KRESTON
EGYPT

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

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

شركة مصر للأسمنت قنا ش.م.م
وارد رقم ٧٢٢
تاريخ ١١/١١/٢٠٢٠ مرفقات
فرع القاهرة

شركة مصر للأسمنت قنا ش.م.م
وارد رقم
تاريخ / / ٢ مرفقات

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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 September 30, 2020 and the related separate interim statements of income, other comprehensive income, change of equity and cash flows for the Nine-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 statements.

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 September 30, 2020 and its financial performance and its cash flow for the Nine-month ended then, in accordance with Egyptian accounting standards.

Emphasis of matter paragraph

Important events:

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 (33) of the notes to the financial statements for the financial period ending September 30, 2020.

Cairo, November 11, 2020

KRESTON EGYPT
KRESTON EGYPT
Public Accountants & Consultants

Auditor

Gomaa Farag
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Separate Interim Statement of Financial Position

	Note	*30 September 2020*	31 December 2019
Assets		**EGP**	EGP
Non-current assets			
Fixed assets – Net	(5)	521 749 446	563 955 645
Intangible assets	(6)	1 306 735	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
Total non-current assets		**1 695 753 740**	**1 740 863 453**
Current assets			
Inventory	(11)	386 426 904	332 385 979
Due from related parties	(13-A)	12 159 805	15 982 008
Debtors and other debit balances	(14)	174 440 570	59 242 724
Cash on hand and at banks	(15)	98 147 784	122 681 248
Total current assets		**671 175 063**	**530 291 959**
Total assets		**2 366 928 803**	**2 271 155 412**
Equity			
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		45 155 084	35 243 767
Total Equity		**1 247 127 259**	**1 223 927 000**
Non-current liabilities			
Long term loans	(18)	303 116 333	363 830 626
Deferred tax liabilities	(19)	71 086 558	73 656 341
Total non-current liabilities		**374 202 891**	**437 486 967**
Current liabilities			
Provisions	(20)	64 583 103	64 657 703
Facilities	(22)	21 079 199	--
Current portion of long term loans	(18)	121 428 585	121 428 585
Receivables – advance payments		28 584 519	59 874 740
Suppliers and notes payable	(21)	400 225 643	206 369 571
Due to related parties	(13-B)	4 534 511	--
Creditors and other credit balances	(23)	90 536 057	143 478 667
Income tax		14 627 036	13 932 179
Total current liabilities		**745 598 653**	**609 741 445**
Total liabilities and equity		**2 366 928 803**	**2 271 155 412**

- 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**

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Separate Interim Statement of Income

	Note	First Nine Months 30September2020	30September2019	Third Three months 30September2020	30September2019
		EGP	EGP	**EGP**	EGP
Net Sales		826 327 174	979 948 934	213 567 558	341 494 109
(Less):					
Cost of sales	(24)	(688 139 580)	(804 491 528)	(179 220 207)	(274 435 173)
Gross profit		**138 187 594**	**175 457 406**	**34 347 351**	**67 058 936**
Selling and marketing expenses	(25)	(7 462 199)	(17 984 244)	(3 098 483)	(6 415 094)
General and administrative expenses	(26)	(45 429 719)	(51 463 237)	(13 550 194)	(17 274 640)
Amortization of intangible assets		(301 554)	(301 554)	(100 518)	(100 518)
Other revenue	(27)	4 782 541	2 875 322	1 039 704	905 163
Board of directors' salaries, attendance and transportation allowances		(4 561 679)	(6 940 034)	(1 296 488)	(557 638)
Total expenses		**(52 972 610)**	**(73 813 747)**	**(17 005 979)**	**(23 442 727)**
Net Operating profits		**85 214 984**	**101 643 659**	**17 341 372**	**43 616 209**
Add / (Less):					
Finance expense		(48 806 917)	(86 414 024)	(13 525 928)	(26 358 388)
Foreign Currency exchange differences		(386 703)	(932 832)	(152 121)	(301 673)
Credit interest		4 451 193	8 744 942	988 067	1 817 788
Capital gain		4 153 492	--	--	--
Revenue from investments		12 586 289	7 779 850	--	--
Net Profits for the period before Taxes		**57 212 338**	**30 821 595**	**4 651 390**	**18 773 936**
(Less):					
Income tax		(14 627 036)	(7 657 038)	(2 590 531)	(5 356 934)
Deferred Tax		2 569 782	(1 305 772)	938 149	343 217
Net Profits For The period After Taxes		**45 155 084**	**21 858 785**	**2 999 008**	**13 760 219**
Earnings per share	(28)	**0.55**	**0.27**	**0.03**	**0.15**

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

Managing Director | **Financial Manager**
Tarek Talaat Ahmed | **Ahmed Abdel Hamid Emam**

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Separate Interim Statement of Comprehensive Income

	First Nine months		Third Three months	
	30September2020	30September2019	30September2020	30September2019
	EGP	EGP	**EGP**	EGP
Net Profits For The period After Taxes	45 155 084	21 858 785	2 999 008	13 760 219
Add / (Less):				
Other comprehensive income	--	--	--	--
Total comprehensive income for the period	**45 155 084**	**21 858 785**	**2 999 008**	**13 760 219**

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

Managing Director
Tarek Talaat Ahmed

Financial Manager
Ahmed Abdel Hamid Emam

Separate Interim statement of Change in Equity

	Issued and Paid up Capital	Reserves	Retained Earnings	Net Profit for the period	Total
30 September 2019	**EGP**	**EGP**	**EGP**	**EGP**	**EGP**
Balance as of 1 January 2019	**720 000 000**	**193 731 991**	**242 157 848**	**76 546 338**	**1 232 436 177**
Adjustments on retained earnings	--	--	1 324 000	--	1 324 000
Transferred to reserves	--	4 032 481	(4 032 481)	--	--
Transferred to retained earnings	--	--	76 546 338	(76 546 338)	--
Dividends distribution	--	--	(45 076 944)	--	(45 076 944)
Total Comprehensive Income for the period	--	--	--	21 858 785	21 858 785
Balance as of 30 September 2019	**720 000 000**	**197 764 472**	**270 918 761**	**21 858 785**	**1 210 542 018**
30 September 2020					
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	--	--	--	45 155 084	45 155 084
Balance as of 30 September 2020	**720 000 000**	**199 526 661**	**282 445 514**	**45 155 084**	**1 247 127 259**

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

Managing Director — **Tarek Talaat Ahmed**

Financial Manager — **Ahmed Abdel Hamid Emam**

Separate Interim Statement of Cash Flows

	Note	30 SEPTMBER 2020 EGP	30 SEPTEMBER 2019 EGP
Cash Flows From Operating Activities		57 212 338	30 821 595
Net Profits for the period before taxes			
Adjustment to reconcile net profit to cash flow from operating activities			
Depreciation of fixed assets	(5)	46 902 319	46 373 782
Amortization of intangible assets	(6)	301 554	301 554
Revenue from investment		(12 586 289)	(7 779 850)
Capital gain		(4 153 492)	--
Allocations no longer intended		--	(2 364 200)
Foreign currency exchange	(4.1)	386 703	932 832
Debit interest		48 806 917	86 414 024
Credit interest	(9.4)	(4 451 193)	(8 744 942)
Net Operating profits		**132 418 857**	**145 954 795**
Change in inventory	(11)	(52 419 925)	(79 152 350)
Change in accounts receivables and notes receivables	(12)	--	(701 756)
Change in due from related parties	(13)	8 356 714	5 343 007
Change in debtors and other debit balances	(14)	(106 028 933)	17 369 954
Change in receivables – advance payments		(31 290 221)	(41 036 535)
Change in suppliers	(21)	193 856 072	3 520 020
Change in creditors and other credit balances	(23)	(63 541 008)	8 947 386
Cash flow from operating activities		**81 351 556**	**60 244 521**
(Payment) of income tax		(13 932 179)	--
Provisions used		(74 600)	--
Net cash Flows from operating activities		**67 344 777**	**60 244 521**
Cash flows from investing activities			
(Payments) For purchase fixed assets	(5)	(5 639 230)	(4 753 113)
Adjustment on fixed assets		--	936 654
Proceeds from investments		--	10 000 000
Proceeds From credit interests		4 451 193	8 744 942
Change in current accounts blocked in banks		--	18 505 744
Change in Time deposits maturing more than three months	(15)	(286 035)	1 073 836
Proceeds from dividends distributions		9 494 938	7 779 850
Net cash Flows from investing activities		**8 020 866**	**42 287 913**
Cash flows from financing activities			
Loans payments	(16)	(60 714 293)	(60 714 294)
Debit interest paid		(38 335 947)	(62 761 458)
Change in Facilities	(22)	21 079 199	--
Dividends distributions paid		(21 827 397)	(23 343 613)
Net cash flows from financing activities		**(99 798 438)**	**(146 819 365)**
Net cash and cash equivalents during the period		**(24 432 795)**	**(44 286 931)**
Foreign Currency exchange differences	(4.1)	**(386 703)**	**(932 832)**
Cash and cash equivalent – beginning of the period	(15)	121 330 248	145 963 197
Cash And Cash Equivalent – End of the period	(15)	**96 510 750**	**100 743 434**
Cash on hand and at banks	(15)	98 147 784	107 954 481
Current accounts in banks		--	(6 933 883)
Current accounts blocked in banks		(1 637 035)	(277 164)
	(15)	**96 510 750**	**100 743 434**

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

Managing Director	**Financial Manager**
Tarek Talaat Ahmed	**Ahmed Abdel Hamid Emam**

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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 September 2020 were authorized for issuance in accordance with a resolution of the board of directors in November 11, 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.

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 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 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.

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:

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 period and method of the intangible assets with a definite life are revised at least once at the end of each fiscal year.

Assets	Amortization rate
SAP- Program	20%

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.

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.
An impairment loss in respect of a financial asset measured at amortized cost is calculated as the difference between its carrying amount, and the present value of the estimated future cash flows discounted at the effective interest rate of 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. The remaining financial assets are assessed collectively in groups that share similar credit risk characteristics.
All impairment losses are recognized in statement of income. Any cumulative loss in respect of an available-for-sale financial asset recognized previously in equity is transferred to statement of income.
An impairment loss is reversed if the reversal can be related objectively to an event occurring after the impairment loss was recognized. For financial assets measured at amortized cost and available-for-sale financial assets that are debt securities, the reversal is recognized in statement of income. For available-for-sale financial assets that are equity securities, the reversal is recognized directly in equity.

- **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. Significant accounting policies (followed)

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.

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. Significant accounting policies (followed)

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.

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. Significant accounting policies (followed)

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.

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
30 September 2020							
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	--	--	5 423 701	210 669	**6 620 130**
Disposals during the period	--	(414 479)	(1 742 607)	--	--	--	**(2 157 086)**
Cost as of 30 September 2020	**7 221 739**	**275 707 228**	**981 454 250**	**6 960 144**	**13 894 694**	**11 983 562**	**1 297 221 617**
Accumulated depreciation as of 1 January 2020	--	**159 884 677**	**544 406 444**	**6 827 856**	**6 419 819**	**11 264 132**	**728 802 928**
Depreciation for the period	--	9 841 225	36 315 737	92 979	514 730	137 648	**46 902 319**
Accumulated depreciation of Disposals	--	(22 451)	(210 625)	--	--	--	**(233 076)**
Accumulated depreciation as of 30 September 2020	--	**169 703 451**	**580 511 556**	**6 920 835**	**6 934 549**	**11 401 780**	**775 472 171**
Net book value as of 30 September 2020	**7 221 739**	**106 003 777**	**400 942 694**	**39 309**	**6 960 145**	**581 782**	**521 749 446**

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.	13 187 448	20 779 876	6 340 284	4 625 643	10 869 902	**55 803 154**

- 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 24)	46 358 957
Selling and marketing expenses (Note 25)	168 681
General and administrative expenses (Note 26)	374 681
	46 902 319

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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 2019							
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)
Cost as of 31 December 2019	**7 221 739**	**275 135 947**	**983 196 857**	**6 960 144**	**8 470 993**	**11 772 893**	**1 292 758 573**
Accumulated depreciation as of 1 January 2019	--	**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)
Accumulated depreciation as of 31 December 2019	--	**159 884 677**	**544 406 444**	**6 827 856**	**6 419 819**	**11 264 132**	**728 802 928**
Net book value as of 31 December 2019	**7 221 739**	**115 251 270**	**438 790 413**	**132 288**	**2 051 174**	**508 761**	**563 955 645**

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.	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 24)	61 441 108
Selling and marketing expenses (Note 25)	226 487
General and administrative expenses (Note 26)	599 158
	62 266 753

6. Intangible assets

	30/9/2020 EGP	31/12/2019 EGP
SAP program	1 608 289	2 010 361
(less)		
Amortization during the period / year	(301 554)	(402 072)
	1 306 735	**1 608 289**

7. Projects under construction

	30/9/2020 EGP	31/12/2019 EGP
Advanced Payments	--	1 621 000
Coal	--	980 960
	--	**2 601 960**

8. Investments in subsidiaries

	Percentage of ownership	30/9/2020 EGP	31/12/2019 EGP
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
		1 157 304 322	**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 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.

9. Investments available for sale

	Percentage of ownership	30/9/2020 EGP	31/12/2019 EGP
The Egyptian African company for investment and development	3%	150 000	150,000
(Less):			
Impairment in available for sale investments		(149 999)	(149,999)
		1	1

- The Extraordinary General Assembly meeting of The Egyptian African Company for Investment and Development was held in May18th, 2016 and has decided to hold the company's activities 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	30/9/2020 EGP	31/12/2019 EGP
South of Upper Egypt Company for sacks Manufacturing	20%	800 000	800 000
		800 000	**800 000**

11. Inventory

	30/9/2020 EGP	31/12/2019 EGP
Raw materials	7 526 363	10 261 058
Gasoline and Diesel fuel	4 713 257	4 146 592
Coal	24 695 973	46 651 154
Packaging	4 258 846	6 612 348
Spare parts	28 175 845	28 408 076
Work in progress	303 389 858	215 091 873
Finished goods	13 666 762	21 214 878
	386 426 904	**332 385 979**

12. Accounts receivables and notes receivables

	30/9/2020 EGP	31/12/2019 EGP
Accounts receivables (Individuals)	37 265	37 265
Accounts receivables (Companies)	143 685	143 685
	180 950	**180 950**
(Less):		
Impairment in value of accounts receivables	(180 950)	(180 950)
	--	--

13. Transactions with related parties

During the year, 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

	30/9/2020	31/12/2019
	EGP	EGP
Minya Portland Cement	--	6 827 460
ASECO for Ready Mix	12 159 805	9 154 548
	12 159 805	**15 982 008**

B-Due to related parties

	30/9/2020	31/12/2019
	EGP	EGP
Minya Portland Cement	4 534 511	--
	4 534 511	**--**

14. Debtors and other debit balances

	30/9/2020	31/12/2019
	EGP	EGP
Advances to suppliers	--	776 793
(ASEC) Managing technical	15 931 927	12 913 759
Tax authority– addition tax	11 737 007	14 896 874
Tax authority–Real estate tax	2 974 508	2 974 508
Customs duty	3 034 240	
Letter of credit	2 908 661	3 384 938
Deposits with others	13 826 785	13 814 692
Prepaid expenses	5 960 298	4 902 983
Cash cover letter of guarantee (Note No. 28)	5 718 533	5 718 533
Advance payments*	109 147 430	114 999
Employees borrowings	796 505	337 978
Other debit balances	3 266 798	3 360 140
Accrued revenue – dividends distribution	3 166 649	75 298
	178 469 341	**63 271 495**
(Less):		
Impairment of debtors	(4 028 771)	(4 028 771)
	174 440 470	**59 242 724**

*The advance payment Included an amount 108 747 431 EGP to purchase coal from Ostool land transportation CO.

15. Cash on hand and at banks

	30/9/2020	31/12/2019
	EGP	EGP
Current accounts - Local currency	88 345 114	116 420 203
Current accounts - foreign currency	3 944 419	1 352 953
Time deposit - maturing during three months*	1 368 499	2 960 042
Time deposits - maturing after three months	1 637 035	1 351 000
Cash on hand	2 852 717	597 050
	98 147 784	**122 681 248**

* Including Time deposits amounted EGP **1 215 350** return for cover letters of guarantee issued to third party (Note 30).

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 22nd of march 2009 the capital was deducted by an amount of EGP 1 220 000 for 122 000 treasury shares, and it was registered in the commercial register in on 5th of July 2009, thus the paid up capital became EGP 298 780 000 distributed over 29 878 000 shares of par value EGP 10 per share
- According to a Board members meeting No 186 held on September 12, 2017 and authorized from GAFI on 25 September 2017 which decided to increase the capital with amount EGP 301 220 000 divided to 30 122 000 shares at EGP 10 per share,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%
	72 000 000		**720 000 000**	**720 000 000**	**100%**

17. Reserves

	Legal reserve	General reserve	Capital reserve	Balance as of 30/9/2020
	EGP	**EGP**	**EGP**	**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
Balance as of 30/9/2020	**185 908 682**	**10 216 984**	**3 400 995**	**199 526 661**

18. 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 (hinted in Note 8). 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 September 2020 became EGP 424 544 913.

	30/9/2020	31/12/2019
	EGP	**EGP**
Long term loans	424 544 918	485 259 211
Current portion from long term loans	(121 428 585)	(121 428 585)
	303 116 333	**363 830 626**

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).

19. Deferred Tax Assets / (Liabilities)

	Assets		Liabilities	
	30/9/2020	31/12/2019	30/9/2020	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)	(2 569 783)	(198 368)
Balance T the ending of the period / year	**14 593 236**	**14 593 236**	**71 086 558**	**73 656 341**

20. Provisions

	Balance as of 1 Jan 2020 EGP	Charged during the period EGP	Provisions used EGP	Balance as of 30 September 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
	64 657 703	--	**(74 600)**	**64 583 103**

21. Suppliers and Notes payable

	30/9/2020	31/12/2019
	EGP	EGP
Suppliers	256 966 396	137 527 677
Notes payables	143 259 247	68 841 894
	400 225 643	**206 369 571**

22. Facilities

The company has a facilities amounted EGP 21 079 199 from the National Bank of Egypt to finance the purchase of raw materials and production tools within limited amount to EGP 100 000 000.

23. Creditors and other credit balances

	30/9/2020	31/12/2019
	EGP	EGP
Tax authority	2 673 867	6 201 287
Value added tax on Cement	19 426 442	34 876 941
Production development fees	3 467 631	7 007 452
Retentions	15 755 542	31 936 884
Syndicate Stamps	6 008 698	5 777 450
Employees services association	276 699	450 192
Social insurance authority	1 008 402	404 743
Accrued debit interests	18 963 006	8 492 036
Contractors billings	798 408	1 603 408
Suppliers billings	4 620 967	20 521 015
Accrued for suppliers (Cement transportation)	2 274 070	8 964 409
Accrued discount permitted	--	1 230 557
Payables for purchase fixed assets	7 406 832	7 406 832
Credit – Dividends	2 406 163	2 278 735
Other credit balances	5 449 330	6 326 726
	90 536 057	**143 478 667**

24. Cost of Sales

	30/9/2020	30/9/2019
	EGP	EGP
Depreciation	46 358 957	45 732 149
Governmental fees	50 347 301	57 995 404
Packing materials	141 520 108	161 793 840
Technical management fees	93 823 523	84 132 610
Electricity and power	415 391 800	480 075 165
Change in inventory	(80 749 869)	(44 690 416)
Indirect cost	21 447 760	19 452 776
	688 139 580	**804 491 528**

25. Selling and marketing expenses

	30/9/2020	30/9/2019
	EGP	EGP
Salaries and wages	5 509 805	5 458 377
Discount permitted*	--	10 959 929
Depreciation	168 681	170 524
Stamps	276 955	47 716
Traveling and Transportation expenses	41 493	103 761
Others	1 465 265	1 243 937
	7 462 199	**17 984 244**

* 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 September 30, 2020 amounted to EGP 7,717,282 "Comparable year Sep 30, 2019 the total amount of discount permitted amounted to EGP 10,959,929 recorded with marketing and selling expenses. The following table shows the effect of discount permitted on the net sales.:-

	30/9/2020	30/9/2019
	EGP	EGP
Sales	834 044 456	979 948 934
(deduct)		
Discount permitted	(7 717 282)	(10 959 929)
	826 327 174	**968 989 005**

26. General and administrative expenses

	30/9/2020	30/9/2019
	EGP	EGP
Depreciation	374 681	471 109
Salaries and wages	27 023 440	29 893 329
Donations	3 721 380	3 368 309
Insurance Expenses	3 036 435	2 875 481
Public relations and advertisement expenses	746 956	1 287 959
Other services expense	472 373	1 188 893
Training, researches and consulting expenses	611 929	604 681
Medical and pension funds	1 396 093	1 798 464
Transportation and travelling expenses	151 891	281 144
Material and supplies	474 924	266 956
Rent and transportation allowances	458 735	505 852
Solidarity contribution of medical insurance	2 140 660	2 501 756
Other expenses	4 820 225	6 419 304
	45 429 720	**51 463 237**

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27. Other Revenues

	30/9/2020	30/9/2019
	EGP	EGP
Rents	1 808 807	--
Revenue from Transport, shipping and handling	48 718 507	94 183 998
Revenue from spare parts	10 559 117	4 880 057
Miscellaneous revenue	2 973 734	2 875 322
	64 060 165	**101 939 377**
(Less):		
Transport, shipping and handling cost	(48 718 507)	(94 183 998)
Spare parties cost	(10 559 117)	(4 880 057)
	4 782 541	**2 875 322**

28. Earnings per share

	30/9/2020	30/9/2019
	EGP	EGP
Net profits for the period	45 155 084	21 858 785
Employees profit share	(4 289 733)	(2 076 585)
Board of directors' bonus	(1 030 380)	--
Remaining profits	**39 834 971**	**19 782 200**
Number of shares	72 000 000	72 000 000
Earnings per share	**0.55**	**0.27**

	30/9/2020	30/9/2019
	EGP	EGP
Expected average of number of shares:	72 000 000	72 000 000
× 72 000 000 9/9 =		
Expected average of number of shares issued during the period	--	--
	72 000 000	72 000 000

29. 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:

Company	Nature of the relation	Type	30/9/2020
			EGP
Misr Insurance	Shareholder	Insurance installments	5 144 197
South of upper Egypt company (main supplier)	Associate	Sacks supplying	53 193 160
ASECO for ready mix company	Subsidiary	Cement sales	12 099 193
ASECO for ready mix company	Subsidiary	Debit balance	614 482
Minya Portland cement company	Subsidiary	Debit balance	39 330 302
Minya Portland cement company	Subsidiary	Cement sales	5 025 961

30. Contingent liabilities

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

	Letters of guarantee	Cash Covers
	EGP	EGP
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
	6 933 883	**6 933 883**

31. 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"	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. 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. 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. 4- based on the requirements of this standard the following standards were amended : - Egyptian Accounting Standard No. (1) - "Presentation of Financial Statements" as amended in 2019. - Egyptian Accounting Standard No. (4) "Statement of Cash Flows". - Egyptian Accounting Standard No. (25) - "Financial Instruments: Presentation. - Egyptian Accounting Standard No. (26) - "Financial Instruments: Recognition and Measurement". - Egyptian Accounting Standard No. (40) - "Financial Instruments: Disclosures".	The Management is currently assessing the potential impact of implementing the amendment of the standard on the financial statements.	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. -These ammendments are effective as of the date of implementing Standard No. (47)

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31. 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
The new Egyptian Accounting -Standard No. (48) "Revenue from Contracts with Customers"	1- The new Egyptian Accounting Standard No. (48) - "Revenue from Contracts with Customers" shall supersed the following standards and accordingly such standards shall not be applied: A. Egyptian Accounting Standard No. (8) - "Construction Contracts" as amended in 2015. B. Egyptian Accounting Standard No. (11) – "Revenue" as amended in 2015. 2- For revenue recognition, Control Model is used instead of Risk and Rewards Model. 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 4- the standard requires that contract must have a commercial substance in order for revenue to be recognized 5- Expanding in the presentation and disclosure requirements.	The Management is currently assessing the potential impact of implementing the amendment of the standard on the financial statements.	Standard No(48) applies to financial periods beginning on or after January1st, 2020, and the early implementation thereof is permitted
The new Egyptian Accounting Standard No. (49) "Lease Contracts".	1- The new Egyptian Accounting Standard No. (49) "Lease Contracts" shall supersed and revoke Standard No. (20), "Accounting Rules and Standards related to Financial Leasing" issued in 2015 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. 3- As for the lessor, the company shall classify each lease contract, either as an operating lease or a finance lease contract. 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. 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.	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.	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 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.

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31. 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 ammended "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 ivestee 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 expalnation 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 infrasturcture 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 1st 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 ammended "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.

31. 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.

32. 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 September 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.

32. 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 activity 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 September 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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33. Important Events

- The second half of march have witnessed the beginning of the impact of the outbreak of (Covid-19) 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.

- Decision of the Ministry of Local Development No.181 of 2020 to stop issuing permits to establish, expand or modify construction works with suspension of the implementation until construction and garages are provided Nursery in the governorates from Greater Cairo, Alexandria, provincial capitals and large cities, from May 2020 24 hours a day for a period of six months.

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Managing Director	Financial Manager
Tarek Talaat Ahmed	Ahmed Abdel Hamid Emam