

**Arabian Cement Company S.A.E.**

**Separate Financial Statements Together with  
Auditor's Report  
For the year ended December 31, 2019**

## Auditor's Report

**To: The Shareholders of Arabian Cement Company  
An Egyptian Joint Stock Company**

### Report on the Separate Financial Statements

We have audited the accompanying separate financial statements of Arabian Cement Company an Egyptian Joint Stock Company, which comprise separate statement of financial position as of December 31, 2019, and separate statements of profit or loss, comprehensive income, cash flows and changes in equity for the year then ended, and a summary of significant accounting policies and other explanatory notes.

### Management's Responsibility for the Separate Financial Statements

The 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 the Egyptian Accounting Standards and the prevailing Egyptian laws. This responsibility includes: designing, implementing and maintaining internal control relevant to the preparation and fair presentation of the 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 the Egyptian Standards on Auditing and the prevailing Egyptian laws. Those standards require that we plan and perform the audit to obtain reasonable assurance whether 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 the separate financial statements.

## Opinion

In our opinion, the separate financial statements referred to above present fairly, in all material respects, the separate financial position of Arabian Cement Company as of December 31, 2019, and the results of its separate operation and its separate cash flows for the year then ended in accordance with Egyptian Accounting Standards and the applicable Egyptian laws and regulations relating to the preparation of these separate financial statements.

## Report on Other Legal and Regulatory Requirements

The Company maintains proper books of accounts, which include all that is required by law and the statutes of the Company. The separate financial statements are in agreement thereto. The inventories were counted by management in accordance with methods in practice.

The financial information referred to in the board of directors report is prepared in compliance with the requirements of Companies Law No. 159 of 1981 and its Executive Regulations thereto and is in agreement with the books of accounts of the Company to the extent that such information are recorded therein.

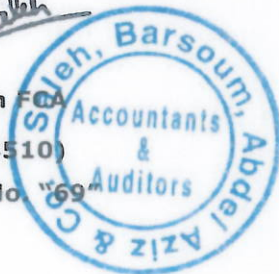
Cairo, February 27, 2020



Kamel Magdy Saleh FCA

F.E.S.A.A. (R.A.A. 8510)

CMA Registration No. 69



Arabian Cement Company S.A.E.  
 Separate statement of financial position  
 At 31 December 2019

EGP	Notes	31 December 2019	31 December 2018
<b>Assets</b>			
<b>Non-Current Assets</b>			
Property, plant and equipment	11	2 379 728 327	2 457 108 755
Assets under construction	12	3 777 941	95 974 030
Intangible assets	13	294 799 369	345 475 618
Right of use	32	13 321	--
Investments in subsidiaries	14-1	47 476 057	37 476 057
Amount paid under investments	14-2	--	10 000 000
Investments in a joint venture	15	125 000	125 000
<b>Total Non-Current Assets</b>		<b>2 725 920 015</b>	<b>2 946 159 460</b>
<b>Current Assets</b>			
Inventories	16	155 894 546	282 010 320
Trade receivables	17	--	69 297 253
Debtors and other debit balances	18	104 108 840	100 180 707
Due from related parties	30	16 927 511	20 464 416
Cash and bank balances	19	86 186 000	164 895 878
<b>Total Current Assets</b>		<b>363 116 897</b>	<b>636 848 574</b>
<b>Total Assets</b>		<b>3 089 036 912</b>	<b>3 583 008 034</b>

**Arabian Cement Company S.A.E.**  
**Separate statement of financial position**  
**At 31 December 2019**

EGP	Notes	31 December 2019	31 December 2018
<b>Equity</b>			
<b>Capital And Reserves</b>			
Issued and paid-up capital	20	757 479 400	757 479 400
Legal reserve	21	254 730 209	231 365 975
Retained earnings	22	164 024 227	342 180 674
<b>Total Equity</b>		<b>1 176 233 836</b>	<b>1 331 026 049</b>
<b>Non-Current Liabilities</b>			
Borrowings	23	491 836 958	619 160 870
Deferred tax liabilities	9.3	337 073 457	343 043 930
Other liabilities	26	--	12 308 000
<b>Total Non-Current Liabilities</b>		<b>828 910 415</b>	<b>974 512 800</b>
<b>Current Liabilities</b>			
Trade payables	24	678 337 746	576 797 621
Credit facilities	23	62 035 301	273 674 586
Current income tax payable	9.2	13 123 908	--
Current portion of long-term borrowings	23	90 356 520	77 731 487
Current portion of long-term other liabilities	26	12 308 000	124 681 184
Lease liability	32	8 540	--
Creditors and other credit balances	28	207 808 755	207 462 248
Due to related parties	30	8 163 967	7 355 922
Provisions	25	11 749 924	9 766 137
<b>Total Current Liabilities</b>		<b>1 083 892 661</b>	<b>1 277 469 185</b>
<b>Total Liabilities</b>		<b>1 912 803 076</b>	<b>2 251 981 985</b>
<b>Total Equity And Liabilities</b>		<b>3 089 036 912</b>	<b>3 583 008 034</b>

- The accompanying notes form an integral part of the separate financial statements and to be read therewith.

**Sergio Alcantarilla Rodriguez**

**Chief Executive Officer**

**Salvador Lopez**

**Chief Financial Officer**

**Arabian Cement Company S.A.E.**  
**Separate statement of profit or loss**  
**For the year ended 31 December 2019**

<b>EGP</b>	<b>Notes</b>	<b>31 December 2019</b>	<b>31 December 2018</b>
Sales revenue	4	2 971 558 674	3 160 029 389
Cost of sales	5	(2 739 253 080)	(2 680 627 410)
<b>Gross Profit</b>		<b>232 305 594</b>	<b>479 401 979</b>
General and administration expenses	6	(129 572 253)	( 139 012 096)
Provisions	25	(1 983 787)	(1 400 000)
Reversal of provisions		--	2 201 219
Impairment in other debit balance		(1 359 966)	--
Interest income		3 725 468	3 805 456
Other income		4 306 606	8 913 034
Finance costs	7	(136 517 774)	(109 320 093)
Gain / Losses in foreign exchange		66 333 599	(3 888 183)
Gain on disposal of property, plant and equipment	11	15 398	--
<b>Profit for the year before tax</b>		<b>37 252 885</b>	<b>240 701 316</b>
Income tax expense	9.1	(7 153 435)	(7 058 973)
<b>Profit for the year after tax</b>		<b>30 099 450</b>	<b>233 642 343</b>
<b>Earnings Per Share</b>			
Basic	10	<b>0.06</b>	<b>0.60</b>

- The accompanying notes form an integral part of the separate financial statements and to be read therewith.

**Sergio Alcantarilla Rodriguez**  
**Chief Executive Officer**



**Salvador Lopez**  
**Chief Financial Officer**



Arabian Cement Company S.A.E.

Separate statement of comprehensive income

For the year ended 31 December 2019

EGP	Notes	31 December 2019	31 December 2018
<b>Profit of the year after Taxes</b>		<b>30 099 450</b>	<b>233 642 343</b>
Other comprehensive income, Net of tax		--	--
Items that will not be reclassified subsequently to Profit or Loss		--	--
<b>Total other comprehensive income for the year Net of taxes</b>		<b>--</b>	<b>--</b>
<b>Total comprehensive income for the year</b>	22	<b>30 099 450</b>	<b>233 642 343</b>
<b>Earnings per share from the comprehensive income</b>			
Basic	10	<b>0.06</b>	<b>0.60</b>

- The accompanying notes form an integral part of the separate financial statements and to be read therewith.

**Sergio Alcantarilla Rodriguez**

**Chief Executive Officer**

**Salvador Lopez**

**Chief Financial Officer**

Arabian Cement Company S.A.E.  
 Separate statement of changes in equity  
 For the year ended 31 December 2019

EGP	Issued and Paid-up capital	Legal reserve	Retained earnings	Total
<b>Balance at 1 January 2018</b>	<b>757 479 400</b>	<b>209 622 582</b>	<b>337 441 529</b>	<b>1 304 543 511</b>
Profit for the year	--	--	233 642 343	<b>233 642 343</b>
Other comprehensive income	--	--	--	--
<b>Total comprehensive income</b>	--	--	<b>233 642 343</b>	<b>233 642 343</b>
Transfer to legal reserve	--	21 743 393	(21 743 393)	--
Dividends	--	--	(207 159 805)	(207 159 805)
<b>Balance at 31 December, 2018</b>	<b>757 479 400</b>	<b>231 365 975</b>	<b>342 180 674</b>	<b>1 331 026 049</b>
<b>Balance at 1 January, 2019</b>	<b>757 479 400</b>	<b>231 365 975</b>	<b>342 180 674</b>	<b>1 331 026 049</b>
Change in the accounting policy	--	--	361 078	<b>361 078</b>
<b>Balance at 1 January, 2019 - Restated</b>	<b>757 479 400</b>	<b>231 365 975</b>	<b>342 541 752</b>	<b>1 331 387 127</b>
Profit for the year	--	--	30 099 450	<b>30 099 450</b>
Other comprehensive income	--	--	--	--
<b>Total comprehensive income</b>	--	--	<b>30 099 450</b>	<b>30 099 450</b>
Transfer to legal reserve - note 27	--	23 364 234	(23 364 234)	--
Dividends (employees and shareholders) - note 27	--	--	(185 252 741)	<b>(185 252 741)</b>
<b>Balance at 31 December 2019</b>	<b>757 479 400</b>	<b>254 730 209</b>	<b>164 024 227</b>	<b>1 176 233 836</b>

- The accompanying notes form an integral part of the separate financial statements and to be read therewith.


**Sergio Alcantarilla Rodriguez**

**Chief Executive Officer**



**Salvador Lopez**

**Chief Financial Officer**





Arabian Cement Company S.A.E.  
 Separate statement of cash flows  
 For the year ended 31 December 2019

EGP	Notes	31 December 2019	31 December 2018
<b>Cash Flows From Operating Activities</b>			
Net Profit for the year before taxes		<b>37 252 885</b>	<b>240 701 316</b>
Adjustments for:			
Finance costs recognized in profit or loss	7	136 517 774	109 320 093
Interest income		(3 725 468)	(3 805 456)
Loss/(gain) on disposal of property, plant and equipment	11	( 15 398)	--
Depreciation of property, plant and equipment	11	205 892 637	196 963 129
Amortization of intangible assets	13	50 676 249	50 676 251
Amortization of right of use		690 201	--
(profit) / loss Net foreign exchange for borrowing		(36 967 391)	--
Provisions	25	1 983 787	1 400 000
Reversal of provisions	25	--	(2 201 219)
Impairment of other debit balance		1 359 966	
Decrease / (Increase) in inventories		126 115 774	(52 909 232)
Increase in debtors and other debit balances		(5 288 099)	(22 359 672)
Decrease/ (Increase) in due from related parties		3 536 905	(11 075 571)
Decrease / (increase) in trade receivables		69 297 253	(69 297 253)
Increase in trade payables		101 540 125	124 890 676
Increase / (decrease) in due to related parties		808 045	( 524 265)
(Decrease) / Increase in creditors and other credit balances		(2 177 207)	91 372 297
Provisions used	25	--	(5 115 295)
<b>Cash generated by operations</b>		<b>687 498 038</b>	<b>648 035 800</b>
Interest paid		(133 994 059)	(106 983 618)
Income taxes paid		--	--
<b>Net cash generated by operating activities</b>		<b>553 503 979</b>	<b>541 052 182</b>

**Arabian Cement Company S.A.E.**  
**Separate cash flow statement**  
**For the year ended 31 December 2019**

EGP	Notes	31 December 2019	31 December 2018
<b>Cash Flows From Investing Activities</b>			
Payments for property, plant and equipment	11	(33 300 384)	(24 874 982)
Proceeds from sale of property, plant and equipment	11	169 693	--
Payments for assets under construction	12	(3 170 031)	(96 034 278)
Payments for investments in subsidiaries		--	(10 000 000)
Interest income		3 725 468	3 805 456
<b>Net cash (used in) investing activities</b>		<b>(32 575 254)</b>	<b>(127 103 804)</b>
<b>Cash Flows From Financing Activities</b>			
Payment of loans		(77 731 488)	(71 743 852)
Payment of other liabilities		(124 681 184)	(70 441 501)
Payment of credit facilities		(211 639 285)	(16 911 905)
Payment for lease liability		( 333 905)	
Payment of dividends	27	(185 252 741)	(207 159 805)
<b>Net cash (used in) financing activities</b>		<b>(599 638 603)</b>	<b>(366 257 063)</b>
Net (decrease) / increase in cash and cash equivalents		(78 709 878)	47 691 314
Cash and cash equivalents at the beginning of the year		164 895 878	117 204 564
<b>Cash and cash equivalents at the end of the year</b>	19	<b>86 186 000</b>	<b>164 895 878</b>

- The accompanying notes form an integral part of the separate financial statements and to be read therewith.

- Non cash transactions Refer to note (31)

**Sergio Alcantarilla Rodriguez**

Chief Executive Officer

**Salvador Lopez**

Chief Financial Officer

## **Arabian Cement Company S.A.E.**

Notes to the Separate Financial Statements

For the Year Ended December 31, 2019

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### **1. General information**

Arabian Cement Company S.A.E. (ACC or the Company), a joint stock Company incorporated in Cairo, Egypt, is a public company whose shares are traded at the EGX Egyptian Exchange. The Company was established on March 5, 1997 under Law No. 230 of 1989 and Law No. 95 of 1992 according to the decision of the President of General Authority for Investment and Free Zone (GAFI) No. 167 of 1997.

The Company was registered at the Commercial Register under No. 13105 in Cairo on April 3, 2005, which was changed to No. 53445 on August 16, 2011 as the Company changed its registered office from 72 Gameat El Dowal Street, Mohandiseen, Giza- Egypt. The admin office changed to be on Gamal Abdel Nasser square (west Arabella), Fifth Settlement Arabella Plaza, Office Building (A), 5th floor.

The Company's objective is the manufacturing and sale of clinker, cement and the other related products and usage of mines and extraction of all mining materials required for the production of construction materials and road transportation for all the company's product. The Company may carry out other projects or amend its purpose according to the Investment Incentives and Guarantees Law.

The Company produces cement with a clinker capacity of 4.2 million tonnes per annum that can produce 5 million tonnes per annum of cement.

The main shareholder of the Company is Aridos Jativa – Spanish Company, and it owns 60% of the Company's capital.

The Company's term is 25 years starting from the date of its registration at the commercial register.

### **2. Significant accounting policies**

#### **2.1 Statement of compliance**

The separate financial statements have been prepared in accordance with Egyptian Accounting Standards (EASs) issued by the Minister of Investment No. 110 of 2015. Moreover, the Minister of Investment Decision No. 69 of 2019 has been issued to amend some provisions of the Egyptian Accounting Standards issued by the Minister of Investment Decision No. 110 of 2015, provided that these amendments apply to the financial periods beginning on January 1, 2020 except for EAS "49" refer to lease (2-19).

#### **2.2 Basis of preparation**

The separate financial statements have been prepared on the historical cost basis except for financial instruments that are measured at fair value or amortized cost, as appropriate.

Historical cost is generally based on the fair value of the consideration given in exchange for goods and services.

The principal accounting policies are set out below.

#### **2.3 Revenue recognition**

Revenue is measured at the fair value of the consideration received or receivable. Revenue is reduced for estimated customer returns, rebates and other similar allowances.

**2.3.1 Sale of goods**

Revenue from the sale of goods is recognized when the goods are delivered and titles have passed, at which time all the following conditions are satisfied:

- the entity has transferred to the buyer the significant risks and rewards of ownership of the goods;
- the entity retains neither continuing managerial involvement to the degree usually associated with ownership nor effective control over the goods sold;
- the amount of revenue can be measured reliably;
- it is probable that the economic benefits associated with the transaction will flow to the entity; and
- the costs incurred or to be incurred in respect of the transaction can be measured reliably.

**2.3.2 Rendering of services**

- The amount of revenue can be measured reliably;
- It is probable that the economic benefits associated with the transaction will flow to the entity
- the stage of completion of the transaction at the statement of financial position date can be measured reliably
- The costs incurred for the transaction and the costs to complete the transaction can be measured reliably

**2.3.3 Dividend and interest income**

Dividend income from investments other than in joint ventures is recognised when the shareholder's right to receive payment has been established, provided that it is probable that the economic benefits will flow to the entity and the amount of income can be measured reliably.

Interest income from a financial asset is recognized when it is probable that the economic benefits will flow to the entity and the amount of income can be measured reliably. Interest income is accrued on a time basis, by reference to the principal outstanding and at the effective interest rate applicable, which is the rate that exactly discounts estimated future cash receipts through the expected life of the financial asset to that asset's net carrying amount on original recognition.

**2.3.4 Cost of sales**

Cost of sales comprises costs related directly to the sale of goods or rendering of services.

**2.4 Leasing**

Operating lease payments are recognised as an expense on a straight-line basis over the lease term, except when another systematic basis is more representative of the time pattern in which economic benefits from the leased asset are consumed. Contingent rentals arising under operating leases are recognised as an expense in the period in which they are incurred.

**2.5 Foreign currencies**

The financial statements are presented in Egyptian Pound (EGP), which is the currency of the primary economic environment in which the Company operates (its functional currency).

## Arabian Cement Company S.A.E.

Notes to the Separate Financial Statements

For the Year Ended December 31, 2019

Transactions in currencies other than the Company's functional currency (foreign currencies) are recognised at the rates of exchange at the dates of the transactions. At the end of each reporting period, monetary items denominated in foreign currencies are retranslated at the rates prevailing at that date.

Non-monetary items carried at fair value that are denominated in foreign currencies are retranslated at the rates prevailing at the date when the fair value was determined. Non-monetary items that are measured in terms of historical cost in a foreign currency are not retranslated.

Exchange differences on monetary items are recognised in profit or loss in the period in which they arise.

The exchange rates for the major foreign currencies against EGP relevant to the annual financial statements were:

Currency table	2019		2018	
	Average	Year end	Average	Year end
1 USD US Dollar	16.79	16.09	17.81	17.88
1 EUR Euro	18.89	18.08	20.95	20.33

### 2.6 **Borrowing costs**

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.

Investment income earned on the temporary investment of specific borrowings pending their expenditure on qualifying assets is deducted from the borrowing costs eligible for capitalisation.

All other borrowing costs are recognised in profit or loss in the period in which they are incurred.

The amount of borrowing costs that an entity capitalises during the period shall not exceed the amount of borrowing costs it incurred during that period, provided that the carrying amount of the qualifying asset on which eligible borrowing costs have been capitalized does not exceed its recoverable amount (being the higher of fair value less costs to sell or amount in use for that asset).

### 2.7 **Employee benefits**

#### 2.7.1 **Profit sharing**

The company pays 10% of the cash profits which are allocated for distribution, at maximum of the employees' basic salaries. Employees' profit sharing is recognized as a dividend distribution through equity and as a liability when approved by the company's shareholders. No liability is recognized for profit sharing relating to undistributed profits.

#### 2.7.2 **Pension obligations (Social insurance)**

For defined contribution plans, the company pays contributions to the General Social Insurance Authority under Law No. 79 of 1975 and its amendments - plans on a mandatory basis. Once the contributions have been paid, the Company has no further payment obligations. The regular contributions constitute net periodic costs for the period during which they are due and as such are included in staff costs.

## **2.8 Taxation**

Income tax expense represents the sum of the tax currently payable and deferred tax.

### **2.8.1 Current tax**

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

### **2.8.2 Deferred tax**

Deferred tax is recognised on temporary differences between the carrying amounts of assets and liabilities in the separate financial statements and the corresponding tax bases used in the computation of taxable profit.

Deferred tax liabilities are generally recognised for all taxable temporary differences. Deferred tax assets are generally recognised for all deductible temporary differences to the extent that it is probable that taxable profits will be available against which those deductible temporary differences can be utilized.

The carrying amount of deferred tax assets is reviewed at the end of each reporting period 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 assets and liabilities are measured at the tax rates that are expected to apply in the period in which the liability is settled or the asset realised, based on tax rates (and tax laws) that have been enacted or substantively enacted by the end of the reporting period. The measurement of deferred tax liabilities and assets reflects the tax consequences that would follow from the manner in which the entity 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 Company intends to settle its current tax assets and liabilities on a net basis.

### **2.8.3 Current and deferred tax for the year**

Current and deferred tax are recognised as an expense or income 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.

## **2.9 Investments in subsidiaries**

Investments in subsidiaries are investments in companies in which the company has control. The investor controls the investee when he is exposed or is entitled to variable returns through his contribution to the investee and is able to influence those returns through his authority over the investee.

## Arabian Cement Company S.A.E.

Notes to the Separate Financial Statements

For the Year Ended December 31, 2019

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Investments in subsidiaries are accounted for at cost inclusive of transaction cost and in case the investment is impaired, the carrying amount is adjusted by the value of this impairment and is charged to the statement of profits or losses for each investment separately.

### **2.10 Investments in joint ventures**

A joint venture is joint arrangement whereby the parties that they have joint control of the arrangement have rights to the net assets of the joint arrangement. Joint control is the contractually agreed sharing of control of an arrangement, which exists only when decisions about the relevant activities require unanimous consent of the parties sharing control. Investments in joint ventures are accounted for at the application of the equity method, and in case the investment is impaired, the carrying amount is adjusted by the value of this impairment and is charged to the statement of profits or losses for each investment separately.

### **2.11 Property, plant and equipment**

Buildings, plant and equipment, furniture and fixtures held for use in the production, supply of goods or services or for administrative purposes are stated in the separate statement of financial position at cost less any accumulated depreciation and accumulated impairment losses.

Properties in the course of construction for production, administrative purposes or for a currently undetermined future use are carried at cost less any recognised impairment loss. Cost includes professional fees and, for qualifying assets, borrowing costs capitalized in accordance with the entity's accounting policy as described in note 3.6 Such properties are classified to the appropriate categories of property, plant and equipment when completed and ready for intended use. Depreciation of these assets, on the same basis as other property assets, commences when the assets are ready for their intended use.

Depreciation of buildings, plant and equipment as well as furniture and fixtures commences when the assets are ready for their intended use.

Freehold land is not depreciated.

Depreciation is recognized so as to write off the cost of assets (other than freehold land and properties under construction) less their residual values over their estimated useful lives, using the straight-line method. The estimated useful lives, residual values and depreciation method are reviewed at the end of each reporting period, with the effect of any changes in estimate accounted for on a prospective basis.

An item of property, plant and equipment is derecognised upon disposal or when no future economic benefits are expected to arise from the continued use of the asset. Any gain or loss arising on the disposal or retirement of an item of property, plant and equipment is determined as the difference between the net sales proceeds and the carrying amount of the asset and is recognised in profit or loss.

The following estimated useful lives are used in the calculation of depreciation:

Buildings	10 – 20 years
Plant and equipment	20 years
Furniture and fixtures	16 years
Vehicles	5 – 7 years
Other installations	20 years
Computer and software	3 – 5 years

### **2.12 Intangible assets**

Intangible assets with finite useful lives that are acquired separately are carried at cost less accumulated amortization and accumulated impairment losses. Amortization is recognized on a straight-line basis over their estimated useful lives.

The estimated useful lives and amortization method are reviewed at the end of each reporting period, with the effect of any changes in estimating being accounted for on a prospective basis. Intangible assets with indefinite useful lives that are acquired separately are carried at cost less accumulated impairment losses.

An intangible asset is derecognized on disposal, or when no future economic benefits are expected from use or disposal. Gains or losses arising from de-recognition of an intangible asset, measured as the difference between the net disposal proceeds and the carrying amount of the asset, are recognized in profit or loss when the asset is derecognized.

### **2.13 Impairment of tangible and intangible assets**

At the end of each reporting period, the entity reviews the carrying amounts of its tangible and intangible assets to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss (if any). When it is not possible to estimate the recoverable amount of an individual asset, the entity estimates the recoverable amount of the cash-generating unit to which the asset belongs. Where a reasonable and consistent basis of allocation can be identified, corporate assets are also allocated to individual cash-generating units, or otherwise they are allocated to the smallest group of cash-generating units for which a reasonable and consistent allocation basis can be identified.

Intangible assets with indefinite useful lives and intangible assets not yet available for use are tested for impairment at least annually, and whenever there is an indication that the asset may be impaired.

Recoverable amount is the higher of fair value less costs to sell and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset for which the estimates of future cash flows have not been adjusted.

If the recoverable amount of an asset (or cash-generating unit) is estimated to be less than its carrying amount, the carrying amount of the asset (or cash-generating unit) is reduced to its recoverable amount. An impairment loss is recognised immediately in profit or loss.

Where an impairment loss subsequently reverses, the carrying amount of the asset (or cash-generating unit) is increased to the revised estimate of its recoverable amount, but so that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset (or cash-generating unit) in prior years. A reversal of an impairment loss is recognized immediately in profit or loss.

### **2.14 Inventories**

Inventories are stated at the lower of cost and net realizable value.

Costs, including an appropriate portion of fixed and variable production overheads as well as other costs incurred in bringing the inventories to their present location and condition, are assigned to inventories by the method most appropriate to the particular class of inventory, with the majority being valued on a moving average basis.

Net realizable value represents the estimated selling price for inventories less all estimated costs of completion and costs necessary to make the sale.



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The net realizable value of an item of inventory may fall below its cost for many reasons including, damage, obsolescence, slow moving items, a decline in selling prices, or an increase in the estimate of costs to complete and costs necessary to make the sale. In such cases, the cost of that item is written-down to its net realizable value and the difference is recognized immediately in profit or loss.

### **2.15 Provisions**

Provisions are recognised when the entity has a present obligation (legal or constructive) as a result of a past event, it is probable that the entity will be required to settle the obligation, and a reliable estimate can be made of the amount of the obligation.

The amount recognised as a provision is the best estimate of the consideration required to settle the present obligation at the end of the reporting period, taking into account the risks and uncertainties surrounding the obligation. When a provision is measured using the cash flows estimated to settle the present obligation, its carrying amount is the present value of those cash flows (where the effect of the time value of money is material).

When some or all of the economic benefits required to settle a provision are expected to be recovered from a third party, a receivable is recognised as an asset, if it is virtually certain that reimbursement will be received and the amount of the receivable can be measured reliably.

### **2.16 Financial instruments**

Financial assets and financial liabilities are recognised when the entity becomes a party to the contractual provisions of the instrument.

Financial assets and financial liabilities are initially measured at fair value. Transaction costs that are directly attributable to the acquisition or issue of financial assets and financial liabilities (other than financial assets and financial liabilities at fair value through profit or loss) are added to or deducted from the fair value of the financial assets or financial liabilities, as appropriate, on initial recognition. Transaction costs directly attributable to the acquisition of financial assets or financial liabilities at fair value through profit or loss are recognised immediately in profit or loss.

### **2.17 Financial assets**

All regular way purchases or sales of financial assets are recognised and derecognised on a trade date basis. Regular way purchases or sales are purchases or sales of financial assets that require delivery of assets within the timeframe established by regulation or convention in the market place.

All recognised financial assets are subsequently measured in their entirety at either amortised cost or fair value, depending on the classification of the financial assets.

#### **2.17.1 Classification of financial assets**

Debt instruments that meet the following conditions are subsequently measured at amortised cost less impairment loss (except for debt investments that are designated as at fair value through profit or loss on initial recognition):

- the asset is held within a business model whose objective is to hold assets in order to collect contractual cash flows; and
- the contractual terms of the instrument give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.
- All other financial assets are subsequently measured at fair value.

### **2.17.2 Effective interest method**

The effective interest method is a method of calculating the amortised cost of a debt instrument and of allocating interest income over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash receipts (including all fees or points paid or received that form an integral part of the effective interest rate, transaction costs and other premiums or discounts) through the expected life of the debt instrument, or, where appropriate, a shorter period, to the net carrying amount on initial recognition.

Income is recognised on an effective interest basis for debt instruments measured subsequently at amortised cost. Interest income is recognised in profit or loss and is included in the "investment income" line item.

### **2.17.3 Impairment of financial assets**

Financial assets that are measured at amortised cost are assessed for impairment at the end of each reporting period.

Financial assets are considered to be impaired when there is objective evidence that, as a result of one or more events that occurred after the initial recognition of the financial assets, the estimated future cash flows of the asset have been affected.

Objective evidence of impairment could include:

- significant financial difficulty of the issuer or counterparty; or
- breach of contract, such as a default or delinquency in interest or principal payments; or
- it becoming probable that the borrower will enter bankruptcy or financial re-organisation; or
- the disappearance of an active market for that financial asset because of financial difficulties.

The amount of the impairment loss recognised is the difference between the asset's carrying amount and the present value of estimated future cash flows reflecting the amount of collateral and guarantee, discounted at the financial asset's original effective interest rate.

The carrying amount of the financial asset is reduced by the impairment loss directly for all financial assets with the exception of trade receivables, where the carrying amount is reduced through the use of an allowance account. When a trade receivable is considered uncollectible, it is written off against the allowance account. Subsequent recoveries of amounts previously written off are credited against the allowance account. Changes in the carrying amount of the allowance account are recognised in profit or loss.

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, the previously recognised impairment loss is reversed through profit or loss to the extent that the carrying amount of the investment at the date the impairment is reversed does not exceed what the amortised cost would have been had the impairment not been recognised.

### **2.17.4 De-recognition of financial assets**

The entity derecognises a financial asset only when the contractual rights to the cash flows from the asset expire, or when it transfers the financial asset and substantially all the risks and rewards of ownership of the asset to another entity.

If the entity neither transfers nor retains substantially all the risks and rewards of ownership and continues to control the transferred asset, the entity recognises its retained interest in the asset and an associated liability for amounts it may have to pay. If the entity retains substantially all the risks and rewards of ownership of a transferred financial asset, the entity continues to recognise the financial asset and also recognises a collateralised borrowing for the proceeds received.

On de-recognition of a financial asset measured at amortised cost, the difference between the asset's carrying amount and the sum of the consideration received and receivable is recognised in profit or loss.

## **2.18 Financial liabilities and equity instruments**

### **2.18.1 Classification as debt or equity**

Debt and equity instruments issued by the entity are classified as either financial liabilities or as equity in accordance with the substance of the contractual arrangements and the definitions of a financial liability and an equity instrument.

### **2.18.2 Equity instruments**

An equity instrument is any contract that evidences a residual interest in the assets of an entity after deducting all of its liabilities.

The instrument is an equity instrument if, and only if, both conditions (a) and (b) below are met:

- a) The instrument includes no contractual obligation:
  - i. to deliver cash or another financial asset to another entity; or
  - ii. to exchange financial assets or financial liabilities with another entity under conditions that are potentially unfavourable to the issuer.
- b) If the instrument will or may be settled in the issuer's own equity instruments, it is:
  - i. a non-derivative that includes no contractual obligation for the issuer to deliver a variable number of its own equity instruments; or
  - ii. a derivative that will be settled only by the issuer exchanging a fixed amount of cash or another financial asset for a fixed number of its own equity instruments.

A contract that will be settled by the entity receiving or delivering a fixed number of its own equity instruments in exchange for a fixed amount of cash or another financial asset is an equity instrument.

Equity instruments issued by the entity are recognised at the proceeds received, net of direct issue costs.

Repurchase of the Company's own equity instruments is recognised and deducted directly in equity. No gain or loss is recognised in profit or loss on the purchase, sale, issue or cancellation of the Company's own equity instruments.

### **2.18.3 Financial liabilities**

All financial liabilities are subsequently measured at amortised cost using the effective interest method.

A financial liability is classified as current liability when it satisfies any of the following criteria:

- It is expected to be settled in the entity's normal operating cycle

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- It is held primarily for the purposes of trading;
- It is due to be settled within twelve months after the reporting period;
- The entity does not have an unconditional right to defer settlement of the liability for at least twelve months after the reporting period.

All other financial liabilities are classified as non-current.

### 2.18.4 De-recognition of financial liabilities

The entity derecognises financial liabilities when, and only when, the entity's obligations are discharged, cancelled or they expire. The difference between the carrying amount of the financial liability derecognised and the consideration paid and payable, including any non-cash assets transferred or liabilities assumed, is recognised in profit or loss.

### 2.19 Lease

In accordance with Resolution No. 69 of 2019 issued by the Minister of Investment in March 2019 regarding amending some provisions of the Egyptian Accounting Standards issued by the Minister of Investment No. 110 for the year 2015. These amendments included the addition of Standard No. 49 to replace the Egyptian Accounting Standard No. (20) Accounting of financial leasing operations, provided that it is applied to the financial periods beginning on or after January 1, 2020 and with the exception of the effective date, the date of the initial application is the beginning of the annual reporting period in which the finance lease law No. 95 of 1995 and its amendments was cancelled and in light of Standard No. 49 as at The beginning of the lease recognize the "right of use" and the lease liability.

#### **Initial measurement of the right-of-use asset**

At the commencement date, a lessee shall measure the right-of-use asset at cost, the cost of the right-of-use asset shall comprise:

- (a) The amount of the initial measurement of the lease liability, at the commencement date, a lessee shall measure the lease liability at the present value of the lease payments that are not paid at that date. The lease payments shall be discounted using the interest rate implicit in the lease, if that rate can be readily determined. If that rate cannot be readily determined, the lessee shall use the lessee's incremental borrowing rate.
- (b) Any lease payments made at or before the commencement date, less any lease incentives received
- (c) Any initial direct costs incurred by the lessee; and
- (d) an estimate of costs to be incurred by the lessee in dismantling and removing the underlying asset, restoring the site on which it is located or restoring the underlying asset to the condition required by the terms and conditions of the lease, unless those costs are incurred to produce inventories. The lessee incurs the obligation for those costs either at the commencement date or as a consequence of having used the underlying asset during a particular period.

#### **Subsequent measurement of the right-of-use asset**

After the commencement date, a lessee shall measure the right-of-use asset. Applying a cost model, a lessee shall measure the right-of-use asset at cost:

- (a) Less any accumulated depreciation and any accumulated impairment Losses.
- (b) Adjusted for any re-measurement of the lease liability.

**Initial measurement of the lease liability**

At the commencement date, a lessee shall measure the lease liability at the present value of the lease payments that are not paid at that date. The lease payments shall be discounted using the interest rate implicit in the lease, if that rate can be readily determined. If that rate cannot be readily determined, the lessee shall use the lessee's incremental borrowing rate.

**Subsequent measurement of the lease liability**

After the commencement date, a lessee shall measure the lease liability by

- (a) Increasing the carrying amount to reflect interest on the lease liability
- (b) Reducing the carrying amount to reflect the lease payments made
- (c) Re-measuring the carrying amount to reflect any reassessment or lease modifications, or to reflect revised in-substance fixed lease payments.

**2.20 Grants**

Government grants are assistance by government in the form of transfers of resources to an entity in return for past or future compliance with certain conditions relating to the operating activities of the entity. They exclude those forms of government assistance which cannot reasonably have a value placed upon them and transactions with government which cannot be distinguished from the normal trading transactions of the entity

Grants related to assets are government grants whose primary condition is that an entity qualifying for them should purchase, construct or otherwise acquire long-term assets. Subsidiary conditions may also be attached restricting the type or location of the assets or the periods during which they are to be acquired or held.

Government grants, including non-monetary grants at fair value, shall not be recognized until there is reasonable assurance that the entity will comply with the conditions attaching to them; and the grants will be received.

Government grants related to assets, including non-monetary grants at fair value, shall be presented in the statement of financial position through recognizes the grant as deferred income that is recognized in profit or loss on a systematic basis over the useful life of the asset.

**3. Critical accounting judgements and key sources of estimation uncertainty**

In the application of the entity's accounting policies, which are described in note 2, management is required to make judgments, estimates and assumptions about the carrying amounts of assets and liabilities that are not readily apparent from other sources. The estimates and associated assumptions are based on historical experience and other factors that are considered to be relevant. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period or in the period of the revision and future periods if the revision affects both current and future periods.

**3.1 Critical judgements in applying accounting policies**

The following are the critical judgements, apart from those involving estimations (see note (2.3) below), that the directors have made in the process of applying the Company's accounting policies and that have the most significant effect on the amounts recognized in the financial statements.

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### 3.1.1 Deferred income taxes

The measurement of deferred income tax assets and liabilities is based on the judgment of management. Deferred income tax assets are only capitalized if it is probable that they can be used. Whether or not they can be used depends on whether the deductible tax temporary difference can be offset against future taxable gains.

In order to assess the probability of their future use, estimates must be made of various factors including future taxable profits. If the actual values differ from the estimates, this can lead to a change in the assessment of recoverability of the deferred tax assets and accounting for such a change, if any, is to be made on a prospective basis in the reporting periods affected by the change.

### 3.2 Key sources of estimation uncertainty

The following are the key assumptions concerning the future and other key sources of estimation uncertainty at the end of the reporting period, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year.

#### 3.2.1 Useful lives of property, plant and equipment

The carrying value of the entity's property, plant and equipment at the end of the current reporting period is EGP 2 379 728 327 (31 December 2018: EGP 2 457 108 755) (note 11). Management's assessment of the useful life of property, plant and equipment is based on the expected use of the assets, the expected physical wear and tear on the assets, technological developments as well as past experience with comparable assets. A change in the useful life of any asset may have an effect on the amount of depreciation that is to be recognized in profit or loss for future periods.

#### 3.2.2 Useful lives of intangible assets.

The carrying value of the entity's intangible assets at the end of the current reporting period is EGP 294 799 369 (31 December 2018: EGP 345 475 618), (note 13). Management's assessment of the useful life of property, plant and equipment is based on the expected use of the assets, the expected physical wear and tear on the assets, technological developments as well as past experience with comparable assets. A change in the useful life of any asset may have an effect on the amount of depreciation that is to be recognized in profit or loss for future periods.

#### 3.2.3 Provisions

The carrying amount of provisions at the end of the current reporting period is EGP 11 749 924 (31 December 2018: EGP 9 766 137). This amount is based on estimates of future costs for legal cases and other claims in connection with the Company's operations (note 25). As the provisions cannot be determined exactly, the amount could change based on future developments. Changes in the amount of provisions due to change in management estimates are accounted for on a prospective basis and recognized in the period in which the change in estimates arises.

## 4. Sales revenue

An analysis of the Company's revenue for the year is as follows:

EGP	2019	2018
Local sales	2 481 272 007	2 727 697 500
Export sales	342 865 036	317 378 870
Services	147 421 631	114 953 019
<b>Total</b>	<b>2 971 558 674</b>	<b>3 160 029 389</b>

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### 5. Cost of sales

An analysis of the Company's cost of sales for the year is as follows:

EGP	2019	2018
Raw material	2 287 378 577	2 270 683 349
Manufacturing depreciation	201 665 809	192 563 597
Amortization of Licenses - intangible assets	50 676 249	50 676 251
Amortization of right of use	690 201	--
Transportation cost	93 034 883	82 716 524
Overhead cost	105 807 361	83 987 689
<b>Total</b>	<b>2 739 253 080</b>	<b>2 680 627 410</b>

### 6. General and administration expenses

An analysis of the Company's general and administration expenses for the year is as follows:

EGP	2019	2018
Professional services	39 564 070	37 086 078
Salaries and wages	46 483 640	60 407 865
Security and cleaning services	1 372 667	1 035 217
Rentals	2 445 633	10 716 625
Transportation cost	2 142 012	2 760 426
Advertising	1 904 690	1 975 065
Administrative depreciation	4 226 828	4 399 532
Other	31 432 713	20 631 288
<b>Total</b>	<b>129 572 253</b>	<b>139 012 096</b>

### 7. Finance costs

An analysis of the Company's finance costs for the year is as follows:

EGP	2019	2018
Loan interest expense	73 838 954	74 061 563
Operation license interest expense *	15 286 637	212 398
Electricity agreement interest expense	12 282 000	12 282 000
Finance lease	18 813	--
Other finance cost	6 531 854	--
Credit facilities interest expense	28 559 516	22 764 132
<b>Total</b>	<b>136 517 774</b>	<b>109 320 093</b>

\* The interest in operating license includes an amount of EGP 13.4 million charged by the Industrial Development Authority

### 8. Compensation of key management personnel

An analysis of the Company's Compensation of key management personnel for the year is as follows:

EGP	2019	2018
Board of Directors allowance	16 502 613	30 325 722
Board of Directors salaries	15 186 228	17 947 440
<b>Total</b>	<b>31 688 841</b>	<b>48 273 162</b>

Included in the Salaries and wages in the administrative expenses.

**9. Income taxes**

**9.1 Income tax recognised in profit or loss**

EGP	2019	2018
<b>Current tax</b>		
Current tax expense for the current year	13 123 908	--
<b>Deferred tax</b>		
Net deferred tax expense/( income) recognized in the current year	(5 970 473)	7 058 973
<b>Total income tax expense recognized in the current year</b>	<b>7 153 435</b>	<b>7 058 973</b>

The following table provides reconciliation between income tax expense recognized for the year and the tax calculated by applying the applicable tax rates on accounting profit:

EGP	2019	2018
Profit before tax	37 252 885	240 701 316
Tax using applicable tax rate 22.5%	8 381 899	54 157 796
<b>Add:</b>		
Effect of reversal of accounting depreciation and amortization	257 259 086	247 639 380
Effect of expenses that are not deductible in determining taxable profit	16 535 026	11 819 006
Effect of provisions formed that are not deductible in determining taxable profit	3 343 753	1 400 000
Changing in accounting policies	361 078	--
Effect of unrealized net foreign exchange losses that are not deductible in determining taxable profit	25 195 419	90 760 624
<b>Less:</b>		
Effect of tax depreciation and amortization that are deductible in determining taxable profit	(204 593 599)	(251 879 336)
Capital gain	( 15 398)	--
Effect of realized net foreign exchange losses that are deductible in determining taxable profit	(63 866 042)	(341 556 637)
Effect of provisions used that are deductible in determining taxable profit	-	(4 204 008)
Carry forward tax losses	(13 143 728)	--
Taxable income	58 328 480	--
<b>Income tax expense recognized in profit or loss</b>	<b>13 123 908</b>	<b>--</b>



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### 9.2 Current tax liabilities

EGP	2019	2018
Current tax expense(note 9.1)	13 123 908	--
<b>Current tax liabilities</b>	<b>13 123 908</b>	<b>--</b>

The average effective tax rate in 2019 is 35% against 0% in 2018 mainly due to following:

On November 3, 2016 the Central Bank of Egypt has floating the exchange rate for the foreign currencies that led to increasing in exchange rate for USD from 8.88 as of November 2, 2016 to reach to 18.25 as of December 31, 2016 and due to that the Company has significant outstanding balances dominated in U.S. Dollar the led to significant exchange differences losses the unrealized portion from these losses not deducted for tax purpose. Moreover, the most of these losses have been realized during year and deducted as a taxable expense during 2018.

### 9.3 Deferred tax balances

Deferred tax liabilities arise from the following:

2019 EGP	Opening balance	Recognized in profit or loss	Closing balance
<b>(Liabilities)</b>			
<b>Temporary differences</b>			
Property, plant & equipment	(343 043 930)	5 970 473	(337 073 457)
<b>Net deferred tax liability</b>	<b>(343 043 930)</b>	<b>5 970 473</b>	<b>(337 073 457)</b>
2018 EGP	Opening balance	Recognized in profit or loss	Closing balance
<b>(Liabilities)</b>			
<b>Temporary differences</b>			
Property, plant & equipment	(335 984 957)	(7 058 973)	(343 043 930)
<b>Net deferred tax liability</b>	<b>(335 984 957)</b>	<b>(7 058 973)</b>	<b>(343 043 930)</b>

### 10. Earnings per share

Basic earnings per share is calculated by dividing the earnings from continuing operations attributable to ordinary shareholders by the weighted average number of ordinary shares outstanding during the year. For diluted earnings per share, the weighted average number of ordinary shares in issue is adjusted to assume conversion of all dilutive potential ordinary shares. As the company does not have any dilutive potential, the basic and diluted earnings per share are the same.

The earnings from continuing operations and weighted average number of ordinary shares used in the calculation of basic and diluted earnings per share are as follows:

	2019	2018
<b>Earnings (for basic and diluted earnings per share)</b>		
Profit for the year (EGP)	30 099 450	233 642 343
Employees' share in the dividends (note 18) (EGP)	(7 066 424)	(7 245 080)
<b>Distributable net profit for the year (EGP)</b>	<b>23 033 026</b>	<b>226 397 263</b>
<b>Number of shares (for basic and diluted earnings per share)</b>		
Weighted average number of ordinary shares for the purposes of EPS	378 739 700	378 739 700
<b>Earnings per share from continuing operations – (EGP)</b>	<b>0.06</b>	<b>0.60</b>

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**1.1. Property, Plant and Equipment**

EGP	Freehold land	Buildings	Vehicles	Machinery and Equipment	Furniture and fixtures	Other installations	Computers and software	Total
<b>Cost</b>								
<b>Balance at 1 January 2018</b>	50 243 436	564 826 943	13 151 253	2 529 190 896	11 933 537	283 064 441	18 677 131	3 471 087 637
Additions	--	2 018 266	6 421 117	9 794 886	479 129	5 019 460	1 142 124	24 874 982
Transferred from inventory	--	--	--	23 719 198	--	--	--	23 719 198
Transfer from assets under construction	--	4 260 163	--	243 598 242	--	1 434 667	--	249 293 072
<b>Balance at 1 January 2019</b>	50 243 436	571 105 372	19 572 370	2 806 303 222	12 412 666	289 518 568	19 819 255	3 768 974 889
Additions	--	4 106 398	8 410 932	9 216 422	711 945	10 231 920	622 767	33 300 384
Disposals	--	--	(343 363)	--	--	--	--	(343 363)
Transfer from assets under construction	--	57 862 688	--	33 696 645	1 700 031	2 106 756	--	95 366 120
<b>Balance at 31 December 2019</b>	50 243 436	633 074 458	27 639 939	2 849 216 289	14 824 642	301 857 244	20 442 022	3 897 298 030

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EGP	Freehold land	Buildings	Vehicles	Machinery and Equipment	Furniture and fixtures	Other installations	Computers and software	Total
<b>Accumulated depreciation and impairment</b>								
<b>Balance at 1 January 2018</b>	--	<b>176 840 704</b>	<b>6 392 960</b>	<b>827 590 443</b>	<b>3 639 091</b>	<b>87 861 550</b>	<b>12 578 257</b>	<b>1 114 903 005</b>
Eliminated on disposals of assets	--	--	--	--	--	--	--	--
Depreciation expense	--	29 144 719	2 031 789	145 804 219	1 338 465	15 582 870	3 061 067	196 963 129
<b>Balance at 1 January 2019</b>	--	<b>205 985 423</b>	<b>8 424 749</b>	<b>973 394 662</b>	<b>4 977 556</b>	<b>103 444 420</b>	<b>15 639 324</b>	<b>1 311 866 134</b>
Eliminated on disposals of assets	--	--	( 189 068)	--	--	--	--	( 189 068)
Depreciation expense	--	29 378 123	3 709 226	152 191 184	1 493 083	16 387 276	2 733 745	205 892 637
<b>Balance at 31 December 2019</b>	--	<b>235 363 546</b>	<b>11 944 907</b>	<b>1 125 585 846</b>	<b>6 470 639</b>	<b>119 831 696</b>	<b>18 373 069</b>	<b>1 517 569 703</b>
<b>Carrying amount</b>								
<b>At 31 December 2019</b>	<b>50 243 436</b>	<b>397 710 912</b>	<b>15 695 032</b>	<b>1 723 630 443</b>	<b>8 354 003</b>	<b>182 025 548</b>	<b>2 068 953</b>	<b>2 379 728 327</b>
<b>At 31 December 2018</b>	<b>50 243 436</b>	<b>365 119 949</b>	<b>11 147 621</b>	<b>1 832 908 560</b>	<b>7 435 110</b>	<b>186 074 148</b>	<b>4 179 931</b>	<b>2 457 108 755</b>

On February 24, 2019 There is a cancellation for the first-degree commercial and real estate mortgage for the benefit of the National Bank of Egypt , Until the date of the financials, the Company did not finalize the mortgage amendment procedures to be in favour of the Commercial International Bank (CIB) (Security agent) as disclosed in details in (see note 23)

According to the loans contracts granted by the Commercial international bank (Security agent) , the Company insured for the benefit of the bank an insurance policy against all potential risks on the Company's factory and the production lines, in favour for the bank as it's the (Security agent ), and the bank is the first and only beneficiary of this policy.

During the year Machinery and equipment's additions and transfer from projects under constructions included the cost of the new admin office with total amount of EGP 56 million

The Company has insured for its benefit on cars and silos.

The depreciation expense for the item of furniture and computers is included in the item of general and administrative expenses, note (6) in the amount of EGP 4 226 828. The depreciation expense for the remaining assets is included in the cost of sales of note (5) in the amount of EGP 201 665 809.

The sales value of transportation exclusions reached EGP 169,693, and its net book value amounted to 154,295 pounds, which resulted in capital gains amounting to 15,398 pounds, which were included in the income statement.

## 12. Assets under construction

EGP	2019	2018
Balance as of January 1	95 974 030	249 232 824
Additions	2 994 803	95 999 812
Transfer to fixed assets	(95 366 120)	( 249 293 171)
Advance to suppliers for purchase fixed assets	175 228	34 565
<b>Total</b>	<b>3 777 941</b>	<b>95 974 030</b>

Project under construction are represented in the following categories:

EGP	2019	2018
Buildings	--	55 693 556
Machinery and equipment	3 465 713	5 307 193
Other installations	137 000	34 938 716
Advance to suppliers for purchase fixed assets	175 228	34 565
<b>Total</b>	<b>3 777 941</b>	<b>95 974 030</b>

## 13. Intangible assets (net)

EGP	Operating license	Electricity contract	Total
<b>Cost</b>			
Cost as of January 1 , 2018	563 204 713	225 200 000	788 404 713
Additions	--	--	--
<b>Cost as of December 31, 2018</b>	<b>563 204 713</b>	<b>225 200 000</b>	<b>788 404 713</b>
<b>Accumulated amortization</b>			
Accumulated amortization as of January , 1 2018	(231 155 103)	(161 097 741)	(392 252 844)
Amortization for the year	(28 156 251)	(22 520 000)	(50 676 251)
<b>Total accumulated amortization as of December 31, 2018</b>	<b>(259 311 354)</b>	<b>(183 617 741)</b>	<b>(442 929 095)</b>
<b>Cost</b>			
Cost as of January 1 , 2019	563 204 713	225 200 000	788 404 713
Additions	--	--	--
<b>Cost as of December 31, 2019</b>	<b>563 204 713</b>	<b>225 200 000</b>	<b>788 404 713</b>
<b>Accumulated amortization</b>			
Accumulated amortization as of January 1, 2019	(259 311 354)	(183 617 741)	(442 929 095)
Amortization for the year	(28 156 249)	(22 520 000)	(50 676 249)
<b>Total accumulated amortization as of December 31, 2019</b>	<b>(287 467 603)</b>	<b>(206 137 741)</b>	<b>(493 605 344)</b>
<b>Net book value December 31,2019</b>	<b>275 737 110</b>	<b>19 062 259</b>	<b>294 799 369</b>
<b>Net book value December 31,2018</b>	<b>303 893 359</b>	<b>41 582 259</b>	<b>345 475 618</b>

## Arabian Cement Company S.A.E.

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### Operating license

As per the country's policies to obtain a license for the cement factory, the General Industrial Development Association approved the issuing of a license to the company on May 21, 2008 in the amount to EGP 281.4 million for the 1st production line with related liability on the company to pay 15% as an advance payment and the residual amount will be paid over 5 equal annual instalments after 1 year from starting production with a maximum of 18 months according to interest rate determined by Central Bank of Egypt (CBE).

The above mentioned value will be also applied for the second line and a 25% will be paid as an advance payment and residual amount will be settled over a period of 3 years according to the interest rate determined by Central Bank of Egypt (CBE).

On 22 January 2015, the Industrial Development Authority (IDA) accepted to receive EGP 8 million on a monthly basis until the legal dispute with the company is resolved, which is currently at the court.

### Electricity contract

Intangible assets represent the value of the contract concluded with the Ministry of Electricity on March 11, 2010, where the Ministry of Electricity identifies the needs of heavy industrial projects and arranges their needs, either through the establishment of new stations or already established ones. The cost of investments will be paid by the company according to what has been determined by the Ministry, which amounted to EGP 217.2 million, where payment has been agreed to be paid as follows:

15% advance payment equivalent to EGP 32.58 million.

120 monthly instalments due on the first of every month from April 2010 amounted by EGP 1.220 million per each instalment.

120 monthly instalments due on the first of every month from February 2011 amounted by EGP 1.342 million per each instalment.

In addition to EGP 8 million for the allocation of two cells of the traditional type, to be paid in four quarterly instalments and the last instalment was due on 1 February 2011.

### 14. Investments in subsidiaries

The Company has control over all the subsidiaries as listed below:

Company name	Domicile	Share/ Paid - in capital	2019 EGP	2018 EGP	Principal activities	Proportion of ownership interest and voting power held by the Company
1- Andalus Concrete Company*	Egypt	99.99%	30 926 807	20 926 807	Concert products, mainly ready mix	99.99%
2- Evolve Investment & Projects Management Company	Egypt	99.99%	16 499 750	16 499 750	Alternative fuel and recycling	99.99%
3- ACC for Management and Trading Company	Egypt	99.99%	49 500	49 500	Providing managerial services	99.99%
<b>Total</b>			<b>47 476 057</b>	<b>37 476 057</b>		

\* The increase in investments in subsidiary companies "Andalus Concrete Company" is represented in the value of the company's contribution in increasing the capital of the subsidiary company by an amount of 10 million Egyptian pounds, which was included as amounts paid under an investment account in the previous year

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**15. Investments in joint venture**

Name of joint venture	Place of incorporation	Proportion of ownership interest and voting power held by the company	2019	2018
			EGP	EGP
Andalus Reliance for Mining Company	Egypt	50%	125 000	125 000
<b>Total</b>			<b>125 000</b>	<b>125 000</b>

**16. Inventories**

	2019	2018
Raw materials	45 890 809	98 934 615
Packing materials	10 982 921	32 340 022
Spare parts	7 608 663	7 903 975
Work in progress	1 967 307	2 767 805
Finished goods	89 444 846	140 063 903
<b>Total</b>	<b>155 894 546</b>	<b>282 010 320</b>

**17. Trade receivables**

	2019	2018
Trade receivables, Export sales	--	69 297 253
<b>Total</b>	<b>--</b>	<b>69 297 253</b>

Aging of receivables:

	2019	2018
Less than 30 days	--	69 297 253
<b>Total</b>	<b>--</b>	<b>69 297 253</b>

**18. Debtors and other debit balances**

	2019	2018
Advance to suppliers	21 294 071	34 056 073
Withholding tax	14 293 777	5 302 490
Deposit with others	61 444 003	44 527 109
Employees' dividends in advance	7 066 424	7 245 080
Letter of credit	--	6 877 000
Letters of guarantee – cash margin	34 049	34 049
Cash imprest	1 336 482	1 861 757
Other debit balances	--	277 149
Less:- Impairment in other debit balance	(1 359 966)	--
<b>Total</b>	<b>104 108 840</b>	<b>100 180 707</b>

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### 19. Cash and bank balances

EGP	2019	2018
Cash on hand	1 182 863	1 276 837
Current account – local currency	45 619 602	51 267 529
Current account – foreign currency	8 262 010	25 263 099
Bank deposits *	31 121 525	87 088 413
<b>Total</b>	<b>86 186 000</b>	<b>164 895 878</b>

\*Bank deposits includes a restricted bank deposit with an amount of EGP 1 020 000 against letter of grantee with the same value.

### 20. Authorized and Issued capital

EGP	2019	2018
Par value per share	2	2
Number of ordinary shares authorized, issued and fully paid	378 739 700	378 739 700
<b>Issued capital</b>	<b>757 479 400</b>	<b>757 479 400</b>

### 21. Legal reserve

In accordance with the Companies' Law No.159 of 1981 and the Company's Articles of Incorporation, 10% of annual net profit is transferred to legal reserve. The entity shall cease such transfer when the legal reserve reaches 50% of the issued capital. The legal reserve is not eligible for distribution to shareholders.

### 22. Retained earnings

EGP	2019	2018
<b>Balance at beginning of year</b>	<b>342 180 674</b>	<b>337 441 529</b>
Total comprehensive income for the year	30 099 450	233 642 343
Change in accounting policy – note 32	361 078	--
Transfer to legal reserve	(23 364 234)	(21 743 393)
Payment of dividends	(185 252 741)	(207 159 805)
<b>Balance at end of year</b>	<b>164 024 227</b>	<b>342 180 674</b>

### 23. Borrowings

EGP	Current		Non-current	
	2019	2018	2019	2018
<b>First: Credit facilities</b>				
Credit facilities - CIB	62 035 301	273 674 586	--	--
<b>Total Facilities</b>	<b>62 035 301</b>	<b>273 674 586</b>	<b>--</b>	<b>--</b>
<b>Second: Bank loans</b>				
Bank loans - CIB	20 400 000	5 100 000	229 500 000	249 900 000
Less: Loan cost	--	(637 500)	--	--
<b>Net Loans – CIB (A)</b>	<b>20 400 000</b>	<b>4 462 500</b>	<b>229 500 000</b>	<b>249 900 000</b>
Bank loans - EBRD	69 956 520	77 739 130	262 336 958	369 260 870
Less: Loan cost	--	(4 470 143)	--	--
<b>Net Loans – EBRD (B)</b>	<b>69 956 520</b>	<b>73 268 987</b>	<b>262 336 958</b>	<b>369 260 870</b>
<b>Total Loans (A+B)</b>	<b>90 356 520</b>	<b>77 731 360</b>	<b>491 836 958</b>	<b>619 160 870</b>

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Notes to the Separate Financial Statements

For the Year Ended December 31, 2019

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On December 3, 2018 two borrowing contracts have been signed with Commercial international Bank "CIB" (Egypt) S.A.E a joint stock company as the "Lending Bank" and "Security agent", and European Bank for Reconstruction and Development "EBRD" and according to these contracts the lending banks have agreed to each enter into separate agreement with the company (borrower) to refinance part of the borrower loans from NBE.

In light of the above, the lending banks agreed to the following:

### **First: Commercial international bank (CIB) -Security agent**

Bank has agreed to extend the borrower facility packages for EGP 705 Million comprising two tranches as follows:

1. Tranche (A) facility not exceeding EGP 225 Million with interest rate at CBE Overnight offer rate plus the margin of 2% .in the form of medium loan for the purpose of (1) refinancing EGP 230 Million existing medium-term loan provided by NBE granted to the borrower to finance the investment cost related to the second coal mill, a bucket elevator for line 1 and the bypass dust dosing system; and (2) refinancing EGP25 million of outstanding amounts owed to the NBE by the borrower under the Egyptian pollution abatement "EPAP".
2. Tranche (B) facility not exceeding EGP 450 million in the form of multipurpose renewable facility available in local and foreign currencies for the purpose of financing the company's working investments needs and refinancing the company outstanding working capital facility at NBE

Thus the company shall repay the Tranche (A) loan to the lender in (23) quarterly unequal instalments starts from 31 December 2019 and ends on 30 June 2025, and the Borrowing contract obligates the company with the following securities:

- Conclude first-degree pledge on each of the facility accounts in favour of the lender for itself and the lending banks thereon by no later than five days from the contract date.
- Conclude in favour of the lender, for itself and on behalf of the lending banks a first degree real-estate mortgage on the land and the buildings and other real property of the borrower that are built thereon by no later than six months from the date of the issuance of the relevant power of attorney in favour of the lender and by no later than 30 September 2019.The borrower shall add any buildings to be added to the aforementioned mortgage. Moreover, until the date of the financial statements, the procedures for mortgage have not been completed for the bank.
- Conclude in favour of the lender, for itself and on behalf of the lending banks a first degree FDC mortgage over the tangible and intangible assets of the borrower including machinery and equipment, goodwill and industrial property rights related to the borrower's assets, no later than the date falling (1) month from the date of the insurance of the relevant power of attorney in favour of the lender and by no later than 30 April 2019.
- Issue irrevocable powers of attorney authorizing the Lender, for itself and on behalf of the lending banks, to conclude and register each of the Mortgages.



## Arabian Cement Company S.A.E.

Notes to the Separate Financial Statements

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- Endorsement of the Borrower's all-risk insurance policy/policies in favour of the lender for itself and on behalf of the lenders in all assets in no more than (2) weeks from the date of this agreement, covering not less than 110% of the loans extended to the borrower by the lending banks.
- Not to distribute dividends unless the Borrower is in compliance with all financial covenants pre and post distribution and no occurrence of the event of default would be caused as a result of said distribution.
- The borrower undertakes that the financial leverage ratio shall not to exceed (2) in the financial year of 2019 and (1.5) thereafter throughout the remaining tenor of the facility.
- The Borrower undertakes that the debt service ratio "DSR" shall not to fall below (1) throughout the tenor of the facility.
- The Borrower undertakes that the capital expenditures in excess of EGP 100m. annually to be financed through equity injections and/or subordinated shareholders subject to the Lender's notification and presenting a revised business plan. the aforementioned is subject to the Borrower's compliance with all financial covenant for the fiscal year and will not be breach of any financial covenants as a result of such capital expenditures.
- The Borrower undertakes that the Net financial Debt to EBITDA shall not exceed 2.5x.
- The main shareholder undertakes an irrevocable and unconditional undertaking not to waive any portion of the controlling interest that is less than 50% plus (1) share without obtaining the bank's prior written consent.

The Company has deducted the cost of finance for the loan contract amounting to LE 637 500 from loan balance as of 31 December 2018 and amortized during the year as the loan represents an extension of the previous loan rather than replacement of the original loan

### **Second: European Bank for Reconstruction and Development "EBRD"**

As mentioned above, a financing contract was signed with the European Bank on 3 December 2018. Under this contract, the Bank agreed to lend the company a sum of not more than \$ 25 million with interest calculated at the Six-month Libor plus a Margin 4.35% for the purpose of refinancing the current debtor's debt in US dollars, which was partially used for the following purposes:

- A- As a facilitation of funding for Lack of investments related to energy efficiency.
- B- Financing and renewing the current cement production plan.

Commitments to the Loan Contract other than the guarantees and undertakings referred to above include:

- The Borrower undertakes that the debt service ratio "DSR" shall not to fall below 1:3.
- The Borrower undertakes that net bank debt shall not to fall below 2.5 times the net profit before revenue, taxes, depreciation and depreciation.
- The Borrower undertakes that the net bank debt not to exceed the (1.3) times the equity.

## Arabian Cement Company S.A.E.

### Notes to the Separate Financial Statements

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The Company has deducted the cost of finance for the loan contract amounting to USD 250,000, equivalent to EGP 4,470,000, from the loan balance and then to be amortized later, as the loan represents an extension of the previous loan rather than extinguishment of the original loan.

According to the loan agreement with the European Bank, the Borrower has agreed to provide an additional grant of no more than 17% of the costs associated with the design, supply, installation and operation of the items to be financed and provided for in the contract or EUR 170,000 whichever is lower.

On December 17, 2018, The Company received a confirmation from National Bank Egypt that all accounts of the Company's facilities had been closed after paying all outstanding balances.

In accordance with the previous contract with the National Bank of Egypt (NBE) dated 30 June 2013, this contract included the fact that the Borrower has 20% of the amount of financing granted by the Bank after full-fulfilment of several conditions which were fully met during 2018. Thus the grant which is with total amount of EGP 13.6 million. has been treated according to the Egyptian accounting standard Number (12) by using revenue accounting for the grant as it recorded as deferred revenues on the other credit balances and to be recorded on the statement of profits or losses for the remaining useful life of the related asset (Alternative fuel line), and the amount recorded on the statement of profits or losses for 2019 is EGP 718 742 recorded as other income and the remaining amount of EGP 12 218 616 recorded in other credit balance refer to note (28)

The previous mortgage in favour of the National Bank of Egypt (NBE) has been cancelled on company commercial register on February 24, 2019.

#### 24. Trade payables

EGP	2019	2018
Local trade payable	336 471 383	255 429 655
Foreign trade payable	341 866 363	314 467 966
Notes payable	--	6 900 000
<b>Total</b>	<b>678 337 746</b>	<b>576 797 621</b>

#### 25. Provisions

EGP	Provision for claims
<b>Balance at 1 January 2019</b>	<b>9 766 137</b>
Additional provisions recognized	1 983 787
Used during the year	--
No longer required during the year	--
<b>Balance at 31 December 2019</b>	<b>11 749 924</b>

Management annually reviews and adjusts these provisions based on the latest developments, discussions and agreements with the involved parties.

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### 26. Other liabilities

EGP	Current		Non-current	
	2019	2018	2019	2018
Operating license	--	106 219 184	--	--
Electricity contract	12 308 000	18 462 000	--	12 308 000
<b>Total</b>	<b>12 308 000</b>	<b>124 681 184</b>	<b>--</b>	<b>12 308 000</b>

### 27. Dividends payable

On December 1, 2019, the company's Ordinary General Assembly meeting approved the profits distribution on the shareholders according to the distributable profits for the financial year ended December 31, 2018. The Ordinary General Assembly was approved by General Authority for Investment and Free Zones (GAFI) on December 3, 2019.

In respect of the current year ended December 31, 2019, the Board of Directors proposed a dividend to the shareholders at the Annual General Meeting according to the below table:

EGP	2019	2018
<b>Net profit for the year</b>	30 099 450	233 642 343
Retained earnings at beginning of the year	133 924 777	108 538 331
<b>Distributable net profits</b>	<b>164 024 227</b>	<b>342 180 674</b>
<b>To be distributed as follows:</b>		
Legal reserve	3 009 945	23 364 234
Profit attributable to shareholders	--	178 007 659
Profit attributable to employees - note (18)	7 066 424	7 245 080
<b>Retained earnings at end of the year</b>	<b>153 947 858</b>	<b>133 563 700</b>

### 28. Creditors and other credit balances

EGP	2019	2018
Advances from customers	45 676 860	52 573 239
Accrued expenses	7 945 034	4 185 839
Accrued development fees	18 111 127	19 836 333
Accrued customers rebates	63 136 807	58 252 104
Accrued taxes	42 934 058	43 212 944
Accrued interest	12 583 589	10 059 874
Deferred Revenue - Grant (note 23)	12 218 616	12 937 358
Retention	5 202 664	6 404 557
<b>Total</b>	<b>207 808 755</b>	<b>207 462 248</b>

### 29. Financial instruments

#### 29.1 Capital risk management

The Company manages its capital to ensure that will be able to continue as a going concern while maximising the return to stakeholders through the optimisation of the debt and equity balance.

The capital structure of the entity consists of net debt (borrowings and other liabilities, offset by cash and bank balances (note 20) and equity of the Company (comprising issued capital, legal reserve and retained).

## Arabian Cement Company S.A.E.

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The Company is not subject to any externally imposed capital requirements.

Company is targeting to achieve gearing ratio range between 50% to 70% based on net debt to equity ratio.

The gearing ratio at 31 December 2019 of 48% (see below) decreased mainly due to decreasing in debts as a result of payments for overdraft and payment of other liabilities.

The gearing ratio at the end of the reporting period was as follows:

EGP	2019	2018
Debt (i)	656 536 779	1 107 556 127
Cash and bank balances	(86 186 000)	(164 895 878)
<b>Net debt</b>	<b>570 350 779</b>	<b>942 660 249</b>
<b>Equity (ii)</b>	<b>1 176 233 836</b>	<b>1 331 026 049</b>
<b>Net debt to equity ratio</b>	<b>48%</b>	<b>71%</b>

(i) Debt is defined as long-and short-term borrowings and other liabilities, as detailed in (note 23 and 26).

(ii) Equity includes all capital, legal reserve and retained earnings of the Company (note 20, 21 and 22).

### 29.2 Significant accounting policies

Details of the significant accounting policies and methods adopted, including the criteria for recognition, the basis of measurement and the basis on which income and expenses are recognised, in respect of each class of financial asset, financial liability and equity instrument are disclosed in note 2.17 Financial Instruments.

### 29.3 Categories of financial instruments

EGP	2019	2018
<b>Financial assets (i)</b>		
Cash and bank balances (note 19)	86 186 000	164 895 878
Trade receivables (note 17)	--	69 297 253
Other debit balances –deposits with others (note 18)	61 444 003	41 108 656
<b>Financial liabilities (ii)</b>		
Loans current and non-current (note 23)	582 193 478	696 892 357
Credit facilities (note 23)	62 035 301	273 674 586
Other liability (note 26)	12 308 000	136 989 184
Finance lease (note 32)	8 540	--
Trade payable (note 24)	678 337 746	576 797 621
Creditors and other credit balances (note 28)	20 528 623	14 245 713

(i) A total of EGP 222 million (2018: EGP 371 million) of other current assets does not meet the definition of a financial asset.

(ii) A total of EGP 212 million (2017: EGP 553 million) of other current and non-current liabilities does not meet the definition of a financial liability.

**29.4 Financial risk management objectives**

In the course of its business, the Company is exposed to a number of financial risks. This note presents the Company objectives, policies and processes for managing its financial risks and capital. These risks include market risk (including currency risk, and interest rate risk), credit risk and liquidity risk. The Company seeks to minimise the effects of these risks mainly through operational and finance activities.

**29.5 Market risk**

The Company's activities expose it primarily to the financial risks of changes in foreign currency exchange rates (see note 29.6 below) and interest rates (see note 29.7 below).

**29.6 Foreign currency risk management**

The Company undertakes certain transactions denominated in foreign currencies. Hence, exposures to exchange rate fluctuations arise. The currencies, in which these transactions primarily are denominated, are U.S. Dollar (USD), and Euro (EUR).

The Company's main foreign exchange risk arises from purchases of raw materials in foreign currency and the USD loans used to finance the construction of the production facility (the Cement Plant) of the Company.

The following table shows the carrying amounts of borrowings (EBRD loan), at the end of the reporting period, in the major currencies in which they are issued.

**Borrowings**

EGP	2019	2018
USD	332 293 478	447 000 000
<b>Total</b>	<b>332 293 478</b>	<b>447 000 000</b>

At the end of the reporting period, the carrying amounts of the Company's major foreign currency denominated monetary assets (mainly receivables and cash at banks) and monetary liabilities (mainly foreign suppliers and due to related parties), at which the entity is exposed to currency rate risk, are as follows:

EGP	Liabilities		Assets	
	2019	2018	2019	2018
Currency-USD	674 159 842	752 477 102	8 048 188	24 620 601
Currency-EUR	--	11 133 924	103 717	1 540 383

**29.6.1 Foreign currency sensitivity analysis**

As discussed above, the Company is mainly exposed to the U.S. Dollar (USD), and Euro (EUR) arising from purchases of raw materials in foreign currency and the USD loans used to finance the construction of the production facility (the Cement Plant) of the Company.

The following table details the entity's sensitivity to a 10% increase and decrease in EGP against the relevant foreign currencies. The (10%) is the sensitivity rate used when reporting foreign currency risk internally to key management and represents management's assessment of the reasonably possible change in foreign exchange rates. The sensitivity analysis includes only outstanding foreign currency denominated monetary items and adjusts their translation at the period end for a 10% change in foreign currency rates.

The sensitivity analysis includes outstanding borrowings, cash at bank, trade receivables, other debit balances, due to related parties and foreign suppliers within the entity.

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A positive number below indicates an increase in profit or equity where the EGP strengthens 10% against the relevant currency. For a 10% weakening of the EGP against the relevant currency, there would be a comparable impact on the profit or equity, and the balances below would be negative.

EGP	Currency USD Impact		Currency EUR Impact	
	2019	2018	2019	2018
Profit or loss	66 611 165	72 785 650	10 372	959 354

### 29.7 Interest rate risk management

The Company is exposed to interest rate risk because entities in the entity borrow funds at floating interest rates.

#### 29.7.1 Interest rate sensitivity analysis

The sensitivity analyses below have been determined based on the exposure to interest rates for non-derivative instruments at the end of the reporting period. For floating rate liabilities, the analysis is prepared assuming the amount of liability outstanding at the end of reporting period was outstanding for the whole year. A '100 basis point' (1%) increase or decrease is used when reporting interest rate risk internally to key management personnel and represents management's assessment of the reasonably possible change in interest rates.

If interest rates had been 100 basis points higher / lower and all other variables were held constant, the entity's profit for the year ended 31 December 2018 would decrease / increase by EGP 6 442 288 million (2018: decrease / increase by EGP 9 705 671 million). This is mainly attributable to the entity's exposure to interest rates on its variable rate borrowings.

### 29.8 Credit risk management

Credit risk refers to the risk that a counterparty will default on its contractual obligations resulting in financial loss to the Company. The Company credit risk arises from transactions with counterparties, mainly individual customers and corporations. The Company is dealing with creditworthy counterparties and obtaining sufficient collateral, where appropriate, as a means of mitigating the risk of financial loss from defaults.

The Company's exposure to credit risk is, to a great extent, influenced by the individual characteristics of each customer. Risk control assesses the credit quality of the customer, taking into account its financial position, past experience, other publicly available financial information, its own trading records and other factors, where appropriate, as a means of mitigating the risk of financial loss from defaults. The entity's exposure is continuously monitored and the aggregate value of transactions concluded is spread amongst approved counterparties.

Trade receivables do not consist of a large number of customers. The Company does not have any significant credit risk exposure to any single counterparty or any Company of counterparties having similar characteristics. The Company defines counterparties as having similar characteristics if they are related entities.

The carrying amount of financial assets recorded in the financial statements, which is net of impairment losses, represents the Company's maximum exposure to credit risk without taking account of the value of any collateral, if any.

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### 29.9 Liquidity risk management

Ultimate responsibility for liquidity risk management rests with the Board of Directors, which has established an appropriate liquidity risk management framework for the management of the entity's short, medium and long-term funding and liquidity management requirements. The entity manages liquidity risk by maintaining adequate reserves, banking facilities and reserve borrowing facilities, by continuously monitoring forecast and actual cash flows and matching the maturity profiles of financial assets and liabilities.

### 29.10 Fair value measurement

Management considers that the carrying amounts of financial assets and financial liabilities recognised in the separate financial statements approximate their fair values.

## 30. Related party transactions

A party (a company or individual) is related to an entity if:

- a) Directly, or indirectly through one or more intermediaries, the party:
  - i. controls, is controlled by, or is under common control with, the entity (this includes parents, subsidiaries and fellow subsidiaries);
  - ii. Has an interest in the entity that gives it significant influence over the entity; or
  - iii. Has joint control over the entity;
- b) The party is an associate of the entity or a joint venture in which the entity is a venture (both defined in EAS 43 Investments in Associates and Joint Ventures);
- c) The party is a member of the key management personnel of the entity or its parent;
- d) The party is a close member family of any individual referred to in (a) or (b);
- e) The party is an entity that is controlled, jointly controlled or significantly influenced by, or which significant voting power in such entity resides with, directly or indirectly, any individual referred to in (a) or (b); or
- f) The party is a post-employment benefit plan for the benefit of employees of the entity, or of any entity that is related party of the entity.

During the year, entity entities entered into the following transactions with related parties:

EGP	Relation type	Transaction nature	Volume of the transactions	
			2019	2018
Andalus Concrete Company	Subsidiary	Sales	20 807 536	21 934 650
ACC for Management and Trading Company	Subsidiary	Services	48 610 751	46 122 317
Evolve Investment & Projects Management Company	Subsidiary	Purchases	11 165 287	4 536 583
Cementos La Union-Spain company	Subsidiary of the parent	Services	--	104 486
Andalus Reliance for Mining Company	Joint Venture	Purchases	42 029 275	35 415 416

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The following balances were outstanding at the end of the reporting period:

EGP	Due from related parties		Due to related parties	
	2018	2017	2018	2017
Andalus Concrete Company	13 153 101	17 926 645	--	--
Evolve Investment & Projects Management Company	3 774 410	2 537 771	--	--
ACC for Management and Trading Company	--	--	378 020	865 546
Cementos La Union – Spain Company	--	--	24 550	2 175 023
Andalus Reliance for Mining Company	--	--	7 761 397	4 315 353
<b>Total</b>	<b>16 927 511</b>	<b>20 464 416</b>	<b>8 163 967</b>	<b>7 355 922</b>

- Andalus Concrete Company purchases cement materials and products from Arabian Cement Company, which are used for manufacturing and trading concrete and construction materials.
- ACC for Management and Trading Company renders managerial services for Arabian Cement Company.
- Cementos La Union – Spain renders technical support services for Arabian Cement Company.
- Andalus Reliance for Mining Company supplied the raw materials for Arabian Cement Company.
- Evolve Investment & Projects Management Company supplied the raw materials for Arabian Cement Company.

### 31. Non-cash transactions

During the current year, the Company entered into the following non-cash investing and financing activities, which are not, reflected in the separate statement of cash flows:

- The transfer between fixed assets and projects under construction of EGP 95 366 120 have been eliminated.
- The transfer between amounts paid under investment to investment in subsidiary by an amount of EGP 10 000 000 have been eliminated.

### 32. lease

#### 32.1 Right of Use

EGP	Vehicles	Machinery & Equipment	Total
<b>Cost</b>			
Cost as of January 1 , 2019	2 332 460	1 225 954	3 558 414
Additions during period	--	--	--
<b>Cost as of September 30, 2019</b>	<b>2 332 460</b>	<b>1 225 954</b>	<b>3 558 414</b>
<b>Less:- Accumulated amortization</b>			
Accumulated amortization as of January 1, 2019	1 869 298	985 594	2 854 892
Amortization for the period	449 841	240 360	690 201
<b>Total accumulated amortization as of September 30, 2019</b>	<b>2 319 139</b>	<b>1 225 954</b>	<b>3 545 039</b>
<b>Net book value December 31, 2019</b>	<b>13 321</b>	<b>--</b>	<b>13 321</b>



## Arabian Cement Company S.A.E.

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### 32.2 Financial lease liability.

Financial lease liability recognized in the statement of financial position

EGP	Current		Non-current	
	2019	2018	2019	2018
lease liability	8 540	--	--	--
<b>TOTAL</b>	<b>8 540</b>	<b>--</b>	<b>--</b>	<b>--</b>

\* The lease interest cost during period amounted to EGP 18 444 (refer to note 7)

Undiscounted contractual obligations of finance leases

EGP	2019	2018
No longer than 1 year	8 540	365 862
Longer than 1 year and not longer than 5 years	--	8 540
<b>TOTAL</b>	<b>8 540</b>	<b>374 402</b>

### 32.3 Impact of change in accounting policy

The effect of the change in accounting policy resulting from the application of EAS 49, "Leases" on the statement of financial position at 1 January 2019 is as follows:

EGP	January 1, 2019
Right-of-use assets – increase	703 522
Lease liabilities – increase	(342 444)
<b>Net impact on retained earnings</b>	<b>361 078</b>

### 33. Commitments for expenditure

The capital commitment as of December 31, 2019 amounted to EGP 1 082 000 related to fixed assets acquisitions.

### 34. Tax position

Below is a summary for the tax position of the company:

#### 34.1 Corporate income tax

The Company was enjoying a tax exemption for a period of 5 years starting from the fiscal year following the start-up of the production of the Company's operation. This period was determined by the General Authority for Free Zones and Investments to start from April 22, 2008, consequently, the Company was exempted from corporate tax for the period from January 1, 2009 till December 31, 2013.

The years for 2006 to 2008 was inspected. The tax differences have been transferred to the Committee of Dispute Resolution. The dispute was resolved in a compromise with the key tax payer center.

## **Arabian Cement Company S.A.E.**

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The year for 2009 not requested for inspection.

The year for 2010 was inspected. And the Authority amended the net tax base from the company's tax return from EGP 15.6 million to EGP LE 160 million. The dispute has been diverted to Dispute Settlement Committee.

The years from 2011 till 2014 the documents and analysis for examination are under processing

The years from 2015 till 2018, the Company submits its tax return and paid due taxes on due date and no tax inspection performed on those years.

### **34.2 Sales tax and VAT**

The sales tax was inspected and settled until December 2015.

The Company submits its sales tax / VAT returns for 2019 in their due dates.

### **34.3 Stamp tax**

The Company's books were inspected and taxes were assessed and settled until 2014.

The years for 2015/2019 have not been inspected yet.

### **34.4 Payroll tax**

Payroll tax was inspected and taxes were settled until 2014.

The years from 2015/2018 the documents and analysis for examination are under processing.

### **34.5 Real estate tax**

The value of real estate tax claims until 2019 under the decision of the appeal committee was EGP 9,058,632. The company paid EGP 5 million down payment, noting that a request for conciliation was submitted to the dispute settlement committees.

### **34.6 Development fee**

The Company pays the due development fee for the cement produced from local clinker only. The Company has received claims for the payment of development fee differences, represented as follows:

The development fee due and the delay penalties have been paid until 2014.

The Company was required to draw development fee for the years 2015/2016 for EGP 5,505,660 resulting from the use of an imported clinker in cement production. The claim was challenged and the work of an internal committee is being challenged. The decision of the appeal committee issued in the favour of the company and the claim reduced to EGP 287,000

The company was required to pay fines for the unpaid amounts for cement produced from the imported clinker for EGP 10,781,998. The claim was challenged and an internal committee is in progress.

- The Company paid all development fees on cement produced from local clinker till December 2019.

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Notes to the Separate Financial Statements

For the Year Ended December 31, 2019

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**34.7 Additional sales tax**

The Company did not pay the additional sales tax on fixed assets amounting to EGP 11 487 312, and currently there is a dispute with the Minister of Finance. The case was referred to the administrative court, and was booked and the Commissioners Report has been issued in the favour of the company, and no decision was issued yet. The Company submitted a complaint the Chairman of the Technical Secretariat of the Commission for Investment Dispute Resolution.

The Company's management did not form any provision with regard to this issue, according to its estimate of the court ruling results which is based on its advisors' opinion on this matter.

**34.8 Withholding Tax**

- The company was inspected for the years 2013/2016 and the tax has been paid.

**35. Approval of financial statements**

The separate financial statements were approved by the directors and authorized for issue on February 26, 2020.

**Sergio Alcantarilla Rodriguez**

Chief Executive Officer



**Salvador Lopez**

Chief Financial Officer

