

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

Separate Financial Statements
For the year ended 31 December 2020
And Auditor's Report

شركة مصر للأسمنت قنا ش.م.م.
١٦٤ وارد رقم
تاريخ ٢٠٢١/١٢/٢٤ مرفقات
فرع القاهرة

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Auditor's Report**To: The Shareholders of MISR CEMENT (QENA) COMPANY (S.A.E)****Report for the separate financial statements**

We have audited the accompanying separate financial statements of MISR CEMENT (QENA) COMPANY (SAE) which comprise the separate statement of financial position as at December 31, 2020 and the separate statements of income, separate comprehensive income, separate changes in equity and separate cash flows for the financial year then ended, and a summary of significant accounting policies and other explanatory notes.

Management's responsibility for the separate financial statements

These Separate financial statements are the responsibility of the company's management. Management is responsible for the preparation and fair presentation of the separate financial statements in accordance with the Egyptian Accounting Standards and relevant Egyptian laws. This responsibility includes: designing, implementing and maintaining internal control relevant to the preparation and fair presentation of the financial statements that are free from material misstatement, whether due to fraud or error, management responsibility also includes selecting and applying appropriate accounting policies and making accounting estimates that are reasonable in the circumstances.

Auditor's responsibility

Our responsibility is to express an opinion on these Separate financial statements based on our audit. We conducted our audit in accordance with the Egyptian Auditing Standards and the relevant Egyptian laws and regulations. Those standards require that we comply with ethical requirements, plan and perform the audit to obtain reasonable assurance whether the separate financial statements are free from material misstatements.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the separate financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the separate financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers the internal controls relevant to the entity's preparation and fair presentation of the separate financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the separate financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion on the separate financial statements .

Opinion

In our opinion, the separate financial statements referred to above present fairly, in all material respects, the separate financial position of MISR CEMENT (QENA) COMPANY (S.A.E) as at December 31, 2020, and of its financial performance and its cash flows for the year then ended in accordance with the Egyptian Accounting Standards and the Egyptian laws and regulations relating to the preparation of these financial statements

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 Separate financial statements for the financial year ended December 31, 2020.

Report for the legal and other regulatory requirements

The company maintains proper accounting records that comply with the laws and the company's articles of association and the Separate financial statements agree with the company's records, the inventory was counted by management in accordance with methods of practice.

The financial information included in the Board of Director's report, prepared in accordance with **Law No.159 of 1981** and its executive regulations, is in agreement with the company's books of account, according to the limits of this information in books.

Cairo, February 23, 2021



Gomaa Farag

Financial Regulatory Authority
Register Number (345)

Tamer Nabrawy and Co.

Kreston Egypt

Misr Cement (Qena) Company (S.A.E)
Separate Financial statements For The Year Ended 31 December 2020

Translation of financial statements
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Separate Statement of Financial Position

	Note	<u>31 December 2020</u>	<u>31 December 2019</u>
		EGP	EGP
Assets			
Non-current assets			
Fixed assets – Net	(5)	506 204 347	563 955 645
Intangible assets	(6)	1 206 217	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)	15 387 081	14 593 236
Total non-current assets		1 680 901 968	1 740 863 453
Current assets			
Inventory	(11)	373 914 165	332 385 979
Due from related parties	(13-A)	13 342 981	15 982 008
Debtors and other debit balances	(14)	90 336 061	59 242 724
Cash on hand and at banks	(15)	58 293 439	122 681 248
Total current assets		535 886 646	530 291 959
Total assets		2 216 788 614	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 year		47 375 911	35 243 767
Total Equity		1 249 348 086	1 223 927 000
Non-current liabilities			
Long term loans	(18)	242 402 041	363 830 626
Deferred tax liabilities	(19)	69 774 402	73 656 341
Total non-current liabilities		312 176 443	437 486 967
Current liabilities			
Provisions	(20)	68 185 905	64 657 703
Facilities	(22)	80 646 375	--
Current portion of long term loans	(18)	121 428 585	121 428 585
Receivables – advance payments		35 365 351	59 874 740
Suppliers and notes payable	(21)	249 214 641	215 330 367
Due to related parties	(13-B)	5 563 679	--
Creditors and other credit balances	(23)	77 209 279	134 517 871
Income tax		17 650 270	13 932 179
Total current liabilities		655 264 085	609 741 445
Total liabilities and equity		2 216 788 614	2 271 155 412

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


Managing Director
Tarek Talaat Ahmed


Financial Manager
Ahmed Abdel Hamid Emam


Misr Cement (Qena) Company (S.A.E)
Separate Financial statements For The Year Ended 31 December 2020

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Separate Statement of Income

	Note	31 December 2020	31 December 2019
		EGP	EGP
Net Sales		1 151 379 948	1 322 481 276
(Less):			
Cost of sales	(24)	(972 620 839)	(1 084 106 069)
Gross profit		178 759 109	238 375 207
Selling and marketing expenses	(25)	(13 907 273)	(22 538 001)
General and administrative expenses	(26)	(61 037 077)	(64 452 881)
Amortization of intangible assets		(402 072)	(402 072)
Other revenue	(27)	6 158 131	3 745 141
Board of directors' salaries, attendance and transportation allowances		(5 819 874)	(7 588 477)
Total expenses		(75 008 165)	(91 236 290)
Net Operating profits		103 750 944	147 138 917
Add / (Less):			
Finance expense		(62 029 334)	(109 655 519)
Foreign currency exchange differences		(382 087)	(1 212 910)
Credit interest		5 649 952	10 385 112
Capital gains/(losses)		4 302 835	(3 568)
Revenue from investments		12 586 289	7 779 850
Impairment reverse on account receivable		--	5 586 384
Bad debts		--	(5 586 384)
Impairment of debit balances		--	(1 054 263)
Provisions charged		(3 528 202)	(1 724 220)
Net Profits for the year before Taxes		60 350 397	51 653 399
(Less):			
Income tax		(17 650 270)	(13 932 179)
Deferred Tax		4 675 784	(2 477 453)
Net Profits For The year After Taxes		47 375 911	35 243 767
Earnings per share	(28)	0.58	0.43

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

Managing Director

Tarek Talaat Ahmed

Financial Manager

Ahmed Abdel Hamid Emam

Misr Cement (Qena) Company (S.A.E)
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Separate Statement of Comprehensive Income

	<u>31 December 2020</u>	<u>31 December 2019</u>
	EGP	EGP
Net Profits For The year After Taxes	47 375 911	35 243 767
Add / (Less):		
Other comprehensive income	--	--
Total comprehensive income for the year	<u>47 375 911</u>	<u>35 243 767</u>

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

Managing Director

Tarek Talaat Ahmed

Financial Manager

Ahmed Abdel Hamid Emam

Misr Cement (Qena) Company (S.A.E)
Separate Financial statements For The Year Ended 31 December 2020

Separate statement of Change in Equity

	Issued and Paid up Capital	Reserves	Retained Earnings	Net Profit for the year	Total
	EGP	EGP	EGP	EGP	EGP
31 December 2019					
Balance at 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 retained earnings	--	--	76 546 338	(76 546 338)	--
Transferred to reserves	--	4 032 481	(4 032 481)	--	--
Distributed Dividends	--	--	(45 076 944)	--	(45 076 944)
Total Comprehensive Income for the year	--	--	--	35 243 767	35 243 767
Balance at 31 December 2019	720 000 000	197 764 472	270 918 761	35 243 767	1 223 927 000
31 December 2020					
Balance at 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)	--	--
Distributed Dividends	--	--	(21 954 825)	--	(21 954 825)
Total Comprehensive Income for the year	--	--	--	47 375 911	47 375 911
Balance at 31 December 2020	720 000 000	199 526 661	282 445 514	47 375 911	1 249 348 086

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

Managing Director

Tarek Talaat Ahmed

Financial Manager

Ahmed Abdel Hamid Emam

Misr Cement (Qena) Company (S.A.E)
Separate Financial statements For The Year Ended 31 December 2020

Separate Statement of Cash Flows

	Note	31 December 2020 EGP	31 December 2019 EGP
Cash Flows From Operating Activities			
Net Profits for the year before taxes		60 350 397	51 653 399
Adjustment to reconcile net profit to cash flow from operating activities			
Depreciation of fixed assets	(5)	62 498 054	62 266 753
Amortization of intangible assets	(6)	402 072	402 072
Revenue from investment		(12 586 289)	(7 779 850)
Provisions charged		3 528 202	1 724 220
Capital gains (losses)		(4 302 835)	3 568
Impairment of debtors and other debit balances		--	1 054 263
Impairment reverse on account receivable		--	(5 586 384)
Bad debts		--	5 586 384
Foreign currency exchange	(4.1)	382 087	1 212 910
Debit interest		62 029 334	109 655 519
Credit interest	(9.4)	(5 649 952)	(10 385 112)
Net Operating profits		166 651 070	209 807 742
Change in inventory	(11)	(41 528 186)	(74 859 634)
Change in accounts receivables and notes receivables	(12)	--	487 032
Change in due from related parties	(13)	8 202 706	(802 508)
Change in debtors and other debit balances	(14)	(30 982 492)	15 171 576
Change in receivables – advance payments		(24 509 389)	(12 153 075)
Change in suppliers	(21)	39 961 836	66 655 611
Change in creditors and other credit balances	(23)	(52 220 606)	11 969 886
Cash flow from operating activities		65 574 939	216 276 630
Income tax paid		(13 932 179)	--
Provisions used		--	(3 075 400)
Net cash Flows from operating activities		51 642 760	213 201 230
Cash flows from investing activities			
(Payments) For purchase fixed assets	(5)	(6 670 826)	(2 557 208)
Adjustment on fixed assets		--	936 654
Proceeds From credit interests		5 649 952	10 538 358
Change in current accounts blocked in banks		--	19 721 094
Proceeds from dividends distributions		12 624 787	7 779 850
Change in projects under constructions		(2 601 960)	(2 205 254)
Proceed from investments Held to maturity		--	10 000 000
Net cash Flows from investing activities		14 205 873	44 213 494
Cash flows from financing activities			
Loans payments	(18)	(121 428 585)	(121 428 586)
Facilities		80 646 375	--
Debit interest paid		(65 852 210)	(115 653 233)
Adjustment on Retained Earnings		--	1 324 000
Distributed dividends - paid		(23 219 935)	(45 076 944)
Net cash flows from financing activities		(129 854 722)	(280 834 763)
Net cash and cash equivalents during the year		(64 005 722)	(23 420 039)
Foreign Currency exchange differences	(4.1)	(382 087)	(1 212 910)
Cash and cash equivalent – beginning of the year	(15)	121 330 248	145 963 197
Cash And Cash Equivalent – End of the year	(15)	56 942 439	121 330 248
Cash on hand and at banks	(15)	58 293 439	128 399 781
Current accounts blocked in banks		--	(5 718 533)
Time deposits - maturing more than three months	(15)	(1 351 000)	(1 351 000)
		56 942 439	121 330 248

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

Managing Director

Tarek Talaat Ahmed

Financial Manager

Ahmed Abdel Hamid Emam

Notes to the separate Financial Statements

1. About the Company

1.1. Company's Background

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

1.2. Company's purpose

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

1.3. The Company's Location

- The head office is located in the city of Qeft in Qena Governorate.

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 year ended December 31, 2020 were authorized for issuance in accordance with a resolution of the board of directors in February 23, 2021.

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

a. Income tax

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

b. 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 yearic basis.

d. Impairment of Inventory

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

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

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

3.3 Fair value measurement

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

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4. Significant accounting policies

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

4.1 Foreign currencies translation

Transactions in foreign currencies are initially recorded using the exchange rate prevailing on the date of the transaction.

Monetary assets and liabilities denominated in foreign currencies are retranslated using the exchange rates prevailing at the balance sheet date, All differences are recognized in the statement of income.

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

4.2 Fixed assets and its Depreciation

The first recognition and initial measurement

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

a. Subsequent Cost

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

b. Depreciation

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

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

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

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

4.3 Intangible assets

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

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

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.

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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 year of time to get ready for their intended use or sale are capitalized as part of the cost of the assets. All other borrowing costs are expensed in the year in which they are incurred. The borrowings costs are represented in interest and other finance costs that company pay to obtain the funds.

4.22 Pension plan for employees

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

4.23 The Contingents Liabilities and Commitments

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

4.24 Dividends

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

4.25 Cash Flow Statement

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

4.26 Cash and cash equivalent

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

4.27 Earnings per share

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

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5. Fixed assets

	Land EGP	Buildings and constructions EGP	Machinery and Equipment EGP	Motor Vehicles EGP	Tools EGP	Furniture and Fixtures EGP	Total EGP
31 December 2020							
Cost at 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 year	--	985 760	--	--	5 423 701	261 365	6 670 826
Disposals during the year	--	(414 479)	(1 742 607)	(107 900)	--	--	(2 264 986)
Cost at 31 December 2020	7 221 739	275 707 228	981 454 250	6 852 244	13 894 694	12 034 258	1 297 164 413
Accumulated depreciation at 1 January 2020	--	159 884 677	544 406 444	6 827 856	6 419 819	11 264 132	728 802 928
Depreciation for the year	--	13 127 903	48 309 853	123 972	746 709	189 617	62 498 054
Accumulated depreciation of Disposals	--	(22 451)	(210 565)	(107 900)	--	--	(340 916)
Accumulated depreciation at 31 December 2020	--	172 990 129	592 505 732	6 843 928	7 166 528	11 453 749	790 960 066
Net book value at 31 December 2020	7 221 739	102 717 099	388 948 518	8 316	6 728 166	580 509	506 204 347

This balance includes the recording of assets that fully depreciated and still used which is comprehensive 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	55 803 153

- 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)	61 770 776
Selling and marketing expenses (Note 25)	227 317
General and administrative expenses (Note 26)	499 961
	62 498 054

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 (Followed)

31 December 2019	Land EGP	Buildings and Constructions EGP	Machinery and Equipment EGP	Motor Vehicles EGP	Tools EGP	Furniture and Fixtures EGP	Total EGP
Cost at 1 January 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 at 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 at 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 at 31 December 2019	--	159 884 677	544 406 444	6 827 856	6 419 819	11 264 132	728 802 928
Net book value at 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 comprehensive 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

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6. Intangible assets

	31/12/2020	31/12/2019
	EGP	EGP
SAP program	2 010 361	2 010 361
(less)		
Amortization during the year	(402 072)	(402 072)
Accumulated amortization	1 206 217	1 608 289

7. Projects under construction

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

8. Investments in subsidiaries

	Percentage of Ownership	31/12/2020	31/12/2019
		EGP	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.

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9. Investments available for sale

	Percentage of ownership	<u>31/12/2020</u> EGP	<u>31/12/2019</u> EGP
The Egyptian African company for investment and development	3%	150 000	150 000
(Less):			
Impairment in available for sale investments		<u>(149 999)</u>	<u>(149 999)</u>
		<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	<u>31/12/2020</u> EGP	<u>31/12/2019</u> EGP
South of Upper Egypt Company for sacks Manufacturing	20%	<u>800 000</u>	<u>800 000</u>
		<u>800 000</u>	<u>800 000</u>

11. Inventory

	<u>31/12/2020</u> EGP	<u>31/12/2019</u> EGP
Raw materials	7 775 166	10 261 058
Gasoline and Diesel fuel	4 219 039	4 146 592
Coal	18 294 854	46 651 154
Packaging	7 862 685	6 612 348
Spare parts	28 041 041	28 408 076
Work in progress	293 672 936	215 091 873
Finished goods	14 048 444	21 214 878
	<u>373 914 165</u>	<u>332 385 979</u>

12. Accounts receivables and notes receivables

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

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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

	<u>31/12/2020</u>	<u>31/12/2019</u>
	EGP	EGP
Minya Portland Cement	--	6 827 460
ASECO for Ready Mix	13 342 981	9 154 548
	13 342 981	15 982 008

B) Due to related parties

	<u>31/12/2020</u>	<u>31/12/2019</u>
	EGP	EGP
Minya Portland Cement	5 563 679	--
	5 563 679	--

14. Debtors and other debit balances

	<u>31/12/2020</u>	<u>31/12/2019</u>
	EGP	EGP
Advances to suppliers	--	776 793
(ASEC) Managing technical	11 523 909	12 913 759
Tax authority– addition tax	10 720 946	14 896 874
Tax authority–Real estate tax	2 974 508	2 974 508
Customs duty	12 076 868	--
Letter of credit	--	3 384 938
Deposits with others	13 953 185	13 814 692
Prepaid expenses	3 873 531	4 902 983
Cash cover letter of guarantee (Note No. 30)	5 718 533	5 718 533
Advance payments*	29 706 058	114 999
Employees borrowings	334 545	337 978
Misr for insurance	--	800
Other debit balances	3 445 949	3 359 340
Accrued revenue – dividends distribution	36 800	75 298
	94 364 832	63 271 495
(Less):		
Impairment of debtors	(4 028 771)	(4 028 771)
	90 336 061	59 242 724

*The advance payment represented to amount EGP 29 706 058 to purchase coal from Ostool for land transportation Co.

15. Cash on hand and at banks

	<u>31/12/2020</u>	<u>31/12/2019</u>
	EGP	EGP
Current accounts - Local currency	52 142 671	116 420 203
Current accounts - foreign currency	1 397 939	1 352 953
Time deposit - maturing during three months	1 654 535	2 960 042
Time deposits - maturing after three months	1 351 000	1 351 000
Cash on hand	1 747 294	597 050
	58 293 439	122 681 248

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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 22nd of March 2009 the capital was deducted by an amount of EGP 1 220 000 for 122 000 treasury shares, and it was registered in the commercial register in on 5th of July 2009, thus the paid up capital became EGP 298 780 000 distributed over 29 878 000 shares of par value EGP 10 per share
- According to a Board members meeting No 186 held on December 12, 2017 and authorized from GAFI on 25 December 2017 which decided to increase the capital with amount EGP 301 220 000 divided to 30 122 000 shares at EGP 10 per share, and the issuing capital became EGP 600 000 000 as registered in the commercial register on 31 January 2018 No. 4955
- based on the decision of the extraordinary general assembly held on 28 of March 2018 distribute free stocks about stock for five stocks holders from the retained earnings and the number of shares become 72 000 000 instead of 60 000 000 shares and the paid capital become 720 000 000 Egyptian pound instead of 600 000 000 Egyptian pound as registered in the commercial register on 29 May 2018 No. 23904 .

	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	1 683 368	10	16 833 680	16 833 680	2.34%
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%
QNB for finance services	4 821 514	10	48 215 140	48 215 140	6.70%
Bayt El Khebra finance lease (Technolease)	3 249 577	10	32 495 770	32 495 770	4.51%
Egypt Company for Life Insurance Individuals and IPO	6 748 839 11 579 098	10 10	67 488 390 115 790 980	67 488 390 115 790 980	9.37% 16.08%
	72 000 000		720 000 000	720 000 000	100%

17. Reserves

	<u>Legal reserve</u>	<u>General reserve</u>	<u>Capital reserve</u>	<u>Balance as of 31/12/2020</u>
	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 year	1 762 189	--	--	1 762 189
Balance as of 31/12/2020	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 amounting EGP 915,000,000 which represents a portion of the loan granted from the banks' association (National Bank of Egypt, Commercial International Bank and Misr Bank) which represents 33.3% for each bank. Conditioning that the National Bank of Egypt will be the main facilitator of the loan, for the purpose of financing the acquisition transactions (Note 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 31 December 2020 became EGP 363 830 626.

	<u>31/12/2020</u>	<u>31/12/2019</u>
	EGP	EGP
Long term loans	363 830 626	485 259 211
Current portion from long term loans	(121 428 585)	(121 428 585)
	242 402 041	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).

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19. Deferred Tax Assets / (Liabilities)

	Assets		Liabilities	
	<u>31/12/2020</u>	<u>31/12/2019</u>	<u>31/12/2020</u>	<u>31/12/2019</u>
	EGP	EGP	EGP	EGP
Balance at the beginning of the year	14 593 236	17 269 057	73 656 341	73 854 709
Assets (liabilities) deferred tax movements	793 845	(2 675 821)	(3 881 939)	(198 368)
Balance at the ending of the year	<u>15 387 081</u>	<u>14 593 236</u>	<u>69 774 402</u>	<u>73 656 341</u>

20. Provisions

	Balance as of 1 Jan 2020	Charged during the year	Provisions used	Balance as of 31 December 2020
	EGP	EGP	EGP	EGP
Tax provision	4 888 529	3 528 202	--	8 416 731
Provision for current claims and litigations according to legal opinion	21 269 174	--	--	21 269 174
Provision for claims	38 500 000	--	--	38 500 000
	<u>64 657 703</u>	<u>3 528 202</u>	<u>--</u>	<u>68 185 905</u>

21. Suppliers and Notes payable

	<u>31/12/2020</u>	<u>31/12/2019</u>
	EGP	EGP
Suppliers	164 968 625	146 488 473
Notes payables	84 246 016	68 841 894
	<u>249 214 641</u>	<u>215 330 367</u>

22. Facilities

The company has a facilities amounted EGP 80 646 375 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

	<u>31/12/2020</u>	<u>31/12/2019</u>
	EGP	EGP
Tax authority	4 182 472	6 201 287
Value added tax on Cement	16 264 472	34 876 941
Production development fees	6 643 073	7 007 452
Retentions	15 894 922	31 936 884
Syndicate Stamps	6 082 013	5 777 450
Employees services association	275 708	450 192
Social insurance authority	1 005 072	404 743
Accrued debit interests	4 669 160	8 492 036
Contractors billings	5 976 755	20 521 015
Suppliers billings	1 318 517	1 603 408
Accrued for suppliers (Cement transportation)	16 915	3 613
Accrued discount permitted	--	1 230 557
Payables for purchase fixed assets	7 406 832	7 406 832
Credit – Dividends	1 013 625	2 278 735
Solidarity contribution of medical insurance accrual	2 951 156	3 362 497
Other credit balances	3 508 587	2 964 229
	<u>77 209 279</u>	<u>134 517 871</u>

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24. Cost of Sales

	<u>31/12/2020</u>	<u>31/12/2019</u>
	<u>EGP</u>	<u>EGP</u>
Depreciation	61 770 776	61 441 108
Governmental fees	70 219 040	78 653 108
Packing materials	222 008 384	207 121 148
Technical management fees	126 637 154	112 396 936
Electricity and power	536 355 497	653 626 579
Change in inventory	(71 414 629)	(54 220 974)
Indirect cost	27 044 617	25 088 164
	972 620 839	1 084 106 069

25. Selling and marketing expenses

	<u>31/12/2020</u>	<u>31/12/2019</u>
	<u>EGP</u>	<u>EGP</u>
Salaries and wages	7 189 766	7 027 552
Discount permitted*	--	13 498 916
Depreciation	227 317	226 487
Stamps	306 122	48 949
Traveling and Transportation expenses	90 305	118 954
Medical and pension funds	--	66 316
Others	6 093 763	1 550 827
	19 907 273	22 538 001

* 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 December 31, 2020 amounted to EGP 13 991 895 "Comparable year December 31, 2019 the total amount of discount permitted amounted to EGP 13 498 916 recorded with marketing and selling expenses. The following table shows the effect of discount permitted on the net sales:-

	<u>31/12/2020</u>	<u>31/12/2019</u>
	<u>EGP</u>	<u>EGP</u>
Sales	1 165 371 843	1 322 481 276
(deduct)		
Discount permitted	(13 991 895)	--
	1 151 379 948	1 322 481 276

26. General and administrative expenses

	<u>31/12/2020</u>	<u>31/12/2019</u>
	<u>EGP</u>	<u>EGP</u>
Depreciation	499 961	599 158
Salaries and wages	35 605 830	37 633 564
Donations	4 256 134	3 998 014
Insurance Expenses	3 950 226	3 761 620
Public relations and advertisement expenses	1 067 422	1 572 932
Other services expenses	1 585 790	1 414 688
Training, researches and consulting expenses	824 913	720 931
Medical and pension funds	2 394 562	2 217 494
Transportation and travelling expenses	242 000	298 268
Material and supplies	576 403	122 599
Rent and transportation allowances	582 787	786 565
Solidarity contribution of medical insurance	2 951 156	3 362 497
Other expenses	6 499 893	7 964 551
	61 037 077	64 452 881

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27. Other Revenues

	<u>31/12/2020</u>	<u>31/12/2019</u>
	EGP	EGP
Rents	2 642 321	864 419
Revenue from Transport, shipping and handling	59 056 144	126 293 484
Revenue from spare parts	29 289 869	4 880 057
Miscellaneous revenue	3 515 810	2 880 722
	94 504 144	134 918 682
(Less):		
Transport, shipping and handling cost	(59 056 144)	(126 293 484)
Spare parties cost	(29 289 869)	(4 880 057)
	6 158 131	3 745 141

28. Earnings per share

	<u>31/12/2020</u>	<u>31/12/2019</u>
	EGP	EGP
Net profits for the year	47 375 911	35 243 767
Employees profit share	(4 070 428)	(3 348 158)
Board of directors' bonus	(1 863 385)	(606 671)
Remaining profits	41 442 098	31 288 938
Number of shares	72 000 000	72 000 000
Earnings per share	0.58	0.43
	<u>31/12/2020</u>	<u>31/12/2019</u>
	EGP	EGP
Expected average of number of shares:	72 000 000	72 000 000
72 000 000 × 12/12 =		
Expected average of number of shares issued during the year	--	--
	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 year 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	31/12/2020 EGP
Misr Insurance	Shareholder	Insurance installments	6 365 443
South of upper Egypt company (main supplier)	Associate	Sacks supplying	78 397 606
ASECO for ready mix company	Subsidiary	Cement sales	16 344 811
ASECO for ready mix company	Subsidiary	Debit balance	876 756
Minya Portland cement company	Subsidiary	Other income - Rent	49 600
Minya Portland cement company	Subsidiary	Cement sales	66 068 918
Minya Portland cement company	Subsidiary	Cement purchases	86 981 334

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 EGP	Cash Covers EGP
National Bank of Egypt – EL Borg branch	5 718 533	5 718 533
	5 718 533	5 718 533

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"	<p>1-The new Egyptian Accounting Standard No.(47),"Financial Instruments", supersedes 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"> - 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.	<p>This standard (47) applies to financial years beginning on or after January 1st, 2021, 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>-These amendments are effective as of the date of implementing Standard No. (47)</p>

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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"	<ol style="list-style-type: none"> 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: <ol style="list-style-type: none"> 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 years beginning on or after January 1st, 2021, and the early implementation thereof is permitted
The new Egyptian Accounting Standard No. (49) "Lease Contracts".	<ol style="list-style-type: none"> 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 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 years 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 year 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 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 years beginning on or after January 1st, 2020, and the early implementation thereof is permitted.
Egyptian Accounting Standard No. (42) as amended "Consolidated financial statements"	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) "Yearically 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 years 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.
Issuing an accounting interpretation No.(1) arrangements for public service concessions	- 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 st 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 years 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 years 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 years 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 years 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 have been 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 have been 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.

6. Year 2019

- The company presented the annual tax position at its legal dates
- The Tax authority didn't inspect the company's documents for year 2019.

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.

32. Tax Situation (Followed)

b) Salary tax (Followed)

3. Year 2019

- 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.

c) Value added tax (Sales Tax)

1. Years from beginning of the activity to 2007

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

2. Years from 2008/2010

The Tax authority inspected the company for that year and form (15 D A M) was issued with differences in sales tax amounting to EGP 1,147,876, and the company has objected on this form and the review was completed by Supreme Committee which reduced the amount to EGP 697,549 and this amounts was paid , 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.

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.
- 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 at September 7, 2016..
- The company prepare to inspect those years.

5. Year 2019

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

d) Development of the country's financial resources fees

1. Years from 5 May 2008 to 30 June 2019

The company paid the tax till due to date

2. Year 2020

- The company paid the development fees according to the law no. 73 for the year 2010
- The Tax authority didn't inspect the company's documents for year 2020.

33. Tax Situation (Followed)

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 EGP 4 776 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 form 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.
- The real estate tax authority filed form 3 real estate tax for the lime quarry that the company is licensed to exploit by the Qena governorate, estimating the annual tax at EGP 648 099, with a total tax due EGP 4 860 742 Egyptian pounds until December 31, 2020, in contrast to the delay fee, and the company appealed against it in The legal date
- The real estate tax authority filed form 3 real estate tax for the sand quarry that the company is licensed to use by the governorate of Qena, estimating the annual tax at EGP 32 640 with a total tax due EGP 244 800 Egyptian pounds until December 31, 2020, in addition to the delay fee, and the company appealed against it on time Legal.

34. 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 year has been defined in maintaining all employees and securing them from corona risks as well as continuing the company's operations, all risks were studied and evaluated and taken a serious of precautionary measures to reduce all risks on employees and to ensure the continuity of the supply chain (operational, manufacturing, sales and collection operations in this year and there is not effect on the company's current economic situation (it's financial position, business result and cash flow).
- And given to of the lack of clarity of the effects that could be caused by the development of the situation related to the effect of the spread of the virus (Covid-19) in the future, the effects of development on the company's activity cannot be determined precisely at the present time.
- 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, dated on May 24, 2020 and for six months.


Managing Director
Tarek Talaat Ahmed


Financial Manager
Ahmed Abdel Hamid Emam