ARABIAN CEMENT COMPANY
AND ITS SUBSIDIARIES (S.A.E.)

INDEPENDENT AUDITORS' REPORT
AND CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2013

Grant Thornton Mohamed Hilal **Mansour & Co. PricewaterhouseCoopers**

ARABIAN CEMENT COMPANY AND ITS SUBSIDIARIES (S.A.E.)

Consolidated financial statements - For the year ended 31 December 2013

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Independent auditors' report

To: The Shareholders of Arabian Cement Company "S.A.E."

Report on the consolidated financial statements

We have audited the accompanying consolidated financial statements of Arabian Cement Company and its subsidiary "S.A.E." "the Group" which comprise the consolidated balance sheet as of 31 December 2013 and the consolidated income statement, consolidated statement of changes in equity and consolidated cash flows statement for the year then ended and a summary of significant accounting policies and other explanatory notes.

Management's responsibility for the consolidated financial statements

Management is responsible for the preparation and fair presentation of these consolidated financial statements in accordance with Egyptian Accounting Standards and with the requirements of applicable Egyptian laws and regulations. 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 Egyptian Standards on Auditing and in light with applicable Egyptian laws and regulation. Those Standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the Group'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 Group'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.

The Shareholders of Arabian Cement Company and its Subsidiary "S.A.E."
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Opinion

In our opinion, the accompany consolidated financial statements present fairly, in all material respects, the financial position of the Group as of 31 December 2013, and its financial performance and its cash flows for the year then ended in accordance with Egyptian Accounting Standards and with the requirements of applicable Egyptian laws and regulations.

Report on other legal and regulatory requirements

The Company keeps proper financial records, which includes all that is required by the law and each Company's statute, and the accompanying financial statements are in agreement therewith, the Group applies a proper costing system, and the inventory counts were taken in accordance with recognised practices.

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E.F.S.A. 147
Grant Thornton Mohamed Hilal

Ahmed Gamal El-Atrees
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4 February 2014
Cairo

Grant Thornton - Mohamed Hilal
Public Accountants
The Egyptian Member Firm of
Grant Thornton International

Mansour & Co. PricewaterhouseCoopers
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ARABIAN CEMENT COMPANY AND ITS SUBSIDIARIES (S.A.E.)

Consolidated balance sheet - At 31 December 2013

(All amounts in Egyptian Pounds)

	Note	2013	2012
Non-current assets			
Property, plant and equipment-net	5	2,653,318,452	2,803,822,663
Project under constructions	6	143,613,902	9,229,356
Investments in Joint venture	7	31,250	-
Intangible assets-net	8	162,456,478	184,976,477
Total non-current assets		**2,959,420,082**	**2,998,028,496**
Current assets			
Inventory	9	96,510,807	67,505,500
Trade debtors and other debit balances	10	39,925,935	337,849,685
Due from related parties	11	1,758,966	1,800,602
Cash and bank balances	12	161,152,693	162,506,136
Total current assets		**299,348,401**	**569,661,923**
Current liabilities			
Provisions	13	7,110,829	924,665
Current tax liability		518,278	-
Trade payables and other credit balances	14	316,233,689	242,260,500
Due to related parties	11	1,921,649	1,316,838
Borrowings	15	337,970,515	346,848,480
Current portion long-term liabilities	16	69,438,000	69,438,000
Total current liabilities		**733,192,960**	**660,788,483**
Working capital		**(433,844,559)**	**(91,126,560)**
Net invested funds		**2,525,575,523**	**2,906,901,936**
Represented in:			
Equity			
Paid up capital	17	757,479,400	757,479,400
Legal reserve	18	118,792,048	76,938,113
Retained earnings		214,078,006	359,466,968
Total shareholder's equity		**1,090,349,454**	**1,193,884,481**
Minority interest	19	4,336	3,020
Total equity		**1,090,353,790**	**1,193,887,501**
Non-current liabilities			
Borrowings	15	520,680,947	787,545,305
Deferred income tax liabilities	20	337,985,370	318,107,130
Long term liabilities	16	576,555,416	607,362,000
Total non-current liabilities		**1,435,221,733**	**1,713,014,435**
Total equity and non-current liabilities		**2,525,575,523**	**2,906,901,936**

The accompanying notes on pages 7 – 34 form an integral part of these consolidated financial statements.

Sherif Salib

Sherif Salib
Chief Financial Officer

Jose Maria

Jose Maria Magrina
Chief Executive Officer

3 February 2014

Independent auditors' report attached

ARABIAN CEMENT COMPANY AND ITS SUBSIDIARIES (S.A.E.)

Consolidated statement of income - For the year ended 31 December 2013

(All amounts are in Egyptian Pounds)

	Note	2013	2012
Sales-net	21	2,075,452,431	1,853,916,620
Cost of sales	22	(1,398,812,119)	(1,192,962,233)
Gross profit		**676,640,312**	**660,954,387**
General and administrative expenses	23	(57,082,529)	(54,308,381)
Provisions	13	(6,338,531)	-
Other income	24	13,516,433	6,176,168
Profit from operations		**626,735,685**	**612,822,174**
Finance Cost, net	25	(186,930,833)	(169,312,613)
Profit before tax		**439,804,852**	**443,509,561**
Income tax	26	(20,486,537)	(44,140,750)
Net profit after taxes		**419,318,315**	**399,368,811**
Distributed as follows:			
Shareholder's equity		419,316,999	399,366,923
Minority interest	19	1,316	1,888
Net profit for the year		**419,318,315**	**399,368,811**
Basic earning per share	27	**54.73**	**51.94**
Diluted earning per share	27	**1.09**	**1.04**

The accompanying notes on pages 7 – 34 form an integral part of these consolidated financial statements.

ARABIAN CEMENT COMPANY AND ITS SUBSIDIARIES (S.A.E.)

Consolidated statement of changes in equity - For the year ended 31 December 2013

(All amounts are in Egyptian Pounds)

	Paid up capital	Legal reserve	Retained earnings	Total	Minority interest	Total Shareholders' equity
Balance at 1 January 2012	**757,479,400**	**37,009,572**	**135,605,913**	**930,094,885**	**804**	**930,095,689**
Net profit for the year	-	-	399,366,923	**399,366,923**	1,888	**399,368,811**
Transfer to legal reserve	-	39,928,541	(39,928,541)	-	-	-
Minority share in subsidiaries capital	-	-	-	-	2,000	**2,000**
Minority share in acquired subsidiaries	-	-	-	-	(1,672)	**(1,672)**
Dividends declaration	-	-	(135,577,327)	**(135,577,327)**	-	**(135,577,327)**
Balance at 31 December 2012	**757,479,400**	**76,938,113**	**359,466,968**	**1,193,884,481**	**3,020**	**1,193,887,501**
Balance at 1 January 2013	**757,479,400**	**76,938,113**	**359,466,968**	**1,193,884,481**	**3,020**	**1,193,887,501**
Net profit for the year	-	-	419,316,999	**419,316,999**	1,316	**419,318,315**
Transfer to legal reserve	-	41,853,935	(41,853,935)	-	-	-
Dividends declaration	-	-	(522,852,026)	**(522,852,026)**	-	**(522,852,026)**
Balance at 31 December 2013	**757,479,400**	**118,792,048**	**214,078,006**	**1,090,349,454**	**4,336**	**1,090,353,790**

The accompanying notes on pages 7 – 34 form an integral part of these consolidated financial statements.

ARABIAN CEMENT COMPANY AND ITS SUBSIDIARIES (S.A.E.)

Consolidated cash flows statement - For the year ended 31 December 2013

(All amounts are in Egyptian Pounds)

	Notes	2013	2012
Cash flows from operating activities			
Net profit before tax		439,804,852	443,509,561
Adjustments for:			
Interest income	25	(1,468,411)	(2,825,543)
Interest Expense	25	119,696,449	132,248,520
Depreciation expense	5	166,203,962	163,078,306
Amortization of intangible assets	8	22,519,999	22,519,712
Gain from Sale of fixed assets		-	1,475,906
Provisions	13	6,338,531	-
		753,095,382	**760,006,462**
Changes in working capital			
Due to related parties		604,811	(10,217,141)
Trade debtors and other debit balances		254,670	(19,407,110)
Inventories		(29,005,307)	(4,464,515)
Trade payables and other credit balance		22,135,277	50,206,808
Provisions used	13	(152,367)	(79,888)
Due from related parties		41,636	4,422,742
Cash generated from operations		**746,974,102**	**780,467,358**
Income taxes paid		(37,762)	(7,603)
Net cash flows generated from operating activities		**746,936,340**	**780,459,755**
Cash flows from investing activities			
Interest received	25	1,468,411	2,825,543
Purchase of fixed assets	5	(9,032,410)	(8,291,512)
Additions in projects under construction		(85,117,763)	(20,922,288)
Proceeds from disposal of fixed assets		-	25,000
Payments for investments in subsidiaries and joint venture	7	(31,250)	(9,127,135)
Net cash used in investing activities		**(92,713,012)**	**(35,490,392)**
Cash flows from financing activities			
Payments of operating license liability		(68,096,000)	(86,780,000)
Borrowings		(275,794,580)	(268,292,569)
Interest Paid	25	(119,696,449)	(132,248,520)
Dividends paid to shareholders		(191,989,742)	(197,670,654)
Net cash used in financing activities		**(655,576,771)**	**(684,991,743)**
Decrease in cash and cash equivalents		**(1,353,443)**	**59,977,620**
Cash and cash equivalents of the acquired subsidiary		**-**	**1,688,910**
Cash and cash equivalents at beginning of the year	12	162,506,136	100,839,606
Cash and cash equivalents at end of the year	12	**161,152,693**	**162,506,136**

The accompanying notes on pages 7 – 34 form an integral part of these consolidated financial statements.

1. General information

Arabian Cement Group S.A.E. ("the Group") was established as a joint stock Group on 21 February 1999 under Law No. 8 of 1997 and the Group is registered in the commercial register under number 13105 in Cairo on 3 April 2005, which was changed to No. 53445 on 16 August 2012 as the Group 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 Group'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 Group's product.

The main shareholder of the Group is Aridos Jativa – Spanish Group and it owns 60% of the Group's share capital.

The financial statements have been approved for issue by the chief executive officer. The general assembly of shareholders has the power to amend the financial statements after being issued.

2. Accounting policies

The principal accounting policies adopted in the preparation of these consolidated financial statements are set out below: These policies have been consistently applied to all the years presented, unless otherwise stated.

A. Basis of preparation

The consolidated financial statements have been prepared in accordance with Egyptian Accounting Standards (EAS) and applicable laws and regulations which have been consistently applied to all years presented, unless otherwise stated. The consolidated financial statements have been prepared under the historical cost measurement basis.

The preparation of consolidated financial statements in conformity with EAS requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the Group's accounting policies. Note 4 disclose the significant accounting estimates used and personal judgement applied in the preparation of the consolidated financial statements.

The EAS requires the reference to the IFRS when there is no EAS, or legal requirements that explain the treatment of specific balances and transactions.

B. Basis of consolidation

The consolidated financial statements as of 31 December 2013 included the financial statements of the following subsidiary:

Company name	Investment %	Legal structure
ACC for Management and Trading	99%	L.L.C.
Andalus Concrete	99.96%	S.A.E.

(1) Subsidiaries

Subsidiaries are all entities (including special purpose entities) over which the group has the power to govern the financial and operating policies generally accompanying a shareholding of more than one half of the voting rights. The existence and effect of potential voting rights that are currently exercisable or convertible are considered when assessing whether the group controls another entity.

Subsidiaries are fully consolidated from the date on which control is transferred to the group. They are de-consolidated from the date that control ceases.

The purchase method of accounting is used to account for the acquisition of subsidiaries by the group. The cost of an acquisition is measured as the fair value of the assets given, equity instruments issued and liabilities incurred or assumed at the date of exchange, plus costs directly attributable to the acquisition.

Identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are measured initially at their fair values at the acquisition date.

The excess of the cost of acquisition over the fair value of the group's share of the identifiable net assets acquired is recorded as goodwill. If the cost of acquisition is less than the fair value of the net assets of the subsidiary acquired, the difference is recognised directly in the income statement

Inter-company transactions, balances and unrealised gains on transactions between group companies are eliminated. Unrealised losses are also eliminated but considered an impairment indicator of the asset transferred. Accounting policies of subsidiaries have been changed where necessary to ensure consistency with the policies adopted by the group.

(2) Transactions and non-controlling interest

The group applies a policy of treating transactions with non-controlling interests as transactions with parties external to the group. Disposals to non-controlling interests result in gains and losses for the group that are recorded in the equity. Purchases from non-controlling interests result in goodwill, being the difference between any consideration paid and the relevant share acquired of the carrying value of net assets of the subsidiary.

If the losses applicable to the minority in a consolidated subsidiary exceed the non-controlling interest in the subsidiary's equity, the excess, and any future losses applicable to the minority, are allocated against the majority interest except to the extent that the minority has a binding obligation and is able to make an additional investment to cover the losses. If the subsidiary subsequently reports profits, such profits are allocated to the majority interest until the minority's share of losses previously absorbed by the majority has been recovered.

Basis of consolidation (continued)

(3) Associates

Associates are all entities over which the group has significant influence but not control, generally accompanying a shareholding of between 20% and 50% of the voting rights.

Investments in associates are accounted for using the equity method of accounting and are initially recognised at cost.

The group's investment in associates includes goodwill identified on acquisition, net of any accumulated impairment loss.

The group's share of its associates' post-acquisition profits or losses is recognised in the income statement, and its share of post-acquisition movements in reserves is recognised in reserves. The cumulative post-acquisition movements are adjusted against the carrying amount of the investment.

When the group's share of losses in an associate equals or exceeds its interest in the associate, including any other unsecured receivables, the group does not recognise further losses, unless it has incurred obligations or made payments on behalf of the associate.

Unrealised gains on transactions between the group and its associates are eliminated to the extent of the group's interest in the associates. Unrealised losses are also eliminated unless the transaction provides evidence of an impairment of the asset transferred. Accounting policies of associates have been changed where necessary to ensure consistency with the policies adopted by the group.

C. Foreign currency translation

(1) Functional and presentation currency

Items included in the financial statements of the Group 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 Group's functional and presentation currency.

(2) 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 liabilities denominated in foreign currencies are recognised in the income statement.

D. Property, plant and equipment

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

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

Property, plant and equipment (continued)

Estimated useful lives of assets are as follows:

Building	10 – 20 years
Vehicles	5 - 7 years
Machinery and equipment	20 years
Technical & other installations	20 years
IT equipment and software	3 - 5 years
Office furniture and fixtures	16 years

The assets' residual values and useful lives are reviewed, and adjusted if appropriate, at each balance sheet date

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

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

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

E. Projects under construction

Projects under construction were recorded at cost, and recognized as property, plant and equipment upon the fulfilment of conditions for recognition of property, plant and equipment. When the value of the projects under construction exceeds the recoverable value, the value of the projects under construction is reduced to the recoverable value and the differences are recorded within the income statement.

F. Goodwill

Goodwill represents the excess of the cost of an acquisition over the fair value of the Group's share of the net identifiable assets of the acquired subsidiary/associate at the date of acquisition. Goodwill on acquisitions of subsidiaries is included in intangible assets. Goodwill on acquisitions of associates is included in investments in associates.

The management annually assesses whether there is any indication of impairment in the goodwill value. If such indications exist, an analysis is preformed to assess whether the carrying amount of goodwill is fully recoverable. Impairment losses on goodwill are charged to the statement of income and are not reversed.

Gains and losses on the disposal of an entity include the carrying amount of goodwill relating to the entity sold.

Goodwill (continued)

Goodwill is allocated to cash-generating units for the purpose of impairment testing. The allocation is made to those cash-generating units or Groups of cash-generating units that are expected to benefit directly from the business combination in which the goodwill arose.

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

G. Investments 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.

Group's investments in Joint ventures are accounted for using the equity method of accounting whereby an interest in a jointly controlled entity is initially recorded at cost and adjusted thereafter for the post-acquisition change in the venturer's share of net assets of the jointly controlled entity. The profit or loss of the venturer includes the venturer's share of the profit or loss of the jointly controlled entity.

H. Impairment of non-financial assets

Property, plant and equipment are reviewed for impairment losses whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognised in the statement of income for the period for the amount by which the carrying amount of the asset exceeds its recoverable amount, which is the higher of an asset's fair value less cost to sell or its recoverable amount. For the purposes of assessing impairment, assets are grouped at the lowest level, for which there are separately identifiable cash flows.

Reversal of impairment losses recognized in prior years is recorded when there is an indication that the impairment losses recognized for the asset no longer exist or have decreased. Impairment losses are also reversed to release the impairment amount that is equal to the depreciation for the period of the impaired balance. The reversals are recorded in statement of income.

I. Financial assets

(i) Classification

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

1. Financial assets at fair value through profit or loss
Financial assets at fair value through profit or loss are financial assets held for trading. A financial asset is classified in this category if acquired principally for the purpose of selling in the short term.

Derivatives are classified as held for trading unless they are designated as hedges. Assets in this category are classified as current assets.

Financial assets (continued)

2. **Held for maturity**
   Held-to-maturity investments are non-derivative financial assets with fixed or determinable payments and fixed maturity that an entity has the positive intention and ability to hold to maturity other than:

   1. those that the entity upon initial recognition designates as at fair value through profit or loss
   2. those that the entity designates as available for sale; and
   3. those that meet the definition of loans and receivables.

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

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

(ii) Reclassification

The Group may choose to reclassify a non-derivative trading financial asset out of the held for trading category if the financial asset is no longer held for the purpose of selling it in the near term. Financial assets other than loans and receivables are permitted to be reclassified out of the held for trading category only in rare circumstances arising from a single event that is unusual and highly unlikely to recur in the near term. In addition, the Group may choose to reclassify financial assets that would meet the definition of loans and receivables out of the held-for-trading or available-for-sale categories if the Group has the intention and ability to hold these financial assets for the foreseeable future or until maturity at the date of reclassification

Reclassifications are made at fair value as of the reclassification date. Fair value becomes the new cost or amortised cost as applicable, and no reversals of fair value gains or losses recorded before reclassification date are subsequently made. Effective interest rates for financial assets reclassified to loans and receivables and held-to-maturity categories are determined at the reclassification date. Further increases in estimates of cash flows adjust effective interest rates prospectively.

(iii) Measurement and subsequent measurement

Regular purchases and sales of financial assets are recognised on the trade-date – the date on which the Group commits to purchase or sell the asset.

Investments are initially recognised at fair value plus transaction costs for all financial assets not carried at fair value through profit or loss.

Financial assets (continued)

Financial assets carried at fair value through profit or loss are initially recognised at fair value and transaction costs are expensed in the income statement.

Financial assets are derecognised when the rights to receive cash flows from the investments have expired or have been transferred and the Group has transferred substantially all risks and rewards of ownership.

At the balance sheet date, available-for-sale financial assets and financial assets at fair value through profit or loss are subsequently carried at fair value. Held to maturity, loans and receivables are carried at amortised cost using the effective interest method

Gains or losses arising from changes in the fair value of the 'financial assets at fair value through profit or loss' category are recognized in the income statement in the year in which they arise. Dividend income from financial assets at fair value through profit or loss is recognised in the income statement as part of other income when the Group's right to receive payments is established.

Changes in the fair value of monetary securities debt instruments (bonds, treasury bills) denominated in a foreign currency and classified as available-for-sale are analysed between translation differences resulting from changes in amortised cost of the security and other changes in the carrying amount of the security. The translation differences on monetary securities are recognised in profit or loss, while translation differences on non-monetary securities are recognised in equity. Changes in the fair value of monetary and non-monetary securities classified as available-for-sale are recognised in equity.

Interest on available-for-sale securities calculated using the effective interest method is recognised in the income statement as part of other income. Dividends on available-for-sale equity instruments are recognised in the income statement as part of other income when the Group's right to receive payments is established.

The Group assesses at balance sheet date whether there is an objective evidence that a financial asset or a Group of financial assets is impaired.

When securities classified as available-for-sale are sold or impaired, the accumulated fair value adjustments recognised in equity are included in the income statement as 'gains and losses from investment securities'.

J. Inventories

Inventories are stated at the lower of cost or net realisable 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. Net realisable value is the estimated selling price in the ordinary course of business, less the costs of completion and selling expenses.

The needed provision are determined with the value of the slow moving, obsolete and damaged inventory items, according to the management's estimates.

K. Trade receivables

Trade receivables are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method, less provision for impairment.

A provision for impairment of trade receivables is established when there is objective evidence that the Group will not be able to collect all amounts due according to the original terms of the receivables. Significant financial difficulties of the debtor, probability that the debtor will enter bankruptcy or financial reorganisation, and default or delinquency in payments (more than granted credit limits) is considered indicators that the trade receivable is impaired.

The amount of the provision is the difference between the asset's carrying amount and the present value of the estimated future cash flows, discounted at the original effective interest rate used to determine the amortized cost. The carrying amount of the asset is reduced through the use of an allowance account, and the amount of the loss is recognised in the income statement. When a trade receivable is uncollectible, it is written off against the allowance account for trade receivables. Subsequent recoveries of amounts previously written off are credited against 'selling and marketing costs' in the income statement.

L. Cash and cash equivalents

Bank overdraft are included within borrowings in the current liabilities in the balance sheet.

For the purposes of the cash flow statement, cash and cash equivalents comprise cash on hand and deposits held at call with banks with original maturities of three months or less.

M. Share capital

Ordinary shares are classified as equity.

N. Borrowings

Borrowings are recognised initially at the amount of the proceeds received, net of transaction costs incurred. Loans are subsequently stated at amortised cost using the effective yield method; any difference between proceeds (net of transaction costs) and the redemption value is recognised in the statement of income over year the borrowings.

The fair value of the liability portion of a convertible loan is determined using a market interest rate for an equivalent non-convertible bond. This amount is recorded as a liability at the initial recognition and subsequently recorded at an amortised cost basis until extinguished on conversion or maturity of the bonds whichever the lower. The remainder of the proceeds are allocated to the conversion option, which is recognised in shareholders' equity.

Loans and borrowings are classified as current liabilities unless the Group has an unconditional right to defer settlement of the liability for at least 12 months after the balance sheet date.

O. Current and deferred income taxes

The current income tax charge is calculated on the basis of the tax laws enacted or substantively enacted at the balance sheet date. Management periodically evaluates positions taken in tax returns with respect to situations in which applicable tax regulation is subject to interpretation and establishes provisions where appropriate on the basis of amounts expected to be paid to the tax authorities.

Deferred income tax is provided in full, using the liability method, on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the financial statements. Deferred income tax is determined using tax rates (and laws) that have been enacted or substantially enacted by the balance sheet date and are expected to apply when the related deferred income tax asset is realised or the deferred income tax liability is settled.

Deferred income tax assets are recognised to the extent that it is probable that future taxable profit will be available against which the temporary differences can be utilised.

P. Trade payables

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

Q. Leases

Leases are accounted for under Law 95 of 1995 if the lessee is not obliged to purchase the asset at end of the lease period, the lease contract is recorded in the relevant register with the Companies Authority, the contract gives the option to the lessee to buy the asset at a specific date and amount and the period of the contract represents at least 75% of the useful life of the asset or if the present value of total lease payments represents at least 90% of the asset value.

For leases within the scope of Law 95 of 1995, lease costs including maintenance expense of leased assets are recognized in the statement of income in the period incurred. If the Group elects to exercise the purchase option on the leased asset, the option cost is capitalised as property, plant, and equipment and depreciated over their expected remaining useful lives on a basis consistent with similar assets.

Payments made under operating leases (net of any incentives received from the lessor) are charged to the statement of income on a straight-line basis over the period of the lease.

R. Employee benefits

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

Employee benefits (continued)

(2) Pension obligations
For defined contribution plans, the Group pays contributions to the Public Authority for Social Insurance plans on a mandatory basis. Once the contributions have been paid, the Group has no further payment obligations. The regular contributions constitute net periodic costs for the year in which they are due and as such are included in staff costs.

S. Provisions

Provisions are recognised when the Group 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.

T. 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 Group's activities. Revenue is shown net of value-added tax, returns or rebates.

The Group recognises 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 Group and when specific criteria have been met for each of the Group's activities as described below. The Group bases its estimates on historical results, taking into consideration the type of customer, the type of transaction and the specifics of each arrangement and after eliminating the Group's internal sales.

(a) Sales of goods
Sales of goods are recognised when entity has delivered products to the wholesaler, the wholesaler has full discretion over the price to sell the products, and there is no unfulfilled obligation that could affect the wholesaler's acceptance of the products. Delivery does not occur until the products have been delivered either in the Group warehouse or in the wholesalers locations depending on the agreements. Accordingly, the risks and benefits have been transferred to the wholesaler, and either the wholesaler has accepted the products in accordance with the sales contract, the acceptance provisions have lapsed, or the Group has objective evidence that all criteria for acceptance have been satisfied.

No element of financing is deemed present as the sales are made on a short credit term basis..

(b) Interest income
Interest income is recognised on a time proportion basis, taking account of the principal outstanding and the effective interest rate method. When a receivable is impaired, the Company reduces the carrying amount to its recoverable amount.

(c) Dividends revenue
Dividends revenue recognized on maturity.

(In the notes all amounts are shown in Egyptian Pounds unless otherwise stated)

U. Dividends

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

V. Comparatives

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

3. Financial risk management

(1) Financial risk factors

The Group'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 Group's efforts are addressed to minimize potential adverse effects of such risks on the Group's financial performance.

The Group does not use derivative instruments to hedge specific risks.

A. Market risk

i. 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 consolidated financial statements.

The below table shows the foreign currency positions:

			2013	2012
	Assets	**Liabilities**	**Net**	**Net**
US Dollars	14,178,083	(585,899,417)	**(571,721,334)**	**(419,933,615)**
Euro	1,161,096	(400,798)	**760,298**	**257,442**

ii. Price risk

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

iii. Interest rate risk

The Group's interest rate risk arises from loans. Loans issued at variable rates expose the Group to cash flow interest rate risk. There is no loans issued at fixed interest rate.

Loans and borrowings with variable interest rate that is subject to the changes of interest rate as of 31 December 2013 is amounting to LE 1,344,275,462 (2012: LE 1,670,993,785).

The Group has financial assets generating interest exposed to the changes in interest rate amounting to LE 1,402,489 as of 31 December 2013 (2012: LE 99,704,057).

(In the notes all amounts are shown in Egyptian Pounds unless otherwise stated)

Financial risk management (continued)

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 cash

(2) Capital risk management

The Group's objectives when managing capital are to safeguard the Group'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.

In order to maintain an optimum the capital structure, the Group may adjust the amount of dividends paid to shareholders, return capital to shareholders, issue new shares or reduce debt.

The Group monitors capital on the basis of the gearing ratio. This ratio is calculated as net debt divided by total capital. Net debt is calculated as total trade and other payables and borrowings, less cash and cash equivalents. Total capital is calculated as equity in addition to total debt.

The gearing ratio at 31 December 2013 was as follows:

	2013	**2012**
Trade and other payables	316,233,689	242,260,500
Due to related parties	1,921,649	1,316,838
Borrowings	858,651,462	1,134,393,785
Long-term liabilities	576,555,416	607,362,000
Long-term liabilities – current portion	69,438,000	69,438,000
Less: cash and cash equivalents	(161,152,693)	(162,506,136)
Net debt	**1,661,647,523**	**1,892,264,987**
Total equity	1,090,353,790	1,193,887,501
Total capital	**2,752,001,313**	**3,086,152,488**
Gearing ratio	**60%**	**61%**

(3) Fair value estimation

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

4. Critical accounting estimates and judgments

(1) Critical accounting estimates and assumptions

Estimates and adjustments are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances.

The Group makes estimates and assumptions concerning the future. The resulting accounting estimates will, by definition, rarely equal the related actual results. The estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are outlined below.

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

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

d. Impairment of goodwill
The 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 statement of income and cannot be reversed.

(2) Critical Judgements in applying the Group accounting policies

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

(In the notes all amounts are shown in Egyptian Pounds unless otherwise stated)

5. Property, plant and equipment-net

	Land	Buildings	Vehicles	Machinery & equipments	Technical & other installations	IT equipments & software	Office fixtures & fittings	Total 31 December 2013	Total 31 December 2012
Cost									
Balance at 1 January	50,243,436	493,135,693	13,239,591	2,563,311,237	126,062,511	8,333,487	3,294,348	3,257,620,303	3,215,678,736
Additions	-	1,832,307	210,100	1,740,525	2,948,945	600,841	1,699,692	9,032,410	8,291,512
Assets additions from subsidiary acquired during the year	-	-	-	-	-	-	-	-	11,170,344
Transfer from project under constructions	-	918,666	-	5,748,675	-	-	-	6,667,341	24,317,615
Disposals	-	-	-	-	-	-	-	-	(1,837,904)
Balance at 31 December	50,243,436	495,886,666	13,449,691	2,570,800,437	129,011,456	8,934,328	4,994,040	3,273,320,054	3,257,620,303
Accumulated depreciation									
Balance at 1 January	-	39,472,339	4,708,293	372,638,451	30,464,804	5,856,755	656,998	453,797,640	287,436,452
Depreciation charge	-	26,592,795	1,715,365	128,878,099	7,107,969	1,645,032	264,702	166,203,962	163,078,306
Depreciation charge for assets acquired from subsidiary	-	-	-	-	-	-	-	-	3,619,880
Disposals	-	-	-	-	-	-	-	-	(336,998)
Balance at 31 December	-	66,065,134	6,423,658	501,516,550	37,572,773	7,501,787	921,700	620,001,602	453,797,640
Net Book Value	50,243,436	429,821,532	7,026,033	2,069,283,887	91,438,683	1,432,541	4,072,340	2,653,318,452	2,803,822,663

(In the notes all amounts are shown in Egyptian Pounds unless otherwise stated)

Property, plant and equipment-net (continued)

The Group has assets related to finance lease (cars) based on contracts under law No. 95 for the year 1995 which states that these assets should not be classified as fixed assets according to the accounting policies

Following is a listing for these contracts:

	2013	2012
5 years contracts		
Total contracted lease payments	47,211,506	44,784,376
Bargain purchase value	1 EGP	1 EGP
Average useful life	5 years	5 years
Annual lease payments	9,442,301	8,956,877

6. Projects under construction

	2013	2012
Balance at 1 January	9,229,356	12,299,433
Additions	131,104,105	20,922,288
Additions of acquired subsidiary	-	325,250
Advances to suppliers	9,947,782	-
Transfer to property, plant and equipment	(6,667,341)	(24,317,615)
Balance at end of the year	**143,613,902**	**9,229,356**

These projects under construction represents the following Categories:

	2013	2012
Buildings	23,456,326	3,269,564
Machinery and equipments	109,227,768	5,748,675
Technical and other installations	982,026	211,117
Advances to suppliers	9,947,782	-
	143,613,902	**9,229,356**

Project under construction represents the additions made for buildings, machinery and equipments which will be used in the installation of the alternative energy generation lines, which are expected to be capitalized within the year of 2014.

(In the notes all amounts are shown in Egyptian Pounds unless otherwise stated)

7. Investment in joint ventures

	Country of incorporation	Ownership	2013	2012
Andalus Reliance for Mining	Egypt	50%	31,250	-
			31,250	**-**

Andalus Reliance for Mining S.A.E. was incorporated on 14 November, 2013 and it had not started operations till the date of issuance of the financial statements.

8. Intangible assets – net

	Goodwill	Electricity supply agreement	Total
Cost			
Balance at 1 January 2013	8,274,220	225,200,000	**233,474,220**
Additions during the year	-	-	-
Balance at 31 December 2013	**8,274,220**	**225,200,000**	233,474,220
Amortization:			
Balance at 1 January 2013	-	(48,497,743)	**(48,497,743)**
Amortization charge for the year	-	(22,519,999)	**(22,519,999)**
Balance at 31 December 2013	-	**(71,017,742)**	(71,017,742)
Net book value at 31 December 2013	**8,274,220**	**154,182,258**	**162,456,478**
Net book value at 31 December 2012	**8,274,220**	**176,702,257**	**184,976,477**

A) Electricity supply agreement

The intangible asset represents the Electricity supply contract made with the Ministry of Electricity where by the Ministry of Electricity will specify the Electricity needs for the industrial projects that requires heavy consumption of Electricity and provide these needs either by construction of a new stations or using current stations and the projects will pay the required fees determined by the ministry. Which amounted to LE 217.2 millions.

And it was agreed to be paid as follows:

15% Down payment equivalent to LE 32.58 million

85% Will be paid as follows and including installment interest of 10% annually:

i. 120 monthly installment payable at the beginning of each month starting April 2011 with amount of LE 1.220 million per installment.

ii. 120 monthly installment payable at the beginning of each month starting February 2012 with an amount of LE 1.342 million per installment.

In addition to LE 8 million which represents other costs related to the agreement paid in full and the total agreement cost become LE 225.2 million.

(In the notes all amounts are shown in Egyptian Pounds unless otherwise stated)

Intangible assets – net (continued)

B) Goodwill

In December 2012, Arabian Cement Company acquired 99.96% from the shares of Andalus for Concrete through purchase. Such transaction resulted in a goodwill amounted 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.

Goodwill impairment test

On the date of the balance sheet the recoverable amount of the goodwill is not less than its carrying amount. The recoverable amount is determined based on the calculation of the discounted cash flow projections based on financial budget covering five years period by using the following key assumptions.

Average total profits	30%
Growth rate	3%
Discount rate	21%

9. Inventory

	2013	2012
Raw materials	40,133,367	8,700,691
Spare parts	26,201,222	23,374,822
Packing materials	21,719,302	9,644,609
Finished goods	7,277,043	24,111,118
Work in process	1,179,873	1,674,260
Total	**96,510,807**	**67,505,500**

10. Trade debtors and other debit balances

	2013	2012
Contractors prepayments	17,919,212	36,940,564
Letter of credit	14,300,435	-
Payments under dividends distributions to employees	2,911,468	7,103,266
Trade payables	1,754,543	743,444
Other debit balances	974,839	21,140
Withholding tax	800,703	363,939
Employees imprest	647,121	419,115
Sales taxes receivable	583,565	506,357
Letters and guarantee	34,049	34,049
Payments under dividends distributions to share holders	-	291,717,811
Total	**39,925,935**	**337,849,685**

Payments under dividends distributions to shareholders represents the payments made to the shareholders under the dividends distributions in advance, and these amounts was settled during the year 2013.

(In the notes all amounts are shown in Egyptian Pounds unless otherwise stated)

11. Related parties transactions

Due from related parties:

	2013	2012
Cementos San – Juan Company – Chili	1,026,517	1,082,780
New Giza Company for development and construction	732,449	717,822
Total	**1,758,966**	**1,800,602**

Due to related parties:

	2013	2012
Aridos Jativa Company	400,798	462,622
Cementos La Union Company – Spain	1,520,851	854,216
Total	**1,921,649**	**1,316,838**

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

Company name	**Relation type**	**Transaction nature**	**Transaction amount 2013**	**Transaction amount 2012**
Aridos Jativa Company	Main shareholders	Services	1,271,490	1,151,787
		Cash payments	(1,451,359)	-
Cementos San – Juan Company	Subsidiary of the parent Company	Purchases	-	11,645,577
		Services	64,580	-
Cementos La Union Company	Subsidiary of the parent Company	Services	700,392	3,898,325
New Giza for Development and Real Estate	Subsidiary of the parent Company	Sales	1,355,010	-

Amounts paid for the members of the board of directors:

	2013	2012
Board remunerations	11,552,201	11,020,286
Salaries and wages	5,426,577	4,907,956

(In the notes all amounts are shown in Egyptian Pounds unless otherwise stated)

12. Cash and bank balances

	2013	2012
Bank deposits - EGP	1,402,489	99,704,057
Cash at banks – EGP	141,146,112	50,690,790
Cash at banks – foreign currencies	13,413,910	11,460,826
Cash on hand	5,190,182	650,463
	161,152,693	**162,506,136**

	2013	2012
Average interest rates for bank deposits – USD	0.06%	0.04%
Average interest rates for bank deposits – EGP	6%	6%
Maturity period for bank deposits	30 days	30 days

For the purpose of preparation of the cash flow statement, cash & bank balances comprises of:

	2013	2012
Cash and bank balances	161,152,693	162,506,136
Restricted cash	(108,847,106)	(99,704,057)
	52,305,587	**62,802,079**

The restricted cash represents the instalment for the loans payments to be performed during 2014.

13. Provisions

	Other provisions	
	2013	**2012**
Balance at 1 January	924,665	1,004,553
Additions during the year	6,338,531	
Used during the year	(152,367)	(79,888)
	7,110,829	**924,665**

Other provisions

Other provisions relate to claims expected to be made by a third party in connection with the Group's operations. The information usually required by accounting standards is not disclosed because the management believes that to do so would seriously prejudice the outcome of the negotiation with that third party. These provisions are reviewed by management every year and the amount provided is adjusted based on latest development, discussions and agreements with the third party.

(In the notes all amounts are shown in Egyptian Pounds unless otherwise stated)

14. Trade payables and other credit balances

	2013	2012
Trade payables	95,522,488	66,610,054
Advance payment from customers	91,746,348	84,689,068
Accrued development fees	54,433,940	50,260,812
Dividends payable to shareholders	33,193,204	-
Accrued interest	18,722,545	16,475,552
Taxes	14,735,504	16,133,738
Retention	6,165,801	5,959,672
Accrued expenses	1,713,859	1,929,279
Accrued customers rebates	-	152,000
Other credit balances	-	50,325
Total	**316,233,689**	**242,260,500**

Accrued development fees

As per law No. 147 for the year 1984, a fee for development of the country's resources is imposed as a license to use mines. These fees amounted to LE 27 for each ton of clay used by the cement production factory with a rate of 0.3 ton for each ton of cement.

In July 2011, these fees changed to be LE 15 for each ton of cement produced and this represents the minimum amount to be paid as per the law.

15. Borrowings

	2013	2012
Current portion from loans	337,970,515	346,848,480
Non-current portion from loans	520,680,947	787,545,305
Total	**858,651,462**	**1,134,393,785**

These loans are represented in the following:

	2013	2012
First Loan	290,713,966	412,097,781
Second Loan	454,014,526	542,288,178
Third Loan	108,234,034	180,007,826
Fourth Loan	5,688,936	-
Total	**858,651,462**	**1,134,393,785**

First Loan

On September 2006, the Group has obtained a loan facility from the National Bank of Egypt of US $103.9 millions.

Borrowings (continued)

The loan is for 10 years with 2 years grace period with interest rate at 1.6% plus Libor during the first five years and 1.7% during the following five years. The repayments of the principal are to be made on a semi-annual basis and the first installment is dated 1 April 2009.

In 31 January 2008, the Bank approved to increase the loan to be US $149 million to cover the increase in the investment cost, in addition to financing 15% of the industrial license fee.

The loan granted with a commercial mortgage over the assets as a security.

Second Loan
In 31 January 2008, the bank also approved a new facility of US $142 million to finance the second production line as well as 25% of the second line's industrial license fee; an equivalent amount of US $57 millions will be utilized in Egyptian Pounds

The loan for the second production line is for 10 years with 2 years grace period with interest rate at 1.5% plus Libor (2011: 1.5% plus libor) for the US $ portion of the loan and 11% for the Egyptian Pounds portion of the loan. The repayments of the principal are to be made on a semi-annual basis and the first installmentis dated 1 September 2011.

Third Loan
On 22 February 2011, the Group obtained a new loan facility from the National Bank of Egypt amount to 265 million Egyptian pound to finance the construction of a clinker mill, the loan is for 5 years including a grace period of 18 months with 2% interest above the corridor rate. The repayments of the loan are to be made on a semi-annual basis starting no later than 6 months after the grace period.

The loan is guaranteed by the following:
1. Increase the commercial mortgage over the assets to include the assets related to the project subject to this finance (mills unit) on the condition that the commercial loan to be finalized within three months maximum after starting operations of the projects.
2. The loan granted with commercial mortgage for the bank benefit as a guarantee for this finance along with the prior given credit facilities amount to US $291,944 million over the assets (tangible & intangible) of the Group's factory.

Fourth loan
On 20 June, 2013, the company obtained a loan facility from the National bank of Egypt which is amounted to 70 million Egyptian pounds in order to contribute in the financing of 70% of the gross investment cost which is amounted to 100 million Egyptian pounds, which is needed for new project held by the company for the purpose of using the solid and agricultural wastes as an alternative fuel beside the natural gas in the process of manufacturing.

1. The loan period is 6 years starting from the date of withdrawal, and the company is committed to pay the loan among 16 equal quarter annually instalments each one is amounted to 4,375,000 Egyptian pounds.
2. Withdrawal transactions amounted to LE 5,688,936 till the date of issuing the financial statements.

The Company has a grant from the bank by 20% of the value of the financing amount from the bank, in case of meeting the following conditions:
a. The utilization of the loan in the objectives determined and agreed as per the contract.
b. Application for the financing conditions including the payment terms.
c. Obtaining the required certificate from the environmental affairs department which indicates the pollution reduction.

(In the notes all amounts are shown in Egyptian Pounds unless otherwise stated)

16. Long-term liabilities

Long-term liabilities – current portion

	2013	2012
Operating license	50,976,000	50,976,000
Electricity fees	18,462,000	18,462,000
	69,438,000	**69,438,000**

Long-term liabilities

	2013	2012
Operating license	434,648,000	485,624,000
Long term liabilities – electricity fees	104,618,000	121,738,000
Long-term notes payables	37,289,416	-
	576,555,416	**607,362,000**

Operating license

As per the Country's policies to obtain a license for Cement Factory, the General Industrial Development association approved on issuing a license to the Group amount to LE 281.4 million for the first production line with related liability on the Group 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 CBE.

The above mentioned value will be also applied for the second line and a 25% is to be paid as an advance payment and residual amount will be settled over a period of 3 years according to the interest rate determined by CBE.

Electricity fees

Arabian Cement Company operating license stipulate that the Company should provide its own power generation facility. The Ministry of Electricity suggested that instead of building a captive plant, a fee of LE 217.2 million should be paid to the ministry to allow new cement plants to connect to the national grid and a payment of 15% down payment amount to 32.580 million Egyptian pound was made by the Company and the remaining 85% will be paid through monthly installments over a period of 10 years plus a 10% annual interest and the first installement will start in April 2010. In addition to LE 8 million which represent other costs related to the agreement and will be paid over four quarterly based installment to ended by 1 February 2011.

Long-term notes payables

The long-term notes payables presents the value of the installments due within the upcoming year, these amounts are due to the suppliers that are working on the construction of the alternative energy generation lives which were not finalized till the date of issuance of the financial statements.

The liability is paid based on semi-annual installements that are equal in value, the last installements is due on December 2016 with an interest rate of 7% for the alternative fuel generation line and 9.5% for the every generation line by the use of coal. .

(In the notes all amounts are shown in Egyptian Pounds unless otherwise stated)

17. Capital

	2013	2012
Issued capital represented in 7,574,794 share of par value LE 100 each	757,479,400	757,479,400
Paid up capital	757,479,400	757,479,400

Arabian Cement Group was established on 3 April 2005 with issued and paid up capital of LE 75,000,000 and based on the decision of the Extraordinary General Assembly Meeting, the issued capital has increased by LE 31,250,000 so the total issued capital became LE 106,250,000. This increase was fully paid and registered in the commercial register on 15 September 2005.

Based on the decision of the Extraordinary General Assembly Meeting dated 28 January 2006, the issued capital has increased by LE 224,662,500, so the total issued capital became LE 330,912,500, this increase was fully paid and registered in the commercial register on 22 February 2006.

Based on the decision of the Extraordinary General Assembly Meeting dated on 10 January 2008, the issued capital has increased by LE 312,266,900 so the total issued capital became LE 643,179,400, an amount of LE 78,066,725 was paid during 2008 so the paid up capital became LE 408,979,225 in 2008. The rest of the amount related to the capital increase amount to LE 156,133,450 was paid in 2009 so the total paid up capital became LE 565,112,675 in 2009 and this increase was registered in the commercial register on 8 November 2009.

Based on the decision of the Extra Ordinary General Assembly Meeting dated 25 November 2009, the issued capital was increased by an amount of LE 114,300,000 so the total issued capital became LE 757,479,400, payments under capital increase in 2009 amounted to LE 80,787,719 and LE 111,579,006 in 2010, this increase was registered in the commercial register on 29 September 2011. So, the total issued and paid up capital became LE 757,479,400.

18. Legal reserve

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

19. Minority interest

				Total	
	Capital	Minority interest for acquired subsidiary	Retained earnings	2013	2012
Balance at 1 January	2,500	(1,672)	2,192	3,020	804
Capital increase	-	-	-	-	2,000
Minority interest for acquired subsidiary	-	-	-	-	(1,672)
Profit for the year	-	-	1,316	1,316	1,888
	2,500	**(1,672)**	**3,508**	**4,336**	**3,020**

(In the notes all amounts are shown in Egyptian Pounds unless otherwise stated)

20. Deferred income tax liabilities

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

	Deferred tax liabilities	
	2013	2012
Property, plant and equipment of intangible assets	337,985,370	318,107,130
Net deferred tax	**337,985,370**	**318,107,130**

The movement of the deferred tax liability is as follows:

	2013	2012
Balance at 1 January	318,107,130	272,953,956
Deferred tax charged to the income statement (Note 26)	19,878,240	44,140,750
Deferred tax for acquired subsidiary	-	1,012,424
Balance at 31 December	**337,985,370**	**318,107,130**

21. Sales-net

	2013	2012
Local sales	2,223,234,303	1,896,500,685
Export sales	48,458,746	98,710,205
Services	36,805,350	41,995,563
Discounts	(233,045,968)	(183,289,833)
	2,075,452,431	**1,853,916,620**

22. Cost of sales

	2013	2012
Materials	1,166,317,916	934,356,164
Manufacturing depreciation	166,172,336	163,078,306
Over head cost	72,641,447	77,472,566
Amortization charge for electricity supply agreement	22,519,999	22,519,712
Change in inventory	(28,839,579)	(4,464,515)
	1,398,812,119	**1,192,962,233**

(In the notes all amounts are shown in Egyptian Pounds unless otherwise stated)

23. General and administrative expenses

	2013	2012
Salaries and wages	29,282,407	28,622,876
Professional services	12,066,883	7,877,681
Security and cleaning services	3,781,285	3,575,769
Rentals	3,687,009	4,790,287
Other expenses	2,144,101	2,252,458
Transportations	1,634,345	1,125,529
Advertising and public relations	1,377,189	2,922,206
Hospitality	727,725	546,271
Training	615,054	509,575
Telephone and fax	576,127	398,181
Medical insurance	387,299	288,434
Bank charges	277,999	396,473
Subscription fees	271,680	285,650
Repairs and maintenance	107,876	151,079
Research and development	79,657	120,700
Utilities	65,893	445,212
	57,082,529	**54,308,381**

24. Other income

	2013	2012
Compensation*	12,805,800	-
Other income	710,633	6,176,168
	13,516,433	**6,176,168**

* The insurance company paid Le 12,805,800 as a compensation for Arabian Cement due to loss occurred due to the stoppage of the machine.

25. Finance cost, net

	2013	2012
Foreign exchange loss	(68,702,795)	(39,889,636)
Loan interest expense	(62,390,449)	(74,942,520)
Operating license interest expense	(45,024,000)	(45,024,000)
Electricity agreement interest expense	(12,282,000)	(12,282,000)
Interest income	1,468,411	2,825,543
	(186,930,833)	**(169,312,613)**

(In the notes all amounts are shown in Egyptian Pounds unless otherwise stated)

26. Income tax

	2013	2012
Deferred income tax	19,878,240	44,140,750
Current income tax (Note 20)	608,297	-
	20,486,537	**44,140,750**

	2013	2012
Net income before tax	439,804,852	443,509,561
Tax calculated at applicable tax rate of 25% (2012:20% for the first 10 million EGP and 25% for the rest of the amount above 10 million EGP)	109,951,213	110,377,390
Non-taxable expenses	5,000,000	2,647,424
Provisions used	(38,092)	(19,972)
Non taxable income	(94,426,584)	(68,864,092)
	20,486,537	**44,140,750**

27. Earning per share

	2013	2012
Basic earning per share		
Net profits for the year	419,316,999	399,366,923
Employee's share in dividends distribution	(4,774,650)	(5,951,269)
Net profits to be distributed to shareholders	**414,542,349**	**393,415,654**
Weight average number of shares	7,574,794	7,574,794
Basic earning per share	**54.73**	**51.94**
Diluted earning per share		
Net profit for the year	419,316,999	399,366,923
Employee's share in dividends distribution	(4,774,650)	(5,951,269)
Net profits to be distributed to shareholders	**414,542,349**	**393,415,654**
Weight average number of No. of shares (Note 30)	378,739,700	378,739,700
Diluted earning per share	**1.09**	**1.04**

28. Contingent liabilities

At 31 December 2013, the Company had contingent liabilities in respect of bank and other guarantees in addition to other aspects arising from the ordinary course of business from which it is anticipated that no material liabilities will arise. Through the ordinary course of business letters of guarantee are issued by the Company to third parties amounted to LE 34,049 covered with an amount of LE 34,049.

Tax position

Below is a summary for the tax position of the group as the date of preparing consolidated financial statements:

(1) Corporate tax

- The Company is subject to corporate tax regulations which is based on tax law No. 91 for the year 2005 and the amendment listed by law No. 11 for the year 2013, based on this amendments the tax rate for the year 2013 is 25% instead of 20% for the first 10 million and 25% for the remaining which was applied for the year 2012.

- The Company enjoys a tax exemption for a period of 5 years starting from the fiscal year following the start up of the production of the Company's operation. This period was determined by the General Authority for Free Zones and Investments to start from 22 April 2008. Consequently, the Company is exempted from corporate tax for the period from 1 January 2009 till 31 December 2013.
- For the years from 2006 till 2008 the company has been hypothetically accounted due to statute of limitation.
- The Company prepares tax return according to income tax laws and regulations and submits them on a timely basis as stated by the law, from 2009 till 2012.

(2) Sales tax

- The sales tax was inspected till December 2011 and the Company paid the final settlement.
- The Company submits tax return on a timely basis and the Company's books have not yet inspected for 2012 and 2013.

(3) Stamp tax

- The stamp tax was inspected till the year 2011 and the Company paid the final settlement.
- The Company's books have not yet been inspected for the year 2012 and 2013.

(4) Payroll tax

- Payroll tax was inspected till 2007 by the Tax Authority and final settlement was reached with the Tax Authority.
- Payroll tax was not inspected for the years from 2008 till the financial statement date.

<u>Andalus for Concrete:</u>

(1) Corporate tax.

- The company prepares and submits the corporate tax returns according to the income tax laws and regulations and submits them on a timely basis as stated by law and no inspection was performed till the date of consolidated financial statements.

(2) Sales tax

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

Contingent liabilities (continued)

(3) Payroll tax

- The company is paying the payroll taxes and no inspection was performed till now.

ACC for Management and Trading Company

1) Corporate tax

Tax authority did not inspect the Company's books as the company was established in 16 May 2011 and the first financial year for the Company and first tax return will be submitted for the period from inception till 31 December 2012.

2) Payroll tax

The Company books have not been inspected from 16 May 2011 till the date of consolidated financial statements.

29. Subsidiaries

The group consolidated financial statements for "Arabian Cement Company (S.A.E.)" include the financial statements of its subsidiary "ACC for Management and Trading (L.L.C.)" with ownership percentage of 99% and the "Andaus for Concrete (S.A.E.)" with ownership percentage of 99.96% at the date of the consolidated financial statements.

The Company's main location is apartment No. 1 Villa No. 148 in front of Ikhnaton – First district – Fifth settlement – New Cairo, Egypt.

ACC for Management's main objective is providing managerial restructuring services for the Companies, land transportation for goods related to projects management other than hotel management, preparation of fusibility study to projects and general trading.

Andalus for Concrete purchase cement products and materials from Arabian Cement Company which are used in manufacturing and Trading Concrete and construction materials.

30. Subsequent events

On 23 January 2014, the company's management held an extra-ordinary general assembly meeting in which a decision was approved for the stock split through modifying the par value of the company's share as a prelude for the listing of the company in the Egyptian stock exchange market. The extra-ordinary general assembly approved on modifying the par value of the share to be 2 EGP instead of EGP 100.

In addition to the mentioned above, the extra-ordinary general approved updating article number (6) from the article of association which states that the capital of the company amounted to EGP 757,479,400 distributed among 7,574,794 shares the par value for each share is EGP 100 to be distributed among 378,739,700 shares the par value for each share is EGP 2.