MIDDLE EAST GLASS MANUFACTURING GROUP (S.A.E.)
AND ITS SUBSIDIARIES

AUDITOR'S REPORT
AND CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2022

Auditor's report

To the Shareholders Middle East Glass Manufacturing Company S.A.E.

Report on the consolidated financial statements

We have audited the accompanying consolidated financial statements of Middle East Glass Manufacturing Company S.A.E. (the "Company") and its subsidiaries (together the "Group") which comprise the consolidated statement of financial position as of 31 December 2022 and the consolidated statements of profit or loss, comprehensive income, changes in equity and cash flows for the financial year then ended, and a summary of significant accounting policies and other notes.

Management's responsibility for the consolidated financial statements

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

Auditor's responsibility

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

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

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

PricewaterhouseCoopers Ezzeldeen, Diab & Co., Public Accountants
Plot no 211, Second Sector, City Center, New Cairo 11835, Egypt, PO Box 170 New Cairo
T: +20 2 2759 7700, F: +20 2 2759 7711, www.pwc.com

Opinion

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of Middle East Glass Manufacturing Company S.A.E. and its subsidiaries as of 31 December 2022, and their financial performance and their cash flows for the financial year then ended in accordance with Egyptian Accounting Standards and in light of the related Egyptian laws and regulations.

Mohamed Elmoataz
R.A.A. 12747
F.R.A. 133

29 March 2023
Cairo

MIDDLE EAST GLASS MANUFACTURING COMPANY (S.A.E.) AND ITS SUBSIDIARIES

Consolidated Statement of Financial Position - For the year ended 31 December 2022

(All amounts in Egyptian Pounds)

	Note	2022	2021
Assets			
Non-current assets			
Property, plant and equipment	3(a)	1,748,230,139	1,501,629,114
Prepayments of Property, plant and equipment		50,018,391	38,562,091
Intangible assets	3(b)	261,025,962	261,976,390
Deferred tax asset	3(f)	67,458,128	-
Total non-current assets		**2,126,732,620**	**1,802,167,595**
Current assets			
Inventory	3(c)	547,067,601	279,524,341
Trade and notes receivable	2(a)	468,338,671	332,983,474
Contract assets	5	182,939,835	81,466,753
Debtors and other receivables	2(b)	371,603,989	246,294,548
Due from related parties	17	36,085,150	113,137,704
Financial assets at amortized cost	2(c)	132,625,897	142,433,887
Cash and cash equivalents	2(d)	598,950,218	533,847,209
Total current assets		**2,337,611,361**	**1,729,687,916**
Total assets		**4,464,343,981**	**3,531,855,511**
Equity			
Issued and paid-up capital	4(a)	62,627,993	50,322,580
Legal reserve	4(b)	31,313,996	25,161,260
Share premium reserve	4(a)	629,609,334	172,217,162
Other reserves	4(a)	13,129,007	13,129,007
Payments under capital increase		-	432,825,002
Retained earnings	4(c)	142,822,822	89,586,208
Total equity		**879,503,152**	**783,241,219**
Liabilities			
Non-current liabilities			
Bank borrowings	2(e)	1,649,428,044	1,310,000,045
Retirement benefits obligations	16	13,488,076	9,449,918
Deferred tax liabilities	3(f)	3,779,322	82,333,667
Total non-current liabilities		**1,666,695,442**	**1,401,783,630**
Current liabilities			
Provisions	3(d)	44,897,977	38,893,505
Trade and notes payables	2(f)	521,424,327	362,014,354
Creditors and other payables	2(g)	418,788,849	288,767,709
Due to related parties	17	130,300	304,775
Income tax liability	3(e)	132,660,178	40,637,116
Bank Borrowings – current portion	2(e)	751,071,927	590,422,336
Interest payable		49,171,829	25,790,867
Total current liabilities		**1,918,145,387**	**1,346,830,662**
Total liabilities		**3,584,840,829**	**2,748,614,292**
Total equity and liabilities		**4,464,343,981**	**3,531,855,511**

- The notes from (1) to (22) are integral part of these consolidated financial statements.
- Auditor's report attached.

Mohamed Khalifa	**Peter Carpenter**	**Abdul Galil Besher**
Chief Financial Officer	**Director**	**Chairman**

29 March 2023

MIDDLE EAST GLASS MANUFACTURING COMPANY (S.A.E.) AND ITS SUBSIDIARIES

Consolidated statement of profit or loss - For the year ended 31 December 2022

(All amounts in Egyptian Pounds)

	Note	2022	2021
Revenue from contracts with customers	5	2,764,276,515	1,788,836,998
Cost of sales	6	(1,873,042,410)	(1,292,210,871)
Gross profit		**891,234,105**	**496,626,127**
Selling and marketing expenses	7	(80,531,512)	(76,518,940)
General and administrative expenses	8	(132,117,926)	(103,584,193)
Other operating expense	9	(51,456,928)	(57,122,232)
Other operating income	10	436,400,431	98,995,257
Profit from operations		**1,063,528,170**	**358,396,019**
Finance costs	11	(990,257,559)	(147,505,880)
Finance income	12	36,901,833	16,040,413
Export incentive present value adjustment		-	1,229,180
Profit before tax		**110,172,444**	**228,159,732**
Income tax	13	(34,238,279)	(53,601,374)
Net profit for the year		**75,934,165**	**174,558,358**
Basic / diluted earnings per share attributable to the ordinary shareholders of the Group.			
Basic earnings per share	14(a)	0.72	3.02
		0.72	**3.02**
Diluted earnings per share	14(b)	0.72	2.33
		0.72	**2.33**

- The notes from (1) to (22) are integral part of these consolidated financial statements.

MIDDLE EAST GLASS MANUFACTURING COMPANY (S.A.E.) AND ITS SUBSIDIARIES

Consolidated statement of other comprehensive income - For the year ended 31 December 2022

(All amounts in Egyptian Pounds)	**2022**	**2021**
Net profit for the year	75,934,165	174,558,358
Other comprehensive income	-	-
Total other comprehensive income for the year	**75,934,165**	**174,558,358**
Total other comprehensive income for the year is attributable to:		
Owners' equity	75,934,165	174,558,358
	75,934,165	**174,558,358**

- The notes from (1) to (22) are integral part of these consolidated financial statements.

MIDDLE EAST GLASS MANUFACTURING COMPANY (S.A.E.) AND ITS SUBSIDIARIES

Consolidated statement of changes in owners' equity - For the year ended 31 December 2022

(All amounts in Egyptian Pounds)	Issued and paid-up capital	Legal reserve	Share premium reserve	Other reserve	Payment under capital increase	Retained earnings/ (Accumulated losses)	Total owners' equity
Balance at 1 January 2021	**50,322,580**	**25,161,260**	**172,217,162**	**13,129,007**	**432,825,002**	**(75,054,681)**	**618,600,330**
Effect of adoption of the new accounting standards	-	-	-	-	-	11,094,196	**11,094,196**
Adjusted balance as at 1 January 2021	**50,322,580**	**25,161,260**	**172,217,162**	**13,129,007**	**432,825,002**	**(63,960,485)**	**629,694,526**
Total comprehensive income for the year	-	-	-	-	-	174,558,358	**174,558,358**
Profit Sharing distribution to employees	-	-	-	-	-	(21,011,665)	**(21,011,665)**
Balance at 31 December 2021	**50,322,580**	**25,161,260**	**172,217,162**	**13,129,007**	**432,825,002**	**89,586,208**	**783,241,219**
Balance at 1 January 2022	**50,322,580**	**25,161,260**	**172,217,162**	**13,129,007**	**432,825,002**	**89,586,208**	**783,241,219**
Total comprehensive income for the year	-	-	-	-	-	75,934,165	**75,934,165**
Capital Increase Note 4(A)	12,305,413	6,152,736	457,392,172	-	(432,825,002)	-	**43,025,319**
Profit Sharing distribution to employees	-	-	-	-	-	(22,697,551)	**(22,697,551)**
Balance at 31 December 2022	**62,627,993**	**31,313,996**	**629,609,334**	**13,129,007**	**-**	**142,822,822**	**879,503,152**

- The notes from (1) to (22) are integral part of these consolidated financial statements.

MIDDLE EAST GLASS MANUFACTURING COMPANY (S.A.E.) AND ITS SUBSIDIARIES

Consolidated statement of cash flows - For the year ended 31 December 2022

(All amounts in Egyptian Pounds)	Note	2022	2021
Cash flows from operating activities			
Net profit for the year before tax		110,172,444	228,159,732
Adjusted by:			
Interest expense	11	182,022,219	147,505,880
Interest income	12	(36,901,832)	(16,040,413)
Depreciation and amortization	3(a), (b)	177,061,139	137,586,549
The effect of discounting the long-term export incentives to the present value		-	(1,229,180)
Loss on sale of property and equipment	9	3,287,021	9,735,034
Provisions formed		15,066,212	12,003,000
Provisions no longer required		(510,544)	(3,292,524)
Gain on sale of financial assets		-	(17,054,602)
Retirement benefit obligations	16	6,725,035	3,574,745
Unrealized foreign exchange loss/(gain)		804,853,856	(999,587)
Operating profit before changes in working capital		**1,261,775,550**	**499,948,634**
Changes in working capital			
Inventory		(267,543,260)	(72,744,738)
Trade and notes receivable		(135,624,464)	20,824,735
Contract Assets		(101,473,082)	(81,466,753)
Debtors and other receivables		(157,035,477)	(19,823,434)
Due from related parties		77,052,554	48,476,060
Trade and notes payable		159,409,973	81,268,118
Creditors and other payables		127,085,842	60,798,462
Due to related parties		(174,474)	(122,913)
Provisions used	3(d)	(8,281,928)	(8,273,718)
Cash flows generated from operations		**955,191,234**	**528,884,453**
Payment of employees' retirement benefits	16	(2,686,876)	(3,978,750)
Interest paid		(154,994,703)	(144,344,435)
Income tax paid		(41,348,379)	-
Net cash flows generated from operating activities		**756,161,276**	**380,561,268**
Cash flows from investing activities			
Purchase of property, plant and equipment	3(a)	(427,604,944)	(365,799,006)
Purchase of Intangible Assets		(232,465)	-
Advance payments for Property, plant and equipment supplier		(50,018,391)	(38,562,091)
Purchase of treasury bills		(212,256,921)	(130,684,840)
Cash received from selling of treasury bills		224,766,682	-
Proceeds from sale of property, plant and equipment		1,838,658	1,568,296
Proceeds from disposal of financial assets		-	177,965,626
Interest income received		34,200,061	4,291,088
Net cash flows used in investing activities		**(429,307,320)**	**(351,220,927)**
Cash flows from financing activities			
Short term credit facilities	2(e)	10,287,194	34,387,841
Repayment of bank borrowings	2(e)	(315,063,459)	-
Capital Increase		43,025,319	-
Net cash flows (used in) / generated from financing activities		**(261,750,946)**	**34,387,841**
Net increase in Cash and cash equivalents		**65,103,009**	**63,728,182**
Cash and cash equivalents at beginning of the year		533,847,209	470,119,027
Cash and cash equivalents at end of the year	2(d)	**598,950,218**	**533,847,209**

- The notes from (1) to (22) are integral part of these consolidated financial statements.

(In the notes all amounts are shown in Egyptian Pounds unless otherwise stated)

1. General information

Middle East Glass Manufacturing Group S.A.E. (the Group) was established in 1979 as an Egyptian joint stock Group under the provisions of Law No. 43 of 1974 as amended by Law No. 230 of 1989 as amended by Law No. 8 of 1997, and is registered in the commercial register under number 193770 Cairo. The address of the Group's registered office is Nasr City, 6 Mokhayam El-Daem Street 6th District, Industrial Zone, Cairo – Arab Republic of Egypt.

- These financial statements are consolidated financial statements for the group consisting of Middle East Glass Manufacturing Group S.A.E.and its subsidiaries

The Company is listed on the Egyptian Stock Exchange (EGX).

The Company and its subsidiaries together comprise "the Group".

The Group's main activity is manufacturing all kinds of glass containers and the acquisition of other entities that operate in the same field.

The ultimate parent of the Group is MENA Glass Holdings Limited with 52.90% ownership. The Group is ultimately controlled by Mr. Abdul Galil Besher.

These consolidated financial statements were approved for issuance by the Board of Directors of the Company on 29 March 2023.

Percentage of ownership in subsidiaries

The group consists of the companies below as of 31 December 2022 and 31 December 2021 unless otherwise was noted, and the percentage of the Group's share of the companies is direct ownership of the ordinary shares of the paid-up capital only.

Subsidiaries	Location	Functional currency	Ownership interest held by the group 2022	Ownership interest held by the group 2021	Activity
Middle East Glass Containers Sadat	Egypt	Egyptian Pound	99.99992%	99.99992%	Manufacturing Glass Containers
MEG Misr for Glass MEG	Egypt	Egyptian Pound	99.99993%	99.99993%	Manufacturing Glass Containers
Misr for Glass Manufacturing	Egypt	Egyptian Pound	Owned 99.9997% by MEG Misr for Glass MEG	Owned 99.9997% by MEG Misr for Glass MEG	Manufacturing all kinds of Glass Containers and the acquisition of other entities that operate in the same field

2. Financial assets and liabilities

The Group holds the following financial instruments:

<u>Financial assets:</u>

		Amortised cost	
	Note	2022	2021
Trade and notes receivables	2(a)	468,338,671	332,983,474
Contract assets	5	182,939,835	81,466,753
Debtors and other receivables*	2(b)	150,379,569	95,290,962
Due from related parties	17	36,085,150	113,137,704
Financial assets at amortised cost	2(c)	132,625,897	142,433,887
Cash and cash equivalents	2(d)	598,950,218	533,847,209

(In the notes all amounts are shown in Egyptian Pounds unless otherwise stated)

2) Financial assets and liabilities (continued)

Financial liabilities:

		Amortised cost	
	Note	**2022**	**2021**
Short term credit facilities	2(e)	338,709,532	328,422,338
Bank borrowings	2(e)	2,061,790,439	1,572,000,043
Interest payable	2(e)	49,171,829	25,790,867
Trade and notes payable	2(f)	521,424,327	362,014,354
Creditors and other payables**	2(g)	286,821,311	208,986,855
Due to related parties	17	130,300	304,775

* Debtors and other receivables presented above excludes prepaid expenses, advances to suppliers, employee profit share paid in advance and tax receivable.

** Creditors and other payables presented above excludes contract liabilities, social insurance authority and tax liabilities.

2(a) Trade and notes receivable

	2022	**2021**
Trade receivables	473,983,754	349,685,324
Notes receivable	18,221,443	6,895,408
	492,205,197	**356,580,732**
Expected credit loss allowance	(23,866,526)	(23,597,258)
	468,338,671	**332,983,474**

The movement in impairment of trade receivables is as follows:

	2022	**2021**
Balance at 1 January	23,597,258	24,346,815
Charged /(reversal) for the year	269,268	(749,557)
	23,866,526	**23,597,258**

Trade receivables of EGP 347,402,993 (2021: EGP 188,697,490) net of credit loss allowance are denominated in foreign currency.

The Group applies the EAS 47 simplified approach to measuring expected credit losses which uses a lifetime expected loss allowance for all trade receivables.

To measure the expected credit losses, trade receivables are grouped based on shared credit risk characteristics and the days past due.

The expected loss rates are based on the payment profiles of customers over a period of 60 months before each balance sheet date and the corresponding historical credit losses experienced within this period. The historical loss rates are adjusted to reflect current and forward-looking information on macroeconomic factors affecting the ability of the customers to settle the receivables. The Group has identified the GDP to be the most relevant factor, and accordingly adjusts the historical loss rates based on expected changes in this factor.

2) Financial assets and liabilities (continued)

2(a) Trade and notes receivable (continued)

The credit loss allowance for trade receivables is determined according to the provision matrix presented in the table below. The provision matrix is based on the number of days that an asset is past due.

In % of gross value (in Egyptian Pounds)	31 December 2022 Loss Rate	Gross carrying amount	Lifetime ECL	Net carrying value
Trade and notes receivable				
- current	0.02%	362,215,750	71,537	362,144,213
- less than 30 days overdue	0.15%	66,035,843	99,196	65,936,647
- 31 to 60 days overdue	0.60%	23,121,049	139,697	22,981,352
- 61 to 90 days overdue	2.68%	4,019,545	107,847	3,911,698
- 91 to 180 days overdue	2.36%	13,688,380	323,619	13,364,761
- Greater than 1 year	100.00%	23,124,630	23,124,630	-
Total		**492,205,197**	**23,866,526**	**468,338,671**

In % of gross value (in Egyptian Pounds)	31 December 2021 Loss Rate	Gross carrying amount	Lifetime ECL	Net carrying value
Trade and notes receivable				
- Current	0.08%	245,784,864	205,650	245,579,214
- less than 30 days overdue	0.51%	70,014,467	359,492	69,654,975
- 31 to 60 days overdue	1.34%	9,838,440	132,196	9,706,244
- 61 to 90 days overdue	4.65%	5,256,652	244,474	5,012,178
- 91 to 180 days overdue	5.85%	3,219,161	188,298	3,030,863
- Greater than 1 year	100%	22,467,148	22,467,148	-
Total		**356,580,732**	**23,597,258**	**332,983,474**

For more details on the credit risks refer to note (21-1-2)

2(b) Debtors and other receivables

	2022	2021
Export incentives	99,968,489	36,811,000
Other receivables	16,346,396	20,161,237
Advances to suppliers	48,539,604	20,989,164
Prepaid expenses	16,421,017	6,318,872
Refundable deposits	29,394,247	34,415,841
Tax authority – Sales tax on purchases	97,450,245	66,556,444
Tax authority – Withholding tax	-	16,919,770
Tax authority- Advance payment	20,315,750	17,521,788
Employees impress and loans	4,670,437	3,902,884
Employee profit share paid in advance	38,497,804	22,697,548
	371,603,989	**246,294,548**

2(c) Financial assets at amortised cost

	2022	2021
Egyptian Treasury bills	132,625,897	142,433,887
	132,625,897	**142,433,887**

(In the notes all amounts are shown in Egyptian Pounds unless otherwise stated)

2) Financial assets and liabilities (continued)

Treasury bills

	2022	2021
Treasury bills par value		
Within 91 Days maturity	133,250,000	-
341-364 Days maturity	-	147,600,000
	133,250,000	**147,600,000**
Unearned interest	(15,075,199)	(16,915,160)
Value of treasury bills purchased	**118,174,801**	**130,684,840**
Interest income recognized in profit or loss	14,451,096	11,749,047
Treasury bills balance	**132,625,897**	**142,433,887**

The average effective yield on treasury bills is 13,08%.

The group has adopted 12-month ECL approach and based on management assessment, there will be immaterial impact on treasury bills due to the following factors:
- Bills issued and guaranteed by Government of Egypt.
- There is no history of default.
- Incorporating forward-looking information would not result in an increase in Expected default rate.

2(d) Cash and cash equivalents

	2022	2021
Current account at banks	565,405,497	512,900,217
Deposits at banks	24,740,000	20,000,000
Cash on hand	8,804,721	946,992
Total	**598,950,218**	**533,847,209**

- The average rate of interest on time deposits in USD is 2.5% and EGP 9.5% with a maturity of less than a month.

Cash flows information

i. Non-cash transaction

For the cash flow statement preparation purposes, the Group posted non-cash transactions which are not presented in the statement of cash flows, as follows:

	2022	2021
Settlement of Employees' declared profit share against advances to employees was included under other receivables	(22,697,551)	(21,011,665)
Increase in paid up capital using amounts previously paid under capital increase	432,825,002	-

ii. Net debt reconciliation

	2022	2021
Cash and cash equivalent	598,950,218	533,847,209
Financial assets at amortised cost	132,625,897	142,433,887
Short term credit facilities	(338,709,532)	(328,422,338)
Borrowings – repayable within one year	(412,362,395)	(261,999,998)
Borrowing – repayable within after one year	(1,649,428,044)	(1,310,000,045)
Total	**(1,668,923,856)**	**(1,224,141,285)**

(In the notes all amounts are shown in Egyptian Pounds unless otherwise stated)

2) Financial assets and liabilities (continued)

2(d) Cash and cash equivalents (continued)

	Cash & cash equivalent	Financial assets at amortised cost	Short term credit facilities	Medium Term Loan	Total
Net debt as at 1 January 2022	**533,847,209**	**142,433,887**	**(328,422,338)**	**(1,572,000,043)**	**(1,224,141,285)**
Cash flows	65,103,009	(12,509,761)	(10,287,194)	315,063,459	357,369,513
Foreign exchange	-	-	-	(804,853,856)	(804,853,856)
Other changes					
Interest accrued	-	21,482,602	-	-	21,482,602
Interest received	-	(18,780,831)	-	-	(18,780,831)
Net debt as at 31 December 2022	**598,950,218**	**132,625,897**	**(338,709,532)**	**(2,061,790,440)**	**(1,668,923,857)**

2(e) Bank borrowings and Short term credit facilities

	2022	2021
i. Borrowings - current portion		
Bank loans	412,362,395	261,999,998
Short term credit facilities	338,709,532	328,422,338
Total current portion	**751,071,927**	**590,422,336**
ii. Borrowings non-current portion		
Bank loans	1,649,428,044	1,310,000,045
Total non-current portion	**1,649,428,044**	**1,310,000,045**
Total	**2,400,499,971**	**1,900,422,381**

In November 2019, the Group signed medium term loan agreements with the International Finance Corporation ("IFC") and Commercial International Bank "CIB") for a total of $100 million to refinance its existing medium-term debt and to provide funding for capital expenditure to increase production capacity, including furnace rebuilds, new production equipment, printing machines, resource efficiency improvements and streamlining of the cullet processing operation. The full amount of the facilities was disbursed in 2020 and resulted in settlement of all existing medium-term bank borrowings.

The loans have a seven-year tenor with 18-month grace and carries interest at 6-month LIBOR plus a margin.

The loans are secured with the following security package:

- First ranking real estate mortgage over all the land and buildings owned by the Group, with a carrying amount of EGP 496 million
- Commercial establishment mortgage over all Group's movable assets (machines, equipment, vehicles and moulds) with a carrying amount of EGP 960 million.
- Restrictions on transfers of subsidiaries' shares owned by the Group.

iii. Interest accrued on the group's borrowing at 31 December 2022 is EGP 49,171,829 (31 December 2021: EGP 25,790,862).

2(f) Trade and notes payable

	2022	2021
Trade payable	464,793,999	318,104,482
Notes payable	56,630,328	43,909,872
	521,424,327	**362,014,354**

Trade payables are unsecured and are usually paid within an average of 90 days of recognition.

(In the notes all amounts are shown in Egyptian Pounds unless otherwise stated)

2) Financial assets and liabilities (continued)

2(g) Creditors and other payables

	2022	2021
Accrued expenses	242,519,439	156,251,247
Contract Liabilities (Note 5)	121,440,784	43,333,331
Due to tax authority	8,312,863	34,409,332
Other payables	44,301,872	52,735,608
Social insurance authority	2,213,891	2,038,191
	418,788,849	**288,767,709**

(In the notes all amounts are shown in Egyptian Pounds unless otherwise stated)

3. Non-financial assets and liabilities

3(a) Property, plant and equipment

	Land	Buildings	Machinery, equipment & moulds	Vehicles and transportation	Furniture & office equipment	Computers & computer systems	Projects under construction	Total
31 December 2021								
Cost								
Balance at beginning of the year	339,368,545	230,760,613	1,898,564,254	24,912,488	12,659,548	12,331,834	50,078,081	**2,568,675,363**
Additions	2,614,454	2,127,198	82,795,408	5,979,209	1,335,260	1,257,460	266,170,160	**362,279,149**
Disposals	-	-	(107,426,538)	(1,417,401)	-	-	-	**(108,843,939)**
Transferred from projects under construction	-	630,504	246,098,540	-	921	189,228	(246,919,193)	**-**
Balance at the end of the year	**341,982,999**	**233,518,315**	**2,120,031,664**	**29,474,296**	**13,995,729**	**13,778,522**	**69,329,048**	**2,822,110,573**
Accumulated depreciation								
Balance at beginning of the year	-	(98,476,851)	(1,145,310,786)	(19,850,779)	(10,818,338)	(8,431,225)	-	**(1,282,887,979)**
Depreciation expense	-	(10,160,647)	(120,770,497)	(1,904,956)	(764,711)	(1,560,773)	-	**(135,161,584)**
Disposals Depreciation	-	-	96,150,704	1,417,400	-	-	-	**97,568,104**
Balance at the end of the year	**-**	**(108,637,498)**	**(1,169,930,579)**	**(20,338,335)**	**(11,583,049)**	**(9,991,998)**	**-**	**(1,320,481,459)**
Net book value at the end of the year	**341,982,999**	**124,880,817**	**950,101,085**	**9,135,961**	**2,412,680**	**3,786,524**	**69,329,048**	**1,501,629,114**
31 December 2022								
Cost								
Balance at beginning of the year	341,982,999	233,518,315	2,120,031,664	29,474,295	13,995,729	13,778,522	69,329,048	**2,822,110,572**
Additions	7,067,386	18,299,585	163,001,055	3,934,846	1,607,738	3,552,470	230,141,864	**427,604,944**
Disposals	-	-	(27,833,079)	(202,691)	(2,000)	-	-	**(28,037,770)**
Transferred from projects under construction	-	13,937,359	657,125	-	-	-	(14,594,484)	**-**
Balance at the end of the year	**349,050,385**	**265,755,259**	**2,255,856,765**	**33,206,450**	**15,601,467**	**17,330,992**	**284,876,428**	**3,221,677,746**
Accumulated depreciation								
Balance at beginning of the year	-	(108,637,498)	(1,169,930,579)	(20,338,335)	(11,583,049)	(9,991,998)	-	**(1,320,481,459)**
Depreciation expense	-	(10,581,007)	(159,295,671)	(2,909,212)	(1,020,592)	(2,071,764)	-	**(175,878,246)**
Disposals Depreciation	-	-	22,707,411	202,688	1,999	-	-	**22,912,098**
Balance at the end of the year	**-**	**(119,218,505)**	**(1,306,518,839)**	**(23,044,859)**	**(12,601,642)**	**(12,063,762)**	**-**	**(1,473,447,607)**
Net book value at the end of the year	**349,050,385**	**146,536,754**	**949,337,926**	**10,161,591**	**2,999,825**	**5,267,230**	**284,876,428**	**1,748,230,139**

(In the notes all amounts are shown in Egyptian Pounds unless otherwise stated)

3. Non-financial assets and liabilities (continued)

3(a) Property, plant and equipment (continued)

Project under construction as of 31 December is as follows:

	2022	2021
Batch house	43,890,989	43,890,989
Production machinery	74,406,130	11,209,111
Building	654,853	13,993,618
Furnace	164,777,910	-
Others	1,146,547	235,330
	284,876,429	**69,329,048**

Depreciation expense is allocated in profit or loss statement as follows:

	2022	2021
Cost of goods sold	168,726,717	129,629,199
General and administrative expenses	4,464,254	3,166,477
Selling and marketing expenses	2,687,275	2,365,908
	175,878,246	**135,161,584**

`

The Cost of fully depreciated assets and still in use amounted to EGP 514,919,282 as of 31 December 2022 (2021- EGP 496,087,880)

3(b) Intangible assets

	License cost	Computer software	Goodwill	Customers relationships	Assets under construction	Total
31 December 2022						
Cost						
Balance at 1 January	**5,156,143**	**15,182,690**	**258,614,988**	**64,745,000**	**447,735**	**344,146,556**
Additions	-	232,465	-	-	-	**232,465**
Transfer		447,735			(447,735)	-
Balance at the end of the year	**5,156,143**	**15,862,890**	**258,614,988**	**64,745,000**	**-**	**344,379,021**
Accumulated amortisation						
Balance at 1 January	**(5,156,143)**	**(12,269,023)**	**-**	**(64,745,000)**	**-**	**(82,170,166)**
Amortisation expense	-	(1,182,893)	-	-	-	**(1,182,893)**
Balance at the end of the year	**(5,156,143)**	**(13,451,916)**	**-**	**(64,745,000)**	**-**	**(83,353,059)**
Net book value	**-**	**2,410,974**	**258,614,988**	**-**	**-**	**261,025,962**

	License cost	Computer software	Goodwill	Customers relationships	Assets under construction	Total
31 December 2021						
Cost						
Balance at 1 January	5,156,143	12,110,565	258,614,988	64,745,000	-	340,626,696
Additions	-	3,072,125	-	-	447,735	3,519,860
Balance at the end of the year	**5,156,143**	**15,182,690**	**258,614,988**	**64,745,000**	**447,735**	**344,146,556**
Accumulated amortisation						
Balance at 1 January	**(4,640,527)**	**(10,359,674)**	**-**	**(64,745,000)**	**-**	**(79,745,201)**
Amortisation expense	(515,616)	(1,909,349)	-	-	-	**(2,424,965)**
Balance at the end of the year	**(5,156,143)**	**(12,269,023)**	**-**	**(64,745,000)**	**-**	**(82,170,166)**
Net book value	**-**	**2,913,667**	**258,614,988**	**-**	**447,735**	**261,976,390**

The Cost of fully amortized assets and still in use amounted to EGP 69,901,143 as of 31 December 2022 (2021- 69,901,143)

(In the notes all amounts are shown in Egyptian Pounds unless otherwise stated)

3. Non-financial assets and liabilities (continued)

3(b) Intangible assets (continued)

I. License costs

In July 2011, the Group concluded an agreement with Techpack Solutions Group - (South Korea) for the purpose of providing the Group with technical assistance services for the manufacturing, processing, inspection, testing and packaging of Contract Glassware, and in particular the methods, to produce Narrow Neck Press and Blow lightweight bottles, in the normal course of business. The costs to obtain the right and license to manufacture, sell glass containers upon receiving such services are recorded as License cost.

II. Goodwill

Goodwill arose on the acquisition by the Group of Middle East Glass Containers Sadat S.A.E. in 2014 and Misr for Glass Manufacturing S.A.E. in 2016. Goodwill is related primarily to the value of the synergies of the combined business operations, new valuable customer relationships, growth opportunities and skilled management and labour. Goodwill is not tax deductible for tax purposes.

Goodwill is allocated to Middle East Glass Containers Sadat S.A.E. and Misr for Glass Manufacturing S.A.E. each being the cash generating units (CGU) and the lowest level at which management monitors its related goodwill. Goodwill arises as follows:

	2022	2021
Middle East Glass Containers Sadat S.A.E.	173,589,339	173,589,339
Misr for Glass Manufacturing S.A.E.	85,025,649	85,025,649
Goodwill	**258,614,988**	**258,614,988**

III. Recoverable amount of Goodwill

The Group performs an impairment test for goodwill on an annual basis. The recoverable amount is determined based on calculating the value in-use which requires the use of assumptions and the value-in-use calculation is based on projected cash flows according to 5-year business plan approved by management.

The cash flows beyond the 5 years is extrapolated using the growth rates specified below which are consistent with the forecast related to the industry in which the cash generating units operate.

The Group used the following assumptions in performing goodwill impairment test on 31 December 2022:

	2022	2021
Sales volume (% annual growth rate)	3%	3%
Sales price (% annual growth rate)	21%	12%
Other operating costs	110,000,000	81,000,000
Average gross margin %	34%	32%
Pre-tax discount rate	21.3%	18%
Long term Growth rate	5%	5%

Management has determined the value assigned to each of the above key assumption as follows:

Assumption	Approach used
Sales volume	Average annual growth rate over the five-year forecast period; based on past performance and management's expectations of market development
Sales price	Average annual growth rate over the five-year forecast period; based on current industry trends and including inflation forecasts.
Average gross margin	Based on past performance and management's expectations for the future.
Other operating costs	Fixed costs of the CGUs, which do not vary significantly with sales volumes or prices. Management forecasts these costs based on the current structure of the business
Long-term growth rate	This is the weighted average growth rate used to extrapolate cash flows beyond the budget period. The rates are consistent with forecasts included in industry reports and macroeconomic forecast
Pre-tax discount rates	Reflect specific risks relating to the industry in which it operates.

(In the notes all amounts are shown in Egyptian Pounds unless otherwise stated)

3. Non-financial assets and liabilities (continued)

3(b) Intangible assets (continued)

The Group test the impairment of goodwill depending on financial, operational, marketing position in the prior years, and its expectation for the market in the future by preparing a business plan using the growth rate and the discount rate prevailing. At the statement of financial position date, the carrying value of goodwill is less than its recoverable amount.

Sensitivity of recoverable amounts

The growth rate in the forecast period has been estimated to be 5%, A reduction of this growth rate by 2% does not result in an impairment, and in managements judgement/assessment, it is unlikely there will be a change of more than 1%.

The discount rate in the forecast period is estimated to be 21.3%, An increase of this discount rate by 5% does not result in an impairment and in managements judgement/assessment it is unlikely there will be a change of more than 5%.

The average gross profit in the forecast period is estimated to be 34% and a reduction of by 3% does not result in an impairment and in managements judgement/assessment it is unlikely there will be a change of more than 3%.

Group management has considered and assessed reasonably possible changes in other key assumptions and no instances were identified that could cause the carrying amount to exceed the recoverable amount and could result in an impairment for the goodwill allocated to CGUs.

Impairment charge

During the year ended 31 December 2022 and 2021, no impairment losses were recognized in the carrying amount of goodwill.

IV. Customer relationships

Customer relationships were acquired as a part of the acquisition of Middle East Glass Containers Sadat S.A.E. and Misr for Glass Manufacturing S.A.E., and these relationships were valued at fair value at the date of acquisition. The customers relationships balance is amortized using the straight-line method over 5 years which represents the period of the projected cash flows of the customers relationships.

3(c) Inventory

	2022	**2021**
Finished goods	86,325,263	47,408,755
Spare parts	130,831,213	128,819,937
Work in progress	12,554,074	28,851,533
Raw materials	141,932,374	39,910,262
Packing and wrapping materials	185,027,775	52,119,627
Fuel and oil	11,556,658	3,573,983
	568,227,357	**300,684,097**
Allowance for decline in inventory value	(21,159,756)	(21,159,756)
	547,067,601	**279,524,341**

	2022	**2021**
Allowance for decline in inventory value:		
Balance at 1 January	21,159,756	21,159,756
Balance at 31 December	**21,159,756**	**21,159,756**

(In the notes all amounts are shown in Egyptian Pounds unless otherwise stated)

3. Non-financial assets and liabilities (continued)

3(c) Inventory (continued)

The cost of inventories recognised as an expense during the year in cost of sales amounted to EGP 857,716,697 (2021: EGP 441,022,275).

The Group applied EAS 48 from 1 January 2021, accordingly, recognizes sales revenue for finished goods which are customized for certain customers but were not invoiced or delivered to those customers amounting to EGP 110,371,280 at 31 December 2022 (2021: EGP 58,499,749).

3(d) Provisions

	2022	2021
Balance at beginning of the year	38,893,505	35,164,223
Additions during the year	14,286,400	12,003,000
Utilised during the year	(8,281,928)	(8,273,718)
Balance at end of the year	**44,897,977**	**38,893,505**

The provisions relate to claims expected to be made by external parties in connection with the Group's operations. The information usually required by accounting standards is not disclosed because the management believes that to do so would seriously prejudice the outcome of the negotiations with those parties. These provisions are reviewed by management annually and the amount provided is adjusted based on latest developments, updates in the group's uncertain tax position, discussions and agreements with those external parties.

3(e) Income tax liability

	2022	2021
Balance at the beginning of the year	40,637,116	-
Charged during the year (Note 13)	180,250,752	75,484,741
Settlement against withholding tax	(47,590,577)	(35,383,292)
Payments to tax authority	(41,348,379)	-
Tax differences	711,266	535,667
Balance at the end of the year	**132,660,178**	**40,637,116**

3(f) Deferred tax assets

I. Recognized deferred tax asset / (liability)

	2022	2021
Deferred Tax Asset	67,458,128	-
Deferred tax liabilities	(3,779,322)	(82,333,667)
	63,678,806	(82,333,667)

The netting of deferred tax assets and liabilities has been determined at the level of each legal entity under the group.

(In the notes all amounts are shown in Egyptian Pounds unless otherwise stated)

3. Non-financial assets and liabilities (continued)

3(f) Deferred tax assets (continued)

The details of the deferred tax assets / (liabilities) are presented as follows:

	2022	2021
Property, plant and equipment	(81,638,510)	(74,221,113)
Retirement benefit obligation	3,034,817	2,126,231
Tax effect of unrealized foreign currency losses	153,773,255	(1,204,595)
Fair value surplus of acquired assets	(11,490,756)	(14,278,266)
Carry forward tax loss	-	5,244,076
	63,678,806	**(82,333,667)**

	Property, plant and equipment	Retirement benefit obligation	Tax Effect of unrealized foreign currency	Unrealized revaluation gain	Fair value surplus of Acquired assets	Carry forward Losses	Total
Balance at 1 January 2021	**(63,156,316)**	**2,217,133**	**(3,837,309)**	**(36,204,980)**	**(17,065,776)**	**13,830,214**	**(104,217,034)**
Tax (charged) / reversal on the statement of profit or loss (Note 13)	(11,064,797)	(90,902)	2,632,714	36,204,980	2,787,510	(8,586,138)	21,883,367
Balance at 31 December 2021 and 1 January 2022	**(74,221,113)**	**2,126,231**	**(1,204,595)**	**-**	**(14,278,266)**	**5,244,076**	**(82,333,667)**
Tax (charged) / reversal on the statement of profit or loss (Note 13)	(7,417,397)	908,586	154,977,850	-	2,787,510	(5,244,076)	146,012,473
Balance at 31 December 2022	**(81,638,510)**	**3,034,817**	**153,773,255**	-	**(11,490,756)**	-	**63,678,806**

4. Equity

4(a) Issued and paid up capital

The total number of authorized ordinary shares is 150 million shares (2021 : 150 million shares) with a par value of EGP 1 per share (2021 : 1 EGP per share). The issued and paid up capital is 62,627,993 shares (2021: 50,322,580 shares) with a par value of EGP 1 per share (2021 : 1 EGP per share). All issued shares are fully paid. Each share entitles the holder to participate in dividends, and to share in the proceeds of winding up in proportion to the number of and amounts paid on the shares held.On a show of hands every holder of ordinary shares present at a meeting, in person or by proxy, is entitled to one vote.

According to the resolution of the Extra Ordinary General Assembly Meeting held on 7 November 2019, the shareholders decided to convert the shareholder loan amounting EGP 432,825,002 into share capital. The amount was initially reclassified within equity as “Payment under Capital Increase”.

On 3 March 2022, an Extraordinary General Assembly Meeting of Shareholders approved an increase of the issued share capital from EGP 50,322,580 to EGP 62,627,993 with an amount of EGP 12,305,413 by issuing 12,305,413 new shares for subscription by the existing shareholders at a subscription price of EGP 38.67 per share amounting to a total amount of EGP 475,850,321. Accordingly, the amount under “Payment under Capital Increase” were transferred to Share capital and Share Premium. In addition, a shareholder paid an additional amount of EGP 43,025,319 for the subscription of these new share shares. The difference between the nominal value and fair value of the shares is recorded in as share premium reserves account. The increase was approved in the commercial register on 17 November 2022

(In the notes all amounts are shown in Egyptian Pounds unless otherwise stated)

4. Equity (continued)

4(a) Issued and paid-up capital (continued)

According to the Law No 159 for the year 1981 and its regulations, the total value of the premium issued for the capital increase has been included in the legal reserve after deducting issuance cost to reach what is equivalent to the half of the issued capital and the remaining balance has been included in share premium reserve as follows:

Capital Increase in 2022	2022
Share premium	463,544,908
Less: Issuance cost	-
Net share premium	**463,544,908**
Transferred to legal reserve	(6,152,736)
Transferred to share premium reserve	**457,392,172**

Other reserves

On 3 April 2014, the existing shareholders signed an agreement to increase the paid-up capital by approximately US $28.7 million which was equivalent to LE 205 million at the agreement date. Subsequently on 10 May 2015, the existing shareholders subscribed in the capital increase with total value of LE 205 million equivalent to US $26.5 million at the subscription date., the shareholders agreed to pay the remaining amount of the capital increase included in the above mentioned agreement amounting to US $1.7 million (equivalent to LE 13,129,007) which has been treated as capital contribution under other reserves in the statement of shareholders' equity. This balance is unsecured, bears no interest and it is not intended to be recalled by the shareholder.

4(b) Legal reserve

In accordance with the Companies' Law No.159 for 1981, 5 % of the net profit for the year shall be transferred to the legal reserve account until it reaches 50% of paid-up capital. This reserve is not available for distribution to shareholders. No transfer of profit was made during the year 2022 and 2021 as the reserve has already reached 50% of the paid up capital.

4(c) Retained Earnings

	2022	2021
Balance at beginning of the year	89,586,208	(75,054,681)
Net profit for the year	75,934,165	174,558,358
Profit Share distribution to employees	(22,697,551)	(21,011,665)
Cumulative effect on adoption of EAS 47 & 48	-	11,094,196
Balance at end of the year	**142,822,822**	**89,586,208**

The profit share distribution to current employees was approved by the shareholders in the Annual General Meeting. The profit share distribution is in accordance with the Egyptian Company Law.

5. Revenue from contracts with customers

	2022	2021
Local sales	1,336,875,310	901,198,199
Export sales	1,427,401,205	887,638,799
Total	**2,764,276,515**	**1,788,836,998**

Local sales revenue includes EGP 39 million recognized over time according to EAS 48 such sales being containers manufactured but not delivered or invoiced to the customers at the financial statement date.

Export sales revenue includes EGP 62 million recognized over time according to EAS 48 such sales being containers manufactured but not delivered or invoiced to the customers at the financial statement date

5. Revenue from contracts with customers (continued)

Timing of revenue recognition is as follows:

(In Egyptian Pounds)	2022	2021
At a point in time	572,772,545	392,037,569
Over time	2,191,503,970	1,396,799,429
Total revenue from contracts with customers	**2,764,276,515**	**1,788,836,998**

Assets and liabilities arising from contracts with customers

The Group has recognised the following assets and liabilities arising from contracts with customers:

In (Egyptian Pounds)	Note	2022	2021
Current contract assets from contracts with customers*		182,939,835	81,466,753
Total current contract assets		**182,939,835**	**81,466,753**
Current assets recognised for costs incurred to obtain or fulfil a contract			
Contract liabilities – advances from customers	2(g)	121,440,784	43,333,331
Total current contract liabilities		**121,440,784**	**43,333,331**

The movement of contract assets balance from contracts with customers during the year represented in the following :-

In (Egyptian Pounds)	2022	2021
Contract assets on adoption of EAS 48 as of 1 January 2022	**81,466,753**	**67,725,069**
Add: Revenue recognized during the year According to EAS 48	2,764,276,515	1,788,836,998
Less: Billing during the year	-2,662,803,433	(1,775,095,314)
Contract assets as of 31 December 2022	**182,939,835**	**81,466,753**

The movement of contract liabilities balance – Advances from customers during the year represented in the following :-

	2022	2021
Contract liabilities on adoption of EAS 48 as of 1 January 2022	**43,333,331**	**28,784,322**
Deduct : Revenue recognised during the year in relation to opening balance of contract liabilities	(43,333,331)	(28,784,322)
Add: Advance from customers arisen during the year	121,440,784	43,333,331
Total	**121,440,784**	**43,333,331**

A. The increase in Contract Assets is mainly due to the increase in finished goods which are customized for certain customers but not invoiced or delivered to those customers.
B. The increase in Contract liabilities is mainly due to the increase in the advance payments made by the customers during the year.

The Group applies the EAS 47 simplified approach to measuring expected credit losses which uses a lifetime expected loss allowance for contract assets. To measure the expected credit losses, contract assets have been grouped based on shared credit risk characteristics and the days outstanding as unbilled. The contract assets relate to unbilled work in progress and have substantially similar risk characteristics as the trade receivables for the same types of contracts. However, the longer the contract asset is outstanding the higher is the increased risk that it will not be collected.

The expected loss rates are based on the past data collected over a period of 60 months (31 December 2021: 48 months) prior to the end of the reporting period and the corresponding historical losses experienced within this period. The historical loss rates are adjusted to reflect current and forward-looking information on macroeconomic factors affecting the ability of the customers to settle the receivables. The Group has identified the gross domestic product of the Egypt to be the most relevant indicators, and accordingly adjusts the historical loss rates based on expected changes in these variables.

All the outstanding contract assets are less than 90 days. The identified impairment loss on these contract assets was immaterial.

(In the notes all amounts are shown in Egyptian Pounds unless otherwise stated)

6. Cost of sales

	2022	2021
Raw materials and consumables used in production	857,716,697	441,022,275
Utilities Cost	384,898,092	314,975,948
Salaries and fringe benefits	195,588,543	153,221,859
Exports expenses	223,968,834	165,672,677
Depreciation and amortization	168,726,717	129,629,199
Maintenance expenses	71,971,474	61,431,426
Short-term lease	11,739,384	12,684,893
Insurance	14,017,229	11,111,813
Other expenses	17,152,710	10,708,133
Professional and consultancy fees	1,753,311	1,692,122
Change in inventory	(74,490,581)	(9,939,474)
	1,873,042,410	**1,292,210,871**

7. Selling and marketing expenses

	2022	2021
Salaries and fringe benefits	33,141,125	26,483,666
Short-term lease	21,749,588	18,749,300
Marketing and advertising expense	5,116,393	11,517,848
Other expenses	5,456,432	7,147,166
Insurance	5,683,253	4,947,381
Utilities Cost	3,012,225	3,072,802
Depreciation and amortization	2,687,275	2,365,907
Maintenance expenses	3,362,171	2,079,779
Professional and consultancy fees	323,050	155,091
	80,531,512	**76,518,940**

8. General and administrative expenses

	2022	2021
Salaries and fringe benefits	83,852,149	65,236,411
Other expenses	4,947,807	6,666,671
Depreciation and amortization	5,647,147	5,579,622
Maintenance expenses	6,676,424	4,501,924
Professional and consultancy fees	9,758,983	4,360,618
Short-term lease	5,629,046	5,585,460
Utilities Cost	7,879,815	6,926,539
Marketing and advertising expense	4,567,783	1,968,937
Office tools	1,544,342	1,474,414
Insurance	445,224	333,799
Vehicle and transportation	1,169,206	949,798
	132,117,926	**103,584,193**

(In the notes all amounts are shown in Egyptian Pounds unless otherwise stated)

9. Other operating expense

	2022	2021
Non recurring production losses	16,404,141	12,173,014
Consultation fees	2,971,563	8,710,483
Social health contribution	10,017,953	7,027,776
Other provision (Note 3(d))	14,286,400	12,003,000
Loss on sale of Property, plant and equipment	3,287,021	9,735,034
Expected credit loss allowance / (Note2(a))	269,268	-
Other expense	4,220,582	7,472,925
	51,456,928	**57,122,232**

10. Other operating income

	2022	2021
Export incentives	131,142,102	62,192,366
Foreign currency translation gain-net	234,991,023	-
Insurance recovery*	48,696,757	-
Gain from sale of investment **	-	17,054,602
Scrap sales	21,498,672	12,158,689
Expected credit loss allowance (Note 2A)	-	749,556
Other income	71,877	6,840,044
	436,400,431	**98,995,257**

* The amount includes EGP 48 million representing cost incurred from an incident which occurred during 2019 and resulted in losses in one production line. A claim for loss was submitted to the insurance provider in order to recover the losses incurred under the terms of the Group insurance policies. The incident was managed properly to allow continuity of operation and delivery of products to customers in the normal course. There was no significant effect on operations.

** On 14 July 2021, MEG exercised its put option right to sell its remaining stake of 15.6% of in MedcoPlast shares, pursuant to the terms of the shareholders agreement dated 17 September 2018, and the amount stated above represents the gain, which was accounted for as a gain on sale of financial assets through profit or loss.

11. Finance costs

	2022	2021
Interest expense	177,751,673	136,453,266
Discount on Export Incentives receivables*	7,652,030	9,966,172
Net translation and exchange losses on foreign currency borrowings	804,853,856	1,086,442
	990,257,559	**147,505,880**

* This amount represents the loss resulted from settling long term export incentive receivables under the early settlement initiative announced by the Minister of Finance. Under this initiative, the group received a lump-sum payment net of average discount 12% of the original amount due under the scheme.

12. Finance income

	2022	2021
Interest income from financial assets held for cash management purposes at amortised cost (Egyptian treasury bills)	36,901,833	16,040,413
	36,901,833	**16,040,413**

(In the notes all amounts are shown in Egyptian Pounds unless otherwise stated)

13. Income tax

	2022	2021
Deferred income tax (Note 3(f))	146,012,473	21,883,367
Current income tax (Note 3(e))	(180,250,752)	(75,484,741)
	(34,238,279)	**(53,601,374)**

	2022	2021
Net profit before tax	**110,172,444**	**228,159,732**
Income tax according to the local tax rate of 22.5%	**24,788,800**	**51,335,940**
Adjustments		
Tax effect of non-deductible expenses	24,311,018	7,509,510
Previously unrecognised tax losses used to reduce current tax expense	(14,861,539)	(5,244,076)
Actual income tax according to profit or loss statement	**34,238,279**	**53,601,374**
Effective tax rate	**31%**	**23%**

14. Earnings per share

A. Basic earnings per share

	2022	2021
Net profit for the year	75,934,165	174,558,358
Less: profit share paid to employees	(38,497,804)	(22,697,551)
Net profit available to the shareholders	**37,436,361**	**151,860,807**
Weighted average number of issued and paid shares	51,805,972	50,322,580
Basic earnings per share	**0.72**	**3.02**

B. Diluted earnings per share

	2022	2021
Net profit available to the shareholders	37,436,361	151,860,807
Weighted average number of issued and paid shares	51,805,972	65,291,580
Diluted earnings per share	**0.72**	**2.33**

* Weighted average number of shares used as the denominator

	2022	2021
Weighted average number of ordinary shares used as the denominator in calculating basic earnings per share:	51,805,972	**50,322,580**
Potential ordinary shares	-	14,969,000
Weighted average number of ordinary shares and potential ordinary shares used as the denominator in calculating diluted earnings per share:	**51,805,972**	**65,291,580**

(In the notes all amounts are shown in Egyptian Pounds unless otherwise stated)

15. Earnings before interest, taxes, depreciation and amortization ("EBITDA")

Adjusted EBITDA is not a defined performance measure under EAS. The Group's definition of adjusted EBITDA may not be comparable with similarly titled performance measures and disclosures by other entities.

The information disclosed in the table below represents the earnings before interest, taxes, depreciation & amortization according to the internal reports prepared by the group's management, and for the year ended 31 December 2022 and 31 December 2021 was as follows:

	2022	2021
Net profit after tax	75,934,165	174,558,358
Net Interest expense/ Income	148,501,871	130,379,025
Tax expense	34,238,279	53,601,374
Depreciation & amortization	177,061,139	137,586,549
Exceptional items, net	2,760,172	39,318,076
Non-cash income	510,544	3,292,524
Non-cash expenses	(3,287,021)	(9,735,034)
Net unrealised losses from foreign currency rate differences	569,862,832	1,086,442
Other deductions	(6,725,034)	(3,574,745)
Adjusted EBITDA	**998,856,947**	**526,512,569**

16. Retirement benefits obligations

Defined benefit obligation

The Group operates a defined benefit plan operates for the employees of the Group. The employees of the Group are entitled upon their retirement, partial disability or to an end of service a gratuity based on a defined benefit plan. The entitlement is based on the length of service and final remuneration package of the employee upon retirement. The plan is not subject to any regulatory restriction and is an unfunded plan. The defined benefit obligation is calculated using the projected unit method takes into consideration the principal actuarial assumptions as follows:

	2022	2021
Discount rate	15.5%	14.6%
Average salary increase rate	9%	7%
Life table	49-52	49-52

The amounts recognized at the statement of financial position date are determined as follows:

	2022	2021
Present value of obligation	13,488,076	9,449,918
Liabilities as per the statement of financial position	**13,488,076**	**9,449,918**

Movement in the liability recognized in the statement of financial position:

	2022	2021
Balance at beginning of the year	**9,449,918**	**9,853,923**
Interest expense	1,085,218	1,764,616
Current service cost	5,546,694	1,940,433
Gain/loss on settlement of retirement benefit obligation	93,122	(130,304)
Total amount recognised in profit or loss	**6,725,034**	**3,574,745**
Benefit payments during the year	(2,686,876)	(3,978,750)
Balance at end of the year	**13,488,076**	**9,449,918**

(In the notes all amounts are shown in Egyptian Pounds unless otherwise stated)

16. Retirement benefits obligations (continued)

Sensitivity in Defined Benefit Obligation: -

The sensitivity of the defined benefit obligation to changes in the weighted principal assumptions is:

	Change in assumption	Increase / Decrease in obligation %			
Discount rate	+/- 1%	Decrease by	7%	Increase by	7%
Salary increase	+/- 1%	Increase by	7%	Decrease by	5%
Mortality age	+/- 1%	Decrease by	9%	Increase by	10%

The above sensitivity analysis is based on a change in the assumption while holding all other assumptions constant. In practice, this is unlikely to occur, and changes in some of the assumptions may be correlated. When calculating the sensitivity of the defined benefit obligation to significant actuarial assumptions the same method (present value of the defined benefit obligation calculated with the projected unit credit method at the end of the reporting period) has been applied as when calculating the defined benefit liability recognised in the balance sheet. The methods and types of assumptions used in preparing the sensitivity analysis did not change compared to the prior period.

17. Related parties

The Group entered into several transactions with companies and entities that are included within the definition of related parties, as stated in EAS 15, "Disclosure of related parties". The related parties comprise the Group's board of directors, their entities, companies under common control, and/ or joint management and control, and their partners and employees of senior management. Below is the statement that shows the nature and values of transaction with related parties during the year, and the balances due at the date of the consolidated financial statements.

The management decides the terms and conditions of the transactions and services provided by / to the related parties and any other expenses.

The following are the transactions with related parties:

	2022	2021
a. Sales of goods		
Entities under common control:		
Coca-Cola Bottling Company of Egypt – (CCBCE)	364,558,319	249,511,707
	364,558,319	**249,511,707**

	2022	2021
b. Purchases of goods		
Entities under common control:		
Coca-Cola Bottling Company of -Egypt – (CCBCE)	981,533	2,421,441
	981,533	**2,421,441**

According to the above transactions, the following balances are outstanding:

	2022	2021
Due from related parties		
Entities under common control:		
Coca-Cola Bottling Company of Egypt	33,771,205	22,748,930
Sheba Investments Holding Limited	2,143,080	90,280,217
Sana'a Beverages and Industrial Group Limited (SBI)	170,865	108,557
	36,085,150	**113,137,704**

(In the notes all amounts are shown in Egyptian Pounds unless otherwise stated)

17. Related parties (continued)

	2022	2021
Due to related parties		
Shareholder:		
Gulf Capital	130,300	304,775
	130,300	**304,775**

Sheba Investments Holding Limited (Sheba)
Sheba is a related party because both the Group and Sheba are ultimately controlled by the same party. The transaction during the year represents payment on behalf of Sheba Investment. All transactions between both companies are at arm's length based on normal trading rules, conditions and market prices. The balances are unsecured and repayable on demand.

The Coca-Cola Bottling Company of Egypt – (CCBCE)
At the financial statement date CCBCE was a related party to Middle East Glass Group as both were under the control of the same party, and the Chairman of the Board of Directors was also common to both parties. On 12 January 2022, 94.66% of the shares of CCBCE were sold to Coca-Cola HBC AG and the Group's Chairman continued as non-executive Chairman of CCBCE until his resignation from that position on 5th February 2023. All transactions between both companies are based on written agreements and the pricing for the sale of goods at arm's length based on normal trading rules, conditions and market prices. The balances are unsecured and the payment terms is between 30 – 60 days.

Sanaa Beverages and Industrial Group Limited – (SBI)
Sanaa Beverages and Industrial Group Limited is a related party since it has common ownership with the Group. All transactions are based on previous agreements and the pricing for the sale of goods and services is arm's length based on normal trading rules, conditions and market prices. The balances are unsecured and repayable on demand

Gulf Capital
Gulf Capital is a related party as it is a shareholder in Middle East Glass Manufacturing Group (S.A.E.) with 36.90% stake. Transactions during the year represent payments on behalf of the Group. All transactions between both companies are on arm's length based on normal trading rules, conditions and market prices. The balances are unsecured and repayable on demand.

18. Segment reporting

All of the Group's subsidiaries have similar nature of products, similar production processes, types of customers and operates in the same regulatory environment. The Board of Directors assesses all the entities as a single reportable segment. Therefore, all the subsidiaries have been aggregated and organized into one segment which is wholly related to the manufacturing and sale of glass containers and no further disclosure are required.

19. Commitments

Capital commitments

a) Capital commitments
The Group has capital commitments as of 31 December 2022 of EGP nil M (2021: EGP nil M) in respect of the capital expenditure.

b) Operating lease commitments
The group leases warehouses under cancellable operating leases expiring where the group has a termination option to cancel the lease with short notice. The leases have varying terms, escalation clauses.

Commitments for minimum lease payments in relation to cancellable operating leases are payable as follows:

	2022	2021
Within one year	1,373,519	713,128

20. Critical accounting estimates and judgments

(1) Critical accounting estimates and assumptions

The preparation of these financial statements requires management to make judgements, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets and liabilities, income and expense. Actual results may differ from these estimates. The significant judgements made in applying the Group's accounting policies were applied consistently across the annual periods. The significant judgements and key sources of estimation uncertainty that have a significant effect on the amounts recognised in these financial statements are outlined below.

a. Property, plant and equipment – useful life

Property, plant and equipment are a substantial portion of the total assets of the Group, depreciation expense that is related to this property, plant and equipment is a substantial portion of annual operating expenses.

The useful life of property, plant and equipment which were based on management estimation and assumptions has a significant impact on assets value. Each item of the property, plant and equipment has a useful life estimation based on the past experience of corresponding assets, expected period in which economic benefits will flow to the Group during the operation of the asset.

The useful life of property, plant and equipment estimates, and assumptions are reviewed periodically to assess if there is any adjustments or changes related to useful life or residual values if there is any adjustments will be implemented on future years.

At year-end, if the useful life increased / decreased by 1 year against the current useful life with all other variables held constant, profit for the year would have been EGP 93 million (2021: 188 million) higher or EGP 58 million (2021: 161 million) lower. Further the net book value of the property, plant and equipment would have been EGP 1,765 million (2021: 1,515) higher or EGP 1,730 million (2021: 1,488 million) lower.

b. Recoverable amount of goodwill

These calculations require the use of estimates as disclosed in note 3(b) with the these calculations require the use of certain estimates and assumptions. For more details on the estimates used and the sensitivity on these estimates, refer to Note 3(b)

(2) Critical judgment in applying the accounting policies

Determining the lease term

Termination options are included in a number of property leases across the group. These terms are used to maximize operational flexibility in terms of managing contracts. The majority of termination options held are exercisable only by the group and not by the respective lessor.

In determining the lease term, management considers all facts and circumstances that create an economic incentive to exercise a termination option. Years after termination options are only included in the lease term if the lessee is reasonably certain not to be terminated

Payments associated with short-term leases of warehouses and all leases of low-value assets are recognized on a straight-line basis as an expense in profit or loss.

21. Financial risk management

(1) Financial risk factors

The Group's activities expose it to a variety of financial risks including the effects of changes in market risk (including foreign exchange risk, price risk and cash flow interest rate risk), credit risk and liquidity risk. The Group's overall risk management programme focuses on the unpredictability of financial markets and seeks to minimise potential adverse effects on the Group's financial performance. Risk management is carried out by the central treasury department (group treasury) under policies approved by the Board of Directors.

This note presents information about the Group's exposure to each of the above risks, the Group's objectives, policies and processes for measuring and managing risk, and the Group's management of capital. Furthermore, quantitative disclosures are included throughout these consolidated financial statements.

The Group's risk management policies are established to identify and analyse the risks faced by the Group, to set appropriate risk limits and controls, and to monitor risks and adherence to limits. Risk management policies and systems are reviewed regularly to reflect changes in market conditions and the Group's activities. The Group, through its training and management standards and procedures, aims to develop a disciplined and constructive control environment in which all employees understand their roles and obligations.

Risk	Exposure arising from	Measurement	Management
Market risk – foreign exchange	Future commercial transactions Recognized financial assets and liabilities not denominated in Egyptian pounds	Cash flow forecasting. Sensitivity analysis	The group maintain short term foreign currency cash that is used to finance foreign currency liquidity needs
Market risk – interest rate	Long-term borrowing at variable rates	Sensitivity analysis	Investment in short term treasury bills
Market risk – security prices	No investment in a quoted equity securities.	Not applicable	Not applicable
Credit risk	Cash and cash equivalents, trade receivables and held-to-collect investments	Aging analysis. Credit ratings	Diversification of bank deposits, credit limits and governmental treasury bills
Liquidity risk	Loans and other liabilities	Rolling cash flow forecasts	Availability of committed credit lines

(a) Market risk

i. Foreign currency exchange rates risk

Foreign exchange rates risks are the risks of fluctuations in the fair value of future cash flows of a financial instrument due to changes in foreign currency exchange rates. Foreign exchange risk arises from future commercial transactions or recognized assets and liabilities that are denominated in a currency that is not the entity’s functional currency.

The Group aims to reduce the arising foreign currency exchange rate risk by maintaining sufficient foreign currency balances that is used to meet the foreign currency liquidity needs. Further, the Group manages its imports by dealing with local banks that use official rates and the rest from its exports in US Dollars.

During the year, the following foreign-exchange related amounts were recognised in profit or loss and other comprehensive income:

	2022	2021
Amounts recognised in profit or loss		
Net foreign exchange gain	569,862,832.	1,086,442
	569,862,832	**1,086,442**

21. Financial risk management (continued)

The following table shows the currencies position denominated in Egyptian Pounds at the date of the statement of financial position:

	2022		
	Assets	**Liabilities**	**Net**
US Dollars	874,614,399	(2,390,143,315)	**(1,515,528,916)**
Euros	3,219,513	(56,552,648)	**(53,333,135)**
GBP	13,905	(619,280)	**(605,375)**
AED	7,232,318	-	**7,232,318**

	2021		
	Assets	**Liabilities**	**Net**
US Dollars	646,296,346	(1,719,872,696)	**(1,073,576,350)**
Euros	40,661,862	(99,139,600)	**(58,477,738)**
GBP	17,225	(1,987,049)	**(1,969,824)**
AED	-	-	**-**

The Group continuously monitors its exposure to the foreign exchange rate risks by performing sensitivity analysis on the fluctuation of exchange rates for these foreign currency balances. The following analysis shows the calculation of the effect of reasonable and possible changes in foreign currencies against the functional currency of the Group while keeping all other variables constant, on the consolidated statement of profit or loss:

	2022	**2021**
US Dollars 10%	(151,552,892)	(107,357,635)
Euros 10%	(5,333,314)	(5,847,774)
GBP 10%	(60,537)	(196,982)
AED 10%	723,232	-

ii. Price risk

Price risk is the risk that the value of a financial instrument will fluctuate as a result of changes in market prices, whether those changes are caused by factors specific to the individual instrument or its issuer or factors affecting all the instruments traded in the market. The Group has no investments in quoted equity securities, so it is not exposed to the price risk due to changes in the prices.

iii. Cash flow and fair value exchange interest rate risk

Interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates.

The Group is exposed to interest rate risk on its variable interest-bearing assets and liabilities (Short term credit facilities, and term loans). The risk is managed by the Group by maintaining an appropriate mix between borrowings and bank facilities with floating rates.

Borrowings issued at variable rates expose the Group to cash flow interest rate risk which is partially offset by short term treasury bills which are renewed with the applicable interest rate at the time of renewal.

The following table demonstrates the sensitivity of the consolidated statement of profit or loss to reasonably possible changes in interest rates, with all other variables held constant.

(In the notes all amounts are shown in Egyptian Pounds unless otherwise stated)

21. Financial risk management (continued)

The sensitivity of the consolidated statement of comprehensive income is the effect of the assumed changes in interest rates on the Group's profit for a year, based on financial liabilities held at 31 December 2022.

	Increase / Decrease %	Effect on profit for the year EGP
31 December 2022		
EGP	10%	26,485,817
31 December 2021		
EGP	10%	12,716,224

(b) Credit risk

Credit risk is the risk of financial loss if a customer or counterparty to a financial instrument fails to meet its contractual obligations. Credit risk arises from cash and cash equivalents, deposits with banks and financial institutions, trade and notes receivables, due from related parties, contract assts and debtors and other receivables. The Group's credit risk is managed as a whole, except for the credit risk related to the customers' account balances, as each of the Group's companies manages and analyses the credit risk of their own customers.

For the new customers, their credit risk is analysed before standard payment and delivery terms and conditions are agreed.

The group is exposed to credit risk on the following financial instruments:

Category	Class	Amount	Impairment model
Financial assets at amortised cost	Treasury bills	132,625,897	General
	Trade and notes receivables	468,338,671	Simplified
	Cash and cash equivalent	598,950,218	General
	Due from related parties	36,085,150	Simplified
	Contract assets	182,939,835	Simplified
	Debtors and other receivables	150,379,569	General

The maximum exposure to credit risk at reporting date is the carrying amount of each receivable.

The board receives regular reporting from the credit department who manage the performance of the trade receivables, contact assets.

The credit department has set out policies and procedures for managing credit risk on trade receivables, contract assets and:-

- The Group structures the levels of credit risk it undertakes by placing limits on the amount of credit risk accepted in relation to a customer. Limits on the level of credit risk are approved regularly by management. Such limits are monitored on a revolving basis and are subject to an annual, or more frequent, review.
- The Group has enforceable contractual agreements signed with its major customers include the product specifications such as the color, size, and shape, quantities, unit price and payment terms.
- On granting of credit, an assessment is performed of the credit worthiness of the debtor and the ability to pay.
- Where appropriate, guarantees and collateral is held against such receivables.
- After granting the credit, the credit department, on a monthly basis, reviews the aging analysis and follows up on all outstanding payments.

Credit limits are set for each customer based on internal and external credit limits in accordance with limits set by the board. The credit limits are regularly reviewed for each individual customer.

(In the notes all amounts are shown in Egyptian Pounds unless otherwise stated)

21. Financial risk management (continued)

For banks and financial institutions, the Group is dealing with the banks with good reputation and subject to rules of the Central Bank of Egypt. For Treasury bills, the Group deals with government which are considered with a high credit rating (Egypt B+). The identified risk of default on these balances in considered to be low by the management.

While debtors and other receivables and due from related parties are subject to impairment requirement of EAS 47, the identified impairment loss was immaterial.

The group does not hold any collateral against financial assets

Management believes that customers' impairment provisions are adequate. Note 2(a) related to the financial assets provides more information on the credit risk.

Transactions with major customers:
As at 31 December 2022, the Group faced a concentration of credit risk with three customers (2021: three customers) accounting for 38 % (2021: 25.06%) of the trade receivables at that date.

The Group does not faces any significant concentration risks in relation to the other classes of financial assets.

Trade receivables and contract assets are written off when there is no reasonable expectation of recovery. Indicators that there is no reasonable expectation of recovery included, amongst others, the failure of a debtor to engage in a repayment plan with the group, and a failure to make contractual payment for a period of greater than 360 days past due.

(c) Liquidity risk

Liquidity risk is the risk that the Group will not be able to meet its financial obligations as they fall due, due to shortage of funding. Group's exposure to liquidity risk results primarily from the mismatching in the maturities of the assets and liabilities.

Management makes cash flow projections on periodic basis, and takes the necessary actions to negotiate with suppliers, follow-up the collections from customers and manage inventory balances in order to ensure sufficient cash is maintained to discharge the Group's liabilities. The Group's management monitors liquidity requirements to ensure it has sufficient cash and cash equivalents to meet operational needs while maintaining sufficient cash cover to meet the cash outflows to settle the obligations of loans and borrowings to be able to maintain financial terms, guarantees and covenants at all times.

The Group limits liquidity risk by maintaining sufficient bank facilities and reserves, by monitoring cash forecast and actual cash flows and matching the maturity profiles of financial assets and liabilities. Balances due to suppliers are normally settled with an average of 120 days from the date of purchase.

The table below summarises the maturities of the Group's undiscounted financial liabilities at 31 December 2022 and 31 December 2021, based on contractual payment dates and current market interest rates.

	Less than 6 month	Between 6 month & 1 year	Between 1 & 2 years	Between 2 & 5 years
31 December 2022				
Trade and notes payable	521,424,327	-	-	-
Creditors and other payables *	286,821,311	-	-	-
Short term credit facilities	338,709,532	-	-	-
Loans and borrowings	206,195,728	206,166,667	412,333,334	1,237,094,710
Future Interest	148,083,707	92,334,187	199,213,834	150,216,159
Due to Related Parties	130,300	-	-	-
Total	**1,501,364,905**	**298,500,854**	**611,547,168**	**1,387,310,869**
31 December 2021				
Accounts and notes payable	362,014,354	-	-	-
Creditors and other payables *	208,986,855	-	-	--
Short term credit facilities	328,422,338	-	-	-
Loans and borrowings	131,000,000	130,999,998	262,000,000	1,048,000,045
Future Interest	67,036,218	39,270,302	90,026,975	97,738,823
Due to Related Parties	304,775			
Total	**1,097,764,540**	**170,270,300**	**352,026,975**	**1,145,738,868**

(In the notes all amounts are shown in Egyptian Pounds unless otherwise stated)

21. Financial risk management (continued)

The unused credit facility at 31 December 2022 amounts to LE 299,871,307 (2021: LE 222,559,280).

* Creditors and other payables presented above excludes contract liabilities, social insurance authority and tax liabilities.

The amounts disclosed in the table are the contractual undiscounted cash flows. Balances due within 12 months equal their carrying balances as the impact of discounting is not significant

(2) Capital risk management

The Group's objectives when managing capital is to safeguard the Group's ability to continue as a going concern in order to provide returns for shareholders and benefits for other stakeholders using the financial statements. The Group also aims to maintain an optimal capital structure to reduce the cost of capital.

In order to maintain or adjust the capital structure, the Group may adjust the amount of dividend paid to shareholders, return capital to shareholders, issue new shares or sell assets to reduce the Group's debts.

The Group monitors capital structure based on its gearing ratio. Gearing ratio is calculated as the ratio of net debt divided by total capital. Net debt comprises total borrowings and Short term credit facilities less Cash and cash equivalents less short term investments and total capital comprises the equity plus net debt.

The gearing ratios at 31 December 2022and 31 December 2021 Were as follows:

	2022	2021
Loans and borrowings	2,061,790,439	1,572,000,043
Short term credit facilities	338,709,532	328,422,338
Less: Cash and cash equivalents	(598,950,218)	(533,847,209)
Less: Financial assets at amortised cost	(132,625,897)	(142,433,887)
Net debt	**1,668,923,856**	**1,224,141,285**
Total equity	879,503,152	783,241,219
Total capital	**2,548,427,008**	**2,007,382,504**
Gearing ratio	**65%**	**61%**

The main reason for the increase in the gearing ratio in 31 December 2022 comparing to 31 December 2021 is due to the effect of the foreign currency resulted from the devaluation of the Egyptian pound.

Debt covenants

The group is required to comply with the following financial covenants under the terms of the medium-term loans' facilities:

- Current ratio should not fall below 1:1.
- Debt service ratio should not fall below 1.2 throughout the life of the loan except for the financial year ended 2023 which should not fall below 1.1.
- Total net debt to EBITDA ratio should not exceed 3.1 for the financial year ended 2022 and 3.0 for the next years.

The group was in compliance with all financial covenants at 31 December 2022 and 31 December 2021.

Fair value estimation

As at 31 December 2022 and 2021, the fair values of the Group's financial instruments are estimated to approximate their carrying values since the financial instruments are short term in nature, and are expected to be realized at their current carrying values within twelve months from the date of the consolidated statement of financial position

22. Summary of significant accounting policies

The principal accounting policies adopted in the preparation of these consolidated financial statements summarised below. They were applied consistently over the presented financial periods:

a) Basis of preparation

i. Compliance with EAS

These consolidated financial statements have been prepared in accordance with Egyptian Accounting Standards (EAS 1"Presentation of Financial statements") and the relevant laws and are prepared on the basis of the historical cost convention, unless otherwise stated in the relevant accounting polices.

ii. Classification of assets and liabilities

The Group presents its assets and liabilities in the statement of financial position based on current / non-current classification. An asset is classified as current when it is:

* Expected to be realised or intended to be sold or used in normal operating course;
* Held primarily for trading.
* Expected to be realised within 12 months after the end of the reporting period, or
* Cash or cash equivalents unless restricted from being exchanged or used to settle a liability for at least twelve months after the reporting period.

All other assets are classified as non-current.

The liability is classified as current when:

* It is expected to be settled in normal operating course;
* Held primarily for trading.
* Expected to be realised within 12 months after the end of the reporting period, or
* The entity does not have an unconditional right to defer the settlement of the liability for at least twelve months after the end of the reporting period.

The Group classifies all other liabilities as non-current. Deferred tax assets and liabilities are classified as non-current.

The preparation of the consolidated financial statements in conformity with EASs requires the use of certain critical accounting estimates and assumptions. It also requires management to exercise its judgement in the process of applying the Group's accounting policies. Note (20) describes the significant accounting estimations and assumptions of these consolidated financial statements, as well as significant judgments used by the Group's management when applying the Group's accounting policies.

EAS requires the reference to the International Financial Reporting Standards (IFRS) when there is no EAS, or legal requirements that explain the treatment of specific balances and transactions.

b) Principles of consolidation and equity accounting

(2) Subsidiaries

Subsidiaries are entities (including structured entities) over which the group has control. The group controls an entity when it is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity. Subsidiaries are fully consolidated from the date on which control is transferred to the group. They are deconsolidated from the date that control ceases.

Inter-Group transactions, balances and unrealised gains on transactions between group companies are eliminated. Unrealised losses are also eliminated unless the transaction provides evidence of an impairment of the transferred asset. Accounting policies of subsidiaries have been changed where necessary to ensure consistency with the policies adopted by the group.

i. <u>Acquisition method</u>

The acquisition method of accounting is used to account for all business combinations, regardless of whether equity instruments or other assets are acquired. The consideration transferred for the acquisition of a subsidiary comprises the:

- fair values of the assets transferred
- liabilities incurred to the former owners of the acquired business
- equity interests issued by the group
- fair value of any asset or liability resulting from a contingent consideration arrangement, and
- fair value of any pre-existing equity interest in the subsidiary.

b) Principles of consolidation and equity accounting (continued)

Identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are, with limited exceptions, measured initially at their fair values at the acquisition date. The Group recognises any non-controlling interest in the acquired entity on an acquisition-by-acquisition basis either at fair value or at the non-controlling interest's proportionate share of the acquired entity's net identifiable assets.

Acquisition-related costs are expensed as incurred.

Where settlement of any part of cash consideration is deferred, the amounts payable in the future are discounted to their present value as at the date of exchange. The discount rate used is the entity's incremental borrowing rate, being the rate at which a similar borrowing could be obtained from an independent financier under comparable terms and conditions.

Contingent consideration is classified either as equity or a financial liability. Amounts classified as a financial liability are subsequently remeasured to fair value, with changes in fair value recognised in profit or loss.

If the business combination is achieved in stages, the acquisition date carrying value of the acquirer's previously held equity interest in the acquiree is re-measured to fair value at the acquisition date. Any gains or losses arising from such re-measurement are recognised within statement of profit or loss.

ii. <u>Changes in ownership interests held within controlling interests</u>

When the ratio of equity held within controlling interest's changes, the Group changes the amounts recorded for controlling and non-controlling shares to reflect such changes in the relevant shares in the subsidiary.

Group recognises directly within the equity of the parent Group any difference between the amount of changing the non-controlling shares and the fair value of the consideration paid or received.

iii. <u>Disposal of subsidiaries</u>

When the Group ceases to have control, the Group recognises any retained investment in the Group that was a subsidiary at its fair value at the date when control is lost, with the resulting change recognised as profit or loss attributable to the owners of the parent Group.

iv. <u>Goodwill</u>

Goodwill arises on the acquisition of subsidiaries and represents the excess of the consideration transferred, the amount of any non-controlling interest in the acquiree and the acquisition-date fair value of any previous equity interest in the acquiree over the fair value of the identifiable net assets acquired, and contingent liabilities at the date of acquisition. If the consideration transferred, non-controlling interest in the acquiree and the date of acquisition fair value of the Group's equity previously held at the acquiree is less than the net amount of the identifiable acquired assets and liabilities assumed at the date of acquisition, the Group recognises the gain resulting from profit and loss at the date of acquisition and the gains are attributed to the Group.

The Group undertakes impairment reviews of goodwill acquired in a business combination annually or when evidence indicate impairment of the CGU by comparing its carrying amount including goodwill with its recoverable amount, which is the higher of fair value less costs sale and value in use. The Group recognises any impairment loss immediately in profit or loss and is not subsequently reversed.

For the purposes of impairment testing, goodwill acquired in a business combination is allocated to each of the Group's CGUs, or groups of CGUs, that is expected to benefit from the synergies of the combination. Each unit or group of units to which the goodwill is allocated represents the lowest level within the entity at which the goodwill is monitored for internal management purposes.

v. <u>Measurement period</u>

The measurement period is the period required for the Group to obtain the information needed for initial measurement of the items resulting from the acquisition of the subsidiary and does not exceed one year from the date of acquisition. In case the Group obtains new information during the measurement period relative to the acquisition, amendment is made retrospectively for the amounts recognised at the date of acquisition.

c) Foreign currency transactions

1 Functional and presentation currency

Items included in the financial statements of the group's entities are measured using the currency of the primary economic environment in which the entity operates (the functional currency). The consolidated financial statements are presented in Egyptian Pounds, which is the functional and presentation currency of the Group.

2 Transactions and balances

Foreign currency transactions are translated into the functional currency using the exchange rates at the dates of the transactions. Foreign exchange gains and losses resulting from the settlement of such transactions, and from the translation of monetary assets and liabilities denominated in foreign currencies at year end exchange rates, are generally recognised in profit or loss.

Foreign exchange gains and losses that relate to borrowings are presented in the statement of profit or loss, within finance costs. All other foreign exchange gains and losses are presented in the statement of profit or loss on a net basis within other gains/(losses).

Non-monetary items that are measured at fair value in a foreign currency are translated using the exchange rates at the date when the fair value was determined. Translation differences on assets and liabilities carried at fair value are reported as part of the fair value gain or loss. For example, translation differences on non-monetary assets and liabilities such as equities held at fair value through profit or loss are recognised in profit or loss as part of the fair value gain or loss, and translation differences on non-monetary assets such as equities classified as at fair value through other comprehensive income are recognised in other comprehensive income.

d) Property, plant and equipment

The Group applies the cost model at measurement of Property, plant and equipment. All Property, plant and equipment are stated at historical cost less depreciation and impairment ,if any. Historical cost includes expenditure that is directly attributable to the acquisition of the items, when it's available to use.

Subsequent costs are included in the asset's carrying amount or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Group and the cost of the item can be measured reliably. The carrying amount of any component accounted for as a separate asset is derecognised when replaced. All other repairs and maintenance are charged to profit or loss during the reporting period in which they are incurred.

The straight-line method is used to distribute the depreciation of Property, plant and equipment on a regular basis over the estimated useful life, except for lands where the estimated useful life is unlimited and Moulds which are depreciated using the Units of production method.

The following are the estimated useful lives for each type of a group of asset groups:

Buildings	16 – 50 years
Machinery and equipment	5 - 10years
Moulds	Units of production method
Vehicles & transportation	5 years
Furniture and office equipment	4-10 years
Computers & computer systems	3 - 5 years

The Group reviews the residual value of Property, plant and equipment and estimated useful lives of Property, plant and equipment at the end of each financial year, and adjusted when expectations differ from previous estimates.

The carrying amount of the Property, plant and equipment is reduced to the recoverable amount, if the recoverable amount of an asset is less than its carrying amount. This reduction is considered as a loss resulting from impairment (Note F).

Gains or losses on the disposal of an item of Property, plant and equipment from the books are determined based on the difference between the net proceeds from the disposal of the item and the book value of the item, and the gain or loss resulting from the disposal of Property, plant and equipment is included in the statement of profit and loss.

Projects under construction are stated at cost less realised impairment losses. Cost includes all expenses associated with the acquisition of the asset and make it usable. When the assets are ready for its intended use, it is transferred from project under construction to the appropriate category under property, plant and equipment and depreciated in accordance with group policy.

e) Intangible assets

i. Computer software

Separately acquired software licences are shown at cost less the accumulated amortization and the accumulated impairment losses. The costs represents the acquisation cost in obtaining these software. The Group charges the amortization amount of the software licences consistently over their estimated useful lives of five years using the straight-line method.

The costs of the acquisition of computer software licenses that are not considered an integral part of computers are recognized as intangible assets on the basis of costs related to prepare the asset for use in the purpose for which it was acquired.

ii. Technical assistance services

Amounts paid with respect to technical assistance services are recognised as intangible assets and amortized using the straight-line method over the estimated useful life and it's amortised over 10 years.

The know how provided by Techpack Solutions Group Limited (South Korea) under a Technical Services Agreement concluded with the Group mainly comprises fees for technical assistance for the methods, techniques and processes to be applied by the Group in the normal course of business.

License costs are stated at cost less accumulated amortization.

iii. **Customers relationship**

Separately acquired is customer relationship shown at historical cost. customer relationship acquired in a business combination are recognised at fair value at the acquisition date. They have a finite useful life and are subsequently carried at cost less accumulated amortisation and impairment losses.

The assets' residual values and useful lives are reviewed, and adjusted if appropriate, at the end of each annual reporting period. An asset's carrying amount is written down immediately to its recoverable amount if the asset's carrying amount is greater than its estimated recoverable amount (refer to Note F)

iv. **Goodwill**

Goodwill is measured as described in (note 3-B-ii). Goodwill on acquisitions of subsidiaries is included in intangible assets. Goodwill is not amortised, but it is tested for impairment annually, or more frequently if events or changes in circumstances indicate that it might be impaired and is carried at cost less accumulated impairment losses. Gains and losses on the disposal of an entity include the carrying amount of goodwill relating to the entity sold.

Goodwill is allocated to cash-generating units for the purpose of impairment testing. The allocation is made to those cash-generating units or groups of cash-generating units that are expected to benefit from the business combination in which the goodwill arose. The units or groups of units are identified at the lowest level at which goodwill is monitored for internal management purposes.

f) Impairment of non-financial assets

Goodwill and intangible assets that have an indefinite useful life are not subject to amortisation and are tested annually for impairment, or more frequently if events or changes in circumstances indicate that they might be impaired.

Other non-financial assets are tested for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable.

An impairment loss is recognised in consolidated statement of profit or loss for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs of sales and value in use. For the purposes of assessing impairment, assets are grouped at the lowest levels for which there are generating separately cash inflows (cash-generating units).

Non-financial assets other than goodwill that suffered an impairment are reviewed for possible reversal of the impairment at the end of each reporting period by the Group. Impairment losses recognised in prior years are reversed when there is an indication that such losses no longer exist or have decreased. Reversal of loss of impairment should not exceed the carrying amount that would have been determined (net of depreciation). Such reversal is recognised in the statement of profit or loss.

g) Inventory

Inventories are measured at the lower of cost and net realisable value. Cost is determined using weighted average method. The cost comprises direct materials, direct labour and an appropriate proportion of variable and fixed overhead expenditure, the latter being allocated on the basis of normal operating capacity, that are incurred by the

Group in bringing the inventory to their present location and condition but excludes borrowing costs. Net realisable value is the estimated selling price in the ordinary course of business less the estimated costs of completion and any other costs necessary to complete the sale. The amount of any write-down of inventory to net realisable value below it's book value and all losses of inventories shall be recognised as an expense in the period when the write-down or loss occurs.

h) Financial assets under EAS 47

i. Classification

The Group classifies its financial assets in the following measurement categories:

- those to be measured subsequently at fair value (either through OCI, or through profit or loss), and
- Those to be measured at amortized cost.

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

For assets measured at fair value, gains and losses will either be recorded in profit or loss or OCI. For investments in equity instruments that are not held for trading, this will depend on whether the Group has made an irrevocable election at the time of initial recognition to account for the equity investment at fair value through other comprehensive income (FVOCI).

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

Recognition and derecognition

Regular way purchases and sales of financial assets are recognised on trade date, being the date on which the group commits to purchase or sell the asset. Financial assets are derecognised when the rights to receive cash flows from the financial assets have expired or have been transferred and the group has transferred substantially all the risks and rewards of ownership

ii. Measurement

At initial recognition, the Group measures a financial asset at its fair value plus, in the case of a financial asset not at fair value through profit or loss (FVPL), transaction costs that are directly attributable to the acquisition of the financial asset. Transaction costs of financial assets carried at FVPL are expensed in profit or loss statement.

Debt instruments – treasury bills

Subsequent measurement of debt instruments depends on the Group's business model for managing the asset and the cash flow characteristics of the asset. According to the group business model the group subsequently measures debt instruments at amortised cost for Assets that are held for collection of contractual cash flows where those cash flows represent solely payments of principal and interest. Interest income from these financial assets is included in interest income using the effective interest rate method. Any gain or loss arising on derecognition is recognized directly in profit or loss and presented in interest income/(costs), together with foreign exchange gains and losses. Impairment losses are presented as separate line item in the statement of profit or loss.

Debt instruments – trade receivables

Trade receivables are recognised initially at the amount of consideration that is unconditional, unless they contain significant financing components when they are recognised at fair value. They are subsequently measured at amortised cost using the effective interest method, less loss allowance.

Cash and cash equivalents

For the purpose of presentation in the statement of cash flow cash and cash equivalents includes cash in hand, deposits held at call with banks, other short-term highly liquid investments with original maturities of three months or less that are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value, and bank overdraft that are repayable on demand which is characterized by fluctuating bank balance from a positive balance to an overdraft balance, bank overdraft are shown in current liabilities in the consolidated statement of financial position.

h) Financial assets under EAS 47 (continued)

iii. Impairment

The Group assesses on a forward-looking basis the expected credit loss associated with its debt instruments carried at amortized cost and FVOCI. The impairment methodology applied depends on whether there has been a significant increase in credit risk.

The Group applies the EAS 47 simplified approach to measuring expected credit losses which uses a lifetime expected loss allowance for all trade receivables and contract assets. (Refer to Note 2A and 21B for more details)

The Group writes off a financial asset when there is information indicating that the counterparty is in severe financial difficulty and there is no realistic prospect of recovery, and all the efforts for collection of the receivables are exhausted. Financial assets written off may still be subject to enforcement activities under the Group's recovery procedures, taking into account legal advice where appropriate. Any recoveries made are recognised in consolidated statement of profit or loss.

A significant increase in credit risk is presumed if a debtor is more than 90 days past due in making a contractual payment. A default on a financial asset is when the counterparty fails to make contractual payments within 90 days of when they fall due.

i) Offsetting financial asset and liability

Financial assets and liabilities are offset and the net amount reported in the statement of financial position when there is a legally enforceable right to offset the recognised amounts and the Group has an intention to settle on a net basis or realise the asset and settle the liability simultaneously. The legally enforceable right must not be contingent on future events and must be enforceable in the normal course of business and in the event of default of the counterparty and should reflect the Group's normal practices and requirements of financial requirements and other conditions related to the considerations of the risk and timing of the Group's cash flows.

j) Fair value measurement

<u>Fair value of financial instruments</u>

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an ordinary transaction between market participants at the measurement date. The fair value measurement is based on the presumption that the transaction to sell the asset or transfer the liability takes place either:

- In the principal market for the asset or liability, or
- In the absence of a principal market, in the most advantageous market for the asset or liability

The principal or the most advantageous market must be accessible to by the Group. The fair value of an asset or a liability is measured using the assumptions that market participants would use when pricing the asset or liability, assuming that market participants act in their economic best interest.

A fair value measurement of a non-financial asset takes into account a market participant's ability to generate economic benefits by using the asset in its highest and best use or by selling it to another market participant that would use the asset in its highest and best use.

The Group uses valuation techniques that are appropriate in the circumstances and for which sufficient data are available to measure fair value, maximising the use of relevant observable inputs and minimising the use of unobservable inputs.

All assets and liabilities for which fair value is measured or disclosed in the financial statements are categorised within the fair value hierarchy, described as follows, based on the lowest level of inputs that is significant to the fair value measurement as a whole:

Level 1: Inputs of quoted (unadjusted) market prices in active markets for identical assets or liabilities; which the Group can have access to at the date of measurement.

Level 2: Inputs others than quoted prices included within level1 that are observable for the asset or liability, either directly or indirectly.

Level 3: Unobservable inputs of the asset or the liability.

k) Interest expense and income

Interest expenses comprise interest expense on borrowings that are recognised in consolidated statement of profit or loss and other comprehensive income. Borrowing costs that are not directly attributable to the acquisition, construction or production of a qualifying asset are recognised in consolidated statement of profit or loss and other comprehensive income using the effective interest method.

Interest income is recognised on a time-proportionate basis using the effective interest method. When a receivable balance resulting from the recognition of interest is impaired, the carrying amount is reduced to the present value of the future cash flows discounted at the original effective interest rate.

l) Capital

Issued and paid-up capital and share premium

Ordinary shares are classified within equity. Share premiums, if any, are added to legal reserve to the extent of half of the issued capital, and the remaining balance of the premium is transferred to a share premium reserve, after deducting the shares issue expenses (net of any tax benefit) from the amount of share premium.

Where any Group Group repurchases the Group’s equity instruments (treasury shares), the consideration paid or received in exchange for those instruments, including any directly attributable incremental transaction costs (net of income tax) is deducted from the equity attributable to the owners of Middle East Glass as treasury shares until the shares are cancelled or reissued. Where such ordinary shares are subsequently reissued, any consideration received, net of any directly attributable incremental transaction costs and the related income tax effects, is included in equity attributable to the owners of Middle East Glass. classify within the equity capital

m) Financial liabilities

All financial liabilities are recognized at the time when the Group becomes a party to the contractual provisions of the instrument. Financial liabilities are recognized initially at fair value less any directly attributable transaction cost. Subsequent to initial recognition, these are measured at amortised cost using the effective interest rate method.

A financial liability is derecognised when the obligation under the liability is discharged or cancelled or expired. Where an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as a de-recognition of the original liability and the recognition of a new liability, and the difference in respective carrying amounts is recognized in profit or loss.

Trade payables
Trade payables are obligations to pay for goods or services that have been acquired in the ordinary course of business from suppliers. Trades payables are classified as current liabilities if payment is due within one year or less (or in the normal operating cycle of the business, if longer). If not, they are presented as non-current liabilities.

Trade payables are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method.

n) Income tax

The income tax expense represents the sum of the current income and deferred tax.

Current tax
The current income tax is based on the taxable profit for the year. Taxable profit differs from net profit as reported in profit or loss statement because it excludes items of income or expense that are taxable or deductible in other years and it further excludes items that are never taxable or deductible. The current income tax is calculated using tax rates that have been enacted or substantively enacted by the end of the reporting period.

A provision is recognised for those matters for which the tax determination is uncertain, but it is considered probable that there will be a future outflow of funds to the tax authority. The provisions are measured at the best estimate of the amount expected to become payable. The assessment is based on the judgement of tax professionals within the Group supported by previous experience in respect of such activities and in certain cases based on specialist independent tax advice.

n. Income tax (continued)

Deferred tax
Deferred tax is the tax expected to be payable or recoverable on differences between the carrying amounts of assets and liabilities in the financial statements and the corresponding tax bases used in the computation of taxable profit, and is accounted for using the liability method. Deferred tax liabilities are generally recognised for all taxable temporary differences and deferred tax assets are recognised to the extent that it is probable that taxable profits will be available against which deductible temporary differences can be utilised.

Such assets and liabilities are not recognised if the temporary difference arises from the initial recognition (other than in a business combination) of other assets and liabilities in a transaction that affects neither the taxable profit nor the accounting profit. In addition, a deferred tax liability is not recognised if the temporary difference arises from the initial recognition of goodwill.

Deferred tax liabilities are recognised for taxable temporary differences arising on investments in subsidiaries and associates, and interests in joint ventures, except where the Group is able to control the reversal of the temporary difference and it is probable that the temporary differences will not be reversed in the foreseeable future. Deferred tax assets arising from deductible temporary differences associated with such investments and interests are only recognised to the extent that it is probable that there will be sufficient taxable profits against which to utilise the benefits only of the temporary differences and they are expected to reverse in the foreseeable future.

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

Deferred tax is calculated at the tax rates that are expected to apply in the period when the liability is settled or the asset is realised based on tax laws and rates that have been enacted or substantively enacted at the reporting date.

The measurement of deferred tax liabilities and assets reflects the tax consequences that would follow from the manner in which the Group expects, at the end of the reporting period, to recover or settle the carrying amount of its assets and liabilities.

Deferred tax assets and liabilities are offset when there is a legally enforceable right to set off current tax assets against current tax liabilities and when they relate to income taxes levied by the same taxation authority and the Group intends to settle its current tax assets and liabilities on a net basis. . Current tax assets and tax liabilities are offset where the entity has a legally enforceable right to offset and intends either to settle on a net basis, or to realise the asset and settle the liability simultaneously.

Current income and deferred tax for the year
Current and deferred tax are recognised in the consolidated statement of profit or loss, except when they relate to items that are recognised in the consolidated statement of other comprehensive income or directly in equity, in which case, the current and deferred tax are also recognised in other comprehensive income or directly in equity respectively. Where current tax or deferred tax arises from the initial accounting for a business combination, the tax effect is included in the accounting for the business combination

o) Employee benefits

The Group operates various employees' benefits schemes, including both defined benefit and defined contribution pension plans.

(1) Pension obligations
The Group has two types of pension schemes.

Defined contribution plans
The unfunded defined contribution plan is a pension plans under which the Group pays fixed contributions to the General Authority for Social Insurance on mandatory basis. The Group has no further liabilities once its obligations are paid. The regular contributions are recognised as periodic cost for the year in which they are due and as such are included in staff costs.

Defined benefit plans
A defined benefit plan is a post-employment plan that is not a defined contribution plan.

The Group operates a defined benefit plan operates for the employees of the Group. The employees of the Group are entitled upon their retirement, partial disability or to an end of service a gratuity based on a defined benefit plan. The entitlement is based on the length of service and final remuneration package of the employee upon retirement. The plan is not subject to any regulatory restriction and is an unfunded plan

o. Employee benefits (continued)

The net defined benefit obligation recognised in the consolidated statement of financial position is the present value of the defined benefit obligation at the end of the reporting period. The annual defined benefits obligations are determined annually by independent actuary using the projected unit credit method. The present value of the defined benefit obligations is determined by discounting the estimated future cash outflows using discount rate at the end of the financial reporting period on market returns of government bonds that are denominated in the currency and the estimated period for the defined benefit obligations.

The Group recognises the current service cost of the defined benefit obligation in the consolidated statement of profit or loss, except where included in the cost of an asset that reflects the increase in the defined benefit obligations relating to services performed to the Group during the current year or when changes or curtailments are made to the plan.

The Group recognises the cost of past service as an expense when benefit changes or is curtailed, and when the Group recognises the restructuring costs, whichever is earlier in the consolidated statement of profit or loss.

Net interest is calculated on the net defined benefit obligation by multiplying the net defined benefit obligation by a discount rate as determined at the beginning of the annual financial period. These costs are included within finance cost in the consolidated statement of profit or loss.

Actuarial gains and losses, which are the changes in the present value of the defined benefit obligation that arises from experience adjustments and changes in actuarial assumptions, are recognised in the consolidated statement of other comprehensive income in the period in which they arise.

(2) Termination benefits

Termination benefits are payable when employment is terminated by the Group before the normal retirement date, or whenever an employee accepts voluntary redundancy in exchange for these benefits. The Group recognises termination benefits at the earlier of the following dates: (a) when the Group can no longer withdraw the offer of those benefits; and (b) when the entity recognises costs for a restructuring that is within the scope of EAS 28 and involves the payment of termination benefits. In the case of an offer made to encourage voluntary redundancy, the termination costs and benefits obligation are initially measured.

The Group measures and recognises the subsequent changes in accordance to the nature of the benefits based on the number of employees expected to accept the offer of benefits. Where it is not expected to settle the benefits falling due before 12 months after the end of the reporting period, the benefits are discounted to their present value.

(3) Employees' share in legally defined profits

The Group recognises expected cash dividends as the employees' share in accordance with the companies' articles of association, to be included as part of dividends in equity, and as liabilities when the ordinary general assembly meeting of the shareholders of the Group approve the proposed dividends. The Group does not record any liabilities in the employees' share of undistributed dividends.

p) Borrowings

Borrowings are initially recognised at fair value, net of transaction costs incurred. Borrowings are subsequently measured at amortised cost. Any difference between the proceeds (net of transaction costs) and the redemption amount is recognised in the consolidated statement of profit or loss over the period of the borrowings using the effective interest method.

Fees paid on the establishment of loan facilities are recognised as transaction costs of the loan to the extent that it is probable that some or all of the facility will be drawn down. In this case, the fee is deferred until the draw-down occurs.

To the extent there is no evidence that it is probable that some or all of the facility will be drawn down, the fee is capitalised as a prepayment for liquidity services and amortised over the period of the facility to which it relates.

Borrowings are removed from the consolidated statement of financial position when the obligation specified in the contract is discharged, cancelled or expired. The difference between the carrying amount of a financial liability that has been extinguished or transferred to another party and the consideration paid, including any noncash assets transferred or liabilities assumed, is recognised in the consolidated statement of profit or loss as other income or finance costs.

Borrowings are classified as current liabilities unless the Group has an unconditional right to defer the settlement of the liability for at least 12 months after the date of the consolidated financial statements.

q) Borrowing cost

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

When funds are borrowed for the purpose of acquiring a qualifying asset to bear the cost of borrowing, the Group determines the amount of borrowing costs that are capitalised on this asset, which is the actual borrowing costs incurred by the entity during the period because of the borrowing transaction less any revenue realised from the temporary investment of borrowed funds.

The Group recognises other borrowing costs as expenses in the period the Group incurs such costs.

r) Provisions

Provisions are recognised when the Group has a present (legal or constructive) obligation as a result of past events; it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation; and the amount has been reliably estimated. Provisions are not recognised for future operating losses.

The Group recognises the commitments required for restructuring and not related to the Group's effective activities within the costs of the provision of restructure.

Where there are a number of similar obligations, the likelihood that an outflow will be required in settlement is determined by considering the class of obligations as a whole. A provision is recognised even if the likelihood of an outflow with respect to any one item included in the same class of obligations may be small.

Where the impact of the time value of money is significant, the amount of the provision is the present value of expenditures expected to be required to settle the obligation using a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the obligation. The increase in the provision due to passage of time is recognised as interest expense in the statement of profit or loss.

s) Revenue recognition

Revenue is measured at the fair value of the consideration received or receivable for goods sold within the Group's normal course of business. Amounts disclosed as revenue are net of returns, trade allowances, rebates and amounts collected on behalf of third parties

The Group recognises revenue from contracts with customers based on a five-step model as set out in EAS No. (48):

Step (1) – Identify the contract(s) with a customer:
A contract is defined as an agreement between two or more parties that creates enforceable rights and obligations and sets out the criteria for every contract that must be met.

Step (2) – Identify the performance obligations in the contract:
A performance obligation is a promise in a contract with a customer to transfer a good or service to the customer. The Group accounts for all distinct goods or services as a separate performance obligation.

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

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

Step (5) - Recognise revenue when (or as) the entity satisfies a performance obligation at a point in time or over time.

s. Revenue recognition (continued)

Revenue recognized at a point in time
Revenue is income arising in the course of the Group's ordinary activities. Revenue is recognised in the amount of transaction price. Transaction price is the amount of consideration to which the Group expects to be entitled in exchange for transferring control over promised goods or services to a customer, excluding the amounts collected on behalf of third parties. Revenue is recognised net of returns.

Revenue for sale of goods at a point in time is recognized when the control of the goods is transferred to the customer at an amount that reflects the consideration to which the Group expects to be entitled in exchange for those goods. The control of goods is generally transferred upon delivery of the products.

Revenue recognized over time
For products manufactured and supplied that are typically customized, according to binding contractual arrangements, without any option for alternative use, where the Group has an enforceable right to payment for the performance completed to date, the revenue for the goods and delivery concerned are recognized over time using the output method together with presentation under contract assets.

Contract assets
A contract asset is initially recognised for revenue earned from manufacturing glass containers because the receipt of consideration is conditional on successful completion and delivery of the products. Upon invoicing to the customer, the amount recognised as contract assets is reclassified to trade receivables. Contract assets are subject to impairment assessment. Refer to accounting policies on impairment of financial assets in section (22-H-iii)

Trade receivables
A receivable is recognised if an amount of consideration that is unconditional is due from the customer Refer to accounting policies of financial assets in section (22-H)

Contract liabilities
A contract liability is recognised if a payment is received or a payment is due (whichever is earlier) from a customer before the Group transfers the related goods or services. Contract liabilities are recognised as revenue when the Group performs under the contract

t) Government incentives

The government of Egypt operates an export incentive program managed by the Export Development Fund. The scheme was established under law 155 of 2002 to create incentives for Egyptian companies to grow exports. The Group operates in a qualifying sector and the subsidy represents a percentage of the export value depending on a set of variables including the percentage of local components, location of the factory, export destination and amongst others.

The incentive on export sales is recognized when there is a reasonable assurance that it will be received and the group will comply with all attached conditions. The subsidy is recognised under other operating income in the consolidated statement of profit or loss on a gross basis.

Export incentives are recognized immediately as the Group already recognize it since the government provide this incentive to compensate the Group for export sales already incurred.

u) Dividends

Dividends declared and not paid are recognised as liabilities in the consolidated financial statements for the amount of any dividend declared, being appropriately authorised by the Group's General Assembly of Shareholders and no longer at the discretion of the Group, on or before the end of the reporting period.

v) Earnings per share

a. Basic earnings per share is calculated by dividing:

- the profit attributable to owners of the Group, excluding any costs of servicing equity other than ordinary shares less dividends paid to employees.
- by the weighted average number of ordinary shares outstanding during the financial year, adjusted for bonus elements in ordinary shares issued during the year and excluding treasury shares (Note 22-I).

b. Diluted earnings per share

Diluted earnings per share adjusts the figures used in the determination of basic earnings per share to take into account:

- the after-income tax effect of interest and other financing costs associated with dilutive potential ordinary shares, and
- the weighted average number of additional ordinary shares that would have been outstanding assuming the conversion of all dilutive potential ordinary shares.

w) Segment reporting

Operating segments are reported in a manner consistent with the internal reporting provided to the chief operating decision-maker which has been identified as the chief executive officer. The board of Middle East Glass manufacturing group has appointed a chief operating decision-maker who assesses the financial performance and position of the group and makes strategic decisions, and who determines that the Group's activities are organised into one segment which is wholly related to the manufacturing and sale of glass containers