

**ALEXANDRIA PORTLAND CEMENT COMPANY (S.A.E.)
CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2018
TOGETHER WITH THE AUDITOR'S REPORT**

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

**Consolidated Financial Statements
For The Year Ended 31 December 2018
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Allied for Accounting & Auditing
Ragheb, Hamsuda, Istanbul, Tageldien & El-Kilany
P.O. Box 20 Kattameya
Rama Tower
Ring Road, Zone #10A
Kattameya, Cairo, Egypt

Tel: +202 2726 0260
Fax: +202 2726 0100
Cairo office@eg.ey.com
ey.com/mena

AUDITOR'S REPORT

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

Report on the Financial Statements

We have audited the accompanying consolidated financial statements of **ALEXANDRIA PORTLAND CEMENT COMPANY (S.A.E)** (the "Company"), which comprise the consolidated statement of financial position as at 31 December 2018 and the consolidated statement of profit or loss, consolidated statement of comprehensive income, consolidated statement of changes in equity and consolidated 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 consolidated financial statements are the responsibility of the Company's Management, as Management is responsible for the preparation and fair presentation of the consolidated 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 consolidated 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 consolidated 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 consolidated financial statements are free from material misstatement.

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

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



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Opinion

In our opinion, the consolidated financial statements referred to above, give a true and fair view, in all material respects, of the consolidated financial position of **ALEXANDRIA PORTLAND CEMENT COMPANY (S.A.E)** as at 31 December 2018 and its consolidated financial performance and consolidated cash flows for the year then ended in accordance with International Financial Reporting Standards.

Amr M. El Shaabini A Member of
FESAA-FEST Ernst & Young Global
(RAA.9365)
EFSA (103)



Cairo: 23 April 2019

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

CONSOLIDATED STATEMENT OF PROFIT OR LOSS

FOR THE YEAR ENDED 31 DECEMBER 2018

(ALL AMOUNTS ARE IN THOUSAND EGYPTIAN POUNDS)

	Notes	31 December 2018	31 December 2017
		EGP	EGP
Net sales	(4)	2,863,200	2,853,102
Cost of sales	(5)	<u>(2,652,272)</u>	<u>(2,469,479)</u>
GROSS PROFIT		210,928	383,623
General and administrative expenses	(6)	(216,571)	(193,991)
Other operating income	(7)	86,973	60,070
Other operating expense	(8)	(53,102)	(173,481)
Finance income / expense	(9)	<u>(498,466)</u>	<u>(728,220)</u>
LOSS FOR THE YEAR BEFORE INCOME TAX		(470,238)	(651,999)
Income tax	(10)	<u>75,772</u>	<u>125,369</u>
LOSS FOR THE YEAR		<u>(394,466)</u>	<u>(526,630)</u>
Attributable to :			
Equity holders of the parent		(394,104)	(526,544)
Non-controlling interest		<u>(362)</u>	<u>(86)</u>
		<u>(394,466)</u>	<u>(526,630)</u>
Losses Per Share - basic and diluted	(11)	<u>(0.86)</u>	<u>(2.05)</u>

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

ALEXANDRIA PORTLAND CEMENT COMPANY (S.A.E.)
CONSOLIDATED STATEMENT OF COMPERHENSIVE INCOME
FOR THE YEAR ENDED 31 DECEMBER 2018
(ALL AMOUNTS ARE IN THOUSAND EGYPTIAN POUNDS)

	31 December 2018	31 December 2017
	EGP	EGP
LOSS FOR THE YEAR	(394,466)	(526,630)
Other comprehensive income	-	-
TOTAL COMPREHENSIVE LOSSES	(394,466)	(526,630)

The accompanying notes (1) to (33) form an integral part of these financial statement

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

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

AS OF 31 DECEMBER 2018

(ALL AMOUNTS ARE IN THOUSAND EGYPTIAN POUNDS)

	Notes	31 December 2018 EGP	31 December 2017 EGP
Assets			
Non-current assets			
Property, plant and equipment	(12)	2,331,893	2,273,005
Intangible assets	(13)	313,774	194,974
Financial assets at fair value through OCI		43	43
Employees advances	(14)	-	-
Deferred tax asset	(10)	338,308	236,990
Total Non-current assets		2,984,018	2,705,012
Current assets			
Trade and notes receivables	(15)	13,325	12,725
Inventories	(16)	866,655	801,633
Prepayments, other receivables and other debit balances	(17)	327,013	236,953
Receivables from IDA	(29)	166,572	-
Due from related parties	(18)	3,651	2,218
Cash on hand and at banks	(20)	433,476	273,202
Total current assets		1,810,692	1,326,731
Total assets		4,794,710	4,031,743
Equity and liabilities			
Equity			
Share capital	(21)	2,885,586	2,570,575
Legal reserve	(22)	161,626	161,395
Merger reserve	(32)	(2,645,706)	(2,645,706)
(Accumulated losses) / Retained earnings		(48,727)	(473,474)
Losses for the period		(394,104)	(526,544)
Total Attributable to equity holders of the parent		(41,325)	(913,754)
Non controlling interest		1,145	1,512
Total equity		(40,180)	(912,242)
LIABILITIES			
Non-current liabilities			
Bank borrowings – Non current portion	(23)	1,204,057	1,038,921
Loans due to related parties – Non current portion	(19)	-	1,729,682
Land creditors		-	392
Sales tax installments		276	276
Total non-current liabilities		1,204,333	2,769,271
Current liabilities			
Provisions	(24)	168,218	180,307
Trade and notes payable	(25)	530,030	565,162
Advance from customers		191,997	119,005
Accrued expenses and other payables	(26)	296,913	243,901
Bank borrowings – Current portion	(23)	-	628,000
Due to related parties	(18)	49,367	106,671
Land creditors		-	314
Loans due to related parties – Current portion	(19)	2,385,048	309,629
Income tax payable	(10)	8,984	21,725
Total current liabilities		3,630,557	2,174,714
Total liabilities		4,834,890	4,943,985
Total liabilities and equity		4,794,710	4,031,743

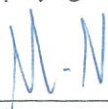
Chief Financial Officer



Chairman



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



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

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY FOR THE YEAR ENDED 31 DECEMBER 2018 (ALL AMOUNTS ARE IN THOUSAND EGYPTIAN POUNDS)

	Share	Legal Reserve	Merge Reserve	Accumulated Losses	Total comprehensive losses	Total Attributable to equity holders of the parent EGP	Non controlling interest EGP	Total Equity EGP
Balance at 1 January 2017	2,570,575	243,958	(2,645,706)	146,672	(702,709)	(387,210)	1,600	(385,610)
Transfer to legal reserve	-	(82,563)	-	82,563	-	-	-	-
Transferred to accumulated losses	-	-	-	(702,709)	702,709	-	-	-
Total comprehensive losses	-	-	-	-	(526,544)	(526,544)	(86)	(526,630)
Dividends	-	-	-	-	-	-	(2)	(2)
Balance at 31 December 2017	2,570,575	161,395	(2,645,706)	(473,474)	(526,544)	(913,754)	1,512	(912,242)
Balance at 1 January 2018 (Before IFRS 9 adoption)	2,570,575	161,395	(2,645,706)	(473,474)	(526,544)	(913,754)	1,512	(912,242)
IFRS 9 effect adoption (Note.3)	-	-	-	409	-	409	-	409
Balance at 1 January 2018 (After IFRS 9 adoption)	2,570,575	161,395	(2,645,706)	(473,065)	(526,544)	(913,345)	1,512	(911,833)
Transfer to legal reserve	-	231	-	(231)	-	-	-	-
Total comprehensive losses	-	-	-	-	(394,104)	(394,104)	(362)	(394,466)
Capital decrease (Note 22)	(951,113)	-	-	951,113	-	-	(5)	(5)
Capital increase (Note 22)	1,266,124	-	-	-	-	1,266,124	-	1,266,124
Transferred to accumulated losses	-	-	-	(526,544)	526,544	-	-	-
Balance at 31 December 2018	2,885,586	161,626	(2,645,706)	(48,727)	(394,104)	(41,325)	1,145	(40,180)

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

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

CONSOLIDATED STATEMENTS OF CASH FLOWS

FOR THE PERIOD ENDED 31 DECEMBER 2018

(ALL AMOUNTS ARE IN THOUSAND EGYPTIAN POUNDS)

	Notes	31 December 2018 EGP "000"	31 December 2017 EGP "000"
Cash flows from operating activities			
Losses before income tax		(470,238)	(651,999)
Adjustments for:			
Depreciation expenses of fixed assets	(12)	205,235	192,555
Amortization of intangible assets	(13)	14,599	6,111
Impairment of trade receivables	(15)	970	-
Impairment of trade receivables no longer required	(15)	(670)	(1,783)
Write down of spare parts	(16)	9,546	5,988
Write down of spare parts no longer required		-	(419)
Provisions charged during the year	(24)	174,785	5,960
Impairment of payment of employee advance		-	15,997
Gain from sale of property, plant and equipment	(12)	(11,852)	(3,770)
Credit interest	(9)	(7,924)	(10,539)
Debit interest	(9)	597,841	469,065
Cash from operations before working capital changes:		512,292	27,166
Change in restricted cash	(20)	(8,267)	18,415
Change in trade and notes receivables	(15)	(491)	(3,901)
Change in inventory	(16)	(74,568)	30,568
Change in prepayments and other receivables	(17)	(90,060)	150,959
Change in due from related parties	(18)	(1,433)	755
Due from General Authority of Industrial Development	(29)	(166,572)	-
Change in accounts payable	(25)	(35,132)	(85,937)
Change in advance from customers		72,992	(175,232)
Change in accrued expenses and other payables	(26)	36,649	3,403
Change in payment of employee advance	(14)	15,997	(15,997)
Change in due to related parties	(18)	(85,739)	(3,669)
Cash flows from operating activities		175,668	(53,470)
Provision used	(24)	(211,161)	(1,666)
Change in impairment of payment of employee advance	(14)	(15,997)	-
Paid taxes	(10)	(14,000)	(17,500)
Net cash provided from / (used in) operating activities		(65,490)	(72,636)
Cash flows from investing activities			
Payments to acquire property, plant and equipment	(12)	(272,276)	(209,005)
Proceeds from sale of property, plant and equipment	(12)	11,852	4,362
Payments to acquire Intangible assets	(13)	(125,246)	(1,097)
Land creditors		(392)	(315)
Interest received		7,924	10,079
Payment of loans to related parties		-	3,715
Change in Financial assets designated at fair value through OCI		-	40
Net cash used in investing activities		(378,138)	(192,221)
Cash flows from financing activities			
Credit facilities payment			(3,554)
Receipt / (payment) from bank loans	(23)	(462,864)	481,684
Receipt from loans from related parties	(18)	404,508	339,889
Receipt from capital increase		1,266,124	-
Dividends paid to non controlling interest		-	(2)
Decrease of non-controlling capital		(5)	-
Interest paid		(612,128)	(426,311)
Net cash (used in) / provided from financing activities		595,635	391,706
Net change in cash and cash equivalents		152,007	126,849
Cash and cash equivalent at the beginning of the periods		259,675	132,426
Cash and cash equivalent at the end of the period	(20)	411,682	259,275

For the purpose of preparation of the consolidated statements of cash flows, cash and cash equivalents consists of:

Cash on hand and at banks	(20)	433,476	273,202
Less : Restricted cash	(20)	(21,794)	(13,527)
		411,682	259,675

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

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

31 December 2018

1 BACKGROUND

FIRST: ALEXANDRIA PORTLAND CEMENT COMPANY (PARENT)

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

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

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

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

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

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

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

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

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

On September 18th 2007, an Extraordinary General Assembly meeting for Alexandria Portland Cement Company and Blue Circle for Cement was held to approve the final report of the General Authority for Investments and free zones and the merger of the two companies on the adjusted Book values of the companies.

On 28th of October 2007, the General Authority for Investments and free zones has decided to licensure the merger of Blue circle Company for Cement (merged company) in Alexandria Portland Cement Company (Merger Company) and determining the date of 31 December 2006 as the date of the merger in which the merger company legally replaced the merged company of all its rights and obligations and the effective date of the merger will be on 1st of January 2007. On 7th November 2007, Alexandria Portland Cement Company has registered the merger in the commercial registry.

Company objective

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

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

31 December 2018

SECOND: BENI SUEF CEMENT COMPANY (SUBSIDIARY)

BeniSuef 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 September 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 reconcile the company's 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.

Company objective

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.

THIRD: TITAN BETON AND AGGREGATE EGYPT (SUBSIDIARY)

Titan Beton and Aggregates Egypt L.L.C (previously named Four M Titan Silos Company (L.L.C) is a Limited Liability Company that was incorporated on 11 September 1997 under the provisions of the law no. 159 of 1981 and its executive regulations.

The Company's head office location is in Cairo, Egypt. The company conducts its activities in Alexandria and Safaga.

The purpose of the Company is exploitation, operating and leasing quarries and mines, establishing, building and operating of Ready-mix concrete plants, precast concrete plant and dryer mortar plants, participate in contracting projects, ownership, renting, management and operating of floating and ground cement terminal and its related barges and marine units, also export and rent all equipment and spare part related to the activity.

The Company is registered under the commercial registry No.10841.

These consolidated financial statements for the year ended 31 December 2018 were authorized for issuance in accordance with the resolution of Management on 22 April 2019.

2 BASIS OF PREPARATION AND ACCOUNTING POLICIES

2.1 Basis of preparation of these financial statements

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

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

The preparation of the consolidated 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 2.4 disclose the significant accounting estimates used and personal judgment applied in the preparation of the consolidated financial statements.

2.2 Basis of consolidation

The consolidated financial statements comprise the financial statements of the Company and its subsidiaries as at 31 December 2018. Control is achieved when the Company is exposed, or has rights, to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee. Specifically, the Company controls an investee if, and only if, the Company has:

- Power over the investee (i.e., existing rights that give it the current ability to direct the relevant activities of the investee)
- Exposure, or rights, to variable returns from its involvement with the investee
- The ability to use its power over the investee to affect its returns generally, there is a presumption that a majority of voting rights results in control. To support this presumption and when the Company has less than a majority of the voting or similar rights of an investee, the Company considers all relevant facts and circumstances in assessing whether it has power over an investee, including:
 - The contractual arrangement(s) with the other vote holders of the investee
 - Rights arising from other contractual arrangements
 - The Company's voting rights and potential voting rights

The Company re-assesses whether or not it controls an investee if facts and circumstances indicate that there are changes to one or more of the three elements of control. Consolidation of a subsidiary begins when the Company obtains control over the subsidiary and ceases when the Company loses control of the subsidiary. Assets, liabilities, income and expenses of a subsidiary acquired or disposed of during the year are included in the consolidated financial statements from the date the Company gains control until the date the Company ceases to control the subsidiary.

Profit or loss and each component of OCI are attributed to the equity holders of the parent of the Company and to the non-controlling interests, even if this results in the non-controlling interests having a deficit balance. When necessary, adjustments are made to the financial statements of subsidiaries to bring their accounting policies into line with the Company's accounting policies. All inter-company assets and liabilities, equity, income, expenses and cash flows relating to transactions between members of the Company are eliminated in full on consolidation.

A change in the ownership interest of a subsidiary, without a loss of control, is accounted for as an equity transaction. If the Company loses control over a subsidiary, it derecognises the related assets (including goodwill), liabilities, non-controlling interest and other components of equity, while any resultant gain or loss is recognized in profit or loss. Any investment retained is recognized at fair value

Investment percentage of the company in the subsidiary is as follows:

	Investment Percentage %
Titan Beton and Aggregate EGYPT (Limited Liability Company)	94.95
BeniSuef Cement Company (S.A.E)	99.99

2.3 NEW STANDARDS, INTERPRETATION AND AMENDMENTS

The accounting policies adopted in the preparation of the interim financial statements are consistent with those followed in the preparation of the Company's annual financial statements for the year ended 31 December 2017, except for the adoption of new standards effective as of 1 January 2018. The Company has not early adopted any other standard, interpretation or amendment that has been issued but is not yet effective.

The Company applies, for the first time, IFRS 15 Revenue from Contracts with Customers and IFRS 9 Financial Instruments that require restatement of previous financial statements. As required by IAS 34, the nature and effect of these changes are disclosed below.

Several other amendments and interpretations apply for the first time in 2018, but do not have an impact on the interim consolidated financial statements of the Company.

IFRS 15 Revenue from Contracts with Customers

IFRS 15 supersedes IAS 11 Construction Contracts, IAS 18 Revenue and related Interpretations and it applies to all revenue arising from contracts with customers, unless those contracts are in the scope of other standards. The new standard 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.

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

31 December 2018

The standard requires entities to exercise judgement, taking into consideration all of the relevant facts and circumstances when applying each step of the model to contracts with their customers. The standard also specifies the accounting for the incremental costs of obtaining a contract and the costs directly related to fulfilling a contract.

The Company adopted IFRS 15 retrospectively with no effect resulted from the new standard on the comparative figures.

IFRS 9 Financial Instruments replaces IAS 39 Financial Instruments:

Recognition and Measurement for annual periods beginning on or after 1 January 2018, bringing together all three aspects of the accounting for financial instruments: classification and measurement; impairment; and hedge accounting.

The Company has applied IFRS 9 retrospectively, with the initial application date of 1 January 2018 and the Company did not restate comparatives as there is no material effect resulted from the new standard on the comparative figures.

Impact on the statement of financial position (increase/(decrease)) as at 1 January 2018:

	Accumulated Losses	Impairment of Trade Receivable
Balance as of 1 January 2018(before IFRS 9 Adoption)	(473,474)	3,083
Effect of Adoption	409	(409)
Balance as of 1 January 2018(After IFRS 9 Adoption)	<u>(473,065)</u>	<u>2,674</u>

IFRIC Interpretation 22 Foreign Currency Transactions and Advance Considerations

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 recognizes 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 a date of the transactions for each payment or receipt of advance consideration. This Interpretation does not have any impact on the Company's interim financial statements.

Amendments to IAS 40 Transfers of Investment Property

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. These amendments do not have any impact on the Company's interim financial statements.

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

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 Group's accounting policy for cash-settled share based payments is consistent with the approach clarified in the amendments. In addition, the Group has no share-based payment transaction with net settlement features for withholding tax obligations and had not made any modifications to the terms and conditions of its share-based payment transaction. Therefore, these amendments do not have any impact on the Company's interim financial statements.

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

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. These amendments are not relevant to the Company.

Amendments to 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 organization, 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 recognized; (b) the associate or joint venture becomes an investment entity; and (c) the investment entity associate or joint venture first becomes a parent.

These amendments do not have any impact on the Company's interim financial statements.

Amendments to 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. These amendments do not have any impact on the Company's interim financial statements.

Standards issued but not yet effective:

The new and amended 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 new and amended standards and interpretations, if applicable, when they become effective.

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 recognize 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 recognize 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, which is effective for annual periods beginning on or after 1 January 2019, requires lessees and lessors to make more extensive disclosures than under IAS 17.

Transition to IFRS 16

The company will apply the standard from its mandatory adoption date of 1 January 2019. The company intends to apply the simplified transition approach and will not restate comparative amounts for the year prior to first adoption. The Company will elect to apply the standard to contracts that were previously identified as leases applying IAS 17 and IFRIC 4. The Company will therefore not apply the standard to contracts that were not previously identified as containing a lease applying IAS 17 and IFRIC 4.

The Company will elect to use the exemptions proposed by the standard on lease contracts for which the lease terms ends within 12 months as of the date of initial application, and lease contracts for which the underlying asset is of low value.

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During 2018, the Company has performed a detailed impact assessment of IFRS 16. In summary the impact of IFRS 16 adoption is expected to be, as follows:

Impact on the statement of financial position (increase/(decrease)) as at 31 December 2018:

Assets	EGP
Property, plant and equipment (right-of-use assets)	14,745,888
Liabilities	
Lease liabilities	14,745,888

Impact on the statement of profit or loss (increase/(decrease)) for 2019:

	EGP
Depreciation expense (included in administrative expenses)	9,746,229
Operating lease expense (included in administrative expenses)	(9,746,229)

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.

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.

Amendments to IFRS 9: Prepayment Features with Negative Compensation

Under IFRS 9, a debt instrument can be measured at amortised cost or at fair value through other comprehensive income, provided that the contractual cash flows are 'solely payments of principal and interest on the principal amount outstanding' (the SPPI criterion) and the instrument is held within the appropriate business model for that classification. The amendments to IFRS 9 clarify that a financial asset passes the SPPI criterion regardless of the event or circumstance that causes the early termination of the contract and irrespective of which party pays or receives reasonable compensation for the early termination of the contract.

The amendments should be applied retrospectively and are effective from 1 January 2019, with earlier application permitted. These amendments have no impact on the financial statements of the Company.

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. The Company will apply these amendments when they become effective.

Amendments to IAS 19: Plan Amendment, Curtailment or Settlement

The amendments to IAS 19 address the accounting when a plan amendment, curtailment or settlement occurs during a reporting period. The amendments specify that when a plan amendment, curtailment or settlement occurs during the annual reporting period, an entity is required to:

- Determine current service cost for the remainder of the period after the plan amendment, curtailment or settlement, using the actuarial assumptions used to remeasure the net defined benefit liability (asset) reflecting the benefits offered under the plan and the plan assets after that event
- Determine net interest for the remainder of the period after the plan amendment, curtailment or settlement using: the net defined benefit liability (asset) reflecting the benefits offered under the plan and the plan assets after that event; and the discount rate used to remeasure that net defined benefit liability (asset).

The amendments also clarify that an entity first determines any past service cost, or a gain or loss on settlement, without considering the effect of the asset ceiling. This amount is recognised in profit or loss. An entity then determines the effect of the asset ceiling after the plan amendment, curtailment or settlement. Any change in that effect, excluding amounts included in the net interest, is recognised in other comprehensive income.

The amendments apply to plan amendments, curtailments, or settlements occurring on or after the beginning of the first annual reporting period that begins on or after 1 January 2019, with early application permitted. These amendments will apply only to any future plan amendments, curtailments, or settlements of the Company.

Amendments to IAS 28: Long-term interests in associates and joint ventures

The amendments clarify that an entity applies IFRS 9 to long-term interests in an associate or joint venture to which the equity method is not applied but that, in substance, form part of the net investment in the associate or joint venture (long-term interests). This clarification is relevant because it implies that the expected credit loss model in IFRS 9 applies to such long-term interests.

The amendments also clarified that, in applying IFRS 9, an entity does not take account of any losses of the associate or joint venture, or any impairment losses on the net investment, recognised as adjustments to the net investment in the associate or joint venture that arise from applying IAS 28 Investments in Associates and Joint Ventures.

The amendments should be applied retrospectively and are effective from 1 January 2019, with early application permitted. Since the Company does not have such long-term interests in its associate and joint venture, the amendments will not have an impact on its financial statements.

2.4 SIGNIFICANT ACCOUNTING JUDGMENTS AND ESTIMATES

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

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

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

2.4 SIGNIFICANT ACCOUNTING JUDGMENTS AND ESTIMATES (continued)

Estimations

Property, Plant and equipment – useful life

The property, Plant and equipment owned by the Company have long lives that extend to 20 years. To ensure the use of reliable estimates, the management has benchmarked the useful lives of its owned assets with estimates made by other entities and with those estimates developed internally by its technical resources. Management, reviews the useful lives of property, Plant and equipment regularly, to ensure consistency with its estimate, or otherwise, revise the remainder of useful lives as appropriate, the company has disclosed the estimated useful lives for Property, Plant and equipment in note (2.5).

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 (2.5).

Inventory write down

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

Taxes

The Company is subject to income taxes in Egypt. Significant judgment is required to determine the total provision for current and deferred taxes. The Company established provisions, based on reasonable estimates, for possible

consequences of audits by the tax authorities in Egypt. The amount of such provision is based on various factors, such as experience of previous tax audits and differing interpretations of tax regulations by the Company and the responsible tax authority. Such differences of interpretations may arise on a wide variety of issues depending on the conditions prevailing in Egypt.

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

Employee advances

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

Critical Judgments in applying the Company's accounting policies

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

2.5 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Revenue recognition

Revenue from contracts with customers

Revenue from contracts with customers is recognized when control of the goods or services are transferred to the customer at an amount that reflects the consideration to which the Company expects to be entitled in exchange for those goods or services. The Company has generally concluded that it is the principal in its revenue arrangements, because it typically controls the goods or services before transferring them to the customer.

Sales of goods

The Company's contracts with customers for the sale of goods generally include one performance obligation. The Company has concluded that revenue from sale of goods should be recognized at the point in time when control of the asset is transferred to the customer, generally on delivery of the goods. Therefore, the adoption of IFRS 15 did not have an impact on the timing of revenue recognition. However, the amount of revenue to be recognized was affected, as noted below.

2.5 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

(i) Variable consideration

Some contracts for the sale of goods provide customers with a volume rebates. Prior to the adoption of IFRS 15, the Company recognized revenue from the sale of goods measured at the fair value of the consideration received or receivable, net of volume rebates.

Under IFRS 15, volume rebates give rise to variable consideration. The variable consideration is specifically determined at each end of month.

Finance income

Finance income is recognized as it accrues using the effective interest rate (EIR) method. EIR is the rate that exactly discounts the estimated future cash payments or receipts over the expected life of the financial instrument or a shorter

period, where appropriate, to the net carrying amount of the financial asset or liability. Finance income is included in the statement of profit or loss.

Dividends revenue

Dividends revenue recognized when declared.

Foreign currencies

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

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

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

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

Borrowing

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

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

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

Borrowing cost

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

Income tax

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

Current income tax

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

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2.5 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Deferred income tax

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

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

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

Property, Plant and Equipment

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

Depreciation is calculated on the straight-line method (except for quarries based on quantities used during the year) to write off the cost of each asset to its residual value over the estimated useful lives of assets excluding land, which is not depreciated.

Estimated useful lives of assets are as follows:

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

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

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

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

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

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

Property, plant and equipment are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount of property, plant and equipment may not be recoverable. Whenever the carrying amount of property, plant and equipment exceeds their recoverable amount, an impairment loss is 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.

2.5 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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 amortization period and the amortization 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 amortization period or method, as appropriate, and are treated as changes in accounting estimates. The amortization expense on intangible assets with finite lives is recognized in the statement of profit or loss in the expense category consistent with the function of the intangible assets.

Estimated useful lives of Intangible assets are as follows:

Computer software	4 -5 Years
The Right for using the tunnel	20 Years
Usage right of electric	20 Years
Second production line license	30 Years
Other intangibles	4-20 Years

Financial instruments – initial recognition and subsequent measurement

A financial instrument is any contract that gives rise to a financial asset of one entity and a financial liability or equity instrument of another entity.

Financial assets

Initial recognition and measurement

Financial assets are classified, at initial recognition, as subsequently measured at amortised cost, fair value through other comprehensive income (OCI), and fair value through profit or loss.

The classification of financial assets at initial recognition depends on the financial asset's contractual cash flow characteristics and the Company's business model for managing them. With the exception of trade receivables that do not contain a significant financing component or for which the Company has applied the practical expedient, the Company initially measures a financial asset at its fair value plus, in the case of a financial asset not at fair value through profit or loss, transaction costs. Trade receivables that do not contain a significant financing component or for which the Company has applied the practical expedient are measured at the transaction price determined under IFRS 15. Refer to the accounting policies in Revenue from contracts with customers.

In order for a financial asset to be classified and measured at amortized cost or fair value through OCI, it needs to give rise to cash flows that are 'solely payments of principal and interest (SPPI)' on the principal amount outstanding. This assessment is referred to as the SPPI test and is performed at an instrument level.

The Company's business model for managing financial assets refers to how it manages its financial assets in order to generate cash flows. The business model determines whether cash flows will result from collecting contractual cash flows, selling the financial assets, or both.

Purchases or sales of financial assets that require delivery of assets within a time frame established by regulation or convention in the market place (regular way trades) are recognized on the trade date, i.e., the date that the Company commits to purchase or sell the asset.

2.5 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Subsequent measurement

For purposes of subsequent measurement, financial assets are classified in four categories:

- Financial assets at amortized cost (debt instruments)
- Financial assets at fair value through OCI with recycling of cumulative gains and losses (debt instruments)
- Financial assets designated at fair value through OCI with no recycling of cumulative gains and losses upon derecognition (equity instruments)
- Financial assets at fair value through profit or loss

Financial assets at amortized cost (debt instruments)

This category is the most relevant to the Company. The Company measures financial assets at amortized cost if both of the following conditions are met:

- The financial asset is held within a business model with the objective to hold financial assets in order to collect contractual cash flows

And

- The contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding

Financial assets at amortized cost are subsequently measured using the effective interest (EIR) method and are subject to impairment. Gains and losses are recognized in profit or loss when the asset is derecognized, modified or impaired. The Company's financial assets at amortized cost includes other receivables, and loan due from related parties.

Financial assets designated at fair value through OCI (equity instruments)

Upon initial recognition, the Company can elect to classify irrevocably its equity investments as equity instruments designated at fair value through OCI when they meet the definition of equity under IAS 32 Financial Instruments: Presentation and are not held for trading. The classification is determined on an instrument-by-instrument basis.

Gains and losses on these financial assets are never recycled to profit or loss. Dividends are recognized as other income in the statement of profit or loss when the right of payment has been established, except when the Company benefits from such proceeds as a recovery of part of the cost of the financial asset, in which case, such gains are recorded in OCI. Equity instruments designated at fair value through OCI are not subject to impairment assessment. The Company elected to classify irrevocably its non-listed equity investments under this category.

Financial assets at fair value through profit or loss

Financial assets at fair value through profit or loss include financial assets held for trading, financial assets designated upon initial recognition at fair value through profit or loss, or financial assets mandatorily required to be measured at fair value. Financial assets are classified as held for trading if they are acquired for the purpose of selling or repurchasing in the near term. Derivatives, including separated embedded derivatives, are also classified as held for trading unless they are designated as effective hedging instruments. Financial assets with cash flows that are not solely payments of principal and interest are classified and measured at fair value through profit or loss, irrespective of the business model. Notwithstanding the criteria for debt instruments to be classified at amortized cost or at fair value through OCI, as described above, debt instruments may be designated at fair value through profit or loss on initial recognition if doing so eliminates, or significantly reduces, an accounting mismatch.

Financial assets at fair value through profit or loss are carried in the statement of financial position at fair value with net changes in fair value recognized in the statement of profit or loss.

Derecognition

A financial asset (or, where applicable, a part of a financial asset or part of a group of similar financial assets) is primarily derecognized (i.e., removed from the Group's consolidated statement of financial position) 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

2.5 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

received cash flows in full without material delay to a third party under a 'pass-through' arrangement; and either (a) the Company has transferred substantially all the risks and rewards of the asset, or (b) the Company has neither

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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 rights to receive cash flows from an asset or has entered into a pass-through arrangement, it evaluates if, and to what extent, it has retained the risks and rewards of ownership. When it has neither transferred nor retained substantially all of the risks and rewards of the asset, nor transferred control of the asset, the Company continues to recognize the transferred asset to the extent of its continuing involvement. In that case, the Company also recognizes 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

The Company recognizes an allowance for expected credit losses (ECLs) for all debt instruments not held at fair value through profit or loss. ECLs are based on the difference between the contractual cash flows due in accordance with the contract and all the cash flows that the Company expects to receive, discounted at an approximation of the original effective interest rate. The expected cash flows will include cash flows from the sale of collateral held or other credit enhancements that are integral to the contractual terms.

ECLs are recognized in two stages. For credit exposures for which there has not been a significant increase in credit risk since initial recognition, ECLs are provided for credit losses that result from default events that are possible within the next 12-months (a 12-month ECL). For those credit exposures for which there has been a significant increase in credit risk since initial recognition, a loss allowance is required for credit losses expected over the remaining life of the exposure, irrespective of the timing of the default (a lifetime ECL).

For trade receivables and contract assets, the Company applies a simplified approach in calculating ECLs. Therefore, the Company does not track changes in credit risk, but instead recognizes a loss allowance based on lifetime ECLs at each reporting date. The Company has established a provision matrix that is based on its historical credit loss experience, adjusted for forward-looking factors specific to the debtors and the economic environment.

The Company considers a financial asset in default when contractual payments are past due. However, in certain cases, the Company may also consider a financial asset to be in default when internal or external information indicates that the Company is unlikely to receive the outstanding contractual amounts in full before taking into account any credit enhancements held by the Company. A financial asset is written off when there is no reasonable expectation of recovering the contractual cash flows.

ii) Financial liabilities

Initial recognition and measurement

Financial liabilities are classified, at initial recognition, as financial liabilities at fair value through profit or loss, loans and borrowings, payables, or as derivatives designated as hedging instruments in an effective hedge, as appropriate.

All financial liabilities are recognized initially at fair value and, in the case of loans and borrowings and payables, net of directly attributable transaction costs.

The Company's financial liabilities include trade and other payables and loans and borrowings.

Subsequent measurement

The measurement of financial liabilities depends on their classification, as described below:

Financial liabilities at fair value through profit or loss

Financial liabilities at fair value through profit or loss include financial liabilities held for trading and financial liabilities designated upon initial recognition as at fair value through profit or loss.

2.5 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Financial liabilities are classified as held for trading if they are incurred for the purpose of repurchasing in the near term. This category also includes derivative financial instruments entered into by the Company that are not designated as hedging instruments in hedge relationships as defined by IFRS 9. Separated embedded derivatives are also classified as held for trading unless they are designated as effective hedging instruments.

Gains or losses on liabilities held for trading are recognized in the statement of profit or loss.

Financial liabilities designated upon initial recognition at fair value through profit or loss are designated at the initial date of recognition, and only if the criteria in IFRS 9 are satisfied. The Company has not designated any financial liability as at fair value through profit or loss.

Loans and borrowings

This is the category most relevant to the Group. After initial recognition, interest-bearing loans and borrowings are subsequently measured at amortized cost using the EIR method. Gains and losses are recognized in profit or loss when the liabilities are derecognized as well as through the EIR amortization process.

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

This category generally applies to interest-bearing loans and borrowings.

Derecognition

A financial liability is derecognized when the obligation under the liability is discharged or cancelled or expires. When 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, such an exchange or modification is treated as the derecognition of the original liability and the recognition of a new liability. The difference in the respective carrying amounts is recognised in the statement of profit or loss.

iii) Offsetting of financial instruments

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

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.

Inventories

The inventory elements are valued as follows:

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

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

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

2.5 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Impairment of non-financial assets

The Company assesses at each reporting date whether there is an indication that a non-financial asset may be impaired. If any indication exists, or when annual impairment testing for an asset is required, the Company estimates the asset's recoverable amount. An asset's recoverable amount is the higher of an asset's or cash-generating units (CGU) fair value less costs to sell and its value in use and is determined for an individual asset, unless the asset does not generate cash inflows that are largely independent of those from other assets or groups of assets. Where the carrying amount

of an asset or CGU exceeds its recoverable amount, the asset is considered impaired and is written down to its recoverable amount. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. In determining fair value less costs to sell, an appropriate valuation model is used.

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

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

Provisions

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

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

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

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.

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

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2.5 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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.

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

As disclosed in note (34), the company operates in two business segments.

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

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(ALL AMOUNTS ARE IN THOUSAND EGYPTIAN POUNDS)

4 NET SALES

	31 December 2018	31 December 2017
	EGP	EGP
Cement sales – Local	2,742,943	2,803,797
Cement sales – Export	56,305	22,500
Ready mix sales	102,781	69,920
Freight revenue	35,357	38,644
	<u>2,937,386</u>	<u>2,934,861</u>
Sales discount	(74,186)	(81,759)
	<u>2,863,200</u>	<u>2,853,102</u>

5 COST OF SALES

	31 December 2018	31 December 2017
	EGP	EGP
Wages, Salaries and related benefits	124,243	121,538
Raw Materials	428,581	268,052
Production overhead	1,884,680	1,886,289
Manufacturing depreciation and amortization (Note 12,13)	214,768	193,764
	<u>2,652,272</u>	<u>2,469,643</u>

6 GENERAL AND ADMINISTRATIVE EXPENSES

	31 December 2018	31 December 2017
	EGP	EGP
Wages, Salaries and related benefits	73,953	52,707
Consulting fees	39,670	37,448
Transportation expense	3,815	1,751
Donations	3,863	3,373
Repair and maintenance	2,554	1,600
Catering expense	2,943	1,983
Telecommunication and accommodation expense	2,608	2,847
Insurance expense	72	87
Depreciation and amortization (Note 12, 13)	5,066	4,903
Rent	9,384	8,195
Management fees (Titan S.A) – (Note 18)	55,044	55,682
Selling and distribution expenses	826	481
Other expenses	16,773	22,934
	<u>216,571</u>	<u>193,991</u>

The Company's Ordinary General Assembly meeting held on 30 April 2014 decided to grant loans to the company's employees which should be settled from employees' share in future profits. In addition, the company signed an agreement on 26 March 2015 with General Union of workers in Construction and Timber industry for three year starting from 2015, under which it is obliged to pay 9 months as advances under future employees share in profit which are charged to the profits and loss account.

On 17 January 2018 the company has renewed the mentioned above agreement with General Union of workers in Construction and Timber industry for three year starting from 1 January 2018 , under which it is obliged to pay 12 months as advances under future employees share in profit and to be paid on monthly instalments that will be settled through employees annual profit share declared by the General Assembly Meeting of each year covered in such agreement.

The amount paid during the year of EGP 61,446 thousands is charged to cost of sales (Wages, Salaries and related benefits) by the amount of EGP 34,397 thousands and to general and administrative expenses (Wages, Salaries and related benefits) by the amount of EGP 27,049 thousands.

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

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(ALL AMOUNTS ARE IN THOUSAND EGYPTIAN POUNDS)

7 OTHER OPERATING INCOME

	31 December 2018	31 December 2017
	EGP	EGP
Gain from sale of scrap	9,815	16,449
Gain from sales of property, plant and equipment (Note 12)	11,852	3,770
Other operating income	21,284	20,244
Accruals no longer required	44,022	17,824
	<u>86,973</u>	<u>58,287</u>

8 OTHER OPERATING EXPENSES

	31 December 2018	31 December 2017
	EGP	EGP
Compensation for left employees*	18,674	134,969
Other provisions (Note 24)	8,212	5,960
Other	26,216	10,840
	<u>53,102</u>	<u>151,769</u>

* the amount of EGP 18,674 represent employees' compensation payment to left employees during the year (EGP 134,969 during 2017). The company does not have a declared defined employees' restructuring plan.

9 FINANCE INCOME / EXPENSE

	31 December 2018	31 December 2017
	EGP	EGP
Foreign exchange gain / (loss)	91,451	(269,694)
Credit interest	7,924	10,539
Debit interest	(499,151)	(469,065)
Debit interest on license cost for production line	(98,690)	-
	<u>(498,466)</u>	<u>(728,220)</u>

10 INCOME TAX

	31 December 2018	31 December 2017
	EGP	EGP
Statement of Profit or Loss		
Current income tax	-	-
Deferred income tax	101,318	139,857
	<u>101,318</u>	<u>139,857</u>
Income tax differences for prior year	(1,259)	(10,515)
Income tax provisions for prior year (Note 24)	(24,287)	(3,973)
	<u>75,772</u>	<u>125,369</u>

DEFERRED INCOME TAX

	Statement of financial position	
	31 December 2018	31 December 2017
	EGP	EGP
Deferred taxes on differences of NBV of property, plant and equipment	(259,514)	(256,199)
Deferred tax on carried forward losses	343,988	227,312
Deferred tax on unrealized foreign exchange loss on loans	199,500	217,932
Deferred tax on provisions	54,334	47,945
Net deferred income tax assets	<u>338,308</u>	<u>236,990</u>

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

31 December 2018

(ALL AMOUNTS ARE IN THOUSAND EGYPTIAN POUNDS)

	Statement of financial position	
	31 December 2018	31 December 2017
	EGP	EGP
Balance as of 1 January	236,990	97,133
Movement during the year	101,318	139,857
Balance	338,308	236,990

CURRENT INCOME TAX LIABILITY

	31 December 2018	31 December 2017
	EGP	EGP
Balance as of 1 January	21,725	28,710
Tax differences	1,259	10,515
Income tax paid	(14,000)	(17,500)
Balance	8,984	21,725

Effective tax rate is computed separately for each subsidiary financial statement on the consolidated financial statement is not a base for income tax calculation

The company's tax position is as follows:

A – Alexandria Portland Cement Company

As shown in Note 1, the merger between Blue Circle and Alexandria Portland Cement Company was completed on 1 January 2007 and the tax position is as follows:

1- Corporate tax

- The company's books were inspected from 2001 till 2003 by the tax authority and all tax dues were paid.
- Files and documents of the company were inspected for the year 2004 and points of dispute were transferred to the appeal committee and the tax appeal committee decision was challenged in front of the court but all the taxes due according to appeal committee decision were paid according to the tax law.
- Files and documents of the company were inspected for the year 2005 and points of dispute were transferred to the appeal committee and the tax appeal committee decision was challenged in front of the court but all the taxes due according to appeal committee decision were paid according to the tax law.
- Files and documents of the Company were inspected for the year 2006 and all taxed dues were settled and paid.
- Files and documents of the Company were inspected from 2007 to 2009 and the settlement under progress.
- No tax inspection took place from 2010 till 2017.
- Blue Circle Company books were inspected till 2006 and all tax dues were settled and paid.

2- Sales tax

- The company's books were inspected till 2012 and all tax dues were settled and paid.
- The company's books were inspected from 2013 till 2014 and all tax dues were transferred to the internal committee.
- Company's books are under inspection for the year 2015.
- No tax inspection took place from 2016 till 2017.
- Blue Circle Company books were inspected till 2006 and all tax dues were settled and paid.

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

31 December 2018

(ALL AMOUNTS ARE IN THOUSAND EGYPTIAN POUNDS)

3- Salary tax

- The company's books were inspected till 2006 and all tax dues were settled.
- The company's files and documents were inspected from 2007 to 2011 and the dispute points were transferred to the internal committee.
- No tax inspection took place from 2012 to 2017.
- Blue Circle Company books were inspected till 2003 and all tax dues were settled.
- Blue Circle Company books were inspected for the year 2004 and points of dispute were transferred to the appeal committee.
- No tax inspection took place for Blue Circle Company books for the year.

4- Stamp duty tax

- The company's books were inspected up to year 2014 and all tax dues were paid and settled.
- No tax inspection took place from 2015 to 2017.
- Blue Circle Company books were inspected till 2006 and all tax dues were settled and paid.

5- Real estate tax

- The company's books were inspected till December 2017.

B – Beni Suef Cement Company (S.A.E)

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 2017.

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.
- The Company records are being inspected for the two years 2014 and 2015.
- No tax inspection took place for the Company's records for the years 2016 till 2017.

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 2017.

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 2017.

5- Real estate tax

- The taxes due were paid till the year 2016.

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

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(ALL AMOUNTS ARE IN THOUSAND EGYPTIAN POUNDS)

C – Titan Beton and Aggregates Egypt (Ltd)

a) Corporate taxes

- The Company's records were inspected from 1997 to 2008 and settled for these years.
- The Company's didn't receive any tax claim from 2005 to 2009 and according to the Egyptian tax law no. 91 for year 2005 the company returns are authorized.
- No tax inspection took place from 2011 to 2017.

b) Sales taxes

- The Company's records were inspected till 2006 and the taxes due were paid.
- No tax inspection took place from 2007 to 2017.

c) Salary taxes

- The Company's records were inspected till 2004 and settled for these years.
- The Company's records were inspected from 2005 to 2009 and some disputes were transferred to the appeal committee.
- No tax inspection took place from 2010 to 2017.

d) Stamp duty taxes

- The Company's records were inspected till 1999 and settled for these years.
- The company's records were inspected from 2000 to 2009 and the disputes were transferred to the internal committee.
- No tax inspection took place from 2010 to 2017.

11 LOSSES PER SHARE

	31 December 2018 EGP	31 December 2017 EGP
Loss for the period attributable to ordinary equity holders of the parent	(394,466)	(526,630)
Effects of dilution	-	-
Loss for the year attributable to ordinary shareholders for basic earnings adjusted for the effect of dilution	(394,466)	(526,630)
Weighted average number of ordinary shares for basic EPS	458,029	257,057
Effects of dilution	-	-
Weighted average number of ordinary shares adjusted for the effect of dilution	458,029	257,057
Losses Per Share:		
Basic, Loss for the period attributable to ordinary shareholders	(0.86)	(2.05)
Diluted, Loss for the period attributable to ordinary shareholders	(0.86)	(2.05)

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

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(All amounts are in thousand Egyptian Pounds)

12- Property, Plant and Equipment

	Land	Buildings	Machinery and equipment	Quarries	Motor	Tools	Computers	Furniture, fixture and Office equipment	Constructions in progress	Total
	EGP	EGP	EGP	EGP	EGP	EGP	EGP	EGP	EGP	EGP
Cost										
As of 1 January 2018	18,179	803,138	4,140,044	30,904	119,010	28,475	22,505	16,533	75,101	5,253,889
Additions	-	-	-	-	-	-	-	-	272,276	272,276
Transferred	314	409	85,951	-	4,344	619	2,764	-	(94,401)	-
Transferred to intangible assets	-	-	(8,609)	-	-	-	(120)	-	(191)	(8,920)
Disposal	-	-	(26,287)	-	(39,476)	(6)	-	-	-	(65,769)
As of 31 December 2018	18,493	803,547	4,191,099	30,904	83,878	29,088	25,149	16,533	252,785	5,451,476
Accumulated depreciation										
As of 1 January 2018	-	439,455	2,379,462	11,798	96,755	21,924	18,215	13,275	-	2,980,884
Depreciation	-	29,698	164,335	210	6,658	1,468	1,832	1,034	-	205,235
Transferred to intangible assets	-	-	(767)	-	-	-	-	-	-	(767)
Disposal	-	-	(26,287)	-	(39,476)	(6)	-	-	-	(65,769)
As of 31 December 2018	-	469,153	2,516,743	12,008	63,937	23,386	20,047	14,309	-	3,119,583
Net carrying amount at 31 December 2018	18,493	334,394	1,674,356	18,896	19,941	5,702	5,102	2,224	252,785	2,331,893

* There is no mortgage on Property, Plant and Equipment

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

	31 December 2018	31 December 2017
	EGP	EGP
Cost of sales	201,495	188,927
General and administrative expenses	3,740	3,627
	205,235	192,554
		Proceeds from disposal of property, plant and equipment
		Cost of disposals
		65,769
		(65,769)
		11,852
		11,852

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

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13 INTANGIBLE ASSETS

	Computer software EGP	The Right for using the Tunnel EGP	Usage Right of Electric Power EGP	Second production line license EGP	Other Intangibles EGP	Total EGP
Cost						
Balance at 1 January	37,254	18,997	75,020	134,500	2,914	268,685
Construction in progress (Intangible assets)	440	-	-	-	-	440
Transferred from Property, Plant and Equipment	311	-	-	-	8,609	8,920
Additions*	2,066	-	-	116,500	6,680	125,246
Cost as of 31 December 2018	40,071	18,997	75,020	251,000	18,203	403,291

Accumulated amortization

Balance at 1 January	33,410	9,577.00	29,972	-	1,192	74,151
Transferred from Property, Plant and Equipment	-	-	-	-	767	767
Amortization for the year	1,325	950	3,751	8,367	206	14,599
Accumulated amortization as of 31 December 2018	34,735	10,528	33,723	8,367	2,164	89,517
Net carrying amount as of 31 December 2018	5,336	8,469	41,297	242,633	16,039	313,774

	Computer software EGP	The Right for using the Tunnel EGP	Usage Right of Electric Power EGP	Second production line license EGP	Other Intangibles EGP	Total EGP
Cost						
Balance at 1 January	35,795	18,997	75,020	-	2,518	132,330
Construction in progress (Intangible assets)	441	-	-	-	-	441
Additions*	1,458	-	-	134,500	396	136,354
Cost as of 31 December 2017	37,694	18,997	75,020	134,500	2,914	269,125
Accumulated amortization						
Balance at 1 January	32,108	8,627	26,221	-	1,084	68,040
Amortization for the period	1,302	950	3,751	-	108	6,111
Accumulated amortization as of 31 December 2017	33,410	9,577	29,972	-	1,192	74,151
Net carrying amount as of 31 December 2017	4,284	9,420	45,048	134,500	1,722	194,974

Amortization expense is allocated as follows:

	31 December 2018 EGP	31 December 2017 EGP
Cost of sales	13,273	4,835
General and administrative expenses	1,326	1276
	<u>14,599</u>	<u>6,111</u>

* The company has capitalized an amount of EGP 116,500 represent the cost of the extension license for the second line to makes the total cost of EGP 251,000 The asset is amortized on a straight line basis over the 30 year period from 1 January 2018.

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

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14 EMPLOYEES ADVANCES

	31 December 2018 EGP	31 December 2017 EGP
Non-current employees advances		
Advances to employees paid before 2015	38,918	38,918
Deduct :		
Impairment in advances to employees paid before 2015	(38,918)	38,918
Total non-current employees advances	-	-
Current employees advances		
Advances to employees paid in 2017	-	15,997
Impairment in advances to employees paid in 2017	-	(15,997)
Total current employees advances	-	-

15 TRADE AND NOTES RECEIVABLES

	31 December 2018 EGP	31 December 2017 EGP
Trade receivables	16,299	15,808
Notes receivables	-	-
	16,299	15,808
Deduct :		
Provision for expected credit loss	(2,974)	(3,083)
	13,325	12,725

Provision for expected credit loss movement shown as following:

	31 December 2018 EGP	31 December 2017 EGP
Balance as of 1 January	3,083	4,866
Effect of IFRS 9 adoption	(409)	-
Balance as of 1 January	2,674	-
No longer required	(670)	(1,783)
Formed during the year	970	-
Ending balance	(2,974)	3,083

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(All amounts are in thousand Egyptian Pounds)

16 INVENTORIES

	31 December 2018 EGP	31 December 2017 EGP
Spare parts and supplies	404,230	438,108
Kiln Fuel	133,286	135,339
Raw materials	104,348	63,468
Fuel and Lubricants	2,059	-
Work in process	157,787	149,274
Finished goods	28,743	20,391
Packing material	15,125	11,063
Goods in transit	21,252	30,678
	<u>866,830</u>	<u>817,643</u>
Deduct :		
write down of spare parts inventory	(175)	(16,010)
	<u>866,655</u>	<u>801,633</u>

Inventory write down value shown as following :

	31 December 2018 EGP	31 December 2017 EGP
Balance as of 1 January	16,010	12,606
Formed during the year	9,546	5,988
Used during the year	(25,381)	(2,165)
No longer required	-	(419)
Ending balance	<u>175</u>	<u>16,010</u>

17 PREPAYMENTS AND OTHER DEBIT BALANCES

	31 December 2018 EGP	31 December 2017 EGP
Advances to contractors and suppliers	33,688	47,577
Deposits with others	108,170	56,725
Advance to customs authority	23,198	19,252
Tax authority – Value added tax	99,901	59,260
Prepayments	28,995	8,186
Tax authority – Withholding tax	15,370	12,363
Interest receivables	319	460
Letter of credit margin / LG margin (more than 90 days)	7,507	7,421
Other debit balance	7,931	11,756
Employee imprest	3,692	4,958
	<u>328,771</u>	<u>238,711</u>
Deduct : Impairment of prepayments and other debit balances	<u>(1,758)</u>	<u>(1,758)</u>
	<u>327,013</u>	<u>236,953</u>

* The amount include LG cash margin amounting to EGP 7,507 thousand (Note 27).

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(All amounts are in thousand Egyptian Pounds)

18 DUE FROM / TO RELATED PARTIES

	Nature of the relation	31 December 2018		31 December 2017	
		Due from EGP	Due to EGP	Due from EGP	Due to EGP
Green Alternative Energy Assets (GAEA)	Affiliate	3,651	-	659	-
East Cement Ltd	Shareholder	-	138	1,561	-
Titan Egyptian for investment limited	Parent	-	17,358	-	17,963
Alexandria Development L.T.D	Shareholder	-	7,424	-	39,455
Aemos Cement Ltd – Accrued interest	Affiliate	-	2,358	-	58
Kocem Company	Shareholder	-	-	-	1
Titan S.A	Ultimate parent	-	20,714	-	105,297
Iapetos Company	Shareholder	-	1,375	-	1,375
		<u>3,651</u>	<u>49,367</u>	<u>2,218</u>	<u>165,442</u>

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

		31 December 2018	31 December 2017
Nature of transactions		EGP	EGP
Titan S.A	Management fees	(55,044)	(55,682)
Titan Egyptian Investment Limited	Interest expense	(105,951)	(101,113)
Alexandria Development Ltd.	Interest expense	(32,811)	(37,339)
East Cement Company	Interest expense	(624)	(759)
Green Alternative Energy Assets (GAEA)	Management fees	1,200	1,200
Green Alternative Energy Assets (GAEA)	Cement purchases	(32,605)	-
Aemos Cement Ltd - Cement, Clinker	Interest expense	(19,675)	(59)

Transactions with key management personnel:

Short Term Employee benefits	61,490	46,914
Social insurance	787	666

19 LOANS DUE TO RELATED PARTIES

	31 December 2018	31 December 2017
	EGP	EGP
Current Loans		
Titan Egyptian for investment limited – Principle loan	1,665,805	-
Alexandria Development L.T.D – Principle loan	-	161,440
East Cement company – Principle loan	-	3,000
Aemos Cement Ltd – Principle loan	719,243	86,418
Total current portion of loans from related parties	<u>2,385,048</u>	<u>250,858</u>
Non-current Loans		
Titan Egyptian for investment limited – Principle loan	-	1,729,682
Total noncurrent portion of loans from related parties	<u>-</u>	<u>1,729,682</u>

Titan Egyptian Investment Limited:

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

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

The balance due for the loan is Euro 81,061 thousand equivalent to EGP 1,665,805 thousand as of 31 December 2018 (Euro 81,061 thousand equivalent to EGP 1,729,682 thousand as of 31 December 2017) excluding interest. Interest rate is calculated on the EURIBOR plus 6.15% accrued interest on loan balance as of 31 December 2018 was disclosed in due to related parties (note 19).

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Alexandria Development Limited:

On 20 December 2013, Alexandria Development Ltd. has granted an intercompany loan to the Company amounting to EGP 135 Million with an interest rate on the drawn amounts to be calculated based on Corridor Lending rate plus 1.5% and to be repaid within four years from the contract date and the loan balance was paid and settled at 31 December 2018 (EGP 135,000 thousand as of 31 December 2017).

On 31 July 2014, Alexandria Development Ltd. has granted an additional intercompany loan to the Company amounting to EGP 170 Million with an interest rate on the drawn amounts to be calculated based on Corridor Lending rate plus 1.5% and to be repaid after four years from the contract date, however the lender can recall the loan at any time after issuing a five business days' notice, and the loan balance was paid and settled at 31 December 2018 (EGP 26,440 thousands as of 31 December 2017).

East Cement Trade Limited:

On 22 June 2015, East Cement Trade Ltd. has granted an intercompany loan to the Company amounting to EGP 12 Million with an interest rate on the drawn amounts to be calculated based on Corridor Lending rate plus 1.5% per annum and to be repaid after four years from the contract date, however the lender can recall the loan at any time after issuing a five business days notice, and its outstanding balance amounting to EGP 3,000 thousand as of 31 December 2018 (EGP 3,000 thousands as of 31 December 2017) is included under current liabilities accrued interest on loan balance as of 31 December 2018 was disclosed in due to related parties (note 18).

AEMOS Cement Limited :

On 20 December 2017, the company obtained a revolving loan facility amounting to EURO 25 Million from AEMOS Cement Limited Company (Related Party) to be repaid after five years from the signing date of the contract with an interest rate of 3.5 % above the EURIBOR

On 20 June 2018 the loan agreement was amended by increasing the ceiling to 35 Million EURO and amend the loan period to end at 31 January 2019.

On 20 September 2018 the loan agreement was amended by increasing the ceiling to 45 Million EURO and amend the loan period to end at 31 January 2019

On 29 October 2018 the loan agreement was amended by increasing the ceiling to 56 Million EURO and The loan balance as of 31 December 2018 is EGP 719,243 Million which is equal to 35 Million EURO and the due interest on the loan has been disclosed on 31 December 2018 (Note 18).

20 CASH ON HAND AND AT BANKS

	31 December 2018	31 December 2017
	EGP"000"	EGP"000"
Current accounts - EGP	240,821	190,489
Current accounts - Foreign currencies	170,861	69,186
	<u>411,682</u>	<u>259,675</u>
Letter of credit margin	5,141	11,658
Restricted cash *	16,653	1,869
	<u>21,794</u>	<u>13,527</u>
	<u>433,476</u>	<u>273,202</u>

* Restricted cash represents LGs cash cover amounted to EGP 16,491 thousands (Note 27). In addition to an amount of EGP 105 Thousands represents restricted cash for credit cards and EGP 57 Thousands restricted cash for legal case.

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21 ISSUED CAPITAL

The company's authorized capital amounts to EGP 4 billion; where the issued and paid-up capital amounted to EGP 2,885,586 represented in 458,029,468 shares with a par value of EGP 6.3.

According to the Extraordinary General Assembly dated 21 June 2018, the issued share capital was reduced from EGP 2,570,574,700 to EGP 1,619,462,061 by reducing the par value per share from 10 pounds to 6.30. with a par value of EGP 951,112,639 From 10 pounds per share to 6.30 Egyptian pounds. The capital decrease was made by amortization of accumulated losses. The articles of association has been amended and the capital decrease was registered in the Commercial Register on 2 July 2018.

According to the decree of the Financial Regulatory Authority dated in 12 December 2018 the company's issued capital was increased through a cash increase from EGP 1,619,462,061 to EGP 2,885,585,648 with an increase of EGP 1,266,123,587 by the issuance of 200,971,998 shares with a bar value of EGP 6.3 per share the company is in process to finalize capital increase procedures.

22 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.

23 BANK BORROWINGS

	31 December 2018 EGP	31 December 2017 EGP
Current portion		
Ahli United Bank	-	-
HSBC	-	628,000
	<u>-</u>	<u>628,000</u>
Non-current portion		
Audi Bank	485,821	221,500
Ahli United Bank	398,737	400,000
HSBC	217,575	182,500
Qatar National Bank Al Ahli	101,924	234,925
	<u>1,204,057</u>	<u>1,038,921</u>

Ahli United Bank

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

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

Loan balance at 31 December 2018 amounted to EGP 398,737 thousands (EGP 400,000 thousands at 31 December 2017) is due in one instalment at due date.

Qatar National Bank Al Ahli

On 24 February 2015, the Company has obtained from Qatar National Bank Al Ahli a revolving committed facility amounting to EGP 250 Million to be repaid after five years from the signing date of the contract with an interest rate to be calculated on Central Bank of Egypt lending rate plus 1.75%, loan balance at 31 December 2018 amounted to EGP 101,924 thousands (EGP 234,925 thousands at 31 December 2017) is due in one instalment at due date.

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HSBC BANK

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

On 19 September 2017, the Company has requested HSBC Bank to be granted an additional revolving committed facility amounting to EGP 200 Million to be repaid after thirty months from the signing date of the contract with an interest rate to be calculated on Central Bank of Egypt lending rate plus 3%, loan balance at 31 December 2018 amounted to EGP 100,500 thousands (EGP 40,000 thousands at 31 December 2017) is due in one instalment at due date.

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 after five years from the renewing date and the loan has been fully paid during the period and the company paid the total loan at 29 March 2018.

On 28 March 2018, Beni Suef Cement Company obtained a revolving medium term loan amounting to 270 Million to be repaid after three years from the signing date of the contract with an interest rate of 3% above the Corridor borrowing rate declared from the Central Bank of Egypt on the withdrawn amounts. The loan balance as of 31 December 2018 is EGP 117,075.

The total Loan balance from HSBC Bank amounted to EGP 217,575 thousands as of 31 December 2018 (LE 810,500 thousands in 31 December 2017).

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.

On 6 July 2017 the loan was amended by increasing the credit limit amounting EGP 175 Million with an interest rate amounting corridor borrowing rate in addition to of 2,25% on the withdrawn amounts.

On 21 March 2018 the loan was amended by increasing the credit limit amounting EGP 200 Million to be the total loan is 500 Million with an interest rate amounting to corridor borrowing rate in addition to 2,25% on the total withdrawal amounts. The total amount of the loan on 31 December 2018 amounting EGP 485,821 thousands (31 December 2017 EGP 221,500 thousands).

24 PROVISIONS

	Balance as of 1 January 2018 EGP	Charged during the period EGP	Used during the year EGP	Balance as of 31 December 2018 EGP
Provision for legal claims*	141,982	166,572	(204,212)	104,342
Provision for tax	38,325	32,500	(6,949)	63,876
	<u>180,307</u>	<u>199,072</u>	<u>(211,161)</u>	<u>168,218</u>
	Balance as of 1 January 2017 EGP	Charged during the year EGP	Used during the year EGP	Balance as of 31 December 2017 EGP
Provision for legal claims	7,482	134,500	-	141,982
Provision for tax	30,058	9,933	(1,666)	38,325
	<u>37,540</u>	<u>144,433</u>	<u>(1,666)</u>	<u>180,307</u>

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* Provision for legal claims

The company created a provision for legal claims amounted to EGP 166,572 thousands 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 according to an agreement with the General Industrial Development Authority on 26 June 2018 (Note 30).

Provisions formed during the year charged to other operating expenses by EGP 8,212 thousand (Note 8) and EGP 24,287 thousand to income tax expenses (Note 10).

25 TRADE AND NOTES PAYABLE

	31 December 2018 EGP	31 December 2017 EGP
Trade payable	492,352	464,858
Notes payable	37,678	100,304
	<u>530,030</u>	<u>565,162</u>

- Trades and notes payable are not interest bearing

26 ACCRUED EXPENSES AND OTHER PAYABLES

	31 December 2018 EGP	31 December 2017 EGP
Accrued expenses	135,171	100,772
Land creditors	314	-
Second line interest	43,049	-
Tax authority – Value added tax	94,912	87,622
Tax authority - Withholding taxes	16,497	18,966
Tax authority – Salary taxes	1,266	3,005
Tax authority – Real state taxes	294	294
Social insurance	46	38
Deposits from others	2,401	4,182
Dividends payable	519	1,050
Accrued interest	-	26,992
Other payables	2,444	980
	<u>296,913</u>	<u>243,901</u>

27 CONTINGENT LIABILITIES

Group contingent liabilities as of 31 December 2018 towards banks resulted from the normal course of business that is not expected to initiate significant liabilities during the normal course of business represented as follows:

A- Alexandria Portland Cement Company

The company issued letter of guarantees amounted to thousand EGP 40,602 thousands as of 31 December 2018. The amount were covered by time deposits amounted to thousand EGP 15,776 and others letter of guarantee cash cover with thousand EGP 800 thousands. The whole amount is shown in restricted cash balance and is represented as follows:

	Equivalent in EGP	Cash cover EGP
Bank of Alexandria	25	25
Qatar National Bank Al Ahli	16,316	16,551
HSBC	24,261	-
	<u>40,602</u>	<u>16,341</u>

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B- Beni Suef Cement Company

The Company contingent liabilities represents bank guarantees resulted from the Company activities, accordingly, the Company contingent liabilities has reached EGP 15,258 thousand as of 31 December 2018 against Letter of guarantee cash margin amounting to EGP 6,783 thousand shown below:

	Cash Cover EGP	Equivalent in EGP
Qatar National Bank Al Ahli	5,783	5,783
HSBC	1,000	9,475
	<u>6,783</u>	<u>15,258</u>

C- Titan Beton & Aggregate Egypt

The Letters of guarantee issued at the Company's request by banks in favour of third parties as of 31 December 2018 amounted to EGP 640 thousands whereas; the cash margin of these letters amounted to EGP 640 thousands as follows:

	Letter of Guarantee	Cash Cover
Qatar National Bank Al Ahli	640	640
	<u>640</u>	<u>640</u>

The Company has presented the cover of letters of guarantee in financial position to the due date as follows:

- Less than 90 days in the balance of restricted cash in the amount of LE 16,491 (Note 20).
- Over 90 days in the balance of prepayment and other receivables in the amount of LE 7,507 (Note 17).

Operating lease commitments – Company as lessee

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

Future minimum rentals payable under non-cancellable operating leases as at 31 December 2018 are, as follows:

	31 December 2018 EGP	31 December 2017 EGP
Within one year	10,666	10,057
After one year but not more than five years	5,640	16,323
	<u>16,306</u>	<u>26,380</u>

28 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.

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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 held constant, of the Company's profit before tax (through the impact on floating rate borrowings).

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

31 December 2018		
	Change in rate	Effect on profit before tax EGP
Financial asset	+1%	-
	-1%	-
Financial liability	+1%	(35,891)
	-1%	35,891

The interest rates on loans from related parties are described in Note 20 to the financial statements. Interest rates on loans from financial institutions are disclosed in Note 25 to the financial statements.

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Exposure to foreign currency risk

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

	31 December 2018	
	Change in rate	Effect on profit before tax EGP
USD	+10%	1,409
	-10%	(1,409)
EUR	+10%	(222,827)
	-10%	222,827

d) Liquidity risk

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

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

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

Financial liabilities

	Less than 3 Months EGP	3 to 12 Months EGP	1 to 5 Years EGP	Over 5 years EGP	Total EGP
As of 31 December 2018					
Term loans due to related parties	-	2,385,048	-	-	2,385,048
Due to related parties	-	49,367	-	-	49,367
Bank borrowings	-	-	1,204,057	-	1,204,057
Land creditors	-	-	-	-	-
Accrued expense and other payables	-	296,913	-	-	296,913
Trade and notes payables	-	530,030	-	-	530,030
Total undiscounted financial liabilities	-	3,261,358	1,204,057	-	4,465,415

29 Material legal cases

A – Alexandria Portland Cement Company

- A case was filed against the Company, the Governor of Alexandria, the Head of El-Agamy District, the Minister of Trading and Industry, the Minister of Environment, the President of Alexandria Environmental Affairs Agency and the President of Industrial Development General Authority, seeking the abolition of the administrative decision of the competent Egyptian authority which issued the operating license to the company's plant in Alexandria, alleging violations of environmental and related regulation. On 18 April 2018, the Court ruled judgment by rejecting the case filed against the company.

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- An employee of the company filed a case against the President of the Republic of Egypt, the Prime Minister, the Minister of Investment, the Minister of Industry, the Governor of Alexandria, and the Manager of the Mines and Quarries Department in Alexandria seeking the annulment of the sale of the company to Blue Circle Cement Company in 1999. The company is not named as defendant in such a legal case.
- In May 2013, a legal action was raised against the company requesting the nullification of sale of shares of the company to Blue Circle Cement Company. On 19 January 2015, the Supreme Administrative Court issued its judgment whereby the case was suspended until the Supreme Constitutional Court challenging the constitutionality of law No. 32 for 2014 and lawsuit has been postponed accordingly. The Company's legal advisor believes that the likelihood of the Company winning this case is probable.

B – Beni Suef Cement Company (S.A.E)

- 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 1 October 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 through an auction made by the Trading and Industrial Ministry. The Industrial Development General Authority subsequently raised the license value to LE 251,000 whereas the Company in return has raised a court case against the Industrial Development General Authority to safeguard its right in the license. On 18 January 2018, "the administrative Court" issued a 1st degree verdict accepting the case in form and rejecting it in substance. The company has appealed on the court verdict on 26th of June 2018.
- On 26 June 2018 the company has signed an execution of the verdict of "the administrative Court" with the Industrial Development General Authority. Accordingly the company has paid LE 251,000,000 for the second line license and additional LE 24,892,323 which represents 10% delay interest calculated by the Industrial Development General Authority for the period from 15 January 2009 till 31 May 2018 using interest rate as per Central bank of Egypt. The agreement states that the company has the right to object against these amounts. Also the payment of these amounts does not represent an evidence of the company's approval of these amounts. Hence, the company raised a court case No. 2832 for the year 2018 against the Industrial Development General Authority demanding that the interest rate used to calculate the delay interest should be 4% according to civil law. As per the company's external legal advisor opinion, it is probable that the company will win the legal case and reclaim the difference in the interest amounted to LE 166,572,388 accordingly the company has recorded the difference as Debit Balances Due from the Industrial Development General Authority as it believes that the recoverability of such difference is virtually certain.

30 Capital management

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

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

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

	31 December 2018 EGP	31 December 2017 EGP
Interest-bearing loans and borrowings other than convertible preference	3,589,105	3,647,461
Less: Cash and short-term deposits	(433,476)	(273,202)
Net debt	3,155,629	3,374,259
Total Assets	4,794,710	4,031,743
Gearing ratio	66%	84%

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31 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, and due from related parties. Financial liabilities of the company include, trade and other payables, due to related parties and retentions payable.

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

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

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

	31 December 2018		31 December 2017	
	Carrying amount EGP	Fair value EGP	Carrying amount EGP	Fair value EGP
Financial liabilities				
Floating rate on bank borrowings(level 3)	1,204,057	1,206,529	1,666,822	1,668,384
Floating rate intercompany borrowings(level 3)	2,385,048	2,385,315	1,977,540	1,986,389
	<u>3,589,105</u>	<u>3,591,844</u>	<u>3,644,362</u>	<u>3,654,773</u>

32 MERGER RESERVE

Acquisition reserve represents the difference between acquisition cost and net book value of asset and liabilities of Beni Suef Cement Company pursuant to the acquisition of 49,398,990 voting shares of Beni Suef Cement Company by Alexandria Portland Cement Company from Titan Egyptian Investment LTD at a price of EGP 63.46 per share. As the acquisition transaction are made between Titan Group Companies which they are Beni Suef Cement Company and Alexandria Portland Cement Company (two companies under one Group and one Board control) and as the purpose of the acquisition is to re-organize the group companies in Egypt, so the management decided to use pooling interest method under the common control in the presentation of the consolidated financial statement that shows the group figures as merged group. Accordingly, all assets and liabilities of the company subsidiaries are transferred at historical cost.

33 SEGMENT REPORTING

	Portland cement		Ready mix		Consolidated	
	2018 EGP	2017 EGP	2018 EGP	2017 EGP	2018 EGP	2017 EGP
Revenues	2,760,419	2,783,182	102,781	92,771	2,863,200	2,853,102
Segment profit	219,583	388,049	(8,655)	(1,718)	210,928	383,623
Administration expenses					(216,571)	(193,991)
Other operating income					86,973	60,070
Other operating expense					(53,102)	(173,481)
Operating profit					28,228	76,221
Finance cost					(498,466)	(728,220)
Income tax					75,772	125,369
Net losses for the period					(394,466)	(526,630)
Non-controlling interest					(362)	(86)
Net losses after non-controlling interest					<u>(394,104)</u>	<u>(526,544)</u>
Segment assets	4,710,292	3,943,378	84,418	88,365	4,794,710	4,031,743
Segment liabilities	4,801,019	4,898,727	33,871	45,258	4,834,890	4,943,985
Capital expenditures under construction	274,433,400	206,220	6,565,457	2,785	280,998,857	209,009
Depreciation	199,912	187,016	5,320	5,538	205,232	192,554