

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

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

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Auditor's Report

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

Report on the Separate Financial Statements

We have audited the accompanying separate financial statements of Arabian Cement Company an Egyptian Joint Stock Company, which comprise separate statement of financial position as of December 31, 2018, and separate statements of profit or loss, comprehensive income, cash flows and changes in equity for the year then ended, and a summary of significant accounting policies and other explanatory notes.

Management's Responsibility for the Separate Financial Statements

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

Auditor's Responsibility

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

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

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

Opinion


In our opinion, the separate financial statements referred to above present fairly, in all material respects, the separate financial position of Arabian Cement Company as of December 31, 2018, and the results of its separate operation and its separate cash flows for the year then ended in accordance with Egyptian Accounting Standards and the applicable Egyptian laws and regulations relating to the preparation of these separate financial statements.

Report on Other Legal and Regulatory Requirements

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

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

Cairo, February 26, 2019


Kamel Mady Saleh FCA
F.E.S.A.A. (R.A. 8510)
CMA Registration No. "69"
&
Auditors
SALAH, BARSOUM & ABDEL AZIZ & CO.

Arabian Cement Company S.A.E.
Separate 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	2 457 108 755	2 356 184 632
Assets under construction	12	95 974 030	249 232 824
Intangible assets	13	345 475 618	396 151 869
Investments in subsidiaries	14-1	37 476 057	37 476 057
Amount paid under investments	14-2	10 000 000	--
Investments in a joint venture	15	125 000	125 000
Total Non-Current Assets		2 946 159 460	3 039 170 382
Current Assets			
Inventories	16	282 010 320	252 820 286
Trade receivables	17	69 297 253	--
Debtors and other debit balances	18	100 180 707	77 821 035
Due from related parties	30	20 464 416	9 388 845
Cash and bank balances	19	164 895 878	117 204 564
Total Current Assets		636 848 574	457 234 730
Total Assets		3 583 008 034	3 496 405 112

Arabian Cement Company S.A.E.
Separate 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	231 365 975	209 622 582
Retained earnings	22	342 180 674	337 441 529
Total Equity		1 331 026 049	1 304 543 511
Non-Current Liabilities			
Borrowings	23	619 160 870	601 101 209
Notes payable	24	–	7 000 000
Deferred tax liabilities	9.3	343 043 930	335 984 957
Other liabilities	26	12 308 000	92 968 685
Total Non-Current Liabilities		974 512 800	1 037 054 851
Current Liabilities			
Trade payables	24	576 797 621	444 906 945
Credit facilities	23	273 674 586	290 586 491
Current income tax payable	9.2	--	--
Current portion of long-term borrowings	23	77 731 487	167 535 000
Current portion of long-term other liabilities	26	124 681 184	114 462 000
Creditors and other credit balances	28	207 462 248	113 753 476
Due to related parties	30	7 355 922	187 880 7
Provisions	25	9 766 137	15 682 651
Total Current Liabilities		1 277 469 185	1 154 806 750
Total Liabilities		2 251 981 985	2 191 861 601
Total Equity And Liabilities		3 583 008 034	3 496 405 112

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

Sergio Alcantarilla Rodriguez

Chief Executive Officer



Allan Hestbech

Chief Financial Officer



Arabian Cement Company S.A.E.
Separate statement of profit or loss
For the year ended 31 December 2018

EGP	Notes	31 December 2018	31 December 2017
Sales revenue	4	3 160 029 389	2 567 442 184
Cost of sales	5	(2 685 026 942)	(2 167 804 625)
Gross Profit		475 002 447	399 637 559
General and administration expenses	6	(134 612 564)	(127 042 326)
Provisions	25	(1 400 000)	(14 061 203)
Reversal of provisions	25	2 201 219	--
Interest income		3 805 456	4 589 208
Other income		8 913 034	3 293 073
Finance costs	7	(109 320 093)	(103 029 953)
Gain on disposal of property, plant and equipment		--	32 115
(Losses) / gain in foreign exchange		(3 888 183)	30 764 872
Net profit for the year before tax		240 701 316	194 183 345
Income tax expense	9.1	(7 058 973)	23 250 586
Net profit for the year after tax		233 642 343	217 433 931
Earnings Per Share			
Basic	10	0.60	0.56

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

Sergio Alcantarilla Rodriguez
Chief Executive Officer

Allan Hestbech
Chief Financial Officer

Arabian Cement Company S.A.E.
Separate statement of comprehensive income
For the year ended 31 December 2018

EGP	Notes	31 December 2018	31 December 2017
Net profit of the year after Taxes		233 642 343	217 433 931
Other comprehensive income, Net of tax		--	--
Items that will not be reclassified subsequently to Profit or Loss		--	--
Total other comprehensive income for the year Net of taxes		--	--
Total comprehensive income for the year	22	233 642 343	217 433 931
Earnings per share from the comprehensive income			
Basic	10	0.60	0.56

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

Sergio Alcantarilla Rodriguez
Chief Executive Officer



Allan Hestbech
Chief Financial Officer



Arabian Cement Company S.A.E.
 Separate statement of changes in equity
 For the year ended 31 December 2018

EGP	Issued and Paid-up capital	Legal reserve	Retained earnings	Total
Balance at 1 January 2017	757 479 400	185 037 371	349 798 741	1 292 315 512
Profit for the year	--	--	217 433 931	217 433 931
Other comprehensive income	--	--	--	--
Total comprehensive income	--	--	217 433 931	217 433 931
Transfer to legal reserve	--	24 585 211	(24 585 211)	--
Dividends	--	--	(205 205 932)	(205 205 932)
Balance at 31 December, 2017	757 479 400	209 622 582	337 441 529	1 304 543 511
Balance at 1 January, 2018	757 479 400	209 622 582	337 441 529	1 304 543 511
Profit for the year	--	--	233 642 343	233 642 343
Other comprehensive income	--	--	--	--
Total comprehensive income	--	--	233 642 343	233 642 343
Transfer to legal reserve	--	21 743 393	(21 743 393)	--
Dividends	--	--	(207 159 805)	(207 159 805)
Balance at 31 December 2018	757 479 400	231 365 975	342 180 674	1 331 026 049

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

Sergio Alcantarilla Rodriguez

Chief Executive Officer



Allan Hestbech

Chief Financial Officer



Arabian Cement Company S.A.E.
Separate statement of cash flows
For the year ended 31 December 2018

EGP	Notes	31 December 2018	31 December 2017
Cash Flows From Operating Activities			
Net Profit for the year before taxes		240 701 316	194 183 345
Adjustments for:			
Finance costs recognized in profit or loss	7	109 320 093	103 029 953
Interest income		(3 805 456)	(4 589 208)
(gain) on disposal of property, plant and equipment		--	(32 115)
Depreciation of property, plant and equipment	11	196 963 129	184 030 537
Amortization of intangible assets	13	50 676 251	50 676 249
Net foreign exchange (profit) / loss		--	(21 851 877)
Provisions	25	1 400 000	14 061 203
Reversal of provisions	25	(2 201 219)	--
(Increase) / Decrease in inventories		(52 909 232)	23 477 819
(Increase) / Decrease in debtors and other debit balances		(22 359 672)	11 481 948
(Increase) / Decrease in due from related parties		(11 075 571)	4 099 699
Decrease / (increase) in trade receivables		(69 297 253)	11 270 053
Increase in trade payables		124 890 676	108 340 186
(Decrease) in due to related parties		(524 265)	(575 102)
Increase / (Decrease) in creditors and other credit balances		91 372 297	(51 510 256)
Provisions used	25	(5 115 295)	(7 561 692)
Cash generated by operations		648 035 799	618 530 742
Interest paid		(106 983 618)	(112 211 135)
Income taxes paid		--	(93 705 347)
Net cash generated by operating activities		541 052 181	412 614 260

Arabian Cement Company S.A.E.
Separate 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	(24 874 982)	(13 163 483)
Proceeds from sale of property, plant and equipment		--	320 000
Payments for assets under construction	12	(96 034 278)	(242 103 781)
Payments for investments in subsidiaries	14	(10 000 000)	(16 250 000)
Interest income		3 805 456	4 589 208
Net cash (used in) investing activities		(127 103 804)	(266 608 056)
Cash Flows From Financing Activities			
Repayment of loans		(71 743 852)	(45 060 884)
Repayment of other liabilities		(70 441 501)	(135 181 234)
Proceeds from credit facilities		(16 911 905)	226 168 816
Payment of dividends		(207 159 805)	(205 205 932)
Net cash (used in) financing activities		(366 257 063)	(159 279 234)
Net increase / (decrease) in cash and cash equivalents		47 691 314	(13 273 030)
Cash and cash equivalents at the beginning of the year		117 204 564	130 477 594
Cash and cash equivalents at the end of the year	19	164 895 878	117 204 564

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

- Non cash transactions Refer to note (31)

Sergio Alcantarilla Rodriguez

Chief Executive Officer



Allan Hestbech

Chief Financial Officer



Arabian Cement Company S.A.E.

Notes to the Separate Financial Statements

For the Year Ended December 31, 2018

1. General information

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

The Company was registered at the Commercial Register under No. 13105 in Cairo on April 3, 2005, which was changed to No. 53445 on August 16, 2011 as the Company changed its registered office from 72 Gameat El Dowal Street, Mohandiseen, Giza- Egypt 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 Company produces cement with a clinker capacity of 4.2 million tonnes per annum that can produce 5 million tonnes per annum of cement.

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

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

2. Significant accounting policies

2.1 Statement of compliance

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

2.2 Basis of preparation

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

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

The principal accounting policies are set out below.

2.3 Revenue recognition

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

2.3.1 Sale of goods

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

- the entity has transferred to the buyer the significant risks and rewards of ownership of the goods;

Arabian Cement Company S.A.E.

Notes to the Separate Financial Statements

For the Year Ended December 31, 2018

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

2.3.2 Rendering of services

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

2.3.3 Dividend and interest income

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

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

2.3.4 Cost of sales

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

2.4 Leasing

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

2.5 Foreign currencies

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

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

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

Arabian Cement Company S.A.E.
Notes to the Separate Financial Statements
For the Year Ended December 31, 2018

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

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

Currency table	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

2.6 Borrowing costs

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

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

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

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

2.7 Employee benefits

2.7.1 Profit sharing

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

2.7.2 Pension obligations (Social insurance)

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

2.8 Taxation

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

2.8.1 Current tax

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

2.8.2 Deferred tax

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

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

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

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

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

2.8.3 Current and deferred tax for the year

Current and deferred tax are recognised as an expense or income in profit or loss, except when they relate to items that are recognised in other comprehensive income or directly in equity, in which case, the current and deferred tax are also recognised in other comprehensive income or directly in equity respectively.

2.9 Investments in subsidiaries

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

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

2.10 Investments in joint ventures

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

2.11 Property, plant and equipment

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

Properties in the course of construction for production, administrative purposes or for a currently undetermined future use are carried at cost less any recognised impairment loss. Cost includes professional fees and, for qualifying assets, borrowing costs capitalized in accordance with the entity's accounting policy as described in note 2.6 Such properties are classified to the appropriate categories of property, plant and equipment when completed and ready for intended use. Depreciation of these assets, on the same basis as other property assets, commences when the assets are ready for their intended use.

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

Freehold land is not depreciated.

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

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

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

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

2.12 Intangible assets

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

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

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

2.13 Impairment of tangible and intangible assets

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

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

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

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

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

2.14 Inventories

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

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

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

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

2.15 Provisions

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

Arabian Cement Company S.A.E.

Notes to the Separate Financial Statements

For the Year Ended December 31, 2018

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

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

2.16 Financial instruments

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

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

2.17 Financial assets

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

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

2.17.1 Classification of financial assets

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

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

2.17.2 Effective interest method

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

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

2.17.3 Impairment of financial assets

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

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

Objective evidence of impairment could include:

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

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

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

If, in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognised, the previously recognised impairment loss is reversed through profit or loss to the extent that the carrying amount of the investment at the date the impairment is reversed does not exceed what the amortised cost would have been had the impairment not been recognised.

2.17.4 De-recognition of financial assets

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

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

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

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2.18 Financial liabilities and equity instruments

2.18.1 Classification as debt or equity

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

2.18.2 Equity instruments

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

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

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

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

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

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

2.18.3 Financial liabilities

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

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

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

All other financial liabilities are classified as non-current.

2.18.4 De-recognition of financial liabilities

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

2.19 Lease

According to Egyptian Accounting Standards No 20 - accounting for financial leasing - include the rental value of outstanding contracts for leasing as an expense in the income statement for the lessee during each fiscal period and insert incurred by the lessee of the expenses of maintenance and repair funds leased the income statement for the lessee during each period financial and if the lessee at the end of the contract using the right to buy the money the tenant proves that money as an asset constant value paid to exercise the right to buy the money and agreed in accordance with the contract and are depreciated over the remaining useful life is estimated to him according to the ways and rates that followed the tenant for similar assets.

2.20 Grants

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

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

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

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

3. Critical accounting judgements and key sources of estimation uncertainty

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

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

3.1 Critical judgements in applying accounting policies

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

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3.1.1 Deferred income taxes

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

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

3.2 Key sources of estimation uncertainty

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

3.2.1 Useful lives of property, plant and equipment

The carrying value of the entity's property, plant and equipment at the end of the current reporting period is EGP 2 457 108 755 (31 December 2017: EGP 2 356 184 632) (note 11). Management's assessment of the useful life of property, plant and equipment is based on the expected use of the assets, the expected physical wear and tear on the assets, technological developments as well as past experience with comparable assets. A change in the useful life of any asset may have an effect on the amount of depreciation that is to be recognized in profit or loss for future periods.

3.2.2 Useful lives of intangible assets.

The carrying value of the entity's intangible assets at the end of the current reporting period is EGP 345 475 618 (31 December 2017: EGP 396 151 869), (note 13). Management's assessment of the useful life of property, plant and equipment is based on the expected use of the assets, the expected physical wear and tear on the assets, technological developments as well as past experience with comparable assets. A change in the useful life of any asset may have an effect on the amount of depreciation that is to be recognized in profit or loss for future periods.

3.2.3 Provisions

The carrying amount of provisions at the end of the current reporting period is EGP 9 766 137 (31 December 2017: EGP 15 682 651). This amount is based on estimates of future costs for legal cases and other claims in connection with the Company's operations (note 25). As the provisions cannot be determined exactly, the amount could change based on future developments. Changes in the amount of provisions due to change in management estimates are accounted for on a prospective basis and recognized in the period in which the change in estimates arises.

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4. Sales revenue

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

EGP	2018	2017
Local sales	2 727 697 500	2 227 399 146
Export sales	317 378 870	236 642 584
Services	114 953 019	103 400 454
Total	3 160 029 389	2 567 442 184

5. Cost of sales

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

EGP	2018	2017
Raw material	2 270 683 349	1 784 216 038
Manufacturing depreciation	196 963 129	184 030 534
Amortization of intangible assets	50 676 251	50 676 249
Transportation cost	82 716 524	71 338 172
Overhead cost	83 987 689	77 543 632
Total	2 685 026 942	2 167 804 625

6. General and administration expenses

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

EGP	2018	2017
Professional services	37 086 078	30 898 575
Salaries and wages – include key management personnel	60 407 865	63 625 802
Security and cleaning services	1 035 217	946 302
Rentals	10 716 625	10 623 574
Transportation cost	2 760 426	2 503 669
Advertising	1 975 065	3 215 389
Other	20 631 288	15 229 015
Total	134 612 564	127 042 326

7. Finance costs

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

EGP	2018	2017
Loan interest expense	74 061 563	47 435 225
Operation license interest expense (note 26.1)	212 398	6 760 128
Electricity agreement interest expense	12 282 000	12 282 000
Credit facilities interest expense	22 764 132	36 552 600
Total	109 320 093	103 029 953

8. Compensation of key management personnel

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

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

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9. Income taxes

9.1 Income tax recognised in profit or loss

EGP	2018	2017
Current tax		
Current tax expense for the current year	--	--
Current income tax	--	(20 501 796)
Deferred tax		
Net deferred tax expense/(income) recognized in the current year	7 058 973	(2 748 790)
Total income tax expense recognized in the current year	7 058 973	(23 250 586)

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
Net profit before tax	240 701 316	194 183 345
Tax using applicable tax rate 22.5%	54 157 796	43 691 253
Add:		
Effect of reversal of accounting depreciation and amortization	247 639 380	52 809 026
Effect of expenses that are not deductible in determining taxable profit	11 819 006	1 582 351
Effect of provisions formed that are not deductible in determining taxable profit	1 400 000	3 166 150
Effect of unrealized net foreign exchange losses that are not deductible in determining taxable profit	90 760 624	236 931
Less:		
Effect of tax depreciation and amortization that are deductible in determining taxable profit	(251 879 336)	(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	(4 204 008)	(659 739)
Others	--	(7 226)
Income tax expense recognized in profit or loss	--	--

9.2 Current tax liabilities

EGP	2018	2017
Current tax expense(note 9.1)	--	--
Adjustments recognized in the current year in relation to the current tax of prior year	--	--
Current tax liabilities	--	--

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The average effective tax rate of 0% mainly due to following:

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

9.3 Deferred tax balances

Deferred tax liabilities arise from the following:

2018	Opening	Recognized in	Closing balance
EGP	balance	profit or loss	
(Liabilities)			
Temporary differences			
Property, plant & equipment	(335 984 957)	(7 058 973)	(343 043 930)
Net deferred tax liability	(335 984 957)	(7 058 973)	(343 043 930)
2017	Opening	Recognized in	Closing balance
EGP	balance	profit or loss	
(Liabilities)			
Temporary differences			
Property, plant & equipment	(338 733 747)	2 748 790	(335 984 957)
Net deferred tax liability	(338 733 747)	2 748 790	(335 984 957)

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 (EGP)	233 642 343	217 433 931
Employees' share in the dividends (note 18) (EGP)	(7 245 080)	(6 427 766)
Distributable net profit for the year (EGP)	226 397 263	211 006 165
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	0.56

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11. Property, Plant and Equipment

EGP	Freehold land	Buildings	Vehicles	Machinery and Equipment	Furniture and fixtures	Other installations	Computers and software	Total
Cost								
Balance at 1 January 2017	50 243 436	559 425 208	13 187 587	2 524 933 418	9 400 617	277 111 991	13 424 066	3 447 726 323
Additions	--	5 401 735	307 029	315 000	2 205 076	2 082 538	2 852 105	13 163 483
Transfer from assets under construction	--	--	--	3 942 478	327 844	3 869 912	2 400 960	10 541 194
Disposals	--	--	(343 363)	--	--	--	--	(343 363)
Balance at 1 January 2018	50 243 436	564 826 943	13 151 253	2 529 190 896	11 933 537	283 064 441	18 677 131	3 471 087 637
Additions	--	2 018 266	6 421 117	9 794 886	479 129	5 019 460	1 142 124	24 874 982
Transferred from inventory	--	--	--	23 719 198	--	--	--	23 719 198
Transfer from assets under construction	--	4 260 163	--	243 598 242	--	1 434 667	--	249 293 072
Balance at 31 December 2018	50 243 436	571 105 372	19 572 370	2 806 303 222	12 412 666	289 518 568	19 819 255	3 768 974 889

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EGP	Freehold land	Buildings	Vehicles	Machinery and Equipment	Furniture and fixtures	Other installations	Computers and software	Total
Accumulated depreciation and impairment								
Balance at 1 January 2017	--	147 831 546	4 517 179	692 627 949	2 580 183	73 097 548	10 273 541	930 927 946
Eliminated on disposals of assets	--	--	(55 478)	--	--	--	--	(55 478)
Depreciation expense	--	29 009 158	1 931 259	134 962 494	1 058 908	14 764 002	2 304 716	184 030 537
Balance at 1 January 2018	--	176 840 704	6 392 960	827 590 443	3 639 091	87 861 550	12 578 257	1 114 903 005
Eliminated on disposals of assets	--	--	--	--	--	--	--	--
Depreciation expense	--	29 144 719	2 031 789	145 804 219	1 338 465	15 582 870	3 061 067	196 963 129
Balance at 31 December 2018	--	205 985 423	8 424 749	973 394 662	4 977 556	103 444 420	15 639 324	1 311 866 134
Carrying amount								
At 31 December 2018	50 243 436	365 119 949	11 147 621	1 832 908 560	7 435 110	186 074 148	4 179 931	2 457 108 755
At 31 December 2017	50 243 436	387 986 239	6 758 293	1 701 600 453	8 294 446	195 202 891	6 098 874	2 356 184 632

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 23)

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

During the year Machinery and equipment's additions and transfer from projects under constructions included the cost of the coal mill with total amount of EGP 250 million

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

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12. Assets under construction

EGP	2018	2017
Balance as of begging of the year	249 232 824	17 670 237
Additions	95 999 812	239 326 574
Transfer to fixed assets	(249 293 171)	(10 541 194)
Transfer to debtors and other debit balances	34 565	2 777 207
Total	95 974 030	249 232 824

Project under construction are represented in the following categories:

EGP	2018	2017
Buildings	55 693 556	45 531 948
Machinery and equipment	5 307 193	200 923 669
Other installations	34 938 716	--
Advance to suppliers	34 565	2 777 207
Total	95 974 030	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 begging 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 begging 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

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Operating license

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

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

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

Electricity contract

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

15% advance payment equivalent to EGP 32.58 million.

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

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

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

14. Investments

14-1 Investment in subsidiaries

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

Company name	Domicile	Share/ Paid - in capital	2018 EGP	2017 EGP	Proportion of ownership interest and voting power held by the Company	Principle activities
1- Andalus Concrete Company	Egypt	99.99%	20 926 807	20 926 807	99.99%	Concert products, mainly ready mix
2- Evolve Investment & Projects Management Company	Egypt	99.99%	16 499 750	16 499 750	99.99%	Alternative fuel and recycling
3- ACC for Management and Trading Company	Egypt	99.99%	49 500	49 500	99.99%	Providing managerial services
Total			37 476 057	37 476 057		

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14-2 Amount paid under investment

The amount paid under investment with balance as of December 31, 2018 EGP 10 000 000 represents in amount paid for the capital increasing in Andalus Ready-Mix Concrete and the legal procedures currently in process

15. Investments in joint venture

Name of joint venture	Place of incorporation	Proportion of ownership interest and voting power held by the company	2018	2017
EGP			EGP	EGP
Andalus Reliance for Mining Company	Egypt	50%	125 000	125 000
Total			125 000	125 000

16. Inventories

EGP	2018	2017
Raw materials	98 934 615	157 005 490
Packing materials	32 340 022	25 541 593
Spare parts	7 903 975	27 304 991
Work in progress	2 767 805	2 413 295
Finished goods	140 063 903	40 554 917
Total	282 010 320	252 820 286

17. Trade receivables

EGP	2018	2017
Trade receivables, Export sales	69 297 253	--
Total	69 297 253	--

Aging of receivables:

EGP	2018	2017
Less than 30 days	69 297 253	--
Total	69 297 253	--

18. Debtors and other debit balances

EGP	2018	2017
Advance to suppliers	37 474 526	31 421 917
Withholding tax	5 302 490	2 733 235
Deposit with others	41 108 656	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	34 049	34 049
Cash imprest	1 861 757	1 881 790
Other debit balances	277 149	1 614 074
Total	100 180 707	77 821 035

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19. Cash and bank balances

EGP	2018	2017
Cash on hand	1 276 837	1 670 945
Current account – local currency	51 267 529	32 249 866
Current account – foreign currency	25 263 099	56 060 284
Bank deposits *	87 088 413	27 223 469
Total	164 895 878	117 204 564

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

Cash and bank balances includes restricted cash as follows:

EGP	2018	2017
Restricted cash at bank (Loan installments in USD)	--	47 370 988
Total	--	47 370 988

20. Capital

20.1 Authorized and Issued capital

EGP	2018	2017
Par value per share	2	2
Number of ordinary shares authorized, issued and fully paid	378 739 700	378 739 700
Issued capital	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 September 1, 2015, 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, 2015.

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21. Legal reserve

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

22. Retained earnings

EGP	2018	2017
Balance at beginning of year	337 441 529	349 798 741
Total comprehensive income for the year	233 642 343	217 433 931
Transfer to legal reserve	(21 743 393)	(24 585 211)
Payment of dividends	(207 159 805)	(205 205 932)
Balance at end of year	342 180 674	337 441 529

23. Borrowings

EGP	Current		Non-current	
	2018	2017	2018	2017
Credit facilities - CIB	273 674 586	--	--	--
Credit facilities - NBE	--	290 586 491	--	--
Total Facilities	273 674 586	290 586 491	--	--
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".

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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 (28)

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.

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24. Trade payables

EGP	Current		Non-current	
	2018	2017	2018	2017
Local trade payable	255 429 655	162 413 204	--	--
Foreign trade payable	314 467 966	275 493 741	--	--
Notes payable	6 900 000	7 000 000	--	7 000 000
Total	576 797 621	444 906 945	--	7 000 000

25. Provisions

EGP	Provision for claims
Balance at 1 January 2018	15 682 651
Additional provisions recognized	1 400 000
Used during the year	(5 115 295)
No longer required during the year	(2 201 219)
Balance at 31 December 2018	9 766 137

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

26. Other liabilities

EGP	Current		Non-current	
	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

26.1 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 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.

26.2 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.

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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.

27. 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 April 2, 2018.

In respect of the current year ended December 31, 2018, the Board of Directors proposed a dividend to the shareholders at the Annual General Meeting according to the below table:

EGP	2018	2017
Net profit for the year	233 642 343	217 433 931
Retained earnings at beginning of the year	108 538 330	120 007 599
Distributable net profits	342 180 673	337 441 530
To be distributed as follows:		
Legal reserve	23 364 234	21 743 393
Profit attributable to shareholders	--	200 732 041
Profit attributable to employees	7 245 080	6 427 766
Retained earnings at end of the year	311 571 359	108 538 330

28. Creditors and other credit balances

EGP	2018	2017
Advances from customers	52 573 239	36 433 864
Accrued expenses	4 185 839	328 752
Accrued development fees	19 836 333	10 287 355
Accrued customers rebates	58 252 104	23 743 123
Accrued taxes	43 212 944	28 433 908
Accrued interest	10 059 874	7 723 399
Deferred Revenue - Grant (note 23)	12 937 358	--
Retention	6 404 557	6 803 075
Total	207 462 248	113 753 476

29. Financial instruments

29.1 Capital risk management

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

The capital structure of the entity consists of net debt (borrowings and other liabilities, offset by cash and bank balances (note 19) and equity of the Company (comprising issued capital, legal reserve and retained).

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

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

Company is targeting to achieve gearing ratio range between 70% to 90% based on net debt to equity ratio.

The gearing ratio at 31 December 2018 of 71% (see below) decreased mainly due to decreasing in debts as a result of payments for overdraft used and payment of other liabilities and increase in cash and bank balances.

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

EGP	2018	2017
Debt (i)	1 107 556 127	1 266 653 385
Cash and bank balances	(164 895 878)	(117 204 564)
Net debt	942 660 249	1 149 448 821
Equity (ii)	1 331 026 049	1 304 543 511
Net debt to equity ratio	71%	88%

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

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

29.2 Significant accounting policies

Details of the significant accounting policies and methods adopted, including the criteria for recognition, the basis of measurement and the basis on which income and expenses are recognised, in respect of each class of financial asset, financial liability and equity instrument are disclosed in note 2.17 and 2.18 Financial instruments.

29.3 Categories of financial instruments

EGP	2018	2017
Financial assets (i)		
Cash and bank balances (note 19)	164 895 878	117 204 564
Trade receivables (note 17)	69 297 253	--
Other debit balances (note 18)	41 108 656	26 831 204
Financial liabilities (ii)		
Loans (note 23)	696 892 357	768 636 209
Credit facilities (note 23)	273 674 586	290 586 491
Other liability (note 26)	136 989 184	207 430 685
Trade payable (note 24)	576 797 621	444 906 945
Creditors and other credit balances	14 245 713	14 915 226

(i) A total of EGP 371 million (2017: EGP 313 million) of other current assets does not meet the definition of a financial asset.

(ii) A total of EGP 553 million (2017: EGP 458.4 million) of other current and non-current liabilities does not meet the definition of a financial liability.

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29.4 Financial risk management objectives

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

29.5 Market risk

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

29.6 Foreign currency risk management

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

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

The following table shows the carrying amounts of borrowings (loan A and B), 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 Company's major foreign currency denominated monetary assets (mainly receivables and cash at banks) and monetary liabilities (mainly foreign suppliers and due to related parties), at which the entity is exposed to currency rate risk, are as follows:

EGP	Liabilities		Assets	
	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	1 540 383	2 872 058

29.6.1 Foreign currency sensitivity analysis

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

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

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

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

EGP	Currency USD Impact		Currency EUR Impact	
	2018	2017	2018	2017
Profit or loss	72 785 650	77 889 419	959 354	87 297

29.7 Interest rate risk management

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

29.7.1 Interest rate sensitivity analysis

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

If interest rates had been 100 basis points higher / lower and all other variables were held constant, the entity's profit for the year ended 31 December 2018 would decrease / increase by EGP 9 705 671 million (2017: decrease / increase by EGP 10 592 227 million). This is mainly attributable to the entity's exposure to interest rates on its variable rate borrowings.

29.8 Credit risk management

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

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

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

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

29.9 Liquidity risk management

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

29.10 Fair value measurement

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

30. Related party transactions

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

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

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

EGP	Relation type	Transaction nature	Volume of the transactions	
			2018	2017
Andalus Concrete Company	Subsidiary	Sales	21 934 650	30 002 583
Evolve Investment & Projects Management Company	Subsidiary	Purchases	4 536 583	593 244
ACC for Management and Trading Company	Subsidiary	Services	46 122 317	38 140 201
Cementos La Union-Spain company	Subsidiary of the parent	Services	104 486	1 999 089
Andalus Reliance for Mining Company	Joint Venture	Purchases	35 415 416	58 724 074

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

EGP	Due from related parties		Due to related parties	
	2018	2017	2018	2017
Andalus Concrete Company	17 926 645	6 547 243	--	--
Evolve Investment & Projects Management Company	2 537 771	2 840 156	--	--
ACC for Management and Trading Company	--	1 446	865 546	454 344
Cementos La Union – Spain Company	--	--	2 175 023	1 999 089
Andalus Reliance for Mining Company	--	--	4 315 353	5 426 754
Total	20 464 416	9 388 845	7 355 922	7 880 187

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

31. Non-cash transactions

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

- The transfer between fixed assets and projects under construction of EGP 249 293 072 have been eliminated.
- The transfer between fixed assets and inventory of EGP 23 719 198 have been eliminated.

32. Operating lease arrangements

32.1 The entity as lessee

32.1.1 Leasing arrangements

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

32.1.2 Payments recognised as an expense in the period

EGP	2018	2017
Minimum lease payments	497 893	1 078 226
Total	497 893	1 078 226

32.1.3 Non-cancellable operating lease commitments

EGP	Total of future minimum lease payments	
	2018	2017
No longer than 1 year	365 862	823 880
Longer than 1 year and not longer than 5 years	8 540	361 262
Total	374 402	1 185 142

33. 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.

34. Tax position

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

34.1 Corporate income tax

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

The years for 2006 to 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.

34.2 Sales tax and VAT

The sales tax was inspected and settled until December 2015.

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

34.3 Stamp tax

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

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

34.4 Payroll tax

Payroll tax was inspected and taxes were settled until 2014.

34.5 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.

34.6 Development fee

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

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

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

The 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.

34.7 Additional sales tax

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

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

34.8 Withholding Tax

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

35. Approval of financial statements

The separate financial statements were approved by the directors and authorized for issue on February 26, 2018.

Sergio Alcantarilla Rodriguez

Chief Executive Officer



Allan Hestbech

Chief Financial Officer

