

**MIDDLE EAST GLASS MANUFACTURING COMPANY (S.A.E.)**

**AUDITOR'S REPORT AND  
CONSOLIDATED FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 31 DECEMBER 2020**

MIDDLE EAST GLASS MANUFACTURING COMPANY (S.A.E.)

Consolidated financial statements - For the year ended 31 December 2020

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## **Auditor's report**

**To: The shareholders of 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.) which comprise the consolidated statement of financial position as of 31 December 2020 and the consolidated statements of profits or losses, comprehensive income, changes in equity and cash flows for the financial year then ended, and a summary of significant accounting policies and other explanatory notes.

### **Management's responsibility for the consolidated financial statements**

These consolidated financial statements are the responsibility of the 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 judgment, 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 entity'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 entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements.

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



The shareholders of Middle East Glass Manufacturing Company (S.A.E.)  
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### 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.) as of 31 December 2020, and of its financial performance and its cash flows for the financial year then ended in accordance with Egyptian Accounting Standards and in light of the related Egyptian laws and regulations.

A blue ink signature is written over a circular red stamp. The stamp contains the PwC logo and the text 'PricewaterhouseCoopers Ezzaidan, Diab & Co.' in English and Arabic. The signature is written in a cursive style.

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

6 April 2021  
Cairo


MIDDLE EAST GLASS MANUFACTURING COMPANY S.A.E.

FOR THE YEAR ENDED 31 DECEMBER 2020

Consolidated statement of financial position - As of 31 December 2020

(All amounts in Egyptian Pounds)	Note	31 December 2020	31 December 2019
<b>ASSETS</b>			
<b>Non-current assets</b>			
Property, plant and equipment	5	1,285,787,384	1,089,045,505
Right of use assets	6	-	66,383,686
Intangible assets	7	260,881,495	274,102,385
Financial assets at fair value through profit or loss	8	160,911,024	120,705,911
Prepaid expenses and other receivables- Non-current portion	11	7,865,563	-
Total non-current assets		<b>1,715,445,466</b>	<b>1,550,237,487</b>
<b>Current assets</b>			
Inventory	9	255,776,882	286,085,917
Trade and notes receivables	10	290,424,210	298,749,396
Prepaid expenses and other receivables	11	274,491,665	341,448,482
Due from related parties	12	161,613,764	42,764,167
Cash and bank balances	13	470,119,027	38,312,906
Total current assets		<b>1,452,425,548</b>	<b>1,007,360,868</b>
<b>Total assets</b>		<b>3,167,871,014</b>	<b>2,557,598,355</b>
<b>EQUITY</b>			
Issued and paid up capital	20	50,322,580	50,322,580
Legal reserve	21	25,161,260	25,161,260
Share premium reserve	20	172,217,162	172,217,162
Other reserves	20	13,129,007	13,129,007
Payments under capital increase	20	432,825,002	432,825,002
Accumulated losses	22	(75,054,681)	(143,362,079)
<b>Total equity</b>		<b>618,600,330</b>	<b>550,292,932</b>
<b>LIABILITIES</b>			
<b>Non-current liabilities</b>			
Bank borrowings	15	1,572,999,630	319,582,447
Retirement benefits obligations	23	9,853,923	9,895,854
Deferred tax liabilities	25	104,217,034	68,395,509
Lease liabilities	16	-	48,696,608
Total non-current liabilities		<b>1,687,070,587</b>	<b>446,570,418</b>
<b>Current liabilities</b>			
Provisions	14	35,164,223	31,607,719
Bank borrowings	15	-	677,962,375
Bank overdrafts	15	294,034,497	222,519,917
Trade and notes payables	17	280,746,236	353,252,719
Accrued expenses and other payables	18	251,827,453	248,333,466
Income tax liabilities	19	-	12,754,836
Due to related parties	12	427,688	526,058
Lease liabilities	16	-	13,777,915
Total current liabilities		<b>862,200,097</b>	<b>1,560,735,005</b>
<b>Total liabilities</b>		<b>2,549,270,684</b>	<b>2,007,305,423</b>
<b>Total equity and liabilities</b>		<b>3,167,871,014</b>	<b>2,557,598,355</b>

The accompanying notes on pages 8 -49 form an integral part of these consolidated financial statements.

  
Mohamed Khalifa  
Chief Financial Officer

  
Peter Carpenter  
Director

  
Abdul Galil Beshar  
Chairman

Cairo: 6-April-2021

MIDDLE EAST GLASS MANUFACTURING COMPANY S.A.E.

FOR THE YEAR ENDED 31 DECEMBER 2020

Consolidated statement of profit or loss

(All amounts in Egyptian Pounds)	Note	2020	2019
Sales	26	1,603,307,590	1,715,424,747
Cost of sales	27	(1,051,562,032)	(1,165,935,386)
<b>Gross profit</b>		<b>551,745,558</b>	<b>549,489,361</b>
Selling and marketing expenses	28	(183,600,163)	(196,722,448)
General and administrative expenses	29	(104,706,190)	(99,355,399)
Other operating expense	30	(80,553,298)	(85,958,100)
Other operating income	31	133,833,661	98,862,507
<b>Profit from operations</b>		<b>316,719,568</b>	<b>266,315,921</b>
Finance costs	32	(208,404,937)	(244,449,101)
Finance income	33	4,194,298	69,296,214
Export Subsidy Present Value adjustment		(1,229,179)	-
<b>Profit before tax</b>		<b>111,279,750</b>	<b>91,163,034</b>
Income tax	34	(36,045,180)	812,924
<b>Net profit from continuing operations</b>		<b>75,234,570</b>	<b>91,975,958</b>
Net profit for the year from discontinued operations (net of tax)	36	17,843,787	65,580,359
<b>Net profit for the year</b>		<b>93,078,357</b>	<b>157,556,317</b>
<b>Earnings / per share (Basic / Diluted) from continuing and discontinued operations:</b>			
Earnings per share from continuing operations	35/A	1.50	1.83
Earnings per share from discontinued operations	35/B	0.35	1.30
<b>Total earnings per share</b>		<b>1.85</b>	<b>3.13</b>

The accompanying notes on pages 8 -47 form an integral part of these consolidated financial statements.

MIDDLE EAST GLASS MANUFACTURING COMPANY S.A.E.

FOR THE YEAR ENDED 31 DECEMBER 2020

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**Consolidated statement of comprehensive income**

(All amounts in Egyptian Pounds)	<u>2020</u>	<u>2019</u>
Net profit for the year	93,078,357	157,556,317
Other comprehensive income	-	-
<b>Total comprehensive income</b>	<b><u>93,078,357</u></b>	<b><u>157,556,317</u></b>
<b>Total comprehensive income for the year is attributable to:</b>		
Owners' equity	93,078,357	157,556,317
Non-controlling interest	-	-
	<b><u>93,078,357</u></b>	<b><u>157,556,317</u></b>

The accompanying notes on pages 8 -47 form an integral part of these consolidated financial statements.

MIDDLE EAST GLASS MANUFACTURING COMPANY S.A.E.

FOR THE YEAR ENDED 31 DECEMBER 2020

Consolidated statement of changes in equity

	Issued and paid up capital	Legal reserve	Share premium reserve	Other reserve	Payment under capital increase	Accumulated losses	Total owners' equity
(All amounts in Egyptian Pounds)							
<b>Balance at 1 January 2019</b>	50,322,580	25,161,260	172,217,162	13,129,007	432,825,002	(278,333,396)	415,321,615
Total comprehensive income for the year	-	-	-	-	-	157,556,317	157,556,317
Cumulative effect of EAS 49 (Leases)	-	-	-	-	-	(14,839,455)	(14,839,455)
Dividends distribution to employees	-	-	-	-	-	(7,745,545)	(7,745,545)
<b>Balance at 31 December 2019</b>	<b>50,322,580</b>	<b>25,161,260</b>	<b>172,217,162</b>	<b>13,129,007</b>	<b>432,825,002</b>	<b>(143,362,079)</b>	<b>550,292,932</b>
<b>Balance at 1 January 2020</b>	<b>50,322,580</b>	<b>25,161,260</b>	<b>172,217,162</b>	<b>13,129,007</b>	<b>432,825,002</b>	<b>(143,362,079)</b>	<b>550,292,932</b>
Total comprehensive income for the year						93,078,357	93,078,357
Dividends distribution to employees						(24,770,959)	(24,770,959)
<b>Balance at 31 December 2020</b>	<b>50,322,580</b>	<b>25,161,260</b>	<b>172,217,162</b>	<b>13,129,007</b>	<b>432,825,002</b>	<b>(75,054,681)</b>	<b>618,600,330</b>

The accompanying notes on pages 8-47 form an integral part of these consolidated financial statements.



MIDDLE EAST GLASS MANUFACTURING COMPANY S.A.E.

FOR THE YEAR ENDED 31 DECEMBER 2020

**Consolidated statement of cash flows**

	Note	2020	2019
(All amounts in Egyptian Pounds)			
<b>Cash flows from operating activities</b>			
Net profit for the year before tax		111,279,750	91,163,034
<b>Adjusted by:</b>			
Interest expense	32	208,404,938	244,449,101
Interest income	33	(4,194,298))	(97,628)
Depreciation and amortization	5,7	135,927,206	160,278,082
The effect of discounting the long-term export subsidies to the present value	11	1,229,179	-
Lease liabilities prepayment loss	32	4,030,993	-
Amortization of right of use	6	4,017,727	6,825,418
Loss on sale of property and equipment	30	4,996,382	239,064
Provisions formed		10,561,609	22,245,559
Provisions no longer required		(3,172,343)	(12,871,665)
Gain on settlement of retirement benefit obligation	23	(452,394)	(320,933)
Retirement benefit obligations provision	23	3,135,097	2,193,838
Unrealised fair value gain on investment	30/31	(40,205,113)	10,067,545
Unrealised foreign exchange gain		(27,992,077)	(64,922,944)
<b>Operating profit before changes in working capital</b>		<b>407,566,656</b>	<b>459,248,471</b>
<b>Change in working capital</b>			
Inventory		30,309,035	39,867,483
Trade and notes receivables		8,325,186	(18,492,672)
Prepaid expenses and other receivables		55,270,436	(38,635,074)
Due from related parties		(118,849,597)	39,728,201
Trade and notes payables		(72,506,483)	(47,030,394)
Accrued expenses and other payables		24,242,270	(25,534,764)
Due to related parties		(98,370)	(228,942)
Provisions used	14	(6,229,453)	(1,000,000)
Payment of employees' retirement benefits	23	(2,724,635)	(1,992,029)
<b>Cash inflow from operations</b>		<b>325,305,045</b>	<b>405,930,280</b>
Interest paid		(233,184,213)	(232,743,666)
Income tax paid		(18,158,945)	(72,938,523)
<b>Net cash inflow from operating activities</b>		<b>73,961,887</b>	<b>100,248,091</b>
<b>Cash flows from investing activities</b>			
Purchase of property, plant and equipment	5	(277,928,865)	(163,498,864)
Advance payment for fixed assets supplier		(15,379,329)	
Proceeds from sale of property, plant and equipment		11,446,950	2,094,965
Interest income received	33	4,194,298	97,628
<b>Cash (outflow) from investing activities from continuing operations</b>		<b>(277,666,946)</b>	<b>(161,306,271)</b>
Cash outflow from investing activities from discontinued operations		23,024,242	84,619,818
<b>Net cash (outflow) from investing activities</b>		<b>(254,642,704)</b>	<b>(76,686,453)</b>
<b>Cash flows from financing activities</b>			
Bank overdrafts	15	71,514,580	186,707
Repayments of bank borrowings	15	(999,373,638)	(24,135,990)
Loans proceeds	15	1,602,820,519	-
Settlement of Lease liability		(62,474,523)	(8,127,389)
Payments of long-term notes payable		-	(2,390,918)
<b>Net cash inflow (outflow) from financing activities</b>		<b>612,486,938</b>	<b>(34,467,590)</b>
<b>Net increase / (decrease) in cash and bank balances</b>		<b>431,806,121</b>	<b>(10,905,952)</b>
Cash and banks balances at beginning of the year		38,312,906	49,218,858
<b>Cash and bank balances at end of the year</b>	13	<b>470,119,027</b>	<b>38,312,906</b>

The accompanying notes on pages 8 -47 form an integral part of these consolidated financial statements.

# MIDDLE EAST GLASS MANUFACTURING COMPANY (S.A.E.)

## Notes to the consolidated financial statements - For the year ended 31 December 2020

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

### 1. General information

Middle East Glass Manufacturing Company S.A.E. (the Company) was established in 1979 as an Egyptian joint stock company 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 Company's registered office is Nasr City, 6 Mokhayam El-Daem Street ,6<sup>th</sup>District, Industrial Zone, Cairo – Arab Republic of Egypt.

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

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

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

The parent of the Company is MENA Glass Holdings Limited with 51.43% ownership.

The ultimate parent is Deram holding Inc.

Subsidiaries	Share	Activity
Middle East Glass Containers Sadat	99.99992%	Manufacturing Glass Containers
MEG Misr for Glass MEG	99.99993%	Manufacturing Glass Containers
Misr for Glass Manufacturing	Owned 99.9997% by MEG Misr for Glass MEG	Manufacturing all kinds of Glass Bottles and the acquisition of other entities that operate in the same field

These consolidated financial statements have been approved for issuance by the Chairman of the Board of Directors on \_\_\_\_\_ 2021.

### 2. 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 unless otherwise stated:

#### A. Basis of preparation

##### i. Compliance with EAS

These consolidated financial statements have been prepared in accordance with Egyptian Accounting Standards (EAS) and the relevant laws and are prepared on the basis of the historical cost convention, except for financial assets at fair value through profit or loss which are measured at fair value through profit or loss, and the employees' defined benefits obligation, which are measured at the present value of the obligation.

##### 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

## MIDDLE EAST GLASS MANUFACTURING COMPANY (S.A.E.)

### Notes to the consolidated financial statements - For the year ended 31 December 2020

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

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#### Basis of preparation (Continued)

- \* 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. It also requires management to exercise its judgement in the process of applying the Group's accounting policies. Note (4) 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. New issued and amendments made to EASs, but not yet applied:

On 28 March 2019, the Minister of Investment and International Cooperation issued Resolution No. 69 of 2019, amending some provisions of the Egyptian Accounting Standards, which include some new accounting standards and amendments to some existing standards. These amendments were published in the Official Gazette on 7 April 2019. The significant amendments relevant to the Group are summarised below, which should be applied for the financial periods beginning on or after the 1st of January 2021 and have not been early adopted by the Group.

According to the Prime Minister Decree No. 1871 dated 17 September 2020, the application of the below new standards was postponed and will be applied for the financial periods beginning on or after the 1st of January 2021. and will apply from the beginning of the year of application in accordance with the transition rules of each standard.

The Group's preliminary assessment of the impact of these new standards and amendments is set out below.

##### EAS (38) "Employees benefits"

Amended to introduce new measurement rules to account for the amendment, curtailment or settlement of employee benefit plans. The Group does not expect to be affected by this amendment.

##### EAS (47) "Financial instruments"

The standard includes new classification and measurement method categories of financial assets that reflect the business model in order to manage the assets and the characteristics of its cash flows.

The Group has reviewed its financial assets and financial liabilities and expects the following impact from the application of the new standard on 1 January 2021:

##### Classification and measurement of financial assets and liabilities

- According to EAS 47, the financial asset is classified at the initial recognition either as financial assets at amortised cost, financial assets at fair value through comprehensive income or financial assets at fair value through profit or loss. The classification of financial assets in accordance with EAS 47 depends on the business model which manages the financial asset, contracted cash flows and its characteristics.
- According to the group's business model, trade receivables and other receivables are classified as financial assets at amortised cost. Therefore, the Group does not expect any effect of applying the new guidelines on the classification and measurement of these financial assets.
- Cash and cash equivalents' definition as per EAS 4 remains unchanged with the application of EAS 47, short-term investments and time deposits will continue to be presented under cash and cash equivalents, being highly liquid investments that are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value.
- The Group does not have equity investments or other debt instruments that are managed using a business model to hold to sell or hold and sell.

## MIDDLE EAST GLASS MANUFACTURING COMPANY (S.A.E.)

### Notes to the consolidated financial statements - For the year ended 31 December 2020

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

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#### Basis of preparation (Continued)

Accordingly, the group does not expect the new guidance to affect the classification and measurement of these financial assets.

- EAS 47 largely maintains the requirements contained in EAS 25 related to the classification of financial liabilities, therefore, no significant impact on the group's accounting policies related to financial liabilities.
- The rules for de-recognition were transferred from the EAS 26 and has not been changed.
- The Group does not hold derivative instruments and does not enter into hedging relationships. Therefore, the new hedge accounting rules will not affect the Group.

#### Impairment of financial assets

The new impairment model requires recognition of impairment provisions based on expected credit losses instead of credit losses incurred only, as is the case in accordance with EAS 26. It applies to financial assets classified at amortised cost, debt instruments measured at FVOCI, contract assets under EAS 48 "Revenue from Contracts with Customers", lease receivables, loan commitments, and some financial guarantee contracts. Based on the evaluations implemented to date, the Group expects an increase of EGP 7.6 million in credit losses for trade receivables provision, and no significant impairment is expected on account of bank balances.

The new standard also introduces extended terms of disclosure and changes in presentation. It is expected to change the nature and size of the Group's disclosures regarding its financial instruments, especially in the year in which the new standard is applied.

EAS (47) is effective for financial periods beginning on or after the 1 January 2021, and early application is permitted, provided that the revised EASs No. (1) "Presentation of financial statements", (25) "Financial instruments: Presentation", (26) "Financial instruments: Classification and Measurement" and (40) "Financial instrument: Disclosures" are applied at the same time. The Group will apply the new rules retrospectively as of 1 January 2021, with the adoption of the practical means permitted under the standard. Comparative figures for 2020 will not be restated.

#### EAS (48) "Revenue from Contracts with Customers"

This standard establishes a comprehensive concept framework by determining the amount and timing of revenue recognition. This standard replaces EAS (11) "Revenue", which covers contracts for sales of goods and services, and EAS (8) "Construction contracts".

The new standard is based on the principle of revenue recognition when control of a good or service transfers to a customer.

The management has assessed the effects of applying the new standard on the Group's financial statements, considering the economic and legal aspects of existing contracts with customers based on the five-step model under EAS 48.

Under existing contracts, the products manufactured and supplied are typically customized without any option for alternative use, manufactured within binding contractual arrangements. The customers' contracts represent the contract within the scope of EAS 48, when determining the transaction price, and whether variable considerations exist in the form of right of returns, discounts and possibly considerations to be paid to a customer in the form of price concession.

For contracts with customers, where the Group has an enforceable right to payment for the performance completed to date, the revenue for the goods concerned are recognized over time using the output method together with presentation under contract assets.

The Group assessed the effect of adopting EAS 48 to result in an increase in equity of EGP 14,5 million, a reduction in inventories of EGP 49 million, an increase in contract assets of EGP 68 million and an increase in tax liabilities of EGP 4,2 million at 1 January 2021.

EAS 48 applies to the financial years beginning on or after 1 January 2021. The Group intends to apply the new standard by using a modified approach for application retrospectively, which means that the cumulative effect of the application will be recognized in the retained earnings from 1 January 2021, and that the comparative figures will not be restated.

## MIDDLE EAST GLASS MANUFACTURING COMPANY (S.A.E.)

### Notes to the consolidated financial statements - For the year ended 31 December 2020

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

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#### Basis of preparation (Continued)

##### EAS (49) "Leases"

The Group had to change its accounting policies and make adjustments on a retrospective basis after applying the Egyptian Accounting Standard (49) in relation to the finance leases. Most of the other adjustments mentioned above had no effect on the amounts recognized in prior periods, and it is not expected that they will materially affect current or future periods.

The group will apply the Second Phase of EAS 49 in relation to operating leases from the mandatory application date from 1 January 2021. The group intends to apply the simplified transition approach and will not restate comparative amounts for the year prior to first adoption.

The group intends to use the practical expedient provided by the standard and right of use assets arising from operating leases will be measured at the amount of the lease liability at the date of the initial application (adjusted for any advance or due rental expense).

There are no other standards that are not yet effective and that would be expected to have a material impact on the Group in the current or future reporting periods and on foreseeable future transactions.

#### C. Principles of consolidation and equity accounting

##### (1) 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-company 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. Acquisition method

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.

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.

## MIDDLE EAST GLASS MANUFACTURING COMPANY (S.A.E.)

### Notes to the consolidated financial statements - For the year ended 31 December 2020

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

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#### Principles of consolidation and equity accounting (continued)

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. Changes in ownership interests held within controlling interests

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

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

iii. Disposal of subsidiaries

When the Group ceases to have control, the Group recognises any retained investment in the company 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 company.

iv. Goodwill

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.

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.

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.

v. Measurement period

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.

#### (2) Associates

Associates are all entities over which the Group has significant influence but not control or joint control. This is generally the case where the Group holds between 20% and 50% of the voting rights. Investments in associates are accounted for using the equity method of accounting (see (iv) below), after initially being recognised at cost.

#### (3) Equity method

Under the equity method of accounting, the investments are initially recognised at cost and adjusted thereafter to recognize the Group's share of the post-acquisition profits or losses of the investee in profit or loss, and the group's share of movements in other comprehensive income of the investee in other comprehensive income. Dividends received or receivable from associates and joint ventures are recognised as a reduction in the carrying amount of the investment.

#### Changes in ownership interest

If the ownership interest in an associate is reduced but significant influence is retained, only a proportionate share of the reduction rate of the amount of profit or loss previously recognised in other comprehensive income is reclassified to profit or loss when relevant assets or liabilities are disposed of.

## MIDDLE EAST GLASS MANUFACTURING COMPANY (S.A.E.)

### Notes to the consolidated financial statements - For the year ended 31 December 2020

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

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#### Principles of consolidation and equity accounting (continued)

##### Losses of equity-accounted investment

When the Group's share of losses in an equity-accounted investment equals or exceeds its interest in the entity, the Group ceases to recognise its share in further losses. Once the Group's share is reduced to zero, further losses are recognised but only to the extent of incurred legal or constructive obligations or made payments on behalf of the other entity. When those companies realise profits in subsequent years, the Group resumes to recognise its share in those profits, but only after its share of profits equals its share in unrecognised losses.

##### Transactions with equity-accounted investment

Unrealised gains on transactions between the Group and its associates are eliminated to the extent of the Group's interest in these entities. Unrealised losses are also eliminated unless the transaction provides evidence of an impairment of the asset transferred. Accounting policies of equity-accounted investees have been changed where necessary to ensure consistency with the policies adopted by the Group.

##### Goodwill resulting from investment in equity-accounted entities

The excess of the total transferred consideration over the Group's share in the net fair value for the acquired determinable assets and assumed liabilities at the date of acquisition is recognised as goodwill. The goodwill resulting from contribution in associates is recognised within the cost of investment in the entity net of the accumulated impairment losses in the investment value of associates and is not be recognised separately.

##### Impairment of equity-accounted investment

Investments in associates are assessed for impairment where indicators of impairment are present. The recoverable amount of an investment in an associate is the higher of value in use or fair value less costs of disposal and is assessed separately for each associate. Any resulting impairment loss is not allocated against the notional goodwill and purchase price allocation, but against the investment as a whole. Therefore, any reversal of the conditions led to recognising the impairment losses will be recognised to the extent in which the recoverable amount subsequently increases, provided it does not exceed the impairment losses previously recognised.

#### 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. They are deferred in equity if they relate to qualifying cash flow hedges and qualifying net investment hedges or are attributable to part of the net investment in a foreign operation.

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.

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#### D. Fixed assets

The Group applies the cost model at measurement of fixed assets. All fixed assets are stated at historical cost less depreciation. Historical cost includes expenditure that is directly attributable to the acquisition of the items.

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.

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

The depreciation methods and periods used by the group are disclosed in

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

The carrying amount of the fixed asset 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.

Gains or losses on the disposal of an item of fixed assets 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 fixed assets is included in the statement of profit and loss.

#### E. Intangible assets

##### i. Computer software

Separately acquired software licences are shown at cost less the accumulated amortization and the accumulated impairment losses. The Group charges the amortization amount of the software licences consistently over their estimated useful lives of four 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 preparing the asset for use in the purpose for which it was acquired.

##### ii. Technical assistance cost

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 of this know-how which is 10 years.

The know how provided by Techpack Solutions Company Limited (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.

Technical assistance costs are stated at cost less accumulated amortization.



## MIDDLE EAST GLASS MANUFACTURING COMPANY (S.A.E.)

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#### 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 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 disposal and value in use. For the purposes of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash inflows which are largely independent of the cash inflows from other assets or groups of assets (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. 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. Non-current assets (or disposal groups) held for sale

Non-current assets (or disposal groups) are classified as held for sale if their carrying amount will be recovered principally through a sale transaction rather than through continuing use and a sale is considered highly probable. They are measured at the lower of their carrying amount and fair value less costs to sell except for assets such as deferred tax assets, and financial assets that are carried at fair value, which are specifically exempt from this requirement.

An impairment loss is recognised for any initial or subsequent write-down of the asset (or disposal group) to fair value less costs to sell. A gain is recognised for any subsequent increases in fair value less costs to sell of an asset (or disposal group), but not in excess of any cumulative impairment loss previously recognised. A gain or loss not previously recognised by the date of the sale of the noncurrent asset (or disposal group) is recognised at the date of derecognition.

Non-current assets (including those that are part of a disposal group) are not depreciated or amortised while they are classified as held for sale. Interest and other expenses attributable to the liabilities of a disposal group classified as held for sale continue to be recognised.

Non-current assets classified as held for sale and the assets of a disposal group classified as held for sale are presented separately from the other assets in the balance sheet. The liabilities of a disposal group classified as held for sale are presented separately from other liabilities in the balance sheet.

A discontinued operation is a component of the entity that has been disposed of or is classified as held for sale and that represents a separate major line of business or geographical area of operations, is part of a single coordinated plan to dispose of such a line of business or area of operations, or is a subsidiary acquired exclusively with a view to resale. The results of discontinued operations are presented separately in the statement of profit or loss.

#### H. Inventories

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 inventories 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 inventories to net realisable value and all losses of inventories shall be recognised as an expense in the period when the write-down or loss occurs.

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#### I. Investments and other financial assets

##### i. Classification

The group classifies its financial assets in the following categories:

- financial assets at fair value through profit or loss,
- loans and receivables,

The classification depends on the purpose for which the investments were acquired. Management determines the classification of its investments at initial recognition.

##### Financial assets at fair value through profit or loss

Financial assets at fair value through profit or loss are financial assets held for trading. A financial asset is classified in this category if acquired principally for the purpose of selling or re-purchase in the short-term or as the part of a specified managed financial instruments portfolio. Derivatives are also categorised as held for trading unless they are designated as hedges. Assets in this category are classified as current assets if expected to be recovered within 12 months from the date of the end of financial period.

An embedded derivative is a component of a hybrid instrument that also includes a non-derivative host contract. Some of the cash flows of the hybrid instrument vary in a way similar to a stand-alone derivative. An embedded derivative cause some or all of the cash flows of the contract to be modified according to a specified underlying, where the host contract is measured at fair value through profit or loss the entire instrument is recorded at fair value through profit or loss

##### Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. Financial assets included in such group are presented as current asset if expected to be recovered within 12 months from the date of the end of the period. The Group's loans and receivables comprise 'Trade receivables and other debit balances' and 'Due from related parties' and 'cash and cash equivalents' in the statement of financial position.

##### ii. Recognition and derecognition

Regular way purchases and sales of financial assets are recognised on trade-date, 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.

When securities classified as available-for-sale are sold, the accumulated fair value adjustments recognised in other comprehensive income are reclassified to profit or loss as gains and losses from investment securities.

#### J. 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.

#### K. Interest income

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.

## MIDDLE EAST GLASS MANUFACTURING COMPANY (S.A.E.)

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#### L. Impairment of financial assets

##### Financial assets carried at amortised cost

The Group assesses impairment at the end of each reporting period whenever there is objective evidence that a specific financial asset or a group of financial assets may be impaired. A financial asset or a group of financial assets is impaired and impairment losses are incurred only if there is objective evidence of impairment as a result of one or more events that occurred after the initial recognition of the asset (a 'loss event') and that loss event (or events) has an impact on the estimated future cash flows of the financial asset or group of financial assets that can be reliably estimated.

Evidence of impairment may include indications that the debtors or a group of debtors is experiencing significant financial difficulty, violation of contract terms such as default or delinquency in interest or principal payments, or the probability that they will enter bankruptcy or other financial reorganisation, and where observable data indicate that there is a measurable decrease in the estimated future cash flows since the initial recognition, or, changes in economic of domestic conditions that correlate with defaults of the Group's assets.

For loans and receivables category, the amount of the loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows (excluding future credit losses that have not been incurred) discounted at the financial asset's original effective interest rate. The carrying amount of the asset is reduced and the amount of the loss is recognised in the statement of profit or loss. Loans expected to be uncollectible are written off by deduction from the relevant provision, and any subsequent proceeds are recognised as revenue in the statement of profit and loss. If a loan or held-to-maturity investment has a variable interest rate, the discount rate for measuring any impairment loss is the current effective interest rate determined under the contract. As a practical expedient, the Group may measure impairment on the basis of an instrument's fair value using an observable market price.

If, in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognised (such as an improvement in the debtor's credit rating), the reversal of the previously recognised impairment loss is recognised in the consolidated statement of profit or loss.

#### M. Trade receivables

Trade receivables are amounts due from the Group's customers for merchandise sold or services performed in the Group's ordinary course of business. If collection is expected within 12 months from the date of the financial statements or in the Group's normal operating cycle of the business, they are classified as current assets. Trade receivables are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method, less provision for impairment.

#### N. Cash and cash equivalents

In the consolidated statement of cash flows, cash and cash equivalents includes cash in hand and with banks, deposits held at call with banks, other short-term investments with original maturities of not more than three months from the date of placement, less credit balances. In the consolidated statement of financial position, bank overdrafts are shown within current liabilities.

#### O. Capital

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 company repurchases the Company'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.

## MIDDLE EAST GLASS MANUFACTURING COMPANY (S.A.E.)

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#### P. Financial liabilities

##### 1. Classification

The Group classifies its financial liabilities as financial liabilities at fair value through profit and loss and other financial liabilities. The classification of the financial liability depends on the purpose of acquisition at the initial recognition.

##### 2. Recognition and derecognition

A financial asset is recognised in the statement of financial position when - and only when- the Group becomes a party to the contractual provisions of the financial liability. The Group removes the financial liability (or part of it) from the statement of financial position when it is disposed, cancelled or expired.

The Group accounts for the exchange between an existing borrower and lender of debt instruments with substantially different terms as an extinguishment of the original financial liability and the recognition of a new financial liability. The difference between the carrying amount of a financial liability (or part of it) extinguished or transferred to another party including non-amortised expenses, and the consideration paid to settle the liability are recognised in profit or loss.

##### 3. Measurement

At initial recognition, the Group measures the financial liabilities at fair value plus transaction costs, except for financial liabilities at fair value through profit or loss where all other attributable costs are charged to the statement of profit or loss. The other financial liabilities, represented in trade payables and other payables, and bank loans, are subsequently measures at amortised cost using the effective interest method.

#### Q. Taxation

The income tax expense represents the sum of the tax currently payable and deferred tax.

#### R. Current tax

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

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.

##### 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 difference will not reverse 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 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.

## MIDDLE EAST GLASS MANUFACTURING COMPANY (S.A.E.)

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#### Current tax (continued)

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 and deferred tax for the year

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

#### S. Employee benefits

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

##### (1) Pension obligations

The Group has two types of pension schemes.

##### Defined contribution plans

The 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.

Typically, defined benefit plans define an amount of pension benefit that an employee will receive on retirement, using a formula that is usually dependent on employees' average wages, and the number of the years of service.

The net defined benefit obligation recognised in the 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 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 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 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 other comprehensive income in the period in which they arise.

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#### Employee benefits (continued)

##### (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.

#### T. Leases

##### Finance lease

As explained in note 2(B)(iii) above, the group has changed its accounting policy for finance leases where the group is the lessee. The new policy and the impact of the change are described in note 2(B)(iii).

Until 31 December 2018, leases within the scope of law 95 of 1995, lease costs including maintenance expense of leased assets are recognised in the statement of profit or loss in the year they are incurred. When the group decided to exercise the right to purchase the leased item, the cost of the right to purchase was capitalised as a fixed asset, which is depreciated over the useful life of the expected remaining life of the asset in the same method followed with similar assets.

##### Operating lease

Leases in which the risks and rewards of ownership are retained by the lessor are classified as operating leases. Payments made under operating leases (net of any incentives received from the lessor) are recognised as expense in the consolidated statement of profit or loss on a straight-line basis over the period of the lease.

#### U. 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 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 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 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.

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#### V. Borrowing costs

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.

Investment income earned on the temporary investment of specific borrowings pending their expenditure on qualifying assets is deducted from the borrowing costs eligible for capitalisation. The Group recognises other borrowing costs as expenses in the year the Group incurs such costs.

#### W. 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.

#### X. Trade payables

Trade payables are recognised initially at the amount of goods or services received from others, whether they received invoices or not. When they are material, goods and services received, as well as the trade payables are recognised at the present value of the cash outflow expected by using interest rate of similar loans. Trade payables are then carried at amortised cost using the effective interest rate.

#### Y. Revenue recognition

Revenue is measured at the fair value of the consideration received or receivable for goods sold or service rendered 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 when the amount of revenue can be reliably measured, it is probable that future economic benefits will flow to the Group and specific criteria have been met for each of the Group's activities as described below. The amount of revenue is not considered accurately measurable unless all cases of uncertainty regarding the possibility of the collection of the amount due are excluded. The Group bases its estimates on historical results, taking into consideration the type of customer, the type of transaction and the specifics of each arrangement.

##### Sales of goods

Revenue is recognised from the sale of goods to traders or contractors who have the right to sell them and determine their prices when the goods are delivered to them, and the Group does not retain significant risks of ownership of the goods, there is no obligation that prevent those traders or contractors to accept the goods sold. Delivery is recognised, both in the Group's stores or in specific locations, according to the agreements. When the Group transfers the significant risk and rewards of the ownership of goods to the traders, it retains neither continuing managerial involvement to the degree usually associated with ownership nor effective control over the goods sold. Sales to traders do not comprise the element of financing, as the credit year granted to them is 90 days.

## MIDDLE EAST GLASS MANUFACTURING COMPANY (S.A.E.)

### Notes to the consolidated financial statements - For the year ended 31 December 2020

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

#### Z. Government export subsidy

The government of Egypt operates an export subsidy 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 subsidy on export sales is recognized when there is proper evidence that the group will deserve this subsidy under the prevailing rules and conditions. The subsidy is recognised under other income in the statement of profit or loss.

#### AA. Dividends

Dividends 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.

#### BB. 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

### 3. Financial risk management

#### (1) Financial risk factors

The Group's activities expose it to a variety of financial risks. These risks include market risks (including foreign currency exchange risks, prices risks, cash flow interest rate risks and fair value risks), credit risks, and liquidity risks.

The Group's management aims to minimise the potential adverse effects on the Group's financial performance, through the monitoring process performed by the Group's Finance Department and board of directors at the level of the Parent Company.

#### (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. 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:

	2020	2019
US Dollars 10%	(56,950,521)	(47,810,207)
Euros 10%	(6,877,434)	(7,422,821)
GBP %	(174,719)	(23,885)

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

	2020		2019	
	Assets	Liabilities	Net	Net
US Dollars	597,700,698	(1,167,205,903)	(569,505,205)	(478,102,065)
Euros	4,191,262	(72,965,604)	(68,774,342)	(74,228,209)
GBP	20,252	(1,767,440)	(1,747,188)	(238,854)



## MIDDLE EAST GLASS MANUFACTURING COMPANY (S.A.E.)

### Notes to the consolidated financial statements - For the year ended 31 December 2020

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

#### Financial risk management (continued)

ii. **Price risk**

The group's exposure to equity securities price risk arises from investments held by the group and classified in the balance sheet at fair value through profit or loss (FVPL) note (8).

To manage its price risk arising from investments in equity securities, the Group entered into an agreement whereby the group has the right but not the obligation "put option", to sell the equity securities at a predetermined exercise price which include a floor price.

iii. **Cash flow and fair value exchange interest rate risk**

Interest rate risk is the risk that the fair value of 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 (bank overdrafts, and term loans). The risk is managed by the Group by maintaining an appropriate mix between borrowings and bank facilities with floating rates.

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.

The sensitivity of the statement of comprehensive income is the effect of the assumed changes in interest rates on the Group's profit for a year, based on the floating rate financial assets and financial liabilities held at 31 December 2020.

	<u>Increase / Decrease %</u>	<u>Effect on profit for the year EGP</u>
<b>31 December 2020</b>		
EGP	10%	27,071,995
<b>31 December 2019</b>		
EGP	10%	24,401,295

#### LIBOR reform

In July 2017, the United Kingdom Financial Conduct Authority ('FCA'), which regulates the London Interbank Offered Rate ('LIBOR'), announced that the interest benchmark would cease after 2021. LIBOR is one of the most common series of benchmark interest rates. LIBOR reforms will be dealt with between the group and the lending banks according to the facility agreements.

#### (B) **Credit risk**

Credit risk arises from cash and cash equivalents, deposits with banks and financial institutions, as well as credit exposures to customers', including outstanding receivables and committed transactions. 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 banks and financial institutions, only high-credit-quality and rating banks and financial institutions are accepted.

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

If existing customers are independently rated, these ratings are used. If there is no independent rating, risk control assesses the credit quality of the customer, taking into account its financial position, past experience and other factors. 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.

## MIDDLE EAST GLASS MANUFACTURING COMPANY (S.A.E.)

### Notes to the consolidated financial statements - For the year ended 31 December 2020

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

#### Financial risk management (continued)

Management believes that customers' impairment provisions are adequate. Note (10) related to the financial assets provides more information on the credit risk.

#### Transactions with major customers:

Revenue transaction with the Group's largest two customers are equivalent to 26% of the total revenues for the ended 31 December 2020 (2019: 35%) . The Group has just one customer of sales exceeding 10% of the total revenues for the group which is "Coca-Cola Bottling Company of Egypt"

#### (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 lack of offset between assets of maturities of 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 2020 and 31 December 2019, based on contractual payment dates and current market interest rates.

	Less than 6 month	Between 6 month & 1 year	Between 1 & 2 years	More than 2 years
<b>31 December 2020</b>				
Accounts and notes payable	280,746,236	-	-	-
Accrued expenses and other payables *	171,286,387	-	-	-
Bank overdrafts	195,597,929	98,436,568	-	-
Loans and borrowings	-	-	262,166,667	1,310,832,963
Future Interest	42,284,421	45,819,823	71,767,846	165,094,129
Due to Related Parties	427,688	-	-	-
<b>Total</b>	<b>690,342,661</b>	<b>144,256,391</b>	<b>333,934,513</b>	<b>1,475,927,092</b>
<b>31 December 2019</b>				
Accounts and notes payable	226,724,794	126,527,925	-	-
Accrued expenses and other payables *	179,802,994	-	-	-
Bank overdrafts	188,433,834	34,057,976	-	-
Loans and borrowings	597,985,337	45,477,040	105,022,720	249,059,725
Future Interest	26,168,352	22,934,602	28,592,612	35,000,346
Lease Liability	10,064,529	14,639,809	24,704,338	38,325,606
Due to Related Parties	526,058	-	-	-
<b>Total</b>	<b>1,229,705,898</b>	<b>243,637,352</b>	<b>158,319,670</b>	<b>322,385,677</b>

The unused credit facility at 31 December 2020 amounts to LE 389,688,480 (2019: LE 110,880,083).

\* Accrued expenses and other payables presented above excludes advances from customers, social insurance authority and tax liabilities.

## MIDDLE EAST GLASS MANUFACTURING COMPANY (S.A.E.)

### Notes to the consolidated financial statements - For the year ended 31 December 2020

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

#### Financial risk management (continued)

##### (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 is calculated as the ratio of net debt divided by total capital. Net debt comprises total borrowings and bank overdrafts less cash and bank balances and total capital comprises the equity plus net debt.

The gearing ratios at 31 December 2020 and 31 December 2019 were as follows:

	<u>2020</u>	<u>2019</u>
Loans and borrowings	1,572,999,630	997,544,822
Bank overdrafts and credits	294,034,497	222,519,917
Less: Cash and bank balances	<u>(470,119,027)</u>	<u>(38,312,906)</u>
<b>Net debt</b>	<b>1,396,915,100</b>	<b>1,181,751,833</b>
Total equity	<u>618,600,330</u>	<u>550,292,932</u>
<b>Total capital</b>	<b><u>2,015,515,430</u></b>	<b><u>1,732,044,765</u></b>
<b>Gearing ratio</b>	<b>69%</b>	<b>68%</b>

The main reason for the increase in the gearing ratio in 31 December 2020 comparing to 31 December 2019 is the increase is mainly coming from the increase in Borrowing partially offsetted with the increase in cash.

##### 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 3.8 for the financial year ended 2020, 3.1 for the financial year ended 2021 and 3.0 for the next years.

The group was in compliance with all financial covenants at 31 December 2020.

## MIDDLE EAST GLASS MANUFACTURING COMPANY (S.A.E.)

### Notes to the consolidated financial statements - For the year ended 31 December 2020

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

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#### 4. 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.

##### b. Intangible assets useful lives – customer relationships

The Group amortizes customer relationships arising from a business combination using the straight-line method over 5 years which is estimated to be the period of the projected cash flows for customer relationships.

##### c. Recoverable amount of goodwill

The group tests whether goodwill has suffered any impairment on an annual basis in accordance with the accounting policy. The recoverable amounts of cash generating units are determined based on value-in-use calculations. These calculations require the use of estimates (Note 7).

##### d. Impairment of trade receivables

Impairment of trade receivables are estimated according to the aging of the debts. Management assesses the credit position and the payment ability of customers in which their debt is overdue as per the given credit facility and estimates, accordingly the Group recognizes the required impairment.

##### e. Fair value measurement of derivative financial instruments

The fair value of financial instruments that are not traded in an active market is determined using valuation techniques. The Group uses its judgment in estimating the fair value of derivative financial instruments. Derivative financial instruments held by the Group do not have observable market price and so the Group is required to identify appropriate valuation models in calculating these fair values in making its estimates, priority is given to observable inputs. For details of key assumptions used and the impact of changes to these assumptions refer to Note 8.

##### (2) Critical judgment in applying the accounting policies

##### Investment in Medco Plast for Packing and Packaging Systems (S.A.E.)

The group's management have determined that they do not significant influence over Medco Plast for Packing and Packaging Systems S.A.E. ("Medco Plast"). Although the group has representation rights on the board of "Medco Plast", it became clear that the group does not have actual ability to exercise significant influence after the investment was acquired, this was evidenced by other investors opposing the group's attempts to exercise influence over "Medco Plast", Accordingly, the group has reclassified the investment to financial assets at fair value through profit or loss.

**MIDDLE EAST GLASS MANUFACTURING COMPANY (S.A.E.)**

**Notes to the consolidated financial statements - For the year ended 31 December 2020**

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

**5. Property, plant and equipment**

	Land	Buildings	Machinery, equipment & moulds	Vehicles and transportation	Furniture & office equipment	Computers & software	Projects under construction	Total
<b>31 December 2020</b>								
<b>Cost</b>								
Balance at beginning of the year	316,756,515	227,438,158	1,660,084,075	20,814,428	11,826,479	11,170,036	115,117,680	2,363,207,371
Additions	22,612,030	1,920,458	300,691,606	4,239,521	833,069	1,145,229	8,852,220	340,294,133
Disposals	-	-	(130,261,363)	(141,461)	-	(20,020)	(4,403,297)	(134,826,141)
Transferred from projects under construction	-	1,401,997	68,049,936	-	-	36,589	(69,488,522)	-
<b>Balance at the end of the year</b>	<b>339,368,545</b>	<b>230,760,613</b>	<b>1,898,564,254</b>	<b>24,912,488</b>	<b>12,659,548</b>	<b>12,331,834</b>	<b>50,078,081</b>	<b>2,568,675,363</b>
<b>Accumulated depreciation</b>								
Balance at beginning of the year	-	(88,442,915)	(1,150,320,362)	(18,344,826)	(10,033,778)	(7,019,292)	-	(1,274,161,173)
Depreciation expense	-	(10,033,936)	(108,949,914)	(1,505,953)	(784,560)	(1,431,953)	-	(122,706,316)
Disposals Depreciation	-	-	113,959,490	-	-	20,020	-	113,979,510
<b>Balance at the end of the year</b>	<b>-</b>	<b>(98,476,851)</b>	<b>(1,145,310,786)</b>	<b>(19,850,779)</b>	<b>(10,818,338)</b>	<b>(8,431,225)</b>	<b>-</b>	<b>(1,282,887,979)</b>
<b>Net book value at the end of the year</b>	<b>339,368,545</b>	<b>132,283,762</b>	<b>753,253,468</b>	<b>5,061,709</b>	<b>1,841,210</b>	<b>3,900,609</b>	<b>50,078,081</b>	<b>1,285,787,384</b>
<b>31 December 2019</b>								
<b>Cost</b>								
Balance at beginning of the year	316,756,515	225,396,840	1,582,082,035	19,887,007	11,207,931	7,628,336	44,433,305	2,207,391,969
Additions	-	2,041,318	79,228,208	1,108,820	618,548	3,029,930	77,472,040	163,498,864
Disposals	-	-	(6,458,637)	(181,399)	-	-	(1,043,426)	(7,683,462)
Transferred from projects under construction	-	-	5,232,469	-	-	511,770	(5,744,239)	-
<b>Balance at the end of the year</b>	<b>316,756,515</b>	<b>227,438,158</b>	<b>1,660,084,075</b>	<b>20,814,428</b>	<b>11,826,479</b>	<b>11,170,036</b>	<b>115,117,680</b>	<b>2,363,207,371</b>
<b>Accumulated depreciation</b>								
Balance at beginning of the year	-	(78,507,225)	(1,023,814,090)	(17,203,655)	(9,083,758)	(6,386,453)	-	(1,134,995,181)
Depreciation expense	-	(9,935,690)	(131,674,307)	(1,322,569)	(950,021)	(633,531)	-	(144,516,118)
Disposals Depreciation	-	-	5,168,035	181,398	-	-	-	5,349,433
<b>Balance at the end of the year</b>	<b>-</b>	<b>(88,442,915)</b>	<b>(1,150,320,362)</b>	<b>(18,344,826)</b>	<b>(10,033,779)</b>	<b>(7,019,984)</b>	<b>-</b>	<b>(1,274,161,866)</b>
<b>Net book value at the end of the year</b>	<b>316,756,515</b>	<b>138,995,243</b>	<b>509,763,713</b>	<b>2,469,602</b>	<b>1,792,700</b>	<b>4,150,052</b>	<b>115,117,680</b>	<b>1,089,045,505</b>

## MIDDLE EAST GLASS MANUFACTURING COMPANY (S.A.E.)

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#### Property, plant and equipment (continued)

The balance of project under construction as of 31 December 2020 is represented as flows:

	<u>2020</u>	<u>2019</u>
New and Upgraded furnace	-	66,007,519
New batch house	41,964,678	43,497,868
Machinery	7,859,540	5,376,962
Others	253,863	235,331
	<u>50,078,081</u>	<u>115,117,680</u>

Depreciation expense is classified as follows:

	<u>2020</u>	<u>2019</u>
Cost of goods sold	117,579,107	140,224,539
General and administrative expenses	2,957,224	2,229,837
Selling and marketing expenses	2,169,985	2,061,742
	<u>122,706,316</u>	<u>144,516,118</u>

Total addition:

	<u>2020</u>	<u>2019</u>
Cash addition	340,294,133	163,498,864
Non Cash addition "Transfer from Right of Use Assets"	(62,365,959)	-
	<u>277,928,174</u>	<u>163,498,864</u>

#### 6. Right of use assets

	<u>2020</u>	<u>2019</u>
Opening balance	66,383,686	75,108,584
Amortisation charge during the year	(4,017,727)	(8,724,898)
Purchase of previously leased assets*	(62,365,959)	-
	<u>-</u>	<u>66,383,686</u>

\* The right of use assets recognized in 2019 was related to machinery and equipment. During 2020, the Group terminated the lease finance agreements and acquired all leased machinery and equipment under these terminated agreements and are now included under property, plant and equipment.

## MIDDLE EAST GLASS MANUFACTURING COMPANY (S.A.E.)

### Notes to the consolidated financial statements - For the year ended 31 December 2020

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#### 7. Intangible assets

	License cost	Computer software	Goodwill	Customers relationships	2020
<b>31 December 2020</b>					
<b>Cost</b>					
Balance at 1 January	5,156,143	12,110,565	258,614,988	64,745,000	340,626,696
Additions	-	-	-	-	-
<b>Balance</b>	<b>5,156,143</b>	<b>12,110,565</b>	<b>258,614,988</b>	<b>64,745,000</b>	<b>340,626,696</b>
<b>Accumulated amortization</b>					
Balance at 1 January	(4,134,913)	(8,434,598)	-	(53,954,800)	(66,524,311)
Amortization expense	(505,614)	(1,925,076)	-	(10,790,200)	(13,220,890)
<b>Balance</b>	<b>(4,640,527)</b>	<b>(10,359,674)</b>	<b>-</b>	<b>(64,745,000)</b>	<b>(79,745,201)</b>
<b>Net book value</b>	<b>515,616</b>	<b>1,750,891</b>	<b>258,614,988</b>	<b>-</b>	<b>260,881,495</b>
<b>31 December 2019</b>					
<b>Cost</b>					
Balance at 1 January	5,156,143	12,110,565	258,614,988	64,745,000	340,626,696
Additions	-	-	-	-	-
<b>Balance</b>	<b>5,156,143</b>	<b>12,110,565</b>	<b>258,614,988</b>	<b>64,745,000</b>	<b>340,626,696</b>
<b>Accumulated amortization</b>					
Balance at 1 January	(3,609,299)	(6,137,248)	-	(41,015,800)	(50,762,347)
Amortization expense	(515,614)	(2,297,350)	-	(12,939,000)	(15,761,964)
<b>Balance</b>	<b>(4,124,913)</b>	<b>(8,434,598)</b>	<b>-</b>	<b>(53,954,800)</b>	<b>(66,524,311)</b>
<b>Net book value</b>	<b>1,031,230</b>	<b>3,675,967</b>	<b>258,614,988</b>	<b>10,790,200</b>	<b>274,102,385</b>

#### A. License costs

In July 2011, the Group concluded an agreement with Techpack Solutions Company - (South Korea) for the purpose of providing the Group with technical assistance services for the manufacturing, processing, inspecting, 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 Technical Assistance Costs.

#### B. Goodwill

Goodwill is allocated to Middle East Glass Containers Sadat S.A.E. and Misr for Glass Manufacturing S.A.E. each representing the cash generating units (CGU) to which goodwill is related. Goodwill represented as follows:

	<b>31 December 2020</b>
Middle East Glass Containers Sadat S.A.E.	173,589,339
Misr for Glass Manufacturing S.A.E.	85,025,649
<b>Goodwill</b>	<b>258,614,988</b>

The recoverable amount of the CGU is determined based on value-in-use calculations. These calculations use pre-tax cash flow projections based on business plan approved by management covering a 5 year-period. Assumptions related to future cash flows are based on previous experience and expectations for the market.

Goodwill is related primarily to the value of the synergies of the combined business operations, new customers relationships, growth opportunities and skilled labour. Goodwill is not tax deductible for tax purpose.

## MIDDLE EAST GLASS MANUFACTURING COMPANY (S.A.E.)

### Notes to the consolidated financial statements - For the year ended 31 December 2020

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#### Intangible assets (continued)

##### C. Recoverable amount of Goodwill

The Group performs an impairment test for the goodwill on annual basis, the recoverable amount is determined based on calculating value in-use which require 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 rate specified below which is consistence with the forecast related to the industry in which the cash generating units operate.

The Group used the following assumptions in performing goodwill impairment at 31 December 2020:

Average gross profit	30%
Pre-tax discount rate	18%
Growth rate	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 long term inflation forecasts.
Budgeted 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
Annual capital expenditure	Expected cash costs in the CGUs. This is based on the historical experience of management, and the planned refurbishment expenditure
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.

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%. If all other assumptions kept the same, a reduction of this growth rate by 100% would give a value in use that exceeds the current carrying amount.

The discount rate in the forecast period has been estimated to be 18%. If all other assumptions kept the same, and the discount rate is 40% that would give a value in use exceed the current carrying amount.

At 31 December 2020, if the gross profit rate had increased / decreased by 1% with all other variables held constant, the recoverable amount is higher than the carrying amount, therefore there will be no need to make an impairment.

##### D. Customers relationships

Customers 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 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.



## MIDDLE EAST GLASS MANUFACTURING COMPANY (S.A.E.)

### Notes to the consolidated financial statements - For the year ended 31 December 2020

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

#### 8. Financial assets at fair value through profit or loss

	Ownership %	2020	2019
Unquoted equity securities - Medco Plast for Packing and Packaging System (S.A.E)	15.6%	160,911,024	120,705,911
		<b>160,911,024</b>	<b>120,705,911</b>

Investment in Medco Plast for Packing and Packaging System (S.A.E) represents the retained investment in Medco Plast after the sale of 74% of the initial 60% equity stake which led to a loss of control on 13 November 2018. The value of the retained investment is recognized as financial assets at fair value through profit or loss "FVPL".

During 2019, management reached the conclusion that they don't have any significant influence or ability to obtain timely financial information. Although the group has representation rights on the board of "Medco Plast", it became clear that the group does not have actual ability to exercise significant influence after the investment was acquired, and this was evidenced by other investors opposing the group's attempts to exercise influence over "Medco Plast". Accordingly, the group has reclassified the investment to financial assets at fair value through profit or loss.

According to the sale and purchase agreement signed between the group and the buyer of the 74% equity stake in Medco Plast, the group has the right but not the obligation, to sell the 15.6% remaining interest (the "put option") exercisable starting from 1-Apr-2021 till 1-Aug-2023. In the event the option is exercised the sale price must be equal to or greater than the transaction consideration agreed with the buyer for the sale of the 74% interest in 2018. The Buyer of the 74% stake also has a right but not the obligation to buy the 15.6% stake (the Call Option") which can only be exercised after expiry of the put option exercise period. This hybrid agreement includes embedded derivatives which have not been separately accounted for and the entire agreement is recorded at fair value through profit or loss.

#### Amounts recognized in profit or loss

Fair value gains (losses) on equity investments at FVPL recognised in other gains/(losses) amounted to EGP 40,205,113.

#### Fair value measurement

For information about the methods and assumptions used in determining the fair value, refer to Note 24.

#### 9. Inventories

	2020	2019
Finished goods	107,487,710	128,281,054
Spare parts	94,600,542	85,549,755
Work in progress	17,235,366	29,118,320
Raw materials	36,680,383	40,140,305
Packing and wrapping materials	17,649,672	21,285,771
Fuel and oil	3,282,965	2,714,831
Goods in transit	-	155,637
	<b>276,936,638</b>	<b>307,245,673</b>
Allowance for impairment in inventory value	(21,159,756)	(21,159,756)
	<b>255,776,882</b>	<b>286,085,917</b>
	<b>2020</b>	<b>2019</b>
<u>Allowance for impairment in inventory value:</u>		
Balance at 1 January	21,159,756	21,076,429
Charged for the year	-	83,327
	<b>21,159,756</b>	<b>21,159,756</b>

## MIDDLE EAST GLASS MANUFACTURING COMPANY (S.A.E.)

### Notes to the consolidated financial statements - For the year ended 31 December 2020

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

#### 10. Trade and notes receivables

	<u>2020</u>	<u>2019</u>
Trade receivables	302,395,518	317,099,551
Notes receivables	<u>12,375,507</u>	<u>8,393,352</u>
	<b>314,771,025</b>	<b>325,492,903</b>
Allowance for doubtful debts	<u>(24,346,815)</u>	<u>(26,743,507)</u>
	<b><u>290,424,210</u></b>	<b><u>298,749,396</u></b>

The movement of impairments of trade and notes receivables are as follows:

	<u>2020</u>	<u>2019</u>
Balance at 1 January	26,743,507	18,596,421
Charged for the year	775,652	8,147,086
Provision no longer required	<u>(3,172,344)</u>	<u>-</u>
	<b><u>24,346,815</u></b>	<b><u>26,743,507</u></b>

The average credit period on trade receivables is 60 days. No interest is charged on the trade receivables overdue. The trade receivables above 60 days are provided for based on estimated irrecoverable amounts, determined by reference to past default experience and on management's assessment of current economic conditions as to the future recoverability of these balances.

Before accepting any new customer, the Group assesses the potential customer's credit quality and defines credit limits by customer.

Group trade receivables balance included debtors with a carrying amount of EGP 104,730,984 (31 December 2019: EGP 81,605,998) which are past due at the reporting date for which the Group has not recorded any provision as there has not been a significant change in credit quality and the amounts are still considered recoverable. The Group do not hold any collateral over these balances.

Aging of past due but not impaired receivables:

	<u>2020</u>	<u>2019</u>
Past due for less than 3 months	85,771,198	62,528,987
Past due for more than 3 months and less than one year	14,729,298	15,918,709
Past due for more than one year	<u>4,230,488</u>	<u>3,158,302</u>
	<b><u>104,730,984</u></b>	<b><u>81,605,998</u></b>

In determining the recoverability of trade receivables, the Group considers any change in the credit quality of the receivables from the date the credit was granted up to the reporting date. At the reporting date, management has taken the current market conditions into account when assessing the credit quality of trade receivables. In addition, the concentration of credit risk is limited due to the customer base being large in number and unrelated. Accordingly, and taking all of the above into account, the directors believe that there is no further credit provision required in excess of the current allowance for doubtful debts.

Impaired trade receivables against which an allowance for doubtful debts has been made is:

	<u>2020</u>	<u>2019</u>
Past due for more than 6 months	3,192,579	10,589,403
Past due for more than 12 months	<u>21,154,236</u>	<u>16,154,104</u>
	<b><u>24,346,815</u></b>	<b><u>26,743,507</u></b>

## MIDDLE EAST GLASS MANUFACTURING COMPANY (S.A.E.)

### Notes to the consolidated financial statements - For the year ended 31 December 2020

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

#### 11. Prepaid expenses and other receivables

	<u>2020</u>	<u>2019</u>
Accrued export subsidies *	54,313,684	178,126,939
Other receivables	48,829,002	37,400,479
Advances to suppliers	36,495,848	39,175,416
Due from tax authority	91,623,445	45,594,720
Refundable deposits	31,340,143	29,885,079
Employees impress and loans	5,356,777	8,804,422
Prepaid expenses	6,532,766	2,461,427
	<u><b>274,491,665</b></u>	<u><b>341,448,482</b></u>

\* Export subsidy: During the period, the Group signed a settlement agreement with the Ministry of Finance and Ministry of Commerce and Industry to collect the outstanding balance of export subsidies receivables up to 30 June 2019 over a period of 5 years. Accordingly, the Group recognised a receivable for the present value of the estimated cash flows due under the new agreement, the present value was determined using a discount rate of 7.63%, which represents the prevailing market rate of interest for similar instrument. The effect of discounting and repayment term are as follows:

	<u>31 December 2020</u>
Face value	12,126,322
Effect of discounting charged to profit or loss	(1,229,179)
<b>Present Value</b>	<u><b>10,897,143</b></u>
	<u>31 December 2020</u>
Within one year	3,031,580
Later than one year	7,865,563
	<u><b>10,897,143</b></u>

#### 12. 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. The partners of joint arrangement and non-controlling interest are considered by the Group as related parties. 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 transactions and services provided from/to related parties, as well as other expenses.

The following are the transactions with related parties:

	<u>2020</u>	<u>2019</u>
<b>a. Sales of goods</b>		
Coca-Cola Bottling Company of Egypt – (CCBCE)	247,163,458	233,557,018
	<u><b>247,163,458</b></u>	<u><b>233,557,018</b></u>

## MIDDLE EAST GLASS MANUFACTURING COMPANY (S.A.E.)

### Notes to the consolidated financial statements - For the year ended 31 December 2020

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

#### Related parties (continued)

	2020	2019
<b>b. Purchases of goods</b>		
Coca-Cola Bottling Company of -Egypt – (CCBCE)	2,421,441	5,788,739
	<b>2,421,441</b>	<b>5,788,739</b>
<b>c. Key management compensation</b>		
Paid during the year	25,911,280	24,630,163
	<b>25,911,280</b>	<b>24,630,163</b>

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

	2020	2019
<b>Due from related parties</b>		
<u>Entities under common control:</u>		
Coca-Cola Bottling Company of Egypt	96,927,249	30,061,245
Sheba Investments	64,564,043	12,580,444
Sana'a Beverages and Industrial Company Limited (SBI)	122,472	122,478
	<b>161,613,764</b>	<b>42,764,167</b>
<b>Due to related parties</b>		
<u>Entity has a significant influence on the group:</u>		
Gulf Capital	427,688	526,058
	<b>427,688</b>	<b>526,058</b>

#### Sheba Investments

Sheba Investment is a related party because both the group and Sheba investment are ultimately controlled by the same controlling party. The transaction during the period represent payment on behalf of Sheba Investment.

#### The Coca-Cola Bottling Company of Egypt – (CCBCE)

Coca-Cola Bottling Company of Egypt – (CCBCE) is a related party under common ownership with the Company as the Group is ultimately controlled by the same controlling party. All transactions between both companies are based on signed agreements and the pricing for the sale of goods is arm's length based on normal trading rules, conditions and market prices.

#### Sanaa Beverages and Industrial Company Limited – (SBI)

Sanaa Beverages and Industrial Company Limited is a related party since it has common ownership with the Company. 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.

#### Gulf Capital

Gulf Capital is a related party as it is a shareholder in Middle East Glass Manufacturing Company (S.A.E.) with 36% stake. Transactions during the year represent payments on behalf of the Group.

## MIDDLE EAST GLASS MANUFACTURING COMPANY (S.A.E.)

### Notes to the consolidated financial statements - For the year ended 31 December 2020

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

#### 13. Cash and bank balances

	2020	2019
Current account at banks	469,226,843	36,837,850
Cash on hand	892,184	1,475,056
<b>Total</b>	<b>470,119,027</b>	<b>38,312,906</b>

#### Cash flows information

##### a. Non-cash transaction

For the cash flow statement preparation purposes, the Group posted non-cash transaction which is not presented in the statement of cash flows. As follows:

	2020	2019
Settlement of Employees' declared dividends against advances to employees was included under other receivables	(24,770,959)	(7,745,544)
Purchase of previously leased assets (Note 6)	(66,383,686)	-

##### b. Net debt reconciliation

	2020	2019
Cash and cash equivalent	470,119,027	38,312,906
Bank Overdraft	(294,034,497)	(222,519,917)
Borrowings – repayable within one year	-	(319,582,447)
Borrowing – repayable within after one year	(1,572,999,630)	(677,962,375)
<b>Total</b>	<b>(1,396,915,100)</b>	<b>(1,181,751,833)</b>

	Cash and cash equivalent	Bank Overdraft	Borrowing due within 1 year	Borrowing due after 1 year	Total
Net debt as at 1 January 2020	38,312,906	(222,519,917)	(319,582,447)	(677,962,375)	(1,181,751,833)
Cash flows	407,948,275	(71,514,580)	320,168,343	(867,869,641)	(211,267,603)
Foreign exchange adjustment	23,857,846	-	(585,896)	(27,167,614)	(3,895,664)
<b>Net debt as at 31 December 2020</b>	<b>470,119,027</b>	<b>(294,034,497)</b>	<b>-</b>	<b>(1,572,999,630)</b>	<b>(1,396,915,100)</b>

#### 14. Provisions

	Other provisions	2020	2019
Balance at beginning of the year	31,607,719	31,607,719	31,464,238
Provision no longer required	-	-	(12,871,665)
Additions during the year	9,785,957	9,785,957	14,015,146
Utilised during the year	(6,229,453)	(6,229,453)	(1,000,000)
<b>Balance at end of the year</b>	<b>35,164,223</b>	<b>35,164,223</b>	<b>31,607,719</b>

#### Other provisions

Other 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, discussions and agreements with those external parties.

## MIDDLE EAST GLASS MANUFACTURING COMPANY (S.A.E.)

### Notes to the consolidated financial statements - For the year ended 31 December 2020

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

#### 15. Bank borrowings and overdraft

	<u>2020</u>	<u>2019</u>
<b>A. Borrowings - current portion</b>		
Bank loans	-	677,962,375
Bank overdrafts	294,034,497	222,519,917
<b>Total current portion</b>	<u>294,034,497</u>	<u>900,482,292</u>
<b>B. Borrowings non-current portion</b>		
Bank loans	1,572,999,630	319,582,447
<b>Total non-current portion</b>	<u>1,572,999,630</u>	<u>319,582,447</u>
<b>Total</b>	<u>1,867,034,127</u>	<u>1,220,064,739</u>

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 \$100Million 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.

This transaction was treated as the extinguishment of old medium-term loan facilities of EGP (999,373,638) and recognition of the new debt for the same amount on a medium-term basis in accordance with the refinance transaction. The loans have a seven-year tenor with 18-month grace and carries interest at 6-month LIBOR plus a margin. Transaction cost of EGP 31 million was charged to the statement of profit or loss.

The loans are secured with the following security package:

- First ranking real estate mortgage over the lands and buildings owned by the Group.
- Commercial establishment mortgage over Group movable assets.
- Restrictions over transfers of subsidiaries’ shares owned by the Company.

#### 16. Lease liabilities

	<u>31 December 2020</u>	<u>31 December 2019</u>
<b>Commitments in relation to leases are payable as follows:</b>		
Within one year	-	24,704,338
Later than one year and less than 5 years	-	63,029,944
<b>Minimum lease payments</b>	<u>-</u>	<u>87,734,282</u>
Discount Rate	-	19%
<b>The present value of lease liabilities is as follows:</b>		
Within one year	-	13,777,915
Later than one year	-	48,696,608
<b>Present Value of Minimum Lease Payments</b>	<u>-</u>	<u>62,474,523</u>

During the year, the Group purchased certain previously leased equipment that was previously recognized as right of use assets with a carrying amount of EGP 56,283,294 as at 21 July 2020. The Group prepaid the outstanding lease liabilities which resulted in an early settlement cost of EGP 4,030,993 that was charged to profit or loss during the year.

## MIDDLE EAST GLASS MANUFACTURING COMPANY (S.A.E.)

### Notes to the consolidated financial statements - For the year ended 31 December 2020

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

#### 17. Trade and notes payables

	<u>2020</u>	<u>2019</u>
Trade payable	244,764,003	300,948,065
Notes payable	35,982,233	52,304,654
	<u>280,746,236</u>	<u>353,252,719</u>

#### 18. Accrued expenses and other payables

	<u>2020</u>	<u>2019</u>
Accrued expenses	110,044,940	111,623,078
Advances from customers	28,784,322	36,871,648
Accrued interest expense	20,212,048	40,960,330
Due to tax authority	49,857,998	29,991,255
Other payables	41,031,286	27,219,586
Social insurance authority	1,896,859	1,667,569
	<u>251,827,453</u>	<u>248,333,466</u>

#### 19. Income tax liability

	<u>2020</u>	<u>2019</u>
Balance at the beginning of the year	12,754,836	72,717,321
Additions from discontinued operations (Note 36)	5,180,454	19,039,459
Additions from continuing operations (Note 34)	223,655	12,948,869
Settlement against export subsidy	-	(5,148,174)
Settlement against withholding tax	-	(13,864,116)
Payments to tax authority	(18,158,945)	(72,938,523)
Balance at the end of the year	<u>-</u>	<u>12,754,836</u>

#### 20. Issued and paid up capital

The total number of authorized ordinary shares is 15 million shares with a par value of EGP10 per share. The issued and paid up capital is 5,032,258 shares with a par value of EGP 10 per share. All issued shares are fully paid.

On 26 January 2015, an Extraordinary General Assembly Meeting of Shareholders approved an increase of the issued share capital from EGP 40,000,000 (forty million Egyptian pounds) to EGP 50,322,580 (fifty million nine hundred twenty two thousand five hundred and eighty Egyptian Pounds) with an amount of EGP 10,322,580 (ten million three hundred twenty two thousand five hundred and eighty Egyptian Pounds) by issuing 1,322,580 new shares for subscription by the existing shareholders at a fair value of EGP 198.84 per share amounting to a total amount of EGP 205,254,181 (two hundred and five million two hundred fifty four thousand one hundred and eighty one Egyptian Pounds). The difference between the nominal value and fair value of the shares is recorded in reserves account. The increase was approved in the commercial register on 26 June 2015.

## MIDDLE EAST GLASS MANUFACTURING COMPANY (S.A.E.)

### Notes to the consolidated financial statements - For the year ended 31 December 2020

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

#### 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:

	<u>2020</u>
Share premium	194,931,601
Less: Issuance cost	(6,414,554)
<b>Net share premium</b>	<b>188,517,047</b>
Transferred to legal reserve	(16,299,885)
<b>Transferred to share premium reserve</b>	<b>172,217,162</b>

#### 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.

#### Payments under capital increase

According to the resolution of the Extra Ordinary General Assembly Meeting held on 2018, the shareholders decided to convert the shareholder loan amounted EGP 432,825,002 into share capital and accordingly, the balance has been recognized as payment under increase in capital in the statement of shareholders' equity till the finalization of legal requirements.

#### Share split:

On 14 September 2018, the Extraordinary General Assembly Meeting approved a ten-for-one share split of its ordinary share, accordingly the shares par value has become 1 EGP instead of EGP 10 per share before split and the number of issued shares became 50,322,580 instead of 5,032,258. The share split has been approved in the commercial register on 31 January 2019. Earnings per share information have been retrospectively adjusted to reflect new number of shares and par value.

#### 21. 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.

#### 22. Accumulated losses

	<u>2020</u>	<u>2019</u>
Balance at beginning of the year	(143,362,079)	(278,333,396)
Net profit for the year	93,078,357	157,556,317
Dividends distribution during the year	(24,770,959)	(7,745,545)
Cumulative effect on adoption of EAS 49	-	(14,839,455)
<b>Balance at end of the year</b>	<b>(75,054,681)</b>	<b>(143,362,079)</b>



## MIDDLE EAST GLASS MANUFACTURING COMPANY (S.A.E.)

### Notes to the consolidated financial statements - For the year ended 31 December 2020

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

#### 23. Retirement benefits obligation

##### Defined benefit obligation

Employees of the Group are entitled upon their retirement, partial disability or to an end of service 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 defined benefit obligation is calculated using the projected additional unit method takes into consideration the principal actuarial assumptions as follows:

	<u>2020</u>	<u>2019</u>
Discount rate	14.2%	18%
Average salary increase rate	7%	7%
Life table	49-52	49-52

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

	<u>2020</u>	<u>2019</u>
Present value of obligation	9,853,923	9,895,854
Liabilities as per the statement of financial position	<u>9,853,923</u>	<u>9,895,854</u>

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

	<u>2020</u>	<u>2019</u>
<b>Balance at beginning of the year</b>	<b>9,895,854</b>	<b>10,014,978</b>
Interest expense	2,080,707	1,414,177
Current service cost	1,054,390	779,661
Gain on settlement of retirement benefit obligation	(452,394)	(320,933)
<b>Total amount recognised in profit or loss</b>	<b>2,682,703</b>	<b>1,872,905</b>
<b>Remeasurement</b>		
Gains from change in financial assumptions	-	-
Total amount recognised in OCI	-	-
Benefit payments during the year	(2,724,634)	(1,992,029)
<b>Balance at end of the year</b>	<b>9,853,923</b>	<b>9,895,854</b>

#### 24. Fair value measurement

##### Fair value of financial instruments

Fair value is the price that would be received to sell an asset or paid to settle a liability in an orderly 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 pay the liability takes place either:

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

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

## MIDDLE EAST GLASS MANUFACTURING COMPANY (S.A.E.)

### Notes to the consolidated financial statements - For the year ended 31 December 2020

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

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#### Fair value measurement (continued)

The table below shows the financial assets and liabilities at fair value in the consolidated financial statements at 31 December 2020 within the hierarchy of the fair value, based on the input levels that are considered to be significant to the fair value measurement as a whole:

- Level 1 - Inputs of quoted prices (unadjusted) in active markets for identical assets or liabilities, which the Group can have access to at the date of measurement.
- Level 2- Inputs other than quoted prices included within level 1 that are observable for the asset or liability, either directly or indirectly, the fair value of financial assets at fair value through profit or loss is measured within this category
- Level 3- Unobservable inputs of the asset or the liability, fair value of derivative financial instruments are measured within this category

The fair values of financial instruments are not materially different from their carrying values. The fair value of financial assets and liabilities are considered at the amount at which the instrument could be exchanged in a current transaction between willing parties. The following methods and assumptions were used to estimate the fair values:

- Bank balances and cash, trade receivables, other financial assets, due from related parties, trade and other payables and due to related parties approximate their carrying amounts, largely due to the short-term maturities of these instruments.
- Fair value of bank loans approximates its fair value since the loans bears floating market rate of interest hence the loans principal approximate fair value.
- Fair value of investment at fair value through profit or loss was determined using market comparison technique. The valuation model is based on market multiples derived from quoted prices of companies comparable to the investee, adjusted for the effect of the non-marketability of the equity securities, and the revenue and EBITDA of the investee. The estimate is adjusted for the net debt of the investee. This is a level 2 recurring Fair value measurement using significant observable input.
- The fair value of put and call options were determined using significant unobservable input within level 3 within the fair value hierarchy as follows:

The fair value was determined using Black-Scholes-Merton options pricing model.

Earnings before interest, tax, depreciation and amortization "EBITDA"; this was determined in accordance with a projected business plan approved by management.

Maturity	1.6 years for the put option
Volatility	Assumed to be 59.25% based on the EGX 30
Risk free rate	Estimated to be 13.44% based on the yield of Egyptian Government Bonds maturing closest to the maturity date of the options

Regarding the exercise dates of the put and call options, for the assessment of fair value, the management assumed that the put option would be exercised earlier than the time when the call option becomes exercisable. Therefore, the call option is expected to expire before it becomes exercisable and therefore, assigned a zero value as at 31 December 2020.

#### Sensitivity of fair value to the changes in significant inputs:

If the risk-free rate increase / decrease in by 1% with the rest of the inputs remaining constant, the fair value of the put option will decrease / increase by EGP 3 million.

If the volatility rate is increase/ decrease by 1% with the other inputs remaining constant, the fair value of the put option will decrease / increase by EGP 1 million.

## MIDDLE EAST GLASS MANUFACTURING COMPANY (S.A.E.)

### Notes to the consolidated financial statements - For the year ended 31 December 2020

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

#### 25. Deferred tax liabilities

##### A. Recognized deferred tax asset (liability)

	<u>2020</u>		<u>2019</u>			
Property, plant and equipment	(63,156,316)		(19,890,646)			
Retirement benefit obligation	2,217,133		2,226,567			
Tax effect of unrealized foreign currency	(3,837,309)		(1,297,420)			
Unrealized revaluation gain of Fair value investment	(17,065,776)		(22,275,180)			
Fair value surplus of Acquired assets	(36,204,980)		(27,158,830)			
Carry forward tax loss	13,830,214		-			
	<b>(104,217,034)</b>		<b>(68,395,509)</b>			

	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 January 1, 2019	(44,718,239)	4,587,797	-	(34,940,349)	(28,291,430)	21,204,919	(82,157,302)
Tax charged on the statement of profit or loss (Note 34)	(6,056,148)	(2,361,230)	(1,297,419)	7,781,519	6,016,250	9,678,822	13,761,794
<b>Balance at 31 December 2019 and 1 January 2020</b>	<b>(50,774,387)</b>	<b>2,226,567</b>	<b>(1,297,419)</b>	<b>(27,158,830)</b>	<b>(22,275,180)</b>	<b>30,883,741</b>	<b>(68,395,508)</b>
Tax charged on the statement of profit or loss (Note 34)	(12,381,929)	(9,434)	(2,539,890)	(9,046,150)	5,209,404	(17,053,527)	(35,821,526)
<b>Balance at 31 December 2020</b>	<b>(63,156,316)</b>	<b>2,217,133</b>	<b>(3,837,309)</b>	<b>(36,204,980)</b>	<b>(17,065,776)</b>	<b>13,830,214</b>	<b>(104,217,034)</b>

##### B. Unrecognized deferred tax assets

Unrecognized deferred tax assets were not recorded due to the uncertainty of future benefit.

	<u>2020</u>	<u>2019</u>
Tax effect of impairment of trade and notes receivable	174,522	2,076,017
Tax effect on inventory provision	-	5,035,253
Tax effect on net fair value loss on derivative financial instruments	-	4,411,831
	<b>174,522</b>	<b>11,523,101</b>

#### 26. Sales

	<u>2020</u>	<u>2019</u>
Local sales	771,245,180	870,428,737
Export sales	832,062,410	844,996,010
<b>Total</b>	<b>1,603,307,590</b>	<b>1,715,424,747</b>

## MIDDLE EAST GLASS MANUFACTURING COMPANY (S.A.E.)

### Notes to the consolidated financial statements - For the year ended 31 December 2020

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

#### 27. Cost of sales

	<u>2020</u>	<u>2019</u>
Raw materials and consumables used in production	350,475,019	412,874,268
Water and electricity expense	297,498,057	338,457,841
Salaries and fringe benefits	170,755,682	165,615,735
Depreciation and amortization	121,456,350	140,224,539
Maintenance expenses	60,622,276	59,832,815
Change in inventory	30,721,532	30,726,939
Rent expense	4,683,572	6,072,133
Vehicle and transportation	45,110	46,297
Other expenses	15,304,434	12,084,819
	<u><b>1,051,562,032</b></u>	<u><b>1,165,935,386</b></u>

#### 28. Selling and marketing expenses

	<u>2020</u>	<u>2019</u>
Exports expenses	121,938,925	134,434,607
Salaries and fringe benefits	30,137,243	27,384,998
Rent expense	15,903,742	13,160,450
Advertisement and marketing	5,376,542	3,145,313
Vehicle and transportation	34,439	7,651,798
Other expenses	6,762,722	6,539,340
Depreciation and amortization	2,381,187	2,061,742
Water and electricity expense	1,065,363	2,344,200
	<u><b>183,600,163</b></u>	<u><b>196,722,448</b></u>

#### 29. General and administrative expenses

	<u>2020</u>	<u>2019</u>
Salaries and fringe benefits	67,151,095	57,854,660
Depreciation and amortization	16,107,395	17,991,801
Maintenance expenses	3,845,688	4,727,613
Other expenses	5,421,353	7,654,682
Professional and consultancy fees	5,832,410	4,872,871
Water and electricity expense	3,526,695	3,302,216
Rent expense	2,584,552	2,739,691
Vehicle and transportation	237,002	211,865
	<u><b>104,706,190</b></u>	<u><b>99,355,399</b></u>

## MIDDLE EAST GLASS MANUFACTURING COMPANY (S.A.E.)

### Notes to the consolidated financial statements - For the year ended 31 December 2020

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

#### 30. Other operating expense

	<u>2020</u>	<u>2019</u>
Other expense *	64,995,307	53,405,933
Other provision (Note 14)	9,785,957	14,015,146
Loss on sale of Property, plant and equipment	4,996,382	239,064
Provision for doubtful receivables (Note 10)	775,652	8,147,086
Provision for decline in inventory value (Note 9)	-	83,327
Fair value loss on investment	-	10,067,544
	<u>80,553,298</u>	<u>85,958,100</u>

\* The amount includes EGP 6 million representing cost incurred from a fire accident which occurred during the period in one of the group's production lines. The group submitted a claim to its insurer provider details of capital losses so that it may recover such losses 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 a regular manner. There was no significant Effect on the operations.

No reimbursement income is recognized in the statement of profit or loss for the period, which will be recognized only when a final assessment of the claim is agreed with the insurance company.

#### 31. Other operating income

	<u>2020</u>	<u>2019</u>
Accrued export subsidy	56,258,989	76,059,296
Insurance recovery relating to fire	20,190,000	-
Net Gain from fair value on derivative	40,205,112	-
Scrap sales	7,308,754	9,071,288
Amount released from escrow account related to acquisition of Misr for Glass Manufacturing	6,093,300	-
Provisions no longer required (Note 10,14)	3,172,344	12,871,665
Other income	605,162	860,258
	<u>133,833,661</u>	<u>98,862,507</u>

#### 32. Finance costs

	<u>2020</u>	<u>2019</u>
Interest expense	151,083,861	244,449,101
Finance leases prepayment losses	4,030,993	-
Export Subsidy early settlement loss*	22,104,690	-
Debt modification transaction cost	31,185,393	-
	<u>208,404,937</u>	<u>244,449,101</u>

- This amount represents the loss resulted from settling long term export subsidy receivables under the early settlement initiative announced by the Minister of Finance. Under this initiative, The group received a lump-sum payment from one of the commercial banks against a 15% discount from the total amount due.

## MIDDLE EAST GLASS MANUFACTURING COMPANY (S.A.E.)

### Notes to the consolidated financial statements - For the year ended 31 December 2020

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

#### 33. Finance income

	<u>2020</u>	<u>2019</u>
Interest income	298,634	97,628
Foreign currency exchange gains	3,895,664	69,198,586
	<u>4,194,298</u>	<u>69,296,214</u>

#### 34. Income tax

	<u>2020</u>	<u>2019</u>
Deferred income tax (Note 25)	(35,821,525)	13,761,793
Current income tax (Note 19)	(223,655)	(12,948,869)
	<u>(36,045,180)</u>	<u>812,924</u>

	<u>2020</u>	<u>2019</u>
Profit before tax	<b>111,279,750</b>	<b>91,975,958</b>
Tax calculated using enacted tax rate	25,037,944	20,694,591
Non-deductible expenses for tax purpose	17,958,153	32,740,200
Deductible expenses / Non Deductable revenue for tax purpose	(15,895,304)	(19,339,382)
Difference between Accounting Depreciation & Tax Depreciation	(6,240,768)	6,598,745
Losses Carry-forward	(20,636,370)	(27,745,285)
Deferred income tax	35,821,525	(13,761,793)
<b>Income tax</b>	<u><b>36,045,180</b></u>	<u><b>(812,924)</b></u>

#### 35. Earnings per share

Basic earnings / (loss) per share is calculated by dividing the net profit / (loss) attributable to the shareholders of the parent company by the weighted average number of ordinary shares issued, after considering the proposed employees' profit share.

##### A. Earnings per share from continuing operations

	<u>2020</u>	<u>2019</u>
Net profit attributable to owners' equity	75,234,570	91,975,958
Weighted average number of issued and paid shares	50,322,580	50,322,580
<b>Earnings per share</b>	<u><b>1.50</b></u>	<u><b>1.83</b></u>

##### B. Earnings per share from discontinued operations

	<u>2020</u>	<u>2019</u>
Net profit attributable to owners' equity	17,843,787	65,580,359
Weighted average number of issued and paid shares	50,322,580	50,322,580
<b>Earnings per share</b>	<u><b>0.35</b></u>	<u><b>1.30</b></u>

## MIDDLE EAST GLASS MANUFACTURING COMPANY (S.A.E.)

### Notes to the consolidated financial statements - For the year ended 31 December 2020

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

#### Earnings per share (continued)

The diluted earnings per share is calculated by adjusting the weighted average number of ordinary shares outstanding assuming full conversion of all potential dilutive ordinary shares. As of 31 December 2020, and 31 December 2019, the parent company does not have potential diluted shares and therefore, diluted earnings per share is equal to basic earnings per share.

#### 36. Assets and liabilities of disposal group classified as held-for-sale and discontinued operations

In October 2017, the Board of Directors of the Group approved the sale of 74% of its 60% investment in "Medco Plast for Packing and Packaging System S.A.E." (Medco Plast).

On 13 November 2018, the transaction closed and the consideration for the sales shares representing 74% of its investments in Medco Plast amounted to EGP 505,847,342 of which EGP 101,169,486 was held in escrow account for completion price adjustment and potential warranty and tax claim in accordance with the terms of the sale and purchase agreement which is customary in sale transaction. The Group retains a non-controlling interest of 15.6% in the issued capital of Medco Plast which is recognized as an investment in associate. The value of the investment in associate was measured at fair value at loss of control date.

The table below shows the results of the discontinued operations for the year ended 31 December 2020 and for the year ended 31 December 2019:

	2020	2019
Other income *	23,024,241	84,619,818
<b>Profit of discontinued operations</b>	<b>23,024,241</b>	<b>84,619,818</b>
Income tax	(5,180,454)	(19,039,459)
<b>Profit of discontinued operations after tax</b>	<b>17,843,787</b>	<b>65,580,359</b>
Gain on sale of discontinued operations – net of tax (e)	-	-
<b>Profit from discontinued operations</b>	<b>17,843,787</b>	<b>65,580,359</b>

\* Other income comprises amounts released from the deferred portion of Medco Plast sale consideration. This deferred consideration was initially retained in escrow account in accordance with the terms of the sale and purchase agreement and was released during the period after receiving the final completion price adjustment report.

#### 37. Financial instruments by category

##### Financial assets:

	Loans and receivables		Fair value P&L	
	2020	2019	2020	2019
Trade and notes receivables	290,424,210	298,749,396	-	-
Other receivables	139,839,606	254,216,920	-	-
Due from related parties	161,613,764	42,764,167	-	-
Financial assets at fair value	-	-	160,911,024	120,705,911
Cash and bank balances	470,119,027	38,312,906	-	-

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### Notes to the consolidated financial statements - For the year ended 31 December 2020

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#### Financial instruments by category (continued)

##### Financial liabilities:

	Other financial liabilities		Fair value P&L	
	2020	2019	2020	2019
Bank overdrafts	294,034,497	222,519,917	-	-
Bank borrowings	1,572,999,630	997,544,822	-	-
Lease Liability	-	62,474,523	-	-
Trade and notes payable	280,746,236	353,252,719	-	-
Accrued expenses and other payables	171,286,387	179,802,994	-	-
Due to related parties	427,688	526,058	-	-

- Other receivables presented above excludes prepaid expenses, advances to suppliers and tax receivable.
- Accrued expenses and other payables presented above excludes advances from customers, social insurance authority and tax liabilities.

#### 38. Segment reporting

The Group's activities are organised into one segment which is wholly related to the manufacturing and sale of glass containers. This is in accordance with the presentations to the Board of Directors. Therefore, entity wide information required under EAS 41 "operating segments" are already included in the financial statements so no further information require disclosures.

#### 39. Contingencies

The Group had contingent liabilities in respect of letters of guarantees arising in the ordinary course of business from which it is anticipated that no material liabilities will arise to third parties amounting to LE642,281 as of 31 December 2020 (2019: LE 647,281).

#### 40. Commitments

##### Capital commitments

At 31 December 2020, the Group has capital commitments amounting to 8,869,827 EGP (2019: EGP 8,315,546) for buildings and machineries.

#### 41. Covid-19 implication

In response to the spread of the Covid-19 pandemic in Egypt and other territories and its resulting disruption to the social and economic activities in those markets, the Group's management has proactively assessed its impact on its operations and has taken a series of preventative measures, including the creation of on-going crisis management teams and processes, to ensure the health and safety of its employees, customers, consumers and the wider community as well as to ensure the continuity of supply of its products throughout its markets.

The Group manufactures and sells glass containers to its customers who operate in the food, beverage and pharmaceutical industries. These industries currently remain largely unaffected as they are exempt from the bans and constraints imposed by various regulatory authorities including exemption from lock-down hours and cargo shipping and flight operations restrictions. Based on these factors, management believes that the Covid-19 pandemic has had no material effect on the Group's reported financial results for year ended 31 December 2020. The management continues to monitor the situation closely.



## MIDDLE EAST GLASS MANUFACTURING COMPANY (S.A.E.)

### Notes to the consolidated financial statements - For the year ended 31 December 2020

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

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#### Covid-19 implication (continued)

However, as explained above, the Group has reviewed the key sources of estimate uncertainties disclosed in the last annual consolidated financial statements against the backdrop of Covid-19 pandemic as follows:

Impairment of non-financial assets: There are no indicators of impairment in the activities of the business, as all the cash generating units are operating at normal capacity while the gross margin remains consistent with prior periods and budget.

Impairment of financial assets: The Group manufactures its products in accordance with customers' specifications under enforceable contracts that specify prices and quantities to be delivered. As explained above, the group's major customers are not affected by the situation, also there is not a substantial shift in the aging profile that would suggest financial difficulty of the counterparties. Hence there are no indicators of impairment in respect of the group's financial assets subject to impairment measurement.

All other sources of estimate uncertainty remain similar to those disclosed in the annual consolidated financial statements. Management will continue to monitor the situation and any changes required will be reflected in future reporting periods.