

ALEXANDRIA PORTLAND CEMENT COMPANY (S.A.E.)
SEPARATE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2017
TOGETHER WITH THE AUDITOR'S REPORT

Alexandria Portland Cement Company (S.A.E.)

**Separate Financial Statements
For the year ended 31 December 2017**

Table of Contents

	<u>Page</u>
Auditor's Report	2
Separate Statement of Profit or Loss	3
Separate Statement of Comprehensive Income	4
Separate Statement of Financial Position	5
Separate Statement of Changes in Equity	6
Separate Statement of Cash Flows	7
Notes to the Separate Financial Statements	8 – 38



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AUDITOR'S REPORT

TO THE MANAGMENT OF ALEXANDRIA PORTLAND CEMENT COMPANY (S.A.E)

Report on the Financial Statements

We have audited the accompanying separate financial statements of ALEXANDRIA PORTLAND CEMENT COMPANY (S.A.E) (the "Company"), which comprise the separate statement of financial position as at 31 December 2017 and the separate statement of profit or loss and separate statement of comprehensive income, separate statement of changes in equity and separate statement of cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information.

Management's responsibility for the financial statements

These separate financial statements are the responsibility of the Company's Management, as Management is responsible for the preparation and fair presentation of the separate financial statements in accordance with International Financial Reporting Standards. Management responsibility includes: designing, implementing and maintaining internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error. This responsibility also includes 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 separate financial statements based on our audit. We conducted our audit in accordance with the Egyptian Standards on Auditing and applicable Egyptian laws. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance that the separate financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the separate 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 entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the separate financial statements.



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

Opinion

In our opinion, the separate financial statements referred to above, give a true and fair view, in all material respects, the separate financial position of **ALEXANDRIA PORTLAND CEMENT COMPANY (S.A.E)** as at 31 December 2017 and its separate financial performance and separate cash flows for the year then ended in accordance with International Financial Reporting Standards.

Emphasis of Matter

- We draw attention to note (15) to the financial statements, that the Company has investments in subsidiaries and prepared consolidated financial statements for the year ended 31 December 2017 in accordance with the International Financial Reporting Standards. For better understanding of the Company's consolidated financial position as 31 December 2017 and its consolidated financial performance and its consolidated cash flows for the year then ended, the matter necessitates reference to the consolidated financial statements issued on 24 April 2018.



Amr M. El Shaabini
FESAA-FEST
(RAA.9365)
EFSA (103)

Cairo: 24 April 2018

ALEXANDRIA PORTLAND CEMENT COMPANY (S.A.E.)

SEPARATE STATEMENT OF PROFIT OR LOSS

For the year ended 31 December 2017

(All amounts are in thousand Egyptian pound)

	Notes	2017	2016
		EGP	EGP
Net sales	(4)	1,237,329	1,049,872
Cost of sales	(5)	<u>(1,206,952)</u>	<u>(946,920)</u>
GROSS PROFIT		30,377	102,952
General and administrative expenses	(6)	(68,350)	(60,776)
Other operating income	(7)	28,029	11,311
Other operating expense	(8)	(91,392)	(61,852)
Net finance expense / (income)	(9)	(544,705)	(1,063,827)
Dividends income	(10)	<u>114,279</u>	<u>-</u>
LOSS FOR THE YEAR BEFORE INCOME TAX		(531,762)	(1,072,192)
Income tax	(11)	<u>129,969</u>	<u>247,195</u>
LOSSES FOR THE YEAR		<u>(401,793)</u>	<u>(824,997)</u>
Losses Per Share - basic and diluted	(12)	<u>(1.56)</u>	<u>(3.21)</u>

The accompanying notes (1) to (34) form an integral part of these separate financial statements.
Auditor's report attached.

ALEXANDRIA PORTLAND CEMENT COMPANY (S.A.E.)

SEPARATE STATEMENT OF COMPERHENSIVE INCOME

For the year ended 31 December 2017

(All amounts are in thousand Egyptian pound)

	2017	2016
	EGP	EGP
LOSSES FOR THE YEAR	(401,793)	(824,997)
Other comprehensive income	-	-
TOTAL COMPREHENSIVE LOSSES	<u>(401,793)</u>	<u>(824,997)</u>

The accompanying notes (1) to (34) form an integral part of these separate financial statements.

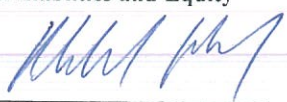
ALEXANDRIA PORTLAND CEMENT COMPANY (S.A.E.)

SEPARATE STATEMENT OF FINANCIAL POSITION

AS OF 31 December 2017

(All amounts are in thousand Egyptian pound)

	Notes	31 December 2017 EGP	31 December 2016 EGP
ASSETS			
Non-current assets			
Property, Plant and equipment	(13)	839,367	801,150
Intangible assets	(14)	1,517	1,420
Investments in subsidiaries	(15)	3,241,656	3,241,656
Payments made on account for investment in subsidiaries	(15)	259,995	259,995
Employees advances	(16)	-	-
Deferred tax asset	(11)	355,196	214,291
Total Non-current assets		4,697,731	4,518,512
Current assets			
Inventories	(17)	351,736	347,053
Prepayments, other receivables and other debit balances	(18)	76,218	100,666
Due from related parties	(19)	209	135
Loans to related parties	(20)	18,207	266,018
Cash on hand and at banks	(23)	54,901	50,173
Total current assets		501,271	764,045
Total assets		5,199,002	5,282,557
Equity and liabilities			
Equity			
Share capital	(24)	2,570,575	2,570,575
Legal reserve	(25)	145,403	145,403
(Accumulated losses)/ Retained earnings		(568,491)	256,506
Losses for the year		(401,793)	(824,997)
Total equity		1,745,694	2,147,487
Liabilities			
Non-current liabilities			
Bank borrowings – Non current portion	(26)	817,425	314,425
Loans from related parties – Non current portion	(21)	1,729,682	1,476,211
Sales tax installments		276	276
Total Non-current liabilities		2,547,383	1,790,912
Current liabilities			
Provisions	(27)	14,112	11,877
Accounts and notes payable	(28)	277,736	298,268
Advance from customers		59,013	211,956
Accrued expenses and other payables	(29)	109,047	91,198
Bank borrowings – Current portion	(26)	-	401,812
Credit facilities	(22)	-	3,152
Due to related parties	(19)	203,997	103,117
Loans from related parties – Current portion	(21)	223,873	197,646
Income tax payable	(11)	18,147	25,132
Total current liabilities		905,925	1,344,158
Total liabilities		3,453,308	3,135,070
Total Liabilities and Equity		5,199,002	5,282,557


Chief Financial Officer


Chairman

The accompanying notes (1) to (34) form an integral part of these separate financial statements.

ALEXANDRIA PORTLAND CEMENT COMPANY (S.A.E.)

SEPARATE STATEMENT OF CHANGES IN EQUITY

FOR THE YEAR ENDED 31 DECEMBER 2017

(All amounts are in thousand Egyptian pound)

	Share Capital EGP	Legal reserve EGP	Retained Earnings /Accumulated losses EGP	Losses for the period EGP	Total Equity EGP
Balance at 1 January 2016	2,570,575	145,403	390,870	(134,364)	2,972,484
Transferred to retained earnings	-	-	(134,364)	134,364	-
Loss for the year	-	-	-	(824,997)	(824,997)
Balance at 31 December 2016	<u>2,570,575</u>	<u>145,403</u>	<u>256,506</u>	<u>(824,997)</u>	<u>2,147,487</u>
Balance at 1 January 2017	2,570,575	145,403	256,506	(824,997)	2,147,487
Transfer to accumulated losses	-	-	(824,997)	824,997	-
Loss for the year	-	-	-	(401,793)	(401,793)
Balance at 31 December 2017	<u>2,570,575</u>	<u>145,403</u>	<u>(568,491)</u>	<u>(401,793)</u>	<u>1,745,694</u>

The accompanying notes (1) to (34) form an integral part of these separate financial statements.

ALEXANDRIA PORTLAND CEMENT COMPANY (S.A.E.)

SEPARATE STATEMENTS OF CASH FLOWS

FOR THE YEAR ENDED 31 DECEMBER 2017

(All amounts are in thousand Egyptian pound)

		2017	2016
	Notes	EGP	EGP
Cash flows from operating activities			
Losses before income tax		(531,762)	(1,072,192)
Adjustments for:			
Depreciation expenses of fixed assets	(13)	76,853	64,000
Amortization of intangible assets	(14)	559	1,530
Write down of spare parts		3,043	1,875
Provisions charged during the year	(27)	3,034	3,876
Change in present value of employee advances no longer required		-	(5,975)
Impairment of employee advance		7,237	16,326
Gain / (Loss) from sale of property, plant and equipment		(893)	(1,139)
Credit interest	(9)	(8,355)	(15,257)
Debit interest	(9)	301,164	180,930
Cash from operations before working capital changes:		(149,120)	(826,026)
Change in restricted cash	(22)	13,074	(7,789)
Change in inventory	(17)	(7,726)	(79,798)
Change in prepayments and other receivables	(18)	24,448	(23,245)
Change in due from related parties	(19)	(74)	1,325
Change in accounts payable	(28)	(20,532)	120,226
Change in advance from customers		(152,943)	159,065
Change in accrued expenses and other payables	(29)	14,190	14,691
Change in payment of employee advance	(15)	(7,237)	3,051
Change in due to related parties	(19)	100,880	54,155
Cash (used) / from operating activities		(185,040)	(584,345)
Provision used	(27)	(1,220)	(290)
Tax paid	(11)	(17,500)	(290)
Net cash (used in) operating activities		(203,760)	(584,925)
Cash flows from investing activities			
Payments to Acquire Property, plant and Equipment	(13)	(115,073)	(189,971)
Payments to Acquire intangible Assets		(656)	-
Proceeds from sale of Property, plant and Equipment		896	1,635
Interest received		66,885	1,861
Receipt /(payments) of loans to related parties		189,281	24,653
Net cash provided from / (used in) investing activities		141,333	(161,822)
Cash flows from financing activities			
Credit facilities (paid) / Received		(3,152)	3,152
Receipt from Bank loans		101,186	94,636
Receipt of loans from related parties		253,471	812,458
Interest paid		(271,278)	(156,506)
Net cash provided from financing activities		80,229	753,740
Net change in cash and cash equivalents		17,802	6,993
Cash and cash equivalent at the beginning of the period		34,358	27,365
Cash and cash equivalent at the end of the period	(23)	52,160	34,358
Cash on hand and at banks		54,901	50,173
Less: Restricted cash	(23)	(2,741)	(15,815)
		52,160	34,358

The accompanying notes (1) to (34) form an integral part of these separate financial statements.

ALEXANDRIA PORTLAND CEMENT COMPANY (S.A.E.)

NOTES TO THE SEPARATE FINANCIAL STATEMENTS

31 DECEMBER 2017

(All amounts are in thousand Egyptian pound)

1 BACKGROUND

Alexandria Portland Cement Company (S.A.E) was established on 7 June 1948 by a royal decree. The company was transferred from public to business sector under Law No. 203 of 1991, at the time the company was affiliated with the Holding Company for Chemical Manufacturing; The Company was later listed in the stock exchange market.

The company's head quarter is located in Florida Tower – Heliopolis – Cairo. Also, the company is operating one Cement plant located in Alexandria.

According to the Egyptian Government's privatization program, the company was privatized through ownership transferal where 73.65% of the company has been privatized and ownership rights given to Blue Circle Industries BLC as of January 24th 2000.

On the 1st of February 2000, an Extraordinary General Assembly meeting was held where the company's articles of association have been modified to conform to the companies Law No, 159 of 1981 and the capital markets Law No, 95 of 1992.

On July 11th 2001, Lafarge S.A, purchased Blue Circle Industries Plc.

On May 26th 2003, Alexandria for Development Limited Company purchased 10,614,137 shares of Alexandria Portland Cement Company which is 88.45% of the company's shares.

On 20 December 2006 an Extraordinary General Assembly meeting was held as to agree on the merger of Blue Circle Egypt for Cement Company S.A.E in Alexandria Portland Cement Company S.A.E and December 31st 2006 was determined as the date of the merger.

On September 17th 2007, the final revaluation report was issued by General Authority for Investments and free zones for revaluating the net assets for the merged and merger companies.

According to this report, the shareholders' equity for Alexandria Portland Cement Company (merger Company) as of 31 December 2006 amounted to EGP 544,793 Thousands, and shareholders' equity of Blue Circle for Cement (merged Company) amounted to EGP 834,913 Thousands, After excluding the value of the investments of the two companies in each other's, the net shareholders' equity has amounted to EGP 547,477 Thousands as of 31 December 2006.

According to the above, the company's paid up capital has increased by EGP 574,700 (the par value of the newly issued shares against minority interest) and the issued capital of the merger company has been increased to EGP 120,574,700 and the difference between the capital amount and the shareholders' equity after the merger will be transferred to General reserve of EGP 426,902,310.

The main objective of the company is to manufacture, sell and market all kinds of cement, gypsum, cement aggregates and concrete, extracts of quarries and the related products, in the Arab Republic of Egypt and/or abroad by importing and/or exporting the mentioned products.

These financial statements for the year ended 31 December 2017 were authorized for issuance in accordance with the resolution of Management on 19 April 2018.

2 BASIS OF PREPARATION AND ACCOUNTING POLICIES

2.1 Basis of preparation of these financial statements

The financial statements of the Company are prepared in accordance with International Financial Reporting Standards ("IFRS") as issued by the International Accounting Standards Board ("IASB").

The financial statements have been prepared in Egyptian pounds (to the nearest thousands), which is the Company's functional and presentation currency.

ALEXANDRIA PORTLAND CEMENT COMPANY (S.A.E.)

NOTES TO THE SEPARATE FINANCIAL STATEMENTS

31 DECEMBER 2017

(All amounts are in thousand Egyptian pound)

The financial statements have been prepared under the going concern assumption on a historical cost basis.

The preparation of the financial statements in conformity with International Financial Reporting Standards requires the use of certain critical accounting estimates. It also requires management to exercise its judgment in the process of applying the Company's accounting policies. Note 2.3 disclose the significant accounting estimates used and personal judgment applied in the preparation of the financial statements

2.2 NEW STANDARDS, INTERPRETATION AND AMENDMENTS

The standards and interpretations that are issued, but not yet effective, up to the date of issuance of the company's financial statements are disclosed below. The company intends to adopt these standards, if applicable, when they become effective.

IFRS 9 Financial Instruments

In July 2014, the IASB issued the final version of IFRS 9 Financial Instruments, which replaces IAS 39 Financial Instruments: Recognition and Measurement and all previous versions of IFRS 9. IFRS 9 brings together all three aspects of the accounting for financial instruments project: classification and measurement, impairment and hedge accounting. IFRS 9 is effective for annual periods beginning on or after 1 January 2018, with early application permitted.

The Company plans to adopt the new standard on the required effective date and will not restate comparative information. During 2017, the Group has performed a detailed impact assessment of all three aspects of IFRS 9. This assessment is based on currently available information and may be subject to changes arising from further reasonable and supportable information being made available to the Company in 2018 when the Company will adopt IFRS 9. Overall the management of the company has determined that the expected credit loss of intercompany receivables will increase by EGP 20 thousands from the adoption of the new standard on 1 January 2018.

(a) Classification and measurement

The Company does not expect a significant impact on its balance sheet or equity on applying the classification and measurement requirements of IFRS 9. It expects to continue measuring at fair value all financial assets currently held at fair value. Based on the preliminary analysis of the financial assets and financial liabilities as of 31 December 2017 and on the basis of the facts and circumstances that exist at that date, the management of the company is not expecting a significant impact on its financial statements from the adoption of the new standard on 1 January 2018.

(b) Impairment

IFRS 9 requires the Company to record expected credit losses on all of its debt securities, loans and trade receivables, either on a 12-month or lifetime basis. The Company will apply the simplified approach and record lifetime expected losses on all trade receivables. The Company has determined that the expected credit loss will increase by EGP 20 thousands.

IFRS 15 Revenue from Contracts with Customers

IFRS 15 was issued in May 2014, and amended in April 2016, and establishes a five-step model to account for revenue arising from contracts with customers. Under IFRS 15, revenue is recognised at an amount that reflects the consideration to which an entity expects to be entitled in exchange for transferring goods or services to a customer.

The new revenue standard will supersede all current revenue recognition requirements under IFRS. Either a full retrospective application or a modified retrospective application is required for annual periods beginning on or after 1 January 2018. Early adoption is permitted. The Company plans to adopt the new standard on the required effective date using the full retrospective method. During 2017, the Company performed a preliminary assessment of IFRS 15 and is expecting no effect on its financial statements.

Sale of goods

For contracts with customers in which the sale of Cement is generally expected to be the only performance obligation, adoption of IFRS 15 is not expected to have any impact on the Company's revenue and profit or loss. The Company expects the revenue recognition to occur at a point in time when control of the asset is transferred to the customer, generally on delivery of the goods.

ALEXANDRIA PORTLAND CEMENT COMPANY (S.A.E.)

NOTES TO THE SEPARATE FINANCIAL STATEMENTS

31 DECEMBER 2017

(All amounts are in thousand Egyptian pound)

Amendments to IFRS 10 and IAS 28: Sale or Contribution of Assets between an Investor and its Associate or Joint Venture

The amendments address the conflict between IFRS 10 and IAS 28 in dealing with the loss of control of a subsidiary that is sold or contributed to an associate or joint venture. The amendments clarify that the gain or loss resulting from the sale or contribution of assets that constitute a business, as defined in IFRS 3, between an investor and its associate or joint venture, is recognised in full. Any gain or loss resulting from the sale or contribution of assets that do not constitute a business, however, is recognised only to the extent of unrelated investors' interests in the associate or joint venture. The IASB has deferred the effective date of these amendments indefinitely, but an entity that early adopts the amendments must apply them prospectively. This amendments is not applicable to the Company.

IFRS 2 Classification and Measurement of Share-based Payment Transactions — Amendments to IFRS 2

The IASB issued amendments to IFRS 2 Share-based Payment that address three main areas: the effects of vesting conditions on the measurement of a cash-settled share-based payment transaction; the classification of a share-based payment transaction with net settlement features for withholding tax obligations; and accounting where a modification to the terms and conditions of a share-based payment transaction changes its classification from cash settled to equity settled.

On adoption, entities are required to apply the amendments without restating prior periods, but retrospective application is permitted if elected for all three amendments and other criteria are met. The amendments are effective for annual periods beginning on or after 1 January 2018, with early application permitted. This amendments is not applicable to the Company.

IFRS 16 Leases

IFRS 16 was issued in January 2016 and it replaces IAS 17 Leases, IFRIC 4 Determining whether an Arrangement contains a Lease, SIC-15 Operating Leases-Incentives and SIC-27 Evaluating the Substance of Transactions Involving the Legal Form of a Lease. IFRS 16 sets out the principles for the recognition, measurement, presentation and disclosure of leases and requires lessees to account for all leases under a single on-balance sheet model similar to the accounting for finance leases under IAS 17. The standard includes two recognition exemptions for lessees – leases of 'low-value' assets (e.g., personal computers) and short-term leases (i.e., leases with a lease term of 12 months or less). At the commencement date of a lease, a lessee will recognise a liability to make lease payments (i.e., the lease liability) and an asset representing the right to use the underlying asset during the lease term (i.e., the right-of-use asset). Lessees will be required to separately recognise the interest expense on the lease liability and the depreciation expense on the right-of-use asset.

Lessees will be also required to remeasure the lease liability upon the occurrence of certain events (e.g., a change in the lease term, a change in future lease payments resulting from a change in an index or rate used to determine those payments). The lessee will generally recognise the amount of the remeasurement of the lease liability as an adjustment to the right-of-use asset.

Lessor accounting under IFRS 16 is substantially unchanged from today's accounting under IAS 17. Lessors will continue to classify all leases using the same classification principle as in IAS 17 and distinguish between two types of leases: operating and finance leases.

IFRS 16 also requires lessees and lessors to make more extensive disclosures than under IAS 17.

IFRS 16 is effective for annual periods beginning on or after 1 January 2019. Early application is permitted, but not before an entity applies IFRS 15. A lessee can choose to apply the standard using either a full retrospective or a modified retrospective approach. The standard's transition provisions permit certain reliefs. In 2018, the Company will continue to assess the potential effect of IFRS 16 on its financial statements.

IFRS 17 Insurance Contracts

In May 2017, the IASB issued IFRS 17 Insurance Contracts (IFRS 17), a comprehensive new accounting standard for insurance contracts covering recognition and measurement, presentation and disclosure. Once effective, IFRS 17 will replace IFRS 4 Insurance Contracts (IFRS 4) that was issued in 2005. IFRS 17 applies to all types of insurance contracts (i.e., life, non-life, direct insurance and re-insurance), regardless of the type of entities that issue them, as well as to certain guarantees and financial instruments with discretionary participation features.

A few scope exceptions will apply. The overall objective of IFRS 17 is to provide an accounting model for insurance contracts that is more useful and consistent for insurers. In contrast to the requirements in IFRS 4, which are largely based on grandfathering previous local accounting policies, IFRS 17 provides a comprehensive model for insurance contracts, covering all relevant accounting aspects. The core of IFRS 17 is the general model, supplemented by:

- A specific adaptation for contracts with direct participation features (the variable fee approach)
- A simplified approach (the premium allocation approach) mainly for short-duration contracts.

ALEXANDRIA PORTLAND CEMENT COMPANY (S.A.E.)

NOTES TO THE SEPARATE FINANCIAL STATEMENTS

31 DECEMBER 2017

(All amounts are in thousand Egyptian pound)

IFRS 17 is effective for reporting periods beginning on or after 1 January 2021, with comparative figures required. Early application is permitted, provided the entity also applies IFRS 9 and IFRS 15 on or before the date it first applies IFRS 17. This standard is not applicable to the Company.

Transfers of Investment Property — Amendments to IAS 40

The amendments clarify when an entity should transfer property, including property under construction or development into, or out of investment property. The amendments state that a change in use occurs when the property meets, or ceases to meet, the definition of investment property and there is evidence of the change in use. A mere change in management's intentions for the use of a property does not provide evidence of a change in use. Entities should apply the amendments prospectively to changes in use that occur on or after the beginning of the annual reporting period in which the entity first applies the amendments. An entity should reassess the classification of property held at that date and, if applicable, reclassify property to reflect the conditions that exist at that date. Retrospective application in accordance with IAS 8 is only permitted if it is possible without the use of hindsight. Effective for annual periods beginning on or after 1 January 2018. Early application of the amendments is permitted and must be disclosed. This standard is not applicable to the company.

Annual Improvements 2014-2016 Cycle (issued in December 2016)

These improvements include:

Amendments to IAS 7 Statement of Cash Flows: Disclosure Initiative

The amendments require entities to provide disclosure of changes in their liabilities arising from financing activities, including both changes arising from cash flows and non-cash changes (such as foreign exchange gains or losses). This amendment is not applicable to the Company.

Amendments to IAS 12 Income Taxes: Recognition of Deferred Tax Assets for Unrealised Losses

The amendments clarify that an entity needs to consider whether tax law restricts the sources of taxable profits against which it may make deductions on the reversal of deductible temporary difference related to unrealised losses. Furthermore, the amendments provide guidance on how an entity should determine future taxable profits and explain the circumstances in which taxable profit may include the recovery of some assets for more than their carrying amount. The Company applied amendments retrospectively. However, their application has no effect on the Company's financial position and performance as there is no restriction from the tax law on the sources of taxable profits against which it may make deductions on the reversal of deductible temporary difference related to unrealised losses, thus this amendment is not applicable to the company.

Amendments to IFRS 12 Disclosure of Interests in Other Entities: Clarification of the scope of disclosure requirements in IFRS 12

The amendments clarify that the disclosure requirements in IFRS 12, apply to an entity's interest in a subsidiary, a joint venture or an associate (or a portion of its interest in a joint venture or an associate) that is classified (or included in a disposal group that is classified) as held for sale. As at 31 December 2017. This amendment is not applicable to the Company.

IFRS 1 First-time Adoption of International Financial Reporting Standards - Deletion of short-term exemptions for first-time adopters

Short-term exemptions in paragraphs E3–E7 of IFRS 1 were deleted because they have now served their intended purpose. The amendment is effective from 1 January 2018. This amendment is not applicable to the Company.

IAS 28 Investments in Associates and Joint Ventures - Clarification that measuring investees at fair value through profit or loss is an investment-by-investment choice

The amendments clarify that:

- An entity that is a venture capital organisation, or other qualifying entity, may elect, at initial recognition on an investment-by-investment basis, to measure its investments in associates and joint ventures at fair value through profit or loss.
- If an entity, that is not itself an investment entity, has an interest in an associate or joint venture that is an investment entity, the entity may, when applying the equity method, elect to retain the fair value measurement applied by that investment entity associate or joint venture to the investment entity associate's or joint venture's interests in subsidiaries. This election is made separately for each investment entity associate or joint venture, at the later of the date on which: (a) the investment entity associate or joint venture is initially recognised; (b) the associate or joint venture becomes an investment entity; and (c) the investment entity associate or joint venture first becomes a parent.

ALEXANDRIA PORTLAND CEMENT COMPANY (S.A.E.)

NOTES TO THE SEPARATE FINANCIAL STATEMENTS

31 DECEMBER 2017

(All amounts are in thousand Egyptian pound)

The amendments should be applied retrospectively and are effective from 1 January 2018, with earlier application permitted. If an entity applies those amendments for an earlier period, it must disclose that fact. These amendments are not applicable to the Company.

Applying IFRS 9 Financial Instruments with IFRS 4 Insurance Contracts - Amendments to IFRS 4

The amendments address concerns arising from implementing the new financial instruments standard, IFRS 9, before implementing IFRS 17 Insurance Contracts, which replaces IFRS 4. The amendments introduce two options for entities issuing insurance contracts: a temporary exemption from applying IFRS 9 and an overlay approach. The temporary exemption is first applied for reporting periods beginning on or after 1 January 2018. An entity may elect the overlay approach when it first applies IFRS 9 and apply that approach retrospectively to financial assets designated on transition to IFRS 9. The entity restates comparative information reflecting the overlay approach if, and only if, the entity restates comparative information when applying IFRS 9. These amendments are not applicable to the Company.

IFRIC Interpretation 22 Foreign Currency Transactions and Advance Consideration

The Interpretation clarifies that, in determining the spot exchange rate to use on initial recognition of the related asset, expense or income (or part of it) on the derecognition of a non-monetary asset or non-monetary liability relating to advance consideration, the date of the transaction is the date on which an entity initially recognises the non-monetary asset or non-monetary liability arising from the advance consideration. If there are multiple payments or receipts in advance, then the entity must determine the transaction date for each payment or receipt of advance consideration. Entities may apply the amendments on a fully retrospective basis.

Alternatively, an entity may apply the Interpretation prospectively to all assets, expenses and income in its scope that are initially recognised on or after:

- (i) The beginning of the reporting period in which the entity first applies the interpretation Or
- (ii) The beginning of a prior reporting period presented as comparative information in the financial statements of the reporting period in which the entity first applies the interpretation.

The Interpretation is effective for annual periods beginning on or after 1 January 2018. Early application of interpretation is permitted and must be disclosed. However, since the Company's current practice is in line with the Interpretation, the Company does not expect any effect on its financial statements.

IFRIC Interpretation 23 Uncertainty over Income Tax Treatment

The Interpretation addresses the accounting for income taxes when tax treatments involve uncertainty that affects the application of IAS 12 and does not apply to taxes or levies outside the scope of IAS 12, nor does it specifically include requirements relating to interest and penalties associated with uncertain tax treatments. The Interpretation specifically addresses the following:

- Whether an entity considers uncertain tax treatments separately
- The assumptions an entity makes about the examination of tax treatments by taxation authorities
- How an entity determines taxable profit (tax loss), tax bases, unused tax losses, unused tax credits and tax rates
- How an entity considers changes in facts and circumstances

An entity must determine whether to consider each uncertain tax treatment separately or together with one or more other uncertain tax treatments. The approach that better predicts the resolution of the uncertainty should be followed. The interpretation is effective for annual reporting periods beginning on or after 1 January 2019, but certain transition reliefs are available. The Company will apply interpretation from its effective date. In addition, the Company may need to establish processes and procedures to obtain information that is necessary to apply the Interpretation on a timely basis.

2.3 SIGNIFICANT ACCOUNTING JUDGMENTS AND ESTIMATES

The preparation of the Company's financial statements requires management to make judgements, estimates and assumptions that affect the reported amounts of revenues, expenses, assets and liabilities, and the accompanying disclosures, and the disclosure of contingent liabilities. Uncertainty about these assumptions and estimates could result in outcomes that require a material adjustment to the carrying amount of assets or liabilities affected in future periods.

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

The key judgements and estimates that have a significant impact on the financial statement of the Company are discussed below:

ALEXANDRIA PORTLAND CEMENT COMPANY (S.A.E.)

NOTES TO THE SEPARATE FINANCIAL STATEMENTS

31 DECEMBER 2017

(All amounts are in thousand Egyptian pound)

2.3 SIGNIFICANT ACCOUNTING JUDGMENTS AND ESTIMATES (continued)

Estimations

Property, Plant and equipment – useful life

The property, Plant and equipment owned by the Company 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, reviews the useful lives of property, Plant and equipment regularly, to ensure consistency with its estimate, or otherwise, revise the remainder of useful lives as appropriate, the company has disclosed the estimated useful lives for Property, Plant and equipment in note (2.4).

Intangible assets

Management has benchmarked the useful lives of its intangible assets with estimates made by other entities and with those estimates developed internally by its technical resources. Management, reviews the useful lives of the intangible assets regularly, to ensure consistency with its estimate, or otherwise, revise the remainder of useful lives as appropriate, the company has disclosed the estimated useful lives for intangible assets in note (2.4).

Inventory write down

The Company forms a write down for obsolete and slow moving items based on semiannual reports related to the expiry and the quality of inventory.

Taxes

The Company is subject to income taxes in Egypt. Significant judgment is required to determine the total provision for current and deferred taxes. The Company established provisions, based on reasonable estimates, for possible consequences of audits by the tax authorities in Egypt. The amount of such provision is based on various factors, such as experience of previous tax audits and differing interpretations of tax regulations by the Company and the responsible tax authority. Such differences of interpretations may arise on a wide variety of issues depending on the conditions prevailing in Egypt.

Deferred tax assets are recognised for unused accumulated tax losses to the extent that it is probable that taxable profit will be available against which the losses can be utilised. Significant management judgement is required to determine the amount of deferred tax assets that can be recognised, based upon the likely timing and the level of future taxable profits together with future tax planning strategies.

Employee advances

The company's management tests the impairment of long-term employee advances (under future profit sharing), on the basis of expected operational results and expected cash flows in future. Based on the management's assessment no repayment is expected to be received in the future.

Critical Judgments in applying the Company's accounting policies

In general, applying the Company's accounting policies does not require judgments (apart from those involving estimates stated above) that have significant effects on the amounts recognized in the financial statements.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Revenue recognition

Revenue comprises the fair value of the consideration received or receivable for the sale of goods in the ordinary course of the Company's activities. Revenue is shown net of discounts 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. The Company bases its estimates on historical results, taking into consideration the type of customer, the type of transaction and the specifics of each arrangement.

ALEXANDRIA PORTLAND CEMENT COMPANY (S.A.E.)

NOTES TO THE SEPARATE FINANCIAL STATEMENTS

31 DECEMBER 2017

(All amounts are in thousand Egyptian pound)

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Sales of goods

Sales of goods are recognised when company's 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 Company 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 Company has objective evidence that all criteria for acceptance have been satisfied.

Finance income

Finance income is recognized as it accrues using the effective interest rate (EIR) method. EIR is the rate that exactly discounts the estimated future cash payments or receipts over the expected life of the financial instrument or a shorter period, where appropriate, to the net carrying amount of the financial asset or liability. Finance income is included in the statement of profit or loss

Dividends revenue

Dividends revenue recognized when declared.

Foreign currencies

Transactions in foreign currencies are initially recorded using the exchange rate at the date of the transaction.

Monetary assets and liabilities denominated in foreign currencies are translated using the exchange rate at the reporting date. All differences are recognised in the Statement of Profit or Loss.

Nonmonetary items that are measured at historical cost in foreign currency are translated using the exchange rates at the dates of the initial transactions.

Nonmonetary items measured at fair value in a foreign currency are translated using the exchange rates at the date when the fair value is determined.

Borrowing

Borrowings are initially recognized at the value of the consideration received. Amounts maturing within a year are classified as current liabilities, unless the Company has the right to postpone the settlement for a period exceeding one year after the balance sheet date, then the loan balance should be classified as long term liabilities.

After initial recognition, interest bearing loans and borrowings are subsequently measured at amortized cost using the effective interest rate method. Gains and losses are recognized in the statement of profit or loss when the liabilities are derecognized as well as through the effective interest rate method amortization process.

Amortized cost is calculated by taking into account any discount or premium on acquisition and fee or costs that are an integral part of the effective interest rate. The effective interest rate amortization is included in finance cost in the statement of profit or loss.

Borrowing cost

Borrowing costs directly attributable to the acquisition, construction or production of qualifying assets, which are assets that necessarily take a substantial period of time to get ready for their intended use or sale are capitalised as part of the cost of the assets. All other borrowing costs are expensed in the period in which they are incurred. The borrowings costs are represented in interest and other finance costs that company pay to obtain the funds.

Income tax

Income tax is calculated in accordance with the Egyptian tax law.

Current income tax

Current income tax assets and liabilities for the current and prior years are measured at the amount expected to be recovered from or paid to the tax authority.

ALEXANDRIA PORTLAND CEMENT COMPANY (S.A.E.)

NOTES TO THE SEPARATE FINANCIAL STATEMENTS

31 DECEMBER 2017

(All amounts are in thousand Egyptian pound)

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Deferred income tax

Deferred income tax is recognized using the liability method on temporary differences between the amount attributed to an asset or liability for tax purposes (tax base) and its carrying amount in the statement of financial position (accounting base) using the applicable tax rate.

Deferred tax asset is recognized when it is probable that the asset can be utilized to reduce future taxable profits and the asset is reduced by the portion that will not create future benefit.

Current and deferred tax shall be recognized as income or an expense and included in the statement of profit or loss for the period, except to the extent that the tax arises from a transaction or event which is recognized, in the same or a different period, directly in equity.

Investments in subsidiaries

Subsidiaries are entities over which the Company owns 50% voting rights, or over which the Company has power to govern the financial and operating policies, such investments are presented in the separate financial statements by cost.

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

The cost basis requires recording the investment in subsidiaries by the acquisition cost whereas dividends recognized over those profits is considered recovery of the investments and it is recorded as a decrease in the investment cost.

Reversal of impairment is recognized in the statement of profit or loss in the period in which the reversal occurs.

Available-for-sale investments

Available-for-sale financial assets are non-derivatives that are either designated in this category or not classified in any of the other categories. They are included in non-current assets unless the investment matures or management intends to dispose of it within 12 months of the end of the reporting period.

Available for sale investments are initially recognised at fair value inclusive direct attributable expenses.

After initial measurement, available for sale financial assets are measured at fair value with unrealized gains or losses recognised directly in equity until the investment is derecognised, at which time the cumulative gain or loss recorded in equity is recognised in the statement of income, or determined to be impaired, at which time the cumulative loss recorded in equity is recognised in the statement of income. If the fair value of an equity instrument cannot be reliably measured, the investment is carried at cost.

Property, Plant and Equipment

Property, Plant and Equipment are stated at historical cost less accumulated depreciation or depletion. Historical cost includes all costs associated with acquiring the asset and bringing it to ready-for-use condition.

Depreciation is calculated on the straight-line method (except for quarries based on quantities used during the year) 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:

Buildings	20 Years
Machinery and equipment	14-20 Years
Quarries	Quarries depletion rate*
Motor vehicles	5 - 7 years
Tools	5 - 20 years
Computers	4 - 10 years
Furniture and office equipment	4 - 10 years

ALEXANDRIA PORTLAND CEMENT COMPANY (S.A.E.)

NOTES TO THE SEPARATE FINANCIAL STATEMENTS

31 DECEMBER 2017

(All amounts are in thousand Egyptian pound)

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

*Quarries depletion rate is based on quantities used during the year.

Quarries represent the amount paid to make the quarries ready to use.

The assets' residual values and useful lives are reviewed, and adjusted if appropriate, at the end of each statement of financial position date.

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

Repairs and maintenance are charged to the statement of comprehensive income 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 the future economic benefits in excess of the originally assessed standard of performance of the existing asset will flow to the company. Major renovations are depreciated over the remaining useful life of the related asset or estimated useful life of the renovation, whichever is less.

Property, plant and equipment are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount of property, plant and equipment may not be recoverable. Whenever the carrying amount of property, plant and equipment exceeds their recoverable amount, an impairment loss is recognised in the Statement of Profit or Loss. The recoverable amount is the higher of fair value less costs to sell of property, plant and equipment and the value in use. The fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. While value in use is the present value of estimated future cash flows expected to arise from the continuing use of property, plant and equipment and from its disposal at the end of its useful life.

Reversal of impairment losses recognised in the prior years are recorded when there is an indication that the impairment losses recognised for the property, plant and equipment no longer exist or have reduced.

Assets under construction

Assets under construction represent the amounts that are paid or incurred for the purpose of constructing or purchasing fixed assets until it is ready to be used in the operation, upon which it is transferred to fixed assets. Fixed assets under construction are valued at cost net of impairment loss (if any).

Intangible assets

Intangible assets acquired separately are measured on initial recognition at cost. Following initial recognition, intangible assets are carried at cost less accumulated amortization and accumulated impairment losses, if any. Internally generated intangible assets, excluding capitalized development costs, are not capitalized and expenditure is recognized in the statement of profit or loss when it is incurred.

Intangible assets with finite lives are amortized over their useful economic lives and assessed for impairment whenever there is an indication that the intangible asset may be impaired. The amortisation period and the amortisation method for an intangible asset with a finite useful life are reviewed at least at the end of each reporting period. Changes in the expected useful life or the expected pattern of consumption of future economic benefits embodied in the asset are accounted for by changing the amortisation period or method, as appropriate, and are treated as changes in accounting estimates. The amortisation expense on intangible assets with finite lives is recognised in the statement of profit or loss in the expense category consistent with the function of the intangible assets.

Computer software and its related license recognized as intangible assets are amortized using the straight- line method over their estimated useful life (4 - 20 years).

ALEXANDRIA PORTLAND CEMENT COMPANY (S.A.E.)

NOTES TO THE SEPARATE FINANCIAL STATEMENTS

31 DECEMBER 2017

(All amounts are in thousand Egyptian pound)

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Financial assets carried at amortized cost

For financial assets carried at amortised cost, the company first assesses whether impairment exists individually for financial assets that are individually significant, or collectively for financial assets that are not individually significant. If the Company determines that no objective evidence of impairment exists for an individually assessed financial asset, whether significant or not, it includes the asset in a group of financial assets with similar credit risk characteristics and collectively assesses them for impairment. Assets that are individually assessed for impairment and for which an impairment loss is, or continues to be, recognised are not included in a collective assessment of impairment.

Cash and short-term deposits

Cash and short-term deposits in the statement of financial position comprise cash at banks and on hand and short-term deposits with original maturity of three months or less.

Prepayments, other receivables and other debit balances

After initial measurement, such financial assets are subsequently measured at amortized cost using the effective interest rate (EIR) method, less impairment (if any). The losses arising from impairment (if any) are recognised in the statement of profit or loss in other operating expenses.

Derecognition of financial assets

A financial asset (or, when applicable, a part of a financial asset or part of a group of similar financial assets) is derecognised when:

The rights to receive cash flows from the asset have expired, or The Company has transferred its rights to receive cash flows from the asset or has assumed an obligation to pay the received cash flow in full without material delay to a third party under a 'pass-through' arrangement, and either the Company has transferred substantially all the risks and rewards of the asset, or the Company has neither transferred nor retained substantially all the risks and rewards of the asset, but has transferred control of the asset.

When the Company has transferred its right to receive cash flows from an asset or has entered into a pass-through arrangement, it evaluates if and to what extent it retained the risks and rewards of ownership. When it has neither transferred nor retained substantially all the risks and rewards of the asset nor transferred control of the asset, the Company continues to recognise the transferred asset to the extent of the Company's continuing involvement. In that case, the Company also recognises an associated liability. The transferred asset and the associated liability are measured on a basis that reflects the rights and obligations that the Company has retained.

Continuing involvement that takes the form of a guarantee over the transferred asset is measured at the lower of the original carrying amount of the asset and the maximum amount of consideration that the Company could be required to repay.

Impairment of financial assets

Prepayments, other receivables and other debit balances

The Company assesses at each reporting date whether there is any objective evidence that a financial asset or a group of financial assets is impaired. A financial asset or a group of financial assets is deemed to be impaired if, and only if, there is objective evidence of impairment as a result of one or more events that has occurred after the initial recognition of the asset (an incurred 'loss event') and that loss event has an impact on the estimated future cash flows of the financial asset or the group of financial assets that can be reliably estimated. Evidence of impairment may include indications that the debtors or a group of debtors is experiencing significant financial difficulty, default or delinquency in interest or principal payments, the probability that they will enter bankruptcy or other financial reorganization and where observable data indicates that there is a measurable decrease in the estimated future cash flows, such as changes in arrears or economic conditions that correlate with defaults.

If there is objective evidence that an impairment loss has been incurred, the amount of the loss is measured as the difference between the financial assets carrying amount and the present value of estimated future cash flows. The present value of the estimated future cash flows is discounted at the financial assets original effective interest rate.

ALEXANDRIA PORTLAND CEMENT COMPANY (S.A.E.)

NOTES TO THE SEPARATE FINANCIAL STATEMENTS

31 DECEMBER 2017

(All amounts are in thousand Egyptian pound)

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

AFS financial assets

For AFS financial assets, the Company assesses at each reporting date whether there is objective evidence that an investment or a group of investments is impaired.

In the case of equity investments classified as AFS, objective evidence would include a significant or prolonged decline in the fair value of the investment below its cost. 'Significant' is evaluated against the original cost of the investment and 'prolonged' against the period in which the fair value has been below its original cost.

When there is evidence of impairment, the cumulative loss – measured as the difference between the acquisition cost and the current fair value, less any impairment loss on that investment previously recognised in the statement of profit or loss – is removed from OCI and recognised in the statement of profit or loss. Impairment losses on equity investments are not reversed through profit or loss; increases in their fair value after impairment are recognised in OCI.

The determination of what is 'significant' or 'prolonged' requires judgement. In making this judgement, the Company evaluates, among other factors, the duration or extent to which the fair value of an investment is less than its cost.

In the case of debt instruments classified as AFS, the impairment is assessed based on the same criteria as financial assets carried at amortised cost. However, the amount recorded for impairment is the cumulative loss measured as the difference between the amortised cost and the current fair value, less any impairment loss on that investment previously recognised in the statement of profit or loss.

Future interest income continues to be accrued based on the reduced carrying amount of the asset, using the rate of interest used to discount the future cash flows for the purpose of measuring the impairment loss. The interest income is recorded as part of finance income. If, in a subsequent year, the fair value of a debt instrument increases and the increase can be objectively related to an event occurring after the impairment loss was recognised in the statement of profit or loss, the impairment loss is reversed through the statement of profit or loss.

Inventories

The inventory elements are valued as follows:

- Spare parts and supplies: at the lower of cost using the moving average method or net realizable value.
- Raw materials: at the lower of cost using the moving average method or net realizable value.
- Finished products: at the lower of the cost of production based on the costing sheets or net realizable value.
- Work in process: at the lower of the cost of production of the latest completed phase based on the costing sheets or net realizable value.

Net realizable value is the estimated selling price in the ordinary course of business, less estimated costs of completion and the estimated costs necessary to make the sale.

The amount of any write down of inventories to net realizable value and all losses of inventories shall be recognized in cost of sales in the separate statement of income in the period the write down or loss occurs. The amount of any reversal of any write down of inventories, arising from an increase in net realizable value, shall be recognized as reduction of cost of sales in the statement of income in the period in which the reversal occurs.

Financial liabilities and equity instruments issued by the Company

Debt and equity instruments are classified as either financial liabilities or as equity instruments in accordance with the substance of the contractual agreements. Financial liabilities within the scope of IAS 39 are classified as financial liabilities at fair value through profit or loss, loans and borrowings, or as derivative instrument as appropriate. The Company determines the classification of its financial liabilities at the initial recognition.

Accounts and other payables

Liabilities are recognised for amounts to be paid in the future for goods or services received, whether billed by the supplier or not.

ALEXANDRIA PORTLAND CEMENT COMPANY (S.A.E.)

NOTES TO THE SEPARATE FINANCIAL STATEMENTS

31 DECEMBER 2017

(All amounts are in thousand Egyptian pound)

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Other financial liabilities

Other financial liabilities are initially measured at fair value, net of transaction costs and are subsequently measured at amortised cost using the effective interest method, with interest expense recognised on an effective yield basis.

The effective interest method is a method of calculating the amortised cost of a financial liability and of allocating interest expense over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash payments through the expected life of the financial liability, or, where appropriate, a shorter period.

Derecognition of financial liabilities

The Company derecognises financial liabilities when, and only when, the Company's obligations are discharged, cancelled or they expire. Where an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, then the difference in the respective carrying amounts is recognised in the Statement of Profit or Loss.

Offsetting of financial instruments

Financial assets and financial liabilities are offset and the net amount is reported in the statement of financial position if there is a currently enforceable legal right to offset the recognised amounts and there is an intention to settle on a net basis, to realise the assets and settle the liabilities simultaneously.

Impairment of non-financial assets

The Company assesses at each reporting date whether there is an indication that a non-financial asset may be impaired. If any indication exists, or when annual impairment testing for an asset is required, the Company estimates the asset's recoverable amount. An asset's recoverable amount is the higher of an asset's or cash-generating units (CGU) fair value less costs to sell and its value in use and is determined for an individual asset, unless the asset does not generate cash inflows that are largely independent of those from other assets or groups of assets. Where the carrying amount of an asset or CGU exceeds its recoverable amount, the asset is considered impaired and is written down to its recoverable amount. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. In determining fair value less costs to sell, an appropriate valuation model is used.

Impairment losses of continuing operations are recognised in the Statement of Profit or Loss in those expense categories consistent with the function of the impaired asset.

An assessment is made at each reporting date as to whether there is any indication that previously recognised impairment losses may no longer exist or may have decreased. If such indication exists, the Company estimates the asset's or cash-generating unit's recoverable amount. A previously recognised impairment loss is reversed only if there has been a change in the assumptions used to determine the asset's recoverable amount since the last impairment loss was recognised. The reversal is limited so that the carrying amount of the asset does not exceed its recoverable amount, nor exceed the carrying amount that would have been determined, net of depreciation, had no impairment loss been recognised for the asset in prior years. Such reversal is recognised in the Statement of Profit or Loss.

Provisions

Provisions are recognised when the Company has a legal or constructive obligation as a result of a past event, it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation, and the amount can be reliably estimated. When the Company expects some or all of a provision to be reimbursed, the reimbursement is recognised as a separate asset but only when the reimbursement is virtually certain. The expense relating to any provision is presented in the Statement of Profit or Loss net of any reimbursement.

Provisions are measured at the present value of the expenditures expected to be required to settle the obligation at the end of the reporting period, using a rate that reflects current market assessments of the time value of money and the risks specific to the obligation.

Provisions are reviewed at each statement of financial position date and adjusted to reflect the current best estimate. If it is no longer probable that an outflow of resources embodying economic benefits will be required to settle the obligation, the provision is reversed.

ALEXANDRIA PORTLAND CEMENT COMPANY (S.A.E.)

NOTES TO THE SEPARATE FINANCIAL STATEMENTS

31 DECEMBER 2017

(All amounts are in thousand Egyptian pound)

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Contingent liabilities and assets

Contingent liabilities are not recognised in the financial statements. They are disclosed unless the possibility of an outflow of resources embodying economic benefits is remote. A contingent asset is not recognised in the financial statements but disclosed when an inflow of economic benefits is probable.

Fair value measurement

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The fair value measurement is based on the presumption that the transaction to sell the asset or transfer the liability takes place either in the principal market for the asset or liability or the most advantageous market for the asset or liability.

The fair value of an asset or a liability is measured using the assumptions that market participants would use when pricing the asset or liability, assuming that market participants act in their economic best interest.

A fair value measurement of a non-financial asset takes into account a market participant's ability to generate economic benefits by using the asset in its highest and best use or by selling it to another market participant that would use the asset in its highest and best use.

For assets traded in an active market, fair value is determined by reference to quoted market bid prices.

The fair value of interest-bearing items is estimated based on discounted cash flows using interest rates for items with similar terms and risk characteristics.

For unquoted assets, fair value is determined by reference to the market value of a similar asset or is based on the expected discounted cash flows.

The Company uses valuation techniques that are appropriate in the circumstances and for which sufficient data are available to measure fair value, maximising the use of relevant observable inputs and minimising the use of unobservable inputs.

All assets and liabilities for which fair value is measured or disclosed in the financial statements are categorised within the fair value hierarchy, described as follows, based on the lowest level input that is significant to the fair value measurement as a whole:

- Level 1 – Fair value measurements are those derived from quoted prices in an active market (that are unadjusted) for identical assets or liabilities.
- Level 2 – Fair value measurements are those derived from inputs other than quoted prices included within Level 1 that are observable for the asset or liability either directly (i.e. as prices) or indirectly (i.e. derived from prices).
- Level 3 – Fair value measurements are those derived from valuation techniques that include inputs for the asset or liability that are not based on observable market data (unobservable inputs).

For assets and liabilities that are recognised in the financial statements on a recurring basis, the Company determines whether transfers have occurred between levels in the hierarchy by re-assessing categorisation at the end of each reporting period.

For the purpose of fair value disclosures, the Company has determined classes of assets and liabilities on the basis of the nature, characteristics and risks of the asset or liability and the level of the fair value hierarchy as explained above.

Related party transactions

Related parties represent in parent company, associated companies, major shareholders, directors and key management personnel of the Company, and entities controlled, jointly controlled or significantly influenced by such parties. Pricing policies and terms of these transactions are approved by the Boards of Directors.

Statement of cash flows

The statement of cash flows is prepared using the indirect method.

ALEXANDRIA PORTLAND CEMENT COMPANY (S.A.E.)

NOTES TO THE SEPARATE FINANCIAL STATEMENTS

31 DECEMBER 2017

(All amounts are in thousand Egyptian pound)

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Expenses

All expenses including operating expenses, general and administrative expenses and other expenses are recognized and charged to the statement of profit or loss in the financial year in which these expenses were incurred.

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 recognised through profit or loss and as a liability when approved by the Company's shareholders.

- Pension obligations

For defined contribution plans, the Company pays contributions to the Public Authority for Social Insurance 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 year in which they are due and as such are included in staff costs.

3 SEGMENT INFORMATION

Currently the Company's main business segment is cement and building materials and selling the cement. Revenues, profits and investments in other business segments is currently immaterial. Accordingly business segments do not meet the criteria of reportable segments under IFRS 8, and as such, are not separately disclosed in the financial statements. All revenues of the Company in the year ended 31 December 2017 were reported under one segment in the financial statements.

ALEXANDRIA PORTLAND CEMENT COMPANY (S.A.E.)

NOTES TO THE SEPARATE FINANCIAL STATEMENTS

31 DECEMBER 2017

(All amounts are in thousand Egyptian pound)

4 SALES

	2017 EGP	2016 EGP
Cement sales	1,231,280	1,109,771
Export sales	11,429	-
Freight Revenue	26,189	23,813
Sales discount	(31,569)	(83,712)
	<u>1,237,329</u>	<u>1,049,872</u>

5 COST OF SALES

	2017 EGP	2016 EGP
Wages and Salaries	53,212	68,079
Raw Material	221,051	138,385
Production overhead	857,681	677,846
Manufacturing Depreciation (Note 13)	75,008	62,610
	<u>1,206,952</u>	<u>946,920</u>

6 GENERAL AND ADMINISTRATIVE EXPENSES

	2017 EGP	2016 EGP
Wages and salaries	21,842	23,740
Consulting fees	5,960	893
Transportation expense	1,751	-
Donations	1,352	112
Repair and maintenance	1,600	177
Catering expense	606	67
Telecommunication and accommodation expense	749	769
Insurance expense	87	-
Depreciation and amortization (Note 13, 14)	2,404	2,920
Rent	4,077	6,359
Management fees (Titan S.A) – (Note 19)	19,849	11,445
Other expenses	8,073	14,294
	<u>68,350</u>	<u>60,776</u>

The Company's Ordinary General Assembly meeting held on 30 April 2014 decided to grant loans to the company's employees which should be settled from employees' share in future profits. In addition, the company signed an agreement on 26 March 2015 with General Union of workers in Construction and Timber industry for three year starting from 2015, under which it is obliged to pay 9 months as advances under future employees share in profit which are charged to the profit and loss account. The amount paid during the year of EGP 20,010 thousands is charged to cost of sales by the amount of EGP 12,816 thousands and to general and administrative expenses by the amount of EGP 7,194 thousands.

ALEXANDRIA PORTLAND CEMENT COMPANY (S.A.E.)

NOTES TO THE SEPARATE FINANCIAL STATEMENTS

31 DECEMBER 2017

(All amounts are in thousand Egyptian pound)

7 OTHER OPERATING INCOME

	2017	2016
	EGP	EGP
Gain from sale of Scrap	11,570	1,487
Gain from sales of property, plant and equipment	893	1,139
Accruals no longer required	9,504	-
Other operating income	6,062	8,685
	<u>28,029</u>	<u>11,311</u>

8 OTHER OPERATING EXPENSES

	2017	2016
	EGP	EGP
Compensation for left employees*	66,750	41,650
Impairment in advances to employees (Note 16)	7,237	16,326
Dividend tax	5,715	-
Other Provisions (Note 27)	3,034	3,876
Other	8,656	-
	<u>91,392</u>	<u>61,852</u>

*the amount of EGP 66,750 represent employee s' compensation payment to left employees during the year. The company does not have a declared defined employees' restruction plan.

9 FINANCE EXPENSES / (INCOME)

	2017	2016
	EGP	EGP
Foreign exchange Losses	251,896	904,129
Debit interest	301,164	180,930
Employee profit share income	-	(5,975)
Credit interest	(8,355)	(15,257)
	<u>544,705</u>	<u>1,063,827</u>

10 Dividends income from subsidiaries

The General Assembly Meeting for Beni Suef cement company(S.A.E) that held on 29 March 2017 owned by the company with 99.99 % decided to distribute dividends for the year ended 31 December 2016 to shareholders with amount of EGP 114,281 thousands , Alexandria Portland Cement Company' share of distributed dividends amounted to EGP 114,279 thousands from total dividends distributed.

11 INCOME TAX

	2017	2016
	EGP	EGP
Statement of Profit or Loss		
Deferred income tax	140,905	249,872
	<u>140,905</u>	<u>249,872</u>
Income tax differences for prior years	(10,515)	(2,677)
Income tax provision (Note 27)	(421)	-
	<u>129,969</u>	<u>247,195</u>

ALEXANDRIA PORTLAND CEMENT COMPANY (S.A.E.)

NOTES TO THE SEPARATE FINANCIAL STATEMENTS

31 DECEMBER 2017

(All amounts are in thousand Egyptian pound)

DEFERRED INCOME TAX

	Statement of financial position	
	2017	2016
	EGP	EGP
Deferred taxes on differences of NBV of property, plant and equipment	(79,006)	(76,229)
Deferred tax on carried forward losses	189,454	85,129
Deferred tax on unrealized foreign exchange loss on loans	221,540	184,911
Deferred tax on provisions differences	23,208	20,480
Net deferred income tax liabilities	355,196	214,291

	Statement of Profit or Loss	
	2017	2016
	EGP	EGP
Balance as of 1 January	214,291	(35,581)
Movement during the year	140,905	249,872
Balance as of 31 December	355,196	214,291

CURRENT INCOME TAX LIABILITY

	2017	2016
	EGP	EGP
Balance as of 1 January	25,132	22,745
Tax differences	10,515	2,677
Income tax paid	(17,500)	(290)
Balance	18,147	25,132

RECONCILIATION OF THE EFFECTIVE INCOME TAX RATE

	2017	2016
	EGP	EGP
Losses before income taxes	(531,762)	(1,072,192)
Deferred income tax	140,905	249,872
Income tax differences for prior years	(10,515)	(2,677)
Income tax provision (Note 27)	(421)	-
Income tax	129,969	247,195
Effective Tax rate	(24.4%)	(23%)

The company's tax position is as follows:

1- Corporate tax

- The company's books were inspected from 2001 till 2003 by the tax authority and all tax dues were paid.
- Files and documents of the company were inspected for the year 2004 and points of dispute were transferred to the appeal committee and the tax appeal committee decision was challenged in front of the court but all the taxes due according to appeal committee decision were paid according to the tax law.
- Files and documents of the company were inspected for the year 2005 and points of dispute were transferred to the appeal committee and the tax appeal committee decision was challenged in front of the court but all the taxes due according to appeal committee decision were paid according to the tax law.
- Files and documents of the Company were inspected for the year 2006 and all taxed dues were settled and paid.

ALEXANDRIA PORTLAND CEMENT COMPANY (S.A.E.)

NOTES TO THE SEPARATE FINANCIAL STATEMENTS

31 DECEMBER 2017

(All amounts are in thousand Egyptian pound)

- Files and documents of the Company were inspected form 2007 to 2009 and the settlement under progress.
- No tax inspection took place from 2010 till 2016.
- Blue Circle Company books were inspected till 2006 and all tax dues were settled and paid.

2- Sales tax

- The company's books were inspected till 2011 and all tax dues were settled and paid.
- The company's books were inspected for the year 2012 and the dispute points were transferred to the internal committee.
- The company's books were inspected from 2013 till 2014 and all tax dues were transferred to the internal committee.
- No tax inspection took place from 2015 till 2016.
- Blue Circle Company books were inspected till 2006 and all tax dues were settled and paid.

3- Salary tax

- The company's books were inspected till 2006 and all tax dues were settled.
- The company's files and documents were inspected from 2007 to 2011 and the dispute points were transferred to the internal committee.
- No tax inspection took place from 2012 to 2016.
- Blue Circle Company books were inspected till 2003 and all tax dues were settled.
- Blue Circle Company books were inspected for the year 2004 and points of dispute were transferred to the appeal committee.
- Blue Circle Company books are under inspection from 2005 to 2006.

4- Stamp duty tax

- The company's books were inspected up to year 2014 and all tax dues were paid and settled.
- No tax inspection took place from 2015 to 2016.
- Blue Circle Company books were inspected till 2006 and all tax dues were settled and paid.

5- Real estate tax

- The company's books were inspected till December 2016.

12 LOSSES PER SHARE

	2017 EGP	2016 EGP
Loss for the year attributable to ordinary shareholders for basic earnings	(401,793)	(824,997)
Effects of dilution	-	-
Loss for the year attributable to ordinary shareholders for basic earnings adjusted for the effect of dilution	(401,793)	(824,997)
Weighted average number of ordinary shares for basic EPS	257,057	257,057
Effects of dilution	-	-
Weighted average number of ordinary shares adjusted for the effect of dilution	257,057	257,057
Losses Per Share		
Basic, Loss for the year attributable to ordinary shareholders	(1.56)	(3.21)
Diluted, Loss for the year attributable to ordinary shareholders	(1.56)	(3.21)

ALEXANDRIA PORTLAND CEMENT COMPANY (S.A.E.)

NOTES TO THE SEPARATE FINANCIAL STATEMENTS

31 December 2017

(All amounts are in thousand Egyptian pound)

13 Property, Plant and Equipment

	Land	Buildings	Machinery and equipment	Quarries	Motor Vehicles	Tools	Computers	Furniture, fixture and Office equipment	Constructions in progress	Total
	EGP	EGP	EGP	EGP	EGP	EGP	EGP	EGP	EGP	EGP
Cost										
As of 1 January 2017	10,647	254,110	1,151,353	21,032	18,328	8,982	12,365	7,293	75,907	1,560,017
Transferred from constructions in progress	-	65,967	56,116	1,116	7,123	4,086	1,197	-	(135,605)	-
Additions	-	-	-	-	(623)	-	(16)	-	115,073	115,073
Disposal	10,647	320,077	1,207,469	22,148	24,828	13,068	13,546	7,293	55,375	1,674,451
As of 31 December 2017										
Accumulated depreciation										
As of 1 January 2017	-	135,943	586,517	2,623	11,772	6,716	9,745	5,551	-	758,867
Depreciation	-	12,191	60,395	419	2,090	450	837	471	-	76,853
Disposal	-	-	-	-	(623)	-	(13)	-	-	(636)
As of 31 December 2017	-	148,134	646,912	3,042	13,239	7,166	10,569	6,022	-	835,084
Net carrying amount At 31 December 2017	10,647	171,943	560,557	19,106	11,589	5,901	2,977	1,270	55,375	839,367

* There is no mortgage on Property, Plant and Equipment

- Depreciation included in the statement of comprehensive income as follows:

	2017	2016
	EGP	EGP
Cost of sales	75,008	
General and administrative expenses	1,845	
	76,853	
		EGP
		896
		(639)
		636
		(3)
		893

ALEXANDRIA PORTLAND CEMENT COMPANY (S.A.E.)

NOTES TO THE SEPARATE FINANCIAL STATEMENTS

31 December 2017

(All amounts are in thousand Egyptian pound)

13 Property, Plant and Equipment (Continued)

	Land	Buildings	Machinery and equipment	Quarries	Motor	Tools	Computers	Furniture, fixture and Office equipment	Constructions in progress	Total
	EGP	EGP	EGP	EGP	EGP	EGP	EGP	EGP	EGP	EGP
Cost										
As of 1 January 2016	10,647	203,654	996,642	21,032	24,926	6,781	11,037	5,892	100,057	1,380,668
Additions	-	-	-	-	-	-	-	-	189,971	189,971
Transferred	-	50,456	154,711	-	4,024	2,201	1,328	1,401	(214,121)	-
Disposal	-	-	-	-	(10,622)	-	-	-	-	(10,622)
As of 31 December 2016	10,647	254,110	1,151,353	21,032	18,328	8,982	12,365	7,293	75,907	1,560,017
Accumulated depreciation										
As of 1 January 2016	-	126,449	534,526	2,580	20,317	6,694	9,138	5,289	-	704,993
Depreciation	-	9,493	51,991	43	1,582	22	607	262	-	64,000
Disposal	-	-	-	-	(10,126)	-	-	-	-	(10,126)
As of 31 December 2016	-	135,942	586,517	2,623	11,773	6,716	9,745	5,551	-	758,867
Net carrying amount At 31 December 2016	10,647	118,168	564,836	18,409	6,555	2,266	2,620	1,742	75,907	801,150

ALEXANDRIA PORTLAND CEMENT COMPANY (S.A.E.)

NOTES TO THE SEPARATE FINANCIAL STATEMENTS

31 December 2017

(All amounts are in thousand Egyptian pound)

14 INTANGIBLE ASSETS

	31 December 2017 EGP	31 December 2016 EGP
Cost		
As of 1 January	21,612	21,612
Construction in progress (Intangible Assets)	656	-
Balance at the end of the year	22,268	21,612
Accumulated Depreciation		
As of 1 January	20,192	18,662
Amortization for the year	559	1,530
Balance at the end of the year	20,751	20,192
Net carrying amount of the year	1,517	1,420

Amortization expense is allocated as follows:

	2017 EGP	2016 EGP
General and administrative expenses	559	1,530
	559	1,530

Intangible assets represented in computer programs and its related license that are amortized using straight-line method on (4-20) years.

15 INVESTMENTS IN SUBSIDIARIES

Company	Country	%	2017 EGP	2016 EGP
Beni Suef Cement Company S.A.E	Egypt	99.99%	3,165,696	3,165,696
Titan Beton & Aggregates Egypt L.L.C.	Egypt	96.54%	75,960	75,960
			3,241,656	3,241,656

On 14 December 2015 the Company's Board of directors decided to contribute in Beni Suef Cement Company an increase in issued capital of LE 259,994,950 which represents the company's share in the capital increase by KEGP 260 Million through partial conversion of loan granted to Beni Suef Cement Company. Beni Suef Cement Company Extra ordinary general assembly meeting held on 21 January 2016 approved the decision of increase its issued capital and till the date of issuance of separate financial statements the legal requirements were not yet completed to record it in the commercial register of Beni Suef Cement Company.

ALEXANDRIA PORTLAND CEMENT COMPANY (S.A.E.)

NOTES TO THE SEPARATE FINANCIAL STATEMENTS

31 December 2017

(All amounts are in thousand Egyptian pound)

16 EMPLOYEES ADVANCES

	31 December 2017 EGP	31 December 2016 EGP
Non-current employees advances		
Advances to employees paid before 2015	16,326	16,326
Deduct :		
Change in present value of employees advances for the year	-	(5,975)
Reversal of present value of employees advances income for the year	-	5,975
Impairment in advances to employees paid before 2015	(16,326)	(16,326)
Total non-current employees advances	-	-
Current employees advances		
Advances to employees paid in 2017	7,237	-
Impairment in advances to employees paid in 2017	(7,237)	-
Total current employees advances	-	-

The change in present value represents the discount of expected future cash flows of the employee advances paid before the year 2015 using a discount rate of similar borrowing for the same year at the balance sheet date. The company reversed the previous calculated present value for advances paid to employees before the year 2015 and impaired the full balance due to doubt of recoverability in the future periods.

17 Inventories

	31 December 2017 EGP	31 December 2016 EGP
Spare parts and supplies	205,378	167,289
Kiln Fuel	72,167	101,332
Raw materials	44,369	35,851
Work in process	29,795	35,366
Finished goods	7,682	11,684
Packing material	3,283	4,946
	362,674	356,468
Deduct :		
write down of spare parts inventory	(10,938)	(9,415)
	351,736	347,053

Inventory write down value shown as following:

	31 December 2017 EGP	31 December 2016 EGP
Balance as of 1 January	9,415	15,161
Formed during the year	3,043	1,875
Used during the year	(1,520)	(7,621)
Ending balance	10,938	9,415

ALEXANDRIA PORTLAND CEMENT COMPANY (S.A.E.)

NOTES TO THE SEPARATE FINANCIAL STATEMENTS

31 December 2017

(All amounts are in thousand Egyptian pound)

18 PREPAYMENTS , OTHER RECEIVABLES, AND OTHER DEBIT BALANCES

	31 December 2017 EGP	31 December 2016 EGP
Advances to contractors and suppliers	8,348	29,117
Deposits with others	19,152	18,713
Advance to customs authority	8,679	11,849
Tax authority – Value added tax	23,926	24,268
Prepayments	3,166	2,527
Tax authority – Withholding tax	5,205	3,689
Letter of credit margin / LG margin (more than 90 days)*	5,426	10,997
Other debit balance	3,320	416
Employee imprest	157	251
	<u>77,379</u>	<u>101,827</u>
Deduct : Impairment of prepayments and other debit balances	<u>(1,161)</u>	<u>(1,161)</u>
	<u>76,218</u>	<u>100,666</u>

* The amount include LG cash margin amounting to EGP 3,940 (Note 30).

19 DUE FROM / TO RELATED PARTIES

	Nature of Transactions	31 December 2017		31 December 2016	
		Due from EGP	Due to EGP	Due from EGP	Due to EGP
Titan Beton and Aggregates Misr (L.L.C.)	Subsidiary	31	-	135	-
Beni Suef Cement Company (S.A.E.)	Subsidiary	-	170,439	-	60,895
Titan S.A	Ultimate parent	-	32,182	-	40,847
Kocem Company	Shareholder	-	1	-	-
Iapetos Company	Shareholder	-	1,375	-	1,375
GAEA	Affiliate	178	-	-	-
		<u>209</u>	<u>203,997</u>	<u>135</u>	<u>103,117</u>

Transactions with related parties included in the statement of profit or loss are as follows:

	Nature of transactions	2017 EGP	2016 EGP
Titan S.A	Managment fees	(19,848)	(11,445)
	Clinker and cement purchase	(132,508)	(62,435)
Beni Suef Cement Company (S.A.E.)	Clinker & Cement sales	-	44,871
	Dividends income	114,279	
	Interest Expense	(1,754)	
	Interest income	3,560	13,865
	Fuel Purchase	(166)	
Titan Beaton and Aggregates Misr (L.L.C.)	Interest income	773	18
Titan Egyptian Investment Limited	Interest expense	(101,113)	(62,471)
Alexandria Development Ltd.	Interest expense	(37,339)	(24,250)
GAEA	Management support	1,200	-
East Cement Company	Interest expense	(759)	(447)

Transactions with key management personnel:

Short Term Employee benefits	16,632	20,143
Social insurance	301	303

ALEXANDRIA PORTLAND CEMENT COMPANY (S.A.E.)

NOTES TO THE SEPARATE FINANCIAL STATEMENTS

31 December 2017

(All amounts are in thousand Egyptian pound)

20 LOANS TO RELATED PARTIES

		31 December 2017 EGP	31 December 2016 EGP
Current portion :			
Beni Suef Cement Company (S.A.E.) –loan Principle	Subsidiary	2,426	203,377
Beni Suef Cement Company (S.A.E.) –Accrued interest	Subsidiary	1,326	60,626
Titan Beton and Aggregates Misr (L.L.C.) – loan Principle	Subsidiary	13,670	2,000
Titan Beton and Aggregates Misr (L.L.C.) – Accrued interest	Subsidiary	785	15
Total current portion of loans to related parties		18,207	266,018

Beni Suef Cement Company (S.A.E.):

On 30 June 2013, the company granted an intercompany revolving loan to Beni Suef Cement Company (Subsidiary) amounting to EGP 400 Million with an interest rate on the drawn amounts to be calculated based on Commercial banks interest rate on deposits plus 0.5% and to be repaid within one year from the contract date.

On 31 December 2014, the two parties agreed to raise the revolving loan ceiling to EGP 600 Million and to mature on 30 June 2017.

On 10 May 2017, the two parties agreed to further extend the due date of the loan for one year to be settled on 30 June 2018, also the two parties agreed that the interest rate to be based on corridor lending rate plus 1.75% margin and to decrease the revolving loan ceiling from EGP 600 Million to EGP 400 Million.

The loan balance as of 31 December 2017 amounted to EGP 2,426 thousand (31 December 2016: EGP 203,377 thousand) excluding interest.

Titan Beton and Aggregates Misr (L.L.C.):

On May 2014, the company granted an intercompany revolving loan to Titan Beton & Aggregates Egypt L.L.C (Subsidiary) amounting to EGP 20 Million with an interest rate on the drawn amounts to be calculated based on lender's average monthly bank deposit rates plus an additional 0.5% and to be repaid within one year from the contract date. On May 1, 2016 the two parties agreed to extend the loan due date to 1 May 2017.

On 10 May 2017, the two parties agreed to further extend the due date of the loan for one year to be settled on 1 May 2018, also the two parties agreed that the interest rate to be based on corridor lending rate plus 1.75% margin.

The loan balance as of 31 December 2017 amounted to EGP 13,670 (31 December 2016: EGP 2,000 thousand) excluding interest .

21 LOANS FROM RELATED PARTIES

	31 December 2017 EGP	31 December 2016 EGP
Current Loans		
Titan Egyptian for Investment Limited – Accrued interest	17,965	15,383
Alexandria Development L.T.D – Principle loan	161,440	161,440
Alexandria Development L.T.D – Accrued interest	39,455	17,289
East Cement Company – Principle loan	3,000	3,000
East Cement Company – Accrued Interest	1,293	534
Beni-suef Cement Company– Accrued Interest	720	-
Total current portion of loans from related parties	223,873	197,646
Non-current Loans		
Titan Egyptian for Investment Limited – Principle loan	1,729,682	1,476,211
Total noncurrent portion of loans from related parties	1,729,682	1,476,211

ALEXANDRIA PORTLAND CEMENT COMPANY (S.A.E.)

NOTES TO THE SEPARATE FINANCIAL STATEMENTS

31 December 2017

(All amounts are in thousand Egyptian pound)

Titan Egyptian Investment Limited:

On 1st of July 2010, Titan Egyptian Investment Ltd. has converted the debt balance amounting to Euro 97,982,704 and agreed that loan will be repaid within 5 years starting 1st of July 2010. On 31 July 2015, Titan Egyptian Investment Limited agreed to extend the repayments till 1 April 2016 under two installments.

On 31 October 2016, Titan Egyptian Investment Limited and Alexandria Portland Cement Company agreed to extend the loan due date till 31 January 2019.

The balance due for the loan is Euro 81,061 thousand equivalent to EGP 1,729,682 thousand as of 31 December 2017 (Euro 77,393 thousand equivalent to EGP 1,476,211 thousand as of 31 December 2016) excluding interest. Interest rate is calculated on the EURIBOR plus 6.15%.

Alexandria Development Limited:

On 20 December 2013, Alexandria Development Ltd. has granted an intercompany loan to the Company amounting to EGP 135 Million with an interest rate on the drawn amounts to be calculated based on Corridor Lending rate plus 1.5% and to be repaid within four years from the contract date and its outstanding balance included within current liabilities amounting to EGP 135,000 thousand as of 31 December 2017 (EGP 135,000 thousand as of 31 December 2016), the loan agreement is under renewal and penalties for not paying the loan amounting to EGP 3,849,075 were presented in finance expenses.

On 31 July 2014, Alexandria Development Ltd. has granted an additional intercompany loan to the Company amounting to EGP 170 Million with an interest rate on the drawn amounts to be calculated based on Corridor Lending rate plus 1.5% and to be repaid after four years from the contract date, however the lender can recall the loan at any time after issuing a five business days notice, and its outstanding balance amounting to EGP 26,440 thousand as of 31 December 2017 (EGP 26,440 thousands as of 31 December 2016) is included under current liabilities.

The total loan balance amounted to EGP 161,440 thousands as of 31 December 2017 (EGP 161,440 thousands as of 31 December 2016).

East Cement Trade Limited:

On 22 June 2015, East Cement Trade Ltd. has granted an intercompany loan to the Company amounting to EGP 12 Million with an interest rate on the drawn amounts to be calculated based on Corridor Lending rate plus 1.5% per annum and to be repaid after four years from the contract date, however the lender can recall the loan at any time after issuing a five business days notice, and its outstanding balance amounting to EGP 3,000 thousand as of 31 December 2017 (EGP 3,000 thousands as of 31 December 2016) is included under current liabilities.

22 CREDIT FACILITIES

	31 December 2017 EGP	31 December 2016 EGP
Arab African international bank – Overdraft	-	3,152
	-	3,152
- The credit facility balance withdrawn has no guarantee.		

23 CASH ON HAND AND AT BANKS

	31 December 2017 EGP	31 December 2016 EGP
Current accounts - EGP	45,359	25,318
Current accounts - Foreign currencies	6,801	9,040
	52,160	34,358
Restricted cash * (less than 90 days)	1,153	11,212
Letter of credit margin (less than 90 days)	1,588	4,603
	2,741	15,815
	54,901	50,173

* Restricted cash represents time deposit and LGs cash covers amounted to EGP 1,153 thousands (Note 30)

ALEXANDRIA PORTLAND CEMENT COMPANY (S.A.E.)

NOTES TO THE SEPARATE FINANCIAL STATEMENTS

31 December 2017

(All amounts are in thousand Egyptian pound)

24 ISSUED CAPITAL

The company's authorized capital amounts to EGP 4 billion; where the issued and paid-up capital amounted to EGP 2,570,575 thousand represented in 257,057 shares with a par value of EGP 10.

25 LEGAL RESERVE

As required by Egyptian Companies' law and the Company's articles of association, 5% of the net profit for the prior year is to be transferred to legal reserve. The Company may resolve to discontinue such annual transfers when the reserve totals 50% of the issued share capital.

26 BANK BORROWINGS

	31 December 2017 EGP	31 December 2016 EGP
Current portion		
Ahli United Bank	-	401,812
	-	401,812
Non-current portion		
Ahli United Bank	400,000	-
HSBC	182,500	79,500
Qatar National Bank Al Ahli	234,925	234,925
	817,425	314,425

Ahli United Bank

On 21 June 2012, the Company was granted a revolving credit facility amounting to EGP 250 Million from Ahli United Bank-Egypt to be repaid after five years from the signing date of the contract with interest rate to be calculated on the utilized or/and re-utilized amounts under the facility at interstate of 1.75% above the Corridor lending rate payable quarterly and to be added on the outstanding debit balance, On 24 February 2015 the company had been granted another EGP 120 Million credit facility from Ahli United Bank-Egypt whereas the ceiling had reached EGP 370 Million, On 30 July 2015, the bank granted the company additional EGP 50 Million to reach a ceiling of EGP 420 Million.

On 19 September 2017, the two parties agreed to further extend the due date of the loan for another five years to be settled on 18 September 2022, also the two parties agreed to decrease the revolving loan ceiling from EGP 420 Million to EGP 400 Million.

Loan balance at 31 December 2017 amounted to EGP 400,000 thousand (EGP 401,812 at 31 December 2016) is due in one instalment at due date.

Qatar National Bank Al Ahli

On 24 February 2015, the Company has obtained from Qatar National Bank Al Ahli a revolving committed facility amounting to EGP 250 Million to be repaid after five years from the signing date of the contract with an interest rate to be calculated on Central Bank of Egypt lending rate plus 1.75%, loan balance at 31 December 2017 amounted to EGP 234,925 thousand (EGP 234,925 thousand at 31 December 2016) is due in one instalment at due date.

HSBC BANK

On 11 May 2016, the Company has requested HSBC Bank to be granted a revolving committed facility amounting to EGP 150 Million to be repaid after three years from the signing date of the contract with an interest rate to be calculated on Central Bank of Egypt lending rate plus 2.5%, loan balance at 31 December 2017 amounted to EGP 142,500 thousand (EGP 79,500 thousand at 31 December 2016) is due in one instalment at due date.

On 5 November 2017, the Company has requested HSBC Bank to be granted an additional revolving committed facility amounting to EGP 200 Million to be repaid after thirty months from the signing date of the contract with an interest rate to be calculated on Central Bank of Egypt lending rate plus 3%, loan balance at 31 December 2017 amounted to EGP 40,000 thousand is due in one instalment at due date.

The total loan balance amounted to EGP 182,500 thousand as of 31 December 2017 (EGP 79,500 thousand as of 31 December 2016).

ALEXANDRIA PORTLAND CEMENT COMPANY (S.A.E.)

NOTES TO THE SEPARATE FINANCIAL STATEMENTS

31 December 2017

(All amounts are in thousand Egyptian pound)

27 PROVISIONS

	Balance as of 1 January 2017 EGP	Charged during the period EGP	Used during the period EGP	Balance as of 31 December 2017 EGP
Provision for legal claims	1,526	-		1,526
Tax provision	10,351	3,455	(1,220)	12,586
	<u>11,877</u>	<u>3,455</u>	<u>(1,220)</u>	<u>14,112</u>
	Balance as of 1 January 2016 EGP	Charged during the year EGP	Used during the year EGP	Balance as of 31 December 2016 EGP
Provision for legal claims	1,557	-	(31)	1,526
Tax Provisions	6,734	3,876	(259)	10,351
	<u>8,291</u>	<u>3,876*</u>	<u>(290)</u>	<u>11,877</u>

*Provisions formed during the year charged to other operating expenses by EGP 3,034 thousand (Note 8), and charged to income tax expense by EGP 421 thousand (Note 11).

28 TRADE AND NOTES PAYABLE

	31 December 2017 EGP	31 December 2016 EGP
Trade payable	252,809	276,902
Notes payable	24,927	21,366
	<u>277,736</u>	<u>298,268</u>

29 ACCRUED EXPENSES AND OTHER PAYABLES

	31 December 2017 EGP	31 December 2016 EGP
Accrued expenses	53,620	44,194
Tax authority – Value Added Tax	33,163	26,420
Tax authority - withholding taxes	6,924	2,697
Tax authority – Salary taxes	825	1,138
Tax authority – Real state taxes	294	294
Dividends Payable	395	-
Accrued interest	13,007	9,348
Other payables	1,214	7,107
	<u>109,047</u>	<u>91,198</u>

30 CONTINGENT LIABILITIES

The company issued letter of guarantees amounted to thousand EGP 5,093 thousands as of 31 December 2017. The amount were covered by time deposits amounted to thousand EGP 4,049 and others letter of guarantee cash cover with thousand EGP 1,044 thousands. The whole amount is shown in restricted cash balance and is represented as follows:

	Equivalent in EGP	Cash cover EGP
Bank of Alexandria	82	82
Qatar National Bank Al Ahli	5,011	5,011
	<u>5,093</u>	<u>5,093</u>

The company has presented the LG cash margin the statement of financial position according to its maturity date as follows:

ALEXANDRIA PORTLAND CEMENT COMPANY (S.A.E.)

NOTES TO THE SEPARATE FINANCIAL STATEMENTS

31 December 2017

(All amounts are in thousand Egyptian pound)

- Less than 90 days in restricted cash amounting to EGP 1,153 thousand (Note 23).
- More than 90 days in Prepayments and other debt balances amounting to EGP 3,940 thousand (Note 18).

Operating lease commitments – Company as lessee

The Company has entered into operating leases for the administration building, with lease terms between 1 July 2015 and 30 June 2020 years.

Future minimum rentals payable under non-cancellable operating leases as at 31 December 2017 are as follows:

	31 December 2017	31 December 2016
	EGP	EGP
Within one year	8,876	13,645
After one year but not more than five years	14,407	38,299
	<u>23,283</u>	<u>51,944</u>

31 FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES

Overview

The Company has exposure to the following risks from its use of financial instruments:

- a) Credit risk,
- b) Market risk, and
- c) Liquidity risk.

This note presents information about the Company's exposure to each of the above risks, the Company's objectives, policies and processes for measuring and managing risk, and the Company's management of capital.

The Board of Directors of the Parent Company has overall responsibility for the establishment and oversight of the Company's risk management framework. The Company's senior management are responsible for developing and monitoring the risk management policies and report regularly to the Parent Company on their activities.

The Company's current financial risk management framework is a combination of formally documented risk management policies in certain areas and informal risk management policies in other areas.

a) Credit risk

Credit risk is the risk of financial loss to the Company if a customer or counterparty to a financial instrument fails to meet its contractual obligations. The Company is exposed to credit risk principally from its receivables from customers, due from related parties, other receivables and from its financing activities, including deposits with banks and financial institutions.

Other financial assets and cash deposits

With respect to credit risk arising from the other financial assets of the Company, which comprise bank balances and cash, financial assets at amortised cost, the Company's exposure to credit risk arises from default of the counterparty, with a maximum exposure equal to the carrying amount of these assets.

Credit risk from balances with banks and financial institutions is managed by local Company's treasury supported by the Parent Company. The Company limits its exposure to credit risk by only placing balances with international banks and local banks of good repute. Given the profile of its bankers, management does not expect any counterparty to fail to meet its obligations.

Due from related parties

Due from related parties relates to transactions arising in the normal course of business with minimal credit risk, with a maximum exposure equal to the carrying amount of these balances.

b) Market risk

ALEXANDRIA PORTLAND CEMENT COMPANY (S.A.E.)

NOTES TO THE SEPARATE FINANCIAL STATEMENTS

31 December 2017

(All amounts are in thousand Egyptian pound)

Market risk is the risk that the fair value of future cash flows of a financial instrument will fluctuate because of changes in market prices, such as currency risk and interest rate risk, which will affect the Company's income. Financial instruments affected by market risk include interest-bearing loans and borrowings, and deposits. The objective of market risk management is to manage and control market risk exposures within acceptable parameters, while optimising the return. The Company does not hold or issue derivative financial instruments.

Exposure to interest rate risk

Interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates. The Company's exposure to the risk of changes in market interest rates relates primarily to the Company's obligations with floating interest rates and interest bearing time deposits.

Interest on financial instruments having floating rates is re-priced at intervals of less than one year.

The following table demonstrates the sensitivity to a reasonably possible change in interest rates with all other variables held constant, of the Company's profit before tax (through the impact on floating rate borrowings).

There is no impact on the Company's equity other than the profit impact stated below.

31 December 2017		
	Change in rate	Effect on profit before tax EGP
Financial asset	+1%	69
	-1%	(69)
Financial liability	+1%	(13,118)
	-1%	13,118

The interest rates on loans from related parties are described in Note 19 to the financial statements. Interest rates on loans from financial institutions are disclosed in Note 24 to the financial statements.

Exposure to foreign currency risk

The following tables demonstrate the sensitivity to a reasonably possible change in USD and EUR exchange rates, with all other variables held constant. The impact on the company's profit before tax is due to changes in the value of monetary assets and liabilities. The company's exposure to foreign currency changes for all other currencies is not material.

31 December 2017		
	Change in rate	Effect on profit before tax EGP
USD	+10%	673
	-10%	(673)
EUR	+10%	(172,955)
	-10%	172,955

d) Liquidity risk

The cash flows, funding requirements and liquidity of the Company are monitored by local company management supported by the Parent Company. The Company's objective is to maintain a balance between continuity of funding and flexibility through the use of bank borrowings. The Company manages liquidity risk by maintaining adequate reserves and borrowing facilities, by continuously monitoring forecasted and actual cash flows and matching the maturity profiles of financial assets and liabilities.

The Company currently has sufficient cash on demand to meet expected operational expenses, including the servicing of financial obligations.

The table below summarises the maturity profile of the Company's financial liabilities based on contractual undiscounted payments.

Financial liabilities

ALEXANDRIA PORTLAND CEMENT COMPANY (S.A.E.)

NOTES TO THE SEPARATE FINANCIAL STATEMENTS

31 December 2017

(All amounts are in thousand Egyptian pound)

	Less than 3 Months EGP	3 to 12 Months EGP	1 to 5 years EGP	Over 5 years EGP	Total EGP
As at 31 December 2017					
Term loans from related parties	-	223,873	1,729,682	-	1,953,555
Bank borrowings	-	-	817,425	-	817,425
Accrued expense and other payables	-	109,047	-	-	109,047
Accounts and notes payables	-	277,736	-	-	277,736
Total undiscounted financial liabilities	-	610,656	2,547,107	-	3,157,763

32 MATERIAL LEGAL CASES

- A case was filed against the Company, the Governor of Alexandria, the Head of El-Agamy District, the Minister of Trading and Industry, the Minister of Environment, the President of Alexandria Environmental Affairs Agency and the President of Industrial Development General Authority, seeking the abolition of the administrative decision of the competent Egyptian authority which issued the operating license to the company's plant in Alexandria, alleging violations of environmental and related regulation. On 18 April 2018, the Court ruled judgment by rejecting the case filed against the company.
- An employee of the company filed a case against the President of the Republic of Egypt, the Prime Minister, the Minister of Investment, the Minister of Industry, the Governor of Alexandria, and the Manager of the Mines and Quarries Department in Alexandria seeking the annulment of the sale of the company to Blue Circle Cement Company in 1999. The company is not named as defendant in such a legal case.
- In May 2013, a legal action was raised against the company requesting the nullification of sale of shares of the company to Blue Circle Cement Company. On 19 January 2015 the Supreme Administrative Court issued its judgment whereby the case was suspended until the Supreme Constitutional Court challenging the constitutionality of law No. 32 for 2014 and lawsuit has been postponed accordingly. The Company's legal advisor believes that the likelihood of the Company winning this case is probable.

33 CAPITAL MANAGEMENT

The Company's objective when managing the capital is to safeguard the company's ability to continue as a going concern in order to provide returns for shareholders and to maintain an optimal capital structure to reduce the cost of capital.

In order to maintain an optimal capital structure, the company may adjust the amount of dividends paid to shareholders, returns capital to shareholders, issue new shares or reduce debt.

The Company manages its capital structure conservatively with the gearing ratio. This ratio is calculated as Net Debt divided by Total Assets. Net debt is calculated as total borrowings less cash and cash equivalents.

	31 December 2017 EGP	31 December 2016 EGP
Interest-bearing loans and borrowings other than convertible preference	2,711,547	2,393,246
Less: Cash and short-term deposits	(54,901)	(50,173)
Net debt	2,656,646	2,343,073
Total Assets	5,199,002	5,282,557
Gearing ratio	51%	44%

34 FAIR VALUES OF FINANCIAL INSTRUMENTS

ALEXANDRIA PORTLAND CEMENT COMPANY (S.A.E.)

NOTES TO THE SEPARATE FINANCIAL STATEMENTS

31 December 2017

(All amounts are in thousand Egyptian pound)

Financial instruments comprise financial assets and financial liabilities. Financial assets of the company include bank balances and cash, other receivables, and due from related parties. Financial liabilities of the company include, trade and other payables, due to related parties and retentions payable.

The fair values of the financial assets and liabilities are not materially different from their carrying value unless stated otherwise.

The management assessed that the fair values of bank balances and cash, other receivables, receivables due from related parties, trade and other payables due to related parties and retentions payables approximate their carrying amounts due to the short term maturities.

For the borrowings of the company that bear a floating interest rate the fair values and carrying values are identified as follows:

	31 December 2017		31 December 2016	
	Carrying amount EGP	Fair value EGP	Carrying amount EGP	Fair value EGP
Financial liabilities				
Floating rate borrowings	817,425	814,751	716,237	714,828
Floating rate intercompany borrowings	1,891,122	1,898,716	1,673,857	1,639,903
	<u>2,708,547</u>	<u>2,713,467</u>	<u>2,390,094</u>	<u>2,354,731</u>