Arabian Cement Company S.A.E.

Separate Financial Statements
Together with Auditor's Report
For the year ended December 31, 2021

Contents

Arabian Cement Company (separate financial statements)

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Auditor's Report

To: The Shareholders of Arabian Cement Company

An Egyptian Joint Stock Company

Report on the Separate Financial Statements

We have audited the accompanying separate financial statements of Arabian Cement Company an Egyptian Joint Stock Company, which comprise separate statement of financial position as of December 31, 2021, and separate statements of profit or loss, comprehensive income, cash flows and changes in equity for the year then ended, and a summary of significant accounting policies and other explanatory notes.

Management's Responsibility for the Separate Financial Statements

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

Auditor's Responsibility

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

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

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

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Opinion

In our opinion, the separate financial statements referred to above present fairly, in all material respects, the separate financial position of Arabian Cement Company as of December 31, 2021, and the results of its separate operation and its separate cash flows for the year then ended in accordance with Egyptian Accounting Standards and the applicable Egyptian laws and regulations relating to the preparation of these separate financial statements.

Report on Other Legal and Regulatory Requirements

The Company maintains proper books of accounts, which include all that is required by law and the statutes of the Company. The separate financial statements are in agreement thereto. The company maintain a proper costing system and the inventories were counted by management in accordance with methods in practice.

The financial information referred to in the board of directors report is prepared in compliance with the requirements of Companies Law No. 159 of 1981 and its Executive Regulations thereto and is in agreement with the books of accounts of the Company to the extent that such information are recorded therein.

Cairo, February 27, 2022

Farid Samir

Farid Samir Farid, CPA
F.R.A. No. (210)
R.A.A. 8739

Saleh, Barsoum, Abdel Aziz & Co.
Accountants & Auditors

Arabian Cement Company S.A.E.

Separate statement of financial position

At 31 December 2021

EGP	Notes	31 December 2021	31 December 2020
Assets			
Non-Current Assets			
Property, plant and equipment	11	1 994 319 312	2 175 578 977
Assets under construction	12	3 261 312	6 563 562
Intangible assets (net)	13	219 424 613	254 049 586
Right of use	32	17 550 790	--
Investments in subsidiaries	14	47 476 057	47 476 057
Investments in a joint venture	15	125 000	125 000
Total Non-Current Assets		**2 282 157 084**	**2 483 793 182**
Current Assets			
Inventories	16	362 789 722	169 977 656
Trade Receivables	17	12 292 593	--
Debtors and other debit balances	18	139 029 306	124 613 704
Due from related parties	30	17 668 523	22 953 016
Cash and bank balances	19	117 292 968	51 720 149
Total Current Assets		**649 073 112**	**369 264 525**
Total Assets		**2 931 230 196**	**2 853 057 707**

Arabian Cement Company S.A.E.

Separate statement of financial position

At 31 December 2021

EGP	Notes	31 December 2021	31 December 2020
Equity			
Capital and Reserves			
Issued and paid-up capital	20	757 479 400	757 479 400
Legal reserve	21	257 740 154	257 740 154
Retained earnings	22	57 749 903	37 734 467
Total Equity		**1 072 969 457**	**1 052 954 021**
Non-Current Liabilities			
Borrowings	23	272 760 907	387 454 349
Deferred tax liabilities	9-3	299 493 767	321 893 851
Lease Liability	32	6 979 776	--
Notes payables	24	7 610 691	11 021 813
Total Non-Current Liabilities		**586 845 141**	**720 370 013**
Current Liabilities			
Trade and notes payable	24	656 839 369	445 631 321
Credit facilities	23	240 386 963	340 110 399
Current income tax payable	9-2	42 189 962	--
Current portion of long-term borrowings	23	114 334 781	99 165 216
Current portion of long-term other liabilities	26	--	769 250
Lease liability	32	9 566 342	--
Creditors and other credit balances	28	173 209 979	173 007 938
Due to related parties	30	10 450 379	3 740 835
Provisions	25	24 437 823	17 308 714
Total Current Liabilities		**1 271 415 598**	**1 079 733 673**
Total Liabilities		**1 858 260 739**	**1 800 103 686**
Total Equity And Liabilities		**2 931 230 196**	**2 853 057 707**

- The accompanying notes form an integral part of the separate financial statements and to be read therewith.

Sergio Alcantarilla Rodriguez

Chief Executive Officer

Salvador Lopez

Chief Financial Officer

Arabian Cement Company S.A.E.

Separate statement of profit or loss

For the year ended 31 December 2021

EGP	Notes	31 December 2021	31 December 2020
Sales revenue	4	2 342 540 180	2 410 497 496
Cost of sales	5	(2 150 366 635)	(2 352 261 019)
Gross Profit		**192 173 545**	**58 236 477**
General and administration expenses	6	(113 643 030)	(122 278 650)
Provisions	25	(7 200 018)	(7 760 240)
Impairment in other debit balance		--	(247 842)
Interest income		408 990	1 221 818
Other income	34	46 306 899	7 842 517
Finance costs	7	(70 067 895)	(80 872 228)
Foreign currency exchange differences		(1 065 134)	12 322 683
Gain on disposal of property, plant and equipment	11	--	142 466
(Loss) / Profit for the year before tax		**46 913 357**	**(131 392 999)**
Income tax expense	9-1	(19 789 878)	15 179 606
(Loss) / Profit for the year after tax		**27 123 479**	**(116 213 393)**
Earnings Per Share			
Basic	10	**0.05**	**(0.33)**

- The accompanying notes form an integral part of the separate financial statements and to be read therewith.

Sergio Alcantarilla Rodriguez	**Salvador Lopez**
Chief Executive Officer	**Chief Financial Officer**

Arabian Cement Company S.A.E.

Separate statement of comprehensive income

For the year ended 31 December 2021

EGP	Notes	31 December 2021	31 December 2020
Profit of the year after Taxes		**27 123 479**	**(116 213 393)**
Other comprehensive income, Net of tax			
Items that will not be reclassified subsequently to Profit or Loss		--	--
Total other comprehensive income for the year Net of taxes		--	--
Total comprehensive income for the year	22	**27 123 479**	**(116 213 393)**
Earnings per share from the comprehensive income			
Basic	10	**0.05**	**(0.33)**

- The accompanying notes form an integral part of the separate financial statements and to be read therewith.

Sergio Alcantarilla Rodriguez	**Salvador Lopez**
Chief Executive Officer	**Chief Financial Officer**

Arabian Cement Company S.A.E.

Separate statement of changes in equity

For the year ended 31 December 2021

EGP	Issued and Paid-up capital	Legal reserve	Retained earnings	Total
Balance at 1 January 2020	**757 479 400**	**254 730 209**	**164 024 227**	**1 176 233 836**
Loss for the year	--	--	(116 213 393)	**(116 213 393)**
Other comprehensive income	--	--	--	--
Total comprehensive income	--	--	(116 213 393)	**(116 213 393)**
Transfer to legal reserve	--	3 009 945	(3 009 945)	--
Dividends (employees)	--	--	(7 066 422)	(7 066 422)
Balance at 31 December 2020	**757 479 400**	**257 740 154**	**37 734 467**	**1 052 954 021**
Balance at 1 January 2021	**757 479 400**	**257 740 154**	**37 734 467**	**1 052 954 021**
Profit for the year	--	--	27 123 479	27 123 479
Other comprehensive income	--	--	--	--
Total comprehensive income	--	--	**27 123 479**	**27 123 479**
Dividends (employees)	--	--	(7 108 043)	(7 108 043)
Balance at 31 December 2021	**757 479 400**	**257 740 154**	**57 749 903**	**1 072 969 457**

– The accompanying notes form an integral part of the separate financial statements and to be read therewith.

Sergio Alcantarilla Rodriguez

Chief Executive Officer

Salvador Lopez

Chief Financial Officer

Arabian Cement Company S.A.E.

Separate statement of cash flows

For the year ended 31 December 2021

EGP	Notes	31 December 2021	31 December 2020
Cash Flows from Operating Activities			
Net (loss) / Profit for the year before taxes		**46 913 357**	**(131 392 999)**
Adjustments for:			
Finance costs recognized in profit or loss	7	70 067 895	80 872 228
Interest income		(408 990)	(1 221 818)
(Gain) on disposal of property, plant and equipment	11	--	(142 466)
Depreciation of property, plant and equipment	11	213 555 168	205 851 501
Amortization of intangible assets	13	34 624 973	40 749 783
Amortization of right of use	32	4 935 960	13 321
Unrealized Foreign exchange differences		239 720	(5 217 391)
Provisions	25	7 200 018	7 760 240
Impairment of other debit balance		--	247 842
(Increase) in inventories		(192 812 066)	(14 083 110)
(Increase) in debtors and other debit balances		(14 415 602)	(36 662 235)
(Increase) / decrease in due from related parties		5 284 493	(6 025 505)
Decrease in trade receivables		(12 292 593)	--
(Decrease) / increase in trade and notes payable		194 561 723	(221 684 612)
(Decrease) / increase in due to related parties		6 709 544	(4 423 132)
Increase / (decrease) in creditors and other credit balances		766 711	(24 209 241)
Provisions used	25	(70 909)	(2 201 450)
Cash (used in) generated by operations		**364 859 402**	**(111 769 044)**
Interest paid		(70 632 565)	(91 463 803)
Income taxes paid		--	--
Net cash (used in) generated by operating activities		**294 226 837**	**(203 232 847)**

Arabian Cement Company S.A.E.

Separate cash flow statement

For the year ended 31 December 2021

EGP	Notes	31 December 2021	31 December 2020
Cash Flows from Investing Activities			
Payments for property, plant and equipment *	11	(16 356 430)	(1 751 285)
Proceeds from sale of property, plant and equipment	11	--	191 600
Interest income		408 990	1 221 818
Net cash (used in) investing activities		**(15 947 440)**	**(337 867)**
Cash Flows from Financing Activities			
Payment of loans		(99 165 217)	(90 356 522)
Payment of other liabilities		(769 250)	(11 538 750)
Proceeds / (Payment) of credit facilities		(99 723 436)	278 075 098
Payment for lease liability		(5 940 632)	(8 541)
Payment of dividends	27	(7 108 043)	(7 066 422)
Net cash generated by (used in) financing activities		**(212 706 578)**	**169 104 863**
Net (decrease) in cash and cash equivalents		65 572 819	(34 465 851)
Cash and cash equivalents at the beginning of the year		51 720 149	86 186 000
Cash and cash equivalents at the end of the year	19	**117 292 968**	**51 720 149**

* The non-cash transaction represents the non-paid portion from the fixed assets by EGP 13 235 203

- The accompanying notes form an integral part of the separate financial statements and to be read therewith.

Sergio Alcantarilla Rodriguez

Chief Executive Officer

Salvador Lopez

Chief Financial Officer

1. General information

Arabian Cement Company S.A.E. (ACC or the Company), a joint stock Company incorporated in Cairo, Egypt, is a public company whose shares are traded at the EGX Egyptian Exchange. The Company was established on March 5, 1997 under Law No. 230 of 1989 and Law No. 95 of 1992 according to the decision of the President of General Authority for Investment and Free Zone (GAFI) No. 167 of 1997.

The Company was registered at the Commercial Register under No. 13105 in Cairo on April 3, 2005, which was changed to No. 53445 on August 16, 2011 as the Company changed its registered office from 72 Gameat El Dowal Street, Mohandiseen, Giza- Egypt. The admin office changed to be on Gamal Abdel Nasser square (west Arabella), Fifth Settlement Arabella Plaza, Office Building (A), 5th floor.

The Company's objective is the manufacturing and sale of clinker, cement and the other related products and usage of mines and extraction of all mining materials required for the production of construction materials and road transportation for all the company's product. The Company may carry out other projects or amend its purpose according to the Investment Incentives and Guarantees Law.

The Company produces cement with a clinker capacity of 4.2 million tonnes per annum that can produce 5 million tonnes per annum of cement.

The main shareholder of the Company is Aridos Jativa – Spanish Company, and it owns 60% of the Company's capital.

The Company's term is 25 years starting from the date of its registration at the commercial register.

2. Significant accounting policies

2.1 Basis of preparation

The separate financial statements have been prepared on the historical cost basis except for financial instruments that are measured at fair value or amortized cost, as appropriate.

Historical cost is generally based on the fair value of the consideration given in exchange for goods and services.

The independent financial statements were prepared in accordance with the Egyptian Accounting Standards issued by Ministerial Decree No. 110 of 2015 amended by Decree of the Minister of Investment No. 69 of 2019.

New releases and amendments to the Egyptian accounting standards

Standard (47) - Financial Instruments

The Egyptian Accounting Standard No. 47 has been applied retroactively and the application of the Egyptian Accounting Standard No. 47 has not had any material impact on the financial statements.

Standard (48) - Revenue from contracts with customers

The Egyptian Accounting Standard No. 48 has been applied and the application of the Egyptian Accounting Standard No. 48 has not had any material impact on the financial statements.

2.2 Revenue recognition

The company recognizes revenue from contracts with customers based on a five-step model set out in Egyptian accounting standard no. (48) - Revenue from contracts with customers

Step 1: identify the contract with the customer: A contract is defined as an agreement between two or more parties that create enforceable rights and obligations and sets out the criteria for every contract that must be met.

Step 2: identify the performance obligations in the contract: A performance obligation is a promise in a contract with a customer to transfer a goods or services to the customer.

Step 3: determine the transaction price: the transaction price is the amount of consideration to which the entity expects to be entitled in exchange for transferring promised goods or services to a customer, excluding amounts collected on behalf of third parties.

Step 4: Allocate the transaction price to the performance obligation in the contract: for a contract that has more than one performance obligation, the entity will allocate the transaction price to each performance obligation in an amount that depicts the amount of consideration to which the entity expects to be entitled in exchange for satisfying each performance obligation.

Step 5: recognize revenue when (or as) the entity satisfies the performance obligation.

If the consideration promised in a contract include a variable amount, the entity shall estimate the amount of consideration to which the entity will be entitled in exchange for transferring the promised goods or services to a customer.

An amount of consideration can vary because of discounts, rebates, refunds, credits, price concession, incentives, performance bounces, penalties, or other similar items. The promised consideration can also vary if the entity`s entitlement to the consideration is contingent on the occurrence or non-occurrence of a future event.

The entity sells packed and non-packed cement and clinker, where selling process is either through selling invoices and/or specific contract with a customer.

<u>Sales of goods</u>

For contracts with customers which the only obligation is going to be selling cement, revenues shall be recognized at the time in which control over asset is transferred to the customer at a specific point in time, which is usually at the delivery date.

The entity recognizes revenue at the point in time at which the customer obtains control of a promised asset and the entity satisfies the performance obligation. The entity considers the below mentioned indicators to assess the transfer of control of the promised asset.

- The entity has a present right to payment for the asset
- The customer has the legal title to the asset
- The entity has transferred physical possession of the asset
- The customer has the significant risks and rewards of ownership of the asset
- The customer has accepted the asset.

<u>transport services</u>

Transportation revenue is recognized at a point in time when the company fulfils its performance obligations towards customers, i.e. when the product is delivered to the specified place.

2.3 <u>Leasing</u>

Operating lease payments are recognised as an expense on a straight-line basis over the lease term, except when another systematic basis is more representative of the time pattern in which economic benefits from the leased asset are consumed. Contingent rentals arising under operating leases are recognised as an expense in the period in which they are incurred.

2.4 <u>Foreign currencies</u>

The financial statements are presented in Egyptian Pound (EGP), which is the currency of the primary economic environment in which the Company operates (its functional currency).

Transactions in currencies other than the Company's functional currency (foreign currencies) are recognised at the rates of exchange at the dates of the transactions. At the end of each reporting period, monetary items denominated in foreign currencies are retranslated at the rates prevailing at that date.

Non-monetary items carried at fair value that are denominated in foreign currencies are retranslated at the rates prevailing at the date when the fair value was determined. Non-monetary items that are measured in terms of historical cost in a foreign currency are not retranslated.

Exchange differences on monetary items are recognised in profit or loss in the period in which they arise.

The exchange rates for the major foreign currencies against EGP relevant to the annual financial statements were:

Currency table	2021		2020	
	Average	Year end	Average	Year end
1 USD US Dollar	15.73	15.74	15.86	15.77
1 EUR Euro	18.59	17.92	18.21	19.26

2.5 Borrowing costs

Borrowing costs directly attributable to the acquisition, construction or production of qualifying assets, which are assets that necessarily take a substantial period of time to get ready for their intended use or sale, are added to the cost of those assets until such time, as the assets are substantially ready for their intended use or sale.

Investment income earned on the temporary investment of specific borrowings pending their expenditure on qualifying assets is deducted from the borrowing costs eligible for capitalisation.

All other borrowing costs are recognised in profit or loss in the period in which they are incurred.

The amount of borrowing costs that an entity capitalises during the period shall not exceed the amount of borrowing costs it incurred during that period, provided that the carrying amount of the qualifying asset on which eligible borrowing costs have been capitalized does not exceed its recoverable amount (being the higher of fair value less costs to sell or amount in use for that asset).

2.6 Employee benefits

2.6.1 Profit sharing

The company pays 10% of the cash profits which are allocated for distribution, at maximum of the employees' basic salaries. Employees' profit sharing is recognized as a dividend distribution through equity and as a liability when approved by the company's shareholders. No liability is recognized for profit sharing relating to undistributed profits.

2.6.2 Pension obligations (Social insurance)

For defined contribution plans, the company pays contributions to the General Social Insurance Authority under Law No. 79 of 1975 and its amendments - plans on a mandatory basis. Once the contributions have been paid, the Company has no further payment obligations. The regular contributions constitute net periodic costs for the period during which they are due and as such are included in staff costs.

2.7 Taxation

Income tax expense represents the sum of the tax currently payable and deferred tax.

2.7.1 Current tax

The tax currently payable is based on taxable profit for the year. Taxable profit differs from profit as reported in the separate statement of comprehensive income because of items of income or expense that are taxable or deductible in other years and items that are never taxable or deductible. The entity's liability for current tax is calculated using tax rates that have been enacted or substantively enacted by the end of the reporting period.

2.7.2 Deferred tax

Deferred tax is recognised on temporary differences between the carrying amounts of assets and liabilities in the separate financial statements and the corresponding tax bases used in the computation of taxable profit.

Deferred tax liabilities are generally recognised for all taxable temporary differences. Deferred tax assets are generally recognised for all deductible temporary differences to the extent that it is probable that taxable profits will be available against which those deductible temporary differences can be utilized.

The carrying amount of deferred tax assets is reviewed at the end of each reporting period and reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow all or part of the asset to be recovered.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply in the period in which the liability is settled or the asset realised, based on tax rates (and tax laws) that have been enacted or substantively enacted by the end of the reporting period. The measurement of deferred tax liabilities and assets reflects the tax consequences that would follow from the manner in which the entity expects, at the end of the reporting period, to recover or settle the carrying amount of its assets and liabilities.

Deferred tax assets and liabilities are offset when there is a legally enforceable right to set off current tax assets against current tax liabilities and when they relate to income taxes levied by the same taxation authority and the Company intends to settle its current tax assets and liabilities on a net basis.

2.7.3 Current and deferred tax for the year

Current and deferred tax are recognised as an expense or income in profit or loss, except when they relate to items that are recognised in other comprehensive income or directly in equity, in which case, the current and deferred tax are also recognised in other comprehensive income or directly in equity respectively.

2.8 Investments in subsidiaries

Investments in subsidiaries are investments in companies in which the company has control. The investor controls the investee when he is exposed or is entitled to variable returns through his contribution to the investee and is able to influence those returns through his authority over the investee.

Investments in subsidiaries are accounted for at cost inclusive of 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 statement of profits or losses for each investment separately.

2.9 Investments in joint ventures

A joint venture is joint arrangement whereby the parties that they have joint control of the arrangement have rights to the net assets of the joint arrangement. Joint control is the contractually agreed sharing of control of an arraignment, which exists only when decisions about the relevant activities require unanimous consent of the parties sharing control. Investments in joint ventures are accounted for at the application of the equity method, and in case the investment is impaired, the carrying amount is adjusted by the value of this impairment and is charged to the statement of profits or losses for each investment separately.

2.10 Property, plant and equipment

Buildings, plant and equipment, furniture and fixtures held for use in the production, supply of goods or services or for administrative purposes are stated in the separate statement of financial position at cost less any accumulated depreciation and accumulated impairment losses.

Properties in the course of construction for production, administrative purposes or for a currently undetermined future use are carried at cost less any recognised impairment loss. Cost includes professional fees and, for qualifying assets, borrowing costs capitalized in accordance with the entity's accounting policy as described in note 2.6 Such properties are classified to the appropriate categories of property, plant and equipment when completed and ready for intended use. Depreciation of these assets, on the same basis as other property assets, commences when the assets are ready for their intended use.

Depreciation of buildings, plant and equipment as well as furniture and fixtures commences when the assets are ready for their intended use.

Freehold land is not depreciated.

Depreciation is recognized so as to write off the cost of assets (other than freehold land and properties under construction) less their residual values over their estimated useful lives, using the straight-line method. The estimated useful lives, residual values and depreciation method are reviewed at the end of each reporting period, with the effect of any changes in estimate accounted for on a prospective basis.

An item of property, plant and equipment is derecognised upon disposal or when no future economic benefits are expected to arise from the continued use of the asset. Any gain or loss arising on the disposal or retirement of an item of property, plant and equipment is determined as the difference between the net sales proceeds and the carrying amount of the asset and is recognised in profit or loss.

The following estimated useful lives are used in the calculation of depreciation:

Buildings	10 – 20 years
Plant and equipment	20 years
Furniture and fixtures	16 years
Vehicles	5 – 7 years
Other installations	20 years
Computer and software	3 – 5 years

2.11 Intangible assets

Intangible assets with finite useful lives that are acquired separately are carried at cost less accumulated amortization and accumulated impairment losses. Amortization is recognized on a straight-line basis over their estimated useful lives.

The estimated useful lives and amortization method are reviewed at the end of each reporting period, with the effect of any changes in estimating being accounted for on a prospective basis. Intangible assets with indefinite useful lives that are acquired separately are carried at cost less accumulated impairment losses.

An intangible asset is derecognized on disposal, or when no future economic benefits are expected from use or disposal. Gains or losses arising from de-recognition of an intangible asset, measured as the difference between the net disposal proceeds and the carrying amount of the asset, are recognized in profit or loss when the asset is derecognized.

Assets	Years
Operating licence	20 years
Electricity contract	10 years

2.12 Impairment of tangible and intangible assets

At the end of each reporting period, the entity reviews the carrying amounts of its tangible and intangible assets to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss (if any). When it is not possible to estimate the recoverable amount of an individual asset, the entity estimates the recoverable amount of the cash-generating unit to which the asset belongs. Where a reasonable and consistent basis of allocation can be identified, corporate assets are also allocated to individual cash-generating units, or otherwise they are allocated to the smallest entity of cash-generating units for which a reasonable and consistent allocation basis can be identified.

Intangible assets with indefinite useful lives and intangible assets not yet available for use are tested for impairment at least annually, and whenever there is an indication that the asset may be impaired.

Recoverable amount is the higher of fair value less costs to sell and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset for which the estimates of future cash flows have not been adjusted.

If the recoverable amount of an asset (or cash-generating unit) is estimated to be less than its carrying amount, the carrying amount of the asset (or cash-generating unit) is reduced to its recoverable amount. An impairment loss is recognised immediately in profit or loss.

Where an impairment loss subsequently reverses, the carrying amount of the asset (or cash-generating unit) is increased to the revised estimate of its recoverable amount, but so that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset (or cash-generating unit) in prior years. A reversal of an impairment loss is recognized immediately in profit or loss.

2.13 Inventories

Inventories are stated at the lower of cost and net realizable value.

Costs, including an appropriate portion of fixed and variable production overheads as well as other costs incurred in bringing the inventories to their present location and condition, are assigned to inventories by the method most appropriate to the particular class of inventory, with the majority being valued on a moving average basis.

Net realizable value represents the estimated selling price for inventories less all estimated costs of completion and costs necessary to make the sale.

The net realizable value of an item of inventory may fall below its cost for many reasons including, damage, obsolescence, slow moving items, a decline in selling prices, or an increase in the estimate of costs to complete and costs necessary to make the sale. In such cases, the cost of that item is written-down to its net realizable value and the difference is recognized immediately in profit or loss.

2.14 Provisions

Provisions are recognised when the entity has a present obligation (legal or constructive) as a result of a past event, it is probable that the entity will be required to settle the obligation, and a reliable estimate can be made of the amount of the obligation.

The amount recognised as a provision is the best estimate of the consideration required to settle the present obligation at the end of the reporting period, taking into account the risks and uncertainties surrounding the obligation. When a provision is measured using the cash flows estimated to settle the present obligation, its carrying amount is the present value of those cash flows (where the effect of the time value of money is material).

When some or all of the economic benefits required to settle a provision are expected to be recovered from a third party, a receivable is recognised as an asset, if it is virtually certain that reimbursement will be received and the amount of the receivable can be measured reliably.

2.15 Financial instruments

Recognition and initial measurement

Trade receivables and debt securities issued are initially recognized when they are originated. All other financial assets and financial liabilities are initially recognized when the Entity becomes a party to the contractual provisions of the instrument.

A financial asset (unless it is a trade receivable without a significant financing component) or financial liability is initially measured at fair value plus, for an item not at fair value through profit or loss (FVTPL), transaction costs that are directly attributable to its acquisition or issue. A trade receivable without a significant financing component is initially measured at the transaction price.

Classification and subsequent measurement

On initial recognition, a financial asset is classified as measured at: amortized cost; fair value through other comprehensive income (FVOCI) – debt investment; FVOCI – equity investment; or FVTPL.

Financial assets are not reclassified subsequent to their initial recognition unless the Entity changes its business model for managing financial assets, in which case all affected financial assets are reclassified on the first day of the first reporting period following the change in the business model.

A financial asset is measured at amortized cost if it meets both of the following conditions and is not designated as at FVTPL:

- it is held within a business model whose objective is to hold assets to collect contractual cash flows; and
- its contractual terms give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

A debt investment is measured at FVOCI if it meets both of the following conditions and is not designated as at FVTPL:

- it is held within a business model whose objective is achieved by both collecting contractual cash flows and selling financial assets; and
- its contractual terms give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

On initial recognition of an equity investment that is not held for trading, the Entity may irrevocably elect to present subsequent changes in the investment's fair value in OCI. This election is made on an investment-by-investment basis.

All financial assets not classified as measured at amortized cost or FVOCI as described above are measured at FVTPL.

This includes all derivative financial assets. On initial recognition, the Entity may irrevocably designate a financial asset that otherwise meets the requirements to be measured at amortized cost or at FVOCI as at FVTPL if doing so eliminates or significantly reduces an accounting mismatch that would otherwise arise.

Financial assets – Business model assessment:

The entity assesses the objective of the business model in which a financial asset is held at a portfolio level because this best reflects the way the business is managed, and information is provided to management. The information considered includes:

- the stated policies and objectives for the portfolio and the operation of those policies in practice. These include whether management's strategy focuses on earning contractual interest income, maintaining a particular interest rate profile, matching the duration of the financial assets to the duration of any related liabilities, or expected cash outflows or realizing cash flows through the sale of the assets.
- how the performance of the portfolio is evaluated and reported to the Entity's management.
- the risks that affect the performance of the business model (and the financial assets held within that business model) and how those risks are managed.
- how managers of the business are compensated – e.g., whether compensation is based on the fair value of the assets managed or the contractual cash flows collected; and
- the frequency, volume, and timing of sales of financial assets in prior periods, the reasons for such sales and expectations about future sales activity.

Transfers of financial assets to third parties in transactions that do not qualify for derecognition are not considered sales for this purpose, consistent with the Entity's continuing recognition of the assets.

Financial assets that are held for trading or are managed and whose performance is evaluated on a fair value basis are measured at FVTPL.

Financial assets – Assessment whether contractual cash flows are solely payments of principal and interest:

For the purposes of this assessment, 'principal' is defined as the fair value of the financial asset on initial recognition.

'Interest' is defined as consideration for the time value of money and for the credit risk associated with the principal amount outstanding during a particular period and for other basic lending risks and costs (e.g., liquidity risk and administrative costs), as well as a profit margin.

In assessing whether the contractual cash flows are solely payments of principal and interest, the Entity considers the contractual terms of the instrument. This includes assessing whether the financial asset contains a contractual term that could change the timing or amount of contractual cash flows such that it would not meet this condition. In making this assessment, the Entity considers:

- contingent events that would change the amount or timing of cash flows.
- terms that may adjust the contractual coupon rate, including variable-rate features.
- prepayment and extension features; and
- terms that limit the Entity's claim to cash flows from specified assets (e.g., non-recourse features).

A prepayment feature is consistent with the solely payments of principal and interest criterion if the prepayment amount substantially represents unpaid amounts of principal and interest on the principal amount outstanding, which may include reasonable additional compensation for early termination of the contract. Additionally, for a financial asset acquired at a discount or premium to its contractual par amount, a feature that permits or requires prepayment at an amount that substantially represents the contractual par amount plus accrued (but unpaid) contractual interest (which may also include reasonable additional compensation for early termination) is treated as consistent with this criterion if the fair value of the prepayment feature is insignificant at initial recognition.

Subsequent measurement – financial assets

Financial assets at FVTPL

These assets are subsequently measured at fair value. Net gains and losses, including any interest or dividend income, are recognized in profit or loss.

Financial assets at amortized cost

These assets are subsequently measured at amortized cost using the effective interest method. The amortized cost is reduced by impairment losses (see accounting policy on impairment). Interest income, foreign exchange gains and losses and impairment are recognized in profit or loss. Any gain or loss on de-recognition is recognized in profit or loss.

Debt investments at FVOCI

These assets are subsequently measured at fair value. Interest income is calculated using the effective interest method, foreign exchange gains and losses and impairment are recognized in profit or loss. Other net gains and losses are recognized in OCI. On de-recognition, gains and losses accumulated in OCI are reclassified to profit or loss.

Equity investments at FVOCI

These assets are subsequently measured at fair value. Dividends are recognized as income in profit or loss unless the dividend clearly represents a recovery of part of the cost of the investment. Other net gains and losses are recognized in OCI and are never reclassified to profit or loss.

Financial liabilities – Classification, subsequent measurement and gains and losses

Financial liabilities are classified as measured at amortized cost or FVTPL. A financial liability is classified as at FVTPL

if it is classified as held-for-trading, it is a derivative or it is designated as such on initial recognition.

Financial liabilities

at FVTPL are measured at fair value and net gains and losses, including any interest expense, are recognized in profit or loss. Other financial liabilities are subsequently measured at amortized cost using the effective interest method. Interest expense and foreign exchange gains and losses are recognized in profit or loss. Any gain or loss on derecognition is also recognized in profit or loss.

Derecognition

Financial assets

The Entity derecognizes a financial asset when the contractual rights to the cash flows from the financial asset expire, or it transfers the rights to receive the contractual cash flows in a transaction in which substantially all the risks and rewards of ownership of the financial asset are transferred or in which the Entity neither transfers nor retains substantially all the risks and rewards of ownership and it does not retain control of the financial asset.

The Entity enters transactions whereby it transfers assets recognized in its statement of financial position but retains either all or substantially all the risks and rewards of the transferred assets. In these cases, the transferred assets are not derecognized.

Financial liabilities

The Entity derecognizes a financial liability when its contractual obligations are discharged or cancelled or expire. The Entity also derecognizes a financial liability when its terms are modified and the cash flows of the modified liability are substantially different, in which case a new financial liability based on the modified terms is recognized at fair value.

On derecognition of a financial liability, the difference between the carrying amount extinguished and the consideration paid (including any non-cash assets transferred or liabilities assumed) is recognized in profit or loss.

Offsetting

Financial assets and financial liabilities are offset, and the net amount presented in the statement of financial position when, and only when, the Entity currently has a legally enforceable right to set off the amounts and it intends either to settle them on a net basis or to realize the asset and settle the liability simultaneously.

Impairment of assets

Non-derivative financial assets

The Entity recognizes loss allowances for ECLs on:

• financial assets measured at amortized cost.

• debt investments measured at FVOCI; and

• contract assets.

Loss allowances are measured on either of the following bases:

• 12-month ECLs: these are ECLs that result from possible default events within the 12 months after the reporting date; and

• lifetime ECLs: these are ECLs that result from all possible default events over the expected life of a financial instrument.

The Entity measures loss allowances at an amount equal to lifetime ECLs, except for the following, which are measured at 12-month ECLs:

• debt securities that are determined to have low credit risk at the reporting date; and

• other debt securities and bank balances for which credit risk (i.e., the risk of default occurring over the expected life of the financial instrument) has not increased significantly since initial recognition.

The Entity measures loss allowances for trade receivables and contract assets at an amount equal to lifetime ECLs.

When determining whether the credit risk of a financial asset has increased significantly since initial recognition and when estimating ECLs, the Entity considers reasonable and supportable information that is relevant and available without undue cost or effort. This includes both quantitative and qualitative information and analysis, based on the Entity's historical experience and informed credit assessment and including forward-looking information. The Entity assumes that the credit risk on a financial asset has increased significantly if it is more than 90 days past due.

The Entity considers a financial asset to be in default when:

• the trade receivable is unlikely to pay its credit obligations to the Entity in full, without recourse by the Entity to actions such as realizing security (if any is held); or

• the financial asset is more than 90 days past due.

The maximum period considered when estimating ECLs is the maximum contractual period over which the Entity is exposed to credit risk.

Measurement of ECLs:

ECLs are a probability-weighted estimate of credit losses. Credit losses are measured as the present value of all cash shortfalls (i.e., the difference between the cash flows due to the entity in accordance with the contract and the cash flows that the Entity expects to receive). ECLs are discounted at the effective interest rate of the financial asset.

Credit-impaired financial assets

At each reporting date, the Entity assesses whether financial assets carried at amortized cost are credit impaired. A financial asset is 'credit-impaired' when one or more events that have a detrimental impact on the estimated future cash flows of the financial asset have occurred.

Presentation of impairment

Loss allowances for financial assets measured at amortized cost are deducted from the gross carrying amount of the assets. For debt securities at FVOCI, the loss allowance is recognized in OCI, instead of reducing the carrying amount of the asset.

Derivative financial assets

Derivative financial assets are measured at fair value and the Entity investigates whether the counterparty creditworthiness gives rise to an impairment.

Non-financial assets

Non-financial assets that have an indefinite useful life, for example goodwill, are not subject to amortization but are tested annually for impairment or more frequently when indicators arise. Assets with a finite useful life are subject to

depreciation or amortization and are reviewed (at least at the balance sheet date) for impairment whenever events or changes in circumstances indicate that the carrying amount may not be fully recoverable. An impairment loss is recognized for the amount by which the assets' carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs of disposal and its value in use. For the purposes of assessing impairment,

assets are entitled based on the lowest level for which there are separately identifiable cash flows (cash-generating units). Impairment is recognized as an expense in profit or loss. Non-financial assets, which are impaired, are tested periodically to determine whether the recoverable amount has increased, and the impairment must be (partially) reversed.

Impairment losses on goodwill are not reversed. Reversal of impairments is only permitted if in a subsequent period after an impairment loss has been recognized, the amount of the impairment loss decreases, and the decrease can be related objectively to an event after the impairment loss was recognized.

Effective interest method

The effective interest method is a method of calculating the amortized cost of a debt instrument and of allocating the interest income over the relevant period. The effective interest rate is the rate that exactly discounts expected future cash inflows (including all fees and points paid or received that form an integral part of the effective interest rate, transaction costs and any other premiums or discounts) over the expected life of the debt instrument - or over the A shorter period of time, if appropriate - specifically up to the asset's net carrying amount on initial recognition.

The income from debt instruments, which is subsequently measured at amortized cost, is recognized in profit or loss on the basis of effective interest, and this interest income is presented under the line "finance income".

2.16 Lease Contracts

In accordance with Resolution No. 69 of 2019 issued by the Minister of Investment in March 2019 regarding amending some provisions of the Egyptian Accounting Standards issued by the Minister of Investment No. 110 for the year 2015. These amendments included the addition of Standard No. 49 to replace the Egyptian Accounting Standard No. (20) Accounting of financial leasing operations, provided that it is applied to the financial periods beginning on or after January 1, 2020 and with the exception of the effective date, the date of the initial application is the beginning of the annual reporting period in which the finance lease law No. 95 of 1995 and its amendments was cancelled and in light of Standard No. 49 as at The beginning of the lease recognize the "right of use" and the lease liability.

Initial measurement of the right-of-use asset

At the commencement date, a lessee shall measure the right-of-use asset at cost, the cost of the right-of-use asset shall comprise:

(a) The amount of the initial measurement of the lease liability, at the commencement date, a lessee shall measure the lease liability at the present value of the lease payments that are not paid at that date. The lease payments shall be discounted using the interest rate implicit in the lease, if that rate can be readily determined. If that rate cannot be readily determined, the lessee shall use the lessee's incremental borrowing rate.

(b) Any lease payments made at or before the commencement date, less any lease incentives received

(c) Any initial direct costs incurred by the lessee; and

(d) an estimate of costs to be incurred by the lessee in dismantling and removing the underlying asset, restoring the site on which it is located or restoring the underlying asset to the condition required by the terms and conditions of the lease, unless those costs are incurred to produce inventories. The lessee incurs the obligation for those costs either at the commencement date or as a consequence of having used the underlying asset during a particular period.

Subsequent measurement of the right-of-use asset

After the commencement date, a lessee shall measure the right-of-use asset. Applying a cost model, a lessee shall measure the right-of-use asset at cost:

(a) Less any accumulated depreciation and any accumulated impairment Losses.

(b) Adjusted for any re-measurement of the lease liability.

Initial measurement of the lease liability

At the commencement date, a lessee shall measure the lease liability at the present value of the lease payments that are not paid at that date. The lease payments shall be discounted using the interest rate implicit in the lease, if that rate can be readily determined. If that rate cannot be readily determined, the lessee shall use the lessee's incremental borrowing rate.

Subsequent measurement of the lease liability

After the commencement date, a lessee shall measure the lease liability by

(a) Increasing the carrying amount to reflect interest on the lease liability

(b) Reducing the carrying amount to reflect the lease payments made

(c) Re-measuring the carrying amount to reflect any reassessment or lease modifications, or to reflect revised in-substance fixed lease payments.

2.17 Grants

Government grants are assistance by government in the form of transfers of resources to an entity in return for past or future compliance with certain conditions relating to the operating activities of the entity. They exclude those forms of government assistance which cannot reasonably have a value placed upon them and transactions with government which cannot be distinguished from the normal trading transactions of the entity

Grants related to assets are government grants whose primary condition is that an entity qualifying for them should purchase, construct or otherwise acquire long-term assets. Subsidiary conditions may also be attached restricting the type or location of the assets or the periods during which they are to be acquired or held.

Government grants, including non-monetary grants at fair value, shall not be recognized until there is reasonable assurance that the entity will comply with the conditions attaching to them; and the grants will be received.

Government grants related to assets, including non-monetary grants at fair value, shall be presented in the statement of financial position through recognizes the grant as deferred income that is recognized in profit or loss on a systematic basis over the useful life of the asset.

3. Critical accounting judgements and key sources of estimation uncertainty

In the application of the entity's accounting policies, which are described in note 2, management is required to make judgments, estimates and assumptions about the carrying amounts of assets and liabilities that are not readily apparent from other sources. The estimates and associated assumptions are based on historical experience and other factors that are considered to be relevant. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period or in the period of the revision and future periods if the revision affects both current and future periods.

3.1 Critical judgements in applying accounting policies

The following are the critical judgements, apart from those involving estimations (see note (2.3) below), that the directors have made in the process of applying the Company's accounting policies and that have the most significant effect on the amounts recognized in the financial statements.

3.1.1 Deferred income taxes

The measurement of deferred income tax assets and liabilities is based on the judgment of management. Deferred income tax assets are only capitalized if it is probable that they can be used. Whether or not they can be used depends on whether the deductible tax temporary difference can be offset against future taxable gains.

In order to assess the probability of their future use, estimates must be made of various factors including future taxable profits. If the actual values differ from the estimates, this can lead to a change in the assessment of recoverability of the deferred tax assets and accounting for such a change, if any, is to be made on a prospective basis in the reporting periods affected by the change.

3.2 Key sources of estimation uncertainty

The following are the key assumptions concerning the future and other key sources of estimation uncertainty at the end of the reporting period, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year.

3.2.1 Useful lives of property, plant and equipment

The carrying value of the entity's property, plant and equipment at the end of the current reporting period is EGP 1 994 319 312 (31 December 2020: EGP 2 175 578 977) (note 11). Management's assessment of the useful life of property, plant and equipment is based on the expected use of the assets, the expected physical wear and tear on the assets, technological developments as well as past experience with comparable assets. A change in the useful life of any asset may have an effect on the amount of depreciation that is to be recognized in profit or loss for future periods.

3.2.2 Useful lives of intangible assets.

The carrying value of the entity's intangible assets at the end of the current reporting period is EGP 219 424 613 (31 December 2020: EGP 254 049 586), (note 13). Management's assessment of the useful life of property, plant and equipment is based on the expected use of the assets, the expected physical wear and tear on the assets, technological developments as well as past experience with comparable assets. A change in the useful life of any asset may have an effect on the amount of depreciation that is to be recognized in profit or loss for future periods.

3.2.3 Provisions

The carrying amount of provisions at the end of the current reporting period is EGP 24 437 823 (31 December 2020: EGP 17 308 714). This amount is based on estimates of future costs for legal cases and other claims in connection with the Company's operations (note 25). As the provisions cannot be determined exactly, the amount could change based on future developments. Changes in the amount of provisions due to change in management estimates are accounted for on a prospective basis and recognized in the period in which the change in estimates arises.

4. Sales revenue

An analysis of the Company's revenue for the year is as follows:

EGP	2021	2020
Local sales	1 946 833 064	2 091 244 599
Export sales	239 005 072	199 251 333
Services	156 702 044	120 001 564
Total	**2 342 540 180**	**2 410 497 496**

5. Cost of sales

An analysis of the Company's cost of sales for the year is as follows:

EGP	2021	2020
Raw materials	1 666 110 047	1 934 133 169
Manufacturing depreciation	211 513 919	202 707 360
Amortization of Licenses - intangible assets	34 624 973	40 749 783
Amortization of right of use	4 935 960	13 321
Transportation cost	114 651 406	72 521 438
Overhead costs	118 530 330	102 135 948
Total	**2 150 366 635**	**2 352 261 019**

6. General and administration expenses

An analysis of the Company's general and administration expenses for the year is as follows:

EGP	2021	2020
Professional services	49 525 062	39 193 388
Salaries and wages	29 372 277	26 928 189
Security and cleaning services	1 415 022	1 406 144
Rentals	780 775	1 941 272
Transportation cost	1 768 887	1 065 809
Advertising	1 240 353	956 550
Administrative depreciation	2 041 249	3 144 141
Other expenses	27 499 405	47 643 157
Total	**113 643 030**	**122 278 650**

7. Finance costs

An analysis of the Company's finance costs for the year is as follows:

EGP	2021	2020
Loan interest expense	35 222 555	46 797 877
Electricity agreement interest expense	572 750	8 225 250
Finance lease	2 488 513	--
Finance cost long term notes payables	205 127	--
Credit facilities interest expense	31 578 950	25 849 101
Total	**70 067 895**	**80 872 228**

8. Compensation of key management personnel *

EGP	2021	2020
Board of Directors allowance	9 818 640	9 902 880
Board of Directors salaries	8 156 994	8 096 565
Total	**17 975 634**	**17 999 445**

* Included in the Salaries and wages in the administrative expenses.

9. Income taxes

9.1 Income tax recognised in profit or loss

EGP	2021	2020
Current tax		
Current tax expense for the current year	42 189 962	--
Deferred tax		
Deferred tax recognized in the current year	(22 400 084)	(15 179 606)
Total income tax expense recognized in the current year	**19 789 878**	**(15 179 606)**

The following table provides reconciliation between income tax expense recognized for the year and the tax calculated by applying the applicable tax rates on accounting profit:

EGP	2021	2020
Profit before tax	46 913 357	(131 392 999)
Tax using applicable tax rate 22.5%	10 555 505	--
Add:		
Effect of reversal of accounting depreciation and amortization	248 180 142	246 601 284
Effect of expenses that are not deductible in determining taxable profit	19 522 730	12 846 160
Effect of provisions formed that are not deductible in determining taxable profit	7 200 018	7 760 240
Changing in accounting policies	--	--
Effect of unrealized net foreign exchange losses that are not deductible in determining taxable profit	8 713 261	65 838 411

Less:		
Effect of tax depreciation and amortization that are deductible in determining taxable profit	(127 433 209)	(167 568 899)
Capital gain	--	(142 466)
Effect of realized net foreign exchange losses that are deductible in determining taxable profit	(5 132 948)	(42 402 129)
Effect of provisions used that are deductible in determining taxable profit	--	(2 201 450)
Carry forward tax losses	(10 452 408)	--
Taxable income	187 510 943	(10 661 848)
Income tax expense recognized in profit or loss	**42 189 962**	--

9.2 Current tax liabilities

EGP	2021	2020
Current tax liability (note 9.1)	42 189 962	--
Current tax liabilities	**42 189 962**	**--**

The average effective tax rate in 2021 is 90% against 0% in 2020.

9.3 Deferred tax balances

Deferred tax liabilities arise from the following:

2021 EGP	Opening balance	Recognized in profit or loss	Closing balance
(Liabilities)			
Temporary differences			
Property, plant & equipment	(321 893 851)	22 400 084	(299 493 767)
Net deferred tax liability	**(321 893 851)**	**22 400 084**	**(299 493 767)**

2020 EGP	Opening balance	Recognized in profit or loss	Closing balance
(Liabilities)			
Temporary differences			
Property, plant & equipment	(337 073 457)	15 179 606	(321 893 851)
Net deferred tax liability	**(337 073 457)**	**15 179 606**	**(321 893 851)**

10. Earnings per share

Basic earnings per share is calculated by dividing the earnings from continuing operations attributable to ordinary shareholders by the weighted average number of ordinary shares outstanding during the year. For diluted earnings per share, the weighted average number of ordinary shares in issue is adjusted to assume conversion of all dilutive potential ordinary shares. As the company does not have any dilutive potential, the basic and diluted earnings per share are the same.

The earnings from continuing operations and weighted average number of ordinary shares used in the calculation of basic and diluted earnings per share are as follows:

	2021	2020
Earnings (for basic and diluted earnings per share)		
(Loss) / profit for the year (EGP)	27 123 479	(116 213 393)
Employees' share in the dividends (note 18) (EGP)	(6 927 441)	(7 108 042)
Distributable net loss /profit for the year (EGP)	**20 196 038**	**(123 321 435)**
Number of shares (for basic and diluted earnings per share)		
Weighted average number of ordinary shares for the purposes of EPS	378 739 700	378 739 700
Earnings per share from continuing operations – (EGP)	**0.05**	**(0.33)**

11. Property, Plant and Equipment

EGP	Freehold land	Buildings	Vehicles	Machinery and Equipment	Furniture and fixtures	Other installations	Computers and software	Total
Cost								
Balance at 1 January 2020	**50 243 436**	**633 074 458**	**27 639 939**	**2 849 216 289**	**14 824 642**	**301 857 244**	**20 442 022**	**3 897 298 030**
Additions	--	65 077	296 845	567 294	173 423	314 384	334 262	1 751 285
Disposals	--	--	(245 000)	--	--	--	--	(245 000)
Balance at 31 December 2020	**50 243 436**	**633 139 535**	**27 691 784**	**2 849 783 583**	**14 998 065**	**302 171 628**	**20 776 284**	**3 898 804 315**
Balance at 1 January 2021	**50 243 436**	**633 139 535**	**27 691 784**	**2 849 783 583**	**14 998 065**	**302 171 628**	**20 776 284**	**3 898 804 315**
Additions	--	25 254 227	255 423	3 111 366	71 450	216 000	683 167	29 591 633
Transfer From PUC	--	--	--	2 703 870	--	--	--	2 703 870
Balance at 31 December 2021	**50 243 436**	**658 393 762**	**27 947 207**	**2 855 598 819**	**15 069 515**	**302 387 628**	**21 459 451**	**3 931 099 818**

EGP	Freehold land	Buildings	Vehicles	Machinery and Equipment	Furniture and fixtures	Other installations	Computers and software	Total
Accumulated depreciation and impairment								
Balance at 1 January 2020	--	**235 363 546**	**11 944 907**	**1 125 585 846**	**6 470 639**	**119 831 696**	**18 373 069**	**1 517 569 703**
Eliminated on disposals of assets	--	--	(195 866)	--	--	--	--	**(195 866)**
Depreciation expense	--	28 539 265	3 727 349	153 820 606	1 672 781	16 620 140	1 471 360	**205 851 501**
Balance at 31 December 2020	--	**263 902 811**	**15 476 390**	**1 279 406 452**	**8 143 420**	**136 451 836**	**19 844 429**	**1 723 225 338**
Balance at 1 January 2021	--	**263 902 811**	**15 476 390**	**1 279 406 452**	**8 143 420**	**136 451 836**	**19 844 429**	**1 723 225 338**
Depreciation expense	--	37 869 146	3 358 594	153 853 177	1 421 915	16 433 002	619 334	213 555 168
Balance at 31 December 2021	--	**301 771 957**	**18 834 984**	**1 433 259 629**	**9 565 335**	**152 884 838**	**20 463 763**	**1 936 780 506**
Carrying amount								
At 31 December 2021	**50 243 436**	**356 621 805**	**9 112 223**	**1 419 635 320**	**5 504 180**	**149 502 790**	**995 688**	**1 994 319 312**
At 31 December 2020	**50 243 436**	**369 236 724**	**12 215 394**	**1 570 377 131**	**6 854 645**	**165 719 792**	**931 855**	**2 175 578 977**

- On February 24, 2019 There is a cancellation for the first-degree commercial and real estate mortgage for the benefit of the National Bank of Egypt , The management currently in the process of the procedures for change mortgage to be in favour of the Commercial International Bank (CIB) (Security agent)as disclosed in details in (note 23)
- According to the loans contracts granted by the Commercial international bank (Security agent) , the Company insured for the benefit of the bank an insurance policy against all potential risks on the Company's factory and the production lines, in favour for the bank as it's the (Security agent), and the bank is the first and only beneficiary of this policy.
- The depreciation expense for the item of furniture and computers is included in the item of general and administrative expenses, note (6) in the amount of EGP 2 041 249. The depreciation expense for the remaining assets is included in the cost of sales of note (5) in the amount of EGP 211 513 919.

12. Assets under construction

EGP	2021	2020
Balance as of January 1	6 563 562	3 777 941
Additions	--	--
Transfer to fixed assets	(2 703 870)	--
Adjustments	(598 380)	--
Advance to suppliers for purchase fixed assets	--	2 785 621
Total	**3 261 312**	**6 563 562**

Project under construction are represented in the following categories:

EGP	2021	2020
Machinery and equipment	3 261 312	3 465 713
Other installations	--	137 000
Advance to suppliers for purchase fixed assets	--	2 960 849
Total	**3 261 312**	**6 563 562**

13. Intangible assets (net)

EGP	Operating license	Electricity contract	Total
Cost			
Cost as of January 1, 2020	563 204 713	225 200 000	788 404 713
Additions	--	--	--
Cost as of December 31, 2020	**563 204 713**	**225 200 000**	**788 404 713**
Accumulated amortization			
Accumulated amortization as of January 1, 2020	**(287 467 603)**	**(206 137 741)**	**(493 605 344)**
Amortization for the year	(28 156 249)	(12 593 534)	(40 749 783)
Total accumulated amortization as of December 31, 2020	**(315 623 852)**	**(218 731 275)**	**(534 355 127)**
Cost			
Cost as of January 1, 2021	**563 204 713**	**225 200 000**	**788 404 713**
Additions	--	--	--
Cost as of December 31, 2021	**563 204 713**	**225 200 000**	**788 404 713**
Accumulated amortization			
Accumulated amortization as of January 1, 2021	**(315 623 852)**	**(218 731 275)**	**(534 355 127)**
Amortization for the year	(28 156 248)	(6 468 725)	(34 624 973)
Total accumulated amortization as of December 31, 2021	**(343 780 100)**	**(225 200 000)**	**(568 980 100)**
Net book value December 31,2021	**219 424 613**	--	**219 424 613**
Net book value December 31,2020	**247 580 861**	**6 468 725**	**254 049 586**

Operating license

As per the country's policies to obtain a license for the cement factory, the General Industrial Development Association approved the issuing of a license to the company on May 21, 2008 in the amount to EGP 281.4 million for the 1st production line with related liability on the company to pay 15% as an advance payment and the residual amount will be paid over 5 equal annual instalments after 1 year from starting production with a maximum of 18 months according to interest rate determined by Central Bank of Egypt (CBE).

The above mentioned value will be also applied for the second line and a 25% will be paid as an advance payment and residual amount will be settled over a period of 3 years according to the interest rate determined by Central Bank of Egypt (CBE).

Electricity contract

Intangible assets represent the value of the contract concluded with the Ministry of Electricity on March 11, 2010, where the Ministry of Electricity identifies the needs of heavy industrial projects and arranges their needs, either through the establishment of new stations or already established ones. The cost of investments will be paid by the company according to what has been determined by the Ministry, which amounted to EGP 217.2 million, where payment has been agreed to be paid as follows:

15% advance payment equivalent to EGP 32.58 million.

120 monthly instalments due on the first of every month from April 2010 amounted by EGP 1.220 million per each instalment.

120 monthly instalments due on the first of every month from February 2011 amounted by EGP 1.342 million per each instalment.

In addition to EGP 8 million for the allocation of two cells of the traditional type, to be paid in four quarterly instalments and the last instalment was due on 1 February 2011.

14. Investments is subsidiaries

The Company has control over all the subsidiaries as listed below:

Company name	Domicile	Share/ Paid - in capital	2021 EGP	2020 EGP	Principal activities	Proportion of ownership interest and voting power held by the Company
1- Andalus Concrete Company	Egypt	99.99%	30 926 807	30 926 807	Concert products, mainly ready mix	99.99%
2- Evolve Investment & Projects Management Company	Egypt	99.99%	16 499 750	16 499 750	Alternative fuel and recycling	99.99%
3- ACC for Management and Trading Company	Egypt	99.99%	49 500	49 500	Providing managerial services	99.99%
Total			**47 476 057**	**47 476 057**		

15. Investments in joint venture

Name of joint venture EGP	Place of incorporation	Proportion of ownership interest and voting power held by the company	2021 EGP	2020 EGP
Andalus Reliance for Mining Company	Egypt	50%	125 000	125 000
Total			**125 000**	**125 000**

16. Inventories

EGP	2021	2020
Raw materials	61 649 387	99 093 696
Packing materials	7 133 235	12 224 129
Spare parts	9 690 202	7 822 772
Work in progress	2 230 592	3 121 477
Finished goods	282 086 306	47 715 582
Total	**362 789 722**	**169 977 656**

The cost of inventory charged to cost of sales amount to EGP 1 666 110 047 (note 5).

17. Trade receivables

EGP	2021	2020
Trade receivables	12 292 593	--
Total	**12 292 593**	**--**

Aging of receivables that are past due but not impaired:

EGP	2021	2020
Less than 30 days	12 292 593	--
Total	**12 292 593**	**--**

For calculating expected credit losses, the Company uses a simplified approach for amounts due from trade receivables.

18. Debtors and other debit balances

EGP	2021	2020
Advance to suppliers	21 433 885	22 574 433
Withholding tax	18 193 239	7 130 884
Value added tax	6 782 626	6 994 687
Real estate tax	1 572 127	--
Deposit with others	79 568 635	78 811 267
Employees' dividends in advance	6 927 441	7 108 042
Letters of guarantee – cash margin	1 564 049	191 043
Cash imprest	2 457 775	2 390 720
Other debit balances	2 137 337	1 020 436
Less:- Impairment in debtors	(1 607 808)	(1 607 808)
Total	**139 029 306**	**124 613 704**

19. Cash and bank balances

EGP	2021	2020
Cash on hand	1 674 655	927 027
Current account – local currency	36 829 760	16 798 510
Current account – foreign currency	9 698 712	10 501 303
Bank deposits *	69 089 841	23 493 309
Total	**117 292 968**	**51 720 149**

* The bank deposit balances include an amount of EGP 1,060,560 a pledged time deposits

20. Authorized and Issued capital

EGP	2021	2020
Par value per share	2	2
Number of ordinary shares authorized, issued and fully paid	378 739 700	378 739 700
Issued capital	**757 479 400**	**757 479 400**

21. Legal reserve

In accordance with the Companies' Law No.159 of 1981 and the Company's Articles of Incorporation, 10% of annual net profit is transferred to legal reserve. The entity shall cease such transfer when the legal reserve reaches 50% of the issued capital. The legal reserve is not eligible for distribution to shareholders.

22. Retained earnings

EGP	2021	2020
Balance at beginning of year	**37 734 467**	**164 024 227**
Total comprehensive income for the year	27 123 479	(116 213 393)
Transfer to legal reserve	--	(3 009 945)
Payment of dividends	(7 108 043)	(7 066 422)
Balance at end of year	**57 749 903**	**37 734 467**

23. Borrowings

	Current		Non-current	
EGP	2021	2020	2021	2020
First: Credit facilities				
Credit facilities – CIB	240 386 963	340 110 399	--	--
Total Facilities	**240 386 963**	**340 110 399**	--	--
Second: Bank loans				
Bank loans – CIB	45 900 000	30 600 000	153 000 000	198 900 000
Net Loans – CIB (A)	**45 900 000**	**30 600 000**	**153 000 000**	**198 900 000**
Bank loans – EBRD	68 434 781	68 565 216	119 760 907	188 554 349
Net Loans – EBRD (B)	**68 434 781**	**68 565 216**	**119 760 907**	**188 554 349**
Total Loans (A+B)	**114 334 781**	**99 165 216**	**272 760 907**	**387 454 349**

On December 3, 2018 two borrowing contracts have been signed with Commercial international Bank "CIB" (Egypt) S.A.E a joint stock company as the "Lending Bank" and "Security agent", and European Bank for Reconstruction and Development "EBRD" and according to these contracts the lending banks have agreed to each enter into separate agreement with the company (borrower) to refinance part of the borrower loans from NBE.

In light of the above, the lending banks agreed to the following:

First: Commercial international bank (CIB) -Security agent

Bank has agreed to extend the borrower facility packages for EGP 705 Million comprising two tranches as follows:

1. Tranche (A) facility not exceeding EGP 225 Million with interest rate at CBE Overnight offer rate plus the margin of 2% .in the form of medium loan for the purpose of (1) refinancing EGP 230 Million existing medium-term loan provided by NBE granted to the borrower to finance the investment cost related to the second coal mill, a bucket elevator for line 1 and the bypass dust dosing system; and (2) refinancing EGP25 million of outstanding amounts owed to the NBE by the borrower under the Egyptian pollution abatement "EPAP".
2. Tranche (B) facility not exceeding EGP 450 million in the form of multipurpose renewable facility available in local and foreign currencies for the purpose of financing the company`s working investments needs and refinancing the company outstanding working capital facility at NBE
   Thus the company shall repay the Tranche (A) loan to the lender in (23) quarterly unequal instalments starts from 31 December 2019 and ends on 30 June 2025, and the Borrowing contract obligates the company with the following securities:
   - Conclude first-degree pledge on each of the facility accounts in favour of the lender for itself and the lending banks thereon by no later than five days from the contract date.
   - Conclude in favour of the lender, for itself and on behalf of the lending banks a first degree real-estate mortgage on the land and the buildings and other real property of the borrower that are built thereon by no later than six months from the date of the issuance of the relevant power of attorney in favour of the lender and by no later than 30 September 2019.The borrower shall add any buildings to be added to the aforementioned mortgage. Moreover, until the date of the financial statements, the procedures for mortgage have not been completed for the bank.
   - Conclude in favour of the lender, for itself and on behalf of the lending banks a first degree mortgage over the tangible and intangible assets of the borrower including machinery and equipment, goodwill and industrial property rights related to the borrower's assets, no later than the date falling (1) month from the date of the insurance of the relevant power of attorney in favour of the lender and by no later than 30 April 2019.
   - Issue irrevocable powers of attorney authorizing the Lender, for itself and on behalf of the lending banks, to conclude and register each of the Mortgages.
   - Endorsement of the Borrower's all-risk insurance policy/policies in favour of the lender for itself and on behalf of the lenders in all assets in no more than (2) weeks from the date of this agreement, covering not less than 110% of the loans extended to the borrower by the lending banks.
   - Not to distribute dividends unless the Borrower is in compliance with all financial covenants pre and post distribution and no occurrence of the event of default would be caused as a result of said distribution.
   - The borrower undertakes that the financial leverage ratio shall not to exceed (2) in the financial year of 2019 and (1.5) thereafter throughout the remaining tenor of the facility.
   - The Borrower undertakes that the debt service ratio "DSR" shall not to fall below (1.3) throughout the tenor of the facility.
   - The Borrower undertakes that the capital expenditures in excess of EGP 100m. annually to be financed through equity injections and/or subordinated shareholders subject to the Lender's notification and presenting a revised business plan. the aforementioned is subject to the Borrower's compliance with all financial covenant for the fiscal year and will not be breach of any financial covenants as a result of such capital expenditures.
   - The Borrower undertakes that the Net financial Debt to EBITDA shall not exceed 2.5x.
   - The main shareholder undertakes an irrevocable and unconditional undertaking not to waive any portion of the controlling interest that is less than 50% plus (1) share without obtaining the bank's prior written consent.

Second: European Bank for Reconstruction and Development "EBRD"

As mentioned above, a financing contract was signed with the European Bank on 3 December 2018. Under this contract, the Bank agreed to lend the company a sum of not more than $ 25 million with interest calculated at the Six-month Libor plus a Margin 4.35% for the purpose of refinancing the current debtor's debt in US dollars, which was partially used for the following purposes:

A- As a facilitation of funding for Lack of investments related to energy efficiency.

B- Financing and renewing the current cement production plan.

Commitments to the Loan Contract other than the guarantees and undertakings referred to above include:

- The Borrower undertakes that the debt service ratio "DSR" shall not to fall below 1:3.
- The Borrower undertakes that net bank debt shall not exceed 2.5 times the net profit before revenue, taxes, depreciation and depreciation.
- The Borrower undertakes that the net bank debt not to exceed the (1.3) times the equity.

According to the loan agreement with the European Bank, the Borrower has agreed to provide an additional grant of no more than 17% of the costs associated with the design, supply, installation and operation of the items to be financed and provided for in the contract or EUR 170,000 whichever is lower. During the month of January 2020, the company obtained a grant of 170,000 euros in accordance with the loan contract, equivalent to an amount of 3 074 212 Egyptian pounds. The grant has been treated according to the Egyptian accounting standard Number (12) by using revenue accounting for the grant as it recoded as deferred revenues on the other credit balances and to be recorded on the statement of profit or loss for the remaining useful life of the related asset. (note 28).

In accordance with the previous contract with the National Bank of Egypt (NBE) dated 30 June 2013, this contract included the fact that the Borrower has 20% of the amount of financing granted by the Bank after full filament of several conditions which were fully met during 2018. Thus the grant which is with total amount of EGP 13.6 million has been treated according to the Egyptian accounting standard Number (12) by using revenue accounting for the grant as it recoded as deferred revenues on the other credit balances and to be recorded on the statement of profit or loss for the remaining useful life of the related asset (Alternative fuel line). (note 28)

The previous mortgage in favour of the National Bank of Egypt (NBE) has been cancelled on company commercial register on February 24, 2019.

24. Trade and notes payable

	Current		Non-current	
EGP	2021	2020	2021	2020
Local trade payable	382 112 281	259 997 582	--	--
Foreign trade payable	271 315 966	181 838 866	--	--
Notes payable*	3 411 122	3 794 873	7 610 691	11 021 813
Total	**656 839 369**	**445 631 321**	**7 610 691**	**11 021 813**

* The value of the notes payable represents the value of the checks issued in favour of City Gas, which resulted from the settlement of the previous dispute with the company regarding the differences in gas consumption, and a settlement in 2020 agreement was reached whereby the company charged 19 847 553 EGP, which was paid with notes payables until 2025 recognized at net present value, The undiscounted value of the notes payables obligation at the end of the year amounted to EGP 14 847 553, and these amount have been charged to other general and administrative expenses.

25. Provisions

EGP	Provision for claims
Balance at 1 January 2021	**17 308 714**
Additional provisions recognized	7 200 018
Used during the year	(70 909)
Balance at 31 December 2021	**24 437 823**

Management annually reviews and adjusts these provisions based on the latest developments, discussions and agreements with the involved parties.

26. Other liabilities

	Current		Non-current	
EGP	2021	2020	2021	2020
Electricity contract	--	769 250	--	--
Total	**--**	**769 250**	**--**	**--**

27. Dividends payable

On June 10, 2020, the company's Ordinary General Assembly meeting approved the profits distribution on the shareholders according to the distributable profits for the financial year ended December 31, 2019. The Ordinary General Assembly was approved by General Authority for Investment and Free Zones (GAFI) on September 1, 2020.

In respect of the current year ended December 31, 2020, the Board of Directors proposed a dividend to the shareholders at the Annual General Meeting according to the below table:

EGP	2021	2020
Net profit for the year	27 123 479	(116 213 393)
Retained earnings at beginning of the year	30 626 424	153 947 860
Distributable net profits	**57 749 903**	**37 734 467**
To be distributed as follows:		
Legal reserve	2 712 348	--
Profit attributable to employees – note (18)	6 927 441	7 108 042
Retained earnings at end of the year	**48 110 114**	**30 626 425**

28. Creditors and other credit balances

EGP	2021	2020
Advances from customers	67 317 657	57 765 886
Accrued expenses	11 700 407	10 099 030
Accrued development fees	11 290 171	12 423 454
Accrued customers rebates	54 422 249	64 339 746
Accrued taxes	8 715 319	6 936 356
Accrued interest	1 427 344	1 992 014
Deferred Revenue - Grant (note 23)	13 240 502	14 272 322
Retention	5 096 330	5 179 130
Total	**173 209 979**	**173 007 938**

29. Financial instruments

29.1 Capital risk management

The Company manages its capital to ensure that will be able to continue as a going concern while maximising the return to stakeholders through the optimisation of the debt and equity balance.

The capital structure of the entity consists of net debt (borrowings and other liabilities, offset by cash and bank balances (note 19) and equity of the Company (comprising issued capital, legal reserve and retained).

The Company is not subject to any externally imposed capital requirements.

The gearing ratio on 31 December 2021 of 49% (see below) decreased mainly due to decrease in debt as a result of repaying part of loans and credit facilities, in addition to an increase in equity due to profits during the year and an increase in cash.

The gearing ratio at the end of the reporting period was as follows:

EGP	2021	2020
Debt (i)	644 028 769	827 499 214
Cash and bank balances	(117 292 968)	(51 720 149)
Net debt	**526 735 801**	**775 779 065**
Equity (ii)	**1 072 969 457**	**1 052 954 021**
Net debt to equity ratio	**49%**	**74%**

(i) Debt is defined as long-and short-term borrowings and other liabilities, as detailed in (note 23, 26 and 32).

(ii) Equity includes all capital, legal reserve and retained earnings of the Company (note 20, 21 and 22).

29.2 Significant accounting policies

Details of the significant accounting policies and methods adopted, including the criteria for recognition, the basis of measurement and the basis on which income and expenses are recognised, in respect of each class of financial asset, financial liability and equity instrument are disclosed in note 2.15 Financial instruments.

29.3 Categories of financial instruments

EGP	2021	2020
Financial assets (i)		
Cash and bank balances (note 19)	117 292 968	51 720 149
Trade receivables (note 17)	12 292 593	--
Other debit balances –deposits with others (note 18)	79 568 635	78 811 267
Financial liabilities (ii)		
Loans current and non-current (note 23)	387 095 688	486 619 565
Credit facilities (note 23)	240 386 963	340 110 399
Other liability (note 26)	--	769 250
Finance lease (note 32)	16 546 118	--
Trade payable (note 24)	664 450 060	456 653 134
Creditors and other credit balances (note 28)	13 266 745	12 091 044

(i) A total of EGP 437 million (2020: EGP 239 million) of other current assets does not meet the definition of a financial asset.

(ii) A total of EGP 534 million (2020: EGP 504 million) of other current and non-current liabilities does not meet the definition of a financial liability.

29.4 Financial risk management objectives

In the course of its business, the Company is exposed to a number of financial risks. This note presents the Company objectives, policies and processes for managing its financial risks and capital. These risks include market risk (including currency risk, and interest rate risk), credit risk and liquidity risk. The Company seeks to minimise the effects of these risks mainly through operational and finance activities.

29.5 Market risk

The Company's activities expose it primarily to the financial risks of changes in foreign currency exchange rates (see note 29.6 below) and interest rates (see note 29.7 below).

29.6 Foreign currency risk management

The Company undertakes certain transactions denominated in foreign currencies. Hence, exposures to exchange rate fluctuations arise. The currencies, in which these transactions primarily are denominated, are U.S. Dollar (USD), and Euro (EUR).

The Company's main foreign exchange risk arises from purchases of raw materials in foreign currency and the USD loans used to finance the construction of the production facility (the Cement Plant) of the Company.

The following table shows the carrying amounts of borrowings (EBRD loan), at the end of the reporting period, in the major currencies in which they are issued.

Borrowings

EGP	2021	2020
USD	188 195 688	257 119 565
Total	**188 195 688**	**257 119 565**

At the end of the reporting period, the carrying amounts of the Company's major foreign currency denominated monetary assets (mainly receivables and cash at banks) and monetary liabilities (mainly foreign suppliers and due to related parties), at which the entity is exposed to currency rate risk, are as follows:

EGP	Liabilities		Assets	
	2021	2020	2021	2020
Currency-USD	459 511 654	438 958 431	88 021 881	31 122 727
Currency-EUR	--	--	3 493	10 918

29.6.1 Foreign currency sensitivity analysis

As discussed above, the Company is mainly exposed to the U.S. Dollar (USD), and Euro (EUR) arising from purchases of raw materials in foreign currency and the USD loans used to finance the construction of the production facility (the Cement Plant) of the Company.

The following table details the entity's sensitivity to a 10% increase and decrease in EGP against the relevant foreign currencies. The (10%) is the sensitivity rate used when reporting foreign currency risk internally to key management and represents management's assessment of the reasonably possible change in foreign exchange rates. The sensitivity analysis includes only outstanding foreign currency denominated monetary items and adjusts their translation at the period end for a 10% change in foreign currency rates.

The sensitivity analysis includes outstanding borrowings, cash at bank, trade receivables, other debit balances, due to related parties and foreign suppliers within the entity.

A positive number below indicates an increase in profit or equity where the EGP strengths 10% against the relevant currency. For a 10% weakening of the EGP against the relevant currency, there would be a comparable impact on the profit or equity, and the balances below would be negative.

EGP	Currency USD Impact		Currency EUR Impact	
	2021	2020	2021	2020
Profit or loss	37 148 977	40 783 570	349	1 092

29.7 Interest rate risk management

The Company is exposed to interest rate risk because entities in the entity borrow funds at floating interest rates.

29.7.1 Interest rate sensitivity analysis

The sensitivity analyses below have been determined based on the exposure to interest rates for non-derivative instruments at the end of the reporting period. For floating rate liabilities, the analysis is prepared assuming the amount of liability outstanding at the end of reporting period was outstanding for the whole year. A '100 basis point' (1%) increase or decrease is used when reporting interest rate risk internally to key management personnel and represents management's assessment of the reasonably possible change in interest rates.

If interest rates had been 100 basis points higher / lower and all other variables were held constant, the entity's profit for the year ended 31 December 2021 would decrease / increase by EGP 6 440 288 million (2020: decrease / increase by EGP 8 267 300 million). This is mainly attributable to the entity's exposure to interest rates on its variable rate borrowings.

29.8 Credit risk management

Credit risk refers to the risk that a counterparty will default on its contractual obligations resulting in financial loss to the Company. The Company credit risk arises from transactions with counterparties, mainly individual customers and corporations. The Company is dealing with creditworthy counterparties and obtaining sufficient collateral, where appropriate, as a means of mitigating the risk of financial loss from defaults.

The Company's exposure to credit risk is, to a great extent, influenced by the individual characteristics of each customer. Risk control assesses the credit quality of the customer, taking into account its financial position, past experience, other publicly available financial information, its own trading records and other factors, where appropriate, as a means of mitigating the risk of financial loss from defaults. The entity's exposure is continuously monitored and the aggregate value of transactions concluded is spread amongst approved counterparties.

Trade receivables do not consist of a large number of customers. The Company does not have any significant credit risk exposure to any single counterparty or any Company of counterparties having similar characteristics. The Company defines counterparties as having similar characteristics if they are related entities.

The carrying amount of financial assets recorded in the financial statements, which is net of impairment losses, represents the Company's maximum exposure to credit risk without taking account of the value of any collateral, if any.

29.9 Liquidity risk management

Ultimate responsibility for liquidity risk management rests with the Board of Directors, which has established an appropriate liquidity risk management framework for the management of the entity's short, medium and long-term funding and liquidity management requirements. The entity manages liquidity risk by maintaining adequate reserves, banking facilities and reserve borrowing facilities, by continuously monitoring forecast and actual cash flows and matching the maturity profiles of financial assets and liabilities.

	Due in 1 year		Due more than year and less the 3 years		Due more than 3 years	
	2021	2020	2021	2020	2021	2020
Loans	114 334 781	99 165 216	272 760 907	351 754 349	--	35 700 000
Lease liability	9 566 342	--	6 979 776	--	--	--
Trade and notes payables	656 839 369	445 631 321	7 610 691	9 232 817	--	1 788 996
Credit Facilities	240 386 963	340 110 399	--	--	--	--
creditors and other credit balances	13 266 745	12 091 044	--	--	--	--

29.10 Fair value measurement

Management considers that the carrying amounts of financial assets and financial liabilities recognised in the separate financial statements approximate their fair values.

30. Related party transactions

A party (a company or individual) is related to an entity if:

a) Directly, or indirectly through one or more intermediaries, the party:

i. controls, is controlled by, or is under common control with, the entity (this includes parents, subsidiaries and fellow subsidiaries);

ii. Has an interest in the entity that gives it significant influence over the entity; or

iii. Has joint control over the entity;

b) The party is an associate of the entity or a joint venture in which the entity is a venture (both defined in EAS 43 Investments in Associates and Joint Ventures);

c) The party is a member of the key management personnel of the entity or its parent;

d) The party is a close member family of any individual referred to in (a) or (b);

e) The party is an entity that is controlled, jointly controlled or significantly influenced by, or which significant voting power in such entity resides with, directly or indirectly, any individual referred to in (a) or (b); or

f) The party is a post-employment benefit plan for the benefit of employees of the entity, or of any entity that is related party of the entity.

During the year, entity entities entered into the following transactions with related parties:

EGP	Relation type	Transaction nature	Volume of the transactions 2021	2020
Andalus Concrete Company	Subsidiary	Sales	4 940 597	9 520 571
ACC for Management and Trading Company	Subsidiary	Services	57 903 300	53 029 344
Evolve Investment & Projects Management Company	Subsidiary	Purchases	12 626 696	12 623 702
Cementos La Union-Spain company	Subsidiary of the parent	Services	2 206 910	3 791 258
Cementos La Union-Spain company	Subsidiary of the parent	Sales	109 647 988	--
Andalus Reliance for Mining Company	Joint Venture	Purchases	39 636 049	30 543 712

The following balances were outstanding at the end of the reporting period:

EGP	Due from related parties 2021	Due from related parties 2020	Due to related parties 2021	Due to related parties 2020
Andalus Concrete Company	13 075 840	13 187 492	--	--
Evolve Investment & Projects Management Company	2 681 124	5 338 890	--	--
ACC for Management and Trading Company	1 911 559	4 426 634	--	--
Cementos La Union – Spain Company	--	--	2 229 273	1 818 586
Andalus Reliance for Mining Company	--	--	8 221 106	1 922 249
Total	**17 668 523**	**22 953 016**	**10 450 379**	**3 740 835**

- Andalus Concrete Company purchases cement materials and products from Arabian Cement Company, which are used for manufacturing and trading concrete and construction materials.
- ACC for Management and Trading Company renders managerial services for Arabian Cement Company.
- Cementos La Union – Spain renders technical support services for Arabian Cement Company.
- Andalus Reliance for Mining Company supplied the raw materials for Arabian Cement Company.
- Evolve Investment & Projects Management Company supplied the raw materials for Arabian Cement Company.

31. Contingent liability

Contingent liabilities during the year amounted to USD 1.3 million, which is represented by the value of letters of guarantee issued by the Commercial International Bank.

32. Lease

32.1 Right of Use

EGP	Land and buildings	Total
Cost		
Cost as of January 1, 2021	--	--
Additions during period	22 486 750	22 486 750
Cost as of December 31, 2021	22 486 750	22 486 750
Less: - Accumulated amortization		
Accumulated amortization as of January 1, 2021	--	--
Amortization for the period	4 935 960	4 935 960
Total accumulated amortization as of December 31, 2021	4 935 960	4 935 960
Net book value December 31, 2021	17 550 790	17 550 790

The interest rate used is 9.25% and the lease term is between 2 and 5 years

32.2 Financial lease liability.

Financial lease liability recognized in the statement of financial position

	Current		Non-current	
EGP	2021	2020	2021	2020
lease liability	9 566 342	--	6 979 776	--
TOTAL	**9 566 342**	--	**6 979 776**	--

The lease interest cost during period amounted to EGP 2 488 513 (refer to note 7).

Amount EGP	2021	2020
Beginning balance	--	8 540
Additions	19 998 237	--
Interest expenses	2 488 513	--
Repayment of finance leasing	(5 940 632)	(8 540)
Ending Balances	**16 546 118**	--

33. Capital Commitments

No capital commitment for the year ended 31 December 2021.

34. Other income

The other income included an amount of EGP 28.8 million represents compensation from the insurance company due to suspension of production line no 1.

35. Tax position

Corporate income tax

The profits of the company are subject to tax on the income in accordance with the provisions of the Income Tax Law No. 91 of 2005.

The Company was enjoying a tax exemption for a period of 5 years starting from the fiscal year following the start-up of the production of the Company's operation. This period was determined by the General Authority for Free Zones and Investments to start from April 22, 2008, consequently, the Company was exempted from corporate tax for the period from January 1, 2009 till December 31, 2013.

-The tax return for the year 2005 was approved by the tax authority.

The years for 2006 to 2008 was inspected. The tax differences have been transferred to the Committee of Dispute Resolution. The dispute was resolved in a compromise with the key taxpayer center.

The year for 2009 not requested for inspection.

The year for 2010 was inspected and all due taxes settled.

Regarding the years from 2011 and 2012, the company was notified of the form 19, on deemed basis, and an appeal was made. A decision was issued to re-examine the company's actual accounts by the tax authority, the actual inspection has been completed by the tax authorities, and the result of the re-inspection not communicated yet.

Regarding the years from 2013 to 2016, the company was notified with a form 19, on deemed basis, and an appeal was made, and a decision was issued to re-examine the company's actual accounts by the tax authority. A request for reconciliation was submitted to the Tax authority, the actual inspection has been completed by the tax authorities, and the result of the re-inspection not communicated yet.

The years from 2017 till 2020, the Company submits its tax return and paid due taxes on due date and no tax inspection performed on those years.

Sales tax and VAT

The sales tax was inspected and settled until 31 December 2015.

Currently documents are being prepared for inspection of the years from 2016 to 2020.

The Company submits its sales tax / VAT returns for 2021 in their due dates.

Stamp tax

Stamp tax was inspected till 2019, and all taxes were settled.

The year 2020 have not been inspected yet..

Payroll tax

Payroll tax was inspected, and taxes were settled until 2014.

The years from 2015/2019 the documents and analysis for examination are under processing.

The tax return was submitted on the electronic system of the Egyptian Tax Authority for the years 2020/2021, as well as the submission of quarterly returns on the due dates.

Real estate tax

The value of the real estate tax claims until 2020 on the company's factory in Suez amounted to 5,427,873 EGP, and the company has paid 7 million pounds, and the company has a debit balance of EGP 1,527,127.

The Tax Authority estimated a real estate tax on the company's administrative building in Cairo Governorate at EGP 403 920, and this estimate was challenged. The Appeal Committee issued its decision to reduce the tax to EGP 256,000 for the years 2020/2021. The company appealed the decision before the Court of Justice administrative.

Development fee

The Company pays the due development fee for the cement produced from local clinker only. The Company has received claims for the payment of development fee differences, represented as follows:

The development fee due and the delay penalties have been paid until 2016.

The company was claimed for the development fee difference for the year 2017 and 2018 in the amount of EGP 3,783,062 and the file was referred to the Appeal Committee. The decision of the Appeal Committee was issued for the year 2018, whereby the company is owed a tax of EGP 94,860, and there is still a dispute over the development fee due for the year 2017, amounting to EGP 1,196,265.

The Company paid all development fees on cement produced from local clinker till December 2021.

Withholding Tax

- The company was inspected for the years 2013/2016 and the tax has been paid.
- The company pay the withholding tax amounts on a regular basis every 3 months.

36. Approval of financial statements

The separate financial statements were approved by the directors and authorized for issue on February 27, 2022.

Sergio Alcantarilla Rodriguez	**Salvador Lopez**
Chief Executive Officer	Chief Financial Officer