Arabian Cement Company S.A.E.

Consolidated financial statements
Together with Auditor's Report
For the year ended 31 December 2018

Contents

Arabian Cement Company (consolidated financial statements)

Deloitte.

Saleh, Barsoum & Abdel Aziz
Nile City South Tower, 6th floor
2005A Cornish El Nil,
Ramlet Boulaq, Cairo, 11221
Egypt

Tel: +20 (0) 2 246 199 09
www.deloitte.com

Auditor's Report

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

Report on the Consolidated Financial Statements

We have audited the accompanying consolidated financial statements of Arabian Cement Company an Egyptian Joint Stock Company, which comprise consolidated statement of financial position as of December 31, 2018, and consolidated 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 Consolidated Financial Statements

The Consolidated financial statements are the responsibility of the company's management. Management is responsible for the preparation and fair presentation of these consolidated 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 consolidated financial statements that are free from material misstatement, whether due to fraud or error; management responsibility also includes selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances.

Auditor's Responsibility

Our responsibility is to express an opinion on these consolidated financial statements based on our audit. We conducted our audit in accordance with 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 consolidated financial statements are free from material misstatement.

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

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

Saleh, Barsoum & Abdel Aziz
Nile City South Tower, 6th floor
2005A Cornish El Nil,
Ramlet Boulaq, Cairo, 11221
Egypt

Tel : +20 (0) 2 246 199 09
www.deloitte.com

Opinion

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the consolidated financial position of Arabian Cement Company as of December 31, 2018, and the results of its consolidated operation and its consolidated 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 consolidated financial statements.

Cairo, February 26, 2019

K. Saleh

Kamel Magdy Saleh FCA
F.E.S.A.A. (R.A.A. 8510)
CMA Registration No. "69"

Saleh, Barsoum, Abdel Aziz & Co.
Accountants & Auditors

Arabian Cement Company S.A.E.

Consolidated statement of financial position

At 31 December 2018

EGP	Notes	31 December 2018	31 December 2017
Assets			
Non-current assets			
Property, plant and equipment	11	2 473 177 771	2 371 924 441
Assets under construction	12	106 904 072	249 232 824
Intangible assets	13	345 475 618	396 151 869
Other Assets	14	47 801	83 653
Investments in a joint venture	15	2 264 213	2 023 874
Total non-current assets		**2 927 869 475**	**3 019 416 661**
Current assets			
Inventories	16	287 985 828	257 544 521
Trade receivables	17	92 994 532	15 512 298
Debtors and other debit balances	18	107 874 288	85 007 648
Due from related parties	31	--	--
Cash and bank balances	19	184 590 855	133 557 621
Total current assets		**673 445 503**	**491 622 088**
Total assets		**3 601 314 978**	**3 511 038 749**

Arabian Cement Company S.A.E.

Consolidated statement of financial position

At 31 December 2018

EGP	Notes	31 December 2018	31 December 2017
Equity			
Capital and reserves			
Issued and paid-up capital	20	757 479 400	757 479 400
Legal reserve	21	231 456 593	209 713 200
Retained earnings	22	329 029 161	325 021 738
Equity attributable to owners of the Parent Company		**1 317 965 154**	**1 292 214 338**
Non-controlling interests	23	**2 149 810**	**22 017**
Total equity		**1 320 114 964**	**1 292 236 355**
Non-current liabilities			
Borrowings	24	619 160 870	601 101 209
Notes Payable	25	--	7 000 000
Deferred tax liabilities	9.3	344 798 687	337 657 419
Other liabilities	27	12 308 000	92 968 685
Total non-current liabilities		**976 267 557**	**1 038 727 313**
Current liabilities			
Trade payables	25	592 601 887	455 229 498
Credit facilities	24	273 674 586	300 419 651
Current income tax payable	9.2	293 208	110 901
Current portion of long-term borrowings	24	77 731 487	167 535 000
Current portion of long-term other liabilities	27	124 681 184	114 462 000
Creditors and other credit balances	29	216 867 519	119 240 630
Due to related parties	31	8 460 876	7 384 177
Provisions	26	10 621 710	15 693 224
Total current liabilities		**1 304 932 457**	**1 180 075 081**
Total liabilities		**2 281 200 014**	**2 218 802 394**
Total equity and liabilities		**3 601 314 978**	**3 511 038 749**

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

Sergio Alcantarilla Rodriguez	**Allan Hestbech**
Chief Executive Officer	Chief Financial Officer

Arabian Cement Company S.A.E.

Consolidated statement of profit or loss

For the year ended 31 December 2018

EGP	Notes	31 December 2018	31 December 2017
Sales revenue	4	3 274 705 803	2 647 337 474
Cost of sales	5	(2 826 502 704)	(2 268 506 723)
Gross profit		**448 203 099**	**378 830 751**
General and administration expenses	6	(108 388 819)	(106 722 754)
Provisions	26	(2 245 000)	(14 071 776)
Impairment in trade receivables	17	--	(1 452 480)
Impairment no longer required in trade receivables	17	75 000	689 181
provisions no longer required	26	2 201 219	--
Interest income		4 913 813	4 837 651
Other income		9 033 836	3 293 072
Finance costs	7	(111 059 969)	(104 201 990)
Gain on disposal of property, plant and equipment		--	32 115
Share of profit of a joint venture	15	240 339	578 092
Gain / (Losses) on net foreign exchange		(3 896 880)	30 780 197
Profit for the year before tax		**239 076 638**	**192 592 059**
Income tax expense	9.1	(7 434 476)	23 018 600
Profit for the year after tax		**231 642 162**	**215 610 659**
Profit attributable to:			
Owners of the Parent Company		232 910 621	215 607 756
Non-controlling interests	23	(1 268 459)	2 903
		231 642 162	**215 610 659**
Earnings per share			
Basic	10	0.60	0.55

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

Sergio Alcantarilla Rodriguez

Chief Executive Officer

Allan Hestbech

Chief Financial Officer

Arabian Cement Company S.A.E.

Consolidated statement of comprehensive income

For the year ended 31 December 2018

EGP	Notes	31 December 2018	31 December 2017
Profit for the year, net of income tax		**231 642 162**	**215 610 659**
Other comprehensive income, net of income tax			
Total other comprehensive income for the year, net of income tax		--	--
Total comprehensive income for the year		**231 642 162**	**215 610 659**
Total comprehensive income attributable to:			
Owners of the Parent Company		232 910 621	215 607 756
Non-controlling interests	23	(1 268 459)	2 903
		231 642 162	**215 610 659**
Earnings per share			
Basic	10	0.60	0.55

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

Sergio Alcantarilla Rodriguez

Chief Executive Officer

Allan Hestbech

Chief Financial Officer

Arabian Cement Company S.A.E.

Consolidated statement of changes in equity

For the year ended 31 December 2018

EGP	Issued Capital	Legal reserve	Retained earnings	Attributable to owners of the Mother Company	Non-controlling interests	Total
Balance at 1 January 2017	**757 479 400**	**185 127 989**	**339 205 125**	**1 281 812 514**	**19 114**	**1 281 831 628**
Profit for the year	--	--	215 607 756	**215 607 756**	2 903	**215 610 659**
Other comprehensive income for the year	--	--	--	--	--	--
Total comprehensive income for the year	--	--	**215 607 756**	**215 607 756**	**2 903**	**215 610 659**
Transfer to legal reserve	--	24 585 211	(24 585 211)	--	--	--
Dividends	--	--	(205 205 932)	**(205 205 932)**	--	**(205 205 932)**
Balance at 31 December 2017	**757 479 400**	**209 713 200**	**325 021 738**	**1 292 214 338**	**22 017**	**1 292 236 355**
Balance at 1 January 2018	**757 479 400**	**209 713 200**	**325 021 738**	**1 292 214 338**	**22 017**	**1 292 236 355**
Profit for the year	--	--	232 910 621	232 910 621	(1 268 459)	231 642 162
Other comprehensive income for the year	--	--	--	--	--	--
Total comprehensive income for the year	--	--	**232 910 621**	**232 910 621**	**(1 268 459)**	**231 642 162**
Non-controlling interest resulting from acquisition Egypt Green	--	--	--	--	3 396 252	3 396 252
Transfer to legal reserve	--	21 743 393	(21 743 393)	--	--	--
Dividends	--	--	(207 159 805)	(207 159 805)	--	(207 159 805)
Balance at 31 December, 2018	**757 479 400**	**231 456 593**	**329 029 161**	**1 317 965 154**	**2 149 810**	**1 320 114 964**

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

Sergio Alcantarilla Rodriguez
Chief Executive Officer

Allan Hestbech
Chief Financial Officer

Arabian Cement Company S.A.E.

Consolidated statement of cash flows

For the year ended 31 December 2018

EGP	Notes	31 December 2018	31 December 2017
Cash flows from operating activities			
Profit for the year before taxes		**239 076 638**	**192 592 059**
Adjustments for:			
Finance costs recognized in profit or loss	7	111 059 969	104 201 990
Interest income		(4 913 813)	(4 837 651)
Share of profit of a joint venture		(240 339)	(578 092)
Impairment loss recognized on the trade receivables		--	1 452 480
Impairment loss recognized on debtors		(4 982 129)	--
Reversal of impairment for trade receivables		(75 000)	(689 181)
Loss/(gain) on disposal of property, plant and equipment		--	(32 115)
Depreciation of property, plant and equipment	11	199 833 161	186 297 452
Amortization of intangible assets	13	50 676 251	50 676 249
Amortization of other assets		35 852	59 752
Net (Gain) / Loss from foreign exchange rate differences		--	(21 851 877)
Reversal of provisions	26	(2 201 219)	--
Provisions formed	26	2 245 000	14 071 776
Movements in working capital			
decrease / (Increase) in inventories		(53 864 310)	23 082 228
decrease / (Increase) in debtors and other debit balances		(20 772 011)	10 429 974
decrease / (Increase) in trade receivables		(77 203 196)	3 889 746
decrease / (Increase) in due from related parties		--	1 910 247
(Decrease)in creditors and other credit balances		94 814 548	(50 762 945)
Increase in trade payables		130 372 389	108 591 597
(Decrease) in due to related parties		1 076 699	(1 029 449)
Provisions used in cash	26	(5 115 295)	(7 561 692)
Cash generated by operations		**659 823 195**	**609 912 548**
Interest paid		(108 723 494)	(113 383 172)
Income taxes paid		(110 901)	(93 867 279)
Net cash generated by operating activities		**550 988 800**	**402 662 127**

Arabian Cement Company S.A.E.

Consolidated cash flow statement

For the year ended 31 December 2018

EGP	Notes	31 December 2018	31 December 2017
Cash flows from investing activities			
Payments for property, plant and equipment	11	(27 405 852)	(17 594 103)
Net cash flow from acquisition of subsidies	33	(4 703 423)	--
Proceeds from sale of property, plant and equipment		--	320 000
Payments for assets under construction	12	(96 669 881)	(242 103 780)
Payments for purchasing other assets		--	(143 404)
Interest income		4 913 813	4 741 818
Net cash (used in) investing activities		**(123 865 343)**	**(254 779 469)**
Cash flows from financing activities			
Repayment of borrowings		(71 743 852)	(45 060 884)
Proceeds from credit facilities	24	(26 745 065)	234 302 902
Payment of dividends		(207 159 805)	(205 205 932)
Repayment of other liabilities		(70 441 501)	(135 181 234)
Net cash (used in) financing activities		**(376 090 223)**	**(151 145 148)**
Net increase / (decrease) in cash and cash equivalents		51 033 234	(3 262 490)
Cash and cash equivalents at the beginning of the year		133 557 621	136 820 111
Cash and cash equivalents at the end of the year	19	**184 590 855**	**133 557 621**

- The accompanying notes form an integral part of the consolidated financial statements and to be-read therewith.
- Non cash transactions Refer to note (32)

Sergio Alcantarilla Rodriguez

Chief Executive Officer

Allan Hestbech

Chief Financial Officer

1. General information

Arabian Cement Company S.A.E. (The Company or the Parent 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 to be Villa 56 El Gihaz Street, Fifth Settlement, New Cairo, Egypt.

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 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.

The principal activities of the Company and its subsidiaries (the Group) are as follows:

- Arabian Cement Company: a cement producer with a clinker capacity of 4.2 million tons per annum that can produce 5 million tons per annum of cement.
- Andalus Concrete Company: a producer of concrete products and other constructions materials. The company owns 99.99% of the issued and paid up capital of Andalus Concrete Company.
- ACC Management and Trading Company: providing managerial restructuring services for companies, transportation of goods, projects management, general trading and preparation of feasibility studies. The Company owns 99% of the issued and paid up capital of ACC Management and Trading Company.
- Evolve for Investment and Project Management Principal Activities is Alternative Fuel - Construct and operate factories for recycling. The Company owns 99.99% of the issued and paid up capital of Evolve for Investment and Project Management.
- Egypt Green for environmental services, clean energy production and development: establishment and operate factory for recycle for the wastes of production and services activity. The Company owns 70% of the issued and paid up capital of Egypt Green.

2. Significant accounting policies

2.1 Statement of compliance

The consolidated financial statements have been prepared in accordance with Egyptian Accounting Standards (EASs) issued by the Minister of Investment No. 110 of 2015

2.2 Basis of preparation

The consolidated 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 Basis of consolidation

The consolidated financial statements of the Group incorporate the financial statements of the Parent Company and entities controlled by the Parent Company (its subsidiaries). Control is achieved when the Company:

- has power over the investee;
- is exposed, or has rights, to variable returns from its involvement with the investee; and
- has the ability to use its power to affect its returns.

The Company reassesses whether or not it controls an investee if facts and circumstances indicate that there are changes to one or more of the three elements of control listed above.

When the Company has less than a majority of the voting rights of an investee, it has power over the investee when the voting rights are sufficient to give it the practical ability to direct the relevant activities of the investee unilaterally. The Company considers all relevant facts and circumstances in assessing whether or not the Company's voting rights in an investee are sufficient to give it power, including:

- The size of the Company's holding of voting rights relative to the size and dispersion of holdings of the other vote holders;
- Potential voting rights held by the Company, other vote holders or other parties;
- Rights arising from other contractual arrangements; and
- Any additional facts and circumstances that indicate that the Company has, or does not have, the current ability to direct the relevant activities at the time that decisions need to be made, including voting patterns at previous shareholders' meetings.

Consolidation of a subsidiary begins when the Company obtains control over the subsidiary and ceases when the Company loses control of the subsidiary. Specifically, income and expenses of a subsidiary acquired or disposed of during the year are included in the consolidated statement of profit or loss and other comprehensive income from the date the Company gains control until the date when the Company ceases to control the subsidiary.

Profit or loss and each component of other comprehensive income are attributed to the owners of the Company and to the non-controlling interests. Total comprehensive income of subsidiaries is attributed to the owners of the Company and to the non-controlling interests even if this results in the non-controlling interests having a deficit balance.

When necessary, adjustments are made to the financial statements of a group entity to bring its accounting policies into line with the Group's accounting policies.

All intra-group assets and liabilities, equity, income, expenses and cash flows relating to transactions between members of the Group are eliminated in full on consolidation.

Changes in the Group's ownership interests in existing subsidiaries

Changes in the Group's ownership interests in subsidiaries that do not result in the Group losing control over the subsidiaries are accounted for as equity transactions. The carrying amounts of the Group's interests and the non-controlling interests are adjusted to reflect the changes in their relative interests in the subsidiaries. Any difference between the amount by which the non-controlling interests are adjusted and the fair value of the consideration paid or received is recognised directly in equity and attributed to owners of the Parent Company.

When the Group loses control of a subsidiary, the profit or loss on disposal is calculated as the difference between (i) the aggregate of the fair value of the consideration received or receivable and the fair value of any retained interest and (ii) the previous carrying amount of the assets (including goodwill), and liabilities of the subsidiary and any non-controlling interests. When assets of the subsidiary are carried at re-valued amounts or fair values and the related cumulative gain or loss has been recognised in other comprehensive income and accumulated in equity, the amounts previously recognised in other comprehensive income and accumulated in equity are accounted for as if the Parent Company had directly disposed of the relevant assets (i.e. reclassified to profit or loss or transferred directly to retained earnings as specified by applicable EASs). The fair value of any investment retained in the former subsidiary at the date when control is lost is regarded as the fair value on initial recognition for subsequent accounting under EAS 9 Financial Instruments or, when applicable, the cost on initial recognition of an investment in an associate or a jointly controlled entity.

2.4 Business combinations

Acquisitions of businesses are accounted for using the acquisition method. The consideration transferred in a business combination is measured at fair value, which is calculated as the sum of the acquisition-date fair values of the assets transferred by the Group, liabilities incurred by the Group to the former owners of the acquiree and the equity interests issued by the Group in exchange for control of the acquiree. Acquisition-related costs are generally recognised in profit or loss as incurred.

At the acquisition date, the identifiable assets acquired and the liabilities assumed are recognised at their fair value at the acquisition date, except that:

- deferred tax assets or liabilities and liabilities or assets related to employee benefit arrangements are recognised and measured in accordance with EAS 24 Income Taxes and EAS 38 Employee Benefits respectively;
- liabilities or equity instruments related to share-based payment arrangements of the acquiree or share-based payment arrangements of the Group entered into to replace share-based payment arrangements of the acquiree are measured in accordance with EAS 39 Share-based Payment at the acquisition date; and
- assets (or disposal groups) that are classified as held for sale in accordance with EAS 32 Non-current Assets Held for Sale and Discontinued Operations are measured in accordance with that Standard.

Goodwill is measured as the excess of the sum of the consideration transferred, the amount of any non-controlling interests in the acquiree, and the fair value of the acquirer's previously held equity interest in the acquiree (if any) over the net of the acquisition-date amounts of the identifiable assets acquired and the liabilities assumed. If, after reassessment, the net of the acquisition-date amounts of the identifiable assets acquired and liabilities assumed exceeds the sum of the consideration transferred, the amount of any non-controlling interests in the acquiree and the fair value of the acquirer's previously held interest in the acquiree (if any), the excess is recognised immediately in profit or loss as a bargain purchase gain.

Non-controlling interests that are present ownership interests and entitle their holders to a proportionate share of the entity's net assets in the event of liquidation may be initially measured either at fair value or at the non-controlling interests' proportionate share of the recognised amounts of the acquiree's identifiable net assets. The choice of measurement basis is made on a transaction-by-transaction basis. Other types of non-controlling interests are measured at fair value or, when applicable, on the basis specified in another EAS.

When the consideration transferred by the Group in a business combination includes assets or liabilities resulting from a contingent consideration arrangement, the contingent consideration is measured at its acquisition-date fair value and included as part of the consideration transferred in a business combination. Changes in the fair value of the contingent consideration that qualify as measurement period adjustments are adjusted retrospectively, with corresponding adjustments against goodwill. Measurement period adjustments are adjustments that arise from additional information obtained during the 'measurement period' (which cannot exceed one year from the acquisition date) about facts and circumstances that existed at the acquisition date.

The subsequent accounting for changes in the fair value of the contingent consideration that do not qualify as measurement period adjustments depends on how the contingent consideration is classified. Contingent consideration that is classified as equity is not re-measured at subsequent reporting dates and its subsequent settlement is accounted for within equity. Contingent consideration that is classified as an asset or a liability is re-measured at subsequent reporting dates in accordance with, where applicable, EAS 26 or EAS 28 Provisions, Contingent Liabilities and Contingent Assets, as appropriate, with the corresponding gain or loss being recognised in profit or loss.

When a business combination is achieved in stages, the Group's previously held equity interest in the acquiree is re-measured to fair value at the acquisition date (i.e. the date when the Group obtains control) and the resulting gain or loss, if any, is recognised in profit or loss. Amounts arising from interests in the acquiree prior to the acquisition date that have previously been recognised in other comprehensive income are reclassified to profit or loss where such treatment would be appropriate if that interest were disposed of.

If the initial accounting for a business combination is incomplete by the end of the reporting period in which the combination occurs, the Group reports provisional amounts for the items for which the accounting is incomplete. Those provisional amounts are adjusted during the measurement period (see above), or additional assets or liabilities are recognised, to reflect new information obtained about facts and circumstances that existed at the acquisition date that, if known, would have affected the amounts recognised at that date.

2.5 Investments in a joint venture

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 arraignment, 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.

2.6 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.

2.6.1 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 met:

- the Group has transferred to the buyer the significant risks and rewards of ownership of the goods;
- the Group retains neither continuing managerial involvement to the degree usually associated with ownership not 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 Group; and
- the costs incurred or to be incurred in respect of the transaction can be measured reliably.

2.6.2 Rendering of services

Revenue from rendering of service is recognized when the following condition are met

- 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 balance sheet date can be measured reliably
- The costs incurred for the transaction and the costs to complete the transaction can be measured reliably

2.6.3 Dividend and interest income

Dividend income from investments 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 Group 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 Group 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.

2.6.4 Cost of sales

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

2.7 Leasing

Leases are classified as operating leases.

2.7.1 The Group as lessee

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.

2.8 Foreign currencies

The individual financial statements of each subsidiary are presented in the currency of the primary economic environment in which the entity operates (its functional currency).

In preparing the financial statements of each individual group entity, transactions in currencies other than the entity's functional currency (foreign currencies) are recognised at the rates of exchange prevailing 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 except for:

- The requirements of Annex (a) to the Egyptian Accounting Standard (13), applied only for 2016 (see note 2.9);

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

Currency table	2018		2017	
	Average	Year end	Average	Year end
1 USD US Dollar	17.81	17.88	17.83	17.77
1 EUR Euro	20.95	20.33	20.13	21.36

2.9 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).

2.10 Employee benefits

2.10.1 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.

2.10.2 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.

2.11 Taxation

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

2.11.1 Current tax

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

2.11.2 Deferred tax

Deferred tax is recognised on temporary differences between the carrying amounts of assets and liabilities in the consolidated 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.

Such deferred tax liabilities are not recognised if the temporary difference arises from goodwill and no deferred tax assets or liabilities are recognised for temporary differences resulting from the initial recognition (other than in a business combination) of other assets and liabilities in a transaction that affects neither the taxable profit nor the accounting profit.

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 Group expects, at the end of the reporting period, to recover or settle the carrying amount of its assets and liabilities.

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

2.11.3 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.

2.12 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 consolidated 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 Group's accounting policy as described in note 2.9. 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:

Assets	Useful life
Buildings	10 – 20 years
Machinery and equipment	20 years
Furniture, fixtures and office equipment	16 years
Vehicles	5-7 years
Other installations	20 years
Computer and software	3-5 years

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

Andalus Ready-Mix Concrete

Assets	Useful life
Buildings	50 years
Machinery and equipment	20 years
Furniture, fixtures and office equipment	16 years
Other installations	10 years
Vehicles	5 years
Computer and software	3 years

Evolve for Investment

Assets	Useful life
Furniture, fixtures and office equipment	3 years
Vehicles	5 years
Computer and software	3 years

2.13 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.

2.14 Impairment of tangible and intangible assets

At the end of each reporting period, the Group 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 Group 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.

2.15 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 weighted 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.

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.

2.16 Provisions

Provisions are recognised when the Group has a present obligation (legal or constructive) as a result of a past event, it is probable that the Group 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.

2.17 Financial instruments

Financial assets and financial liabilities are recognised when a Group 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.

2.18 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.

2.18.1 Classification of financial assets

Debt instruments that meet the following conditions are subsequently measured at amortised cost less impairment loss:

- 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.

2.18.2 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.

2.18.3 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.

2.18.4 De-recognition of financial assets

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

2.19 Financial liabilities and equity instruments

2.19.1 Classification as debt or equity

Debt and equity instruments issued by a Group 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.

2.19.2 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:

1) 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.
2) 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.

Equity instruments issued by the Group 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.

2.19.3 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
- 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.

2.19.4 De-recognition of financial liabilities

The Group derecognises financial liabilities when, and only when, the Group'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.

2.20 <u>Grants</u>

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 Group'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 (3.2) 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.

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 Group's property, plant and equipment at the end of the current reporting period is 2 473 177 771 EGP (31 December 2017: EGP 2 371 924 441). 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 Group's intangible assets at the end of the current reporting period is 345 475 618 EGP (31 December 2017: EGP 396 151 869), (Note 13) Management's assessment of the useful life of intangible assets 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 10 621 710 (31 December 2017: EGP 15 693 224). This amount is based on estimates of future costs for legal cases and other claims in connection with the Group's operations (note 26). 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

EGP	2018	2017
Local sales	2 838 120 489	2 303 579 124
Export sales	317 378 870	236 642 584
Services	119 206 444	107 115 766
Total	**3 274 705 803**	**2 647 337 474**

5. Cost of sales

EGP	2018	2017
Raw materials	2 320 100 398	1 813 669 965
Manufacturing deprecation	199 737 195	186 156 378
Amortization of intangible assets	50 676 251	50 676 249
Transportation cost	83 978 028	71 660 891
Overhead cost	172 010 832	146 343 240
Total	**2 826 502 704**	**2 268 506 723**

6. General and administration expenses

EGP	2018	2017
Professional fees	8 929 549	6 944 041
Salaries and wages – including key management personnel	60 532 548	64 853 600
Security and cleaning services	1 975 065	946 302
Rentals	10 716 625	10 623 574
Transportation	2 760 426	2 503 669
Advertising	1 035 217	3 215 389
Other expenses	22 439 389	17 636 179
Total	**108 388 819**	**106 722 754**

7. Finance costs

EGP	2018	2017
Loan interest expense	74 061 563	47 435 225
Operation licence interest expense (note 27.1)	212 398	6 760 128
Electricity agreement interest expense	12 282 000	12 282 000
Bank overdraft interest expense	24 504 008	37 724 637
Total	**111 059 969**	**104 201 990**

8. Compensation of key management personnel

EGP	2018	2017
Board of directors allowance	30 325 722	31 339 001
Board of directors salaries	17 947 440	17 554 320
Total	**48 273 162**	**48 893 321**

9. Income taxes

9.1 Income tax expense recognised in profit or loss

EGP	2018	2017
Current tax		
Current tax expense for the current year	293 208	110 901
Current income tax	--	(20 501 796)
Deferred tax		
Net deferred tax recognized in the current year	7 141 268	(2 627 705)
Total income tax expense recognized in the current year	**7 434 476**	**(23 018 600)**

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	2018	2017
Profit before tax from continuing operations	239 076 638	192 592 059
Tax using applicable tax rate 22.5%	53 792 244	43 333 213
Add		
Effect of reversal of accounting depreciation and amortization	250 166 071	53 332 527
Effect of expenses that are not deductible in determining taxable profit	13 845 589	1 582 351
Effect of provisions formed that are not deductible in determining taxable profit	2 245 000	3 166 150
Effect of unrealized net foreign exchange losses that are not deductible in determining taxable profit	90 822 470	236 931
Less		
Effect of tax depreciation and amortization that are deductible in determining taxable profit	(254 595 047)	(45 952 547)
Effect of unrealized net foreign exchange gain that are not deductible in determining taxable profit	(4 841 641)	(19 675 161)
Effect of realized net foreign exchange losses that are deductible in determining taxable profit	(336 714 996)	(39 934 255)
Effect of provisions used that are deductible in determining taxable profit	(9 211 137)	(659 739)
Others	(120 223)	(7 226)
Income tax expense recognized in profit or loss	--	--

The average effective tax rate of 0% is the effective tax rate. The average effective tax rate mainly changed due to following:

On 3 November 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. And the most of this losses have been realized during year and deducted as a taxable expense during the year.

9.2 Current tax liabilities

EGP	2018	2017
Current tax expense(note 9.1)	293 208	110 901
Current tax liabilities	**293 208**	**110 901**

9.3 Deferred tax balances

Deferred tax liabilities arise from the following:

2018 EGP	Opening balance	Recognized in profit or loss	Closing balance
(Liabilities)			
Temporary differences			
Property, plant & equipment	337 657 419	7 141 268	344 798 687
Net deferred tax liability	**337 657 419**	**7 141 268**	**344 798 687**
2017 EGP	**Opening balance**	**Recognized in profit or loss**	**Closing balance**
(Liabilities)			
Temporary differences			
Property, plant & equipment	340 285 124	(2 627 705)	337 657 419
Net deferred tax liability	**340 285 124**	**(2 627 705)**	**337 657 419**

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:

	2018	2017
Earnings (for basic and diluted earnings per share)		
Profit for the year attributable to owners of the parent (EGP)	232 910 621	215 607 756
Employees share in dividends(note 18) (EGP)	(7 245 080)	(6 427 766)
Distributable net profit for the year (EGP)	**225 665 541**	**209 179 990**
Number of shares (for basic and diluted earnings per share)		
Weighted average number of ordinary shares for the purposes of EPS	378 739 700	378 739 700
Earnings per share from continuing operations (EGP)	**0.60**	**0.55**

11. Property, plant and equipment

EGP	Freehold land	Buildings	Machinery and equipment	Vehicles	Furniture, fixtures and office equipment	Other installations	Computer and software	Total
COST								
Balance at 1 January 2017	**50 243 436**	**559 840 220**	**2 532 216 785**	**25 603 262**	**9 933 512**	**278 033 895**	**14 266 035**	**3 470 137 145**
Additions	--	5 497 686	2 737 651	2 000 070	2 375 267	2 082 538	2 900 892	17 594 103
Transfer from assets under construction	--	--	3 942 477	--	327 844	3 869 912	2 400 960	10 541 194
Disposals	--	--	--	(343 363)	--	--	--	(343 363)
Balance at 31 December, 2017	**50 243 436**	**565 337 906**	**2 538 896 913**	**27 259 969**	**12 636 623**	**283 986 345**	**19 567 887**	**3 497 929 079**
Balance at 1 January 2018	**50 243 436**	**565 337 906**	**2 538 896 913**	**27 259 969**	**12 636 623**	**283 986 345**	**19 567 887**	**3 497 929 079**
Additions	--	2 277 799	10 143 827	8 285 137	525 413	5 019 460	1 154 216	27 405 852
Assets generated from the acquisition of Egypt Green	--	--	980 700	824 500	--	--	--	1 805 200
Transfer 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
Disposals	--	--	--	(420 000)	--	--	--	(420 000)
Balance at 31 December 2018	**50 243 436**	**571 875 868**	**2 817 338 880**	**35 949 606**	**13 162 036**	**290 440 472**	**20 722 103**	**3 799 732 401**

EGP	Freehold land	Buildings	Machinery and equipment	Vehicles	Furniture, fixtures and office equipment	Other installations	Computer and software	Total
Accumulated depreciation and impairment								
Balance at 1 January 2017	--	**147 868 331**	**693 953 300**	**10 818 723**	**2 785 408**	**73 290 467**	**11 046 435**	**939 762 664**
Eliminated on disposals of assets	--	--	--	(55 478)	--	--	--	(55 478)
Depreciation expense	--	29 019 046	135 441 223	3 428 720	1 122 280	14 939 758	2 346 425	186 297 452
Balance at 1 January 2018	--	**176 887 377**	**829 394 523**	**14 191 965**	**3 907 688**	**88 230 225**	**13 392 860**	**1 126 004 638**
Depreciation expense	--	29 158 863	146 506 387	3 856 214	1 449 421	15 758 626	3 103 650	199 833 161
Assets generated from the acquisition of Egypt Green	--	--	466 425	460 406	--	--	--	926 831
Eliminated on disposals of assets	--	--	--	(210 000)	--	--	--	(210 000)
Balance at 31 December 2018	--	206 046 240	976 367 335	18 298 585	5 357 109	103 988 851	16 496 510	1 326 554 630
Carrying amount								
At 31 December 2017	**50 243 436**	**388 450 529**	**1 709 502 390**	**13 068 004**	**8 728 935**	**195 756 120**	**6 175 027**	**2 371 924 441**
At 31 December 2018	**50 243 436**	**365 829 628**	**1 840 971 545**	**17 651 021**	**7 804 927**	**186 451 621**	**4 225 593**	**2 473 177 771**

There is a first-degree commercial and real estate mortgage for the benefit of the National Bank of Egypt as a guarantee for loans granted by the bank to the company's land, all current and future buildings and constructions, and the tangible and intangible elements of the Company's factory , 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 24)

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 coal mill with total amount of EGP 250 million

12. Assets under construction

EGP	2018	2017
Balance as of January 1	249 232 824	17 670 237
Additions	96 635 316	239 326 574
Project under construction resulted from acquisition of Egypt Green (33.3)	10 294 439	--
Transfer to fixed assets	(249 293 072)	(10 541 194)
Transfer to advance to supplier	34 565	2 777 207
Total	**106 904 072**	**249 232 824**
Projects under construction are represented in the following categories:		
Buildings	55 693 555	45 531 948
Machinery and equipment	16 237 235	200 923 669
Other installations	34 938 717	--
Advance to suppliers	34 565	2 777 207
Total	**106 904 072**	**249 232 824**

13. Intangible assets (net)

EGP	Operating license	Electricity contract	Total
Cost			
Cost as of January 1, 2017	563 204 713	225 200 000	788 404 713
Additions	--	--	--
Cost as of December 31, 2017	**563 204 713**	**225 200 000**	**788 404 713**
Accumulated amortization			
Accumulated amortization as of beginning of the year	(202 998 854)	(138 577 741)	(341 576 595)
Amortization for the year	(28 156 249)	(22 520 000)	(50 676 249)
Total accumulated amortization as of December 31, 2017	**(231 155 103)**	**(161 097 741)**	**(392 252 844)**
Cost			
Cost as of January 1, 2018	563 204 713	225 200 000	788 404 713
Additions	--	--	--
Cost as of December 31, 2018	**563 204 713**	**225 200 000**	**788 404 713**
Accumulated amortization			
Accumulated amortization as of beginning of the year	(231 155 103)	(161 097 741)	(392 252 844)
Amortization for the year	(28 156 251)	(22 520 000)	(50 676 251)
Total accumulated amortization as of December 31, 2018	**(259 311 354)**	**(183 617 741)**	**(442 929 095)**
Net book value December 31,2018	**303 893 359**	**41 582 259**	**345 475 618**
Net book value December 31,2017	**332 049 610**	**64 102 259**	**396 151 869**

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. Other Assets

EGP	2018	2017
Cost	143 404	143 404
Accumulated amortization		--
Balance at the beginning of the year	(59 751)	--
Amortization for the year	(35 852)	(59 751)
Accumulated amortization At year end	**(95 603)**	**(59 751)**
Net	**47 801**	**83 653**

* The value of other assets is representing at the cost of software programs licence

15. Investments in a joint venture

Name of associate	Place of incorporation	Proportion of ownership interest and voting power held by the Group		
EGP		2018	2018	2017
Andalus Reliance for mining Company	Egypt	50%	2 264 213	2 023 874
Total			**2 264 213**	**2 023 874**

Summarised financial information in respect of Andalus Reliance Mining is set out below:

	2018	2017
Current assets	9 533 068	9 780 375
Non-current assets	10 342	5 679
Current liabilities	4 858 350	5 737 028
Non-current liabilities	2 327	1 278
Net assets	4 528 426	4 047 748
Revenue for the year	41 271 956	64 323 453
Profit for the year	480 678	1 156 183
Other comprehensive income for the year	--	--
Total comprehensive income for the year	480 678	1 156 183
Group's share of comprehensive income for the period	240 339	578 092

Reconciliation of the above summarised financial information to the carrying amount of the interest in ASA recognised in the consolidated financial statements:

	2018	2017
Net assets of the joint venture over Group level	4 528 426	4 047 748
Proportion of the Group's ownership interest in joint venture	٪50	50%
Carrying amount of the Group's interest in joint venture	**2 264 213**	**2 023 874**

16. Inventories

EGP	2018	2017
Raw materials	101 592 095	158 985 239
Packing materials	32 340 022	25 541 593
Spare parts	10 561 524	30 049 477
Work in progress	2 767 805	2 413 295
Finished goods	140 724 382	40 554 917
Total	**287 985 828**	**257 544 521**

17. Trade receivables

EGP	2018	2017
Trade receivables	94 372 012	16 964 778
Less: Impairment in trade receivables	(1 377 480)	(1 452 480)
Total	**92 994 532**	**15 512 298**

Movement in the allowance for doubtful debt:

EGP	2018	2017
Balance at beginning of year	1 452 480	689 181
Impairment losses recognised on receivables	--	1 452 480
Impairment losses reversed (allowance no longer required)	(75 000)	(689 181)
Balance at end of year	**1 377 480**	**1 452 480**

Aging of receivables that are past due but not impaired:

EGP	2018	2017
Less than 30 days	85 059 923	9 912 906
Between 30 to 60 days	4 719 205	2 943 189
Between 60 to 90 days	1 536 200	1 137 559
Between 90 to 120 days	3 056 684	2 971 124
Total	**94 372 012**	**16 964 778**

18. Debtors and other debit balances

EGP	2018	2017
Advance to suppliers	38 980 230	32 098 048
Withholding tax	10 387 525	6 318 727
Deposit with others	41 266 256	26 831 204
Employees dividends in advance	7 245 080	6 427 766
Letter of credit	6 877 000	6 877 000
Letters of guarantee – cash margin	34 049	34 049
Cash imprest	3 295 166	2 624 055
Other debit balances	377 264	6 479 710
Down payments to purchase investments	--	2 887 500
Less: Impairment in other debit balance	(588 282)	(5 570 411)
Total	**107 874 288**	**85 007 648**

19. Cash and bank balances

For the purposes of the consolidated cash flow statement, cash and cash equivalents include cash on hand, demand deposits and balances at banks. Cash equivalents are short-term, highly liquid investments of maturities of three months or less from the acquisition date, that are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value.

Cash and cash equivalents at year end as shown in the consolidated statement of cash flows can be reconciled to the related items in the consolidated statement of financial position as follows:

EGP	2018	2017
Cash on hand	1 434 147	1 890 126
Current account – local currency	62 159 310	35 218 554
Current account – foreign currency	25 266 756	56 072 862
Bank deposits	95 730 642	40 376 079
Total	**184 590 855**	**133 557 621**
Cash and cash equivalents include restricted cash as follows :		
Restricted cash at banks	--	47 370 988
Total	**--**	**47 370 988**

20. Capital

20.1 Authorized and Issued capital

	2018	2017
Par value per share (EGP)	2	2
Number of ordinary shares authorized, issued and fully paid	378 739 700	378 739 700
Issued capital (EGP)	**757 479 400**	**757 479 400**

20.2 Fully paid ordinary shares

On January 23, 2014, the company's management held an Extraordinary General Assembly Meeting in which a decision was approved for the stock split through modifying the par value of the company's share as a prelude for the listing of the company in the Egyptian Stock Exchange Market.

The Extraordinary General Assembly approved the modification of the par value of the share to be 2 EGP instead of EGP 100.

In addition to the mentioned above, the Extraordinary General Assembly Meeting approved updating Article No. (6) of the Articles of Association which states that the capital of the company amounted to EGP 757 479 400 distributed among 7 574 794 shares with a par value amounting to EGP 100 each, to be distributed among 378 739 700 shares with a par value amounting to EGP 2 each.

On first of September 2016, the Ordinary General Assembly agreed on selling all or part of the shares owned by shareholders whose shares are pledged according to the listing rules, provided that the sale is realized according to the seventh item of Article (7) of the rules of entry and the write-off of securities in the Egyptian Stock Exchange issued by the Decree of the Board of Directors of the Egyptian Financial Supervisory Authority No. 170 of 2014 dated December 21, 2014, to amend the Authority's Board of Directors Decree No. (11) of 2014, after the approval of the Egyptian Financial Supervisory Authority and provided that the buyer is a bank, or an insurance company or a direct investment fund or one of the specialized entities in investment or a juridical person who has previous experience in the field of the company's activity, and provided that the buyer undertakes to abide by the condition of retaining the pledged shares until the end of the prescribed period. The Ordinary General Assembly was approved by General Authority for Investment and Free Zones (GAFI) on September 10, 2016.

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. The applied percentage of legal reserve is as follow:

Description	%
Arabian Cement Company	10%
Andalus Concrete Company	10%
ACC for Management and Trading Company	5%

22. Retained earnings

EGP	2018	2017
Balance at beginning of year	325 021 738	339 205 125
Profit attributable to owners of the Parent Company	232 910 621	215 607 756
Transfer to legal reserve	(21 743 393)	(24 585 211)
Payments of dividends	(207 159 805)	(205 205 932)
Balance at end of year	**329 029 161**	**325 021 738**

23. Non-controlling interests

EGP	2018	2017
Balance at beginning of year	22 017	19 114
Non-controlling interest acquired because of acquisition of Egypt Green.	3 396 252	--
Share of (loss) / profit for the year	(1 268 459)	2 903
Balance at end of year	**2 149 810**	**22 017**

24. Borrowings

EGP	Current 2018	Current 2017	Non-current 2018	Non-current 2017
Credit facilities - CIB	273 674 586	--	--	--
Credit facilities - NBE	--	300 419 651	--	--
Total Facilities	**273 674 586**	**300 419 651**	**--**	**--**
Bank loans - CIB	5 100 000	--	249 900 000	--
Less: Loan finance cost	(637 500)	--	--	--
Net Loans - CIB	**4 462 500**	**--**	**249 900 000**	**--**
Bank loans - EBRD	77 739 130	--	369 260 870	--
Less: Loan finance cost	(4 470 143)	--	--	--
Net Loans - EBRD	**73 268 987**	**--**	**369 260 870**	**--**
Bank loans - NBE	--	167 535 000	--	601 101 209
Total Loans	**77 731 487**	**167 535 000**	**619 160 870**	**601 101 209**

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.

- 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.
  - 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 and then to be amortized later 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.

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-filament 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 recoded 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 2018 is EGP 718 742 recorded as other income and the remaining amount of EGP 12 937 358 recorded in other credit balance refer to note (29)

Until the date of issuing the financial statements, the previous mortgage in favour of the National Bank of Egypt (NBE) has not been cancelled on company commercial register.

25. Trade payables

	Current		Non-Current	
EGP	2018	2017	2018	2017
Local trade payables	271 233 921	172 735 757	--	--
Foreign trade payables	314 467 966	275 493 741	--	--
Notes payable	6 900 000	7 000 000	--	7 000 000
Total	**592 601 887**	**455 229 498**	--	**7 000 000**

26. Provisions

EGP	Provision for claims
Balance at 1 January 2018	**15 693 224**
Additional provisions recognized	2 245 000
Used during the year	(5 115 295)
Reversal of provisions	(2 201 219)
Balance at 31 December 2018	**10 621 710**

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

27. Other liabilities

	Current		Non-current	
EGP	2018	2017	2018	2017
Operating license	106 219 184	96 000 000	--	62 198 685
Electricity contract	18 462 000	18 462 000	12 308 000	30 770 000
Total	**124 681 184**	**114 462 000**	**12 308 000**	**92 968 685**

27.1 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

27.2 Electricity contract

Arabian Cement Company operating license stipulates that the company should provide its own power generation facility. The Ministry of Electricity suggested that instead of building a separate plant, a fee of EGP 217.2 million should be paid to the Ministry to allow new cement plant to be connected to the national station.

15% down payment amounting to EGP 32.580 million was paid by the company and the remaining 85% will be paid as follows:

120 monthly instalments amounting to EGP 1.220 million per instalment including interest and the first instalment started in April 2010.

120 monthly instalments amounting to EGP 1.342 million per instalment including interest and the first instalment started in February 2011.

In addition to EGP 8 million, representing the amount of two ordinary cells, which will be paid over four quarterly, and the last instalment was due on 1 February 2011.

28. Dividends payable

On December 1, 2018, 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, 2017. The Ordinary General Assembly was approved by General Authority for Investment and Free Zones (GAFI) on December 2, 2018. The dividends were fully paid.

29. Creditors and other credit balances

EGP	2018	2017
Advances from customers	52 855 704	36 704 819
Accrued development fees	19 836 333	10 287 355
Accrued customers rebates	58 252 104	23 743 123
Accrued expenses	6 478 469	1 421 369
Retention	6 404 557	6 803 075
Accrued interest	10 059 874	7 723 399
Accrued taxes	48 127 486	32 557 490
Accrued revenue – Grant (Refer to note 24)	12 937 358	--
Creditors for purchase of investments in subsidiaries	287 956	--
other	1 627 678	--
Total	**216 867 519**	**119 240 630**

30. Financial instruments

30.1 Capital risk management

The Group manages its capital to ensure that entities in the Group 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, other liabilities and bank credit facilities, offset by cash and bank balances (note 19) and equity of the Company (comprising issued capital, legal reserve and retained earnings).

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

The Group has a target gearing ratio of 70% to 90% determined as the proportion of net debt to equity.

The gearing ratio at 31 December 2017 of 88% (see below) increased mainly due to the effect of foreign currencies exchange rate increased significantly of debt in U.S. Dollar and decrease in cash and cash equivalent.

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

EGP	2018	2017
Debt (i)	1 107 556 127	1 276 486 545
Cash and cash equivalents	(184 590 855)	(133 840 648)
Net debt	**922 965 272**	**1 142 645 897**
Equity (ii)	**1 320 114 964**	**1 292 236 355**
Net debt to equity ratio	**70%**	**88%**

(i) Debt is defined as long-and short-term borrowings (excluding derivatives), as detailed in (note 24 and 27).

(ii)Equity includes all capital, reserves and retained earnings.

30.2 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 (2.18) and (2.19) Financial instruments.

30.3 Categories of financial instruments

EGP	2018	2017
Financial assets (i)		
Cash and bank balances	184 590 855	133 557 621
Other debit balance	41 266 256	26 831 204
Trade receivable	94 372 012	15 512 298
Financial liabilities (ii)		
Trade payable	592 601 887	462 229 498
Borrowings	970 566 943	1 069 055 860
other liability	136 989 184	207 430 685
Creditors and other credit balances	16 826 299	23 143 882

(i) A total of EGP 355 million (2017: EGP 316 million) of other current assets does not meet the definition of a financial asset.

(ii) A total of EGP 564 million (2017: EGP 457 million) of other current liabilities does not meet the definition of a financial liability.

30.4 Market risk

The Group's activities expose it primarily to the financial risks of changes in foreign currency exchange rates (see note 30.5 below) and interest rates (see note 30.6 below).

30.5 Foreign currency risk management

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

The Group'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 and foreign suppliers, at the end of the reporting period, in the major currencies in which they are issued.

Borrowings

EGP	2018	2017
USD	447 000 000	557 186 612
Total	**447 000 000**	**557 186 612**

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

EGP	Liabilities		Assets	
	2018	2017	2018	2017
Currency-USD	752 477 102	832 442 592	24 620 601	53 548 407
Currency-EUR	11 133 924	1 999 089	1 544 041	2 872 058

Foreign currency sensitivity analysis

As discussed above, the Group is mainly exposed to the US 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 Group'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, and foreign suppliers within the Group.

A positive number below indicates an increase in profit or equity where the EGP strengths 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	
	2018	2017	2018	2017
Profit or loss	**72 785 650**	**77 889 419**	**958 988**	**87 297**

30.6 <u>Interest rate risk management</u>

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

30.6.1 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 Group's profit for the year ended 31 December 2018 would decrease / increase by EGP 9 705 669 million (2017: decrease / increase by EGP 10 592 227 million). This is mainly attributable to the Group's exposure to interest rates on its variable rate borrowings.

30.7 Credit risk management

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

The Group'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 Group's exposure is continuously monitored and the aggregate value of transactions concluded is spread amongst approved counterparties.

Trade receivables consist of a large number of customers. The Group does not have any significant credit risk exposure to any single counterparty or any Group of counterparties having similar characteristics. The Group 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 Group's maximum exposure to credit risk without taking account of the value of any collateral obtained.

30.8 Fair value measurement

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

30.9 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.

31. 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); or
   ii. has an interest in the entity that gives it significant influence over the entity; or
   iii. has joint control over the entity; or
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 joint arrangement);
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 (d) or (e); 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.

Balances and transactions between the Group and its subsidiaries, (which are related parties of the Group), have been eliminated on consolidation and are not disclosed in this note. Details of transactions between the Group and other related parties are disclosed below.

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

EGP	Nature of relationship	Nature of transaction	Amount of transaction 2018	Amount of transaction 2017
Cementos La union-Spain	Subsidiary of the parent	Services	104 486	1 999 089
Andalus Reliance for Mining Company	Joint Venture	Purchases	35 415 416	58 724 074

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

EGP	Due from related parties 2018	Due from related parties 2017	Due to related parties 2018	Due to related parties 2017
Cementos la Union – Spain Company	--	--	2 133 357	1 957 423
Andalus Reliance for Mining Company	--	--	6 327 519	5 426 754
Total	--	--	**8 460 876**	**7 384 177**

32. 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 249 293 171 have been eliminated.
- The transfer from inventory to fixed assets of EGP 23 719 198 have been eliminated.

33. Business combination

33.1 Subsidiaries acquired during period.

Subsidiary	Principle activity	Date of acquisition	Proportion of voting equity interests acquired	consideration transferred EGP
Egypt Green for environmental services, clean energy production and development	Establishment and operate factory for recycle the wastes of production and services activity	January 1 , 2018	70%	7 924 588

33.2 Cost of acquisition of Egypt Green

Description	EGP
Consideration paid during year 2017	2 887 500
Consideration paid during Ended period September 30, 2018	4 749 132
A liability recognized in favour of the old shareholders pending implementation of the agreed terms.	287 956
TOTAL	**7 924 588**

33.3 Assets acquired and liability recognized at the date of acquisition

Description	EGP
Current assets	
Cash and cash equivalent	45 709
Trade and other receivables	204 038
Inventory	296 195
Non-current assets	
Fixed assets	878 369
Project under construction (i)	10 294 439
Current liability	
Other credit balance	(397 910)
	11 320 840

33.4 Net cash flow on acquisition of subsidiary

Description	EGP
Consideration paid during the period	4 749 132
Less:-	
Balances of cash and cash equivalent acquired (note 29-3)	45 709
Net cash inflow	**4 703 423**

34. Operating lease arrangements

34.1 The Group as lessee

34.1.1 Leasing arrangements

Operating leases relates to car lease with lease terms of between 2 to 4. The Group (as a lessee) does have an option to purchase these leased assets at the expiry of the lease periods.

34.1.2 Payments recognised as an expense in the year

EGP	2018	2017
Minimum lease payments	6 167 755	5 601 291
Total	**6 167 755**	**5 601 291**

34.1.3 Non-cancellable operating lease commitments

	Total of future minimum lease payments	
EGP	2018	2017
No longer than 1 year	3 996 974	4 100 023
Longer than 1 year and not longer than 2 years	3 569 966	3 931 228
Longer than 2 years	782 169	782 169
Total	**8 349 109**	**8 813 420**

The company did not recognized liability for non- cancellable operating leases

35. Commitments for expenditure

The capital commitment as of December 31, 2018 amounted to EGP 8 024 073 related to fixed assets acquisitions. And amount of EGP 1 million represents the remaining cost for the new admin office.

36. Tax position

36.1 Arabian Cement Company

1.1 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 2010 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.

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 2017, the Company submits its tax return and paid due taxes on due date and no tax inspection performed on those years.

1.2 Sales tax and VAT

The sales tax was inspected and settled until December 2015.

The Company submits its sales tax / VAT returns for 2018 in their due dates.

1.3 Stamp tax

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

The years for 2015/2018 have not been inspected yet.

1.4 Payroll tax

Payroll tax was inspected and taxes were settled until 2014.

1.5 Real estate tax

The value of real estate tax claims until 2018 under the decision of the appeal committee was EGP 7,628,069. The company paid EGP 5 million down payment, noting that a request for conciliation was submitted to the dispute settlement committees.

1.6 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 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 2018.

1.7 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.

1.8 Withholding Tax

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

36.3 Andalus Concrete Company

36.3.1 Corporate income tax

36.3.2 - Years from the beginning of the activity and until 2013, the documents, analyzes and data required for the actual examination of the company were processed and the inspection procedures are underway.

The years 2014/2017 tax returns were prepared and delivered on time

36.3.3 Sales tax

The company regularly provides and reimburses tax returns and has not been checked

36.3.4 Stamp tax

No tax inspection has been performed yet.

36.3.5 Payroll tax

Checked and linked up to 2014.

36.4 ACC for Management and Trading Company

36.4.1 Corporate income tax

Tax returns have been prepared in accordance with the provisions of the Income Tax Law and delivered on the dates prescribed by law.

36.4.2 Sales tax

The company regularly provides and reimburses tax returns and has not been checked.

36.4.3 Stamp tax

No tax inspection has been performed yet.

36.4.4 Payroll tax

The company is regular in paying work tax and has not been inspected.

36.5 Evolve

36.5.1 Corporate Tax:

The company was not inspected from the beginning of the activity until 31/12/2018.

36.5.2 Stamp Tax:

The company was not inspected from the beginning of the activity until 31/12/2018.

36.5.3 Value Added Tax:

The company was registered in the Egyptian Tax Authority (VAT) on 5/2/2018.

36.5.4 Salaries Tax:

The company has not been inspected since the beginning of the activity until 31/12/2018.

37. Approval of financial statements

The consolidated financial statements were approved by the directors and authorized for issue on February 26, 2019.

Sergio Alcantarilla Rodriguez	**Allan Hestbech**
Chief Executive Officer	**Chief Financial Officer**