

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

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

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

Separate financial statements - For the year ended 31 December 2020

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Auditor's report

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

Report on the separate financial statements

We have audited the accompanying separate financial statements of Middle East Glass Manufacturing Company (S.A.E.) which comprise the separate statement of financial position as of 31 December 2020 and the separate statements of profits or losses, comprehensive income, changes in equity and cash flows for the fiscal year then ended, and a summary of significant accounting policies and other explanatory notes.

Management's responsibility for the separate financial statements

These separate financial statements are the responsibility of the Company's management. Management is responsible for the preparation and fair presentation of these separate 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 these separate 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 separate 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 separate financial statements are free from material misstatement.

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



The shareholders of Middle East Glass Manufacturing Company (S.A.E.)
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Opinion

In our opinion, the separate financial statements referred to above present fairly, in all material respects, the financial position of Middle East Glass Manufacturing Company (S.A.E.) as of 31 December 2020, and of its financial performance and its cash flows for the fiscal year then ended in accordance with Egyptian Accounting Standards and in light of the related Egyptian laws and regulations.

Report on other legal and regulatory requirements

The Company maintains proper financial records, which includes all that is required by the law and the Company's statutes, and the accompanying financial statements are in agreement therewith. Also, the Company applies a costing system that meets its designated purpose, and the inventory counts were taken by the management in accordance with proper principles.

The financial information included in the Board of Directors' report is prepared in accordance with law No. 159 of 1981 and its executive regulations, is in agreement with Company's accounting records, within the limits that such information recorded therein.


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

6 April 2021
Cairo



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


Separate statement of financial position - At 31 December 2020

(All amounts in Egyptian Pounds)

	Note	2020	2019
Non-current assets			
Property, plant and equipment	5	189,565,941	105,548,725
Intangible assets	6	865,113	1,979,864
Investment in subsidiaries	7	631,882,817	631,882,817
Financial assets at fair value through profit or loss	8	160,911,026	120,705,911
Prepaid expenses and other receivables		4,511,266	-
Total non-current assets		987,736,163	860,117,317
Current assets			
Inventories	9	57,849,435	76,861,576
Trade receivables	10	64,871,397	59,031,311
Prepaid expenses and other receivables	11	71,722,234	84,404,058
Due from related parties	12	501,125,055	469,136,205
Cash and bank balances	13	114,093,069	13,015,985
Total current assets		809,661,190	702,449,135
Total assets		1,797,397,353	1,562,566,452
Equity			
Issued and paid up capital	19	50,322,580	50,322,580
Legal reserve	20	25,161,260	25,161,260
Special reserve	19	172,217,162	172,217,162
Other reserves	19	13,129,007	13,129,007
Payments under increase in capital	19	432,825,002	432,825,002
Retained earnings		397,505,366	358,776,041
Total owners' equity		1,091,160,377	1,052,431,052
Non-current liabilities			
Bank loans	15	369,612,439	111,438,374
Retirement benefits obligations	21	7,603,402	7,707,629
Deferred tax liability	23	38,220,580	30,799,086
Total non-current liabilities		415,436,421	149,945,089
Current liabilities			
Provisions	14	18,501,657	14,021,908
Bank loans	15	-	105,585,600
Bank overdrafts	15	98,436,568	82,828,733
Trade and notes payables	16	73,957,581	90,974,352
Accrued expenses and other payables	17	90,204,815	66,253,660
Due to related parties	12	9,699,934	526,058
Total current liabilities		290,800,555	360,190,311
Total owner's equity and liabilities		1,797,397,353	1,562,566,452

The accompanying notes on pages 8 - 41 form an integral part of these separate financial statements.

Auditor's report attached


Mr. Mohamed Khalifa
Chief Financial Officer


Mr. Peter Carpenter
Board Member


Mr. Abdul Galil Beshar
Chairman

Cairo 6-April-2021

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

Separate statement of profits or losses - For the year ended 31 December 2020

(All amounts in Egyptian Pounds)

	<u>Notes</u>	<u>2020</u>	<u>2019</u>
Sales	24	692,833,629	683,856,613
Cost of sales	30	(537,889,859)	(555,082,370)
Gross profit		154,943,770	128,774,243
Selling and marketing expenses	31	(44,256,586)	(39,351,985)
General and administrative expenses	32	(44,094,367)	(39,440,732)
Other operating expense	25	(34,396,437)	(63,003,228)
Other operating income	26	95,108,165	106,904,294
Profit from operations		127,304,545	93,882,592
Finance cost	27	(61,565,263)	(73,578,042)
Finance income	28	167,106	5,160,083
Export Subsidy Present Value adjustment		(704,992)	-
Profit for the year before tax		65,201,396	25,464,633
Income tax	29	(12,825,601)	(3,912,354)
Net profit for the year		52,375,795	21,552,279
Profit per share (basic / diluted)	33	1.04	0.43

The accompanying notes on pages 8 - 41 form an integral part of these separate financial statements.

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

Separate statement of comprehensive income - For the year ended 31 December 2020

(All amounts in Egyptian Pounds)

	<u>2020</u>	<u>2019</u>
Net profit for the year	52,375,795	21,552,279
Other comprehensive income	<u>-</u>	<u>-</u>
Total comprehensive income for the year	<u>52,375,795</u>	<u>21,552,279</u>

The accompanying notes on pages 8 - 41 form an integral part of these separate financial statements.

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

Separate statement of changes in owners' equity - For the year ended 31 December 2020

(All amounts in Egyptian Pounds)

	Issued and paid up capital	Payment under increase in capital	Share premium reserve	Other reserve	Legal reserve	Retained earnings	Total
Balance at 1 January 2019	50,322,580	432,825,002	172,217,162	13,129,007	25,161,260	344,969,306	1,038,624,317
Total comprehensive income for the year	-	-	-	-	-	21,552,279	21,552,279
Dividends distribution to employees	-	-	-	-	-	(7,745,544)	(7,745,544)
Balance at 31 December 2019	50,322,580	432,825,002	172,217,162	13,129,007	25,161,260	358,776,041	1,052,431,052
Balance at 1 January 2020	50,322,580	432,825,002	172,217,162	13,129,007	25,161,260	358,776,041	1,052,431,052
Total comprehensive income for the year	-	-	-	-	-	52,375,795	52,375,795
Dividends distribution to employees	-	-	-	-	-	(13,646,470)	(13,646,470)
Balance at 31 December 2020	50,322,580	432,825,002	172,217,162	13,129,007	25,161,260	397,505,366	1,091,160,377

The accompanying notes on pages 8 - 41 form an integral part of these separate financial statements.

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

Separate statement of cash flows - For the year ended 31 December 2020

(All amounts in Egyptian Pounds)

	Note	2020	2019
<u>Cash flows from operating activities</u>			
Net profit for the year before tax		65,201,396	25,464,633
<u>Adjusted by:</u>			
Depreciation and amortization	5,6	29,092,878	36,827,320
Loss / (gain) on sale of property, plant and equipment	25	1,489,741	490,532
Retirement benefits provision	21	3,072,802	2,204,718
Provisions	25	4,479,749	11,894,877
Provisions formed AR		775,650	-
Provision no longer required	26	-	(7,264,546)
Interest income	28	(167,106)	-
Interest expenses	27	45,051,022	64,806,693
Fair value gain on derivative financial instruments		(40,205,113)	12,205,623
Gain on settlement of retirement employee benefits	21	(452,394)	(331,813)
Export subsidy -non current- present value adjustment		704,992	-
Foreign currency exchange gain from loan evaluation		(7,095,288)	(5,766,310)
Cash flow from operating activities before changes in working capital		101,948,329	140,531,727
<u>Changes in working capital</u>			
Inventories	9	19,012,141	38,107,165
Trade and notes receivables	10	(11,127,003)	33,112,645
Prepaid expenses and other receivables	11	7,190,551	10,817,037
Due from related parties	12	(31,988,850)	(39,577,215)
Trade and notes payables	16	(17,016,771)	2,891,757
Accrued expenses and other payables	17	23,951,153	(29,674,802)
Withholding tax		(2,096,868)	(7,908,004)
Due to related parties	12	9,173,876	(228,942)
Payment of retirement obligation benefits	21	(2,724,635)	(1,551,972)
Cash inflow from operating activities		96,321,923	146,519,396
Tax payment		(6,470,900)	(68,993,620)
Interest paid		(45,051,022)	(64,806,693)
Penalty payment		(1,505,477)	(2,662,001)
Net cash inflow from operating activities		43,024,524	10,057,082
<u>Cash flows from investing activities</u>			
Purchase of property, plant and equipment	5	(113,575,874)	(41,890,618)
Proceeds from sale of property, plant and equipment	5	90,789	-
Advance payments for fixed assets		(3,921,051)	-
Interest income received		167,106	-
Net cash outflow from investing activities		(117,239,030)	(41,890,618)
<u>Cash flows from financing activities</u>			
Repayments of bank borrowings	15	(217,057,575)	-
Proceeds from Bank Borrowing		376,741,330	-
Bank overdrafts	15	15,607,835	21,813,576
Net cash inflow from financing activities		175,291,590	21,813,576
Net increase / (decrease) in cash and cash equivalents		101,077,084	(10,019,960)
Cash and cash equivalents at beginning of the year		13,015,985	23,035,945
Cash and cash equivalents at end of the year	13	114,093,069	13,015,985

The non cash transactions are disclosed in Note 38.

The accompanying notes on pages 8 - 41 form an integral part of these separate financial statements.

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

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

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

1. General information

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

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

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

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 *

These financial statements have been approved for issuance by the Chairman of the Company on ____ April 2021 and the General Assembly of the shareholders has the right to amend the financial statements after issuing.

2. Summary of significant accounting policies

The principal accounting policies adopted in the preparation of this financial statements, which are applied consistently on the years presented unless otherwise stated.

A. Basis of preparation of the separate financial statements

1. Compliance with EAS

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

2. Classification of assets and liabilities

The Company 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 the normal course of operations;
- * 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 the normal course of operation;
- * 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 Company classifies all other liabilities as non-current. Deferred tax assets and liabilities are classified as non-current.

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

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

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

Basis of preparation of the separate financial statements (continued)

The preparation of the separate financial statements in conformity with EAS requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the company's accounting policies. Note (4) describes the significant accounting estimations and assumptions of these separate financial statements, as well as significant judgments used by the company's management when applying the company's accounting policies.

Users of these separate financial statements should read them with the Group's consolidated financial statements as of and for the year ended 31 December 2020 in order to obtain full information on the financial position, results of operations, its cash flows and changes in equity of the Group.

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.

3. New and amended standards adopted by the company

The Company applied the following standards, amendments and interpretations for the first time to its annual report as of 1 January 2019:

- EAS (4) - "Statement of Cash Flows" - amendments specified for presenting the changes in the liabilities resulting from the financing activities; and
- EAS (49) - "Leases" - First Phase (Finance leases).

The above changes to accounting standards did not significantly affect the measurement of items in the financial statements, but some changes to disclosures because of amendments to EAS (4) are applied. Most of other amendments not mentioned above had no effect on the amounts recognised in prior periods and are not expected to materially affect current or future periods.

4. New issued and amendments made to EAS, but not yet applied

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

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

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

EAS (38) "Employees benefits"

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

EAS (47) "Financial instruments"

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

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

Classification and measurement of financial assets and liabilities:

- According to EAS 47, the financial asset is classified at the initial recognition either as financial assets at amortised cost, financial assets at fair value through comprehensive income or financial assets at fair value through profit or loss. The classification of financial assets in accordance with EAS 47 depends on the business model which manages the financial asset, contracted cash flows and its characteristics.

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

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

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

Basis of preparation of the separate financial statements (continued)

- According to the Company's business model, trade receivables and other receivables are classified as financial assets at amortised cost. Therefore, the Company 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 Company 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 Company 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 Company's accounting policies related to financial liabilities.
- The rules for de-recognition were transferred from the EAS 26 and has not been changed.
- The Company does not hold derivative instruments and does not enter into hedging relationships. Therefore, the new hedge accounting rules will not affect the Company.

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 amortized 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 Company expects an increase of EGP 2 million in credit losses for trade receivables provision, and no significant impairment is expected on account of bank balances.

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

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

EAS (48) "Revenue from Contracts with Customers"

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

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

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

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

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

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

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

Basis of preparation of the separate financial statements (continued)

For contracts with customers, where the Company has an enforceable right to payment for the performance completed to date, the revenue for the goods concerned are recognized over the period of production together with presentation under contract assets.

The Company assessed the effect of adopting EAS 48 to result in an increase in equity of EGP 1.7 million, a reduction in inventories of EGP 11 million, an increase in contract assets of EGP13 million and an increase in tax liabilities of EGP.5 million at 31 December 2020.

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

EAS (49) "Leases"

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

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

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

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

B. Foreign currency translation

(1) Functional and presentation currency

The financial statements of the Company are measured and presented using the currency of the primary economic environment in which the Company operates ("the functional currency"). The separate financial statements are presented in Egyptian Pounds, which is the functional and presentation currency of the company.

(2) Transactions and balances

Foreign currency transactions are translated into the functional currency using the exchange rates at the dates of the transactions. Foreign exchange gains and losses resulting from the settlement of such transactions, and from the translation of monetary assets and liabilities denominated in foreign currencies at year end exchange rates, are generally recognised in profit or loss. They are deferred in equity if they relate to qualifying cash flow hedges and qualifying net investment hedges or are attributable to part of the net investment in a foreign operation.

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

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

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

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

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

C. Property plant and equipment

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

Subsequent costs are included in the asset's carrying amount or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Company 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 allocate the depreciation of fixed assets consistently to their residual values over their estimated useful lives, except for lands, which are characterised with unlimited estimated useful life. Below are the estimated useful lives of each type of the assets' Company:

Below are the estimated useful lives of each type of the assets' Company:

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

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

The carrying amount of the fixed asset is reduced to the recoverable amount, if the recoverable amount of an asset is less than its carrying amount. This reduction is considered as a loss resulting from impairment.

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

D. Investment in subsidiaries

Investments in subsidiaries is accounted for using the cost method. Investment in subsidiaries in the separate financial statements is stated at cost. The Cost method require recognition of investment at cost and recording of investment income to the extent of dividends distribution received from investee. The subsidiaries are entities controlled by the Company, a subsidiary is consolidated when the Company is exposed, or has rights, to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee,

E. Investment in associates

Associate companies are all entities that are subject to significant influences by an investor. These investments are recognized in the financial statements by the cost method. The significant influence is the ability to participate in making decisions related to operational and financial policies of investee but does not reach to the control or joint control over those policies.

F. Intangible assets

1. Computer software

Separately acquired software licences are shown at cost less the accumulated amortization and the accumulated impairment losses. The Company 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 preparing the asset for use in the purpose for which it was acquired.

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

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

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

Intangible assets (continued)

2. Technical assistance cost

Amounts paid with respect to technical assistance services are recognized as intangible assets and amortized using the straight line method over the estimated useful life of this know-how which is 10 years.

The knowhow provided by Techpack Solutions Company Limited (Korea) under a Technical Services Agreement concluded with the Company mainly comprises fees for technical assistance services provided to the Company.

Technical assistance costs are stated at cost less accumulated amortization.

G. Impairment of non- financial assets

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

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

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

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

H. Inventory

Inventories are measured at the lower of cost and net realisable value. Cost is determined using weighted average method. The cost of finished goods and work in progress comprises costs of purchase, costs of conversion and other costs (based on normal operating capacity), incurred by the Company in bringing the inventories to their present location and condition, and excludes borrowing costs. Net realisable value is the estimated selling price in the ordinary course of business less the estimated costs of completion and any other costs necessary to complete the sale. The amount of any write-down of inventories to net realisable value and all losses of inventory shall be recognised as an expense in the year the write-down or loss occurs

I. Financial assets

(1) Classification

The Company classifies its financial assets in the following categories:

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

Financial assets at fair value through profit or loss

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

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

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Financial assets (continued)

Loans and receivables

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

(2) Recognition and derecognition

Regular way purchases and sales of financial assets are recognised on trade-date, the date on which the Company 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 Company has transferred substantially all the risks and rewards of ownership.

J. Offsetting financial assets and liabilities

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 Company 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 Company's normal practices and requirements of financial requirements and other conditions related to the considerations of the risk and timing of the Company's cash flows.

K. Interest Income

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

L. Impairment of financial assets

Financial assets carried at amortised cost

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

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

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

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

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M. Trade receivables

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

N. Cash and cash equivalents

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

O. Capital

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

P. Financial liabilities

(1) Classification

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

(2) Recognition and derecognition

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

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

(3) Measurement

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

Q. Taxation

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

Current tax

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

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

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

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Taxation (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 difference will not reverse in the foreseeable future. Deferred tax assets arising from deductible temporary differences associated with such investments and interests are only recognised to the extent that it is probable that there will be sufficient taxable profits against which to utilise the benefits of the temporary differences and they are expected to reverse in the foreseeable future.

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

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

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

Deferred tax assets and liabilities are offset when there is a legally enforceable right to set off current tax assets against current tax liabilities and when they relate to income taxes levied by the same taxation authority and the Group intends to settle its current tax assets and liabilities on a net basis.

Current tax and deferred tax for the year

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

R. Employee benefits

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

(1) Retirement benefits obligations

The company has two types of pension schemes.

Defined contribution plans

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

Defined benefit plans

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

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

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Employee benefits (continued)

The net defined benefit obligation recognised in the statement of financial position is the present value of the defined benefit obligation at the end of the reporting period less the fair value of plan assets. 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 Company recognises the current service cost of the defined benefit obligation in the statement of profit or loss, except where included in the cost of an asset that reflects the increase in the defined benefit obligations relating to services performed to the Company during the current year or when changes or curtailments are made to the plan.

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

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

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

(2) Termination benefits

Termination benefits are payable when employment is terminated by the Company before the normal retirement date, or whenever an employee accepts voluntary redundancy in exchange for these benefits. The Company recognises termination benefits at the earlier of the following dates: (a) when the Company 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 Company 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 Company recognises expected cash dividends as the employees' share in accordance with the companies' articles of association, to be included as part of dividends in equity, and as liabilities when the ordinary general assembly meeting of the shareholders of the Company approve the proposed dividends. The Company does not record any liabilities in the employees' share of undistributed dividends.

S. Borrowings

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

Fees paid on the establishment of loan facilities are recognised as transaction costs of the loan to the extent that it is probable that some or all of the facility will be drawn down. In this case, the fee is deferred until the draw-down occurs. To the extent there is no evidence that it is probable that some or all of the facility will be drawn down, the fee is capitalised as a prepayment for liquidity services and amortised over the period of the facility to which it relates.

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

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

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T. 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 Company 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 Company recognises other borrowing costs as expenses in the period the Company incurs such costs.

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

U. Operating leases

Leases in which the risks and rewards of ownership are retained by the lessor are classified as operating leases. Payment made under operating leases (net of any incentives received from the lessor) is charged to the statement of profits or losses on a straight line basis over the years of the lease.

V. Provisions

Provisions are recognised when the Company 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. The Company recognises the commitments required for restructuring and not related to the Company's effective activities within the costs of the provision of restructure.

Contingent obligation is a present obligation that arose due to past events, and was not recognised because it was not expected to have an outflow of resources embodying economic benefits to settle the obligation, or the amount could be reliably estimated. Instead the Company disclosed its contingent liabilities in its note to the separate financial statements.

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. However, it is expected that an outflow of resources is required to settle all items of obligations.

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 borrowing cost in the statement of profit or loss.

If some or all of the expenditure required to settle a provision is expected to be reimbursed by another party outside the Company, the reimbursement should be recognised as a separate asset in the statement of financial position, when, and only when, it is virtually certain that reimbursement will be received if the Company settles the obligation. The amount recognised should not exceed the amount of the provision.

W. Trade payables

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

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X. Revenue recognition

Revenue is measured at the fair value of the consideration received or receivable, and represents amounts receivable for goods sold or services rendered due to the Company's normal course of business, stated net of value added taxes, discounts, or deductions. The Company recognises revenue when the amount of revenue can be reliably measured; when it is probable that future economic benefits will flow to the Company; and when specific criteria have been met for each of the Company's activities, as described below. The amount of revenue is not considered accurately measurable unless all cases of uncertainty regarding the possibility of the collection of the amount due are excluded. The Company bases its estimate of return on historical results, taking into consideration the type of customer, the type of transaction and the related specific arrangement.

Sales of goods

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

Government export subsidy

The Government of Egypt operates an export subsidy program managed by the Export Development Fund. The scheme was established under law 155 of 2002 to create incentives for Egyptian companies to grow exports. The Company operates in a qualifying sector and the subsidy represents a percentage up to 10% of the export value depending on a set of variables including the percentage of local components, location of the factory, export destination and amongst others. The subsidy on export sales is recognized when there is proper evidence that the Company will deserve this subsidy under the prevailing rules and conditions. The subsidy is recognised under other income in the statement of profit or loss.

Y. Dividends

Dividends are recognised as liabilities in the separate financial statements at the end of the financial year in which the dividends are approved by the Company's General Assembly of Shareholders.

Z. Comparatives

Where necessary comparative figures have been reclassified to confirm the changes in presentation in current year.

3. Financial risk management

(1) Financial risk factors

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

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

(A) Market risk

i) Foreign currency exchange rate risk

Foreign exchange rates risks are the risks of fluctuations in the fair value of future cash flows of a financial instrument due to changes in foreign currency exchange rates. The following analysis shows the calculation of the effect of reasonable and possible changes in foreign currencies against the functional currency of the Company while keeping all other variables constant, on the statement of profit or loss:

	2020	2019
US Dollars	(25,679,186)	1,693,921
Euros	(2,704,481)	(3,566,653)

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Financial risk management (continued)

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

	2020			2019
	Assets	Liabilities	Net	Net
US Dollars	128,859,655	385,651,513	(256,791,858)	16,939,209
Euros	336,770	27,381,580	(27,044,810)	(35,666,530)

ii) Price risk

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

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

iii) Cash flow and fair value interest rate risk

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

The Company is exposed to interest rate risk on its interest-bearing assets and liabilities (bank overdrafts, and term loans). The risk is managed by the Company by maintaining an appropriate mix between fixed and floating rate borrowings.

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

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

	Increase / Decrease in %	Effect on profits or losses for the year EGP
31 December 2020	± 10%	6,786,710
31 December 2019	± 10%	3,191,606

LIBOR reform

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

(B) Credit risk

Credit risk arises from cash and cash equivalents, deposits with banks and financial institutions, as well as credit exposures to customers', including outstanding receivables and committed transactions. The Company's credit risk is managed as a whole, except for the credit risk related to the customers' account balances, as each of the Company's companies manages and analyses the credit risk of their own customers.

For banks and financial institutions, only high-credit-quality and rating banks and financial institutions are accepted.

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

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Financial risk management (continued)

If existing customers are independently rated, these ratings are used. If there is no independent rating, risk control assesses the credit quality of the customer, taking into account its financial position, past experience and other factors. Credit limits are set for each customer based on internal and external credit limits in accordance with limits set by the board. The credit limits are regularly reviewed for each individual customer.

Transactions with major customers

Revenue transaction with the Company's largest two customers are equivalent to 55% of the total revenues for the year ended 31 December 2020 (2019: 50 %) each of these customers contribute more than 10% of the total sales.

(C) Liquidity risk

Liquidity risk is the risk that the Company will encounter difficulty in meeting financial obligations due to shortage of funds. The Company's exposure to liquidity risk arises primarily from mismatches of the maturities of financial 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 Company's liabilities. The Company's management monitors liquidity requirements of the company 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 Company limits liquidity risk by maintaining sufficient bank facilities and reserves, by monitoring cash forecasts 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 Company's undiscounted financial liabilities at 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
31 December 2020				
Trade and notes payable	73,957,581	-	-	-
Accrued expenses and other payables*	61,441,988	-	-	-
Due to related parties	-	9,699,934	-	-
Bank overdraft	98,436,568	-	-	-
Term loans	-	-	61,601,730	308,010,709
Future interest payment	11,282,432	11,282,432	20,684,459	47,010,135
Total	245,118,569	20,982,366	82,286,189	355,020,844
31 December 2019				
Trade and notes payable	87,654,190	3,320,162	-	-
Accrued expenses and other payables*	48,290,669	-	-	-
Due to related parties	-	526,058	-	-
Bank overdraft	82,828,733	-	-	-
Term loans	57,585,602	13,500,000	34,500,000	111,438,372
Future interest payment	26,168,352	22,934,602	28,592,612	35,000,346
Total	302,527,546	40,280,822	63,092,612	146,438,718

* Accrued expenses and other payables excludes advances for customers and tax liabilities

The unused credit facility at 31 December 2020 amounts LE 94,598,011 (2019: LE 60,571,267).

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Financial risk management (continued)

(2) Capital risk management

The company's objectives when managing capital are to safeguard its ability to continue as a going concern in order to provide returns for shareholders and benefits for other stakeholders and to maintain an optimal capital structure to reduce the cost of capital.

In order to maintain or adjust the capital structure, the company may adjust the amount of dividends, return capital to shareholders, issuing new shares or sell assets to reduce company's debt.

The company monitors capital on the basis of its gearing ratio. This ratio is calculated as net debt divided by total capital. Net debt comprises total borrowings and bank overdrafts less cash and bank balances. Total capital comprises owners' equity plus net debt, as shown in the financial position.

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

	<u>2020</u>	<u>2019</u>
Term loans	369,612,439	217,023,974
Bank overdrafts	98,436,568	82,828,733
Total borrowings	468,049,007	299,852,707
Less: cash and bank balances	(114,093,069)	(13,015,985)
Net debt	353,955,938	286,836,722
Total owners' equity	1,068,394,807	1,052,431,052
Total capital	1,422,350,745	1,339,267,774
Gearing ratio	25%	21%

The increase in the company's gearing ratio is mainly due from the increase in the medium-term loans.

Debt covenants

The Company is required to comply with the following financial covenants under the terms of the medium-term loan facilities:

- Current ratio should not fall below 1:1.
- Debt service ratio should not fall below 1.2 throughout the life of the loan except for the financial year ended 2023 which should not fall below 1.1.
- Total net debt to EBITDA ratio should not exceed 3.8 for the financial year ended 2020, 3.1 for the financial year ended 2021 and 3.0 for the next years.

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

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4. Critical accounting estimates and judgments

(1) Critical accounting estimates and assumptions

The preparation of these financial statements requires management to make judgements, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets and liabilities, income and expense. Actual results may differ from these estimates. The significant judgements made in applying the Company'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 Company, 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 Company during the operation of the asset.

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

b. Fair value measurement of derivative financial instruments

The fair value of financial instruments that are not traded in an active market is determined using valuation techniques. The Company uses its judgment in appropriately estimating the fair value of derivative financial instruments. Derivative financial instruments held by the Company do not have observable market price and so the Company is required to identify appropriate valuation models in calculating these fair values in making its estimates, priority is given to observable inputs. For details of Key assumptions used and the impact of changes to these assumption refer to Note 9.

(2) Critical judgment in applying the accounting policies

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

The company's management have determined that they do not significant influence over Medco Plast for Packing and Packaging Systems S.A.E. ("Medco Plast"). Although the company has representation rights on the board of "Medco Plast", it became clear that the company does not have actual ability to exercise significant influence after the investment was acquired, this was evidenced by other investors opposing the company's attempts to exercise influence over "Medco Plast", Accordingly, the company has reclassified the investment to financial assets at fair value through profit or loss during the year ended 31 December 2020.

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

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

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

5. Property, plant and equipment

	Land	Buildings	Machinery, equipment & molds	Vehicles & transportation	Furniture & office equipment	Computers	Projects under construction	Total
2019								
Cost								
Balance at beginning of the year	9,968,571	48,758,196	418,750,591	4,216,992	1,787,247	6,667,908	1,053,616	491,203,121
Additions	-	200,130	36,754,739	647,500	153,876	2,926,596	1,207,777	41,890,618
Disposals	-	-	(4,193,600)	-	-	-	(1,043,426)	(5,237,026)
Transfers from projects under construction	-	-	470,866	-	-	511,770	(982,636)	-
Balance at the end of the year	9,968,571	48,958,326	451,782,596	4,864,492	1,941,123	10,106,274	235,331	527,856,713
Accumulated depreciation								
Balance at beginning of the year	-	(30,699,139)	(349,846,750)	(2,948,843)	(1,311,702)	(5,533,304)	-	(390,339,738)
Depreciation expense	-	(1,656,800)	(32,664,049)	(640,369)	(136,557)	(573,543)	-	(35,671,318)
Disposals depreciation	-	-	3,703,068	-	-	-	-	3,703,068
Balance at the end of the year	-	(32,355,939)	(378,807,731)	(3,589,212)	(1,448,259)	(6,106,847)	-	(422,307,988)
Net book value at the end of the year	9,968,571	16,602,387	72,974,865	1,275,280	492,864	3,999,427	235,331	105,548,725
2020								
Cost								
Balance at beginning of the year	9,968,571	48,958,326	451,782,596	4,864,492	1,941,123	10,106,274	235,331	527,856,713
Additions	22,612,030	985,054	77,831,993	3,500,759	204,910	955,029	7,486,099	113,575,874
Disposals	-	-	(39,925,168)	-	-	(20,020)	-	(39,945,188)
Transfers from projects under construction	-	-	9,075	-	-	36,589	(45,664)	-
Balance at the end of the year	32,580,601	49,943,380	489,698,496	8,365,251	2,146,033	11,077,872	7,675,766	601,487,399
Accumulated depreciation								
Balance at beginning of the year	-	(32,355,939)	(378,807,731)	(3,589,212)	(1,448,259)	(6,106,847)	-	(422,307,988)
Depreciation expense	-	(1,690,835)	(23,806,378)	(984,652)	(142,194)	(1,354,069)	-	(27,978,128)
Disposals depreciation	-	-	38,344,638	-	-	20,020	-	38,364,658
Balance at the end of the year	-	(34,046,774)	(364,269,471)	(4,573,864)	(1,590,453)	(7,440,896)	-	(411,921,458)
Net book value at the end of the year	32,580,601	15,896,606	125,429,025	3,791,387	555,580	3,636,976	7,675,766	189,565,941

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Property, plant and equipment (continued)

Depreciation expense is classified as follows:

	2020	2019
Cost of production	25,082,134	34,078,711
General and administrative expenses	2,299,431	1,051,585
Selling and marketing expenses	596,563	541,022
	27,978,128	35,671,318

Proceeds from sale of fixed assets in the statement of cash flows are as follows:

	2020	2019
Net carrying amount of disposed assets	1,580,530	490,532
Losses on disposal of fixed assets	(1,489,741)	(490,532)
Proceeds on sale of fixed assets	90,789	-

6. Intangible assets

A. Technical assistance costs

The technical assistance costs are represented in new technology "Narrow Neck Press Glass (light weight)"

The technical assistance costs are mainly represented in the fees of technical assistance, according to the contract enacted between Middle East Glass Manufacturing Company and Techpack Solutions Company - (Korea).

B. Computer software

Software costs are not part of the computers cost and the following is the form of intangible assets.

2020	Computer		
	License cost	software	Total
Cost			
Balance at the beginning of the year	5,156,143	4,726,294	9,882,437
Balance at the end of the year	5,156,143	4,726,294	9,882,437
Accumulated amortization			
Balance at the beginning of the year	(4,124,913)	(3,777,660)	(7,902,573)
Amortization expense of the year	(515,619)	(599,131)	(1,114,750)
Balance at the end of the year	(4,640,532)	(4,376,792)	(9,017,324)
Net book value at end of the year	515,611	349,502	865,113
2019			
Cost			
Balance at the beginning of the year	5,156,143	4,726,294	9,882,437
Balance at the end of the year	5,156,143	4,726,294	9,882,437
Accumulated amortization			
Balance at the beginning of the year	(3,609,299)	(3,137,272)	(6,746,571)
Amortization expense of the year	(515,614)	(640,388)	(1,156,002)
Balance at the end of the year	(4,124,913)	(3,777,660)	(7,902,573)
Net book value at end of the year	1,031,230	948,634	1,979,864

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

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7. Investment in subsidiaries

On 29 January 2014, the Company acquired 100% of Middle East Glass Containers Sadat S.A.E (previously Wadi Glass Containers S.A.E) shares. The Company's headquarters is located at Plot Number 254,255,256 extension of Fifth Industrial Zone, Sadat City, Menofia. In 2019 the company's name was changed to Middle East Glass in Sadat City (S.A.E). The Company's main activity is the manufacture and sale all kinds of glass bottles.

On 10 November 2015, the Company established a new Company (MEG Misr for Glass MEG S.A.E.) with an ownership percentage of 99.97%, and headquarters is located at 6 Mokhayam El-Daem Street, Nineth District, Nasr City, Cairo and the main activity is manufacturing all kinds of glass bottles & the acquisition of other entities that operates in the same field. In January 2016, MEG Misr for Glass MEG (S.A.E.) acquired 100% of the issued capital of Misr for Glass Manufacturing (S.A.E.). The Company's principal activity is the manufacturing and sale of all kind of glass bottles. The Company's head quarter is located at Mostord, Qalubya, Egypt.

According to an Extraordinary General Assembly Meeting held on 9 December 2018, the Company approved as the major shareholder in MEG Misr for Glass MEG to increase the paid up capital of MEG Misr for Glass MEG to be EGP 433,074,972 through using the amounts due from MEG Misr for Glass MEG.

	Ownership %	2020	2019
Middle East Glass Containers Sadat S.A.E	100%	198,807,845	198,807,845
MEG Misr for Glass (S.A.E.)	99.97%	433,074,972	433,074,972
		631,882,817	631,882,817

8. Financial assets at fair value through profit or loss

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

Investment in Medco Plast for Packing and Packaging System (S.A.E) represents the retained investment in Medco Plast after the sale of 74% of the initial 60% equity stake which led to a loss of control on 13 November 2018. The value of the retained investment was classified as investment in associate as disclosed in note 8 above.

During 2019, the management reached a conclusion that they don't have any significant influence or ability over Medco Plast to obtain timely financial information and therefore the investment in Medco Plast was classified as financial assets at fair value through profit or loss "FVPL".

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

Amounts recognized in profit or loss

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

Fair value measurement

For information about the methods and assumptions used in determining the fair value, refer to Note 22.

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

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

9. Inventories

	<u>2020</u>	<u>2019</u>
Finished goods	15,856,623	27,323,160
Spare parts	24,846,644	21,041,117
Work in process	14,434,691	19,860,544
Raw materials	9,772,740	14,357,631
Packing materials	2,548,995	3,828,599
Fuel and oil	942,724	847,871
Goods held with third party	-	155,636
	<u>68,402,417</u>	<u>87,414,558</u>
Inventory provision *	<u>(10,552,982)</u>	<u>(10,552,982)</u>
	<u>57,849,435</u>	<u>76,861,576</u>

* The movement of inventory provision is as follows:

	<u>2020</u>	<u>2019</u>
Balance at 1 January	10,552,982	10,552,982
Charged for the year	-	-
Balance at 31 December	<u>10,552,982</u>	<u>10,552,982</u>

10. Trade and notes receivables

	<u>2020</u>	<u>2019</u>
Trade receivables	66,509,295	59,863,656
Notes receivables	-	29,903
Impairment in trade receivables and notes receivable	<u>(1,637,898)</u>	<u>(862,248)</u>
	<u>64,871,397</u>	<u>59,031,311</u>

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

	<u>2020</u>	<u>2019</u>
Balance at 1 January	862,248	418,714
Charged for the year	<u>775,650</u>	<u>443,534</u>
	<u>1,637,898</u>	<u>862,248</u>

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

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

Included in the Company's trade receivables balance debtors with a carrying amount of EGP 12,394,748 (2019: EGP 16,017,498) which are past due at the reporting date for which the Company has not recorded any provision as there has not been a significant change in credit quality and the amounts are still considered recoverable. The Company does not hold any collateral over these balances.

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

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

Trade and notes receivables (continued)

Aging of past due but not impaired receivables:

	<u>2020</u>	<u>2019</u>
Past due for less than 3 months	7,952,998	13,421,285
Past due for more than 3 months to 1 year	3,089,773	2,585,395
Past due for more than 1 year	<u>1,351,977</u>	<u>10,818</u>
	<u>12,394,748</u>	<u>16,017,498</u>

In determining the recoverability of contract and trade receivables, the Company considers any change in the credit quality of the contract and trade receivables from the date the credit was initially granted up to the reporting date. At the reporting date, management has taken the current market conditions into account when assessing the credit quality of contract and trade receivables. The management also hold regular meetings with contract customers to renegotiate payment terms and to ensure the credit-worthiness of the ultimate end-users. In addition, the concentration of credit risk is limited due to the customer base being large and unrelated. Accordingly, taking all of the above into account, the management believes that there is no further credit provision required in excess of the current provision for doubtful debts. Most receivables collection and customer contracts are pledged against overdraft credit facilities (Note 15).

Ageing of impaired contract and trade receivables against which the provision for doubtful debts has been made:

	<u>2020</u>	<u>2019</u>
Past due from more than 6 months	646,819	358,481
Past due for more than 12 months	<u>991,079</u>	<u>503,767</u>
	<u>1,637,898</u>	<u>862,248</u>

11. Prepaid expenses and other receivables

	<u>2020</u>	<u>2019</u>
Export subsidy	11,631,611	29,240,606
Advances to suppliers – raw material	12,529,612	19,935,946
Other receivables	21,621,523	19,075,231
Refundable deposits	12,862,551	9,284,110
Prepaid expenses	2,139,169	1,672,575
Value added tax	-	1,554,784
Employee loan and impress	1,749,793	2,268,009
Tax Authority- Withholding tax	<u>9,187,975</u>	<u>1,372,797</u>
	<u>71,722,234</u>	<u>84,404,058</u>

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

	<u>31 December 2020</u>
Face value	5,216,258
Effect of discounting charged to profit or loss	<u>(704,992)</u>
Present Value	<u>4,511,266</u>

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

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Prepaid expenses and other receivables (continued)

	31 December 2020
Within one year	1,615,536
Later than one year	2,895,730
	4,511,266

12. Related parties

The Company 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 Company's board of directors, their entities, companies under common control, and/ or joint management and control, and their partners and employees of senior management. The partners of joint arrangement and non-controlling interest are considered by the Company as related parties. The management decides the terms and conditions of transactions and services provided from/ to related parties, as well as other expenses.

Below is the statement of the nature and amounts of related parties' transaction during the year, as well as the balances due at the date of the financial statements.

Due from related parties

	Relationship	Nature of transaction	Volume of transaction	Balance as of	
				31 December 2020	31 December 2019
The Coca-Cola Bottling Company of Egypt (CCBCE) (S.A.E.)	Related party	Sales	238,751,370	87,337,469	30,061,245
		Purchases	2,421,441	-	-
Middle East Glass Containers Sadat S.A.E	Subsidiary	Sales	32,654,244	384,155,202	388,400,450
		Purchase	114,304,287	-	-
		Payment on behalf	77,404,795	-	-
Misr for Glass Manufacturing S.A.E.	Subsidiary	Sales	132,994,137	-	26,539,670
		Purchase	210,325,575	-	-
		Payment on behalf	41,519,522	-	-
MEG Misr for Glass "MEG" (S.A.E.)	Subsidiary	Payment on behalf	-	11,691,523	11,431,918
Sheba Investment (S.A.E.)	Related party	Payment on behalf	-	17,818,353	12,580,444
Sanaa Beverages and Industrial Company Limited (SBI) – Yemen	Related party	Sales	-	122,508	122,478
				501,125,055	469,136,205

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

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Related parties (continued)

Due to related parties

	Relationship	Nature of transaction	Volume of transaction	Balance as of	
				31 December 2020	31 December 2019
Misr for Glass Manufacturing S.A.E.	Subsidiary	Sales	132,994,137	9,272,246	-
		Purchase	210,325,575	-	-
		Payment on behalf	41,519,522	-	-
Gulf Capital	Related party	Payment on behalf	-	427,688	526,058
				<u>9,699,934</u>	<u>526,058</u>

Key management compensation

Amounts paid to the senior management during the year ended 31 December 2020 amounted to LE 13,508,338 (2019: LE 14,509,669).

Allocated as follows:

	2020	2019
General and administrative expenses	11,908,523	10,301,866
Selling and marketing expenses	1,599,815	4,207,803
	<u>13,508,338</u>	<u>14,509,669</u>

13. Cash and bank balances

	2020	2019
Current accounts	113,896,445	12,593,483
Cash on hand	196,624	422,502
	<u>114,093,069</u>	<u>13,015,985</u>

Current accounts are deposited with Egyptian banks which are subject to supervision of the Central Bank of Egypt.

Cash flows information

a. Non-cash transaction

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

	2020
Settlement of Employees' declared dividends against advances to employees was included under other receivables	13,646,470

b. Net debt reconciliation

	2020	2019
Cash and cash equivalent	114,093,069	13,015,985
Bank Overdraft	(98,436,568)	(82,828,733)
Borrowings – repayable within one year	-	(105,585,600)
Borrowing – repayable within after one year	(369,612,439)	(111,438,374)
Total	<u>(353,955,938)</u>	<u>(286,836,722)</u>

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

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Cash and bank balances (continued)

	Cash & cash equivalent	Bank Overdraft	Borrowing due within 1 year	Borrowing due after 1 year	Total
Net debt as at 1 January 2020	13,015,985	(82,828,733)	(105,585,600)	(111,438,374)	(286,836,722)
Cash flows	101,077,084	(15,607,835)	105,585,600	(265,269,356)	(74,214,507)
Foreign exchange adjustment	-	-	-	7,095,291	7,095,291
Net debt as at 31 December 2020	114,093,069	(98,436,568)	-	(369,612,439)	(353,955,938)

14. Provisions

	Other provisions	Total	
		2020	2019
Balance at the beginning of the year	14,021,908	14,021,908	10,166,924
Additions during the year	4,479,749	4,479,749	11,119,530
Provision No longer required	-	-	(7,264,546)
Usage during the year	-	-	-
Balance at the end of the year	18,501,657	18,501,657	14,021,908

Other provisions

Other provisions relate to claims expected to be made by other parties in connection with the company'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 other parties. These provisions are reviewed by management annually and the amount provided is adjusted based on latest developments, discussions and agreements with those other parties.

15. Bank borrowings

	2020	2019
A. Borrowings - current portion		
Bank loans	-	105,585,600
Bank overdrafts	98,436,568	82,828,733
Total current portion	98,436,568	188,414,333
B. Borrowings non-current portion		
Bank loans	369,612,439	111,438,374
Total non-current portion	369,612,439	111,438,374
Total	468,049,007	299,852,707

In November 2019, the Company signed medium term loan agreements with the International Finance Corporation ("IFC") and Commercial International Bank ("CIB") 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.

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

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Bank borrowings (continued)

This transaction was treated as the extinguishment of old medium-term loan facilities of EGP (217,057,574) and recognition of the new debt for the same amount on a medium-term basis in accordance with the refinance transaction. The loans have a seven-year tenor with 18-month grace and carries interest at 6-month LIBOR plus a margin. Transaction cost of EGP 8 million was charged to the statement of profit or loss.

The loan is secured with the following security package

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

16. Trade and notes payables

	<u>2020</u>	<u>2019</u>
Raw material suppliers	62,702,719	66,115,025
Notes payable	<u>11,254,862</u>	<u>24,859,327</u>
	<u>73,957,581</u>	<u>90,974,352</u>

17. Accrued expenses and other payables

	<u>2020</u>	<u>2019</u>
Accrued expenses	32,016,392	23,199,467
Advances from customers	3,683,305	4,742,506
Other payables	24,568,947	19,854,571
Due to Tax Authority – Payroll	14,607,554	9,507,007
Accrued interest expense	3,847,679	4,152,520
Due to tax Authority – Withholding tax	7,214,817	3,713,478
Social insurance authority	627,014	712,153
Retention	381,958	371,958
Due to Tax Authority -VAT	3,257,149	-
	<u>90,204,815</u>	<u>66,253,660</u>

18. Income tax

	<u>2020</u>	<u>2019</u>
Beginning balance	-	67,968,196
Settlement against withholding tax	1,336,791	(7,908,004)
Payment	(6,740,900)	(68,993,620)
Settlement against export subsidy	-	(1,000,114)
Corporate income tax	<u>5,404,109</u>	<u>9,933,542</u>
	<u>-</u>	<u>-</u>

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

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19. Issued and paid up capital

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

On 26 January 2015, the Extraordinary General Assembly Meeting approved the increase of the issued share capital from EGP 40,000,000 (forty million Egyptian pounds) to EGP 50,322,580 (fifty million nine hundred twenty two thousand five hundred and eighty Egyptian Pounds) through issuing 1,032,258 shares through inviting existing shareholders to subscribe in the increase shares in the fair value of the share amounting EGP 198,84 per share with a total amount of EGP 205,254,181 (two hundred and five million two hundred fifty four thousand one hundred and eighty one Egyptian Pounds). The difference between the nominal which equal to EGP 10 (ten Egyptian pounds) per share and fair value of the shares is to be recorded at the Company's reserve account, and the total amount of the issuance of EGP 205,254,181 has been deposited with one of the Egyptian Banks, and the increase has been approved in the commercial register in 26 June 2015.

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

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

Other reserves

On 3 April 2014, the existing shareholders signed an agreement to increase the paid up capital by approximately US \$28.7 million which was equivalent to LE 205 million at the agreement date. Subsequently on 10 May 2015, the existing shareholders subscribed in the capital increase with total value of LE 205 million equivalent to US \$26.5 million at the subscription date., the shareholders agreed to pay the remaining amount of the capital increase included in the above mentioned agreement amounting to US \$1.7 million (equivalent to LE 13,129,007) which has been treated as capital contribution under other reserves in the statement of shareholders' equity.

During 2019, the shareholders have decided to convert the loan amounted EGP 432,825,002 into share capital, hence the balance has been recognized as payment under increase in capital in the statement of shareholders equity and the Company is in process of completing the legal procedures.

Share split:

On 14 September 2019, the Extraordinary General Assembly Meeting approved a ten-for-one share split of its ordinary share, accordingly the shares par value has become 1 EGP instead of EGP 10 per share before split and the number of issued shares became 50322580 instead of 5032258. The share split has been approved in the commercial register on 31 January 2020. Earning per share information have been retrospectively adjusted to reflect new number of shares and par value.

20. Legal reserve

In accordance with the companies' Law No.159 for 1981, 5 % of the net profit for the year is transferred to the legal reserve account. The transfer to legal reserve account stops once it reaches 50% of paid up capital. This reserve is not available for distribution to shareholders.

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21. Retirement benefit obligations

Employees of the company are entitled upon their retirement, partial disability or to an end of service gratuity based on a defined benefit plan. The entitlement is based on the length of service and final remuneration package of the employee upon retirement. The defined benefit obligation is calculated using the projected additional unit method takes into consideration the principal actuarial assumptions as follows:

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

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

	<u>2020</u>	<u>2019</u>
Present value of obligations	7,603,402	7,707,629
Liability at the financial position	<u>7,603,402</u>	<u>7,707,629</u>

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

	<u>2020</u>	<u>2019</u>
Balance at beginning of the year	7,707,629	7,386,696
Interest expense	2,080,707	1,414,177
Current service cost	992,095	779,661
Adjustments to retirement benefit obligations	(452,394)	(320,933)
Total amount recognised in profit or loss	<u>2,620,408</u>	<u>1,872,905</u>
Remeasurement		
Benefit payments from plan	(2,724,635)	(1,551,972)
Balance at end of the year	<u>7,603,402</u>	<u>7,707,629</u>

22. Fair value measurement

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

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

- Level 1 - Inputs of quoted prices (unadjusted) in active markets for identical assets or liabilities, which the Company 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.
- Level 3- Unobservable inputs of the asset or the liability.

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Fair value measurement (continued)

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. The estimate is adjusted for the net debt of the investee. This is a level 2 recurring Fair value measurement using significant observable input.
- The fair value of put and call options were determined using significant unobservable input within level 3 within the fair value hierarchy as follows:

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

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

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

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

Sensitivity of fair value to the changes in significant inputs:

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

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

23. Deferred tax assets (liabilities)

a. Recognized deferred tax assets (liabilities):

	2020	2019
Retirement benefits obligations	1,710,766	1,734,217
Depreciation of property, plant and equipment	(4,336,589)	(4,077,053)
Unrealized revaluation gain on investment	(36,204,980)	(27,158,830)
Tax effect of unrealized foreign currency	610,223	(1,297,420)
	<u>(38,220,580)</u>	<u>(30,799,086)</u>

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Deferred tax assets (liabilities) (continued)

b. Unrecognized deferred tax assets:

	Employees redundancy	Retirement benefit obligation	Depreciation of property, plant and equipment	Unrealized revaluation gain on investment	Tax gain of unrealized foreign	Total
Balance at 1 January 2019	1,634,523	1,662,007	(5,176,455)	(34,940,349)	-	(36,820,274)
Tax charged on the statement of profit or loss	(1,634,523)	72,210	1,099,402	7,781,519	(1,297,420)	6,021,188
Balance at 31 December 2019 and 1 January 2020	-	1,734,217	(4,077,053)	(27,158,830)	(1,297,420)	(30,799,086)
Tax charged on the statement of profit or loss	-	(23,451)	(259,536)	(9,046,150)	1,907,643	(7,421,494)
Balance at 31 December 2020	-	1,710,766	(4,336,589)	(36,204,980)	610,223	(38,220,580)

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

	2020	2019
Tax impact on impairment of trade and notes receivables	174,521	99,795

24. Sales

	2020	2019
Local sales	419,095,931	457,048,405
Export sales	163,980,106	135,994,663
Intercompany sales	109,757,592	90,813,545
	692,833,629	683,856,613

25. Other operating expense

	2020	2019
Other expenses	25,737,643	26,950,626
Other provisions (Note 14)	4,479,749	11,119,530
Medical insurance expense	1,913,654	1,978,118
Loss on sale of fixed assets	1,489,741	490,532
Provision for doubtful receivables (Note 10)	775,650	443,534
Fair value loss on revaluation of investment	-	12,205,623
Inventory write off	-	9,483,452
Pension provision	-	331,813
	34,396,437	63,003,228

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26. Other operating income

	<u>2020</u>	<u>2019</u>
Gain on sale of subsidiary *	23,024,242	84,619,818
Export subsidy	9,321,433	11,440,237
Scrap sales	2,367,377	2,764,963
Net Gain from fair value on derivative	40,205,113	-
Insurance recovery relating to fire **	20,190,000	-
Provision no longer required	-	7,264,546
Other income	-	814,730
	<u>95,108,165</u>	<u>106,904,294</u>

*Gain from sale of a subsidiary represent amounts released from the deferred portion of Medco Plast sale consideration this deferred consideration was initially retained in escrow account I accordance with the terms of the share purchase agreement and was released during the period after receiving the final completion price adjustment report.

** The amount represents Gain resulted from fire accident occurred during the period in one of the company's production lines. It was reimbursed under current insurance policies. The incident was managed properly to allow continuity of operation and delivery of products to customers in a regular manner. There was no significant effect on the operations.

27. Finance cost

	<u>2020</u>	<u>2019</u>
Interest expenses	45,051,022	64,806,693
Debt modification transaction cost	8,686,912	8,771,349
Foreign currency exchange gain	3,874,270	-
Export subsidy early settlement loss *	3,953,059	-
	<u>61,565,263</u>	<u>73,578,042</u>

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

28. Finance income

	<u>2020</u>	<u>2019</u>
Interest income	167,106	-
Foreign currency exchange gain	-	5,160,083
	<u>167,106</u>	<u>5,160,083</u>

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29. Income tax expense

	<u>2020</u>	<u>2019</u>
Current income tax	(5,404,109)	(9,933,542)
Deferred income tax	(7,421,494)	6,021,188
	<u>(12,825,603)</u>	<u>(3,912,354)</u>

The tax on the Company's loss before tax differs from the theoretical amount that would otherwise arise using the tax rates as follows:

	<u>2020</u>	<u>2019</u>
Profit before tax	65,201,396	25,464,633
Tax calculated using enacted tax rate	14,670,314	5,729,542
Tax calculated on "Non-deductible expenses for tax purpose"	3,324,264	2,545,371
Tax calculated on "Deductible expenses / Non Deductible revenue for tax purpose"	(9,679,634)	(357,995)
Tax calculated on "Difference between Accounting Depreciation & Tax Depreciation"	(2,910,836)	2,016,624
Deferred income tax	7,421,494	(6,021,188)
Income tax expense	<u>12,825,603</u>	<u>3,912,354</u>

30. Cost of sales

	<u>2020</u>	<u>2019</u>
Goods purchased for resale	166,612,408	259,484,019
Raw materials and consumables used in production	189,993,293	80,239,324
Water and electricity expense	69,780,447	81,672,077
Salaries and fringe benefits	45,131,952	43,513,409
Depreciation and amortization	25,082,135	34,078,711
Change in inventory	22,912,521	37,374,933
Maintenance expenses	15,447,191	15,232,664
Rent expense	1,308,262	2,641,487
Other expenses	1,574,180	841,866
Vehicle and transportation	47,470	3,880
	<u>537,889,859</u>	<u>555,082,370</u>

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31. Selling and marketing expenses

	<u>2020</u>	<u>2019</u>
Depreciation and amortization	596,562	541,022
Exports expenses	22,152,917	15,927,986
Other expenses	1,990,611	1,789,102
Rent expense	5,356,868	5,607,990
Salaries and fringe benefits	11,066,472	9,245,408
Vehicle and transportation	16,680	2,114,855
Water and electricity expense	688,471	1,804,770
Advertisement and marketing	2,388,005	2,320,852
	<u>44,256,586</u>	<u>39,351,985</u>

32. General and administrative expenses

	<u>2020</u>	<u>2019</u>
Depreciation and amortization	3,414,181	2,207,587
Maintenance expenses	1,880,155	1,418,145
Other expenses	1,594,552	2,759,206
Professional and consultancy fees	2,825,324	3,043,287
Rent expense	2,155,175	1,757,812
Salaries and fringe benefits	28,881,540	25,344,054
Vehicle and transportation	198,816	111,552
Water and electricity expense	1,604,526	1,183,907
Advertisement and marketing	1,540,098	1,615,182
	<u>44,094,367</u>	<u>39,440,732</u>

33. Earnings per share

Basic earnings per share is calculated by dividing the net profit by the weighted average by the number of ordinary issued share, with consideration for employees or board of directors' future dividends related to the year ended 31 December 2020. Earnings per share were set out as below:

	<u>2020</u>	<u>2019</u>
Net profit for the year	52,375,795	21,552,279
Weighted average number of ordinary paid and issued shares	50,322,580	50,322,580
Loss per share	<u>1.04</u>	<u>0.43</u>

The diluted profit per share is calculated by adjusting the weighted average number of ordinary shares causing this dilution and The company does not have any potential diluting shares in both December 31, 2020 and December 31, 2019, therefore the diluted profit per share equals the basic profit per share.

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34. Financial instruments by category

	Loans & receivables		Fair value P&L	
	2020	2019	2020	2019
Assets as per statement of financial position				
Trade and other receivables *	112,736,874	118,899,267	-	-
Cash and cash equivalents	114,093,069	13,015,985	-	-
Due from related parties	501,125,055	469,136,205	-	-
Financial assets at fair value	-	-	160,911,026	120,705,911
Liabilities as per statement of financial position				
Borrowings	369,612,439	217,023,974	-	-
Trade and other payables **	135,017,611	139,265,021	-	-
Bank overdraft	98,436,568	82,828,733	-	-
Due to related parties	9,699,934	526,058	-	-

* Trade and other receivables excludes non-financial assets.

** Trade and other payables excludes non-financial liabilities.

35. Contingent liabilities

The company is contingently liable for letters of guarantee, letters of credit and shipping documents arising in the ordinary course of business amounting to be LE 642,281 as of 31 December 2020 (2019: LE 647,281).

36. Segment reporting

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

37. Covid-19 implication

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

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

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

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Covid-19 implication (continued)

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

Impairment of financial assets: The Company 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 not a substantial shift in the aging profile that would suggest financial difficulty of the counterparties. Hence there are no indicators of impairment in respect of the Company'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.