Minya Portland Cement (S.A.E)	60.36%	1 066 863 275	1 066 863 275
ASECO for Ready Mix (S.A.E)	99.90%	90 441 047	90 441 047
		<b>1 157 304 322</b>	<b>1 157 304 322</b>

- 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 Minya Portland Cement and ASECO for Ready Mix 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 ASECO FOR CEMENT (S.A.E) to purchase 44 872 676 common stock owned to Minya Portland cement ( Asec Minya for Cement - previously) 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 ASECO for ready concrete (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.

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**9. Investments available for sale**

	Percentage of ownership	30/6/2020 EGP	31/12/2019 EGP
The Egyptian African company for investment and development	3%	150 000	150,000
<b>(Less):</b>			
Impairment in available for sale investments		(149 999)	(149,999)
		<u>1</u>	<u>1</u>

- 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 30 June 2016 till 30 June 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 June 25, 2019 decision, place the company under liquidation.

**10. Investments in associates**

	Percentage of ownership	30/6/2020 EGP	31/12/2019 EGP
South of Upper Egypt Company for sacks Manufacturing	20%	800 000	800 000
		<u>800 000</u>	<u>800 000</u>

**11. Inventory**

	30/6/2020 EGP	31/12/2019 EGP
Raw materials	7 611 251	10 261 058
Gasoline and Diesel fuel	4 617 871	4 146 592
Coal	9 182 440	46 651 154
Packaging	3 654 330	6 612 348
Spare parts	28 330 026	28 408 076
Work in progress	231 135 475	215 091 873
Finished goods	22 257 430	21 214 878
	<u>306 788 823</u>	<u>332 385 979</u>

**12. Accounts receivables and notes receivables**

	30/6/2020 EGP	31/12/2019 EGP
Accounts receivables (Individuals)	37 265	37 265
Accounts receivables (Companies)	143 685	143 685
	<u>180 950</u>	<u>180 950</u>
<b>(Less):</b>		
Impairment in value of accounts receivables	(180 950)	(180 950)
	<u>--</u>	<u>--</u>

**13. Due from related parties**

	30/6/2020 EGP	31/12/2019 EGP
Minya Portland Cement	7 071 279	6 827 460
ASECO for Ready Mix	11 663 674	9 154 548
	<u>18 734 953</u>	<u>15 982 008</u>

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**14. Debtors and other debit balances**

	<b>30/6/2020</b>	<b>31/12/2019</b>
	<b>EGP</b>	<b>EGP</b>
Advances to suppliers	--	776 793
Amounts due to ASEC (Technical Management)	15 928 226	12 913 759
Tax authority- Vat	9 614 320	14 896 874
Real estate tax	2 974 508	2 974 508
Letter of credit	4 300 814	3 384 938
Deposits with others	13 814 692	13 814 692
Prepaid expenses	8 428 955	4 902 983
Cash cover letter of guarantee (Note No. 28)	5 718 533	5 718 533
Advance payments	349 999	114 999
Employees borrowings	556 770	337 978
Other debit balances	3 179 254	3 435 438
Accrued revenue – dividends distribution	7 916 648	--
	<b>72 782 719</b>	<b>63 271 495</b>
<b>(Less):</b>		
Impairment of debtors	(4 028 771)	(4 028 771)
	<b>68 753 948</b>	<b>59 242 724</b>

**15. Cash on hand and at banks**

	<b>30/6/2020</b>	<b>31/12/2019</b>
	<b>EGP</b>	<b>EGP</b>
Current accounts - Local currency**	74 225 745	116 420 203
Current accounts - foreign currency	1 815 391	1 352 953
Time deposit - maturing during three months*	5 531 240	2 960 042
Time deposits - maturing after three months	--	1 351 000
Cash on hand	1 773 071	597 050
	<b>83 345 447</b>	<b>122 681 248</b>

\* Including Time deposits amounted EGP 1 215 350 return for cover letters of guarantee issued to third party (Note 28).

\*\* Including current account hold balances in banks amounted EGP 516 246 return for court cases against the company.

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### 16. 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 22<sup>nd</sup> 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 5<sup>th</sup> 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, 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 .

	No. of shares	Par Value	Capital issuing	Paid up capital	Percentage %
NCB Capital Company (NBE)	15 341 386	10	153 413 860	153 413 860	21.31%
Misr Insurance Company	3 366 736	10	33 667 360	33 667 360	4.68%
Egyptian Federation for Construction and Building Contractors	7 315 317	10	73 153 170	73 153 170	10.16%
Egyptian Company for investments	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%
Individuals and IPO	17 966 821	10	179 668 210	179 668 210	24.95%
	<b>72 000 000</b>		<b>720 000 000</b>	<b>720 000 000</b>	<b>100%</b>

### 17. Reserves

	Legal reserve EGP	General reserve EGP	Capital reserve EGP	Balance as of 30/6/2020 EGP
Balance as of 1/1/2020	184 146 493	10 216 984	3 400 995	197 764 472
Charged during the period	1 762 189	--	--	1 762 189
<b>Balance as of 30/6/2020</b>	<b>185 908 682</b>	<b>10 216 984</b>	<b>3 400 995</b>	<b>199 526 661</b>

### 18. Long term loans

In November 16<sup>th</sup>, 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 (hinted in Note 8). To be settled on 15 semiannual installments starting from November 16<sup>th</sup>, 2015 until November 15<sup>th</sup>, 2023, with 2.25% interest rate plus the average Central Bank corridor rate, according to that , the loan amount in 30 June 2020 became EGP 485 259 211.

	30/6/2020 EGP	31/12/2019 EGP
Long term loans	424 544 918	485 259 211
Current portion from long term loans	(121 428 585)	(121 428 585)
	<b>303 116 333</b>	<b>363 830 626</b>

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 (Note5).

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 8).

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**19. Deferred Tax Assets / (Liabilities)**

	Assets		Liabilities	
	30/6/2020	31/12/2019	30/6/2020	31/12/2019
	EGP	EGP	EGP	EGP
Balance at the beginning of the period / year	14 593 236	17 269 057	73 656 341	73 854 709
Transaction Assets (liabilities) movements	--	(2 675 821)	(1 631 633)	(198 368)
<b>Balance T the ending of the period / year</b>	<b>14 593 236</b>	<b>14 593 236</b>	<b>72 024 708</b>	<b>73 656 341</b>

**20. Provisions**

	Balance as of 1 Jan 2020 EGP	Charged during the period EGP	Unrequired Provisions EGP	Balance as of 30 June 2020 EGP
Tax provision	4 888 529	--	--	4 888 529
Provision for current claims and litigations according to legal opinion	21 269 174	--	--	21 269 174
Provision for claims	38 500 000	--	(74 600)	38 425 400
	<b>64 657 703</b>	<b>--</b>	<b>(74 600)</b>	<b>64 583 103</b>

**21. Creditors and other credit balances**

	30/6/2020 EGP	31/12/2019 EGP
Tax authority	3 706 900	6 201 287
Value added tax on Cement	19 667 046	34 876 941
Production development fees	4 236 419	7 007 452
Retentions	13 891 338	31 936 884
Syndicate Stamps	5 916 392	5 777 450
Employees services association	702 029	450 192
Social insurance authority	948 506	404 743
Accrued debit interests	5 943 629	8 492 036
Contractors billings	728 408	1 603 408
Suppliers billings	1 427 057	20 521 015
Accrued for suppliers (Cement transportation)	3 404 343	8 964 409
Accrued discount permitted	1 202 130	1 230 557
Payables for purchase fixed assets	7 406 832	7 406 832
Credit - Dividends	2 627 777	2 278 735
Other credit balances	5 623 226	6 326 726
	<b>77 432 032</b>	<b>143 478 667</b>

**22. Cost of Sales**

	30/6/2020 EGP	30/6/2019 EGP
Depreciation	30 665 226	30 632 333
Governmental fees	37 008 382	37 958 927
Packing materials	92 506 988	105 844 181
Technical management fees	56 334 130	62 835 857
Electricity and power	295 054 704	360 889 617
Change in inventory	(17 086 154)	(81 927 165)
Indirect cost	14 436 097	13 822 605
	<b>508 919 373</b>	<b>530 056 355</b>

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**23. Selling and marketing expenses**

	30/6/2020	30/6/2019
	EGP	EGP
Salaries and wages	3 737 254	3 832 789
Discount permitted*	--	6 428 333
Depreciation	111 317	114 112
Stamps	236 876	47 716
Traveling and Transportation expenses	33 093	90 995
Others	245 176	1 055 573
	<b>4 363 716</b>	<b>11 569 518</b>

\* The title of the customer incentive was changed to discount permitted based on the recommendation of the sales policy committee dated on February 27, 2020, in addition to the discount permitted balance has been reclassified to be deduct directly from sales on January 1,2020. The total amount of the discount permitted on June 30, 2020 amounted to EGP 7,717,282 "Comparable year June 30, 2019 The total amount of discount permitted amounted to EGP 6,428,333 recorded with marketing and selling expenses."

**24. General and administrative expenses**

	30/6/2020	30/6/2019
	EGP	EGP
Depreciation	451 512	330 958
Salaries and wages	18 442 221	18 625 531
Donations	3 229 780	2 581 834
Insurance Expenses	2 008 205	1 567 764
Public relations and advertisement expenses	591 776	1 141 187
Other services expense	336 259	1 003 978
Training, researches and consulting expenses	477 304	439 941
Medical and pension funds	1 126 689	1 321 720
Transportation and travelling expenses	134 999	251 792
Material and supplies	251 264	178 062
Rent and transportation allowances	337 263	324 653
Solidarity contribution of medical insurance	1 587 462	1 641 913
Other expenses	2 904 791	4 779 264
	<b>31 879 525</b>	<b>34 188 597</b>

**25. Other revenues**

	30/6/2020	30/6/2019
	EGP	EGP
Rents	997 458	882 264
Revenue from Transport, shipping and handling	36 361 750	59 904 097
Revenue from spare parts	10 559 117	102 545
Miscellaneous revenue	2 745 379	1 088 263
	<b>50 663 704</b>	<b>61 977 169</b>
<b>(Less):</b>		
Transport, shipping and handling cost	(36 361 750)	(59 904 097)
Spare parties cost	(10 559 117)	( 102 545)
	<b>3 742 837</b>	<b>1 970 527</b>



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**26. Earnings per share**

	<b>30/6/2020</b>	<b>30/6/2019</b>
	<b>EGP</b>	<b>EGP</b>
Net profits for the period	42 156 076	8 098 566
Employees profit share	(4 004 827)	( 769 364)
Board of directors bonus	(902 172)	1 115 318
<b>Remaining profits</b>	<b>37 249 077</b>	<b>8 444 520</b>
Number of shares	72 000 000	72 000 000
<b>Earnings per share</b>	<b>0.52</b>	<b>0.12</b>

**27. Related party transaction**

A lot of financial transactions occurred between the company and its related parties during the period based on the decisions of the company's ordinary general assembly for holding compensatory contracts and the most important transactions are as follow:

	<b>Nature of the relation</b>	<b>Type</b>	<b>30/6/2020</b>
<b>Company</b>			<b>EGP</b>
Misr Insurance	Shareholder	Insurance installments	2 583 319
South of upper Egypt company (main supplier)	Associate	Sacks supplying	38 592 840
ASECO for ready mix company	Subsidiary	Cement sales	11 834 475
ASECO for ready mix company	Subsidiary	Debit balance	171 956
Minya Portland cement company	Subsidiary	Debit balance	354 500
Minya Portland cement company	Subsidiary	Cement sales	44 197 100

**28. Contingent liabilities**

The letters of guarantee issued at the Company's request by banks in favor of third parties are presented as follows:

	<b>Letters of guarantee</b>	<b>Cash Covers</b>
	<b>EGP</b>	<b>EGP</b>
National Bank of Egypt – EL Borg branch	5 718 533	5 718 533
Societe Arabe Internationale De Banque (SAIB) Bank -Luxor Branch	1 215 350	1 215 350
	<b>6 933 883</b>	<b>6 933 883</b>

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**a) New Issues and Amendments issued to the Egyptian Accounting Standards (EAS) but not adopted.**

On March 18, 2019, the Minister of Investment and International Cooperation introduced amendments to some provisions of the Egyptian Accounting Standards issued Minister of investments thereby by virtue of Decree No. 110 of 2015, which include some new accounting standards as well as introducing amendments to certain existing standards. The most prominent amendments are as follows:

New or Amended Standards	A Summary of the Most Significant Amendments	The Possible Impact on the Financial Statements	Date of Implementation
The new Egyptian Accounting Standard No. (47) "Financial Instruments"	<p>1-The new Egyptian Accounting Standard No.(47),"Financial Instruments", supersede the corresponding related issues included in the Egyptian Accounting Standard No. (26), "Financial Instruments: Recognition and Measurement". Accordingly, Egyptian Accounting Standard No. (26) was amended and reissued after cancelling the paragraphs pertaining to the issues addressed in the new Standard No. (47) and the scope of the amended Standard No. (26) was specified and intended to deal only with limited cases of Hedge Accounting according to the choice of the enterprise.</p> <p>2- Pursuant to the requirements of the Standard, financial assets are classified based on their subsequent measurement whether at amortized cost, or fair value through other comprehensive income or at fair value through profit or loss, in accordance with the enterprise business model for managing financial assets and the contractual cash flow characteristics of the financial asset.</p> <p>3-When measuring the impairment of financial assets the Incurred Loss Model is replaced by the Expected Credit Loss (ECL) Models, which requires measuring the impairment of all financial assets measured at amortized cost and financial instruments measured at fair value through other comprehensive income from their initial recognition date regardless whether there is any indication of the occurrence of loss event.</p> <p>4-based on the requirements of this standard the following standards were amended :</p> <ul style="list-style-type: none"> <li>- Egyptian Accounting Standard No. (1)</li> <li>- "Presentation of Financial Statements" as amended in 2019.</li> <li>- Egyptian Accounting Standard No. (4) "Statement of Cash Flows".</li> <li>- Egyptian Accounting Standard No. (25)</li> <li>- "Financial Instruments: Presentation.</li> <li>- Egyptian Accounting Standard No. (26)</li> <li>- "Financial Instruments: Recognition and Measurement".</li> <li>- Egyptian Accounting Standard No. (40)</li> <li>- "Financial Instruments: Disclosures".</li> </ul>	<p>The Management is currently assessing the potential impact of implementing the amendment of the standard on the financial statements.</p>	<p>This standard (47) applies to financial periods beginning on or after January 1st, 2020, and the early implementation thereof is permitted; provided that the amended Egyptian Accounting Standards in 2019 Nos. (1), (25), (26) and (40) are to be simultaneously applied.</p> <p style="text-align: center;">-These ammendments are effective as of the date of implementing Standard No. (47)</p>

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**29. New Issues and Amendments issued to the Egyptian Accounting Standards (EAS) but not adopted. (Continued)**

New or Amended Standards	A Summary of the Most Significant Amendments	The Possible Impact on the Financial Statements	Date of Implementation
Egyptian Accounting Standard No. (38) as amended "Employees Benefits".	A number of paragraphs were introduced and amended in order to amend the Accounting Rules of Settlements and Curtailments of Employees Benefit Plans.	The Management is currently assessing the potential impact of implementing the amendment of the standard on the financial statement	This standard No. (38) applies to financial periods beginning on or after January 1st, 2020, and the early implementation thereof is permitted.
Egyptian Accounting Standard No. (42) as amended "	Except for the investee entity that must be consolidated, some special paragraphs were introduced, thus, based on the requirements of this standard the following standards were amended:- - EAS NO. (15) "Related Party Disclosures" - EAS NO. (17) "Separate Financial Statements" - EAS NO. (18) "Investments in Associates" - EAS NO. (24) "Income taxes" - EAS NO. (29) "Business Combinations" - EAS NO. (30) "Periodical Financial Statements" - EAS NO. (44) "Disclosure of interest in other entities"	The Management is currently assessing the potential impact of implementing the amendment of the standard on the financial statement	This standard (42) applies to financial periods beginning on or after January 1st, 2020, and the early implementation thereof is permitted; provided that the amended Egyptian Accounting Standards in 2019 are to be simultaneously applied.
The Explanation No (1) shall apply to financial periods beginning on or after January 1st, 2019	- this explanation provides an accounting guidances from the operators to re-arrange the general service from the public sector to the private sector as to build, implement, maintenance the infrastructure like roads, bridges, hospitals, air ports, power supply, communication networks, undergrounds and water distribution facilities.  And this explanation allows to keep implementing the previous treatment of existing public service concession exercises that existed before the 1 <sup>st</sup> of January 2019 establishment that recognized and measured the assets of these arrangements as fixed assets in accordance with EAS NO. (10) "fixed assets and its depreciation"	The Management is currently assessing the potential impact of implementing the explanation on the financial statements	This Explanation is introduced and shall apply to financial periods beginning on or after January 1st, 2019.
Egyptian Accounting Standard No. (22) as amended "Earnings per Share".	The scope of implementaion of the Standard was amended to be applied to the separate, or consolidated financial statements issued to all enterprises.		This amendment is introduced and shall apply to financial periods beginning on or after January 1st, 2019.

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**29. New Issues and Amendments issued to the Egyptian Accounting Standards (EAS) but not adopted. (continued)**

New or Amended Standards	A Summary of the Most Significant Amendments	The Possible Impact on the Financial Statements	Date of Implementation
<p>The new Egyptian Accounting Standard No. (48) "Revenue from - Contracts with Customers"</p>	<p>1- The new Egyptian Accounting Standard No. (48) - "Revenue from Contracts with Customers" shall supersede the following standards and accordingly such standards shall not be applied:</p> <p>A. Egyptian Accounting Standard No. (8) - "Construction Contracts" as amended in 2015.</p> <p>B. Egyptian Accounting Standard No. (11) - "Revenue" as amended in 2015.</p> <p>2- For revenue recognition, Control Model is used instead of Risk and Rewards Model.</p> <p>3- Incremental costs of obtaining a contract with a customer are recognized as an asset if the enterprise expects to recover those costs and the costs of fulfilling the contract are to be recognized as an asset when certain conditions are met</p> <p>4- the standard requires that contract must have a commercial substance in order for revenue to be recognized</p> <p>5- Expanding in the presentation and disclosure requirements.</p>	<p>The Management is currently assessing the potential impact of implementing the amendment of the standard on the financial statements.</p>	<p>Standard No(48) applies to financial periods beginning on or after January 1st, 2020, and the early implementation thereof is permitted</p>
<p>The new Egyptian Accounting Standard No. (49) "Lease Contracts".</p>	<p>1- The new Egyptian Accounting Standard No. (49) "Lease Contracts" shall supersede and revoke Standard No. (20), "Accounting Rules and Standards related to Financial Leasing" issued in 2015</p> <p>2- The Standard introduces a single accounting model for the lessor and the lessee where the lessee recognizes the usufruct of the leased asset as part of the company's assets and recognizes a liability that represents the present value of the unpaid lease payments under the company's liabilities, taking into account that the lease contracts are not classified in respect of the lessee as operating or finance lease contracts.</p>	<p>Standard No. 49 (financial leasing) contracts that were subject to the Financial Leasing Law No. 95 of 1995 and its amendments, as well as financial leasing contracts that arise under and subject to the Financial Leasing Activities and Factoring Act No. 176 of 2018.</p>	<p>Except that was mentioned, This standard No. (49) applies to financial periods beginning on or after January 1st, 2020, and the early implementation thereof is permitted if Egyptian Accounting Standard No. (48) "Revenue from Contracts. Except for the above-mentioned date of enforcement, Standard No. (49) 2019 applies to lease contracts that were</p>
	<p>3- As for the lessor, the company shall classify each lease contract, either as an operating lease or a finance lease contract.</p> <p>4- As for the finance lease, the lessor must recognize the assets held under a finance lease contract in the Statement of Financial Position and present them as amounts receivable with an amount equivalent to the amount of the net investment in the lease contract.</p> <p>5- As for operating leases, the lessor must recognize the lease payments of operating lease contracts as income either based on the straight-line method or based on any other regular basis.</p>		<p>subject to Finance Lease Law No. 95 of 1995 and its amendments and were treated according to Egyptian Accounting Standard No. (20), "Accounting rules and standards related to financial leasing" as well as the finance lease contracts that arise under and are subjected to Law No. 176 of 2018 to the effect of regulating both financial leasing and factoring activities starting from the beginning of the annual reporting period in which Law No. (95) of 1995 was revoked and Law No. (176) of 2018 was issued.</p>

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**29. New Issues and Amendments issued to the Egyptian Accounting Standards (EAS) but not adopted. (Continued)**

New or Amended Standards	A Summary of the Most Significant Amendments	The Possible Impact on the Financial Statements	Date of Implementation
Egyptian Accounting Standard No. (34) "real estate investment" .	- subsequent measurement whether at amortized cost, or fair value are no longer usable but the real cost , only the Real estate investment fund should apply the fair value on subsequent measurement of all real estate assets . Thus , based on the requirements of this standard the following standards were amended:- - EAS NO. (32) "Non-current Assets Held for Sale" - EAS NO. (31) "Impairment of Assets"		This amendment is introduced and shall apply to financial periods beginning on or after January 1st, 2019.
Egyptian Accounting Standard No. (4) as ammended "Statemnet of Cash Flows".	This standard requires the entity to provide disclosures that enable users of the financial statements to assess changes in liabilities arising from finance activities, including both changes arising from cash flows or non-cash flows .		This amendment is introduced and shall apply to financial periods beginning on or after January 1st, 2019.

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**30. 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 and the tax situation of the company is as follows:

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's financial statements were 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 for that period are paid.

**4. Years from 2013/2014**

The Tax authority inspected the company's documents for those years and a claim was sent with a difference amounted to 4 020 232 EGP, 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 company presented the annual tax position at its legal dates
- The company wasn't examined till the date of the financial position.

**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 those years

**2. Years from 2015/2018**

- The company withholds the tax from the employees and export it to the tax authority at the legal dates
- The company currently preparing to examine for this years.

**3. Period from 2019 to 30 June 2020**

- The company withholds the tax from the employees and exports it to the tax authority at the legal dates.
- The company currently preparing to examine for this years.

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**30. 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 period 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 , and lawsuit has been filed by this amount. an application was made to end the dispute in accordance with the provision of law NO.79 of 2019 and it's 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.
- The sales tax has been replaced by the value added tax, with the issuance of law NO. 76 of 2016 and was applied from the following day of issuance.

**4. Years from 2016/2018**

The company provided the tax returns on their legal date and the tax authority didn't inspect the company's files and documents till due to date.

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

**1. Years from 5 May 2008 to 30 June 2018**

The company paid the tax till due to date

**2. Period from 2019 to 30 June 2020**

- The company paid the development fees according to the law no. 73 for the year 2010
- The company currently preparing to examine for this years.

**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 2020 by EGP 6 334 320 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 4 776 EGP and the company paid the accrued tax till 31 December 2020 amount EGP 35 820 and delay fees, the company has paid.
- 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 415 673 till 31 December 2020 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 from 3 (real estate tax) on the elevating water station for EL- Kalabya canal for EGP 1 155 by total amount EGP 8 663 till 31 December 2020 and delay fees, the company has paid that claim.

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**31. Important Events**

The second half of march 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 period 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 period and there is not effect on the company's current economic situation (it's financial position, business result and cash flow).

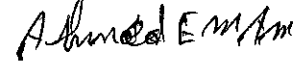
And given to of the lack of clarity of the effects that could be caused by the development of the situation related to the effect of the spread of the virus (Covid-19) in the future, the effects of development on the company's activity cannot be determined precisely at the present time.

**Managing Director**



**Tarek Talaat Ahmed**

**Financial Manager**



**Ahmed Abdel Hamid Emam**