MISR FERTILIZERS PRODUCTION COMPANY (MOPCO)

(Egyptian Joint Stock Company)

Consolidated Financial Statements

And The Limited Review Report

For the Financial Period Ended June 30, 2023

Crowe

Translated - the original issued in Arabic

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Auditor's Report on Review of Interim Consolidated Financial Statements

To the Board of Directors of Misr Fertilizers Production Company "MOPCO"

1. *Introduction*

We have carried out a limited review of the interim consolidated financial statements of Misr Fertilizers Production Company "MOPCO", represented in the accompanying balance sheet as of 30st June 2023, and the related consolidated statements of income, comprehensive income, changes in shareholders' equity, and cash flows for the six months period then ended and a summary of the significant accounting policies and other explanatory notes.

Management is responsible for the preparation and fair presentation of these interim consolidated financial statements in accordance with Egyptian Accounting Standards. Our responsibility is to express a conclusion on these consolidated interim financial statements based on our limited review.

2. *Scope of Limited Review*

We conducted our review in accordance with Egyptian Standard on Limited Review Engagements No. 2410, "Limited Review of Interim consolidated Financial Statements Performed by the Independent Auditor of the Entity." A limited review of interim financial statements consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with Egyptian Standards on Auditing and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion on these interim financial statements.

Basis of qualified

1- We did not obtain an actuarial study showing the financial impact of the retirement benefits system and the post-service medical treatment system, according to the Egyptian Accounting Standard No. (21) - Accounting and Reporting on Retirement Benefits Systems - and its impact on the financial statements as of June 30, 2023, and we were unable to take alternative audit procedures .
2- We did not obtain complete a study of the value of the impairment in the value of projects under constructin related to the marine pier. The balance on June 30, 2023 amounted to 1 084 911 826 Egyptian pounds, and we were unable to perform alternative audit procedures.

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Qualified Conclusion

With the exception of the effect of any potential adjustments - if any - whose impact could have been determined if we had been provided with an actuarial study showing the financial impact of the retirement benefits system and the post-service medical treatment system in accordance with Egyptian Accounting Standard No. (21) and studying the value of impairment in the value of projects under construction , Based on our limited review referred to above, nothing has come to our attention that causes us to believe that the accompanying interim financial statements do not give a true and fair view of the financial position of Misr Fertilizers Production Company "MOPCO" (S.A.E) as at June 30, 2023, and of its financial performance and cash flows for the six-months period then ended in accordance with Egyptian Accounting Standards.

Emphases of matter

Without considering this as a qualification to our opinion on the consolidated financial statements -

- The parent company measured the acquisition cost on the basis of the book value of the ownership rights of the subsidiary (the Egyptian company for Nitrogenated Products)-"ENPC" - an Egyptian joint stock company - and not on the basis of the fair value of Mopco shares granted to the shareholders of the acquired company on the date of acquisition in violation of paragraph (38) of the Egyptian Accounting Standard No. 29 (Business Combination), which resulted in the recognition of the assets and liabilities of the subsidiary company in the consolidated financial statements at the book value recorded in the books of that company at that date, and not at the fair value of the assets and liabilities acquired and the consequent recognition of the difference in the item of capital contributions within equity in the amount of 1 927 091 200 Egyptian pound from the date of acquisition until the date of the financial statements.

Auditor

Khaled Hegazy

Dr. Khaled A.M. Hegazy

Fellow of the Egyptian Society of Accountants & Auditors
Accountants & Auditors Register "AAR" No. 10945
Financial Regulatory Authority Auditors Register "FRAAA" No. 72
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Giza : August 29,2023

Crowe
Dr. Khaled A Hegazy
Dr. A. M. Hegazy & Co
Accountants & Consultants

MISR FERTILIZERS PPRODUCTION COMPANY (MOPCO)
EGYPTIAN JOINT STOCK COMPANY
CONSOLIDATED PERIODICAL STATEMENT OF FINANCIAL POSITION
AS AT JUNE 30, 2023

In Egyptian pound	Note No.	30/06/2023	31/12/2022
Assets			
Non-current assets			
Fixed assets & projects under construction	(5)	37 038 100 950	30 685 487 692
Other assets & projects under construction	(6)	35 444 304	30 436 998
Right of use asset	(7)	122 955 690	111 560 725
Other financial assets	(8)	586 436 860	469 985 871
Total non-current assets		**37 782 937 804**	**31 297 471 286**
Current assets			
Inventories	(9)	1 233 142 414	1 248 881 119
Accounts and notes receivables	(10)	629 059 382	1 047 857 845
Debtors and other debit balances	(11)	214 252 526	249 941 449
Due from related parties	(12)	1 207 840	647 766
Suppliers – advance payments		69 112 704	20 792 335
Cash at banks and on hand	(13)	10 900 023 120	9 939 998 059
Total current assets		**13 046 797 986**	**12 508 118 573**
Total assets		**50 829 735 790**	**43 805 589 859**
Equity			
Issued and paid-up capital	(19-B)	2 291 172 320	2 291 172 320
Capital contribution	(20)	1 927 091 200	1 927 091 200
Legal reserve		1 273 786 893	880 394 192
General reserve	(19-C)	352 383 742	352 383 742
Foreign currency translation difference		22 368 897 115	16 062 303 213
Retained earnings		12 744 019 042	13 193 201 693
Total equity attributable to shareholders of the parent compa		**40 957 350 312**	**34 706 546 360**
Non-controlling interest		**12 009**	**9 938**
Total equity		**40 957 362 321**	**34 706 556 298**
Liabilities			
Non-current liabilities			
Deferred tax liabilities	(21)	7 298 619 724	6 173 327 689
Lease liabilities	(15)	137 937 389	118 549 521
Total non-current liabilities		**7 436 557 113**	**6 291 877 210**
Current liabilities			
Current income tax	(14)	1 423 189 321	1 175 288 960
Lease liabilities	(15)	19 770 965	15 512 564
Accounts payables	(16)	584 783 605	954 721 630
Creditors and other credit balances	(17)	154 939 762	300 115 518
Advance payment customers- contract liability		59 278 452	54 563 021
Provisions	(18)	193 854 251	306 954 658
Total current liabilities		**2 435 816 356**	**2 807 156 351**
Total liabilities		**9 872 373 469**	**9 099 033 561**
Total equity & liabilities		**50 829 735 790**	**43 805 589 859**

* The accompanying notes from no(1) to no(39) is an integral part of these consolidated periodical financial statements and to be read therewith.

The company's vice president for financial & economic affairs
Acc. Mohamed El Shayeb

Chief Executive Officer & Managing Director
ENG. Ahmed Mahmoud Elsayed

Limited Review report "attached"

MISR FERTILIZERS PPRODUCTION COMPANY (MOPCO)
EGYPTIAN JOINT STOCK COMPANY
CONSOLIDATED PERIODICAL STATEMENT OF PROFIT OR LOSS
FOR THE FINANCIAL PERIOD ENDED

In Egyptian pound	Note No.	From January 1,2023 To June 30,2023	From April 1,2023 To June 30,2023	From January 1,2022 To June 30,2022	From April 1,2022 To June 30,2022
Sales	(22)	9 419 374 489	4 333 118 923	8 712 216 180	4 498 771 785
Cost of sales	(23)	(5 530 570 763)	(2 419 530 178)	(3 944 154 815)	(2 291 265 306)
Gross profit		**3 888 803 726**	**1 913 588 745**	**4 768 061 365**	**2 207 506 479**
Other income	(24)	19 036 876	7 493 216	6 760 576	3 458 092
Selling and marketing expenses	(25)	(194 852 870)	(88 769 850)	(117 761 790)	(57 847 858)
General and administrative expenses	(26)	(204 148 524)	(125 224 564)	(112 422 775)	(60 398 573)
Other Expenses	(27)	(23 244 966)	(18 690 338)	(16 924 782)	(6 336 243)
Reversal of expected credit losses	(30)	268 355	1 066 178	25 413 217	1 698 930
Operating gain		**3 485 862 597**	**1 689 463 387**	**4 553 125 811**	**2 088 080 827**
Finance income	(29)	517 087 770	246 830 159	105 605 755	50 320 824
Finance costs	(28)	(13 256 183)	(6 958 362)	(63 401 246)	(33 889 287)
Net financial profit		**503 831 587**	**239 871 797**	**42 204 509**	**16 431 537**
Net foreign currency translation gain		1 173 488 502	26 458 631	58 324 080	30 842 222
Net Profit before income tax		**5 163 182 686**	**1 955 793 815**	**4 653 654 400**	**2 135 354 586**
Income tax	(31)	(1 191 981 750)	(436 306 286)	(918 860 268)	(489 345 922)
Net Profit after income tax		**3 971 200 936**	**1 519 487 529**	**3 734 794 132**	**1 646 008 664**
Distributed as follows:					
Parent company shareholders		**3 971 200 484**	**1 519 487 260**	**3 734 793 275**	**1 646 008 294**
Non-controlling interest		**452**	**269**	**857**	**370**
		3 971 200 936	**1 519 487 529**	**3 734 794 132**	**1 646 008 664**
Basic and diluted earnings per share	(32)	**17.33**	**6.63**	**16.30**	**7.18**

* The accompanying notes from no(1) to no(39) is an integral part of these consolidated periodical financial statements and to be read therewith.

MISR FERTILIZERS PPRODUCTION COMPANY (MOPCO)
EGYPTIAN JOINT STOCK COMPANY
CONSILIDATED PERIODICAL STATEMENT OF OTHER COMPREHENSIVE INCOME
FOR THE FINANCIAL PERIOD ENDED

In Egyptian pound	From January 1,2023 To June 30,2023	From April 1,2023 To June 30,2023	From January 1,2022 To June 30,2022	From April 1,2022 To June 30,2022
Net profit for the period	3 971 200 936	1 519 487 529	3 734 794 132	1 646 008 664
Other comprehensive income				
Accumulated foreign currency translation differences	6 306 593 902	111 478 289	3 293 092 297	650 956 616
Total other comprehensive income for the period	**10 277 794 838**	**1 630 965 818**	**7 027 886 429**	**2 296 965 280**
Transferred to retained earnings	-	-	-	-
Total comprehensive income for the period	**10 277 794 838**	**1 630 965 818**	**7 027 886 429**	**2 296 965 280**
Parent company shareholders	**10 277 792 410**	**1 630 965 152**	**7 027 883 618**	**2 296 964 392**
Non-controlling interest	2 428	666	2 811	888
	10 277 794 838	**1 630 965 818**	**7 027 886 429**	**2 296 965 280**

* The accompanying notes from no(1) to no(39) is an integral part of these consolidated periodical financial statements and to be read therewith.

MISR FERTILIZERS PPRODUCTION COMPANY (MOPCO)
EGYPTIAN JOINT STOCK COMPANY
CONSOLIDATED PERIODICAL STATEMENT OF CHANGE IN EQUITY
FOR THE FINANCIAL PERIOD ENDED JUNE 30, 2023

In Egyptian pound

Description	Issued and fully paid-up capital	Capital contributions	Legal reserve	General reserve	Accumulated foreign currency translation differences	Retained Earnings	Parent company shareholders	Non-controlling interest	Total equity
Balance as at January 1, 2022	**2 291 172 320**	**1 927 091 200**	**634 542 299**	**352 383 742**	**6 045 853 180**	**8 657 611 876**	**19 908 654 617**	**3 621**	**19 908 658 238**
Total comprehensive income									
Net profit for the period	-	-	-	-	-	3 734 793 275	3 734 793 275	857	3 734 794 132
Accumulated foreign currency translation difference	-	-	-	-	3 293 092 297	-	3 293 092 297	-	3 293 092 297
Total comprehensive income	-				3 293 092 297	3 734 793 275	7 027 885 572	857	7 027 886 429
Transferred to legal reserve			245 851 878			(245 851 878)			
Transactions with the owners									
Employees and Board of directors' dividends share	-	-	-	-	-	(2 706 390 686)	(2 706 390 686)	(282)	(2 706 390 968)
Shareholders' dividend distribution	-	-	-	-	-	-	-	(76)	(76)
Total Transactions with the owners						(2 706 390 686)	(2 706 390 686)	(358)	(2 706 391 044)
Balance as at June 30, 2022	**2 291 172 320**	**1 927 091 200**	**880 394 177**	**352 383 742**	**9 338 945 477**	**782 550 711**	**24 230 149 503**	**4 120**	**24 230 153 623**
Balance on January 1, 2023	2 291 172 320	1 927 091 200	880 394 192	352 383 742	16 062 303 213	13 193 201 693	34 706 546 360	9 938	34 706 556 298
Comprehensive income									
Net profit for the period	-	-	-	-	-	3 971 200 484	3 971 200 484	452	3 971 200 936
Accumulated foreign currency translation difference	-	-	-	-	6 306 593 902		6 306 593 902	1 976	6 306 595 878
Total comprehensive income					6 306 593 902	3 971 200 484	10 277 794 386	2 428	10 277 796 814
Transferred to legal reserve			393 392 701			(393 392 701)			
Transactions with the owners									
Employees and Board of directors' dividends share	-	-	-	-	-	(590 231 954)	(590 231 954)	-	(590 231 954)
Shareholders' dividends distribution	-	-	-	-	-	(3 436 758 480)	(3 436 758 480)	(357)	(3 436 758 837)
Total Transactions with the owners						(4 026 990 434)	(4 026 990 434)	(357)	(4 026 990 791)
Balance as at June 30, 2023	**2 291 172 320**	**1 927 091 200**	**1 273 786 893**	**352 383 742**	**22 368 897 115**	**12 744 019 042**	**40 957 350 312**	**12 009**	**40 957 362 321**

* The accompanying notes from no(1) to no(39) is an integral part of these consolidated periodical financial statements and to be read therewith.

MISR FERTILIZERS PPRODUCTION COMPANY (MOPCO)
EGYPTIAN JOINT STOCK COMPANY
SEPARATED PERIODICAL STATEMENT OF CASH FLOWS
FOR THE FINANCIAL PERIOD ENDED

In Egyptian pound	Note No.	30/06/2023	30/06/2022
Cash flows from operating activities			
Net profit for the period before tax		5 163 182 686	4 653 654 400
Adjustment as follows:			
Fixed assets depreciation	(5)	1 039 057 258	620 068 685
Amortization of other assets and right of use assets	(6,7)	9 056 045	6 336 845
Provisions formed	(18)	18 998 614	7 146 063
Provisions no longer required		-	(300 000)
Reversal of expected credit losses		(268 355)	1 169 252
Net Finance income	(29,30)	(503 831 587)	(42 204 509)
Net foreign currency translation differences		(1 258 075 039)	9 724 377
		4 468 119 622	**5 255 595 113**
Changes in:			
Inventory		224 754 826	(149 398 048)
Accounts and notes receivables		544 233 762	(207 450 022)
Debtors and other debit balances		77 790 128	26 495 317
Due from related parties		(560 074)	(379 301)
Suppliers – advance payments		(44 144 502)	(9 683 711)
Accounts payable		(514 169 376)	156 975 288
Creditors and other credit balances		(114 916 084)	498 559 301
Advance payment customers (contract obligations)		38 481 960	(27 841 905)
Provisions	(18)	(198 218 883)	(13 570 728)
Cash flows generated from operating activities		**4 481 371 379**	**5 529 301 304**
Employees and board of directors dividends paid		(884 485 790)	(395 528 476)
Income tax paid		(1 300 372 677)	(478 432 075)
Net cash flows generated from operating activities		**2 296 512 912**	**4 655 340 753**
Cash flows from investing activities			
Interest received		501 990 087	110 980 564
Payment for the purchase of fixed assets & projects under construction		(111 553 004)	(76 652 066)
Net cash flows generated from investing activities		**390 437 083**	**34 328 498**
Cash flows from financing activities			
Shareholders dividends paid		(3 436 799 829)	(2 291 219 919)
Loans paid		-	(1 373 465 727)
Debit interest paid		(11 207 473)	(48 525 880)
Paid from lease obligations		(11 173 605)	(5 019 434)
Net cash flows used in financing activities		**(3 459 180 907)**	**(3 718 230 960)**
Net changes in cash and cash equivalents		**(772 230 912)**	**971 438 291**
The effect of changes in exchange rates on cash and cash equivalents		1 325 862 225	-
Subsidiary company translation difference		406 393 748	356 623 653
Cash & cash equivalent at the beginning of the period		9 939 998 059	4 392 926 733
Cash & cash equivalent at the end of the period	(13)	**10 900 023 120**	**5 720 988 677**

* The accompanying notes from no(1) to no(39) is an integral part of these consolidated periodical financial statements and to be read therewith.

MISR FERTILIZERS PRODUCTION COMPANY (MOPCO)
EGYPTIAN JOINT STOCK COMPANY
THE NOTES TO THE CONSOLIDATED PERIODICAL FINANCIAL STATEMENTS
FOR THE FINANCIAL PERIOD ENDED JUNE 30, 2023

1- Company's background:

A- Legal entity and activity:

- Misr Fertilizers Production Company "MOPCO" - S. A. E. (formerly Misr Oil Processing Company) was established under the provisions of law no. 8 of 1997 for investment guarantees and incentives and its executive regulations and amendments and law no. 159 of 1981 and its executive regulations and amendments issued by law no. 4 of 1998 and Minister of Economy decision no. 25 of 1998 and Capital Stock Market law no. 95 of 1992 and its executive regulations.
- The Company was registered in Cairo Commercial Register under number 50112 on January 12, 2011.
- According to the text of Article 11 of Law no. 114 of 2008 dated May 5, 2008, all licenses for investment projects under the private free zone system in the field of fertilizer industry have been terminated. Accordingly, the Company is no longer operating under the private free zone.
- The company's administrative headquarters has been modified to become: Building 194, New Cairo, North 90th, Sector Two, City Center, Fifth Settlement, Cairo. The main center and location of industrial activity: the public free zone in the new city of Damietta, as shown in the commercial register issued on 22 September 2022.
- The term of the company was extended for another twenty-five years, starting from 28/07/2023 to 27/07/2048, and this was noted in the company's commercial register on 31/05/2023.
- The company is registered in the official list of the stock exchange of the Arab Republic of Egypt.
- Chairman of the Board of Directors and Managing Director is Eng. / Ahmed Mahmoud Elsayed

B- Purpose of the company

The purpose of the Company is the production of fertilizers, ammonia, and nitrogen. Buying, selling, and marketing all nitrogen fertilizer products and their derivatives. Developing, establishing, owning, financing, managing, maintaining and operating a project for the production of melamine and its derivatives. Marketing, distributing, and selling the melamine product and its derivatives abroad and all over the Republic, except for the Sinai Peninsula region, where the approval of the Authority is required in advance. Production, distribution, and sale of urea solution with different concentrations and used in different applications and uses, including car exhaust treatment.

The company has the right to have an interest or to participate in any way in the incorporation or formation of other companies that engage in activities similar or related to its activities, which may help it to achieve its purposes inside and outside the Arab Republic of Egypt after the approval of General Authority for Investment and Free Zones (GAFI) and the company must obtain all licenses necessary to carry out its activity.

2- Subsidiary company

- The Egyptian Company for Nitrogenated Products "ENPC" an Egyptian joint stock company that was established according to the provisions of law no. (8) of the year 1997 issuing the investments guarantee and incentives law and was registered in the commercial register under the no. 17968 on 5 March 2006 and according to law no. (114) for the year 2008. The subsidiary's free zone license was terminated on 5 May 2005.
- The direct investments in the subsidiary on 30 June 2023 amounted to 99.99996%.

3- Acquisition of the subsidiary:

- On 11 August 2008 the subsidiary's shareholders made an agreement with MOPCO, based on it the acquisition of the subsidiary's shareholder's rights was made, in addition to all contractual benefits and obligations of the subsidiary through a share exchange agreement.
- On 8 November 2008 the extraordinary general assembly approved the agreement made on 11 August 2008 between the shareholders of MOPCO and the subsidiary about the share exchange in the light of allocating 99 616 188 shares resulting from an increase in MOPCO capital to a nominal value of 10 Egyptian pounds per share for the subsidiary's shareholders.

4- Basics for preparation of financial statements

4-1 Basis of consolidated financial statements consolidation

- The financial statements have been prepared in accordance with the Egyptian accounting standards and related Egyptian laws and regulations.
- The accounting principles and policies followed are included in note no. (39) bellow.
- The board of directors approved the issuance of the financial statements on August 28, 2023.

4-2 Basis of measurement

The consolidated financial statements have been prepared on the historical cost basis except for assets and liabilities, that are stated at fair value through profit and loss.

4-3 Functional currency and presentation currency

The consolidated financial statements are presented in Egyptian pounds referred to as "EGP" which is the company's functional currency.

4-4 Use of estimates and personal judgments

The preparation of the financial statements in conformity with Egyptian Accounting Standards requires management to make judgments, estimates, and assumptions that may affect the application of accounting policies and the reported amounts of assets, liabilities, revenues and expenses.

These estimates and associated assumptions are based on management's historical experience and other various factors which could be reasonable in the light of current circumstances and events based on which the carrying amount of assets and liabilities are identified and actual results may differ from these estimates.

These estimates and assumptions are reviewed on an ongoing basis, and any differences in accounting estimates are recognized in the year in which those estimates were changed. If these differences affect the year in which the change was made and future years, then these differences are included in the year in which the adjustment was made and future years.

A- Professional judgment

Information about the judgments used in applying accounting policies that have a significant effect on the values presented in the financial statements is included below:

- Provision for expected claims and potential liabilities.

- Measurement of decline in asset values.

- The useful lives of fixed assets.

B- Unconfirmed assumptions and estimates

Information about uncertain assumptions and estimates at the date of the financial statements, which may result in an effective adjustment in the book value of assets and liabilities in the next financial period, is represented in:

- Recognition and measurement of provisions and liabilities: the underlying assumptions about the likelihood and magnitude of an outflow of resources.

- Measurement of expected credit losses for cash in banks, accounts receivable, notes receivable and other financial assets.

C- Fair value measurement

A number of the company's accounting policies and disclosures require the measurement of the fair values of financial and non-financial assets and liabilities.

The measurement of the fair value of assets and liabilities is mainly based on the available market data, and the data that is relied upon in the evaluation is classified according to the following hierarchy:

Level 1: Quoted prices (unadjusted) in active markets for identical assets or liabilities.

Level 2: Inputs to each of the published prices included in Level 1 that are tracked for the asset or liability either directly (like prices) or indirectly (derived from prices).

Level 3: Inputs for the asset or liability that are not dependent on observable market data (unobservable inputs).

The company recognizes transfers between levels of the fair value hierarchy at the end of the financial period during which the change occurs.

Further information on the assumptions applied when measuring the fair value of financial instruments is included.

Misr Fertilizers Production Company "MOPCO"

Notes to the consolidated periodical financial statements for financial period ended June 30, 2023

5-Fixed assets & projects under construction

In Egyptian pound	Land	Buildings & constructions	Machines, equipment and catalysts (line 3)	Machines, equipment & catalysts (line 1 & 2)	Vehicles	Tools & supplies	Furniture & office equipment	Computers	Projects under construction	Total
Cost										
Cost as at 1/1/2022	81 506 430	144 822 236	2 301 310 375	24 570 317 986	46 976 576	46 809 940	20 278 777	56 438 220	822 346 323	28 090 806 863
Additions	-	1 188 084	-	953 300	24 113 586	10 258 711	1 613 310	4 150 115	148 195 898	190 473 004
Disposals	-	-	-	-	(1 155 739)	-	(705 186)	(306 121)	-	(2 167 046)
Translation differences	46 902 720	3 843 127	-	14 139 233 917	18 443 183	7 524 079	3 411 195	16 706 130	305 953 702	14 542 018 053
Transferred from projects under construction	101 809 908	234 518 394	768 749	-	-	5 762 125	10 030 880	23 803 269	(376 693 325)	-
Cost as at 31/12/2022	**230 219 058**	**384 371 841**	**2 302 079 124**	**38 710 505 203**	**88 377 606**	**70 354 855**	**34 628 976**	**100 791 613**	**899 802 598**	**42 821 130 874**
Additions	-	-	-	7 004 085	-	3 413 085	1 858 821	4 284 923	103 594 922	120 155 836
Disposals	-	-	-	-	(109 900)	-	(139 515)	-	(4 913 998)	(5 163 413)
Transferred from projects under construction	-	17 115 593	-	-	-	-	-	-	(17 115 593)	-
Translation differences	31 821 326	2 982 441		9 593 209 574	14 897 508	6 932 537	2 329 133	11 806 277	213 322 621	9 877 301 417
Cost as at 30/06/2023	**262 040 384**	**404 469 875**	**2 302 079 124**	**48 310 718 862**	**103 165 214**	**80 700 477**	**38 677 415**	**116 882 813**	**1 194 690 550**	**52 813 424 714**
Accumulated Depreciation										
Accumulated depreciation as at 1/1/2022	-	68 781 276	1 503 915 960	5 495 636 395	29 511 527	26 276 888	14 161 022	43 006 568	-	7 181 289 636
Depreciation for the year	-	13 279 940	123 755 685	1 227 701 201	9 903 113	5 329 035	1 502 788	11 064 933	-	1 392 536 695
Accumulated depreciation of disposals	-	-	-	-	(1 155 739)	-	(705 186)	(303 429)	-	(2 164 354)
Translation differences	-	610 061	-	3 537 132 168	9 067 281	1 742 396	2 234 861	13 194 438	-	3 563 981 205
Accumulated depreciation as at 31/12/2022		**82 671 277**	**1 627 671 645**	**10 260 469 764**	**47 326 182**	**33 348 319**	**17 193 485**	**66 962 510**		**12 135 643 182**
Accumulated depreciation as at 1/1/2023	-	**82 671 277**	**1 627 671 645**	**10 260 469 764**	**47 326 182**	**33 348 319**	**17 193 485**	**66 962 510**	-	**12 135 643 182**
Depreciation for the period	-	11 392 536	61 169 688	945 212 527	7 405 303	4 276 328	1 490 835	8 110 071	-	1 039 057 288
Accumulated depreciation of disposals	-	-	-	-	(109 900)	-	(139 515)	-	-	(249 415)
Translation differences	-	445 399	-	2 580 776 147	7 056 134	1 484 663	1 535 348	9 575 018	-	2 600 872 709
Accumulated depreciation as at 30/06/2023		**94 509 212**	**1 688 841 333**	**13 786 458 438**	**61 677 719**	**39 109 310**	**20 080 153**	**84 647 599**		**15 775 323 764**
Net book value as at 1/1/2022	81 506 430	76 040 960	797 394 415	19 074 681 591	17 465 049	20 533 052	6 117 755	13 431 652	822 346 323	20 909 517 227
Net book value as at 31/12/2022	**230 219 058**	**301 700 564**	**674 407 479**	**28 450 035 439**	**41 051 424**	**37 006 536**	**17 435 491**	**33 829 103**	**899 802 598**	**30 685 487 692**
Net book value as at 30/06/2023	**262 040 384**	**309 960 663**	**613 237 791**	**34 524 260 424**	**41 487 495**	**41 591 167**	**18 597 262**	**32 235 214**	**1 194 690 550**	**37 038 100 950**

- **Projects under construction as part of fixed assets are represented as follows:**

In Egyptian pound

	30/06/2023	31/12/2022
Marine constructions for the subsidiary	940 509 629	855 736 659
Building and roads	14 681 971	15 927 381
Machine and equipment	171 193 446	14 106 059
Computers	5 065 884	5 065 884
Advance payment	31 246 427	8 057 219
Letters of credit	31 993 193	909 396
Total	**1 194 690 550**	**899 802 598**

6- Other assets & projects under construction

In Egyptian Pound	The Company's contribution in assets not owned by it and serve its purposes	Gas pipeline	License and software	Marine construction*	Projects Under construction	Total
COST						
Cost as at 1/1/2022	5 000 000	15 627 372	8 957 122	11 060 363	9 302 292	49 947 149
Additions during the year	-	-	-		887 609	887 609
Translation differences	-	-	-	6 364 665	-	6 364 665
Cost as at 31/12/2022	**5 000 000**	**15 627 372**	**8 957 122**	**17 425 028**	**10 189 901**	**57 199 423**
Additions during the period	-	-	-	-	1 225 194	1 225 194
Translation differences	-	-	-	4 318 131	-	4 318 131
Cost as at 30/06/2023	**5 000 000**	**15 627 372**	**8 957 122**	**21 743 159**	**11 415 095**	**62 742 748**
Accumulated amortization						
Accumulated amortization as at 1/1/2022	5 000 000	11 733 265	8 864 538	-	-	25 597 803
Amortization during the year	-	1 072 038	92 584	-	-	1 164 622
Accumulated amortization as at 31/12/2022	**5 000 000**	**12 805 303**	**8 957 122**	**-**	**-**	**26 762 425**
Amortization during the period	-	536 019	-	-	-	536 019
Accumulated amortization as at 30/06/2023	**5 000 000**	**13 341 322**	**8 957 122**	**-**	**-**	**27 298 444**
Carrying amounts						
Net book value as at 1/1/2022	-	**3 894 107**	92 584	**11 060 363**	9 302 292	**24 349 346**
Net book value as at 31/12/2022	-	**2 822 069**	**-**	**17 425 028**	**10 189 901**	**30 436 998**
Net book value as at 30/06/2023	-	**2 286 050**	**-**	**21 743 159**	**11 415 095**	**35 444 304**

- *** Projects under construction as part of other assets are represented as follows:**

	30/06/2023	31/12/2022
License and software	11 415 095	10 189 901
Total	**11 415 095**	**10 189 901**

* Represents an amount of 30 441 441 USD spent in the construction of a dock according to the decision of the Prime Minister No. (555) for the year 2007 which grants the company a license to construct, operate, and maintenance of a specialized dock in the port of Damietta by the B.O.T system, used in shipping, emptying, and exporting petrochemical products in the light of law no. (1) for the year 1996 amended by law no. (22) for the year 1998. The dock's license period is 25 years from the production date or the expiration of 5 years from the date of receiving the dock.

- In 1/2/2015 the parent company signed a memorandum of understanding with the Ministry of Defense, based on it the following was agreed upon:
- The company agreed to end the existing dispute with the New Urban Communities Authority with the authority receiving the plot of land and the subsidiary paying the rent due on it on conditions:
- Provide an alternative location to the dock land with a guarantee from specialized authority to renew all required agreements and licenses from the concerned authorities of the new locations and the renewal of the Prime Minister license no. (555) for the year 2007 for the new location, in addition, to provide a suitable space behind the dock for storage and provide a service road between the dock and the factory.
- Compensate the company for the piece of land it owned by granting it an alternative piece of land.
- Compensate the company for the expenses and costs it incurred.
- An agreement memorandum signed between MOPCO and Damietta Authority.
- Prepare a lease contract with the Damietta Port Authority on the new dock location and settle the unpaid claims of Damietta Port Authority about the lease of the current port.
- On 25 March 2018 the founding stone was set for the new dock with the attendance of the Minister of Petroleum and the Minister of Transportation
- On 19 March 2018 the ENPC board of directors' assembly no. (114), the board of directors unanimously agreed on the memorandum and it's to be referred to the ordinary general assembly of the company.
- On 20 March 2018 in the general assembly of ENPC company in the light of the Engineer / the assembly president listing the events of what was accomplished in the dock, the assembly unanimously agreed to authorize Engineer / Ibrahim Abdul Salam – chairman of the board of directors of ENPC company which is owned by MOPCO by the percentage of 9.999967% in signing the new dock location license contract with the Damietta Port Authority and take necessary actions to receive the new dock location land and to submit the old location and take all actions to end all financial procedures of the old license by agreement, court ruling, or through sovereign decisions.
- On 5 March 2019 during the ENPC board of directors' assembly no. (122) the board was notified of authorizing the Engineer/chairman of the board of directors and managing director of MOPCO to sign the new dock location license contract with the Damietta Port Authority. In that, he can take all necessary actions to finish all contractual procedures.

7- Right-of-use assets

The right of use assets is represented in the rental value for the remaining period of the leased land contract on which the factory is located in the public free zone in Damietta, and its information is as follows:

In Egyptian Pound

Cost	**30/6/2023**	**31/12/2023**
Cost at the beginning of the period	141 310 228	103 638 994
Addition during the period	-	-
Translation differences	25 558 190	37 671 234
Cost at	**166 868 418**	**141 310 228**

Accumulated amortization

Accumulated amortization at the beginning of the period	29 749 503	10 907 601
Amortization expense during the period	8 520 055	12 338 012
Translation differences	5 643 170	6 503 890
Accumulated amortization	**43 912 728**	**29 749 503**
Net book value	**122 955 690**	**111 560 725**

8- Other financial assets

In Egyptian pound	**30/06/2023**	**31/12/2022**
Restricted Deposits *	540 674 750	433 298 250
Letters of guarantee **	45 838 323	36 738 932
	586 513 073	470 037 182
Expected credit losses	(76 213)	(51 311)
	586 436 860	**469 985 871**

* The restricted deposit in Bank Misr represents the amount in return for issuing a letter of credit for EGAS company according to the agreement between the parties to import gas for the amount of 10 million dollars. In addition, an amount of 7.5 million American dollars in return of frozen deposits in the Export Development Bank to issue a letter of credit in return of importing capital assets to the company.

** The amount represents fully covered letters of guarantee according to long-term contracts with different agencies and parties (a letter of guarantee in favor of GASCO in the amount of 1 320 000 US dollars in return for the supply of gas - a letter of guarantee in favor of the Public Free Zone in Damietta in return for insuring the factory land rent in the amount of 163 000 US dollars and another in the amount of 20,000 Egyptian pounds)

9- Inventories

In Egyptian pound	**30/06/2023**	**31/12/2022**
Spare parts	625 925 132	492 179 795
Finished goods at cost	266 458 140	486 050 515
Work in process	179 786 324	147 452 691
Supplies	33 358 007	26 018 402
Goods in transit	117 756 734	89 126 916
Raw material	9 041 600	7 269 700
Oils and fuels	816 477	783 100
	1 233 142 414	**1 248 881 119**

10- Accounts and notes receivable

In Egyptian pound	**30/06/2023**	**31/12/2022**
Accounts receivable	629 208 568	1 048 105 535
Expected credit losses	(149 186)	(247 690)
Balance	**629 059 382**	**1 047 857 845**

11- Debtors and other debit balances

In Egyptian pound	30/06/2023	31/12/2022
Other credit accounts with the tax authority	134 114 519	161 307 455
Prepaid expenses	10 962 643	33 425 482
Employees' advances and installments	12 441 026	20 603 247
Accrued interest	32 256 145	17 158 462
Insurance with others	10 030 959	10 020 959
Miscellaneous debtors	12 900 471	6 207 904
Letters of guarantee covers	1 564 837	1 258 002
	214 270 600	**249 981 511**
Expected credit losses	**(18 074)**	**(40 062)**
	214 252 526	**249 941 449**

12- Transactions with Related Parties

A- Related parties represent:

– Egyptian Natural Gas Holding Co. "EGAS"	Major shareholder by 8.11 %
– Misr Insurance Company	Major shareholder by 1.15 %
– Suez Methanol Derivatives Company	A demerged company (subsidy to the holding company of petrochemicals)

B- Related parties' transactions

The following is a summary of transactions with related parties:

Description	Nature of transactions	The financial period ended in	
		30/06/2023 EGP	30/06/2022 EGP
Egyptian Natural Gas Holding Co. "EGAS"	Gas supply	5 077 798 017	1 831 632 692
Misr Insurance Company	Insurance services	11 748 904	5 988 575
Suez Methanol Derivatives Company	Services rendered / Payments on behalf of the company.	2 329 565	2 054 205

C- Transaction with related parties resulted in the following balances:

Due from related parties

In Egyptian pound	30/06/2023	31/12/2022
Suez Methanol Derivatives Company	1 207 840	647 766
	1 207 840	**647 766**

13- Cash at banks and on hand

In Egyptian pound	30/06/2023	31/12/2022
Banks current accounts	3 896 483 236	5 774 840 413
Time Deposits	6 679 280 775	4 167 655 973
Treasury bills (Less than 3 months)	326 799 850	-
Total	**10 902 563 861**	**9 942 496 386**
Expected credit losses	(2 540 741)	(2 498 327)
Balance	**10 900 023 120**	**9 939 998 059**

14- Current income tax

In Egyptian pound	30/06/2023	31/12/2022
Current income tax	1 436 332 213	1 199 214 719
Tax differences	-	9 438 121
Payments on account of tax	-	(5 000 000)
Deductions on account of tax	(13 142 892)	(28 363 880)
Balance	**1 423 189 321**	**1 175 288 960**

15- Lease Obligations

The current value of the total obligations arising from the rights of use is as the following:

In Egyptian pound	30/06/2023	31/12/2022
Beginning balance of the period/year	134 062 085	94 532 745
Interest during the period / year	3 025 552	4 378 687
Payments during the period / year	(12 150 418)	(15 623 725)
Translation difference	32 771 135	50 774 378
	157 708 354	**134 062 085**
Current lease obligations	19 770 965	15 512 564
Non-current lease obligations	137 937 389	118 549 521
	157 708 354	**134 062 085**

16- Accounts payable

In Egyptian pound	30/06/2023	31/12/2022
Egyptian Company for Natural Gas "EGAS"	302 295 979	492 149 635
Gas supplier (GASCO)	126 232 342	253 986 792
Other suppliers	151 173 458	199 859 508
Fixed assets purchasing creditors	5 081 826	8 725 695
	584 783 605	**954 721 630**

17- Creditors and other credit balances

In Egyptian pound	30/06/2023	31/12/2022
Accrued expenses	49 297 274	49 486 975
General authority for health insurance	30 852 055	64 920 283
Insurance from others	24 470 417	25 199 081
Other credit balances	12 799 660	12 133 566
Value added tax	10 039 771	18 692 811
Salary tax	8 601 954	12 743 678
Due to minor shareholders	6 909 647	6 998 952
Shareholders' dividends payable	3 791 661	3 832 423
Board of directors' dividend payable	1 045 893	-
Social insurance due	3 538 800	2 943 900
Credit balance due to other companies	2 478 789	991 131
Income tax	1 113 841	3 879 500
Employees' credit balances	-	98 293 218
	154 939 762	**300 115 518**

18- Provisions

In Egyptian pound	Balance as at 1/1/2023	Formed	Used	Currency differences	Balance as at 30/06/2023
Contingent liabilities	306 954 658	18 998 614	(198 218 883)	66 119 562	193 854 251
	306 954 658	**18 998 614**	**(198 218 883)**	**66 119 862**	**193 854 251**

Information related to the provision was not disclosed, which usually disclosed about the provision according to Egyptian accounting standards No. 28; because the company's management believes that such disclosure will impact the negotiation results with other parties.

19- Share Capital

A- Authorized capital

- The company's authorized capital amounts to EGP 2 040 million Egyptian pounds (two billion and forty million).
- On May 4, 2014, according to the extraordinary assembly general meeting the company decided to increase the authorized capital to EGP 2 300 million (Egyptian Pound 2 billion and 3 hundred million) and it was registered in the commercial register of the company on January 28, 2015.

B- Issued and fully paid-up Capital

- The issued and paid-up capital as of June 30, 2023, amounted to EGP 2 291 million Egyptian pounds (two billion and two hundred ninety-one million), on December 31, 2014, amounted to 1.992 million Egyptian Pound (one billion and nine hundred ninety-two million), and on December 31, 2010, amounted to EGP 1 984 million Egyptian Pound (one billion and nine hundred eighty-four million). During the year 2011, the amount of the overdue installments was paid. Therefore, the issued capital was fully paid and was recorded in the commercial register on June 9, 2011, which was previously registered in the commercial register on January 26, 2009, as a result of the acquisition of Egyptian Nitrogen Products Company "ENPC" (S.A.E), this acquisition according to the shares exchange with the shareholders of Egyptian Nitrogen Products Company "ENPC" based on the evaluation prepared for this purpose which results in a fair value for the two companies amounted to US Dollars 1 266 million. Therefore, the company's extraordinary general assembly dated November 8, 2008, decided to increase the company's capital by 100% in favor of the shareholders of Egyptian Nitrogen Products Company "ENPC" and the acquisition of Egyptian Nitrogen Products Company "ENPC" and record the investment by the nominal value of the share at EGP 10 each.

- On May 4, 2014, the ordinary general assembly decided to increase the issued capital of the company by the amount of 298 484 560 Egyptian pounds through the distribution of free shares through the dividend distributions for the profit of the financial year ended December 31, 2013, accordingly the issued capital becomes EGP 2 291 172 320 distributed among 229 117 232 shares with a share value of 10 Egyptian pounds recorded in the commercial register of the company dated January 28, 2015.
- The structure of the shareholders of the company is as follows:

Shareholder	**%**	**No. of shares**	**Amount EGP**
Egyptian Petrochemicals Holding Co. "ECHEM"	31.13%	71 333 654	713 336 540
Saudi Egyptian Investment Company	25.52%	58 472 036	584 720 360
Abu Dhabi Investment Holding Company (Alfa Oryx Limited)	20%	45 823 446	458 234 460
Egyptian Natural Gas Holding Co. "EGAS"	8.11%	18 577 606	185 776 060
The Arab Petroleum Investments Corp. "APICORP"	3.03%	6 950 283	69 502 830
Misr Insurance Company	1.15%	2 629 856	26 298 560
Misr Life Insurance Company	0.65%	1 479 833	14 798 330
IPO	10.41%	23 850 518	238 505 180
	100%	**229 117 232**	**2 291 172 320**

C- **General reserve**

The amount 352 383 742 EGP represents the amount transferred to the general reserve from the total shareholders' equity according to the decision of the head of The General Authority for Investment and Free Zones no. 65 for the year 2013, which authorized the establishment of the demerged company in Suez as a result of the split of Misr Fertilizers Production Company ''MOPCO''.

20- Capital contributions

Capital contributions balance at 30 June 2023 amounted to 1 927 091 200 Egyptian pounds and it represents the difference between the book value of shareholder's equity of "Egyptian Nitrogen Products Company" at the date of the acquisition and the book value recorded resulting from an increase of the parent company capital amounting to 996 million Egyptian pounds which the shareholders of the Egyptian Nitrogen Products Company "ENPC" received before the acquisition at that date.

21- Deferred Tax liabilities

In Egyptian pound	**30/06/2023**	**31/12/2022**
Fixed assets and other assets	6 526 626 617	5 303 856 236
Foreign currency translation differences	782 834 166	878 252 221
Tax assets – provisions	(1 090 711)	(8 036 708)
Lease obligations	(9 750 348)	(744 060)
	7 298 619 724	**6 173 327 689**

22- Sales

In Egyptian pound	**30/06/2023**	**30/06/2022**
Export sales	6 927 311 588	5 831 555 960
Domestic sales	2 492 062 901	2 880 660 220
	9 419 374 489	**8 712 216 180**

Segment reports

The chief operating decision maker has been identified as the company's board of directors. The board of directors reviews the Group's internal reports to assess its performance and allocate resources, mainly from a geographical perspective.

In Egyptian pound	30/06/2023			30/06/2022		
Item	Urea	Ammonia	Total	Urea	Ammonia	Total
Export	6 544 672 471	382 639 117	**6 927 311 588**	5 759 457 980	72 097 980	**5 831 555 960**
Domestic	2 033 675 398	458 387 503	**2 492 062 901**	2 346 977 920	533 682 300	**2 880 660 220**
	8 578 347 869	841 026 620	**9 419 374 489**	8 106 435 900	605 780 280	**8 712 216 180**

23- Cost of Sales

In Egyptian pound	**30/06/2023**	**30/06/2022**
Gas	3 732 204 879	2 881 601 550
Other material	238 111 203	185 181 381
Salaries and wages	223 173 994	162 456 642
Depreciation and amortization	1 097 806 414	587 674 137
Security expenses	21 756 038	14 923 022
Factory insurance expenses	10 205 987	5 731 695
Maintenance expenses	107 471 029	44 409 251
Governmental fees and industrial security permits	3 316 217	3 278 221
Rents	21 799 022	10 554 736
Transportation expense	10 946 053	7 988 477
Other expenses	63 779 927	40 355 703
	5 530 570 763	**3 944 154 815**

24- Other income

In Egyptian pound	**30/06/2023**	**30/06/2022**
Other income	19 036 876	6 460 576
Provision no longer required	-	300 000
	19 036 876	**6 760 576**

25- Selling and marketing expenses

	30/06/2023	**30/06/2022**
Packing materials	152 872 667	83 229 920
Salaries and wages	21 545 968	15 265 420
Depreciation	1 823 526	1 756 676
Expenses for transporting and shipping products	14 526 921	13 518 913
Advertising	2 182 384	802 305
Other expenses	1 901 404	3 188 556
	194 852 870	**117 761 790**

26- General and administrative expenses

In Egyptian pound	30/06/2023	30/06/2022
Salaries and wages	80 220 179	55 346 812
Electricity and water	1 670 775	2 247 531
Depreciation	8 808 318	4 105 765
Attendance and transportation allowances for BOD	1 690 966	2 138 523
Maintenance expenses	9 779 119	3 478 060
Advertising, publishing, and public relations expenses	3 468 804	1 994 507
Security and cleaning expenses	3 981 558	3 286 020
Insurance expenses	1 604 844	891 612
Professional fees, car permit fees, and rewards for non-workers	5 501 279	5 159 950
Government fees and subscriptions to foreign and local bodies	4 147 977	1 984 560
Contribution to comprehensive health insurance	14 175 514	9 322 249
Travel expenses	8 888 924	4 946 015
Other tax expenses	668 304	329 166
Other expenses	59 541 963	17 192 005
	204 148 524	**112 422 775**

27- Other Expenses

In Egyptian pound	30/06/2023	30/06/2022
Donation and grants	15 608 785	9 778 719
Provision formed	7 636 181	7 146 063
	23 244 966	**16 924 782**

28- Finance cost

In Egyptian Pound	30/06/2023	30/06/2022
Interest of lease obligation	3 025 582	2 077 950
Syndicated loan finance expenses	-	35 804 143
Syndicated loan cost amortization	-	14 875 366
Bank expenses	10 230 601	10 643 787
	13 256 183	**63 401 246**

29- Finance income

In Egyptian pound	30/06/ 2023	30/06/2022
Investment income at amortized cost	79 061 237	74 393 006
Other interest income	438 026 533	31 212 749
	517 087 770	**105 605 755**

30- Expected credit losses

In Egyptian pound	Balance as at 1/1/2023	Formed	Reversal	Foreign currency translation difference	Balance as at 30/06/2023
Accounts receivable	247 690	-	(133 392)	34 888	149 186
Debtors and other debit balances	40 062	6 860	(30 678)	1 839	18 074
Other financial assets	51 311	24 902	-		76 213
Cash and cash equivalents	2 498 327	315 484	(451 522)	178 452	2 540 741
	2 837 390	**347 246**	**(615 601)**	**215 179**	**2 784 214**

31- Income tax

In Egyptian pound	30/06/2023	30/06/2022
Current tax		
Current income taxes	1 426 869 095	511 648 813
Special tax pool	15 812 247	72 985 263
Tax differences	-	5 374 810
	1 442 681 342	**590 008 886**
Deferred tax		
Fixed assets and other assets	(55 171 343)	(2 740 177)
Foreign currency translation differences	(193 658 635)	(2 212 997)
Tax loss carry forward	-	335 401 491
Tax assets – provisions	(1 713 638)	(1 630 702)
Lease contracts obligations	(155 976)	33 767
Deferred income tax	**(250 699 592)**	**328 851 382**
Net income tax	**1 191 981 750**	**918 860 268**

32- Basic and diluted earnings Per Share

In Egyptian pound	30/06/2023	30/06/2022
Net profit after tax	3 971 200 936	3 734 794 132
Number of issued shares	229 117 232	229 117 232
Basic and diluted earnings Per Share	**17.33**	**16.30**

The General Assembly, held on April 15, 2023, approved the following distributions:
- Dividend distribution to shareholders in the amount of 3 436 758 480 at 15 Egyptian pounds per share.
- Dividend distributions for employees in the amount of 200 584 514 Egyptian pounds.
- Remuneration for the board of directors in the amount of 13 531 228 Egyptian pounds.

33- Financial instruments and management of its related risk

Financial instruments are represented in financial assets (cash and cash equivalent, due from related parties, advance payment suppliers, and monetary items included in the debtors and other debit balances), in addition to financial liabilities (due to related parties, and monetary items included in creditors and other credit balances). According to the basis of evaluation applied to the company's assets & liabilities, the carrying amounts for these financial instruments provide a reasonable estimate of their fair values.

- Interest risk
- Foreign exchange risk
- Credit risk
- Liquidity risk

A. **Interest risk**

This risk is represented in the effect of changes in interest rates adversely on the value of the company's assets and liabilities. The company's management invests its cash investments in channels with fixed interest rates and for short-term periods to avoid the adverse effect of interest rate changes on the value of its assets and the return on them. The company follows up and analyses the interest rate risks regularly and calculates the impact of movements in market interest rates on the statement of profit and loss.
The following table shows the balances of financial assets at the date of the financial statements with fixed and variable interest rates.

Fixed interest rate	**30/06/2023**	**30/06/2022**
In Egyptian pound		
Time deposits	6 679 280 775	4 167 655 973
Treasury bills (less than 3 months)	326 779 850	-
	7 006 060 625	**4 167 655 973**

B. **Foreign exchange risk**

The company carries out some of its operational activities in foreign currencies, and therefore the company is exposed to the risk of fluctuations in foreign currencies with regard to payment schedules or collection of obligations or rights in currencies different from its recording currency.

These obligations and rights are usually related to operational spending that is made with suppliers in currencies other than the Egyptian pound and revenues arising from some services rendered to clients abroad in addition to the loan granted to the subsidiary in US dollars. The company monitors the risk of fluctuations in foreign currencies arising from operational activities.

At the end of the financial period, the net assets / (liabilities) of the main foreign currencies, valued in Egyptian pounds, are as follows:

Financial assets	Foreign currencies	Equivalent in Egyptian pound
USD	325 840 994	10 067 085 598
EURO	766 296	25 310 987

Financial liability	Foreign currencies	Equivalent in Egyptian pound
USD	(133 958 704)	(431 254 755)
EURO	(79 991)	(2 642 127)

Below are the major foreign exchange rates

	Closing rate		Average rate	
In Egyptian pound	**30/06/2023**	**31/12/2022**	**30/6/2023**	**30/06/2022**
USD	30.8957	24.7599	29.6983	17.0758
EURO	33.7148	26.4959	32.031	18.797
GBP	39.2932	29.9397	36.5405	22.353

B: credit risk

The credit risk for the company is related to the failure of the contracting parties to fulfill contractual obligations, especially with regard to balances due from customers, financial instruments, bank balances, and the like.

It is possible to analyze the credit risks the company is exposed to at the level of each sector as follows:

Local clients

Local customers are granted a credit period of up to 15 days, as customers are inquired before agreeing to grant them the said period to make sure they are creditworthy.

External clients

The credit risk of external customers is limited because most of the company's external customers are reputable customers and letters of credit or advance payment policy are used in return for the sale.

Cash balances at banks

The credit risk associated with cash balances and cash equivalents is very limited, as the group deals with banks with good reputations in the market.

In Egyptian pound	30/06/2023	31/12/2022
Accounts receivable	629 059 382	1 047 857 845
Debtors and other debit balances	214 252 526	249 941 449
Cash at banks	10 900 023 120	9 939 998 059
	11 743 335 028	**11 237 797 353**

C. Liquidity risk

Liquidity risk is represented in the factors that may affect the company's ability to pay all its obligations. The management monitors liquidity risk resulting from the uncertainty associated with the cash inflows and outflows by maintaining an adequate level of cash balances.

34- Capital Commitments

Capital commitments are represented in the value of contracts that the company signed to obtain or to construct a fixed asset and it's still not finished as of June 30, 2023. The following is the mentioned contracts' information:

	Total contract	Completed contract	incomplete contract
Contracts in Egyptian pound	165 302 405	117 691 973	47 340 432
Contracts in USD	4 127 428	1 705 844	2 421 584
Contracts in EURO	13 970 000	2 726 400	11 234 600

35- Tax position

A. Parent company

- Misr Fertilizers Production Company- MOPCO, an Egyptian joint stock company, was established under the provisions of law no. 8 of 1997. The company was registered in the commercial register under the no. 33300 Suez on the date July 26, 1998, with tax registration number 205/022/790 and charged through the tax center for senior taxpayers according to Law No.91 for the year 2005 and its executive regulations.
- The company was inspected for corporate income tax from the start of its activity until the year ended 31 December 2021.

The Company's position on tax exemption according to Article Three of Law 91 of 2005.

- After the issuance of Law No. 91 of 2005, the beginning of the company's taxable activity according to the law was determined to be November 7, 2007, based on the letter of the General Authority for Investment issued on February 22, 2010.

  - With the issuance of the law, the company became privileged with tax exemption for the five years following the start of production, from 2008 to 2012, according to Article 3 of the law.

  - Accordingly, on October 21, 2010, the company applied to the General Authority for Investment to obtain tax exemption, but it received a response rejecting the request from the head of the investment sector at the Authority.

- The company appealed against the decision of the head of the investment sector in the Authority, and the matter ended with the issuance of a decision by the Ministerial Committee for Settlement of Investment Disputes at the headquarters of the Ministry of Investment on 3/11/2016, rejecting the company's request for its entitlement to enjoy the legally established tax exemptions.
- The company did not record the tax for the years mentioned, and during the inspection of those years, the Tax Authority supported the decision of the General Authority for Investment that the company was not eligible for the tax exemption and referred the dispute to the internal and specialized committees up to the appeal committee, which confirmed the company's ineligibility for the exemption.
- The company paid the principal of the debt to stop calculating delay fines, and Law No. 173 of 2020 was issued on August 16, 2020 to override delay fines. The tax expense was reduced by 96.3 million pounds after accepting the company's request to override the fines.
- The company filed lawsuits No. 13250 for the year 73 and No. 28906 for the year 73 to gain the tax exemption privilege for the 5 years and the case is being considered.

B. Subsidiary:

Egyptian Nitrogen Products Company "ENPC" was established according to the provisions of law no.8 for the year 1997. The company was registered in the commercial register under the no. 17968 on 5/3/2006 and its tax registration number is 036/456/237 charged through the tax center for senior taxpayers according to Law No.91 for the year 2005 and its executive regulation and law no. 206 for the year 2020.

36- Disputes

36-1 The New Urban Communities Authority and the New Damietta Development and Reconstruction Authority filed Case No. 1486 of 2012, Kafr Saad Civil against each of the Egyptian Petrochemical Holding Company (Echem) as a first defendant and the company as a second defendant, in which the plaintiffs demanded that the second defendant (the company) be required to pay a value for the use of a land area of 324 608 square meters east of the navigational canal, which belongs to the subsidiary company "The Egyptian Company for Nitrogen Products ENPC" at an amount of 157 million pounds, in addition to interest and compensation and that's for the use of the mentioned land assuming that the price of a meter is (6 pounds / meter / month) which is different from the actually used price which is (6 pounds / meter / year). The company's management believes that the Urban Communities Authority is not entitled to claim these values. In 1/2/2015, the company signed a memorandum of understanding with the Ministry of Defense according to which the following was agreed upon:

- The company agrees to end the existing dispute with the New Urban Communities Authority with the authority receiving the plot of land and the subsidiary paying the rent due on it.

- The Ministry of Transport / Damietta Port Authority provides an alternative site for the dock land with a guarantee from the competent authorities to renew all necessary approvals and licenses from the concerned authorities for the new site and renew the license of the Prime Minister No. (555) for the year 2007 for the new site as well as providing a suitable space behind the dock for storage and to provide a service corridor between the dock and the factory.

- Compensating the subsidiary for the piece of land it owned by giving it an alternative piece of land.

- Compensating the subsidiary for the losses and costs it incurred because of evacuating the sites.

On 31/10/2019 a ruling was issued obligating the company to pay the amount of thirty-eight million and seven thousand pounds, and the ruling was appealed and a session on 17/2/2020 was set to look into the appeal.

On 20/2/2021 a ruling was issued to accept the appeal in the matter and reject it in fact and support the first ruling.

MOPCO and the Egyptian Company for Nitrogen Products appealed the ruling before the Court of Appeal, which decided to reject the two appeals and uphold the appealed ruling without removing the company's right to appeal within the legal period against the ruling before the Court of Cassation within the legal deadlines.

In January 2022, the company settled and appealed in cassation, which does not stop the execution of the ruling, and did not set a session to consider the appeal to date.

36-2 The company received a claim from Petrograd in the amount of 4 million pounds represented in the benefits of delay in the payment of gas bills. The company and its legal advisor consider that Petrograd has no right to claim the delay benefits according to the gas supply contract.

36-3 On 12/16/2019, the company filed lawsuit No. 53592 for the year 75 against both - the Minister of Investment - the head of the General Authority for Investment and Free Zones - the head of the central administration of the public free zone in Damietta before the Administrative Court, to cancel the decision of the board of directors of the General Authority for Investment to increase the return in exchange for the use of the factory land in the free zone in Damietta from $1.75/m2 annually to $5/m2 annually, and the requirement to fix the benefits return throughout the project license period (25 years) starting from 2005 and ending in 2030 according to the contract signed between the two parties.

The court decided to accept the lawsuit in form and in the matter, acquitting the company of the amount claimed by the General Authority for Investment and Free Zones and obligating the defendant to pay the expenses.

The General Investment Authority has appealed the verdict, and a hearing has not yet been set for the verdict.

36-4 The Damietta Port Authority filed lawsuit no. (3770) for the year 6 and lawsuit no. (758) for the year 7 and lawsuit no. (2913) for the year 9 to the administrative court in Ras El Bar to oblige MOPCO and ENPS to pay the return of usufruct right of the dock land from years 2012 till 2020 of a compensation value up to 4 598 565 million USD, in addition to the interest accrued and the litigation procedures reached the following:

- Lawsuit no. (3770) for the year 6 amounting to 246 000 USD, the lawsuit was accepted in the matter and in fact in paying the mentioned amount. The company appealed on 22 June 2021 and the appeal was referred to the commissioner body and the amount was not yet paid.
- Lawsuit no. (758) for the year 7 amounting to 2 372 440 USD, forwarded to the expert's office and still not considered to date.
- Lawsuit no. (2913) for the year 9 amounting to 1 980 125 USD, forwarded to the expert's office and still not considered. The company doesn't deem it necessary to form a provision for this lawsuit currently.

37- Significant events:

The central bank of Egypt decided in its assembly dated 27 October 2022, announced the application of a flexible exchange rate in pricing foreign currency and the Egyptian currency exchange prices are to be determined through supply and demand. Based on that, the US dollar exchange price kept increasing relative to the Egyptian pound, which lead to its increase from 19.69 to around 30 Egyptian pounds on the financial statements issue date.

- The Prime Minister issued exceptional decree no. (1847) for the year 2023 on dealing with the exceptional economic decision about floating the foreign currency exchange rates through adding an additional option to paragraph no. (28) in the Egyptian accounting standards and its amendment no. (13) " the implications of change in foreign currency exchange rates" which requires recognizing the currency exchange differences within the income statement in the period these differences arise, in which the standard allows the recognition of debit and credit currency exchange differences resulting from the translation of foreign currency denominated monetary assets and liabilities at the end of 31 December 2023 within the items of other comprehensive income according to paragraph no. (9) in the amended standard appendix. Also, paragraph no. (10) in the amendment allowed including the foreign currency differences resulting from translating monetary items, which is presented in the items of the other comprehensive income according to paragraph no. (9) of the appendix, in retained earnings(deficit) at the end of the same financial period.

- The company is currently in the process of merging with the subsidiary (the Egyptian Company for Nitrogenated Products), as the Board of Directors approved on June 5, 2022 to approve the merger schedule.

38- Comparative figures reclassified to conform to the presentation of the financial statements

The effect of reclassifying the profit or loss statement items

In Egyptian pound	As previously presented 30/06/2022	Reclassification	Reclassified 30/06/2023
Other income	(6 460 576)	(300 000)	(6 760 276)
General & administrative expenses	110 284 252	2 138 523	112 422 775
Donations and grants	9 778 719	(9 778 719)	-
Allowances for the board of directors	2 138 523	(2 138 523)	-
Provisions no longer required	(300 000)	300 000	-
Provisions formed	7 146 063	(7 146 063)	-
Other expenses	-	16 924 782	16 924 782

39- Significant Accounting policies applied

39-1 Basis of financial statements preparation:

The consolidated financial statements represent the financial statements of the parent company and the company under its control (subsidiary) at each balance sheet date. Control happens when the parent company does the following:

- Authority on the investee
- Subject to or has the right to returns through its contribution to the investee.
- The ability to exercise its authority on the investee to affect the value of returns that it gains from it.

The parent company has to reevaluate the control it has over the investee if circumstances show that there's a change in one or two of the control conditions mentioned above.

The consolidated income statement includes revenues and expenses of the subsidiary whether its acquisition or disposed throughout the year and that is starting from the actual date of the acquisition or disposal according to its state. The total income of the subsidiary is distributed between the parent company shareholders and the non-controlling interest even if that leads to the appearance of a negative balance in non-controlling interest (deficit).

The necessary adjustments to the financial statements are made to either company whenever this was necessary to make the accounting policies consistent with the accounting policies of either company.

When consolidating, all transactions, balances, revenues, and expenses between the parent company and its subsidiary are eliminated.

The non-controlling interest of the subsidiary company is presented separately from the group equity in it.

When the group loses its absolute or joint control on a subsidiary and instead retains significant influence on it, in this case, the company recognizes the remaining investment as an investment in an associate company and measures it using fair value on the date of losing control. The fair value of the remaining investment on the date of losing control is considered as cost in the initial recognition of the investment in the associate company.

39-2 Business combinations:

Business combination (acquisition) transaction is accounted for using the acquisition method. The transferred return of a business combination transaction is measured at fair value which is calculated based on total fair values at the date of the acquisition of assets transferred from the group and liabilities incurred by the group in favor of the previous shareholders of the acquired company and equity instruments issued by the group in exchange of control of the acquired company.

Goodwill is measured on the basis that it represents an increase in (1) the sum of: the value of transferred consideration, the amount of non-controlling interest, and the fair value of previous equity interest the company owned before the acquisition date (if any) minus (2) net value: of acquired assets and liabilities incurred at the acquisition date. And if it appeared after revaluation that the net assets acquired and liabilities incurred at the date of the acquisition are more than the sum of: the value of transferred consideration, the amount of non-controlling interest, and the fair value of previous equity interests the company owned before acquisition date, then the direct increase is recognized in the profit or loss of the year as a gain from a bargain purchase.
As for the non-controlling interests, which represent current equity and entitle their holders to a proportional share of the net assets in case of liquidation, it's possible to be measured after the initial recognition either by fair value or by the relative share percentage of non-controlling interest holders in the recognized value of net assets of the acquired company and the basis of measurement is chosen for each acquisition separately.
The initial measurement of the non-controlling interest in the acquisitioned company is measured based on the relative share percentage of non-controlling interest holders in the fair value of assets and liabilities at the date of the acquisition.

39-3 <u>Foreign currencies:</u>

The financial statement of either company is presented in the currency of its economic environment that controls the transactions of the company (record currency in the books).
For the purpose of preparing the consolidated financial statements, the financial statements of both companies are presented in Egyptian pounds which is the main presentation currency of the parent company and the consolidated financial statements.
When preparing the financial statements of each company, transactions in foreign currencies are recorded according to the prevailing exchange rate at the time of the transaction, and the balances of monetary assets and liabilities are translated at the end of each period according to the prevailing exchange rates. As for the non-monetary assets and liabilities recorded at fair value, it is translated at the end of each financial period according to the prevailing exchange rates. Non-monetary items denominated in foreign currency that are measured on a historical cost basis, are re-translated.
The profit or loss of the translation is included in the income statement for the year except for the differences resulting from the translation of the balances of non-monetary assets and liabilities that are measured at fair value which is included in the change of its fair value.
At the date of the consolidated financial statements the assets and liabilities of the financial statements of foreign subsidiaries and local subsidiaries with presentation currency other than the Egyptian pound are translated based on the prevailing exchange rates at the date of preparing the consolidated financial statements and the equity is translated according to historical exchange rates at the date of acquiring or founding. The revenue and expenses items are translated according to the average exchange rate prevailing throughout the financial year. The translation differences of subsidiaries are classified in the statement of financial position as a reserve for translation differences within equity.

The Prime Minister issued exceptional decree no. (1847) for the year 2023 on dealing with the exceptional economic decision about floating the foreign currency exchange rates through adding an additional option to paragraph no. (28) in the Egyptian accounting standards and its amendment no.(13) " the implications of change in foreign currency exchange rates" which requires recognizing the currency exchange differences within the income statement in the period these differences arise, in which the standard allows the recognition of debit and credit currency exchange differences resulting from the translation of foreign currency denominated monetary assets and liabilities at the end of 31 December 2023 within the items of other comprehensive income according to paragraph no. (9) in the amended standard appendix. Also, paragraph no. (10) in the amendment allowed including the foreign currency differences resulting from translating monetary items, which is presented in the items of the other comprehensive income according to paragraph no. (9) of the appendix, in retained earnings(deficit) at the end of the same financial period.

39-4 Fixed assets

Recognition and measurement

- Fixed assets that are used in production, providing goods & services, or for administrative purposes are stated at historical cost less accumulated depreciation and cumulative impairment losses resulting from impairment in the values of fixed assets. Cost includes expenditures that are directly attributable to the acquisition of the asset and necessary to have the asset ready for use for the purpose for which the asset was acquired.
- When parts of an item of fixed assets have different useful lives, they are accounted for as separate items (major components) of fixed assets.
- Assets are stated in the construction phase for production or rent or for administrative purposes at cost less cumulative impairment losses. Cost includes professional fees and all direct costs related to the asset. Depreciation of these assets starts when they are completed and prepared for use for a specific purpose.
- The cost of self-constructed assets includes the cost of materials, direct labor, and any other costs directly attributable to bringing the asset to a working condition for its intended use.

Subsequent costs

- Cost related to the replacement of fixed assets or any main components are capitalized and any subsequent cost to the acquisition will be capitalized if there is an increase in the future economic return. The carrying amount of the replaced part is derecognized. Any other costs will be recognized as expenses in the statement of profit or loss when incurred.

Depreciation

- Depreciation is charged to the statement of profit or loss on a straight-line basis over the estimated useful lives of each type of asset or the useful life of major components of an item of fixed assets which are accounted for individually. (Land is not subject to depreciation). The estimated useful lives of the fixed assets for depreciation calculation are as follows: -

	Depreciation and Amortization
- Buildings and construction	4%-25%
- Vehicles and transportation	20%
- Machinery of production units*	5%-20%
- Tools and equipment	15%
- Aid factors	10-50%
- Furniture	10%
- Telephone	15%
- Computers	25%

- Fixed Assets are depreciated when it ready for use for the intended purpose.

* The board of directors' assembly no. (231), held on October 2, 2013, approved decision no. (1094) to modify the useful lives of machinery and equipment from 25 to 20 years starting from January 1, 2013, in addition, agreed to modify the useful life of the Gas Cooler from 20 to 8 years by decision no. (1128) starting from January 1, 2014, and for three years.

Profit and loss from disposal of fixed assets:

Profit and losses from the disposal of fixed assets are identified by comparing the disposal return with the net book value of the asset, and the resulting profits or losses are recorded in the statement of profit or loss.

39-5 Projects under construction

Projects under construction are recorded at cost less accumulated impairment in value, if any, and the cost includes all costs directly related to the asset and necessary to prepare the asset to the state in which it is operated and for the purpose for which it was acquired. Projects under construction are transferred to the item of fixed assets when they are completed and available for the purpose for which they were acquired, and then their depreciation begins using the same bases used in the depreciation of similar items of fixed assets.

39-6 <u>Other assets</u>

A. Recognition

Identifiable non-monetary assets acquired for business purposes and from which future returns are expected to flow are treated as other assets. Other assets consist of the company's contribution to assets not owned by it and serve its purposes, for example, the gas pipeline.

B. Measurement

Other assets are measured at cost, being the cash price at the recognition date.

If payment is deferred beyond the normal credit terms the difference between the cash price equivalent and the total payment is recognized as interest over the period of credit. Other assets are presented net of accumulated amortization and accumulated impairment losses

C. Subsequent expenditures

Subsequent expenditure on capitalized other assets is capitalized only when it increases the future economic benefits embodied in the specific asset to which it relates. All other expenditures are recorded as incurred in the statement of profit and loss.

D. Amortization

Amortization is charged to the statement of profit or loss on a straight-line basis over the estimated useful lives of intangible assets. Other assets with indefinite useful life are systematically tested for impairment at each statement of financial position date. Other assets are amortized from the date they are available for use as follows:

Description	Amortization
- The Company's contribution in assets not owned to it and serve its purposes.	20%
- Gas pipeline	4%
- License and software	25%

39-7 <u>Impairment in the value of tangible and intangible assets</u>

The company, on an annual basis - or whenever necessary - reviews the book values of its tangible assets to determine whether there are indications of a possible impairment in their value. If such indications are available, the group estimates the recoverable value of each asset separately to determine impairment loss in value. If it is not possible to estimate the recoverable amount of the asset, the company estimates the recoverable amount of the cash-generating unit to which the asset belongs.

If logical and fixed bases are used to distribute assets to cash-generating units, the general assets of the group are also distributed to those units. If this cannot be achieved, the general assets of the group are distributed to the smallest group of cash-generating units that the group can identify using logical and fixed foundations.

With regard to intangible assets that do not have a specified default life or are not yet available for use, an annual test is conducted for impairment in their value, or as soon as there is any indication of the exposure of these assets to impairment.

The recoverable amount of the asset or the cash-generating unit is represented in the "fair value less selling costs" or "value in use", whichever is greater.

The estimated future cash flows from the use of the asset or the cash-generating unit are discounted using a pre-tax discount rate to arrive at the present value of those flows, which express their use value. This rate reflects current market assessments of the time value of money and the risks associated with that asset, which were not taken into account when estimating the future cash flows generated from it. If the estimated recoverable amount of an asset (or cash-generating unit) is less than its carrying amount, the carrying amount of that asset (or cash-generating unit) is reduced to reflect its recoverable amount.

Impairment losses are recognized immediately in the income statement. And when the impairment loss recognized in previous periods is canceled out in a subsequent period, the book value of the asset (or cash-generating unit) is increased in line with the new estimated recoverable amount, provided that the revised book value after the increase does not exceed the original book value the asset would reach it if the loss resulting from impairment was not recognized in its value in previous years. Such reverse adjustment of impairment losses is recognized immediately in the profit or loss statement.

39-8 Revenue from contracts from customers

- The company has implemented Egyptian Accounting Standard No. 48 as of January 1, 2021

Egyptian Accounting Standard No. 48 replaces Egyptian Accounting Standard No. 11 "Revenue" and Egyptian Accounting Standard No. 8 "Construction Contracts" and related interpretations. EAS 48 deals with the recognition of revenue from contracts with customers as well as the treatment of additional costs incurred in obtaining a contract with a customer, which will be explained in more detail below.

• Egyptian Accounting Standard No. 48 states that revenue recognition depends on the following five steps:

Step 1: Identify the contract(s) with the customer

Step 2: Identify performance obligations in the contract.

Step 3: Determine the transaction price.

Step 4: Allocate the transaction price to the performance obligations in the contract.

Step 5: Revenue is recognized when (or whenever) the entity fulfills the performance obligation.

In addition, Egyptian Accounting Standard No. 48 includes disclosure of financial statements, concerning the nature, amount, timing, and uncertainty of revenue and related cash flows.

- **Revenue recognition**

The management evaluated the impact of applying the new standard on the company's financial statements, by applying the five-step model, and concluded that the current basis for revenue recognition is still appropriate because the only performance obligation is to deliver the sold quantities to its customers, whether local or external, as it is according to the contracts concluded with customers. The company transfers control over the quantities sold to customers according to the following:

A. Export sales

According to the shipping terms, which is usually the date of shipment at the port.

B. Domestic sales

The date on which the goods were authorized to leave the company.

Therefore, management considers that the initial recognition of Egyptian Accounting Standard No. 48 has no significant change or impact on the company's accounting policies applied to its consolidated financial statements.

- The value of the revenue is measured at the fair value of the return received or due to the entity when there is sufficient expectation that there will be future economic benefits that will flow to the entity, and that the value of this revenue can be measured accurately, and no revenue is recognized in the event of uncertainty about the recovery of this revenue or associated costs.

39-9 Financial Instruments

Financial assets:

As of January 1, 2021, the company has applied the new Egyptian Accounting Standard No. 47 "Financial Instruments".

A- Classification:

As of January 1, 2021, the Company classifies its financial assets into the following measurement categories:

• Those that will subsequently be measured at fair value (either through other comprehensive income or through profit or loss), and

• Those that will be measured at amortized cost.

The classification depends on the company's business model for managing those financial assets and the contractual terms of the cash flows.

For assets measured at fair value, gains, and losses will be recorded either in the statement of profit or loss or in other comprehensive income.

For investments in equity instruments that are not held for trading, this will depend on whether the Company has made an irrevocable decision at the time of initial recognition to account for the equity investment at fair value through other comprehensive income (FVTOCI).

The Company reclassifies its investments only when its business model for managing those assets changes.

B- Recognition and exclusion
The usual way of buying and selling financial assets is on the date on which the company commits to buy or sell the financial asset. A financial asset is de-recognized when the contractual rights to receive cash flows from the financial asset expire, or those rights are transferred in a transaction in which substantially all the risks and rewards of ownership of the financial asset are transferred.
C- Measurement
On initial recognition, the Company measures the financial asset at its fair value plus or minus, in the case of a financial asset not measured at fair value through profit or loss (FVTPL), transaction costs that are directly attributable to the acquisition of the financial asset. Transaction costs of financial assets carried at fair value through profit or loss are recognized as an expense in the statement of profit or loss.
Financial assets that contain derivatives are considered when determining whether their cash flows are solely payments of principal and interest.
D- Impairment
At the financial statements date, the company evaluates whether there is a credit impairment of financial assets that are measured at amortized cost and securities valued at FVTOCI. Credit impairment of an asset occurs when there is an adverse event affecting the expected future cash flows of the asset.
Indicators of credit impairment include the following:
- Violation of the contract through the inability of repaying the loan on due dates.
- Restructuring of the loan or the advance payment on unfavorable conditions to the company.
- It's probable that the borrower will go bankrupt, or the disappearance of the active market of the asset because of financial difficulties.

Provisions of financial assets at amortized cost are deducted from the total value of the asset.

Debt instruments
Subsequent measurement of debt instruments depends on the Company's business model for managing the asset and the cash flow characteristics of the asset. There are three measurement categories by which the company classifies debt instruments:
• **Amortized cost**: Assets held to maturity to collect contractual cash flows, as those cash flows represent only payments of principal and interest, are measured at amortized cost. Interest income from these financial assets is included in finance income using the effective interest method. Any gains or losses resulting from the disposal of investments are recognized directly in the statement of profit or loss and are classified under other income / (expenses). Impairment losses are presented as a separate line item in the statement of profit or loss.
• **Fair value through other comprehensive income**: Assets held for the purpose of collecting contractual cash flows and also for the purpose of selling financial assets, where cash flows of assets represent only payments of principal and interest, are measured at fair value through other comprehensive income. Changes in the carrying amount are taken through other comprehensive income, except for the recognition of impairment gains or losses, interest income, and foreign exchange gains and losses, which are recognized in the statement of profit or loss. When a financial asset is derecognized, the cumulative gain or loss previously recognized in other comprehensive income is reclassified from equity to the statement of profit or loss and recognized in other income / (expenses). Interest income from these financial assets is included in financing income using the effective interest rate method, and impairment expense is presented as a separate item in the statement of profit or loss.
• **Fair value through profit or loss**: Assets that do not meet the criteria for amortized cost or FVTOCI are measured at FVTPL. Gains or losses on investment in debt instruments that are subsequently measured at fair value through profit or loss are recognized in profit or loss and presented net within other income / (expenses) in the period in which they arise.
Equity instruments
The company subsequently measures all investments in equity instruments at fair value. And when the company's management chooses to present fair value gains and losses on investments in equity instruments in the statement of other comprehensive income, it is not subsequently reclassified to the statement of profit or loss after disposing of the investment. Dividends from these investments continue to be recognized in the profit or loss statement as other income when the company's right to receive such distributions is established.

Changes in the fair value of financial assets at fair value through profit or loss are recognized in the other income / (expenses) item in the statement of profit or loss, as the case may be. Impairment losses (and the reversal of impairment losses) on investments in equity instruments that are measured at fair value through other comprehensive income are not recognized separately from other changes in fair value.

Financial obligations

Financial liabilities are classified as either "at fair value through profit or loss" financial liabilities or other financial liabilities.

Other financial obligations

Other financial liabilities include loan balances, suppliers, balances due to related parties, and other credit balances. The first financial liabilities are recognized at fair value (the value received) after deducting the cost of the transaction, provided that they are subsequently measured at amortized cost using the effective interest rate and the distribution of interest expense on related periods based on the actual return.
The effective interest rate method is a method of calculating the amortized cost of financial liabilities and charging interest expense over the relevant periods.
The effective interest rate is the rate that exactly discounts future cash payments through the estimated life of the financial liability, or a shorter appropriate period.

Derecognition of financial instruments from the books

A financial asset is derecognized when the company transfers substantially all the risks and rewards of ownership of the asset to a party outside the company. on the financial asset. If the company continues to control the transferred financial asset, then it recognizes the interest it retains in the asset and a corresponding liability representing the amounts it may have to pay.
But if the transaction results in the company retaining substantially all the risks and benefits of ownership of the transferred financial asset, then the company continues to recognize the financial asset, provided it also recognizes the amounts received as a loan against the guarantee of that asset.
Financial liabilities are derecognized when they are either settled, canceled, or contractually expired.

Effective interest rate method

The effective interest rate method is used to calculate the amortized cost of financial assets that represent debt instruments and to distribute the return over the relevant periods. The effective interest rate is the rate based on which future cash receipts are discounted (which includes all fees, payments, or receipts between the parties to the contract, which are considered part of the effective interest rate as well as the transaction cost and any other premiums) over the estimated life of the financial assets or any less appropriate period.
The return on all debt instruments is recognized based on the effective interest rate, except for those classified as financial assets at fair value through profit or loss, where the return on them is included in the net change in their fair value.

39-10 Lease contracts

On January 1, 2021, the management made a detailed assessment of the impact of applying Egyptian Accounting Standard No. (49) on the company's consolidated financial statements.
- Egyptian Accounting Standard No. 49 replaced the previous Egyptian Accounting Standard No. 20 "Accounting Rules and Standards Related to Financial Leasing Operations". Under the new leasing standard, the assets leased by the company are recorded in the Company's statement of financial position with the corresponding liability recorded.
- During the year 2021, the company made a detailed assessment of the impact of Egyptian Accounting Standard No. 49, and the impact of applying Standard No. 49 was as follows:
• The company, as a lessee, recognized the usufruct asset and the lease contract obligations at the commencement date of the lease.
• With initial recognition, the right of use has been measured as the amount equal to the initial measurement of the lease liability, adjusted for past lease payments, initial direct cost, lease incentives, and the discounted present value of the estimated liability for disposal of the asset. Subsequently, the right-of-use asset will be measured at cost less accumulated depreciation and accumulated impairment losses. Depreciation is calculated on a straight-line basis over the estimated useful lives of the usufruct assets or the lease term, whichever is shorter.

• The lease liability was measured at initial recognition at the present value of the future lease and related fixed service payments over the lease term, discounted at the interest rate implicit in the lease or the company's incremental borrowing rate. Generally, the company uses the incremental borrowing rate as the discount rate. The subsequent lease liability is measured at amortized cost using the effective interest method.

• Usufruct assets and lease liability are subsequently remeasured if one of the following events occurs:

- The change in the lease price due to the rate that became effective in the period of the financial statements.
- Adjustments to the lease contract.
- Re-evaluation of the lease term.
- Leases that are short-term in nature (less than 12 months including extension options) and leases of low-value items will continue to be recognized as expenses in the profit or loss statement as incurred.

- Transitional rules:

The company adopted the Egyptian Accounting Standard No. 49 calculated based on the remaining period of the contract, and the comparison numbers were not modified, based on Paragraph C8 of the appendix to the standard regarding the rules regarding the effective date and the transitional rules.

39-11 Inventories

- Inventories are stated at lower of cost or net realizable value. Net realizable value is the estimated selling price in the ordinary course of business, less estimated cost to completion and selling expenses. The cost of inventory is determined as follows: -
- Raw materials, supplies, fuel, oil, and spare parts are valued at actual cost on a moving average basis.
- Catalysts are valued at the actual purchase.
- Finished goods and work in progress are valued at actual production cost which includes direct materials, direct labor, and its share of manufacturing fixed and variable overheads.

39-12 Cash and cash equivalent

For the purpose of preparing the statement of cash flows, cash, and cash equivalents comprise cash at banks and on hand, time deposits and treasury bills - with a maturity not exceeding three months –checks under collection, and bank overdraft balances (if any) which is paid on demand and which is an integral part of the company's financial management.

39-13 Contingent liabilities and provisions

Provisions are recognized when there is an existing legal obligation or inferred from surrounding circumstances as a result of a past event and it is probable that an outflow of economic benefits will be used to settle that obligation and a reliable estimate can be made of the amount of the obligation. If the effect of the time value of money is material, then the value of the provisions is determined by discounting the expected future cash flows at a pre-tax discount rate that reflects the current market assessment of the time value of money and the risks related to the obligation, if appropriate.

The balance of provisions is reviewed on the date of the financial position and adjusted (if necessary) to reflect the current best estimate

39-14 Employee benefits

1- Employee retirement benefits

The company contributes to Social Insurance for the benefit of its employees in accordance with the Social Insurance Law No. 79 of 1975 and its amendments, and there are no other liabilities towards the company when this liability is paid. Contributions are recognized as labor costs in the statement of profit or loss when they are incurred.

2- Defined contribution plans

Expenses resulting from contributions to defined contribution plans are charged to the statement of profit or loss according to the accrual basis.

39-15 Employees share in income

The company pays 10% of its cash dividends as profit sharing to its employees provided that it will not exceed total employees' annual salaries. Profit sharing is recognized as a dividend distribution through equity and as a liability when approved by the company's shareholders. The company does not recognize a liability for employees' profit share for non-distributed profits.

39-16 Legal reserve

According to the corporate law and the company's articles of association, at least 5% of the net profit is retained to form a legal reserve till it reaches 50% of the issued capital, transferring to the legal reserve stops when it reaches 50% of the issued capital. When the legal reserve declines below 50%, the company starts retaining at least 5% of its net profit till it reaches 50% of the issued capital again. This reserve is not subject to distribution but may be used to increase capital or mitigate losses. Legal reserve is recognized in the financial year when the ordinary general assembly meeting is accredited to decide the increase of the reserve.

39-17 Accounting for income tax

Income Taxes and deferred taxes

A provision is formed to meet possible tax liabilities and disputes from the management point of view in light of the received tax claims and after conducting the necessary studies in this regard.

- The company's consolidated profit or loss statement is periodically charged with an estimated tax burden for each fiscal period, which includes both the current tax value and the deferred tax, provided that the actual tax burden is established at the end of each fiscal year.

- Deferred tax assets and liabilities represent the expected tax effects of the temporary differences resulting from the difference in the value of assets and liabilities according to tax rules and between the book values of those assets and liabilities according to the accounting principles used in preparing the separate financial statements.

- The current tax is calculated based on the tax base determined according to the laws, regulations, and instructions prevailing in this regard and using the prevailing tax rates at the date of preparing the financial statements, while the deferred tax value is determined using the tax rates expected to be applied in the periods during which the obligation will be settled or the asset will be used based on the prevailing tax rates and tax laws in at the date of the financial statements.

- The deferred tax is recorded as an expense or revenue in the income statement, except for those related to items that are directly recorded within equity, so the related deferred tax is also recorded directly within equity.

- In general, all deferred tax liabilities (resulting from taxable temporary differences in the future) are recognized, while deferred tax assets (resulting from taxable temporary differences) are not recognized unless there is a strong probability or other convincing evidence of achieving sufficient tax profits in the future. The statement of financial position method is used to calculate the deferred tax assets and liabilities and they are classified as non-current assets/liabilities.

39-18 Segment report

Operating segments are disclosed in a manner consistent with the internal reporting information provided to the chief operating decision-maker. The chief operating decision maker, who is responsible for allocating resources and assessing the performance of the operating segments, has been identified as the company's board of directors.

39-19 Earnings per share

Basic and diluted earnings per shareare calculated by dividing the profit or loss attributable to ordinary equity holders of the company by the weighted average number of ordinary shares outstanding during the period.

39-20 Statement of Cash Flows

The statement of cash flows is prepared using the indirect method.

39-21 New versions and amendments made to the Egyptian Accounting Standards

On 6/03/2023 the Prime Minister issued decision no. 883 of 2023 amending some provisions of the Egyptian Accounting Standards Which includes some new accounting standards and amendments to some existing standards. The management is currently studying the impact of these amendments on the financial statements. The following are the most important amendments:

New or amended standards	***Summary of the most important modifications***	***Potential impact on the financial statements***	***Application date***
New Egyptian Accounting Standard No(50) insurance contracts	The new Egyptian Accounting Standard No. (50) "Insurance Contracts" replaces the corresponding topics in Egyptian Accounting Standard No. (37) "Insurance Contracts: Recognition, Measurement, and Disclosure." "	Management is currently assessing the potential impact on the financial statements when applying the standard.	Standard No. (50) applies to financial periods beginning on July 1, 2024
Amended Egyptian Accounting Standard No. (10) "Fixed Assets"	1. All establishments were allowed, upon the subsequent measurement of fixed assets, to use either the cost model option or the revaluation model option Based on this amendment, the following have been amended: 1- Egyptian Accounting Standard No. (1) "Presentation of Financial Statements: Adding Paragraph (A) to the definition of other comprehensive income in Paragraph No. (7) (A) Changes in the revaluation surplus / fair value see Egyptian Accounting Standard No. (10) "Fixed Assets" and Standard No. (23) "Intangible Assets" and Standard (34) Real Estate Investment Amending Paragraph No. (96) to read as follows: (96) "Reclassification adjustments" do not arise from changes in the revaluation surplus recognized in accordance with Egyptian Accounting Standard No. (10) and Egyptian Accounting Standard No. (23) or remeasurement of the defined benefit	Management is currently assessing the potential impact on the financial statements when applying the amended standard.	Amended Standard No. (10) applies to financial periods beginning on January 1, 2023.

	system that was recognized in accordance with Egyptian Accounting Standard No. (38) These items are recognized in "Other Comprehensive Income" and are not reclassified to profits or losses (income statement) in subsequent periods, reclassification adjustments do not arise when cash flow hedges or accounting for the time value of an option contract (or the forward component of a forward contract) or basis points for foreign currency differences result in amounts being removed from the cash flow hedge reserve or a separate component of equity, On the arrangement and adding these amounts directly to assets or liabilities. - Egyptian Accounting Standard No. (5) "Accounting policies, changes in accounting estimates and errors." Egyptian Accounting Standard No. (13) Effects of changes in foreign exchange rates. - Egyptian Accounting Standard No. (24) "Income Taxes" - Egyptian Accounting Standard No. (30) "Interim Financial Statements" - Egyptian Accounting Standard No. (49) "Lease Contracts" - Egyptian Accounting Standard No. (31) "Impairment of Assets"		
Amended Egyptian Accounting Standard No. (23) "Intangible Assets"	All establishments were allowed, upon subsequent measurement of intangible assets, to use either the cost model option or the revaluation model option	Management is currently assessing the potential impact on the financial statements when applying the amended standard.	Amended Standard No. (23) applies to financial periods beginning on January 1, 2023.

Amended Egyptian Accounting Standard (49)"Lease Contracts"	1. Introducing some amendments to Standard No. (49) issued during 2019 as a result of amending and re-issuing Egyptian Accounting Standard No. (10) "Fixed Assets" amended in 2023 2. **Adding Paragraph No. (35) to Standard No. 49 as follows:** -If the usufruct asset is related to a category of fixed assets in which the lessee applies the revaluation model contained in Egyptian Accounting Standard No. (10) "Fixed Assets", then the lessee can choose to apply the revaluation model to all usufruct assets related to that category of Fixed assets. 3. **Adding Paragraph No. (57) to Standard (49) as follows:** If the lessee measures the right-of-use assets at amounts revalued in accordance with standard (10), the lessee must disclose the information required by paragraph (77) of standard No. (10) on those usufruct assets. 4. **Amending Paragraph No. (56) of Standard (49) to become:** -If the usufruct assets meet the definition of real estate investment, the lessee must apply the disclosure requirements contained in Egyptian Standard No. (34) "Real Estate Investment". In this case, the lessee is not required to provide the disclosures contained in Paragraph 53 (A), (F), (H, (J) of those "usufruct" assets.	Management is currently assessing the potential impact on the financial statements when applying the amended standard.	The amendments to the amended Standard No. (49) shall be applied to the financial periods beginning on January 1, 2023 when applying the amended Standard (10)
Amended Egyptian Accounting Standard No. (34) "Real Estate Investment"	All establishments were allowed, upon the subsequent measurement of their real estate investments, to use either the option of the cost model or the option of the fair value model, while obligating real estate investment funds	Management is currently assessing the potential impact on the financial statements when	This amendment applies to fiscal periods beginning on or after January 1, 2019.

	only to use the fair value model upon the subsequent measurement of all their real estate assets. -With the recognition of the increase in the fair value upon the subsequent measurement of the real estate investment within the items of other comprehensive income instead of profits or losses and accumulating it within equity in an account called "Real estate investment valuation surplus at fair value" (see paragraphs 35 and 35a of the Egyptian Accounting Standard No. (34) **Based on this, the following have been amended:** -Egyptian Accounting Standard No. (32) "non-current assets held for sale and discontinued operations." -Egyptian Accounting Standard No. (31) "Impairment of Assets".	applying the amended standard.	