

Arabian Cement Company S.A.E.

Consolidated financial statements

Together with Auditor's Report

For the year ended 31 December 2017

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

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

Auditor's Report

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

Report on the Consolidated Financial Statements

We have audited the accompanying Consolidated financial statements of Arabian Cement Company an Egyptian Joint Stock Company, which comprise Consolidated statement of financial position as of December 31, 2017, and Consolidated statements of profit or loss, comprehensive income, cash flows and changes in equity for the year then ended, and a summary of significant accounting policies and other explanatory notes.

Management's Responsibility for the Consolidated Financial Statements

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

Auditor's Responsibility

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

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

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

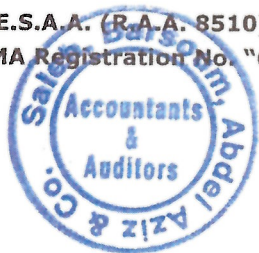
Opinion

In our opinion, the Consolidated financial statements referred to above present fairly, in all material respects, the Consolidated financial position of Arabian Cement Company as of December 31, 2017, and the results of its Consolidated operation and its Consolidated cash flows for the year then ended in accordance with Egyptian Accounting Standards and the applicable Egyptian laws and regulations relating to the preparation of these Consolidated financial statements.

Cairo, March 25, 2018



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



Arabian Cement Company S.A.E.
Consolidated statement of financial position
At 31 December 2017

EGP	Notes	31 December 2017	31 December 2016 Restated
Assets			
Non-current assets			
Property, plant and equipment	11	2 371 924 441	2 530 374 481
Assets under construction	12	249 232 824	17 670 237
Intangible assets	13	396 151 869	446 828 118
Other Assets	14	83 653	--
Investments in a joint venture	15	2 023 874	1 445 783
Total non-current assets		3 019 416 661	2 996 318 619
Current assets			
Inventories	16	257 544 521	280 626 750
Trade receivables	17	15 512 298	20 165 342
Debtors and other debit balances	18	85 007 648	97 645 204
Due from related parties	31	--	1 910 248
Cash and bank balances	19	133 557 621	136 820 111
Total current assets		491 622 088	537 167 655
Total assets		3 511 038 749	3 533 486 274

Arabian Cement Company S.A.E.
Consolidated statement of financial position
At 31 December 2017

EGP	Notes	31 December 2017	31 December 2016 Restated
Equity			
Capital and reserves			
Issued and paid-up capital	20	757 479 400	757 479 400
Legal reserve	21	209 713 200	185 127 989
Retained earnings	22	325 021 738	339 205 125
Equity attributable to owners of the Parent Company		1 292 214 338	1 281 812 514
Non-controlling interests	23	22 017	19 114
Total equity		1 292 236 355	1 281 831 628
Non-current liabilities			
Borrowings	24	601 101 209	463 562 238
Notes Payable	25	7 000 000	--
Deferred tax liabilities	9.3	337 657 419	340 285 124
Other liabilities	27	92 968 685	196 149 919
Total non-current liabilities		1 038 727 313	999 997 281
Current liabilities			
Trade payables	25	455 229 498	353 637 901
Credit facilities	24	300 419 651	66 116 749
Current income tax payable	9.2	110 901	116 577 541
Current portion of long-term borrowings	24	167 535 000	371 986 732
Current portion of long-term other liabilities	27	114 462 000	146 462 000
Creditors and other credit balances	29	119 300 630	179 279 676
Due to related parties	31	7 384 177	8 413 626
Provisions	26	15 693 224	9 183 140
Total current liabilities		1 180 075 081	1 251 657 365
Total liabilities		2 218 802 394	2 251 654 646
Total equity and liabilities		3 511 038 749	3 533 486 274

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



Sergio Alcantarilla Rodriguez

Chief Executive Officer



Allan Hestbech

Chief Financial Officer

Arabian Cement Company S.A.E.
Consolidated statement of profit or loss
For the year ended 31 December 2017

EGP	Notes	31 December 2017	31 December 2016
Sales revenue	4	2 647 337 474	2 350 034 091
Cost of sales	5	(2 268 506 723)	(1 655 408 051)
Gross profit		378 830 751	694 626 040
General and administration expenses	6	(106 722 754)	(78 212 056)
Provisions	26	(14 071 776)	(1 552 448)
Impairment in trade receivables	17	(1 452 480)	(497 896)
Impairment in debtors and other debit balances	18	--	(334 615)
Reversal of Impairment in trade receivables	17	689 181	351 856
Reversal of provisions	26	--	7 213 231
Interest income		4 837 651	7 185 112
Other income		3 293 072	886 776
Finance costs	7	(104 201 990)	(6 816 924)
Gain / (Losses) on disposal of property, plant and equipment		32 115	(7 711 192)
Share of profit of a joint venture	15	578 092	487 419
Gain / (Losses) on net foreign exchange		30 780 197	(245 925 656)
Profit for the year before tax		192 592 059	369 699 646
Income tax expense	9.1	23 018 600	(124 683 515)
Profit for the year after tax		215 610 659	245 016 131
Profit attributable to:			
Owners of the Parent Company		215 607 756	245 010 719
Non-controlling interests	23	2 903	5 412
		215 610 659	245 016 131
Earnings per share			
Basic	10	0.55	0.64

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



Sergio Alcantarilla Rodriguez

Chief Executive Officer



Allan Hestbech

Chief Financial Officer

Arabian Cement Company S.A.E.
Consolidated statement of comprehensive income
For the year ended 31 December 2017

EGP	Notes	31 December 2017	31 December 2016
Profit for the year, net of income tax		215 610 659	245 016 131
Other comprehensive income, net of income tax			
Items that will not be reclassified subsequently to profit or loss			
Net foreign exchange (losses)		--	(130 276 550)
Transfer to retained earnings		--	130 276 550
Total other comprehensive income for the year, net of income tax		--	--
Total comprehensive income for the year		215 610 659	245 016 131
Total comprehensive income attributable to:			
Owners of the Parent Company		215 607 756	245 010 719
Non-controlling interests	23	2 903	5 412
		215 610 659	245 016 131
Earnings per share			
Basic	10	0.55	0.64

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



Sergio Alcantarilla Rodriguez

Chief Executive Officer



Allan Hestbech

Chief Financial Officer

Arabian Cement Company S.A.E.
Consolidated statement of changes in equity
For the year ended 31 December 2017

EGP	Issued Capital	Legal reserve	Retained earnings	Attributable to owners of the Mother Company	Non-controlling interests	Total
Balance at 1 January 2016	757 479 400	156 109 072	458 392 531	1 371 981 003	13 702	1 371 994 705
Profit for the year	--	--	245 010 719	245 010 719	5 412	245 016 131
Other comprehensive income for the year	--	--	--	--	--	--
Total comprehensive income for the year	--	--	245 010 719	245 010 719	5 412	245 016 131
Transfer to legal reserve	--	29 018 917	(29 018 917)	--	--	--
Transfer from other comprehensive income	--	--	(130 276 550)	(130 276 550)	--	(130 276 550)
Dividends	--	--	(204 902 658)	(204 902 658)	--	(204 902 658)
Balance at 31 December 2016	757 479 400	185 127 989	339 205 125	1 281 812 514	19 114	1 281 831 628
Balance at 1 January 2017, restated	757 479 400	185 127 989	339 205 125	1 281 812 514	19 114	1 281 831 628
Profit for the year	--	--	215 607 756	215 607 756	2 903	215 610 659
Other comprehensive income for the year	--	--	--	--	--	--
Total comprehensive income for the year	--	--	215 607 756	215 607 756	2 903	215 610 659
Transfer to legal reserve	--	24 585 211	(24 585 211)	--	--	--
Dividends	--	--	(205 205 932)	(205 205 932)	--	(205 205 932)
Balance at 31 December, 2017	757 479 400	209 713 200	325 021 738	1 292 214 338	22 017	1 292 236 355

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


Sergio Alcantarilla Rodriguez
Chief Executive Officer


Allan Hestbech
Chief Financial Officer

Arabian Cement Company S.A.E.
Consolidated statement of cash flows
For the year ended 31 December 2017

EGP	Notes	31 December 2017	31 December 2016 Restated
Cash flows from operating activities			
Profit for the year before taxes		192 592 059	369 699 646
Adjustments for:			
Finance costs recognized in profit or loss	7	104 201 990	6 816 924
Interest income		(4 837 651)	(7 185 112)
Share of profit of a joint venture		(578 092)	(487 419)
Impairment loss recognized on the trade receivables		1 452 480	497 896
Impairment loss recognized on debtors		--	334 615
Reversal of impairment for trade receivables		(689 181)	(351 856)
Loss/(gain) on disposal of property, plant and equipment		(32 115)	7 711 192
Depreciation of property, plant and equipment	11	186 297 452	155 415 267
Amortization of intangible assets	13	50 676 249	50 676 249
Amortization of other assets		59 752	--
Net (Gain) / Loss from foreign exchange rate differences		(21 851 877)	33 230 508
Reversal of provisions	26	--	(7 213 231)
Provisions	26	14 071 776	1 552 448
Movements in working capital			
decrease / (Increase) in inventories		23 082 228	(113 733 672)
decrease / (Increase) in debtors and other debit balances		10 429 974	(21 760 625)
decrease / (Increase) in trade receivables		3 889 746	(20 311 382)
decrease / (Increase) in due from related parties		1 910 247	(1 910 248)
(Decrease)in creditors and other credit balances		(50 858 748)	(60 625 371)
Increase in trade payables		108 591 597	64 029 973
(Decrease) in due to related parties		(1 029 449)	(43 543 665)
Provisions used in cash	26	(7 561 692)	(1 000 000)
Cash generated by operations		609 816 745	411 842 137
Interest paid		(113 383 172)	(46 832 450)
Income taxes paid		(93 867 279)	(67 435 433)
Net cash generated by operating activities		402 566 294	297 574 254

Arabian Cement Company S.A.E.
Consolidated cash flow statement
For the year ended 31 December 2017

EGP	Notes	31 December 2017	31 December 2016 Restated
Cash flows from investing activities			
Payments for property, plant and equipment	11	(17 594 103)	(17 581 585)
Proceeds from sale of property, plant and equipment		320 000	7 764 573
Payments for assets under construction	12	(242 103 780)	(22 111 253)
Payments for purchasing other assets		(143 404)	--
Interest income		4 741 818	7 185 112
Net cash (used in) investing activities		(254 779 469)	(24 743 153)
Cash flows from financing activities			
Repayment of borrowings		(45 060 884)	(269 823 020)
Proceeds from credit facilities	24	234 302 902	64 402 432
Payment of dividends		(205 205 932)	(204 902 659)
Repayment of other liabilities		(135 181 234)	(103 974 637)
Net cash (used in) financing activities		(151 145 148)	(514 297 884)
Net increase / (decrease) in cash and cash equivalents		(3 262 490)	(241 466 783)
Cash and cash equivalents at the beginning of the year		136 820 111	378 286 894
Cash and cash equivalents at the end of the year	19	133 557 621	136 820 111

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

Sergio Alcantarilla Rodriguez

Chief Executive Officer



Allan Hestbech

Chief Financial Officer



Arabian Cement Company S.A.E.

Notes to the Consolidated Financial Statements

For the Year Ended December 31, 2017

1. General information

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

The Company was registered at the Commercial Register under No. 13105 in Cairo on April 3, 2005, which was changed to No. 53445 on August 16, 2011 as the Company changed its registered office from 72 Gameat El Dowal Street, Mohandiseen, Giza- Egypt to be Villa 56 El Gihaz Street, Fifth Settlement, New Cairo, Egypt.

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

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

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

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

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

2. Significant accounting policies

2.1 Statement of compliance

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

2.2 Basis of preparation

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

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

The principal accounting policies are set out below.

Arabian Cement Company S.A.E.

Notes to the Consolidated Financial Statements

For the Year Ended December 31, 2017

2.3 Basis of consolidation

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

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

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

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

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

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

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

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

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

Changes in the Group's ownership interests in existing subsidiaries

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

Arabian Cement Company S.A.E.

Notes to the Consolidated Financial Statements

For the Year Ended December 31, 2017

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

2.4 Business combinations

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

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

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

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

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

Arabian Cement Company S.A.E.

Notes to the Consolidated Financial Statements

For the Year Ended December 31, 2017

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

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

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

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

2.5 Investments in a joint venture

A joint venture is joint arrangement whereby the parties that they have joint control of the arrangement have rights to the net assets of the joint arrangement. Joint control is the contractually agreed sharing of control of an 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.

2.6 Revenue recognition

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

2.6.1 Sale of goods

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

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

Arabian Cement Company S.A.E.

Notes to the Consolidated Financial Statements

For the Year Ended December 31, 2017

- the Group 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 Group; and
- the costs incurred or to be incurred in respect of the transaction can be measured reliably.

2.6.2 Rendering of services

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

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

2.6.3 Dividend and interest income

Dividend income from investments is recognized when the shareholder's right to receive payment has been established, provided that it is probable that the economic benefits will flow to the Group and the amount of income can be measured reliably.

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

2.6.4 Cost of sales

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

2.7 Leasing

Leases are classified as operating leases.

2.7.1 The Group as lessee

Operating lease payments are recognized 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 recognized as an expense in the period in which they are incurred.

2.8 Foreign currencies

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

In preparing the financial statements of each individual group entity, transactions in currencies other than the entity's functional currency (foreign currencies) are recognized at the rates of exchange prevailing at the dates of the transactions. At the end of each reporting period, monetary items denominated in foreign currencies are retranslated at the rates prevailing at that date. Non-monetary items carried at fair value that are denominated in foreign currencies are retranslated at the rates prevailing at the date when the fair value was determined. Non-monetary items that are measured in terms of historical cost in a foreign currency are not retranslated.

Arabian Cement Company S.A.E.

Notes to the Consolidated Financial Statements

For the Year Ended December 31, 2017

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

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

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

Currency table	2017		2016	
	Average	Year end	Average	Year end
1 USD US Dollar	17.83	17.77	10.23	18.25
1 EUR Euro	20.13	21.36	11.08	19.44

2.9 Borrowing costs

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

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

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

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

2.10 Employee benefits

2.10.1 Profit sharing

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

2.10.2 Pension obligations (Social insurance)

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

2.11 Taxation

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

2.11.1 Current tax

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

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2.11.2 Deferred tax

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

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

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

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

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

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

2.11.3 Current and deferred tax for the year

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

2.12 Property, plant and equipment

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

Properties in the course of construction for production, administrative purposes or for a currently undetermined future use are carried at cost less any recognised impairment loss. Cost includes professional fees and, for qualifying assets, borrowing costs capitalized in accordance with the Group's accounting policy as described in note 2.9. Such properties are classified to the appropriate categories of property, plant and equipment when completed and ready for intended use. Depreciation of these assets, on the same basis as other property assets, commences when the assets are ready for their intended use.

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

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Freehold land is not depreciated.

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

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

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

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

2.13 Intangible assets

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

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

2.14 Impairment of tangible and intangible assets

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

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

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

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

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

2.15 Inventories

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

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

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

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

2.16 Provisions

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

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

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

2.17 Financial instruments

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

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

2.18 Financial assets

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

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

2.18.1 Classification of financial assets

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

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

All other financial assets are subsequently measured at fair value.

2.18.2 Effective interest method

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

Income is recognised on an effective interest basis for debt instruments measured subsequently at amortised cost.

2.18.3 Impairment of financial assets

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

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

Objective evidence of impairment could include:

- significant financial difficulty of the issuer or counterparty; or
- breach of contract, such as a default or delinquency in interest or principal payments; or
- it becoming probable that the borrower will enter bankruptcy or financial re-organisation; or

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- the disappearance of an active market for that financial asset because of financial difficulties.

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

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

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

2.18.4 De-recognition of financial assets

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

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

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

2.19 Financial liabilities and equity instruments

2.19.1 Classification as debt or equity

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

2.19.2 Equity instruments

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

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

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

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

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

2.19.3 Financial liabilities

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

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

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

All other financial liabilities are classified as non-current.

2.19.4 De-recognition of financial liabilities

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

3. Critical accounting judgements and key sources of estimation uncertainty

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

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

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3.1 Critical judgements in applying accounting policies

The following are the critical judgements, apart from those involving estimations (see note (3.2) below), that the directors have made in the process of applying the Company's accounting policies and that have the most significant effect on the amounts recognized in the financial statements.

3.1.1 Deferred income taxes

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

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

3.2 Key sources of estimation uncertainty

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

3.2.1 Useful lives of property, plant and equipment

The carrying value of the Group's property, plant and equipment at the end of the current reporting period is EGP 2 371 924 441 (31 December 2016 restated: EGP 2 530 374 481). Management's assessment of the useful life of property, plant and equipment is based on the expected use of the assets, the expected physical wear and tear on the assets, technological developments as well as past experience with comparable assets. A change in the useful life of any asset may have an effect on the amount of depreciation that is to be recognized in profit or loss for future periods.

3.2.2 Useful lives of intangible assets

The carrying value of the Group's intangible assets at the end of the current reporting period is EGP 396 151 868 (31 December 2016 restated: EGP 446 828 118), (Note 13) Management's assessment of the useful life of intangible assets is based on the expected use of the assets, the expected physical wear and tear on the assets, technological developments as well as past experience with comparable assets. A change in the useful life of any asset may have an effect on the amount of depreciation that is to be recognized in profit or loss for future periods.

3.2.3 Provisions

The carrying amount of provisions at the end of the current reporting period is EGP 15 693 224 (31 December 2016: EGP 9 183 140). This amount is based on estimates of future costs for legal cases and other claims in connection with the Group's operations (note 26). As the provisions cannot be determined exactly, the amount could change based on future developments. Changes in the amount of provisions due to change in management estimates are accounted for on a prospective basis and recognized in the period in which the change in estimates arises.

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4. Sales revenue

EGP	2017	2016
Local sales	2 303 579 124	2 238 999 956
Export sales	236 642 584	28 820 124
Services	107 115 766	82 214 011
Total	2 647 337 474	2 350 034 091

5. Cost of sales

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

EGP	2017	2016 Restated
Raw materials	1 813 669 965	1 257 697 536
Manufacturing depreciation	186 156 378	155 414 197
Amortization of intangible assets	50 676 249	50 676 249
Transportation cost	71 660 891	63 186 301
Overhead cost	146 343 240	128 433 768
Total	2 268 506 723	1 655 408 051

6. General and administration expenses

An analysis of the Group's General and administration expenses for the year is as follows:

EGP	2017	2016
Professional fees	6 944 041	7 877 335
Salaries and wages	64 853 600	42 998 996
Security and cleaning services	946 302	4 598 074
Rentals	10 623 574	4 840 967
Transportation	2 503 669	2 951 444
Advertising	3 215 389	2 578 385
Other expenses	17 636 179	12 366 855
Total	106 722 754	78 212 056

7. Finance costs

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

EGP	2017	2016
Loan interest expense	47 435 225	31 217 019
Operation licence interest expense (note 27.1)	6 760 128	(40 233 443)
Electricity agreement interest expense	12 282 000	12 282 000
Bank overdraft interest expense	37 724 637	2 219 718
Long-term notes payable interest expense	--	1 331 630
Total	104 201 990	6 816 924

8. Compensation of key management personnel

An analysis of the Group's compensation of key management personnel for the year is as follows:

EGP	2017	2016
Board of directors allowance	31 339 001	20 802 289
Board of directors salaries	17 554 320	9 758 228
Total	48 893 321	30 560 517

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9. Income taxes

9.1 Income tax expense recognised in profit or loss

EGP	2017	2016
Current tax		
Current tax expense for the current year	110 901	115 020 127
Adjustment of income tax expenses related to prior year tax expenses *	(20 501 796)	--
Deferred tax		
Net deferred tax recognized in the current year	(2 627 705)	9 663 388
Total income tax expense recognized in the current year	(23 018 600)	124 683 515

*The adjustments recognized during the year are resulting from the differences between the income tax expense for 2016 included in the Company's financial statements and the income tax expense for the same year as calculated in the final tax return.

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	2017	2016
Profit before tax from continuing operations	192 592 059	369 699 646
Tax using applicable tax rate 22.5%	43 333 213	83 182 420
Add		
Effect of reversal of accounting depreciation and amortization	53 332 527	45 974 450
Effect of expenses that are not deductible in determining taxable profit	1 582 351	1 045 559
Effect of provisions formed that are not deductible in determining taxable profit	3 166 150	--
Effect of unrealized net foreign exchange losses that are not deductible in determining taxable profit	236 931	36 733 371
Less		
Effect of tax depreciation and amortization that are deductible in determining taxable profit	(45 952 547)	(51 690 673)
Effect of unrealized net foreign exchange gain that are not deductible in determining taxable profit	(19 675 161)	--
Effect of realized net foreign exchange losses that are deductible in determining taxable profit	(39 934 255)	
Effect of provisions used that are deductible in determining taxable profit	(659 739)	(225 000)
Others	(7 226)	--
Income tax expense recognized in profit or loss	--	115 020 127

The average effective tax rate of 0% (2016: 31%) is the effective tax rate. The average effective tax rate mainly changed due to following:

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

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9.2 Current tax liabilities

EGP	2017	2016
Current tax expense(note 9.1)	110 901	115 020 127
Adjustments recognized in the current year in relation to the current tax of prior year	--	1 557 414
Current tax liabilities	110 901	116 577 541

9.3 Deferred tax balances

Deferred tax liabilities arise from the following:

2017	Opening balance	Recognized in profit or loss	Closing balance
EGP			
(Liabilities)			
Temporary differences			
Property, plant & equipment	340 285 124	(2 627 705)	337 657 419
Net deferred tax liability	340 285 124	(2 627 705)	337 657 419
2016			
EGP			
(Liabilities)			
Temporary differences			
Property, plant & equipment	330 621 736	9 663 388	340 285 124
Net deferred tax liability	330 621 736	9 663 388	340 285 124

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:

	2017	2016
Earnings (for basic and diluted earnings per share)		
Profit for the year attributable to owners of the parent (EGP)	215 607 756	245 010 719
Employees share in dividends(note 18) (EGP)	(6 427 766)	(4 473 890)
Distributable net profit for the year (EGP)	209 179 990	240 536 829
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)	0.55	0.64

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11. Property, plant and equipment

EGP	Freehold land	Buildings	Machinery and equipment	Vehicles	Furniture, fixtures and office equipment	Other installations	Computer and software	Total
COST								
Balance at 1 January 2016 – restated	50 243 436	531 314 250	2 052 838 530	21 314 390	7 847 114	272 085 413	11 137 860	2 946 780 993
Additions	--	2 702 185	1 454 944	7 624 046	2 456 848	1 423 936	1 919 626	17 581 585
Transfer from inventory (note 16)	--	--	31 446 760	--	--	--	--	31 446 760
Transfer from assets under construction	--	37 490 942	75 121 343	--	117 635	4 524 546	1 208 549	118 463 015
Disposals	--	(11 667 157)	(6 628 087)	(3 335 174)	(488 085)	--	--	(22 118 503)
Foreign currency exchange losses capitalized	--	--	377 983 295	--	--	--	--	377 983 295
Balance at 1 January 2017 – restated	50 243 436	559 840 220	2 532 216 785	25 603 262	9 933 512	278 033 895	14 266 035	3 470 137 145
Additions	--	5 497 686	2 737 651	2 000 070	2 375 267	2 082 538	2 900 892	17 594 103
Transfer from assets under construction	--	--	3 942 477	--	327 844	3 869 912	2 400 960	10 541 194
Disposals	--	--	--	(343 363)	--	--	--	(343 363)
Balance at 31 December 2017	50 243 436	565 337 906	2 538 896 913	27 259 969	12 636 623	283 986 345	19 567 887	3 497 929 079

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EGP	Freehold land	Buildings	Machinery and equipment	Vehicles	Furniture, fixtures and office equipment	Other installations	Computer and software	Total
Accumulated depreciation and impairment								
Balance at 1 January 2016 – restated	--	121 114 312	587 110 741	9 764 611	2 081 935	59 140 348	9 778 188	788 990 135
Eliminated on disposals of assets	--	(1 489 992)	(1 350 042)	(1 602 780)	(199 924)	--	--	(4 642 738)
Depreciation expense	--	28 244 011	108 192 601	2 656 892	903 397	14 150 119	1 268 247	155 415 267
Balance at 1 January 2017 – restated	--	147 868 331	693 953 300	10 818 723	2 785 408	73 290 467	11 046 435	939 762 664
Eliminated on disposals of assets	--	--	--	(55 478)	--	--	--	(55 478)
Depreciation expense	--	29 019 046	135 441 223	3 428 720	1 122 280	14 939 758	2 346 425	186 297 452
Balance at 31 December 2017	--	176 887 377	829 394 523	14 191 965	3 907 688	88 230 225	13 392 860	1 126 004 638
Carrying amount								
At 31 December 2016 – restated	50 243 436	411 971 889	1 838 263 485	14 784 539	7 148 104	204 743 428	3 219 600	2 530 374 481
At 31 December 2017	50 243 436	388 450 529	1 709 502 390	13 068 004	8 728 935	195 756 120	6 175 027	2 371 924 441

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 as disclosed in details in (Note No. 24).

According to the loans contracts granted by the National Bank of Egypt, 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 by 110% of the full amount of the loans, and the bank is the first and only beneficiary of this policy. The company has insured for its benefit on cars and Silos.

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12. Assets under construction

EGP	2017	2016
Balance as of January 1	17 670 237	124 756 807
Additions	239 326 574	22 111 253
Advance to suppliers	--	5 441 250
Transfer to fixed assets	(10 541 194)	(118 463 015)
Transfer to debtors and other debit balances	2 777 207	(15 988 871)
Others	--	(187 187)
Total	249 232 824	17 670 237
Projects under construction are represented in the following categories:		
Buildings	45 531 948	2 040 710
Machinery and equipment	200 923 669	6 980 949
Other installations	--	1 888 316
Advance to suppliers	2 777 207	6 760 262
Total	249 232 824	17 670 237

13. Intangible assets (net)

EGP	Operating license	Electricity contract	Total
Cost			
Cost as of January 1, 2016 – restated	563 204 713	225 200 000	788 404 713
Additions	--	--	--
Cost as of December 31, 2016 - Restated	563 204 713	225 200 000	788 404 713
Accumulated amortization			
Accumulated amortization as of January 1, 2016	(174 842 605)	(116 057 741)	(290 900 346)
Amortization for the year	(28 156 249)	(22 520 000)	(50 676 249)
Total accumulated amortization as of December 31, 2016 – restated	(202 998 854)	(138 577 741)	(341 576 595)
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 January 1, 2017	(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)
Net book value December 31, 2017	332 049 610	64 102 259	396 151 869
Net book value December 31, 2016 – restated	360 205 859	86 622 259	446 828 118

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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. Other Assets

EGP	2017	2016
Cost	143 540	--
Accumulated amortization	--	--
Balance at the beginning of the year	--	--
Amortization for the year	(59 752)	--
Accumulated amortization At year end	(59 752)	--
Net	83 365	--

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

15. Investments in a joint venture

Name of associate	Place of incorporation	Proportion of ownership interest and voting power held by the Group		
		2017	2017	2016
Andalus Reliance for mining Company	Egypt	50%	2 023 874	1 445 783
Total			2 023 874	1 445 783

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

	2017	2016
Current assets	9 780 375	9 278 820
Non-current assets	5 679	3 949
Current liabilities	5 737 028	6 390 315
Non-current liabilities	1 278	889
Net assets	4 047 748	2 891 565
Revenue for the year	64 323 453	60 552 401
Profit for the year	1 156 183	974 838
Other comprehensive income for the year	--	--
Total comprehensive income for the year	1 156 183	974 838
Group's share of comprehensive income for the period	578 092	487 419

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

	2017	2016
Net assets of the joint venture over Group level	4 047 748	2 891 565
Proportion of the Group's ownership interest in joint venture	50%	50%
Carrying amount of the Group's interest in joint venture	2 023 874	1 445 783

16. Inventories

EGP	2017	2016
Raw materials	158 737 320	153 608 914
Packing materials	25 541 593	16 286 445
Spare parts	30 049 477	8 203 464
Work in progress	2 413 295	1 630 552
Finished goods	40 554 917	58 649 456
Advanced to suppliers	247 919	42 247 919
Total	257 544 521	280 626 750

17. Trade receivables

EGP	2017	2016
Trade receivables	16 964 778	20 854 523
Less: Impairment in trade receivables	(1 452 480)	(689 181)
Total	15 512 298	20 165 342

Movement in the allowance for doubtful debt:

EGP	2017	2016
Balance at beginning of year	689 181	543 141
Impairment losses recognised on receivables	1 452 480	497 896
Impairment losses reversed (allowance no longer required)	(689 181)	(351 856)
Balance at end of year	1 452 480	689 181

Aging of receivables that are past due but not impaired:

EGP	2017	2016
Less than 30 days	9 912 906	16 513 798
Between 30 to 60 days	2 943 189	972 712
Between 60 to 90 days	1 137 559	355 023
Between 90 to 120 days	1 518 644	2 323 809
Total	15 512 298	20 165 342

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18. Debtors and other debit balances

EGP	2017	2016
Advance to suppliers	32 098 048	55 069 866
Withholding tax	6 318 727	5 099 949
Deposit with others	26 831 204	26 831 204
Employees dividends in advance	6 427 766	4 473 890
Letter of credit	6 877 000	1 605 353
Letters of guarantee – cash margin	34 049	34 049
Cash imprest	2 624 055	2 936 807
Other debit balances	6 479 710	7 164 497
Down payments to purchase investments	2 887 500	--
Less: Impairment in other debit balance	(5 570 411)	(5 570 411)
Total	85 007 648	97 645 204

19. Cash and bank balances

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

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

EGP	2017	2016
Cash on hand	1 890 126	673 435
Current account – local currency	35 218 554	118 339 633
Current account – foreign currency	56 072 862	15 615 926
Bank deposits	40 376 079	2 191 117
Total	133 557 621	136 820 111
Cash and cash equivalents include restricted cash as follows :		
Cash and cash equivalent	86 186 633	136 462 729
Restricted cash at banks (due loans instalments in U.S. Dollar)	47 370 988	357 382
Total	133 557 621	136 820 111

20. Capital

20.1 Authorized and Issued capital

	2017	2016
Par value per share (EGP)	2	2
Number of ordinary shares authorized, issued and fully paid	378 739 700	378 739 700
Issued capital (EGP)	757 479 400	757 479 400

20.2 Fully paid ordinary shares

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

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

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

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

21. Legal reserve

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

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

22. Retained earnings

EGP	2017	2016
Balance at beginning of year	339 205 125	458 392 531
Profit attributable to owners of the Parent Company	215 607 756	245 010 719
Transfer to legal reserve	(24 585 211)	(29 018 917)
Losses on foreign currency exchange difference	--	(130 276 550)
Payments of dividends	(205 205 932)	(204 902 658)
Balance at end of year	325 021 738	339 205 125

23. Non-controlling interests

EGP	2017	2016
Balance at beginning of year	19 114	13 702
Share of profit for the year	2 903	5 412
Balance at end of year	22 017	19 114

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24. Borrowings

EGP	Current		Non-current	
	2017	2016	2017	2016
Credit facilities	300 419 651	66 116 749	--	--
Bank loans	167 535 000	371 986 732	601 101 209	463 562 238
Total	467 954 651	438 103 481	601 101 209	463 562 238

24.1 Credit facilities

On May 27, 2016, it has been also approved to increase the current credit facility limit amounting to EGP 50 million to become EGP 120 million, at the same originally specified terms and conditions at an interest rate of 2% above the corridor borrowing rate. The utilized balance of the overdraft amounted to EGP 300 419 651 on December 31, 2017.

On January 31, 2017, it has been also approved by National Bank of Egypt to increase the current credit facility limit amounting to EGP 120 million to become EGP 240 million, at the same originally specified terms and conditions at an interest rate of 2% above the corridor borrowing rate for a period of one year, and may be renewed for the similar period or periods by mutual consent at an interest rate of 2 % plus corridor borrowing rate.

On June 19, 2017, it has been also approved to increase the current credit facility limit amounting from EGP 240 million to become EGP 350 million, at the same originally specified terms and conditions at an interest rate of 2% above the corridor borrowing rate for a period of one year, and may be renewed for the similar period or periods by mutual consent at an interest rate of 2 % plus corridor borrowing rate.

24.2 Bank Loans

24.2.1 Loan A

On September 2006, the company obtained a loan from the National Bank of Egypt amounting to USD 103.9 million. On January 31, 2008, the bank approved to increase the loan to be USD 149 million to cover the increase in the investment cost, in addition to finance 15% of the operating license cost.

The loan duration is 10 years including two years of grace period at an interest rate of 1.6% plus Libor during the first five years of the loan and an interest rate of 1.7% plus Libor during the following five years.

On May 27, 2016, the National Bank of Egypt agreed to restructure the due instalments, to be paid over 16 equal quarterly instalments, in addition to the interest which will be added every three months, and paid with the instalments. The applied interest rate will be amended to become with a marginal profit of 4%, above the Libor rate for six months.

On October 13, 2016, the National Bank of Egypt agreed to postpone the payment of the two instalments due on the first of July 2016 and the first of October 2016, with a total value of USD 4 million, to be paid on the first of January 2016 and the first of April 2017, as well as the due interest.

On March 21, 2017, the National Bank of Egypt agreed to postpone the payment of the instalments due on the first of January 2017 as well as the instalments due on the first of April 2016, with a total value of USD 8 million (4 instalments) as well as the due interest, to be all paid with the instalment dues on the first of April 2017.

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On March 1, 2017, the National Bank of Egypt agreed to restructure the due instalments to be paid over 10 equal quarterly instalments due on the first of April 2017 amounting to USD 2 million per each instalment and any differences to be paid from the last instalment amounting to USD 1.1 million, in addition to the interest, which will be added every three months, and paid, with the instalments. The applied interest rate with marginal profits of 4%, above the Libor rate for six months.

On December 20, 2017, the National Bank of Egypt agreed to restructure the due instalments to be paid over 15 equal quarterly instalments due on the first of January 2017 amounting to USD 1 million per each instalment and any differences to be paid from the last instalment amounting to USD 1.1 million, in addition to the interest, which will be added every three months, and paid, with the instalments. The applied interest rate with marginal profits of 5%, above the Libor rate for six months.

24.2.2 Loan B

On January 31, 2008, the company obtained a loan from National Bank of Egypt amounted to USD 142 million to finance the second production and 25% of the second line's operating license cost. The loan included a portion by Egyptian Pounds equivalent to USD 57 million.

The loan duration is 10 years including two years of grace period at an interest rate of 1.5% plus Libor for the USD portion of the loan, and 11% for the Egyptian Pounds portion.

On May 27, 2016, the National Bank of Egypt agreed to restructure the due instalments for the USD portion only, to be paid over 16 equal quarterly instalments, in addition to the interest which will be added every three months, and paid with the instalments. The applied interest rate will be amended to be at a marginal profit of 4%, above the Libor rate for six months.

On July 29, 2016, the Egyptian pound portion loan balance was fully paid.

On October 13, 2016, the National Bank of Egypt agreed to postpone the payment of the two instalments due on the first of July 2016 and the first of October 2015, with a total value of USD 4 million, to be paid on the first of January 2016 and the first of April 2017, as well as the due interest.

On March 21, 2017, the National Bank of Egypt agreed to postpone the payment of the instalments due on the first of January 2016 as well as the instalments due on the first of April 2016, with a total value of USD 8 million (4 instalments) as well as the due interest, to be all paid with the instalment dues on the first of April 2017.

On March 1, 2017, the National Bank of Egypt agreed to restructure the due instalments to be paid over 10 equal quarterly instalments due on the first of April 2017 amounting to USD 2 million per each instalment and any differences to be paid from the last instalment amounting to USD 1.8 million, in addition to the interest which will be added every three months, and paid with the instalments. The applied interest rate with marginal profits of 4%, above the Libor rate for six months.

On December 20, 2017, the National Bank of Egypt agreed to restructure the due instalments to be paid over 15 equal quarterly instalments due on the first of January 2017 amounting to USD 1 million per each instalment and any differences to be paid from the last instalment amounting to USD 1.8 million, in addition to the interest which will be added every three months, and paid with the instalments. The applied interest rate with marginal profits of 5%, above the Libor rate for six months.

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24.2.3 Loan C

On June 20, 2013, the company obtained a loan from the National bank of Egypt amounted to EGP 70 million to finance 70% of the total investment cost which amounted to EGP 100 million, which is needed for new project held by the company for the purpose of using the solid and agricultural wastes as an alternative fuel for the natural gas in the process of manufacturing. The financing shall be used in the payment of the suppliers and contractors' accruals.

The loan duration is 6 years starting from the first withdrawal, at the rate by 2% plus corridor at a minimum rate of 12%, in addition to a monthly commission.

24.2.4 Loan D

On June 20, 2017, the company obtained a loan from the National bank of Egypt amounted to EGP 231 million to finance 100% of the investment cost required for the construction of a coal mill, the conveyance line of the tanker trucks, the cement dust suction pump to re-use it on the production process once again.

The loan period is 7 years starting from the date of the first draw at 2.25% plus the rate of the corridor, in addition to the annual commission.

Guarantees

There is a first degree real estate mortgage with excellence in favour of the National Bank of Egypt as a guarantee for all loans and facilities granted by the bank. The mortgage is on the company's land and all current and future buildings and constructions, and not sell, mortgage, waive, lease, or provide power of attorney to sell or mortgage unless there is a prior written consent from the bank

There is a first degree commercial mortgage with excellence in favour of the National Bank of Egypt on the company's plant tangible and intangible assets.

The Company is committed not to allow exit of the major shareholders in the project (especially the Spanish Company) until the payment of the loans granted to the bank by the Company, while allowing Egyptian side to increase the share capital through the purchase of the Spanish party however the Spanish party share should not be less, at any time, than 51% of company's capital, also the company should not perform any changes to the nature of its activities or its legal form or structure of ownership until obtaining the prior written consent from the bank.

The Company is committed to issue insurance policies against the dangers of fire, physical damage, business interruptions and machinery failures on all assets owned by the company subjected to this loan contract within 110 % of the full loan's amount, and concede these policies to the bank as first and sole beneficiary.

Increase the commercial mortgage in favour of the bank on the material and moral assets on the borrower's factory and the location of the activity with the value of the new machines and equipment to be purchased up to a maximum of 6 months from the end of the withdrawal period.

25. Trade payables

EGP	Current		Non-Current	
	2017	2016	2017	2016
Local trade payables	172 735 757	168 555 378	--	--
Foreign trade payables	275 493 741	185 082 523	--	--
Notes payable	7 000 000	--	7 000 000	--
Total	455 229 498	353 637 901	--	--

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26. Provisions

EGP	Provision for claims
Balance at 1 January 2017	9 183 140
Additional provisions recognized	14 071 776
Used during the year	(7 561 692)
Reversal of provisions	--
Balance at 31 December 2017	15 693 224

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

27. Other liabilities

EGP	Current		Non-current	
	2017	2016	2017	2016
Operating license	96 000 000	128 000 000	62 198 685	146 917 919
Electricity contract	18 462 000	18 462 000	30 770 000	49 232 000
Total	114 462 000	146 462 000	92 968 685	196 149 919

27.1 Operating license

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

The above mentioned value will be also applied for the second line and a 25% will be paid as an advance payment and residual

27.2 Electricity contract

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

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

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

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

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

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28. Dividends payable

On April 13, 2017, 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, 2016. The Ordinary General Assembly was approved by General Authority for Investment and Free Zones (GAFI) on April 14, 2017. The dividends were fully paid on December 18, 2017.

29. Creditors and other credit balances

EGP	2017	2016
Advances from customers	36 704 819	58 971 190
Accrued development fees	10 287 355	16 038 783
Accrued customers rebates	23 743 123	44 778 227
Accrued expenses	1 421 369	2 226 819
Retention	6 803 075	4 020 191
Accrued interest	7 723 399	16 904 581
Accrued taxes	32 557 490	36 339 885
Total	119 240 630	179 279 676

30. Financial instruments

30.1 Capital risk management

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

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

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

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

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

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

EGP	2017	2016
Debt (i)	1 276 486 545	1 244 277 638
Cash and cash equivalents	(133 840 648)	(136 820 111)
Net debt	1 142 645 897	1 107 457 527
Equity (ii)	1 292 236 355	1 281 831 628
Net debt to equity ratio	88%	86%

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

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

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30.2 Significant accounting policies

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

30.3 Categories of financial instruments

EGP	2017	2016
Financial assets (i)		
Cash and bank balances	133 557 621	136 820 111
Other debit balance	26 831 204	26 831 204
Trade receivable	15 512 298	20 165 342
Financial liabilities (ii)		
Trade payable	462 229 498	353 637 901
Borrowings	1 069 055 860	901 665 719
other liability	207 430 685	342 611 919
Creditors and other credit balances	23 143 882	23 143 882

- (i) A total of EGP 315.7 million (2016: EGP 353 million) of other current assets does not meet the definition of a financial asset.
- (ii) A total of EGP 456.9 million (2016: EGP 631 million) of other current liabilities does not meet the definition of a financial liability.

30.4 Market risk

The Group's activities expose it primarily to the financial risks of changes in foreign currency exchange rates (see note 30.6 below) and interest rates (see note 30.7 below).

30.5 Foreign currency risk management

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

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

The following table shows the carrying amounts of borrowings and foreign suppliers, at the end of the reporting period, in the major currencies in which they are issued.

Borrowings

EGP	2017	2016
USD	557 186 612	795 776 813
Total	557 186 612	795 776 813

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

EGP	Liabilities		Assets	
	2017	2016	2017	2016
Currency-USD	832 442 592	989 482 886	53 548 407	26 693 092
Currency-EUR	1 999 089	2 638 435	2 872 058	4 341 801

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Foreign currency sensitivity analysis

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

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

The sensitivity analysis includes outstanding borrowings, and foreign suppliers within the Group.

A positive number below indicates an increase in profit or equity where the EGP 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	
	2017	2016	2017	2016
Profit or loss	77 889 419	96 287 979	87 297	170 337

30.6 Interest rate risk management

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

30.6.1 Interest rate sensitivity analysis

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

If interest rates had been 100 basis points higher / lower and all other variables were held constant, the Group's profit for the year ended 31 December 2017 would decrease / increase by EGP 10 592 227 million (2016: decrease / increase by EGP 8 999 666 million). This is mainly attributable to the Group's exposure to interest rates on its variable rate borrowings.

30.7 Credit risk management

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

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

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

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

30.8 Fair value measurement

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

30.9 Liquidity risk management

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

31. Related party transactions

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

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

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

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

EGP	Nature of relationship	Nature of transaction	Amount of transaction	
			2017	2016
Aridos Jativa Company	Main Shareholder	Services	--	1 057 457
Cementos La union-Spain	Subsidiary of the parent	Services	1 999 089	1 932 752
Andalus Reliance for Mining Company	Joint Venture	Purchases	58 724 074	59 242 553

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Notes to the Consolidated Financial Statements

For the Year Ended December 31, 2017

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

EGP	Due from related parties		Due to related parties	
	2017	2016	2017	2016
Cementos la Union – Spain Company	--	--	1 957 423	2 596 769
Andalus Reliance for Mining Company	--	--	5 426 754	5 816 857
Aridos Jativa Company	--	1 910 248	--	--
Total	--	1 910 248	7 384 177	8 413 626

32. Non-cash transactions

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

- The net changes in the fixed assets and the projects under construction of EGP 10 541 194 have been eliminated.
- The net changes in the debtors and the income tax paid of EGP 2 207 582 have been eliminated.

33. Operating lease arrangements

33.1 The Group as lessee

33.1.1 Leasing arrangements

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

33.1.2 Payments recognised as an expense in the year

EGP	2017	2016
Minimum lease payments	5 601 291	8 361 006
Total	5 601 291	8 361 006

33.1.3 Non-cancellable operating lease commitments

EGP	Total of future minimum lease payments	
	2017	2016
No longer than 1 year	4 100 023	3 965 148
Longer than 1 year and not longer than 2 years	3 931 228	2 205 883
Longer than 2 years	782 169	1 496 701
Total	8 813 420	7 667 732

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

34. Commitments for expenditure

The capital commitment as of December 31, 2017 amounted to EGP 33 585 198 in relation to fixed assets acquisition.

35. Tax position

35.1 Arabian Cement Company

35.1.1 Corporate income tax

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

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The years for 2006/2007 represents pre-operating years were inspected by tax authority and a tax differences according to article No 56 from law 91 of 2005 resulted from installation, designs and engineering works.

The year for 2008 was inspected and resulted to tax losses by EGP 347 million that will be carried forward for next years.

The year for 2009 not selected by tax authority for inspection so the tax return for this year considered as a final assessment.

The year for 2010 was inspected. The tax authorities adjusted the tax base from EGP 15.6 million to EGP 160 million the tax differences have been transferred to the Committee of Dispute Resolution.

The years form 2011 till 2016, the Company submits its tax return and paid due taxes on due date and no tax inspection performed on those years.

35.1.2 Sales tax / VAT

The sales tax was inspected and settled until December 31, 2015.

The Company submits its sales tax / VAT returns for 2017 in their due dates.

35.1.3 Stamp tax

The Company's books were inspected and taxes were assessed and settled until 2011.

The years from 2012 till 2014 were inspected. The Company had received claims for those years for an amount of EGP 2.7 million and the Company submitted an appeal on those claims.

The years for 2015/2016 have not been inspected yet.

35.1.4 Payroll tax

Payroll tax was inspected and taxes were settled until 2010.

The years from 2011 till 2014 inspected on a deem basis by tax authority. The Company had received claims for an amount of EGP 75 million and the Company submitted an appeal on those claims.

35.1.5 Real estate tax

The Company received a claim from tax department based on appeal committee decision for the period from 1 July 2016 till 31 December 2016 for an amount of EGP 1.3 million per year. The Company submitted an appeal on this decision and the disputes have been transferred to court.

35.1.6 Development fee

The Company pays the due development fee for the cement produced from local clinker only while the company did not pay development fees on cement produced from the imported clinker. The Company has received claims for the payment of development fee differences, represented as follows:

- The amount of EGP 1 810 043 for the year 2013.
- The amount of EGP 16 844 376 for the year 2014, dated February 14, 2017, and this claim was appealed on March 15, 2017, and a meeting was scheduled on April 10, 2017, to discuss this issue at the Internal Committee this meeting was postponed to July 12, 2017 and there is no agreement reached regarding this disputes.

Arabian Cement Company S.A.E.

Notes to the Consolidated Financial Statements

For the Year Ended December 31, 2017

- The amount of EGP 1 921 904 for the year 2016, dated April 23, 2017, and this claim was appealed on April 23, 2017, and a meeting was scheduled July 12, 2017 and there is no agreement reached regarding this disputes.
- The Company submitted a complaint to the Chairman of the Technical Secretariat of the Commission for Investment Dispute Resolution. The decision of the Dispute was issued that the tax authority is not entitled to impose the development fee on cement produced from imported clinker.

Regarding the fines for late in payment of development fees on cement produced from local clinker.

- There is amount of EGP 18 016 093, as delayed payment penalties for the period from April 1, 2010 until July 31, 2012, dated October 1, 2013.
- The Company submitted a complaint to the Chairman of the Technical Secretariat of the Commission for Investment Dispute Resolution. The decision of the Dispute was issued that the tax authority is not entitled to impose the penalties on delayed payment.
- The Company paid all development fees on cement produced from local clinker till December 2017.

35.1.7 Additional sales tax

The Company did not pay the additional sales tax on fixed assets amounting to EGP 11 487 312, and currently there is a dispute with the Minister of Finance. The case was referred to the administrative court, and was booked and is pending the Commissioners Report, 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.

35.2 Andalus Concrete Company

35.2.1 Corporate income tax

The company prepares its tax return according to income tax laws and regulations and submits them in their due date, and no tax inspection has been performed yet.

35.2.2 Sales tax

The company submits its sales tax returns in their due dates and no tax inspection has been performed yet.

35.2.3 Stamp tax

No tax inspection has been performed yet.

35.2.4 Payroll tax

The company pays the payroll taxes on a timely basis and no tax inspection has been performed yet.

35.3 ACC for Management and Trading Company

35.3.1 Corporate income tax

The company prepares its tax return according to income tax laws and regulations and submits them in their due dates, and no tax inspection has been performed yet.

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Notes to the Consolidated Financial Statements

For the Year Ended December 31, 2017

35.3.2 Sales tax

The company submits its sales tax returns in their due dates and no tax inspection has been performed yet.

35.3.3 Stamp tax

No tax inspection has been performed yet.

35.3.4 Payroll tax

The company pays the payroll taxes on a timely basis and no tax inspection has been performed yet.

35.4 Evolve

35.4.1 Corporate Tax:

The company was not inspected from the beginning of the activity until 31/12/2017.

35.4.2 Stamp Tax:

The company was not inspected from the beginning of the activity until 31/12/2017.

35.4.3 Value Added Tax:

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

35.4.4 Salaries Tax:

The company has not been inspected since the beginning of the activity until 31/12/2017.

The company is regular in paying wages and salaries tax.

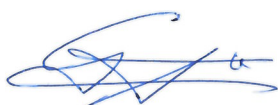
36. Restate the comparison figures

The comparative figures have been restated as a result of the reclassification of the value of the operating license of the Company from fixed assets to intangible assets as shown in the table below and there is no impact of this amendment on the statement of profits or losses.

EGP	2016 Before restating	Restating	2016 After restating
Effect on statement of financial position			
Fixed Assets (Net)	2 890 580 340	(360 205 859)	2 530 374 481
Intangible Assets (Net)	86 622 259	360 205 859	446 828 118
Effect on cash flow statement			
Fixed assets depreciation.	183 571 516	(28 156 249)	155 415 267
Amortization of intangible assets.	22 520 000	28 156 249	50 676 249

37. Approval of financial statements

The consolidated financial statements were approved by the directors and authorized for issue on March 25, 2018.



Sergio Alcantarilla Rodriguez
Chief Executive Officer



Allan Hestbech
Chief Financial Officer