

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

**LIMITED REVIEW REPORT AND
INTERIM CONDENSED CONSOLIDATED FINANCIAL
STATEMENTS FOR THE NINE-MONTH PERIOD ENDED
30 September 2021**

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

**Interim condensed consolidated financial statements
For the nine-month period ended 30 September 2021**

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Limited review report on the interim condensed consolidated financial information

To: The Board of Directors of Middle East Glass Manufacturing Company (S.A.E.)

Introduction

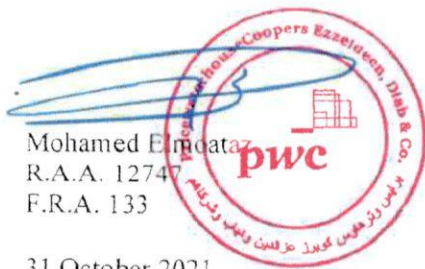
We have reviewed the accompanying interim consolidated statement of financial position at 30 September 2021 of Middle East Glass Manufacturing Company (S.A.E.) and the related interim consolidated statements of profits or losses, comprehensive income, changes in equity and cash flows for the nine months then ended. Management is responsible for the preparation and fair presentation of these interim consolidated financial information in accordance with Egyptian Accounting Standard 30 "Interim financial reporting". Our responsibility is to express a conclusion on this interim condensed consolidated financial information based on our review.

Scope of limited review

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

Conclusion

Based on our limited review, nothing has come to our attention that causes us to believe that the accompanying interim condensed consolidated financial information is not prepared in all material respects, in accordance with Egyptian Accounting Standard 30 "Interim financial reporting".



Mohamed Elmadat
R.A.A. 12747
F.R.A. 133

31 October 2021
Cairo

MIDDLE EAST GLASS MANUFACTURING COMPANY S.A.E.


STATEMENT OF FINANCIAL POSITION - AS OF 30 SEPTEMBER 2021


Condensed consolidated statement of financial position

(All amounts in Egyptian Pounds)	Note	30 September 2021	31 December 2020
ASSETS			
Non-current assets			
Property, plant and equipment	6	1,418,740,523	1,285,787,384
Intangible assets		261,727,518	260,881,495
Financial assets at fair value through profit or loss		-	160,911,024
Prepaid expenses and other receivables – Non-current portion		-	7,865,563
Total non-current assets		1,680,468,041	1,715,445,466
Current assets			
Inventory		249,951,056	255,776,882
Trade and notes receivables		449,115,387	290,424,210
Prepaid expenses and other receivables		340,211,672	274,491,665
Due from related parties		120,985,559	161,613,764
Financial assets at amortized cost	3	138,416,129	-
Cash and bank balances		389,604,924	470,119,027
Total current assets		1,688,284,727	1,452,425,548
Assets classified as held for sale		160,911,024	-
Total assets		3,529,663,792	3,167,871,014
EQUITY			
Issued and paid-up capital		50,322,580	50,322,580
Legal reserve		25,161,260	25,161,260
Share premium reserve		172,217,162	172,217,162
Other reserves		13,129,007	13,129,007
Payments under capital increase		432,825,002	432,825,002
Retained earnings (Accumulated losses)		79,243,166	(75,054,681)
Total equity		772,898,177	618,600,330
Non-current liabilities			
Bank borrowings	7	1,440,083,378	1,572,999,630
Retirement benefits obligations		10,208,290	9,853,923
Deferred tax liabilities		106,295,860	104,217,034
Total non-current liabilities		1,556,587,528	1,687,070,587
Current liabilities			
Provisions		32,877,896	35,164,223
Bank overdrafts	7	327,135,512	294,034,497
Trade and notes payables		373,116,433	280,746,236
Accrued expenses and other payables		335,781,829	251,827,453
Due to related parties		349,750	427,688
Current portion of long-term loans	7	130,916,667	-
Total current liabilities		1,200,178,087	862,200,097
Total liabilities		2,756,765,615	2,549,270,684
Total equity and liabilities		3,529,663,792	3,167,871,014

The accompanying notes on pages 7 - 16 form an integral part of these interim condensed consolidated financial statements.

- Limited review report attached


Mohamed Khalifa
Chief Financial Officer


Peter Carpenter
Director


Abdul Galil Beshar
Chairman

Cairo 31 October 2021

MIDDLE EAST GLASS MANUFACTURING COMPANY S.A.E.

FOR THE NINE-MONTH PERIOD ENDED 30 SEPTEMBER 2021

**Condensed consolidated statement of profit or loss
Three-months and nine-month period ended 30 September 2021**

(All amounts in Egyptian Pounds)	Note	Nine months ended 30 September		Three months ended 30 September	
		2021	2020	2021	2020
Continuing operations					
Revenue		1,373,423,689	1,188,775,377	460,497,044	397,495,100
Cost of sales		(855,832,995)	(787,555,307)	(291,466,451)	(261,885,517)
Gross profit		517,590,694	401,220,070	169,030,593	135,609,583
Selling and marketing expenses		(165,423,693)	(144,735,738)	(54,336,301)	(43,372,057)
General and administrative expenses		(77,760,087)	(76,811,389)	(26,299,617)	(27,289,111)
Other operating income		56,511,101	64,335,424	18,690,030	14,814,047
Other operating expenses		(21,643,027)	(52,135,275)	(7,328,367)	(18,262,749)
Operating profit		309,274,986	191,873,092	99,756,338	61,499,713
Finance costs	5(b)	(104,600,932)	(150,944,479)	(35,106,226)	(48,633,952)
Export subsidy - Non-Current - Present Value adjustment	3	-	(14,286,520)	-	(14,286,520)
Profit / Loss before income tax		204,674,054	26,642,093	64,650,112	(1,420,759)
Income tax expense	5(c)	(40,458,734)	(31,577,465)	(16,147,259)	(4,753,754)
Profit / Loss from continuing operations		164,215,320	(4,935,372)	48,502,853	(6,174,513)
Profit from discontinued operations		-	17,843,787	-	-
Profit / Loss for the period		164,215,320	12,908,415	48,502,853	(6,174,513)
Profit / Loss is attributable to:					
Owners of Middle East Glass Manufacturing Co. S.A.E.		164,215,320	12,908,415	48,502,853	(6,174,513)
Non-controlling interest		-	-	-	-
		164,215,320	12,908,415	48,502,853	(6,174,513)
Basic and diluted earnings / (loss) per share for profit attributable to the ordinary equity holders of Middle East Glass Manufacturing Co. S.A.E:					
From continuing operations		3.26	(0.10)	0.96	(0.12)
From discontinued operations		-	0.35	-	-
		3.26	0.26	0.96	(0.12)

The accompanying notes on pages 7 - 16 form an integral part of these interim condensed consolidated financial statements.

MIDDLE EAST GLASS MANUFACTURING COMPANY S.A.E.

FOR THE NINE-MONTH PERIOD ENDED 30 SEPTEMBER 2021

**Condensed consolidated statement of comprehensive income
Three-months and nine-month period ended 30 September 2021**

(All amounts in Egyptian Pounds)	Nine months ended 30 September		Three months ended 30 September	
	2021	2020	2021	2020
Profit for the period	164,215,320	12,908,415	48,502,853	(6,174,513)
Other comprehensive income	-	-	-	-
Total comprehensive income for the period	164,215,320	12,908,415	48,502,853	(6,174,513)
Total comprehensive income for the period attributable to Owners of Middle East Glass Manufacturing Co. S.A.E.	164,215,320	12,908,415	48,502,853	(6,174,513)
	164,215,320	12,908,415	48,502,853	(6,174,513)
Total comprehensive income (loss) for the period attributable to owners of Middle East Glass Manufacturing Co. S.A.E arises from:				
Continuing operations	164,215,320	(4,935,372)	48,502,853	(6,174,513)
Discontinued operations	-	17,843,787	-	-
	164,215,320	12,908,415	48,502,853	(6,174,513)

The accompanying notes on pages 7 - 16 form an integral part of these interim condensed consolidated financial statements.

MIDDLE EAST GLASS MANUFACTURING COMPANY S.A.E.

FOR THE NINE-MONTH PERIOD ENDED 30 SEPTEMBER 2021

Condensed consolidated statement of changes in equity

(All amounts in Egyptian Pounds)	Note	Total equity attributable to owners of Middle East Glass Manufacturing Co. S.A.E.					Non-controlling interests	Total equity
		Issued and paid up capital	Payment under capital increase	Reserves	Accumulated Gain losses	Total		
Balance at 1 January 2020		50,322,580	432,825,002	210,507,429	(143,362,079)	550,292,932	-	550,292,932
Total comprehensive income for the nine-month period		-	-	-	12,908,415	12,908,415	-	12,908,415
Dividend distribution		-	-	-	(13,646,470)	(13,646,470)	-	(13,646,470)
Balance at 30 September 2020		50,322,580	432,825,002	210,507,429	(144,100,134)	549,554,877	-	549,554,877
Balance at 1 January 2021		50,322,580	432,825,002	210,507,429	(75,054,681)	618,600,330	-	618,600,330
Effect of adoption of new accounting standard		-	-	-	11,094,195	11,094,195	-	11,094,195
Adjusted balance as at 1 January 2021		50,322,580	432,825,002	210,507,429	(63,960,486)	629,694,525		629,694,525
Total comprehensive income for the nine-month period		-	-	-	164,215,320	164,215,320	-	164,215,320
Dividend distribution		-	-	-	(21,011,668)	(21,011,668)	-	(21,011,668)
Balance at 30 September 2021		50,322,580	432,825,002	210,507,429	79,243,166	772,898,177	-	772,898,177

The accompanying notes on pages 7 - 16 form an integral part of these interim condensed consolidated financial statements.

MIDDLE EAST GLASS MANUFACTURING COMPANY S.A.E.

FOR THE NINE-MONTH PERIOD ENDED 30 SEPTEMBER 2021

Condensed consolidated statement of cash flows
Nine months period ended 30 September 2021

(All amounts in Egyptian Pounds)	Note	30 September 2021	30 September 2020
Cash flows from operating activities			
Net profit for the period before tax		204,674,052	26,642,093
Adjusted by:			
Interest expenses		115,299,290	125,561,996
Interest Income		(11,045,056)	-
Depreciation and amortization		104,331,319	100,041,282
The effect of discounting the long-term export subsidies to the present value		-	14,286,520
Right of use settlement loss		-	4,030,993
Provisions no longer required		(1,058,360)	-
Retirement benefit obligations provision		3,150,000	-
Amortization of right of use assets		-	4,017,727
Loss on sale of fixed assets		577,095	1,844,566
Unrealized fair value gain on investments		-	(15,260,712)
Unrealized foreign exchange gain		(1,999,587)	(25,819,006)
Cash flows from operating activities before changes in working capital		413,928,753	235,345,459
Inventories		(43,171,453)	3,702,510
Trade and other receivables		(158,085,934)	(118,567,386)
Due from related parties		40,628,209	(94,153,158)
Trade and other payables		149,124,926	48,253,102
Due to related parties		(77,938)	(73,623)
Provisions used		(2,286,327)	-
Payment of employees' retirement benefits		(2,794,958)	(257,396)
Cash inflows from operations		397,265,278	74,249,508
Interest paid		(83,290,840)	(136,136,723)
Income tax paid		-	(6,500,000)
Net cash inflow / (outflow) from operating activities		313,974,438	(68,387,215)
Cash flows from investing activities			
Purchase of property, plant and equipment	6	(243,658,574)	(149,863,043)
Advance payment for fixed assets supplier		(61,510,909)	(48,415,866)
Payment for purchase of treasury bills		(129,786,945)	-
Proceeds from sale of property, plant and equipment		4,951,000	-
Proceeds from disposal of subsidiary		-	23,024,242
Interest income received		2,415,872	-
Net cash outflow from investing activities		(427,589,556)	(175,254,667)
Cash flows from financing activities			
Bank overdrafts		33,101,015	96,574,993
Repayments of bank borrowings		-	(989,774,080)
Loans proceeds		-	1,254,303,103
Settlement of lease liability		-	(62,474,523)
Net cash inflow from financing activities		33,101,015	298,629,493
Net change in cash and cash equivalents during the period		(80,514,103)	54,987,611
Cash and cash equivalents at beginning of the period		470,119,027	38,312,906
Cash and cash equivalents at end of the period		389,604,924	93,300,517

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

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS FOR THE NINE-MONTH PERIOD ENDED 30 SEPTEMBER 2021

(IN THE NOTES ALL AMOUNTS ARE SHOWN IN EGYPTIAN POUNDS UNLESS OTHERWISE STATED)

1. General information

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

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

The ultimate parent is Deram holding Inc.

<u>Subsidiaries</u>	<u>Share</u>	<u>Activity</u>
Middle East Glass Containers Sadat	99.99992%	Manufacturing Glass Containers
MEG Misr for Glass MEG	99.99993%	Manufacturing Glass Containers
Misr for Glass Manufacturing	99.9963%	Manufacturing all kinds of Glass Bottles and the acquisition of other entities that operate in the same field

These interim condensed consolidated financial statements have been approved for issuance by the Chairman of the Board of Directors on 31 October 2021.

2. Basis of preparation of the interim condensed consolidated financial information

This interim condensed consolidated financial information for the nine-month reporting period ended 30 September 2021 has been prepared in accordance with Egyptian Accounting Standard 30 "Interim Financial Reporting".

This interim condensed consolidated financial information does not include all the notes of the type normally included in an annual financial statement. Accordingly, this interim condensed consolidated financial information is to be read in conjunction with the annual financial statement for the year ended 31 December 2020 and any public announcements made by the Company during the interim reporting period.

The Group decided to choose adoption for all the below -mentioned new standards starting from 1 January 2021.

The accounting policies adopted in the preparation of this interim condensed consolidated financial information are consistent with those of the previous financial year and corresponding interim reporting period, except for the effect of adopting new standards as shown below:

New and amended standards adopted by the Group

The Group applied the following standards, amendments and interpretations for the first time.

EAS (47) "Financial instruments"

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

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

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

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS FOR THE NINE-MONTH PERIOD ENDED 30 SEPTEMBER 2021

(IN THE NOTES ALL AMOUNTS ARE SHOWN IN EGYPTIAN POUNDS UNLESS OTHERWISE STATED)

Basis of preparation of the interim condensed consolidated financial information (Continued)

Classification and measurement of financial assets and liabilities

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

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

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

Impairment of financial assets

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

On that basis, the loss allowance as at 1 January 2021 was determined as follows for both trade receivables and contract assets:

1 January 2021	Not Due	0 to 30 days	31 to 60 days	61 to 90 days	91 to 180 days	181 to 360	Over 360
Expected loss rate	0.29%	2.03%	3.56%	8.39%	13.65%	35.04%	25.47%
Gross carrying amount	173,029,258	22,914,154	17,649,406	7,620,676	13,921,764	6,187,135	5,219,841
Loss allowance	503,625	464,762	628,380	639,632	1,899,857	2,167,718	1,329,620

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

EAS (48) "Revenue from Contracts with Customers"

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

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

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

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

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS FOR THE NINE-MONTH PERIOD ENDED 30 SEPTEMBER 2021

(IN THE NOTES ALL AMOUNTS ARE SHOWN IN EGYPTIAN POUNDS UNLESS OTHERWISE STATED)

Basis of preparation of the interim condensed consolidated financial information (Continued)

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

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

The Group assessed the effect of adopting EAS 48 to result in an increase in equity of EGP 18 million, a reduction in inventories of EGP 49 million, an increase in contract assets of EGP 68 at 1 January 2021.

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

EAS (49) "Leases"

This standard should be adopted for the financial periods commencing on or after 1 January 2021. Early adoption is permitted, providing that the amended standard No. (48) – 'Revenue from contracts with customers' should be adopted at the same time.

EAS No. (49) introduces a single lease accounting model for lease contracts. A lessee recognizes his right-of-use for assets and lease liability, which represents his lease instalments liability.

There are some exemptions for short-term lease contracts and assets lease contracts with low value.

This standard replaces the EAS No. (20) 'Accounting rules and standards related to financial lease'.

Lessor accounting remains similar to the current standard – i.e. lessors continue to classify leases as finance or operating leases.

The Group has reviewed all of the leasing arrangements over the last year in light of the new lease accounting rules in EAS 49.

The Group's activities as a lessor and lessee are not material therefore there is no significant impact on the financial statements.

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

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
FOR THE NINE-MONTH PERIOD ENDED 30 SEPTEMBER 2021

(IN THE NOTES ALL AMOUNTS ARE SHOWN IN EGYPTIAN POUNDS UNLESS OTHERWISE STATED)

Basis of preparation of the interim condensed consolidated financial information (Continued)

Impact on the financial statements from the adoption of the new standard presented as follow:

(All amounts in Egyptian Pounds)	1 January 2021 before adoption	EAS 48	EAS 47	1 January 2021 after adoption
ASSETS				
Non-current assets				
Property, plant and equipment	1,285,787,384	-	-	1,285,787,384
Intangible assets	260,881,495	-	-	260,881,495
Financial assets at fair value through profit or loss	160,911,024	-	-	160,911,024
Prepaid expenses and other receivables – Non-current portion	7,865,563	-	-	7,865,563
Total non-current assets	1,715,445,466	-	-	1,715,445,466
Current assets				
Inventory	255,776,882	(48,997,279)	-	206,779,603
Trade and notes receivables	290,424,210	67,725,069	(7,633,595)	350,515,684
Prepaid expenses and other receivables	274,491,665	-	-	274,491,665
Due from related parties	161,613,764	-	-	161,613,764
Cash and bank balances	470,119,027	-	-	470,119,027
Total current assets	1,452,425,548	18,727,790	(7,633,595)	1,463,519,743
Total assets	3,167,871,014	18,727,790	(7,633,595)	3,178,965,209
EQUITY				
Issued and paid up capital	50,322,580	-	-	50,322,580
Legal reserve	25,161,260	-	-	25,161,260
Share premium reserve	172,217,162	-	-	172,217,162
Other reserves	13,129,007	-	-	13,129,007
Payments under capital increase	432,825,002	-	-	432,825,002
Accumulated losses	(75,054,681)	18,727,790	(7,633,595)	(63,960,486)
Total equity	618,600,330	18,727,790	(7,633,595)	629,694,525
Non-current liabilities				
Bank borrowings	1,572,999,630	-	-	1,572,999,630
Retirement benefits obligations	9,853,923	-	-	9,853,923
Deferred tax liabilities	104,217,034	-	-	104,217,034
Total non-current liabilities	1,687,070,587	-	-	1,687,070,587
Current liabilities				
Provisions	35,164,223	-	-	35,164,223
Bank overdrafts	294,034,497	-	-	294,034,497
Trade and notes payables	280,746,236	-	-	280,746,236
Accrued expenses and other payables	251,827,453	-	-	251,827,453
Due to related parties	427,688	-	-	427,688
Total current liabilities	862,200,097	-	-	862,200,097
Total liabilities	2,549,270,684	-	-	2,549,270,684
Total equity and liabilities	3,167,871,014	18,727,790	(7,633,595)	3,178,965,209

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

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS FOR THE NINE-MONTH PERIOD ENDED 30 SEPTEMBER 2021

(IN THE NOTES ALL AMOUNTS ARE SHOWN IN EGYPTIAN POUNDS UNLESS OTHERWISE STATED)

3. Significant changes in the current reporting period

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

The Company manufactures and sells glass bottles and containers to its customers who are operating in the food, beverage and pharmaceutical industries. These industries currently remain largely unaffected as they are exempt from various bans and constraints imposed by various regulatory authorities. Based on these factors, management believes that the Covid-19 pandemic has had no material effects on the Group's reported financial results for the nine-month period ended 30 September 2021. The management continues to monitor the situation closely.

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

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

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

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

Purchase of treasury bills

The Company purchased Egyptian treasury bills at par value amounting LE 129,786,945 with an annual average interest of 12.84%, with maturity of one year. The total interest income recognized during the period amounted to LE 8,629, 638.

Assets classified as held-for-sale

On 12 July 2021, the Board of Directors meeting approved to exercise the put option to sell all of the company's shares in Medco Plast for Packing and Packaging Systems S.A.E in accordance with the shareholders agreement, the sales is expected to be accomplished before the end of the year, accordingly the investment has been classified under assets held for sale in accordance with EAS 32 "Non-current assets held for Sale and discontinued operations"

Projects under construction

Projects under Construction additions represent the cost of furnace 2 overhaul for Middle East Glass Container-Sadat, the total expenditure up to 30 September amounting to 165 M EGP, The project is expected to be completed by the end of the year.

4. Segment information

The Group's activities are organised into one segment which is wholly related to the manufacturing and sale of glass containers. This is in accordance with the presentations to the Board of Directors. Therefore, entity wide information required under EAS 41 "operating segments" are already included in the financial statements.

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5. Profit and loss information

(a) Significant items

	Nine months ended 30 September	
	2021	2020
Export subsidy	44,462,627	43,325,864
Fair value gain from investment	-	15,260,712

(b) Finance cost

	Nine months ended 30 September	
	2021	2020
Interest income	11,045,056	-
Bank interest	(103,035,154)	(121,531,003)
Refinancing transaction cost	(4,147,822)	(29,685,158)
Export subsidy interest	(8,303,113)	-
Finance leases prepayment losses	-	(4,030,993)
Forex (losses) / gains	(159,899)	4,302,675
Total finance cost	(104,600,932)	(150,944,479)

(c) Income tax

Income tax expense is recognised based on management's estimate of the weighted average effective annual income tax rate expected for the full financial year. The average annual tax rate used for the period to 30 September 2021 is 20%, compared to Nil for the nine months ended 30 September 2020.

6. Property, plant and equipment

	Land	Buildings	Machinery, equipment & moulds	Furniture & office equipment	Projects under construction	Total
31 December 2020						
Cost						
Balance at beginning of the year	316,756,515	227,438,158	1,680,898,503	22,996,515	115,117,680	2,363,207,371
Additions	22,612,030	1,920,458	304,931,127	1,978,298	8,852,220	340,294,133
Disposals	-	-	(130,402,824)	(20,020)	(4,403,297)	(134,826,141)
Transferred from projects under construction	-	1,401,997	68,049,936	36,589	(69,488,522)	-
Balance at the end of the year	339,368,545	230,760,613	1,923,476,742	24,991,382	50,078,081	2,568,675,363
Accumulated depreciation						
Balance at beginning of the year	-	(88,442,915)	(1,168,665,188)	(17,053,070)	-	(1,274,161,173)
Depreciation expense	-	(10,033,936)	(110,455,867)	(2,216,513)	-	(122,706,316)
Disposals Depreciation	-	-	113,959,490	20,020	-	113,979,510
Balance at the end of the year	-	(98,476,851)	(1,165,161,565)	(19,249,563)	-	(1,282,887,979)
Net book value at the end of the year	339,368,545	132,283,762	758,315,177	5,741,819	50,078,081	1,285,787,384
30 September 2021						
Cost						
Balance at beginning of the year	339,368,545	230,760,613	1,923,476,740	24,991,276	50,078,081	2,568,675,255
Additions	2,614,454	2,025,247	59,496,346	1,447,448	175,325,326	240,908,821
Disposals	-	-	(14,019,334)	-	-	(14,019,334)
Transferred from projects under construction	-	630,504	719,376	921	(1,350,801)	-
Balance at the end of the period	341,982,999	233,416,364	1,969,673,128	26,439,645	224,052,606	2,795,564,742
Accumulated depreciation						
Balance at beginning of the period	-	(98,476,852)	(1,165,166,063)	(19,244,957)	-	(1,282,887,872)
Depreciation expense	-	(7,616,739)	(93,112,540)	(1,698,308)	-	(102,427,587)
Disposals Depreciation	-	-	8,491,239	-	-	8,491,239
Balance at the end of the period	-	(106,093,591)	(1,249,787,364)	(20,943,265)	-	(1,376,824,220)
Net book value at the end of the period	341,982,999	127,322,773	719,885,764	5,496,380	224,052,606	1,418,740,522

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Property, plant and equipment (continued)

The balance of project under construction as of 30 September 2021 is represented as flows:

	30 September 2021	31 December 2020
New batch house	43,890,989	41,964,678
Furnace	164,102,156	-
Machinery	14,626,584	7,859,540
Buildings	986,157	-
Others	446,720	253,863
	<u>224,052,606</u>	<u>50,078,081</u>

7. Bank borrowings and overdraft

	30 September 2021	31 December 2020
A. Borrowings - current portion		
Bank loans	130,916,667	-
Bank overdrafts	327,135,512	294,034,497
Total current portion	<u>458,052,179</u>	<u>294,034,497</u>
B. Borrowings non-current portion		
Bank loans	1,440,083,378	1,572,999,630
Total non-current portion	<u>1,440,083,378</u>	<u>1,572,999,630</u>
Total	<u>1,898,135,557</u>	<u>1,867,034,127</u>

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

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

The loans are secured with the following security package:

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

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8. Fair value of financial instruments

Fair value of financial instruments

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

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

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

The table below shows the financial assets and liabilities at fair value in the consolidated financial statements at 30 September 2021 within the hierarchy of the fair value, based on the input levels that are considered to be significant to the fair value measurement as a whole:

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

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

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

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

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

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

Sensitivity of fair value to the changes in significant inputs:

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

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

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9. Liquidity risk

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

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

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

The table below summarises the maturities of the Group's undiscounted financial liabilities at 30 September 2021 and 31 December 2020, based on contractual payment dates and current market interest rates.

	Less than 6 month	Between 6 month & 1 year	Between 1 & 2 years	More than 2 years
30 September 2021				
Accounts and notes payable	373,116,433	-	-	-
Accrued expenses and other payables *	246,822,073	-	-	-
Bank overdrafts	233,001,627	94,133,882	-	-
Loans and borrowings	-	130,916,667	261,833,332	1,178,250,043
Future Interest	45,812,602	56,996,006	90,251,564	116,858,851
Due to Related Parties	349,750	-	-	-
Total	899,102,485	282,046,555	352,084,896	1,295,108,894
31 December 2020				
Accounts and notes payable	280,746,236	-	-	-
Accrued expenses and other payables *	171,286,387	-	-	-
Bank overdrafts	195,597,929	98,436,568	-	-
Loans and borrowings	-	-	262,166,667	1,310,832,963
Future Interest	42,284,421	45,819,823	71,767,846	165,094,129
Due to Related Parties	427,688	-	-	-
Total	690,342,661	144,256,391	333,934,513	1,475,927,092

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

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10. Financial instruments by category

Financial assets:

	Loans and receivables		Fair value P&L	
	30 September 2021	31 December 2020	30 September 2021	31 December 2020
Trade and notes receivables	409,114,716	290,424,210	-	-
Other receivables	111,629,265	139,839,606	-	-
Due from related parties	120,985,555	161,613,764	-	-
Classified as held for sale during the period)		-	160,911,028	-
Financial assets at fair value	-	-	-	160,911,024
Financial assets at amortized cost	138,416,126	-	-	-
Cash and bank balances	389,604,924	470,119,027	-	-

Financial liabilities:

	Other financial liabilities		Fair value P&L	
	30 September 2021	31 December 2020	30 September 2021	31 December 2020
Bank overdrafts	327,135,512	294,034,497	-	-
Bank borrowings	1,571,000,045	1,572,999,630	-	-
Trade and notes payable	373,174,677	280,746,236	-	-
Accrued expenses and other payables	251,010,262	171,286,387	-	-
Due to related parties	349,750	427,688	-	-

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