Arabian Cement Company

An Egyptian Joint Stock Company

Consolidated Interim Financial Statements

For the Three Months Ended March 31, 2016

And the Limited Review Report

Deloitte.

Saleh, Barsoum & Abdel Aziz
Nile City South Tower, 6th floor
2005A Cornish El Nil, Ramlet Boulaq,
Cairo, 11221
Egypt

Tel : +20 (2) 24 619 909
Fax: +20 (2) 24 619 904
www.deloitte.com

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 March 31, 2016 and the related consolidated interim statements of income (profits or losses), other comprehensive income, changes in shareholders' equity and cash flows for the three 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.

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.

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 as of March 31, 2016, and its consolidated financial performance and its consolidated cash flows for the three months then ended in accordance with Egyptian Accounting Standards.

Cairo, May 26, 2016

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

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

Arabian Cement Company
An Egyptian Joint Stock Company
Consolidated Financial Position
As of March 31, 2016

	Note No.	March 31, 2016 EGP	Restated (Note 2) December 31, 2015 EGP
Non-current assets			
Fixed assets (net)	(6)	2 506 075 604	2 546 152 966
Projects under construction	(7)	128 370 949	124 756 807
Intangible assets (net)	(8)	103 543 024	109 142 259
Investments in joint ventures	(9)	1 143 028	958 364
Total non-current assets		2 739 132 605	2 781 010 396
Current assets			
Inventory	(10)	181 036 295	198 339 836
Debtors and other debit balances	(11)	89 488 136	66 047 729
Due from subsidiaries and related parties	(12)	101 970	-
Cash and bank balances	(13)	343 022 589	378 286 894
Total current assets		613 648 990	642 674 459
Total Assets		3 352 781 595	3 423 684 855
Shareholders' equity			
Issued and paid-up capital	(18)	757 479 400	757 479 400
Legal reserve		156 131 196	156 109 072
Retained earnings		458 370 407	181 168 147
Net profits for the period / year		34 143 641	277 224 384
Total shareholders' equity		1 406 124 644	1 371 981 003
Non-controlling interests	(25)	15 382	13 702
Total shareholders' equity and non-controlling interests		1 406 140 026	1 371 994 705
Non-current liabilities			
Loans	(16)	520 249 132	357 584 237
Deferred income tax liability	(19)	332 621 736	330 621 736
Other liabilities	(17)	383 030 500	400 390 000
Total non-current liabilities		1 235 901 368	1 088 595 973
Current liabilities			
Provisions	(14)	16 193 923	15 843 923
Bank overdraft	(16)	1 259 465	1 714 317
Current income tax liability	(24)	82 270 498	71 556 188
Creditors and other credit balances	(15)	395 813 171	529 295 058
Due to subsidiaries and related parties	(12)	7 211 144	51 957 291
Current portion of long-term loans	(16)	125 810 000	206 297 400
Current portion of long-term other liabilities	(17)	82 182 000	86 430 000
Total current liabilities		710 740 201	963 094 177
Total shareholders' equity and liabilities		3 352 781 595	3 423 684 855

- 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

Jose Maria

- Limited review report attached.

Arabian Cement Company
An Egyptian Joint Stock Company
Consolidated Statement of Income (Profits or Losses)
For the period Ended March 31, 2016

	Note No.	March 31, 2016 EGP	Restated (Note 2) March 31, 2015 EGP
Net sales	(20)	552 474 193	589 744 556
Less			
Cost of sales	(21)	(393 697 086)	(434 712 441)
Gross operating profits		**158 777 107**	**155 032 115**
(Less) / Add			
General and administration expenses	(22)	(16 572 587)	(18 378 075)
Provisions	(14)	(350 000)	-
Other income		186 595	390 282
Credit interest		694 323	163 746
Net operating profits		**142 735 438**	**137 208 068**
(Less) / Add			
Financing expenses	(23)	(20 299 688)	(19 399 115)
Losses from foreign exchange differences		(75 905 669)	(30 544 951)
Share of profit of joint ventures	(9)	184 664	255 108
Net profits for the period before income tax		**46 714 745**	**87 519 110**
Income tax	(24)	(12 569 424)	(30 149 081)
Net profits for the period after income tax		**34 145 321**	**57 370 029**
Attributable to:			
Shareholders of the parent company		**34 143 641**	**57 368 321**
Non-controlling interests	(25)	**1 680**	**1 708**
Net profits for the period after income tax		**34 145 321**	**57 370 029**
Earnings per share for the period	(26)	**0.09**	**0.15**

- 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 Comprehensive Income
For the period Ended March 31, 2016

	March 31, 2016 EGP	March 31, 2015 EGP
Net profits for the period after income tax	34 145 321	57 370 029
Other comprehensive income	-	-
Total comprehensive income for the period	**34 145 321**	**57 370 029**

- 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 Changes in Equity

For the period Ended March 31, 2016

Description	Note No.	Capital EGP	Legal reserve EGP	Retained earnings EGP	Net profits for the period/Year EGP	Total EGP	Non-controlling interests	Total
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
Transferred to legal reserve		-	26 645 453	(26 645 453)	-	-	-	-
Dividends distributed		-	-	(202 917 225)	-	(202 917 225)	-	(202 917 225)
Total comprehensive income for the period		-	-	-	57 368 321	57 368 321	1 708	57 370 029
Balance as of March 31, 2015		757 479 400	156 109 072	181 192 898	57 368 321	1 152 149 691	10 867	1 152 160 558
Balance as of January 1, 2016 - restated	(2)	757 479 400	156 109 072	181 168 147	277 224 384	1 371 981 003	13 702	1 371 994 705
Re-class from retained earnings to legal reserve		-	22 124	(22 124)		-	-	
Transferred to retained earnings		-	-	277 224 384	(277 224 384)	-	-	
Total comprehensive income for the period		-	-	-	34 143 641	34 143 641	1 680	34 145 321
Balance as of March 31, 2016		757 479 400	156 131 196	458 370 407	34 143 641	1406 124 644	15 382	1 406 140 026

- 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

Jose Maria

Arabian Cement Company
An Egyptian Joint Stock Company
Consolidated Statement of Cash Flows
For the period Ended March 31, 2016

	Note No.	March 31, 2016 EGP	Restated (Note 2) March 31, 2015 EGP
Cash flows from operating activities			
Net profits for the period before tax		46 714 745	87 519 110
Adjusted by:			
Depreciation of fixed assets	(6)	43 996 084	43 090 452
Amortization of intangible assets	(8)	5 599 235	5 552 878
Credit interest		(694 323)	(163 746)
Finance costs	(23)	20 299 688	19 399 115
Provisions	(14)	350 000	--
Share of profit of a joint venture	(9)	(184 664)	(255 108)
Losses from foreign exchange rate differences*		69 225 348	28 301 322
Operating profit before changes in working capital		185 306 113	183 444 023
Decrease / (increase) in inventory		17 303 541	(92 433 480)
(Increase) in debtors and other debit balances		(23 440 407)	(54 089 172)
Decrease / (increase) in due from subsidiaries and related parties		(101 970)	--
Increase in creditors and other credit balances		(117 418 975)	100 802 635
Increase in due to subsidiaries and related parties		1 253 853	(1 533 006)
Net cash flows generated from operating activities		62 902 155	136 191 000
Cash flows from investing activities			
Payments for fixed assets	(6)	(3 918 722)	(5 107 924)
Payments for projects under construction	(7)	(3 614 142)	(10 315 787)
Interest income		694 323	163 746
Net cash flows (used in) investing activities		(6 838 541)	(15 259 965)
Cash flows from financing activities			
Payments of operating licenses and electricity agreement		(21 607 500)	(20 566 928)
Interest paid		(16 737 208)	(19 574 076)
Net change in the loans*		(6 528 359)	(41 468 116)
Dividends paid		(46 000 000)	--
Payments for bank overdraft		(454 852)	--
Net cash flows (used in) financing activities		(91 327 919)	(81 609 120)
Net change in cash and cash equivalents during the period		(35 264 305)	39 321 915
Cash and cash equivalents at the beginning of the period		378 286 894	159 262 559
Cash and cash equivalents at the end of the period	(13)	343 022 589	198 584 474

Non-cash transactions

* Non-cash transactions represented in the net changes in the loans and the unrealized foreign exchange rate differences of EGP 69 225 348 have been eliminated.

- 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

Jose Maria

1. Incorporation and purpose

- The Arabian Cement Company, an Egyptian Joint Stock Company was established as a joint stock company on March 5, 1997 under Law No. 230 of 1989 and Law No. 95 of 1992 according to the decision of the 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 financial statements were approved by the Board of Directors and authorized for issue on May 26, 2016.
- The company's term is 25 years starting from the date of its registration at the Commercial Register.
- 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.

Registration in stock market

Registration of company shares in stock market

The shares of the company 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 the 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. Application of the Egyptian Accounting Standards (EASs)

- The Minister of Investment's Decree No. 110 of 2015 was issued on July 9, 2015 in relation to the issuance of the new Egyptian Accounting Standards - (thereafter referred to as the "New Accounting Standards") - which replace and supersede the former Egyptian Accounting Standards for the preparation and presentation of financial statements, and they are applicable to the entities whose fiscal year starts on or after 1 January 2016.

- On May 15, 2016, the Minister of Investment issued Decree No. 53 of 2016, whereby the New Accounting Standards include the addition of the Egyptian Accounting Standard (46) in the provisions of the transitional period for some standards of the New Accounting Standards.
- The accounting policies adopted this period are consistent with those of the previous year except for the amendments required by the New Accounting Standards, disclosed below the significant amendments which are applicable to the company and the effects of these amendments on financial statements, if any.

Revised EAS (1) Presentation of Financial Statements

Financial Position Statement

- The amendments to EAS (1) do not require the presentation of working capital. The company has prepared and presented the statement of financial position according to the revised standard.
- The amendments to EAS (1) require to present a statement of financial position as at the beginning of the preceding period (third statement of financial position) only when the retrospective application of an accounting policy or reclassification is implemented by the company.
- The company applied the new EAS (43) Joint Arrangements in accordance with the relevant transitional provisions set out in EAS (43), discussed below in details. Comparative amounts for 2015 have been restated to reflect the change in accounting for the company's investment in a joint arrangement. Such retrospective application of a new standard requires presenting a statement of financial position as at the beginning of the preceding period (1 January 2015). The company did not present the required third financial position as at 1 January 2015 and also did not disclose the effect of this retrospective application of change in accounting policies in accordance with EAS (5) Accounting Policies, Changes in Estimates and Errors, due to insignificant impact on the Group's financial statements (See Note 9 more detailed).

Income statement (Profit or Loss) / Statement of Comprehensive Income

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

Revised EAS (10) Property, Plant & Equipment

- The amendments to EAS (10) eliminated the option of using the revaluation model in the subsequent measurement of property, plant & equipment. There is no impact for these amendments on the Group's financial statements.
- The movement of property, plant & equipment and related depreciation shall be disclosed in the notes to the financial statements for the current period and comparative period. The company has presented the movement of the required period.

Revised EAS (14) Borrowing Costs

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

Revised EAS (20) Finance Lease

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

Revised EAS (23) Intangible Assets

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

EAS (40) Financial Instrument - Disclosures

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

EAS (43) Joint Arrangements

- The new Egyptian Accounting Standard (43) Joint Arrangements has been issued to establish principles for financial reporting by entities that have an interest in joint arrangements. This new standard superseded the EAS (27) Interests in Joint Ventures. In addition, this new standard requires classifying joint arrangements as either: joint operation or joint venture.
- A joint operation is defined as a joint arrangement whereby the parties that have joint control of the arrangement have rights to the assets, and obligations for the liabilities, relating to the arrangement. A party to a joint operation that has joint control of the joint operation is referred to as a "joint operator".
- A joint venture is defined as a joint arrangement whereby the parties that have joint control of the arrangement have rights to the net assets of the arrangement. A party to a joint venture that has joint control of the joint operation is referred to as a "joint venturer".
- The initial and subsequent accounting of joint ventures and joint operations are different. Investments in joint ventures are accounted for using the equity method (proportionate consolidation is no longer allowed). Investments in joint operations are accounted for such that each joint operator recognizes its assets (including its share of any assets jointly held), liabilities (including its share of any liabilities incurred jointly), its revenue (including its share of any revenue from sale of the output by the joint operation) and its expenses (including its share of any expenses incurred jointly). Each joint operator accounts for the assets and liabilities as well as revenue and expenses, relating to its interest in the joint operation in accordance with the Egyptian Accounting Standards applicable to those particular assets, liabilities, revenue and expenses.

- The company reviewed and assessed the classification of its investments in joint arrangements in accordance with the requirements of EAS (43). The company concluded that its investment in Andalus Reliance for Mining, which was classified as a jointly controlled entity under EAS (27) and was accounted for using the proportionate consolidation method, should be classified as a joint venture under EAS (43) and accounted for using the equity method in the Group's financial statements.
- The change in accounting of the company's investment in Andalus Reliance for Mining has been applied in accordance with the relevant transitional provisions set out in EAS (43). Comparative amounts for 2015 have been restated to reflect the change the change in accounting for the company's investments in joint arrangements (See Note 9 for details).

EAS (45) Fair Value Measurement

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

3. Significant accounting policies

3.1 Statement of compliance

The consolidated financial statements were prepared in accordance with the Egyptian Accounting Standards (EASs) issued by the Minister of Investment Decree No. 110 of 2015, and in light of the prevailing Egyptian laws and regulations. The Egyptian Accounting Standards require referral to the International Financial Reporting Standards (IFRSs), when no Egyptian Accounting Standard or legal requirements exist to address certain types of events and transactions.

3.2 Basis of preparation

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

Historical cost is generally based on the fair value of the consideration given in exchange for goods and services.

The principal accounting policies are set out below:

3.3 Basis of consolidation

The accompanying consolidated financial statements include the assets, liabilities and the results of Arabian Cement Company (the parent company) and all subsidiaries (thereafter referred to as "the Group") which are controlled by the company. The bases of the preparation of the consolidated financial statements are as follows:

- All intra-group balances and transactions are eliminated.
- Non controlling interest in the equity and results of operations of the subsidiaries controlled by the company is shown as a separate line item in the consolidated financial statements and is calculated on their share in the assets and liabilities of the subsidiaries.

- The consolidated financial statements include the following subsidiaries:

Company	Ownership and voting as of March 31, 2016 and December 31, 2015		Nature of operation
ACC for Management & Trading	99%	99%	Providing managerial restructuring services for the companies, transportation for goods, preparation of feasibility studies to projects, projects management and general trading
Andalus Concrete	99.99%	99.96%	Constructing and operating factory for manufacturing cement and concrete products along with trading in concrete and other constructions materials

3.4 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 year-end exchange rates of monetary assets and monetary liabilities denominated in foreign currencies are recognized in the income statement.

3.5 Fixed assets and their depreciation

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

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

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

Repairs and maintenance are charged to the income statement during the financial year 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 and it is depreciated according to the estimated useful life of the line.

3.6 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.

3.7 Intangible assets

Intangible assets acquired separately are measured on initial recognition at cost. After initial recognition, intangible assets are carried at cost less any accumulated amortization and any accumulated impairment losses. The useful lives of intangible assets are assessed as either finite or indefinite. Intangible assets with finite lives are amortized over useful economic life and assessed for impairment whenever there is an indication that the intangible asset may be impaired. The amortization period and the amortization method for an intangible asset with a finite useful life are reviewed at each financial year end.
Intangible assets represent the cost of the Electricity Generation Agreement which is amortized over 10 years using the straight–line method to allocate these costs.

3.8 Investments in joint ventures

- A joint venture is a joint arrangement whereby the parties that they have joint control of the arrangement have rights to the net assets of the joint arrangement. Joint control is the contractually agreed sharing of control of an arraignment, which exists only when decisions about the relevant activities require unanimous consent of the parties sharing control.
- The results and assets and liabilities of joint ventures are incorporated in these consolidated financial statements using the equity method. Under the equity method, an investment in a joint venture is initially recognized in the consolidated statement of financial position at cost and adjusted thereafter to recognize the Group's share of the profit or loss and other comprehensive income of the joint venture.
- When the Group's share of losses of a joint venture exceeds the Group's interest in that joint venture (which includes any long-term interests that, in substance, form part of the Group's net investment in the joint venture), the Group discontinues recognizing its share of further losses. Additional losses are recognized only to the extent that the Group has incurred legal or constructive obligations or made payments on behalf of the joint venture.
- When a group entity transacts with a joint venture of the Group, profits and losses resulting from transactions with the joint venture are recognized in the Group's financial statements to the extent of interests in the joint venture that are not related to the Group.

3.9 Impairment of non-financial assets

- Fixed assets and intangible assets are reviewed for impairment losses whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognized in the income statement when the carrying amount of the asset exceeds its recoverable amount, which is the higher of fair value less cost of disposal and value in use. For the purposes of assessing impairment, assets are grouped at the lowest level, for which there are separate identifiable cash flows.
- Reversal of impairment losses recognized in prior years is recorded when there is an indication that the impairment losses recognized for the asset no longer exist or have decreased, but so that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognized for the asset (net after depreciation) in prior years. A reversal of an impairment loss is recognized immediately in the income statement.

3.10 Impairment of financial assets

The company assesses at each financial position date whether there is any objective evidence that a financial asset or a group of financial assets is impaired. A financial asset or a group of financial assets is deemed to be impaired if, and only if, there is objective evidence of impairment as a result of one or more events that has occurred after the initial recognition of the asset and has an impact on the estimated future cash flows of the financial asset or the group of financial assets that can be reliably estimated.

3.11 Inventories

Inventories are stated at the lower of cost and net realizable value. Net realizable value is the estimated selling price in the ordinary course of business, less the estimated costs necessary to make the sale. The amount of any write down of inventory to net realizable value or the reversal of any write down of inventory, arising from any increase in net realizable value, shall be recognized in cost of operation in the statement of profits or losses in the period in which it occurs.

Cost is determined as follows

a. Raw materials: moving average
b. Spare parts: moving average
c. Finished goods: raw materials, direct labour, other direct costs and related production overheads based on normal operation capacity.

3.12 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.

3.13 Capital

Ordinary shares are classified as equity.

3.14 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 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 balance sheet date.

3.15 Taxation

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

Current tax

The tax currently payable is based on taxable profit for the year. Taxable profit differs from profit as reported in the income statement due to items of income or expense that are taxable or deductible in other years, and items that are never taxable or deductible.
The company's liability for current tax is calculated using tax rates that have been enacted or substantively enacted as of the financial statements date.

Deferred tax

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

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

The carrying amount of deferred tax assets is reviewed at the end of each reporting period and reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow all or part of the asset to be recovered.
Deferred tax assets and liabilities are measured at the tax rates that are expected to apply in the period in which the liability is settled or the asset realized, based on tax rates that have been enacted or substantively enacted by the end of the reporting period.
The measurement of deferred tax liabilities and assets reflects the tax consequences that would follow from the manner in which the company expects, at the end of the reporting period, to recover or settle the carrying amount of its assets and liabilities.
Deferred tax assets and liabilities are offset when there is a legally enforceable right to set off current tax assets against current tax liabilities and when they relate to income taxes levied by the same taxation authority and the company intends to settle its current tax assets and liabilities on a net basis.

Current and deferred tax for the year

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

3.16 Trade payables

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

3.17 Leasing

- 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.

3.18 Employee benefits

Profit sharing

The company pays 10% of the cash profits which are allocated for distribution, at maximum of the employees' basic salaries. Employees' profit sharing is recognized as a dividend distribution through equity and as a liability when approved by the company's shareholders. No liability is recognized for profit sharing relating to undistributed profits.

Pension obligations

For defined contribution plans, the company pays contributions to the General Social Insurance Authority 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.

3.19 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.

3.20 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.

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.

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.

Dividends income

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

3.21 Borrowing cost

The borrowing cost, directly related to acquisition or construction or the production of a qualified assets, which requires a long period of time to be ready for its intended purposes, or for sale as part of the original cost, is capitalized. The other borrowing costs are charged in the period during which they occurred. The borrowing costs are represented in interests, other costs incurred by the group to borrow money.

3.22 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.

3.23 Cash flows statement

Consolidated cash flows statement is prepared in accordance with the indirect method.

3.24 Dividends

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

3.25 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 Company	10%
Andalus Concrete Company	10%
ACC for Management and Trading Company	5%

4. **Significant accounting judgments and estimates**

The preparation of these financial statements requires management to make judgments and estimates that affect the reported amounts of revenues, expenses, assets, liabilities, and the accompanying disclosures and the disclosure of contingent liabilities as the reporting date.

Uncertainty about these assumptions and estimates could result in outcomes that require a material adjustment to the carrying amount of the assets or liabilities affected in future periods.

Estimates and their underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognized in the period in which the estimates are revised.

The key judgments and estimates that have a significant impact on the financial statements of the company are discussed below:

a) **Fixed assets - useful lives**

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

b) **Income tax**

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

c) **Intangible assets - useful lives**

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

5. **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 EGP	Liabilities EGP	Net value at March 31 2016 EGP	Net value at December 31, 2015 EGP
USD	14 348 614	(596 947 580)	**(582 598 965)**	**(539 831 132)**
Euro	126 066	(25 864 667)	**(25 738 602)**	**(18 923 820)**

- **The following is the average exchange rate during the period / year:**

	March 31, 2016	December 31, 2015
EGP/USD	8.09	7.70
EGP/Euro	8.93	8.61

The Egyptian pound has declined against the US dollar and Euro during the first quarter of 2016.

The company is exposing to foreign currency risks arising from fluctuations in the rate of the Egyptian pound against the various currencies, especially with respect to the US dollar and Euro. For a 15% weakening of the Egyptian pound against the US dollars and Euro, there would be negative impact on the income statement by EGP 98 457 640. This analysis assumes that all other variables remain constant.

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 1 010 250 626 as of March 31, 2016 against EGP 964 545 637 as of December 31, 2015.

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, borrowings, and bank overdraft less cash and cash equivalents. Total capital is calculated as equity in addition to total debt.

The gearing ratio is as follows:

	March 31, 2016 EGP	December 31, 2015 EGP
Loans (Note No. 16)	646 059 132	563 881 637
Other liabilities (Note No. 17)	465 212 500	486 820 000
Bank overdraft (Note No. 16)	1 259 465	1 714 317
Less: Cash and equivalent (Note No. 13)	(343 022 589	(379 206 624)
Net Debt	**769 508 508**	**673 209 330**
Equity	1 406 140 026	1 371 994 705
Capital	**2 175 648 534**	**2 045 204 035**
Net Debt / Capital	35%	33%

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.

6. Fixed assets (net) - (Restated Note 2)

	Land EGP	Building EGP	Vehicles EGP	Machinery and equipment EGP	Other installations EGP	Computer and software EGP	Furniture, fixtures and office equipment EGP	Total 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
Adjustments	-	-	-	-	-	-	(936)	(936)
Balance at January 1, 2015 - restated	50 243 436	519 369 298	20 534 738	2 603 648 442	255 311 441	10 289 147	6 373 931	3 465 770 433
Additions	-	3 681 213	-	10 285	1 127 816	68 420	220 508	5 108 242
Transfer from projects under construction	-	4 947 811	-	1 330 632	5 407 120	-	-	11 685 563
Adjustments	-	-	-	-	-	-	(139)	(139)
Cost as of March 31, 2015 - restated	50 243 436	527 998 322	20 534 738	2 604 989 359	261 846 377	10 357 567	6 594 300	3 482 564 099
Balance at January 1, 2016	50 243 436	531 314 250	21 314 390	2 616 043 243	272 085 413	11 137 860	7 848 820	3 509 987 412
Adjustments	-	-	-	-	-	-	(1 706)	(1 706)
Balance at January 1, 2016 - restated	50 243 436	531 314 250	21 314 390	2 616 043 243	272 085 413	11 137 860	7 847 114	3 509 985 706
Additions	-	1 559 538	681 000	426 151	448 612	526 750	276 671	3 918 722
Adjustments	-	-	-	-	-	-	-	-
Cost as of March 31, 2016 - restated	50 243 436	532 873 788	21 995 390	2 616 469 394	272 534 025	11 664 610	8 123 785	3 513 904 428
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
Adjustments	-							
Balance at January 1, 2015 - restated	-	93 220 526	8 023 856	631 544 985	45 813 534	8 924 830	1 510 287	789 038 018
Depreciation	-	6 826 738	590 645	32 112 986	3 226 788	200 659	132 636	43 090 452
Adjustments	-	-	-	-	-	-	492	492
Balance at March 31, 2015 - restated	-	100 047 264	8 614 501	663 657 971	49 040 322	9 125 489	1 643 415	832 128 962
Balance at January 1, 2016	-	121 114 312	9 764 587	761 953 346	59 140 349	9 778 189	2 082 410	963 833 193
Adjustments	-	-	-	-	-	-	(453)	(453)
Balance at January 1, 2016 - restated	-	121 114 312	9 764 587	761 953 346	59 140 349	9 778 189	2 081 957	963 832 740
Depreciation	-	6 979 581	583 016	32 528 693	3 454 027	253 062	197 705	43 996 084
Adjustments	-	-	-	-	-	-	-	-
Balance at March 31, 2016 - restated	-	128 093 893	10 347 603	794 482 039	62 594 376	10 031 251	2 279 662	1 007 828 824
Net book value as of March 31,2016 - restated	50 243 436	404 779 895	11 647 787	1 821 987 355	209 939 649	1 633 359	5 844 123	2 506 075 604
Net book value as of December 31,2015 - restated	50 243 436	410 199 938	11 549 803	1 854 089 897	212 945 064	1 359 671	5 765 157	2 546 152 966
Net book value at March 31,2015 - restated	50 243 436	427 951 058	11 920 237	1 941 331 388	212 806 055	1 232 078	4 950 885	2 650 435 137

* 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 details in (Note No.16).

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

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

Fixed assets (net), 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 Note (3-17).

Five years contracts	March 31, 2016	December 31, 2015
	EGP	EGP
Total contracted lease payments	61 912 392	61 912 392
Bargain purchase value	1	1
Average useful life	5 years	5 years

Liabilities of financing lease contracts

The liabilities of financing lease contracts amounted to the following:

	March 31, 2016	December 31, 2015
	EGP	EGP
Not later than 1 year	7 457 210	10 562 915
Later than 1 year and not later than 2 years	3 216 022	3 845 968
Later than 2 years	2 979 015	3 702 584
	13 652 247	**18 111 467**

7. Projects under construction

	March 31 2016	December 31, 2015
	EGP	EGP
Balance as of the beginning of the period / year	124 756 807	99 410 072
Additions	3 506 533	51 381 120
Advance to suppliers	107 609	1 319 012
Transferred to fixed assets	--	(27 353 397)
Balance as of the end of the period / year	**128 370 949**	**124 756 807**

- Projects under construction are represented in the following categories:

	March 31, 2016	December 31, 2015
	EGP	EGP
Buildings	13 635 255	11 462 495
Machinery and equipment	111 289 548	108 636 763
Other installations	3 338 537	3 338 537
Advances to suppliers	107 609	1 319 012
	128 370 949	**124 756 807**

- Projects under construction include 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 current year.

8. Intangible assets (net)

	March 31, 2016	December 31, 2015
Costs	EGP	EGP
Balance as of March 31, 2016	225 200 000	225 200 000
Amortization		
Balance as of beginning of the period / year	(116 057 741)	(93 537 741)
Period / year amortization	(5 599 235)	(22 520 000)
Total amortization as of ending of the period / year	(121 656 976)	(116 057 741)
Balance as of ending of the period / year	**103 543 024**	**109 142 259**

Intangible assets represent the value of the contract concluded with the Ministry of Electricity on March 11, 2010, where the Ministry of Electricity identifies the needs of heavy industrial projects and arranges their needs, either through the establishment of new stations or already established ones. The cost of investments will be paid by the company according to what has been determined by the Ministry, which amounted to EGP 217.2 million, where payment has been agreed to be paid as follows:

- 15% advance payment equivalent to EGP 32.58 million.
- 120 monthly instalments due on the first of every month from April 2010 amounted by EGP 1.220 million per each instalment.
- 120 monthly instalments due on the first of every month from February 2011 amounted by EGP 1.342 million per each instalment.
- In addition to EGP 8 million for the allocation of two cells of the traditional type, to be paid in four quarterly instalments and the last instalment was due on February 1, 2011.

9. Investments in joint ventures

Company	Country of incorporation	Percentage of ownership and voting rights %	March 31, 2016	December 31, 2015
			EGP	EGP
Andalus Reliance for Mining Company S.A.E	Egypt	50%	1 143 028	958 364
			1 143 028	**958 364**

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

- The change in accounting of the company's investment in Andalus Reliance for Mining has been applied in accordance with the relevant transitional provisions set out in EAS (43). Comparative amounts for 2015 have been restated to reflect the change in accounting for the company's investments in joint arrangements.
- The following is the financial data, stated in the financial statements of Andalus Reliance Mining Company:

	March 31, 2016	December 31, 2015	December 31, 2014
	EGP	EGP	EGP
Current assets	7 395 891	6 612 436	3 777 633
Non-current assets	14 557	13 050	2 499
Non-current liabilities	(5 124 393)	(4 708 759)	(3 196 455)

	Three months ended		
	March 31, 2016	March 31, 2015	March 31, 2014
	EGP	EGP	EGP
Net sales	15 408 157	9 219 601	6 980 533
Operation expenses	(15 038 829)	(8 688 472)	(6 844 508)
Net profits for the period after income tax	369 328	510 217	119 071

-Reconciliation of the above summarized financial information to the carrying amount of the interest in the joint venture recognized in equity method in the consolidated financial statements is represented as follows:

	March 31, 2016	December 31, 2015	December 31, 2014
	EGP	EGP	EGP
Net assets in joint venture	2 286 055	1 916 727	583 052
Share in joint venture	50%	50%	50%
Investment in joint venture	**1 143 028**	**958 364**	**291 526**

10. Inventory

	March 31, 2016	December 31, 2015
	EGP	EGP
Raw materials and fuels	91 071 713	118 690 391
Packing materials	20 518 559	16 014 996
Spare parts	31 937 081	31 513 130
WIP	2 986 751	1 397 426
Finished goods	34 522 191	30 723 893
	181 036 295	**198 339 836**

11. Debtors and other debit balances (net)

	March 31, 2016 EGP	December 31, 2015 EGP
Advance to suppliers	46 606 188	26 245 060
Deposits with others	23 813 241	23 813 241
Employees dividends in advance	9 713 752	8 420 566
Withholding tax	3 369 651	4 707 547
Trade debtors	5 744 584	5 500 032
Letter of credit	501 710	532 986
Imprest – employee's loan	3 424 614	2 265 488
Other debit balances	2 393 899	307 697
Letter of guarantee cover	34 049	34 049
	95 601 688	**71 826 666**
Less		
Impairment in debtors	(6 113 552)	(5 778 937)
	89 488 136	**66 047 729**

12. Related parties transactions

- **Due from related parties**

	March 31, 2016 EGP	December 31, 2015 EGP
Evolve Company	101 970	--
	101 970	**--**

- **Due to related parties**

	March 31, 2016 EGP	December 31, 2015 EGP
Cementos La Union – Spain Company	1 190 917	1 054 163
Andalus Reliance for Mining Company	5 395 156	--
Aridos Jativa Company	625 071	46 534 200
Reliance Heavy Industrial	--	4 368 928
	7 211 144	**51 957 291**

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

Company	Relation type	Transaction nature	Volume of transactions	
			March 31, 2016	December 31, 2015
			EGP	EGP
Aridos Jativa Company	Main shareholder	Services	315 872	1 250 658
Andalus Reliance for Mining Company	Joint Ventures	Purchase	15 408 157	32 087 263
Cementos La Union – Spain Company	Subsidiary of the parent	Purchase	--	1 045 163

- Aridos Jativa Company renders consulting services for Arabian Cement Company.
- Andalus Reliance for Mining Company supplies the raw materials to Arabian Cement Company.
- Cementos La Union – Spain renders technical support services to Arabian Cement Company.

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

	March 31, 2016	December 31, 2015
	EGP	EGP
Board of Directors allowances	4 226 894	17 066 608
Board of Directors salaries and wages	1 926 188	7 708 884
	6 153 082	**24 775 492**

13. Cash and bank balances

	March 31, 2016	December 31, 2015
	EGP	EGP
Cash on hand	2 340 339	4 112 722
Current account – local currency	324 383 663	367 984 723
Current account – foreign currency	14 310 119	4 200 981
Bank deposits	1 988 468	1 988 468
	343 022 589	**378 286 894**

	March 31, 2016	December 31, 2015
Average interest rates for bank deposits – USD	0.70%	0.45%
Average interest rates for bank deposits – EGP	6.10%	5.71%
Maturity period for bank deposits	114 Days	214 Days

Cash and cash equivalent include restricted cash as follows:

	March 31, 2016 EGP	December 31, 2015 EGP
Cash at banks	193 019 583	195 283 888
Restricted cash at banks*	150 003 006	183 003 006
Total	343 022 589	378 286 894

* The restricted cash represents the amount of due instalments in foreign currency, accrued interests on these instalments, and a margin rate of the total due instalments in anticipation of increase in the exchange rate for the foreign currency. The bank has restricted such amount to cover the due foreign currency instalments, until the foreign currency is available.

14. Provisions

	Balance at December 31, 2015	Additions during the period	Used during the period	Balance at March 31, 2016
Provisions	15 843 923	350 000	--	16 193 923
	15 843 923	**350 000**	**--**	**16 193 923**

- 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.

15. Creditors and other credit balances

	March 31, 2016 EGP	December 31, 2015 EGP
Trade payable	215 550 276	289 607 928
Advance payment from customers	102 030 085	173 377 453
Accrued development fees	30 264 956	15 106 346
Accrued customers rebates	13 688 232	862 426
Taxes	6 311 462	7 793 994
Accrued interest	11 256 000	27 174 026
Retention	4 602 524	4 602 524
Accrued expenses	12 109 636	10 770 361
	395 813 171	**529 295 058**

16. Loans

	March 31, 2016 EGP	December 31, 2015 EGP
Current portion from loans	125 810 000	206 297 400
Non- current portion from loans	520 249 132	357 584 237
	646 059 132	**563 881 637**

- **These loans are represented in the following:**

	March 31, 2016 EGP	December 31, 2015 EGP
Loan A (including accrued interest of EGP 9 387 181 for the deferred payment of the due instalments)	288 218 105	245 864 189
Loan B (including accrued interest of EGP 10 093 325 for the deferred payment of the due instalments)	297 286 316	253 237 593
Loan C	60 554 711	64 779 855
	646 059 132	563 881 637

Loan A

- On September 2006, the company obtained a loan from the National Bank of Egypt amounting to USD 103.9 million. On January 31, 2008, the bank approved to increase the loan to be USD 149 million to cover the increase in the investment cost, in addition to finance 15% of the operating license cost.
- The loan duration is 10 years including two years of grace period at an interest rate of 1.6% plus Libor during the first five years of the loan and an interest rate of 1.7% plus Libor during the following five years.
- On May 27, 2015, the National Bank of Egypt agreed to restructure the due installments, to be paid over 16 equal quarterly installments, in addition to the interest which will be added every three months, and paid with the installments. The applied interest rate will be amended to become with a marginal profits of 4%, above the Libor rate for six months.
- On March 21, 2016, the National Bank of Egypt agreed to postpone the payment of the installments due on the first of January 2016 as well as the installments due on the first of April 2016, with a total value of USD 8 million (4 installments) as well as the due interest, to be all paid with the installment dues on the first of April 2017.

Loan B

- On January 31, 2008, the company obtained a loan from National Bank of Egypt amounted to USD 142 million to finance the second production and 25% of the second line's operating license cost. The loan included a portion by Egyptian Pounds equivalent to USD 57 million.
- The loan duration is 10 years including two years of grace period at an interest rate of 1.5% plus Libor for the USD portion of the loan, and 11% for the Egyptian Pounds portion.
- On May 27, 2015, the National Bank of Egypt agreed to restructure the due 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.
- On July 29, 2015, the Egyptian pound portion loan balance was fully paid.

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

Loan C

- On June 20, 2013, the company obtained a loan from the National bank of Egypt amounted to EGP 70 million to finance 70% of the total investment cost which amounted to EGP 100 million, which is needed for new project held by the company for the purpose of using the solid and agricultural wastes as an alternative fuel for the natural gas in the process of manufacturing. The financing shall be used in the payment of the suppliers and contractors accruals.
- The loan duration is 6 years starting from the first withdrawal, at the rate by 2% plus corridor at a minimum rate of 12%, in addition to a monthly commission.
- 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 March 23, 2015, a credit facility contract was signed between National Bank of Egypt and Andalus Concrete Company (a subsidiary), to approve the granting of a credit facility of EGP 10 million for a period of one year, and may be renewed for the similar period or periods by mutual consent at an interest rate of 2 % plus corridor borrowing rate. The utilized balance of the overdraft amounted to EGP 1 259 465 on March 31, 2016.

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 loans granted to the bank by the company, while allowing Egyptian side to increase the share capital through the purchase of the Spanish party however the Spanish party share should not be less, at any time, than 51% of company's capital, also the company should not perform any changes to the nature of its activities or its legal form or structure of ownership until obtaining the prior written consent from the bank.
- The company is committed to issue insurance policies against the 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

	March 31, 2016	December 31, 2015
Current portion	EGP	EGP
Operating license	63 720 000	67 968 000
Electricity contract	18 462 000	18 462 000
	82 182 000	86 430 000
Long-term Portion		
Operating license	319 952 000	332 696 000
Electricity contract	63 078 500	67 694 000
	383 030 500	400 390 000

Operating license

- As per the country's policies to obtain a license for the cement factory, the General Industrial Development Association approved the issuing of a license to the company on May 21, 2008 in the amount to EGP 281.4 million for the 1st production line with related liability on the company to pay 15% as an advance payment and the residual amount will be paid over 5 equal annual 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.
- As of March 31, 2016, the overdue and not paid installments amounted to EGP 24 million including the interest, and recorded in current liabilities.

Electricity contract

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

18. Capital

	March 31, 2016	December 31, 2015
Authorized capital	757 479 400	757 479 400
Issued and paid up capital	757 479 400	757 479 400
Number of shares	378 739 700	378 739 700
Par value per share	2	2
Issued and paid-up capital	**757 479 400**	**757 479 400**

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

19. 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

	March 31, 2016	December 31, 2015
	EGP	EGP
Fixed assets and intangible assets	332 621 736	330 621 736
	332 621 736	330 621 736

The movement of the deferred tax liability is as follows:

	March 31, 2016 EGP	December 31, 2015 EGP
Balance at the beginning of the period / year	330 621 736	352 418 333
Deferred tax charged to the income statement (Note 24)	2 000 000	(21 796 597)
Balance at the end of the period / year	**332 621 736**	**330 621 736**

20. Net sales

	Three months ended	
	March 31, 2016 EGP	March 31, 2015 EGP
Cement sales	633 645 658	749 892 484
Services	19 200 670	11 656 726
Total sales	**652 846 328**	**761 549 210**
Less		
Sales discount and returns	(100 372 135)	(171 804 654)
	552 474 193	**589 744 556**

21. Cost of sales

	Three months ended	
	March 31, 2016 EGP	March 31, 2015 EGP
Raw material	309 056 099	460 048 055
Manufacturing depreciation	43 995 817	43 090 446
Electricity supply agreement amortization	5 599 235	5 552 877
Overhead cost	17 207 146	18 313 558
Change in inventory	17 838 789	(92 292 495)
	393 697 086	**434 712 441**

22. General and administrative expenses

	Three months ended	
	March 31, 2016 EGP	March 31, 2015 EGP
Professional fees	2 081 845	2 304 469
Salaries and wages	8 785 416	9 627 563
Security and cleaning services	767 227	756 082
Rentals	1 200 409	1 036 181
Transportation	332 621	693 983
Advertising and public relations	606 328	2 619 935
Other expenses	2 798 741	1 339 862
	16 572 587	**18 378 075**

23. Finance costs

	Three months ended March 31, 2016 EGP	March 31, 2015 EGP
Loan interest expense	5 637 672	5 072 615
Operation licence interest expense	11 256 000	11 256 000
Electricity agreement interest expense	3 070 500	3 070 500
Bank overdraft interest expense	63 029	--
Long-term notes payable interest expense	272 487	--
	20 299 688	19 399 115

24. Income tax

	Three months ended March 31, 2016 EGP	March 31, 2015 EGP
Deferred income tax (Note 19)	10 569 424	6 065 000
Current income tax	2 000 000	24 084 081
	12 569 424	30 149 081

25. Non controlling interests

Non controlling interests amounted to EGP 15 382 as of March 31, 2016 which represent the percentage of 0.01% from Andalus Concrete Company and 1% from ACC for Management Company.

	Capital EGP	Non – Controlling interest for acquired subsidiaries EGP	Retained earnings EGP	March 31, 2016 EGP	December 31, 2015 EGP
Balance at January 1,	2 500	(1 672)	12 874	13 702	9 159
Net profits for the period	--	--	1 680	1 680	4 543
Ending balance	2 500	(1 672)	14 554	15 382	13 702

26. Earnings per share for the period

	Three months ended March 31, 2016 EGP	March 31, 2015 EGP
Net profits For the period	34 143 641	57 368 321
Employees share in the dividends*	(1 293 186)	(407 849)
Distributable net profit For the period	32 850 455	56 960 472
Weighted average number of shares during the period	378 739 700	378 739 700
Earnings per share for the period	0.09	0.15

* Employees' share in the dividends of the three months ended March 31, 2016 was estimated based on dividends paid to the employee in advance during the period.

27. Contingent liabilities

On March 31, 2016, the company had contingent liabilities in respect to the banks and other guarantees arising from the company's ordinary course of business, and it is not anticipated that material liabilities will arise concerning this issue. The uncovered portion of letter of credit amounted to EGP 1 731 824.

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 group:

- **The Arabian Cement Company**

Corporate income tax

- The company was enjoying a tax exemption for a period of 5 years starting from the fiscal year following the start-up of the production of the Company's operation. This period was determined by the General Authority for Free Zones and Investments to start from April 22, 2008, consequently, the company was exempted from corporate tax for the period from January 1, 2009 till December 31, 2013.
- The 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 2014.
- 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 only. However, the company did not pay the development fees for the cement produced from imported clinker.
- The company has received claims for the payment of development fees differences, represented as follows:
  a) The amount of EGP 18 016 093, as delay penalty for the period from April 1, 2010 until July 31, 2012, dated October 1, 2013.
  b) The amount of EGP 6 949 242 for the years 2011 and 2012, dated May 15, 2014.
  c) The amount of EGP 16 844 370 for the year 2014, dated February 14, 2016, and this claim was appealed on March 15, 2016, and a meeting was scheduled on April 10, 2016, to discuss this issue at the Internal Committee.
- On February 14, the Appeal Committee issued its decision concerning items (a / b), to account the company for the state's development fees imposed on the production of cement, whether clay or clinker, as well as the re-calculation of the delay penalty in accordance with the payments provided by the company.

- The company's management did not form provisions on this matter according to its estimate, based on the opinion of the company's legal and tax consultant, of the final court ruling results.

Additional sales tax

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

- **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.

29. Capital commitment

The capital commitment as of March 31, 2016, related to fixed assets acquisition, amounted to EGP 4 617 505.

30. Subsequent events - profit distribution

On April 13, 2016, the company's Ordinary General Assembly meeting approved the profits distribution on the shareholders according to the distributable profits for the financial year ended December 31, 2015 as analyzed below. The Ordinary General Assembly was approved by General Authority for Investment and Free Zones (GAFI) on April 14, 2016.

	EGP
Net profits for the year 2015	289 443 293
Retained earnings at beginning of the year	178 626 876
Distributable net profits	**468 070 169**
To be distributed as the follows:	
Legal reserve	(28 944 329)
Profit attributable to shareholders	(200 732 041)
Profit attributable to employees	(4 170 617)
Retained earnings at end of the year	**234 223 182**

Chief Financial Officer
Allan Hestbech

Chief Executive Officer
Jose Maria Magrina

Jose Maria