

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

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Separate interim Financial Statements  
For The period Ended March 31, 2023  
And Limited Review Report

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### 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 March 31,2023 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 three-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 March 31, 2023 and its financial performance and its cash flow for the three-month ended then, in accordance with Egyptian accounting standards.

Cairo, May 21, 2023



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

**Misr Cement (Qena) Company (S.A.E)**  
 Separate interim Financial statements For The period Ended March 31, 2023

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**Separate interim Statement of Financial Position**

	Note	31 March 2023	31 December 2022
		EGP	EGP
<b>Non-current assets</b>			
Fixed assets	(5)	381 673 918	393 075 526
Assets right to use	(6-A)	3 260 400	3 448 500
Intangible assets	(7)	2 009 993	2 045 014
Project under construction		1 150 397	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)	8 564 630	10 090 714
<b>Total non-current assets</b>		<b>1 556 393 660</b>	<b>1 569 544 473</b>
<b>Current assets</b>			
Inventory	(10)	635 460 077	537 500 521
Due from related parties	(11-A)	41 350 756	40 152 850
Debtors and other debit balances	(12)	473 581 546	158 460 768
Cash on hand and at banks	(13)	105 319 582	75 418 569
<b>Total current assets</b>		<b>1 255 711 961</b>	<b>811 532 708</b>
<b>Total assets</b>		<b>2 812 105 621</b>	<b>2 381 077 181</b>
<b>Equity</b>			
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		56 684 388	76 271 571
<b>Total Equity</b>		<b>1 329 038 858</b>	<b>1 336 485 677</b>
<b>Non-current liabilities</b>			
Operating lease liability – non-current portion	(6-B)	2 280 000	2 451 000
Deferred tax liabilities	(17)	55 949 822	57 221 519
Facilities – long term	(20)	39 551 355	--
<b>Total non-current liabilities</b>		<b>97 781 177</b>	<b>59 672 519</b>
<b>Current liabilities</b>			
Provisions	(18)	45 679 664	45 679 664
Facilities	(20)	185 881 612	195 640 430
Current portion of long-term loans	(16)	120 973 456	120 973 456
Receivables – advance payments		13 626 689	17 909 351
Suppliers and notes payable	(19)	797 797 084	492 718 874
Creditors and other credit balances	(21)	182 486 860	87 578 641
Operating lease liability – current portion	(6-B)	830 019	830 019
Income tax payable		38 010 202	23 588 550
<b>Total current liabilities</b>		<b>1 385 285 586</b>	<b>984 918 985</b>
<b>Total liabilities and equity</b>		<b>2 812 105 621</b>	<b>2 381 077 181</b>

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

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

**Group Chief Financial**  
  
**Ramy Morsy**

**Group Financial Manager**  
  
**Moustafa Abdel Razek**



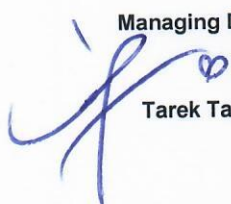
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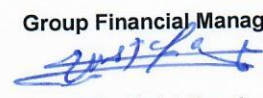
**Separate interim Statement of Income**

	Note	31 March 2023	31 March 2022
		EGP	EGP
Net Sales		393 073 428	308 882 029
<b>(Less):</b>			
Cost of sales	(22)	(306 824 263)	(241 584 822)
<b>Gross profit</b>		<b>86 249 165</b>	<b>67 297 207</b>
Selling and marketing expenses	(23)	(4 662 811)	(3 101 910)
General and administrative expenses	(24)	(19 271 834)	(19 161 150)
Amortization of intangible assets		(243 091)	(162 070)
Other revenue	(25)	1 309 000	916 861
Board of directors' salaries, attendance and transportation allowances		(1 191 996)	(548 512)
<b>Total expenses</b>		<b>(24 060 732)</b>	<b>(22 056 781)</b>
<b>Net Operating profits</b>		<b>62 188 433</b>	<b>45 240 426</b>
<b>(Less) / Add:</b>			
Finance expense		(12 387 713)	(7 204 571)
Expected credit loss		--	(110 000)
Amortization of assets right to use		(188 100)	--
Operating lease interest		(78 739)	--
Foreign currency exchange differences		1 035 047	4 520 528
Credit interest		532 141	1 152 829
Revenue from investments in associate and subsidiaries companies		20 259 358	15 872 775
<b>Net Profits for the period before Taxes</b>		<b>71 360 427</b>	<b>59 471 987</b>
<b>(Less)/add:</b>			
Income tax		(14 421 652)	(13 165 446)
Deferred Tax		(254 387)	1 770 788
<b>Net Profits for the period after Taxes</b>		<b>56 684 388</b>	<b>48 077 329</b>
<b>Earnings per share (EGP/Share)</b>	(27)	<b>0.70</b>	<b>0.60</b>

- The accompanying notes are an integral 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 Comprehensive Income**

	<u>31 March 2023</u>	<u>31 March 2022</u>
	EGP	EGP
Net Profits for the period after Taxes	56 684 388	48 077 329
Add / (Less):		
Other comprehensive income	--	--
<b>Total comprehensive income for the period</b>	<b>56 684 388</b>	<b>48 077 329</b>

- The accompanying notes are an integral 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 Change in Equity**

	Note	Issued and paid up Capital		Reserves	Retained Earnings	Net Profit for the period		Total
		EGP	EGP			EGP	EGP	
<b>31 March 2022</b>								
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		--	--	--	48 077 329	48 077 329		
<b>Balance at 31 March 2022</b>		<b>720 000 000</b>	<b>210 929 335</b>	<b>329 284 771</b>	<b>48 077 329</b>	<b>1 308 291 435</b>		
<b>31 March 2023</b>								
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		--	--	--	56 684 388	56 684 388		
<b>Balance at 31 March 2023</b>		<b>720 000 000</b>	<b>214 931 399</b>	<b>337 423 071</b>	<b>56 684 388</b>	<b>1 329 038 858</b>		

- 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 Razeq




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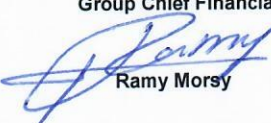
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**Separate interim Statement of Cash Flows**

	Note	31 March 2023 EGP	31 March 2022 EGP
<b>Cash Flows provided by Operating Activities</b>			
Net Profits for the period before taxes		71 360 427	59 471 987
<b>Adjustment to reconcile net profit to cash flow from operating activities</b>			
Depreciation of fixed assets	(22,23,24)	13 192 624	15 509 508
Amortization of intangible assets	(6)	243 091	162 070
Revenue from investment		(20 259 358)	(15 872 775)
Expected credit loss		--	110 000
Operating lease interest		48 029	--
Amortization of assets right to use		188 100	--
Foreign currency exchange	(4.1)	(1 035 047)	(4 520 528)
Debit interest		12 387 713	7 204 571
Credit interest	(4.9)	(532 141)	(1 152 829)
<b>Net Operating profits</b>		<b>75 593 438</b>	<b>60 912 004</b>
Change in inventory	(10)	(95 777 660)	126 433 343
Change in related parties	(12)	(1 197 906)	(18 142 851)
Change in debtors and other debit balances	(13)	(296 348 739)	(150 193 922)
Change in receivables – advance payments		(4 282 662)	55 274 481
Change in suppliers	(20)	305 078 210	105 267 950
Change in creditors and other credit balances	(22)	25 929 175	2 563 210
Financial lease liability paid		(219 029)	--
<b>Net cash Flows provided by operating activities</b>		<b>8 774 827</b>	<b>182 114 215</b>
<b>Cash flows from by investing activities</b>			
(Payments) For purchase fixed assets	(5)	(3 972 912)	(590 478)
(Payments) For purchase intangible assets		(208 070)	--
Change in time deposits - maturing after three months		1 351 000	--
Collected credit interest		532 141	1 152 829
Collected from dividends distributions		1 487 319	97 028
<b>Net cash Flows (used in) / provided by investing activities</b>		<b>(810 522)</b>	<b>659 379</b>
<b>Cash flows from financing activities</b>			
Change in facilities		29 792 537	(21 057 780)
Debit interest paid		(7 539 876)	(538 515)
<b>Net cash flows provided/(used in) by financing activities</b>		<b>22 252 661</b>	<b>(21 596 295)</b>
<b>Net cash and cash equivalents during the period</b>		<b>30 216 966</b>	<b>161 177 299</b>
Foreign Currency exchange differences	(4.1)	1 035 047	4 520 528
Cash and cash equivalent – beginning of the period		74 067 569	48 765 217
<b>Cash And Cash Equivalent – End of the period</b>		<b>105 319 582</b>	<b>214 463 044</b>
<b>For the purpose of preparing the statement of cash flow:</b>			
Cash and cash equivalent		105 319 582	215 814 044
<b>(Less):</b>			
Time deposit – maturing after three months		--	(1 351 000)
<b>Cash and cash equivalent – end of the period</b>		<b>105 319 582</b>	<b>214 463 044</b>

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

## Separate interim Financial statements For The Period Ended March 31, 2023

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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 March 31, 2023 were authorized for issuance in accordance with a resolution of the board of directors on May 21, 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.



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

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### 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 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 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.



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

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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

###### 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.



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

## Separate interim Financial statements For The Period Ended March 31, 2023

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#### 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



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

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### 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.



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

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

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

**4.13 Related party transactions**

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

**4.14 Treasury shares**

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

**4.15 Legal reserve**

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

**4.16 General reserve**

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

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**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.



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**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.



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5. Fixed assets

	Land	Buildings and constructions	Machinery and Equipment	Motor Vehicles	Tools	Furniture and Fixtures	Total
	EGP	EGP	EGP	EGP	EGP	EGP	EGP
31 March 2023							
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	--	--	2 727 064	845 848	3 972 912
Cost at 31 March 2023	7 221 739	276 410 861	987 746 093	6 852 244	17 204 121	16 328 856	1 311 763 914
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	--	3 143 931	11 687 307	693	250 482	292 107	15 374 520
Accumulated depreciation at 31 March 2023	--	201 715 888	699 637 264	6 850 165	9 291 292	12 595 387	930 089 996
Net book value at 31 March 2023	7 221 739	74 694 973	288 108 829	2 079	7 912 829	3 733 469	381 673 918

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)	12 907 490
Selling and marketing expenses ( Note 23)	44 428
General and administrative expenses ( Note 24)	240 706
	<u>13 192 624</u>

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**5. Fixed assets (Followed)**

	Land EGP	Buildings and Constructions EGP	Machinery and Equipment EGP	Motor Vehicles EGP	Tools EGP	Furniture and Fixtures EGP	Total EGP
<b>31 December 2022</b>							
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)
<b>Cost at 31 December 2022</b>	<b>7 221 739</b>	<b>276 010 861</b>	<b>987 746 093</b>	<b>6 852 244</b>	<b>14 477 057</b>	<b>15 483 008</b>	<b>1 307 791 002</b>
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)
<b>Accumulated depreciation at 31 December 2022</b>	<b>--</b>	<b>198 571 957</b>	<b>687 949 957</b>	<b>6 849 472</b>	<b>9 040 810</b>	<b>12 303 280</b>	<b>914 715 476</b>
<b>Net book value at 31 December 2022</b>	<b>7 221 739</b>	<b>77 438 904</b>	<b>299 796 136</b>	<b>2 772</b>	<b>5 436 247</b>	<b>3 179 728</b>	<b>393 075 526</b>

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

	Buildings and Constructions EGP	Machinery and Equipment EGP	Motor Vehicles EGP	Tools EGP	Furniture and Fixtures EGP	Total EGP
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
	<b>75 694 522</b>



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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 March 31, 2023	<u>3 762 000</u>	<u>3 762 000</u>
Accumulated depreciation at 1 January, 2023	313 500	313 500
amortization of the period	188 100	188 100
Accumulated depreciation at March 31, 2023	<u>501 600</u>	<u>501 600</u>
Net book value as at March 31,2023	<u><u>3 260 400</u></u>	<u><u>3 260 400</u></u>

**b. Operating lease liabilities**

Lease liabilities - current portion	830 019	830 019
Lease liabilities – non-current portion	2 280 000	2 280 000
<b>Total</b>	<u><u>3 110 019</u></u>	<u><u>3 110 019</u></u>

**7. Intangible assets**

	31 March 2023	31 December 2022
	EGP	EGP
SAP program	5 182 985	4 357 577
Additions during the period/year	208 070	825 408
<b>Balance at 31 March 2023</b>	<u><b>5 391 055</b></u>	<u><b>5 182 985</b></u>
(less):		
Accumulated amortization at 1 January 2023	(3 137 971)	(2 466 764)
amortization during the period/year	(243 091)	(671 207)
<b>Accumulated amortization on 31 March 2023</b>	<u><b>(3 381 062)</b></u>	<u><b>(3 137 971)</b></u>
<b>Net book value on 31 March 2023</b>	<u><u><b>2 009 993</b></u></u>	<u><u><b>2 045 014</b></u></u>

**8. Investments in subsidiaries**

	Percentage of Ownership	31 March 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
		<u><u><b>1 158 934 322</b></u></u>	<u><u><b>1 158 934 322</b></u></u>

- 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)

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**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	31 March 2023	31 December 2022
		EGP	EGP
South of Upper Egypt Company for sacks Manufacturing	20%	800 000	800 000
		<b>800 000</b>	<b>800 000</b>

**10. Inventory**

	31 March 2023	31 December 2022
	EGP	EGP
Raw materials and packing	47 636 951	35 520 168
Coal and diesel	119 091 781	209 689 353
Spare parts	205 127 863	172 150 075
Work in progress	221 970 162	84 948 547
Finished goods	41 633 320	35 192 378
	<b>635 460 077</b>	<b>537 500 521</b>

**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	31 March 2023
Misr Insurance	Shareholder	Insurance installments	1 214 542
South of upper Egypt company (main supplier)	Associate company	Supplying bags	27 782 250
Misr Cement Beton (ASECO for ready mix company Previously)	Subsidiary company	Cement sales	14 457 223
Misr Cement Beton (ASECO for ready mix company Previously)	Subsidiary company	Rents	93 000
Misr cement minya (Minya portland for cement Previously)	Subsidiary company	Rent revenue	120 000

**A) Due from related parties**

	31 March 2023	31 December 2022
	EGP	EGP
Misr cement Beton (S.A.E) (ASECO for Ready Mix-previously)	27 885 544	28 102 449
Misr Cement Minya (Minya portland Previously) (S.A.E)	1 297 137	1 720 118
Qena for management and maintenance company	12 852 248	11 014 456
	<b>42 034 929</b>	<b>40 837 023</b>
<b>(Less):</b>		
Expected credit loss	(684 173)	(684 173)
	<b>41 350 756</b>	<b>40 152 850</b>



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**12. Debtors and other debit balances**

	31 March 2023	31 December 2022
	EGP	EGP
Tax authority–value add tax	46 753 290	44 915 068
Customs duty	26 244 960	12 275 895
Deposits with others	13 578 635	13 569 635
Prepaid expenses	3 191 000	1 365 298
Cash cover letter of guarantee (Note No.30)	2 916 000	2 916 000
Letter of credit	21 451 490	20 720 747
Advance payments	330 328 687	57 913 425
Employees borrowings	1 514 180	1 200 432
Other debit balances	7 337 887	2 090 890
Accrued revenue – dividends distribution	22 137 311	3 365 272
	<b>475 453 440</b>	<b>160 332 662</b>
<b>(less):</b>		
Expected credit loss	(1 871 894)	(1 871 894)
	<b>473 581 546</b>	<b>158 460 768</b>

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

	31 March 2023	31 December 2022
	EGP	EGP
Current accounts - Local currency	74 366 912	58 373 279
Current accounts - foreign currency	29 546 871	8 061 442
Time deposits - maturing during three months	--	1 356 500
Time deposits - maturing after three months	--	1 351 000
Cash on hand	1 405 799	6 276 348
	<b>105 319 582</b>	<b>75 418 569</b>

**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 September 12, 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	9 985 317	10	99 853 170	99 853 170	13.87%
Fahd bin Hamad bin Ibrahim Al-Harqan	7 558 151	10	75 581 510	75 581 510	10.50%
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	6 283 892	10	62 838 920	62 838 920	8.73%
	<b>72 000 000</b>		<b>720 000 000</b>	<b>720 000 000</b>	<b>100%</b>

**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 31/3/2023	<b>196 781 595</b>	<b>10 216 984</b>	<b>7 932 820</b>	<b>214 931 399</b>

**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 16<sup>th</sup>, 2015 until November 15<sup>th</sup>, 2023, with 2.25% interest rate plus the average Central Bank corridor rate, according to that, the loan amount in September 30, 2022 became EGP 120 973 456.

	31 March 2023	31 December 2022
	EGP	EGP
Long term loans	120 973 456	120 973 456
Current portion from long term loans	(120 973 456)	(120 973 456)
	<b>--</b>	<b>--</b>

There is a commercial pledge on the fixed assets (machinery and equipment) with amount EGP 732,525,606 as collateral for the long-term loan (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	
	31/3/2023	31/12/2022	31/3/2023	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	(1 526 084)	(4 847 727)	(1 271 697)	(6 781 227)
Balance at the ending of the period	<b>8 564 630</b>	<b>10 090 714</b>	<b>55 949 822</b>	<b>57 221 519</b>



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**18. Provisions**

	Balance as of 1 January 2023	Used during the period	Provision No longer required	Balance as of 31 March 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
	<b>45 679 664</b>	<b>--</b>	<b>--</b>	<b>45 679 664</b>

**19. Suppliers and notes payable**

	31 March 2023	31 December 2022
	EGP	EGP
Suppliers	330 720 801	364 441 499
Notes payables	467 076 283	128 277 375
	<b>797 797 084</b>	<b>492 718 874</b>

**20. Facilities**

- The company has facilities in 31 March 2023 amounted EGP 185 881 612 from the National Bank of Egypt to finance the purchase of raw materials and production tools within limited amount to EGP 400 000 000.
- The company has long term facilities in 31 March 2023 amounted EGP 39 551 355 from the National Bank of Egypt to finance the purchase of raw materials and production tools within limited amount to EGP 400 000 000 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**

	31 March 2023	31 December 2022
	EGP	EGP
Tax authority	8 556 966	2 166 986
Value added tax on Cement	51 748 574	36 532 781
Production development fees	6 268 179	6 372 190
Retentions	13 759 142	14 752 027
Syndicate Stamps	6 538 813	6 484 160
Employees services association	969 333	1 542 621
Social insurance authority	1 461 813	1 181 458
Accrued debit interests	7 106 008	2 258 171
Accrued for suppliers (Cement transportation)	3 406 275	257 578
Payables for purchase fixed assets	5 833 749	7 406 832
Credit – Dividends	65 210 111	1 078 904
Solidarity contribution of medical insurance accrual	4 287 693	3 280 951
Other credit balances	7 340 204	4 263 982
	<b>182 486 860</b>	<b>87 578 641</b>

**22. Cost of Sales**

	31 March 2023	31 March 2022
	EGP	EGP
Depreciation	12 907 490	21 803 390
Governmental fees and technical management fees	14 650 142	39 119 804
Packing materials	39 308 540	56 225 119
Electricity and power	208 018 775	108 190 440
Indirect cost *	31 939 316	16 246 069
	<b>306 824 263</b>	<b>241 584 822</b>

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

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**23. Selling and marketing expenses**

	31 March 2023	31 March 2022
	EGP	EGP
Salaries and wages	2 395 886	2 458 428
Depreciation	44 428	34 471
Stamps	20 050	155 598
Traveling and Transportation expenses	300 976	73 916
Others expenses	1 901 471	379 497
	<b>4 662 811</b>	<b>3 101 910</b>

**24. General and administrative expenses**

	31 March 2023	31 March 2022
	EGP	EGP
Depreciation	240 706	115 366
Salaries and wages	9 006 082	10 747 058
Donations	305 600	1 043 530
Insurance Expenses	20 456	100 368
Public relations and advertisement expenses	978 287	939 095
Other services expenses	535 382	306 433
Training, researches and consulting expenses	199 735	598 775
Medical and pension funds	1 438 248	465 412
Transportation and travelling expenses	697 134	199 455
Material and supplies	586 111	367 162
Rent and transportation allowances	209 350	438 701
Solidarity contribution of medical insurance	1 006 743	787 843
Other expenses	4048 000	3 051 952
	<b>19 271 834</b>	<b>19 161 150</b>

**25. Other Revenues**

	31 March 2023	31 March 2022
	EGP	EGP
Rent	14 198 493	11 439 708
Revenue from Transport, shipping and handling	288 000	374 706
(less)	<b>14 486 493</b>	<b>11 814 414</b>
Transport, shipping and handling cost	13 177 493	(10 897 553)
	<b>1 309 000</b>	<b>916 861</b>

**26. Earnings per share (EGP / Share)**

	31 March 2023	31 March 2022
	EGP	EGP
Net profits for the period	56 684 388	48 077 329
Employees profit share	(5 385 017)	(4 567 346)
Board of directors' bonus	(1 246 515)	(510 612)
<b>Remaining profits</b>	<b>50 052 856</b>	<b>42 999 371</b>
Number of shares	72 000 000	72 000 000
<b>Earnings per share</b>	<b>0.70</b>	<b>0.60</b>
	31 March 2023	31 March 2022
	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 period	--	--
	<b>72 000 000</b>	<b>72 000 000</b>



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### 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.

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



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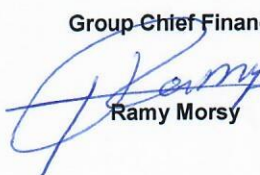
**27. Tax Situation (Followed):**

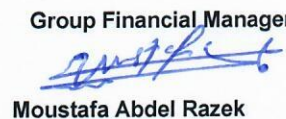
- The authority's estimates were relied upon in calculating the tax due on the company for the year 2022, while there were no notifications of the new estimates.
- The company submitted real estate tax returns on its properties in accordance with Law No. 196 of 2008 and its amendments.
- On August 30, 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 31 March 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. 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).
- And given to of the lack of clarity of the effects that could be caused by the development of the situation related to the effect of the spread of the virus (Covid-19) in the future, the effects of development on the company's activity cannot be determined precisely at the present time.
- During the year 2022, 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**  
  
**Tarek Talaat**

**Group Chief Financial**  
  
**Ramy Morsy**

**Group Financial Manager**  
  
**Moustafa Abdel Razek**