



Grant Thornton
Mohamed Hilal

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Arabian Cement Company – S.A.E

Standalone Financial Statements and Independent Auditor's Report
For the Year Ended December 31, 2014

Translation from Arabic

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Independent Auditor's Report

Translation from Arabic

To: The Shareholders
Arabian Cement Company (S.A.E)

Report on the financial statements

- We have audited the accompanying standalone financial statements of Arabian Cement Company (S.A.E) which comprise the standalone financial position of as of December 31, 2014 and the related standalone statements of income, standalone cash flows and standalone changes in owners' equity for the year then ended and summary of significant accounting policies and other disclosures.

Management's responsibility for the financial statements

- The standalone financial statements are the responsibility of the Company's Management. The management is responsible for the preparation and fair presentation of these standalone financial statements in accordance to the Egyptian accounting standards and within the view of the current Egyptian laws and regulations, also management's responsibility includes designing, implementing and maintaining internal control relevant to the preparation and fair presentation of standalone financial statements that are free from material misstatements weather due to errors or fraud. The management's responsibility also includes selection and implementation of appropriate accounting policies and making accounting estimates that are reasonable in circumstances.

Auditor's responsibility

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

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the standalone financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the standalone 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 standalone financial statements in order to design 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 the management, as well as evaluating the overall presentation of the standalone financial statements.

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

Opinion

- In our opinion, the standalone financial statements referred to above present fairly, in all material respects, the standalone financial position of Arabian Cement Company (S.A.E) as of December 31, 2014, and of its financial performance and its standalone cash flows for the year then ended in conformity with the Egyptian accounting standards and within the view of the Egyptian laws and regulations.

Without qualifying our opinion

- As disclosed in note (31) from the accompanying notes to the Standalone financial statement, decision of the president of the Arab Republic of Egypt has been issued by law No. 53 of year 2014, which has been published in the official gazette on June 30, 2014 to amend certain provisions of the corporate income tax law, which the related executive regulations has not been issued until the date of this report, the company's management applied the provisions of this law based on its best interpretation. The amounts and results may differ when reliable information becomes available on the issuance of the executive regulation.
- We draw attention to note no. (8) From the accompanying notes to the financial statements, the company has investments in subsidiaries and has prepared consolidated financial statements as at December 31, 2014, in accordance with the Egyptian Accounting Standards. And for more comprehensive understanding of the financial position of the company as at December 31, 2014, as well as its financial performance and its cash flows for the six months ended on that date, it requires refer to the Consolidated Financial Statements.

Report on other legal and regulatory requirements

- The company keeps proper accounting records which include all that is required by law and the statutes of the company and the accompanying standalone financial statements are in agreement therewith and the company's management undertook the inventory physical count as of the date of the standalone financial statements in accordance with the norms of the physical count practice.
- The financial information contained in the report of the Board of Directors' report as required by the companies Law No. 159 for the year 1981 and its executive regulations, is in agreement with the company's accounting records within the limit that such information is recorded therein.

Hossam Mohamed Hilal, ESAA



R.A.A no. 5101

E.F.S.A. 147

Grant Thornton Mohamed Hilal

Cairo March 8, 2015

Grant Thornton - Mohamed Hilal

Public Accountants
The Egyptian Member Firm of
Grant Thornton International

Arabian Cement Company Standalone Statement of Financial Position As of December 31, 2014

Translation from Arabic

	Notes	<u>31/12/2014</u> EGP	<u>31/12/2013</u> EGP
<u>Non-current Assets</u>			
Property plant and equipment (net)	5	2,665,349,407	2,646,689,878
Projects under construction	6	98,414,243	138,435,045
Intangible assets (net)	7	131,662,259	154,182,258
Investment in subsidiaries	8	9,176,307	9,176,307
Investment in Joint ventures	9	31,250	31,250
Total non-current Assets		<u>2,904,633,466</u>	<u>2,948,514,738</u>
<u>Current Assets</u>			
Inventory	10	201,038,220	96,167,941
Debtors and other debit balances	11	48,380,430	46,929,998
Due from subsidiaries and related parties	12	17,353,443	17,233,616
Cash and Bank Balances	13	156,060,447	157,924,145
Total Current Assets		<u>422,832,540</u>	<u>318,255,700</u>
<u>Current Liabilities</u>			
Provisions	14	8,770,069	7,110,829
Current tax liabilities	26	134,923,345	518,278
Creditors and Other credit balances	15	324,232,904	326,228,581
Due to subsidiaries and related parties	12	5,558,323	1,921,649
Long - term loans - current portion	16	294,065,338	337,970,515
long-term liabilities-current portion	17	69,438,000	69,438,000
Total Current Liabilities		<u>836,987,979</u>	<u>743,187,852</u>
Net deficit in Working capital		<u>(414,155,439)</u>	<u>(424,932,152)</u>
Total investment		<u>2,490,478,027</u>	<u>2,523,582,586</u>
<u>Total investments to be financed as follows:</u>			
<u>Equity</u>			
Issued and paid up capital	18	757,479,400	757,479,400
Legal Reserve	19	129,447,589	118,779,986
Retained Earning		408,189,557	213,095,391
Total Equity		<u>1,295,116,546</u>	<u>1,089,354,777</u>
<u>Non-current liabilities</u>			
Borrowings - Long term portions	16	341,739,770	520,680,947
Deferred income tax liability	20	351,118,999	336,991,446
Long term liabilities	17	502,502,712	576,555,416
Total non-current Liabilities		<u>1,195,361,481</u>	<u>1,434,227,809</u>
Total Equity and non-current liabilities		<u>2,490,478,027</u>	<u>2,523,582,586</u>

* The accompanying accounting principles and the notes to the financial statements from note no. (1) to (31) are integral part of these financial statements and must be read with them.

* Independent auditor report is accompanying.

Chief Financial Officer
Allan Hestbech

Chief Executive Officer
Jose Maria Magrina

Arabian Cement Company
Standalone Statement of Income
For the Year Ended December 31, 2014

Translation from Arabic

	<u>Notes</u>	<u>2014</u>	<u>2013</u>
		<u>EGP</u>	<u>EGP</u>
Net sales	21	2,498,734,060	2,063,453,231
<u>Less:</u>			
Cost of sales	22	(1,749,586,118)	(1,377,643,360)
Gross Profit		749,147,942	685,809,871
<u>(Less) / Add</u>			
General and administrative expenses	23	(106,482,652)	(67,253,245)
Provisions	14	(2,584,364)	(6,338,531)
Unused provisions	14	555,431	0
Capital Losses		(87,139)	0
Other income	24	1,223,200	13,661,154
Profit from Operation		641,772,418	625,879,249
<u>(Less):</u>			
Finance cost - net	25	(119,590,956)	(186,924,881)
Net profit of the year before income tax		522,181,462	438,954,368
Income Tax	26	(149,050,898)	(20,415,018)
Net profit of the year after income tax		373,130,564	418,539,350
Earnings per share of the year	27	0.98	1.10

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Chief Financial Officer
Allan Hestbech

Chief Executive Officer
Jose Maria Magrina

Arabian Cement Company
Standalone Statement of change in equity
For the Year Ended December 31, 2014

Translation from Arabic

	<u>Paid up Capital</u>		<u>Legal Reserve</u>		<u>Retained Earning</u>		<u>Total</u>	
	<u>EGP</u>		<u>EGP</u>		<u>EGP</u>		<u>EGP</u>	
Balance as of January 1, 2013	757,479,400		76,926,051		359,262,002		1,193,667,453	
Net Profit for the year					418,539,350		418,539,350	
Transfer to legal reserve	0		41,853,935		(41,853,935)		0	
Paid dividends	0		0		(522,852,026)		(522,852,026)	
Balance as of December 31, 2013	757,479,400		118,779,986		213,095,391		1,089,354,777	
Balance as of January 1, 2014	757,479,400		118,779,986		213,095,391		1,089,354,777	
Net Profit for the year	0		0		373,130,564		373,130,564	
Transfer to legal reserve	0		10,667,603		(10,667,603)		0	
Paid dividends	0		0		(167,368,795)		(167,368,795)	
Balance as of December 31, 2014	757,479,400		129,447,589		408,189,557		1,295,116,546	

* The accompanying accounting principles and the notes to the financial statements from note no. (1) to (31) are integral part of these financial statements and must be read with them.

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Chief Financial Officer
Allan Hestbech

Chief Executive Officer
Jose Maria Magrina

Arabian Cement Company
Standalone Statement of cash flows
For the Year Ended December 31, 2014

Translation from Arabic

	<u>Notes</u>	<u>2014</u>	<u>2013</u>
		<u>EGP</u>	<u>EGP</u>
<u>Cash Flow From Operating Activities:</u>			
Net profit before income tax		522,181,462	438,954,368
<u>Adjustments to Reconcile Net Profit to Net Cash Flows from Operating Activities</u>			
Fixed assets depreciation	5	168,130,074	165,239,601
Intangible assets' amortization	7	22,519,999	22,519,999
Credit interest	25	(826,015)	(1,468,411)
Provision other than depreciation	14	2,584,364	6,338,531
Unused provision	14	(555,431)	0
Foreign exchange (loss)	25	25,856,362	68,696,843
Debit interest	25	94,560,609	119,696,449
Capital Losses		87,139	0
operating profit before changes in working capital		834,538,563	819,977,380
(Increase) in inventory		(104,870,279)	(28,839,579)
(Increase) Decrease in debtors and other debit balances		(1,450,432)	2,645,187
(Increase) in due from subsidiaries and related parties		(119,827)	(6,540,358)
Increase in creditors and other credit balances		31,197,527	20,692,263
Increase in due to subsidiaries and related parties		3,636,674	1,121,633
Paid Tax		(518,278)	0
Used provision	14	(369,693)	(152,367)
Net Cash flows generated from operating activities		762,044,255	808,904,159
<u>Cash Flow From Investing Activities:</u>			
Acquisition of property plant and equipment		(22,863,920)	(8,989,939)
Acquisition of projects under construction		(124,382,438)	(80,264,156)
Proceeds from sale of property plant and equipment		390,418	0
Interest income		826,015	1,468,411
Investments in subsidiaries and joint ventures		0	(31,250)
Net cash (used in) investing activities		(146,029,925)	(87,816,934)
<u>Cash Flow From Financing Activities:</u>			
Payments of operation and electricity license		(74,052,704)	(68,096,000)
Paid interest		(94,560,609)	(119,696,449)
Payments of borrowings		(222,846,354)	(275,742,323)
Paid Dividends		(200,561,999)	(191,989,742)
Net cash (used in) financing activities		(592,021,666)	(655,524,514)
Changes in cash and cash equivalents during the year		23,992,664	65,562,711
Foreign exchange (loss)		(25,856,362)	(68,696,843)
Cash and cash equivalents at the beginning of the year		157,924,145	161,058,277
Cash and cash equivalents at the end of the year	13	156,060,447	157,924,145

* The accompanying accounting principles and the notes to the financial statements from note no. (1) to (31) are integral part of these financial statements and must be read with them.

* Independent auditor report is accompanying.

Chief Financial Officer
Allan Hestbech

Chief Executive Officer
Jose Maria Magrina

Notes to the Standalone Financial Statements For the Year Ended December 31, 2014

1. Incorporation and purpose:

1.1 Incorporation:

- Arabian Cement Company S.A.E. ("the company") was established as a joint stock company on 5 March 1997 under Law No. 230 for the year 1989 and law no. 95 for the year 1992 according to the decision of the president of General Authority for Investment and Free Zone (GAFI) number 167 for the year 1997.
- The company is registered in the commercial register under number 13105 in Cairo on 3 April 2005, which was changed to No. 53445 on 16 August 2011 as the company changed its registered office from 72 Gameat El Dowal Street, Mohandiseen, Giza- Egypt to be Villa 56 El Gihaz Street, fifth Settlement, New Cairo, Egypt.
- The main shareholder of the company is Aridos Jativa – Spanish Company and it owns 60% of the company's share capital.
- The standalone financial statements have been approved for issue by the board of directors meeting dated 8/3/2015. The general assembly of shareholders has the power to amend the financial statements after being issued.

1.2 Company's period:

- Company period is 25 years starting from the date of registering in the commercial register.

1.3 Activities:

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

1.4 Registration in stock market:

Registration of company shares in stock market

- Capital's shares had been registered in Egyptian stock market with approval of the registration committee held on 24/3/2014. Company's shares had been included in data base on 25/3/2014, company's shares registration data have been adjusted after stock splitting by the par value on 17/4/2014.

Registering company's shares in central security

- Company's shares had been registered according to central depository and registry system in Misr for Central Clearing on 19/1/2014 and had been adjusted as a result of stock splitting share's par value on 17/4/2014.

2. Significant Accounting Policies

- The principal accounting policies adopted in the preparation of these standalone financial statements are Summarized below:

2-1 Basis of Preparing Financial Standalone Interim Statements

- The standalone financial statements have been prepared in accordance with Egyptian Accounting Standards (EAS) and applicable laws and regulations. The standalone financial statements have been prepared under the historical cost measurement basis.
- User of these standalone financial statements should read them together with the Company's consolidated financial statements as at and for the year ended 31 December 2014 in order to obtain full information on the financial position, results of operations and changes in equity of the company as a whole.
- The preparation of standalone financial statements in conformity with EAS requires the use of certain critical accounting estimates. It also requires management to exercise its judgment in the process of applying the company's accounting policies. Note (4) disclose the significant accounting estimates used and personal judgment applied in the preparation of the financial statements.
- The Company has prepared these standalone financial statements in accordance with local regulations. The Company has also prepared consolidated financial statements in accordance with EAS for the Company and its subsidiaries (the "Group"). In the consolidated financial statements, subsidiary undertakings – which are those Companies in which the Company, directly or indirectly, has an interest of more than half of the voting rights or otherwise has power to exercise control over the operations – have been fully consolidated. The consolidated financial statements can be obtained from the Head Office of the Company. In these stand-alone financial statements, subsidiaries are accounted for and classified by cost method.
- The EAS requires the reference to the IFRS when there is no EASs, or legal requirement that explains the treatment of specific balances and transactions.

2-2 Foreign currency exchange:

Functional and presentation currency

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

Transactions and balances

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

2-3 Property, plant and equipment:

- All property, plant, and equipment are stated at historical cost less accumulated depreciation, historical cost includes all costs associated with acquiring the asset and bringing it to a ready-for use condition.
- Depreciation is calculated on the straight-line method to write off the cost of each asset to its residual value over the estimated useful lives of assets excluding land, which is not depreciated.
- Estimated useful lives of assets are as follows:

<u>Asset Description</u>	<u>Depreciation years</u>
Machinery and equipment	20 years
Technical installations	20 years
Buildings	10 : 20 years
Vehicles	5 : 7 years
IT equipment and software and other installations	3 : 5 years
Office furniture and fixtures	16 years

- The assets' residual values and useful lives are reviewed, and adjusted if appropriate, at each balance sheet date
- Where the carrying amount of an asset is greater than its estimated recoverable amount, it is written down immediately to its recoverable amount.
- Gains and losses on disposals are determined by comparing proceeds with the carrying amount of the asset and are included in income from operations.
- Repairs and maintenance are charged to the standalone income statement during the financial period in which they are incurred. The cost of major renovations is included in the carrying amount of the asset when it is probable that future economic benefits in excess of the originally assessed standard of performance of the existing asset will flow to the Company. Minor renovations are depreciated over the remaining useful life of the related asset or the estimated useful life of the renovation, whichever is less.
- Cost of machinery and equipment included operating license cost for each production line separately according to the estimated useful life for the line.

2-4 projects under construction :

- Recognition of project under construction by cost and is recognized as fixed assets when it meets the conditions of recognition of fixed assets and when the value of project under construction exceeds the carrying amount, the cost of project under construction is impaired to the excepted carrying amount and the difference is recognized in standalone income statement.

2-5 Intangible Assets :

- The expenditure is directly attributable to the Electricity Generation fees agreement. These expenditures have a finite useful life and are carried at cost less accumulated amortization.
- Amortization is calculated using the straight-line method to allocate these costs over 10 years.

2-6 Investment in subsidiaries :

- Subsidiaries are entities over which the Company owns 50% voting rights, or over which the company has power to govern the financial and operating policies .such investments are presented in the standalone financial statements by cost, The cost basis requires recording the investment in subsidiaries by the acquisition cost and investment income based on recorded limited to dividends recognized over those profits is considered recovery of the investments and it is recorded as a decrease in the investment cost.
- In case there is a decline in investment value than its book value (Impairment) the company will change the book value by the decline amount, and charge it to the standalone income statement for each investment.

2-7 Investment in Joint ventures

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

2-8 Impairment of non-financial assets

- Property, plant and equipment are reviewed for impairment losses whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognized in the standalone statement of income for the period for the amount by which the carrying amount of the asset exceeds its recoverable amount, which is the higher of an asset's fair value less cost recoverable amount. For the purposes of assessing impairment assets are grouped at the lowest level, for which there are standalone identifiable cash flows.
- Reversal of impairment losses recognized in prior years is recorded when there is an indication that the impairment losses recognized for the asset no longer exist or have decreased. Impairment losses are also reversed to release the impairment amount that is equal to the depreciation for the period of the impaired balance. The reversals are recorded in standalone statement of income.

2-9 financial assets**(i) Classification**

- The Company classifies its financial assets in the following categories, at fair value through profit or loss, held for maturity, loans and receivables, and available for sale. The classification depends on the purpose for which the financial assets were acquired.
- Management determines the classification of its financial assets at initial recognition.

1- Financial assets at fair value through profit or loss

- Financial assets at fair value through profit or loss are financial assets held for trading. A financial asset is classified in this category if acquired principally for the purpose of selling in the short term.
- Derivatives are classified as held for trading unless they are designated as hedges. Assets in this category are classified as current assets.

2- Held for maturity

- Held-to-maturity investments are non-derivative financial assets with fixed or determinable payments and fixed maturity that an entity has the positive intention and ability to hold to maturity other than:
 - those that the entity upon initial recognition designates as at fair value through profit or loss
 - those that the entity designates as available for sale: and
 - Those that meet the definition of loans and receivables.

3- Loans and receivables:

- Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. They are included in current assets, except for maturities greater than 12 months after the balance sheet date. These are classified as non-current assets.
- This category includes receivables, notes receivables and debtors and other debit balances.

4- Available-for-sale financial assets:

- Available-for-sale financial assets are non-derivatives that are either designated in this category at acquisition date or not classified in any of the other categories. They are included in non-current assets unless management intends to dispose of the investment within 12 months of the balance sheet date.

(ii) Reclassification

- The Company may choose to reclassify a non-derivative trading financial asset out of the held for trading category if the financial asset is no longer held for the purpose of selling it in the near term. Financial assets other than loans and receivables are permitted to be reclassified out of the held for trading category only in case circumstances arising from a single event that is unusual and highly unlikely to recur in the near term. In addition, the Company may choose to reclassify financial assets that would meet the definition of loans and receivables out of the held-for-trading or available-for-sale categories if the Company has the intention and ability to hold these financial assets for the foreseeable future or until maturity at the date of reclassification. Reclassifications are made at fair value as of the reclassification date. Fair value becomes the new cost or amortized cost as applicable, and no reversals of fair value gains or losses recorded before reclassification date are subsequently made. Effective interest rates for financial assets reclassified to loans and receivables and held-to-maturity categories are determined at the reclassification date. Further increases in estimates of cash flows adjust effective interest rates prospectively.

(iii) Measurement and subsequent measurement:

- Regular purchases and sales of financial assets are recognized on the trade-date -the date on which the Company commits to purchase or sell the asset, Investments are initially recognized at fair value plus transaction costs for all financial assets not carried at fair value through profit or loss.
- Financial assets carried at fair value through profit or losses are initially recognized at fair value and transaction costs are expensed in the standalone income statement.
- Financial assets are derecognized when the rights to receive cash flows from the investments have expired or have been transferred and the Company has transferred substantially all risks and rewards of ownership. At the balance sheet date, available-for-sale financial assets and financial assets at fair value through profit or loss are subsequently carried at fair value, Held to maturity, loans and receivables are carried at amortized cost using the effective interest method. Gains or losses arising from changes in the fair value of the 'financial assets at fair value through profit or loss' category are recognized in the standalone income statement in the period in which they arise. Dividend income from financial assets at fair value through profit or loss is recognized in the standalone income statement as part of other income when the Company's right to receive payments is established.
- Changes in the fair value of monetary securities debt instruments (bonds, treasury bills) denominated in a foreign currency and classified as available for-sale are analyzed between translation differences resulting from changes in amortized cost of the security and other changes in the book value of the security. The translation differences on monetary securities are recognized in profit or loss, while translation differences on nonmonetary securities are recognized in equity. Changes in the fair value of nonmonetary securities classified as available-for-sale are recognized in equity.

- Interest on available-for-sale securities calculated using the effective interest method is recognized in the standalone income statement as part of other income. Dividends on available-for sale equity instruments are recognized in the standalone income statement as part of other income when the Company's right to receive payments is established.
- The Company assesses at balance sheet date whether there is objective evidence that a financial asset or a Group of financial assets is impaired.
- When securities classified as available-for-sale are sold or impaired, the accumulated fair value adjustments recognized in equity are included in the standalone income statement as 'gains and losses from investment securities'.

2-10 Inventories:

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

The company evaluates inventory elements as follows

- A- Raw materials : cost (weighted average)
- B- Spare parts : cost (weighted average)
- C- Finished goods : is measured at the lower of manufacturing cost or net realizable value, the manufacturing cost comprises raw materials, direct labour and cost includes an appropriate share of overheads based on normal operation capacity.

2-11 Trade receivables:

- Trade receivables are recognized initially at fair value and subsequently measured at amortized cost using the effective interest method, less provision for impairment.
- A provision for impairment of trade receivables is established when there is objective evidence that the Company will not be able to collect all amounts due according to the original terms of the receivables. Significant financial difficulties of the debtor, probability that the debtor will enter bankruptcy or financial reorganization, and default or delinquency in payments (more than granted credit limits) is considered indicators that the trade receivable is impaired.
- The amount of the provision is the difference between the asset's carrying amount and the present value of the estimated future cash flows, discounted at the original effective interest rate used to determine the amortized cost. The carrying amount of the asset is reduced through the use of an allowance account, and the amount of the loss is recognized in the standalone income statement. When a trade receivable is uncollectible, it is written off against the allowance account for trade receivables. Subsequent recoveries of amounts previously written off are credited against 'selling and marketing costs' in the standalone income statement.

2-12 Cash and cash equivalents:

- Bank overdrafts are included within borrowings in the current liabilities in the balance sheet.
- For the purpose of cash flow statement, cash and cash equivalent comprise cash on hand and demand deposits with original maturities of three months or less.

2-13 Share capital:

- Ordinary shares are classified as equity.

2-14 Borrowing:

- Borrowings are recognized initially at the amount of the proceeds received, net of transaction costs incurred. Loans are subsequently stated at amortized cost using the effective yield method; any difference between proceeds (net of transaction costs) and the redemption value is recognized in the standalone statement of income over period the borrowings.
- The fair value of the liability portion of a convertible loan is determined using a market interest rate for an equivalent nonconvertible bond, this amount is recorded as a liability at the initial recognition and subsequently recorded at an amortized cost basis until extinguished on conversion or maturity of the bonds whichever the lower. The remainders of the proceeds are allocated to the conversion option, which is recognized in shareholders' equity.
- Borrowings are classified as current liabilities unless the Company has an unconditional right to defer settlement of the liability for at least 12 months after the balance sheet date.

2-15 Current and deferred income tax liability:

- The current income tax charge is calculated on the basis of the tax laws enacted or substantively enacted at the balance sheet date. Management periodically evaluates positions taken in tax returns with respect to situations in which applicable tax regulation is subject to interpretation and establishes provisions where appropriate on the basis of amounts expected to be paid to the tax authorities.
- Deferred income tax is provided in full, using the liability method, on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the financial statements.
- Deferred income tax is determined using tax rates (and laws) that have been enacted or substantially enacted by the balance sheet date and are expected to apply when the related deferred income tax asset is realized or the deferred income tax liability is settled.
- Deferred income tax assets are recognized to the extent that it is probable that future taxable profit will be available against which the temporary differences can be utilized.

2-16 Trade payables:

- Trade payables are generally carried at the fair value of goods or services received from others, whether invoiced or not. Where material, goods and services received and trade payables are initially recognized at the present value of expected cash outflows using the market rate of interest for similar borrowings. Thereafter, trade payables are carried at amortized cost.

2-17 Lease:**1) Finance lease**

- Leases are accounted for under Law 95 of 1995 if the lessee is not obliged to purchase the asset at end of the lease period, the lease contract is recorded in the relevant register with the Companies Authority, the contract gives the option to the lessee to buy the asset at a specific date and amount and the period of the contract represents at least 75% of the useful life of the asset or if the present value of total lease payments represents at least 90% of the asset value.
- For leases within the scope of Law 95 of 1995, lease costs including maintenance expense of leased assets are recognized in the statement of income in the period incurred.
- If the company elects to exercise the purchase option on the leased asset, the option cost is capitalized as property, plant, and equipment and depreciated over their expected remaining useful lives on a basis consistent with similar assets.

2) Operating lease

- Operating lease contracts represents any lease contract which lessor has ownership risks and benefits.
- Payments made under operating leases (net of any incentives received from the lessor) are charged to the statement of income on a straight-line basis over the period of the lease.

2-18 Employee benefits

Profit sharing

- The Company pays the lesser of 10% of its cash dividends as profit sharing to its employees or the employees annual basic salary, Profit sharing is recognized as a dividend distribution through equity and as a liability when approved by the Company's shareholders. No liability is recognized for profit sharing relating to undistributed profits.

Pension obligations

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

2-19 Provisions

- Provisions are recognized when the Company has a present legal or constructive obligation as a result of past events; it is probable that an outflow of resources will be required to settle the obligation; and the amount has been reliably estimated.
- If the effect of the time value of the money is material, provisions are measured at the present value of the expenditures expected to be required to settle the obligation.

2-20 Revenue recognition:

- Revenue comprises the fair value of the consideration received or receivable for the sale of goods and services in the ordinary course of the Company's activities. Revenue is shown net of sales tax, returns or rebates.
- The Company recognizes revenue when significant risks and rewards of ownership of the goods are transferred to the buyer and when the amount of revenue can be reliably measured, it is probable that future economic benefits will flow to the Company and when specific criteria have been met for each of the Company's activities as described below. The Company bases its estimates on historical results, taking into consideration the type of customer, the type of transaction and the specifics of each arrangement.

(a) Sales of goods

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

(b) Interest income

- Interest income is recognized on a time proportion basis, taking account of the principal outstanding and the effective interest rate method. When a receivable is impaired, the company reduces the carrying amount to its recoverable amount.

(c) Dividends revenue

- Dividends revenue recognized on maturity.

2-21 Expenses:

- Expenses are measured according to the recognition of all operating expenses, including administrative expenses and overheads which reflected in the standalone income statement in the financial period where there have been those expenses according to the accrual basis.

2-22 Cost of borrowing:

- The company records the cost of borrowing in the standalone statement of income in the financing expenses on the period which it occurs, except the cost of borrowing that directly related with construction of or production of a fixed asset qualify to be capitalized with this cost and it depreciated during the life time of the asset.

2-23 Transactions with related parties:

- The company records all transactions with the related parties in the context of their regular book keeping applying the same principles for dealing with others.

2-24 cash flow statements

- Standalone cash flow statement is prepared in accordance with the indirect method.

2-25 Dividends:

- Dividends are recorded in the Company's standalone financial statements in the year in which they are approved by the Company's shareholders.

2-26 Comparatives figures:

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

3. Financial risk management**(1) Financial risk factors**

- The Company's activities expose it to a variety of financial risks: market risk (including currency risk, price risk and interest rate risk), credit risk and liquidity risk. The Company's efforts are addressed to minimize potential adverse effects of such risks on the Company's financial performance.
- The Company does not use derivative instruments to hedge specific risks.

A. Market risk**i. Foreign exchange risk:**

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

<u>Description</u>	<u>Asset</u>	<u>Liabilities</u>	<u>Net value at</u>	<u>Net value at</u>
	<u>EGP</u>	<u>EGP</u>	<u>31/12/2014</u>	<u>31/12/2013</u>
			<u>EGP</u>	<u>EGP</u>
USD	19,884,109	(457,479,773)	(437,595,664)	(571,721,334)
EUR	2,613,340	(25,520,792)	(22,907,453)	760,298

- The exchange rate during the year:

	<u>Actual price</u>	
	<u>31/12/2014</u>	<u>31/12/2013</u>
EGP : USD	7.1801	6.978
EGP : EURO	8.6150	9.633

ii. Price risk

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

iii. Interest rate risk

- Interest risk represent in change on interest price on the company's obligation for the banks, which is loans over drafts and credit facilities with variable interest rate, amounted to EGP 1,086,453,108 as of December 31, 2014 against EGP 1,344,275,462 as of December 31, 2013.
- No loans with fixed interest rate.

B. Credit risk:

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

C. Liquidity Risk

- Prudent liquidity risk management implies maintaining sufficient cash.

(2) Capital risk management

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

	<u>31/12/2014</u>	<u>31/12/2013</u>
	<u>EGP</u>	<u>EGP</u>
Loans	635,805,108	858,651,462
Long term liabilities	502,502,712	576,555,416
Creditors and other credit balances	324,232,904	326,228,581
Long term liabilities-current portion	69,438,000	69,438,000
Due to related parties	5,558,323	1,921,649
Less: Cash and equivalent	(156,060,447)	(157,924,145)
Net Debt	1,381,476,600	1,674,870,963
Equity	1,295,116,546	1,089,354,777
Capital	2, 676,593,146	2,764,225,740
Net Debt / Equity	52%	61%

- The decrease in the gearing ratio is mainly due to the payments of loan and borrowings during the year.

(3) Fair value estimation

- The fair value of financial assets or liabilities with maturities date less than one year is assumed to approximate their carrying value. The fair value of financial liabilities – for disclosure purposes – is estimated by discounting the future contractual cash flows at the current market interest rate that is available to the Company for similar financial instruments.

4. Critical accounting estimates and judgments:**(1) Critical accounting estimates and assumptions**

- Estimates and adjustments are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances.
- The Company makes estimates and assumptions concerning the future. The resulting accounting estimates will, by definition, rarely equal the related actual results.

a- Property and equipment - useful life

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

b- Income tax

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

c- Intangible assets - useful life

- The Company recognizes the expenditure that is directly attributable to the electricity generation fees agreement. These expenditures have a finite useful life and are carried at cost less accumulated amortization. Amortization is calculated using the straight-line method to allocate these costs over 10 years.

(2) Critical Judgments in applying the accounting policies

- In general, applying the Group accounting policies does not require judgments (apart from those involving estimates refer to in Note (4-1) that have significant effects on the amounts recognized in the standalone financial statements.

Translation from Arabic

5. Property plant and equipment (net) :

	<u>Land</u>		<u>Building</u>		<u>Vehicles</u>		<u>Machinery and equipment</u>		<u>Other installations</u>		<u>Computer and software</u>		<u>Furniture, fixtures and office</u>		<u>Total</u>	
	<u>EGP</u>	<u>EGP</u>	<u>EGP</u>	<u>EGP</u>	<u>EGP</u>	<u>EGP</u>	<u>EGP</u>	<u>EGP</u>	<u>EGP</u>	<u>EGP</u>	<u>EGP</u>	<u>EGP</u>	<u>EGP</u>	<u>EGP</u>	<u>EGP</u>	<u>EGP</u>
COST:																
Balance at 31/12/2013	50,243,436	495,638,302	6,194,882	2,568,016,783	128,968,332	8,180,991	4,864,513	3,262,107,239								
Additions	0	9,145,240	4,403,486	1,770,711	4,970,717	1,357,409	1,216,357	22,863,920								
Disposals	0	0	863,784-	0	0	10,400-	0	(874,184)								
Transfer from projects under construction	0	14,258,444	0	28,861,222	121,283,574	0	0	164,403,240								
Balance at 31/12/2014	50,243,436	519,041,986	9,734,584	2,598,648,716	255,222,623	9,528,000	6,080,870	3,448,500,215								
Accumulated depreciation:																
Balance at 31/12/2013	0	66,048,752	3,187,601	501,022,777	37,539,107	6,768,544	850,580	615,417,361								
Depreciation charge	0	27,149,448	980,811	129,807,222	8,226,091	1,417,604	548,898	168,130,074								
Disposals accumulated depreciation	0	0	-388,725	0	0	-7,902	0	(396,627)								
Balance at 31/12/2014	0	93,198,200	3,779,687	630,829,999	45,765,198	8,178,246	1,399,478	783,150,808								
Net book value at December 31, 2014	50,243,436	425,843,786	5,954,897	1,967,818,717	209,457,425	1,349,754	4,681,392	2,665,349,407								
Net book value as of December 31, 2013	50,243,436	429,589,550	3,007,281	2,066,994,006	91,429,225	1,412,447	4,013,933	2,646,689,878								

* There is a commercial and real state mortgage with first-class rank for the benefit of the National Bank of Egypt as a guarantee for loans granted by the bank and the company's land, all current and future buildings and constructions and the material and moral elements of the company's factory as disclosed in detail in note (16)

** According to the loans contracts granted by the National Bank of Egypt the company insured for the benefit of the bank an insurance policy against all potential risks on the company's factory and the production lines by 110% of the full amount of the loans and the bank is the first and only beneficiary of this policy with a value of EGP 3,993,315,842.

*** The company has insurance for its benefit on silos by EGP 4,600,000 cars by EGP 909,250 and Katamia Villa by EGP 6,600,000.

Property, plant and equipment – net (continued)

- The company has assets related to finance lease based on contracts under Law No. 95 for the year 1995, which states that these assets should not be classified as fixed assets according to the accounting policies number (2-17)

<u>5 years contracts</u>	<u>31/12/2014</u>	<u>31/12/2013</u>
Total contracted lease payments	49,549,083	47,211,506
Bargain purchase value	1 EGP	1 EGP
Average useful life	5 years	5 years
Lease payments during the year	9,516,691	9,442,301

6. Projects Under Construction:

	<u>31/12/2014</u>	<u>31/12/2013</u>
Balance at 1 January	138,435,045	8,904,106
Additions	120,556,382	126,250,498
Advance to suppliers	3,826,056	9,947,782
Transfer to property , plant and equipment	(164,403,240)	(6,667,341)
Total	98,414,243	138,435,045

- These projects under construction represent the following categories:

	<u>31/12/2014</u>	<u>31/12/2013</u>
Building	12,748,477	23,456,326
Machinery and equipment	80,756,169	104,048,911
Technical and other installations	1,083,541	982,026
Advance to suppliers	3,826,056	9,947,782
Total	98,414,243	138,435,045

- Projects under construction represent the additions made for building, machinery, and equipment, which will be used in the installation of the alternative energy generation lines, which are expected to be capitalized within the year of 2015.

7. Intangible Assets (net):

	<u>31/12/2014</u>	<u>31/12/2013</u>
<u>Costs</u>		
Balance at January 1 st	225,200,000	225,200,000
Balance	<u>225,200,000</u>	<u>225,200,000</u>
<u>Amortization</u>		
Balance at January 1 st	(71,017,742)	(48,497,743)
Year amortization	(22,519,999)	(22,519,999)
Balance	<u>(93,537,741)</u>	<u>(71,017,742)</u>
Net Book Value	<u>131,662,259</u>	<u>154,182,258</u>

* Intangible assets represents the value of the contract with the Ministry of Electricity, where the Ministry of Electricity identifies the needs of heavy industrial projects and arranging their needs, either through the establishment of new stations or already established ones, while the cost of investments will be paid by the company to what have been determined by the ministry, and the cost been agreed upon those arrangements is a value of EGP 217.2 million, where payment has been agreed as shown below:

- a) 15% advance payment equivalent to EGP 32.58 million.
- b) 120 monthly instalments due on the first of every month from April 2010 amounted by EGP 1.220 million per each premium.
- c) 120 monthly instalments due on the first of every month from February 2011 amounted by EGP 1.342 million per each premium.
- d) 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 to be in 1st of February 2011.

8. Investments in subsidiaries:

	<u>Country of incorporation</u>	<u>Share %</u>	<u>31/12/2014</u>	<u>31/12/2013</u>
Andalus concrete S.A.E	Egypt	99.96%	9,126,807	9,126,807
ACC for management and trading company L.L.C	Egypt	99%	49,500	49,500
Total			<u>9,176,307</u>	<u>9,176,307</u>

9. Investments in Joint ventures:

	<u>Country of incorporation</u>	<u>Ownership</u>	<u>31/12/2014</u>	<u>31/12/2013</u>
Andalus Reliance for Mining	Egypt	50%	31,250	31,250
Total			<u>31,250</u>	<u>31,250</u>

Translated from Arabic

10. Inventory:

	<u>31/12/2014</u>	<u>31/12/2013</u>
Finished goods	28,472,017	7,277,043
Spare parts	26,920,189	26,017,015
Packing materials	26,249,417	21,719,302
Raw materials	118,911,620	39,974,708
WIP	484,977	1,179,873
Total	<u>201,038,220</u>	<u>96,167,941</u>

11. Debtors and Other Debit Balances:

	<u>31/12/2014</u>	<u>31/12/2013</u>
Advance to Suppliers	23,145,030	11,579,498
Letter of Credit	532,986	14,300,435
Deposits with others	18,532,389	18,532,389
Employees Dividends	2,185,184	1,077,606
Imprest – Employee's loan	357,130	431,812
Add tax	3,397,395	0
Letter of guarantee cover	34,049	34,049
Other debit balances	196,267	974,209
Total	<u>48,380,430</u>	<u>46,929,998</u>

12. Related Parties transactions:**Due from subsidiaries and related parties:**

	<u>31/12/2014</u>	<u>31/12/2013</u>
Andalus concrete	15,061,875	14,291,049
Cementos La Unión Chile, S.A.	420,637	1,026,517
Cementos Santo Domingo	407,078	0
ACC for Management and Trading	1,463,853	1,916,050
Total	<u>17,353,443</u>	<u>17,233,616</u>

Translated from Arabic

Due to subsidiaries and related parties:

	<u>31/12/2014</u>	<u>31/12/2013</u>
Cementos la union– Spain	2,156,734	1,520,851
Aridos Jativa	95,204	400,798
Andalus Reliance for Mining	3,306,385	0
Total	<u>5,558,323</u>	<u>1,921,649</u>

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

Company	Relation type	Transaction nature	Volume of transactions	
			<u>2014</u>	<u>2013</u>
Andalus Concrete	Subsidiary	Sales	13,360,286	8,608,906
Aridos Jativa company	Main shareholder	Services	1,397,247	1,271,490
ACC for management and trading company	Subsidiary	Services	27,684,624	20,112,550
Cementos La Union – Spain	Subsidiary of the parent company	Purchase	2,171,142	700,392
Hormiunion , S.L.	Subsidiary of the parent company	Purchase	767,685	0
Andalus Reliance for Mining	Joint Ventures	Purchase	26,023,661	0
Cementos Santo Domingo	Subsidiary of the parent company	Sales	656,957	0

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

Amounts paid for the members of the board of directors during the year

	<u>2014</u>	<u>2013</u>
Board allowance	16,111,169	14,895,727
Salaries and wages	7,173,556	6,931,319
Total	<u>23,284,725</u>	<u>21,827,046</u>

Translated from Arabic

13. Cash and Bank Balances:

	<u>31/12/2014</u>	<u>31/12/2013</u>
Cash on hand	2,026,922	5,145,038
Current Account – Local Currency	110,564,286	137,962,708
Current account – Foreign Currency	21,669,734	13,413,910
Bank deposits	21,799,505	1,402,489
Total	<u>156,060,447</u>	<u>157,924,145</u>

	<u>31/12/2014</u>	<u>31/12/2013</u>
Average interest rates for bank deposits - USD	0.06%	0.06%
Average interest rates for bank deposits - EGP	7%	6%
Maturity period for bank deposits	243 days	30 days

For the purpose of preparation of cash flow statement, cash and cash equivalent include:

	<u>31/12/2014</u>	<u>31/12/2013</u>
Cash and bank balances	156,060,447	157,924,145
Restricted cash	(54,576,681)	(108,847,106)
Total	<u>101,483,766</u>	<u>49,077,039</u>

The restricted cash represents the instalment for the loans payments to be paid during 2015.

14. Provisions:

	<u>Balance at 31/12/2013</u>	<u>Additions during the year</u>	<u>Unused during the year</u>	<u>Usage during the year</u>	<u>Balance at 31/12/2014</u>
Provisions	7,110,829	2,584,364	(555,431)	(369,693)	8,770,069
Total	<u>7,110,829</u>	<u>2,584,364</u>	<u>(555,431)</u>	<u>(369,693)</u>	<u>8,770,069</u>

- The provisions relate to expected claims from some parties relates to the activities of the company, as the management reviews those provisions annually and adjusting the amount allocated in accordance with the latest developments, discussions and agreements with those parties. Also, the disclosure information about provision allocation is not according to the accounting standards because the management believes that this may strongly affect the consequences of negotiations with those parties.

Translated from Arabic

15. Creditors and Other Credit Balances:

	<u>31/12/2014</u>	<u>31/12/2013</u>
Advance payment from customers	118,570,719	94,383,696
Trade Payable	133,688,153	103,964,690
Accrued development fees	35,771,621	54,433,940
Dividends payable to shareholders	0	33,193,204
Taxes	14,592,633	13,777,145
Accrued customers rebates	177,631	0
Accrued interest	8,349,110	18,722,545
Retention	6,224,626	6,165,801
Accrued expenses	6,858,411	1,587,560
Total	<u>324,232,904</u>	<u>326,228,581</u>

Accrued development fees:

- As per law no. 147 for the year 1984, a fee for development of the country's resources is imposed as a license to use mines. These fees amounted to LE 27 for each ton of clay used by the cement production factory with a rate of 1/3 ton for each ton of cement at a minimum of LE 15 for each ton of cement produced and this represent the minimum amount to be paid as per the law.

16. Borrowings:

	<u>31/12/2014</u>	<u>31/12/2013</u>
Current portion from loans	294,065,338	337,970,515
Non- current portion from loans	341,739,770	520,680,947
Total	<u>635,805,108</u>	<u>858,651,462</u>

- These loans are represented in the following

	<u>31/12/2014</u>	<u>31/12/2013</u>
First loan	227,188,125	290,713,966
Second loan	335,159,098	454,014,526
Third loan	22,578,914	108,234,034
Fourth loan	50,878,971	5,688,936
Total	<u>635,805,108</u>	<u>858,651,462</u>

First loan:

- In September 2006, the Company has obtained a loan from the National Bank of Egypt amounted to USD 103.9 million. On 31 January 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 2 years grace period with interest rate 1.6% plus Libor during the first five years and 1.7% plus Libor during the following five years.

Second loan:

- On 31 January 2008, the company has 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, loan included a portion by Egyptian Pounds equivalent to USD 57 million.
- The loan duration is 10 years including 2 years grace period with interest rate 1.5% plus Libor for the USD portion of the loan and 11% for the Egyptian Pounds portion.

Third loan:

- On 22 February 2010, the Company obtained a loan from the National Bank of Egypt amounted to EGP 265 million to finance around 70% of the investment cost of the clinker mill.
- The loan duration is 5 years including a grace period of 18 months with 2% interest above the corridor rate.

Fourth loan:

- On 20 June 2013, the company has 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 suppliers and contractors payments.
- The loan duration is 6 years starting from the first withdrawing, with a rate by 2% plus corridor with a minimum rate 12%, in addition to a monthly commission.
- The company shall enjoy a grant by 20% of the value of the financing amount from the bank, in case of meeting the following conditions:
 - a. The utilization of the finance in its purpose.
 - b. Commitment to the financing conditions including the payments terms.
 - c. Issuing the required certificate from the environmental affairs department, which indicates the pollution reduction according to the study.

The loan is guaranteed by the following:

- There is a first degree with excellence real estate mortgage for 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 sell, mortgage, waive, lease, or provide power of attorney to sell or mortgage only after obtaining the prior written consent from the bank
- There is a first degree with excellence commercial mortgage for 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) only after payment of the loan (the third loan) granted to the bank by the company, while allowing Egyptian side to increase the share capital through the purchase of the Spanish party but the Spanish party share should not be less than 51% of company's capital, also the company should not do any changes to the nature of its activities or its legal form or structure of ownership only after obtaining the prior written consent from the bank.
- The company is committed to issue insurance policies against the dangers of fire, physical damage, business interruptions and machinery failures on all assets owned by the company subjected to this loan contract within 110 % of the full loan's amount, and concede these policies to the bank as first and sole beneficiary.

17. Long term liabilities:Long-term liabilities – current portion

	<u>31/12/2014</u>	<u>31/12/2013</u>
Operating license*	50,976,000	50,976,000
Electricity contract**	18,462,000	18,462,000
Total	<u>69,438,000</u>	<u>69,438,000</u>

Long-term liabilities

Operating license*	399,672,000	434,648,000
Long term liabilities – Electricity contract**	86,156,000	104,618,000
Long term notes payable***	16,674,712	37,289,416
Total	<u>502,502,712</u>	<u>576,555,416</u>

*** Operating license:**

- As per the country's policies to obtain a license for cement factory, the general industrial Development association approved on issuing a license to the company amount to LE 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 installments after 1 year from starting production with a maximum of 18 months according to interest rate determined by Central Bank of Egypt - CBE.
- The above mentioned value will be also applied for the second line and a 25% is to 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.

**** Electricity contract:**

- Arabian cement company operating license stipulate that the company should provide its own power generation facility. The Ministry of Electricity suggested that instead of building a captive plant, a fee of LE 217.2 million should be paid to the ministry to allow new cement plants to connect to the national grid.
- 15% down payment Amounted by EGP 32.580 million was paid by the company and the remaining 85% will be paid as follows:
 - 120 Monthly installments amounted by EGP 1.220 million per installment including interest and the 1st installment will start April 2010.
 - 120 Monthly installments amounted by EGP 1.342 million per installment including interest and the 1st installment will start February 2011.
- In addition to LE 8 million which represent the amount of 2 ordinary cells, will be paid over four quarterly based installments to end by 1 February 2011.

Translated from Arabic

***** Long – term notes payable**

- The long – term notes payables presents the value of the installment due after next year, these amounts are due to the suppliers that are working on the construction of the alternative fuel which were not finalized till the date of issue of the financial statements.
- The liability is paid based on semi-annual installments that are equal in value, the last installment is due on December 2016 with an interest rate of 7% for the alternative fuel generation line and 9.5% for the coal project.

18. Capital:

	<u>31/12/2014</u>	<u>31/12/2013</u>
Authorized capital	757,479,400	757,479,400
Issued capital	757,479,400	757,479,400
number of shares	378,739,700	378,739,700
par value per share	2	2
Issued and paid-up capital	<u>757,479,400</u>	<u>757,479,400</u>

- On 23 January 2014, the company's management held an Extra-ordinary 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 on modifying the par value of the share to be 2 EGP instead of EGP 100.
- In addition to the mentioned above, the Extra-ordinary General Assembly Meeting approved updating article number (6) from the article of association which states that the capital of the company amounted to EGP 757,479,400 distributed among 7,574,794 shares the par value for each share is EGP 100 to be distributed among 378,739,700 shares the par value for each share is EGP 2.

19. Legal reserve:

- In accordance with the companies' law no. 159 of 1981 and the Company's Articles of Association, 10% of annual net profit is transferred to legal reserve. Upon the recommendation of the board of Directors, the Company may stop such transfers when the legal reserve reaches 50% of the issued capital. The statutory reserve is not eligible for distribution to shareholders.

20. Deferred Income Tax Liabilities:

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

	<u>31/12/2014</u>	<u>31/12/2013</u>
Property, plant, equipment and intangible assets	351,118,999	336,991,446
Total	<u>351,118,999</u>	<u>336,991,446</u>

Translated from Arabic

– The movement of the deferred tax liability is as follows:

	<u>31/12/2014</u>	<u>31/12/2013</u>
Balance at 1 January	336,991,446	317,094,706
Deferred tax charged to the income statement (Note 26)	14,127,553	19,896,740
Balance for the year	<u>351,118,999</u>	<u>336,991,446</u>

21. Net Sales:

	<u>2014</u>	<u>2013</u>
Local sales	2,787,741,308	2,211,235,103
Export sales	4,045,800	48,458,746
Services	42,425,274	36,805,350
Total sales	<u>2,834,212,382</u>	<u>2,296,499,199</u>
Less		
Sales discount and returns	(335,478,322)	(233,045,968)
Net sales	<u>2,498,734,060</u>	<u>2,063,453,231</u>

22. Cost of Sales:

	<u>2014</u>	<u>2013</u>
Raw material	1,598,132,705	1,161,855,139
Manufacturing depreciation	168,130,074	165,239,602
Electricity supply agreement amortization	22,519,999	22,519,999
Overhead cost	65,673,620	56,868,199
Change in inventory	(104,870,280)	(28,839,579)
Total	<u>1,749,586,118</u>	<u>1,377,643,360</u>

Translated from Arabic

23. General and Administrative Expenses:

	<u>2014</u>	<u>2013</u>
Professional services	44,005,040	22,690,385
Salaries and wages	33,283,948	29,264,260
Security and cleaning services	5,056,495	3,781,285
Rentals	3,336,422	3,687,009
Transportation	3,699,315	1,634,345
Advertising and public relations	10,197,105	1,377,189
Other expenses	6,904,327	4,818,772
Total	<u>106,482,652</u>	<u>67,253,245</u>

24. Other income:

	<u>2014</u>	<u>2013</u>
Insurance Claim	0	12,805,800
Sale of scrap and waste	353,502	127,022
Rental Income	726,274	486,274
Sales of Bags and water	27,424	144,721
Other income	116,000	97,337
Total	<u>1,223,200</u>	<u>13,661,154</u>

- Insurance claim for the year ended 31/12/2013 represents compensation paid by Charits insurance company amounted to LE 12,805,800 as a compensation for Arabian Cement Company due to loss occurred due to the stoppage of the machine.

25. Finance cost - net:

	<u>2014</u>	<u>2013</u>
Foreign exchange (loss)	(25,856,362)	(68,696,843)
Loan interest expense	(36,113,430)	(62,390,449)
Operation licence interest expense	(45,024,000)	(45,024,000)
Electricity agreement interest expense	(12,282,000)	(12,282,000)
Long-term notes payable interest expense	(1,141,179)	0
Interest income	826,015	1,468,411
Net	<u>(119,590,956)</u>	<u>(186,924,881)</u>

Translated from Arabic

26. Income tax

	<u>2014</u>	<u>2013</u>
Deferred income tax (Note 20)	14,127,553	19,896,740
Current income tax	134,923,345	518,278
Total	149,050,898	20,415,018
<u>Effective tax rate</u>		
Net profit before income tax	522,181,462	
Tax using current tax rates	30% 156,604,439	
<u>Add:</u>		
Accounting depreciation and amortization	190,650,073	
Expenses non-deductible for tax purpose	6,414,653	
Capital Loss	87,139	
Provisions	2,584,364	
<u>Less:</u>		
Taxable depreciation	271,451,111	
Unused provisions	555,431	
Tax bracket	449,911,149	
Income tax according to effective tax rate	25.8% 134,923,345	

- The Company has calculated the income tax for the year ended 31/12/2014 in accordance with the Egyptian tax law at annual rate of 25% of taxable net income, in addition to the provisions of the presidential Decree to issue the law No. 44 for year 2014 issued on 4/6/2014, which would impose a temporary annual tax for three years by %5 on the excess of one million Egyptian Pounds of the taxable net income.

27. Earnings per Share of the year :

- Earnings per share calculated before deducting legal reserve.

	<u>2014</u>	<u>2013</u>
Net profit for year	373,130,564	418,539,350
Employees share in the dividends	(2,185,184)	(1,077,606)
Distributable net profit for the year	370,945,380	417,461,744
Weighted average number of shares	7,574,794	7,574,794
Earnings per share of the year	0.98	1.10

28. Tax Position:

- Due to the nature of the tax assessment process in Egypt, the final outcome of the assessment by the Tax Authority might not be realistically estimated. Therefore, additional liabilities are contingent upon the tax inspection and assessment of the Tax Authority.
- Below is a summary for the tax position of the company as the date of preparing standalone financial statements:

28-1 corporate income tax:

- The Company enjoys a tax exemption for a period of 5 years starting from the Fiscal year following the startup of the production of the Company's operation. This period was determined by the General Authority for Free Zones and Investments to start from 22 April 2008, consequently, the Company is exempted from corporate tax for the period from 1 January 2009 till 31 December 2013.
- The Company prepares Tax return according to income tax laws and regulations and submits them on a timely basis as stated by the law.

28-2 Sales tax:

- The sales tax was inspected till December 2013 and the company paid the final settlement.
- The Company submits tax returns on a timely basis.

28-3 Stamp tax:

- The Company's books inspected till 2011 and the company paid the final settlement.

28-4 Payroll tax:

- Payroll tax was inspected till 2010 by the tax authority and the company paid the final settlement.
- Payroll tax form 2011 till standalone financial statements date was not inspected.

28-5 Accrued development fees:

- The company pays due Development fees for cement produced from local clinker and did not pay development fees for cement which produced from imported clinker, which is a dispute in front of the General Authority for Development Fees during 2013/2014. While in previous years this matter has been referred to the appeal committee for decision, and the decision does not issued until date.

29. Capital Commitment:

- The Capital Commitment as of 31/12/2014 related to fixed assets acquisition amounted to EGP 27,970,880.

30. Contingent liabilities:

- At 31 December 2014, the Company had contingent liabilities in respect of bank and other guarantees in addition to other aspects arising from the ordinary course of business from which it is anticipated that no material liabilities will arise. Through the ordinary course of business letters of guarantee are issued by the Company to third parties amounted to EGP 34,049 covered with an amount of EGP 34,049. As well as the unrecovered portion of letter of credit amounted to EGP 1,288,924.

31. Tax law amendments:

- Decision of the president of the Arab Republic of Egypt has been issued by law No. 53 of year 2014, which has been published in the official gazette on June 30, 2014 to amend certain provisions of the corporate income tax law, which the related executive regulations has not been issued until the date of this report, the company's management is using the best accounting estimates in light of the interpretation of the articles of this law. Those estimates, the values and the results may differ if reliable information available after the issuance of the executive regulations of this law.



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