

MISR FERTILIZERS PRODUCTION COMPANY (MOPCO)

EGYPTIAN JOINT STOCK COMPANY

SEPARATED FINANCIAL STATEMENTS
FOR THE FINANCIAL PERIOD ENDED JUNE 30, 2023

AND LIMITED REVIEW REPORT

Translation of separate financial statements
originally issued in Arabic



Dr. A. M. Hegazy & Co.
Dr. Khaled A. Hegazy

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Auditor's Report on Review of Interim Financial Statements
To the Board of Directors of Misr Fertilizers Production Company "MOPCO"

Introduction

We have carried out a limited review of the interim financial statements of Misr Fertilizers Production Company "MOPCO", represented in the accompanying balance sheet as of 30th June 2023, and the related 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 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.

Scope of Limited Review

We conducted our review in accordance with Egyptian Standard on Limited Review Engagements No. 2410, "Limited Review of Interim 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

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 on June 30th, 2023, and we were unable to take alternative audit procedures .



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) , 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 30th, 2023, and of its financial performance and cash flows for the six-months period then ended in accordance with Egyptian Accounting Standards.

Auditor

A handwritten signature in blue ink that reads "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

Independent Professional Practice – Member of Crowe Global

Dated: August 8th, 2023



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

In Egyptian pound	Note <u>No.</u>	30/06/2023	31/12/2022
<u>Assets</u>			
<u>Non-current assets</u>			
Fixed assets & Projects under construction	(3)	1 164 415 939	1 174 057 956
Other assets & Projects under construction	(4)	13 701 146	13 011 971
Right of use asset	(5)	28 128 816	30 138 017
Investments in subsidiary	(6)	1 001 836 880	1 001 836 880
Loan to subsidiary	(7)	2 685 454 754	2 142 052 655
Other financial assets	(8)	277 479 860	222 386 871
Total non-current assets		5 171 017 395	4 583 484 350
<u>Current assets</u>			
Inventory	(9)	358 799 573	370 820 463
Accounts and notes receivables	(10)	296 879 660	483 505 865
Loan to subsidiary		-	3 865 121 489
Debtors and other debit balances	(11)	89 429 202	63 111 984
Due from related parties	(12)	1 691 468 404	73 474 672
Suppliers – down payments		19 700 562	9 456 857
Cash at banks and on hand	(13)	7 163 928 095	4 384 347 061
Total current assets		9 620 205 496	9 249 838 391
Total assets		14 791 222 891	13 833 322 741
<u>Equity</u>			
Issued and paid-up capital	(19-B)	2 291 172 320	2 291 172 320
Legal reserve		734 200 772	542 474 871
General reserve	(19-C)	352 383 742	352 383 742
Retained earnings	(19-D)	8 890 545 461	7 957 374 710
Total equity		12 268 302 295	11 143 405 643
<u>Liabilities</u>			
<u>Non-current liabilities</u>			
Deferred tax liabilities	(20)	918 538 594	1 137 973 002
Lease liabilities	(15)	50 758 436	43 624 058
Total non-current liabilities		969 297 030	1 181 597 060
<u>Current liabilities</u>			
Current income tax	(14)	1 178 996 752	978 257 525
Lease liabilities	(15)	7 275 354	5 708 337
Trade payables	(16)	169 608 487	312 258 009
Creditors and other credit balances	(17)	85 986 892	156 164 134
Customers down payment - contract liability		45 508 053	7 026 093
Provisions	(18)	66 248 028	48 905 940
Total current liabilities		1 553 623 566	1 508 320 038
Total liabilities		2 522 920 596	2 689 917 098
Total equity & liabilities		14 791 222 891	13 833 322 741

* The accompanying notes from no(1) to no(38) an integral part of these separated periodical financial statements and to be read therewith.

The company's vice president for financial & economic
affairs

Acc. Mohamed El Shayeb



Limited review report "attached"

Chief Executive Officer &
Managing Director

ENG. Mohamed Sobhi Amer




**MISR FERTILIZERS PRODUCTION COMPANY (MOPCO)
EGYPTIAN JOINT STOCK COMPANY
SEPARATED PERIODICAL STATEMENT OF PROFIT OR LOSS
FOR THE FINANCIAL PERIOD ENDED June 30, 2023**

In Egyptian pound	Note	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
	No.				
Net sales	(21)	3 114 532 067	1 614 524 342	3 358 937 358	1 752 976 469
Cost of sales	(22)	(1 253 581 811)	(643 801 238)	(1 353 914 426)	(764 201 067)
Gross profit		1 860 950 256	970 723 104	2 005 022 932	988 775 402
Other income	(23)	11 514 377	2 701 967	2 668 249	1 143 703
Selling and marketing expenses	(24)	(72 838 782)	(36 740 021)	(46 953 760)	(25 472 782)
General and administrative expenses	(25)	(85 678 309)	(44 037 042)	(57 611 220)	(31 289 053)
Other Expenses	(26)	(23 244 966)	(18 690 338)	(16 855 813)	(6 267 274)
(Formed)/Reversal of expected credit losses	(29)	(288 815)	1 044 416	4 062 289	(207 134)
Operating profit		1 690 413 761	875 002 086	1 890 332 677	926 682 862
Finance income	(28)	427 438 375	191 993 894	92 825 195	38 021 480
Finance costs	(27)	(976 813)	(532 849)	(761 289)	(403 962)
Foreign currency exchange		2 116 559 194	28 139 331	1 007 228 993	189 758 460
Net financial profit		2 543 020 756	219 600 376	1 099 292 899	227 375 978
Company's share of the subsidiary's dividends		1 530 854 436		628 973 053	
Net Profit before income tax		5 764 288 953	1 094 602 462	3 618 598 629	1 154 058 840
Income tax	(30)	(988 518 079)	(246 872 761)	(761 050 343)	(333 841 066)
Net Profit after income tax		4 775 770 874	847 729 701	2 857 548 286	820 217 774
Basic and diluted earnings per share	(31)	20.84	3.70	12.47	3.58

* The accompanying notes from no(1) to no(38) an integral part of these separated periodical financial statements and to be read therewith



MISR FERTILIZERS PRODUCTION COMPANY (MOPCO)
EGYPTIAN JOINT STOCK COMPANY
SEPARATED PERIODICAL STATEMENT OF OTHER COMPREHENSIVE INCOME
FOR THE FINANCIAL PERIOD ENDED June 30, 2023

In Egyptian pound	From	From	From	From
	January 1, 2023	April 1, 2023	January 1, 2022	April 1, 2022
	<u>To June 30, 2023</u>	<u>To June 30, 2023</u>	<u>To June 30, 2022</u>	<u>To June 30, 2022</u>
Net profit for the period	4 775 770 874	847 729 701	2 857 548 286	820 217 774
Other items of Comprehensive income	-	-	-	-
Total other comprehensive income for the period	4 775 770 874	847 729 701	2 857 548 286	820 217 774

* The accompanying notes from no(1) to no(38) an integral part of these separated periodical financial statements and to be read therewith.

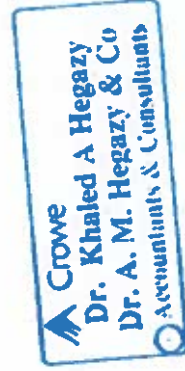


**MISR FERTILIZERS PRODUCTION COMPANY (MOPCO)
EGYPTIAN JOINT STOCK COMPANY
SEPARATED PERIODICAL STATEMENT OF CHANGE IN EQUITY
FOR THE FINANCIAL PERIOD ENDED JUNE 30, 2023**

*Translation of separate financial statements
originally issued in Arabic.*

<u>In Egyptian pound</u> Description	Issued and fully paid-up capital	Legal reserve	General reserve	Retained Earnings	Total equity
Balance as at January 1, 2022	2 291 172 320	465 049 128	352 383 742	4 407 182 861	7 515 788 051
comprehensive income	-	-	-	2 857 548 286	2 857 548 286
Net profit for the period	-	-	-	2 857 548 286	2 857 548 286
Total comprehensive income	-	-	-	(77 425 743)	-
Transferred to legal reserve	-	77 425 743	-	-	-
<u>Transactions with the owners</u>					
Employees and Board of directors' dividends share	-	-	-	(152 493 512)	(152 493 512)
Shareholders' dividends	-	-	-	(2 291 172 320)	(2 291 172 320)
Total Transactions with the owners	-	-	-	(2 443 665 832)	(2 443 665 832)
Balance as at June 30, 2022	2 291 172 320	542 474 871	352 383 742	4 743 639 572	7 929 670 505
Balance on January 1, 2023	2 291 172 320	542 474 871	352 383 742	7 957 374 710	11 143 405 643
comprehensive income	-	-	-	4 775 770 874	4 775 770 874
Net profit for the period	-	-	-	4 775 770 874	4 775 770 874
Total comprehensive income	-	-	-	(191 725 901)	-
Transferred to legal reserve	-	191 725 901	-	-	-
<u>Transactions with the owners</u>					
Employees and Board of directors' dividends share	-	-	-	(214 115 742)	(214 115 742)
Shareholders' dividends	-	-	-	(3 436 758 480)	(3 436 758 480)
Total Transactions with the owners	-	-	-	(3 650 874 222)	(3 650 874 222)
Balance as at June 30, 2023	2 291 172 320	734 200 772	352 383 742	8 890 545 461	12 268 302 295

* The accompanying notes from no(1) to no(38) an integral part of these separated periodical financial statements and to be read therewith.



**MISR FERTILIZERS PRODUCTION COMPANY (MOPCO)
EGYPTIAN JOINT STOCK COMPANY
SEPARATED PERIODICAL STATEMENT OF CASH FLOWS
FOR THE FINANCIAL PERIOD ENDED June 30, 2023**

In Egyptian pound	Note No.	30/06/2023	30/06/2022
<u>Cash flows from operating activities</u>			
Net profit for the period before tax		5 764 288 953	3 618 598 629
<u>Adjustment as follows:</u>			
Depreciation during the period	(3)	81 694 163	71 449 172
Amortization of other assets and right of use assets		2 545 220	2 593 274
Provisions formed		7 636 181	-
Formed/(Reversal) of expected credit losses	(29)	288 815	(4 062 289)
Net Finance income		(426 461 562)	(92 063 906)
Company's share in the subsidiary company's dividends		(1 530 854 436)	(628 973 053)
Unrealized foreign currency exchange		(1 860 637 983)	(722 609 139)
		2 038 499 351	2 244 932 688
<u>Changes in:</u>			
Inventory		12 020 022	(29 999 182)
Accounts and notes receivables		186 626 205	(164 582 908)
Debtors and other debit balances		(26 317 218)	(2 920 747)
Due from related parties		(87 139 296)	37 931 444
Suppliers – down payments		(10 243 706)	(4 951 794)
Trade payables		(142 649 522)	56 585 626
Creditors and other credit balances		(91 135 025)	413 863 398
Trade receivables - credit balances		38 481 960	(31 860 823)
Provisions used	(18)	-	(6 724 665)
Cash flows generated from operating activities		1 918 142 771	2 512 273 037
Employees and board of directors dividends paid		(213 069 850)	(152 493 512)
Income tax paid		(1 009 290 759)	(478 432 075)
Net cash flows generated from operating activities		695 782 162	1 881 347 450
<u>Cash flows from investing activities</u>			
Interest received		402 262 430	53 077 338
Proceeds from the subsidiary's loans		3 865 121 489	555 987 790
Payment for the purchase of property, plant, and equipment and projects under construction		(68 363 341)	(52 054 680)
Net cash flows generated from investing activities		4 199 020 578	557 010 448
<u>Cash flows from financing activities</u>			
Shareholders dividends paid		(3 436 799 829)	(2 291 219 919)
Debit interest paid		(976 813)	(761 289)
Paid from lease obligations		(3 307 289)	(1 813 186)
Net cash flows used in financing activities		(3 441 083 931)	(2 293 794 394)
Net changes in cash and cash equivalents		1 453 718 809	144 563 504
The effect of changes in exchange rates on cash and cash equivalents		1 325 862 225	-
Cash & cash equivalent at the beginning of the period		4 384 347 061	2 271 940 655
Cash & cash equivalent at the end of the period	(13)	7 163 928 095	2 416 504 159

* The accompanying notes from no(1) to no(38) an integral part of these separated periodical financial statements and to be read therewith

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

1- Company's background

- Misr Fertilizers Production Company "MOPCO" - S. A. E. (formerly Misr Oil Processing Company) – an Egyptian Private Free Zone – was established under the provisions of law no. 8 of 1997 for investments 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 purpose of the Company is the production of fertilizers, ammonia and nitrogen. The Company may also be in benefit from or get involved in any way in establishing companies sharing similar business or related to its activities, or those that may assist on achieving its purpose in Egypt or abroad after getting the approval from The General Authority for Investment and the Company has to get all the required approvals for its operations.
- The extraordinary general assembly held on November 21, 2021, approved to add the below activities:
 - 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.
- The extraordinary general assembly also authorized the Company to have an interest or to participate in any way in the incorporate or formation of other companies that engage in similar or similar activities or related to its activities, and 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.
- he Extraordinary General Assembly, held on April 15, 2023, also approved adding an activity
 - Production, distribution and sale of urea solution with different concentrations and used in different applications and uses, including car exhaust treatment.
- The assembly also agreed to extend the term of the company for another twenty-five years, starting from the end of the previous period, and each extension of the term of the company must be approved by the extraordinary general assembly of the company, and a decision is issued by the General Authority for Investment and Free Zones.
- 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'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 September 22, 2022. .
- 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. / Mohamed Sobhi Amer
- The Company was registered in Cairo Commercial Register under number 50112 at 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 finished. Accordingly, the Company is no longer operating under the private free zone.
- The Company's duration is 25 years starting from the date of the Company's registration in the commercial register.

Misr Fertilizers Production Company "MOPCO"

Notes of the separated periodical financial statements for financial period ended June 30, 2023

2- Basics for preparation of financial statements

2-1 Compliance with accounting standards and laws

- The financial statements have been prepared in accordance with Egyptian accounting standards
- The board of directors approved the issuance of the financial statements on August 7, 2023.

2-2 Basis of measurement

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

2-3 Functional currency and presentation currency

The Separate financial statements are presented in Egyptian Pound referred to as "EGP" which the Company's functional currency.

2-4 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, and 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 the year's future.

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 are 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, 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, customers, 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:

Misr Fertilizers Production Company "MOPCO"

Notes of the separated periodical financial statements for financial period ended June 30, 2023

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 (eg prices) or indirectly (eg 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 separated periodical financial statements for financial period ended June 30, 2022

Property, plant, and equipment

In Egyptian pound

	Land	Buildings & constructions	Machines, equipment and catalysts	Vehicles	Tools & equipment	Furniture & office equipment	Computers	Projects under construction	Total
Cost									
Cost as at 1/1/2022	138,142,887	23,131,370	20,942,887	3,740,000	1,708,822	1,200,227	28,800,178	3,182,227	210,197,500
Additions	28,000	-	3,400,000	(492,900)	-	932,229	1,142,900	1,100,000	5,082,229
Disposals	-	-	(492,900)	-	-	-	(3,112)	-	(818,912)
Transferred from projects under construction	1,100,000	22,142,000	6,800,000	-	4,742,142	1,000,000	23,800,000	(200,000)	55,884,142
Cost as at 31/12/2022	139,242,887	45,273,370	27,249,987	3,247,100	6,450,964	2,200,227	52,600,178	3,082,227	239,446,940
Additions	-	-	1,400,000	(1,900,000)	1,000,000	1,100,000	1,100,000	1,100,000	3,800,000
Disposals	-	-	-	-	-	(100,000)	-	(800,000)	(900,000)
Transferred from projects under construction	1,100,000	22,142,000	6,800,000	-	4,742,142	1,000,000	23,800,000	(200,000)	55,884,142
Cost as at 30/6/2022	140,342,887	67,415,370	34,049,987	1,347,100	10,193,106	3,300,227	76,400,178	2,882,227	286,331,984
Accumulated Depreciation									
Accumulated depreciation as at 1/1/2022	27,820,000	10,000,000	17,800,000	3,700,000	1,700,000	1,100,000	28,000,000	-	60,120,000
Depreciation for the year	13,800,000	13,800,000	3,800,000	(492,900)	-	800,000	1,100,000	-	18,207,100
Accumulated depreciation of disposals	-	-	(492,900)	-	-	-	(3,112)	-	(818,912)
Accumulated depreciation as at 31/12/2022	41,620,000	23,800,000	21,607,100	3,207,100	1,700,000	1,900,000	29,100,000	-	81,334,200
Depreciation for the period	13,800,000	13,800,000	3,800,000	(492,900)	-	800,000	1,100,000	-	18,207,100
Accumulated depreciation of disposals	-	-	(492,900)	-	-	-	(3,112)	-	(818,912)
Accumulated depreciation as at 30/6/2022	41,620,000	37,600,000	26,400,000	2,714,200	1,700,000	2,700,000	30,200,000	-	112,934,200

Net book value as at 1/1/2022

Net book value as at 31/12/2022

Net book value as at 30/6/2022

Assets depreciated book and still working

Misr Fertilizers Production Company "MOPCO"

Notes of the separated periodical financial statements for financial period ended June 30, 2023

**4- Other Assets
In Egyptian Pound**

	The Company's contribution in assets not owned to it and serve its purposes	Gas pipeline	License and software	Projects Under construction	Total
<u>COST</u>					
Cost as at 1/1/2022	5 000 000	15 627 372	8 957 122	9 302 292	38 886 786
Additions during the year	-	-	-	887 609	887 609
Cost as at 31/12/2022	5 000 000	15 627 372	8 957 122	10 189 901	39 774 395
Additions during the year	-	-	-	1 225 194	1 225 194
Cost as at 30/06/2023	5 000 000	15 627 372	8 957 122	11 415 095	40 999 589
<u>Accumulated amortization</u>					
Accumulated amortization as at 1/1/2022	5 000 000	11 733 265	8 864 538	-	25 597 803
Amortization during the year	-	1 072 037	92 584	-	1 164 621
Accumulated amortization as at 31/12/2022	5 000 000	12 805 302	8 957 122	-	26 762 424
Amortization during the period	-	536 019	-	-	536 019
Accumulated amortization as at 30/06/2023	5 000 000	13 341 321	8 957 122	-	27 298 443
<u>Carrying amounts</u>					
Net book value as at 1/1/2022	-	3 894 107	92 854	9 302 293	13 288 983
Net book value as at 31/12/2022	-	2 822 070	-	10 189 901	13 011 971
Net book value as at 30/06/2023	-	2 286 051	-	11 415 095	13 701 146

**- Projects Under Construction
In Egyptian pound**

	<u>30/06/2023</u>	<u>31/12/2022</u>
Building and roads	14 681 971	15 927 381
Machine and equipment	11 371 782	14 106 059
Computers	5 065 884	5 065 884
Software licenses	11 415 095	10 189 901
Advance payment	31 246 427	8 057 219
Letters of credit	31 993 186	909 396
Total	105 774 345	54 255 840

Misr Fertilizers Production Company "MOPCO"

Notes of the separated periodical financial statements for financial period ended June 30, 2023

5- 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 statement is as follow:

In Egyptian Pound

cost	land
Cost as at 1/1/2023	38 174 821
Addition during the period	-
Cost as at 30/06/2023	<u>38 174 821</u>
Accumulated amortization as at 1/1/2023	8 036 804
Amortization expense during the period	2 009 201
Accumulated amortization as at 31/12/2023	<u>10 046 005</u>
Net book value as at 31/12/2022	<u>30 138 017</u>
Net book value as at 30/06/2023	<u>28 128 816</u>

6- Investment in subsidiary company

- On August 11, 2008, the shareholders of the company entered into an agreement with the shareholders of Egyptian Nitrogen Products Company ENPC (formerly E-Agrium), according to which the company will acquire the rights of the shareholders of the Egyptian Company for Nitrogenous Products ENPC (formerly E-Agrium), in addition to all the advantages and obligations the contractual agreement of the company through a share swap contract. The implementation of this contract requires the fulfillment of certain conditions and events, which are expected to be fulfilled after August 31, 2008.
- On November 8, 2008, the extraordinary general assembly unanimously approved the agreement concluded on August 11, 2008 between the shareholders of "MOPCO" and the shareholders of Egyptian Nitrogen Products Company ENPC (formerly E-Agrium) regarding the exchange of shares in light of the allocation of 99 616 188 shares resulting from the capital increase of "MOPCO", with a nominal value of 10 Egyptian pounds per share to the shareholders of the Egyptian Nitrogen Products Company ENPC (formerly E-Agrium) according to the approval of the extraordinary general assembly of the shareholders of "MOPCO" on November 8, 2008, and on January 11, 2009, the ownership of the shares was transferred at the nominal value.
- The balance of investment in Egyptian Nitrogen Products Company ENPC on June 30, 2023 amounted EGP 1 001 836 880 represented in the value of MOPCO's contribution in the capital of Egyptian Nitrogen Products Company "ENPC" as per the acquisition agreement signed between the shareholders of the two companies on 11 August 2008, which recognized in nominal value of the shares resulted from the increase in the capital of MOPCO, which amounted in EGP about 996 million, which the shareholders of Egyptian Nitrogen Products Company obtained on that date, addition to the cost of obtaining the investment which amounted in EGP 5 675 000.

Misr Fertilizers Production Company "MOPCO"

Notes of the separated periodical financial statements for financial period ended June 30, 2023

7- Loan to the subsidiary company

7-1 Non-current portion

Item	Currency	Balance as at 30/06/2023	Balance as at 31/12/2022	<u>Equivalent in EGP 30/06/2023</u>	<u>Equivalent in EGP 31/12/2022</u>
Interest	USD	86 920 017	86 512 976	2 685 454 754	2 142 052 655
<u>Total</u>				<u>2 685 454 754</u>	<u>2 142 052 655</u>

7-2 Current portion

Item	Currency	Balance as at 30/06/2023	Balance as at 31/12/2022	<u>Equivalent in EGP 30/06/2023</u>	<u>Equivalent in EGP 31/12/2022</u>
Loan*	EGP	-	156 104 083	-	3 865 121 489
<u>Total</u>				<u>-</u>	<u>3 865 121 489</u>

* No specific timetable was set for repaying the loan between the parent company and the subsidiary, so the loan was initially classified as a non-current asset.

- The balance is represented in the loan granted to the Egyptian Company for Nitrogen Products ENPC (a subsidiary) according to the joint guarantee contract signed on 12/15/2009, where the company (the joint sponsor) and the main shareholder in the Egyptian Company for Nitrogen Products ENPC by 100% Approximately % by issuing a joint guarantee in favor of the guarantee agent for the loan granted to the Egyptian Nitrogen Products Company ENPC (on behalf of the participating banks), according to which all financial obligations of the Egyptian Company for Nitrogen Products ENPC arising from that loan are secured, provided that the interest calculation method is as follows With the joint loan to the subsidiary company "The Egyptian Company for Nitrogen Products ENPC". The loan will be repaid in the same currency in which the withdrawal or use was made, from the revenues of the subsidiary company, "The Egyptian Company for Nitrogen Products ENPC." After the completion of that project, from the project revenues on September 26, 2013, the company's extraordinary general assembly agreed to increase the shareholding percentage from 130 million US dollars to be 200 million dollars, and on May 4, 2014, the extraordinary general assembly of the company agreed to increase the shareholding percentage to become 275 million US dollars.

- On December 19, 2021, the ordinary general assembly of the subsidiary company agreed to pay the loan principal and interest (the Egyptian tranche) granted to the subsidiary company, and accordingly, the subsidiary company paid the full amount.

- On December 31, 2022, the subsidiary has paid the full installments of the syndicated loan balance and the accrued interest.

- On January 11, 2023, the subsidiary repaid the loan principal (dollar tranche) amounting to 156 104 083 US dollars by paying an amount of 106,104,083 US dollars and an amount of 1,496,095,000 Egyptian pounds equivalent to an amount of 50 million US dollars at the transfer price. On the date of the transaction, the principal of the loan (dollar tranche) was classified as part of the current loan

December 31, 2022

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Notes of the separated periodical financial statements for financial period ended June 30, 2023

8- Other financial assets

In Egyptian pound	<u>30/06/2023</u>	<u>31/12/2022</u>
Letters of guarantee *	45 838 323	36 738 932
Restricted Deposits **	231 717 750	185 699 250
Expected credit losses	(76 213)	(51 311)
	<u>277 479 860</u>	<u>222 386 871</u>

*Letters of guarantee are fully covered amounts according to long-term contract terms with various

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 securing the factory land rent in the amount of 163 000 US dollars and another in the amount of 20,000 Egyptian pounds)

** The deposits represent the equivalent of US\$ 7.5 million against frozen deposits with the Export Development Bank against the issuance of a letter of credit for the supply of capital assets to the company.

9- Inventories

In Egyptian pound	<u>30/06/2023</u>	<u>31/12/2022</u>
Spare parts	214 992 858	197 608 764
Finished goods at cost	42 146 244	87 685 216
Work in process	40 754 408	30 718 924
Supplies	33 358 007	26 018 402
Goods in transit	17 689 980	20 736 358
Raw material	9 041 599	7 269 700
Oils and fuels	816 477	783 099
	<u>358 799 573</u>	<u>370 820 463</u>

10- Accounts and notes receivable

In Egyptian pound	<u>30/06/2023</u>	<u>31/12/2022</u>
Accounts receivable	269 961 710	483 639 486
Expected credit losses	(82 050)	(133 621)
Balance	<u>296 879 660</u>	<u>483 505 865</u>

11- Debtors and other debit balances

In Egyptian pound	<u>30/06/2023</u>	<u>31/12/2022</u>
Accrued interests	32 256 145	17 158 462
Employees' loans and Installments	12 441 026	20 603 247
Retentions with others	10 030 959	10 020 959
Other debtors	12 900 471	6 207 904
Prepaid expenses	5 238 721	9 121 412
Tax Authority	16 561 880	-
	<u>89 429 202</u>	<u>63 111 984</u>

Misr Fertilizers Production Company "MOPCO"

Notes of the separated periodical financial statements for financial period ended June 30, 2023

12- Transactions with Related Parties

A- Related parties represent:

- | | |
|---|----------------------------------|
| – Egyptian Petrochemicals Holding Company "ECHEM" | Major shareholder by 30.75 % |
| – Misr Insurance Company | Major shareholder by 2.97 % |
| – Egyptian Nitrogen Products Company "ENPC" | Affiliate company by 99.9 % |
| – Suez Methanol Derivatives Company (Previously Suez Petroleum Services "SOBSK") / (Demerged Company in Suez) | Company divided from the company |

B- Related parties' transactions

The following is a summary of transactions with related parties:

<u>Description</u>	<u>Nature of transactions</u>	<u>The financial period ended in</u>	
		<u>30/06/2023</u>	<u>30/06/2022</u>
		<u>EGP</u>	<u>EGP</u>
Misr Insurance Company	Insurance services	10 169 796	5 988 575
Egyptian Nitrogen Products Company	Payments on behalf of the company/cost and expense apportionment agreement	66 741 059	43 036 255
	Loan interest	10 078 262	34 738 396
	Dividends	1 544 784	628 973 053
Suez Petroleum Services Company (Demerged Company in Suez)	Services rendered / Payments on behalf of the company.	1 207 840	2 054 205

* On December 9, 2015, the company signed an agreement for the operating cost's allocation over the subsidiary company's factories "Egyptian Nitrogen Products Company- ENPC", for cost saving, and for the optimal utilization for both of company's resources, and operating expense. And according to the agreement the workers of the company will be used to operate the subsidiary company's production lines, therefore, two third of the direct, and indirect labor cost, and all the service contracts will be allocated over the subsidiary company during the operation. The agreement was activated on January 1, 2016.

* On December 15, 2019, MOPCO and ENPC agreed to cancel the work of the aforementioned agreement, and another agreement was concluded, where two-thirds of the costs incurred by the parent company were limited to the service contracts that serve the two companies together, and any new contracts to be agreed upon in the future. The new agreement was activated on 01/01/2020.

C- Transactions balances

Due from related parties

In Egyptian pound

	<u>30/06/2023</u>	<u>31/12/2022</u>
Egyptian Nitrogen Products Company	1 690 260 564	72 826 906
Suez Methanol Derivatives Company (Suez Petroleum Services)		
Sobsek (formerly the demerged company in Suez)	1 207 840	647 766
	<u>1 691 468 404</u>	<u>73 474 672</u>

*The balance includes 1 544 784 431 Egyptian pound the company share in subsidiary dividends on financial ended year December 31,2022

Misr Fertilizers Production Company "MOPCO"

Notes of the separated periodical financial statements for financial period ended June 30, 2023

13- Cash at banks and on hand

In Egyptian pound	<u>30/06/2023</u>	<u>31/12/2022</u>
Banks current accounts	159 827 516	218 355 650
Time Deposits	6 679 280 775	4 167 655 973
Treasury bills (Less than 3 months)	326 799 850	-
Total	<u>7 165 908 141</u>	<u>4 386 011 623</u>
Expected credit losses	(1 980 046)	(1 664 562)
Balance	<u>7 163 928 095</u>	<u>4 384 347 061</u>

14- Current income tax

In Egyptian pound	<u>30/06/2023</u>	<u>31/12/2022</u>
Current income tax	1 192 139 664	1 002 183 284
Tax differences	-	9 438 121
Payments on account of tax	-	(5 000 000)
deductions under the tax account	(13 142 892)	(28 363 880)
Balance	<u>1 178 996 752</u>	<u>978 257 525</u>

15- Lease Obligations

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

In Egyptian pound

The Balance as at January 1, 2021	49 332 395	34 786 325
Interest expense from lease obligation during the period / year	976 813	1 529 430
Payments during the period / year	(4 284 102)	(5 574 164)
Translation difference	12 008 684	18 590 804
	<u>58 033 790</u>	<u>49 332 395</u>
Current liability	7 275 354	5 708 337
Non-current liability	50 758 436	43 624 058
	<u>58 033 790</u>	<u>49 332 395</u>

16- Trade payables

In Egyptian pound	<u>30/06/2023</u>	<u>31/12/2022</u>
Gas supplier (GASCO)	126 232 342	253 986 792
Other suppliers	38 294 319	49 545 522
Creditors purchase fixed assets	5 081 826	8 725 695
	<u>169 608 487</u>	<u>312 258 009</u>

Misr Fertilizers Production Company "MOPCO"

Notes of the separated periodical financial statements for financial period ended June 30, 2023

17- Creditors and other credit balances

In Egyptian pound	<u>30/06/2023</u>	<u>31/12/2022</u>
Retention from others	19 081 929	21 678 496
Social insurance dues	14 175 514	25 507 128
Value added tax	10 039 771	18 692 811
Due to the minor shareholders from shares selling auction	6 909 647	6 998 952
Shareholder dividends payable	3 791 074	3 832 423
Employees' dividends payable	1 045 892	-
Other credit balances*	12 799 660	12 133 566
Credit balance at other companies	2 478 789	991 131
Salary tax	8 601 954	12 743 678
Symbiotic contribution	3 538 800	2 943 900
Accrued expenses	2 410 021	17 335 626
Withholding tax	1 113 841	3 879 500
Employees' credit balances	-	29 426 923
	<u>85 986 892</u>	<u>156 164 134</u>

18- Provisions

In Egyptian pound	<u>Balance as at</u>	<u>Formed</u>	<u>Currency</u>	<u>Balance as at</u>
	<u>1/1/2021</u>		<u>differences</u>	<u>30/06/2023</u>
Contingent liabilities	48 905 940	7 636 181	9 705 907	66 248 028
	<u>48 905 940</u>	<u>7 636 181</u>	<u>9 705 907</u>	<u>66 248 028</u>

Information related to provision were 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 is amounting to EGP 2 040 million (Egyptian Pound 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 be EGP 2 300 million (Egyptian Pound 2 billion and 3 hundred million) and it was registered in the commercial register of the company which dated 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 Pound two billion and two hundred ninety-one million), on December 31, 2014 amounted to EGP 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 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 has 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) (the subsidiary company), this acquisition according to the shares exchange with the shareholders of Egyptian Nitrogen Products Company "ENPC" (the subsidiary company) 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

Misr Fertilizers Production Company "MOPCO"

Notes of the separated periodical financial statements for financial period ended June 30, 2023

Company's capital by 100% in favor of the shareholders of Egyptian Nitrogen Products Company "ENPC" (the subsidiary company). Also, decided the acquisition of Egyptian Nitrogen Products Company "ENPC" (the subsidiary company) 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 capital of the company with amount of EGP 298 484 560 through the distribution of free shares through the dividend's payments 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 EGP 10 recorded in the commercial register of the company dated January 28, 2015.
- The structure of the shareholders of the Company as follows:

Shareholder	%	No. Of shares	Amount EGP
Egyptian Petrochemicals Holding Co. "ECHEM"	31.13%	71 333 654	713 336 540
The 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	10.40%	23 850 518	238 505 180
	100%	229 117 232	2 291 172 320

C- General reserve

This amount EGP 352 383 742 represents the amount transferred to the general reserve from the total shareholders' equity according to the resolution of the head of The General Authority for Investment and Free Zones no. 65 S for 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- Deferred Tax liabilities

In Egyptian pound	<u>30/06/2023</u>	<u>31/12/2022</u>
Property, plant and equipment and other assets	132 384 473	145 498 080
Foreign currency exchange differences	795 904 468	1 000 511 630
Tax assets	(9 750 347)	(8 036 708)
	918 538 594	1 137 973 002

21- Net Sales

In Egyptian pound	<u>30/06/2023</u>	<u>30/06/2022</u>
Domestic Sales	1 926 359 879	2 037 130 092
Export Sales	1 188 172 188	1 321 807 266
	3 114 532 067	3 358 937 358

Misr Fertilizers Production Company "MOPCO"

Notes of the separated periodical financial statements for financial period ended June 30, 2023

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 in order to assess its performance and allocate resources, mainly from a geographical perspective.

The following information is provided on a regular basis to the chief operating decision maker and is measured consistently with the financial statements.

In Egyptian pound Item	30/06/2023			30/06/2022		
	Urea	Ammonia	Total	Urea	Ammonia	Total
Domestic	749 542 570	438 629 618	1 188 172 188	788 124 966	533 682 300	1 321 807 266
Export	1 890 881 182	35 478 697	1 926 359 879	1 965 032 112	72 097 980	2 037 130 092
	2 640 423 752	474 108 315	3 114 532 067	2 753 157 078	605 780 280	3 358 937 358

22- Cost of Sales

In Egyptian pound	30/06/2023	30/06/2022
Gas	981 841 368	1 140 403 501
Other material	74 164 880	58 972 717
Salaries and wages	67 874 460	52 094 972
Depreciation	78 280 490	67 715 939
Security expenses	12 063 836	7 629 113
Factory insurance expenses	10 205 987	5 731 695
Maintenance expenses	10 236 192	5 730 027
Governmental fees and industrial security permits	3 316 217	3 278 221
External labor (technical and cleaning)	9 692 202	7 293 909
Transportation and transfer expenses	4 522 274	3 641 090
Other expenses	1 383 905	1 423 242
	1 253 581 811	1 353 914 426

23- Other income

In Egyptian pound	30/06/2023	30/06/2022
Other income	11 514 377	2 368 249
Provision no longer required	-	300 000
	11 514 377	2 668 249

Misr Fertilizers Production Company "MOPCO"

Notes of the separated periodical financial statements for financial period ended June 30, 2023

24- Selling and marketing expenses

	<u>30/06/2023</u>	<u>30/06/2022</u>
packing materials	46 518 362	24 557 773
Salaries and wages	8 411 138	6 076 643
Depreciation	1 823 526	1 756 676
Expenses for transporting and shipping products	13 658 037	10 930 620
Advertising	526 316	443 492
Other expenses	1 901 403	3 188 556
	72 838 782	46 953 760

25- General and administrative expenses

In Egyptian pound	<u>30/06/2023</u>	<u>30/06/2022</u>
Salaries and wages	36 464 080	25 847 520
Contribution to comprehensive health insurance	14 175 514	9 322 249
Depreciation	6 265 576	2 878 769
Public relations expenses	3 468 804	1 994 507
Travel allowances and buffet expenses	4 142 804	2 903 634
Security and cleaning expenses	3 981 558	3 286 020
Government fees and subscriptions to foreign and local bodies	4 147 977	1 984 560
Electricity and water	1 670 775	1 247 531
Attendance and transportation allowances for BOD	737 501	1 264 500
Maintenance expenses	1 885 599	389 173
Insurance expenses	176 829	113 743
Professional and consulting fees	5 287 273	3 373 193
Other tax expenses	668 304	329 166
Other expenses	2 605 715	2 676 655
	85 678 309	57 611 220

26- Other Expenses

In Egyptian pound	<u>30/06/2023</u>	<u>30/06/2022</u>
Donation and grants	15 608 785	9 709 750
Provision formed	7 636 181	7 146 063
	23 244 966	16 855 813

27- Finance cost

In Egyptian Pound	<u>30/06/2023</u>	<u>30/06/2022</u>
Interest of lease obligation	976 813	761 289
	976 813	791 289

Misr Fertilizers Production Company "MOPCO"

Notes of the separated periodical financial statements for financial period ended June 30, 2023

28- Finance income

In Egyptian pound	<u>30/06/ 2023</u>	<u>30/06/2022</u>
Interest income (subsidiary loan)	10 078 261	34 738 396
Investment income at amortized cost	79 061 237	26 874 050
Other interest income	338 298 877	31 212 749
	<u>427 438 375</u>	<u>92 825 195</u>

29- Expected credit losses

In Egyptian pound	<u>Balance as at 1/1/2023</u>	<u>Formed</u>	<u>Reversal</u>	<u>Balance as at 30/06/2023</u>
Cash at banks and on hand	1 664 562	315 484	-	1 980 046
Accounts and notes receivables	133 621	9 535	(61 106)	82 050
Other financial assets	51 311	24 902	-	76 213
	<u>1 849 494</u>	<u>349 921</u>	<u>(61 106)</u>	<u>2 138 309</u>

30- Income tax

In Egyptian pound	<u>30/06/2023</u>	<u>30/06/2022</u>
<u>Current tax</u>		
Current income taxes	1 192 140 240	534 346 664
subsidiary company dividend tax	-	72 985 263
Special tax pool	15 812 247	5 374 810
	<u>1 207 952 487</u>	<u>612 706 737</u>
<u>Deferred tax</u>		
Property, plant and equipment and other assets	(13 113 607)	(12 767 411)
Foreign currency exchange differences	(204 607 163)	162 587 056
Tax assets - provisions	(1 713 638)	(1 630 702)
Leas contracts	-	154 663
	<u>(219 434 408)</u>	<u>148 343 606</u>
Deferred income tax		
Net income tax	<u>988 518 079</u>	<u>761 050 343</u>

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Notes of the separated periodical financial statements for financial period ended June 30, 2023

Effective tax rate

In Egyptian pound

Current tax

	<u>30/06/2023</u>	<u>30/06/2022</u>
Profit before income tax	5 764 288 953	3 618 571 829
Income tax as per tax law "22.5%"	1 296 965 014	814 178 662
Non-deductible expenses	59 169 771	16 077 208
Revenue exempted from tax	(419 849 709)	(147 565 598)
Tax dividend collected	34 444 225	72 985 261
Special tax pool	17 788 778	5 374 810
Current income tax	988 518 079	761 050 343
Effective tax rate	17.15%	21.03%

31- Basic and diluted earnings Per Share

In Egyptian pound

	<u>30/06/2023</u>	<u>30/06/2022</u>
Net profit after tax	4 775 770 874	2 857 548 286
Number of issued shares	229 117 232	229 117 232
Basic and diluted earnings Per Share	20.84	12.47

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 members of the Board of Directors in the amount of 13 531 228 Egyptian pounds.

32- Financial Instruments and Management of its Related Risk

Financial instruments are represented in financial assets (balances of cash and cash equivalent, due from related parties, suppliers and monetary items included in the debtors and other debit balances) in addition to financial liabilities (loan instalments - short term, 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 in order 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. Continuous and calculates the impact of movements in market interest rates on the profits or losses statement.

The following table shows the balances of financial assets at the date of the financial position with fixed and variable interest rates.

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Notes of the separated periodical financial statements for financial period ended June 30, 2023

<u>fixed interest rate</u>	<u>30/06/2023</u>	<u>30/06/2022</u>
In Egyptian pound		
Deposits	6 679 280 775	4 167 655 973
Treasury bills	326 779 850	-
	<u>7 006 060 625</u>	<u>4 167 655 973</u>
Variables interest rate		
	<u>30/06/2023</u>	<u>30/06/2022</u>
Loan to subsidiary	-	3 865 121 485
	<u>-</u>	<u>3 865 121 485</u>

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 own recording currency.

These obligations and rights are usually related to operating 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 balance 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 position, the net assets / (liabilities) of the main foreign currencies, denominated in Egyptian pounds, are as follows:

<u>Financial assets</u>	<u>Foreign currencies</u>	<u>Equivalent in Egyptian pound</u>
USD	286 244 872	8 843 735 692
EURO	85 654	2 887 807
<u>Financial liability</u>	<u>Foreign currencies</u>	<u>Equivalent in Egyptian pound</u>
USD	(4 174 004)	(128 958 775)
EURO	(79 991)	(2 696 880)

Below are the major foreign exchange rates

	closing rate		average rate	
	<u>30/06/2023</u>	<u>31/12/2022</u>	<u>30/6/2023</u>	<u>30/06/2022</u>
In Egyptian pound				
USD	30.8957	24.7599	29.6983	17.0758
EURO	33.7148	29.9397	32.031	18.797
£	39.2932	29.9397	36.5405	22.353

- The Central Bank of Egypt decided, in its session held on October 27, 2022, to announce the implementation of a flexible exchange rate system for pricing foreign exchange, provided that the buying and selling prices of currencies are determined in Egyptian pounds based on the conditions of supply and demand, and accordingly the exchange rate of the US dollar and other currencies increased in exchange for The Egyptian pound, which led to its increase from 19.69 to about 30 Egyptian pounds at the end of January 31, 2023 .

Misr Fertilizers Production Company "MOPCO"

Notes of the separated periodical financial statements for financial period ended June 30, 2023

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.

All clients' balances have been collected during the subsequent period from the date of issuance of the financial statements

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

local clients

The credit risk of local customers is limited, as local customers are granted a credit period of up to 15 days from the date of issuing the invoice, as credit customers are inquired before agreeing to grant them the said period to ensure the creditworthiness of those companies.

external clients

The credit risk of external customers is limited because most of the company's external customers are reputable customers and are sold against documentary credits or advance payment policy

Cash balances at banks

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

Subsidiary loan

The company's management believes that the credit risk related to the subsidiary company's loan is a very limited risk, given that Misr Fertilizers Company - MOPCO owns almost all of the subsidiary company's shares, in addition to the subsidiary company owning high creditworthiness, whether at the level of the banks it deals with or through its dealings with the parent company.

In Egyptian pound	<u>30/06/2023</u>	<u>31/12/2022</u>
Subsidiary loan	2 685 454 754	6 007 174 144
Other financial assets	277 479 860	222 386 871
Accounts and other debit balances	296 879 660	483 505 865
Debits and other debit balances due from related parties	89 429 202 1 691 468 403	63 111 984 73 474 672
Cash in banks and	7 163 928 095	4 384 347 061
	12 204 639 974	11 234 000 597

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 each of the liquidity risk resulting from the uncertainty associated with the cash inflows and outflows by maintaining an adequate level of cash balances..

33- Contingent liabilities

The value of letters of guarantee and documentary credits issued by banks for the account of the company and for the benefit of third parties on June 30, 2023 amounted to 8.983 million US dollars, and the value of the cash cover withheld on account of those letters and credits amounted to 100% of their value, which is included in other financial assets and the stock of goods in transit.

34- Capital Commitments

Capital commitments as of June 30, 2023, are as follows:

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	<u>Total contract</u>	<u>Completed contract</u>	<u>incomplete contract</u>
Contracts in Egyptian pound	134 750 405	110 323 973	24 426 438
Contracts in USD	2 188 804	500 177	1 688 627
Contracts in EURO	6 500 000	-	6 500 000

35- Tax Position

A. Corporate Tax

- 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 Tax Center for Senior Taxpayers

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 prove the tax for the years, and during the examination of those years, the Tax Office supported the decision of the General Authority for Investment that the company was not eligible to enjoy 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 to override delay fines on August 16, 2020. The tax expense was reduced by 96.3 million pounds after accepting the company's request to bypass the fines.
 - The company filed lawsuits No. 13250 for the year 73 and No. 28906 for the year 73 against the committee's decision for the years 2009/2010, and the ruling was issued to reject the company's request.

Years from 1999 to the year ending 31st December 2021: -

- The Company has been inspected and the tax was paid
- **Year 2022**
- The Company submitted the tax returns according to law No. 91 for year 2005 and its amendments in the legal due dates and the tax was paid by Egyptian high petroleum authority.

B. Salaries tax

- **Years from 1999 till 2021**
- The Company has been inspected and the tax was paid.
- **Years from 2021 till 30/06/2023**
- The Company is regularly deducting the tax and remitting it regularly on legal dates.

C. Stamp tax

- **Years from 1999 till 2020**
- The Company has been inspected, and the tax was paid.

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D. Sales tax and Value added tax

– Years till 2021

- The Company has been inspected and tax differences were paid.

– Years from 2022 till 30/06/2023

- The company is regularly applying the judgments of Law No. 67 of 2016 and submitting monthly value added tax returns on the legal due dates.

E. Real Estate Tax

- The company is subject to real estate tax starting from of June 1, 2013:
 - letter of the Kafr Al-Batikh Real Estate Taxes office was received to enable them to conduct an inspection of the Company's industrial facilities.
 - The committee was attended, and the inspection was conducted in light of a full explanation and description of the facilities.
 - The Prime Minister's Decision No. 61 of 2022 stipulated that the Ministry of Finance bear the full value of the tax on built-up real estate used in the practice of industrial activities mentioned exclusively in the decision, which includes the company's activity, starting from 1/1/2022 for a period of three years..

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 usufruct 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. / month), which is contrary to the applicable law (6 pounds / meter / year). The company's management believes that the Urban Communities Authority is not entitled to claim these values. On 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 paying the affiliated company 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 a piece of land it owns by giving it an alternative piece of land.

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

A ruling was issued obligating the company to pay the amount of thirty eight million and seven thousand pounds, and the ruling was appealed.

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 prejudice to the company's

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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 suit No. 53592 for the year 75 BC 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, in order to cancel the decision of the Board of Directors of the General Authority for Investment to increase in exchange for the usufruct 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 usufruct consideration throughout the project license period (25 years) starting from 2005 and ending in 2030 according to the contract concluded 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.

37- Comparative figures have reclassified to conform the presentation of the financial statements

The effect of reclassifying the profit or loss statement items

In Egyptian pound	As it previously presented <u>30/06/2022</u>	<u>Reclassification</u>	Reclassified <u>30/06/2023</u>
Other income	2 368 249	300 000	2 668 249
Donations and grants	(56 346 720)	(1 264 500)	(57 611 220)
General & administrative expenses	(9 709 750)	9 709 750	-
Allowances for board of directors	(1 264 500)	1 264 500	-
Provisions no longer required	300 000	(300 000)	-
Provisions formed	(7 146 063)	7 146 063	-
Other expenses	-	(16 855 813)	(16 855 813)

38- Significant Accounting policies applied

38-1 Foreign currency translation

The company's accounts are maintained (in Egyptian pounds), and transactions in foreign currencies are recorded in the books on the basis of the exchange rates in effect for foreign currencies at the time of recording the transactions. On the date of the financial position, the balances of monetary assets and liabilities in foreign currencies are translated into the currency of dealing using the exchange rates in effect on that date. Non-monetary balances that are measured on a historical cost basis in foreign currencies are translated using the exchange rate at the date of the transaction. Currency differences in profit or loss resulting from transactions during the year and from revaluation at the date of the financial position are included in the profit or loss statement.

38-2 Property, plant and equipment

Recognition and measurement

- Property, plant and equipment that are used in production, providing goods & services or for administrative purposes are stated at historical cost less accumulated depreciation and cumulative impairment losses resulted from impairment in the values of fixed assets. Cost includes expenditures that are directly

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attributable to the acquisition of the asset and necessary to have the asset ready for use in 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 for 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 in 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 following: -

	<u>Depreciation and Amortization</u>
- Buildings and construction	4%
- Buildings and construction (internal roads)	10%
- Buildings and construction (metal & caravans)	15%
- Buildings and construction (urban coordination)	20%
- Buildings and construction (fences wires)	25%
- Vehicles and transportation	20%
- Machines, production lines*	5%
- Machines and other instruments	10-20%
- Tools and equipment	15%
- Aid factors	10-50%
- Furniture and movables	10%
- Central	15%
- Computers	25%

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

- * The Board of Directors No. 231, that held on October 2, 2013, approved by decision No.1094 to modify the useful lives of machinery and equipment from 25 to be 20 years starting from January 1, 2013, in addition, agreed to modify the useful life of Gas Cooler from 20 to be 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 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.

38-3 Projects under construction

Projects under construction is 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 implementation 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.

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38-4 Other assets

A. Recognition

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

B. Measurement

Other assets are measured at cost, being the cash price at 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 expensed as incurred.

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 live 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 following:

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

38-5 Impairment in the value in tangible and intangible assets

The company, on an annual basis - or whenever necessary - reviews the book values of its tangible assets to determine whether there are indications or indications of a possible impairment in their value. If such indications or indications are available, the group estimates the recoverable value of each asset separately in order 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. In the event that 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 costs to sell" 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 that could have been 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.

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38-6 Revenue from contract 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. LAS 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: Define 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, with respect to 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's gates.

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 separate financial statements.

- The value of the revenue is measured at the fair value of the consideration 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.

38-7 Financial Instruments

financial assets

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

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 election at the time of initial recognition to account for the equity investment at FVTOCI.

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

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Recognition and exclusion

The usual way of buying and selling financial assets, on the trade-off date, is 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.

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 at 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 embedded derivatives are considered in their entirety when determining whether their cash flows are solely payments of principal and interest.

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 derecognised, 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.

- **FVTPL:** 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 tools

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.

Impairment

At the date of the financial statements, the Company assesses whether there is credit impairment of financial assets that are measured at amortized cost and securities that are measured at fair value through other comprehensive income. Credit impairment of a financial asset occurs when there is an event or events detrimental to the expected cash flows of the financial asset.

Evidence of credit impairment includes the following observable data:

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- Breach of contract by defaulting on repaying the loan on the due date Restructuring the loan or advance payment from the company on terms that are not in the company's favour.

- It is probable that the borrower will go bankrupt or any other financial event, or the disappearance of an active market for the asset due to financial difficulties.

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

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, if any, 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 on the basis of the actual return.

The effective interest rate method is a method of calculating the amortized cost of financial liabilities and of 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 on the basis of 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 appropriate period. less.

The return on all debt instruments is recognized on the basis of 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.

38-8 Lease contracts

In January 1, 2021, the management made a detailed assessment of the impact of applying Egyptian Accounting Standard No. (49) on the company's independent 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, 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.

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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 premeasured if one of the following events occurs: The change in the lease price due to the index or rate that became effective in the period of the financial statements.

- Amendments 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 on the basis of 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.

38-9 Investments in the subsidiary company

- Investments in subsidiaries are accounted for at cost - and if some indications and indications of the possibility of impairment losses in the value of investment in subsidiaries appear on the date of the financial statements, the book value of those investments is reduced to their recoverable value and the resulting impairment losses are immediately included in the list of profits or losses.

38-10 Inventories

- Inventories are stated at lower of cost and 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 the 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.

38-11 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 maturity not exceeding three months and are represented net of banks - overdraft (if any) which is paid on demand and which is an integral part of the company's money management .

38-12 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

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38-13 Employee benefits

1- Employee retirement benefits

The Company contributes in Social Insurance for the benefits 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. Normal principles are recognized as a labor cost in the statement of profit or loss when they incurred.

2- Defined contribution plans

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

38-14 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. And the Company did not realize liability for profit sharing to its employees for non-distributed profits.

38-15 Legal reserve

According to the companies' law and the Company's status, at least 5% of the net profit is retained to form 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 where the ordinary general assembly meeting been accredited to decide the increase of the reserve.

38-16 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 independent 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 on the basis of the tax base determined according to the laws, regulations and instructions in force in this regard and using the tax rates in force 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 tax rates and tax laws in force 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 the equity, so the related deferred tax is also dealt directly within the 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.

38-17 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 performance of the operating segments, has been identified as the Company's Board of Directors.

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38-18 Earnings per share

Basic and diluted earnings per share is 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

38-19 Statement of Cash Flows

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

38-20 New versions and amendments made to the Egyptian Accounting Standards

On 03/6/2023 a decision was issued Prime Minister 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 amendment

<i>Application date</i>	<i>Potential impact on the financial statements</i>	<i>Summary of the most important modifications</i>	<i>New or amended standards</i>
Standard No. applies to financial (50) periods beginning on July 1, 2024	Management is currently assessing the potential impact on the financial statements when applying the standard	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 The objective of the standard is to ensure that the entity provides appropriate information that faithfully reflects those contracts, and the information provides users of the financial statements with the necessary basis for evaluating the impact of those insurance contracts on the entity's financial position, financial .performance and cash flows	New Egyptian Accounting Standard No(50) insurance contracts
Amended Standard .No(10)applies to financial periods	Management is currently assessing the	1. All establishments were allowed, upon the subsequent measurement of fixed assets,	Amended Egyptian Accounting

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<p>beginning on January .2023 ,1</p>	<p>potential impact on the financial statements when applying the modified standard</p>	<p>to use either the cost model option or the revaluation model option Based on this amendment, the :following have been amended I–Egyptian Accounting Standard No. Presentation of Financial “ (1) :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. “ Intangible Assets” and “ 23 Standard(34)Real Estate Investment .Amending Paragraph No(96)to read :as follows Reclassification adjustments” do “ (96) 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 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</p>	<p>.Standard No(10) "Fixed Assets"</p>
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		<p>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 joining these amounts directly to the assets or liabilities</p> <ul style="list-style-type: none"> - Egyptian Accounting Standard No. Accounting policies, changes in " (5) ".accounting estimates and errors Egyptian Accounting Standard No. Effects of changes in foreign (13) .exchange rates - Egyptian Accounting Standard No. "Income Taxes" (24) - Egyptian Accounting Standard No. "Interim Financial Statements" (30) - Egyptian Accounting Standard No. "Lease Contracts" (49) - Egyptian Accounting Standard No. "Impairment of Assets" (31) 	
Amended Standard No.(23)applies to financial periods beginning on January .2023 ,1	Management is currently assessing the potential impact on the financial statements when applying the modified standard	-All establishments were allowed, upon subsequent measurement of intangible assets, to use either the cost model option or the revaluation model option	Amended Egyptian Accounting Standard No. (23) "Intangible Assets"
The amendments to the amended Standard No.(49)shall apply to	Management is currently assessing the	1. Introducing some amendments to .Standard No(49)issued during as a result of amending and 2019	Amended Egyptian Accounting Standard

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<p>the financial periods beginning on January when applying 2023 ,1 the amended Standard (10)</p>	<p>potential impact on the financial statements when applying . the amendment standard yet</p>	<p>re-issuing Egyptian Accounting .Standard No(10)Fixed Assets" " amended in 2023</p> <p>2. .Adding Paragraph No(35)to :Standard No. 49 as follows</p> <p>-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</p> <p>3. .Adding Paragraph No(57)to Standard(49):as follows</p> <p>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 on (10)those usufruct .assets</p> <p>4. .Amending Paragraph No(56)of Standard(49):to become</p> <p>-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</p>	<p>Lease "(49) Contracts</p>
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<p>This amendment applies to fiscal periods beginning on or after January 1, 2019.</p>	<p>Management is currently assessing the potential impact on the financial statements when the amendment is applied by standard.</p>	<p>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 only to use the fair value model upon the subsequent measurement of all their real estate assets</p> <p>–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 and 35a of the Egyptian Accounting Standard No. 34</p> <p>Based on this amendment, the following have been amended</p> <p>–Egyptian Accounting Standard No. "Non-current assets held for the purpose of sale and discontinued operations" (32)</p> <p>–Egyptian Accounting Standard No. "Impairment of Assets" (31)</p>	<p>Amended Egyptian Accounting Standard No(34) Real Estate Investment</p>
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