Arabian Cement Company

"An Egyptian Joint Stock Company"

Consolidated Interim Financial Statements

For the Six Months Ended June 30, 2015

And the Limited Review Report

Deloitte.

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Limited Review Report for the Consolidated Interim Financial Statements

To: The Board of Directors of Arabian Cement Company
"An Egyptian Joint Stock Company"

Introduction

We have reviewed the accompanying consolidated interim balance sheet of Arabian Cement Company "An Egyptian Joint Stock Company" as of June 30, 2015 and the related consolidated interim statements of income, changes in shareholders' equity and cash flows for the six months then ended, and a summary of significant accounting policies and other explanatory notes. Management is responsible for the preparation and fair presentation of these consolidated interim financial statements in accordance with Egyptian Accounting Standards. Our responsibility is to express a conclusion on these consolidated interim financial statements based on our review.

The consolidated financial statements for the year ended December 31, 2014, has been audited by another auditor who issued his unqualified opinion on these financial statements including an emphasis of matter paragraph dated March 8, 2015. As well as the financial period from January 1, 2014 until June 30, 2014 has been audited by issuing unqualified opinion on these financial statements dated August 14, 2014.

Scope of Review

We conducted our review in accordance with Egyptian Standard on Review Engagements (2410) "Review of Interim Financial Information Performed by the Independent Auditor of the Entity".

A review of interim financial statements consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with Egyptian Standards on Auditing and consequently does not enable us to obtain assurance that we would become aware of all significant matter that might be identified in an audit. Accordingly, we do not express an audit opinion.

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Conclusion

Based on our review, nothing has come to our attention that causes us to believe that the accompanying consolidated interim financial statements do not present fairly, in all material respects, the consolidated interim financial position of Arabian Cement Company "An Egyptian Joint Stock Company" as of June 30, 2015, and its consolidated financial performance and its consolidated cash flows for the six months then ended in accordance with Egyptian Accounting Standards.

Cairo, August 16, 2015

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

Saleh, Barsoum, Abdel Aziz & Co.
Accountants & Auditors

Arabian Cement Company

"An Egyptian Joint Stock Company"

Consolidated Statement of Financial Position

As of June 30, 2015

	Notes	June 30, 2015 EGP	December 31, 2014 EGP
Non-current assets			
Fixed assets (net)	(5)	2 608 419 308	2 676 733 351
Projects under construction	(6)	124 055 319	99 410 072
Intangible assets (net)	(7)	128 769 025	139 936 479
Total non-current assets		**2 861 243 652**	**2 916 079 902**
Current assets			
Inventory	(8)	206 011 383	201 761 865
Debtors and other debit balances (net)	(9)	67 171 406	56 679 974
Due from related parties	(10)	827 715	827 715
Cash and bank balances	(11)	158 437 552	159 366 746
Total current assets		**432 448 056**	**418 636 300**
Current liabilities			
Provisions	(12)	8 404 690	8 770 069
Bank Overdraft	(14)	95 245 781	--
Current income tax liabilities	(22)	51 953 814	135 158 769
Creditors and other credit balances	(13)	262 167 379	336 514 326
Dividends payable		179 560 139	--
Current portion of long - term loans	(14)	173 666 459	294 065 338
Current portion of long - term other liabilities	(15)	82 182 000	77 934 000
Due to related parties	(10)	2 537 566	3 905 131
Total current liabilities		**855 717 828**	**856 347 633**
(Deficit in) working capital		**(423 269 772)**	**(437 711 333)**
Total investment		**2 437 973 879**	**2 478 368 569**
Financed by:			
Shareholders' equity			
Issued and paid up capital	(16)	757 479 400	757 479 400
Legal reserve		156 122 086	129 463 619
Retained earnings		181 155 133	36 037 640
Net profit of the period / year		124 549 393	374 717 936
Total shareholders' equity		**1 219 306 012**	**1 297 698 595**
Non-controlling interest	(23)	**12 692**	**9 159**
Total shareholders' equity and non-controlling interest		**1 219 318 704**	**1 297 707 754**
Non-current liabilities			
Borrowings	(14)	412 923 185	341 739 770
Other Liabilities	(15)	443 405 903	486 502 712
Deferred income tax liability	(17)	362 326 087	352 418 333
Total non-current liabilities		**1 218 655 175**	**1 180 660 815**
Total finance of working capital and non-current assets		**2 437 973 879**	**2 478 368 569**

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

Chief Financial Officer
Allan Hestbech

Chief Executive Officer
Jose Maria Magrina

-Limited review report attached.

Arabian Cement Company
"An Egyptian Joint Stock Company"
Consolidated Income Statement
For the Six Months Ended June 30, 2015

	Notes	Three months ended June 30, 2015	Three months ended June 30, 2014	Six months ended June 30, 2015	Six months ended June 30, 2014
		EGP	EGP	EGP	EGP
Net sales	(18)	557 996 540	624 296 112	1 152 350 897	1 156 368 619
Less:					
Cost of sales	(19)	(419 398 122)	(456 634 957)	(858 454 799)	(791 147 164)
Gross operating profit		**138 598 418**	**167 661 155**	**293 896 098**	**365 221 455**
(Less) / Add					
General and administration expenses	(20)	(17 541 342)	(25 713 836)	(35 929 873)	(42 570 868)
Provisions		--	(1 593 959)	--	(1 593 959)
Reversal of Provisions		--	555 431	--	555 431
Other operating income		1 520 746	270 702	1 911 028	476 480
Credit interest		1 002 408	283 089	1 166 154	365 933
Net operating profit		**123 580 230**	**141 462 582**	**261 043 407**	**322 454 472**
(Less)					
Finance costs	(21)	(24 460 068)	(24 394 218)	(43 859 183)	(47 004 031)
Foreign exchange rate differences		(404 778)	(22 771 807)	(30 949 730)	(25 090 522)
Capital gain		180 000	--	180 000	--
Net profit of the period before income tax		**98 895 384**	**94 296 557**	**186 414 494**	**250 359 919**
Income tax	(22)	(31 712 487)	(103 351 252)	(61 861 568)	(142 463 603)
Net profit / (loss) of the period after income tax		**67 182 897**	**(9 054 695)**	**124 552 926**	**107 896 316**
Attributable to:					
Owners of the parent		67 181 072	(9 055 952)	124 549 393	107 893 990
Non-controlling interest	(23)	1 825	1 257	3 533	2 326
Net profit / (loss) of the period after income tax		**67 182 897**	**(9 054 695)**	**124 552 926**	**107 896 316**
Earnings / (Losses) per share of the period	(24)	**0.17**	**(0.02)**	**0.32**	**0.28**

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

Chief Financial Officer
Allan Hestbech

Chief Executive Officer
Jose Maria Magrina

Arabian Cement Company
"An Egyptian Joint Stock Company"
Consolidated Statement of Changes in Shareholders' Equity
For the Six Months Ended June 30, 2015

Description	Notes	Capital	Legal reserve	Retained earnings	Net profit of the period	Total shareholders' equity	Non-controlling interest	Total
		EGP	EGP	EGP	EGP	EGP		
Balance as of January 1, 2014		757 479 400	118 792 048	214 078 006	--	1 090 349 454	4 336	1 090 353 790
Transfer to legal reserve		--	11 646 128	(11 646 128)	--	--	--	--
Dividends distributed		--	--	(64 738 982)	--	(64 738 982)	--	(64 738 982)
Net profit for the period		--	--	--	107 893 990	107 893 990	2 326	107 896 316
Balance as of June 30, 2015		757 479 400	130 438 176	137 692 896	107 893 990	1 133 504 462	6 662	1 133 511 124
Balance as of January 1, 2015		757 479 400	129 463 619	410 755 576	--	1 297 698 595	9 159	1 297 707 754
Transfer to legal reserve	(28)	--	26 658 467	(26 658 467)	--	--	--	--
Dividends distributed	(28)	--	--	(202 941 976)	--	(202 941 976)	--	(202 941 976)
Net profit for the period		--	--	--	124 549 393	124 549 393	3 533	124 552 926
Balance as of June 30, 2015		757 479 400	156 122 086	181 155 133	124 549 393	1 219 306 012	12 692	1 219 318 704

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

Chief Financial Officer
Allan Hestbech

Chief Executive Officer
Jose Maria Magrina

Arabian Cement Company
"An Egyptian Joint Stock Company"
Consolidated Statement of Cash Flows
For the Six Months Ended June 30, 2015

	Note	Period ended June 30, 2015 EGP	Period ended June 30, 2014 EGP
Cash flows from operating activities			
Net profit for the period before tax		186 414 494	250 359 919
Adjusted by:			
Fixed assets' depreciation	(5)	86 784 554	83 632 601
Intangible assets' amortization	(7)	11 167 454	11 167 452
Credit Interest		(1 166 154)	(365 933)
Finance Cost		43 859 183	47 004 031
Provisions		--	1 593 959
Reversal of provision		--	(555 431)
Provision used		(365 379)	--
Capital gain		(180 000)	--
Operating profit before changes in working capital		**326 514 152**	**392 836 598**
(Increase) in inventory		(4 249 518)	(40 857 599)
(Increase) in debtors and other debit balances*		(13 888 828)	(46 820 500)
Decrease in due from related parties		--	702 809
(Decrease) / increase in creditors and other credit balances		(72 701 058)	9 729 403
(Decrease) / increase in due to related parties		(1 367 565)	2 781 764
Income Tax paid		(131 525 949)	(518 278)
Net cash flows generated from operating activities		**102 781 234**	**317 854 197**
Cash flows from investing activities			
Proceed from sale of assets		180 000	--
Payments for property, plant and equipment***		(6 784 948)	(5 700 820)
Payments for projects under construction***		(36 330 810)	(35 090 995)
Change of investments in subsidiaries and joint venture		--	31 250
Interest income		1 166 154	365 933
Net cash flows (used in) investing activities		**(41 769 604)**	**(40 394 632)**
Cash flows from financing activities			
Payments of operation and electricity license		(38 848 809)	(43 546 338)
Interest paid		(45 505 072)	(64 476 266)
Net change in borrowings		(49 215 464)	(71 435 050)
Dividends paid **		(23 617 260)	(64 738 982)
Proceed from bank overdraft		95 245 781	--
Net cash flows (used in) financing activities		**(61 940 824)**	**(244 196 636)**
Net change in cash and cash equivalents during the period		**(929 194)**	**33 262 929**
Cash and cash equivalents at the beginning of the period		159 366 746	161 152 693
Cash and cash equivalents at the end of the period	(11)	**158 437 552**	**194 415 622**

Non-cash transactions

* Non-cash transactions represents the income tax paid and the other debit balances of EGP 3 397 395 has been eliminated.
** Non-cash transactions represents the unpaid dividends of EGP 179 560 139 has been eliminated.
*** Non-cash transactions represents the transferred from projects under construction to fixed assets of EGP 11 685 563 has

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

Chief Financial Officer

Allan Hestbech

Chief Executive Officer

Jose Maria Magrina

Arabian Cement Company
An Egyptian Joint Stock Company
Notes to the Consolidated Interim Financial Statements
For the Period Ended June 30, 2015

1. Incorporation and purpose

1.1 Incorporation

- Arabian Cement Company, an Egyptian Joint Stock Company ("the company") was established as a joint stock company on March 5, 1997 under Law No. 230 of 1989 and Law No. 95 of 1992 according to the decision of the 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 main shareholder of the company is Aridos Jativa – Spanish Company, and it owns 60% of the company's capital.
- The consolidated interim financial statements were approved by the Board of Directors and authorized for issuance on August 16, 2015.
- The consolidated interim financial statements as of June 30, 2015 includes the following companies:

Company	Classification	Ownership and voting as of June 30, 2015	Ownership and voting as of December 31, 2014
ACC for Management & Trading	Subsidiary	99%	99%
Andalus Concrete	Subsidiary	99.96%	99.96%
Andalus Reliance for Mining	Joint venture	50%	50%

- It will be referred to the Arabian Cement Company, its subsidiaries and the joint venture as (the Group).

1.2 Company's term

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

1.3 Activities

The company's 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

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

Registering company's shares in central security

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

2. Significant accounting policies

The principal accounting policies adopted in the preparation of these consolidated interim financial statements are summarized below:

2.1 Statement of compliance

The consolidated financial statements have been prepared in accordance with the Egyptian Accounting Standards (EASs) issued by the Ministry Decision Number 243 of 2006 and in the light of the Egyptian laws and regulations.

The EASs require referral to International Financial Reporting Standards (IFRSs) when no EASs or legal requirements exist to address certain types of transactions.

2.2 Basis of preparation

The consolidated interim financial statements have been prepared on the historical cost basis.

2.3 Basis of consolidation

The accompanied consolidated financial statements include the assets, liabilities and the results of Arabian Cement Company (the parent company) and all subsidiaries that are controlled by the parent company, hereunder referred to as the "Group", under the following consolidation basis:

- All intra-group transactions, balances, unrealized income and expenses are eliminated in full on consolidation.
- The cost of acquisition has been eliminated in Arabian Cement Company against its share in subsidiaries equity.
- Minority interest, represent their share in the equity and results of the entities that are controlled by the parent company and is classified as a separate line item in the consolidated financial statements added to it their share in the results of operation of these companies.

2.4 Cost of acquisition

The cost of acquisition represents the total cost incurred by the parent company to acquire the investments in its subsidiaries, and is classified as follows:

a) The fair value of the assets and liabilities owned by the company at the acquisition date to the extent of the parent company's interest acquired on that date.

b) If the acquisition cost exceeds the parent company's share in the fair value of the assets and liabilities of the subsidiaries, the difference is treated as positive goodwill and recorded as intangible assets in the long term assets and is decreased by any impairment in its value on a regular basis.

c) If the fair value of the assets and liabilities of the acquired subsidiaries in the acquisition date exceeds the acquisition cost, the difference treated as negative good will and totally recorded in the consolidated income statement as a bargain purchase gain.

2.5 Non - consolidation

Subsidiaries will not be consolidated in the consolidated financial statements when:

- The parent company intends to have a temporary control on the subsidiary and there is an intention to dispose the subsidiary in the near future.
- The subsidiary company is operated under long-term strict constraints which materially limited its ability from transferring any funds to the parent company.

2.6 Subsidiary companies

Arabian Cement Company (ACC) an Egyptian Joint Stock Company (Parent Company) owns subsidiary companies which have been consolidated in the consolidated financial statements as of June 30, 2015 which are as follows:

Company	% Ownership	Nature of operation
ACC for Management and Trading	99%	Providing managerial restructuring services for the companies, transportation for goods, preparation of feasibility studies to projects, projects management and general trading
Andalus Concrete	99.96%	Constructing and operating factory for manufacturing cement and concrete products along with trading in concrete and other constructions materials
Andalus Reliance for Mining	50%	Quarrying for the extraction of raw materials for clay, kaolin, gypsum, sand and general supplies.

2.7 Joint venture

Joint venture is contractually agreed sharing of control over an economic activity, joint control exists only when operational, financial and strategic decisions related to the activity require the unanimous consent of the parties sharing control.

The application of proportionate consolidation means that the financial statement of the venture includes its share of assets, liabilities, income and expenses of the jointly controlled entity.

In case there are transactions within the Group, profits and losses are eliminated up to the parent company's share in the joint venture.

Arabian Cement Company's joint venture investment is represented in the following:

Company's Names	Percentage of ownership and voting rights %
Andalus Reliance for Mining:	50%

2.8 Foreign currency exchange

Functional and presentation currency

Items included in the consolidated financial statements of the company are measured using the currency of the primary economic environment in which the group operates ('the functional currency'). The consolidated financial statements are presented in Egyptian pound, which is the group'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 monetary liabilities denominated in foreign currencies are recognized in the income statement.

2.9 Fixed assets and their depreciation

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

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

Estimated useful lives of assets are as follows:

Asset description	Estimated useful lives
Machinery and equipment	20 years
Technical installations	20 years
Buildings	10 : 20 years
Vehicles	5 : 7 years
IT equipment, software and other installations	3 : 5 years
Office furniture, fixtures and officer equipment	16 years

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

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

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

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

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

2.10 Projects under construction

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

2.11 Intangible assets

A- Goodwill

Goodwill arising out of the acquisition of a subsidiary represents the excess of the cost of acquisition over the group's interest in the net fair value of the identifiable assets, liabilities and contingent liabilities of the subsidiary recognized at the date of acquisition. Goodwill is initially recognized as an asset at cost and is subsequently measured at cost less any accumulated impairment losses.

For the purpose of impairment testing, goodwill is allocated to each of the group's cash-generating units expected to benefit from the synergies of the combination. Cash-generating units to which goodwill has been allocated are tested for impairment annually, or more frequently when there is an indication that the unit may be impaired.

If the recoverable amount of the cash-generating unit is less than the carrying amount of the unit, the impairment loss is allocated first to reduce the carrying amount of any goodwill allocated to the unit and then to the other assets of the unit pro-rata on the basis of the carrying amount of each asset in the unit. An impairment loss recognized for goodwill is not reversed in a subsequent period.

On disposal of a subsidiary, the attributable amount of goodwill is included in the determination of the profit or loss on disposal.

B- Electricity supply agreement

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

2.12 Investment in joint ventures

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

2.13 Impairment of non-financial assets

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

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

2.14 Inventories

Inventories are stated at the lower of cost and net realizable value. Cost is determined using the moving average method. The cost of finished goods and work in progress comprises raw materials, direct labor, other direct costs and related production overheads (based on normal operating capacity) but excludes borrowing costs.

The net realizable value is the estimated selling price in the ordinary course of business, less the costs of completion and selling expenses. The required provision is determined to write down the value of the slow moving, obsolete and damaged inventory items, according to the management' s estimates.

The group evaluates inventory elements as follows

a. Raw materials: cost (moving average)

b. Spare parts: cost (moving average)

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

2.15 Cash and cash equivalents

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.

2.16 Capital

Ordinary shares are classified as equity.

2.17 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 income statement over period the borrowings.

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 consolidated balance sheet date.

2.18 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 in accordance with the tax laws that have been enacted or substantially enacted by the consolidated 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.

2.19 Trade payables

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

2.20 Lease

a- 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 in addition to the period of the contract represent 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 income statement in the period incurred.

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

b- Operating lease

Operating lease contracts represent 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 income statement on a straight-line basis over the period of the lease.

2.21 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 a reduction in equity and as a liability when approved by the company's shareholders. No liability is recognized for profit sharing relating to undistributed profits.

Pension obligations

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

2.22 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.

2.23 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.

A. Sales of goods

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

B. Interest income

Interest income from a financial asset is recognized when it is probable that the economic benefits will flow to the company and the amount of income can be measured reliably.
Interest income is accrued on timely basis, by reference to the effective interest rate applicable. When a financial asset is impaired, the company reduces the carrying amount to its recoverable amount.

C. Dividends income

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

2.24 Borrowing cost

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

2.25 Transactions with related parties

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

2.26 Cash flows statement

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

2.27 Dividends

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

2.28 Comparatives figures

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

2.29 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 company shall cease such transfer when the legal reserve reaches 50% of the issued capital. The legal reserve is not eligible for distribution to shareholders.

Ratios were as follow:

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

3. Financial risk management

1.Financial risk factors

- The group 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 group efforts are addressed to minimize potential adverse effects of such risks on the group financial performance.
- The group does not use derivative instruments to hedge specific risks.

A. Market risk

Foreign exchange risk

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

Description	Assets	Liabilities	Net value at June 30, 2015	Net value at December 31, 2014
	EGP	EGP	EGP	EGP
USD	1 168 104	(493 683 624)	**(492 515 520)**	**(437 595 664)**
Euro	952 252	(18 084 020)	**(17 131 768)**	**(22 907 453)**

- The exchange rate during the period/year was as follows:

	Actual price	
	June 30, 2015	December 31, 2014
EGP : USD	7.6301	7.1801
EGP : Euro	8.5732	8.6150

Price risk

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

Interest rate risk

- Interest risk is represented in change on interest price on the group obligations represented by loans and operating license, with variable interest rates, amounting to EGP 1 103 739 425 as of June 30, 2015 against EGP 1 078 949 108 as of December 31, 2014.

B. Credit risk

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

C. Liquidity risk

Prudent liquidity risk management implies maintaining sufficient level of cash.

2. Capital risk management

The group objectives when managing capital are to safeguard the group 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 group monitors capital based on the gearing ratio. This ratio is calculated as net debt divided by total capital. Net debt is calculated as other liabilities, bank overdraft and borrowings, less cash and cash equivalents. Total capital is calculated as equity in addition to total debt.

The gearing ratio is as follows:

	June 30, 2015 EGP	December 31, 2014 EGP
Loans (Note No. 14)	586 589 644	635 805 108
Bank overdraft	95 245 781	--
Other liabilities (Note No. 15)	525 587 903	564 436 712
Less: Cash and equivalent	(158 437 552)	(159 366 746)
Net Debt	**1 048 985 776**	**1 040 875 074**
Equity	1 219 318 704	1 297 707 754
Capital	**2 268 304 480**	**2 338 582 828**
Net Debt / Capital	**%46**	**%45**

3. Fair value estimation

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

4. Critical accounting estimates and judgments

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

a- Fixed assets - useful life

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

b- Income tax

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

c- Intangible assets - useful life

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

d- Impairment of goodwill:

Management annually assesses the goodwill to determine the existence of impairment in the carrying amount. If the carrying amount of the goodwill is higher than its recoverable amount, the carrying amount will be reduced and the impairment losses will be charged to the income statement and is not reversed subsequently.

5. Fixed assets

	Land	Building	Vehicles	Machinery and equipment	Other installations	Computer and software	Furniture, fixtures and office equipment	Total
	EGP	EGP	EGP	EGP	EGP	EGP	EGP	EGP
Cost:								
Balance at January 1, 2015	50 243 436	519 369 298	20 534 738	2 603 648 442	255 311 441	10 289 147	6 374 867	**3 465 771 369**
Additions	--	4 077 667	23 850	238 358	1 737 217	313 685	394 171	**6 784 948**
Transfer from projects under construction	--	4 947 811	--	1 330 632	5 407 120	--	--	**11 685 563**
Disposals	--	--	(617 026)	--	--	--	--	**(617 026)**
Balance at June 30, 2015	**50 243 436**	**528 394 776**	**19 941 562**	**2 605 217 432**	**262 455 778**	**10 602 832**	**6 769 038**	**3 483 624 854**
Accumulated depreciation:								
Balance at January 1, 2015	--	93 220 526	8 023 856	631 544 985	45 813 534	8 924 830	1 510 287	**789 038 018**
Depreciation charge	--	13 793 397	1 188 386	64 590 541	6 534 720	405 258	272 252	**86 784 554**
Disposals Accumulated depreciation	--	--	(617 026)	--	--	--	--	**(617 026)**
Balance at June 30, 2015	**--**	**107 013 923**	**8 595 216**	**696 135 526**	**52 348 254**	**9 330 088**	**1 782 539**	**875 205 546**
Net book value at June 30,2015	**50 243 436**	**421 380 853**	**11 346 346**	**1 909 081 906**	**210 107 524**	**1 272 744**	**4 986 499**	**2 608 419 308**
Net book value at December 31,2014	**50 243 436**	**426 148 772**	**12 510 882**	**1 972 103 457**	**209 497 907**	**1 364 317**	**4 864 580**	**2 676 733 351**

* 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, to 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 No.14).

** 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 insured for its benefit on Silos by EGP 4 600 000, cars by EGP 1 799 750 and Katamia Villa by EGP 6 600 000.

Fixed assets (continued)

The group has assets related to finance lease based on contracts under Law No. 95 of 1995, which states that these assets should not be classified as fixed assets according to the accounting policies No. (2-20).

Five years contracts	**June 30, 2015**	**December 31, 2014**
	EGP	**EGP**
Total contracted lease payments	56 598 296	49 549 083
Bargain purchase value	1	1
Average useful life	5 years	5 years
Lease payments during the period / year	4 970 328	9 516 691

6. Projects under construction

	June 30, 2015	**December 31, 2014**
	EGP	**EGP**
Balance as of January 1	99 410 072	143 613 902
Additions	34 561 018	121 552 211
Advance to suppliers	1 769 792	3 826 056
Transferred to fixed assets	(11 685 563)	(169 582 097)
Total	**124 055 319**	**99 410 072**

- Projects under construction are represented in the following categories:

	June 30, 2015	**December 31, 2014**
	EGP	**EGP**
Buildings	5 061 500	12 748 477
Machinery and equipment	114 734 621	81 751 998
Technical and other installations	2 489 406	1 083 541
Advances to suppliers	1 769 792	3 826 056
Total	**124 055 319**	**99 410 072**

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

7. Intangible assets (net)

	Electricity supply agreement*	Goodwill**	Total
	EGP	EGP	EGP
Costs			
Balance as of January 1, 2015	**225 200 000**	**8 274 220**	**233 474 220**
Amortization			
Balance as of January 1, 2015	(93 537 741)	--	(93 537 741)
Period amortization	(11 167 454)	--	(11 167 454)
Balance as of June 30, 2015	**(104 705 195)**	**--**	**(104 705 195)**
NBV as of June 30, 2015	**120 494 805**	**8 274 220**	**128 769 025**
NBV as of December 31, 2014	**131 662 259**	**8 274 220**	**139 936 479**

* Intangible assets represent the value of the contract with the Ministry of Electricity 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 installment.
- 120 monthly instalments due on the first of every month from February 2011 amounted by EGP 1.342 million per each installment.
- 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 is due on February 1, 2011.

** On December 2012, Arabian Cement Company acquired 99.96% from the shares of Andalus for Concrete through purchase. Such transaction resulted in a goodwill amounting to EGP 8 274 220, which represents the surplus of the acquisition cost compared to the value of the net assets of the acquired company.

8. Inventory

	June 30, 2015	December 31, 2014
	EGP	EGP
Finished goods	49 504 491	28 472 017
Spare parts	28 693 422	27 224 041
Packing materials	23 392 292	26 249 417
Raw materials	103 277 829	119 331 413
WIP	1 143 349	484 977
Total	**206 011 383**	**201 761 865**

9. Debtors and other debit balances (net)

	June 30, 2015 EGP	December 31, 2014 EGP
Advance to suppliers	32 351 978	23 172 087
Deposits with others	18 532 389	18 532 389
Employees dividends in advance	5 635 720	4 902 600
Withholding tax	2 951 474	5 024 473
Trade debtors	5 045 505	4 092 187
Letter of credit	1 728 755	532 986
Imprest – employee's loan	1 039 318	514 009
Other debit balances	--	22 976
Letter of guarantee cover	34 049	34 049
Total	**67 319 188**	**56 827 756**
Less:		
Impairment in trade debtors	(147 782)	(147 782)
Net	**67 171 406**	**56 679 974**

10. Related parties transactions

Due from related parties:

	June 30, 2015 EGP	December 31, 2014 EGP
Cementos La Unión Chile, S.A. Company	420 637	420 637
Cementos Santo Domingo Company	407 078	407 078
Total	**827 715**	**827 715**

Due to related parties:

	June 30, 2015 EGP	December 31, 2014 EGP
Cementos La Union – Spain Company	--	2 156 734
Andalus Reliance for Mining Company	1 465 644	1 653 193
Aridos Jativa Company	74 159	95 204
Reliance Heavy Industrial	997 763	--
Total	**2 537 566**	**3 905 131**

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

Company	Relation type	Transaction nature	Volume of transactions June 30, 2015	Volume of transactions June 30, 2014
Aridos Jativa Company	Main shareholder	Services	608 207	739 511
Andalus Reliance for Mining Company	Joint Ventures	Purchase	15 212 608	--
Reliance Heavy Industrial	Related party	Purchase and Services	13 579 640	3 599 503
Horm Union Company	Subsidiary	Purchase	--	767 685

- Aridos Jativa Company renders consulting services for Arabian Cement Company.
- Reliance Heavy Industrial sells raw materials to Andalus Reliance for Mining Company, and Andalus Reliance for Mining Company supervises Reliance Heavy Industrial Company.
- Andalus Reliance for Mining Company supplies the raw materials to Arabian Cement Company.

Amounts paid for the Board of Directors members during the period/year

	June 30, 2015 EGP	December 31, 2014 EGP
Board of Directors allowance	8 669 284	16 111 169
Board of Directors Salaries and wages	3 832 912	7 173 556
Total	**12 502 196**	**23 284 725**

11. Cash and bank balances

	June 30, 2015 EGP	December 31, 2014 EGP
Cash on hand	6 159 100	2 469 502
Current Account – local currency	150 146 209	113 427 939
Current account – foreign currency	1 128 080	21 669 800
Bank deposits	1 004 163	21 799 505
Total	**158 437 552**	**159 366 746**

	June 30, 2015	December 31, 2014
Average interest rates for bank deposits – USD	0.45%	0.06%
Average interest rates for bank deposits – EGP	5.5%	7%
Maturity period for bank deposits	193 Days	243 Days

Cash and cash equivalent includes restricted cash as follows:

	June 30, 2015 EGP	December 31, 2014 EGP
Cash at banks	128 434 465	104 790 065
Restricted cash at banks*	30 003 087	54 576 681
Total	**158 437 552**	**159 366 746**

* The restricted cash represents the instalment for the loans payments to be paid during 2015, after rescheduling the due instalments related to the facilities granted to the company. The bank has restricted a balance covering the foreign currency installment, until the foreign currency is available.

12. Provisions

	Balance at December 31, 2014	Additions during the year	Reversal during the year	Used during the year	Balance at June 30, 2015
Provisions	8 770 069	--	--	(365 379)	8 404 690
Total	**8 770 069**	**--**	**--**	**(365 379)**	**8 404 690**

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

13. Creditors and other credit balances

	June 30, 2015 EGP	December 31, 2014 EGP
Trade payable	126 249 279	137 629 081
Advance payment from customers	68 427 637	118 634 063
Accrued development fees	9 812 406	35 771 621
Accrued customers rebates	19 936 302	177 630
Taxes	11 346 173	15 022 216
Accrued interest	17 959 221	15 853 110
Retention	5 628 702	6 224 626
Accrued expenses	2 255 023	7 201 979
Fixed assets creditors	469 953	--
Employees dividends share	24 726	--
Others	57 957	--
Total	**262 167 379**	**336 514 326**

Accrued development fees

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

14. Borrowings

	June 30, 2015	December 31, 2014
	EGP	EGP
Current portion from loans	173 666 459	294 065 338
Non- current portion from loans	412 923 185	341 739 770
Total	**586 589 644**	**635 805 108**

These loans are represented in the following:

	June 30, 2015	December 31, 2014
	EGP	EGP
First loan	240 211 120	227 188 125
Second loan	280 854 142	335 159 098
Third loan	--	22 578 914
Fourth loan	65 524 382	50 878 971
Total	**586 589 644**	**635 805 108**

First loan

- On September 2006, the company obtained a loan from the National Bank of Egypt amounting to USD 103.9 million. On January 31, 2008, the Bank 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 installments, to be paid over 16 equal quarterly installments, in addition to the interest which will be added every three months, and paid with the installments. The applied interest rate will be amended to become with a marginal profits of 4%, above the Libor rate for six months.

Second loan

- 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 installments for the USD portion only, to be paid over 16 equal quarterly installments, in addition to the interest which will be added every three months, and paid with the installments. The applied interest rate will be amended to be at a marginal profit of 4%, above the Libor rate for six months.

Third loan

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

Fourth loan

- 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.
- The company shall enjoy a grant amounting to 20% of the value of the financing amount from the bank, provided that the following conditions are met:
  - The utilization of the finance in its intended purpose.
  - Commitment to the financing conditions including the payments terms.
  - Issuing the required certificate from the Environmental Affairs Department, which indicates the pollution reduction according to the prepared study.

Bank Overdraft

On May 27, 2015, it has been also approved to increase the current overdraft limit amounting to EGP 50 million to become EGP 120 million, with the same originally specified conditions. The overdraft balance amounted to EGP 95 245 781 as of June 30, 2015.

The loans guarantees

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

15. Long term liabilities

Current portion

	June 30, 2015	December 31, 2014
Operating license*	63 720 000	59 472 000
Electricity contract**	18 462 000	18 462 000
Total	**82 182 000**	**77 934 000**
Long-term Portion		
Operating license*	358 184 000	383 672 000
Electricity contract**	76 925 000	86 156 000
Notes payable***	8 296 903	16 674 712
Total	**443 405 903**	**486 502 712**

* **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 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 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% 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 January 22, 2015, the Industrial Development Authority accepted to receive EGP 8 million on a monthly basis until the legal dispute with the company is resolved, which is currently at the court.

** **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 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 first installment started in April 2010.
- 120 monthly installments amounted by EGP 1.342 million per installment including interest and the first installment started in February 2011.
- In addition to EGP 8 million which representing the amount of two ordinary cells, will be paid over four quarterly, and the last installment was due on February 1, 2011.

*** **Notes payable**

- The long-term notes payable presents the value of the installment due after more than one year. These amounts are due to the suppliers that are working on the construction of the alternative fuel which will be used in cement production operation.
- The installments will be paid over equal semi-annual installments, and the last installment will be due in December 2016. An interest rate of 7% is calculated for the alternative fuel generation line and 9.5% for the coal project.

16. Capital

	June 30, 2015	December 31, 2014
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	**757 479 400**	**757 479 400**

- 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 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.

17. Deferred income tax generating an asset or a liability

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

	June 30, 2015 EGP	December 31, 2014 EGP
Fixed assets and intangible assets	362 326 087	352 418 333
Total	**362 326 087**	**352 418 333**

The movement of the deferred tax liability is as follows:

	June 30, 2015 EGP	December 31, 2014 EGP
Balance as of January 1	352 418 333	337 985 370
Deferred tax charged to the income statement (Note No.22)	9 907 754	14 432 963
Balance at the end of the period / year	**362 326 087**	**352 418 333**

18. Net sales

	For the three months ended		For the six months ended	
	June 30, 2015	June 30, 2014	June 30, 2015	June 30, 2014
	EGP	EGP	EGP	EGP
Local sales	649 935 302	663 823 931	1 404 298 930	1 233 124 076
Export sales	--	1 301 535	--	4 045 800
Services	10 080 390	9 359 614	21 875 773	18 178 973
Total sales	**660 015 692**	**674 485 080**	**1 426 174 703**	**1 255 348 849**
Less				
Sales discount and returns	(102 019 152)	(50 188 968)	(273 823 806)	(98 980 230)
Net sales	**557 996 540**	**624 296 112**	**1 152 350 897**	**1 156 368 619**

19. Cost of sales

	For the three months ended		For the six months ended	
	June 30, 2015	June 30, 2014	June 30, 2015	June 30, 2014
	EGP	EGP	EGP	EGP
Raw material	263 889 789	379 080 524	727 925 494	692 527 773
Manufacturing depreciation	43 693 502	42 200 624	86 783 948	83 628 107
Electricity supply agreement amortization	5 614 575	5 614 575	11 167 452	11 167 452
Overhead cost	17 315 124	22 972 078	35 985 269	44 410 377
Change in inventory	88 885 132	6 767 156	(3 407 364)	(40 586 545)
Total	**419 398 122**	**456 634 957**	**858 454 799**	**791 147 164**

20. General and administrative expenses

	For the three months ended		For the six months ended	
	June 30, 2015	June 30, 2014	June 30, 2015	June 30, 2014
	EGP	EGP	EGP	EGP
Professional fees	3 373 891	11 830 681	5 678 350	16 151 428
Salaries and wages	7 890 470	8 298 998	17 526 263	16 828 222
Security and cleaning services	1 094 384	789 581	1 850 466	1 832 247
Rentals	1 172 587	593 150	2 210 268	1 478 372
Transportation	494 020	936 955	1 188 003	1 252 066
Advertising and public relations	377 485	1 851 191	2 997 420	2 799 251
Real estate tax	1 000 674	--	1 000 674	--
Other expenses	2 137 831	1 413 280	3 478 429	2 229 282
Total	**17 541 342**	**25 713 836**	**35 929 873**	**42 570 868**

21. Finance cost

	For the three months ended		For the six months ended	
	June 30, 2015	June 30, 2014	June 30, 2015	June 30, 2014
	EGP	EGP	EGP	EGP
Loan interest expense	8 219 203	10 067 718	13 291 818	17 726 384
Operation licence interest expense	11 256 000	11 256 000	22 512 000	22 512 000
Electricity agreement interest expense	3 070 500	3 070 500	6 141 000	6 141 000
Bank overdraft interest expense	461 990	--	461 990	--
Long-term notes payable interest expense	1 452 375	--	1 452 375	624 647
Total	**24 460 068**	**24 394 218**	**43 859 183**	**47 004 031**

22. Income tax

	For the three months ended		For the six months ended	
	June 30, 2015	June 30, 2014	June 30, 2015	June 30, 2014
	EGP	EGP	EGP	EGP
Deferred income tax (Note No.17)	3 842 754	71 018 026	9 907 754	74 005 313
Current income tax	27 869 733	32 333 226	51 953 814	68 458 290
Total	**31 712 487**	**103 351 252**	**61 861 568**	**142 463 603**

23. Non- Controlling interest

Non – Controlling interest amounted to EGP 12 692 as of June 30, 2015 which represents the percentage of 0.04% from Andalus Concrete Company and 1% from ACC for Management Company

	Capital	Non – Controlling interest for acquired subsidiaries	Retained Earning	June 30, 2015	December 31, 2014
	EGP	EGP	EGP	EGP	EGP
Balance at January 1,	2 500	(1 672)	8 331	**9 159**	**4 336**
Net Income for the period	--	--	3533	**3533**	**4 823**
Ending balance	**2 500**	**(1 672)**	**11 864**	**12 692**	**9 159**

24. Earnings / (loss) per share of the period

	For the three months ended		For the six months ended	
	June 30, 2015	June 30, 2014	June 30, 2015	June 30, 2014
	EGP	EGP	EGP	EGP
Net profit / (loss) of the period	67 181 072	(9 055 952)	124 549 393	107 893 990
Employees share in the dividends*	(1 838 811)	(1 108 632)	(2 246 660)	(2 263 793)
Distributable net profit / (Loss) of the period	**65 342 261**	**(10 164 584)**	**122 302 733**	**105 630 197**
Weighted average number of shares during the period	378 739 700	378 739 700	378 739 700	378 739 700
Earnings / (loss) per share of the period	**0.17**	**(0.02)**	**0.32**	**0.28**

* Employees' share in the dividends of the six months ended June 30, 2015 was estimated based on average dividends paid to the employee during 2013 and 2014.

25. Contingent liabilities

On June 30, 2015, the company had contingent liabilities in respect to the banks and other guarantees in addition to other aspects arising from the ordinary course of business, and it is not anticipated that material liabilities will arise concerning this issue. The unrecovered portion of letter of credit amounted to EGP 1 378 837.

26. 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 group:

- **Arabian Cement Company**

Corporate income tax

The company enjoys 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 is exempted from corporate tax for the period from January 1, 2009 till December 31, 2013.

The company prepares tax returns according to income tax laws and regulations, and submits them in their due dates.

Sales tax

- The sales tax was inspected and settled until December 2013.
- The company submits tax returns on a regular basis.

Stamp tax

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

Payroll tax

Payroll tax was inspected and taxes were settled until 2010.

Development fees

The company pays the due development fees for the cement produced from local clinker. However, the company did not pay the development fees for the cement produced from imported clinker, and there is a dispute at the General Authority for Development Fees for years 2013/2014. The amount due for previous years has been referred to the Appeal Committee, and a decision was issued whereby the dispute has been transferred to court. The clay levied fees for the produced cement from the imported clinker according to claim received from the Tax Authority amounted to EGP 6 949 242, in addition to a delay penalty amounting to EGP 18 016 093. The company's management has not provided any provision concerning this issue, based on its assessment of the court ruling results.

- **Subsidiary companies:**

a) **Andalus Concrete**

Corporate tax

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

Sales tax

The company submitted and settled tax returns on a timely basis and no inspection was performed yet.

Stamp tax

No inspection was performed yet.

Payroll tax

The company is paying the payroll taxes on a timely basis and no inspection was performed yet.

b) **ACC for Management and Trading**

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 inspection was performed yet.

Sales tax

The company submitted and settled tax returns on a timely basis and no inspection was performed yet.

Stamp tax

No inspection was performed yet.

Payroll tax

The company is paying the payroll taxes on a timely basis and no inspection was performed yet.

c) **Andalus Reliance for Mining**

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 inspection was performed yet.

Sales tax

The company submitted and settled tax returns on a timely basis and no inspection was performed yet.

Stamp tax

No inspection was performed yet.

Payroll tax

The company is paying the payroll taxes on a timely basis and no inspection was performed yet.

27. **Capital commitment**

The capital commitment as of June 30, 2015 related to fixed assets acquisition amounted to EGP 6 359 766.

28. **Dividends distribution:**

On March 25, 2015, the Arabian Cement Company, General Assembly meeting of the group approved the profits distribution as of December 31, 2014 as follows:

Description	Amount EGP
Net profit for the year ended December 31, 2014	373 130 564
Retained earnings from 2013	213 095 391
Dividends to shareholders during 2014	(164 027 396)
Dividends to employee during 2014	(3 341 399)
Legal reserve*	(37 326 070)
Available profit for distribution	**381 531 090**
Distributed as the following:	
Shareholders' share on the dividends	(200 732 041)
Employees' share on the dividends	(2 209 935)
Carried forward retained earning	**178 589 114**
Paid dividends	**(23 617 260)**
Dividends payable	**179 560 139**

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

29. **Tax law amendments**

- The President of the Arab Republic of Egypt issued a decision by Law No. 53 of 2014, which has been published in the official gazette on June 30, 2014 to amend certain provisions of the corporate income tax law, and its related executive regulations have not been issued as of 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.

- The Ministry of Finance's decision No. 172 for 2015 on April 6, 2015 was cancelled the article No. 70 from the executive regulation of income tax law, which is reflecting that the unrealized gain or losses of forex is non-deductible for the tax purposes. As a result of this the forex losses will be reversed and will be un-deductible, also the deferred income tax will be considered in this subject.

30. Subsequent events

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

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