

31. Contingencies and commitments

Contingent liabilities

(all amounts in Euro thousands)

Guarantees to third parties on behalf of subsidiaries

Bank guarantee letters

Other

Group		Company	
2015	2014	2015	2014
-	-	728,819	834,638
45,077	47,304	4,429	8,195
5,831	7,746	-	2,698
50,908	55,050	733,248	845,531

Litigation matters in Egypt

A. Privatization cases

1. In 2011, two former employees of Beni Suef Cement Company S.A.E. (BSCC) filed an action before the Administrative Court of Cairo, seeking the annulment of the privatization of BSCC which took place in 1999 through the sale of BSCC's shares to Financiere Lafarge after a public auction. Approximately 99.98% of the share capital of BSCC is held today by Titan Group through Alexandria Portland Cement Company S.A. (APCC), a company listed in the Egyptian Stock Exchange. On 15 February 2014, the Administrative Court of Cairo issued a first instance judgment whereby the claim of the plaintiffs for the annulment of the privatization of BSCC was entirely dismissed. The Court also ordered the re-employment of BSCC's ex-employees who had voluntarily terminated their employment taking advantage of voluntary early retirement programs. Both BSCC and the plaintiffs have appealed the above first instance court judgment and on 19 January 2015 the Supreme Administrative Court issued its judgment whereby the case was suspended until the issuance of a ruling by the Supreme Constitutional Court on lawsuit no. 120 of 36 JY challenging the constitutionality of Law no. 32/2014 (Appeal Procedures on State Contracts Law). The view of BSCC's lawyers is that the plaintiffs' action is devoid of any legal or factual ground.

2. In June 2013, BSCC was notified of another action which had been filed before the Administrative Court of Cairo seeking as in the above case the annulment of the privatization of BSCC and the cancellation of the sale of the shares of BSCC to Financiere Lafarge. On 25 June 2015, the Administrative Court of Cairo issued a first instance judgment whereby the case was referred to the Investment Circuit no 7, where, until today, no hearing has been scheduled. The view of BSCC's lawyers is that the action is devoid of any legal or factual ground.

3. In 2012, an former employee of Alexandria Portland Cement Company SA (APCC) filed an action before the Administrative Court of Alexandria against the President of the Republic of Egypt, the Prime Minister, the Minister of Investments, the Minister of Industry, the Governor of Alexandria, the Manager of the Mines and Salinas Project in Alexandria and the Manager of the Mines and Quarries Department in Alexandria seeking the annulment of privatization of APCC which took place in 1999 through the sale of APCC's shares to Blue Circle Cement Group. APCC was not among the defendants of the action. On 31 January 2015, the Administrative Court of Alexandria issued a judgment of first instance whereby the case was suspended until 28.11.2015 provided that until this date the Supreme Constitutional Court will have ruled on lawsuit no.79 of 37 JY challenging the constitutionality of law no. 32/2014 (Appeal Procedures on State Contracts Law). The view of APCC's lawyers is that the action is devoid of any legal and factual ground.

4. In May 2013, a new similar action was filed before the Administrative Court of Alexandria by 3 former employees of APCC against the Prime Minister, the Minister of Investment, and the Chairman of the Holding Company for Chemical Industries, the President of the Central Auditing Organization, the legal representative of Alexandria Portland Cement Company and the legal representative of Blue Circle seeking as in the above case the annulment of the sale of the shares of APCC to Blue Circle Cement Group. The case has been repeatedly postponed and to date no judgment has been handed down. The view of APCC's lawyers is that the action is devoid of any legal and factual ground.

31. Contingencies and Commitments (continued)

B. Other cases

1. A resident of the vicinity of the plant of APCC has filed a claim before the Administrative Court of Alexandria against the Governor of Alexandria, the Head of El-Agamy District, the Minister of Trade and Industry, the Minister of Environment, the Head of Alexandria Environmental Affairs Agency, the Head of Industrial Development Authority and APCC. The plaintiff requested the Court to cancel the administrative decision which had granted the operation license of the fifth line of APCC, claiming that the license had been issued in violation of environmental legislation. On 25 May 2014, the Administrative Court of Alexandria court decided to refer this case to the Cairo Administrative Court due to lack of jurisdiction. The case has been repeatedly postponed and on 24.10.2015 it was referred to another Court division for deliberation. To date no judgment has been handed down. The view of APCC's Legal Department is that the plant's operating license has been issued lawfully and in full compliance with the relevant Egyptian laws and regulations.

2. In 2007, BSCC obtained the license for the construction of a second production line in the company's plant in Beni Suef through a bidding process run by the Egyptian Trading and Industrial Authority. BSCC won the bid by offering the amount of EGP 134.5 million. The Egyptian Industrial Development Authority subsequently raised the value of the license to EGP 251 million. In October 2008 BSCC challenged the said decision of the Industrial Development Authority (IDA) before the Administrative Court and requested to obtain the construction license for the amount of EGP 500 only and alternatively for the amount of EGP 134.5 million which had been offered by BSCC in the bid. In August 2014 the case was referred to the State Commissioners and the Court is expected to schedule a hearing to notify the parties regarding State Commissioners' report. To date no judgment has been handed down. The view of BSCC's lawyers is that the outcome of the case will be positive.

3. The Nile Agricultural Organization, a non-governmental organization, has raised a court case against BSCC, claiming that BSCC has illegally occupied the plaintiff's land and seeking compensation in the amount of EGP 300 million. BSCC's position is that the disputed land has been tens of years ago legally allocated to it by the New Urban Communities Agency and that since 1988 the company holds licenses for the exploitation of quarries located in the disputed area. The view of BSCC's lawyers is that the case has a high probability of being won.

Put option in Antea

The International Finance Corporation (IFC) is granted with the option to sell its shares in ANTEA Cement SHA (Antea) at predetermined conditions. On 31 December 2015, the option's fair value of €8.3 mil. is recognized as a current liability in the statement of financial position (note 27).

Contingent tax liability

The financial years, referred to in note 35, have not been audited by the tax authorities and therefore the tax obligations of the Company and its subsidiaries for those years have not yet been finalized.

Contingent assets

(all amounts in Euro thousands)

Bank guarantee letters for securing trade receivables (note 20)

Other collaterals against trade receivables (note 20)

Collaterals against other receivables

Group		Company	
2015	2014	2015	2014
19,486	20,234	8,569	15,299
8,333	2,509	2,147	1,339
27,819	22,743	10,716	16,638
2,348	3,945	2,348	3,945
30,167	26,688	13,064	20,583

31. Contingencies and Commitments (continued)

Commitments

Capital commitments

Capital commitments contracted for at the balance sheet date but not recognized in the financial statements are as follows:

(all amounts in Euro thousands)

Property, plant and equipment

Group		Company	
2015	2014	2015	2014
1,616	153	-	-

Purchase commitments

Energy supply contracts (Gas, electricity, etc.)

(all amounts in Euro thousands)

Not later than 1 years

Later than 1 years and not later than 5 years

Beyond 5 years

Group	
2015	2014
81,481	79,188
402,808	395,940
368,486	441,392
852,774	916,519

The Group's subsidiaries in Egypt have agreements requiring the purchase of certain minimum quantities of gas for the subsequent years. Also, the Group's US subsidiaries have entered a contract to purchase raw materials and manufacturing supplies as part of their on-going operations in Florida. This includes a contract to buy construction aggregates through a multi-year agreement at prevailing market prices.

Operating lease commitments - where a Group company is the lessee

The Group leases motor vehicles, properties and other equipment under non-cancellable operating lease agreements. The leases have varying terms, escalation clauses and renewal rights.

(all amounts in Euro thousands)

Not later than 1 years

Later than 1 years and not later than 5 years

Beyond 5 years

Group		Company	
2015	2014	2015	2014
11,113	10,858	594	678
27,959	26,437	1,111	1,102
7,642	8,897	-	-
46,714	46,192	1,705	1,780

32. Related party transactions

Titan Cement Company S.A. is the parent company of the Group. The Company and its subsidiaries enter into various transactions with related parties during the year. The sales to and purchases from related parties are made at normal market prices. Outstanding balances at year-end are unsecured and settlement occurs in cash. Intra-group transactions are eliminated on consolidation. Related party transactions exclusively reflect transactions between the companies of the Group.

The following is a summary of transactions that were carried out with related parties during the year:

Year ended 31 December 2015

(all amounts in Euro thousands)

Group	Sales to related parties	Purchases from related parties	Amounts owed by related parties	Amounts owed to related parties
Other related parties	-	1,537	-	223
Executives and members of the Board	-	-	35	-
	-	1,537	35	223