Arabian Cement Company

An Egyptian Joint Stock Company

Separate Financial Statements
Together with Auditor's Report
For the year ended December 31, 2015

Deloitte

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Auditor's Report

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

Report on the Separate Financial Statements

We have audited the accompanying separate financial statements of Arabian Cement Company, which comprise separate balance sheet as of December 31, 2015, and separate statements of income, cash flows and changes in equity for the year then ended, and a summary of significant accounting policies and other explanatory notes.

Management's Responsibility for the Separate Financial Statements

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

Auditor's Responsibility

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

The separate financial statements for the year ended December 31, 2014, have been audited by another auditor who issued his unqualified opinion on these financial statements including two emphasis of matters paragraphs dated March 8, 2015.

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

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

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Opinion

In our opinion, the separate financial statements referred to above present fairly, in all material respects, the separate financial position of Arabian Cement Company as of December 31, 2015, and the results of its separate operation and its separate cash flows for the year then ended in accordance with Egyptian Accounting Standards and the applicable Egyptian laws and regulations relating to the preparation of these separate financial statements.

Report on Other Legal and Regulatory Requirements

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

The financial information referred to in the management report is prepared in compliance with the Companies Law No. 159 of 1981 and its Executive Regulations thereto and is in agreement with the books of accounts of the Company.

Cairo, March 23, 2016

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

Arabian Cement Company
An Egyptian Joint Stock Company
Separate Balance Sheet
As of December 31, 2015

	Note No.	December 31, 2015 EGP	December 31, 2014 EGP
Non-current assets			
Fixed assets (net)	(5)	2 534 078 675	2 665 349 407
Projects under construction	(6)	124 756 807	98 414 243
Intangible assets (net)	(7)	109 142 259	131 662 259
Investment in subsidiary companies	(8)	20 976 307	9 176 307
Investment in joint ventures	(9)	125 000	31 250
Total non-current assets		2 789 079 048	2 904 633 466
Current assets			
Inventory	(10)	196 042 634	201 038 220
Debtors and other debit balances	(11)	58 596 676	50 770 201
Due from subsidiaries and related parties	(12)	14 926 897	17 353 443
Cash and bank balances	(13)	364 838 686	156 060 447
Total current assets		634 404 893	425 222 311
Current liabilities			
Provisions	(14)	15 843 923	8 770 069
Current income tax liability	(25)	71 556 188	134 923 345
Creditors and other credit balances	(15)	522 312 004	334 126 675
Due to subsidiaries and related parties	(12)	52 219 203	5 558 323
Current portion of long-term loans	(16)	206 297 400	294 065 338
Current portion of long-term other liabilities	(17)	86 430 000	77 934 000
Total current liabilities		954 658 718	855 377 750
(Deficit in) working capital		(320 253 825)	(430 155 439)
Total investment		2 468 825 223	2 474 478 027
Financed by:			
Shareholders' equity			
Issued and paid-up capital	(18)	757 479 400	757 479 400
Legal reserve	(19)	156 093 042	129 447 589
Retained earnings	(30)	178 626 876	35 058 993
Net profit for the year		289 443 293	373 130 564
Total shareholders' equity		1 381 642 611	1 295 116 546
Non-current liabilities			
Loans	(16)	357 584 237	341 739 770
Deferred income tax liability	(20)	329 208 375	351 118 999
Other liabilities	(17)	400 390 000	486 502 712
Total non-current liabilities		1 087 182 612	1 179 361 481
Total finance of working capital and non-current assets		2 468 825 223	2 474 478 027

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

Chief Financial Officer
Allan Hestbech

-Audit report attached.

Chief Executive Officer
Jose Maria Magrina

Jose Maria

Arabian Cement Company
An Egyptian Joint Stock Company
Separate Income Statement
For the Year Ended December 31, 2015

	Note No.	December 31, 2015 EGP	December 31, 2014 EGP
Net sales	(21)	2 236 127 591	2 498 734 060
Less:			
Cost of sales	(22)	(1 662 878 391)	(1 749 586 118)
Gross operating profits		**573 249 200**	**749 147 942**
(Less) / Add			
General and administration expenses	(23)	(92 890 427)	(106 482 652)
Provisions	(14)	(12 635 442)	(2 584 364)
Reversal of provisions		--	555 431
Other operating income		1 662 397	1 223 200
Credit interest		2 957 672	826 015
Net operating profits		**472 343 400**	**642 685 572**
(Less) / Add			
Financing expenses	(24)	(89 544 615)	(94 560 609)
Losses from foreign exchange differences		(44 004 095)	(25 856 362)
Dividends from joint venture		104 167	--
Capital gain / (loss)		190 000	(87 139)
Net profits for the year before income tax		**339 088 857**	**522 181 462**
Income tax	(25)	(49 645 564)	(149 050 898)
Net profits for the year after income tax		**289 443 293**	**373 130 564**
Earnings per share for the year	(26)	**0.75**	**0.97**

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

Chief Financial Officer	**Chief Executive Officer**
Allan Hestbech	**Jose Maria Magrina**
	Jose Maria

Arabian Cement Company

An Egyptian Joint Stock Company

Separate Statement of Changes in Equity

For the Year Ended December 31, 2015

Description	Note No.	Capital EGP	Legal Reserve EGP	Retained Earnings EGP	Net Profits for the Year EGP	Total EGP
Balance as of January 1, 2014		757 479 400	118 779 986	213 095 391	--	1 089 354 777
Transferred to legal reserve	(30)	--	10 667 603	(10 667 603)	--	--
Dividends distributed	(30)	--	--	(167 368 795)	--	(167 368 795)
Net profits for the year		--	--	--	373 130 564	373 130 564
Balance as of December 31, 2014		757 479 400	129 447 589	35 058 993	373 130 564	1 295 116 546
Balance as of January 1, 2015		757 479 400	129 447 589	408 189 557	--	1 295 116 546
Transferred to legal reserve	(30)	--	26 645 453	(26 645 453)	--	--
Dividends distributed	(30)	--	--	(202 917 228)	--	(202 917 228)
Net profits for the year		--	--	--	289 443 293	289 443 293
Balance as of December 31, 2015		757 479 400	156 093 042	178 626 876	289 443 293	1 381 642 611

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

Chief Financial Officer
Allan Hestbech

Chief Executive Officer
Jose Maria Magrina
Jose Maria

Arabian Cement Company
An Egyptian Joint Stock Company
Separate Statement of Cash Flows
For the Year Ended December 31, 2015

	Note No.	December 31, 2015 EGP	December 31, 2014 EGP
Cash flows from operating activities			
Net profits for the year before tax		339 088 857	522 181 462
Adjusted by:			
Fixed assets' depreciation	(5)	174 000 648	168 130 074
Intangible assets' amortization	(7)	22 520 000	22 519 999
Provisions	(14)	12 635 442	2 584 364
Reversal of provisions		--	(555 431)
Provisions used	(14)	(5 561 588)	(369 693)
Credit interest		(2 957 672)	(826 015)
Finance costs	(24)	89 544 615	94 560 609
Dividends from joint venture		(104 167)	--
Losses from foreign exchange rate differences ***		41 789 105	12 738 963
Capital (gain) / loss		(190 000)	87 139
Operating profit before changes in working capital		670 765 240	821 051 471
Decrease / (increase) in inventory		4 995 586	(104 870 280)
(Increase) in debtors and other debit balances *		(11 223 870)	(1 450 432)
Decrease / (increase) in due from subsidiaries and related parties		2 426 546	(119 827)
Increase in creditors and other credit balances		177 120 994	34 066 963
Increase in due to subsidiaries and related parties ****		660 880	3 636 674
Income tax paid *		(131 525 949)	(518 278)
Net cash flows generated from operating activities		713 219 427	751 796 291
Cash flows from investing activities			
Proceeds from dividends from joint venture		104 167	--
Proceeds from sale of assets		190 000	390 418
Payments for investments in subsidiary companies	(8)	(11 800 000)	--
Payments for investments in joint venture	(9)	(93 750)	--
Payments for fixed assets **	(5)	(16 372 348)	(22 863 920)
Payments for projects under construction **	(6)	(52 700 132)	(124 382 438)
Interest income		2 957 672	826 015
Net cash flows (used in) investing activities		(77 714 391)	(146 029 925)
Cash flows from financing activities			
Payments of operation and electricity license		(77 616 712)	(74 052 704)
Interest paid		(78 480 281)	(97 430 044)
Net change in the loans ***		(113 712 576)	(235 585 317)
Dividends paid ****	(30)	(156 917 228)	(200 561 999)
Net cash flows (used in) financing activities		(426 726 797)	(607 630 064)
Net change in cash and cash equivalents during the year		208 778 239	(1 863 698)
Cash and cash equivalents at the beginning of the year		156 060 447	157 924 145
Cash and cash equivalents at the end of the year	(13)	364 838 686	156 060 447

Non-cash transactions

* Non-cash transactions represented in the income tax paid and debtors and other debit balances of EGP 3 397 395 have been eliminated.

** Non-cash transactions represented in the transferred from projects under construction to fixed assets of EGP 26 357 568 have been eliminated.

*** Non-cash transactions represented in the net changes in the loans and the unrealized foreign exchange rate differences of EGP 41 789 105 have been eliminated.

**** The unpaid dividends for the main shareholder of EGP 46 000 000 have been eliminated.

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

Chief Financial Officer

Allan Hestbech

Chief Executive Officer

Jose Maria Magrina

Jose Maria

Arabian Cement Company
An Egyptian Joint Stock Company
Notes to the Separate Financial Statements
For the Year Ended December 31, 2015

1. Incorporation and purpose

1.1 Incorporation

- The Arabian Cement Company, an Egyptian Joint Stock Company was established as a joint stock company on March 5, 1997 under Law No. 230 of 1989 and Law No. 95 of 1992 according to the decision of the Chairman of General Authority for Investment and Free Zone (GAFI) under 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 main shareholder of the company is Aridos Jativa – Spanish Company and it owns 60% of the company's share capital.
- The separate financial statements were approved by the Board of Directors and authorized for issue on March 23, 2016.

1.2 Company's term

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

1.3 Activities

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.

1.4 Registration at the stock market

Registration of company shares at the stock market

The shares of the company were registered at the Egyptian Stock Market according to the approval of the Registration Committee held on March 24, 2014. The company's shares were included in the database on March 25, 2014. The company's shares registration data were adjusted after stock splitting by the par value on April 17, 2014.

Registering the company's shares in the central security

The company's shares were registered according to central depository and registry system in Misr for Central Clearing on January 19, 2014 and were adjusted as a result of stock splitting share's par value on April 17, 2014.

2. Significant accounting policies

2-1 Statement of compliance

The separate financial statements were prepared in accordance with the Egyptian Accounting Standards (EASs) issued by the Minister of Investment Decree No. 243 of 2006, and in light of the prevailing Egyptian laws and regulations. The Egyptian Accounting Standards require referral to the International Financial Reporting Standards (IFRSs), when no Egyptian Accounting Standard or legal requirements exist to address certain types of events and transactions.

2-2 Basis of preparation

The separate financial statements have been prepared on the historical cost basis. In the application of the company's accounting policies the management of the company 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 recognized in the period in which the estimates 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.. Note No. (4) discloses the significant accounting estimates used and professional judgment applied in the preparation of the separate financial statements.

The company prepares consolidated financial statements in accordance with the EASs for the company and its subsidiaries (the "Group"). In the consolidated financial statements, subsidiary undertakings – which are those companies in which the company, directly or indirectly, has an interest of more than half of the voting rights or otherwise has power to exercise control over the operations – have been fully consolidated. The consolidated financial statements can be obtained from the Head Office of the company. In these separate financial statements, subsidiaries are accounted for and presented using the cost method.

Users of these separate financial statements should read them together with the company's consolidated financial statements for the year ended December 31, 2015, in order to obtain full information on the financial position, results of operations and changes in equity of the company as a whole.

The principal accounting policies are set out below:

2-3 Foreign currency exchange

Functional and presentation currency

Items included in the financial statements of the company are measured using the currency of the primary economic environment in which the entity operates ('the functional currency'). The financial statements are presented in Egyptian Pounds, which is the company's functional and presentation currency.

Transactions and balances

Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the dates of the transactions. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation for the year-end exchange rates of monetary assets and monetary liabilities denominated in foreign currencies are recognized in the income statement.

2-4 Fixed assets and their depreciation

Fixed assets are stated at historical cost less accumulated depreciation, historical cost includes all costs associated with acquiring the asset and bringing it to a ready-for use condition.

Depreciation is calculated on the straight-line method to write-off the cost of each asset to its residual value over the estimated useful lives of assets excluding land, which is not depreciated.

Estimated useful lives of assets are as follows:

Asset description	Estimated useful lives
Machinery and equipment	20 years
Other installations	20 years
Buildings	10 : 20 years
Vehicles	5 : 7 years
Computer and software	3 : 5 years
Furniture , fixtures and office equipments	16 years

The assets' residual values and useful lives are reviewed annually and adjusted if appropriate.

Where the carrying amount of an asset is greater than its estimated recoverable amount, it is written down immediately to its recoverable amount.

Gains and losses on disposals are determined by comparing proceeds with the carrying amount of the asset and are included in the income statement.

Repairs and maintenance are charged to the income statement during the financial year during which they are incurred. The cost of major overhauling is included in the carrying amount of the asset when it is probable that future economic benefits in excess of the originally assessed standard of performance of the existing asset will flow to the company, and it is depreciated over its estimated useful life or the remaining useful life of the related asset, whichever is less.

Cost of machinery and equipment included operating license cost, issued by Industrial Development Authority, for each production line separately according to the estimated useful life for the line.

2-5 Projects under construction

Projects under construction are carried at cost and are recognized as fixed assets when they meet the conditions of recognition of fixed assets, and when the value of project under construction exceeds the carrying amount. The cost of project under construction is impaired to the excepted recoverable amount, and the difference is recognized in the income statement.

2-6 Intangible assets

The cost directly attributable to the Electricity Generation fees agreement and with a finite useful life is capitalized. Such cost is carried at cost less accumulated amortization. Amortization is calculated using the straight–line method to allocate these costs over 10 years.

2-7 Investment in subsidiaries

Subsidiaries are entities over which the company owns more than 50% of the voting rights, or over which the company has power to govern the financial and operating policies. Such investments are presented and carried at cost, in case there is impairment in the investment value, the book value is adjusted by the impairment amount and charged to the income statement for each investment.

2-8 Investment in joint ventures

Investment in joint ventures is the contractually agreed sharing of control over an economic activity, and exists only when the strategic financial and operating decisions relating to the activity require the unanimous consent of the parties sharing control. Joint ventures are accounted for using the cost method whereby the investment is recognized at cost less impairment. Impairment is determined on an individual basis for each type of investment, and is recognized in the income statement.

2-9 Impairment of non-financial assets

Fixed assets and intangible assets are reviewed for impairment losses whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognized in the income statement when the carrying amount of the asset exceeds its recoverable amount, which is the higher of fair value less cost of disposal and value in use. For the purposes of assessing impairment, assets are grouped at the lowest level, for which there are separate identifiable cash flows.

Reversal of impairment losses recognized in prior years, is recorded when there is an indication that the impairment losses recognized for the asset no longer exist or have decreased, but so that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognized for the asset (net after depreciation) in prior years. A reversal of an impairment loss is recognized immediately in the income statement.

2-10 Inventories

Inventories are stated at the lower of cost and net realizable value. Cost is determined using the moving average method. The cost of finished goods and work in progress comprises raw materials, direct labour, other direct costs and related production overheads based on normal operating capacity but excludes borrowing costs. The net realizable value is the estimated selling price in the ordinary course of business, less the costs of completion and selling expenses. The required provision is determined to write down the value of the slow moving, obsolete and damaged inventory items, according to the management's estimates.

The company evaluates inventory elements as follows:

a. Raw materials : cost (moving average)

b. Spare parts : cost (moving average)

c. Finished goods : is measured at the lower of manufacturing cost and net realizable value, the manufacturing cost comprises raw materials, direct labour and cost includes an appropriate share of overheads based on normal operation capacity.

2-11 Cash and cash equivalents

For the purpose of cash flows statement, cash and cash equivalent comprise cash on hand and demand deposits with original maturities of three months or less.

2-12 Capital

Ordinary shares are classified as equity.

2-13 Borrowings

Borrowings are recognized initially at the amount of the proceeds received, net of transaction costs incurred. Borrowings are subsequently stated at amortized cost using the effective yield method; any difference between proceeds (net of transaction costs) and the redemption value is recognized in the income statement over the borrowing period.

Borrowings are classified as current liabilities unless the company has an unconditional right to defer settlement of the liability for at least 12 months after the balance sheet date.

2-14 Taxation

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

Current tax

The tax currently payable is based on taxable profit for the year. Taxable profit differs from profit as reported in the income statement due to items of income or expense that are taxable or deductible in other years, and items that are never taxable or deductible.

The company's liability for current tax is calculated using tax rates that have been enacted or substantively enacted as of the financial statements date.

Deferred tax

Deferred tax is recognized on temporary differences between the carrying amounts of assets and liabilities in the balance sheet and the corresponding tax bases used in the computation of taxable profit.

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

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

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply in the period in which the liability is settled or the asset realized, based on tax rates 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 company expects, at the end of the reporting period, to recover or settle the carrying amount of its assets and liabilities.

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

Current and deferred tax for the year

Current and deferred taxes are recognized as an expense or income in the income statement, except when they relate to items that are recognized outside of profit or loss (directly in equity).

2-15 Trade payables

Trade payables are generally carried at the fair value of goods or services received from others, whether invoiced or not.

2-16 Lease

1-Finance lease

Leases are accounted for under Law 95 of 1995 if the lessee is not obliged to purchase the asset at end of the lease period, the lease contract is recorded in the relevant register with the Companies Authority. The contract gives the option to the lessee to buy the asset at a specific date and the amount and the period of the contract represents at least 75% of the useful life of the asset, or if the present value of total leases payments represents at least 90% of the asset value.

For leases within the scope of Law 95 of 1995, the lease costs including maintenance expense of leased assets, are recognized in the income statement in the period incurred.

If the company elects to exercise the purchase option on the leased asset, the option cost is capitalized as fixed assets and depreciated over their expected remaining useful lives on a basis consistent with similar assets.

2-Operating lease

Operating lease contracts represents any lease contract where the lessor has ownership risks and benefits.

Payments made under operating leases (net of any incentives received from the lessor), are charged to the income statement on a straight-line basis over the period of the lease.

2-17 Employee benefits

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.

Pension obligations

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

2-18 Provisions

Provisions are recognized when the company has a present legal or constructive obligation as a result of past events; and it is probable that an outflow of resources will be required to settle the obligation; and the amount has been reliably estimated.

If the effect of the time value of the money is material, provisions are measured at the present value of the expenditures expected to be required to settle the obligation.

2-19 Revenue recognition

Revenue comprises the fair value of the consideration received or receivable for the sale of goods and services in the ordinary course of the company's activities. Revenue is shown net of sales tax, returns or rebates.

The company recognizes revenue when significant risks and rewards of ownership of the goods are transferred to the buyer and when the amount of revenue can be reliably measured, and it is probable that future economic benefits will flow to the company and when specific criteria have been met for each of the company's activities as described below. The company makes its estimates on historical results, taking into consideration the type of customer, the type of transaction and the specifics of each arrangement.

1- Sales of goods

Sales of goods are recognized when the company has delivered products to the wholesaler, the wholesaler has full discretion over the price to sell the products, and there is no unfulfilled obligation that could affect the wholesaler's acceptance of the products, delivery does not occur until the products are delivered either from the company's warehouse or locations as specified in the agreements, and accordingly, the risks and benefits are transferred to the wholesaler, and if the wholesaler has accepted the products in accordance with the sales contract, the company has objective evidence that all criteria for acceptance have been satisfied. No element of financing is deemed present as the payments of the majority of sales are collected in advance.

2- Interest income

Interest income is accrued on timely basis, by reference to the effective interest rate applicable. When a financial asset is impaired, the company reduces the carrying amount to its recoverable amount.

3- Dividends income

Dividend income from investment is recognized when the shareholder's right to receive payment has been established.

2-20 Borrowing cost

The borrowing cost is charged as expenses in the income statement for the period during which the company has incurred this cost, with the exception of those costs directly related to the acquisition, construction or production of qualifying assets, which are capitalized on the cost of these assets.

2-21 Transactions with related parties

The transactions between the company and its related parties are made at the company's usual list prices in accordance with the terms as approved by the Board of Directors.

2-22 Cash flows statement

Cash flows statement is prepared in accordance with the indirect method.

2-23 Dividends

Dividends are recognized in the company's financial statements in the period during which they are approved by the company's shareholders.

2-24 Comparatives figures

Where necessary, comparative figures have been reclassified to conform to changes in the current period's presentation.

3. **Financial risk management**

1) **Financial risk factors**

The company's activities expose it to a variety of financial risks: market risk (including currency risk, price risk and interest rate risk), credit risk and liquidity risk. The company's efforts are addressed to minimize potential adverse effects of such risks on the company's financial performance.

The company does not use derivative instruments to hedge specific risks.

a. **Market risk**

1. **Foreign exchange risk**

The company is exposed to foreign exchange risk arising from various currency exposures, primarily with respect to the US Dollar and Euro. Foreign exchange risk arises from future commercial transactions and assets and liabilities in foreign currencies at the date of the financial statements.

The below table shows the foreign currency positions:

Description	Assets	Liabilities	Net value at December 31, 2015	Net value at December 31, 2014
	EGP	EGP	EGP	EGP
USD	4 169 091	(544 000 223)	(539 831 132)	(437 595 664)
EURO	196 451	(19 120 271)	(18 923 820)	(22 907 453)

The average exchange rate during the year was as follows:

	December 31, 2015	December 31, 2014
EGP \ USD	7.70	7.13
EGP \ EURO	8.61	9.42

Foreign Currency Exchange Losses

The Egyptian pound devaluated against the US dollar and Euro during the second half of 2015.

The company is exposed to foreign currency risks arising from fluctuations in the rate of the Egyptian pound against the various currencies, especially with respect to the US dollar and euro. For a 15% weakening of the Egyptian pound against the US dollars and Euro, there would be negative impact on the income statement by EGP 84 468 074. This analysis assumes that all other variables remain constant.

2. **Price risk**

The company has no investment in quoted equity securities. Therefore, the company is not exposed to the fair value risk due to changes in prices.

3. **Interest rate risk**

Interest risk represents the change in the interest rate of the company's obligations represented by loans and operating license, with variable interest rates, amounting to EGP 964 545 637 as of December 31, 2015 against EGP 1 078 949 108 as of December 31, 2014.

b. **Credit risk**

The company has no significant concentrations of credit risk. The company has policies in place to ensure that sales of products are made to customers with an appropriate credit history. Financial institutions that the company deals with are only those enjoying high credit quality.

c. **Liquidity risk**

Prudent liquidity risk management implies maintaining sufficient level of cash.

2) <u>Capital risk management</u>

- The company's objectives when managing capital are to safeguard the company's ability to continue as a going concern in order to provide returns for shareholders, and to maintain an optimal capital structure to reduce the cost of capital.
- The company monitors capital based on the gearing ratio. This ratio is calculated as net debt divided by total capital. Net debt is calculated as other liabilities and borrowings, less cash and cash equivalents. Total capital is calculated as equity in addition to total net debt.
- The gearing ratio was as follows:

	December 31, 2015 EGP	December 31, 2014 EGP
Loans (Note No.16)	563 881 637	635 805 108
Other liabilities (Note No.17)	486 820 000	564 436 712
Less: Cash and equivalent (Note No.13)	(364 838 686)	(156 060 447)
Net Debt	685 862 951	**1 044 181 373**
Equity	1 381 642 611	1 295 116 546
Capital	2 067 505 562	**2 339 297 919**
Net Debt / Capital	33%	45%

- The decrease in the gearing ratio is mainly due to the payments of the loans and borrowings during the year and also due to the increase in the cash balance.

3) <u>Fair value estimation</u>

The company's management considers that the carrying amounts of financial assets and financial liabilities recognized in the financial statements approximate their fair value.

4. <u>Critical accounting estimates and judgments</u>

Estimates and adjustments are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances. The company makes estimates and assumptions concerning the future. Actual results may differ from these estimates.

a) <u>Fixed assets - useful life</u>

The fixed assets owned by the company have long lives that extend to 20 years. To ensure the use of reliable estimates, management has benchmarked the useful lives of its owned assets with estimates made by other entities and with those estimates developed internally by its technical resources. In line with the requirements of Egyptian Accounting Standards, management reviews the useful lives of fixed assets regularly, to ensure consistency with its estimate, or otherwise, revise the remainder of useful lives as appropriate.

b) <u>Income tax</u>

The company is subject to corporate income tax, and it estimates the income tax provision by using the advice of an expert. In case there are differences between the final and preliminary results, these differences will affect the income tax and deferred tax provision in these years.

c) <u>Intangible assets - useful life</u>

The company capitalizes the cost that is directly attributable to the electricity generation fees agreement. This cost has a finite useful life and is carried at cost less accumulated amortization. Amortization is calculated using the straight-line method to allocate these costs over 10 years.

5. Fixed assets (net)

	Lands	Buildings	Vehicles	Machinery and Equipment	Other Installations	Computer and Software	Furniture, Fixtures and Office Equipment	Total
	EGP	EGP	EGP	EGP	EGP	EGP	EGP	EGP
Cost:								
Balance as of January 1, 2015	50 243 436	519 041 986	9 734 584	2 598 648 716	255 222 623	9 528 000	6 080 870	3 448 500 215
Additions	---	5 696 560	1 396 678	384 890	6 764 283	837 258	1 292 679	16 372 348
Disposals	--	--	(617 026)	--	--	--	--	(617 026)
Transferred from projects under construction	--	6 248 392	--	10 312 770	9 796 406	--	--	26 357 568
Cost as of December 31, 2015	50 243 436	530 986 938	10 514 236	2 609 346 376	271 783 312	10 365 258	7 373 549	3 490 613 105
Accumulated depreciation:								
Balances as of January 1, 2015	--	93 198 200	3 779 687	630 829 999	45 765 198	8 178 246	1 399 478	783 150 808
Depreciation	--	27 887 240	1 277 741	130 144 090	13 312 249	841 979	537 349	174 000 648
Accumulated depreciation of disposals	--	--	(617 026)	--	--	--	--	(617 026)
Accumulated depreciation as of December 31, 2015	--	121 085 440	4 440 402	760 974 089	59 077 447	9 020 225	1 936 827	956 534 430
Net book value as of December 31,2015	50 243 436	409 901 498	6 073 834	1 848 372 287	212 705 865	1 345 033	5 436 722	2 534 078 675
Net book values of December 31,2014	50 243 436	425 843 786	5 954 897	1 967 818 717	209 457 425	1 349 754	4 681 392	2 665 349 407

* There is a first-degree commercial and real estate mortgage for the benefit of the National Bank of Egypt as a guarantee for loans granted by the bank to the company's land, all current and future buildings and constructions, and the tangible and intangible elements of the company's factory as disclosed in details in (Note No. 16).

** According to the loans contracts granted by the National Bank of Egypt, the company insured for the benefit of the bank an insurance policy against all potential risks on the company's factory and the production lines by 110% of the full amount of the loans, and the bank is the first and only beneficiary of this policy.

*** The company has insured for its benefit on cars, and the Katamia Villa.

Fixed assets, (net) continued

The company has assets related to finance lease based on contracts under Law No. 95 of 1995, which states that these assets should not be classified as fixed assets according to the accounting policies (No. 2-16).

Five years contracts	**December 31, 2015**	**December 31, 2014**
	EGP	**EGP**
Total contracted lease payments	50 176 916	49 549 083
Bargain purchase value	1	1
Average useful life	5 years	5 years
Lease payments during the year	9 312 880	9 516 691

Commitments for leasing arrangements

The liabilities for financing lease contracts amounted to the following:

Not later than 1 year	Later than 1 year and not later than 2 years	Later than 2 years	Total
EGP	EGP	EGP	EGP
5 495 515	1 350 093	1 185 142	**8 030 750**

6. **Projects under construction**

	December 31, 2015	**December 31, 2014**
	EGP	**EGP**
Balance as of January 1	98 414 243	138 435 045
Additions	51 381 120	120 556 382
Advance to suppliers	1 319 012	3 826 056
Transferred to fixed assets	(26 357 568)	(164 403 240)
	124 756 807	**98 414 243**

- Projects under construction are represented in the following categories:

	December 31, 2015	**December 31, 2014**
	EGP	**EGP**
Buildings	11 462 495	12 748 477
Machinery and equipment	108 636 763	80 756 169
Other installations	3 338 537	1 083 541
Advance to suppliers	1 319 012	3 826 056
	124 756 807	**98 414 243**

- Projects under construction are comprised of buildings, machinery and equipment, which are related to the installation of the alternative energy generation lines. And they are expected to be capitalized during the next year.

7. Intangible assets (net)

	December 31, 2015 EGP	December 31, 2014 EGP
Cost	225 200 000	225 200 000
Accumulated amortization		
Balance as of January 1	(93 537 741)	(71 017 742)
Amortization for the year	(22 520 000)	(22 519 999)
Balance as of December 31	**(116 057 741)**	**(93 537 741)**
Net book value	**109 142 259**	**131 662 259**

* 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:

a) 15% advance payment equivalent to EGP 32.58 million.
b) 120 monthly installments due on the first of every month from April 2010 amounting to EGP 1.220 million per each installment.
c) 120 monthly installments due on the first of every month from February 2011 amounting to EGP 1.342 million per each installment.
d) In addition to EGP 8 million for the allocation of two cells of the traditional type, to be paid over four quarterly installments and the last installment is due on February 1, 2011.

8. Investments in subsidiaries

Company	Country of incorporation	Share %	December 31, 2015 EGP	December 31, 2014 EGP
Andalus Concrete Company	Egypt	99.99%	20 926 807	9 126 807
ACC for Management and Trading Company	Egypt	99%	49 500	49 500
			20 976 307	**9 176 307**

- On September 2, 2015, the Extraordinary General Assembly of Andalus Concrete Company decided to increase its capital in the amount of EGP 11 800 000 (only eleven million, and eight hundred thousand Egyptian pounds), and this increase was allocated to Arabian Cement Company, and therefore its capital share became 99.99%. The increase was registered at the Commercial Register on December 22, 2015.

9. Investments in joint ventures

Company	Country of incorporation	Ownership	December 31, 2015 EGP	December 31, 2014 EGP
Andalus Reliance for Mining Company	Egypt	50%	125 000	31 250
Total			**125 000**	**31 250**

* On June 2, 2015, the company completed its share in the capital of Andalus Reliance Mining Company by depositing the amount of EGP 93 750 at the Commercial International Bank (CIB). And therefore, the capital was fully paid, and it was registered at the Commercial Register on July 8, 2015.

10. Inventory

	December 31, 2015 EGP	December 31, 2014 EGP
Raw materials	117 846 311	118 911 620
Packing materials	16 014 996	26 249 417
Spare parts	30 060 008	26 920 189
WIP	1 397 426	484 977
Finished goods	30 723 893	28 472 017
	196 042 634	**201 038 220**

11. Debtors and other debit balances

	December 31, 2015 EGP	December 31, 2014 EGP
Advance to suppliers	25 293 949	25 534 801
Deposits with others	23 813 241	18 532 389
Withholding taxes	2 563 341	3 397 395
Letter of credit	532 986	532 986
Employees' dividends in advance	4 170 617	2 185 184
Imprest – employee's loan	1 880 796	357 130
Other debit balances	307 697	196 267
Letter of guarantee	34 049	34 049
	58 596 676	**50 770 201**

12. Related parties transactions

Due from subsidiaries and related parties:

	December 31, 2015 EGP	December 31, 2014 EGP
Andalus Concrete Company	14 926 897	15 061 875
Cementos La Unión Chile, S.A. Company	--	420 637
Cementos Santo Domingo Company	--	407 078
ACC for Management and Trading Company	--	1 463 853
	14 926 897	**17 353 443**

Due to subsidiaries and related parties

	December 31, 2015	December 31, 2014
	EGP	EGP
Cementos La Union – Spain Company	1 054 163	2 156 734
Aridos Jativa Company	46 534 200	95 204
Andalus Reliance for Mining Company	4 368 928	3 306 385
ACC for Management and Trading Company	261 912	--
	52 219 203	5 558 323

The following represents the nature and value of main transactions between related parties during the year:

Company	Relation type	Transaction nature	Volume of transactions December 31, 2015	Volume of transactions December 31, 2014
			EGP	EGP
Andalus Concrete Company	Subsidiary	Sales	18 898 173	13 360 286
Aridos Jativa Company	Main shareholder	Services	1 250 658	1 397 247
		Dividends payable	46 000 000	--
ACC for Management and Trading Company	Subsidiary	Services	36 034 817	27 684 624
Cementos La Union-Spain company	Subsidiary of the parent	Services	1 054 163	2 171 142
Andalus Reliance for Mining Company	Joint Ventures	Purchase	32 087 263	26 023 661
Hormiunion, S.L.	Subsidiary of the parent	Purchase	--	767 685
Cementos Santo Domingo company	Subsidiary of the parent	Sales	--	656 957

- Andalus Concrete Company purchases cement materials and products from Arabian Cement Company which are used for manufacturing and trading concrete and construction materials.
- Aridos Jativa Company renders consulting services for Arabian Cement Company.
- ACC for Management and Trading Company renders managerial services for Arabian Cement Company.
- Cementos La Union – Spain renders technical support services and supplying assets for Arabian Cement Company.
- Andalus Reliance for Mining Company supplied the raw materials for Arabian Cement Company.
- Hormiunion, S.L. Company supplied new batch plant for Andalus Concrete and Arabian Cement Company paid on its behalf, while Andalus Concrete paid this amount to Arabian Cement Company during 2014.
- Arabian Cement Company sold silos to Cementos Santo Domingo.

Amounts paid for the Board of Directors members during the year:

	December 31, 2015	December 31, 2014
	EGP	EGP
Board of Directors allowance	17 066 608	16 111 169
Board of Directors salaries and wages	7 708 884	7 173 556
	24 775 492	23 284 725

13. Cash and bank balances

	December 31, 2015	December 31, 2014
	EGP	EGP
Cash on hand	4 088 046	2 026 922
Current account – local currency	354 561 257	110 564 286
Current account – foreign currency	4 200 915	21 669 734
Bank deposits	1 988 468	21 799 505
	364 838 686	156 060 447

	December 31, 2015	December 31, 2014
	EGP	EGP
Average interest rates for bank deposits – USD	0.45%	0.06%
Average interest rates for bank deposits – EGP	5.71%	7%
Maturity period for bank deposits	214 Days	243 Days

Cash and cash equivalents include restricted cash as follows:

	December 31, 2015	December 31, 2014
	EGP	EGP
Cash and bank balances	181 835 680	101 483 766
Restricted cash*	183 003 006	54 576 681
	364 838 686	156 060 447

* The restricted cash represents the value of two installments for both the first and the second loans due during 2015 and the installment due on the first of January 2016. It also includes the accrued interest on these installments after rescheduling the due installments related to the facilities granted to the company, in addition to a margin of 20% of the total due installments in anticipation of increase in the exchange rate for the foreign currency. The bank has restricted a balance covering the foreign currency installment, until the foreign currency is available.

14. Provisions

	Balance at December 31, 2014 EGP	Additions during the year EGP	Used during the year EGP	Balance at December 31, 2015 EGP
Provisions for claims	8 770 069	12 635 442	(5 561 588)	15 843 923
	8 770 069	**12 635 442**	**(5 561 588)**	**15 843 923**

- The provisions for expected claims from some parties, relate to the activities of the company. The company's management reviews these provisions periodically and adjusts the amount allocated in accordance with the latest developments, discussions and agreements with these parties.

15. Creditors and other credit balances

	December 31, 2015 EGP	December 31, 2014 EGP
Trade payable	284 169 387	136 077 924
Advance payment from customers	173 077 453	118 570 719
Accrued development fees	15 106 346	35 771 621
Accrued customers rebates	862 426	177 631
Accrued taxes	6 556 667	14 592 633
Accrued interest	27 174 026	15 853 110
Retention	4 602 524	6 224 626
Accrued expenses	10 763 175	6 858 411
	522 312 004	**334 126 675**

16. Loans

	December 31, 2015 EGP	December 31, 2014 EGP
Current portion from loans	206 297 400	294 065 338
Non- current portion from loans	357 584 237	341 739 770
	563 881 637	**635 805 108**

- These loans are represented in the following:

	December 31, 2015 EGP	December 31, 2014 EGP
First loan	245 864 189	227 188 125
Second loan	253 237 593	335 159 098
Third loan	--	22 578 914
Fourth loan	64 779 855	50 878 971
	563 881 637	**635 805 108**

The first loan

- On September 2006, the company obtained a loan from the National Bank of Egypt amounting to USD 103.9 million. On January 31, 2008, the bank agreed to increase the loan to be USD 149 million, to cover the increase in the investment cost, in addition to financing 15% of the operating license cost.
- The loan duration is 10 years including two years of grace period at an interest rate of 1.6%, plus Libor during the first five years, of the loan and an interest rate of 1.7% plus Libor during the following five years.
- On May 27, 2015, the National Bank of Egypt agreed to restructure the due installments to be paid over 16 equal quarterly installments, in addition to the interest which will be added every three months, and paid with the installments. The applied interest rate will be amended to become with a marginal profits of 4%, above the Libor rate for six months.
- On October 13, 2015, the National Bank of Egypt agreed to postpone the payment of the two installments due on the first of July 2015 and the first of October 2015, with a total value of USD 4 million, to be paid on the first of January 2016 and the first of April 2016, as well as the due interest.

The second loan

- On January 31, 2008, the company obtained a loan from the National Bank of Egypt amounting to USD 142 million to finance the second production, and 25% of the second line's operating license cost. The loan included a portion in Egyptian Pounds equivalent to USD 57 million.
- The loan duration is 10 years including two years of grace period at an interest rate of 1.5% plus Libor for the USD portion of the loan, and 11% for the Egyptian Pounds portion.
- On May 27, 2015, the National Bank of Egypt agreed to restructure the due installments for the USD portion only, to be paid over 16 equal quarterly installments, in addition to the interest which will be added every three months, and paid with the installments. The applied interest rate will be amended to become with a marginal profits of 4%, above the Libor rate for six months.
- On July 29, 2015, the Egyptian pound portion loan balance was fully paid.
- On October 13, 2015, the National Bank of Egypt agreed to postpone the payment of the two installments due on the first of July 2015 and the first of October 2015, with a total value of USD 4 million, to be paid on the first of January 2016 and the first of April 2016, as well as the due interest.

The third loan

- On February 22, 2010, the company obtained a loan from the National Bank of Egypt amounting to EGP 265 million to finance around 70% of the investment cost of the clinker mill.
- The loan duration is five years including a grace period of 18 months at an interest rate of 2% plus the corridor rate.
- On February 19, 2015, the full loan balance was paid.

The fourth loan

- On June 20, 2013, the company obtained a loan from the National Bank of Egypt amounting to EGP 70 million, to finance 70% of the total investment cost which amounted to EGP 100 million, which is needed for the company's new project for the purpose of using the solid and agricultural wastes as an alternative fuel for the natural gas in the process of manufacturing. The financing shall be used in the payment of the suppliers and contractors accruals.
- The loan duration is six years starting from the first withdrawal, at the rate of 2% plus corridor at a minimum rate of 12%, in addition to a monthly commission.
- The company shall enjoy a grant amounting to 20% of the value of the financing amount from the bank, provided that the following conditions are met:
  * The utilization of the finance for its intended purpose.
  * Commitment to the financing conditions including the payments terms.
  * Issuing the required certificate from the Environmental Affairs Department, which indicates the pollution reduction according to the prepared study.

Banks overdraft

- On May 27, 2015, it has been also approved to increase the current overdraft limit amounting to EGP 50 million to become EGP 120 million, at the same originally specified terms and conditions at an interest rate of 2% above the corridor borrowing rate. The debt was fully paid on September 30, 2015.

The loans guarantees

- There is a first degree real estate mortgage with excellence in favor of the National Bank of Egypt as a guarantee for all loans and facilities granted by the bank. The mortgage is on the company's land and all current and future buildings and constructions, and the company should not sell, mortgage, waive, lease, or provide power of attorney to sell or mortgage unless there is a prior written consent from the bank.
- There is a first degree commercial mortgage with excellence in favor of the National Bank of Egypt on the company's plant tangible and intangible assets.
- The company is committed not to allow exit of the major shareholders in the project (especially the Spanish Company) until the payment of the loans granted to the bank by the company, while allowing the Egyptian side to increase the share capital through the purchase of the Spanish party however, the Spanish party share should not be less, at any time, than 51% of company's capital. Also, the company should not perform any changes to the nature of its activities or its legal form or structure of ownership until obtaining the prior written consent from the bank.
- The company is committed to issue insurance policies against the dangers of fire, physical damage, business interruptions and machinery failures on all assets owned by the company subjected to this loan contract within 110 % of the full loan's amount, and concede these policies to the bank as first and sole beneficiary.

17. Long-term liabilities

Current portion

	December 31, 2015 EGP	December 31, 2014 EGP
Operating license*	67 968 000	59 472 000
Electricity contract**	18 462 000	18 462 000
Total	86 430 000	77 934 000
Long-term portion		
Operating license*	332 696 000	383 672 000
Electricity contract**	67 694 000	86 156 000
Notes payable***	--	16 674 712
	400 390 000	486 502 712

*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 of EGP 281.4 million for the first production line with the related liability on the company to pay 15% as an advance payment, and the residual amount will be paid over five equal annual installments after one year from the production date at a maximum of 18 months at an 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 the residual amount will be settled over a period of three years at the interest rate determined by Central Bank of Egypt - CBE.
- On January 22, 2015, the Industrial Development Authority accepted to receive EGP 8 million on a monthly basis until the legal dispute with the company is resolved, which is currently in court.
- As of December 31, 2015, the overdue installments and not paid amounted to EGP 32 million including the interest, presented as current liabilities, and this amount was paid in March 2016.

** Electricity contract

- The Arabian Cement Company operating license stipulates that the company should provide its own power generation facility. The Ministry of Electricity suggested that instead of building a separate plant, a fee of EGP 217.2 million should be paid to the Ministry to allow the new cement plant to be connected to the national station.
- 15% down payment amounting to EGP 32.580 million was paid by the company, and the remaining 85% will be paid as follows:
- 120 monthly installments amounting to EGP 1.220 million per installment including interest, and the first installment will start in April 2010.
- 120 monthly installments amounting to EGP 1.342 million per installment including interest, and the first installment will start in February 2011.
- In addition to EGP 8 million representing the amount of two ordinary cells, which will be paid over four quarterly installments and the last installment was due on February 1, 2011.

*** Notes payable

- The long-term notes payable represent the value of the installment due after more than one year. These amounts are due to the suppliers who are working on the construction of the alternative fuel, which will be used in cement production operation.
- The installments will be paid over equal semi-annual installments, and the last installment will be due in December 2016. An interest rate of 7% is calculated for the alternative fuel generation line and 9.5% for the coal project.
- The amount of EGP 23 157 168, representing the value of the installments payable during 2016, in addition to the installment due in December 2015, was stated in current liabilities under the item of trade payables.

18. Capital

	December 31, 2015 EGP	December 31, 2014 EGP
Authorized capital	757 479 400	757 479 400
Issued and paid up capital	757 479 400	757 479 400
Number of shares	378 739 700	378 739 700
Par value per share	2	2
Issued and paid-up capital	**757 479 400**	**757 479 400**

- On January 23, 2014, the company's management held an Extraordinary General Assembly Meeting, where a decision was approved for the share split through modifying the par value of the company's share as a prelude of listing the company in the Egyptian Stock Exchange Market. The Extraordinary General Assembly approved the modification of the par value of the share to be EGP 2 instead of EGP 100.
- In addition to the mentioned above, the Extraordinary General Assembly Meeting approved the updating of Article No. (6) of the Articles of Association, which stated that the capital of the company amounted to EGP 757 479 400 distributed among 7 574 794 shares, and the par value for each share is EGP 100, to be distributed among 378 739 700 shares, and the par value for each share would be EGP 2.
- On September 1, 2015, the Ordinary General Assembly agreed on selling all or part of the shares owned by shareholders whose shares are pledged according to the listing rules, provided that the sale is realized according to the seventh item of Article (7) of the rules of entry and the write-off of securities in the Egyptian Stock Exchange issued by the Decree of the Board of Directors of the Egyptian Financial Supervisory Authority No. 170 of 2014 dated December 21, 2014, to amend the Authority's Board of Directors Decree No. (11) of 2014, after the approval of the Egyptian Financial Supervisory Authority and provided that the buyer is a bank, or an insurance company or a direct investment fund or one of the specialized entities in investment or a juridical person who has previous experience in the field of the company's activity, and provided that the buyer undertakes to abide by the condition of retaining the pledged shares until the end of the prescribed period. The Ordinary General Assembly was approved by General Authority for Investment and Free Zones on September 10, 2015.

19. Legal reserve

In accordance with the Companies' Law No. 159 of 1981, and the company's Articles of Association, 10% of annual net profit is transferred to legal reserve. Upon the recommendation of the Board of Directors, the company may cease such transfers when the legal reserve reaches 50% of the issued capital. The legal reserve is not eligible for distribution to shareholders.

20. Deferred income tax generating an asset or a liability

Deferred income tax represents tax expenses on the temporary differences arising between the tax base of assets and liabilities and their carrying amounts in the separate financial statements.

	December 31, 2015	December 31, 2014
	EGP	EGP
Fixed assets and intangible assets	329 208 375	351 118 999
	329 208 375	**351 118 999**

The movement of the deferred tax liability is as follows:

	December 31, 2015	December 31, 2014
	EGP	EGP
Balance as of January 1	351 118 999	336 991 446
Deferred tax charged to the income statement (Note No. 25)	(21 910 624)	14 127 553
Balance as of December 31	**329 208 375**	**351 118 999**

- With reference to (Note No. 31), related to the modification of the tax rate, if the new tax rate was applied at the rate of 22.5% instead of 25%, then the deferred tax balance at the beginning of the year would become EGP 316 007 099 instead of EGP 351 118 999.

21. Net sales

	December 31, 2015	December 31, 2014
	EGP	EGP
Local sales	2 724 539 578	2 787 741 308
Export sales	13 462 034	4 045 800
Services	50 648 960	42 425 274
Total sales	**2 788 650 572**	**2 834 212 382**
Less		
Sales discount and returns	(552 522 981)	(335 478 322)
	2 236 127 591	**2 498 734 060**

22. Cost of sales

	December 31, 2015 EGP	December 31, 2014 EGP
Raw material	1 382 652 265	1 598 132 705
Manufacturing depreciation	174 000 648	168 130 074
Electricity supply agreement amortization	22 520 000	22 519 999
Overhead cost	78 709 892	65 673 620
Change in inventory	4 995 586	(104 870 280)
	1 662 878 391	**1 749 586 118**

23. General and administrative expenses

	December 31, 2015 EGP	December 31, 2014 EGP
Professional services	31 341 786	44 005 040
Salaries and wages	35 460 382	33 283 948
Security and cleaning services	4 696 456	5 056 495
Rentals	4 199 372	3 336 422
Transportation	2 401 994	3 699 315
Advertising and public relations	4 872 500	10 197 105
Real estate tax	1 000 674	--
Other expenses	8 917 263	6 904 327
	92 890 427	**106 482 652**

24. Finance costs

	December 31, 2015 EGP	December 31, 2014 EGP
Loan interest expense	25 947 612	36 113 430
Operation licence interest expense	45 024 000	45 024 000
Electricity agreement interest expense	12 282 000	12 282 000
Overdraft interest expense	2 330 349	--
Long-term notes payable interest expense	3 960 654	1 141 179
	89 544 615	**94 560 609**

25. Income tax

	December 31, 2015 EGP	December 31, 2014 EGP
Deferred income tax (Note No. 20)	(21 910 624)	14 127 553
Current income tax	71 556 188	134 923 345
Total	49 645 564	149 050 898
Effective tax rate		
Net profit before income tax	339 088 857	522 181 462
Tax using current tax rates 22.5% (30% for 2014)	76 294 993	156 604 439
Add:		
Effect of accounting depreciation and amortization	44 217 146	57 195 021
Effect of non-deductible expenses for tax purpose	2 946 761	1 924 396
Effect of formed provisions	1 155 474	775 309
Effect of capital losses	--	26 142
Less:		
Effect of taxable deprecation	(51 929 790)	(81 435 333)
Effect of used provisions	(1 062 208)	--
Effect of capital gain	(42 750)	--
Effect of dividends	(23 438)	--
Effect of provision no longer required	--	(166 629)
Income tax according to effective tax rate	71 556 188	134 923 345

- The company calculated the income tax for the year ended December 31, 2015, according to the provisions of Law No. 96 of 2015, to amend some provisions of the income tax, issued by Law No. 91 of 2005, and the Decree No. 44 of 2014 at the rate of 22,5% annually (refer to Note No. 31).

26. Earnings per share

	December 31, 2015 EGP	December 31, 2014 EGP
Net profit for year	289 443 293	373 130 564
Employees share in the dividends*	(4 170 617)	(4 448 977)
Distributable net profit for the year	285 272 676	368 681 587
Weighted average number of shares	378 739 700	378 739 700
Earnings per share of the year	0.75	0.97

* Employees' share in the dividends for the year ended December 31, 2015, was estimated based on dividends paid to the employee during the year.

27. Tax position

- Due to the nature of the tax assessment process in Egypt, the final outcome of the assessment by the Tax Authority might not be realistically estimated. Therefore, additional liabilities are contingent upon the tax inspection and assessment of the Tax Authority.
- The following is a summary of the company's tax position:

Corporate income tax

- The company enjoys a tax exemption for a period of five years starting from the fiscal year following the startup of the production of the company's operation. This date was determined by the General Authority for Investments and Free Zones to start as of April 22, 2008, and consequently, the company is exempted from corporate tax for the period from January 1, 2009 until December 31, 2013.
- The company prepares the tax returns according to income tax laws and regulations and submits them on a timely basis pursuant to the law.

Sales tax

- The sales tax was inspected and taxes were settled until December 2014.
- The company submits its tax returns on a timely basis.

Stamp tax

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

Payroll tax

Payroll tax was inspected and settled till 2010.

Development fees

- The company pays the due development fees for the cement produced from local clinker only. However, the company did not pay the development fees for the cement produced from imported clinker.
- The company has received claims for the payment of development fees differences, represented as follows:
  a. The amount of EGP 18 016 093, as delay penalty for the period from April 1, 2010 until July 31, 2012, dated October 1, 2013.
  b. The amount of EGP 6 949 242 for the years 2011 and 2012, dated May 15, 2014.
  c. The amount of EGP 16 844 370 for the year 2014, dated February 14, 2016, and this claim was appealed on March 15, 2016, and a meeting was scheduled on April 10, 2016, to discuss this issue at the Internal Committee.
- On February 14, the Appeal Committee issued its decision concerning items (a / b), to account the company for the state's development fees imposed on the production of cement, whether clay or clinker, as well as the re-calculation of the delay penalty in accordance with the payments provided by the company.
- The company's management did not form provisions on this matter according to its estimate, based on the opinion of the company's legal and tax consultant, of the final court ruling results.

Additional sales tax

- The company did not pay the additional sales tax on fixed assets amounting to EGP 11 487 312, and currently there is a dispute with the Minister of Finance. The case was referred to the administrative court, and was booked and is pending the Commissioners Report, and no decision was issued yet. The company's management did not form any provision with regard to this issue, according to its estimate of the court ruling results.

28. Capital commitment

The capital commitment as of December 31, 2015, related to fixed assets acquisition, amounted to EGP 4 229 664.

29. Contingent liabilities

On December 31, 2015, the company had contingent liabilities in respect to the banks and other guarantees arising from the company's ordinary course of business, and it is not anticipated that material liabilities will arise concerning this issue. The uncovered portion of letter of credit amounted to EGP 1 376 741.

30. Dividends

On March 25, 2015, the company's General Assembly Meeting approved the profits distribution on the shareholders according to the distributable profits for the financial year ended December 31, 2014 as follows:

Description	Amount EGP
Net profits for the year ended December 31, 2014	373 130 564
Retained earnings from 2013	213 095 391
Dividends to shareholders during 2014	(164 027 396)
Dividends to employees during 2014	(3 341 399)
Legal reserve*	(37 313 056)
Available profit for distribution	**381 544 104**
Distributed as follows:	
Shareholders' share in dividends	(200 732 041)
Employees' share in dividends	(2 185 187)
Carried forward retained earnings	**178 626 876**

* During year 2014, the company allocated 10% of the net profits for the period from January 1, 2014 until June 30, 2014 in the amount of EGP 10 667 603, as part of the legal reserve for the year 2014.

31. Tax law amendments

- On April 6, 2015, the Minister of Finance issued Decree No. 172 of 2015, whereby Article No. 70 of the executive regulation of the Income Tax Law was cancelled.
- On August 20, 2015, the Law No. 96 of 2015 was issued to amend certain provisions of the Income Tax Law issued by Law No. 91 of 2005, and Decree No. 44 of 2014. The Law was published in the same date of issuance, to be effective the day following its publication date.
- The most important amendments to this law are as follows:
  1. Ensuring that the other bracket of the income tax (the additional tax) at the rate of 5% is only one year for taxable profits exceeding EGP 1 million, which represents year 2014.
  2. The tax rate will be 22.5% instead of 25% of the annual taxable profits.

32. <u>Egyptian accounting standards amendments</u>

The Minister of Investment's Decree No. (110) of 2015, was issued on July 9, 2015. It has been decided to replace and supersede the former Egyptian Accounting Standards for the preparation and presentation of financial statements. The application of the former Egyptian Accounting Standards issued by Ministerial Decree No. 243 of 2006 was cancelled, effective as of the date of applying this Decree. This Decree was published in the Official Gazette, and shall be effective as of January 1, 2016, and will be applied on the entities whose fiscal year starts on that date or on a subsequent date.

33. <u>Comparative figures</u>

Some comparative figures of the previous year for some items of the financial statements were reclassified to conform to the current year's presentation of the financial statements.

34. <u>Proposed profit distribution for the year ended as of December 31, 2015</u>

EGP	31/12/2015		31/12/2014
Net profit for the year	289 443 293		373 130 564
Retained earnings at beginning of the year	178 626 876		213 095 391
Profit attributable to shareholders during 2014	--		(164 027 396)
Profit attributable to employees during 2014	--		(3 341 399)
Distributable net profits	**468 070 169**		**418 857 160**
To be distributed as follows:			
Legal reserve	(28 944 329)		(37 313 056)
Profit attributable to shareholders	(200 732 041)		(200 732 041)
Profit attributable to employees	(4 170 617)		(2 185 187)
Retained earnings at end of the year	**234 223 182**		**178 626 876**

Chief Financial Officer
Allan Hestbech

Jose Maria

Chief Executive Officer
Jose Maria Magrina