

Arabian Cement Company S.A.E.

**Consolidated financial statements
together with auditor's report for the
year ended 31 December 2016**

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Auditor's Report

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

Report on the Consolidated Financial Statements

We have audited the accompanying consolidated financial statements of Arabian Cement Company an Egyptian Joint Stock Company and its subsidiaries which comprise of the consolidated statement of financial position as of December 31, 2016, and the 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 Responsibility for the Consolidated Financial Statements

Management is responsible for the preparation and fair presentation of these consolidated financial statements in accordance with the Egyptian Accounting Standards and in the light of prevailing Egyptian laws.

This responsibility includes: designing, implementing and maintaining internal control relevant to the preparation and fair presentation of consolidated financial statements that are free from material misstatement, whether due to fraud or error; 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 Auditing Standards and in the light of 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, 2016, the results of its consolidated operations and its consolidated cash flows for the year then ended in accordance with the Egyptian Accounting Standards and the applicable Egyptian laws and regulations relating to the preparation of these consolidated financial statements.

Cairo, March 19, 2017



Kamel Magdy Saleh, FCA, FESA

RAA 8510

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Arabian Cement Company S.A.E.

Consolidated statement of financial position at 31 December 2016

EGP	Notes	31 December 2016	Restated 31 December 2015 (note 15)
ASSETS			
NON-CURRENT ASSETS			
Property, plant and equipment	12	2 890 580 340	2 546 152 966
Assets under construction	13	17 670 237	124 756 807
Intangible assets	14	86 622 259	109 142 259
Investments in a joint venture	15	1 445 783	958 364
TOTAL NON-CURRENT ASSETS		2 996 318 619	2 781 010 396
CURRENT ASSETS			
Inventories	16	280 626 750	198 339 836
Trade receivables	17	20 165 342	4 956 891
Debtors and other debit balances	18	97 645 204	61 090 838
Due from related parties	31	1 910 248	--
Cash and bank balances	19	136 820 111	378 286 894
TOTAL CURRENT ASSETS		537 167 655	642 674 459
TOTAL ASSETS		3 533 486 274	3 423 684 855

Arabian Cement Company S.A.E.
Consolidated statement of financial position at 31 December 2016

EGP	Notes	31 December 2016	Restated 31 December 2015 (note 15)
EQUITY			
CAPITAL AND RESERVES			
Issued and paid-up capital	20	757 479 400	757 479 400
Legal reserve	21	185 127 989	156 109 072
Retained earnings	22	339 205 125	458 392 531
Equity attributable to owners of the Parent Company		1 281 812 514	1 371 981 003
Non-controlling interests	23	19 114	13 702
TOTAL EQUITY		1 281 831 628	1 371 994 705
NON-CURRENT LIABILITIES			
Borrowings	24	463 562 238	357 584 237
Deferred tax liabilities	10.3	340 285 124	330 621 736
Other liabilities	27	196 149 919	400 390 000
TOTAL NON-CURRENT LIABILITIES		999 997 281	1 088 595 973
CURRENT LIABILITIES			
Trade payables	25	353 637 901	289 607 928
Credit facilities	24	66 116 749	1 714 316
Current income tax payable	10.2	116 577 541	71 556 189
Current portion of long-term borrowings	24	371 986 732	206 297 400
Current portion of long-term other liabilities	27	146 462 000	86 430 000
Creditors and other credit balances	29	179 279 676	239 687 130
Due to related parties	31	8 413 626	51 957 291
Provisions	26	9 183 140	15 843 923
TOTAL CURRENT LIABILITIES		1 251 657 365	963 094 177
TOTAL LIABILITIES		2 251 654 646	2 051 690 150
TOTAL EQUITY AND LIABILITIES		3 533 486 274	3 423 684 855

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

Sergio Alcantarilla Rodriguez
Chief Executive Officer



Allan Hestbech
Chief Financial Officer



Arabian Cement Company S.A.E.

Consolidated statement of profit or loss for the year ended 31 December 2016

EGP	Notes	31 December 2016	Restated 31 December 2015 (note 15)
Sales revenue	5	2 350 034 091	2 256 645 854
Cost of sales	6	(1 655 408 051)	(1 702 399 821)
GROSS PROFIT		694 626 040	554 246 033
General and administration expenses	7	(78 212 056)	(80 935 243)
Provisions	26	(1 552 448)	(12 635 442)
Impairment in trade receivables	17	(497 896)	(395 359)
Impairment in debtors and other debit balances	18	(334 615)	(5 235 796)
Reversal of Impairment in trade receivables	17	351 856	--
Reversal of provisions	26	7 213 231	--
Interest income		7 185 112	2 957 672
Other income		886 776	1 662 397
Finance costs	8	(6 816 924)	(89 563 808)
(losses) / gain on disposal of property, plant and equipment		(7 711 192)	190 000
Share of profit of a joint venture	15	487 419	701 981
Net foreign exchange (losses)		(245 925 656)	(44 003 603)
PROFIT FOR THE YEAR BEFORE TAX		369 699 646	326 988 832
Income tax expense	10.1	(124 683 515)	(49 759 905)
PROFIT FOR THE YEAR AFTER TAX		245 016 131	277 228 927
Profit attributable to:			
Owners of the Parent Company		245 010 719	277 224 384
Non-controlling interests	23	5 412	4 543
		245 016 131	277 228 927
Earnings per share (Basic and diluted)			
Basic and diluted (EGP / Share)	11	0.64	0.72

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

Sergio Alcantarilla Rodrigues
Chief Executive Officer



Allan Hestbech
Chief Financial Officer



Arabian Cement Company S.A.E.

Consolidated statement of comprehensive income for the year ended 31 December 2016

EGP	Notes	31 December 2016	Restated 31 December 2015 (note 15)
PROFIT FOR THE YEAR, NET OF INCOME TAX		245 016 131	277 228 927
OTHER COMPREHENSIVE INCOME, NET OF INCOME TAX			
Net foreign exchange (losses)	2.9	(130 276 550)	--
Transfer to retained earnings	2.9	130 276 550	--
TOTAL OTHER COMPREHENSIVE INCOME FOR THE YEAR, NET OF INCOME TAX		--	--
TOTAL COMPREHENSIVE INCOME FOR THE YEAR		245 016 131	277 228 927
Total comprehensive income attributable to:			
Owners of the Parent Company		245 010 719	277 224 384
Non-controlling interests	23	5 412	4 543
		245 016 131	277 228 927

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

Sergio Alcantarilla Rodrigues
Chief Executive Officer



Allan Hestbech
Chief Financial Officer



Arabian Cement Company S.A.E.

Consolidated statement of changes in equity for the year ended 31 December 2016

EGP	Issued Capital	Legal reserve	Retained earnings	Attributable to owners of the Parent Company	Non-controlling interests	Total
Balance at 1 January 2015 (note 22)	757 479 400	129 463 619	410 755 576	1 297 698 595	9 159	1 297 707 754
Profit for the year	--	--	277 224 384	277 224 384	4 543	277 228 927
Other comprehensive income for the year, net of income tax	--	--	--	--	--	--
Total comprehensive income for the year	--	--	277 224 384	277 224 384	4 543	277 228 927
Transfer to legal reserve	--	26 645 453	(26 645 453)	--	--	--
Payment of dividends	--	--	(202 941 976)	(202 941 976)	--	(202 941 976)
Balance at 31 December 2015 (note 22)	757 479 400	156 109 072	458 392 531	1 371 981 003	13 702	1 371 994 705
Balance at 1 January 2016, restated (note 22)	757 479 400	156 109 072	458 392 531	1 371 981 003	13 702	1 371 994 705
Profit for the year	--	--	245 010 719	245 010 719	5 412	245 016 131
Other comprehensive income for the year, net of income tax	--	--	--	--	--	--
Total comprehensive income for the year	--	--	245 010 719	245 010 719	5 412	245 016 131
Transfer to legal reserve	--	29 018 917	(29 018 917)	--	--	--
Transfer from the statement of comprehensive income	--	--	(130 276 550)	(130 276 550)	--	(130 276 550)
Payment of dividends	--	--	(204 902 658)	(204 902 658)	--	(204 902 658)
Balance at 31 December 2016 (note 22)	757 479 400	185 127 989	339 205 125	1 281 812 514	19 114	1 281 831 628

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

Sergio Alcantarilla Rodrigues
Chief Executive Officer



Allan Hestbech
Chief Financial Officer



Arabian Cement Company S.A.E.

Consolidated statement of cash flows for the year ended 31 December 2016

EGP	Notes	31 December 2016	Restated 31 December 2015 (note 15)
CASH FLOWS FROM OPERATING ACTIVITIES			
Profit for the year		245 016 131	277 228 927
Adjusted by:			
Income tax expense recognized in profit or loss	10.1	124 683 515	49 759 905
Finance costs recognized in profit or loss	8	6 816 924	89 563 808
Interest income		(7 185 112)	(2 957 672)
Share of profit of a joint venture		(487 419)	--
Impairment loss recognized on trade receivables		497 896	--
Impairment loss recognized on debtors		334 615	5 631 155
Reversal of impairment for trade receivables		(351 856)	--
Loss/(gain) on disposal of property, plant and equipment		7 711 192	(190 000)
Depreciation of property, plant and equipment	12	183 571 516	175 411 748
Amortization of intangible assets	14	22 520 000	22 520 000
Impairment of goodwill		--	8 274 220
Loss from foreign exchange rate differences		33 230 508	41 789 105
MOVEMENTS IN WORKING CAPITAL			
(Increase) / decrease in inventories		(113 733 672)	3 422 032
(Increase) in debtors and other debit balances		(21 760 625)	(17 190 029)
(Increase) in trade receivables		(20 311 382)	(1 407 845)
(Increase) in due from related parties		(1 910 248)	827 715
(Decrease) / increase in creditors and other credit balances		(60 625 371)	29 148 624
Increase in trade payables		64 029 973	151 978 847
(Decrease) / increase in due to related parties		(43 543 665)	1 860 683
Reversal of provisions	26	(7 213 231)	--
Provisions formed	26	1 552 448	12 660 442
Provisions used	26	(1 000 000)	(5 561 588)
Cash generated by operations		411 842 137	842 770 077
Interest paid		(46 832 450)	(78 499 474)
Income taxes paid		(67 435 433)	(131 525 949)
Net cash generated by operating activities		297 574 254	632 744 654

Arabian Cement Company S.A.E.

Consolidated cash flow statement for the year ended 31 December 2016

EGP	Notes	31 December 2016	Restated 31 December 2015 (note 15)
CASH FLOWS FROM INVESTING ACTIVITIES			
Payments for property, plant and equipment	12	(17 581 585)	(17 479 672)
Proceeds from sale of property, plant and equipment		7 764 573	190 000
Payments for assets under construction	13	(22 111 253)	(52 700 132)
Interest income		7 185 112	2 957 672
Net cash (used in) investing activities		(24 743 153)	(67 032 132)
CASH FLOWS FROM FINANCING ACTIVITIES			
Repayment of borrowings		(269 823 020)	(113 712 577)
Proceeds from credit facilities	24	64 402 432	1 714 317
Payment of dividends		(204 902 659)	(157 177 402)
Repayment of other liabilities		(103 974 637)	(77 616 712)
Net cash (used in) financing activities		(514 297 884)	(346 792 374)
Net (decrease) / increase in cash and cash equivalents		(241 466 783)	218 920 148
Cash and cash equivalents at the beginning of the year		378 286 894	159 366 746
Cash and cash equivalents at the end of the year	19	136 820 111	378 286 894

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

Sergio Alcantarilla Rodrigues
Chief Executive Officer



Allan Hestbech
Chief Financial Officer



1. The Company's general information

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

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

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

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

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

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

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

2. Application of new and revised Egyptian Accounting Standards (EASs)

In the current year, the Group has applied the new Egyptian Accounting Standards issued by the Minister of Investment that are mandatorily effective for any accounting period that begins on or after 1 January 2016.

The significant amendments which are applicable to the Company and the related effects on the Company's financial statements are described below.

2.1 Revised EAS (1) Presentation of Financial Statements

2.1.1 Financial Position Statement

The amendments to EAS (1) do not require the presentation of working capital. The Group has prepared and presented the statement of financial position according to the revised standard.

The amendments to EAS (1) require to present a statement of financial position as at the beginning of the preceding period (third statement of financial position) only when the retrospective application of an accounting policy or reclassification is implemented by the Group.

The Group applied the new EAS (43) Joint Arrangements in accordance with the relevant transitional provisions set out in

EAS (43), discussed below in details. Comparative amounts for 2015 have been restated to reflect the change in accounting for the Company's investment in a joint arrangement. Such retrospective application of a new standard requires presenting a statement of financial position as at the beginning of the preceding period (1 January 2015).

The Group did not present the required third financial position as at 1 January 2015 and also did not disclose the effect of this retrospective application of change in accounting policies in accordance with EAS (5) Accounting Policies, Changes in Estimates and Errors, due to insignificant impact on the Group's financial statements (See Note 15).

2.1.2 Statement of profit or Loss and Statement of Comprehensive Income

The amendments to EAS (1) require the Group to disclose all items of income and expenses that were recognized in the period in two separate statements, statement of profit or loss (statement of income) which discloses all items of income and expenses, and statement of comprehensive income which starts with profit or loss and presents items of other comprehensive income (statement of comprehensive income). The Group has prepared the statement of comprehensive income and presentation of financial statements according to the revised standard.

2.2 Revised EAS (10) Property, Plant & Equipment

The amendments to EAS (10) eliminated the option of using the revaluation model in the subsequent measurement of property, plant & equipment. There is no impact for these amendments on the Group's financial statements.

The movement of property, plant & equipment and related depreciation shall be disclosed in the notes to the financial statements for the current period and comparative period. The Group has presented the movement of the required period.

2.3 Revised EAS (14) Borrowing Costs

The amendments to EAS (14) eliminated the previous benchmark treatment that recognized the borrowing cost directly attributable to the acquisition, construction or production of a qualifying asset in the Statement of Income. The revised standard requires capitalization of this cost on qualifying assets. There is no impact for these amendments on the Group's financial statements.

2.4 Revised EAS (20) Finance Lease

The leased passenger automobiles have come under the scope of the amendments to EAS (20). There is no impact for these amendments on the Group's financial statements.

2.5 Revised EAS (23) Intangible Assets

The amendments to EAS (23) eliminated the option of using the revaluation model in the subsequent measurement of intangible assets. There is no impact for these amendments on the Group's financial statements.

2.6 EAS (40) Financial Instrument - Disclosures

A new EAS (40) Financial Instrument – Disclosures has been issued to include all required disclosures for financial instruments. The Group has disclosed required disclosures in the Group's financial statements.

2.7 EAS (43) Joint Arrangements

The new Egyptian Accounting Standard (43) Joint Arrangements has been issued to establish principles for financial reporting by entities that have an interest in joint arrangements. This new standard superseded the EAS (27) Interests in Joint Ventures. In addition, this new standard requires classifying joint arrangements as either: joint operation or joint venture.

A joint operation is defined as a joint arrangement whereby the parties that have joint control of the arrangement have rights to the assets, and obligations for the liabilities, relating to the arrangement. A party to a joint operation that has joint control of the joint operation is referred to as a "joint operator".

A joint venture is defined as a joint arrangement whereby the parties that have joint control of the arrangement have rights to the net assets of the arrangement. A party to a joint venture that has joint control of the joint operation is referred to as a "joint venture".

The initial and subsequent accounting of joint ventures and joint operations are different. Investments in joint ventures are accounted for using the equity method (proportionate consolidation is no longer allowed). Investments in joint operations are accounted for such that each joint operator recognizes its assets (including its share of any assets jointly held), liabilities (including its share of any liabilities incurred jointly), its revenue (including its share of any revenue from sale of the output by the joint operation) and its expenses (including its share of any expenses incurred jointly). Each joint operator accounts for the assets and liabilities as well as revenue and expenses, relating to its interest in the joint operation in accordance with the Egyptian Accounting Standards applicable to those particular assets, liabilities, revenue and expenses.

The Company reviewed and assessed the classification of its investments in joint arrangements in accordance with the requirements of EAS (43). The Company concluded that its investment in Andalus Reliance for Mining, which was classified as a jointly controlled entity under EAS (27) and was accounted for using the proportionate consolidation method, should be classified as a joint venture under EAS (43) and accounted for using the equity method in the Group's financial statements.

The change in accounting of the Company's investment in Andalus Reliance for Mining has been applied in accordance with the relevant transitional provisions set out in EAS (43). Comparative amounts for 2015 have been restated to reflect the change in accounting for the Company's investments in joint arrangements (See Note 15).

2.8 EAS (45) Fair Value Measurement

The new Egyptian Accounting Standard (45) Fair Value Measurement has been issued and it is applied when other standard requires or permits to measure or disclose the fair value. This standard defines fair value, establishes the frame to measure fair value in on standard and determines the required disclosures for measurement of fair value.

2.9 Annex (a) to the Egyptian Accounting Standard (13) Foreign Currency Exchange Differences

On 8 February 2017 the Minister of Investment issued the Ministerial Decree No. (16) for the year 2017 to add annex (a) to the Egyptian Accounting Standard (13) related to the implications of the foreign currencies exchange differences.

This annex aims to setting a special accounting treatment for the consequences of the exceptional economic decision of the flotation of the Egyptian Pound Exchange rates dated November 3, 2016 through allowing an additional option to paragraph "28" of the revised Egyptian Accounting Standard (13) Foreign Currency Exchange Differences which requires the recognition of the foreign exchange difference in the statement of income for the period in which they occur, alternatively: an entity that has outstanding liabilities in foreign currencies on the date of the floatation of the exchange rates that are related to property, plant and equipment, investment property, intangible assets (other than goodwill) or mining assets that were acquired before this decision, is permitted to recognize the foreign exchange differences resulted from the translation of the related liabilities as a part of the acquisition costs of these assets as referred in paragraph "8" of the annex.

Also, this treatment permits an entity to recognize foreign exchange gains or losses resulting from the translation of monetary items denominated in foreign currencies that are outstanding on the date of floatation to be recognized in "Other Comprehensive Income", net of tax, as referred in paragraph "10" of the annex.

The Company elected to apply the special accounting treatment as described above and the following table shows its effects:

EGP	2016
Debit foreign exchange differences recognized in the Company's books on the date of the floatation of the exchange rate of the Egyptian Pound	727 674 598
Less:	
Debit foreign exchange differences capitalized into machinery and equipment (i)	(377 983 295)
Debit foreign exchange differences recognized in "Other Comprehensive Income" (ii)	(130 276 550)
Remaining balance of the debit foreign exchange differences in the Company's statement of profit or loss on the date of the floatation of the exchange rate of the Egyptian Pound	219 414 753

- (i) An amount of EGP 377 million was capitalized on the machinery and equipment that were initially constructed and financed through foreign loans (note 24). The capitalized amount reflects the effect of the translation of the loan balances in U.S. Dollar. The capitalized amount is depreciated over the remaining useful lives of the related machinery and equipment starting from November 3, 2016. (note 12)
- (ii) An amount of EGP 130 million was initially recognized in the statement of other comprehensive income, representing the effect of the debit foreign exchange differences resulting from the translation of the monetary balances in foreign currency (mainly foreign suppliers of raw materials) that were outstanding on the date of floatation, November 3, 2016. Pursuant to the Annex (A) to the Egyptian Accounting Standard (13) as described above, the said amount has been transferred to retained earnings.

3. SIGNIFICANT ACCOUNTING POLICIES

3.1 Statement of compliance

The consolidated financial statements have been prepared in accordance with Egyptian Accounting Standards (EASs).

3.2 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.

3.3 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.

3.4 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.

3.5 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 cost, 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.

3.6 Revenue recognition

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

3.6.1 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.

3.6.2 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

3.6.3 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.

3.6.4 Cost of sales

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

3.7 Leasing

Leases are classified as operating leases.

3.7.1 The Group as lessee

Operating lease payments are recognised as an expense on a straight-line basis over the lease term, except when another systematic basis is more representative of the time pattern in which economic benefits from the leased asset are consumed. Contingent rentals arising under operating leases are recognised as an expense in the period in which they are incurred.

3.8 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	2016		2015	
	Average	Year end	Average	Year end
1 USD US Dollar	10.23	18.25	7.70	7.83
1 EUR Euro	11.08	19.44	8.61	8.56

3.9 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).

3.10 Grants

Grants are not recognised until there is reasonable assurance that the Group will comply with the conditions attached to them and that the grants will be received.

Grants are recognised in profit or loss on a systematic basis over the periods in which the Group recognises as expenses the related costs for which the grants are received.

Grants whose primary condition is that the Group should purchase, construct or otherwise acquire non-current assets are recognised as deferred revenue in the consolidated statement of financial position and transferred to profit or loss on a systematic and rational basis over the useful lives of the related assets.

Grants that are receivable as compensation for expenses or losses already incurred or for the purpose of giving immediate financial support to the Group with no future related costs are recognised in profit or loss in the period in which they become receivable.

3.11 Employee benefits

3.11.1 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.

3.11.2 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 for the period during which they are due and as such are included in staff costs.

3.12 Taxation

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

3.12.1 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.

3.12.2 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.

3.12.3 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.

3.13 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 3.9. 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 and 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.

On 8 February 2017 the Minister of Investment issued the Ministerial Decree No. (16) for the year 2017 to add annex (a) to the Egyptian Accounting Standard (13) related to the treatment of foreign currencies exchange differences that was applied during the current year (note 2.9).

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

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

3.14 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.

3.15 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.

3.16 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.

3.17 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.

3.18 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.

3.19 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.

3.19.1 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.

3.19.2 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.

3.19.3 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.

3.19.4 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 derecognition 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.

3.20 Financial liabilities and equity instruments

3.20.1 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.

3.20.2 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.

3.20.3 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.

3.20.4 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.

4. Critical accounting judgements and key sources of estimation uncertainty

In the application of the Group's accounting policies, which are described in note 3, 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.

4.1 Critical judgements in applying accounting policies

The following are the critical judgements, apart from those involving estimations (see note (4.2) 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.

4.1.1 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.

4.2 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.

4.2.1 Useful lives of property, plant and equipment

The carrying value of the Group's property, plant and equipment at the end of the current reporting period is EGP 2 890 580 340 (31 December 2015: EGP 2 546 152 966). 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.

4.2.2 Provisions

The carrying amount of provisions at the end of the current reporting period is EGP 9 183 140 (31 December 2015: EGP 15 843 923). 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.

5. Sales revenue

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

EGP	2016	2015
Local sales	2 238 999 956	2 179 482 481
Export sales	28 820 124	13 462 034
Services	82 214 011	63 701 339
TOTAL	2 350 034 091	2 256 645 854

6. Cost of sales

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

EGP	2016	2015
Raw materials	1 257 697 536	1 333 735 669
Manufacturing depreciation	183 570 446	175 410 974
Electricity supply agreement amortization	22 520 000	22 520 000
Transportation cost	63 186 301	85 028 463
Overhead cost	128 433 768	85 704 715
TOTAL	1 655 408 051	1 702 399 821

7. General and administration expenses

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

EGP	2016	2015
Professional fees	7 877 335	10 954 394
Salaries and wages	42 998 996	35 510 673
Security and cleaning services	4 598 074	4 696 770
Rentals	4 840 967	4 205 372
Transportation	2 951 444	2 401 994
Advertising	2 578 385	4 876 042
Other expenses	12 366 855	18 289 998
TOTAL	78 212 056	80 935 243

8. Finance costs

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

EGP	2016	2015
Loan interest expense	31 217 019	25 947 612
Operation licence interest expense (note 27.1)	(40 233 443)	45 024 000
Electricity agreement interest expense	12 282 000	12 282 000
Bank overdraft interest expense	2 219 718	2 349 542
Long-term notes payable interest expense	1 331 630	3 960 654
TOTAL	6 816 924	89 563 808

9. Compensation of key management personnel

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

EGP	2016	2015
Board of directors allowance	20 802 289	17 066 608
Board of directors salaries	9 758 228	7 708 884
TOTAL	30 560 517	24 775 492

10. Income taxes

10.1 Income tax expense recognised in profit or loss

EGP	2016	2015
CURRENT TAX		
Current tax expense for the current year	115 020 127	71 556 189
DEFERRED TAX		
Net deferred tax recognized in the current year	9 663 388	(21 796 284)
TOTAL INCOME TAX EXPENSE RECOGNIZED IN THE CURRENT YEAR	124 683 515	49 759 905

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

EGP	2016	2015
Profit before tax from continuing operations	369 699 646	326 988 832
Tax using applicable tax rate 22.5%	83 182 420	73 572 487
Add		
Effect of reversal of accounting depreciation and amortization	45 974 450	44 217 146
Effect of expenses that are not deductible in determining taxable profit	1 045 559	2 782 807
Effect of provisions formed that are not deductible in determining taxable profit	--	4 041 935
Effect of unrealized net foreign exchange losses that are not deductible in determining taxable profit	36 733 371	--
Less		
Effect of tax depreciation and amortization that are deductible in determining taxable profit	(51 690 673)	(51 929 790)
Effect of provisions used that are deductible in determining taxable profit	(225 000)	(1 062 208)
Others	--	(66 188)
Income tax expense recognized in profit or loss	115 020 127	71 556 189

10.2 Current tax liabilities

EGP	2016	2015
Current tax expense(note 10.1)	115 020 127	71 556 189
Adjustments recognized in the current year in relation to the current tax of prior year	1 557 414	--
CURRENT TAX LIABILITIES	116 577 541	71 556 189

The average effective tax rate of 31% (2015: 22%) is the effective tax rate. The average effective tax rate mainly increased due to following:

On November 3, 2016 the Central Bank of Egypt has floated the exchange rate of the Egyptian Pound that led to increasing the exchange rate against the USD from 8.88 as of November 2, 2016 to reach to 18.25 as of December 31, 2016 and as the Company had significant outstanding balances dominated in U.S. Dollar which led to significant exchange losses. The unrealized portion from this losses will not be deducted for tax purpose and according to the Tax Authority' instructions for the time being they will not to be deducted until they are realized.

10.3 Deferred tax balances

Deferred tax liabilities arise from the following:

2016 EGP	Opening balance	Recognized in profit or loss	Closing balance
(LIABILITIES)			
<i>Temporary differences</i>			
Property, plant & equipment	330 621 736	9 663 388	340 285 124
NET DEFERRED TAX LIABILITY	330 621 736	9 663 388	340 285 124

2015 EGP	Opening balance	Recognized in profit or loss	Closing balance
(LIABILITIES)			
<i>Temporary differences</i>			
Property, plant & equipment	352 418 020	(21 796 284)	330 621 736
NET DEFERRED TAX LIABILITY	352 418 020	(21 796 284)	330 621 736

11. 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:

EGP	2016	2015
EARNINGS (for basic and diluted earnings per share)		
profit for the year attributable to owners of the parent	245 010 719	277 224 384
Employees share in distributable profits (note 18)	(4 473 890)	(4 170 617)
Distributable net profit for the year	240 536 829	273 053 767
NUMBER OF SHARES (for basic and diluted earnings per share)		
Weighted average number of ordinary shares for the purposes of EPS	378 739 700	378 739 700
EARNINGS PER SHARE	0.64	0.72

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12. Property, plant and equipment

EGP	Freehold land	Buildings	Machinery and equipment	Vehicles	Furniture, fixtures and office equipment	Other installations	Computer and software	Total
COST								
Balance at 1 January 2015	50 243 436	519 369 298	2 603 648 442	20 534 738	6 373 931	255 311 441	10 289 147	3 465 770 433
Additions	--	5 096 560	1 086 202	1 396 678	1 473 183	6 977 566	848 713	47 478 902
Transfer from assets under construction	--	6 248 392	11 308 599	--	--	9 796 406	--	27 353 397
Disposals	--	--	--	(617 026)	--	--	--	(617 026)
Balance at 1 January 2016	50 243 436	531 314 250	2 616 043 243	21 314 390	7 847 114	272 085 413	11 137 860	3 509 985 706
Additions	--	2 702 185	1 454 944	7 624 046	2 456 848	1 423 936	1 919 626	47 581 585
Transfer from inventory (note 16)	--	--	31 446 760	--	--	--	--	31 446 760
Transfer from assets under construction	--	37 490 942	75 121 343	--	117 635	4 524 546	1 208 549	148 463 015
Disposals	--	(11 667 157)	(6 628 087)	(3 335 174)	(488 085)	--	--	(22 118 503)
Foreign currency exchange differences capitalized (note 2.9)	--	--	377 983 295	--	--	--	--	377 983 295
Balance at 31 December 2016	50 243 436	559 840 220	3 095 421 498	25 603 262	9 933 512	278 033 895	14 266 035	4 033 341 858

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EGP	Freehold land	Buildings	Machinery and equipment	Vehicles	Furniture, fixtures and office equipment	Other installations	Computer and software	Total
ACCUMULATED DEPRECIATION AND IMPAIRMENT								
Balance at 1 January 2015	--	93 220 526	631 544 985	8 023 856	1 510 287	45 813 534	8 924 830	789 038 018
Eliminated on disposals of assets	--	--	--	(617 026)	--	--	--	(617 026)
Depreciation expense	--	27 893 786	130 408 361	2 357 781	571 648	13 326 814	853 358	175 411 748
Balance at 1 January 2016	--	121 114 312	761 953 346	9 764 611	2 081 935	59 140 348	9 778 188	963 832 740
Eliminated on disposals of assets	--	(1 489 992)	(1 350 042)	(1 602 780)	(199 924)	--	--	(4 642 738)
Depreciation expense	--	28 244 011	136 348 850	2 656 892	903 397	14 150 119	1 268 247	183 571 516
Balance at 31 December 2016	--	147 868 331	896 952 154	10 818 723	2 785 408	73 290 467	11 046 435	1 142 761 518
CARRYING AMOUNT								
At 31 December 2015	50 243 436	410 199 938	1 854 089 897	11 549 779	5 765 179	212 945 065	1 359 672	2 546 152 966
At 31 December 2016	50 243 436	411 971 889	2 198 469 344	14 784 539	7 148 104	204 743 428	3 219 600	2 890 580 340

There is a first-degree commercial and real estate mortgage for the benefit of the National Bank of Egypt as a guarantee for loans granted by the bank to the company's land, all current and future buildings and constructions, and the tangible and intangible elements of the company's factory as disclosed in details in (Note No. 24).

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

The company has insured (for its benefit) on cars and Silos.

13. Assets under construction

EGP	2016	2015
Balance as of January 1	124 756 807	98 414 243
Additions	22 111 253	51 381 120
Advance to suppliers	5 441 250	1 319 012
Transfer to fixed assets	(118 463 015)	(26 357 568)
Transfer to debtors and other debit balances	(15 988 871)	--
Others	(187 187)	--
Total	17 670 237	124 756 807
Projects under construction are represented in the following categories:		
Buildings	2 040 710	11 462 495
Machinery and equipment	6 980 949	108 636 763
Other installations	1 888 316	3 338 537
Advance to suppliers	6 760 262	1 319 012
TOTAL	17 670 237	124 756 807

14. Intangible assets

EGP	2016	2015
Cost	225 200 000	225 200 000
Accumulated amortization		
Balance at the beginning of the year	(116 057 741)	(93 537 741)
Amortization for the year	(22 520 000)	(22 520 000)
Total accumulated amortization of the year	(138 577 741)	(116 057 741)
TOTAL	86 622 259	109 142 259

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:

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.

15. Investments in a joint venture

Details of the Group's associates at the end of the reporting period are as follows:

Name of associate	Place of incorporation	Proportion of ownership interest and voting power held by the Group		
		2016	2016	2015
Andalus Reliance for mining Company	Egypt	50%	1 445 783	958 364
TOTAL			1 445 783	958 364

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The company reviewed and assessed the classification of its investments in joint arrangements in accordance with the requirements of EAS (43). The company concluded that its investment in Andalus Reliance for Mining, which was classified as a jointly controlled entity under EAS (27) and was accounted for using the proportionate consolidation method, should be classified as a joint venture under EAS (43) and accounted for using the equity method in the Group's financial statements. There is no effect on the total shareholders' equity of the Group's financial statements.

The change in accounting of the company's investment in Andalus Reliance for Mining has been applied in accordance with the relevant transitional provisions set out in EAS (43). Comparative amounts for 2015 have been restated to reflect the change in accounting for the company's investments in joint arrangements.

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

	2016	2015
Current assets	9 278 820	6 612 436
Non-current assets	3 949	13 050
Current liabilities	6 390 315	4 708 759
Non-current liabilities	889	--
Net assets	2 891 565	1 916 727
Revenue for the year	60 552 401	33 308 570
profit for the year	974 838	1 403 961
Other comprehensive income for the year	--	--
Total comprehensive income for the year	974 838	1 403 961
Group's share of comprehensive income for the period	487 419	701 981

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

	2016	2015
Net assets of the joint venture over Group level	2 891 565	1 916 727
Proportion of the Group's ownership interest in joint venture	50%	50%
Carrying amount of the Group's interest in joint venture	1 445 783	958 364

16. Inventories

EGP	2016	2015
Raw materials	153 608 914	118 690 391
Packing materials	16 286 445	16 014 996
Spare parts (i)	8 203 464	31 513 130
Work in progress	1 630 552	1 397 426
Finished goods	58 649 456	30 723 893
Advanced to suppliers	42 247 919	--
TOTAL	280 626 750	198 339 836

(i) The Company has transferred an amount of EGP 31 446 760 to Machinery and Equipment in fixed assets represents strategic spare parts and depreciated with same depreciation rate.

17. Trade receivables

EGP	2016	2015
Trade receivables	20 854 523	5 500 032
Less:- Impairment in trade receivables	(689 181)	(543 141)
TOTAL	20 165 342	4 956 891

Movement in the allowance for doubtful debt:

EGP	2016	2015
Balance at beginning of year	543 141	147 782
Impairment losses recognised on receivables	497 896	395 359
Impairment losses reversed (allowance no longer required)	(351 856)	--
Balance at end of year	689 181	543 141

Aging of receivables that are past due but not impaired:

EGP	2016	2015
Less than 30 days	16 513 798	3 464 411
Between 30 to 60 days	972 712	887 256
Between 60 to 90 days	355 023	420 325
Between 90 to 120 days	1 269 758	44 237
More than 120 days	1 054 051	140 662
TOTAL	20 165 342	4 956 891

18. Debtors and other debit balances

EGP	2016	2015
Advance to suppliers	55 069 866	26 245 060
Withholding tax	5 099 949	4 707 547
Deposit with others	26 831 204	23 813 241
Employees dividends in advance	4 473 890	4 170 617
Letter of credit	1 605 353	532 986
Letters of guarantee – cash margin	34 049	34 049
Cash imprest	2 936 807	2 265 488
Other debit balances	7 164 497	4 557 646
Less : Impairment in other debit balance	(5 570 411)	(5 235 796)
TOTAL	97 645 204	61 090 838

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.

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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	2016	2015
Cash on hand	673 435	4 112 722
Current account – local currency	118 339 633	367 984 723
Current account – foreign currency	15 615 926	4 200 981
Bank deposits	2 191 117	1 988 468
Total	136 820 111	378 286 894
Average interest rates for bank deposits – USD	%0.70	%0.45
Average interest rates for bank deposits – EGP	%8.94	%5.71
Maturity period for bank deposits	112 Days	214 Days
Cash and cash equivalents include restricted cash as follows :		
Non-Restricted cash at banks and on hand	136 462 729	195 283 888
Restricted cash at banks (due loans instalments in U.D. Dollar)	357 382	183 003 006
Total	136 820 111	378 286 894

20. Capital

20.1 Authorized and Issued capital

EGP	2016	2015
Par value per share	2	2
Number of ordinary shares authorized, issued and fully paid	378 739 700	378 739 700
Issued capital	757 479 400	757 479 400

20.2 Fully paid ordinary shares

On January 23, 2014, the company's management held an Extraordinary General Assembly Meeting in which a decision was approved for the stock split through modifying the par value of the company's share as a prelude for the listing of the company in the Egyptian Stock Exchange Market. The Extraordinary General Assembly approved the modification of the par value of the share to be 2 EGP instead of EGP 100.

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

On 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 listing and de-listing securities in the Egyptian Stock Exchange issued by the Decree of the Board of Directors of the Egyptian Financial Supervisory Authority No. 170 of 2014 dated December 21, 2014, to amend the Authority's Board of Directors Decree No. (11) of 2014, after the approval of the Egyptian Financial Supervisory Authority and provided that the buyer is a bank, or an insurance company or a direct investment fund or one of the specialized entities in investment or a juridical person who has previous experience in the field of the company's activity, and provided that the buyer undertakes to abide by the condition of retaining the pledged shares until the end of the prescribed period. The Ordinary General Assembly was approved by General Authority for Investment and Free Zones (GAFI) on September 10, 2015.

21. Legal reserve

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

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

22. Retained earnings

EGP	2016	2015
Balance at beginning of year	458 392 531	410 755 576
Profit attributable to owners of the Parent Company	245 010 719	277 224 384
Transfer to legal reserve	(29 018 917)	(26 645 453)
Losses on foreign currency exchange difference	(130 276 550)	--
Payments of dividends	(204 902 658)	(202 941 976)
Balance at end of year	339 205 125	458 392 531

23. Non-controlling interests

EGP	2016	2015
Balance at beginning of year	13 702	9 159
Share of profit for the year	5 412	4 543
Balance at end of year	19 114	13 702

24. Borrowings

EGP	Current		Non-current	
	2016	2015	2016	2015
Credit facilities	66 116 749	1 714 316	--	--
Bank loans	371 986 732	206 297 400	463 562 238	357 584 237
TOTAL	438 103 481	208 011 716	463 562 238	357 584 237

24.1 Credit facilities

On May 27, 2015, it was approved to increase the current credit facility limit amounting to EGP 50 million to become EGP 120 million, at the same originally specified terms and conditions at an interest rate of 2% above the corridor borrowing rate. The utilized balance of the overdraft amounted to EGP 66 116 749 on December 31, 2016.

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

24.2 Bank Loans

24.2.1 Loan A

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

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

On May 27, 2015, the National Bank of Egypt agreed to restructure the due instalments, to be paid over 16 equal quarterly instalments, in addition to the interest which will be added every three months, and paid with the instalments. The applied interest rate will be amended to become with a marginal 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 instalments 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.

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

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

24.2.2 Loan B

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

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

On May 27, 2015, the National Bank of Egypt agreed to restructure the due instalments for the USD portion only, to be paid over 16 equal quarterly instalments, in addition to the interest which will be added every three months, and paid with the instalments. The applied interest rate will be amended to be at a marginal profit of 4%, above the Libor rate for six months.

On July 29, 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 instalments 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.

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

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

24.2.3 Loan C

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

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

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 not to 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 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 risk 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.

25. Trade payables

EGP	2016	2015
Local trade payables	168 555 378	123 681 743
Foreign trade payables	185 082 523	148 394 277
Notes payable	--	17 531 908
TOTAL	353 637 901	289 607 928

26. Provisions

EGP	Provision for claims
Balance at 1 January 2016	15 843 923
Additional provisions recognized	1 552 448
Used during the year	(1 000 000)
Reversal of provisions	(7 213 231)
Balance at 31 December 2016	9 183 140

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	
	2016	2015	2016	2015
Operating license	128 000 000	67 968 000	146 917 919	332 696 000
Electricity contract	18 462 000	18 462 000	49 232 000	67 694 000
TOTAL	146 462 000	86 430 000	196 149 919	400 390 000

27.1 Operating license

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

The above mentioned value will be also applied for the second line and 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.

As of December 31, 2016, the overdue instalments and not paid amounted to EGP 32 million including the interest, and recorded in current liabilities and was fully paid during 2017.

The balance owed to IDA has been adjusted to be in agreement with the confirmation statement received from IDA during the year.

27.2 Electricity contract

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

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

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

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

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

28. Payable and proposed dividends

On April 13, 2016, 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, 2015. The Ordinary General Assembly was approved by General Authority for Investment and Free Zones (GAFI) on April 14, 2016. The dividends were fully paid on December 18, 2016.

29. Creditors and other credit balances

EGP	2016	2015
Advances from customers	58 971 190	173 377 453
Accrued development fees	16 038 783	15 106 346
Accrued customers rebates	44 778 227	862 426
Accrued expenses	2 226 819	10 770 361
Retention	4 020 191	4 602 524
Accrued interest	16 904 581	27 174 026
Accrued taxes	36 339 885	7 793 994
TOTAL	179 279 676	239 687 130

30. Financial instruments

30.1 Capital risk management

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

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

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

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

The gearing ratio at 31 December 2016 of 86% (see below) increased mainly due to the effect of foreign currencies exchange rate increased significantly of debt in U.S. Dollar and decrease in cash and cash equivalent.

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

EGP	2016	2015
Debt (i)	1 244 277 638	1 050 701 637
Cash and cash equivalents	(136 820 111)	(378 286 894)
Net debt	1 107 457 527	672 414 743
Equity (ii)	1 281 831 628	1 371 994 705
Net debt to equity ratio	86%	49%

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

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

30.2 Significant accounting policies

Details of the significant accounting policies and methods adopted, including the criteria for recognition, the basis of measurement and the basis on which income and expenses are recognised, in respect of each class of financial asset, financial liability and equity instrument are disclosed in note 3.18 Financial Instruments.

30.3 Categories of financial instruments

EGP	2016	2015
Financial assets (i)		
Cash and bank balances	136 820 111	378 286 894
Other debit balance	26 831 204	23 813 241
Trade receivable	20 165 342	5 500 032
Financial liabilities (ii)		
Trade payable	353 637 901	289 607 928
Borrowings	901 665 719	565 595 954
other liability	342 611 919	486 820 000
Creditors and other credit balances	23 143 882	42 546 911

(i) A total of EGP 353 million (2015: EGP 241 million) of other current assets does not meet the definition of a financial asset.

(ii) A total of EGP 631 million (2015: EGP 666 million) of other current liabilities does not meet the definition of a financial liability.

30.4 Market risk

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

30.5 Foreign currency risk management

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

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

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

Borrowings

EGP	2016	2015
USD	795 776 813	511 267 805
Total	795 776 813	511 267 805

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	
	2016	2015	2016	2015
Currency-USD	185 082 524	32 732 418	26 693 092	4 169 091
Currency-EUR	2 638 435	19 120 271	4 341 801	196 451

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 financing 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	
	2016	2015	2016	2015
Profit or loss	100 755 243	964 545 637	698 024	--

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 2016 would decrease / increase by EGP 8 999 666 million (2015: decrease / increase by EGP 5 638 816 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.

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

EGP	Nature of relationship	Nature of transaction	Amount of transaction	
			2016	2015
Aridos Jativa Company	Main Shareholder	Services	1 057 457	1 250 658
Cementos La union-Spain	Subsidiary of the parent	Services	1 932 752	1 054 163
Andalus Reliance for Mining Company	Joint Venture	Purchases	59 242 553	32 087 263

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

EGP	Due from related parties		Due to related parties	
	2016	2015	2016	2015
Cementos la Union – Spain Company	--	--	2 596 769	1 054 163
Andalus Reliance for Mining Company	--	--	5 816 857	4 368 928
Aridos Jativa Company	1 910 248	--	--	46 534 200
Total	1 910 248	--	8 413 626	51 957 291

32. Non-cash transactions

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

- The net changes related to the unrealized foreign exchange rate related to the loans and adjusted on the machinery and equipment and retained earnings EGP 508 259 844 have been eliminated.
- The net changes in the fixed assets and the projects under construction of EGP 118 463 015 have been eliminated.
- The adjustments in the other liabilities and the finance costs of EGP 40 233 443 have been eliminated.
- The net changes in the fixed assets and the inventory of EGP 31 446 760 have been eliminated.
- The net changes in the projects under construction and the debtors of EGP 15 988 871 have been eliminated.
- The net changes in the debtors and the income tax paid of EGP 2 563 341 have been eliminated.
- The net changes in the debtors and the fixed assets of EGP 2 000 000 million have been eliminated.

33. Operating lease arrangements

33.1 The Group as lessee

33.1.1 Leasing arrangements

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

33.1.2 Payments recognised as an expense in the year

EGP	2016	2015
Minimum lease payments	8 361 006	12 426 919
TOTAL	8 361 006	12 426 919

33.1.3 Non-cancellable operating lease commitments

EGP	Total of future minimum lease payments	
	2016	2015
No longer than 1 year	3 965 148	10 562 915
Longer than 1 year and not longer than 2 years	2 205 883	3 845 968
Longer than 2 years	1 496 701	3 702 584
TOTAL	7 667 732	18 111 467

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

34. Commitments for expenditure

The capital commitment as of December 31, 2016 amounted to EGP 52,400,951 in relation to fixed assets acquisition.

35. Tax position

35.1 Arabian Cement Company

35.1.1 Corporate income tax

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

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

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

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

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

The years form 2011 till 2015, the Company submits its tax return and paid due taxes on due date and no tax inspection performed on those years.

35.1.2 Sales tax / VAT

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

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

35.1.3 Stamp tax

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

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

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

35.1.4 Payroll tax

Payroll tax was inspected and taxes were settled until 2010.

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

35.1.5 Real estate tax

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

35.1.6 Development fee

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

- The amount of EGP 1 810 043 for the year 2013.
- The amount of EGP 16 844 376 for the year 2014, dated February 14, 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 this meeting was postponed to July 12, 2016 and there is no agreement reached regarding this disputes.
- The amount of EGP 1 921 904 for the year 2015, dated April 23, 2016, and this claim was appealed on April 23, 2016, and a meeting was scheduled July 12, 2016 and there is no agreement reached regarding this disputes.
- The Company submitted a complaint to the Chairman of the Technical Secretariat of the Commission for Investment Dispute Resolution.

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

- There is amount of EGP 18 016 093, as delayed payment penalties for the period from April 1, 2010 until July 31, 2012, dated October 1, 2013.
- The Company submitted a complaint to the Chairman of the Technical Secretariat of the Commission for Investment Dispute Resolution.
- The Company paid all development fees on cement produced from local clinker till December 2016.

The Company's management did not form provisions on the development fee differences claimed by the tax authority as described above. Based on the study prepared by the Company's advisors, no provisions are provided by the Company's management.

35.1.7 Additional sales tax

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

The Company's management did not form any provision with regard to this issue, according to its estimate of the court ruling results which is based on its advisors' opinion on this matter.

35.2 Andalus Concrete Company

35.2.1 Corporate income tax

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

35.2.2 Sales tax

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

35.2.3 Stamp tax

No tax inspection has been performed yet.

35.2.4 Payroll tax

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

35.3 ACC for Management and Trading Company

35.3.1 Corporate income tax

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

35.3.2 Sales tax

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

35.3.3 Stamp tax

No tax inspection has been performed yet.

35.3.4 Payroll tax

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

36. Events after the reporting period

On February 8, 2017 the Minister of Investment issued the Ministerial Decree No. (16) for the year 2017 to add annex (a) to the Egyptian Accounting Standard (13) related to the implications of the foreign currencies exchange differences.

This annex aims to setting a special accounting treatment for the consequences of the exceptional economic decision of the floatation of the Egyptian Pound Exchange rates dated November 3, 2016 through allowing an additional option to paragraph "28" of the revised Egyptian Accounting Standard (13) Foreign Currency Exchange Differences which requires the recognition of the foreign exchange difference in the statement of income for the period in which they occur, alternatively: an entity that has outstanding liabilities in foreign currencies on the date of the floatation of the exchange rates that are related to property, plant and equipment, investment property, intangible assets (other than goodwill) or mining assets that were acquired before this decision, is permitted to recognize the foreign exchange differences resulted from the translation of the related liabilities as a part of the acquisition costs of these assets as referred in paragraph "8" of the annex.

Also, this treatment permits an entity to recognize foreign exchange gains or losses resulting from the translation of monetary items dominated in foreign currencies that are outstanding on the date of floatation to be recognized in "Other Comprehensive Income", net of tax, as referred in paragraph "10" of the annex.

On March 7, 2017 the Minister of Finance issued the Ministerial Decree No. (66) for the year 2017 in relation to the Executive Regulation of the Value Added Tax (VAT) Law No. (67) of 2016.

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

On March 1, 2017, the National Bank of Egypt agreed to reschedule the due instalments for loan A and B to be paid over 10 equal quarterly instalments amounting to USD 4 million per each instalment, and any differences to be paid from the last instalment amounting to USD 2.9 million, in addition to the interest which will be added every three months, and paid with the instalments, the applied interest rate with marginal profits of 4%, above the Libor rate for six months.

37. Approval of financial statements

The consolidated financial statements were approved by the directors and authorized for issue on March 19, 2017.

Sergio Alcantarilla Rodriguez

Chief Executive Officer



Allan Hestbech

Chief Financial Officer

