Arabian Cement Company

"An Egyptian Joint Stock Company"

Consolidated Interim Financial Statements

For the Nine Months Ended September 30, 2015

And the Limited Review Report

Deloitte.

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Limited Review Report for the Consolidated Interim Financial Statements

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

Introduction

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

The consolidated financial statements for the year ended December 31, 2014, have been audited by another auditor who issued his unqualified opinion on these financial statements including an emphasis of matter paragraph dated March 8, 2015. As well as the interim consolidated financial statements for the period from January 1, 2014 until September 30, 2014 have been reviewed by issuing a limited review report on these financial statements dated November 13, 2014.

Scope of Review

We conducted our review in accordance with Egyptian Standard on Review Engagements (2410) "Review of Interim Financial Information Performed by the Independent Auditor of the Entity". A review of interim financial statements consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with Egyptian Standards on Auditing and consequently does not enable us to obtain assurance that we would become aware of all significant matter that might be identified in an audit. Accordingly, we do not express an audit opinion.

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Conclusion

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

Cairo, November 15, 2015

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

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

Arabian Cement Company
"An Egyptian Joint Stock Company"
Consolidated Statement of Financial Position
As of September 30, 2015

	Notes	September 30, 2015 EGP	December 31, 2014 EGP
Non-current assets			
Fixed assets (net)	(5)	2 580 907 317	2 676 733 351
Projects under construction	(6)	117 128 631	99 410 072
Intangible assets (net)	(7)	123 092 751	139 936 479
Total non-current assets		**2 821 128 699**	**2 916 079 902**
Current assets			
Inventory	(8)	218 292 679	201 761 865
Debtors and other debit balances (net)	(9)	60 698 113	56 679 974
Due from related parties	(10)	827 715	827 715
Cash and bank balances	(11)	291 476 189	159 366 746
Total current assets		**571 294 696**	**418 636 300**
Current liabilities			
Provisions	(12)	11 580 532	8 770 069
Current income tax liabilities	(22)	58 096 302	135 158 769
Creditors and other credit balances	(13)	397 882 272	336 514 326
Dividends payable		178 918 958	--
Current portion of long - term loans	(14)	174 102 000	294 065 338
Current portion of long - term other liabilities	(15)	82 182 000	77 934 000
Due to related parties	(10)	2 300 915	3 905 131
Total current liabilities		**905 062 979**	**856 347 633**
(Deficit in) working capital		**(333 768 283)**	**(437 711 333)**
Total investment		**2 487 360 416**	**2 478 368 569**
Financed by:			
Shareholders' equity			
Issued and paid up capital	(16)	757 479 400	757 479 400
Legal reserve		156 122 086	129 463 619
Retained earnings		181 155 133	36 037 640
Net profit of the period / year		246 264 675	374 717 936
Total shareholders' equity		**1 341 021 294**	**1 297 698 595**
Non-controlling interest	(23)	**14 485**	**9 159**
Total shareholders' equity and non-controlling interest		**1 341 035 779**	**1 297 707 754**
Non-current liabilities			
Borrowings	(14)	393 922 975	341 739 770
Other Liabilities	(15)	423 607 488	486 502 712
Deferred income tax liability	(17)	328 794 174	352 418 333
Total non-current liabilities		**1 146 324 637**	**1 180 660 815**
Total finance of working capital and non-current assets		**2 487 360 416**	**2 478 368 569**

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

Chief Financial Officer
Allan Hestbech

Chief Executive Officer
Jose Maria Magrina

-Limited review report attached.

Arabian Cement Company

"An Egyptian Joint Stock Company"

Consolidated Income Statement

For the Nine Months Ended September 30, 2015

	Notes	Three months ended September 30, 2015	Three months ended September 30, 2014	Nine months ended September 30, 2015	Nine months ended September 30, 2014
		EGP	EGP	EGP	EGP
Net sales	(18)	582 805 386	648 310 544	1 735 156 283	1 804 679 163
Less:					
Cost of sales	(19)	(432 228 626)	(466 398 663)	(1 290 683 425)	(1 250 365 098)
Gross operating profit		**150 576 760**	**181 911 881**	**444 472 858**	**554 314 065**
(Less) / Add					
General and administration expenses	(20)	(17 359 327)	(22 929 233)	(53 289 200)	(65 500 101)
Provisions		(3 175 842)	--	(3 175 842)	(1 593 959)
Reversal of provisions		--	--	--	555 431
Other operating income		924 580	431 787	2 835 608	908 267
Credit interest		524 952	165 180	1 691 106	531 113
Impairment in trade debtors		--	(54 377)	--	(54 377)
Net operating profit		**131 491 123**	**159 525 238**	**392 534 530**	**489 160 439**
(Less)					
Finance costs	(21)	(23 914 149)	(24 495 750)	(67 773 332)	(71 499 781)
Foreign exchange differences		(13 259 323)	(4 733 096)	(44 209 053)	(29 823 618)
Capital gain (Loss)		10 000	(87 139)	190 000	(87 139)
Net profit of the period before income tax		**94 327 651**	**130 209 253**	**280 742 145**	**387 749 901**
Income tax	(22)	27 389 424	(43 476 015)	(34 472 144)	(185 939 618)
Net profit / (loss) of the period after income tax		**121 717 075**	**86 733 238**	**246 270 001**	**201 810 283**
Attributable to:					
Owners of the parent		121 715 282	93 912 063	246 264 675	201 806 053
Non-controlling interest	(23)	1 793	1 904	5 326	4 230
Net profit / (loss) of the period after income tax		**121 717 075**	**93 913 967**	**246 270 001**	**201 810 283**
Earnings / (Losses) per share of the period	(24)	**0.32**	**0.25**	**0.64**	**0.52**

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

Chief Financial Officer
Allan Hestbech

Chief Executive Officer
Jose Maria Magrina

Arabian Cement Company

"An Egyptian Joint Stock Company"

Consolidated Statement of Changes in Shareholders' Equity

For the Nine Months Ended September 30, 2015

Description	Notes	Capital	Legal reserve	Retained earnings	Net profit of the period	Total shareholders' equity	Non-controlling interest	Total
		EGP	EGP	EGP	EGP	EGP		
Balance as of January 1, 2014		757 479 400	118 792 048	214 078 006	--	1 090 349 454	4 336	1 090 353 790
Transfer to legal reserve		--	11 646 128	(11 646 128)	--	--	--	--
Dividends distributed		--	--	(65 894 141)	--	(65 894 141)	--	(65 894 141)
Net profit for the period		--	--	--	201 806 053	201 806 053	4 230	201 810 283
Balance as of September 30, 2014		757 479 400	130 438 176	136 537 737	201 806 053	1 226 261 366	8 566	1 226 269 932
Balance as of January 1, 2015		757 479 400	129 463 619	410 755 576	--	1 297 698 595	9 159	1 297 707 754
Transfer to legal reserve	(28)	--	26 658 467	(26 658 467)	--	--	--	--
Dividends distributed	(28)	--	--	(202 941 976)	--	(202 941 976)	--	(202 941 976)
Net profit for the period		--	--	--	246 264 675	246 264 675	5 326	246 270 001
Balance as of September 30, 2015		757 479 400	156 122 086	181 155 133	246 264 675	1 341 021 294	14 485	1 341 035 779

- 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 Nine Months Ended September 30, 2015

	Note	Period ended September 30, 2015	Period ended September 30, 2014
		EGP	EGP
Cash flows from operating activities			
Net profit for the period before tax		280 742 145	387 749 901
Adjusted by:			
Fixed assets' depreciation	(5)	131 007 630	126 350 706
Intangible assets' amortization	(7)	16 843 728	(531 113)
Credit Interest		(1 691 106)	16 843 727
Finance Cost		67 773 332	71 499 789
Provisions		3 175 842	1 593 959
Reversal of provision		--	(555 431)
Impairment in trade debtors		--	54 377
Provision used		(365 379)	(369 693)
Capital gain		(190 000)	(87 139)
Operating profit before changes in working capital		**497 296 192**	**602 549 083**
(Increase) in inventory		(16 530 814)	(90 747 838)
(Increase) in debtors and other debit balances*		(7 415 534)	(70 009 398)
Decrease in due from related parties		--	780 495
Increase in creditors and other credit balances		56 876 673	66 260 326
(Decrease) / increase in due to related parties		(1 604 216)	1 229 176
Income Tax paid		(131 525 949)	(518 278)
Net cash flows generated from operating activities		**397 096 352**	**509 543 566**
Cash flows from investing activities			
Proceed from sale of assets		190 000	--
Payments for fixed assets***		(8 681 646)	(11 191 021)
Payments for projects under construction***		(44 218 509)	(94 101 934)
Change of investments in subsidiaries and joint venture		--	31 250
Interest income		1 691 106	531 113
Net cash flows (used in) investing activities		**(51 019 049)**	**(104 730 592)**
Cash flows from financing activities			
Payments of operation and electricity license		(58 647 224)	(65 827 917)
Interest paid		(63 282 059)	(71 499 789)
Net change in the loans		(67 780 133)	(157 458 056)
Dividends paid **		(24 258 444)	(99 087 345)
Net cash flows (used in) financing activities		**(213 967 860)**	**(393 873 107)**
Net change in cash and cash equivalents during the period		**132 109 443**	**10 939 867**
Cash and cash equivalents at the beginning of the period		159 366 746	161 152 693
Cash and cash equivalents at the end of the period	(11)	**291 476 189**	**172 092 560**

Non-cash transactions

* Non-cash transactions represents the income tax paid and the other debit balances of EGP 3 397 395 has been eliminated.

** Non-cash transactions represents the unpaid dividends of EGP 178 918 958 has been eliminated.

*** Non-cash transactions represents the transferred from projects under construction to fixed assets of EGP 26 499 950 has 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

1. Incorporation and purpose

1.1 Incorporation

- The Arabian Cement Company, an Egyptian Joint Stock Company ("the company") was established as a joint stock company on March 5, 1997 under Law No. 230 of 1989 and Law No. 95 of 1992 according to the decision of the President of General Authority for Investment and Free Zone (GAFI) No. 167 of 1997.
- The company was registered at the Commercial Register under No. 13105 in Cairo on April 3, 2005, which was changed to No. 53445 on August 16, 2011 as the company changed its registered office from 72 Gameat El Dowal Street, Mohandiseen, Giza-Egypt to be Villa 56 El Gihaz Street, Fifth Settlement, New Cairo, Egypt.
- The main shareholder of the company is Aridos Jativa – Spanish Company, and it owns 60% of the company's capital.
- The consolidated interim financial statements were approved by the Board of Directors and authorized for issue on November 15, 2015.
- The consolidated interim financial statements as of September 30, 2015 includes the following companies:

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

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

1.2 Company's term

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

1.3 Activities

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

1.4 Registration in stock market

Registration of company shares in stock market

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

Registering 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

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

2.1 Statement of compliance

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

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

2.2 Basis of preparation

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

2.3 Basis of consolidation

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

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

2.4 Cost of acquisition

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

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

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

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

2.5 Non - consolidation

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

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

2.6 Subsidiary companies

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

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

2.7 Joint venture

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

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

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

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

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

2.8 Foreign currency exchange

Functional and presentation currency

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

Transactions and balances

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

2.9 Fixed assets and their depreciation

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

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

Estimated useful lives of assets are as follows:

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

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

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

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

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

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

2.10 Projects under construction

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

2.11 Intangible assets

A- Goodwill

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

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

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

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

B- Electricity supply agreement

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

2.12 Investment in joint ventures

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

2.13 Impairment of non-financial assets

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

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

2.14 Inventories

Inventories are stated at the lower of cost and net realizable value. Cost is determined using the moving average method. The cost of finished goods and work in progress comprises raw materials, direct 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 consolidated balance sheet date.

2.18 Current and deferred income tax liability

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

Deferred income tax is provided in full, using the liability method, on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the financial statements.

Deferred income tax is determined using tax rates in accordance with the tax laws that have been enacted or substantially enacted by the consolidated balance sheet date and are expected to apply when the related deferred income tax asset is realized or the deferred income tax liability is settled.

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

2.19 Trade payables

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

2.20 Lease

a- Finance lease

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

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

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

b- Operating lease

Operating lease contracts represent any lease contract which lessor has ownership risks and benefits.

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

2.21 Employee benefits

Profit sharing

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

Pension obligations

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

2.22 Provisions

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

2.23 **Revenue recognition**

Revenue comprises the fair value of the consideration received or receivable for the sale of goods and services in the ordinary course of the company's activities. Revenue is shown net of sales tax, returns or rebates.

The company recognizes revenue when significant risks and rewards of ownership of the goods are transferred to the buyer, and when the amount of revenue can be reliably measured, it is probable that future economic benefits will flow to the company, and when specific criteria have been met for each of the company's activities as described below.

A. **Sales of goods**

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

B. **Interest income**

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

C. **Dividends income**

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

2.24 **Borrowing cost**

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

2.25 **Transactions with related parties**

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

2.26 **Cash flows statement**

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

2.27 **Dividends**

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

2.28 **Comparatives figures**

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

2.29 **Legal Reserve:**

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

Ratios were as follow:

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

3. Financial risk management

1. Financial risk factors

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

A. Market risk

Foreign exchange risk

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

Description	Assets	Liabilities	Net value at September 30, 2015	Net value at December 31, 2014
	EGP	EGP	EGP	EGP
USD	3 048 967	(512 585 503)	**(509 536 536)**	**(437 595 664)**
Euro	967 573	(16 120 521)	**(15 152 948)**	**(22 907 453)**

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

	Actual price	
	September 30, 2015	December 31, 2014
EGP : USD	7.8301	7.1801
EGP : Euro	8.8558	8.6150

Price risk

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

Interest rate risk

- Interest risk is represented in change on interest price on the group obligations represented by loans and operating license, with variable interest rates, amounting to EGP 977 184 975 as of September 30, 2015 against EGP 1 078 949 108 as of December 31, 2014.

B. Credit risk

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

C. Liquidity risk

Prudent liquidity risk management implies maintaining sufficient level of cash.

2. Capital risk management

The group objectives when managing capital are to safeguard the group ability to continue as a going concern in order to provide returns for shareholders and to maintain an optimal capital structure to reduce the cost of capital.

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

The gearing ratio is as follows:

	September 30, 2015 EGP	December 31, 2014 EGP
Loans (Note No. 14)	568 024 975	635 805 108
Other liabilities (Note No. 15)	505 789 488	564 436 712
Less: Cash and equivalent	(291 476 189)	(159 366 746)
Net Debt	**782 338 274**	**1 040 875 074**
Equity	1 341 035 779	1 297 707 754
Capital	**2 123 374 053**	**2 338 582 828**
Net Debt / Capital	**37%**	**45%**

3. Fair value estimation

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

4. Critical accounting estimates and judgments

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

a- Fixed assets - useful life

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

b- Income tax

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

c- Intangible assets - useful life

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

d- Impairment of goodwill:

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

5. Fixed assets

	Land	Building	Vehicles	Machinery and equipment	Other installations	Computer and software	Furniture, fixtures and office equipment	Total
	EGP	EGP	EGP	EGP	EGP	EGP	EGP	EGP
Cost:								
Balance at January 1, 2015	50 243 436	519 369 298	20 534 738	2 603 648 442	255 311 441	10 289 147	6 374 867	**3 465 771 369**
Additions	--	5 429 348	61 525	238 358	1 737 217	751 780	463 418	**8 681 646**
Transfer from projects under construction	--	6 248 392	--	10 455 152	9 796 406	--	--	**26 499 950**
Disposals	--	--	(617 026)	--	--	--	--	**(617 026)**
Balance at September 30, 2015	**50 243 436**	**531 047 038**	**19 979 237**	**2 614 341 952**	**266 845 064**	**11 040 927**	**6 838 285**	**3 500 335 939**
Accumulated depreciation:								
Balance at January 1, 2015	--	93 220 526	8 023 856	631 544 985	45 813 534	8 924 830	1 510 287	**789 038 018**
Depreciation charge	--	20 835 793	1 795 223	97 448 422	9 890 454	618 659	419 079	**131 007 630**
Disposals Accumulated depreciation	--	--	(617 026)	--	--	--	--	**(617 026)**
Balance at September 30, 2015	--	**114 056 319**	**9 202 053**	**728 993 407**	**55 703 988**	**9 543 489**	**1 929 366**	**919 428 622**
Net book value at September 30,2015	**50 243 436**	**416 990 719**	**10 777 184**	**1 885 348 545**	**211 141 076**	**1 497 438**	**4 908 919**	**2 580 907 317**
Net book value at December 31,2014	**50 243 436**	**426 148 772**	**12 510 882**	**1 972 103 457**	**209 497 907**	**1 364 317**	**4 864 580**	**2 676 733 351**

* There is a commercial and real state mortgage with first-class rank for the benefit of the National Bank of Egypt as a guarantee for loans granted by the bank, to the company's land, all current and future buildings and constructions, and the material and moral elements of the company's factory as disclosed in detail in (Note No.14).

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

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

Fixed assets (continued)

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

Five years contracts	**September 30, 2015**	**December 31, 2014**
	EGP	**EGP**
Total contracted lease payments	61 278 596	49 549 083
Bargain purchase value	1	1
Average useful life	5 years	5 years
Lease payments during the period / year	7 761 103	9 516 691

6. Projects under construction

	September 30, 2015	**December 31, 2014**
	EGP	**EGP**
Balance as of January 1	99 410 072	143 613 902
Additions	42 089 463	121 552 211
Advance to suppliers	2 129 046	3 826 056
Transferred to fixed assets	(26 499 950)	(169 582 097)
Total	**117 128 631**	**99 410 072**

- Projects under construction are represented in the following categories:

	September 30, 2015	**December 31, 2014**
	EGP	**EGP**
Buildings	6 683 747	12 748 477
Machinery and equipment	105 110 347	81 751 998
Technical and other installations	3 205 491	1 083 541
Advances to suppliers	2 129 046	3 826 056
Total	**117 128 631**	**99 410 072**

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

7. **Intangible assets (net)**

	Electricity supply agreement* EGP	Goodwill** EGP	Total EGP
Costs			
Balance as of September 30, 2015	**225 200 000**	**8 274 220**	**233 474 220**
Amortization			
Balance as of January 1, 2015	(93 537 741)	--	(93 537 741)
Period amortization	(16 843 728)	--	(16 843 728)
Balance as of September 30, 2015	**(110 381 469)**	**--**	**(110 381 469)**
Net bank value as of September 30, 2015	**114 818 531**	**8 274 220**	**123 092 751**
Net bank value as of December 31, 2014	**131 662 259**	**8 274 220**	**139 936 479**

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

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

** On December 2012, 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.

8. **Inventory**

	September 30, 2015 EGP	December 31, 2014 EGP
Raw materials	103 951 197	119 331 413
Packing materials	24 197 315	26 249 417
Spare parts	31 425 708	27 224 041
WIP	2 516 915	484 977
Finished goods	56 201 544	28 472 017
Total	**218 292 679**	**201 761 865**

9. Debtors and other debit balances (net)

	September 30, 2015 EGP	December 31, 2014 EGP
Advance to suppliers	25 570 989	23 172 087
Deposits with others	18 532 389	18 532 389
Employees dividends in advance	7 067 636	4 902 600
Withholding tax	3 787 731	5 024 473
Trade debtors	3 148 082	4 092 187
Letter of credit	1 728 782	532 986
Imprest – employee's loan	976 237	514 009
Other debit balances	--	22 976
Letter of guarantee cover	34 049	34 049
Total	**60 845 895**	**56 827 756**
Less:		
Impairment in trade debtors	(147 782)	(147 782)
Net	**60 698 113**	**56 679 974**

10. Related parties transactions

Due from related parties:

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

Due to related parties:

	September 30, 2015 EGP	December 31, 2014 EGP
Cementos La Union – Spain Company	--	2 156 734
Andalus Reliance for Mining Company	1 258 989	1 653 193
Aridos Jativa Company	211 946	95 204
Reliance Heavy Industrial	829 980	--
Total	**2 300 915**	**3 905 131**

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

Company	Relation type	Transaction nature	Volume of transactions September 30, 2015	Volume of transactions September 30, 2014
Aridos Jativa Company	Main shareholder	Services	928 405	1 068 904
Andalus Reliance for Mining Company	Joint Ventures	Purchase	23 432 748	--
Reliance Heavy Industrial	Related party	Purchase	20 371 064	--
		Service revenue	980 644	--
Cementos Santo Domingo Company	Subsidiary	Sales	--	387 725
Cementos La Union – Spain Company	Subsidiary	Purchase	--	14 406
Horm Union Company	Subsidiary	Purchase	--	767 685

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

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

	September 30, 2015 EGP	December 31, 2014 EGP
Board of Directors allowance	13 012 788	16 111 169
Board of Directors Salaries and wages	5 766 304	7 173 556
Total	**18 779 092**	**23 284 725**

11. Cash and bank balances

	September 30, 2015 EGP	December 31, 2014 EGP
Cash on hand	5 416 276	2 469 502
Current account – local currency	282 031 484	113 427 939
Current account – foreign currency	3 024 266	21 669 800
Bank deposits	1 004 163	21 799 505
Total	**291 476 189**	**159 366 746**

	September 30, 2015	December 31, 2014
Average interest rates for bank deposits – USD	0.45%	0.06%
Average interest rates for bank deposits – EGP	5.63%	7%
Maturity period for bank deposits	214 Days	243 Days

Cash and cash equivalent includes restricted cash as follows:

	September 30, 2015	December 31, 2014
	EGP	EGP
Cash at banks	208 473 101	104 790 065
Restricted cash at banks*	83 003 088	54 576 681
Total	**291 476 189**	**159 366 746**

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

12. Provisions

	Balance at December 31, 2014	Additions during the year	Reversal during the year	Used during the year	Balance at September 30, 2015
Provisions	8 770 069	3 175 842	--	(365 379)	11 580 532
Total	**8 770 069**	**3 175 842**	**--**	**(365 379)**	**11 580 532**

- 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

	September 30, 2015	December 31, 2014
	EGP	EGP
Trade payable	205 543 589	137 629 081
Advance payment from customers	96 315 596	118 634 063
Accrued development fees	11 564 023	35 771 621
Accrued customers rebates	30 044 055	177 630
Taxes	13 762 882	15 022 216
Accrued interest	24 096 383	15 853 110
Retention	4 602 524	6 224 626
Accrued expenses	11 953 220	7 201 979
Total	**397 882 272**	**336 514 326**

Accrued development fees

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

14. Borrowings

	September 30, 2015 EGP	December 31, 2014 EGP
Current portion from loans	174 102 000	294 065 338
Non- current portion from loans	393 922 975	341 739 770
Total	**568 024 975**	**635 805 108**

These loans are represented in the following:

	September 30, 2015 EGP	December 31, 2014 EGP
First loan	246 507 527	227 188 125
Second loan	253 237 593	335 159 098
Third loan	--	22 578 914
Fourth loan	68 279 855	50 878 971
Total	**568 024 975**	**635 805 108**

First loan

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

Second loan

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

- On May 27, 2015, the National Bank of Egypt agreed to restructure the due installments for the USD portion only, to be paid over 16 equal quarterly installments, in addition to the interest which will be added every three months, and paid with the installments. The applied interest rate will be amended to be at a marginal profit of 4%, above the Libor rate for six months.
- On July 29, 2015, the Egyptian pound portion loan balance was fully paid.

Third loan

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

Fourth loan

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

Bank overdraft

On May 27, 2015, it has been also approved to increase the current overdraft limit amounting to EGP 50 million to become EGP 120 million, with the same originally specified conditionsat an interest rate of 2% above the corridor borrowing rate. The indebtedness was fully paid on September 30, 2015.

The loans guarantees

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

- The company is committed not to allow exit of the major shareholders in the project (especially the Spanish Company) until the payment of the loan (the third loan) granted to the bank by the company, while allowing Egyptian side to increase the share capital through the purchase of the Spanish party however the Spanish party share should not be less, at any time, than 51% of company's capital, also the company should not perform any changes to the nature of its activities or its legal form or structure of ownership until obtaining the prior written consent from the bank.
- The company is committed to issue insurance policies against the dangers of fire, physical damage, business interruptions and machinery failures on all assets owned by the company subjected to this loan contract within 110 % of the full loan's amount, and concede these policies to the bank as first and sole beneficiary.

15. Long term liabilities

Current portion

	September 30, 2015	December 31, 2014
Operating license*	63 720 000	59 472 000
Electricity contract**	18 462 000	18 462 000
Total	**82 182 000**	**77 934 000**
Long-term Portion		
Operating license*	345 440 000	383 672 000
Electricity contract**	72 309 500	86 156 000
Notes payable***	5 857 988	16 674 712
Total	**423 607 488**	**486 502 712**

* **Operating license**

- As per the country's policies to obtain a license for cement factory, the General Industrial Development Association approved on issuing a license to the company amount to EGP 281.4 million for the 1st production line with related liability on the company to pay 15% as an advance payment and the residual amount will be paid over 5 equal annual installments after 1 year from starting production with a maximum of 18 months according to interest rate determined by Central Bank of Egypt - CBE.
- The above mentioned value will be also applied for the second line and a 25% will be paid as an advance payment and residual amount will be settled over a period of 3 years according to the interest rate determined by Central Bank of Egypt - CBE.
- On January 22, 2015, the Industrial Development Authority accepted to receive EGP 8 million on a monthly basis until the legal dispute with the company is resolved, which is currently at the court.
- As of September 30, 2015, the overdue and not paid installments amounted to EGP 24 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 presents the value of the installment due after more than one year. These amounts are due to the suppliers that are working on the construction of the alternative fuel which will be used in cement production operation.
- The installments will be paid over equal semi-annual installments, and the last installment will be due in December 2016. An interest rate of 7% is calculated for the alternative fuel generation line and 9.5% for the coal project.

16. Capital

	September 30, 2015	December 31, 2014
Authorized capital	757 479 400	757 479 400
Issued capital	757 479 400	757 479 400
Number of shares	378 739 700	378 739 700
Par value per share	2	2
Issued and paid-up capital	**757 479 400**	**757 479 400**

- On January 23, 2014, the company's management held an Extraordinary General Assembly Meeting in which a decision was approved for the stock split through modifying the par value of the company's share as a prelude for the listing of the company in the Egyptian Stock Exchange Market. The Extraordinary General Assembly approved the modification of the par value of the share to be 2 EGP instead of EGP 100.
- In addition to the mentioned above, the Extraordinary General Assembly Meeting approved updating Article No. (6) of the Articles of Association which states that the capital of the company amounted to EGP 757 479 400 distributed among 7 574 794 shares 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 7th 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.

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

	September 30, 2015 EGP	December 31, 2014 EGP
Fixed assets and intangible assets	328 794 174	352 418 333
Total	**328 794 174**	**352 418 333**

The movement of the deferred tax liability is as follows:

	September 30, 2015 EGP	December 31, 2014 EGP
Balance as of January 1	352 418 333	337 985 370
Deferred tax charged to the income statement (Note No.22)	(23 624 159)	14 432 963
Balance at the end of the period / year	**328 794 174**	**352 418 333**

- 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

	For the three months ended		For the nine months ended	
	September 30, 2015 EGP	September 30, 2014 EGP	September 30, 2015 EGP	September 30, 2014 EGP
Local sales	710 734 115	735 961 525	2 115 033 045	1 969 085 601
Export sales	--	--	--	4 045 800
Services	13 816 436	11 257 020	35 692 209	29 435 993
Total sales	**724 550 551**	**747 218 545**	**2 150 725 254**	**2 002 567 394**
Less				
Sales discount and returns	(141 745 165)	(98 908 001)	(415 568 971)	(197 888 231)
Net sales	**582 805 386**	**648 310 544**	**1 735 156 283**	**1 804 679 163**

19. Cost of sales

	For the three months ended		For the nine months ended	
	September 30, 2015	September 30, 2014	September 30, 2015	September 30, 2014
	EGP	EGP	EGP	EGP
Raw material	372 663 453	432 109 702	1 100 588 947	1 122 883 131
Manufacturing depreciation	44 217 521	42 715 831	131 001 469	126 343 938
Electricity supply agreement amortization	5 676 274	5 676 274	16 843 727	16 843 727
Overhead cost	21 517 110	35 655 715	57 502 378	74 639 706
Change in inventory	(11 845 732)	(49 758 859)	(15 253 096)	(90 345 404)
Total	**432 228 626**	**466 398 663**	**1 290 683 425**	**1 250 365 098**

20. General and administrative expenses

	For the three months ended		For the nine months ended	
	September 30, 2015	September 30, 2014	September 30, 2015	September 30, 2014
	EGP	EGP	EGP	EGP
Professional fees	2 906 341	4 142 786	8 584 691	20 294 214
Salaries and wages	10 184 019	7 682 198	27 710 282	24 510 420
Security and cleaning services	1 128 983	1 550 401	2 979 449	3 382 648
Rentals	1 090 649	932 388	3 300 917	2 410 760
Transportation	442 840	584 750	1 630 843	1 836 816
Advertising and public relations	700 183	6 458 795	3 697 603	9 258 046
Real estate tax	--	--	1 000 674	--
Other expenses	906 313	1 577 915	4 384 742	3 807 197
Total	**17 359 327**	**22 929 233**	**53 289 200**	**65 500 101**

21. Finance costs

	For the three months ended		For the nine months ended	
	September 30, 2015	September 30, 2014	September 30, 2015	September 30, 2014
	EGP	EGP	EGP	EGP
Loan interest expense	6 097 389	9 652 718	19 389 207	27 379 102
Operation licence interest expense	11 256 000	11 256 000	33 768 000	33 768 000
Electricity agreement interest expense	3 070 500	3 070 500	9 211 500	9 211 500
Bank overdraft interest expense	1 814 253	--	2 276 243	--
Long-term notes payable interest expense	1 676 007	516 532	3 128 382	1 141 179
Total	**23 914 149**	**24 495 750**	**67 773 332**	**71 499 781**

22. Income tax

	For the three months ended		For the nine months ended	
	September 30, 2015	September 30, 2014	September 30, 2015	September 30, 2014
	EGP	EGP	EGP	EGP
Deferred income tax (Note No. 17)	33 531 913	(11 730 277)	23 624 159	(85 735 590)
Current income tax	(6 142 489)	(31 745 738)	(58 096 303)	(100 204 028)
Total	**27 389 424**	**(43 476 015)**	**(34 472 144)**	**(185 939 618)**

23. Non- Controlling interest

Non – controlling interest amounted to EGP 14 485 as of September 30, 2015 which represents the percentage of 0.04% from Andalus Concrete Company and 1% from ACC for Management Company

	Capital	Non – Controlling interest for acquired subsidiaries	Retained Earning	September 30, 2015	December 31, 2014
	EGP	EGP	EGP	EGP	EGP
Balance at January 1,	2 500	(1 672)	8 331	**9 159**	**4 336**
Net Income for the period	--	--	5 326	**5 326**	**4 823**
Ending balance	**2 500**	**(1 672)**	**13 657**	**14 485**	**9 159**

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

	For the three months ended		For the nine months ended	
	September 30, 2015	September 30, 2014	September 30, 2015	September 30, 2014
	EGP	EGP	EGP	EGP
Net profits of the period	121 715 282	93 912 063	246 264 675	201 806 053
Employees share in the dividends*	(1 024 910)	(1 095 286)	(3 271 570)	(3 359 079)
Distributable net profit / (Loss) of the period	**120 690 372**	**92 816 777**	**242 993 105**	**198 446 974**
Weighted average number of shares during the period	378 739 700	378 739 700	378 739 700	378 739 700
Earnings / (loss) per share of the period	**0.32**	**0.25**	**0.64**	**0.52**

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

25. Contingent liabilities

On September 30, 2015, the company had contingent liabilities in respect to the banks and other guarantees in addition to other aspects arising from the ordinary course of business, and it is not anticipated that material liabilities will arise concerning this issue. The unrecovered portion of letter of credit amounted to EGP 1 441 857.

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 enjoys a tax exemption for a period of 5 years starting from the fiscal year following the start-up of the production of the Company's operation. This period was determined by the General Authority for Free Zones and Investments to start from April 22, 2008, consequently, the company is exempted from corporate tax for the period from January 1, 2009 till December 31, 2013.

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

Sales tax

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

Stamp tax

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

Payroll tax

Payroll tax was inspected and taxes were settled until 2010.

Development fees

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

- **Subsidiary companies:**

a)**Andalus Concrete**

Corporate tax

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

Sales tax

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

Stamp tax

No inspection was performed yet.

Payroll tax

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

b) ACC for Management and Trading

Corporate income tax

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

Sales tax

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

Stamp tax

No inspection was performed yet.

Payroll tax

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

c) Andalus Reliance for Mining

Corporate income tax

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

Sales tax

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

Stamp tax

No inspection was performed yet.

Payroll tax

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

27. Capital commitment

The capital commitment as of September 30, 2015 related to fixed assets acquisition amounted to EGP 5 712 045, also, the capital commitment related to the unpaid portion of the company's share in Andalus Concrete Company's capital increase amounted to EGP 11 800 000, according to the Extraordinary General Assembly resolution of Andalus Concrete Company dated September 2, 2015.

28. Dividends distribution:

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

Description	Amount EGP
Net profit for the year ended December 31, 2014	373 130 564
Retained earnings from 2013	213 095 391
Dividends to shareholders during 2014	(164 027 396)
Dividends to employee during 2014	(3 341 399)
Legal reserve*	(37 326 070)
Available profit for distribution	**381 531 090**
Distributed as the following:	
Shareholders' share on the dividends	(200 732 041)
Employees' share on the dividends	(2 209 935)
Carried forward retained earning	**178 589 114**
Paid dividends	**(24 258 444)**
Dividends payable	**178 918 958**

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

29. Amendments on the new tax law

- The Ministry of Finance's Decree No. 172 of 2015 on April 6, 2015 has cancelled Article No. 70 of the executive regulation of income tax law.
- 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 publishing date.
- The most important amendments to this law are as follows:
  1. Ensuring that the other bracket of the income tax (additional law) at the rate of 5% is for 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.
- The impact of this amendment became effective for the corporate tax as well as the tax consequences of temporary differences as of September 30, 2015.

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 or after this date.

Chief Financial Officer	Chief Executive Officer
Allan Hestbech	Jose Maria Magrina