

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

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

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## 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, 2019, 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, 2019, and the results of its consolidated operation and its consolidated cash flows for the year then ended in accordance with Egyptian Accounting Standards and the applicable Egyptian laws and regulations relating to the preparation of these consolidated financial statements.

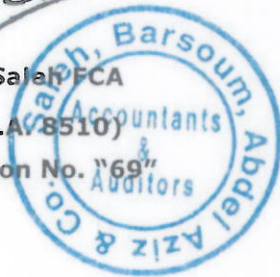
Cairo, February 27, 2020



**Kamel Magdy Saleh FCA**

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

**CMA Registration No. "69"**



Arabian Cement Company S.A.E.

Consolidated statement of financial position

At 31 December 2019

EGP	Notes	31 December 2019	31 December 2018
<b>Assets</b>			
<b>Non-current assets</b>			
Property, plant and equipment	11	2 408 100 199	2 473 177 771
Assets under construction	12	3 777 941	106 904 072
Intangible assets	13	294 799 369	345 475 618
Other Assets	14	11 951	47 801
Right of use		3 086 102	--
Investments in a joint venture	15	2 308 791	2 264 213
<b>Total non-current assets</b>		<b>2 712 084 353</b>	<b>2 927 869 475</b>
<b>Current assets</b>			
Inventories	16	162 831 419	287 985 828
Trade receivables	17	27 529 031	92 994 532
Debtors and other debit balances	18	115 574 736	107 874 288
Cash and bank balances	19	101 331 254	184 590 855
<b>Total current assets</b>		<b>407 266 440</b>	<b>673 445 503</b>
<b>Total assets</b>		<b>3 119 350 793</b>	<b>3 601 314 978</b>

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

EGP	Notes	31 December 2019	31 December 2018
<b>Equity</b>			
<b>Capital and reserves</b>			
Issued and paid-up capital	20	757 479 400	757 479 400
Legal reserve	21	254 820 827	231 456 593
Retained earnings	22	151 416 266	329 029 161
<b>Equity attributable to owners of the Parent Company</b>		<b>1 163 716 493</b>	<b>1 317 965 154</b>
Non-controlling interests	23	30 980	2 149 810
<b>Total equity</b>		<b>1 163 747 473</b>	<b>1 320 114 964</b>
<b>Non-current liabilities</b>			
Borrowings	24	491 836 958	619 160 870
Deferred tax liabilities	9.3	338 826 864	344 798 687
Other liabilities	27	--	12 308 000
Finance leasing		1 538 321	--
<b>Total non-current liabilities</b>		<b>832 202 143</b>	<b>976 267 557</b>
<b>Current liabilities</b>			
Trade payables	25	704 046 978	592 601 887
Credit facilities	24	62 035 301	273 674 586
Current income tax payable	9.2	13 903 338	293 208
Current portion of long-term borrowings	24	90 356 520	77 731 487
Current portion of long-term other liabilities	27	12 308 000	124 681 184
Creditors and other credit balances	29	216 252 373	216 867 519
Finance leasing	33	981 360	--
Due to related parties	31	10 743 810	8 460 876
Provisions	26	12 773 497	10 621 710
<b>Total current liabilities</b>		<b>1 123 401 177</b>	<b>1 304 932 457</b>
<b>Total liabilities</b>		<b>1 955 603 320</b>	<b>2 281 200 014</b>
<b>Total equity and liabilities</b>		<b>3 119 350 793</b>	<b>3 601 314 978</b>

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

**Sergio Alcantarilla Rodriguez**

Chief Executive Officer

**Salvador Lopez**

Chief Financial Officer

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

<b>EGP</b>	<b>Notes</b>	<b>31 December 2019</b>	<b>31 December 2018</b>
Sales revenue	4	3 101 527 489	3 274 705 803
Cost of sales	5	(2 894 882 469)	(2 821 949 633)
<b>Gross profit</b>		<b>206 645 020</b>	<b>452 756 170</b>
General and administration expenses	6	(103 266 465)	(112 941 890)
Provisions	26	(2 151 787)	(2 245 000)
Impairment in trade receivables	17	( 626 140)	--
Reverse impairment in trade receivables	17	--	75 000
Impairment in other debit balance. provisions no longer required	26	(1 618 310)	2 201 219
Interest income		4 306 309	4 913 813
Other income		4 346 957	9 033 836
Finance costs	7	(137 158 211)	(111 059 969)
Gain on disposal of property, plant and equipment		15 398	--
Share of profit of a joint venture	15	44 578	240 339
Gain / (Losses) on net foreign exchange		66 332 750	(3 896 880)
<b>Profit for the year before tax</b>		<b>36 870 099</b>	<b>239 076 638</b>
Income tax expense	9.1	(7 931 515)	(7 434 476)
<b>Profit for the year after tax</b>		<b>28 938 584</b>	<b>231 642 162</b>
<b>Profit attributable to:</b>			
Owners of the Parent Company		28 927 908	232 910 621
Non-controlling interests	23	10 676	(1 268 459)
		<b>28 938 584</b>	<b>231 642 162</b>
<b>Earnings per share</b>			
Basic	10	0.06	0.60

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

**Sergio Alcantarilla Rodriguez**

Chief Executive Officer

**Salvador Lopez**

Chief Financial Officer

Arabian Cement Company S.A.E.  
 Consolidated statement of comprehensive income  
 For the year ended 31 December 2019

EGP	Notes	31 December 2019	31 December 2018
<b>Profit for the year, net of income tax</b>		<b>28 938 584</b>	<b>231 642 162</b>
<b>Other comprehensive income, net of income tax</b>			
<b>Total other comprehensive income for the year, net of income tax</b>			<b>--</b>
<b>Total comprehensive income for the year</b>		<b>28 938 584</b>	<b>231 642 162</b>
<b>Total comprehensive income attributable to:</b>			
Owners of the Parent Company		28 927 908	232 910 621
Non-controlling interests	23	10 676	(1 268 459)
		<b>28 938 584</b>	<b>231 642 162</b>
<b>Earnings per share</b>			
Basic	10	0.06	0.60

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

**Sergio Alcantarilla Rodriguez**

Chief Executive Officer

**Salvador Lopez**

Chief Financial Officer



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

EGP	Issued Capital	Legal reserve	Retained earnings	Attributable to owners of the Mother Company	Non-controlling interests	Total
<b>Balance at 1 January 2018</b>	<b>757 479 400</b>	<b>209 713 200</b>	<b>325 021 738</b>	<b>1 292 214 338</b>	<b>22 017</b>	<b>1 292 236 355</b>
Profit for the year	--	--	232 910 621	232 910 621	(1 268 459)	231 642 162
Other comprehensive income for the year	--	--	--	--	--	--
<b>Total comprehensive income for the year</b>	<b>--</b>	<b>--</b>	<b>232 910 621</b>	<b>232 910 621</b>	<b>(1 268 459)</b>	<b>231 642 162</b>
Non-controlling interest resulting from acquisition	--	--	--	--	3 396 252	3 396 252
Egypt Green Transfer to legal reserve	--	21 743 393	(21 743 393)	--	--	--
Dividends	--	--	(207 159 805)	(207 159 805)	--	(207 159 805)
<b>Balance at 31 December 2018</b>	<b>757 479 400</b>	<b>231 456 593</b>	<b>329 029 161</b>	<b>1 317 965 154</b>	<b>2 149 810</b>	<b>1 320 114 964</b>
<b>Balance at 1 January 2019</b>	<b>757 479 400</b>	<b>231 456 593</b>	<b>329 029 161</b>	<b>1 317 965 154</b>	<b>2 149 810</b>	<b>1 320 114 964</b>
Change in accounting policy	--	--	2 076 172	2 076 172	202	2 076 374
<b>Balance at 1 January 2019- Restated</b>	<b>757 479 400</b>	<b>231 456 593</b>	<b>331 105 333</b>	<b>1 320 041 326</b>	<b>2 150 012</b>	<b>1 322 191 338</b>
Profit for the year	--	--	28 927 908	28 927 908	10 676	28 938 584
Other comprehensive income for the year	--	--	--	--	--	--
<b>Total comprehensive income for the year</b>	<b>--</b>	<b>--</b>	<b>28 927 908</b>	<b>28 927 908</b>	<b>10 676</b>	<b>28 938 584</b>
Transfer to legal reserve	--	23 364 234	(23 364 234)	--	--	--
Acquisition of Non-controlling interest resulting in Egypt Green	--	--	--	--	(2 129 708)	(2 129 708)
Dividends	--	--	(185 252 741)	(185 252 741)	--	(185 252 741)
<b>Balance at 31 December, 2019</b>	<b>757 479 400</b>	<b>254 820 827</b>	<b>151 416 266</b>	<b>1 163 716 493</b>	<b>30 980</b>	<b>1 163 747 473</b>

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

**Sergio Alcantarilla Rodriguez**  
Chief Executive Officer



**Salvador Lopez**  
Chief Financial Officer



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

EGP	Notes	31 December 2019	31 December 2018
<b>Cash flows from operating activities</b>			
Profit for the year before taxes		<b>36 870 099</b>	<b>239 076 638</b>
Adjustments for:			
Finance costs recognized in profit or loss	7	137 158 211	111 059 969
Interest income		(4 306 309)	(4 913 813)
Share of profit of a joint venture		( 44 578)	( 240 339)
Impairment loss recognized on the trade receivables		626 140	--
Impairment loss on debtors used during year		--	(4 982 129)
Reversal of impairment for trade receivables		--	( 75 000)
Impairment loss on debtors during year		1 618 310	--
Loss/(gain) on disposal of property, plant and equipment		( 15 398)	--
Depreciation of property, plant and equipment	11	210 637 159	199 833 161
Amortization of intangible assets	13	50 676 249	50 676 251
Amortization of other assets		35 850	35 852
Amortization of right of use		4 312 948	--
Net (Gain) / Loss from foreign exchange rate differences		(36 967 391)	--
Reversal of provisions	26	--	(2 201 219)
Provisions formed	26	2 151 787	2 245 000
<b>Movements in working capital</b>			
decrease / (Increase) in inventories		125 154 409	(53 864 310)
decrease / (Increase) in debtors and other debit balances		(9 318 758)	(20 772 011)
decrease / (Increase) in trade receivables		64 839 361	(77 203 196)
(Decrease)in creditors and other credit balances		(3 138 860)	94 814 548
Increase in trade payables		111 445 091	130 372 389
(Decrease) in due to related parties		2 282 934	1 076 699
Provisions used in cash	26	--	(5 115 295)
<b>Cash generated by operations</b>		<b>694 017 254</b>	<b>659 823 195</b>
Interest paid		(134 634 496)	(108 723 494)
Income taxes paid		( 293 208)	( 110 901)
<b>Net cash generated by operating activities</b>		<b>559 089 550</b>	<b>550 988 800</b>

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

<b>EGP</b>	<b>Notes</b>	<b>31 December 2019</b>	<b>31 December 2018</b>
<b>Cash flows from investing activities</b>			
Payments for property, plant and equipment	11	(38 380 668)	(27 405 852)
Net cash flow from acquisition of subsidiaries	33	--	(4 703 423)
Proceeds from sale of property, plant and equipment		169 693	--
Payments for assets under construction	12	(3 436 791)	(96 669 881)
Acquisition of Non-controlling interest in Egypt Green		(2 900 000)	--
Interest income		4 306 309	4 913 813
<b>Net cash (used in) investing activities</b>		<b>(40 241 457)</b>	<b>(123 865 343)</b>
<b>Cash flows from financing activities</b>			
Repayment of borrowings		(77 731 488)	(71 743 852)
Repayment of credit facilities	24	(211 639 285)	(26 745 065)
Repayment of finance leasing		(2 802 996)	--
Payment of dividends		(185 252 741)	(207 159 805)
Repayment of other liabilities		(124 681 184)	(70 441 501)
<b>Net cash (used in) financing activities</b>		<b>(602 107 694)</b>	<b>(376 090 223)</b>
Net increase / (decrease) in cash and cash equivalents		(83 259 601)	51 033 234
Cash and cash equivalents at the beginning of the year		184 590 855	133 557 621
<b>Cash and cash equivalents at the end of the year</b>	19	<b>101 331 254</b>	<b>184 590 855</b>

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

**Sergio Alcantarilla Rodriguez**

Chief Executive Officer

**Salvador Lopez**

Chief Financial Officer

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

Notes to the Consolidated Financial Statements

For the Year Ended December 31, 2019

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### **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 admin office changed to be on Gamal Abdel Nasser square (west Arabella), Fifth Settlement Arabella Plaza, Office Building (A), 5th floor.

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

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

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

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

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

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

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

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

**2.2 Basis of preparation**

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

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

The principal accounting policies are set out below.

**2.3 Basis of consolidation**

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

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

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

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

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

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

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

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

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

**Changes in the Group's ownership interests in existing subsidiaries**

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

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

**2.4 Business combinations**

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

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

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

## Arabian Cement Company S.A.E.

### Notes to the Consolidated Financial Statements

For the Year Ended December 31, 2019

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

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

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

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

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

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

**2.5 Investments in a joint venture**

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

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

**2.6.3 Dividend and interest income**

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

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



#### **2.6.4 Cost of sales**

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

#### **2.7 Leasing**

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

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

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

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

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

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

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

##### **Initial measurement of the lease liability**

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

##### **Subsequent measurement of the lease liability**

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

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

## Arabian Cement Company S.A.E.

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### 2.8 Foreign currencies

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

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

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

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

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

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

### 2.9 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.

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

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

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

### **2.11 Taxation**

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

#### **2.11.1 Current tax**

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

#### **2.11.2 Deferred tax**

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

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

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

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

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

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

**2.11.3 Current and deferred tax for the year**

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

**2.12 Property, plant and equipment**

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

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

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

Freehold land is not depreciated.

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

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

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

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

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

### Andalus Ready-Mix Concrete

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

### Evolve for Investment

<b>Assets</b>	<b>Useful life</b>
Furniture, fixtures and office equipment	3 years
Vehicles	5 years
Computer and software	3 years

## **2.13 Intangible assets**

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

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

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

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

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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.

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

### **2.18 Financial assets**

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

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

#### **2.18.1 Classification of financial assets**

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

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

All other financial assets are subsequently measured at fair value.

#### **2.18.2 Effective interest method**

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

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

#### **2.18.3 Impairment of financial assets**

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

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

Objective evidence of impairment could include:

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

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

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

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

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

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

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

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

### **2.19 Financial liabilities and equity instruments**

#### **2.19.1 Classification as debt or equity**

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



### **2.19.2 Equity instruments**

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

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

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

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

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

### **2.19.3 Financial liabilities**

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

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

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

All other financial liabilities are classified as non-current.

### **2.19.4 De-recognition of financial liabilities**

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

### **2.20 Grants**

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

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

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

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

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

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

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

#### **3.1 Critical judgements in applying accounting policies**

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

##### **3.1.1 Deferred income taxes**

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

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

#### **3.2 Key sources of estimation uncertainty**

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

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

The carrying value of the Group's property, plant and equipment at the end of the current reporting period is 2 408 100 199 EGP (31 December 2018: EGP 2 473 177 771). 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 294 799 369 EGP (31 December 2018: EGP 345 475 618), (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 12 773 497 (31 December 2018: EGP 10 621 710). This amount is based on estimates of future costs for legal cases and other claims in connection with the Group's operations (note 26). As the provisions cannot be determined exactly, the amount could change based on future developments. Changes in the amount of provisions due to change in management estimates are accounted for on a prospective basis and recognized in the period in which the change in estimates arises.

## 4. Sales revenue

EGP	2019	2018
Local sales	2 604 758 736	2 838 120 489
Export sales	342 865 036	317 378 870
Services	153 903 717	119 206 444
<b>Total</b>	<b>3 101 527 489</b>	<b>3 274 705 803</b>

## 5. Cost of sales

EGP	2019	2018
Raw materials	2 351 514 978	2 320 100 398
Manufacturing depreciation	206 253 826	195 184 124
Amortization of intangible assets	50 676 249	50 676 251
Amortization of right of use	4 312 948	--
Transportation cost	96 873 618	83 978 028
Overhead cost	185 250 850	172 010 832
<b>Total</b>	<b>2 894 882 469</b>	<b>2 821 949 633</b>

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**6. General and administration expenses**

<b>EGP</b>	<b>2019</b>	<b>2018</b>
Professional fees	11 974 442	8 929 549
Salaries and wages	46 937 484	60 532 548
Security and cleaning services	1 904 690	1 975 065
Rentals	2 445 633	10 716 625
Transportation	2 143 162	2 760 426
Advertising	1 372 667	1 035 217
Administration depreciation	4 383 333	4 553 071
Other expenses	32 105 054	22 439 389
<b>Total</b>	<b>103 266 465</b>	<b>112 941 890</b>

**7. Finance costs**

<b>EGP</b>	<b>2019</b>	<b>2018</b>
Loan interest expense	73 838 954	74 061 563
Operation licence interest expense *	15 286 637	212 398
Electricity agreement interest expense	12 282 000	12 282 000
Finance lease	659 250	--
Other finance cost	6 531 854	--
Bank overdraft interest expense	28 559 516	24 504 008
<b>Total</b>	<b>137 158 211</b>	<b>111 059 969</b>

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

**8. Compensation of key management personnel**

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

**9. Income taxes****9.1 Income tax expense recognised in profit or loss**

<b>EGP</b>	<b>2019</b>	<b>2018</b>
<b>Current tax</b>		
Current tax expense for the current year	13 903 338	293 208
<b>Deferred tax</b>		
Net deferred tax recognized in the current year	(5 971 823)	7 141 268
<b>Total income tax expense recognized in the current year</b>	<b>7 931 515</b>	<b>7 434 476</b>

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

EGP	2019	2018
Profit before tax from continuing operations	40 195 028	239 076 638
Tax using applicable tax rate 22.5%	9 043 881	53 792 244
<b>Add</b>		
Effect of reversal of accounting depreciation and amortization	257 301 916	250 166 071
Effect of expenses that are not deductible in determining taxable profit	16 777 137	13 845 589
Effect of provisions formed that are not deductible in determining taxable profit	3 602 097	2 245 000
Changes in accounting policy	361 078	
Effect of unrealized net foreign exchange losses that are not deductible in determining taxable profit	25 195 419	90 822 470
<b>Less</b>		
Effect of tax depreciation and amortization that are deductible in determining taxable profit	(204 614 892)	(254 595 047)
Capital gain	( 15 398)	--
Effect of realized net foreign exchange gain that are deductible in determining taxable profit	(63 866 042)	(336 714 996)
Effect of provisions used that are deductible in determining taxable profit	--	(9 211 137)
Carry forward tax losses	(13 143 728)	--
Others	--	( 120 223)
<b>Tax base</b>	<b>61 792 615</b>	<b>--</b>
<b>Income tax expense recognized in profit or loss</b>	<b>13 903 338</b>	<b>--</b>

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

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

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### 9.2 Current tax liabilities

EGP	2019	2018
Current tax expense(note 9.1)	13 903 338	293 208
<b>Current tax liabilities</b>	<b>13 903 338</b>	<b>293 208</b>

### 9.3 Deferred tax balances

Deferred tax liabilities arise from the following:

2019	Opening balance	Recognized in profit or loss	Closing balance
<b>EGP</b>			
<b>(Liabilities)</b>			
<b>Temporary differences</b>			
Property, plant & equipment	344 798 687	(5 971 823)	338 826 864
<b>Net deferred tax liability</b>	<b>344 798 687</b>	<b>(5 971 823)</b>	<b>338 826 864</b>
<b>2018</b>			
<b>EGP</b>			
<b>(Liabilities)</b>			
<b>Temporary differences</b>			
Property, plant & equipment	337 657 419	7 141 268	344 798 687
<b>Net deferred tax liability</b>	<b>337 657 419</b>	<b>7 141 268</b>	<b>344 798 687</b>

### 10. Earnings per share

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

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

	2019	2018
<b>Earnings (for basic and diluted earnings per share)</b>		
Profit for the year attributable to owners of the parent (EGP)	28 927 908	232 910 621
Employees share in dividends(note 18) (EGP)	(7 066 424)	(7 245 080)
<b>Distributable net profit for the year (EGP)</b>	<b>21 861 484</b>	<b>225 665 541</b>
<b>Number of shares (for basic and diluted earnings per share)</b>		
Weighted average number of ordinary shares for the purposes of EPS	378 739 700	378 739 700
<b>Earnings per share from continuing operations (EGP)</b>	<b>0.06</b>	<b>0.60</b>

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

Notes to the Consolidated Financial Statements  
For the Year Ended December 31, 2019

**11. Property, plant and equipment**

EGP	Freehold land	Buildings	Machinery and equipment	Vehicles	Furniture, fixtures and office equipment	Other installations	Computer and software	Total
<b>COST</b>								
Balance at 1 January 2018	50 243 436	565 337 906	2 538 896 913	27 259 969	12 636 623	283 986 345	19 567 887	3 497 929 079
Additions	--	2 277 799	10 143 827	8 285 137	525 413	5 019 460	1 154 216	27 405 852
Assets generated from the acquisition of Egypt Green	--	--	980 700	824 500	--	--	--	1 805 200
Transfer from Inventory	--	--	23 719 198	--	--	--	--	23 719 198
Transfer from assets under construction	--	4 260 163	243 598 242	--	--	1 434 667	--	249 293 072
Disposals	--	--	--	(420 000)	--	--	--	(420 000)
<b>Balance at 31 December, 2018</b>	<b>50 243 436</b>	<b>571 875 868</b>	<b>2 817 338 880</b>	<b>35 949 606</b>	<b>13 162 036</b>	<b>290 440 472</b>	<b>20 722 103</b>	<b>3 799 732 401</b>
Balance at 1 January 2019	50 243 436	571 875 868	2 817 338 880	35 949 606	13 162 036	290 440 472	20 722 103	3 799 732 401
Additions	--	6 406 390	9 864 778	10 439 322	729 531	10 317 880	622 767	38 380 668
Disposals	--	--	--	(343 363)	--	--	--	(343 363)
Transfer from assets under construction	--	57 862 688	45 663 739	--	1 700 031	2 106 756	--	107 333 214
<b>Balance at 31 December 2019</b>	<b>50 243 436</b>	<b>636 144 946</b>	<b>2 872 867 397</b>	<b>46 045 565</b>	<b>15 591 598</b>	<b>302 865 108</b>	<b>21 344 870</b>	<b>3 945 102 920</b>

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

Notes to the Consolidated Financial Statements

For the Year Ended December 31, 2019

EGP	Freehold land	Buildings	Machinery and equipment	Vehicles	Furniture, fixtures and office equipment	Other installations	Computer and software	Total
<b>Accumulated depreciation and impairment</b>								
<b>Balance at 1 January 2018</b>	--	<b>176 887 377</b>	<b>829 394 523</b>	<b>14 191 965</b>	<b>3 907 688</b>	<b>88 230 225</b>	<b>13 392 860</b>	<b>1 126 004 638</b>
Eliminated on disposals of assets	--	--	--	( 210 000)	--	--	--	( 210 000)
Depreciation expense	--	29 158 863	146 506 387	3 856 214	1 449 421	15 758 626	3 103 650	199 833 161
<b>Balance at 1 January 2019</b>	--	<b>206 046 240</b>	<b>976 367 335</b>	<b>18 298 585</b>	<b>5 357 109</b>	<b>103 988 851</b>	<b>16 496 510</b>	<b>1 326 554 630</b>
Depreciation expense	--	29 426 019	154 744 342	5 521 029	1 608 107	16 562 436	2 775 226	210 637 159
Eliminated on disposals of assets	--	--	--	189 068	--	--	--	189 068
<b>Balance at 31 December 2018</b>	--	<b>235 472 259</b>	<b>1 131 111 677</b>	<b>23 630 546</b>	<b>6 965 216</b>	<b>120 551 287</b>	<b>19 271 736</b>	<b>1 537 002 721</b>
<b>Carrying amount</b>								
<b>At 31 December 2019</b>	<b>50 243 436</b>	<b>400 672 687</b>	<b>1 741 755 720</b>	<b>22 415 019</b>	<b>8 626 382</b>	<b>182 313 821</b>	<b>2 073 134</b>	<b>2 408 100 199</b>
<b>At 31 December 2018</b>	<b>50 243 436</b>	<b>365 829 628</b>	<b>1 840 971 545</b>	<b>17 651 021</b>	<b>7 804 927</b>	<b>186 451 621</b>	<b>4 225 593</b>	<b>2 473 177 771</b>

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

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

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

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

The depreciation expense for the item of furniture and computers is included in the item of general and administrative expenses, note (6) in the amount of EGP 4 383 333. The depreciation expense for the remaining assets is included in the cost of sales of note (5) in the amount of EGP 206 253 826.

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



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

Notes to the Consolidated Financial Statements

For the Year Ended December 31, 2019

**12. Assets under construction**

<b>EGP</b>	<b>2019</b>	<b>2018</b>
Balance as of January 1	106 904 072	249 232 824
Additions	4 031 855	96 635 316
Project under construction resulted from acquisition of Egypt		
Green	--	10 294 439
Transfer to fixed assets	(107 333 214)	(249 293 072)
Transfer to advance to supplier	175 228	34 565
<b>Total</b>	<b>3 777 941</b>	<b>106 904 072</b>

Projects under construction are represented in the following categories:

Buildings	--	55 693 555
Machinery and equipment	3 465 713	16 237 235
Other installations	137 000	34 938 717
Advance to suppliers	175 228	34 565
<b>Total</b>	<b>3 777 941</b>	<b>106 904 072</b>

**13. Intangible assets (net)**

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

## Arabian Cement Company S.A.E.

Notes to the Consolidated Financial Statements

For the Year Ended December 31, 2019

### 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	2019	2018
Cost	143 404	143 404
Accumulated amortization		
Balance at the beginning of the year	(95 603)	(59 751)
Amortization for the year	(35 850)	(35 852)
<b>Accumulated amortization At year end</b>	<b>(131 453)</b>	<b>(95 603)</b>
<b>Net</b>	<b>11 951</b>	<b>47 801</b>

\* 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		
		2019	2018	2018
Andalus Reliance for mining Company	Egypt	50%	2 308 791	2 264 213
<b>Total</b>			<b>2 308 791</b>	<b>2 264 213</b>

## Arabian Cement Company S.A.E.

Notes to the Consolidated Financial Statements

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

	2019	2018
Current assets	12 070 682	9 533 068
Non-current assets	8 318	10 342
Current liabilities	7 459 548	4 858 350
Non-current liabilities	1 871	2 327
Net assets	4 617 581	4 528 426
Revenue for the year	50 378 007	41 271 956
Profit for the year	89 155	480 678
Other comprehensive income for the year	--	--
Total comprehensive income for the year	89 155	480 678
Group's share of comprehensive income for the period	44 578	240 339

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

	2019	2018
Net assets of the joint venture over Group level	4 617 581	4 528 426
Proportion of the Group's ownership interest in joint venture	50%	50%
<b>Carrying amount of the Group's interest in joint venture</b>	<b>2 308 791</b>	<b>2 264 213</b>

### 16. Inventories

EGP	2019	2018
Raw materials	47 495 140	101 592 095
Packing materials	10 982 921	32 340 022
Spare parts	11 178 035	10 561 524
Work in progress	1 967 307	2 767 805
Finished goods	91 208 016	140 724 382
<b>Total</b>	<b>162 831 419</b>	<b>287 985 828</b>

### 17. Trade receivables

EGP	2019	2018
Trade receivables	29 532 651	94 372 012
Less: Impairment in trade receivables	(2 003 620)	(1 377 480)
<b>Total</b>	<b>27 529 031</b>	<b>92 994 532</b>

Movement in the allowance for doubtful debt:

EGP	2019	2018
Balance at beginning of year	1 377 480	1 452 480
Impairment losses recognised on receivables	626 140	--
Impairment losses reversed (allowance no longer required)	--	(75 000)
<b>Balance at end of year</b>	<b>2 003 620</b>	<b>1 377 480</b>

Aging of receivables that are past due but not impaired:

EGP	2019	2018
Less than 30 days	20 223 767	85 059 923
Between 30 to 60 days	5 960 163	4 719 205
Between 60 to 90 days	536 743	1 536 200
Between 90 to 120 days	2 811 979	1 679 204
<b>Total</b>	<b>29 532 652</b>	<b>92 994 532</b>

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

Notes to the Consolidated Financial Statements

For the Year Ended December 31, 2019

**18. Debtors and other debit balances**

EGP	2019	2018
Advance to suppliers	23 658 293	35 561 777
Withholding tax	22 199 927	10 387 525
Deposit with others	61 498 053	44 684 709
Employees dividends in advance	7 066 424	7 245 080
Letter of credit	--	6 877 000
Letters of guarantee – cash margin	338 851	34 049
Cash imprest	2 581 390	3 295 166
Other debit balances	180 046	377 264
Less: Impairment in other debit balance	(1 948 248)	( 588 282)
<b>Total</b>	<b>115 574 736</b>	<b>107 874 288</b>

**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	2019	2018
Cash on hand	1 397 352	1 434 147
Current account – local currency	54 901 822	62 159 310
Current account – foreign currency	8 265 465	25 266 756
Bank deposits	36 766 615	95 730 642
<b>Total</b>	<b>101 331 254</b>	<b>184 590 855</b>

**20. Capital**

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

**21. Legal reserve**

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

## Arabian Cement Company S.A.E.

Notes to the Consolidated Financial Statements

For the Year Ended December 31, 2019

### 22. Retained earnings

EGP	2019	2018
Balance at beginning of year	329 029 161	325 021 738
Change in accounting policy	2 076 172	--
Profit attributable to owners of the Parent Company	28 927 908	232 910 621
Transfer to legal reserve	(23 364 234)	(21 743 393)
Payments of dividends	(185 252 741)	(207 159 805)
<b>Balance at end of year</b>	<b>151 416 266</b>	<b>329 029 161</b>

### 23. Non-controlling interests

EGP	2019	2018
Balance at beginning of year	2 149 810	22 017
Change in accounting policy	202	--
Acquisition on NCI in Egypt Green	(2 129 708)	--
NCI resulted from the acquisition on Egypt Green	--	3 396 252
Profit attributable to Non-controlling interest	10 676	(1 268 459)
<b>Balance at end of year</b>	<b>30 980</b>	<b>2 149 810</b>

### 24. Borrowings

EGP	Current		Non-current	
	2019	2018	2019	2018
<b>First:- Credit facilities</b>				
Credit facilities - CIB	62 035 301	273 674 586	--	--
<b>Total Facilities</b>	<b>62 035 301</b>	<b>273 674 586</b>	<b>--</b>	<b>--</b>
<b>Second :- Bank Loans</b>				
Bank loans - CIB	20 400 000	5 100 000	229 500 000	249 900 000
Less: Loan finance cost	--	(637 500)	--	--
<b>Net Loans – CIB (A)</b>	<b>20 400 000</b>	<b>4 462 500</b>	<b>229 500 000</b>	<b>249 900 000</b>
Bank loans - EBRD	69 956 520	77 739 130	262 336 958	369 260 870
Less: Loan finance cost	--	(4 470 143)	--	--
<b>Net Loans – EBRD (B)</b>	<b>69 956 520</b>	<b>73 268 987</b>	<b>262 336 958</b>	<b>369 260 870</b>
<b>Total Loans (A+B)</b>	<b>90 356 520</b>	<b>77 731 487</b>	<b>491 836 958</b>	<b>619 160 870</b>

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

## Arabian Cement Company S.A.E.

Notes to the Consolidated Financial Statements

For the Year Ended December 31, 2019

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

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

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

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

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

- Conclude first-degree pledge on each of the facility accounts in favour of the lender for itself and the lending banks thereon by no later than five days from the contract date.
- Conclude in favour of the lender, for itself and on behalf of the lending banks a first degree real-estate mortgage on the land and the buildings and other real property of the borrower that are built thereon by no later than six months from the date of the issuance of the relevant power of attorney in favour of the lender and by no later than 30 September 2019. The borrower shall add any buildings to be added to the aforementioned mortgage.
- Conclude in favour of the lender, for itself and on behalf of the lending banks a first degree FDC mortgage over the tangible and intangible assets of the borrower including machinery and equipment, goodwill and industrial property rights related to the borrower's assets, no later than the date falling (1) month from the date of the insurance of the relevant power of attorney in favour of the lender and by no later than 30 April 2019.
- Issue irrevocable powers of attorney authorizing the Lender, for itself and on behalf of the lending banks, to conclude and register each of the Mortgages.
- Endorsement of the Borrower's all-risk insurance policy/policies in favour of the lender for itself and on behalf of the lenders in all assets in no more than (2) weeks from the date of this agreement, covering not less than 110% of the loans extended to the borrower by the lending banks.
- Not to distribute dividends unless the Borrower is in compliance with all financial covenants pre and post distribution and no occurrence of the event of default would be caused as a result of said distribution.

## Arabian Cement Company S.A.E.

### Notes to the Consolidated Financial Statements

For the Year Ended December 31, 2019

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- The borrower undertakes that the financial leverage ratio shall not to exceed (2) in the financial year of 2019 and (1.5) thereafter throughout the remaining tenor of the facility.
- The Borrower undertakes that the debt service ratio "DSR" shall not to fall below (1) throughout the tenor of the facility.
- The Borrower undertakes that the capital expenditures in excess of EGP 100m. annually to be financed through equity injections and/or subordinated shareholders subject to the Lender's notification and presenting a revised business plan. the aforementioned is subject to the Borrower's compliance with all financial covenant for the fiscal year and will not be breach of any financial covenants as a result of such capital expenditures.
- The Borrower undertakes that the Net financial Debt to EBITDA shall not exceed 2.5x.
- The main shareholder undertakes an irrevocable and unconditional undertaking not to waive any portion of the controlling interest that is less than 50% plus (1) share without obtaining the bank's prior written consent.

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

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

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

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

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

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

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

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

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

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## Notes to the Consolidated Financial Statements

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In accordance with the previous contract with the National Bank of Egypt (NBE) dated 30 June 2013, this contract included the fact that the Borrower has 20% of the amount of financing granted by the Bank after full-filament of several conditions which were fully met during 2018. Thus the grant which is with total amount of EGP 13.6 million has been treated according to the Egyptian accounting standard Number (12) by using revenue accounting for the grant as it recoded as deferred revenues on the other credit balances and to be recorded on the statement of profits or losses for the remaining useful life of the related asset (Alternative fuel line), and the amount recorded on the statement of profits or losses for 2018 is EGP 718 742 recorded as other income and the remaining amount of EGP 12 937 358 recorded in other credit balance refer to note (29)

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

**25. Trade payables**

EGP	2019	2018
Local trade payables	362 180 615	271 233 921
Foreign trade payables	341 866 363	314 467 966
Notes payable	--	6 900 000
<b>Total</b>	<b>704 046 978</b>	<b>592 601 887</b>

**26. Provisions**

EGP	Provision for claims
<b>Balance at 1 January 2019</b>	10 621 710
Additional provisions recognized	2 151 787
Used during the year	--
Reversal of provisions	--
<b>Balance at 31 December 2019</b>	<b>12 773 497</b>

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

**28. Dividends payable**

On December 1, 2018, the company's Ordinary General Assembly meeting approved the profits distribution on the shareholders according to the distributable profits for the financial year ended December 31, 2017. The Ordinary General Assembly was approved by General Authority for Investment and Free Zones (GAFI) on December 2, 2018. The dividends were fully paid.



## Arabian Cement Company S.A.E.

Notes to the Consolidated Financial Statements

For the Year Ended December 31, 2019

### 29. Creditors and other credit balances

EGP	2019	2018
Advances from customers	45 923 565	52 855 704
Accrued development fees	18 111 127	19 836 333
Accrued customers rebates	63 136 807	58 252 104
Accrued expenses	7 945 031	6 478 469
Retention	5 202 664	6 404 557
Accrued interest	12 583 589	10 059 874
Accrued taxes	47 835 797	48 127 486
Accrued revenue – Grant (Refer to note 24)	12 218 616	12 937 358
Creditors for purchase of investments in subsidiaries	–	287 956
other	3 295 177	1 627 678
<b>Total</b>	<b>216 252 373</b>	<b>216 867 519</b>

### 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 50% to 70% determined as the proportion of net debt to equity.

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

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

EGP	2019	2018
Debt (i)	659 056 460	1 107 556 127
Cash and cash equivalents	(101 331 254)	(184 590 855)
<b>Net debt</b>	<b>557 725 206</b>	<b>922 965 272</b>
<b>Equity (ii)</b>	<b>1 163 747 473</b>	<b>1 321 339 810</b>
<b>Net debt to equity ratio</b>	<b>48%</b>	<b>70%</b>

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

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

#### 30.2 Significant accounting policies

Details of the significant accounting policies and methods adopted, including the criteria for recognition, the basis of measurement and the basis on which income and expenses are recognised, in respect of each class of financial asset, financial liability and equity instrument are disclosed in note (2.18) and (2.19) Financial instruments.

## Arabian Cement Company S.A.E.

Notes to the Consolidated Financial Statements

For the Year Ended December 31, 2019

### 30.3 Categories of financial instruments

EGP	2019	2018
<b>Financial assets (i)</b>		
Cash and bank balances	101 331 254	184 590 855
Other debit balance	61 498 053	41 266 256
Trade receivable	29 532 652	94 372 012
<b>Financial liabilities (ii)</b>		
Trade payable	704 046 978	592 601 887
Borrowings	644 228 779	970 566 943
Finance lease	2 519 681	--
other liability	12 308 000	136 989 184
Creditors and other credit balances	20 528 620	16 826 299

(i) A total of EGP 222 million (2018: EGP 355 million) of other current assets does not meet the definition of a financial asset.

(ii) A total of EGP 567 million (2018: EGP 563 million) of other current liabilities does not meet the definition of a financial liability.

### 30.4 Market risk

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

### 30.5 Foreign currency risk management

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

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

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

#### Borrowings

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

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

EGP	Liabilities		Assets	
	2019	2018	2019	2018
Currency-USD	674 159 842	752 477 102	8 048 188	24 620 601
Currency-EUR	--	11 133 924	107 174	1 544 041

## Arabian Cement Company S.A.E.

Notes to the Consolidated Financial Statements

For the Year Ended December 31, 2019

### 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	
	2019	2018	2019	2018
Profit or loss	66 611 165	72 785 650	10 717	958 988

### 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 2018 would decrease / increase by EGP 6 442 288 million (2018: decrease / increase by EGP 9 705 669 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.

## Arabian Cement Company S.A.E.

Notes to the Consolidated Financial Statements

For the Year Ended December 31, 2019

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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.

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Notes to the Consolidated Financial Statements

For the Year Ended December 31, 2019

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

EGP	Nature of relationship	Nature of transaction	Amount of transaction	
			2019	2018
Cementos La union-Spain	Subsidiary of the parent	Services	--	104 486
Andalus Reliance for Mining Company	Joint Venture	Purchases	42 029 275	35 415 416

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

EGP	Due from related parties		Due to related parties	
	2018	2017	2019	2018
Cementos la Union – Spain Company	--	--	18 259	2 133 357
Andalus Reliance for Mining Company	--	--	10 725 551	6 327 519
<b>Total</b>	--	--	<b>10 743 810</b>	<b>8 460 876</b>

### 32. Non-cash transactions

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

- The transfer between fixed assets and projects under construction of EGP 107 333 214 have been eliminated.

### 33. Lease contract

#### 33.1 Right of Use

EGP	Vehicles	Machinery & Equipment	Total
<b>Cost</b>			
Cost as of January 1 , 2019	2 632 718	16 900 557	19 533 275
Additions during period	--	--	--
<b>Cost as of September 30, 2019</b>	<b>2 632 718</b>	<b>16 900 557</b>	<b>19 533 275</b>
<b>Less:- Accumulated amortization</b>			
Accumulated amortization as of			
January 1, 2019	2 107 477	10 026 749	12 134 226
Amortization for the period	511 920	3 801 028	4 312 948
<b>Total accumulated amortization as of</b>			
<b>December 31, 2019</b>	<b>2 619 397</b>	<b>13 827 777</b>	<b>16 447 174</b>
<b>Net book value December 31, 2019</b>	<b>13 321</b>	<b>3 072 780</b>	<b>3 086 101</b>

## Arabian Cement Company S.A.E.

Notes to the Consolidated Financial Statements

For the Year Ended December 31, 2019

### 33.2 Financial lease liability.

Financial lease liability recognized in the statement of financial position

EGP	Current		Non-current	
	2019	2018	2019	2018
lease liability	981 360	--	1 538 321	--
<b>TOTAL</b>	<b>981 360</b>	<b>--</b>	<b>1 538 321</b>	<b>--</b>

\* The lease interest cost during period amounted to EGP 659 250 (refer to note 6)

Undiscounted contractual obligations of finance leases

EGP	2019	2018
No longer than 1 year	2 018 504	3 996 974
Longer than 1 year and not longer than 5 years	782 169	4 352 135
<b>TOTAL</b>	<b>2 800 673</b>	<b>8 349 109</b>

### 33.3 Impact of change in accounting policy

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

EGP	January 1, 2019
Right-of-use assets – increase	7 399 049
Lease liabilities – increase	(5 322 675)
<b>Net impact on retained earnings</b>	<b>2 076 374</b>
Owners of the Parent Company	2 076 172
Non-controlling interests	202

### 34. Commitments for expenditure

The capital commitment as of December 31, 2018 amounted to EGP 1 082 000 related to fixed assets acquisitions.

### 35. Tax position

#### Arabian Cement Company

##### 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.

## Arabian Cement Company S.A.E.

Notes to the Consolidated Financial Statements

For the Year Ended December 31, 2019

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

The year for 2009 not requested for examination.

The year for 2010 was inspected. And the Authority amended the net tax base from the company's tax return from EGP 15.6 million to EGP LE 160 million. The dispute has been diverted to Dispute Settlement Committee. The dispute was resolved in conciliation with the key tax payer center, with some items referred for re-examination.

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

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

### **Sales tax and VAT**

The sales tax was inspected and settled until December 2015.

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

### **Stamp tax**

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

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

### **Payroll tax**

Payroll tax was inspected and taxes were settled until 2014.

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

### **Real estate tax**

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

### **Development fee**

The Company pays the due development fee for the cement produced from local clinker only. The Company has received claims for the payment of development fee differences, represented as follows: The development fee due and the delay penalties have been paid until 2014.

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

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

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

### **Additional sales tax**

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

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

Notes to the Consolidated Financial Statements

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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.

### **Withholding Tax**

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

### **Andalus Concrete Company**

#### **Corporate income tax**

Years from the beginning of the activity and until 2012, the documents, analyses and data required for the actual examination of the company were processed and the inspection procedures are underway.

The years 2013/2016 tax returns were prepared and delivered on time

#### **Sales tax**

The company has not been inspected since inception until 31/12/2019.

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

#### **Stamp tax**

The company has not been inspected since inception until 31/12/2019.

#### **Payroll tax**

The year 2010 was re-inspected, and the years from 2011 to 2013 have been inspected and pending notification of tax forms.

### **ACC for Management and Trading Company**

#### **Corporate income tax**

Tax returns have been filed from 2018 to 2011 on the dates prescribed by law in accordance with the provisions of the Income Tax Law No. 91 for 2005.

The company has received a claim on a deemed basis for the years 2011 till 2014 due to the prescription of these years, formal terms is in process to re-inspect in accordance to books and records of the company.

#### **Sales tax**

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

#### **Stamp tax**

No tax inspection has been performed yet.

#### **Payroll tax**

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

### **Evolve**

#### **Corporate Tax:**

The company provided tax returns until 2018 and the company was not inspected from the start of the activity until 31/12/2019.



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

Notes to the Consolidated Financial Statements

For the Year Ended December 31, 2019

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**Value Added Tax:**

The company was registered in the Egyptian Tax Authority (VAT) on 5/2/2019.  
Monthly tax return submitted on regular basis.

**Stamp Tax:**

The company was not inspected from the beginning of the activity until 31/12/2019.

**Salaries Tax:**

The company has not been inspected since the beginning of the activity until 31/12/2019.  
The company settles salaries tax on a regular basis

**36. Approval of financial statements**

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

**Sergio Alcantarilla Rodriguez**

**Chief Executive Officer**



**Salvador Lopez**

**Chief Financial Officer**

