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

Separate interim Financial Statements
For The period Ended June 30, 2023
And Limited Review Report

Contents

KRESTON EGYPT
Tamer Nabarawy & Co.

Translation of Audit's report
Originally issued in Arabic

Limited Review Report

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

Introduction:

We have performed a limited review for the accompany separate interim financial statements of MISR CEMENT (QENA) COMPANY (S.A.E) which comprise the separate interim statement of financial position as at June 30,2023 and the related separate interim statements of income Separate interim, other comprehensive income Separate interim, change of equity Separate interim and cash flows Separate interim for the Six-month then ended, and a summary of significant accounting policies and other explanatory notes. Management is responsible for the preparation and Fair presentation of these separate interim financial statements in accordance with the Egyptian Accounting Standards, our responsibility is to express a conclusion on these separate interim financial statements based on our limited review.

Scope of limited review

We conducted our limited review in accordance with the Egyptian standard on review engagements 2410 "Limited review of separate interim financial statement performed by the independents Auditor of the entity". A limited review of separate interim financial statements consists of making inquiries primarily to persons responsible for financial and accounting matters in the company and applying analytical and other limited review procedures. A limited review is substantially less in scope than an audit conducted in accordance with Egyptian standards on Auditing and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express such an audit opinion on these separate interim financial statement.

Conclusion:

Based on our limited review, nothing has come to our attention that causes us to believe that the accompany separate interim financial statements do not present fairly, in all material respect the separate interim financial position of MISR CEMENT (QENA) COMPANY (S.A.E) as at June 30, 2023 and its financial performance and its cash flow for the Six-month ended then, in accordance with Egyptian accounting standards.

Cairo, 14 August 2023

Auditor

Tamer Nabarawy
Financial Regulatory Authority
Register Number (389)
Tamer Nabarawy and Co.
KRESTON EGYPT

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Tamer Nabarwy & Co.
Public Accountants & Consultants

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Separate interim Statement of Financial Position

	Note	30 June 2023 EGP	31 December 2022 EGP
Non-current assets			
Fixed assets	(5)	372 921 763	393 075 526
Assets right to use	(6-A)	3 072 300	3 448 500
Intangible assets	(7)	1 552 710	2 045 014
Project under construction		1 918 697	1 150 397
Investments in subsidiaries	(8)	1 158 934 322	1 158 934 322
Investments in associates	(9)	800 000	800 000
Deferred tax Assets	(17)	8 357 165	10 090 714
Total non-current assets		**1 547 556 957**	**1 569 544 473**
Current assets			
Inventory	(10)	801 027 212	537 500 521
Due from related parties	(11-A)	28 623 871	40 152 850
Debtors and other debit balances	(12)	137 784 174	158 460 768
Cash on hand and at banks	(13)	110 612 299	75 418 569
Total current assets		**1 078 047 556**	**811 532 708**
Total assets		**2 625 604 513**	**2 381 077 181**
Equity			
Issued and paid-up capital	(14)	720 000 000	720 000 000
Reserves	(15)	214 931 399	210 929 335
Retained earnings		337 423 071	329 284 771
Net Profit for the period / year		39 600 156	76 271 571
Total Equity		**1 311 954 626**	**1 336 485 677**
Non-current liabilities			
Operating lease liability – non-current portion	(6-B)	2 109 000	2 451 000
Deferred tax liabilities	(17)	54 995 413	57 221 519
Facilities – long term	(20)	200 000 000	--
Total non-current liabilities		**257 104 413**	**59 672 519**
Current liabilities			
Provisions	(18)	45 679 664	45 679 664
Facilities	(20)	206 215 518	195 640 430
Current portion of long-term loans	(16)	60 259 164	120 973 456
Receivables – advance payments		23 413 541	17 909 351
Suppliers and notes payable	(19)	551 509 503	492 718 874
Due to related parties		2 320 017	--
Creditors and other credit balances	(21)	155 912 349	87 578 641
Operating lease liability – current portion	(6-B)	1 049 048	830 019
Income tax payable		10 186 670	23 588 550
Total current liabilities		**1 056 545 474**	**984 918 985**
Total liabilities and equity		**2 625 604 513**	**2 381 077 181**

- The accompanying notes are an integral part of these separate interim financial statements.
- Limited Review Report attached

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

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Separate interim Statement of Income

	Note	First Six Months 30 June 2023 EGP	First Six Months 30 June 2022 EGP	Second three Months 30 June 2023 EGP	Second three Months 30 June 2022 EGP
Net Sales		737 329 283	573 696 420	344 255 855	264 814 391
(Less):					
Cost of sales	(22)	(620 240 234)	(489 996 730)	(313 415 971)	(248 411 908)
Gross profit		**117 089 049**	**83 699 690**	**30 839 884**	**16 402 483**
Selling and marketing expenses	(23)	(11 567 800)	(6 130 599)	(6 904 989)	(3 028 689)
General and administrative expenses	(24)	(38 272 385)	(33 794 464)	(19 000 551)	(14 633 314)
Amortization of intangible assets		(492 304)	(324 139)	(249 213)	(162 069)
Other (expenses) / revenue	(25)	(1 402 203)	1 925 763	(2 711 203)	1 008 902
Board of directors' salaries, attendance and transportation allowances		(6 994 925)	(3 488 237)	(5 802 929)	(2 939 725)
Total expenses		**(58 729 617)**	**(41 811 676)**	**(34 668 885)**	**(19 754 895)**
Net Operating profits / (Loss)		**58 359 432**	**41 888 014**	**(3 829 001)**	**(3 352 412)**
(Less) / Add:					
Finance expense		(33 808 406)	(15 162 038)	(21 420 693)	(7 957 467)
Amortization of assets right to use		(376 200)	--	(188 100)	--
Financial lease interest		(96 849)	--	(18 110)	--
Expected credit loss		327 934	(110 000)	327 934	--
Foreign currency exchange differences		853 938	6 222 968	(181 109)	1 702 440
Credit interest		1 246 614	2 297 050	714 473	1 144 221
Revenue from investments in associate and subsidiaries companies		23 632 683	15 872 775	3 373 325	--
Net Profits for the period before Taxes		**50 139 146**	**51 008 769**	**(21 221 281)**	**(8 463 218)**
(Less):					
Income tax		(11 031 547)	(14 794 244)	3 390 105	(1 628 798)
Deferred Tax		492 557	3 512 136	746 944	1 741 348
Net Profits / (loss) for the period after Taxes		**39 600 156**	**39 726 661**	**(17 084 232)**	**(8 350 668)**
Earnings per share (EGP/Share)	(27)	**0.50**	**0.48**	**(0.20)**	**(0.05)**

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

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

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Separate interim Statement of Comprehensive Income

	First Six months		Second three months	
	30 June 2023	30 June 2022	30 June 2023	30 June 2022
	EGP	EGP	EGP	EGP
Net Profits for the period after Taxes	39 600 156	39 726 661	(17 084 232)	(8 350 668)
Add / (Less):				
Other comprehensive income	--	--	--	--
Total comprehensive income for the period	**39 600 156**	**39 726 661**	**(17 084 232)**	**(8 350 668)**

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

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

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Separate interim statement of Change in Equity

	Note	Issued and paid up Capital	Reserves	Retained Earnings	Net Profit for the period	Total
		EGP	EGP	EGP	EGP	EGP
30 June 2022						
Balance at 1 January 2022		**720 000 000**	**206 198 292**	**289 530 197**	**93 810 764**	**1 309 539 253**
Transferred to retained earnings		--	--	93 810 764	(93 810 764)	--
Transferred to Reserves		--	4 731 043	(4 731 043)	--	--
Distributed Dividends		--	--	(49 325 147)	--	(49 325 147)
Total Comprehensive Income for the period		--	--	--	39 726 661	39 726 661
Balance at 30 June 2022		**720 000 000**	**210 929 335**	**329 284 771**	**39 726 661**	**1 299 940 767**
30 June 2023						
Balance at 1 January 2023		**720 000 000**	**210 929 335**	**329 284 771**	**76 271 571**	**1 336 485 677**
Transferred to retained earnings		--	--	76 271 571	(76 271 571)	--
Transferred to Reserves		--	4 002 064	(4 002 064)	--	--
Distributed Dividends		--	--	(64 131 207)	--	(64 131 207)
Total Comprehensive Income for the period		--	--	--	39 600 156	39 600 156
Balance at 30 June 2023		**720 000 000**	**214 931 399**	**337 423 071**	**39 600 156**	**1 311 954 626**

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

Managing Director
Tarek Talaat

Group Chief Financial
Ramy Morsy

Group Financial Manager
Moustafa Abdel Razek

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Separate interim Statement of Cash Flows

	Note	30 June 2023 EGP	30 June 2022 EGP
Cash Flows provided by Operating Activities			
Net Profits for the period before taxes		50 139 146	51 008 769
Adjustment to reconcile net profit to cash flow from operating activities			
Depreciation of fixed assets	(22,23,24)	25 347 548	31 059 779
Amortization of intangible assets	(6)	492 304	324 139
Revenue from investment		(23 632 683)	(15 872 775)
Expected credit loss		(327 934)	110 000
Financial lease interest		96 849	--
Amortization of assets right to use		376 200	--
Foreign currency exchange	(4.1)	(853 938)	(6 222 968)
Debit interest		33 808 406	15 162 038
Credit interest	(4.9)	(1 246 614)	(2 297 050)
Net Operating profits		**84 199 284**	**73 271 932**
Change in inventory	(10)	(258 254 837)	35 620 650
Change in related parties	(12)	14 170 657	(20 160 149)
Change in debtors and other debit balances	(13)	38 640 823	(223 822 416)
Change in receivables – advance payments		5 504 190	(7 702 443)
Change in suppliers	(20)	58 790 629	238 514 210
Change in creditors and other credit balances	(22)	12 995 962	9 887 299
Paid from operating lease liability		(219 820)	--
Cash flow from operating activities		**(44 173 112)**	**105 609 083**
(Payment) of income tax		(24 433 427)	(31 250 148)
Net cash Flows provided by operating activities		**(68 606 539)**	**74 358 935**
Cash flows (used in) / provided by investing activities			
(Payments) For purchase fixed assets	(5)	(10 465 639)	(1 550 539)
(Payments) in project under construction		(768 300)	(1 136 300)
(Payments) in investment in subsidiaries		--	(1 630 000)
Change in time deposits - maturing after three months		1 351 000	--
Collected credit interest		1 246 614	2 297 050
Collected from dividends distributions		5 674 727	1 526 405
Net cash Flows (used in) / provided by investing activities		**(2 961 598)**	**(493 384)**
Cash flows provided by financing activities			
Change in facilities		210 575 088	49 653 360
Paid from loans		(60 714 292)	(60 714 293)
Debit interest paid		(34 651 631)	(15 581 101)
Distributed dividends - paid		(7 950 236)	(11 698 762)
Net cash flows provided by financing activities		**107 258 929**	**(38 340 796)**
Net cash and cash equivalents during the period		**35 690 792**	**35 524 755**
Foreign Currency exchange differences	(4.1)	853 938	6 222 968
Cash and cash equivalent – beginning of the period		74 067 569	48 765 217
Cash And Cash Equivalent – End of the period		**110 612 299**	**90 512 940**
For the purpose of preparing the statement of cash flow:			
Cash and cash equivalent		110 612 299	91 863 940
(Less):			
Time deposit – maturing after three months		--	(1 351 000)
Cash and cash equivalent – end of the period		**110 612 299**	**90 512 940**

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

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

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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" and during the year 2022, the business was assigned to QENA for management and Maintenance Company.

- From JULY 2022, the company has assigned the technical support to QENA for management and Maintenance Company.

1.3. The Company's Location

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

1.4. The company duration

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

1.5. Financial year

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

1.6. Approval of the financial statements

The financial statements of the Company for the period ended June 30, 2023 were authorized for issuance in accordance with a resolution of the board of directors on August 14, 2023

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 accounting estimates and assumptions

The preparation of financial statements according to the Egyptian accounting standards requires that management uses personal judgments and making estimates and assumptions that can affect the application of policies and the values of assets and liabilities also revenues and expenses. The estimates and assumptions are evaluated based on past experience and some other factors including the expected future events that fit these circumstances.
These estimates and assumptions are reviewed yearly and any differences in the accounting estimates are recognized in the year in which these estimates are changed, and if these differences affect the year in which these changes are made and future years, these differences are recorded in the year in which the adjustments are made and the future years. The most significant estimates and assumptions the company uses are as follows:

a. Income tax

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

b. Expected credit loss in value of commercial debtors.

The evaluation in the value of receivables is mage through debt aging. The Company management is studying the credit position and the ability of payments of the customers who their numerous debts are due during the credit limit grated for them and the impairment is recorded with the value of the due amounts on the customers who the Company management sees that their credit position does 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 periodically.

d. Impairment of Inventory

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

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

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

3.3 Fair value measurement

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

4. Significant accounting policies

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

4.1 Foreign currencies translation

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

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

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

4.2 Fixed assets and its Depreciation

a. The first recognition and initial measurement

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

b. Subsequent Cost of acquisition

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

c. Depreciation

Depreciation is determined based on the fixed assets less salvage value as residual value at the end of estimated useful life.
The Salvage value of asset is the net amount currently expected to be obtained as a result of disposal, if it is in the expected condition at the end of its useful life.
The depreciation amount is carried on the income statement according to the straight line method by the useful life estimated to each kind of fixed assets except land that not depreciated, the depreciation of fixed assets are depreciated according to the following rates:

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

4.3 Intangible assets

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

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

4.4 Projects under construction

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

4. Significant accounting policies (followed)

4.5 Investments in subsidiaries and associates

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

4.6 Financial investments at fair value through OCI

Financial investments are recognized at fair value through comprehensive income at cost on the date of acquisition. Investments listed on the stock exchange are evaluated at fair value (market value). As for investments not listed on the stock exchange, they are evaluated at their calculated value - according to the studies conducted in this regard - and the value of the resulting differences is recorded. As a special reserve - the differences in the evaluation of financial investments available for sale within shareholders' equity, and when the investment is sold, its share in the special reserve is added to the income statement.
For financial investments at fair value through comprehensive income that are not active (they have no market value in an active market) and whose fair value cannot be determined with a sufficient degree of confidence, these investments are recorded at their acquisition cost, and in the event of a decrease in the value of these investments (impairment), it is Adjusting the book value to the value of this decline and charging it to the income statement for each investment separately.

4.7 Inventory

The Inventory elements are valued as follows:

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

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

Net realizable value is the estimated selling price in the ordinary course of business, less the estimated costs of completion and the estimated costs necessary to make the sale.
The amount of any write down of inventories to net realizable value and all losses of inventories shall be recognized in cost of sales in the statement of Income statement in the year the write down or loss occurs, The amount of any reversal of any write down of inventories, arising from an increase in net realizable value, shall be recognized as reduction of cost of sales in the statement of Income statement in the year in which the reversal occurs.

4.8 Revenue

- **Sales**

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

- **Dividends**

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

- **Interest income**

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

4.9 Expected Credit Loss

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

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

- The company applies the simplified approach to the impairment of financial assets in accordance with the Egyptian Accounting Standard No. (47) Financial Instruments in order to measure expected credit losses, which uses a provision for expected credit losses over the life time of all customer balances and contract assets with customers

4.9. Expected Credit Loss(followed):

-To calculate the ECL, we depended on the customer and contract assets with customers' balances as a group based on common credit risk characteristics and the number of days past due. Where the assets of the contract with the customer relate to the work in progress that has not been invoiced and has the same risk characteristics as customer balances for the same types of contracts Accordingly, the company concluded that the expected credit loss rates for customer balances are a reasonable approximation of the expected credit loss rates for the assets of contracts with customers.

-ECL rates depended on analyzes of sales payments over the 36 months before December 31, 2021 and the corresponding historical credit losses incurred during this period.

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

4.10 Provisions

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

4.11 Taxes

- **Income Tax**

Income tax is calculated 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. **Significant accounting policies (followed)**

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

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

4.13 Related party transactions

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

4.14 Treasury shares

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

4.15 Legal reserve

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

4.16 General reserve

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

4.17 Capital reserve

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

4.18 Borrowing

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

After initial recognition, interest bearing loans and borrowings are subsequently measured at amortized cost using the effective interest rate method. Gains and losses are recognized in the income statement when the liabilities are derecognized as well as through the effective interest rate method amortization process.

The amortized cost is calculated taking into account any discount or premium on purchase and fees or costs that are part of the effective interest rate. The effective interest rate amortization is included in financing costs in the income statement

4.19 Expenses

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

4.20 Borrowing cost

Borrowing costs directly attributable to the acquisition, construction or production of qualifying assets, which are assets that necessarily take a substantial year of time to get ready for their intended use or sale are capitalized as part of the cost of the assets. All other borrowing costs are expensed in the year .

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

4.20 Borrowing cost (followed):

which they are incurred. The borrowings costs are represented in interest and other finance costs that company pay to obtain the funds.

4.21 Pension plan for employees

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

4.22 The Contingents Liabilities and Commitments

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

4.23 Dividends

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

4.24 Cash Flow Statement

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

4.25 Cash and cash equivalent

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

4.26 Earnings per share

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

4.27 Capital management

The Board of Director's policy is to always maintain a strong capital base to maintain investor, creditors and market confidence and to sustain future development of the business.

The board of directors aims to make a balance between the highest interest rates available with reasonable terms and conditions to maintain a healthy capital structure.

4.28 Comparative figures

The comparative figures reclassified to comply with current figures.

4.29 Fair value of financial instruments

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

4. Significant accounting policies (followed)

4.30 Financial instruments and risk management related

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

A. Credit risk

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

B. Liquidity risk

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

C. Interest rate risk

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

D. Foreign currency risk

The foreign currency risk is the fluctuation of currency exchange rates since that affect the company's open receivables and payables balance in foreign currency also asset and liability evaluation in foreign currency.

5. Fixed assets

30 June 2023	Land	Buildings and constructions	Machinery and Equipment	Motor Vehicles	Tools	Furniture and Fixtures	Total
	EGP	EGP	EGP	EGP	EGP	EGP	EGP
Cost at 1 January 2023	7 221 739	276 010 861	987 746 093	6 852 244	14 477 057	15 483 008	**1 307 791 002**
Additions during the period	--	400 000	4 181 500	--	3 544 121	2 340 018	**10 465 639**
Cost at 30 June 2023	**7 221 739**	**276 410 861**	**991 927 593**	**6 852 244**	**18 021 178**	**17 823 026**	**1 318 256 641**
Accumulated depreciation at 1 January 2023	--	198 571 957	687 949 957	6 849 472	9 040 810	12 303 280	**914 715 476**
Depreciation for the period	--	6 286 982	23 167 554	1 386	525 114	638 366	**30 619 402**
Accumulated depreciation at 30 June 2023	--	**204 858 939**	**711 117 511**	**6 850 858**	**9 565 924**	**12 941 646**	**945 334 878**
Net book value at 30 June 2023	**7 221 739**	**71 551 922**	**280 810 082**	**1 386**	**8 455 254**	**4 881 380**	**372 921 763**

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

	Buildings and Constructions	Machinery and Equipment	Motor Vehicles	Tools	Furniture and Fixtures	Total
	EGP	EGP	EGP	EGP	EGP	EGP
Cost of fully depreciated assets and still being used.	24 367 524	57 927 553	6 838 384	4 675 776	11 045 364	**104 854 601**

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

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

Cost of Sales (Note 22)	24 752 601
Selling and marketing expenses (Note 23)	91 074
General and administrative expenses (Note 24)	503 873
	25 347 548

5. Fixed assets (Followed)

31 December 2022	Land EGP	Buildings and Constructions EGP	Machinery and Equipment EGP	Motor Vehicles EGP	Tools EGP	Furniture and Fixtures EGP	Total EGP
Cost at 1 January 2022	7 221 739	276 010 861	981 454 250	6 852 244	13 894 694	12 798 875	**1 298 232 663**
Additions during the year	--	--	6 291 843	--	582 363	3 100 947	**9 975 153**
Disposals during the year	--	--	--	--	--	(416 814)	**(416 814)**
Cost at 31 December 2022	**7 221 739**	**276 010 861**	**987 746 093**	**6 852 244**	**14 477 057**	**15 483 008**	**1 307 791 002**
Accumulated depreciation at 1 January 2022	--	185 990 369	640 483 160	6 846 700	8 089 028	11 603 292	**853 012 549**
Depreciation for the year	--	12 581 588	47 466 797	2 772	951 782	782 706	**61 785 645**
Accumulated depreciation of Disposals	--	--	--	--	--	(82 718)	**(82 718)**
Accumulated depreciation at 31 December 2022	--	**198 571 957**	**687 949 957**	**6 849 472**	**9 040 810**	**12 303 280**	**914 715 476**
Net book value at 31 December 2022	**7 221 739**	**77 438 904**	**299 796 136**	**2 772**	**5 436 247**	**3 179 728**	**393 075 526**

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

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

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

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

Cost of Sales	74 871 872
Selling and marketing expenses	153 408
General and administrative expenses	669 242
	75 694 522

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6. Assets right to use

a. Assets right to use

	Motor vehicles	Total
	EGP	EGP
Cost as at January 1, 2023	**3 762 000**	**3 762 000**
Cost as at June 30, 2023	**3 762 000**	**3 762 000**
Accumulated depreciation at 1 January, 2023	**313 500**	**313 500**
amortization of the period	376 200	**376 200**
Accumulated depreciation at June 30, 2023	**689 700**	**689 700**
Net book value as at March 31,2023	**3 072 300**	**3 072 300**

b. Operating lease liabilities

Lease liabilities - current portion	1 049 048	**1 049 048**
Lease liabilities – non-current portion	2 109 000	**2 109 000**
Total	**3 158 048**	**3 158 048**

7. Intangible assets

	30 June 2023	31 December 2022
	EGP	EGP
SAP program	5 182 985	4 357 577
Additions during the period/year	--	825 408
Balance at 30 June 2023	**5 182 985**	**5 182 985**
(less):		
Accumulated amortization at 1 January 2023	(3 137 971)	(2 466 764)
amortization during the period/year	(492 304)	(671 207)
Accumulated amortization on 30 June 2023	**(3 630 275)**	**(3 137 971)**
Net book value on 30 June 2023	**1 552 710**	**2 045 014**

8. Investments in subsidiaries

	Percentage of Ownership	30 June 2023	31 December 2022
		EGP	EGP
Misr Cement Minya Minya portland Previously (S.A.E)	60.36%	1 066 863 275	1 066 863 275
Misr cement Beton (S.A.E) ASECO for ready mix previously	99.90%	92 071 047	92 071 047
		1 158 934 322	**1 158 934 322**

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

- In 1 November 2015 a selling contract was signed between QENA CEMENT (S.A.E) and Misr cement-Beton (S.A.E) (ASECO FOR ready mix) to purchase 44 872 676 common stock owned to Misr Cement Minya (Minya Portland Previously) (S.A.E) which represent 46.48% and it represents its full ownership for the company with a price of EGP 20.75 for each stock, to be total share 58 274 508 common stock which represent 60.36% and purchasing 208 998 shares owned in Misr cement-Beton (S.A.E) (ASECO for ready mix- previously) (S.A.E)

8.Investments in subsidiaries(followed):

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 363 698 share which represent 99.90%. In addition to brokerage commissions, transfer of ownership and the transfer fees, and on June 28, 2022 the number of shares of Misr cement – Beton company "ASECO ready mix previously" was increased to 379 998 shares which represent 99,90%.

- All the company's investment in subsidiaries "shares" are pledged as collateral against the long-term loans.

9. Investments in associates

	Percentage of ownership	30 June 2023 EGP	31 December 2022 EGP
South of Upper Egypt Company for sacks Manufacturing	20%	800 000	800 000
		800 000	**800 000**

10. Inventory

	30 June 2023 EGP	31 December 2022 EGP
Raw materials and packing	52 646 286	35 520 168
Coal and diesel	120 919 864	209 689 353
Spare parts	215 605 039	172 150 075
Work in progress	367 338 145	84 948 547
Finished goods	44 517 878	35 192 378
	801 027 212	**537 500 521**

11. Transactions with related parties

During the year the company and the related parties had a transaction between them based on the general assembly meeting and the most important transaction balances were as follows:

	Nature of the relation	Type	30 June 2023
Misr Insurance	Shareholder	Insurance installments	62 012 250
South of upper Egypt company (main supplier)	Associate company	Supplying bags	1 214 811
Misr Cement Beton (ASECO for ready mix company Previously)	Subsidiary company	Cement sales	26 980 442
Misr Cement Beton (ASECO for ready mix company Previously)	Subsidiary company	Rents	(174 737)
Misr cement minya (Minya portland for cement Previously)	Subsidiary company	Rent revenue	240 000
Qena for Management and Maintenance Company (L.L.C)	Subsidiary company	Technical Support	28 324 521

A) Due from related parties

	30 June 2023 EGP	31 December 2022 EGP
Misr cement Beton (S.A.E) (ASECO for Ready Mix-previously)	28 986 383	28 102 449
Misr Cement Minya (Minya portland Previously) (S.A.E)	--	1 720 118
Qena for management and maintenance company	--	11 014 456
	28 986 383	**40 837 023**
(Less):		
Expected credit loss	(362 512)	(684 173)
	28 623 871	**40 152 850**

B) Due to related parties

	30 June 2023 EGP	31 December 2022 EGP
Misr Cement Minya (Minya portland Previously) (S.A.E)	222 582	--
Qena for management and maintenance company	2 097 435	--
	2 320 017	--

12. Debtors and other debit balances

	30 June 2023 EGP	31 December 2022 EGP
Tax authority–value add tax	28 753 867	44 915 068
Customs duty	6 040 447	12 275 895
Deposits with others	13 608 635	13 569 635
Prepaid expenses	1 172 342	1 365 298
Cash cover letter of guarantee (Note No.28)	3 780 000	2 916 000
Letter of credit	22 609 364	20 720 747
Advance payments	33 258 687	57 913 425
Employees borrowings	1 313 026	1 200 432
Other debit balances	7 790 199	2 090 890
Accrued revenue – dividends distribution	21 323 228	3 365 272
	139 649 795	**160 332 662**
(less):		
Expected credit loss	(1 865 621)	(1 871 894)
	137 784 174	**158 460 768**

13. Cash on hand and at banks

	30 June 2023 EGP	31 December 2022 EGP
Current accounts - Local currency	104 070 988	58 373 279
Current accounts - foreign currency	5 387 839	8 061 442
Time deposits - maturing during three months	--	1 356 500
Time deposits - maturing after three months	--	1 351 000
Cash on hand	1 153 472	6 276 348
	110 612 299	**75 418 569**

14. Issued and Paid-Up Capital

- The Company's authorized capital amounts to EGP 600 000 000,while the issued capital amounted to EGP 300 000 000 distributed over 30 000 000 shares of par value EGP 10 each, based on the decision of the extraordinary general assembly held on 22nd of march 2009 the capital was deducted by an amount of EGP 1 220 000 for 122 000 treasury shares, and it was registered in the commercial register in on 5th of July 2009, thus the paid up capital became EGP 298 780 000 distributed over 29 878 000 shares of par value EGP 10 per share
- According to a Board member meeting No (186) held on September12, 2017 and authorized from GAFI on September 25 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.
- To become authorized capital amount to EGP 1 500 000 000, and issued and paid-up capital amount to EGP 720 000 000

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14.Issued and Paid-Up Capital(followed):

Distributed on shareholder's as follow:

	No. of shares	Par Value	Capital Issuing	Paid up capital	Percentage
		EGP	EGP	EGP	%
NCB Capital Company (NBE)	15 341 386	10	153 413 860	153 413 860	21.31%
Egyptian Federation for Construction and Building Contractors	10 807 200	10	108 072 000	108 072 000	15.01%
Fahd bin Hamad bin Ibrahim Al-Harqan	6 376 400	10	63 764 000	63 764 000	8.86%
Egyptian Company for investment projects	7 251 096	10	72 510 960	72 510 960	10.07%
Egyptian Kuwaiti investment company	7 114 206	10	71 142 060	71 142 060	9.88%
National Investment Bank	6 895 599	10	68 955 990	68 955 990	9.58%
Egypt Company for Life Insurance	6 748 839	10	67 488 390	67 488 390	9.37%
QNB for finance services	4 821 514	10	48 215 140	48 215 140	6.70%
Individuals and IPO	6 643 760	10	66 437 600	66 437 600	9.23%
	72 000 000		**720 000 000**	**720 000 000**	**100%**

15. Reserves

	Legal reserve	General reserve	Capital reserve	Total
	EGP	EGP	EGP	EGP
Balance at beginning of year	**192 968 016**	**10 216 984**	**7 744 335**	**210 929 335**
Charged during the period	3 813 579	--	188 485	4 002 064
Balance as of 30/6/2023	**196 781 595**	**10 216 984**	**7 932 820**	**214 931 399**

16. Long term loans

In November 16th, 2015, the Company has acquired a long term loan amounting to EGP 910 259 259 from total loan amounted EGP 915 000 000 which represents a portion of the loan granted from the banks' association (National Bank of Egypt, Commercial International Bank and Misr Bank) which represents 33.3% for each bank. Conditioning that the National Bank of Egypt will be the main facilitator of the loan, for the purpose of financing the acquisition transactions (Note 7). To be settled on 15 semiannual installments starting from November 16th, 2015 until November 15th, 2023, with 2.25% interest rate plus the average Central Bank corridor rate, according to that, the loan amount in June 30, 2023 became EGP 60 259 164.

	30 June 2023	31 December 2022
	EGP	EGP
Long term loans	60 259 164	120 973 456
Current portion from long term loans	(60 259 164)	(120 973 456)
	--	--

There is a commercial pledge on the fixed assets (machinery and equipment) with amount EGP 732,525,606 as collateral for the long-term loan (Note 5).

There is a commercial pledge over the shares owned by the Company of its acquired subsidiaries which represents collateral against the long-term loans (Note 7).

17. Deferred Tax Assets / (Liabilities)

	Tax Assets		Tax Liabilities	
	30/6/2023	31/12/2022	30/6/2023	31/12/2022
	EGP	EGP	EGP	EGP
Balance at the beginning of the year	**10 090 714**	**14 938 441**	**57 221 519**	**64 002 746**
Assets (liabilities) deferred tax movements	(1 733 549)	(4 847 727)	(2 226 106)	(6 781 227)
Balance at the ending of the period	**8 357 165**	**10 090 714**	**54 995 413**	**57 221 519**

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18. Provisions

	Balance as of 1 January 2023	Used during the period	Provision No longer required	Balance as of 30 June 2023
	EGP	EGP	EGP	EGP
Tax provision	4 496 731	--	--	4 496 731
Provision for current claims and litigations according to legal opinion	1 269 174	--	--	1 269 174
Provision for claims	39 913 759	--	--	39 913 759
	45 679 664	--	--	**45 679 664**

19. Suppliers and notes payable

	30 June 2023	31 December 2022
	EGP	EGP
Suppliers	192 217 728	364 441 499
Notes payables	359 291 775	128 277 375
	551 509 503	**492 718 874**

20. Facilities

- The company has facilities in 30 June 2023 amounted EGP 206 215 518 from the National Bank of Egypt to finance the purchase of raw materials and production tools within limited amount to EGP 200 000 000.
- The company has long term facilities in 30 June 2023 amounted EGP 200 000 000 from the National Bank of Egypt to finance the purchase of raw materials and production tools within limited amount to EGP 200 000 000 provided that the full amount of financing is paid at the end of the financing period in one installment.

21. Creditors and other credit balances

	30 June 2023	31 December 2022
	EGP	EGP
Tax authority	7 537 412	2 166 986
Value added tax on Cement	35 982 437	36 532 781
Production development fees	1 698 579	6 372 190
Retentions	13 811 932	14 752 027
Syndicate Stamps	6 538 793	6 484 160
Employees services association	1 539 420	1 542 621
Social insurance authority	1 189 937	1 181 458
Accrued debit interests	1 414 946	2 258 171
Accrued for suppliers (Cement transportation)	3 123 035	257 578
Payables for purchase fixed assets	5 833 749	7 406 832
Credit – Dividends	57 259 875	1 078 904
Solidarity contribution of medical insurance accrual	5 151 842	3 280 951
Other credit balances	14 830 392	4 263 982
	155 912 349	**87 578 641**

22. Cost of Sales

	The first six months		The second three months	
	30 June 2023	30 June 2022	30 June 2023	30 June 2022
	EGP	EGP	EGP	EGP
Depreciation	24 752 601	43 011 805	11 845 111	21 208 415
Governmental fees and Technical management fees	27 590 573	79 878 884	12 940 431	40 759 080
packing materials	88 007 033	88 545 377	48 698 493	32 320 258
Electricity and power	408 565 177	235 533 628	200 546 402	127 343 188
Indirect cost	71 324 850	43 027 036	39 385 534	26 780 967
	620 240 234	**489 996 730**	**313 415 971**	**248 411 908**

* Indirect cost includes the amount of self-operating for the factory.

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23. Selling and marketing expenses

	The first Six months		The second three months	
	30 June 2023	30 June 2022	30 June 2023	30 June 2022
	EGP	EGP	EGP	EGP
Salaries and wages	5 422 299	4 597 966	3 026 413	2 139 538
Depreciation	91 074	73 403	46 646	38 932
Stamps	20 405	155 598	355	--
Traveling and Transportation expenses	348 633	85 728	47 657	11 812
Others expenses	5 685 389	1 217 904	3 783 918	838 407
	11 567 800	**6 130 599**	**6 904 989**	**3 028 689**

24. General and administrative expenses

	The first Six months		The second three months	
	30 June 2023	30 June 2022	30 June 2023	30 June 2022
	EGP	EGP	EGP	EGP
Depreciation	503 873	276 235	263 167	160 869
Salaries and wages	19 183 264	17 268 462	10 177 182	6 521 404
Donations	1 670 727	1 936 910	1 365 127	893 380
Insurance Expenses	105 004	341 990	84 548	241 622
Public relations and advertisement expenses	1 525 617	2 106 742	547 330	1 167 647
Other services expenses	1 188 695	1 491 857	653 313	1 185 424
Training, researches and consulting expenses	1 743 526	1 100 010	305 278	501 235
Medical and pension funds	592 596	1 039 611	392 861	574 199
Transportation and travelling expenses	1 087 910	931 269	390 776	731 814
Material and supplies	1 385 555	868 642	799 444	501 480
Rent and transportation allowances	338 850	663 524	129 500	224 823
Solidarity contribution of medical insurance	1 870 892	1 457 630	864 149	669 787
Other expenses	7 075 876	4 311 582	3 027 876	1 259 630
	38 272 385	**33 794 464**	**19 000 551**	**14 633 314**

25. Other (expense) / Revenues

	The first Six months		The second three months	
	30 June 2023	30 June 2022	30 June 2023	30 June 2022
	EGP	EGP	EGP	EGP
Rent	376 000	781 623	88 000	781 623
Revenue from Transport, shipping and handling	24 719 550	18 175 068	10 521 057	6 735 360
Revenue from spare parts	(1 273 168)	2 524 259	(1 273 168)	2 524 259
Miscellaneous revenue	125 008	466 129	125 008	91 423
	23 947 390	**21 947 079**	**9 460 897**	**10 132 665**
(Less):				
Transport, shipping and handling cost	(24 222 903)	(17 497 057)	(11 045 410)	(6 599 504)
Spare parties cost	(1 126 690)	(2 524 259)	(1 126 690)	(2 524 259)
	(1 402 203)	**1 925 763**	**(2 711 203)**	**1 008 902**

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26. Earnings per share (EGP / Share)

	30 June 2023	30 June 2022
	EGP	EGP
Net profits for the period	39 600 156	39 726 661
Employees profit share	(3 730 861)	(3 774 033)
Board of directors' bonus	--	(1 596 630)
Remaining profits	**35 541 361**	**34 355 999**
Number of shares	72 000 000	72 000 000
Earnings per share	**0,50**	**0.48**

	30 June 2023	30 June 2022
	EGP	EGP
Expected average of number of shares: 72 000 000 ×3/3=	72 000 000	72 000 000
Expected average of number of shares issued during the period	--	--
	72 000 000	**72 000 000**

27. Tax Situation

a) Corporate taxes

An Introduction

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

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

1. Years from beginning of the activity to 2004

All tax differences that are due have been paid.

2. Years from 2005/2007

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

3. Years from 2008/2012

The company was examined for those years and the dispute for that year ended.

4. **Years from 2013/2014**

The company was examined for those years, and the company paid the original tax according to the forms received from the authority, and a request was submitted to exceed 65% of the compensation for the delay in accordance with the provisions of Law No. 153 of 2022 and is awaiting the Tax authority's response.

5. **Years from 2015/2018**

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

6. **Year 2019/2020**

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

b) Salary tax

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

The authority examined those years and ended the dispute over that year.

2. **Years from 2015/2019**

- The examination of the company for these years was completed, and the company paid the original tax according to the forms received from the authority, and a request was submitted to exceed 65% of the compensation for the delay in accordance with the provisions of Law No. 153 of 2022 and is awaiting the Tax Office's response.

27.Tax Situation(followed):

3. **Year 2020 / 2022**

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

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 amount was paid to avoid the penalties, the dispute was referred to the court, the case is being taken to court. A judgment of the Administrative Court was issued acquitting the company from the tax differences for the period from 1/1/2008 to 5/3/2009, with the consequent effects

3. **Years from 2011/2015**

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

4. **Years from 2016/2019**

The company's documents and books for those years were examined and the due differences were paid according to the forms received from the authority, and a request was submitted to exceed 65% of the additional tax in accordance with the provisions of Law No. 153 of 2022, and awaiting the Tax authority's response.

5. **Year 2020/2022**

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

d) Development of the country's financial resources fees

1. **Years from 5 May 2008 to 30 June 2019**

The company paid the tax till due to date.

2. **Year 2020**

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

3. **Year 2021**

- The company calculates the fee due in accordance with the law and submits it to the Tax Office on the legal date.
- The Tax Office has reviewed the company's books and documents for that year, and no claims have been issued to the company to date

4. **Year 2022**

The company calculates the due fee according to the law and supplies it to the tax office on the legal date.

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 low was enacted as of July 1, 2013 provided that the estimated will be implemented until December 31, 2021 in accordance with low No 4 of 2019 adjusted to law no, 196 of 2008.

27.Tax Situation (Followed):

- The authority's estimates were relied upon in calculating the tax due on the company for the year 2022, while there were no notifications of the new estimates.
- The company submitted real estate tax returns on its properties in accordance with Law No. 196 of 2008 and its amendments.
- On August 30, 2022, a decision was issued by the Council of Ministers that the Ministry of Finance bears the entire tax due on the built real estate used in a number of activities as of January 1, 2022 and for a period of three years, on the terms of the receipt of the cement activity in item No. 12 in the list of activities for which the Ministry of Finance bears the tax due on Its real estate used in the activity.
- The appeal committee's decision was to estimate the annual tax on the company`s factory by EGP 844 576 which results in an accrued tax till 31 December 2021 by EGP 7 178 896 and delay fee. The company pays the tax due on it, and a case was filed to consider the dispute before the competent court, and the court issued its decision rejecting the case and ending the year on December 31, 2022. The tax office estimated the annual tax due as of January 1, 2022, at EGP 928 901, and the company was notified of this on May 15, 2022, and the tax assessment was challenged.
- 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 30 June 2023 amount EGP 45 372 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 526 519 till 31 December 2022 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 10 973 till 31 December 2022 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, The company appealed against it on the legal date, and the appeal committee issued a decision to reduce the annual tax due for that period from July 2013 to 31 March 2016 to become an amount of EGP 200 872 annually and the approval of the authority for the period from April 1, 2016 to

December 31, 2020 at an amount of 648,099 Egyptian pounds annually, and it did not return the tax estimates due for the years 2021/2022

- 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 310 080 until December 31, 2022, and the company appealed against it on time Legal and it was accepted.

28. Contingent liabilities

The name of bank issued letter of grantee	Letter of grantee amount EGP	Covered amount EGP	Uncovered amount EGP
National bank of Egypt	3 780 000	3 780 000	--

29. Important Events

- The second half of march 2020 have witnessed the beginning of the impact of the outbreak of corona virus on the Egyptian market and the Egyptian government announced unprecedented measures to combat the virus infection and it's spread, The company has formed a risk committee to manage the crisis and the objectives of this year has been defined in maintaining all employees and securing them from corona risks as well as continuing the company's operations, all risks were studied and evaluated and taken a serious of precautionary measures to reduce all risks on employees and to ensure the continuity of the supply chain (operational, manufacturing, sales and collection operations in this year. And there is no effect on the company's current economic situation (it's financial position, business result and cash flow).

- During the year 2022, the contract with Arab Swiss engineering company – ASEC has been terminated and the company has assigned the technical support to QENA for management and Maintenance Company.

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