

**Arabian Cement Company  
An Egyptian Joint Stock Company  
Consolidated Financial Statements  
Together with Auditor's Report  
For the Year Ended December 31, 2015**

## Auditor's Report

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

### Report on the Consolidated Financial Statements

We have audited the accompanying consolidated financial statements of Arabian Cement Company and its subsidiaries which comprise of the consolidated balance sheet as of December 31, 2015, and the consolidated statements of income, cash flows and changes in equity for the year then ended, and a summary of significant accounting policies and other explanatory notes.

### Management Responsibility for the Consolidated Financial Statements

Management is responsible for the preparation and fair presentation of these consolidated financial statements in accordance with the Egyptian Accounting Standards and in the light of prevailing Egyptian laws. This responsibility includes: designing, implementing and maintaining internal control relevant to the preparation and fair presentation of consolidated financial statements that are free from material misstatement, whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances.

### Auditor's Responsibility

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

The consolidated financial statements for the year ended December 31, 2014, have been audited by another auditor who issued his unqualified opinion on these financial statements including one emphasis of matter paragraph dated March 8, 2015.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the consolidated financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements.

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

## Opinion

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the consolidated financial position of Arabian Cement Company as of December 31, 2015, the results of its consolidated operations and its consolidated cash flows for the year then ended in accordance with the Egyptian Accounting Standards and the applicable Egyptian laws and regulations relating to the preparation of these consolidated financial statements.

Cairo, March 23, 2016

  
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 Balance Sheet**  
**As of December 31, 2015**

	<u>Note</u>	<u>December 31, 2015</u>	<u>December 31, 2014</u>
	<u>No.</u>	<u>EGP</u>	<u>EGP</u>
<b><u>Non-current assets</u></b>			
Fixed assets (net)	(5)	2 546 154 219	2 676 733 351
Projects under construction	(6)	124 756 807	99 410 072
Intangible assets (net)	(7)	109 142 259	139 936 479
<b>Total non-current assets</b>		<b>2 780 053 285</b>	<b>2 916 079 902</b>
<b><u>Current assets</u></b>			
Inventory	(8)	198 339 836	201 761 865
Debtors and other debit balances (net)	(9)	66 249 751	56 679 974
Due from related parties	(10)	-	827 715
Cash and bank balances	(11)	379 206 624	159 366 746
<b>Total current assets</b>		<b>643 796 211</b>	<b>418 636 300</b>
<b><u>Current liabilities</u></b>			
Provisions	(12)	15 868 923	8 770 069
Bank overdraft	(14)	1 714 317	-
Current income tax liabilities	(22)	71 766 122	135 158 769
Creditors and other credit balances	(13)	529 421 515	336 514 326
Current portion of long - term loans	(14)	206 297 400	294 065 338
Current portion of long - term other liabilities	(15)	86 430 000	77 934 000
Due to related parties	(10)	51 765 814	3 905 131
<b>Total current liabilities</b>		<b>963 264 091</b>	<b>856 347 633</b>
<b>(Deficit in) working capital</b>		<b>(319 467 880)</b>	<b>( 437 711 333)</b>
<b>Total investment</b>		<b>2 460 585 405</b>	<b>2 478 368 569</b>
<b><u>Financed by:</u></b>			
<b><u>Shareholders' equity</u></b>			
Issued and paid-up capital	(16)	757 479 400	757 479 400
Legal reserve		156 122 086	129 463 619
Retained earnings		181 155 133	36 037 640
Net profits for the year		277 224 384	374 717 936
<b>Total shareholders' equity</b>		<b>1 371 981 003</b>	<b>1 297 698 595</b>
<b>Non-controlling interest</b>	(23)	<b>13 702</b>	<b>9 159</b>
<b>Total shareholders' equity and non-controlling interest</b>		<b>1 371 994 705</b>	<b>1 297 707 754</b>
<b><u>Non-current liabilities</u></b>			
Loans	(14)	357 584 237	341 739 770
Other liabilities	(15)	400 390 000	486 502 712
Deferred income tax liability	(17)	330 616 463	352 418 333
<b>Total non-current liabilities</b>		<b>1 088 590 700</b>	<b>1 180 660 815</b>
<b>Total finance of working capital and non-current assets</b>		<b>2 460 585 405</b>	<b>2 478 368 569</b>

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

Chief Financial Officer  
Allan Hestbeck

Chief Executive Officer  
Jose Maria Magrina

-Audit report attached.




**Arabian Cement Company**  
**An Egyptian Joint Stock Company**  
**Consolidated Income Statement**  
**For the Year Ended December 31, 2015**

	<u>Note</u>	<u>December 31, 2015</u>	<u>December 31, 2014</u>
	<u>No.</u>	<u>EGP</u>	<u>EGP</u>
Net sales	(18)	2 273 300 139	2 520 586 769
<b>Less:</b>			
Cost of sales	(19)	( 1 718 039 515)	( 1 784 610 553)
<b>Gross operating profits</b>		<b>555 260 624</b>	<b>735 976 216</b>
<b>(Less) / Add</b>			
General and administration expenses	(20)	(81 018 505)	(91 030 115)
Provisions	(12)	(12 660 442)	(2 584 364)
Reversal of provisions		—	555 431
Other operating income		1 662 397	1 223 200
Credit interest		2 957 672	826 015
Impairment in debtors	(9)	(5 631 155)	( 147 782)
<b>Net operating profits</b>		<b>460 570 591</b>	<b>644 818 601</b>
<b>(Less) / Add</b>			
Finance costs	(21)	(89 563 808)	(94 560 609)
Losses from foreign exchange differences		(44 003 603)	(25 856 362)
Capital gain / (Loss)		190 000	( 87 139)
<b>Net profits for the year before income tax</b>		<b>327 193 180</b>	<b>524 314 491</b>
Income tax	(22)	(49 964 253)	(149 591 732)
<b>Net profits for the year after income tax</b>		<b>277 228 927</b>	<b>374 722 759</b>
<b>Attributable to:</b>			
Owners of the parent		277 224 384	374 717 936
Non-controlling interest	(23)	4 543	4 823
<b>Net profits for the year after income tax</b>		<b>277 228 927</b>	<b>374 722 759</b>
<b>Earnings per share for the year</b>	(24)	<b>0.72</b>	<b>0.98</b>

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

Chief Financial Officer  
Allan Hestbech



Chief Executive Officer  
Jose Maria Magrina



Arabian Cement Company  
An Egyptian Joint Stock Company  
Consolidated Statement of Changes in Shareholders' Equity  
For the Year Ended December 31, 2015

Description	Note No.	Capital		Legal reserve		Retained earnings		Net profit for the year		Total shareholders' equity		Non-controlling interest		Total
		EGP		EGP		EGP		EGP		EGP				
Balance as of January 1, 2014		757 479 400		118 792 048		214 078 006		--		1 090 349 454		4 336		1 090 353 790
Transfer to legal reserve	(28)	--		10 671 571		(10 671 571)		--		--		--		--
Dividends distributed	(28)	--		--		(167 368 795)		--		(167 368 795)		--		(167 368 795)
Net profits for the year		--		--		--		374 717 936		374 717 936		4 823		374 722 759
Balance as of December 31, 2014		757 479 400		129 463 619		36 037 640		374 717 936		1 297 698 595		9 159		1 297 707 754
Balance as of January 1, 2015		757 479 400		129 463 619		410 755 576		--		1 297 698 595		9 159		1 297 707 754
Transfer to legal reserve	(28)	--		26 658 467		(26 658 467)		--		--		--		--
Dividends distributed	(28)	--		--		(202 941 976)		--		(202 941 976)		--		(202 941 976)
Net profits for the year		--		--		--		277 224 384		277 224 384		4 543		277 228 927
Balance as of December 31, 2015		757 479 400		156 122 086		181 155 133		277 224 384		1 371 981 003		13 702		1 371 994 705

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

Chief Financial Officer  
Allan Hestbech



Chief Executive Officer  
Jose Maria Magrina





**Arabian Cement Company**  
**An Egyptian Joint Stock Company**  
**Consolidated Statement of Cash Flows**  
**For the Year Ended December 31, 2015**

	Note No.	December 31, 2015 EGP	December 31, 2014 EGP
<b><u>Cash flows from operating activities</u></b>			
Net profits for the year before tax		327 193 180	524 314 491
<b><u>Adjusted by:</u></b>			
Fixed assets' depreciation	(5)	175 412 201	169 433 043
Intangible assets' amortization	(7)	30 794 220	22 519 999
Credit Interest		(2 957 672)	( 826 015)
Finance costs	(21)	89 563 808	94 560 609
Provisions	(12)	12 660 442	2 584 364
Reversal of provision		--	( 555 431)
Impairment in debtors	(9)	5 631 155	147 782
Provision used	(12)	(5 561 588)	( 369 693)
Losses from foreign exchange differences ***		41 789 105	12 738 963
Capital (gain) / Loss		( 190 000)	87 139
<b>Operating profit before changes in working capital</b>		<b>674 334 851</b>	<b>824 635 251</b>
Decrease / (increase) in inventory		3 422 029	(105 251 058)
(Increase) in debtors and other debit balances*		(18 598 327)	(4 432 401)
Decrease in due from related parties		827 715	198 802
Increase in creditors and other credit balances		181 842 856	37 102 305
Increase in due to related parties ****		1 860 683	1 983 482
Income Tax paid*		(131 525 949)	( 518 278)
<b>Net cash flows generated from operating activities</b>		<b>712 163 858</b>	<b>753 718 103</b>
<b><u>Cash flows from investing activities</u></b>			
Proceed from sale of assets		190 000	390 418
Payments for fixed assets**	(5)	(17 479 672)	(23 743 402)
Payments for projects under construction**	(6)	(52 700 132)	(125 378 267)
Change of investments in subsidiaries and joint venture		--	31 250
Interest income		2 957 672	826 015
<b>Net cash flows (used in) investing activities</b>		<b>(67 032 132)</b>	<b>(147 873 986)</b>
<b><u>Cash flows from financing activities</u></b>			
Payments of operation and electricity license		(77 616 712)	(74 052 704)
Interest paid		(78 499 474)	(97 430 044)
Net change in the loans		(113 712 577)	(235 585 317)
Dividends paid ****	(28)	(157 177 402)	(200 561 999)
Proceeds from bank overdraft		1 714 317	--
<b>Net cash flows (used in) financing activities</b>		<b>(425 291 848)</b>	<b>(607 630 064)</b>
<b>Net change in cash and cash equivalents during the year</b>		<b>219 839 878</b>	<b>(1 785 947)</b>
Cash and cash equivalents at the beginning of the year		159 366 746	161 152 693
<b>Cash and cash equivalents at the end of the year</b>	(11)	<b>379 206 624</b>	<b>159 366 746</b>

**Non-cash transactions**

\* Non-cash transactions represented in the income tax paid and debtors and other debit balances of EGP 3 397 395 have been eliminated.

\*\* Non-cash transactions represented in the transferred from projects under construction to fixed assets of EGP 27 353 397 have been eliminated.

\*\*\* Non-cash transactions represented in the net changes in the loans and the unrealized foreign exchange rate differences of EGP 41 789 105 have been eliminated.

\*\*\*\* The unpaid dividends for the main shareholder of EGP 46 000 000 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



**Arabian Cement Company**  
**An Egyptian Joint Stock Company**  
**Notes to the Consolidated Financial Statements**  
**For the Year Ended December 31, 2015**

**1. Incorporation and purpose**

**1.1 Incorporation**

- 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 March 23, 2016.
- The consolidated financial statements as of December 31, 2015 include the following companies:

Company	Classification	Ownership and voting as of December 31, 2015	Ownership and voting as of December 31, 2014
ACC for Management & Trading	Subsidiary	99%	99%
Andalus Concrete	Subsidiary	99.99%	99.96%
Andalus Reliance for Mining	Joint venture	50%	50%

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

**1.2 Company's term**

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

**1.3 Activities**

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

**1.4 Registration in stock market**

**Registration of company shares in stock market**

The shares of the company 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. Significant accounting policies**

### **2.1 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. 243 of 2006, 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.

### **2.2 Basis of preparation**

The consolidated financial statements have been prepared on the historical cost basis. In the application of the Group's accounting policies the management of the company is required to make judgments, estimates and assumptions about the carrying amounts of assets and liabilities that are not readily apparent from other sources. The estimates and associated assumptions are based on historical experience and other factors that are considered to be relevant. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an on-going basis. Revisions to accounting estimates are recognized in the period in which the estimates is revised if the revision affects only that period, or in the period of the revision and future periods if the revision affects both current and future periods.. Note No. (4) discloses the significant accounting estimates used and professional judgment applied in the preparation of the consolidated financial statements.

The principal accounting policies are set out below:

### **2.3 Basis of preparation of consolidation financial statements**

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

- All intra-group transactions, balances, unrealized income and expenses are eliminated in full on consolidation.
- The cost of acquisition has been eliminated in Arabian Cement Company against its share in subsidiaries equity.

Minority interest, represent their share in the equity and results of the entities that are controlled by the parent company and is classified as a separate line item in the consolidated financial statements added to it their share in the results of operation of these companies.

#### **2.4 Cost of acquisition**

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

- The fair value of the assets and liabilities owned by the company at the acquisition date to the extent of the parent company's interest acquired on that date.
- If the acquisition cost exceeds the parent company's share in the fair value of the assets and liabilities of the subsidiaries, the difference is treated as positive goodwill and recorded as intangible assets in the long term assets and is decreased by any impairment in its value on a regular basis.
- If the fair value of the assets and liabilities of the acquired subsidiaries in the acquisition date exceeds the acquisition cost, the difference treated as negative good will and totally recorded in the consolidated income statement as a bargain purchase gain.

#### **2.5 Non - consolidation**

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

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

#### **2.6 Subsidiary companies**

Arabian Cement Company (ACC) an Egyptian Joint Stock Company (Parent Company) owns subsidiary companies which have been consolidated in the consolidated financial statements as of December 31, 2015 which are as follows:

<b>Company</b>	<b>% Ownership</b>	<b>Nature of operation</b>
ACC for Management and Trading	99%	Providing managerial restructuring services for the companies, transportation for goods, preparation of feasibility studies to projects, projects management and general trading
Andalus Concrete	99.99%	Constructing and operating factory for manufacturing cement and concrete products along with trading in concrete and other constructions materials
Andalus Reliance for Mining	50%	Quarrying for the extraction of raw materials for clay, kaolin, gypsum, sand and general supplies.

#### **2.7 Joint venture**

- Joint venture is contractually agreed sharing of control over an economic activity, joint control exists only when operational, financial and strategic decisions related to the activity require the unanimous consent of the parties sharing control.
- The application of proportionate consolidation means that the financial statement of the venture includes its share of assets, liabilities, income and expenses of the jointly controlled entity.
- In case there are transactions within the Group, profits and losses are eliminated up to the parent company's share in the joint venture.

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

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

## **2.8 Foreign currency exchange**

### **Functional and presentation currency**

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

### **Transactions and balances**

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

## **2.9 Fixed assets and their depreciation**

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

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

Estimated useful lives of assets are as follows:

<b><u>Asset description</u></b>	<b><u>Estimated useful lives</u></b>
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; it is depreciated according to the estimated useful life for the line.

## **2.10 Projects under construction**

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

## **2.11 Intangible assets**

### **A- Goodwill**

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

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

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

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

### **B- Electricity supply agreement**

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

## **2.12 Investment in joint ventures**

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

## **2.13 Impairment of non-financial assets**

- Fixed assets 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.

#### **2.14 Inventories**

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

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

**The group evaluates inventory elements as follows**

- a. Raw materials: cost (moving average)
- b. Spare parts: cost (moving average)
- c. Finished goods: measured at the lower of manufacturing cost and net realizable value, the manufacturing cost comprises raw materials, direct labour and cost includes an appropriate share of overheads based on normal operation capacity.

#### **2.15 Cash and cash equivalents**

For the purpose of cash flow statement, cash and cash equivalent comprise cash on hand and demand deposits with original maturities of three months or less.

#### **2.16 Capital**

Ordinary shares are classified as equity.

#### **2.17 Borrowing**

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

#### **2.18 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).

#### **2.19 Trade payables**

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

#### **2.20 Lease**

##### **a- Finance lease**

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

##### **b- Operating lease**

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



## **2.21 Employee benefits**

### **Profit sharing**

The company pays 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.

## **2.22 Provisions**

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

## **2.23 Revenue recognition**

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

### **A. Sales of goods**

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

### **B. Interest income**

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

### **C. Dividends income**

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

#### **2.24 Borrowing cost**

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

#### **2.25 Transactions with related parties**

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

#### **2.26 Cash flows statement**

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

#### **2.27 Dividends**

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

#### **2.28 Comparatives figures**

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

#### **2.29 Legal Reserve**

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

Ratios were as follow:

<b>Company</b>	<b>Ratio</b>
Arabian Cement Company	10%
Andalus Concrete Company	10%
ACC for Management and Trading Company	5%
Andalus Reliance Mining Company	5%

### **3. Financial risk management**

#### **1. Financial risk factors**

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

#### **A. Market risk**

##### **Foreign exchange risk**

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

– The below table shows the foreign currency positions:

<u>Description</u>	<u>Assets</u> <u>EGP</u>	<u>Liabilities</u> <u>EGP</u>	<u>Net value at</u>	<u>Net value at</u>
			<u>December 31 2015</u> <u>EGP</u>	<u>December 31, 2014</u> <u>EGP</u>
USD	4 169 091	(544 000 223)	(539 831 132)	(437 595 664)
Euro	196 451	(19 120 271)	(18 923 820)	(22 907 453)

– The average exchange rate during the year was as follows:

	<u>December 31, 2015</u>	<u>December 31, 2014</u>
EGP/USD	7.70	7.13
EGP/Euro	8.61	9.42

#### Foreign Currency Exchange Losses

The Egyptian pound has declined against the US dollar and Euro during the second half of 2015

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 84 468 074. 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 964 545 637 as of December 31, 2015 against EGP 1 078 949 108 as of December 31, 2014.

#### B. Credit risk

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

#### C. Liquidity risk

Prudent liquidity risk management implies maintaining sufficient level of cash.

#### 2. Capital risk management

- The group objectives when managing capital are to safeguard the group ability to continue as a going concern in order to provide returns for shareholders and to maintain an optimal capital structure to reduce the cost of capital.
- The group monitors capital based on the gearing ratio. This ratio is calculated as net debt divided by total capital. Net debt is calculated as other liabilities, 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:

	<u>December 31, 2015</u>	<u>December 31, 2014</u>
	<u>EGP</u>	<u>EGP</u>
Loans (Note No. 14)	563 881 637	635 805 108
Other liabilities (Note No. 15)	486 820 000	564 436 712
Bank overdraft (Note No. 14)	1 714 317	--
Less: Cash and equivalent (Note No. 11)	<u>(379 206 624)</u>	<u>(159 366 746)</u>
<b>Net Debt</b>	<b><u>673 209 330</u></b>	<b><u>1 040 875 074</u></b>
Equity	<u>1 371 994 705</u>	<u>1 297 707 754</u>
<b>Capital</b>	<b><u>2 045 204 035</u></b>	<b><u>2 338 582 828</u></b>
<b>Net Debt / Capital</b>	<b><u>33%</u></b>	<b><u>45%</u></b>

- The decrease in the gearing ratio is mainly due to the payments of the loans and borrowings during the year and also due to the increase in the cash balance.

### **3. Fair value estimation**

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

### **4. Critical accounting estimates and judgments**

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

#### **a- Fixed assets - useful life**

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

#### **b- Income tax**

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

#### **c- Intangible assets - useful life**

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

#### **d- Impairment of goodwill:**

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

5. Fixed assets (net)

<u>Cost</u>	<u>Land</u> <u>EGP</u>	<u>Building</u> <u>EGP</u>	<u>Vehicles</u> <u>EGP</u>	<u>Machinery</u> <u>and</u> <u>equipment</u> <u>EGP</u>	<u>Other</u> <u>installations</u> <u>EGP</u>	<u>Computer</u> <u>and software</u> <u>EGP</u>	<u>Furniture, fixtures</u> <u>and office</u> <u>equipment</u> <u>EGP</u>	<u>Total</u> <u>EGP</u>
Balance at January 1, 2015	50 243 436	519 369 298	20 534 738	2 603 648 442	255 311 441	10 289 147	6 374 867	3 465 771 369
Additions	--	5 696 560	1 396 678	1 086 202	6 977 566	848 713	1 473 953	17 479 672
Transfer from projects under construction	--	6 248 392	--	11 308 599	9 796 406	--	--	27 353 397
Disposals	--	--	( 617 026)	--	--	--	--	( 617 026)
<b>Cost as of December 31, 2015</b>	<b>50 243 436</b>	<b>531 314 250</b>	<b>21 314 390</b>	<b>2 616 043 243</b>	<b>272 085 413</b>	<b>11 137 860</b>	<b>7 848 820</b>	<b>3 509 987 412</b>
<b>Accumulated depreciation:</b>								
Balance at January 1, 2015	--	93 220 526	8 023 856	631 544 985	45 813 534	8 924 830	1 510 287	789 038 018
Depreciation	--	27 893 786	2 357 757	130 408 361	13 326 815	853 359	572 123	175 412 201
Accumulated depreciation of disposals	--	--	( 617 026)	--	--	--	--	( 617 026)
<b>Accumulated depreciation as of December 31, 2015</b>	<b>--</b>	<b>121 114 312</b>	<b>9 764 587</b>	<b>761 953 346</b>	<b>59 140 349</b>	<b>9 778 189</b>	<b>2 082 410</b>	<b>963 833 193</b>
<b>Net book value as of December 31, 2015</b>	<b>50 243 436</b>	<b>410 199 938</b>	<b>11 549 803</b>	<b>1 854 089 897</b>	<b>212 945 064</b>	<b>1 359 671</b>	<b>5 766 410</b>	<b>2 546 154 219</b>
<b>Net book value at December 31, 2014</b>	<b>50 243 436</b>	<b>426 148 772</b>	<b>12 510 882</b>	<b>1 972 103 457</b>	<b>209 497 907</b>	<b>1 364 317</b>	<b>4 864 580</b>	<b>2 676 733 351</b>

\* 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.14).

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

\*\*\* 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 No. (2-20).

<u>Five years contracts</u>	<u>December 31, 2015</u>	<u>December 31, 2014</u>
	<u>EGP</u>	<u>EGP</u>
Total contracted lease payments	61 912 392	49 549 083
Bargain purchase value	1	1
Average useful life	5 years	5 years
Lease payments during the year	12 426 839	9 516 691

### Liabilities of financing lease contracts

The liabilities of financing lease contracts amounted to the following:

<u>Not later than 1 year</u>	<u>Later than 1 year and not later than 2 years</u>	<u>Later than 2 years</u>	<u>Total</u>
<u>EGP</u>	<u>EGP</u>	<u>EGP</u>	<u>EGP</u>
10 562 915	3 845 968	3 702 584	18 111 467

#### 6. Projects under construction

	<u>December 31 2015</u>	<u>December 31, 2014</u>
	<u>EGP</u>	<u>EGP</u>
Balance as of the beginning of the year	99 410 072	143 613 902
Additions	51 381 120	121 552 211
Advance to suppliers	1 319 012	3 826 056
Transferred to fixed assets	(27 353 397)	(169 582 097)
<b>Balance as of the end of the year</b>	<b>124 756 807</b>	<b>99 410 072</b>

- Projects under construction are represented in the following categories:

	<u>December 31, 2015</u>	<u>December 31, 2014</u>
	<u>EGP</u>	<u>EGP</u>
Buildings	11 462 495	12 748 477
Machinery and equipment	108 636 763	81 751 998
Other installations	3 338 537	1 083 541
Advances to suppliers	1 319 012	3 826 056
	<b>124 756 807</b>	<b>99 410 072</b>

- 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 next year.



7. Intangible assets (net)

	<u>Electricity supply agreement*</u>	<u>Goodwill**</u>	<u>Total</u>
	<u>EGP</u>	<u>EGP</u>	<u>EGP</u>
<u>Costs</u>			
Balance as of December 31, 2015	225 200 000	8 274 220	233 474 220
<u>Amortization</u>			
Balance as of January 1, 2015	(93 537 741)	--	(93 537 741)
Year amortization	(22 520 000)	--	(22 520 000)
Balance as of December 31, 2015	(116 057 741)	--	(116 057 741)
Impairment in Goodwill	--	(8 274 220)	(8 274 220)
Net book value as of December 31, 2015	109 142 259	--	109 142 259
Net book value as of December 31, 2014	131 662 259	8 274 220	139 936 479

\* 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 installment.
- 120 monthly instalments due on the first of every month from February 2011 amounted by EGP 1.342 million per each installment.
- In addition to EGP 8 million for the allocation of two cells of the traditional type, to be paid in four quarterly instalments and the last instalment is due on February 1, 2011.

\*\* On December 2012, the Arabian Cement Company acquired 99.96% from the shares of Andalus for Concrete through purchase. Such transaction resulted in a goodwill amounting to EGP 8 274 220, which represents the surplus of the acquisition cost compared to the value of the net assets of the acquired company, and it was reduced by the impairment value in its recoverable amount as of December 31, 2015.

8. Inventory

	<u>December 31, 2015</u>	<u>December 31, 2014</u>
	<u>EGP</u>	<u>EGP</u>
Raw materials and fuels	118 690 391	119 331 413
Packing materials	16 014 996	26 249 417
Spare parts	31 513 130	27 224 041
WIP	1 397 426	484 977
Finished goods	30 723 893	28 472 017
	<u>198 339 836</u>	<u>201 761 865</u>

9. Debtors and other debit balances (net)

	<u>December 31, 2015</u>	<u>December 31, 2014</u>
	<u>EGP</u>	<u>EGP</u>
Advance to suppliers	26 245 060	23 172 087
Deposits with others	23 813 241	18 532 389
Employees dividends in advance	8 420 566	4 902 600
Withholding tax	4 909 569	5 024 473
Trade debtors	5 500 032	4 092 187
Letter of credit	532 986	532 986
Imprest – employee’s loan	2 265 488	514 009
Other debit balances	307 697	22 976
Letter of guarantee cover	34 049	34 049
<b>Total</b>	<u>72 028 688</u>	<u>56 827 756</u>
<b>Less:</b>		
Impairment in debtors	(5 778 937)	(147 782)
	<u>66 249 751</u>	<u>56 679 974</u>

10. Related parties transactions

Due from related parties:

	<u>December 31, 2015</u>	<u>December 31, 2014</u>
	<u>EGP</u>	<u>EGP</u>
Cementos La Unión Chile, S.A.	--	420 637
Cementos Santo Domingo Company	--	407 078
	<u>--</u>	<u>827 715</u>

Due to related parties:

	<u>December 31, 2015</u>	<u>December 31, 2014</u>
	<u>EGP</u>	<u>EGP</u>
Cementos La Union – Spain Company	1 054 163	2 156 734
Andalus Reliance for Mining Company	2 184 464	1 653 193
Aridos Jativa Company	46 534 200	95 204
Reliance Heavy Industrial	1 992 987	--
	<u>51 765 814</u>	<u>3 905 131</u>

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

Company	Relation type	Transaction nature	Volume of transactions	
			December 31, 2015	December 31, 2014
			EGP	EGP
Aridos Jativa Company	Main shareholder	Services	1 250 658	1 397 247
		Dividends payable	46 000 000	--
Andalus Reliance for Mining Company	Joint Ventures	Purchase	32 087 263	26 023 661
Reliance Heavy Industrial	Related party	Purchase	27 910 760	23 891 941
		Service revenue	1 225 132	71 289
Cementos Santo Domingo Company	Subsidiary of the parent	Sales	--	656 957
Cementos La Union – Spain Company	Subsidiary of the parent	Purchase	1 045 163	2 171 142
Hormiunion, S.L.	Subsidiary of the parent	Purchase	--	767 685

- Aridos Jativa Company renders consulting services for Arabian Cement Company.
- Andalus Reliance for Mining Company supplies the raw materials to Arabian Cement Company.
- Reliance Heavy Industrial sells raw materials to Andalus Reliance for Mining Company, and Andalus Reliance for Mining Company supervises Reliance Heavy Industrial Company.
- Arabian Cement Company sold silos to Cementos Santo Domingo.
- Cementos La Union – Spain renders technical support services and supplying assets for Arabian Cement Company.
- Hormiunion, S.L. Company supplied new batch plant for Andalus Concrete and Arabian Cement Company paid on its behalf, while Andalus Concrete paid this amount to Arabian Cement Company during 2014.

Amounts paid for the Board of Directors members during the year

	<u>December 31, 2015</u>	<u>December 31, 2014</u>
	<u>EGP</u>	<u>EGP</u>
Board of Directors allowance	17 066 608	16 111 169
Board of Directors Salaries and wages	7 708 884	7 173 556
	<u>24 775 492</u>	<u>23 284 725</u>

## 11. Cash and bank balances

	<u>December 31, 2015</u>	<u>December 31, 2014</u>
	<u>EGP</u>	<u>EGP</u>
Cash on hand	4 119 905	2 469 502
Current account – local currency	368 897 270	113 427 939
Current account – foreign currency	4 200 981	21 669 800
Bank deposits	1 988 468	21 799 505
	<u>379 206 624</u>	<u>159 366 746</u>
	<u>December 31, 2015</u>	<u>December 31, 2014</u>
Average interest rates for bank deposits – USD	0.45%	0.06%
Average interest rates for bank deposits – EGP	5.71%	7%
Maturity period for bank deposits	214 Days	243 Days

### Cash and cash equivalent include restricted cash as follows:

	<u>December 31, 2015</u>	<u>December 31, 2014</u>
	<u>EGP</u>	<u>EGP</u>
Cash at banks	196 203 618	104 790 065
Restricted cash at banks*	183 003 006	54 576 681
<b>Total</b>	<u>379 206 624</u>	<u>159 366 746</u>

\* The restricted cash represents the value of two instalments for both the first and the second loans due during 2015 and the instalment due on the first of January 2016, And also includes the accrued interest on these instalments after rescheduling the due instalments related to the facilities granted to the company, In addition to a margin of 20% of the total due instalments in anticipation of increase in the exchange rate for the foreign currency, The bank has restricted a balance covering the foreign currency instalment, until the foreign currency is available.

## 12. Provisions

	<u>Balance at</u> <u>December 31, 2014</u>	<u>Additions</u> <u>during the</u> <u>year</u>	<u>Used during</u> <u>the year</u>	<u>Balance at</u> <u>December 31, 2015</u>
Provisions	8 770 069	12 660 442	(5 561 588)	15 868 923
	<u>8 770 069</u>	<u>12 660 442</u>	<u>(5 561 588)</u>	<u>15 868 923</u>

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

**13. Creditors and other credit balances**

	<u>December 31, 2015</u>	<u>December 31, 2014</u>
	<u>EGP</u>	<u>EGP</u>
Trade payable	289 654 854	137 629 081
Advance payment from customers	173 377 453	118 634 063
Accrued development fees	15 106 346	35 771 621
Accrued customers rebates	862 426	177 630
Taxes	7 839 172	15 022 216
Accrued interest	27 174 026	15 853 110
Retention	4 602 524	6 224 626
Accrued expenses	10 804 714	7 201 979
	<u>529 421 515</u>	<u>336 514 326</u>

**14. Loans**

	<u>December 31, 2015</u>	<u>December 31, 2014</u>
	<u>EGP</u>	<u>EGP</u>
Current portion from loans	206 297 400	294 065 338
Non- current portion from loans	357 584 237	341 739 770
	<u>563 881 637</u>	<u>635 805 108</u>

These loans are represented in the following:

	<u>December 31, 2015</u>	<u>December 31, 2014</u>
	<u>EGP</u>	<u>EGP</u>
First loan	245 864 189	227 188 125
Second loan	253 237 593	335 159 098
Third loan	--	22 578 914
Fourth loan	64 779 855	50 878 971
	<u>563 881 637</u>	<u>635 805 108</u>

**First loan**

- On September 2006, the company obtained a loan from the National Bank of Egypt amounting to USD 103.9 million. On January 31, 2008, the bank approved to increase the loan to be USD 149 million to cover the increase in the investment cost, in addition to finance 15% of the operating license cost.
- The loan duration is 10 years including two years of grace period at an interest rate of 1.6% plus Libor during the first five years of the loan and an interest rate of 1.7% plus Libor during the following five years.
- On May 27, 2015, the National Bank of Egypt agreed to restructure the due installments, to be paid over 16 equal quarterly installments, in addition to the interest which will be added every three months, and paid with the installments. The applied interest rate will be amended to become with a marginal profits of 4%, above the Libor rate for six months.
- On October 13, 2015, the National Bank of Egypt agreed to postpone the payment of the two installments due on the first of July 2015 and the first of October 2015, with a total value of USD 4 million, to be paid on the first of January 2016 and the first of April 2016, as well as the due interest.

### Second loan

- On January 31, 2008, the company obtained a loan from National Bank of Egypt amounted to USD 142 million to finance the second production and 25% of the second line's operating license cost. The loan included a portion by Egyptian Pounds equivalent to USD 57 million.
- The loan duration is 10 years including two years of grace period at an interest rate of 1.5% plus Libor for the USD portion of the loan, and 11% for the Egyptian Pounds portion.
- On May 27, 2015, the National Bank of Egypt agreed to restructure the due installments for the USD portion only, to be paid over 16 equal quarterly installments, in addition to the interest which will be added every three months, and paid with the installments. The applied interest rate will be amended to be at a marginal profit of 4%, above the Libor rate for six months.
- On July 29, 2015, the Egyptian pound portion loan balance was fully paid.
- On October 13, 2015, the National Bank of Egypt agreed to postpone the payment of the two installments due on the first of July 2015 and the first of October 2015, with a total value of USD 4 million, to be paid on the first of January 2016 and the first of April 2016, as well as the due interest.

### Third loan

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

### Fourth loan

- On June 20, 2013, the company obtained a loan from the National bank of Egypt amounted to EGP 70 million to finance 70% of the total investment cost which amounted to EGP 100 million, which is needed for new project held by the company for the purpose of using the solid and agricultural wastes as an alternative fuel for the natural gas in the process of manufacturing. The financing shall be used in the payment of the suppliers and contractors accruals.
- The loan duration is 6 years starting from the first withdrawal, at the rate by 2% plus corridor at a minimum rate of 12%, in addition to a monthly commission.
- The company shall enjoy a grant amounting to 20% of the value of the financing amount from the bank, provided that the following conditions are met:
  - The utilization of the finance in its intended purpose.
  - Commitment to the financing conditions including the payments terms.
  - Issuing the required certificate from the Environmental Affairs Department, which indicates the pollution reduction according to the prepared study.



### Bank overdraft

- On May 27, 2015, it has been also approved to increase the current overdraft limit of the company from EGP 50 million to become EGP 120 million, at the same originally specified terms and conditions at an interest rate of 2% above the corridor borrowing rate. The debt was fully paid on September 30, 2015.
- 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 1 714 317 on December 31, 2015.

### The loans guarantees

- There is a first degree real estate mortgage with excellence in favor of the National Bank of Egypt as a guarantee for all loans and facilities granted by the bank. The mortgage is on the company's land and all current and future buildings and constructions, and not sell, mortgage, waive, lease, or provide power of attorney to sell or mortgage unless there is a prior written consent from the bank
- There is a first degree commercial mortgage with excellence in favor of the National Bank of Egypt on the company's plant tangible and intangible assets.
- The company is committed not to allow exit of the major shareholders in the project (especially the Spanish Company) until the payment of the 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.

## 15. Long term liabilities

### Current portion

	<u>December 31, 2015</u>	<u>December 31, 2014</u>
Operating license*	67 968 000	59 472 000
Electricity contract**	18 462 000	18 462 000
<b>Total</b>	<b>86 430 000</b>	<b>77 934 000</b>
<u>Long-term Portion</u>		
Operating license*	332 696 000	383 672 000
Electricity contract**	67 694 000	86 156 000
Notes payable***	--	16 674 712
	<b>400 390 000</b>	<b>486 502 712</b>

**\* 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 December 31, 2015, the overdue and not paid installments amounted to EGP 32 million including the interest, presented as 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.

**\*\*\* Notes payable**

- The long-term notes payable represent the value of the installment due after more than one year. These amounts are due to the suppliers who are working on the construction of the alternative fuel, which will be used in cement production operation.
- The installments will be paid over equal semi-annual installments, and the last installment will be due in December 2016. An interest rate of 7% is calculated for the alternative fuel generation line and 9.5% for the coal project.
- The amount of EGP 23 157 168, representing the value of the installments payable during 2016, in addition to the installment due in December 2015, was stated in current liabilities under the item of trade payables.

## 16. Capital

	<u>December 31, 2015</u>	<u>December 31, 2014</u>
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
<b>Issued and paid-up capital</b>	<b><u>757 479 400</u></b>	<b><u>757 479 400</u></b>

- 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.

## 17. Deferred income tax generating an asset or a liability

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

	<u>December 31, 2015</u>	<u>December 31, 2014</u>
	<u>EGP</u>	<u>EGP</u>
Fixed assets and intangible assets	330 616 463	352 418 333
<b>Total</b>	<b><u>330 616 463</u></b>	<b><u>352 418 333</u></b>

The movement of the deferred tax liability is as follows:

	<u>December 31, 2015</u>	<u>December 31, 2014</u>
	<u>EGP</u>	<u>EGP</u>
Balance at the beginning of the year	352 418 333	337 985 370
Deferred tax charged to the income statement (Note No.22)	(21 801 870)	14 432 963
<b>Balance at the end of the year</b>	<b><u>330 616 463</u></b>	<b><u>352 418 333</u></b>

– With reference to Note No. (29), related to the modification of the tax rate, if the new tax rate was applied at the rate of 22.5% instead of 25%, then the deferred tax balance at the beginning of the year would become EGP 317 176 500 instead of EGP 352 418 333.

**18. Net sales**

	<u>December 31, 2015</u>	<u>December 31, 2014</u>
	<u>EGP</u>	<u>EGP</u>
Local sales	2 748 659 747	2 809 558 372
Export sales	13 462 034	4 045 800
Services	63 701 339	42 460 919
<b>Total sales</b>	<b><u>2 825 823 120</u></b>	<b><u>2 856 065 091</u></b>
<b>Less</b>		
Sales discount and returns	(552 522 981)	(335 478 322)
	<b><u>2 273 300 139</u></b>	<b><u>2 520 586 769</u></b>

**19. Cost of sales**

	<u>December 31, 2015</u>	<u>December 31, 2014</u>
	<u>EGP</u>	<u>EGP</u>
Raw material	1 429 408 240	1 606 615 844
Manufacturing depreciation	175 410 975	169 431 156
Electricity supply agreement amortization	22 520 000	22 519 999
Overhead cost	85 704 714	90 913 832
Change in inventory	4 995 586	(104 870 278)
<b>Total</b>	<b><u>1 718 039 515</u></b>	<b><u>1 784 610 553</u></b>

**20. General and administrative expenses**

	<u>December 31, 2015</u>	<u>December 31, 2014</u>
	<u>EGP</u>	<u>EGP</u>
Professional fees	11 037 657	28 477 178
Salaries and wages	35 510 673	33 283 948
Security and cleaning services	4 696 770	5 056 495
Rentals	4 205 372	3 336 422
Transportation	2 401 994	3 699 316
Advertising and public relations	4 876 042	10 197 105
Real estate tax	1 000 674	--
Other expenses	17 289 323	6 979 651
	<b><u>81 018 505</u></b>	<b><u>91 030 115</u></b>

**21. Finance costs**

	<u>December 31, 2015</u>	<u>December 31, 2014</u>
	<u>EGP</u>	<u>EGP</u>
Loan interest expense	25 947 612	36 113 430
Operation licence interest expense	45 024 000	45 024 000
Electricity agreement interest expense	12 282 000	12 282 000
Bank overdraft interest expense	2 349 542	--
Long-term notes payable interest expense	3 960 654	1 141 179
	<u>89 563 808</u>	<u>94 560 609</u>

**22. Income tax**

	<u>December 31, 2015</u>	<u>December 31, 2014</u>
	<u>EGP</u>	<u>EGP</u>
Deferred income tax (Note No. 17)	(21 801 869)	14 432 963
Current income tax	71 766 122	135 158 769
	<u>49 964 253</u>	<u>149 591 732</u>
<b><u>Effective tax rate</u></b>		
Net profit before income tax	327 193 180	524 314 491
Tax using current tax rates 22.5% (30% regarding 2014)	73 618 466	157 147 200
<b><u>Add:</u></b>		
Effect of accounting depreciation and amortization	44 217 146	57 585 912
Effect of expenses non-deductible for tax purpose	2 946 761	1 973 662
Effect of Provisions	4 041 935	819 644
Effect of Capital loss	--	26 142
<b><u>Less:</u></b>		
Effect of taxable deprecation	(51 929 790)	(82 227 162)
Effect of used provision	(1 062 208)	--
Effect of capital gain	(42 750)	--
Effect of investment income	(23 438)	--
Effect of provision no longer required	--	(166 629)
<b>Income tax according to effective tax rate</b>	<u>71 766 122</u>	<u>135 158 769</u>

\* The company calculated the income tax for the year ended December 31, 2015, according to the provisions of Law No. 96 of 2015, to amend some provisions of the income tax, issued by Law No. 91 of 2005, and the Decree No. 44 of 2014 at the rate of 22,5% annually (refer to Note No. 29).

### 23. Non- Controlling interest

Non – controlling interest amounted to EGP 13 702 as of December 31, 2015 which represents the percentage of 0.04% from Andalus Concrete Company and 1% from ACC for Management Company.

	<u>Capital</u>	<u>Non – Controlling interest for acquired subsidiaries</u>	<u>Retained earning</u>	<u>December 31, 2015</u>	<u>December 31, 2014</u>
	<u>EGP</u>	<u>EGP</u>	<u>EGP</u>	<u>EGP</u>	<u>EGP</u>
Balance at January 1,	2 500	(1 672)	8 331	9 159	4 336
Net profits for the year	--	--	4 543	4 543	4 823
Ending balance	<u>2 500</u>	<u>(1 672)</u>	<u>12 874</u>	<u>13 702</u>	<u>9 159</u>

- On September 2, 2015, the Extraordinary General Assembly of Andalus Concrete Company decided to increase its capital in the amount of EGP 11 800 000 (only eleven million, and eight hundred thousand Egyptian pounds), and this increase allocated to Arabian Cement Company, and therefore its capital share became 99.99%.The increase was registered at the Commercial Register on December 22, 2015.

### 24. Earnings per share for the year

	<u>December 31, 2015</u>	<u>December 31, 2014</u>
	<u>EGP</u>	<u>EGP</u>
Net profits For the year	277 224 384	374 717 936
Employees share in the dividends*	(4 170 617)	(4 902 600)
Distributable net profit For the year	<u>273 053 767</u>	<u>369 815 336</u>
Weighted average number of shares during the year	<u>378 739 700</u>	<u>378 739 700</u>
Earnings per share for the year	<u>0.72</u>	<u>0.98</u>

\* Employees' share in the dividends of the six months ended December 31, 2015 was estimated based on dividends paid to the employee in advance during 2015.

### 25. Contingent liabilities

On December 31, 2015, 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 1 376 741.

### 26. Tax position

- Due to the nature of the tax assessment process in Egypt, the final outcome of the assessment by the Tax Authority might not be realistically estimated. Therefore, additional liabilities are contingent upon the tax inspection and assessment of the Tax Authority.

– Below is a summary for the tax position of the group:

- **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.

**27. Capital commitment**

The capital commitment as of December 31, 2015, related to fixed assets acquisition, amounted to EGP 4 229 664.



**28. Dividends distribution:**

On March 25, 2015, the company's General Assembly Meeting approved the profits distribution on the shareholders according to the distributable profits for the financial year ended December 31, 2014 as follows:

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

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

**29. Amendments on the new tax law**

- On April 6, 2015, the Minister of Finance issued Decree No. 172 of 2015, whereby Article No. 70 of the executive regulation of the Income Tax Law was cancelled.
- On August 20, 2015, the Law No. 96 of 2015 was issued to amend certain provisions of the Income Tax Law issued by Law No. 91 of 2005, and Decree No. 44 of 2014. The Law was published in the same date of issuance, to be effective the day following its publication date.
- The most important amendments to this law are as follows:
  1. Ensuring that the other bracket of the income tax (the additional tax) at the rate of 5% is only one year for taxable profits exceeding EGP 1 million, which represents year 2014.
  2. The tax rate will be 22.5% instead of 25% of the annual taxable profits.

**30. Egyptian Accounting Standards amendments**

The Minister of Investment's Decree No. (110) of 2015, was issued on July 9, 2015. It has been decided to replace and supersede the former Egyptian Accounting Standards for the preparation and presentation of financial statements. The application of the former Egyptian Accounting Standards issued by Ministerial Decree No. 243 of 2006 was cancelled, effective as of the date of applying this Decree. This Decree was published in the Official Gazette, and shall be effective as of January 1, 2016, and will be applied on the entities whose fiscal year starts on that date or on a subsequent date.

31. **Comparative figures**

Some comparative figures of the previous year for some items of the consolidated financial statements were reclassified to conform to the current year's presentation of the consolidated financial statements.

32. **Proposed profit distribution for Arabian Cement Company for the year ended as of December 31, 2015**

EGP	31/12/2015	31/12/2014
Net profits for the year	289 443 293	373 130 564
Retained earnings at beginning of the year	178 626 876	213 095 391
Profit attributable to shareholders during 2014	--	(164 027 396)
Profit attributable to employees during 2014	--	(3 341 399)
<b>Distributable net profits</b>	<b>468 070 169</b>	<b>418 857 160</b>
<b><u>Distributed as the follows:</u></b>		
Legal reserve	(28 944 329)	(37 313 056)
Profit attributable to shareholders	(200 732 041)	(200 732 041)
Profit attributable to employees	(4 170 617)	(2 185 187)
<b>Retained earnings at end of the year</b>	<b>234 223 182</b>	<b>178 626 876</b>

Chief Financial Officer

Allan Hestbech



Chief Executive Officer

Jose Maria Magrina

