

**MIDDLE EAST GLASS MANUFACTURING COMPANY
AND ITS SUBSIDIARIES**

**AUDITOR'S REPORT
AND CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2023**

MIDDLE EAST GLASS MANUFACTURING COMPANY AND ITS SUBSIDIARIES

Consolidated financial statements - For the year ended 31 December 2023

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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. (the "Company") and its subsidiaries (together the "Group") which comprise the consolidated statement of financial position as of 31 December 2023 and the consolidated statements of profit or loss, comprehensive income, changes in equity and cash flows for the financial year then ended, and a summary of significant accounting policies and other notes.

Management's responsibility for the consolidated financial statements

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

Auditor's responsibility

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

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

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



Auditor's report (continued)

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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. and its subsidiaries as of 31 December 2023, and their financial performance and their cash flows for the financial year then ended in accordance with Egyptian Accounting Standards and in light of the related Egyptian laws and regulations.



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

12 March 2024
Cairo

MIDDLE EAST GLASS MANUFACTURING COMPANY AND ITS SUBSIDIARIES

Consolidated Statement of Financial Position – As of 31 December 2023

(All amounts in Egyptian Pounds)


	Note	2023	2022
Assets			
Non-current assets			
Property, plant and equipment	13	2,143,848,883	1,748,230,139
Prepayments of Property, plant and equipment		27,933,084	50,018,391
Intangible assets	14	271,228,653	261,025,962
Deferred tax asset	15	122,537,597	67,458,128
Total non-current assets		2,565,548,217	2,126,732,620
Current assets			
Inventories	16	612,493,009	547,067,601
Trade and notes receivables	17	562,852,018	468,338,671
Contract Assets	4	230,189,920	182,939,835
Debtors and other receivables	18	517,284,034	371,603,989
Due from Related Parties	28(a)	4,171,547	36,085,150
Cash and cash equivalents	19	1,027,609,887	731,576,115
Total current assets		2,954,600,415	2,337,611,361
Total assets		5,520,148,632	4,464,343,981
Liabilities			
Current liabilities			
Provisions	20	90,349,002	44,897,977
Trade and notes payable	21	552,690,225	521,424,327
Creditors and other Payables	22	519,764,736	418,788,849
Due to related parties	28(b)	-	130,300
Income tax liability	23	207,330,118	132,660,178
Bank Borrowings – current portion	24	1,083,883,479	751,071,927
Interest payable		62,118,850	49,171,829
Total current liabilities		2,516,136,410	1,918,145,387
Non-current liabilities			
Bank borrowings – non-current portion	24	1,544,500,073	1,649,428,044
Retirement benefits obligations	25	11,761,153	13,488,076
Deferred tax liabilities	15	8,703,246	3,779,322
Total non-current liabilities		1,564,964,472	1,666,695,442
Total liabilities		4,081,100,882	3,584,840,829
Equity			
Issued and paid-up capital	26(a)	62,627,993	62,627,993
Reserves	26(b)	674,052,337	674,052,337
Retained earnings	26(c)	702,367,420	142,822,822
Total equity		1,439,047,750	879,503,152
Total equity and liabilities		5,520,148,632	4,464,343,981

- The notes from (1) to (33) are integral part of these consolidated financial statements.

- Auditor's report attached.


 Mohamed Khalifa
 Chief Financial Officer


 Peter Carpenter
 Director


 Abdul Galil Beshar
 Chairman

12 March 2024

MIDDLE EAST GLASS MANUFACTURING COMPANY AND ITS SUBSIDIARIES

Consolidated statement of profit or loss - For the year ended 31 December 2023

(All amounts in Egyptian Pounds)

	Note	2023	2022
Revenue from contracts with customers	4	4,013,262,611	2,764,276,515
Cost of sales	5	(2,328,658,716)	(1,873,042,410)
Gross profit		1,684,603,895	891,234,105
Selling and marketing expenses	5	(104,511,952)	(80,531,512)
General and administrative expenses	5	(171,757,860)	(132,117,926)
Other operating expense	6	(140,410,944)	(51,456,928)
Other operating income	7	362,316,794	436,400,431
Operating profit		1,630,239,933	1,063,528,170
Finance costs	8	(379,781,632)	(185,403,703)
Foreign exchange loss		(512,614,154)	(804,853,856)
Finance income	9	61,454,980	36,901,833
Net finance costs		(830,940,806)	(953,355,726)
Profit before income tax		799,299,127	110,172,444
Income tax expense	10	(201,256,724)	(34,238,279)
Profit for the year		598,042,403	75,934,165
Basic and diluted earnings per share attributable to the ordinary shareholders of the Company.			
Basic earnings per share	11(a)	8.83	0.72
		8.83	0.72
Diluted earnings per share	11(b)	8.83	0.72
		8.83	0.72

- The notes from (1) to (33) are integral part of these consolidated financial statements.

MIDDLE EAST GLASS MANUFACTURING COMPANY AND ITS SUBSIDIARIES**Consolidated statement of comprehensive income - For the year ended 31 December 2023**

(All amounts in Egyptian Pounds)	2023	2022
Profit for the year	598,042,403	75,934,165
Other comprehensive income	-	-
Total comprehensive income for the year	598,042,403	75,934,165
Total comprehensive income for the year is attributable to:		
Owners' equity	598,042,403	75,934,165
	598,042,403	75,934,165

- The notes from (1) to (33) are integral part of these consolidated financial statements.

MIDDLE EAST GLASS MANUFACTURING COMPANY AND ITS SUBSIDIARIES

Consolidated statement of changes in equity - For the year ended 31 December 2023

(All amounts in Egyptian Pounds)

	Issued and paid-up capital	Reserves			Payment under capital increase	Retained earnings	Total owners' equity
		Legal reserve	Share premium reserve	Other reserve			
Balance at 1 January 2022	50,322,580	25,161,260	172,217,162	13,129,007	432,825,002	89,586,208	783,241,219
Profit for the year	-	-	-	-	-	75,934,165	75,934,165
Capital Increase (Note 26(a))	12,305,413	6,152,736	457,392,172	-	(432,825,002)	-	43,025,319
Profit Sharing distribution to employees	-	-	-	-	-	(22,697,551)	(22,697,551)
Balance at 31 December 2022	62,627,993	31,313,996	629,609,334	13,129,007	-	142,822,822	879,503,152
Balance at 1 January 2023	62,627,993	31,313,996	629,609,334	13,129,007	-	142,822,822	879,503,152
Profit for the year	-	-	-	-	-	598,042,403	598,042,403
Profit Sharing distribution to employees	-	-	-	-	-	(38,497,805)	(38,497,805)
Balance at 31 December 2023	62,627,993	31,313,996	629,609,334	13,129,007	-	702,367,420	1,439,047,750

- The notes from (1) to (33) are integral part of these consolidated financial statements.

MIDDLE EAST GLASS MANUFACTURING COMPANY AND ITS SUBSIDIARIES

Consolidated statement of cash flows - For the year ended 31 December 2023

(All amounts in Egyptian Pounds)	<u>Note</u>	<u>2023</u>	<u>2022</u>
Cash flows from operating activities			
Profit for the year before tax		799,299,127	110,172,444
Adjusted by:			
Interest expense	8	360,554,437	174,057,901
Interest income	9	(61,454,980)	(36,901,832)
Depreciation and amortization	5	230,743,866	177,061,139
Loss on sale of property and equipment	6	260,846	3,287,021
Provisions formed	6	59,767,157	15,066,212
Provisions no longer required	7	(2,208,400)	(510,544)
Retirement benefit obligations	25	531,549	6,725,035
Foreign exchange loss		512,614,154	804,853,856
Operating profit before changes in working capital		1,900,107,756	1,253,811,232
Changes in working capital			
Inventories		(71,071,951)	(267,543,260)
Trade and notes receivable		(92,304,947)	(135,624,464)
Contract Assets		(47,250,085)	(101,473,082)
Debtors and other receivables		(227,283,071)	(157,035,477)
Due from related parties		31,913,603	77,052,554
Trade and notes payable		31,265,897	159,409,973
Creditors and other payables		99,809,191	127,085,841
Due to related parties		(130,300)	(174,474)
Provisions used	20	(8,669,589)	(8,281,928)
Cash flows generated from operations		1,616,386,504	947,226,915
Payment of employees' retirement benefits	25	(2,258,472)	(2,686,876)
Interest paid		(350,600,746)	(147,030,385)
Income tax paid		(128,500,151)	(41,348,379)
Net cash flows generated from operating activities		1,135,027,135	756,161,275
Cash flows from investing activities			
Purchase of property, plant and equipment		(585,064,155)	(427,604,944)
Purchase of intangible assets	14	(11,433,170)	(232,465)
Advance payments for property, plant and equipment supplier		(27,446,001)	(50,018,391)
Payment for purchase of financial assets at amortized cost		(611,463,095)	(212,256,921)
Proceeds from matured financial assets at amortized cost		508,735,288	224,766,682
Proceeds from sale of property, plant and equipment		9,202,486	1,838,658
Interest received		68,986,567	34,200,061
Net cash flows used in investing activities		(648,482,080)	(429,307,320)
Cash flows from financing activities			
Short term credit facilities – net movement		230,340,613	10,287,194
Repayment of bank borrowings		(515,071,186)	(315,063,459)
Capital Increase	26 (a)	-	43,025,319
Net cash flows used in financing activities		(284,730,573)	(261,750,946)
Net increase in Cash		201,814,482	65,103,009
Cash and cash equivalents at beginning of the year		598,950,218	533,847,209
Cash at end of the year		800,764,700	598,950,218
Cash and cash equivalents are represented as follows:			
Cash		800,764,700	598,950,218
Financial assets at amortized cost (with maturity less than 3 months)		226,845,187	132,625,897
Cash and cash equivalents at end of the year	19	1,027,609,887	731,576,115

- The notes from (1) to (33) are integral part of these consolidated financial statements.

MIDDLE EAST GLASS MANUFACTURING COMPANY AND ITS SUBSIDIARIES

Notes to the consolidated financial statements - For the year ended 31 December 2023

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

1. General information

Middle East Glass Manufacturing Company was established in 1979 as an Egyptian joint stock Group under the provisions of Law No. 43 of 1974 as amended by Law No. 230 of 1989 as amended by Law No. 8 of 1997, and is registered in the commercial register under number 193770 Cairo. The address of the Company's registered office is Nasr City, 6 Mokhayam El-Daem Street 6thDistrict, 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 Group's main activity is manufacturing all kinds of glass containers and the acquisition of other entities that operate in the same field.

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

These consolidated financial statements were approved for issuance by the Board of Directors of the Company on 12 March 2024.

Percentage of ownership in subsidiaries

The group consists of the companies below as of 31 December 2023 and 31 December 2022 unless otherwise was noted, and the percentage of the Group's share of the companies is direct ownership of the ordinary shares of the paid-up capital only.

Subsidiaries	Location	Functional currency	Ownership interest held by the group 2023	Ownership interest held by the group 2022	Activity
Middle East Glass Containers Sadat	Egypt	Egyptian Pound	99.99992%	99.99992%	Manufacturing Glass Containers
MEG Misr for Glass MEG (S.A.E)	Egypt	Egyptian Pound	99.99993%	99.99993%	Sale & distribution of glass.
Misr for Glass Manufacturing S.A.E.	Egypt	Egyptian Pound	Owned 99.9997% by MEG Misr for Glass MEG (S.A.E)	Owned 99.9997% by MEG Misr for Glass MEG (S.A.E)	Manufacturing all kinds of Glass Containers and the acquisition of other entities that operate in the same field

2. Basis of preparation

i. Basis of preparation of the consolidated financial statements

These consolidated financial statements have been prepared in accordance with Egyptian Accounting Standards (EASs) and the relevant laws, and on the basis of the historical cost convention, except for the employees' end of service benefit which is recognized at the present value of the defined benefit obligation using the Projected Unit Credit Method.

MIDDLE EAST GLASS MANUFACTURING COMPANY AND ITS SUBSIDIARIES

Notes to the consolidated financial statements - For the year ended 31 December 2023

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

2. Basis of preparation (continued)

ii. Summary of material amendments of the Egyptian Accounting Standards 2023

"Minister of Investment issued decree number (883) for the year 2023 on March 6, 2023, amending some provisions of the Egyptian Accounting Standards, which include new accounting standards and amendments to some existing standards. The most important amendments can be summarized as follows and will be applicable for financial periods starting on or after January 1, 2023. The company's management is currently evaluating the impact of implementing these amendments:

Accounting Standards	Amendment Summary	Date of application	Potential Impact on Financial Statements
EAS No. 10 "Fixed Assets and Its Depreciation"	<p>"Scope of the Standard" The standard has been altered to include bearer plants.</p> <p>"Measurement"</p> <ul style="list-style-type: none"> - The option of revaluing fixed assets has been added to the current standard - The fair value of an asset is determined through revaluation and pricing experts who are registered in the Financial Regulatory Authority - Paragraph 20 / A has been added, according to which the facility must record the proceeds from the sale of any output produced during the delivery of the fixed asset to the condition necessary for it to be operable in the manner intended by the management within the profits or losses statement. <p>"Disclosures" Some new disclosures have been added to the re-evaluation model</p>	The companies can apply the amendments by adding the option of using the revaluation model to the financial periods starting on or after January 1, 2023, retroactively, with recording the cumulative effect of applying the revaluation model first by adding it to the revaluation surplus account within equity at the beginning of the financial period in which the company applies it for the first time.	The standard has no impact on the financial statements.
Egyptian Accounting Standard No. 23 "Intangible Assets"	<p>"Scope of the standard" The scope of the intangible asset standard has been modified to include the rights held by the lessee under licensing agreements for items such as motion picture films, video recordings, plays, manuscripts, patents, and copyrights.</p> <p>"Measurement"</p> <ul style="list-style-type: none"> -An option to apply the revaluation model for intangible assets has been added -The fair value is determined through an estimate made by experts specialized in evaluation and valuation among those registered in a register dedicated to that in the General Authority for Financial Supervision. <p>"Disclosures"</p>	The company can apply the amendments by adding the option to use the revaluation model on the financial periods starting on or after January 1, 2023, retroactively, with recording of the cumulative effect of applying the revaluation model first by adding it to the revaluation account within equity at the beginning of the financial period in which the facility	The standard has no impact on the financial statements.

MIDDLE EAST GLASS MANUFACTURING COMPANY AND ITS SUBSIDIARIES

Notes to the consolidated financial statements - For the year ended 31 December 2023

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

	Some new disclosures related to the revaluation model have been added.	applies this model for the first time.	
Amendments to the Egyptian Accounting Standard "Fixed Assets" No. (10) and the Egyptian Accounting Standard No. (23) "Intangible Assets" related to depreciation and amortization	This amendment clarifies that it is not permissible to use the depreciation method that depends on the revenues generated from the activity that includes the depreciation of the asset, since the generation of revenues related to the asset reflects factors other than the consumption of the economic benefits related to the asset. It is possible to refute this assumption in limited cases related to intangible assets when there is a close correlation between the volume of revenue and the intangible asset.	Applies to financial periods beginning on or after January 1, 2023	The standard has no impact on the financial statements.

The following Egyptian Accounting Standards have been amended to comply with the addition of the option to apply the revaluation model and the fair value model as mentioned in the above paragraphs.

Egyptian Accounting Standard No. (1) "Presentation of Financial Statements" Egyptian Accounting Standard No. (5) "Accounting Policies" Egyptian Accounting Standard No. (13) "The Effects of Changes in Foreign Currency Exchange Rates" Egyptian Accounting Standard No. (24) "Income Taxes" Egyptian Accounting Standard No. (31) "impairment of assets" Egyptian Accounting Standard No. (32) "non-current assets held for the purpose of sale and non-continuing operations."

iii. Classification of assets and liabilities

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

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

All other assets are classified as non-current.

The liability is classified as current when:

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

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

The preparation of the consolidated financial statements in conformity with EASs requires the use of certain critical accounting estimates and assumptions. It also requires management to exercise its judgement in the process of applying the Group's accounting policies. Note (32) 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.

MIDDLE EAST GLASS MANUFACTURING COMPANY AND ITS SUBSIDIARIES

Notes to the consolidated financial statements - For the year ended 31 December 2023

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

3. Segment reporting

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

4. Revenue from contracts with customers

	2023	2022
Local sales	2,029,261,316	1,336,875,310
Export sales	1,984,001,295	1,427,401,205
Total	4,013,262,611	2,764,276,515

Timing of revenue recognition is as follows:
(In Egyptian Pounds)

	2023	2022
At a point in time	971,940,675	572,772,545
Over time	3,041,321,936	2,191,503,970
Total revenue from contracts with customers	4,013,262,611	2,764,276,515

Assets and liabilities arising from contracts with customers.

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

<i>In (Egyptian Pounds)</i>	2023	2022
Current contract assets from contracts with customers	230,189,920	182,939,835
Total current contract assets	230,189,920	182,939,835
Contract liabilities – advances from customers (Note 22)	95,717,775	121,440,784
Total current contract liabilities	95,717,775	121,440,784

The movement of contract assets balance from contracts with customers during the year represented in the following:-
In (Egyptian Pounds)

	2023	2022
Contract assets as of 1 January	182,939,835	81,466,753
Add: Revenue recognized during the year According to EAS 48	4,013,262,611	2,764,276,515
Less: Billing during the year	(3,966,012,526)	(2,662,803,433)
Contract assets as of 31 December	230,189,920	182,939,835

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

	2023	2022
Contract liabilities as of 1 January	121,440,784	43,333,331
Deduct: Revenue recognised during the year in relation to opening balance of contract liabilities	(121,440,784)	(43,333,331)
Add: Advance from customers arisen during the year	95,717,775	121,440,784
Contract liabilities as of 31 December	95,717,775	121,440,784

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

MIDDLE EAST GLASS MANUFACTURING COMPANY AND ITS SUBSIDIARIES

Notes to the consolidated financial statements - For the year ended 31 December 2023

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

4. Revenue from contracts with customers (continued)

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

The expected loss rates are based on the past data collected over a period of 60 months (31 December 2022: 60 months) prior to the end of the reporting period and the corresponding historical losses experienced within this period. The historical loss rates are adjusted to reflect current and forward-looking information on macroeconomic factors affecting the ability of the customers to settle the receivables. The Group has identified the gross domestic product of the Egypt to be the most relevant indicators, and accordingly adjusts the historical loss rates based on expected changes in these variables.

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

5. Expenses by function

	2023	2022
Cost of sales	2,328,658,716	1,873,042,410
Selling and marketing expenses	104,511,952	80,531,512
General and administrative expenses	171,757,860	132,117,926
	2,604,928,528	2,085,691,848
<u>Expenses by nature</u>		
Raw material and consumables used in production	1,101,101,375	857,716,698
Change in inventory	(67,818,446)	(74,490,581)
Salaries and fringe benefits	371,449,568	312,581,817
Exports expenses	245,257,235	223,974,338
Utilities Cost	495,178,582	411,212,975
Depreciation and amortization	230,743,866	177,061,138
Maintenance expenses	106,033,007	85,340,749
Miscellaneous expenses	122,983,341	92,294,714
	2,604,928,528	2,085,691,848

6. Other operating expense

	2023	2022
Non recurring production losses	19,200,193	16,404,141
Consultation fees	-	2,971,563
Social health contribution	15,305,627	10,017,953
Other provision (Note 20)	54,120,614	14,286,400
Slow moving inventory provision (Note 16)	5,646,543	-
Loss on sale of property, plant, and equipment	260,846	3,287,021
Expected credit loss allowance (Note 17)	-	269,268
Other expense	28,918,937	4,220,582
Government labour office expense	16,958,184	-
	140,410,944	51,456,928

MIDDLE EAST GLASS MANUFACTURING COMPANY AND ITS SUBSIDIARIES

Notes to the consolidated financial statements - For the year ended 31 December 2023

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

7. Other operating income

	2023	2022
Export incentives	216,107,765	131,142,102
Foreign currency translation gain-net	95,549,506	234,991,023
Insurance recovery*	218,349	48,696,757
Provisions no longer required	2,208,400	-
Scrap sales	21,892,948	21,498,672
Other income	26,339,826	71,877
	362,316,794	436,400,431

- * The comparative figure includes an amount of EGP 45 million in 2022 representing cost incurred from an incident which occurred during 2019 and resulted in losses in one production line. A claim for loss was submitted to the insurance provider in order to recover the losses incurred under the terms of the Group insurance policies. The incident was managed properly to allow continuity of operation and delivery of products to customers in the normal course. There was no significant effect on operations.

8. Finance costs

	2023	2022
Interest expense	354,878,615	166,405,871
IFC transaction cost	4,718,748	3,381,483
Bank charges	14,508,447	7,964,319
Discount on export incentives receivables*	5,675,822	7,652,030
	379,781,632	185,403,703

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

9. Finance income

	2023	2022
Interest income	61,454,980	36,901,833
	61,454,980	36,901,833

MIDDLE EAST GLASS MANUFACTURING COMPANY AND ITS SUBSIDIARIES

Notes to the consolidated financial statements - For the year ended 31 December 2023

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

10. Income tax

	2023	2022
Deferred income tax (Note 15)	50,155,544	146,012,473
Current income tax (Note 23)	(251,412,268)	(180,250,752)
	(201,256,724)	(34,238,279)
	2023	2022
Net profit before tax	799,299,127	110,172,444
Income tax according to the local tax rate of 22.5%	179,842,304	24,788,800
Adjustments		
Tax effect of non-deductible expenses	21,414,420	24,311,018
Previously unrecognised tax losses used to reduce current tax expense	-	(14,861,539)
Actual income tax according to profit or loss statement	201,256,724	34,238,279
Effective tax rate	25%	31%

11. Earnings per share

A. Basic earnings per share

	2023	2022
Net profit for the year	598,042,403	75,934,165
Less: profit share paid to employees in advance.	(45,220,687)	(38,497,805)
Net profit available to the shareholders	552,821,716	37,436,360
Weighted average number of issued and paid shares	62,627,993	51,805,972
Basic earnings per share	8.83	0.72

B. Diluted earnings per share

	2023	2022
Net profit available to the shareholders	552,821,716	37,436,360
Weighted average number of issued and paid shares	62,627,993	51,805,972
Diluted earnings per share	8.83	0.72

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

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

The information disclosed in the table below represents the earnings before interest, taxes, depreciation & amortization according to the internal reports prepared by the group's management, and for the year ended 31 December 2023 and 31 December 2022 was as follows:

	2023	2022
Net profit after tax	598,042,403	75,934,165
Net Interest expense/ Income	318,326,651	148,501,871
Tax expense	201,256,724	34,238,279
Depreciation & amortization	230,743,866	177,061,139
Exceptional items, net	137,984,196	2,760,172
Non-cash income	2,208,399	510,544
Non-cash expenses	(260,846)	(3,287,021)
Net unrealised losses from foreign currency rate differences	417,064,647	569,862,832
Other deductions	(531,549)	(6,725,034)
Adjusted EBITDA	1,904,834,491	998,856,947

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

13. Property, plant and equipment

	Land	Buildings	Machinery, equipment & moulds	Vehicles and transportation	Furniture & office equipment	Computers & computer systems	Projects under construction	Total
31 December 2022								
Cost								
Balance at beginning of the year	341,982,999	233,518,315	2,120,031,664	29,474,295	13,995,729	13,778,522	69,329,048	2,822,110,572
Additions	7,067,386	18,299,585	163,001,055	3,934,846	1,607,738	3,552,470	230,141,864	427,604,944
Disposals	-	-	(27,833,079)	(202,691)	(2,000)	-	-	(28,037,770)
Transferred from projects under construction	-	13,937,359	657,125	-	-	-	(14,594,484)	-
Balance at the end of the year	349,050,385	265,755,259	2,255,856,765	33,206,450	15,601,467	17,330,992	284,876,428	3,221,677,746
Accumulated depreciation								
Balance at beginning of the year	-	(108,637,498)	(1,169,930,579)	(20,338,335)	(11,583,049)	(9,991,998)	-	(1,320,481,459)
Depreciation expense	-	(10,581,007)	(159,295,671)	(2,909,212)	(1,020,592)	(2,071,764)	-	(175,878,246)
Disposals Depreciation	-	-	22,707,411	202,688	1,999	-	-	22,912,098
Balance at the end of the year	-	(119,218,505)	(1,306,518,839)	(23,044,859)	(12,601,642)	(12,063,762)	-	(1,473,447,607)
Net book value at the end of the year	349,050,385	146,536,754	949,337,926	10,161,591	2,999,825	5,267,230	284,876,428	1,748,230,139
31 December 2023								
Cost								
Balance at beginning of the year	349,050,385	265,755,259	2,255,856,765	33,206,450	15,601,467	17,330,992	284,876,428	3,221,677,746
Additions	73,594,437	21,090,186	498,369,473	12,638,499	8,128,593	3,380,308	17,393,967	634,595,463
Disposals	-	-	(146,272,721)	-	(3,100)	-	-	(146,275,821)
Transferred from projects under construction	-	1,709,667	225,075,348	-	-	-	(226,785,015)	-
Balance at the end of the year	422,644,822	288,555,112	2,833,028,865	45,844,949	23,726,960	20,711,300	75,485,380	3,709,997,388
Accumulated depreciation								
Balance at beginning of the year	-	(119,218,505)	(1,306,518,839)	(23,044,859)	(12,601,642)	(12,063,762)	-	(1,473,447,607)
Depreciation expense	-	(11,866,459)	(208,350,799)	(4,506,024)	(2,028,444)	(2,761,661)	-	(229,513,387)
Disposals depreciation	-	-	136,811,583	-	906	-	-	136,812,489
Balance at the end of the year	-	(131,084,964)	(1,378,058,055)	(27,550,883)	(14,629,180)	(14,825,423)	-	(1,566,148,505)
Net book value at the end of the year	422,644,822	157,470,148	1,454,970,810	18,294,066	9,097,780	5,885,877	75,485,380	2,143,848,883

MIDDLE EAST GLASS MANUFACTURING COMPANY AND ITS SUBSIDIARIES

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

13. Property, plant and equipment (continued)

Project under construction as of 31 December is as follows:

	2023	2022
Batch house	43,890,989	43,890,989
Production machinery	22,391,806	74,406,130
Building	1,572,799	654,853
Furnace	-	164,777,910
New Project-10th Ramadan Land	3,619,784	-
New mezzanine extension	3,947,556	-
Others	62,446	1,146,546
	75,485,380	284,876,428

Depreciation expense from tangible assets allocated in profit or loss statement as follows:

	2023	2022
Cost of goods sold	219,331,432	168,726,717
General and administrative expenses	6,684,671	4,464,254
Selling and marketing expenses	3,497,284	2,687,275
	229,513,387	175,878,246

The Cost of fully depreciated assets and still in use amounted to EGP 421,549,190 as of 31 December 2023 (2022- EGP 514,919,282).

14. Intangible assets

31 December 2022	License cost	Computer software	Goodwill	Customers relationships	Assets under construction	Total
Cost						
Balance at 1 January	5,156,143	15,182,690	258,614,988	64,745,000	447,735	344,146,556
Additions	-	232,465	-	-	-	232,465
Transfers	-	447,735	-	-	(447,735)	-
Balance at the end of the year	5,156,143	15,862,890	258,614,988	64,745,000	-	344,379,021
Accumulated amortisation						
Balance at 1 January	(5,156,143)	(12,269,023)	-	(64,745,000)	-	(82,170,166)
Amortisation expense	-	(1,182,893)	-	-	-	(1,182,893)
Balance at the end of the year	(5,156,143)	(13,451,916)	-	(64,745,000)	-	(83,353,059)
Net book value	-	2,410,974	258,614,988	-	-	261,025,962
31 December 2023						
Cost						
Balance at 1 January	5,156,143	15,862,890	258,614,988	64,745,000	-	344,379,021
Additions	-	11,433,170	-	-	-	11,433,170
Balance at the end of the year	5,156,143	27,296,060	258,614,988	64,745,000	-	355,812,191
Accumulated amortisation						
Balance at 1 January	(5,156,143)	(13,451,916)	-	(64,745,000)	-	(83,353,059)
Amortisation expense	-	(1,230,479)	-	-	-	(1,230,479)
Balance at the end of the year	(5,156,143)	(14,682,395)	-	(64,745,000)	-	(84,583,538)
Net book value	-	12,613,665	258,614,988	-	-	271,228,653

The Cost of fully amortized intangible assets and still in use amounted to EGP 78,718,175 as of 31 December 2023 (2022- 78,718,175)

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

14. Intangible assets (continued)

I. License costs

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

II. Goodwill

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

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

	2023	2022
Middle East Glass Containers Sadat	173,589,339	173,589,339
Misr for Glass Manufacturing S.A.E.	85,025,649	85,025,649
Goodwill	258,614,988	258,614,988

III. Recoverable amount of Goodwill

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

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

The Group used the following assumptions in performing goodwill impairment test on 31 December 2023:

	2023	2022
Sales volume (% annual growth rate)	3%	3%
Sales price (% annual growth rate)	2%	21%
Other operating costs	134,000,000	110,000,000
Average gross margin %	42%	34%
Pre-tax discount rate	23.7%	21.3%
Long term growth rate	5%	5%

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

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

MIDDLE EAST GLASS MANUFACTURING COMPANY AND ITS SUBSIDIARIES

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

14. Intangible assets (continued)

III. Recoverable amount of Goodwill (Continued)

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

Sensitivity of recoverable amounts

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

The discount rate in the forecast period is estimated to be 23.7%, An increase of this discount rate by 5% does not result in an impairment and in managements judgement/assessment it is unlikely there will be a change of more than 5%.

The average gross profit in the forecast period is estimated to be 42% and a reduction of by 3% does not result in an impairment and in managements judgement/assessment it is unlikely there will be a change of more than 3%.

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

Impairment charge

During the year ended 31 December 2023 and 2022, no impairment losses were recognized in the carrying amount of goodwill.

IV. Customer relationships

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

15. Deferred tax assets / (Liabilities)

I. Recognized deferred tax asset / (liability)

	2023	2022
Deferred tax asset	122,537,597	67,458,128
Deferred tax liabilities	(8,703,246)	(3,779,322)
	113,834,351	63,678,806

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

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

	2023	2022
Property, plant, and equipment	(109,399,245)	(81,638,510)
Retirement benefit obligation	2,646,259	3,034,817
Tax effect of unrealized foreign currency losses	229,290,584	153,773,255
Fair value surplus of acquired assets	(8,703,247)	(11,490,756)
	113,834,351	63,678,806

MIDDLE EAST GLASS MANUFACTURING COMPANY AND ITS SUBSIDIARIES

Notes to the consolidated financial statements - For the year ended 31 December 2023

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

15. Deferred tax assets / (Liabilities) (continued)

	Property, plant and equipment	Retirement benefit obligation	Tax Effect of unrealized foreign currency	Fair value surplus of Acquired assets	Carry forward Losses	Total
Balance at 1 January 2022	(74,221,113)	2,126,231	(1,204,595)	(14,278,266)	5,244,076	(82,333,667)
Tax (charged) / reversal on the statement of profit or loss (Note 10)	(7,417,397)	908,586	154,977,850	2,787,510	(5,244,076)	146,012,473
Balance at 31 December 2022 and 1 January 2023	(81,638,510)	3,034,817	153,773,255	(11,490,756)	-	63,678,806
Tax (charged) / reversal on the statement of profit or loss (Note 10)	(27,760,735)	(388,558)	75,517,329	2,787,509	-	50,155,545
Balance at 31 December 2023	(109,399,245)	2,646,259	229,290,584	(8,703,247)	-	113,834,351

16. Inventories

	2023	2022
Finished goods	125,060,455	86,325,263
Spare parts	153,724,279	130,831,213
Work in progress	31,647,169	12,554,074
Raw materials	156,805,641	141,932,374
Packing and wrapping materials	152,342,622	185,027,775
Fuel and oil	19,719,142	11,556,658
	639,299,308	568,227,357
Provision of obsolete and slow-moving inventories	(26,806,299)	(21,159,756)
	612,493,009	547,067,601
	2023	2022
<u>Movement of provision of obsolete and slow-moving inventories</u>		
Balance at 1 January	21,159,756	21,159,756
Additions during the year	5,646,543	-
Balance at 31 December	26,806,299	21,159,756

The cost of inventories recognised as an expense during the year in cost of sales amounted to EGP 1,033,282,929 (2022: EGP 783,226,116).

The Group applied EAS 48 from 1 January 2021, accordingly, recognizes cost of goods sold for the sales revenue for finished goods which are customized for certain customers but were not invoiced or delivered to those customers amounting to EGP 120,361,440 at 31 December 2023 (2022: EGP 110,371,280).

MIDDLE EAST GLASS MANUFACTURING COMPANY AND ITS SUBSIDIARIES

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

17. Trade and notes receivables

	2023	2022
Trade receivables	567,441,389	473,983,754
Notes receivable	17,068,755	18,221,443
	584,510,144	492,205,197
Expected credit loss provision	(21,658,126)	(23,866,526)
	562,852,018	468,338,671

The movement in expected credit loss provision of trade receivables is as follows:

	2023	2022
Balance at 1 January	23,866,526	23,597,258
Charged /(reversal) for the year	(2,208,400)	269,268
	21,658,126	23,866,526

Trade receivables of EGP 235,179,158 (2022: EGP 347,402,993) net of credit loss allowance are denominated in foreign currency.

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

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

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

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

<i>In % of gross value (in Egyptian Pounds)</i>	31 December 2023			
	Loss Rate	Gross carrying amount	Lifetime ECL	Net carrying value
Trade and notes receivable				
- current	0.01%	423,803,535	54,980	423,748,555
- less than 30 days overdue	0.07%	94,304,927	62,336	94,242,591
- 31 to 60 days overdue	0.24%	42,211,652	102,673	42,108,979
- 61 to 90 days overdue	1.09%	-	-	-
- 91 to 180 days overdue	1.62%	2,797,255	45,362	2,751,893
- Greater than 1 year	100%	21,392,775	21,392,775	-
Total		584,510,144	21,658,126	562,852,018

MIDDLE EAST GLASS MANUFACTURING COMPANY AND ITS SUBSIDIARIES

Notes to the consolidated financial statements - For the year ended 31 December 2023

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

17. Trade and notes receivables (continued)

In % of gross value (In Egyptian Pounds)	31 December 2022			
	Loss Rate	Gross carrying amount	Lifetime ECL	Net carrying value
Trade and notes receivable				
- Current	0.02%	362,215,750	71,537	362,144,213
- less than 30 days overdue	0.15%	66,035,843	99,196	65,936,647
- 31 to 60 days overdue	0.60%	23,121,049	139,697	22,981,352
- 61 to 90 days overdue	2.68%	4,019,545	107,847	3,911,698
- 91 to 180 days overdue	2.36%	13,688,380	323,619	13,364,761
- Greater than 1 year	100%	23,124,630	23,124,630	-
Total		492,205,197	23,866,526	468,338,671

For more details on the credit risks refer to (Note 33-1-b)

18. Debtors and other receivables

	2023	2022
Advances to suppliers	27,068,536	48,539,604
Prepaid expenses	13,973,289	16,421,017
Refundable deposits	26,961,718	29,394,247
Employees imprest and loans	9,613,093	4,670,437
Employee profit share paid in advance	45,220,687	38,497,804
Other receivables	13,822,418	16,346,396
Export incentives	233,030,941	99,968,489
Tax authority - Sales tax on purchases	130,834,701	97,450,245
Tax authority - Withholding tax	5,852,085	-
Tax authority - Advance payment	10,906,566	20,315,750
	517,284,034	371,603,989

19. Cash and cash equivalents

	2023	2022
Current account at banks *	556,907,370	565,405,497
Financial assets at amortised cost **	226,845,187	132,625,897
Deposits at banks	240,785,000	24,740,000
Cash on hand	3,072,330	8,804,721
Total	1,027,609,887	731,576,115

- The average rate of interest on time deposits in USD is 6.29% (31 December 2022: 2.5%). and EGP 15.70% (31 December 2022: 9.5%). with a maturity of less than 3 month (31 December 2022: less than month).

* The current account at banks includes amount of EGP 34,256,425 which represents cash margin to cover letter of credits.

** Financial assets at amortised cost

	2023	2022
Egyptian Treasury bills	226,845,187	132,625,897
	226,845,187	132,625,897

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19. Cash and cash equivalents (continued)

Treasury bills par value	2023	2022
Within 91 Days maturity	235,000,000	133,250,000
Unearned interest	(14,097,192)	(15,075,199)
Value of treasury bills purchased	220,902,808	118,174,801
Interest income recognized in profit or loss	5,942,379	14,451,096
Treasury bills balance	226,845,187	132,625,897

The average effective yield on treasury bills is 25.6% (31 December 2022: 13.08%).

The group has adopted 12-month ECL approach and based on management assessment, there will be immaterial impact on treasury bills due to the following factors:

- Bills issued and guaranteed by Government of Egypt.
- There is no history of default.
- Incorporating forward-looking information would not result in an increase in Expected default rate.

Cash flows information

i. Non-cash transaction

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

	2023	2022
Settlement of Employees' declared profit share against advances to employees was included under other receivables	(38,497,805)	(22,697,551)
Increase in paid up capital using amounts previously paid under capital increase	-	432,825,002
Addition of property, plant and equipment against prepayment of property, plant and equipment	49,531,308	50,018,391

ii. Net debt reconciliation

	2023	2022
Cash and bank balances	800,764,700	598,950,218
Financial assets at amortised cost	226,845,187	132,625,897
Short term credit facilities	(569,050,145)	(338,709,532)
Bank Borrowings – current portion	(514,833,334)	(412,362,395)
Bank borrowings – non-current portion	(1,544,500,073)	(1,649,428,044)
Total	(1,600,773,665)	(1,668,923,856)

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19. Cash and cash equivalents (continued)

	Cash & cash equivalent	Financial assets at amortised cost	Short term credit facilities	Medium Term Loan	Total
Net debt as at 1 January 2023	598,950,218	132,625,897	(338,709,532)	(2,061,790,439)	(1,668,923,856)
Cash flows	201,814,482	102,727,809	(230,340,613)	515,071,186	589,272,864
Foreign exchange	-	-	-	(512,614,154)	(512,614,154)
Other changes					
Interest accrued	-	27,935,137	-	-	27,935,137
Interest received	-	(36,443,656)	-	-	(36,443,656)
Net debt as at 31 December 2023	800,764,700	226,845,187	(569,050,145)	(2,059,333,407)	(1,600,773,665)

20. Provisions

	2023	2022
Balance at beginning of the year	44,897,977	38,893,505
Additions during the year	54,120,614	14,286,400
Utilised during the year	(8,669,589)	(8,281,928)
Balance at end of the year	90,349,002	44,897,977

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

21. Trade and notes payable

	2023	2022
Trade payable	472,969,597	464,793,999
Notes payable	79,720,628	56,630,328
	552,690,225	521,424,327

Trade payables are unsecured and are usually paid within an average of 90 days (31 December 2022: 90 days) of recognition.

22. Creditors and other payables

	2023	2022
Accrued expenses	357,956,716	242,519,439
Contract Liabilities	95,717,775	121,440,784
Other payables	47,394,513	42,443,422
Social insurance authority	3,112,569	2,213,891
Due to Tax authority	13,346,591	8,312,863
Retention	2,236,572	1,858,450
	519,764,736	418,788,849

MIDDLE EAST GLASS MANUFACTURING COMPANY AND ITS SUBSIDIARIES

Notes to the consolidated financial statements - For the year ended 31 December 2023

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

23. Income tax liability

	<u>2023</u>	<u>2022</u>
Balance at the beginning of the year	132,660,178	40,637,116
Charged during the year (Note 10)	251,412,268	180,250,752
Settlement against withholding tax	(44,082,149)	(47,590,577)
Payments to tax authority	(128,500,152)	(41,348,379)
Tax differences	(4,160,027)	711,266
Balance at the end of the year	<u><u>207,330,118</u></u>	<u><u>132,660,178</u></u>

24. Bank borrowings and short-term credit facilities

	<u>2023</u>	<u>2022</u>
i. Borrowings - current portion		
Bank loans	514,833,334	412,362,395
Short term credit facilities	569,050,145	338,709,532
Total current portion	<u><u>1,083,883,479</u></u>	<u><u>751,071,927</u></u>
ii. Borrowings non-current portion		
Bank loans	1,544,500,073	1,649,428,044
Total non-current portion	<u><u>1,544,500,073</u></u>	<u><u>1,649,428,044</u></u>
Total	<u><u>2,628,383,552</u></u>	<u><u>2,400,499,971</u></u>

In November 2019, the Group companies signed medium term loan agreements with the International Finance Corporation ("IFC") and Commercial International Bank "CIB") for a total of \$100 Million to refinance its existing medium-term debt and to provide funding for capital expenditure to increase production capacity, including furnace rebuilds, new production equipment, printing machines, resource efficiency improvements and streamlining of the cullet processing operation. The full amount of the facilities was disbursed in 2020 and resulted in settlement of all existing medium-term bank borrowings. The outstanding loan balance as of 31 December 2023 amounts to EGP 2,059,333,407.

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

The loans are secured with the following security package:

- First ranking real estate mortgage over all the lands and buildings owned by the Group with the carrying amounts of EGP 580 million (31 December 2022: 496 million).
- A first ranking Commercial Establishment Mortgage over the tangible and intangible assets owned by the Group.
- Promissory Notes corresponding to the repayment dates and amounts.
- First ranking Share Pledge in favour of the Senior Secured Lenders or an agent acting on their behalf over the shares owned by the Group.

- iii. Interest accrued balance on the group's borrowing at 31 December 2023 is EGP 62,118,850 (31 December 2022: EGP 49,171,829).

MIDDLE EAST GLASS MANUFACTURING COMPANY AND ITS SUBSIDIARIES

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25. Retirement Benefit Obligations

Defined benefit obligation

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

	<u>2023</u>	<u>2022</u>
Discount rate	15%	15.5%
Salary growth rate	9%	9%
Life table	49-52	49-52

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

	<u>2023</u>	<u>2022</u>
Present value of obligation	11,761,153	13,488,076
Liabilities as per the statement of financial position	<u>11,761,153</u>	<u>13,488,076</u>

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

	<u>2023</u>	<u>2022</u>
Balance at beginning of the year	13,488,076	9,449,918
Interest expense	1,815,971	1,085,218
Current service cost	456,148	5,546,694
Remeasurements of retirement benefit obligations	303,632	93,122
Provision no longer required	(2,044,202)	-
Total amount recognised in profit or loss	531,549	6,725,034
Benefit payments during the year	(2,258,472)	(2,686,876)
Balance at end of the year	11,761,153	13,488,076

Sensitivity in Defined Benefit Obligation: -

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

	<u>Change in assumption</u>	<u>Increase / Decrease in obligation %</u>			
31 December 2023					
Discount rate	+/- 1%	Decrease by	6%	Increase by	6%
Salary increase	+/- 1%	Increase by	6%	Decrease by	6%
Mortality age	+/- 1%	Increase by	1%	Decrease by	1%
	<u>Change in assumption</u>	<u>Increase / Decrease in obligation %</u>			
31 December 2022					
Discount rate	+/- 1%	Decrease by	7%	Increase by	7%
Salary increase	+/- 1%	Increase by	7%	Decrease by	5%
Mortality age	+/- 1%	Decrease by	9%	Increase by	10%

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

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26. Equity

26(a). Issued and paid up capital

The total number of authorized ordinary shares is 150 million shares (2022: 150 million shares) with a par value of EGP 1 per share (2022: 1 EGP per share). The issued and paid-up capital is 62,627,993 shares (2022: 62,627,993 shares) with a par value of EGP 1 per share (2022: 1 EGP per share). All issued shares are fully paid. Each share entitles the holder to participate in dividends, and to share in the proceeds of winding up in proportion to the number of and amounts paid on the shares held on a show of hands every holder of ordinary shares present at a meeting, in person or by proxy, is entitled to one vote.

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

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

During the year ended 31 December 2022 and according to the Law No 159 for the year 1981 and its regulations, the total value of the premium issued for the capital increase has been included in the legal reserve after deducting issuance cost to reach what is equivalent to the half of the issued capital and the remaining balance has been included in share premium reserve as follows:

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

26(b). Reserves

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 EGP 205 million at the agreement date. Subsequently on 10 May 2015, the existing shareholders subscribed in the capital increase with total value of EGP 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 EGP 13,129,007) which has been treated as capital contribution under other reserves in the statement of shareholders' equity. This balance is unsecured, bears no interest and it is not intended to be recalled by the shareholder.

Legal reserve

In accordance with the Companies' Law No.159 for 1981, 5 % of the net profit for the year shall be transferred to the legal reserve account until it reaches 50% of paid-up capital. This reserve is not available for distribution to shareholders. No transfer of profit was made during the year 2023 and 2022 as the reserve has already reached 50% of the paid up capital.

26(c). Retained Earnings

	<u>2023</u>	<u>2022</u>
Balance at beginning of the year	142,822,822	89,586,208
Net profit for the year	598,042,403	75,934,165
Profit Share distribution to employees	<u>(38,497,805)</u>	<u>(22,697,551)</u>
Balance at end of the year	<u>702,367,420</u>	<u>142,822,822</u>

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

MIDDLE EAST GLASS MANUFACTURING COMPANY AND ITS SUBSIDIARIES

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27. Commitments

a) Capital commitments

The Group has capital commitments as of 31 December 2023 of EGP NIL (2022: EGP NIL) in respect of the capital expenditure.

b) Operating lease commitments

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

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

	<u>2023</u>	<u>2022</u>
Within one year	1,473,180	1,373,519

c) Contingencies

The Group has contingent liabilities as of 31 December 2023 of EGP 642,281 (2022: EGP 642,281).

28. Related Parties

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

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

The following are the transactions with related parties:

a. Due from related parties

Nature of relationship	Nature and volume of transaction			2023	2022
	Sales	Purchases	Payment on behalf		
Under common control			1,701,778	4,058,246	36,085,150
Shareholder			243,602	113,301	-
			1,945,380	4,171,547	36,085,150

b. Due to related parties

Nature of relationship	Nature and volume of transaction			2023	2022
	Sales	Purchases	Payment on behalf		
Shareholder	-	-	-	-	130,300
	-	-	-	-	130,300

MIDDLE EAST GLASS MANUFACTURING COMPANY AND ITS SUBSIDIARIES

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

29. Financial assets and liabilities

The Group holds the following financial instruments:

Financial assets:

	Amortised cost	
	2023	2022
Trade and notes receivables	562,852,018	468,338,671
Contract assets	230,189,920	182,939,835
Debtors and other receivables*	283,428,170	150,379,569
Due from related parties	4,171,547	36,085,150
Financial assets at amortised cost	226,845,187	132,625,897
Cash and bank balances	800,764,700	598,950,218
	2,108,251,542	1,569,319,340

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

Financial liabilities:

	Amortised cost	
	2023	2022
Short term credit facilities	569,050,145	338,709,532
Bank borrowings	2,059,333,406	2,061,790,439
Interest payable	62,118,850	49,171,829
Trade and notes payable	552,690,225	521,424,327
Creditors and other payables**	407,587,802	286,821,311
Due to related parties	-	130,300
	3,650,780,428	3,258,047,738

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

30. Subsequent events

On March 6, 2024, the Monetary Policy Committee of the Central Bank of Egypt decided in its extraordinary meeting to raise the overnight lending interest rates and the Central Bank's main operation rate by 600 basis points, reaching 27.25%, 28.25%, and 27.75%, respectively. The credit and discount rates were also raised. By 600 points, reaching 27.75%, and adopting a flexible exchange rate system so that the exchange rate reflects the value of the Egyptian pound against other foreign currencies through the forces of supply and demand, which led to a decline in the exchange rate of the Egyptian pound. On the date of issuance of these financial statements, the US dollar was trading in local banks at 49.57 Egyptian pounds. The potential impact of the decline in the Egyptian pound exchange rate on the company's performance remains uncertain as of the date of this report, however management continues to monitor the situation closely.

MIDDLE EAST GLASS MANUFACTURING COMPANY AND ITS SUBSIDIARIES

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

31. Summary of significant accounting policies

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

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

i. 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.

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 interest's changes, the Group changes the amounts recorded for controlling and non-controlling shares to reflect such changes in the relevant shares in the subsidiary.

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

iii. Disposal of subsidiaries

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

MIDDLE EAST GLASS MANUFACTURING COMPANY AND ITS SUBSIDIARIES

Notes to the consolidated financial statements - For the year ended 31 December 2023

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

31. Summary of significant accounting policies (continued)

a) Principles of consolidation and equity accounting (continued)

(1) Subsidiaries (continued)

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.

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

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

v. 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.

b) Foreign currency transactions

1 Functional and presentation currency

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

2 Transactions and balances

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

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

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

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31. Summary of significant accounting policies (continued)

c) Fair value measurement

Fair value of financial instruments

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

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

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

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

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

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

- Level 1: Inputs of quoted (unadjusted) market prices in active markets for identical assets or liabilities; which the Group can have access to at the date of measurement.
- Level 2: Inputs others than quoted prices included within level1 that are observable for the asset or liability, either directly or indirectly.
- Level 3: Unobservable inputs of the asset or the liability.

d) 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

e) Revenue recognition

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

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

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

A contract is defined as an agreement between two or more parties that creates enforceable rights and obligations and sets out the criteria for every contract that must be met.

Step (2) – Identify the performance obligations in the contract:

A performance obligation is a promise in a contract with a customer to transfer a good or service to the customer. The Group accounts for all distinct goods or services as a separate performance obligation.

Step (3) - Determine the transaction price:

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

MIDDLE EAST GLASS MANUFACTURING COMPANY AND ITS SUBSIDIARIES

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31. Summary of significant accounting policies (continued)

e) Revenue recognition (continued)

Step (4) - Allocate the transaction price to the performance obligations in the contract:

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

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

Revenue recognized at a point in time

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

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

Revenue recognized over time

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

Contract assets

A contract asset is initially recognised for revenue earned from manufacturing glass containers because the receipt of consideration is conditional on successful completion and delivery of the products. Upon invoicing to the customer, the amount recognised as contract assets is reclassified to trade receivables. Contract assets are subject to impairment assessment. Refer to accounting policies on impairment of financial assets in section (31-I-iii)

Trade receivables

A receivable is recognised if an amount of consideration that is unconditional is due from the customer.

Contract liabilities

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

f) Income tax

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

Current tax

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

A provision is recognised for those matters for which the tax determination is uncertain, but it is considered probable that there will be a future outflow of funds to the tax authority. The provisions are measured at the best estimate of the amount expected to become payable. The assessment is based on the judgement of tax professionals within the

Group supported by previous experience in respect of such activities and in certain cases based on specialist independent tax advice.

MIDDLE EAST GLASS MANUFACTURING COMPANY AND ITS SUBSIDIARIES

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31. Summary of significant accounting policies (continued)

f) Income tax (continued)

Deferred tax

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

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

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

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

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

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

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

Current income and deferred tax for the year

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

g) Earnings per share

a. Basic earnings per share is calculated by dividing:

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

b. Diluted earnings per share

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

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

MIDDLE EAST GLASS MANUFACTURING COMPANY AND ITS SUBSIDIARIES

Notes to the consolidated financial statements - For the year ended 31 December 2023

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

31. Summary of significant accounting policies (Continued)

h) Property, plant and equipment

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

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

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

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

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

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

The carrying amount of the property, plant and equipment is reduced to the recoverable amount, if the recoverable amount of an asset is less than its carrying amount. This reduction is considered as a loss resulting from impairment (Note 31-I-iii).

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

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

i) Intangible assets

i. Computer software

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

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

ii. Technical assistance services

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

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

License costs are stated at cost less accumulated amortization.

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Notes to the consolidated financial statements - For the year ended 31 December 2023

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

31. Summary of significant accounting policies (Continued)

i) Intangible assets (continued)

iii. Customers relationship

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

The assets' residual values and useful lives are reviewed, and adjusted if appropriate, at the end of each annual reporting period. An asset's carrying amount is written down immediately to its recoverable amount if the asset's carrying amount is greater than its estimated recoverable amount (Note 31-j)

iv. Goodwill

Goodwill is measured as described in (Note 14-ii). Goodwill on acquisitions of subsidiaries is included in intangible assets. Goodwill is not amortised, but it is tested for impairment annually, or more frequently if events or changes in circumstances indicate that it might be impaired and is carried at cost less accumulated impairment losses. Gains and losses on the disposal of an entity include the carrying amount of goodwill relating to the entity sold.

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

j) Impairment of non-financial assets

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

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

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

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

k) Inventory

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

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

MIDDLE EAST GLASS MANUFACTURING COMPANY AND ITS SUBSIDIARIES

Notes to the consolidated financial statements - For the year ended 31 December 2023

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

31. Summary of significant accounting policies (Continued)

l) Financial assets under EAS 47

i. Classification

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

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

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

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

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

Recognition and derecognition

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

ii. Measurement

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

Debt instruments – treasury bills

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

Debt instruments – trade receivables

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

Cash and cash equivalents

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

iii. Impairment

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

The Group applies the EAS 47 simplified approach to measuring expected credit losses which uses a lifetime expected loss allowance for all trade receivables and contract assets. (Refer to Note 17 and Note 33-1-b for more details)

MIDDLE EAST GLASS MANUFACTURING COMPANY AND ITS SUBSIDIARIES

Notes to the consolidated financial statements - For the year ended 31 December 2023

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

31. Summary of significant accounting policies (Continued)

l) Financial assets under EAS 47 (continued)

iii) Impairment (continued)

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

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

m) Borrowings

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

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

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

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

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

n) Borrowing cost

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

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

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

o) Employee benefits

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

(1) Pension obligations

The Group has two types of pension schemes.

Defined contribution plans

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

MIDDLE EAST GLASS MANUFACTURING COMPANY AND ITS SUBSIDIARIES

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

31. Summary of significant accounting policies (Continued)

o) Employee benefits (continued)

(1) Pension obligations (continued)

Defined benefit plans

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

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

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

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

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

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

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

(2) Termination benefits

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

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

(3) Employees' share in legally defined profits

The Group recognises expected cash dividends for 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 approves the proposed dividends. The Group does not record any liabilities in the employees' share of undistributed dividends.

MIDDLE EAST GLASS MANUFACTURING COMPANY AND ITS SUBSIDIARIES

Notes to the consolidated financial statements - For the year ended 31 December 2023

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

31. Summary of significant accounting policies (Continued)

p) 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.

q) 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.

r) Interest expense and income

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

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

s) Capital

Issued and paid-up capital and share premium

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

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

MIDDLE EAST GLASS MANUFACTURING COMPANY AND ITS SUBSIDIARIES

Notes to the consolidated financial statements - For the year ended 31 December 2023

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31. Summary of significant accounting policies (Continued)

t) Financial liabilities

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

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

Trade payables

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

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

u) Government incentives

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

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

v) Dividends

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

32. 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.

MIDDLE EAST GLASS MANUFACTURING COMPANY AND ITS SUBSIDIARIES

Notes to the consolidated financial statements - For the year ended 31 December 2023

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

32. Critical accounting estimates and judgments

(1) Critical accounting estimates and assumptions (continued)

a. Property, plant and equipment – useful life (continued)

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. Recoverable amount of goodwill

These calculations require the use of estimates as disclosed in Note (14) with these calculations require the use of certain estimates and assumptions. For more details on the estimates used and the sensitivity on these estimates, refer to Note (14).

(2) Critical judgment in applying the accounting policies

Determining the lease term

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

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

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

33. Financial risk management

(1) Financial risk factors

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

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

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

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

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Notes to the consolidated financial statements - For the year ended 31 December 2023

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33. Financial risk management (continued)

(1) Financial risk factors

(a) Market risk

i. Foreign currency exchange rates risk

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

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

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

	<u>2023</u>	<u>2022</u>
Amounts recognised in profit or loss		
Net foreign exchange loss	417,064,648	569,862,832
	<u>417,064,648</u>	<u>569,862,832</u>

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

	<u>2023</u>		
	<u>Assets</u>	<u>Liabilities</u>	<u>Net</u>
US Dollars	852,021,986	(2,387,825,294)	(1,535,803,308)
Euros	13,110,243	(36,997,976)	(23,887,732)
GBP	1,749	(883,363)	(881,614)
AED	36	(185,638)	(185,602)
	<u>2022</u>		
	<u>Assets</u>	<u>Liabilities</u>	<u>Net</u>
US Dollars	874,614,399	(2,390,143,315)	(1,515,528,916)
Euros	3,219,513	(56,552,648)	(53,333,135)
GBP	13,905	(619,280)	(605,375)
AED	7,232,318	-	7,232,318

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

	<u>2023</u>
US Dollars 50%	(767,901,654)
Euros 50%	(11,943,866)
GBP 50%	(440,807)
AED 50%	(92,801)
	<u>2022</u>
US Dollars 10%	(151,552,892)
Euros 10%	(5,333,314)
GBP 10%	(60,537)
AED 10%	723,232

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33. Financial risk management (continued)

(1) Financial risk factors (continued)

(a) Market risk (continued)

ii. Price risk

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

iii. Cash flow and fair value exchange interest rate risk

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

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

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

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

The sensitivity of the consolidated statement of comprehensive income is the effect of the assumed changes in interest rates on the Group's profit for a year, based on bank borrowings as of 31 December 2023.

	Increase / Decrease %	Effect on profit for the year EGP
31 December 2023		
EGP	1%	26,283,835
31 December 2022		
EGP	1%	24,004,999

(b) Credit risk

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

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

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

Category	Class	2023	2022	Impairment model
Financial assets at amortised cost	Treasury bills	226,845,187	132,625,897	General
	Trade and notes receivables	562,852,018	468,338,671	Simplified
	Cash and cash equivalent	800,764,700	598,950,218	General
	Due from related parties	4,171,547	36,085,150	Simplified
	Contract assets	230,189,920	182,939,835	Simplified
	Debtors and other receivables*	283,428,170	150,379,569	General

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33. Financial risk management (continued)

(1) Financial risk factors (continued)

(b) Credit risk (continued)

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

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

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

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

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

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

For banks and financial institutions, the Group is dealing with the banks with good reputation and subject to rules of the Central Bank of Egypt. For Treasury bills the identified risk of default on these balances is considered to be low by the management.

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

The group does not hold any collateral against financial assets.

Management believes that customers' impairment provisions are adequate. (Note 17) related to the financial assets provides more information on the credit risk.

Transactions with major customers:

As of 31 December 2023, the Group faced a concentration of credit risk with three customers (2022: three customers) accounting for 43 % (2022: 38%) of the trade receivables at that date.

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

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

(c) Liquidity risk

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

Management makes cash flow projections on periodic basis, and takes the necessary actions to negotiate with suppliers, follow-up the collections from customers and manage inventory balances in order to ensure sufficient cash is maintained to discharge the Group's liabilities. The Group's management monitors liquidity requirements to ensure it has sufficient cash

MIDDLE EAST GLASS MANUFACTURING COMPANY AND ITS SUBSIDIARIES

Notes to the consolidated financial statements - For the year ended 31 December 2023

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

33. Financial risk management (continued)

(1) Financial risk factors (continued)

(c) Liquidity risk (continued)

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, based on contractual payment dates and current market interest rates.

	Less than 6 month	Between 6 month & 1 year	Between 1 & 2 years	Between 2 & 5 years
31 December 2023				
Trade and notes payable	552,690,225	-	-	-
Creditors and other payables *	407,587,802	-	-	-
Short term credit facilities	569,050,145	-	-	-
Loans and borrowings	257,416,667	257,416,667	514,833,333	1,029,666,740
Future Interest	163,169,693	87,577,397	134,734,458	107,787,568
Total	1,949,914,532	344,994,064	649,567,791	1,137,454,308
31 December 2022				
Trade and notes payable	521,424,327	-	-	-
Creditors and other payables *	286,821,311	-	-	-
Short term credit facilities	338,709,532	-	-	-
Loans and borrowings	206,195,728	206,166,667	412,333,334	1,237,094,710
Future Interest	148,083,707	92,334,187	199,213,834	150,216,159
Due to related parties	130,300	-	-	-
Total	1,501,364,905	298,500,854	611,547,168	1,387,310,869

The unused credit facility at 31 December 2023 amounts to EGP 288,493,000 (31 December 2022: EGP 299,871,307).

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

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

(2) Capital risk management

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

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

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

MIDDLE EAST GLASS MANUFACTURING COMPANY AND ITS SUBSIDIARIES

Notes to the consolidated financial statements - For the year ended 31 December 2023

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

33. Financial risk management (continued)

(2) Capital risk management (continued)

The gearing ratios at 31 December are as follows:

	<u>2023</u>	<u>2022</u>
Loans	2,059,333,407	2,061,790,439
Short term credit facilities	569,050,145	338,709,532
Less: Cash and bank balances	(800,764,700)	(598,950,218)
Less: Financial assets at amortised cost	(226,845,187)	(132,625,897)
Net debt	1,600,773,665	1,668,923,856
Total equity	1,439,047,750	879,503,152
Total capital	3,039,821,415	2,548,427,008
Gearing ratio	53%	65%

The main reason for the decrease in the gearing ratio on 31 December 2023 comparing to 31 December 2022 is due to the enhancement of the cash position and the increase in total equity.

Debt covenants

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

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

The group was in compliance with all financial covenants at 31 December 2023 and 31 December 2022.

(3) Fair value estimation

As at 31 December 2023 and 2022, the fair values of the Group's financial instruments are estimated to approximate their carrying values since the financial instruments are short term in nature, and are expected to be realized at their current carrying values within twelve months from the date of the consolidated statement of financial position