

**Arabian Cement Company S.A.E.
Consolidated Financial Statements
Together with Auditor's Report
For the year ended December 31, 2022**

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Auditor's Report

To: The Shareholders of Arabian Cement Company
An Egyptian Joint Stock Company

Report on the Consolidated Financial Statements

We have audited the accompanying consolidated financial statements of Arabian Cement Company SAE, which comprise the consolidated statement of financial position as of December 31, 2022, and consolidated 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 Consolidated Financial Statements

The consolidated financial statements are the responsibility of the company's management. Management is responsible for the preparation and fair presentation of these consolidated 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 consolidated 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 consolidated 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 consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the 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 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 consolidated 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 consolidated financial statements.

Opinion

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the consolidated financial position of Arabian Cement Company as of December 31, 2022, and the results of its consolidated operations and its consolidated cash flows for the year then ended in accordance with Egyptian Accounting Standards and the applicable Egyptian laws and regulations.

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 consolidated financial statements are in agreement thereto. The company maintains proper cost accounts 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 22, 2023


Wafik Alfred Hanna
FESAA, CPA – (R.A.A 9176)



Arabian Cement Company (S.A.E.)
Consolidated Statement of Financial Position
as of December 31, 2022

	Note No.	<u>December 31, 2022</u> <u>EGP</u>	<u>December 31, 2021</u> <u>EGP</u>
Assets			
Non-current assets			
Property, plant and equipment (net)	(11)	1 839 104 558	2 019 945 189
Assets under construction	(12)	3 952 133	3 261 312
Intangible assets (net)	(13)	191 268 364	219 424 613
Other assets (net)	(14)	--	--
Right of use assets (net)	(32)	12 992 066	17 631 358
Investment in a joint venture	(15)	2 569 276	2 523 361
Total non-current assets		2 049 886 397	2 262 785 833
Current assets			
Inventories	(16)	624 486 267	369 730 638
Trade receivables (net)	(17)	79 554 875	58 876 151
Debtors and other debit balances (net)	(18)	235 320 162	153 272 743
Due from related parties	(30)	76 140	--
Cash and bank balances	(19)	818 442 022	128 250 456
Total current assets		1 757 879 466	710 129 988
Total assets		3 807 765 863	2 972 915 821
Equity and liabilities			
Equity			
Issued and paid-up capital	(20)	757 479 400	757 479 400
Legal reserve	(21)	260 543 120	257 830 772
Retained earnings	(22)	145 003 980	45 625 489
Equity attributable to owners of the Parent Company		1 163 026 500	1060 935 661
Non-controlling interests	(23)	38 121	38 681
Total Equity		1163 064 621	1060 974 342
Liabilities			
Non-current liabilities			
Borrowings	(24)	177 476 090	272 760 907
Deferred tax liabilities	(9-3)	266 201 710	301 472 827
Lease liabilities	(32)	6 724 129	6 979 776
Notes payable	(25)	4 544 514	7 610 691
Total non-current liabilities		454 946 443	588 824 201
Current liabilities			
Trade and notes payable	(25)	847 567 285	693 703 628
Credit facilities	(24)	360 644 205	240 386 963
Current income tax liability	(9-2)	198 386 556	43 280 867
Current portion of long term borrowings	(24)	163 534 780	114 334 781
Lease liabilities	(32)	6 411 505	9 566 342
Creditors and other credit balances	(28)	299 002 000	184 254 394
Due to related parties	(30)	369 246	11 792 907
Dividends payable	(27)	249 968 203	--
Provisions	(26)	63 871 019	25 797 396
Total current liabilities		2 189 754 799	1 323 117 278
Total Liabilities		2 644 701 242	1 911 941 479
Total equity and liabilities		3 807 765 863	2 972 915 821

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

Sergio Alcantarilla Rodriguez
Chief Executive Officer

Salvador Lopez
Chief Financial Officer

- Auditor's report attached.




Arabian Cement Company (S.A.E)
Consolidated Statement of profit and loss
for the year ended December 31, 2022

	Note No.	<u>December 31, 2022</u>	<u>December 31, 2021</u>
		<u>EGP</u>	<u>EGP</u>
Sales (net)	(4)	4 675 002 824	2 448 631 353
Cost of sales	(5)	(3 789 816 211)	(2 281 083 584)
Gross profit		885 186 613	167 547 769
 <u>Add/(deduct):</u>			
General and administrative expenses	(6)	(114 977 983)	(81 070 460)
Provisions	(26)	(111 939 885)	(7 368 018)
Bad debts		(6 681)	--
Expected credit losses on trade receivables	(17)	(700 000)	--
Interest income		9 967 780	743 822
Other income	(34)	104 227 501	46 323 288
Finance costs	(7)	(58 081 220)	(70 126 214)
Gain on disposal of property, plant and equipment		200 000	120 000
Share of profit of a joint venture		45 915	68 872
Foreign currency exchange differences		(192 058 477)	(1 060 989)
Net profit for the year before tax		521 863 563	55 178 070
Income tax	(9-1)	(162 877 642)	(20 988 687)
Net profit for the year after tax		358 985 921	34 189 383
 Profit attributable to:			
Owners of the Parent Company	(22)	358 986 481	34 181 810
Non-controlling interests	(23)	(560)	7 573
		358 985 921	34 189 383
 Earnings per share	 (10)	 0.93	 0.07

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

Sergio Alcantarilla Rodriguez
Chief Executive Officer



Salvador Lopez
Chief Financial Officer



*Translation of the consolidated financial statements
originally issued in Arabic*

Arabian Cement Company (S.A.E)
Consolidated Statement of Comprehensive Income
for the year ended December 31, 2022

	<u>December 31, 2022</u>	<u>December 31, 2021</u>
	<u>EGP</u>	<u>EGP</u>
Net profit for the year after tax	358 985 921	34 189 383
Items of other comprehensive income	--	--
Comprehensive income for the year	358 985 921	34 189 383

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

Sergio Alcantarilla Rodriguez
Chief Executive Officer



Salvador Lopez
Chief Financial Officer



Arabian Cement Company (S.A.E)

**Consolidated Statement of Changes in Shareholders' Equity
for the year ended December 31, 2022**

	Issued and paid-up capital		Legal reserve		Retained earnings		Attributable to the owners of the Parent Company		Non-controlling interests		Total	
	EGP	EGP	EGP	EGP	EGP	EGP	EGP	EGP	EGP	EGP	EGP	EGP
Balance as of January 1, 2021	757 479 400	257 830 772	18 551 721	1033 861 893	31 108	1033 893 001						
Total comprehensive income for the year	--	--	34 181 810	34 181 810	7 573	34 189 383						
Dividends distributed to employees	--	--	(7 108 042)	(7 108 042)	--	(7 108 042)						
Balance as of December 31, 2021	757 479 400	257 830 772	45 625 489	1 060 935 661	38 681	1 060 974 342						
Balance as of January 1, 2022	757 479 400	257 830 772	45 625 489	1 060 935 661	38 681	1 060 974 342						
Transferred to legal reserve	--	2 712 348	(2 712 348)	--	--	--						
Total comprehensive income for the year	--	--	358 986 481	358 986 481	(560)	358 985 921						
Dividends distributed to shareholders	--	--	(249 968 203)	(249 968 203)	--	(249 968 203)						
Dividends distributed to employees	--	--	(6 927 439)	(6 927 439)	--	(6 927 439)						
Balance as of December 31, 2022	757 479 400	260 543 120	145 003 980	1 163 026 500	38 121	1 163 064 621						

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

Sergio Alcantarilla Rodriguez
Chief Executive Officer



Salvador Lopez
Chief Financial Officer



Arabian Cement Company (S.A.E)
Consolidated Statement of Cash flow
for the year ended December 31, 2022

<u>Note No.</u>	<u>December 31, 2022</u>	<u>December 31, 2021</u>
	<u>EGP</u>	<u>EGP</u>
<u>Cash flows from operating activities</u>		
Net profit for the year before tax	521 863 563	55 178 070
<u>Adjusted by:</u>		
Finance costs	(7) 58 081 220	70 126 214
Interest income	(9 967 780)	(743 822)
Share of profit of a joint venture	(45 915)	(68 875)
Expected credit losses on trade receivables	700 000	--
Gain on disposal of property, plant and equipment	(200 000)	(120 000)
Depreciation of property, plant and equipment	(11) 208 215 007	217 929 493
Amortization of intangible assets	(13) 28 156 249	34 624 973
Amortization of right of use assets	(32) 5 568 129	5 902 848
Unrealized foreign currency exchange losses from borrowings	69 698 047	239 720
Provisions	(26) 111 939 885	7 368 018
	994 008 405	390 436 639
(Increase) in inventories	(254 755 629)	(193 260 147)
(Increase) in debtors and other debit balances	(105 708 432)	(16 888 662)
(Increase) in trade receivables	(21 378 724)	(42 423 862)
(Increase) in amounts due from related parties	(76 140)	--
Increase in creditors and other credit balances	111 987 885	3 172 153
Increase in trade and notes payable	150 208 602	217 251 339
(Decrease) increase in amounts due to related parties	(11 423 661)	5 025 874
Provisions used	(26) (73 866 262)	(70 909)
Cash flows generated from operating activities	788 996 044	363 242 425
Finance costs paid**	(53 673 411)	(69 561 544)
Current income tax paid	(19 382 057)	(438 220)
Net cash flows generated from operating activities	715 940 576	293 242 661
<u>Cash flows from investing activities</u>		
Payments for purchase of property, plant and equipment	(27 374 376)	(19 208 760)
Proceeds from disposal of property, plant and equipment	200 000	120 000
Payments for assets under construction	(690 821)	--
Interest income received	9 967 780	743 822
Net cash flows used in investing activities	(17 897 417)	(18 344 938)
<u>Cash flows from financing activities</u>		
Net change in borrowings	(115 782 865)	(99 165 217)
Payment of operation license and electricity liability	--	(769 250)
Net change in credit facilities	120 257 242	(99 723 436)
Repayment for lease liabilities	(5 398 531)	(6 914 249)
Dividends paid*	(6 927 439)	(7 108 042)
Net cash flows used in financing activities	(7 851 593)	(213 680 194)
Net change in cash and cash equivalents during the year	690 191 566	61 217 529
Cash and cash equivalents at the beginning of the year	128 250 456	67 032 927
Cash and cash equivalents at the end of the year	(19) 818 442 022	128 250 456

Non-cash transactions

*On December 15, 2022, the Ordinary General Assembly of the Company has approved to distribute dividends for the shareholders amounted to EGP 249 968 203 for the results of the period ended September 30, 2022. The approved amount has not been paid as of December 31, 2022 and was excluded from the consolidated statement of cash flows.

**An amount of EGP 4 407 809 was excluded from finance costs paid during the year at the consolidated statement of cash flows which represent the total of the followings:

- Accrued interest expenses for the borrowings amounted to EGP 2 759 721 (note 28)
- Interest expenses for the notes payable amounted to EGP 588 878 (note 7)
- Interest expenses for the finance lease amounted to EGP 1 059 210 (note 7).

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

Sergio Alcantarilla Rodriguez
Chief Executive Officer



Salvador Lopez
Chief Financial Officer



Arabian Cement Company S.A.E.

Notes to the Consolidated Financial Statements

For the year ended December 31, 2022

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 the provisions of the Investment Law No. 230 of 1989 and the Capital Market Law No. 95 of 1992 according to the Chairman of the General Authority for Investment and Free Zones (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 products. The Company may carry out other projects or amend its purpose according to the Investment Incentives and Guarantees Law.

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.

The principle activities of the Company and its subsidiaries (the Group) are as follows:

- Arabian Cement Company: a cement producer with a clinker capacity of 4.2 million tons per annum that can produce 5 million tons per annum of cement.
- Andalus Concrete Company: a producer of concrete products and other constructions materials. The company owns 99.99% of the issued and paid up capital of Andalus Concrete Company.
- ACC Management and Trading Company: providing managerial restructuring services for companies, transportation of goods, projects management, general trading and preparation of feasibility studies. The Company owns 99% of the issued and paid up capital of ACC Management and Trading Company.
- Evolve for Investment and Project Management Principal Activities is Alternative Fuel - Construct and operate factories for recycling. The Company owns 99.99% of the issued and paid up capital of Evolve for Investment and Project Management.
- Egypt Green for environmental services, clean energy production and development: establishment and operate factory for recycle for the wastes of production and services activity. The Company owns 99.99% of the issued and paid up capital of Egypt Green.

2. Significant accounting policies

2.1 Basis of preparation

The consolidated 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.

2.2 Basis of consolidation

The consolidated financial statements of the Group incorporate the financial statements of the Parent Company and entities controlled by the Parent Company (its subsidiaries). Control is achieved when the Company:

- has power over the investee;
- is exposed, or has rights, to variable returns from its involvement with the investee; and
- has the ability to use its power to affect its returns.

The Company reassesses whether or not it controls an investee if facts and circumstances indicate that there are changes to one or more of the three elements of control listed above.

When the Company has less than a majority of the voting rights of an investee, it has power over the investee when the voting rights are sufficient to give it the practical ability to direct the relevant activities of the investee unilaterally. The Company considers all relevant facts and circumstances in assessing whether or not the Company's voting rights in an investee are sufficient to give it power, including:

- The size of the Company's holding of voting rights relative to the size and dispersion of holdings of the other vote holders;
- Potential voting rights held by the Company, other vote holders or other parties;
- Rights arising from other contractual arrangements; and
- Any additional facts and circumstances that indicate that the Company has, or does not have, the current ability to direct the relevant activities at the time that decisions need to be made, including voting patterns at previous shareholders' meetings.

Consolidation of a subsidiary begins when the Company obtains control over the subsidiary and ceases when the Company loses control of the subsidiary. Specifically, income and expenses of a subsidiary acquired or disposed of during the year are included in the consolidated statement of profit or loss and other comprehensive income from the date the Company gains control until the date when the Company ceases to control the subsidiary.

Profit or loss and each component of other comprehensive income are attributed to the owners of the Company and to the non-controlling interests. Total comprehensive income of subsidiaries is attributed to the owners of the Company and to the non-controlling interests even if this results in the non-controlling interests having a deficit balance.

When necessary, adjustments are made to the financial statements of a group Group to bring its accounting policies into line with the Group's accounting policies.

All intra-group assets and liabilities, equity, income, expenses and cash flows relating to transactions between members of the Group are eliminated in full on consolidation.

Changes in the Group's ownership interests in existing subsidiaries

Changes in the Group's ownership interests in subsidiaries that do not result in the Group losing control over the subsidiaries are accounted for as equity transactions. The carrying amounts of the Group's interests and the non-controlling interests are adjusted to reflect the changes in their relative interests in the subsidiaries. Any difference between the amount by which the non-controlling interests are adjusted and the fair value of the consideration paid or received is recognised directly in equity and attributed to owners of the Parent Company.

When the Group loses control of a subsidiary, the profit or loss on disposal is calculated as the difference between (i) the aggregate of the fair value of the consideration received or receivable and the fair value of any retained interest and (ii) the previous carrying amount of the assets (including goodwill), and liabilities of the subsidiary and any non-controlling interests. When assets of the subsidiary are carried at re-valued amounts or fair values and the related cumulative gain or loss has been recognised in other comprehensive income and accumulated in equity, the amounts previously recognised in other comprehensive income and accumulated in equity are accounted for as if the Parent Company had directly disposed of the relevant assets (i.e. reclassified to profit or loss or transferred directly to retained earnings as specified by applicable EASs). The fair value of any investment retained in the former subsidiary at the date when control is lost is regarded as the fair value on initial recognition for subsequent accounting under EAS 47 Financial Instruments or, when applicable, the cost on initial recognition of an investment in an associate or a jointly controlled Group.

2.3 Business combinations

Acquisitions of businesses are accounted for using the acquisition method. The consideration transferred in a business combination is measured at fair value, which is calculated as the sum of the acquisition-date fair values of the assets transferred by the Group, liabilities incurred by the Group to the former owners of the acquiree and the equity interests issued by the Group in exchange for control of the acquiree. Acquisition-related costs are generally recognised in profit or loss as incurred.

At the acquisition date, the identifiable assets acquired and the liabilities assumed are recognised at their fair value at the acquisition date, except that:

- deferred tax assets or liabilities and liabilities or assets related to employee benefit arrangements are recognised and measured in accordance with EAS 24 Income Taxes and EAS 38 Employee Benefits respectively;
- liabilities or equity instruments related to share-based payment arrangements of the acquiree or share-based payment arrangements of the Group entered into to replace share-based payment arrangements of the acquiree are measured in accordance with EAS 39 Share-based Payment at the acquisition date; and
- assets (or disposal groups) that are classified as held for sale in accordance with EAS 32 Non-current Assets Held for Sale and Discontinued Operations are measured in accordance with that Standard.

Goodwill is measured as the excess of the sum of the consideration transferred, the amount of any non-controlling interests in the acquiree, and the fair value of the acquirer's previously held equity interest in the acquiree (if any) over the net of the acquisition-date amounts of the identifiable assets acquired and the liabilities assumed. If, after reassessment, the net of the acquisition-date amounts of the identifiable assets acquired and liabilities assumed exceeds the sum of the consideration transferred, the amount of any non-controlling interests in the acquiree and the fair value of the acquirer's previously held interest in the acquiree (if any), the excess is recognised immediately in profit or loss as a bargain purchase gain.

Non-controlling interests that are present ownership interests and entitle their holders to a proportionate share of the Groups net assets in the event of liquidation may be initially measured either at fair value or at the non-controlling interests' proportionate share of the recognised amounts of the acquiree's identifiable net assets. The choice of measurement basis is made on a transaction-by-transaction basis. Other types of non-controlling interests are measured at fair value or, when applicable, on the basis specified in another EAS.

When the consideration transferred by the Group in a business combination includes assets or liabilities resulting from a contingent consideration arrangement, the contingent consideration is measured at its acquisition-date fair value and included as part of the consideration transferred in a business combination. Changes in the fair value of the contingent consideration that qualify as measurement period adjustments are adjusted retrospectively, with corresponding adjustments against goodwill. Measurement period adjustments are adjustments that arise from additional information obtained during the 'measurement period' (which cannot exceed one year from the acquisition date) about facts and circumstances that existed at the acquisition date.

The subsequent accounting for changes in the fair value of the contingent consideration that do not qualify as measurement period adjustments depends on how the contingent consideration is classified. Contingent consideration that is classified as equity is not re-measured at subsequent reporting dates and its subsequent settlement is accounted for within equity. Contingent consideration that is classified as an asset or a liability is re-measured at subsequent reporting dates in accordance with, where applicable, EAS 26 or EAS 28 Provisions, Contingent Liabilities and Contingent Assets, as appropriate, with the corresponding gain or loss being recognised in profit or loss.

When a business combination is achieved in stages, the Group's previously held equity interest in the acquiree is re-measured to fair value at the acquisition date (i.e. the date when the Group obtains control) and the resulting gain or loss, if any, is recognised in profit or loss. Amounts arising from interests in the acquiree prior to the acquisition date that have previously been recognised in other comprehensive income are reclassified to profit or loss where such treatment would be appropriate if that interest were disposed of. If the initial accounting for a business combination is incomplete by the end of the reporting period in which the combination occurs, the Group reports provisional amounts for the items for which the accounting is incomplete. Those provisional amounts are adjusted during the measurement period (see above), or additional assets or liabilities are recognised, to reflect new information obtained about facts and circumstances that existed at the acquisition date that, if known, would have affected the amounts recognised at that date.

2.4 Investments in a joint venture

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 arrangement, 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 consolidated.

2.5 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 Group 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 Group will allocate the transaction price to each performance obligation in an amount that depicts the amount of consideration to which the Group expects to be entitled in exchange for satisfying each performance obligation.

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

If the consideration promised in a contract include a variable amount, the Group shall estimate the amount of consideration to which the Group 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 Group's entitlement to the consideration is contingent on the occurrence or non-occurrence of a future event.

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

Sales of goods

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

- The Group has a present right to payment for the asset
- The customer has the legal title to the asset
- The Group 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.

Transportation services

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.

2.6 Foreign currencies

The individual financial statements of each subsidiary are presented in the currency of the primary economic environment in which the Group operates (its functional currency).

In preparing the financial statements of each individual group Group, transactions in currencies other than the Group's functional currency (foreign currencies) are recognised at the rates of exchange prevailing 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 the consolidated statement of 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	December 31, 2022		31 December 2021	
	Average	Year end	Average	Year end
1 USD US Dollar	18.99	24.71	15.73	15.74
1 EUR Euro	20.03	26.45	18.59	17.92

2.7 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 the consolidated statement of profit or loss in the period in which they are incurred.

The amount of borrowing costs that the Group 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).

2.8 Employee benefits

2.8.1 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.

2.8.2 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.

2.9 Taxation

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

2.9.1 Current tax

The tax currently payable is based on taxable profit for the year. Taxable profit differs from profit as reported in the consolidated 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 Group's liability for current tax is calculated using tax rates that have been enacted or substantively enacted by the end of the reporting period.

2.9.2 Deferred tax

Deferred tax is recognised on temporary differences between the carrying amounts of assets and liabilities in the consolidated 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.

Such deferred tax liabilities are not recognised if the temporary difference arises from goodwill and no deferred tax assets or liabilities are recognised for temporary differences resulting from the initial recognition (other than in a business combination) of other assets and liabilities in a transaction that affects neither the taxable profit nor the accounting profit.

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 Group 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.

2.9.3 Current and deferred tax for the year

Current and deferred tax are recognised as an expense or income in the consolidated statement of 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.

2.10 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 consolidated 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 Group's accounting policy as described in note 2.7 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 the consolidated statement of profit or loss.

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

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

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

Andalus Ready-Mix Concrete

Buildings	50 years
Machinery and equipment	20 years
Furniture, fixtures and office equipment	16 years
Other installations	5 years
Vehicles	10 years
Computer and software	3 years

Evolve for Investment and Project Management

Furniture, fixtures and office equipment	3 years
Vehicles	10 years
Computer and software	3 years

2.11 Intangible assets

Intangible assets with finite useful lives that are acquired consolidated 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 consolidated 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 the consolidated statement of 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 Group 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 Group 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 Group 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 the consolidated statement of 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 the consolidated statement of 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 the consolidated statement of profit or loss.

2.14 Provisions

Provisions are recognised when the Group has a present obligation (legal or constructive) as a result of a past event, it is probable that the Group 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

Financial assets and liabilities are recognized when the company becomes a party to the contractual terms of the instrument.

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 Group 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 the consolidated statement of 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 Group 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 Group 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 Group 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 Group 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 Group'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 Group'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 Group 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 Group 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 Group'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 the consolidated statement of 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 the consolidated statement of profit or loss. Any gain or loss on de-recognition is recognized in the consolidated statement of 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 the consolidated statement of profit or loss. Other net gains and losses are recognized in OCI. On de-recognition, gains and losses accumulated in OCI are reclassified to the consolidated statement of profit or loss.

Equity investments at FVOCI

These assets are subsequently measured at fair value. Dividends are recognized as income in the consolidated statement of 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 the consolidated statement of 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 the consolidated statement of profit or loss. Any gain or loss on derecognition is also recognized in the consolidated statement of profit or loss.

Derecognition

Financial assets

The Group 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 Group neither transfers nor retains substantially all the risks and rewards of ownership and it does not retain control of the financial asset.

The Group enters transactions whereby it transfers assets recognized in its consolidated 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 Group derecognizes a financial liability when its contractual obligations are discharged or cancelled or expire. The Group 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 the consolidated statement of profit or loss.

Offsetting

Financial assets and financial liabilities are offset, and the net amount presented in the consolidated statement of financial position when, and only when, the Group 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 Group recognizes loss allowances for ECLs on:

- financial assets measured at amortized cost.
- debt investments measured at FVOCI; and
- contract assets.

The company measures allowances for expected credit losses for receivables that are disclosed as trade receivables, debtors and other debit balances.

The Group 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 Group 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 Group 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 Group's historical experience and informed credit assessment and including forward-looking information. The Group assumes that the credit risk on a financial asset has increased significantly if it is more than 90 days past due.

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

- the trade receivable is unlikely to pay its credit obligations to the Group in full, without recourse by the Group 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 Group 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 Group in accordance with the contract and the cash flows that the Group expects to receive). ECLs are discounted at the effective interest rate of the financial asset.

Credit-impaired financial assets

At each reporting date, the Group 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.

Evidences that a financial asset is credit-impaired include observable data about the following events:

- significant financial difficulty of the debtor.
- a breach of contract, such as default of payment.
- the company, for economic or contractual reasons accepted the debtor repayment schedule that the company would not otherwise consider.
- it is becoming probable that the debtor will enter bankruptcy or other financial reorganization

Presentation of expected credit losses in the consolidated financial position

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.

Write-off

A Group shall directly reduce the gross carrying amount of a financial asset when the company has no reasonable expectations of recovering the full amount or portion of the financial asset. The Company expects not to recover a significant portion of the written-off amounts. However, the written-off financial assets may still be subject to enforcement activities in order to comply with the company's procedures for recovery of such receivable balances.

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 consolidated identifiable cash flows (cash-generating units). Impairment is recognized as an expense in the consolidated statement of 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 the consolidated statement of 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.

Lease term

The company shall determine the lease term as the non-cancellable period of a lease with periods covered by an option to extend the lease if the lessee is reasonably certain to exercise that option, and periods covered by an option to terminate the lease if the lessee is reasonably certain not to exercise the option. In assessing whether a lessee is reasonably certain to exercise an option to extend a lease, or not to exercise an option to terminate a lease.

2.17 Grants

Government grants are assistance by government in the form of transfers of resources to an Group in return for past or future compliance with certain conditions relating to the operating activities of the Group. 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 Group

Grants related to assets are government grants whose primary condition is that an Group 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 Group 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 consolidated statement of financial position through recognizes the grant as deferred income that is recognized in the consolidated statement of profit or loss on a systematic basis over the useful life of the asset.

2.18 Segment Reporting

An operating segment is a component of a Group:

- that engages in business activities from which it may earn revenues and incur expenses
- whose operating results are regularly reviewed by the Group's chief operating decision maker to make decisions about resources to be allocated to the segment and assess its performance.
- for which discrete financial information is available.

The Group depends on determining the segments to be presented on the basis of products and services.

3. Critical accounting judgements and key sources of estimation uncertainty

In the application of the Group'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 Revenue recognition

Management takes into account the detailed criteria for recognition of revenue from the sale of goods in accordance with Egyptian Accounting Standard No. (48) "Revenue from contracts with customers", and in particular, whether the Company has transferred to the buyer full control over the sold goods. The additional costs of obtaining a contract with a customer are recognized as an asset if the Group expects to recover those costs, and the costs of fulfilling a contract are recognized as an asset when specific conditions are met.

3.1.2 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 Group's property, plant and equipment at the end of year ended December 31, 2022 amounted to EGP 1 839 104 558 (2021: EGP 2 019 945 189) (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 the consolidated statement of profit or loss for future periods.

3.2.2 Useful lives of intangible assets.

The carrying value of the Group's intangible assets at the end of year ended December 31, 2022 amounted to EGP 191 268 364 (2021: EGP 219 424 613), (note 13). Management's assessment of the useful life of intangible assets 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 the consolidated statement of profit or loss for future periods.

3.2.3 Provisions

The carrying amount of provisions at the end of period ended December 31, 2022 is EGP 63 871 019 (2021: EGP 25 797 396). This amount is based on estimates of future costs for legal cases and other claims in connection with the Company's operations (note 26). As the provisions cannot be determined exactly, the amount could change based on future developments. Changes in the amount of provisions are due to changes in management estimates and are accounted for on a prospective basis and recognized in the period in which the change in estimates arises.

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4. Sales (net)

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

EGP	December 31, 2022	December 31, 2021
Local		
Sales	3 821 544 846	2 054 119 583
Transportation services	103 058 888	92 559 521
	3 924 603 734	2 146 679 104
Export		
Sales	667 514 155	237 809 726
Transportation services	82 884 935	64 142 523
	750 399 090	301 952 249
Total	4 675 002 824	2 448 631 353

5. Cost of sales

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

EGP	December 31, 2022	December 31, 2021
Raw materials	3 118 749 383	1 705 509 969
Manufacturing depreciation	205 958 106	215 824 383
Amortization of Licenses - intangible assets	28 156 249	34 624 973
Amortization of right of use assets	5 487 561	5 902 848
Transportation costs	165 490 092	114 651 406
Overhead costs	265 974 820	204 570 005
Total	3 789 816 211	2 281 083 584

6. General and administration expenses

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

EGP	December 31, 2022	December 31, 2021
Professional services	21 611 801	15 940 420
Salaries and wages	37 393 849	29 372 277
Security and cleaning services	1 410 636	1 415 022
Rentals	131 736	780 775
Transportation costs	3 503 839	1 768 887
Advertising	2 221 255	1 240 353
Administrative depreciation	2 256 901	2 105 110
Other expenses	46 447 966	28 447 616
Total	114 977 983	81 070 460

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7. Finance costs

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

EGP	December 31, 2022	December 31, 2021
Loan interest expense	36 391 375	35 222 555
Electricity agreement interest expense	--	572 750
Finance lease	1 059 210	2 546 832
Finance cost long term notes payable	588 878	205 127
Credit facilities interest expense	20 041 757	31 578 950
Total	58 081 220	70 126 214

8. Compensation of key management personnel

EGP	December 31, 2022	December 31, 2021
Board of Directors allowance	11 847 160	9 818 640
Board of Directors salaries	9 842 844	8 156 994
Total	21 690 004	17 975 634

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

9. Income taxes

9.1 Income tax recognised in the consolidated statement of profit or loss

EGP	December 31, 2022	December 31, 2021
Current income tax		
Current income tax for the year	198 148 759	43 280 867
Deferred tax		
Deferred tax for the year	(35 271 117)	(22 292 180)
Total income tax for the year	162 877 642	20 988 687

9.2 Current tax liabilities

EGP	December 31, 2022	December 31, 2021
Current tax liability (note 9.1)	198 386 556	43 280 867
Current tax liabilities	198 386 556	43 280 867

The average effective tax rate in the year ended 31 December 2022 is 38% (2021: 90%).

9.3 Deferred tax liabilities

Deferred tax liabilities arise from the following:

December 31, 2022	Opening balance	Recognized in profit or loss	Ending balance
EGP			
(Liabilities)			
Temporary differences			
Depreciation of property, plant and equipment and intangible assets	301 472 827	(35 271 117)	266 201 710
Net deferred tax liability	301 472 827	(35 271 117)	266 201 710

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December 31, 2021 EGP	Opening balance	Recognized in profit or loss	Ending balance
(Liabilities)			
Temporary differences			
Depreciation of property, plant and equipment and intangible assets	323 765 007	(22 292 180)	301 472 827
Net deferred tax liability	323 765 007	(22 292 180)	301 472 827

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:

EGP	December 31, 2022	December 31, 2021
Earnings (for basic and diluted earnings per share)		
Net profit for the year attributable to owners of the parent	358 986 481	34 181 810
Employees' share in the dividends (note 18)	(7 063 780)	(6 927 441)
Distributable net profit for the year	351 922 701	27 254 369
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	0.93	0.07

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11. Property, plant and equipment (net)

EGP	Freehold land	Buildings	Vehicles	Machinery and Equipment	Furniture and fixtures	Other installations	Computers and software	Total
Cost								
Balance at January 1, 2021	50 243 436	636 361 640	46 283 623	2 875 171 703	15 765 021	303 179 492	21 679 132	3 948 684 047
Additions	--	25 704 619	1 831 833	3 899 559	71 450	253 335	683 167	32 443 963
Transferred from assets under construction	--	--	--	3 427 052	--	--	--	3 427 052
Disposals	--	--	(440 700)	--	--	--	--	(440 700)
Balance at December 31, 2021	50 243 436	662 066 259	47 674 756	2 882 498 314	15 836 471	303 432 827	22 362 299	3 984 114 362
Balance at January 1, 2022	50 243 436	662 066 259	47 674 756	2 882 498 314	15 836 471	303 432 827	22 362 299	3 984 114 362
Additions	--	7 586 965	14 151 935	3 794 885	55 793	629 997	1 154 801	27 374 376
Disposals	--	--	--	(300 000)	--	--	--	(300 000)
Balance at December 31, 2022	50 243 436	669 653 224	61 826 691	2 885 993 199	15 892 264	304 062 824	23 517 100	4 011 188 738

EGP	Freehold land	Buildings	Vehicles	Machinery and Equipment	Furniture and fixtures	Other installations	Computers and software	Total
Accumulated depreciation and impairment								
Balance at January 1, 2021	--	264 074 326	28 141 018	1 287 635 013	8 727 368	137 353 393	20 749 262	1 746 680 380
Disposals	--	--	(440 700)	--	--	--	--	(440 700)
Depreciation expense	--	37 941 772	4 808 209	156 552 865	1 482 160	16 521 537	622 950	217 929 493
Balance at December 31, 2021	--	302 016 098	32 508 527	1 444 187 878	10 209 528	153 874 930	21 372 212	1 964 169 173
Balance at January 1, 2022	--	302 016 098	32 508 527	1 444 187 878	10 209 528	153 874 930	21 372 212	1 964 169 173
Disposals	--	--	--	(300 000)	--	--	--	(300 000)
Depreciation expense	--	28 324 245	4 732 371	157 092 663	1 236 896	15 953 106	875 726	208 215 007
Balance at December 31, 2022	--	330 340 343	37 240 898	1 600 980 541	11 446 424	169 828 036	22 247 938	2 172 084 180
Carrying amount								
At December 31, 2022	50 243 436	339 312 881	24 585 793	1 285 012 658	4 445 840	134 234 788	1 269 162	1 839 104 558
At December 31, 2021	50 243 436	360 050 161	15 166 229	1 438 310 436	5 626 943	149 557 897	990 087	2 019 945 189

- 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 has completed the procedures for change mortgage to be in favour of the Commercial International Bank (CIB) (Security agent) as disclosed in details in (Note 24).

- 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 of the bank being the (Security agent), and the bank is the first and only beneficiary in 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 2 256 901. The depreciation expense for the remaining assets is included in the cost of sales of Note (5) in the amount of EGP 205 958 106.

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12. Assets under construction

EGP	December 31, 2022	December 31, 2021
Beginning balance	3 261 312	7 800 244
Additions	690 821	--
Transferred to fixed assets	--	(3 427 052)
Adjustments	--	(1 111 880)
Ending balance	3 952 133	3 261 312

Assets under construction are represented in the following categories:

EGP	31 December 2022	31 December 2021
Machinery and equipment	3 261 312	3 261 312
Other installations	690 821	--
Total	3 952 133	3 261 312

13. Intangible assets (net)

EGP	Operating license	Electricity contract	Total
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)
Cost			
Cost as of January 1, 2022	563 204 713	225 200 000	788 404 713
Cost as of December 31, 2022	563 204 713	225 200 000	788 404 713
Accumulated amortization			
Accumulated amortization as of January 1, 2022	(343 780 100)	(225 200 000)	(568 980 100)
Amortization for the year	(28 156 249)	--	(28 156 249)
Total accumulated amortization as of December 30, 2022	(371 936 349)	(225 200 000)	(597 136 349)
Net book value at December 31, 2022	191 268 364	--	191 268 364
Net book value at December 31, 2021	219 424 613	--	219 424 613

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Operating license

According to the regulations in Egypt, 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 February 1, 2011.

14. Other assets

EGP	December 31, 2022	December 31, 2021
<u>Cost</u>		
Opening balance	143 404	143 404
Ending balance	143 404	143 404
<u>Accumulated amortization</u>		
Opening balance	(143 404)	(131 453)
Amortization for the year	--	(11 951)
Ending balance	(143 404)	(143 404)
Net books at the year-end December 31, 2022	--	--
Net books at the year-end December 31, 2022	--	--

15. Investments in a joint venture

Name of joint venture	Place of incorporation	Proportion of ownership interest and voting power held by the company	December 31, 2022	December 31, 2021
EGP			EGP	EGP
Andalus Reliance for Mining Company	Egypt	50%	2 569 276	2 523 361
Total			2 569 276	2 523 361

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Summarised financial information in respect of Andalus Reliance Mining is set out below:

	December 31, 2022	December 31, 2021
Current assets	5 496 569	10 935 690
Non-current assets	11 225	5 491
Current liabilities	366 717	5 893 224
Non-current liabilities	2 525	1 235
Net assets	5 138 552	5 046 722
Revenue for the year	26 508 324	43 695 569
Profit for the year	91 830	137 745
Total comprehensive income for the year	91 830	137 745
Group's share of comprehensive income for the year	45 915	68 873

Reconciliation of the above summarised financial information to the carrying amount of investment in joint ventures using the equity method in the consolidated financial statements:

	December 31, 2022	December 31, 2021
Net assets of the joint venture over Group level	5 138 552	5 046 722
Proportion of the Group's ownership interest in joint venture	50%	50%
Carrying amount of the Group's interest in joint venture	2 569 276	2 523 361

16. Inventories

EGP	December 31, 2022	31 December 2021
Raw materials	46 452 661	20 031 668
Fuel	98 641 560	43 507 926
Packing materials	73 001 447	7 133 235
Spare parts	17 627 958	12 358 976
Work in progress	2 574 802	2 230 592
Finished goods	386 187 839	284 468 241
Total	624 486 267	369 730 638

The cost of inventory charged to cost of sales amount to EGP 3 118 749 383 (Note 5).

17. Trade receivables (net)

EGP	December 31, 2022	December 31, 2021
Trade receivables	82 767 595	61 388 871
Less: expected credit losses for trade receivables	(3 212 720)	(2 512 720)
Total	79 554 875	58 876 151

The movement for the expected credit losses for the trade receivables during the year is analysed as follows:

EGP	December 31, 2022	December 31, 2021
Opening balance	2 512 720	2 512 720
Expected credit losses for the year	700 000	--
Ending balance	3 212 720	2 512 720

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Aging of trade receivables as follows:

EGP	December 31, 2022	December 31, 2021
Less than 30 days	66 017 855	26 966 829
Between 30 to 60 days	7 392 581	27 533 723
Between 60 to 90 days	6 108 255	4 866 319
More than 90 days	3 248 904	2 022 000
Total	82 767 595	61 388 871

For calculating expected credit losses, the Group uses a simplified approach to amounts receivable from trade receivables. The following table shows the provision for expected credit losses according to the age of debts:

EGP	December 31, 2022	December 31, 2021
Less than 30 days	--	143 108
Between 30 to 60 days	--	262 329
Between 60 to 90 days	--	85 283
More than 90 days	3 212 720	2 022 000
Total	3 212 720	2 512 720

18. Debtors and other debit balances (net)

EGP	December 31, 2022	December 31, 2021
Advance to suppliers	109 629 286	12 298 635
Withholding tax	19 932 531	30 039 410
Prepaid expenses	8 245 720	9 810 718
Value added tax	2 881 728	6 782 626
Real estate tax	1 572 127	1 572 127
Deposit with others	79 316 179	79 568 635
Employees' dividends in advance	7 063 780	6 927 441
Letters of guarantee – cash margin	2 903 851	1 868 851
Cash imprest fund	5 579 582	4 310 664
Other debit balances	391 468	2 289 726
Less: - Impairment losses in debtors	(2 196 090)	(2 196 090)
Total	235 320 162	153 272 743

19. Cash and bank balances

For the purposes of the consolidated cash flow statement, cash and cash equivalents include cash in hand, demand deposits and balances at banks. Cash equivalents are short-term, highly liquid investments of maturities of three months or less from the acquisition date, that are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value.

Cash and cash equivalents at year end as shown in the consolidated statement of cash flows can be reconciled to the related items in the consolidated statement of financial position as follows:

EGP	December 31, 2022	December 31, 2021
Cash in hand	3 146 331	2 074 616
Current account – local currency	575 266 143	41 090 674
Current account – foreign currency	112 335 882	9 699 527
Bank deposits *	127 693 666	75 385 639
Total	818 442 022	128 250 456

* The bank deposit balances include an amount of EGP 3 785 560 a restricted time deposit.

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20. Issued and paid-up capital

EGP	December 31, 2022	December 31, 2021
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, as amended and the Company's articles of incorporation, a percentage of annual net profit is transferred to legal reserve. The Group shall cease such transfer when the legal reserve reaches 50% of the issued capital. The legal reserve is not eligible for distribution to shareholders. The applied percentage of legal reserve is as follow:

Description	%
Arabian Cement Company	10%
Andalus Concrete Company	10%
ACC for Management and Trading Company	5%

22. Retained earnings

EGP	December 31, 2022	December 31, 2021
Beginning balance	45 625 489	18 551 721
Transferred to legal reserve	(2 712 348)	--
Dividends distributed to shareholders	(249 968 203)	--
Dividends distributed to employees	(6 927 439)	(7 108 042)
Profit attributable to owners of the Parent Company	358 986 481	34 181 810
Ending balance	145 003 980	45 625 489

23. Non-controlling interests

EGP	December 31, 2022	December 31, 2021
Opening balance	38 681	31 108
Profit attributable to non-controlling interests	(560)	7 573
Balance at end of year	38 121	38 681

24. Borrowings

EGP	Current		Non-current	
	December 31, 2022	December 31, 2021	December 31, 2022	December 31, 2021
First: Credit facilities				
Credit facilities – CIB	162 164 643	240 386 963	--	--
Credit facilities – NBE	198 479 562	--	--	--
Total Facilities	360 644 205	240 386 963	--	--
Second: Borrowings				
Bank loans – CIB	56 100 000	45 900 000	96 900 000	153 000 000
Bank loans – EBRD	107 434 780	68 434 781	80 576 090	119 760 907
Total bank Loans	163 534 780	114 334 781	177 476 090	272 760 907

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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 a consolidated agreement with the company (borrower) to re-finance part of the borrower loans from NBE.

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

First: Commercial

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 term loan for the purpose of: (1) re-financing 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) re-financing EGP 25 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 with interest rate at CBE Overnight offer rate plus the margin of 0.6% 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 by NBE.

Thus the company shall repay the Tranche (A) loan to the lender in (23) quarterly unequal instalments starts from December 31, 2019 and ends on June 30, 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 September 30, 2019. The borrower shall add any buildings to be added to the aforementioned mortgage.
- 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 April 30, 2019. The management has completed the procedures for change the mortgage in favour of the bank.
- 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 100 million annually to be financed through equity injections and/or subordinated shareholders subject to the Lender's

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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 2.5 times.
- 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 December 3, 2018. Under this contract, the Bank agreed to lend the company a sum of not more than USD 25 million with interest calculated at the Six-month Libor plus a Margin of 4.35% for the purpose of refinancing the current debtor's debt in US dollar, 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, which is lower. During the month of January 2020, the company obtained a grant of EUR 170,000 in accordance with the loan contract, equivalent to an amount of EGP 3 074 212. The grant has been accounted for according to the Egyptian accounting standard No. (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 consolidated 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 June 30, 2013, according to the contract the Borrower has 20% of the amount of financing granted by the Bank after fulfilment of several conditions which were fully met in 2018. Thus the grant which is for a total amount of EGP 13.6 million has been treated according to the Egyptian Accounting Standard No. (12) by using revenue accounting for the grant as it is recoded as deferred revenues on the other credit balances and to be recorded on the consolidated 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.

Third: - National Bank of Egypt - NBE

On September 7, 2022, a credit facility contract was signed between the National Bank of Egypt and the Arab Cement Company. Under this agreement, the company was granted credit facilities amounted to EGP 200 million for withdrawal in a debit current account and to open letter of credits for the purpose of financing the working investment, provided that it is used to pay the dues of suppliers of raw materials and production requirements, pay energy expenses and pay wages and salaries expenses with a maximum of EGP 20 million.

The interests and commissions are calculated at an interest rate of 1% above the corridor lending rate.

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The commitments in the credit facilities agreement included the following:

- Insurance in favour of the bank against the risk of fire and burglary on the stock of raw materials and spare parts within the limits of 110% of the value of the facilities.
- The financial leverage shall not exceed 2 times during the fiscal year December 31, 2022.
- Not to distribute any dividends in any year before paying all the obligations arising from the financing.
- Perform commercial mortgage of the second degree on all the material and intangible components of the factory and the head office in favour of the bank within 3 months from the date of signing the contracts.

25. Trade and notes payable

EGP	Current		Non-current	
	December 31, 2022	December 31, 2021	December 31, 2022	December 31, 2021
Local trade payables	538 068 704	418 976 540	--	--
Foreign trade payables	306 432 404	271 315 966	--	--
Notes payable*	3 066 177	3 411 122	4 544 514	7 610 691
Total	847 567 285	693 703 628	4 544 514	7 610 691

* The value of the notes payable represents the value of the checks issued in favour of City Gas, which were issued for 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 was charged by EGP 19 847 553, which was paid by notes payable until 2025 and were recognized at net present value. The undiscounted value of the notes payable obligation at the end of the year amounted to EGP 10 847 553, and was charged to other general and administrative expenses.

26. Provisions

EGP	Provision for claims
Balance at January 1, 2022	25 797 396
Formed during the year	111 939 885
Used during the year	(73 866 262)
Balance at December 31, 2022	63 871 019

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

27. Dividends payable

On March 30, 2022, the Ordinary General Assembly of the Company has approved to distribute dividends for the employees amounted to EGP 6 927 439 for 2021 results.

On December 15, 2022, the Ordinary General Assembly of the Company has approved to distribute dividends for the shareholders amounted to EGP 249 968 203 for the results of the period ended September 30, 2022.

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28. Creditors and other credit balances

EGP	December 31, 2022	31 December 2021
Advances from customers	140 386 136	67 954 027
Accrued development fees	10 433 957	11 290 171
Accrued customers rebates	74 784 633	54 422 249
Accrued expenses	22 914 785	12 544 736
Retention	4 830 301	5 096 330
Accrued interest	2 759 721	1 427 344
Accrued taxes	27 009 775	14 438 738
Accrued revenue – Grant (Refer to Note 24)	12 193 446	13 240 502
Other	3 689 246	3 840 297
Total	299 002 000	184 254 394

29. Financial instruments**29.1 Capital risk management**

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

The capital structure of the Group 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 is Nil on December 31, 2022 (2021: 49%) as presented in the below schedule. The decrease mainly due to the repayments for the borrowings and credit facilities during the year along with the increase in equity due to profit for the year and the increase in cash and bank balances.

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

EGP	December 31, 2022	December 31, 2021
Debt (i)	714 790 709	644 028 769
Cash and bank balances	(818 442 022)	(128 250 456)
Net debt	--	515 778 313
Equity	1 163 064 621	1 060 974 342
Net debt to equity ratio	0%	49 %

(i) Debt is defined as borrowings, credit facilities and lease liabilities, as detailed in (note 24 and 32).

29.2 Significant accounting policies

All the significant accounting policies adopted and the methods of their application, 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.

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29.3 Categories of financial instruments

EGP	December 31, 2022	31 December 2021
Financial assets (i)		
Cash and bank balances (Note 19)	818 442 022	128 250 456
Trade receivables (Note 17)	79 554 875	58 876 151
Due from related parties (Note 30)	76 140	--
Financial liabilities (ii)		
Borrowings (Note 24)	341 010 870	387 095 688
Credit facilities (Note 24)	360 644 205	240 386 963
Lease liabilities (Note 32)	13 135 634	16 546 118
Due to related parties (Note 30)	369 246	11 792 907
Trade and notes payable (Note 25)	852 111 799	701 314 319
Creditors and other credit balances (Note 28)	299 002 000	184 254 394

(i) A total of EGP 859.8 million (2021: EGP 523 million) of other current assets does not meet the definition of a financial asset.

(ii) A total of EGP 778.4 million (2021: EGP 370.5 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 minimize 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 (Note 29.6 below) and interest rates (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 year, in the major currencies in which they are issued.

Borrowings

EGP	December 31, 2022	December 31, 2021
USD	188 010 870	188 195 688
Total	188 010 870	188 195 688

At the end of the reporting year, 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 Group is exposed to currency rate risk, are as follows:

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EGP	Liabilities		Assets	
	December 31, 2022	December 31, 2022	December 31, 2022	December 31, 2022
Currency-USD	772 208 456	459 511 654	228 318 650	88 021 881
Currency-EUR	6 570 646	–	3 529 326	3 493

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 Group'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 Group.

A positive number below indicates an increase in profit or equity where the EGP strengthens 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	
	December 31, 2022	31 December 2021	December 31, 2022	31 December 2021
Profit or loss	54 388 981	37 148 977	304 132	349

29.7 Interest rate risk management

The Company is exposed to interest rate risk because entities in the Group 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 Group's profit for the year ended December 31, 2022 would decrease / increase by EGP 7 016 551 (2021: decrease / increase by EGP 6 274 827). This is mainly attributable to the Group'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 mean 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 Group'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.

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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 Group's short, medium and long-term funding and liquidity management requirements. The Group 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.

EGP	Due in 1 year		Due in more than a year and less the 3 years		Due in more than 3 years	
	December 31,	December	December 31,	December	December 31,	December 31,
	2022	31, 2021	2022	31, 2021	2022	2021
Borrowings	163 534 780	114 334 781	177 476 090	272 760 907	--	--
Lease liabilities	6 411 505	9 566 342	6 724 129	6 979 776	--	--
Trade and notes payables	847 567 285	693 703 628	4 544 514	7 610 691	--	--
Credit Facilities	360 644 205	240 386 963	--	--	--	--
Current income tax liability	198 386 556	43 280 867	--	--	--	--
Due to related parties	369 246	11 792 907	--	--	--	--
Dividends payable	249 968 203	--	--	--	--	--
Creditors and other credit balances	299 002 000	184 254 394	--	--	--	--

29.10 Fair value measurement

Fair value is the price that would be received from any sale of any asset or any payment against any liability in an orderly transaction between market participants at the measurement date. The fair value measurement is based on the assumption that the transaction to sell the asset or pay the liability takes place either:

- In the asset's or liability's primary market; or
- In the absence of a primary market, in the most beneficial market for the asset or liability.

The Company should be able to have access to the principal market or the most advantageous market. In the absence of principal market, the Company does not need to conduct a thorough search of all possible markets to determine the principal or the most advantageous market. However, the Group takes into consideration all information reasonably available.

The Company has no financial assets or liabilities at fair value in the consolidated financial statements as at December 31, 2022.

30. Related party transactions

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

- a) Directly, or indirectly through one or more intermediaries, the party:
 - i. Controls, is controlled by, or is under common control with, the Group (this includes parents, subsidiaries and fellow subsidiaries);
 - ii. Has an interest in the Group that gives it significant influence over the Group; or
 - iii. Has joint control over the Group;

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- b) The party is an associate of the Group or a joint venture in which the Group 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 Group or its parent;
- d) The party is a close member family of any individual referred to in (a) or (b);
- e) The party is a Group that is controlled, jointly controlled or significantly influenced by, or which significant voting power in such Group 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 Group, or of any Group that is related party of the Group.

Balances and transactions between the Group and its subsidiaries, (which are related parties of the Group), have been eliminated on consolidation and are not disclosed in this note. Details of transactions between the Group and other related parties are disclosed below:

During the period, the Group entities entered into the following transactions with related parties:

EGP	Relation type	Transaction nature	Volume of the transactions	
			December 31, 2022	December 31, 2021
Cementos La Union-Spain company	Subsidiary of the parent Company	Services	4 126 902	2 206 910
Cementos La Union-Spain company	Subsidiary of the parent Company	Sales	37 372 288	109 647 988
Andalus Reliance for Mining Company	Joint Venture	Purchases	23 576 036	39 636 049

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

EGP	Due from related parties		Due to related parties	
	December 31, 2022	December 31, 2021	December 31, 2022	December 31, 2021
Cementos La Union – Spain Company	76 140	--	--	2 229 273
Andalus Reliance for Mining Company	--	--	369 246	9 563 634
Total	76 140	--	369 246	11 792 907

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.

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32. Lease

32.1 Right of use assets

EGP	Land and buildings	Machinery & Equipment	Total
Cost			
Cost as of January 1, 2022	22 486 750	16 900 557	39 387 307
Additions during year	928 837	--	928 837
Cost as of December 31, 2022	23 415 587	16 900 557	40 316 144
Less:- Accumulated amortization			
Accumulated amortization as of January 1, 2022	4 935 960	16 819 989	21 755 949
Amortization for the year	5 487 561	80 568	5 568 129
Total accumulated amortization as of December 31, 2022	10 423 521	16 900 557	27 324 078
Net book value December 31, 2022	12 992 066	--	12 992 066
Net book value December 31, 2021	17 550 790	80 568	17 631 358

The interest rate used for the opening balances is 9.25% and the interest rate use for the additions during the year is 13.75%. The lease terms between 2 and 5 years.

32.2 Financial lease liabilities

Financial lease liability recognized in the consolidated statement of financial position

EGP	Current		Non-current	
	December 31, 2022	December 31, 2021	December 31, 2022	December 31, 2021
lease liabilities	6 411 505	9 566 342	6 724 129	6 979 776
Total	6 411 505	9 566 342	6 724 129	6 979 776

The lease interest cost during period amounted to EGP 1 059 210 (refer to note 7).

The movement for the lease liabilities during the year is analyzed as follows:

Amount EGP	December 31, 2022	December 31, 2021
Beginning balance	16 546 118	915 298
Additions	928 837	19 998 237
Interest expenses	1 059 210	2 546 832
Payment during the year	(5 398 531)	(6 914 249)
Ending Balance	13 135 634	16 546 118

33. Capital Commitments

The capital commitment for the year ended December 31, 2022 amounted to EGP 1 347 931.

34. Other income

Other income is mainly represented in the value of the export subsidies approximately amounted to EGP 66 million and value of remaining compensation that the company collected from the insurance company for stopping production of line No. 1 which amounted to EGP 24.7 million.

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35. Tax position

Arabian Cement Company

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 and its Executive Regulations, as amended.

The tax return for the year 2005 was approved by the Tax Authority.

Years from 2006 until 2016

The Company's books for these years have been inspected by the Tax Authority and the Company have paid and settled the due taxes.

Years from 2017 till 2019

These years have been requested for inspection by the Tax Authority and the Company is currently preparing the requested documents for the tax inspection.

2020 and 2021

The Company has filed the tax return on the due date and the Tax Authority has not yet inspected the Company's books for these years.

Value added tax / Sales tax

For the period from inception until December 31, 2020

The Company's books for this period have been inspected by the Tax Authority and the Company has paid and settled the due taxes.

2021 and 2022

The Company has filed the tax return on the due date and the Tax Authority has not yet inspected the Company's books for these years.

Stamp tax

For the period from inception until December 31, 2019

The Company's books for this period have been inspected by the Tax Authority and the Company has paid and settled the due taxes.

2020 and 2021

The Tax Authority has not yet inspected the Company's books for these years.

Payroll tax

For the period from inception until December 31, 2019

The Company's books for this period have been inspected by the Tax Authority and the Company have paid and settled the due taxes except for the late interest due for the years from 2015 till 2019

2020 and 2021

The Tax Authority has not yet inspected the Company's books for these years.

Real estate tax

The value of the real estate tax claims until 2020 on the company's factory in Suez amounted to EGP 5 427 873, and the company has paid EGP 7 million, with a remaining debit balance mounted to 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 is before the Administrative Court of Justice.

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 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 until December 2022.

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Withholding Tax

- The company was inspected for the years from 2013 until 2016 and the due taxes have been paid.
- The company pay the withholding tax amounts on a regular basis every 3 months.

Andalus Concrete Company

Corporate income tax

From 2020 until 2013

The company's books have been inspected by the Tax Authority for these years on a deem basis. The company has appealed on the inspections and a decision was issued for re-inspection on actual basis. The company has appealed on the tax inspection results and the internal committee currently in process.

From 2014 until 2017

-The company's books have been inspected by the Tax Authority for these years on a deemed basis. The company has appealed on the inspections results.

From 2018 until 2021

The company filed its tax return on the due date for these years and no tax inspection performed at the date of the consolidated financial statements.

Sales tax

From 2010 until 2018

The company's books have been inspected by the Tax Authority for these years, and the company has paid and settled all the tax differences with the Tax Authority.

From 2019 until 2021

The company filed its due VAT returns for these years and no tax inspection performed at the date of the consolidated financial statements.

Stamp tax

The company has not been inspected since inception until December 31, 2021.

Payroll tax

From inception until December 31, 2019

The company's books have been inspected by the Tax Authority for this period, and the company has paid and settled all the tax differences with the Tax Authority.

2020 and 2021

The company filed its due payroll tax returns for the years and no tax inspection has yet taken place.

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ACC for Management and Trading Company

Corporate income tax

From 2011 till 2017

The company's books have been inspected by the Tax Authority for these years on a deemed basis. The company has appealed on the inspections and the company is waiting for the decision for the re-inspection on an actual basis by the Tax Authority.

Years from 2018 till 2021

The company filed its tax returns on the due dates for the years and no tax inspection has yet taken place.

Sales tax

The company has not been inspected since inception until December 31, 2021.

Monthly returns are filed on regular basis.

Stamp tax

The company has not been inspected since inception until December 31, 2021

Payroll tax

The company has not been inspected since inception until December 31, 2021

Evolve

Corporate Tax:

The company has not been inspected since inception until December 31, 2021

Value Added Tax:

The company was registered in the Egyptian Tax Authority (VAT) on 5/2/2019.

The company has not been inspected since inception until December 31, 2021

Stamp Tax:

The company has not been inspected since inception until December 31, 2021

Salaries Tax:

The company has not been inspected since inception until December 31, 2021.

The company settles salaries tax on a regular basis.

36. Operating segment

The group is primarily engaged in selling and operating cement for management purposes. The group is organized as business units according to products and services:

- Cement manufacturing and selling sector.
- Other sectors, including the production and sale of ready-mix concrete and the production and sale of alternative fuels.

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EGP	Cement production segment		Other Segments	
	2022	2021	2022	2021
Fixed Assets	1 809 821 676	1 994 319 312	29 282 882	25 625 877
Intangible assets	191 268 364	219 424 613	--	--
Right of use	12 992 066	17 550 790	--	80 568
Borrowings and credit facilities	701 655 075	627 482 651	--	--
Trade and notes payable	827 417 476	664 450 060	24 694 323	36 864 259
Revenue from external customers	4 523 530 948	2 337 599 583	151 471 876	111 031 770

37. Significant Events during the current year

- During the recent period, despite of the signs of the global economy recovering from the turmoil resulting from the Corona virus, global inflationary pressures raised again due to the developments in the Russian -Ukrainian conflict, as the risks of the global economy increased because of this conflict. At the top of these pressures, the noticeable rise in the global prices of basic commodities, the disturbance of supply chains and the high shipping costs, in addition to the fluctuations of financial markets in emerging countries. This led to local and international inflationary pressures.
- The Monetary Policy Committee of the Central Bank of Egypt decided at its extraordinary meeting on Monday, March 21, 2022, to increase the overnight deposit and lending rates and the central bank's main operation rate by 100 basis points to reach 9.25%, 10.25% and 9.75%, respectively. The discount rate was also increased by 100 basis points to 9.75%.
- On April 27, 2022, the Prime Minister issued the Ministerial decree No. (1568) for the year 2022 to amend some provisions of the Egyptian Accounting Standards by adding Annex (B) to the Egyptian Accounting Standard No. (13) "The Effects of Changes in Foreign Exchange Rates". This annex aims to setting a special and optional accounting treatment for the implications resulted from the Exceptional Economic Decision pertaining to the movement of the foreign currencies exchange rates that has occurred on March 22, 2022 on through setting a temporary additional option to paragraph (28) of the Egyptian Accounting Standard No (13) – "The Effects of Changes in Foreign Exchange Rates" which requires the recognition of the foreign exchange difference in the statement of profit or loss for the period in which they incur. Alternatively, an entity that has outstanding liabilities in foreign currency on the date of the movement of the exchange rates (March 22, 2022) related to property plant and equipment, investment property, intangible assets (other than goodwill) or mining assets that were acquired during the from the beginning of January 2020 until the date of the movement of the exchange rate (March 22, 2022) to translate and recognize the foreign exchange differences resulted from the translation of related liabilities at the date of movement of the exchange rates (March 22, 2022) as a part of the acquisition costs. Also, this treatment permits an entity to recognize foreign exchange gains or losses resulting from the translation of the monetary balances in foreign currencies that are outstanding on the movement date of the exchange rates (March 22, 2022) to be recognized in the statement of other comprehensive income in accordance with paragraph (9) of the annex and the Group's management has decided not to apply any of the treatments mentioned above during the year ended December 31, 2022.
- On December 29, 2022, the Prime Minister issued the Ministerial decree No. (4706) for the year 2022 to amend some provisions of the Egyptian Accounting Standards by adding Appendix (C) to the Egyptian Accounting Standard No. (13) "The Effects of Changes in Foreign Exchange Rates". This annex aims to setting a special and optional accounting treatment for the implications resulted from the Exceptional Economic Decision pertaining to the movement of the foreign currencies exchange rates that has occurred on October 27, 2022 through setting a temporary additional option to paragraph (28) of the Egyptian Accounting Standard No. (13) – "The Effects of Changes in Foreign Exchange Rates" which requires the recognition of the foreign exchange difference in the statement of profit or loss for the period in which they incur. Alternatively, an entity that has outstanding liabilities in foreign currency on the date of the movement of the exchange rates (October 27, 2022) related to property plant and equipment, investment property, intangible assets (other than goodwill) or mining assets that were acquired during the from the beginning of January 2020 until the date of the movement of the exchange rate (October 27, 2022) to translate and

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recognize the foreign exchange differences resulted from the translation of related liabilities at the date of movement of the exchange rates (October 27, 2022) as a part of the acquisition costs. Also, this treatment permits an entity to recognize foreign exchange gains or losses resulting from the translation of the monetary balances in foreign currencies that are outstanding on the movement date of the exchange rates (October 27, 2022) to be recognized in the statement of other comprehensive income in accordance with paragraph (9) of the annex and the Group's management has decided not to apply any of the treatments mentioned above during the year ended December 31, 2022.

- The Monetary Policy Committee of the Central Bank of Egypt decided at its meeting on Thursday, May 19, 2022, to increase the overnight deposit and lending rates and the central bank's main operation rate by 200 basis points to reach 11.25%, 12.25% and 11.75%, respectively. The discount rate was also increased by 200 basis points to 11.75%.
- The Monetary Policy Committee of the Central Bank of Egypt decided at its meeting on Thursday, October 27, 2022, to increase the overnight deposit and lending rates and the central bank's main operation rate by 200 basis points to reach 13.25%, 14.25% and 13.75%, respectively. The discount rate was also increased by 200 basis points to 13.75%.

38. Approval of consolidated financial statements

The consolidated financial statements were approved by the directors and authorized for issue on February 22, 2023.

Sergio Alcantarilla Rodriguez

Chief Executive Officer



Salvador Lopez

Chief Financial Officer

