

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

**Consolidated Financial Statements  
Together with Auditor's Report  
For the year ended December 31, 2020**

## Contents

### Arabian Cement Company (consolidated financial statements)

Auditor's report	F-01
Consolidated statement of financial position	F-03
Consolidated statement of profit or loss	F-05
Consolidated statement of comprehensive income	F-06
Consolidated statement of changes in equity	F-07
Consolidated statement of cash flows	F-08
Notes to the Consolidated financial statements	F-10

---

## 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, 2020, 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, 2020, 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.

## Emphasis of matters

As detailed in note No. (35) of the notes of the consolidated financial statements, which indicates that the parent company – Arabian Cement and its subsidiaries received claims from the tax authority – corporate tax on a deem basis for previous years , an appeal on these claims were submitted, a decision was issued to re-inspect the books based on actual basis, and it is not possible at the current time to determine the final results accurately.

Cairo, February 27, 2021

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




Arabian Cement Company S.A.E.

Consolidated statement of financial position

At 31 December 2020

EGP	Notes	31 December 2020	31 December 2019
<b>Assets</b>			
<b>Non-current assets</b>			
Property, plant and equipment	11	2 202 003 667	2 408 100 199
Assets under construction	12	7 800 244	3 777 941
Intangible assets (net)	13	254 049 586	294 799 369
Other Assets	14	--	11 951
Right of use	33	1 047 456	3 086 102
Investments in a joint venture	15	2 454 486	2 308 791
<b>Total non-current assets</b>		<b>2 467 355 439</b>	<b>2 712 084 353</b>
<b>Current assets</b>			
Inventories	16	176 470 491	162 831 419
Trade receivables	17	15 938 789	27 529 031
Debtors and other debit balances	18	136 384 081	115 574 736
Cash and bank balances	19	67 032 927	101 331 254
<b>Total current assets</b>		<b>395 826 288</b>	<b>407 266 440</b>
<b>Total assets</b>		<b>2 863 181 727</b>	<b>3 119 350 793</b>

Arabian Cement Company S.A.E.  
 Consolidated statement of financial position  
 At 31 December 2020

EGP	Notes	31 December 2020	31 December 2019
<b>Equity</b>			
<b>Capital and reserves</b>			
Issued and paid-up capital	20	757 479 400	757 479 400
Legal reserve	21	257 830 772	254 820 827
Retained earnings	22	18 551 721	151 416 266
<b>Equity attributable to owners of the Parent Company</b>		<b>1 033 861 893</b>	<b>1 163 716 493</b>
Non-controlling interests	23	31 108	30 980
<b>Total equity</b>		<b>1 033 893 001</b>	<b>1 163 747 473</b>
<b>Non-current liabilities</b>			
Borrowings	24	387 454 349	491 836 958
Deferred tax liabilities	9.3	323 765 007	338 826 864
Notes Payables	25	11 021 813	--
Finance leasing	33	--	1 538 321
<b>Total non-current liabilities</b>		<b>722 241 169</b>	<b>832 202 143</b>
<b>Current liabilities</b>			
Trade and notes payable	25	459 805 964	704 046 978
Credit facilities	24	340 110 399	62 035 301
Current income tax payable	9.2	438 220	13 903 338
Current portion of long-term borrowings	24	99 165 216	90 356 520
Current portion of long-term other liabilities	27	769 250	12 308 000
Creditors and other credit balances	29	180 575 890	216 252 373
Finance leasing	33	915 298	981 360
Due to related parties	31	6 767 033	10 743 810
Provisions	26	18 500 287	12 773 497
<b>Total current liabilities</b>		<b>1 107 047 557</b>	<b>1 123 401 177</b>
<b>Total liabilities</b>		<b>1 829 288 726</b>	<b>1 955 603 320</b>
<b>Total equity and liabilities</b>		<b>2 863 181 727</b>	<b>3 119 350 793</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 2020

EGP	Notes	31 December 2020	31 December 2019
Sales revenue	4	2 481 182 477	3 101 527 489
Cost of sales	5	(2 455 463 159)	(2 899 331 819)
<b>Gross profit</b>		<b>25 719 318</b>	<b>202 195 670</b>
General and administration expenses	6	(95 464 653)	(98 817 115)
Provisions	26	(7 928 240)	(2 151 787)
Impairment in trade receivables	17	(509 100)	(626 140)
Impairment in other debit balances		(247 842)	(1 618 310)
Interest income		1 537 747	4 306 309
Other income		7 842 516	4 346 957
Finance costs	7	(81 107 274)	(137 158 211)
Gain on disposal of property, plant and equipment	11	277 466	15 398
Share of profit of a joint venture	15	145 695	44 578
Gain on net foreign exchange		12 322 680	66 332 750
<b>(Loss) / profit for the year before tax</b>		<b>(137 411 687)</b>	<b>36 870 099</b>
Income tax expense	9.1	14 623 637	(7 931 515)
<b>(Loss) / profit for the year after tax</b>		<b>(122 788 050)</b>	<b>28 938 584</b>
<b>Profit attributable to:</b>			
Owners of the Parent Company		(122 788 178)	28 927 908
Non-controlling interests	23	128	10 676
		<b>(122 788 050)</b>	<b>28 938 584</b>
<b>Earnings per share</b>			
Basic	10	<b>(0.34)</b>	0.06

– 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 2020

EGP	Notes	31 December 2020	31 December 2019
<b>Profit for the year, net of income tax</b>		<b>(122 788 050)</b>	<b>28 938 584</b>
<b>Other comprehensive income, net of income tax</b>			
<b>Total other comprehensive income for the year, net of income tax</b>			
<b>Total comprehensive income for the year</b>		<b>(122 788 050)</b>	<b>28 938 584</b>
<b>Total comprehensive income attributable to:</b>			
Owners of the Parent Company		(122 788 178)	28 927 908
Non-controlling interests	23	128	10 676
		<b>(122 788 050)</b>	<b>28 938 584</b>
<b>Earnings per share</b>			
Basic	10	(0.34)	0.06

– 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 2020

EGP	Issued Capital	Legal reserve	Retained earnings	Attributable to owners of the Mother Company	Non-controlling interests	Total
<b>Balance at 1 January 2019</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	<b>28 927 908</b>	10 676	<b>28 938 584</b>
Other comprehensive income for the year	--	--	--	--	--	--
<b>Total comprehensive income for the year</b>	--	--	28 927 908	<b>28 927 908</b>	10 676	<b>28 938 584</b>
Transfer to legal reserve	--	23 364 234	(23 364 234)	--	--	--
Non-controlling interest resulting from acquisition 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>
<b>Balance at 1 January 2020</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>
Loss for the year	--	--	(122 788 178)	(122 788 178)	128	(122 788 050)
Other comprehensive income for the year	--	--	--	--	--	--
<b>Total comprehensive income for the year</b>	--	--	(122 788 178)	(122 788 178)	128	(122 788 050)
Transfer to legal reserve	--	3 009 945	(3 009 945)	--	--	--
Dividends	--	--	(7 066 422)	(7 066 422)	--	(7 066 422)
<b>Balance at 31 December, 2020</b>	<b>757 479 400</b>	<b>257 830 772</b>	<b>18 551 721</b>	<b>1 033 861 893</b>	<b>31 108</b>	<b>1 033 893 001</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

EGP	Notes	31 December 2020	31 December 2019
<b>Cash flows from operating activities</b>			
Net (loss) profit for the year before taxes		(137 411 687)	36 870 099
Adjustments for:			
Finance costs recognized in profit or loss	7	81 107 274	137 158 211
Interest income		(1 537 747)	(4 306 309)
Share of profit of a joint venture		(145 695)	(44 578)
Impairment loss recognized on trade receivables		509 100	626 140
Impairment loss on debtors during year		247 842	1 618 310
(Gain) on disposal of property, plant and equipment		(277 466)	(15 398)
Depreciation of property, plant and equipment	11	210 297 525	210 637 159
Amortization of intangible assets	13	40 749 783	50 676 249
Amortization of other assets		11 951	35 850
Amortization of right of use		2 038 646	4 312 948
(Gain) from foreign exchange rate differences		(5 217 391)	(36 967 391)
Provisions formed	26	7 928 240	2 151 787
<b>Movements in working capital</b>			
(Increase) / decrease in inventories		(13 639 072)	125 154 409
(Increase) in debtors and other debit balances		(37 746 146)	(9 318 758)
Decrease in trade receivables		11 081 142	64 839 361
(Decrease) in creditors and other credit balances		(25 084 908)	(3 138 860)
(Decrease) / increase in trade and notes payable		(233 219 201)	111 445 091
(Decrease) / Increase in due to related parties		(3 976 777)	2 282 934
Provisions used	26	(2 201 450)	--
<b>Cash (used in) generated by operations</b>		<b>(106 486 037)</b>	<b>694 017 254</b>
Interest paid		(91 698 849)	(134 634 496)
Income taxes paid		--	(293 208)
<b>Net cash (used in) generated by operating activities</b>		<b>(198 184 886)</b>	<b>559 089 550</b>



Arabian Cement Company S.A.E.  
 Consolidated cash flow statement  
 For the year ended 31 December 2020

EGP	Notes	31 December 2020	31 December 2019
<b>Cash flows from investing activities</b>			
Payments for property, plant and equipment	11	(4 250 127)	(38 380 668)
Proceeds from sale of property, plant and equipment	11	326 600	169 693
Payments for assets under construction	12	(1 236 682)	(3 436 791)
Acquisition of NCI in Egypt Green		--	(2 900 000)
Interest income		1 537 747	4 306 309
<b>Net cash (used in) investing activities</b>		<b>(3 622 462)</b>	<b>(40 241 457)</b>
<b>Cash flows from financing activities</b>			
Repayment of borrowings		(90 356 522)	(77 731 488)
Proceeds from / (Repayment of) credit facilities		278 075 098	(211 639 285)
Repayment of finance leasing		(1 604 383)	(2 802 996)
Payment of dividends		(7 066 422)	(185 252 741)
Repayment of other liabilities		(11 538 750)	(124 681 184)
<b>Net cash generated by (used in) financing activities</b>		<b>167 509 021</b>	<b>(602 107 694)</b>
Net (decrease) in cash and cash equivalents		(34 298 327)	(83 259 601)
Cash and cash equivalents at the beginning of the year		101 331 254	184 590 855
<b>Cash and cash equivalents at the end of the year</b>	19	<b>67 032 927</b>	<b>101 331 254</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.

Notes to the Consolidated Financial Statements

For the Year Ended December 31, 2020

---

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



## Arabian Cement Company S.A.E.

### Notes to the Consolidated Financial Statements

For the Year Ended December 31, 2020

The most prominent amendments are as follows:

New or Amended Standards	A Summary of the Most Significant Amendments	The Possible Impact on the Financial Statements	Date of Implementation
The new Egyptian Accounting Standard No. (47) "Financial Instruments"	<p>1-The new Egyptian Accounting Standard No. (47), "Financial Instruments", supersedes the corresponding related issues included in the Egyptian Accounting Standard No.(26), "Financial Instruments: Recognition and Measurement". Accordingly, Egyptian Accounting Standard No. 26 was amended and reissued after cancelling the paragraphs pertaining to the issues addressed in the new Standard No. (47) and the scope of the amended Standard No. (26) Was specified and intended to deal only with limited cases of Hedge Accounting according to the choice of the enterprise.</p> <p>2- Pursuant to the requirements of the Standard, financial assets are classified based on their subsequent measurement whether at amortized cost, or fair value through other comprehensive income or at fair value through profit or loss, in accordance with the enterprise business model for managing financial assets and the contractual cash flow characteristics of the financial asset.</p> <p>3- When measuring the impairment of financial assets the Incurred Loss Model is replaced by the Expected Credit Loss (ECL) Models, which requires measuring the impairment of all financial assets measured at amortized cost and financial instruments measured at fair value through other comprehensive income from their initial recognition date regardless whether there is any indication of the occurrence of loss event.</p> <p>4- based on the requirements of this standard the following standards were amended :</p> <ul style="list-style-type: none"> <li>- Egyptian Accounting Standard No. (1) "Presentation of Financial Statements" as amended in 2019.</li> <li>- Egyptian Accounting Standard No. (4) - "Statement of Cash Flows".</li> <li>- Egyptian Accounting Standard No. (25) - "Financial Instruments: Presentation.</li> <li>- Egyptian Accounting Standard No. (26) - "Financial Instruments: Recognition and Measurement".</li> <li>- Egyptian Accounting Standard - EAS No. (40) - "Financial Instruments: Disclosures "</li> </ul>	The Management is currently assessing the potential impact of implementing the amendment of the standard on the financial statements	<p>This standard applies to financial periods beginning on or after January1st, 2020, and the early implementation thereof is permitted; provided that the amended Egyptian Accounting Standards No. (1), (25), (26) and (40) are to be simultaneously applied.</p> <p>-These amendments are effective as of the date of implementing Standard No. (47)</p>

## Arabian Cement Company S.A.E.

### Notes to the Consolidated Financial Statements

For the Year Ended December 31, 2020

<p>The new Egyptian Accounting Standard No. (48) - "Revenue from Contracts with Customers"</p>	<ol style="list-style-type: none"> <li>1- The new Egyptian Accounting Standard No. (48) "Revenue from Contracts with Customers" shall supersede the following standards and accordingly such standards shall be deemed null and void:               <ol style="list-style-type: none"> <li>a. Egyptian Accounting Standard No. (8) - "Construction Contracts" as amended in 2015.</li> <li>b. Egyptian Accounting Standard No. (11) - "Revenue" as amended in 2015.</li> </ol> </li> <li>2- For revenue recognition, Control Model is used instead of Risk and Rewards Model.</li> <li>3- incremental costs of obtaining a contract with a customer are recognized as an asset if the enterprise expects to recover those costs and the costs of fulfilling the contract are to be recognized as an asset when certain conditions are met</li> <li>4- the standard requires that contract must have a commercial substance in order for revenue to be recognized</li> <li>5- Expanding in the presentation and disclosure requirements</li> </ol>	<p>The Management is currently assessing the potential impact of implementing the amendment of the standard on the financial statements.</p>	<p>Standard No. (48) Applies to financial periods beginning on or after January 1st, 2020, and the early implementation thereof is permitted.</p>
<p>The new Egyptian Accounting Standard No. (49) "Lease Contracts"</p>	<ol style="list-style-type: none"> <li>1- The new Egyptian Accounting Standard No. (49) "Lease Contracts" shall supersede and revoke Standard No. (20), "Accounting Rules and Standards related to Financial Leasing" issued in 2015.</li> <li>2- The Standard introduces a single accounting model for the lessor and the lessee where the lessee recognizes the usufruct of the leased asset as part of the company's assets and recognizes a liability that represents the present value of the unpaid lease payments under the company's liabilities, taking into account that the lease contracts are not classified in respect of the lessee as operating l or finance lease contracts.</li> <li>3- As for the lessor, he shall classify each lease contract either as an operating lease or a finance lease contract.</li> <li>4- As for the finance lease, the lessor must recognize the assets held under a finance lease contract in the Statement of Financial Position and present them as amounts receivable with an amount equivalent to the amount of the net investment in the lease contract.</li> <li>5- As for operating leases, the lessor must recognize the lease payments of operating lease contracts as income either based on</li> </ol>	<p>The Management is currently assessing the potential impact of implementing the amendment of the standard on the financial statements.</p>	<p>This standard No. (49) Applies to financial periods beginning on or after January 1st, 2020, and the early implementation thereof is permitted if Egyptian Accounting Standard No. (48) "Revenue from Contracts with Customers" is simultaneously applied. Except for the above-mentioned date of enforcement, Standard No. (49) applies to lease contracts that were subjected to Finance Lease Law No. 95 of 1995 and its amendments and were treated according to Egyptian Accounting Standard No. 20, "Accounting rules and standards related to financial leasing", as well as the finance lease contracts that arise under and are subjected to Law No. 176 of 2018 to the effect of regulating both financial leasing and factoring activities starting from the beginning of the annual reporting period in which Law No. (95) Of 1995 was</p>



## Arabian Cement Company S.A.E.

### Notes to the Consolidated Financial Statements

For the Year Ended December 31, 2020

	the straight-line method or based on any other regular basis		revoked and Law No. (176) of 2018 was issued.
Egyptian Accounting Standard No. (42) as amended " Consolidated Financial Statements"	Some paragraphs related to the exclusion of the Investment Entities from the consolidation process were added. This amendment has resulted in introducing an amendment to some of the standards related to the subject of the Investment Entities. The standards that were amended are as follows: <ul style="list-style-type: none"><li>- (ESA 15) Related Party Disclosures</li><li>- (ESA 17) Consolidated and Separate Financial Statements</li><li>- (ESA 18) Investments in Associates</li><li>- (ESA 24) Income Taxes</li><li>- (ESA 29) Business Combinations</li><li>- ESA (30) Periodical Financial Statements</li><li>- EAS (44) Disclosure of Interests in Other Entities.</li></ul>	The Management is currently assessing the potential impact of implementing the amendment of the standard on the financial statements	This standard applies to financial periods beginning on or after January 1st, 2020, and the early implementation thereof is permitted. -The new or amended paragraphs pertaining to the amended standards concerning the investment entities shall apply on the effective date of Egyptian Accounting Standard No. (42) "Consolidated Financial Statements", as amended and issued in 2019

Due to the current situation of the outbreak of Corona virus and the necessary economic and financial implications associated with it, in addition to the implementation of prevention measures and facing its spread, imposing restrictions on the presence of human resources in companies at full capacity on a regular basis, the Financial Supervision Authority agreed to postpone the application of Egyptian accounting standards The new and accompanying amendments issued by Resolution No. 69 on the periodic financial statements that will be issued during the year 2020, provided that companies implement these standards and these amendments to the annual financial statements of these companies by the end of 2020. On September 23, 2020, the Financial Regulatory Authority announced the postponement of the application of three standards (47), (48) and (49) to the first of January 2021.

#### 2.2 Basis of preparation

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

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

The principal accounting policies are set out below.

#### 2.3 Basis of consolidation

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

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

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

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

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

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

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

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

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

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

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

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

#### **2.4 Business combinations**

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



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

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

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

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

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

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

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

If the initial accounting for a business combination is incomplete by the end of the reporting period in which the combination occurs, the Group reports provisional amounts for the items for which the accounting is incomplete. Those

provisional amounts are adjusted during the measurement period (see above), or additional assets or liabilities are recognised, to reflect new information obtained about facts and circumstances that existed at the acquisition date that, if known, would have affected the amounts recognised at that date.

**2.5 Investments in a joint venture**

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

**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	2020		2019	
	Average	Year end	Average	Year end
1 USD US Dollar	15.86	15.77	16.79	16.09
1 EUR Euro	18.21	19.26	18.89	18.08

## 2.9 **Borrowing costs**

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

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

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

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

## 2.10 **Employee benefits**

### 2.10.1 **Profit sharing**

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

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

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

## 2.11 **Taxation**

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

### 2.11.1 **Current tax**

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



**2.11.2 Deferred tax**

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

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

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

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

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

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

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

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

**2.12 Property, plant and equipment**

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

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

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

Freehold land is not depreciated.

Depreciation is recognized so as to write off the cost of assets (other than freehold land and properties under construction) less their residual values over their estimated useful lives, using the straight-line method. The estimated useful lives,

residual values and depreciation method are reviewed at the end of each reporting period, with the effect of any changes in estimate accounted for on a prospective basis.

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

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

<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

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.

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

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.

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

Notes to the Consolidated Financial Statements

For the Year Ended December 31, 2020

---

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



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

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

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

**3.1 Critical judgements in applying accounting policies**

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

**3.1.1 Deferred income taxes**

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

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

**3.2 Key sources of estimation uncertainty**

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

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

The carrying value of the Group's property, plant and equipment at the end of the current reporting period is 2 202 003 667 EGP (31 December 2019: EGP 2 408 100 199), (Note 11). Management's assessment of the useful life of property, plant and equipment is based on the expected use of the assets, the expected physical wear and tear on the assets, technological developments as well as past experience with comparable assets. A change in the useful life of any asset may have an effect on the amount of depreciation that is to be recognized in profit or loss for future periods.

**3.2.2 Useful lives of intangible assets**

The carrying value of the Group's intangible assets at the end of the current reporting period is 254 049 586 EGP (31 December 2019: EGP 294 799 369), (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 18 500 287 EGP (31 December 2019: EGP 12 773 497). 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.



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

Notes to the Consolidated Financial Statements

For the Year Ended December 31, 2020

**4. Sales revenue**

EGP	2020	2019
Local sales	2 159 139 351	2 604 758 736
Export sales	199 251 333	342 865 036
Services	122 791 793	153 903 717
<b>Total</b>	<b>2 481 182 477</b>	<b>3 101 527 489</b>

**5. Cost of sales**

EGP	2020	2019
Raw material	1 951 992 478	2 351 514 978
Manufacturing depreciation	207 050 680	206 253 826
Amortization of intangible assets	40 749 783	50 676 249
Amortization of right of use	2 038 646	4 312 948
Transportation cost	76 349 399	96 873 618
Overhead cost	177 282 173	189 700 200
<b>Total</b>	<b>2 455 463 159</b>	<b>2 899 331 819</b>

**6. General and administration expenses**

EGP	2020	2019
Professional fees	9 317 305	11 974 442
Salaries and wages	27 930 056	42 488 134
Security and cleaning services	1 406 144	1 904 690
Rentals	1 941 272	2 445 633
Transportation	1 076 767	2 143 162
Advertising	956 550	1 372 667
Administration depreciation	3 246 845	4 383 333
Other expenses	49 589 714	32 105 054
<b>Total</b>	<b>95 464 653</b>	<b>98 817 115</b>

The other expenses of general and administrative expenses included an amount of 7 920 640 Egyptian pounds, which is the cost of consultations and training that were carried out through former board members of the Arabian Cement company's board of directors and current shareholders.

Other expenses included an amount of EGP 15.8 million representing the net present value for cost of the settlement for gas consumption differences with City Gas, refer to note (25).

**7. Finance costs**

EGP	2020	2019
Loan interest expense	46 797 877	73 838 954
Operation licence interest expense	--	15 286 637
Electricity agreement interest expense	8 225 250	12 282 000
Finance lease	235 046	659 250
Other finance cost	--	6 531 854
Bank overdraft interest expense	25 849 101	28 559 516
<b>Total</b>	<b>81 107 274</b>	<b>137 158 211</b>

## Arabian Cement Company S.A.E.

Notes to the Consolidated Financial Statements

For the Year Ended December 31, 2020

### 8. Compensation of key management personnel \*

EGP	2020	2019
Board of directors allowance	9 902 880	16 502 613
Board of directors salaries	8 096 565	15 186 228
<b>Total</b>	<b>17 999 445</b>	<b>31 688 841</b>

\* Included in the salaries and wages in the administrative expenses.

### 9. Income taxes

#### 9.1 Income tax expense recognised in profit or loss

EGP	2020	2019
<b>Current tax</b>		
Current tax expense for the current year	438 220	13 903 338
<b>Deferred tax</b>		
Net deferred tax recognized in the current year	(15 061 857)	(5 971 823)
<b>Total income tax expense recognized in the current year</b>	<b>(14 623 637)</b>	<b>7 931 515</b>

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

EGP	2020	2019
(Loss) / profit before tax from continuing operations	(137 411 686)	40 195 028
Tax using applicable tax rate 22.5%	--	9 043 881
<b>Add</b>		
Effect of reversal of accounting depreciation and amortization	248 911 591	257 301 916
Effect of expenses that are not deductible in determining taxable profit	14 859 099	16 777 137
Effect of provisions formed that are not deductible in determining taxable profit	7 928 240	3 602 097
Changes in accounting policy	--	361 078
Effect of unrealized net foreign exchange losses that are not deductible in determining taxable profit	65 838 411	25 195 419
<b>Less</b>		
Effect of tax depreciation and amortization that are deductible in determining taxable profit	(170 312 448)	(204 614 892)
Capital gain	(277 466)	(15 398)
Effect of realized net foreign exchange gain that are deductible in determining taxable profit	(42 402 129)	(63 866 042)
Effect of provisions used that are deductible in determining taxable profit	(2 201 450)	--
Carry forward tax losses	--	(13 143 728)
Others	--	--
<b>Tax base</b>	<b>(15 067 838)</b>	<b>61 792 615</b>
<b>Income tax expense recognized in profit or loss</b>	<b>438 220</b>	<b>13 903 338</b>

The average effective tax rate in 2020 is 0% against 35% in 2019.



## Arabian Cement Company S.A.E.

Notes to the Consolidated Financial Statements

For the Year Ended December 31, 2020

### 9.2 Current tax liabilities

EGP	2020	2019
Current tax liability (note 9.1)	438 220	13 903 338
<b>Current tax liabilities</b>	<b>438 220</b>	<b>13 903 338</b>

### 9.3 Deferred tax balances

Deferred tax liabilities arise from the following:

2020			
EGP	Opening balance	Recognized in profit or loss	Closing balance
<b>(Liabilities)</b>			
<b>Temporary differences</b>			
Property, plant & equipment	338 826 864	(15 061 857)	323 765 007
<b>Net deferred tax liability</b>	<b>338 826 864</b>	<b>(15 061 857)</b>	<b>323 765 007</b>
2019			
EGP	Opening balance	Recognized in profit or loss	Closing balance
<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>

### 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:

	2020	2019
<b>Earnings (for basic and diluted earnings per share)</b>		
(Loss) / Profit for the year attributable to owners of the parent (EGP)	(122 788 178)	28 927 908
Employees share in dividends (note 18) (EGP)	(7 108 042)	(7 066 422)
<b>Distributable net (loss) / profit for the year (EGP)</b>	<b>(129 896 220)</b>	<b>21 861 486</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>(0.34)</b>	<b>0.06</b>

**Arabian Cement Company S.A.E.**  
Notes to the Consolidated Financial Statements  
For the Year Ended December 31, 2020

**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 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
Disposals								
Balance at 31 December, 2019	50 243 436	636 144 946	2 872 867 397	46 045 565	15 591 598	302 865 108	21 344 870	3 945 102 920
Balance at 1 January 2020	50 243 436	636 144 946	2 872 867 397	46 045 565	15 591 598	302 865 108	21 344 870	3 945 102 920
Additions	--	216 694	2 304 306	907 058	173 423	314 384	334 262	4 250 127
Disposals	--	--	--	(669 000)	--	--	--	(669 000)
Balance at 31 December 2020	50 243 436	636 361 640	2 875 171 703	46 283 623	15 765 021	303 179 492	21 679 132	3 948 684 047



**Arabian Cement Company S.A.E.**  
Notes to the Consolidated Financial Statements  
For the Year Ended December 31, 2020

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 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>
Eliminated on disposals of assets	--	--	--	(189 068)	--	--	--	(189 068)
Depreciation expense	--	29 426 019	154 744 342	5 521 029	1 608 107	16 562 436	2 775 226	210 637 159
<b>Balance at 31 December 2019</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>Balance at 1 January 2020</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>
Depreciation expense	--	28 602 067	156 523 336	5 130 338	1 762 152	16 802 106	1 477 526	210 297 525
Disposals of assets	--	--	--	(619 866)	--	--	--	(619 866)
<b>Balance at 31 December 2020</b>	--	<b>264 074 326</b>	<b>1 287 635 013</b>	<b>28 141 018</b>	<b>8 727 368</b>	<b>137 353 393</b>	<b>20 749 262</b>	<b>1 746 680 380</b>
<b>Carrying amount</b>								
<b>At 31 December 2020</b>	<b>50 243 436</b>	<b>372 287 314</b>	<b>1 587 536 690</b>	<b>18 142 605</b>	<b>7 037 653</b>	<b>165 826 099</b>	<b>929 870</b>	<b>2 202 003 667</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>

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 , The management currently in the process of the procedures for change mortgage to be in favour of the Commercial International Bank (CIB) (Security agent) as disclosed in details in (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.

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 3 246 845. The depreciation expense for the remaining assets is included in the cost of sales of note (5) in the amount of EGP 207 050 680.

The sales value of transportation exclusions reached EGP 362 600, and its net book value amounted to 49 134 pounds, which resulted in capital gains amounting to 277 466 pounds, which were included in the statement of profit or loss.

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

Notes to the Consolidated Financial Statements

For the Year Ended December 31, 2020

**12. Assets under construction**

EGP	2020	2019
Balance as of January 1	3 777 941	106 904 072
Additions	1 236 682	4 031 855
Transfer to fixed assets	--	(107 333 214)
Transfer to advance to supplier	2 785 621	175 228
<b>Total</b>	<b>7 800 244</b>	<b>3 777 941</b>
Projects under construction are represented in the following categories:		
Machinery and equipment	4 702 394	3 465 713
Other installations	137 000	137 000
Advance to suppliers	2 960 850	175 228
<b>Total</b>	<b>7 800 244</b>	<b>3 777 941</b>

**13. Intangible assets (net)**

EGP	Operating license	Electricity contract	Total
<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>Cost</b>			
Cost as of January 1, 2020	563 204 713	225 200 000	788 404 713
Additions	--	--	--
<b>Cost as of December 31, 2020</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	(287 467 603)	(206 137 741)	(493 605 344)
Amortization for the year	(28 156 249)	(12 593 534)	(40 749 783)
<b>Total accumulated amortization as of December 31, 2020</b>	<b>(315 623 852)</b>	<b>(218 731 275)</b>	<b>(534 355 127)</b>
<b>Net book value December 31,2020</b>	<b>247 580 861</b>	<b>6 468 725</b>	<b>254 049 586</b>
<b>Net book value December 31,2019</b>	<b>275 737 110</b>	<b>19 062 259</b>	<b>294 799 369</b>



## Arabian Cement Company S.A.E.

### Notes to the Consolidated Financial Statements

For the Year Ended December 31, 2020

#### 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	2020	2019
Cost	143 404	143 404
Accumulated amortization		
Balance at the beginning of the year	(131 453)	(95 603)
Amortization for the year	(11 951)	(35 850)
<b>Accumulated amortization At year end</b>	<b>(143 404)</b>	<b>(131 453)</b>
<b>Net</b>	<b>--</b>	<b>11 951</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	2020	2019
Andalus Reliance for mining Company	Egypt	50%	2 454 486	2 308 791
<b>Total</b>			<b>2 454 486</b>	<b>2 308 791</b>

## Arabian Cement Company S.A.E.

Notes to the Consolidated Financial Statements

For the Year Ended December 31, 2020

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

	2020	2019
Current assets	7 591 470	12 070 682
Non-current assets	6 734	8 318
Current liabilities	2 687 717	7 459 548
Non-current liabilities	1 516	1 871
Net assets	4 908 971	4 617 581
Revenue for the year	36 859 515	50 378 007
Profit for the year	291 390	89 155
Total comprehensive income for the year	291 390	89 155
Group's share of comprehensive income for the period	145 695	44 578

Reconciliation of the above summarised financial information to the carrying amount of investment in joint ventures using the equity method in the consolidated financial statements:

	2020	2019
Net assets of the joint venture over Group level	4 908 971	4 617 581
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>2 454 486</b>	<b>2 308 791</b>

### 16. Inventories

EGP	2020	2019
Raw material	102 376 435	47 495 140
Packing material	12 224 129	10 982 921
Spare parts	8 976 605	11 178 035
Work in progress	3 121 477	1 967 307
Finished goods	49 771 845	91 208 016
<b>Total</b>	<b>176 470 491</b>	<b>162 831 419</b>

### 17. Trade receivables

EGP	2020	2019
Trade receivables	18 451 509	29 532 651
Less: Impairment in trade receivables	(2 512 720)	(2 003 620)
<b>Total</b>	<b>15 938 789</b>	<b>27 529 031</b>

Movement in the allowance for doubtful debt:

EGP	2020	2019
Balance at beginning of year	2 003 620	1 377 480
Impairment losses recognised on receivables	509 100	626 140
<b>Balance at end of year</b>	<b>2 512 720</b>	<b>2 003 620</b>

Aging of receivables that are past due but not impaired:

EGP	2020	2019
Less than 30 days	6 337 581	20 223 767
Between 30 to 60 days	4 324 936	5 960 163
Between 60 to 90 days	1 870 799	536 743
Between 90 to 120 days	5 918 193	2 811 979
<b>Total</b>	<b>18 451 509</b>	<b>29 532 652</b>



## Arabian Cement Company S.A.E.

Notes to the Consolidated Financial Statements

For the Year Ended December 31, 2020

### 18. Debtors and other debit balances

EGP	2020	2019
Advance to suppliers	22 969 996	23 658 295
Withholding tax	16 980 899	22 199 927
Deposit with others	78 811 267	61 498 053
Value added tax	6 994 687	--
Employees dividends in advance	7 108 042	7 066 422
Letters of guarantee – cash margin	495 845	338 851
Cash imprest	4 147 678	2 581 390
Other debit balances	1 071 757	180 046
Less: Impairment in debtors	(2 196 090)	(1 948 248)
<b>Total</b>	<b>136 384 081</b>	<b>115 574 736</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	2020	2019
Cash on hand	1 171 061	1 397 352
Current account – local currency	25 896 333	54 901 822
Current account – foreign currency	10 504 487	8 265 465
Bank deposits	29 461 046	36 766 615
<b>Total</b>	<b>67 032 927</b>	<b>101 331 254</b>

### 20. Capital

	2020	2019
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, percentage 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, 2020

### 22. Retained earnings

EGP	2020	2019
Balance at beginning of year	151 416 266	329 029 161
Change in accounting policy	--	2 076 172
Profit attributable to owners of the Parent Company	(122 788 178)	28 927 908
Transfer to legal reserve	(3 009 945)	(23 364 234)
Payments of dividends	(7 066 422)	(185 252 741)
<b>Balance at end of year</b>	<b>18 551 721</b>	<b>151 416 266</b>

### 23. Non-controlling interests

EGP	2020	2019
Balance at beginning of year	30 980	2 149 810
Change in accounting policy	--	202
Acquisition on NCI in Egypt Green	--	(2 129 708)
Profit attributable to Non-controlling interest	128	10 676
<b>Balance at end of year</b>	<b>31 108</b>	<b>30 980</b>

### 24. Borrowings

EGP	Current		Non-current	
	2020	2019	2020	2019
<b>First: - Credit facilities</b>				
Credit facilities - CIB	340 110 399	62 035 301	--	--
<b>Total Facilities</b>	<b>340 110 399</b>	<b>62 035 301</b>	--	--
<b>Second: - Bank Loans</b>				
Bank loans - CIB	30 600 000	20 400 000	198 900 000	229 500 000
<b>Net Loans – CIB (A)</b>	<b>30 600 000</b>	<b>20 400 000</b>	<b>198 900 000</b>	<b>229 500 000</b>
Bank loans - EBRD	68 565 216	69 956 520	188 554 349	262 336 958
<b>Net Loans – EBRD (B)</b>	<b>68 565 216</b>	<b>69 956 520</b>	<b>188 554 349</b>	<b>262 336 958</b>
<b>Total Loans (A+B)</b>	<b>99 165 216</b>	<b>90 356 520</b>	<b>387 454 349</b>	<b>491 836 958</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.

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

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

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

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



2. Tranche (B) facility not exceeding EGP 450 million in the form of multipurpose renewable facility available in local and foreign currencies for the purpose of financing the company's working investments needs and refinancing the company outstanding working capital facility at NBE

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

- Conclude first-degree pledge on each of the facility accounts in favour of the lender for itself and the lending banks thereon by no later than five days from the contract date.
- Conclude in favour of the lender, for itself and on behalf of the lending banks a first degree real-estate mortgage on the land and the buildings and other real property of the borrower that are built thereon by no later than six months from the date of the issuance of the relevant power of attorney in favour of the lender and by no later than 30 September 2019. The borrower shall add any buildings to be added to the aforementioned mortgage. Moreover, until the date of the financial statements, the procedures for mortgage have not been completed for the bank.
- Conclude in favour of the lender, for itself and on behalf of the lending banks a first degree FDC mortgage over the tangible and intangible assets of the borrower including machinery and equipment, goodwill and industrial property rights related to the borrower's assets, no later than the date falling (1) month from the date of the insurance of the relevant power of attorney in favour of the lender and by no later than 30 April 2019.
- Issue irrevocable powers of attorney authorizing the Lender, for itself and on behalf of the lending banks, to conclude and register each of the Mortgages.
- Endorsement of the Borrower's all-risk insurance policy/policies in favour of the lender for itself and on behalf of the lenders in all assets in no more than (2) weeks from the date of this agreement, covering not less than 110% of the loans extended to the borrower by the lending banks.
- Not to distribute dividends unless the Borrower is in compliance with all financial covenants pre and post distribution and no occurrence of the event of default would be caused as a result of said distribution.
- The borrower undertakes that the financial leverage ratio shall not to exceed (2) in the financial year of 2019 and (1.5) thereafter throughout the remaining tenor of the facility.
- The Borrower undertakes that the debt service ratio "DSR" shall not to fall below (1.3) throughout the tenor of the facility. The company obtained prior to the date of the financial statements the approval of the lender to waive the fulfilment of that commitment for the fiscal year ending on December 31, 2020.
- 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 company obtained prior to the date of the financial statements the approval of the lender to waive the fulfilment of that commitment for the fiscal year ending on December 31, 2020.
- 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.

**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 company obtained prior to the date of the financial statements the approval of the lender to waive the fulfilment of that commitment for the fiscal year ending on December 31, 2020.
- 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 company obtained prior to the date of the financial statements the approval of the lender to waive the fulfilment of that commitment for the fiscal year ending on December 31, 2020.
- The Borrower undertakes that the net bank debt not to exceed the (1.3) times the equity.

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. During the month of January 2020, the company obtained a grant of 170,000 euros in accordance with the loan contract, equivalent to an amount of 3 074 212 Egyptian pounds. The grant 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. The part charged to the income statement during the year 2020 amounted to the amount of 301 764 Egyptian pounds, which was included in other revenues, and the rest of the amount of 2 772 448 Egyptian pounds was included in the other credit balances (note 29).

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 2020 is EGP 718 742 recorded as other income and the remaining amount of EGP 11 499 874 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 and notes payable

EGP	Current		Non-current	
	2020	2019	2020	2019
Local trade payables	274 172 225	362 180 615	--	--
Foreign trade payables	181 838 866	341 866 363	--	--
Notes payable *	3 794 873	--	11 021 813	--
<b>Total</b>	<b>459 805 964</b>	<b>704 046 978</b>	<b>11 021 813</b>	<b>--</b>

\* The value of the notes payable represents the value of the checks issued in favour of City Gas, which resulted from the settlement of the previous dispute with the company regarding the differences in gas consumption, and a settlement agreement was reached whereby the company charged 19 847 553 EGP, which was paid with notes payables until 2025 recognized at net present value, The undiscounted value of the notes payables obligation at the end of the year amounted to EGP 18 847 553, and these amount have been charged to other general and administrative expenses



## Arabian Cement Company S.A.E.

### Notes to the Consolidated Financial Statements

For the Year Ended December 31, 2020

#### 26. Provisions

EGP	Provision for claims
Balance at 1 January 2020	12 773 497
Additional provisions recognized	7 928 240
Used during the year	(2 201 450)
Balance at 31 December 2020	18 500 287

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	
	2020	2019	2020	2019
Electricity contract	769 250	12 308 000	--	--
Total	769 250	12 308 000	--	--

#### 28. Dividends payable

On June 10, 2020, 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, 2019. The Ordinary General Assembly was approved by General Authority for Investment and Free Zones (GAFI) on September 1, 2020.

#### 29. Creditors and other credit balances

EGP	2020	2019
Advances from customers	58 040 048	45 923 565
Accrued development fees	12 423 454	18 111 127
Accrued customers rebates	64 339 746	63 136 807
Accrued expenses	11 278 446	7 945 031
Retention	5 179 130	5 202 664
Accrued interest	1 992 014	12 583 589
Accrued taxes	10 218 637	47 835 797
Accrued revenue – Grant (Refer to note 24)	14 272 322	12 218 616
other	2 832 093	3 295 177
Total	180 575 890	216 252 373

#### 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 2020 of 74% (see below) increased mainly due to increasing in debts as a result of proceeds from overdraft and decreasing in equity due to loss for the year.

## Arabian Cement Company S.A.E.

### Notes to the Consolidated Financial Statements

For the Year Ended December 31, 2020

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

EGP	2020	2019
Debt (i)	828 414 512	659 056 460
Cash and cash equivalents	(67 032 927)	(101 331 254)
<b>Net debt</b>	<b>761 381 585</b>	<b>557 725 206</b>
Equity (ii)	1 033 893 001	1 163 747 473
<b>Net debt to equity ratio</b>	<b>74%</b>	<b>48%</b>

(i) Debt is defined as long-and short-term borrowings (excluding derivatives), as detailed in (note 24, 27 and 33).

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

#### 30.2 Significant accounting policies

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

#### 30.3 Categories of financial instruments

EGP	2020	2019
<b>Financial assets (i)</b>		
Cash and bank balances (Note no. 19)	67 032 927	101 331 254
Other debit balance (Note no. 18)	78 811 267	61 498 053
Trade receivable (Note no. 17)	18 451 509	29 532 652
<b>Financial liabilities (ii)</b>		
Trade and notes payable (Note no. 25)	470 827 777	704 046 978
Borrowings (Note no. 24)	826 729 964	644 228 779
Finance lease (Note no. 33)	915 298	2 519 681
other liability (Note no. 27)	769 250	12 308 000
Creditors and other credit balances (Note no. 29)	13 270 460	20 528 620

(i) A total of EGP 232 million (2019: EGP 215 million) of other current assets does not meet the definition of a financial asset.

(ii) A total of EGP 517 million (2019: EGP 572 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.



## Arabian Cement Company S.A.E.

### Notes to the Consolidated Financial Statements

For the Year Ended December 31, 2020

#### Borrowings

EGP	2020	2019
USD	257 119 565	332 293 478
<b>Total</b>	<b>257 119 565</b>	<b>332 293 478</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 due to related parties), at which the Group is exposed to currency rate risk, are as follows:

EGP	Liabilities		Assets	
	2020	2019	2020	2019
Currency-USD	438 958 431	674 159 842	31 122 727	8 048 188
Currency-EUR	--	--	10 918	107 174

#### 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	
	2020	2019	2020	2019
<b>Profit or loss</b>	<b>40 783 570</b>	<b>66 611 165</b>	<b>1 092</b>	<b>10 717</b>

#### 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 2020 would decrease / increase by EGP 8 267 300 million (2019: decrease / increase by EGP 6 442 288 million). This is mainly attributable to the Group's exposure to interest rates on its variable rate borrowings.

**30.7 Credit risk management**

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

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

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

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

**30.8 Fair value measurement**

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

**30.9 Liquidity risk management**

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

**31. Related party transactions**

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

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

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



## Arabian Cement Company S.A.E.

Notes to the Consolidated Financial Statements

For the Year Ended December 31, 2020

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

EGP	Nature of relationship	Nature of transaction	Amount of transaction	
			2020	2019
Cementos La union-Spain	Subsidiary of the parent	Services	3 791 258	--
Andalus Reliance for Mining Company	Joint Venture	Purchases	30 543 712	42 029 275

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

EGP	Due from related parties		Due to related parties	
	2020	2019	2020	2019
Cementos la Union – Spain Company	--	--	1 812 293	18 259
Andalus Reliance for Mining Company	--	--	4 954 740	10 725 551
<b>Total</b>	--	--	<b>6 767 033</b>	<b>10 743 810</b>

### 32. Contingent liability

Contingent liabilities during the year amounted to USD 1.3 million, which is represented by the value of letters of guarantee issued by the Commercial International Bank.

### 33. Lease contract

#### 33.1 Right of Use

EGP	Vehicles	Machinery & Equipment	Total
<b>Cost</b>			
Cost as of January 1 , 2020	2 632 718	16 900 557	19 533 275
Additions during year	--	--	--
<b>Cost as of December 31, 2020</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, 2020	2 619 397	13 827 776	16 447 173
Amortization for the year	13 321	2 025 325	2 038 646
<b>Total accumulated amortization as of December 31, 2020</b>	<b>2 632 718</b>	<b>15 853 101</b>	<b>18 485 819</b>
<b>Net book value December 31, 2020</b>	<b>--</b>	<b>1 047 456</b>	<b>1 047 456</b>

## Arabian Cement Company S.A.E.

### Notes to the Consolidated Financial Statements

For the Year Ended December 31, 2020

#### 33.2 Financial lease liability.

Financial lease liability recognized in the statement of financial position

EGP	Current		Non-current	
	2020	2019	2020	2019
Lease Liability	915 298	981 360	--	1 538 321
<b>TOTAL</b>	<b>915 298</b>	<b>981 360</b>	<b>--</b>	<b>1 538 321</b>

\* The lease interest cost during period amounted to EGP 235 046 (refer to note 7)

Undiscounted contractual obligations of finance leases

EGP	2020	2019
No longer than 1 year	1 216 707	2 018 504
Longer than 1 year and not longer than 5 years	--	782 169
<b>TOTAL</b>	<b>1 216 707</b>	<b>2 800 673</b>

#### 34. Commitments for expenditure

No capital commitment for the year ended 31 December 2020

#### 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.

-The tax return for the year 2005 was approved by the tax authority.

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 taxpayer centre.

The year for 2009 not requested for inspection.

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

Regarding the years from 2011 and 2012, the company was notified of the form 19, on deemed basis, and an appeal was made. A decision was issued to re-examine the company's actual accounts by the tax authority, and the file was referred to the appeal committee by the tax authority.

Regarding the years from 2013 to 2016, the company was notified with a form 19, on deemed basis, and an appeal was made, and a decision was issued to re-examine the company's actual accounts by the tax authority.

The years from 2017 till 2019, 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 2020 in their due dates.



## Arabian Cement Company S.A.E.

### Notes to the Consolidated Financial Statements

For the Year Ended December 31, 2020

---

#### **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 13 106 881. The company paid EGP 7 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 2016.

The company was claimed for the development fee difference for the year 2017 and 2018, at EGP 3 783 062, and the file was referred to the Appeal Committee.

The Company paid all development fees on cement produced from local clinker till December 2020.

#### **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 company has been exempted from tax in accordance with the provisions of Article 1 of Law No. 173 of 2020 regarding overtaking the delay fee, according to a certificate of the tax position issued on November 26, 2020 from the Tax Authority.

#### **Withholding Tax**

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

#### **Andalus Concrete Company**

##### **Corporate income tax**

- The years from 2010 to 2013 were inspected, and a decision was issued to re-examination, and the re-examination memorandum was objected.

- Years from 2014 to 2017, the company was inspected on a deem basis, and the form was appealed.

##### **Sales tax**

- The company was inspected for the years from 2010 to 2016, and the tax forms were received and appealed, and the internal committee is under process.

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 company's books were examined until 2014, and the tax differences amounted to 185,527 EGP.

The years from 2015 until 2019 are not examined.

**ACC for Management and Trading Company**

**Corporate income tax**

The company has received a claim on a deemed basis for the years 2011 till 2017 due to the prescription of these years, formal terms is in process to re-inspect in accordance to books and records of the company.

The years from 2018 to 2019, the tax returns were filed on due dates.

**Sales tax**

The company has not been inspected since inception until December 31, 2019

Monthly returns are filed regularly

**Stamp tax**

The company has not been inspected since inception until December 31, 2019

**Payroll tax**

The company has not been inspected since inception until December 31, 2019

**Evolve**

**Corporate Tax:**

The company has not been inspected since inception until December 31, 2019

**Value Added Tax:**

The company was registered in the Egyptian Tax Authority (VAT) on 5/2/2019.

The company has not been inspected since inception until December 31, 2019

**Stamp Tax:**

The company has not been inspected since inception until December 31, 2019

**Salaries Tax:**

The company has not been inspected since inception until December 31, 2019

The company settles salaries tax on a regular basis

**36. Significant Events during current period**

With the recent and rapid development of the Coronavirus disease, (COVID-19) outbreak the world economy entered a period of unprecedented health care crisis that has already caused considerable global disruption in business activities and everyday life. Many countries have adopted extraordinary and economically costly containment measures. Certain countries have required companies to limit or even suspend normal business operations.

Governments, including the Arab Republic of Egypt, have implemented restrictions on travelling as well as strict quarantine measures in addition to the Prime Minister announce a bunch of strict protective measures taken in the face of the coronavirus pandemic including Suspending international flights in all Egyptian airports and the Central Bank of Egypt (CBE) has announced a package of procedures that aim at easing banking operations in the wake of the Coronavirus

Covid-19 has been accompanied by the drop in oil price and the slowdown in demand, Industries such as tourism, hospitality and entertainment are expected to be directly disrupted significantly by these measures. Other industries such as manufacturing and financial services are expected to be indirectly affected and their results to also be negatively affected.



On May 17, 2020, the Prime Minister indicated that work will start to gradually return in all sectors of the country as of mid-June with an emphasis on commitment by applying precautionary and preventive measures, and will announce this successively during the next stage

On June 20, 2020, a number of decisions were approved, including agreeing to cancel the partial prohibition of movement from Saturday, June 27, 2020, and agreeing to reopen restaurants, gyms, and cafes, but only 25% of its capacity is allowed, as well as closing all stores at nine in the evening, provided that restaurants and cafes continue until ten in the evening, with the continued closure of parks, gardens and public beaches, as it was agreed to continue the work of public transportation until midnight, in addition to opening places of worship as included in the decisions, to agree to open cultural facilities Cinemas and theatres, but with a rate of 25% of its absorptive capacity, and decisions also included that ministries, governorates, entities and bodies provide all their services to citizens, according to what the competent authority estimates in each entity, and taking into account commitment to all precautionary measures and health precautions, as well as the commitment of citizens to wear protective masks while they are By all means of mass transportation, whether public or private, while they are visiting all governmental or private establishments, banks or places of worship. International aviation has also resumed as of July 1, 2020

On September 21, 2020 a package of new decisions that will be implemented which include approval of holding funeral , agreed to allow the resumption of holding weddings in open areas, in hotels that have a health safety certificate, with a maximum of 300 people, and the same decision applies to meetings and conferences with an attendance rate of 50% and a maximum of 150 people, and approval of organizing cultural exhibitions is implemented in Open areas, with an attendance rate not exceeding 50%, with the application of the precautionary measures

Management has considered the unique circumstances and has concluded in the light of available information, that there is no significant impact on the group's profitability position that may arise from the current event. The event is not expected to have an immediate material impact on the business operations as the company's management follow certain procedures as follows;

- ☐ Management of the company decreased dependence on other countries through the purchase of coal-petcock from local market, accordingly no expectation for any disruption in business operations, even if the situation extends for 2-3 months.
- ☐ Other costs are decreasing such as electricity and petrol due to the current situation, which supports the enhancement of earnings before interest, taxes, depreciation, and amortization.
- ☐ The Company remains one of the main cement exporters in Egypt, who contributes in achieving returns in United States dollars.
- ☐ Management monitors the cash flows on a monthly basis and concluded that the expected cash flows will be positive during the coming months with no current cash flow issues, accordingly management decided to settle all bank instalments on time without benefit from the initiative the Central Bank by postponing the instalments for a period of six months.

The management assessment included taken into consideration the following areas during the assessment of impact of COVID-19

- ☐ Risks of impairment in Property, Plant & Equipment
- ☐ Risks of inventory write down due to slow moving items in Inventory
- ☐ Risks of default in payment of liabilities due to banks, creditors and employees in their due date.
- ☐ Risks that may rise from any claims may resulting from any lawsuits

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

Notes to the Consolidated Financial Statements

For the Year Ended December 31, 2020

---

The management concluded that no impact on the company's operation that could trigger an impairment issue in Property, Plant & Equipment as the factory is working as planned to meet the customers' demands with no indication for any risk of slow moving items in inventory. The company pays its liabilities on their due dates also the company opted not to benefit from the initiative announced by the Central bank of Egypt by postponing the instalments for six months.

Management will continue to monitor the situation closely and will assess the need for any further plans or actions in case the period of disruption becomes prolonged

**37. Approval of financial statements**

The consolidated financial statements were approved by the directors and authorized for issue on February 27, 2021.

**Sergio Alcantarilla Rodriguez**

**Chief Executive Officer**



**Salvador Lopez**

**Chief Financial Officer**

