Arabian Cement Company

An Egyptian Joint Stock Company

Separate Interim Financial Statements

For the Three Months Ended March 31, 2016

And the Limited Review Report

Deloitte.

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Limited Review Report
For the Separate Interim Financial Statements

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

Introduction

We have reviewed the accompanying separate interim balance sheet of Arabian Cement Company - An Egyptian Joint Stock Company - as of March 31, 2016 and the related separate 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 separate interim financial statements in accordance with the Egyptian Accounting Standards. Our responsibility is to express a conclusion on these separate interim financial statements based on our review.

Scope of Review

We conducted our review in accordance with the 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 the Egyptian Standards on Auditing and consequently, does not enable us to obtain assurance that we would become aware of all significant matters 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 separate interim financial statements do not present fairly, in all material respects, the separate interim financial position of Arabian Cement Company as of March 31, 2016, and its separate financial performance and its separate cash flows for the three months then ended in accordance with the Egyptian Accounting Standards.

Cairo, May 26, 2016

K. Saleh

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
Separate Financial Position
As of March 31, 2016

	Note No.	March 31, 2016 EGP	December 31, 2015 EGP
Non-current assets			
Fixed assets (net)	(6)	2 493 795 460	2 534 078 675
Projects under construction	(7)	128 370 949	124 756 807
Intangible assets (net)	(8)	103 543 024	109 142 259
Investments in subsidiaries	(9)	21 226 057	20 976 307
Investments in joint ventures	(10)	125 000	125 000
Total non-current assets		2 747 060 490	2 789 079 048
Current assets			
Inventory	(11)	178 203 845	196 042 634
Debtors and other debit balances	(12)	80 698 856	58 596 676
Due from subsidiaries and related parties	(13)	7 071 698	14 926 897
Cash and bank balances	(14)	338 356 829	364 838 686
Total current assets		604 331 228	634 404 893
Total Assets		3 351 391 718	3 423 483 941
Shareholders' equity			
Issued and paid-up capital	(19)	757 479 400	757 479 400
Legal reserve	(20)	156 093 042	156 093 042
Retained earnings		468 070 169	178 626 876
Net profits for the period / year		33 324 334	289 443 293
Total shareholders' equity		1 414 966 945	1 381 642 611
Non-current liabilities			
Loans	(17)	520 249 132	357 584 237
Deferred income tax liability	(21)	331 208 375	329 208 375
Other liabilities	(18)	383 030 500	400 390 000
Total non-current liabilities		1 234 488 007	1 087 182 612
Current liabilities			
Provisions	(15)	16 193 923	15 843 923
Current income tax liability	(26)	82 125 611	71 556 188
Creditors and other credit balances	(16)	388 414 088	522 312 004
Due to subsidiaries and related parties	(13)	7 211 144	52 219 203
Current portion of long-term loans	(17)	125 810 000	206 297 400
Current portion of long-term other liabilities	(18)	82 182 000	86 430 000
Total current liabilities		701 936 766	954 658 718
Total shareholders' equity and liabilities		3 351 391 718	3 423 483 941

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

Chief Financial Officer
Allan Hestbech

Chief Executive Officer
Jose Maria Magrina

Jose Maria

- Limited review report attached.

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

	Note No.	March 31, 2016 EGP	March 31, 2015 EGP
Net sales	(22)	536 275 749	585 300 706
Less			
Cost of sales	(23)	(376 094 435)	(425 571 371)
Gross operating profits		**160 181 314**	**159 729 335**
(Less) / Add			
General and administration expenses	(24)	(18 683 254)	(24 229 366)
Provisions	(15)	(350 000)	-
Other income		186 595	390 282
Credit interest		694 323	163 746
Net operating profits		**142 028 978**	**136 053 997**
(Less) / Add			
Financing expenses	(25)	(20 236 659)	(19 399 115)
Losses from foreign exchange differences		(75 898 561)	(30 544 951)
Net profits for the period before income tax		**45 893 758**	**86 109 931**
Income tax	(26)	(12 569 424)	(30 084 081)
Net profits for the period after income tax		**33 324 334**	**56 025 850**
Earnings per share for the period	(27)	**0.08**	**0.15**

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

Chief Financial Officer
Allan Hestbech

Chief Executive Officer
Jose Maria Magrina

Jose Maria

Arabian Cement Company
An Egyptian Joint Stock Company
Separate Statement of Comprehensive Income
For the Three Months Ended March 31, 2016

	March 31, 2016 EGP	March 31, 2015 EGP
Net profits for the period after income tax	33 324 334	56 025 850
Other comprehensive income	-	-
Total comprehensive income for the period	**33 324 334**	**56 025 850**

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

Chief Financial Officer
Allan Hestbech

Chief Executive Officer
Jose Maria Magrina

Jose Maria

Arabian Cement Company
An Egyptian Joint Stock Company
Separate Statement of Changes in Equity
For the Three Months Ended March 31, 2016

Description	Capital	Legal reserve	Retained earnings	Net Profits for the period / year	Total
	EGP	EGP	EGP	EGP	EGP
Balance as of January 1, 2015	757 479 400	129 447 589	408 189 557	--	1 295 116 546
Transferred to legal reserve	--	26 645 453	(26 645 453)	--	--
Dividends distributed	--	--	(202 917 225)	--	(202 917 225)
Total comprehensive income for the period	--	--	--	56 025 850	56 025 850
Balance as of March 31, 2015	757 479 400	156 093 042	178 626 879	56 025 850	1 148 225 171
Balance as of January 1, 2016	757 479 400	156 093 042	178 626 876	289 443 293	1 381 642 611
Transferred to retained earnings	--	--	289 443 293	(289 443 293)	--
Total comprehensive income for the period	--	--	--	33 324 334	33 324 334
Balance as of March 31, 2016	757 479 400	156 093 042	468 070 169	33 324 334	1 414 966 945

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

Chief Financial Officer
Allan Hestbech

Chief Executive Officer
Jose Maria Magrina

Jose Maria

Arabian Cement Company
An Egyptian Joint Stock Company
Separate Statement of Cash Flows
For the Three Months Ended March 31, 2016

	Note No.	March 31, 2016 EGP	March 31, 2015 EGP
Cash flows from operating activities			
Net profits for the period before tax		45 893 758	86 109 931
Adjusted by:			
Depreciation of fixed assets	(6)	43 606 465	42 744 203
Amortization of intangible assets	(8)	5 599 235	5 552 878
Provisions	(15)	350 000	-
Credit interest		(694 323)	(163 746)
Finance costs	(25)	20 236 659	19 399 115
Losses from foreign exchange rate differences*		69 225 348	28 301 322
Operating profit before changes in working capital		**184 217 142**	**181 943 703**
Decrease / (increase) in inventory		17 838 789	(92 292 493)
(Increase) in debtors and other debit balances		(22 102 180)	(47 816 146)
Decrease / (increase) in due from subsidiaries and related parties		7 855 199	414 879
Increase in creditors and other credit balances		(117 979 890)	95 969 422
Increase in due to subsidiaries and related parties		991 940	(2 746 621)
Net cash flows generated from operating activities		**70 821 000**	**135 472 744**
Cash flows from investing activities			
Payments for investments in subsidiaries	(9)	(249 750)	--
Payments for fixed assets	(6)	(3 323 250)	(4 120 364)
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		**(6 492 819)**	**(14 272 405)**
Cash flows from financing activities			
Payments of operating licenses and electricity agreement		(21 607 500)	(20 566 928)
Interest paid		(16 674 179)	(19 574 076)
Dividends paid		(46 000 000)	--
Net change in the loans*		(6 528 359)	(41 468 116)
Net cash flows (used in) financing activities		**(90 810 038)**	**(81 609 120)**
Net change in cash and cash equivalents during the period		**(26 481 857)**	**39 591 219**
Cash and cash equivalents at the beginning of the period		364 838 686	156 060 447
Cash and cash equivalents at the end of the period	(14)	**338 356 829**	**195 651 666**

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 separate financial statements and to be read therewith.

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

Arabian Cement Company
An Egyptian Joint Stock Company
Notes to the Separate Interim Financial Statements
For the Period Ended March 31, 2016

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 Chairman of General Authority for Investment and Free Zone (GAFI) under No. 167 of 1997.
   - The company was registered at the Commercial Register under No. 13105 in Cairo on April 3, 2005, which was changed to No. 53445 on August 16, 2011, as the company changed its registered office from 72 Gameat El Dowal Street, Mohandiseen, Giza-Egypt to be Villa 56 El Gihaz Street, Fifth Settlement, New Cairo, Egypt.
   - The main shareholder of the company is Aridos Jativa – Spanish Company and it owns 60% of the company's share capital.
   - The separate interim 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 at the stock market

   Registration of company shares at the stock market

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

   Registering the company's shares in the central security

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

2. **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 applied on 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 carried out by the company. There are no retrospective adjustments that require presenting Statement of Financial Position which includes beginning balances of the first presented comparative period.

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 and Equipment

- The amendments to EAS (10) eliminated the option of using the revaluation model in the subsequent measurement of property, plant and equipment. There is no impact for these amendments on the company's financial statements.
- The movement of property, plant and equipment and related depreciation should 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 company'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 company'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 company'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 financial statements.

EAS (43) Joint Arrangements

- The new EAS (43) Joint Arrangements has been issued to establish principles for financial reporting by entities that have an interest in joint arrangements. This new standard has superseded the EAS (27) Interests in Joint Ventures. In addition, this new standard requires classifying joint arrangements as either: joint operation or joint venture.
- A joint operation is defined as a joint arrangement whereby the parties that have joint control of the arrangement have rights to the assets, and obligations for the liabilities, relating to the arrangement. A party to a joint operation that has joint control of the joint operation is referred to as a "joint operator".
- A joint venture is defined as a joint arrangement whereby the parties that have joint control of the arrangement have rights to the net assets of the arrangement. A party to a joint venture that has joint control of the joint operation is referred to as a "joint venture".
- The initial and subsequent accounting of joint ventures and joint operations are different. Investments in joint ventures are accounted for using the cost method in the separate financial statements of the company. 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 cost method, should be classified as a joint venture under EAS (43) and accounted for also using the cost method in the company's separate financial statements. There is no impact of this new standard on the company's separate financial statements.

EAS (45) Fair Value Measurement

- The new EAS (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 separate 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 separate 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 Foreign currency exchange

Functional and presentation currency

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

Transactions and balances

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

3.4 Fixed assets and their depreciation

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

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

Estimated useful lives of assets are as follows:

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

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

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

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

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

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

3.5 Projects under construction

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

3.6 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.

3.7 Investments in subsidiaries

Investments in subsidiaries are investments in entities which the company has control. Control is presumed to exist when the parent owns, directly or indirectly through subsidiaries more than half of the voting power of the investee, unless, in exceptional circumstances, it can be clearly demonstrated that this is not the case.

Investments in subsidiaries are accounted for at cost inclusive of transaction cost and in case the investment is impaired, the carrying amount is adjusted by the value of this impairment and is charged to the statement of profits or losses for each investment separately.

3.8 Investments in joint ventures

A joint venture is joint arrangement whereby the parties that they have joint control of the arrangement have rights to the net assets of the joint arrangement. Joint control is the contractually agreed sharing of control of an arraignment, which exists only when decisions about the relevant activities require unanimous consent of the parties sharing control. Investments in joint ventures are accounted for at cost, and in case the investment is impaired, the carrying amount is adjusted by the value of this impairment and is charged to the statement of profits or losses for each investment separately.

3.9 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 flows 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 Borrowings

Borrowings are recognized initially at the amount of the proceeds received, net of transaction costs incurred. Borrowings are subsequently stated at amortized cost using the effective yield method; any difference between proceeds (net of transaction costs) and the redemption value is recognized in the income statement over the borrowing period. Borrowings are classified as current liabilities unless the company has an unconditional right to defer settlement of the liability for at least 12 months after the balance sheet date.

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 period

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 the amount and the period of the contract represents at least 75% of the useful life of the asset, or if the present value of total leases payments represents at least 90% of the asset value.

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

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

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

3.19 Provisions

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

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

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, and it is probable that future economic benefits will flow to the company and when specific criteria have been met for each of the company's activities as described below. The company makes its estimates on historical results, taking into consideration the type of customer, the type of transaction and the specifics of each arrangement.

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

3.23 Statement of cash flows

Statement of cash flows 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.

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

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

b) <u>Income tax</u>

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

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

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

5. **Financial risk management**

1) **Financial risk factors**

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

a. **Market risk**

Foreign exchange risk

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

The below table shows the foreign currency positions:

Description	Assets	Liabilities	Net value at March 31, 2016	Net value at December 31, 2015
	EGP	EGP	EGP	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

Foreign Currency Exchange Losses

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

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

Price risk

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

Interest rate risk

Interest risk represents the change in the interest rate of the company's obligations represented by loans and operating license, with variable interest rates, amounting to EGP 1 029 731 132 as of March 31, 2016 against EGP 964 545 637 as of December 31, 2015.

b. **Credit risk**

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

c. **Liquidity risk**

Prudent liquidity risk management implies maintaining sufficient level of cash.

2) Capital risk management

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

	March 31, 2016 EGP	December 31, 2015 EGP
Loans (Note No.17)	646 059 132	563 881 637
Other liabilities (Note No.18)	465 212 500	486 820 000
Less: Cash and equivalent (Note No.14)	(338 356 829)	(364 838 686)
Net Debt	**772 914 803**	**685 862 951**
Equity	1 414 966 945	1 381 642 611
Capital	**2 187 881 748**	**2 067 505 562**
Net Debt / Capital	35%	33%

3) Fair value estimation

The company'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)

	Lands	Buildings	Vehicles	Machinery and Equipment	Other Installations	Computer and Software	Furniture, Fixtures and Office Equipment	Total
	EGP	EGP	EGP	EGP	EGP	EGP	EGP	EGP
Cost:								
Balance as of January 1, 2015	50 243 436	519 041 986	9 734 584	2 598 648 716	255 222 623	9 528 000	6 080 870	3 448 500 215
Additions	--	3 681 212	--	--	1 127 816	68 420	213 600	5 091 048
Transferred from projects under construction	--	4 947 811	--	1 330 632	5 407 120	--	--	11 685 563
Cost as of March 31, 2015	50 243 436	527 671 009	9 734 584	2 599 979 348	261 757 559	9 596 420	6 294 470	3 465 276 826
Balance as of January 1, 2016	50 243 436	530 986 938	10 514 236	2 609 346 376	271 783 312	10 365 258	7 373 549	3 490 613 105
Additions	-	1 496 838	515 000	189 651	330 000	526 750	265 011	3 323 250
Cost as of March 31, 2016	50 243 436	532 483 776	11 029 236	2 609 536 027	272 113 312	10 892 008	7 638 560	3 493 936 355
Accumulated depreciation:								
Balances as of January 1, 2015	--	93 198 200	3 779 687	630 829 999	45 765 198	8 178 246	1 399 478	783 150 808
Depreciation	--	6 825 124	324 340	32 051 341	3 223 375	198 065	121 958	42 744 203
Accumulated depreciation as of March 31, 2015	--	100 023 324	4 104 027	662 881 340	48 988 573	8 376 311	1 521 436	825 895 011
Balances as of January 1, 2016	--	121 085 440	4 440 402	760 974 089	59 077 447	9 020 225	1 936 827	956 534 430
Depreciation	--	6 977 659	313 903	32 444 890	3 436 386	250 462	183 165	43 606 465
Accumulated depreciation as of March 31, 2016	--	128 063 099	4 754 305	793 418 979	62 513 833	9 270 687	2 119 992	1 000 140 895
Net book value as of March 31,2016	50 243 436	404 420 677	6 274 931	1 816 117 048	209 599 479	1 621 321	5 518 568	2 493 795 460
Net book values of December 31,2015	50 243 436	409 901 498	6 073 834	1 848 372 287	212 705 865	1 345 033	5 436 722	2 534 078 675
Net book value as of March 31,2015	50 243 436	427 647 685	5 630 557	1 937 098 008	212 768 986	1 220 109	4 773 034	2 639 381 815

- There is a first-degree commercial and real estate mortgage for the benefit of the National Bank of Egypt as a guarantee for loans granted by the bank to the company's land, all current and future buildings and constructions, and the tangible and intangible elements of the company's factory as disclosed in details in (Note No. 17).

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

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

Fixed assets, (net) - continued

The company has assets related to finance lease based on contracts under Law No. 95 of 1995, which states that these assets should not be classified as fixed assets according to the accounting policies (No. 3-17).

Five years contracts	**March 31, 2016**	**December 31, 2015**
	EGP	**EGP**
Total contracted lease payments	50 176 916	50 176 916
Bargain purchase value	1	1
Average useful life	5 years	5 years

Commitments for leasing arrangements

The liabilities for financing lease contracts amounted to the following:

	March 31, 2016	**December 31, 2015**
	EGP	**EGP**
Not later than 1 year	3 621 814	5 495 515
Later than 1 year and not later than 2 years	1 143 782	1 350 093
Later than 2 years	947 777	1 185 142
	5 713 373	**8 030 750**

7. Projects under construction

	March 31, 2016	**December 31, 2015**
	EGP	**EGP**
Balance as of January 1	124 756 807	98 414 243
Additions	3 506 533	51 381 120
Advance to suppliers	107 609	1 319 012
Transferred to fixed assets	--	(26 357 568)
	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
Advance to suppliers	107 609	1 319 012
	128 370 949	**124 756 807**

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

8. Intangible assets (net)

	March 31, 2016	December 31, 2015
	EGP	EGP
Cost	225 200 000	225 200 000
Accumulated amortization		
Balance at beginning of the period/year	(116 057 741)	(93 537 741)
Amortization for the year	(5 599 235)	(22 520 000)
Total accumulated amortization of the period/year	**(121 656 976)**	**(116 057 741)**
Balance at 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 installments due on the first of every month from April 2010 amounting to EGP 1.220 million per each installment.
- 120 monthly installments due on the first of every month from February 2011 amounting to 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 over four quarterly installments and the last installment was due on February 1, 2011.

9. Investments in subsidiaries

Company	Country of incorporation	Share %	March 31, 2016	December 31, 2015
			EGP	EGP
Andalus Concrete Company	Egypt	99.99%	20 926 807	20 926 807
Evolve Company	Egypt	99.90%	249 750	--
ACC for Management and Trading Company	Egypt	99.00%	49 500	49 500
			21 226 057	**20 976 307**

10. Investments in joint ventures

Company	Country of incorporation	Share %	March 31, 2016	December 31, 2015
			EGP	EGP
Andalus Reliance for Mining Company	Egypt	50%	125 000	125 000
			125 000	**125 000**

11. Inventory

	March 31, 2016 EGP	December 31, 2015 EGP
Raw materials	90 347 536	117 846 311
Packing materials	20 518 559	16 014 996
Spare parts	29 828 808	30 060 008
WIP	2 986 751	1 397 426
Finished goods	34 522 191	30 723 893
	178 203 845	**196 042 634**

12. Debtors and other debit balances

	March 31, 2016 EGP	December 31, 2015 EGP
Advance to suppliers	45 693 626	25 293 949
Deposits with others	23 813 241	23 813 241
Withholding taxes	2 859 955	2 563 341
Letter of credit	501 710	532 986
Employees' dividends in advance	5 129 188	4 170 617
Imprest – employee's loan	2 359 288	1 880 796
Other debit balances	307 799	307 697
Letter of guarantee	34 049	34 049
	80 698 856	**58 596 676**

13. Related parties transactions

- <u>Due from subsidiaries and related parties</u>

	March 31, 2016 EGP	December 31, 2015 EGP
Andalus Concrete Company	5 765 700	14 926 897
Evolve Company	101 970	--
ACC for Management and Trading	1 204 028	--
	7 071 698	**14 926 897**

- <u>Due to subsidiaries and related parties</u>

	March 31, 2016 EGP	December 31, 2015 EGP
Cementos La Union – Spain Company	1 190 917	1 054 163
Aridos Jativa Company	625 071	46 534 200
Andalus Reliance for Mining Company	5 395 156	4 368 928
ACC for Management and Trading Company	--	261 912
	7 211 144	**52 219 203**

- **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
Andalus Concrete Company	Subsidiary	Sales	8 783 831	18 898 173
Aridos Jativa Company	Main shareholder	Services	315 872	1 250 658
ACC for Management and Trading Company	Subsidiary	Services	8 186 425	36 034 817
Cementos La Union-Spain company	Subsidiary of the parent	Services	--	1 054 163
Andalus Reliance for Mining Company	Joint Ventures	Purchase	15 408 157	32 087 263

- Andalus Concrete Company purchases cement materials and products from Arabian Cement Company which are used for manufacturing and trading concrete and construction materials.
- Aridos Jativa Company renders consulting services for Arabian Cement Company.
- ACC for Management and Trading Company renders managerial services for Arabian Cement Company.
- Cementos La Union – Spain renders technical support services for Arabian Cement Company.
- Andalus Reliance for Mining Company supplied the raw materials for 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 allowance	4 226 894	17 066 608
Board of Directors salaries	1 926 188	7 708 884
	6 153 082	24 775 492

14. Cash and bank balances

	March 31, 2016	December 31, 2015
	EGP	EGP
Cash on hand	2 190 963	4 088 046
Current account – local currency	319 867 345	354 561 257
Current account – foreign currency	14 310 053	4 200 915
Bank deposits	1 988 468	1 988 468
	338 356 829	364 838 686

	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 equivalents include restricted cash as follows:

	March 31, 2016	December 31, 2015
	EGP	EGP
Cash and bank balances	188 353 823	181 835 680
Restricted cash*	150 003 006	183 003 006
	338 356 829	364 838 686

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

15. Provisions

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

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

16. Creditors and other credit balances

	March 31, 2016	December 31, 2015
	EGP	EGP
Trade payable	209 539 175	284 169 387
Advance payment from customers	101 909 301	173 077 453
Accrued development fees	30 264 956	15 106 346
Accrued customers rebates	13 688 232	862 426
Accrued taxes	5 627 299	6 556 667
Accrued interest	11 256 000	27 174 026
Retention	4 602 524	4 602 524
Accrued expenses	11 526 601	10 763 175
	388 414 088	522 312 004

17. 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: Included accrued interest of EGP 9 387 181 for the deferred payment of the due installments	288 218 105	245 864 189
Loan B: Included accrued interest of EGP 10 093 325 for the deferred payment of the due installments	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 agreed to increase the loan to be USD 149 million, to cover the increase in the investment cost, in addition to financing 15% of the operating license cost.
- The loan duration is 10 years including two years of grace period at an interest rate of 1.6%, plus Libor during the first five years, of the loan and an interest rate of 1.7% plus Libor during the following five years.
- On May 27, 2015, the National Bank of Egypt agreed to restructure the due installments to be paid over 16 equal quarterly installments, in addition to the interest which will be added every three months, and paid with the installments. The applied interest rate will be amended to become with a marginal profits of 4%, above the Libor rate for six months.
- On 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) in addition to the related accrued 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 the National Bank of Egypt amounting to USD 142 million to finance the second production, and 25% of the second line's operating license cost. The loan included a portion in Egyptian Pounds equivalent to USD 57 million.
- The loan duration is 10 years including two years of grace period at an interest rate of 1.5% plus Libor for the USD portion of the loan, and 11% for the Egyptian Pounds portion.

- On May 27, 2015, the National Bank of Egypt agreed to restructure the due installments for the USD portion only, to be paid over 16 equal quarterly installments, in addition to the interest which will be added every three months, and paid with the installments. The applied interest rate will be amended to become with a marginal profits of 4%, above the Libor rate for six months.
- On July 29, 2015, the Egyptian pound portion loan balance was fully paid.
- On 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) in addition to the related due accrued 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 amounting to EGP 70 million, to finance 70% of the total investment cost which amounted to EGP 100 million, which is needed for the company's new project for the purpose of using the solid and agricultural wastes as an alternative fuel for the natural gas in the process of manufacturing. The financing shall be used in the payment of the suppliers and contractors accruals.
- The loan duration is six years starting from the first withdrawal, at the rate of 2% plus corridor at a minimum rate of 12%, in addition to a monthly commission.
- The company shall enjoy a grant amounting to 20% of the value of the financing amount from the bank, provided that the following conditions are met:
  - The utilization of the finance for its intended purpose.
  - Commitment to the financing conditions including the payments terms.
  - Issuing the required certificate from the Environmental Affairs Department, which indicates the pollution reduction according to the prepared study.

The loans guarantees

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

18. Long-term liabilities

	March 31, 2016 EGP	December 31, 2015 EGP
Current portion		
Operating license	63 720 000	67 968 000
Electricity contract	18 462 000	18 462 000
Total	**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 of EGP 281.4 million for the first production line with the related liability on the company to pay 15% as an advance payment, and the residual amount will be paid over five equal annual installments after one year from the production date at a maximum of 18 months at an to interest rate determined by Central Bank of Egypt - CBE.
- The above mentioned value will be also applied for the second line and a 25%will be paid as an advance payment, and the residual amount will be settled over a period of three years at the interest rate determined by Central Bank of Egypt - CBE.
- On January 22, 2015, the Industrial Development Authority accepted to receive EGP 8 million on a monthly basis until the legal dispute with the company is resolved, which is currently in court.
- As of March 31, 2016, the overdue installments and not paid amounted to EGP 24 million including the interest, and recorded in current liabilities.

Electricity contract

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

19. Capital

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

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

20. Legal reserve

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

21. Deferred income tax generating an asset or a liability

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

	March 31, 2016	December 31, 2015
	EGP	EGP
Fixed assets and intangible assets	331 208 375	329 208 375
	331 208 375	**329 208 375**

The movement of the deferred tax liability is as follows:

	March 31, 2016	December 31, 2015
	EGP	EGP
Balance at the beginning of period/year	329 208 375	351 118 999
Deferred tax charged to the income statement (Note 26)	(2 000 000)	(21 910 624)
Balance at the beginning of period/year	**331 208 375**	**329 208 375**

22. Net sales

	Three months ended	
	March 31, 2016	March 31, 2015
	EGP	EGP
Cement sales	618 388 902	745 448 634
Services	18 258 982	11 656 726
Total sales	**636 647 884**	**757 105 360**
Less		
Sales discount and returns	(100 372 135)	(171 804 654)
	536 275 749	**585 300 706**

23. Cost of sales

	Three months ended	
	March 31, 2016	March 31, 2015
	EGP	EGP
Raw material	292 504 159	451 575 325
Manufacturing depreciation	43 606 464	42 744 202
Electricity supply agreement amortization	5 599 235	5 552 877
Overhead cost	16 545 788	17 991 462
Change in inventory	17 838 789	(92 292 495)
	376 094 435	**425 571 371**

24. General and administrative expenses

	Three months ended	
	March 31, 2016	March 31, 2015
	EGP	EGP
Professional services	6 466 653	8 251 595
Salaries and wages	7 171 963	9 627 564
Security and cleaning services	767 227	756 082
Rentals	1 122 585	967 252
Transportation	332 621	693 982
Advertising and public relations	604 936	2 619 935
Other expenses	2 217 269	1 312 956
	18 683 254	**24 229 366**

25. Finance costs

	Three months ended	
	March 31, 2016	March 31, 2015
	EGP	EGP
Loan interest expense	5 637 672	5 072 615
Operation license interest expense	11 256 000	11 256 000
Electricity agreement interest expense	3 070 500	3 070 500
Long-term notes payable interest expense	272 487	--
	20 236 659	19 399 115

26. Income tax

	Three months ended	
	March 31, 2016	March 31, 2015
	EGP	EGP
Deferred income tax (Note 21)	2 000 000	6 000 000
Current income tax	10 569 424	24 084 081
	12 569 424	30 084 081

27. Earnings per share

	Three months ended	
	March 31, 2016	March 31, 2015
	EGP	EGP
Net profit for period	33 324 334	56 025 850
Employees share in the dividends*	(958 571)	(407 849)
Distributable net profit for the period	32 365 763	55 618 001
Weighted average number of shares	378 739 700	378 739 700
Earnings per share of the period	0.08	0.15

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

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.
- The following is a summary of the company's tax position:

Corporate income tax

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

Sales tax

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

Stamp tax

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

Payroll tax

Payroll tax was inspected and settled till 2010.

Development fees

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

Additional sales tax

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

29. Capital commitment

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

30. 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.

31. Subsequent events - Dividends

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

Description	**EGP**
Net profit 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 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