BENI SUEF CEMENT COMPANY (S.A.E)
FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2017
TOGETHER WITH AUDIT REPORT

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

Financial Statements
For the year ended 31 December 2017

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Allied for Accounting & Auditing
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AUDITOR'S REPORT

TO THE MANAGEMENT OF BENI SUEF CEMENT COMPANY (S.A.E)

Report on the Financial Statements

We have audited the accompanying financial statements of **BENI SUEF CEMENT COMPANY (S.A.E)** (the "Company"), which comprise the statement of financial position as at 31 December 2017 and the statement of profit or loss and comprehensive income, statement of changes in equity and 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 financial statements are the responsibility of the Company's Management, as Management is responsible for the preparation and fair presentation of the 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 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 financial statements are free from material misstatement.

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

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Opinion

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

Allied for Accounting & Auditing
A Member of
Ernst & Young Global
المتضامنون للمحاسبة والمراجعة

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

Cairo: 24 April 2018

BENI SUEF CEMENT COMPANY (S.A.E.)

STATEMENT OF PROFIT OR LOSS

For the year ended 31 December 2017

(All amounts are in thousand Egyptian pound)

	Notes	31 December 2017 EGP	31 December 2016 EGP
Net sales	(4)	**1,704,746**	1,559,257
Cost of sales	(5)	**(1,347,074)**	(1,148,997)
GROSS PROFIT		**357,672**	410,260
General and administrative expenses	(6)	**(122,510)**	(93,728)
Other operating income	(7)	**28,073**	8,288
Other operating expense	(8)	**(81,214)**	(48,997)
Net finance expense	(9)	**(182,675)**	(116,763)
(LOSE) PROFIT FOR THE YEAR BEFORE INCOME TAX		**(654)**	159,060
Income tax	(10)	**(7,417)**	(25,397)
(LOSSES) / PROFIT FOR THE YEAR		**(8,071)**	133,663

The accompanying notes 1 to 33 form an integral part of these financial statements.
Auditor's report attached

BENI SUEF CEMENT COMPANY (S.A.E.)

STATEMENT OF COMPERHENSIVE INCOME

For the year ended 31 Decmeber 2017

(All amounts are in thousand Egyptian pound)

	31 December 2017 EGP	31 December 2016 EGP
(LOSSES) / PROFIT FOR THE YEAR	**(8,071)**	133,663
OTHER COMPERHANSIVE INCOME	-	-
TOTAL COMPREHENSIVE (LOSS) / INCOME	**(8,071)**	133,663

The accompanying notes 1 to 33 form an integral part of these financial statements.
Auditor's report attached.

BENI SUEF CEMENT COMPANY (S.A.E.)

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	(11)	**1,393,857**	1,414,661
Intangible assets	(12)	**193,126**	62,512
Employees advances	(13)	-	-
Investment available for sale	(14)	**43**	83
Total non-current assets		**1,587,026**	1,477,256
Current assets			
Inventories	(15)	**448,122**	489,184
Prepayments, other receivables and other debit balances	(16)	**144,729**	278,896
Due from related parties	(17)	**175,014**	65,050
Employees advances	(13)	-	-
Loans to related parties	(18)	-	3,715
Cash on hand and at banks	(20)	**207,665**	105,175
Total current assets		**975,530**	942,020
TOTAL ASSETS		**2,562,556**	2,419,276
EQUITY AND LIABILITIES			
Equity			
Share capital	(21)	**520,000**	520,000
Payments under capital increase	(22)	**260,000**	260,000
Legal reserve	(23)	**15,980**	98,543
Retained earnings / (Accumulated losses)		**12,694**	(89,246)
Profits for the period / year		**(8,071)**	133,663
Total equity		**800,603**	922,960
LIABILITIES			
Non-current liabilities			
Bank borrowings	(24)	**221,496**	469,000
Deferred tax liability	(10)	**124,597**	120,732
Total non-current liabilities		**346,093**	589,732
Current liabilities			
Provisions	(25)	**164,045**	23,658
Accounts and notes payable	(26)	**267,922**	338,655
Advance from customers		**59,992**	81,329
Accrued expenses and other payables	(27)	**129,480**	127,197
Credit facilities	(28)	-	402
Bank borrowings	(24)	**628,000**	-
Due to related parties	(17)	**72,615**	67,762
Loans from related parties	(19)	**90,228**	264,003
Income tax payable	(10)	**3,578**	3,578
Total current liabilities		**1,415,860**	906,584
Total Liabilities		**1,761,953**	1,496,316
TOTAL LIABILITIES AND EQUITY		**2,562,556**	2,419,276

Chief Financial Officer

For

Chairman

A.B

The accompanying notes 1 to 33 form an integral part of these financial statements.

Auditor's report attached

BENI SUEF CEMENT COMPANY (S.A.E.)

STATEMENT OF CHANGE IN EQUITY

For the year ended 31 December 2017

(All amounts are in thousand Egyptian pound).

	Share capital	Payments under capital increase account	Legal reserve	Accumulated losses / Retained earnings	Profit or Losses for the period	Total
	EGP	EGP	EGP	EGP	EGP	EGP
Balance at 1 January 2016	520,000	260,000	98,543	(14,452)	(74,794)	789,297
Transferred to accumulated losses	-	-	-	(74,794)	74 794	-
Profit for the year	-	-	-	-	133,663	133,663
Balance at 31 December 2016	**520,000**	**260,000**	**98,543**	**(89,246)**	**133,663**	**922,960**
Balance at 1 January 2017	520,000	260,000	98,543	(89,246)	133,663	922,960
Transferred to accumulated losses	-	-	(82,563)	216,226	(133,663)	-
Dividends	-	-	-	(114,286)		(114,286)
Losses for the year	-	-	-	-	(8,071)	(8,071)
Balance at 31 December 2017	**520,000**	**260,000**	**15,980**	**12,694**	**(8,071)**	**800,603**

The accompanying notes 1 to 33 form an integral part of these financial statements.

STATEMENT OF CASH FLOWS

For the period ended 31 December 2017

(All amounts are in thousand Egyptian pound)

	Note	31 December 2017 EGP	31 December 2016 EGP
Cash flows from operating activities			
Profit / (loss) before income tax		**(654)**	159,060
Adjustments for:			
Depreciation of Property, Plant and Equipment	(11)	**110,163**	101,768
Amortization of intangible assets	(12)	**5,524**	6,158
Provision charged	(25)	**2,783**	3,520
Gain from sale of Property, Plant and Equipment	(11)	**(2,877)**	(2,555)
Impairment of inventory	(15)	**2,945**	-
Impairment of inventory no longer required	(15)	**(419)**	-
Impairment of employee advance	(13)	**-**	22,592
change in present value of employee advances no longer required	(13)	**-**	(5,962)
Credit interest	(9)	**(4,763)**	(940)
Debit interest	(9)	**169,682**	93,924
Cash from operations before working capital changes:		**282,384**	377,565
Change in restricted cash	(20)	**8,334**	(1,255)
Change in inventory	(15)	**38,536**	(68,915)
Change in employee advance	(13)	**-**	1,931
Change in prepayments and other receivables	(16)	**135,347**	(167,911)
Change in due from related parties	(17)	**(109,964)**	(22,342)
Change in accounts payable and notes payable	(26)	**(70,733)**	104,693
Change in advance from customers		**(21,337)**	21,294
Change in accrued expenses and other payable	(27)	**(11,306)**	49,838
Change in due to related parties	(17)	**4,853**	44,098
Cash provided from operating activities		**256,114**	338,996
Provision used	(25)	**(446)**	(2,828)
Net cash provided from operating activities		**255,668**	336,168
Cash flows from investing activities			
Payments to acquire Property, Plant and Equipment	(11)	**(91,588)**	(150,874)
Loans paid to related parties	(18)	**3,715**	(3,715)
Payments for investments available for sale		**40**	-
Proceeds from sale of Property, Plant and Equipment	(11)	**3,466**	2,677
Interest received		**3,583**	837
Net cash (used in) investing activities		**(80,784)**	(151,075)
Cash flows from financing activities			
(Payment) of loans due to a related parties	(19)	**(114,533)**	(25,425)
Receipt / (Settlements) from bank borrowings	(24)	**380,496**	(35,000)
Credit facilities (Paid)	(28)	**(402)**	(5,720)
Dividends paid		**(114,286)**	-
Interest paid		**(215,335)**	(79,603)
Net cash (used in) financing activities		**(64,060)**	(145,748)
Net change in cash and cash equivalents		**110,824**	39,345
Cash and cash equivalent at the beginning of the year		**88,761**	49,416
Cash and cash equivalent at the end of the year		**199,585**	88,761
Cash and cash equivalents		**207,665**	105,175
Less: Restricted cash	(20)	**(8,080)**	(26,414
		199,585	88,761

The accompanying notes 1 to 33 form an integral part of these financial statements.

1 BACKGROUND

Beni Suef Cement Company was established in accordance with the decree of the Egyptian Minister of the General Public Business Sector No. 76/1993 dated 19 October 1993 as an Egyptian joint stock Company wholly owned by the Mining and Refractories Company under the provisions of the Egyptian Public Business Sector Law No. 203 of 1991 and its executive regulation.

The Company was registered in the commercial registry on 3 January 1994 and has started actual production on 30 June 1994.

According to the privatization program of the General Public Business Sector Companies implemented by the Egyptian government, the Company was privatized through the acquisition of 76% of the Company's shares by a foreign major investor on 12 July 1999.

The foreign investment's share has increased to 95% of the Company's shares on 31 December 2000.

An Extraordinary General Assembly Meeting of the Company was held on 29 August 1999 and decided to reconcile the Company status in accordance with Law No. 159 of 1981 and its executive regulation and the capital market Law No. 95 of 1992 and its executive regulation.

The purpose of the Company is the production of cement and all other building materials such as lime stone, concrete units, ready-made concrete and other building materials, marketing and selling these products and any other raw materials inside and outside Egypt, and the production of cement bags and others to pack the cement produced and other raw materials and building materials and their transport. The Company may also acquire or operate cement silos and import all the cement production materials, paper bags and spare parts of vehicles and equipment necessary for operating its business and operate and use all types of quarries.

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.

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 234 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 liablities as of 31 December 2017 and on the basis of the facts and circumistances 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 234 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.

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 consolidated 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.
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:

mendments 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 amendments 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. 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 these financial statements requires management to make judgments and estimates that affect the reported amounts of revenues, expenses, assets and liabilities, and the accompanying disclosures and the disclosure of contingent liabilities at the reporting date. Uncertainty about these assumptions and estimates could result in outcomes that require a material adjustment to the carrying amount of the assets or liabilities affected in future periods.

Estimates and their underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are 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:

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).

2.3 SIGNIFICANT ACCOUNTING JUDGMENTS AND ESTIMATES (CONTINUED)

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.

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.

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.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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.

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.

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 recognized 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 recognized directly in equity until the investment is derecognized, at which time the cumulative gain or loss recorded in equity is recognized in the statement of income, or determined to be impaired, at which time the cumulative loss recorded in equity is recognized in the statement of income. If the fair value of an equity instrument cannot be reliably measured, the investment is carried at cost less impairment.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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 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:

	Years
Buildings	20
Machinery and equipment	14-20
Motor vehicles	5-7
Tools	5-20
Computers	4-10
Furniture, fixtures and office equipment	4-10

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 recognized 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 recognized in the prior years are recorded when there is an indication that the impairment losses recognized 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.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Intangible assets represented in company's usage right of electric power capacity of 52MW, according to the electric power generation contract with the Egyptian Electricity Transmission Company dated on 17 June 2010 with a value of EGP 75 million approximately. The intangible assets also include the right for using the tunnel between the company quarries and the factory in addition to Computer programs and the related licenses. These intangible assets are amortized according to straight line method based on useful life of 5- 20 years. During 2017 the company has capitalized the cost of an extension license for the second production line estimated at EGP 134,500,000and amortized on a straight line basis over its expected useful life of 30 years.

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 amortised 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

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

reorganisation 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.

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 hat 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.

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.

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.

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

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.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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.

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.

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.

(All amounts are in thousand Egyptian pound)

4 NET SALES

	31 December 2017 EGP	31 December 2016 EGP
Cement local sales	**1,684,356**	1,741,593
Cement export sales	**11,071**	17,504
Freight revenue	**12,455**	2,582
Clinker and fuel sales	**47,054**	46,072
	1,754,936	1,807,751
Sales discount	**(50,190)**	(248,494)
	1,704,746	1,559,257

5 COST OF SALES

	31 December 2017 EGP	31 December 2016 EGP
Wages and Salaries	**64,073**	68,035
Raw Material	**162,671**	144,302
Industrial Costs	**1,007,140**	831,720
Manufacturing Depreciation (Note 11)	**113,190**	104,940
	1,347,074	1,148,997

6 GENERAL AND ADMINSTRATIVE EXPENSES

	31 December 2017 EGP	31 December 2016 EGP
Wages and salaries	**30,320**	30,020
Consulting fees	**14,674**	16,587
Donations	**1,996**	1,775
Catering expense	**1,377**	371
Telecommunication and accommodation expense	**2,098**	1,932
Depreciation and amortization (Note 11, 12)	**2,499**	2,986
Rent	**4,118**	41
Management fees (Titan Company) – (Note 17)	**35,833**	20,726
Litigation fees	**16,362**	9,574
Other expenses	**13,233**	9,716
	122,510	93,728

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 or loss account. The amount paid during the year of EGP 23,843 thousands is charged to cost of sales by the amount of EGP 14,715 thousands and to general and administrative expenses by the amount of EGP 9,128 thousands.

(All amounts are in thousand Egyptian pound)

7 OTHER OPERATING INCOME

	31 December 2017 EGP	31 December 2016 EGP
Gain from sale of Scrap	**4,879**	2,409
Gain from sales of property, plant and equipment (Note 11)	**2,877**	2,555
Accruals no longer required	**8,320**	-
Other operating income	**11,997**	3,324
	28,073	8,288

8 OTHER OPERATING EXPENSES

	31 December 2017 EGP	31 December 2016 EGP
Compensation for left employees*	**67,682**	20,884
Impairment of advances to employees (Note 13)	**8,760**	22,592
Other operating expense	**1,989**	2,001
Other provisions (Note 25)	**2,783**	3,520
	81,214	48,997

*the amount of EGP 67,682 represent employees' compensation payment to left employees during the year. The company does not have a declared defined employees' restructuring plan.

9 FINANCE EXPENSES

	31 December 2017 EGP	31 December 2016 EGP
Foreign exchange loss the whole	**17,756**	29,741
Employee profit share income	**-**	(5,962)
Credit interest	**(4,763)**	(940)
Debit interest	**169,682**	93,924
	182,675	116,763

10 INCOME TAX

	31 December 2017 EGP	31 December 2016 EGP
Statement of Profit or Loss		
Deferred income tax expense	**(3,865)**	(23,780)
	(3,865)	(23,780)
Income tax provisions (Note 25)	**(3,552)**	(1,617)
	(7,417)	(25,397)

DEFERRED INCOME TAX LIABILITY

	Statement of financial position	
	31 December 2017 EGP	31 December 2016 EGP
Deferred taxes on differences on NBV of property, plant and equipment	**(172,758)**	(159,743)
Deferred tax on carried forward losses	**27,485**	14,120
Deferred tax on Unrealized foreign exchange loss	**(3,674)**	1,915
Deferred tax on differences of Provisions	**24,350**	22,976
Net deferred income tax liabilities	**(124,597)**	(120,732)

CURRENT INCOME TAX LIABILITY

(All amounts are in thousand Egyptian pound)

	Statement of Profit or Loss	
	31 December 2017 EGP	31 December 2016 EGP
Balance as of 1 January	**(120,732)**	(96,952)
Movement during the period	**(3,865)**	(23,780)
Balance	**(124,597)**	(120,732)

RECONCILIATION OF THE EFFECTIVE INCOME TAX RATE

	31 December 2017 EGP	31 December 2016 EGP
(Losses) / Income before income taxes	**(654)**	159,060
Deferred income tax expense	(3,865)	(23,780)
Income tax provisions (Note 25)	**(3,552)**	(1,617)
Income tax	**(7,417)**	(25,397)
Effective tax rate	**1100%**	15.9%

The company's tax position is as follows:

1- **Corporate tax**

- The Company enjoyed a tax holiday for ten years ended on 30 June 2004.
- The Company records were inspected and settled till the year 2008.
- The Company records were inspected for the year 2009 to the year 2010.
- No tax inspection took place for the Company's records for the years 2011 up till 2016.

2- **Value - added tax**

- The Company records were inspected till the years 2012 and the taxes due were paid.
- The Company records were inspected for the years 2013 and points of dispute were transferred to the appeal committee.
- No tax inspection took place for the Company's records for the years 2014 till 2016.

3- **Salary tax**

- The Company records were inspected from inception up to the year 2004 and all taxes due were paid.
- The Company records are under inspection for the years 2005 till 2007.
- No tax inspection took place for the Company's records for the years from 2008 up till 2016.

4- **Stamp duty tax**

- The Company records were inspected till the year 2005 and the taxes due were paid.
- No tax inspection took place for the Company's records for the years 2006 up till 2016.

5- **Real estate tax**

- The taxes due were paid till the year 2015.

(All amounts are in thousand Egyptian pound)

11. Property, Plant and Equipment

	Land	Buildings	Machinery and equipment	Motor - Vehicles	Tools	Computers	Furniture, fixture & office equipment	Construction in progress	Total
	EGP	EGP	EGP	EGP	EGP	EGP	EGP	EGP	EGP
Cost									
As of 1 January 2017	5,876	468,406	2,752,322	88,310	15,396	8,992	6,418	58,506	3,404,226
Additions	-	-	-	-	-	-	-	91,147	91,147
Transferres	-	7,128	117,872	6,332	-	(32)	1,021	(132,321)	-
Transfer to intangible assets	-	-	-	-	-	-	-	(1,198)	(1,198)
Disposal	-	(355)	-	(2,006)	-	(1)	-	-	(2,362)
As of 31 December 2017	5,876	475,179	2,870,194	92,636	15,396	8,959	7,439	16,134	3,491,813
Accumulated depreciation									
As of 1 January 2017	-	274,084	1,607,364	81,623	14,138	6,925	5,431	-	1,989,565
Depreciation	-	13,591	92,647	2,174	609	754	389	-	110,164
Disposal	-	(141)	-	(1,599)	-	(33)	-	-	(1,773)
As of 31 December 2017	-	287,534	1,700,011	82,198	14,747	7,646	5,820	-	2,097,956
Net carrying amount At 31 December 2017	**5,876**	**187,645**	**1,170,183**	**10,438**	**649**	**1,313**	**1,619**	16,134	**1,393,857**

- Depreciation expense is allocated as follows:

	31 December 2017	31 December 2016
	EGP	EGP
Cost of sales	108,382	100,148
General and administrative expenses	1,782	1,620
	110,164	101,768

	EGP	EGP
Proceeds from disposal of fixed assets		3,466
Cost of disposals	(2,362)	
Accumulated depreciation of disposals	1,773	
Net Carrying amount		(589)
Gain from disposal of fixed assets		**2,877**

(All amounts are in thousand Egyptian pound)

11. Property, Plant and Equipment (continued)

	Land	Buildings	Machinery and equipment	Motor – Vehicles	Tools	Computers	Furniture, fixture & office equipment	Construction in progress	Total
	EGP	EGP	EGP	EGP	EGP	EGP	EGP	EGP	EGP
Cost									
As of 1 January 2016	5,876	441,678	2,576,006	102,602	14,700	9,558	6,038	172,976	3,329,434
Additions	-	-	-	-	-	-	-	150,874	150,874
Transferred	-	26,799	230,772	4,366	696	493	380	(263,506)	-
Transfer to intangible assets	-	-	-	-	-	(330)	-	(1,838)	(2,168)
Disposal	-	(71)	(54,456)	(18,658)	-	(729)	-	-	(73,914)
As of 31 Dec 2016	5,876	468,406	2,752,322	88,310	15,396	8,992	6,418	58,506	3,404,226
Accumulated depreciation									
As of 1 January 2016	-	261,134	1,576,688	98,605	13,131	7,021	5,120	-	1,961,699
Depreciation	-	12,978	85,117	1,638	1,007	717	311	-	101,768
Transfer to intangible assets	-	-	-	-	-	(110)	-	-	(110)
Transfer	-	-	15	-	-	(15)	-	-	-
Disposal Accum Depr	-	(28)	(54,423)	(18,620)	-	(721)	-	-	(73,792)
As of 31 Dec 2016	-	274,084	1,607,397	81,623	14,138	6,892	5,431	-	1,989,565
Net carrying amount At 31 Dec 2016	5,876	194,322	1,144,925	6,687	1,258	2,100	987	58,506	1,414,661

(All amounts are in thousand Egyptian pound)

12 INTANGIBLE ASSETS

	31 December 2017 EGP	31 December 2016 EGP
Cost		
As of 1 January	**110,199**	108,031
Construction in progress (Intangible assets)	**441**	-
Transfer from property, plant and equipment	**1,198**	2,168
Additions	**134,500**	
Balance at the end of the period / year	**246,338**	110,199
Amortization		
As of 1 January	**47,687**	41,419
Amortization	**5,525**	6,158
Transfer from property, plant and equipment	-	110
Balance at the end of the period / year	**53,212**	47,687
Net carrying amount	**193,126**	62,512

- Amortization expense is allocated as follows:

	31 December 2017 EGP	31 December 2016 EGP
Cost of sales	4,808	4,792
General and administrative expenses	717	1,366
	5,525	6,158

Intangible assets represented in company's usage right of electric power capacity of 52MW, according to the electric power generation contract with the Egyptian Electricity Transmission Company dated on 17 June 2010 with a value of EGP 75 million approximately. The intangible assets also include the right for using the tunnel between the company quarries and the factory in addition to Computer programs and the related licenses. These intangible assets are amortized according to straight line method based on useful life of 5- 20 years.

* The additions represent the cost of the extension of the license for the second production line which is estimated at EGP 134,500,000based on the opinion of the external legal counsel (Note 32). The asset is amortized on a straight line basis over its estimated useful life of 30 years starting from 1 January 2018.

13 EMPLOYEES ADVANCES

	31 December 2017 EGP	31 December 2016 EGP
Non-current employees advances		
Advances to employees paid before 2015	**22,592**	22,592
Deduct :		
Change in present value of employees advances for the period / year	-	(5,962)
Reversal of present value of employees advances income for the period / year	-	5,962
Impairment in advances to employees paid before 2015	**(22,592)**	(22,592)
Total non-current employees advances	-	-
Current employees advances		
Advances to employees paid in 2017	**8,760**	-
Impairment in advances to employees paid in 2017	**(8,760)**	
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.

NOTES TO THE FINANCIAL STATEMENTS
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(All amounts are in thousand Egyptian pound)

14 AVAILABLE FOR SALE INVESTEMENT

Company	Country	%	31 December 2017 EGP	31 December 2016 EGP
Green Alternative Energy (GAEA.)*	Egypt	1%	43	83
			43	83

* The Company has decided to include its investments in Green Alternative Energy Assets (GAEA) at cost due to the difficulty of estimating its fair value.

15 INVENTORIES

	31 December 2017 EGP	31 December 2016 EGP
Spare parts	232,254	183,475
Kiln Fuel	63,172	183,976
Raw material	17,902	32,670
Semi-finished goods	119,479	78,150
Finished goods	12,607	8,229
Packing material	7,780	5,875
	453,194	492,375
Deduct :		
Write down of spare parts inventory	(5,072)	(3,191)
	448,122	489,184

Inventory write down value shown as following:

	31 December 2017 EGP	31 December 2016 EGP
Balance as of 1 January	3,191	6,865
Formed during the period / year	2,945	3,191
No longer required	(419)	(2,075)
Used during the period / year	(645)	(4,790)
Ending balance	5,072	3,191

16 PREPAYMENTS, OTHER RECEIVABLES AND OTHER DEBIT BALANCES

	31 December 2017 EGP	31 December 2016 EGP
Advances to contractors and suppliers	27,938	150,016
Deposits with others	37,047	36,519
Advance to customs authority	10,573	13,789
Tax authority – Value added tax	33,182	25,937
Prepayments	5,020	5,989
Tax authority – Withholding tax	6,311	9,163
Employee imprest	3,955	12,927
Interest recievable	1,180	-
LC cover (more than 90 days)	5,935	-
LG cover (more than 90 days)	6,812	-
Letter of credit margin	-	19,371
Other debit balance	7,373	5,782
	145,326	279,493
Deduct : Impairment of prepayments and other debit balances	(597)	(597)
	144,729	278,896

NOTES TO THE FINANCIAL STATEMENTS
31 December 2017
(All amounts are in thousand Egyptian pound)

17 DUE FROM / TO RELATED PARTIES

	Nature of Transactions	31 December 2017		31 December 2016	
		Due from	Due to	Due from	Due to
		EGP	EGP	EGP	EGP
Alexandria Portland Cement Co.	Parent company	170,439	-	60,895	-
Titan Beton& Aggregate Egypt Ltd Co	Affiliate	2,533	-	1,182	-
Green Alternative Energy Assets GAEA	Affiliate	481	-	1,412	-
East Cement Ltd - Cement, Clinker, Fly Ash	Shareholder	1,561	-	1,561	-
Titan Cement S.A	Ultimate parent	-	72,615	-	67,762
Adocim Cimento Beton	Shareholder	-	-	-	-
		175,014	72,615	65,050	67,762

Transactions with related parties included in the statement of income are as follows:

	Nature of relationship EGP	Nature of transactions	31 December 2017 EGP	31 December 2016 EGP
Titan S.A	Holding Company	Technical support fees	(35,834)	(20,726)
Alexandria Portland cement company	Shareholder	petcock purchase	-	(44,871)
		Fuel Sales	166	-
		Clinker and Cement sales	132,508	62,435
		Interest expense	(3,560)	(13,865)
		Interest income	1,754	-
Titan Beton& Aggregate Egypt Ltd Co		Cement sales&Freight	26,221	-
Aemos Cement Ltd - Cement, Clinker		Interest expense	(59)	-
Green Alternative Energy Assets GAEA	Shareholder	Interest income	-	86
		Fuel Sale	(953)	(1,142)

Transactions with key management personnel:

	31 December 2017	31 December 2016
Short Term Employee benefits	29,937	30,165
Social insurance	354	323

18 LOANS TO RELATED PARTIES

	Nature of relationship	31 December 2017 EGP	31 December 2016 EGP
Green Alternative Energy Assets GAEA– Principle loan	Subsidiary	-	3,715
Total non-current portion of loans to related parties		-	3,715

Green Alternative Energy Assets GAEA

On 30 March 2016, Beni Suef Cement Company has granted an intercompany loan to Green Alternative Energy Assets Company (GAEA) amounting to EGP 4 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 three months from the contract date and renewed for similar period(s) till the completion of the Company's capital increase procedures and capital registration. The loan is totally settled before 31 December 2017 (EGP 3,715 thousands as of 31 December 2016) and is classified as current assets in the statement of financial position.

(All amounts are in thousand Egyptian pound)

19 LOANS FROM RELATED PARTIES

	Nature of relationship	31 December 2017	31 December 2016
		EGP	EGP
Current portion :			
Alexandria Portland Cement Co. – Principle loan	Shareholder	2,426	203,377
Alexandria Portland Cement Co. – Accrued interest	Shareholder	1,326	60,626
Aemos Cement Ltd - Cement, Clinker	Affiliate	86,418	
Aemos Cement Ltd - Cement, Clinker Accrued interest	Affiliate	58	
Total current portion of loans from related parties		90,228	264,003

Alexandria Portland cement:

On 30 June 2013, the company entered into a loan agreement with Alexandria Portland Cement Company (S.A.E), parties agreed to advance to each other and, if needed, both compaies accommodate each others according to the business needs amounting to LE 400 Million with an interest rate on the drawn amounts to be calculated based on Commercial banks interest rate on deposits plus 0.5%.

On 31 December 2014, the two parties agreed to raise the revolving loan celling 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.

AEMOS Cement Lmited :

On 20 December 2017, the company obtained a revolving loan facility amounting to EUR 25 Million from **AEMOS Cement Limited Company** to be repaid after five years from the signing date of the contract with an interest rate of 3.5 % above the EURIBOR. The loan balance as of 31 December 2017 is thousand EGP 86,418 excluding interest.

20 CASH ON HAND AND AT BANKS

	31 December	31 December 2016
	EGP	EGP
Current accounts - EGP	137,215	48,777
Current accounts - Foreign currencies	62,370	39,984
	199,585	88,761
Cash restricted against Letter of credit (less than 90 Days)	8,004	12,507
Cash restricted against Letter of Guarantee (Note 29) (less than 90 days)	76	3,907
	8,080	16,414
	207,665	105,175

* Restricted cash represents LGs cash cover amounted to thousand EGP 76 (Note 29).

21 ISSUED CAPITAL

The company's authorized capital amounts to EGP 1 billion; where the issued and paid-up capital amounted to EGP 520,000 thousand represented in 52,000,000 shares with a par value of EGP 10.

(All amounts are in thousand Egyptian pound)

22 PAYMENTS UNDER CAPITAL INCREASE

In accordance with the resolution of the Board of Directors on 14 December 2015, it has been approved to increase capital issued by EGP 260,000 thousand, within limit of authorized capital through converting part of the credit balance of the loan from Alexandria Portland Cement Company (Main shareholder company), On 21 January 2016 the Extraordinary General Assembly Meeting decided to approve Board of Directors decision. The Company did not finalize the procedures of capital increase in the article of association nor the commercial register as of the date of the balance sheet, the company still taking the required legal procedures to increase the capital.

23 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.

24 BANK BORROWINGS

	31 December 2017 EGP	31 December 2016 EGP
Current Loans		
HSBC Bank	**628,000**	-
	628,000	-
Non-current Loans		
Audi Bank	**221,496**	-
HSBC Bank	-	469,000
	221,496	469,000

HSBC

On 12 June 2008, Beni Suef Cement company obtained a revolving medium term loan amounting to EGP 700 Million from HSBC Bank (Mandated Lead Arranger & Facility Agent), QNB – Al Ahly and Piraeus Bank to be repaid after five years from the signing date of the contract with considering the company's right to accelerate payments for all amounts withdrawn with annual interest rate of 1.75% above the Corridor borrowing rate on the withdrawn amounts of the local currency withdrawals and 3.5% above the LIBOR rate on US dollars and EURO withdrawals.

On January 2013, the company has renewed the agreement whereby all parties agreed to reduce the facility from EGP 700 Million to EGP 670 Million and to repay the facility upon lapse of five years from the renewing date. Total borrowings balance as of 31 December 2017 amounted to EGP 628,000 thousand (2016: thousand EGP 469,000) excluding interest, and the loan is under renewal.

Audi Bank :

On 9 March 2017, Beni Suef Cement Company obtained a revolving medium term loan amounting to 125 Million from Audi bank to be repaid after five years from the signing date of the contract with an interest rate of 1.75% above the Corridor borrowing rate declared from the Central Bank of Egypt on the withdrawn amounts. The loan balance as of 31 December 2017 is thousand EGP 221,496.

25 PROVISIONS

	Balance as of 1 January 2017	Charged during the period	Used during the period	Transferred to income tax payable	**Balance as of 31 December 2017**
	EGP	EGP	EGP	EGP	EGP
Provision for legal claims	4,456	134,500	-	-	**138,956**
Provision for tax	19,202	6,333*	(446)	-	**25,090**
	23,658	**140,833**	**(446)**	-	**164,045**

(All amounts are in thousand Egyptian pound)

*Provisions formed during the year charged to other operating expenses by EGP 2,783 thousand (Note 9) and EGP 3,552 thousand to income tax expenses (Note 10).

*** Provision for legal claims**
The company created a provision for legal claims amounted to EGP 134,500,000 based on the opinion of the external legal counsel regarding the lawsuit filed by the Company regarding the cost of the extension license of the second production line (Note 32).

	Balance as of 1 January 2016	Charged during the year	Used during the year	Balance as of 31 December 2016
	EGP	EGP	EGP	EGP
Provision for legal claims	4,784	-	(328)	4,456
Provision for tax	2,179	2,063	-	4,242
Other provisions	14,386	3,074	(2,500)	14,960
	21,349	5,137	(2,828)	23,658

26 ACCOUNTS AND NOTES PAYABLE

	31 December 2017	31 December 2016
	EGP	EGP
Accounts payable	**210,170**	312,297
Notes payable	**57,752**	26,358
	267,922	338,655

- Trades and notes payable are not interest bearing.

27 ACCRUED EXPENSES AND OTHER PAYABLES

	31 December 2017	31 December 2016
	EGP	EGP
Accrued expenses	**43,128**	66,351
Tax authority - Value Added tax	**51,424**	44,977
Tax authority - Withholding taxes	**11,870**	3,933
Tax authority - Salary taxes	**2,122**	1,894
Accrued interest	**14,044**	455
Dividends payable	**655**	-
Deposits from others	**4,182**	5,050
Other payables	**2,055**	4,537
	129,480	127,197

28 CREDIT FACILITIES

	31 December 2017	31 December 2016
	EGP	EGP
Arab African international bank – Overdraft	-	402
	-	402

The credit balance of AAIB represents an overdraft has no financial guarantee.

(All amounts are in thousand Egyptian pound)

29 CONTINGENT LIABILITIES

The Company contingent liabilities represents bank guarantees resulted from the Company activities, accordingly, the Company contingent liabilities has reached KEGP 257,888 as 31 December 2017 against Letter of guarantee cash margin amounting to KEGP 6,888 shown below:

	Cash Cover EGP	Equivalent in EGP
Qatar National Bank Al Ahli	**5,783**	**5,783**
HSBC	**1,000**	**1,000**
CIB	**105**	**251,105**
	6,888	**257,888**

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

- Less than 90 days in restricted cash amounting to EGP 76 thousand (Note 20).
- More than 90 days in Prepayments and other debt balances amounting to EGP 6,812 thousand (Note 16).

Operating lease commitments – Company as lessee
The Company has entered into operating leases for the administration building, with lease terms between 1 January 2017 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 EGP	31 December 2016 EGP
Within one year	**1,181**	-
After one year but not more than five years	**1,916**	-
More than five years	-	-
	3,097	-

30 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

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
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 liability	+ 1%	(7,647)
	- 1%	(7,647)

The interest rates on loans from related parties are described in Note 32-bto the financial statements. Interest rates on loans from financial institutions are disclosed in Note 25 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.

(All amounts are in thousand Egyptian pound)

	31 December 2017	
	Change in rate	**Effect on profit before tax EGP**
USD	**+ 10%**	**198**
	- 10%	**(198)**
EUR	**+ 10%**	**4,331**
	- 10%	**(4,331)**

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

	Less than 3 Months	3 to 12 months	1 to 5 Years	Over 5 years	Total
As at 31 December 2017					
Loans from related parties	-	90,228		-	90,228
Bank borrowings	-	628,000	221,496	-	849,496
Accrued expense and other payables	-	129,480		-	129,480
Due To related parties	-	72,615	-	-	72,615
Trade and notes payables	-	267,922		-	267,922
Total undiscounted financial liabilities	-	**1,188,245**	**221,496**	-	**1,409,741**

31 Capital management

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

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	**939,724**	733,405
Less: Cash and short-term deposits	**(207,665)**	(105,175)
Net debt	**732,059**	628,230
Total Assets	**2,562,556**	2,419,276
Gearing ratio	**29%**	26%

(All amounts are in thousand Egyptian pound)

32 Material legal cases

- The Nile Organization has raised a court case against the Company claiming compensation amounting to LE 300,000,000 for the harms resulted from the Company's use of the quarries land the case was postponed to 20 May 2018. The Company's legal advisor believes that the likelihood of the Company winning this case is probable.

- In 28 October 2007, the Company obtained extension license for the second production line for LE 134,500,000 through an auction made by the Trading and Industrial Ministry. The Industrial Development General Authority subsequently raised the license value to LE 251,000,000whereas the Company in return has raised a court case against the Industrial Development General Authority to safeguard its right in the license. On 17 January 2018, the Administrative Court ruled a first-degree judgment by accepting the case in form and rejecting it in substance and the company plans to proceed for cassation. Based on the opinion of the Company's external legal counsel, it is probable that the company will gain the case and pay EGP 134,500,000 the cost of expanding license for the second production line, and it is not probable that the company will lose the case and pay EGP 251,000,000. Noting that this amount is fully covered by letter of guarantee that can be only liquidated in case of a final court ruling is taken by the court.

33 FAIR VALUES OF FINANCIAL INSTRUMENTS

Financial instruments comprise financial assets and financial liabilities.
Financial assets of the company include bank balances and cash, , other receivables, held to maturity investments and due from related parties. Financial liabilities of the company include interest-bearing loans and borrowings, trade and other payables, due to related parties and retentions payable.

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	849,496	900,925	469,000	477,221
Floating rate intercompany borrowings	86,418	89,443	-	-
	935,914	990,368	469,000	477,221