

BENI SUEF CEMENT COMPANY (S.A.E)
FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2018
TOGETHER WITH AUDITOR'S REPORT

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

**Financial Statements
For the year ended 31 December 2018**

Table of Contents

	<u>Page</u>
Auditor's Report	2-3
Statement of Profit or Loss	4
Statement of Comprehensive Income	5
Statement of Financial Position	6
Statement of Changes in Equity	7
Statement of Cash Flows	8
Notes to the Financial Statements	9-39



Building a better
working world

Allied for Accounting & Auditing
Ragheb, Hamouda, Elanbabi, 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 MANAGEMENT OF BENI SUEF CEMENT COMPANY (S.A.E)

Report on the Financial Statements

We have audited the accompanying financial statements of BENI SUEF CEMENT COMPANY (S.A.E) (the "Company"), which comprise the statement of financial position as at 31 December 2018 and the statement of profit or loss and comprehensive income, statement of changes in equity and statement of cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information.

Management's responsibility for the financial statements

These financial statements are the responsibility of the Company's Management, as Management is responsible for the preparation and fair presentation of the financial statements in accordance with International Financial Reporting Standards. Management responsibility includes: designing, implementing and maintaining internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error. This responsibility also includes selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances.

Auditor's responsibility

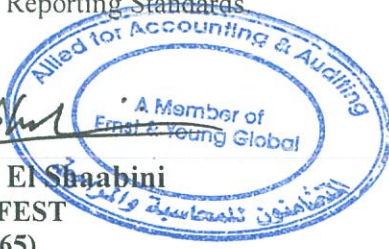

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with the Egyptian Standards on Auditing and applicable Egyptian laws. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance that the financial statements are free from material misstatement.

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

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

Opinion

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



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

Cairo: 23 April 2019

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

STATEMENT OF PROFIT OR LOSS

For the year ended 31 December 2018

(All amounts are in thousand Egyptian Pound)

	Notes	31 December 2018 EGP	31 December 2017 EGP
Net sales	(4)	1,712,266	1,704,746
Cost of sales	(5)	<u>(1,518,287)</u>	<u>(1,347,074)</u>
GROSS PROFIT		193,979	357,672
General and administrative expenses	(6)	(133,264)	(122,510)
Other operating income	(7)	59,801	28,073
Other operating expense	(8)	(24,209)	(81,214)
Net finance expense	(9)	<u>(231,221)</u>	<u>(182,675)</u>
LOSSES FOR THE YEAR BEFORE INCOME TAX		(134,914)	(654)
Income tax	(10)	<u>5,393</u>	<u>(7,417)</u>
LOSSES FOR THE YEAR		<u>(129,521)</u>	<u>(8,071)</u>

The accompanying notes (1) to (30) form an integral part of these financial statements.
Auditor's report attached

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

STATEMENT OF COMPERHENSIVE INCOME

For the year ended 31 December 2018

(All amounts are in thousand Egyptian Pound)

	31 December 2018 EGP	31 December 2017 EGP
LOSSES FOR THE YEAR	(129,521)	(8,071)
OTHER COMPERHANSIVE INCOME	-	-
TOTAL COMPREHENSIVE LOSSES	<u>(129,521)</u>	<u>(8,071)</u>

The accompanying notes (1) to (30) form an integral part of these financial statements.

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

STATEMENT OF FINANCIAL POSITION

As of 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	(11)	1,341,194	1,393,857
Intangible assets	(12)	311,991	193,126
Employees advances	(13)	-	-
Financial Asset at fair value through OCI		43	43
Total non-current assets		1,653,228	1,587,026
Current assets			
Inventories	(14)	466,218	448,122
Prepayments, other receivables and other debit balances	(15)	161,615	144,729
Due from General Authority of Industrial Development	(29)	166,572	-
Due from related parties	(16)	34,170	175,014
Cash on hand and at banks	(18)	29,763	207,665
Total current assets		858,338	975,530
TOTAL ASSETS		2,511,566	2,562,556
EQUITY AND LIABILITIES			
Equity			
Share capital	(19)	520,000	520,000
Payments under capital increase	(20)	-	260,000
Legal reserve	(21)	16,211	15,980
Accumulated losses / Retained earnings		4,392	12,694
Total Comprehensive losses		(129,521)	(8,071)
Total equity		411,082	800,603
LIABILITIES			
Non-current liabilities			
Bank borrowings	(22)	602,896	221,496
Deferred tax liability	(10)	95,449	124,597
Total non-current liabilities		698,345	346,093
Current liabilities			
Provisions	(23)	149,040	164,045
Accounts and notes payable	(24)	224,679	267,922
Advance from customers		104,644	59,992
Accrued expenses and other payables	(25)	184,088	129,480
Bank borrowings	(22)	-	628,000
Due to related parties	(16)	16,867	73,999
Loans due to related parties	(17)	719,243	88,844
Income tax payable		3,578	3,578
Total current liabilities		1,402,139	1,415,860
Total Liabilities		2,100,484	1,761,953
TOTAL LIABILITIES AND EQUITY		2,511,566	2,562,556

Chief Financial Officer

Chairman

The accompanying notes (1) to (30) form an integral part of these financial statements.

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

STATEMENT OF CHANGE IN EQUITY

For the year ended 31 December 2018

(All amounts are in thousand Egyptian Pounds)

	Share capital	Payments under capital increase account	Legal reserve	Accumulated losses / Retained earnings	Total comprehensive income/loss	Total
	EGP	EGP	EGP	EGP	EGP	EGP
Balance at 1 January 2017	520,000	260,000	98,543	(89,246)	133,663	922,960
Transferred to accumulated losses	-	-	(82,563)	216,226	(133,663)	-
Dividends	-	-	-	(114,286)	-	(114,286)
Total comprehensive income	-	-	-	-	(8,071)	(8,071)
Balance at 31 December 2017	520,000	260,000	15,980	12,694	(8,071)	800,603
Balance at 1 January 2018	520,000	260,000	15,980	12,694	(8,071)	800,603
Transferred to accumulated losses	-	-	-	(8,071)	8,071	-
Transferred to legal reserve	-	-	231	(231)	-	-
Cancelled payment on capital increase account	-	(260,000)	-	-	-	(260,000)
Loss for the year	-	-	-	-	(129,521)	(129,521)
Balance at 31 December 2018	520,000	-	16,211	4,392	(129,521)	411,082

The accompanying notes (1) to (30) form an integral part of these financial statements.

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

STATEMENT OF CASH FLOWS

For the period ended 31 December 2018

(All amounts are in thousand Egyptian Pounds)

		31 December 2018 EGP	31 December 2017 EGP
Cash flows from operating activities			
(loss) Profit before income tax		(134,914)	(654)
Adjustments for:			
Depreciation of Property, Plant and Equipment	(11)	115,058	110,163
Amortization of intangible assets	(12)	14,090	5,524
Provision charged	(23)	169,989	2,783
Gain from sale of Property, Plant and Equipment	(11)	(8,770)	(2,877)
Impairment of inventory	(14)	4,510	2,945
Impairment of inventory no longer required	(14)	-	(419)
Credit interest	(9)	(27,583)	(4,763)
Debit interest	(9)	278,068	169,682
Cash from operations before working capital changes:		410,448	282,384
Change in restricted cash	(18)	2,758	8,334
Change in inventory	(14)	(22,606)	38,536
Change in employee advance	(13)	8,760	-
Change in prepayments and other receivables	(15)	(16,567)	135,347
Change in Due from General Authority of Industrial Development		(166,572)	-
Change in due from related parties	(16)	(119,616)	(109,964)
Change in accounts payable and notes payable	(24)	(43,243)	(70,733)
Change in advance from customers		44,652	(21,337)
Change in accrued expenses and other payable	(25)	25,603	(11,306)
Change in due to related parties	(16)	(58,160)	4,853
Cash provided from operating activities		65,457	256,114
Impairment of employee advance used		(8,760)	-
Provision used	(23)	(208,749)	(446)
Net cash provided from operating activities		(152,052)	255,668
Cash flows from investing activities			
Payments to acquire Property, Plant and Equipment	(11)	(70,357)	(91,588)
Payments for intangible assets	(12)	(124,993)	-
Receipt from Loans due from related parties		-	3,715
Payments for investments available for sale		-	40
Proceeds from sale of Property, Plant and Equipment	(11)	8,770	3,466
Interest received		27,724	3,583
Net cash (used in) investing activities		(158,856)	(80,784)
Cash flows from financing activities			
Receipt / (Payment) of loans due to a related parties	(17)	630,399	(114,533)
(Settlements) / Receipt from bank borrowings	(22)	(246,600)	380,496
Credit facilities (Paid)		-	(402)
Dividends paid			(114,286)
Interest paid		(248,035)	(215,335)
Net cash (used in) financing activities		135,764	(64,060)
Net change in cash and cash equivalents		(175,144)	110,824
Cash and cash equivalent at the beginning of the year		199,585	88,761
Cash and cash equivalent at the end of the year	(18)	24,441	199,585
Cash and cash equivalents		29,763	207,665
Less: Restricted cash	(18)	(5,322)	(8,080)
	(18)	24,441	199,585

The accompanying notes (1) to (30) form an integral part of these interim financial statements.

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

NOTES TO THE FINANCIAL STATEMENTS

31 December 2018

1 BACKGROUND

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

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

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

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

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

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

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

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

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

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

2.2 NEW STANDARDS, INTERPRETATION AND AMENDMENTS

The accounting policies adopted in the preparation of the financial statements are consistent with those followed in the preparation of the Company's annual financial statements for the year ended 31 December 2018, 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 condensed 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.

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

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.

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 recognises the non-monetary asset or non-monetary liability arising from the advance consideration. If there are multiple payments or receipts in advance, then the entity must determine 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 organisation, or other qualifying entity, may elect, at initial recognition on an investment-by-investment basis, to measure its investments in associates and joint ventures at fair value through profit or loss. If an entity, that is not itself an investment entity, has an interest in an associate or joint venture that is an investment entity, the entity may, when applying the equity method, elect to retain the fair value measurement applied by that investment entity associate or joint venture to the investment entity associate's or joint venture's interests in subsidiaries. This election is made separately for each investment entity associate or joint venture, at the later of the date on which: (a) the investment entity associate or joint venture is initially recognised; (b) the associate or joint venture becomes an investment entity; and (c) the investment entity associate or joint venture first becomes a parent.

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 recognise a liability to make lease payments (i.e., the lease liability) and an asset representing the right to use the underlying asset during the lease term (i.e., the right-of-use asset). Lessees will be required to separately recognise the interest expense on the lease liability and the depreciation expense on the right-of-use asset.

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

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

IFRS 16, 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.

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

NOTES TO THE FINANCIAL STATEMENTS

31 December 2018

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 plans to adopt IFRS 16 retrospectively to each prior reporting period presented. 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.

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)	1,735,725
Liabilities	
Lease liabilities	1,735,725

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

	EGP
Depreciation expense (included in administrative expenses)	1,157,150
Operating lease expense (included in administrative expenses)	(1,157,150)

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

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

NOTES TO THE FINANCIAL STATEMENTS

31 December 2018

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.

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

NOTES TO THE FINANCIAL STATEMENTS

31 December 2018

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.

2.3 SIGNIFICANT ACCOUNTING JUDGMENTS AND ESTIMATES

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

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

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

Estimations

Property, Plant and equipment – useful life

The property, Plant and equipment owned by the Company have long lives that extend to 20 years. To ensure the use of reliable estimates, the management has benchmarked the useful lives of its owned assets with estimates made by other entities and with those estimates developed internally by its technical resources. Management, reviews the useful lives of property, Plant and equipment regularly, to ensure consistency with its estimate, or otherwise, revise the remainder of useful lives as appropriate, the company has disclosed the estimated useful lives for Property, Plant and equipment in note (2.4).

Intangible assets

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

Inventory write down

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

Taxes

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

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

Employee advances

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

Critical Judgments in applying the Company's accounting policies

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

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Revenue recognition

Revenue from contracts with customers

Revenue from contracts with customers is recognised 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 recognised 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 recognised was affected, as noted below.

(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 recognised 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 and so no associated uncertainty is exist for sales contracts.

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.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Borrowing cost

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

Income tax

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

Current income tax

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

Deferred income tax

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

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

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

Investments in subsidiaries

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

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

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

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

Property, Plant and Equipment

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

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

Estimated useful lives of assets are as follows:

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

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

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

NOTES TO THE FINANCIAL STATEMENTS

31 December 2018

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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

Repairs and maintenance are charged to the statement of comprehensive income during the financial year in which

they are incurred. the cost of major renovations is included in the carrying amount of the asset when it is probable that the future economic benefits in excess of the originally assessed standard of performance of the existing asset

will flow to the company. Major renovations are depreciated over the remaining useful life of the related asset or estimated useful life of the renovation, whichever is less.

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

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

Assets under construction

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

Intangible assets

Intangible assets acquired separately are measured on initial recognition at cost. Following initial recognition, intangible assets are carried at cost less accumulated amortization and accumulated impairment losses, if any.

Internally generated intangible assets, excluding capitalized development costs, are not capitalized and expenditure is recognized in the statement of profit or loss when it is incurred.

Intangible assets with finite lives are amortized over their useful economic lives and assessed for impairment whenever there is an indication that the intangible asset may be impaired.

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

Intangible assets represented in company's usage right of electric power capacity of 52MW, according to the electric power generation contract with the Egyptian Electricity Transmission Company dated on 17 June 2010 with a value

Estimated useful lives of Intangible assets are as follows:

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

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

of EGP 75 million approximately. The intangible assets also include the right for using the tunnel between the company quarries and the factory in addition to the cost of an extension license for the second line amounting to EGP 251,000 thousand and Computer programs and the related licenses. These intangible assets are amortized according to straight line method based on useful life of 5- 30 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 amortised 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 recognised on the trade date, i.e., the date that the Company commits to purchase or sell the asset.

Subsequent measurement

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

- Financial assets at amortised 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 amortised cost (debt instruments)

This category is the most relevant to the Company. The Company measures financial assets at amortised 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 amortised cost are subsequently measured using the effective interest (EIR) method and are subject to impairment. Gains and losses are recognised in profit or loss when the asset is derecognised, modified or impaired

The Company's financial assets at amortised cost includes other receivables, and loan due from related parties.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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 recognised 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.

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 amortised 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 recognised 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 derecognised (i.e., removed from the Company's 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 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 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 recognise the transferred asset to the extent of its continuing involvement. In that case, the Company also recognises an associated liability. The transferred asset and the associated liability are measured on a basis that reflects the rights and obligations that the Company has retained.

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

Impairment of financial assets

The Company recognises 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.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

ECLs are recognised 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).

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 recognised 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.

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 recognised 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 amortised cost using the EIR method. Gains and losses are recognised in profit or loss when the liabilities are derecognised as well as through the EIR amortisation process.

Amortised 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 amortisation 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 derecognised 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.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

iii) Offsetting of financial instruments

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

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.

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.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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.

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.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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

Currently the Company's main business segment is cement and building materials and selling the cement. Revenues, profits and investments in other business segments is currently immaterial. Accordingly business segments do not meet the criteria of reportable segments under IFRS 8, and as such, are not separately disclosed in the financial statements. All revenues of the Company in the period ended 30 June 2018 were reported under one segment in the financial statements.

BENI SUEF CEMENT COMPANY (S.A.E.)**NOTES TO THE FINANCIAL STATEMENTS**

31 December 2018

(All amounts are in thousand Egyptian Pounds)

4 NET SALES

	31 December 2018	31 December 2017
	EGP	EGP
Cement local sales	1,552,573	1,684,356
Cement export sales	34,240	11,071
Freight revenue	27,382	12,455
fuel sales	12,890	-
Clinker sales	127,980	47,054
	<u>1,755,065</u>	<u>1,754,936</u>
Sales discount	<u>(42,799)</u>	<u>(50,190)</u>
	<u>1,712,266</u>	<u>1,704,746</u>

5 COST OF SALES

	31 December 2018	31 December 2017
	EGP	EGP
Wages and Salaries	66,166	64,073
Raw Material	196,693	162,671
Industrial Costs	1,128,773	1,007,140
Manufacturing Depreciation and amortization(Note 11,12)	126,655	113,190
	<u>1,518,287</u>	<u>1,347,074</u>

6 GENERAL AND ADMINISTRATIVE EXPENSES

	31 December 2018	31 December 2017
	EGP	EGP
Wages and salaries	46,154	30,320
Consulting fees	4,481	14,674
Transportation expense	2,127	1,996
Donation	2,476	1,996
Legal Fees	21,157	16,362
Catering expense	2,194	1,377
Telecommunication and accommodation expense	1,722	2,098
Depreciation and amortization (Note 11, 12)	2,493	2,499
Rent	4,987	4,118
Management Fees – (Note 16)	33,850	35,833
Other expenses	11,623	11,237
	<u>133,264</u>	<u>122,510</u>

The Company's Ordinary General Assembly meeting held on 30 April 2014 decided to grant loans to the company's employees which should be settled from employees' share in future profits. In addition, the company signed an agreement on 26 March 2015 with General Union of workers in Construction and Timber industry for three year starting from 2015, under which it is obliged to pay 9 months as advances under future employees share in profit which are charged to the profit or loss account. On 17 January 2018 the company has renewed the 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. According to the management's estimates, it is not expected to collect the payments in the future. The amount paid during the period of EGP 35,555 thousands is charged to cost of sales by the amount of EGP 18,457 thousands and to general and administrative expenses by the amount of EGP 17,098 thousands.

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

NOTES TO THE FINANCIAL STATEMENTS

31 December 2018

(All amounts are in thousand Egyptian Pounds)

7 OTHER OPERATING INCOME

	31 December 2018	31 December 2017
	EGP	EGP
Gain from sale of Scrap	4,222	4,879
Gain from sales of property, plant and equipment (Note 11)	8,770	2,877
Accruals no longer required	28,368	8,320
Other operating income	18,441	11,997
	<u>59,801</u>	<u>28,073</u>

8 OTHER OPERATING EXPENSES

	31 December 2018	31 December 2017
	EGP	EGP
Compensation for left employees*	6,237	67,682
Impairment of advances to employees (Note 13)	-	8,760
Other operating expense	14,555	1,989
Other provisions (Note 23)	3,417	2,783
	<u>24,209</u>	<u>81,214</u>

9 FINANCE EXPENSES

	31 December 2018	31 December 2017
	EGP	EGP
Foreign exchange (gains) / loss	(19,264)	17,756
Credit interest	(27,583)	(4,763)
Debit interest on license cost for production line	98,690	-
Debit interest on loans	179,378	169,682
	<u>231,221</u>	<u>182,675</u>

10 INCOME TAX

	31 December 2018	31 December 2017
	EGP	EGP
Statement of Profit or Loss		
Current income tax expense		-
Deferred income tax expense	29,148	(3,865)
	<u>29,148</u>	<u>(3,865)</u>
Income tax provisions (Note 23)	(23,755)	(3,552)
	<u>5,393</u>	<u>(7,417)</u>

DEFERRED INCOME TAX LIABILITY

	Statement of financial position	
	31 December 2018	31 December 2017
	EGP	EGP
Deferred taxes on differences on NBV of property, plant and equipment	(177,513)	(172,758)
Deferred tax on carried forward losses	59,505	27,485
Deferred tax on Unrealized foreign exchange loss	(6,784)	(3,674)
Deferred tax on differences of Provisions	29,343	24,350
Net deferred income tax liabilities	<u>(95,449)</u>	<u>(124,597)</u>

BENI SUEF CEMENT COMPANY (S.A.E.)**NOTES TO THE FINANCIAL STATEMENTS**

31 December 2018

(All amounts are in thousand Egyptian Pounds)

CURRENT INCOME TAX LIABILITY

	Statement of Profit or Loss	
	31 December 2018	31 December 2017
	EGP	EGP
Balance as of 1 January	(124,597)	(120,732)
Movement during the period	29,148	(3,865)
Balance	(95,449)	(124,597)

RECONCILIATION OF THE EFFECTIVE INCOME TAX RATE

	31 December 2018	31 December 2017
	EGP	EGP
(Losses) / Income before income taxes	(134,914)	(654)
Deferred income tax expense	29,148	(3,865)
Income tax provisions (Note 23)	(23,755)	(3,552)
Income tax	5,393	(7,417)
Effective tax rate	(3.99%)	1134%

The company's tax position is as follows:

1- Corporate tax

- The Company enjoyed a tax holiday for ten years ended on 30 September 2004.
- The Company records were inspected and settled till the year 2008.
- The Company records were inspected and settled 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 to the year 2015 and points of dispute were transferred to the appeal committee.
- 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 September 2016.

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

NOTES TO THE FINANCIAL STATEMENTS

31 December 2018

(All amounts are in thousand Egyptian Pounds)

11. Property, Plant and Equipment

	Land	Buildings	Machinery and equipment	Motor - Vehicles	Tools	Computers	Furniture, fixture & office equipment	Construction in progress	Total
	EGP	EGP	EGP	EGP	EGP	EGP	EGP	EGP	EGP
Cost									
As of 1 January 2018	5,876	475,179	2,870,194	92,636	15,396	8,959	7,439	16,134	3,491,813
Additions	-	-	-	-	-	-	-	70,357	70,357
Transfers	-	21	48,418	2,172	619	1,683	-	(52,913)	-
Transferred to intangible assets	-	-	(8,609)	-	-	(120)	-	-	(8,729)
Disposal	-	-	(17,734)	(37,519)	-	-	-	-	(55,253)
As of 31 December 2018	5,876	475,200	2,892,269	57,289	16,015	10,522	7,439	33,578	3,498,188
Accumulated depreciation									
As of 1 January 2018	-	287,534	1,700,011	82,198	14,747	7,646	5,820	-	2,097,956
Depreciation	-	13,743	96,791	3,121	202	741	460	-	115,058
Transferred to intangible assets	-	-	(767)	-	-	-	-	-	(767)
Disposal	-	-	(17,734)	(37,519)	-	-	-	-	(55,253)
As of 31 December 2018	-	301,277	1,778,301	47,800	14,949	8,387	6,280	-	2,156,994
Net carrying amount At 31 December 2018	5,876	173,923	1,113,968	9,489	1,066	2,135	1,159	33,578	1,341,194

- Depreciation expense is allocated as follows:

	31 December 2018	31 December 2017	
	EGP	EGP	EGP
Cost of sales	113,382	108,382	8,770
General and administrative expenses	1,676	1,782	55,253
	115,058	110,164	(55,253)
		Net Carrying amount	-
		Gain from disposal of fixed assets	8,770

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

NOTES TO THE FINANCIAL STATEMENTS

31 December 2018

(All amounts are in thousand Egyptian Pounds)

11. Property, Plant and Equipment (continued)

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

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

NOTES TO THE FINANCIAL STATEMENTS

31 December 2018

(All amounts are in thousand Egyptian Pounds)

12 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 2018	15,384	18,997	75,020	134,500	1,997	245,898
Construction in progress (Intangible assets)	440	-	-	-	-	440
Transferred from fixed assets under construction	120	-	-	-	8,609	8,729
Additions*	1,813	-	-	116,500	6,680	124,993
Balance at the end of the year	17,757	18,997	75,020	251,000	17,286	380,060
Accumulated depreciation						
Balance at 1 January 2018	13,318	9,578	29,972	-	344	53,212
Amortization for the year	816	950	3,751	8,367	206	14,090
Transferred from fixed assets	-	-	-	-	767	767
Balance at the end of the year	14,134	10,528	33,723	8,367	1,317	68,069
Net carrying amount at 31 December 2018	3,623	8,469	41,297	242,633	15,969	311,991

	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 2017	14,581	18,997	75,020	-	1,601	110,199
Construction in progress (Intangible assets)	441	-	-	-	-	441
Transfer from property, plant and equipment	802	-	-	-	396	1,198
Additions*	-	-	-	134,500	-	134,500
	15,824	18,997	75,020	134,500	1,997	246,338
Accumulated depreciation						
Balance at 1 January 2017	12,602	8,627	26,221	-	237	47,687
Amortization for the year	716	950	3,751	-	108	5,525
	13,318	9,577	29,972	-	345	53,212
Net carrying amount at 31 December 2017	2,506	9,420	45,048	134,500	1,652	193,126

- Amortization expense is allocated as follows:

	31 December 2018 EGP	31 December 2017 EGP
Cost of sales	13,273	4,808
General and administrative expenses	817	717
	14,090	5,525

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

* The 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.

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

NOTES TO THE FINANCIAL STATEMENTS

31 December 2018

(All amounts are in thousand Egyptian Pounds)

13 EMPLOYEES ADVANCES

	31 December 2018 EGP	31 December 2017 EGP
Non-current employees advances		
Advances to employees paid before 2015	22,592	22,592
Deduct :		
Impairment in advances to employees paid before 2015	(22,592)	(22,592)
Total non-current employees advances	-	-
Current employees advances		
Advances to employees paid in 2017	-	8,760
Impairment in advances to employees paid in 2017	-	(8,760)
Total current employees advances	-	-

14 Inventories

	31 December 2018 EGP	31 December 2017 EGP
Spare parts	213,017	208,552
Kiln Fuel	97,546	63,172
Raw material	29,257	17,902
Oils and Lubricants	1,924	-
Goods in transit	13,168	23,702
Semi-finished goods	83,383	119,479
Finished goods	20,452	12,607
Packing material	7,573	7,780
	<u>466,320</u>	<u>453,194</u>
Deduct :		
Write down of spare parts inventory	(102)	(5,072)
	<u>466,218</u>	<u>448,122</u>

Inventory write down value shown as following:

	31 December 2018 EGP	31 December 2017 EGP
Balance as of 1 January	5,072	3,191
Formed during the year	4,510	2,945
No longer required	-	(419)
Used during the year	(9,480)	(645)
Ending balance	<u>102</u>	<u>5,072</u>

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

NOTES TO THE FINANCIAL STATEMENTS

31 December 2018

(All amounts are in thousand Egyptian Pounds)

15 PREPAYMENTS, OTHER RECEIVABLES AND OTHER DEBIT BALANCES

	31 December 2018	31 December 2017
	EGP	EGP
Advances to contractors and suppliers	16,594	27,938
Deposits with others	63,595	37,047
Advance to customs authority	6,784	10,573
Tax authority – Value added tax	42,386	33,182
Prepayments	8,551	5,020
Tax authority – Withholding tax	7,876	6,311
Employee imprest	2,799	3,955
Interest receivable	-	1,180
LC cover (more than 90 days)	-	5,935
LG cover (more than 90 days) (Note 26)	6,707	6,812
Accrued interest	319	-
Other debit balance	6,601	7,373
	<u>162,212</u>	<u>145,326</u>
Deduct : Impairment of prepayments and other debit balances	(597)	(597)
	<u>161,615</u>	<u>144,729</u>

16 DUE FROM / TO RELATED PARTIES

		31 December 2018		31 December 2017	
	Nature of Relationship	Due from	Due to	Due from	Due to
		EGP	EGP	EGP	EGP
Alexandria Portland Cement Co.	Parent company	29,806	-	170,439	-
Alexandria Portland Cement Co- Accrued interest	Parent company	-	-	-	1,326
Aemos Cement Ltd- Accrued interest	Shareholder	-	2,358	-	58
Titan Beton& Aggregate Egypt Ltd Co	Affiliate	3,245	-	2,533	-
Green Alternative Energy Assets GAEA	Affiliate	1,119	-	481	-
East Cement Ltd - Cement, Clinker, Fly Ash	Shareholder	-	-	1,561	-
Titan Cement S.A	Ultimate parent	-	14,509	-	72,615
		<u>34,170</u>	<u>16,867</u>	<u>175,014</u>	<u>73,999</u>

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

	Nature of relationship	Nature of transactions	31 December 2018	31 December 2017
			EGP	EGP
Titan S.A	Holding Company	Management fees	(33,850)	(35,834)
Alexandria Portland cement company	Shareholder	Fuel purchase	(8,035)	-
		Clinker and Fuel sales	140,868	132,508
		Interest expense	(87)	(3,560)
		Interest income	23,167	1,754
Titan Beton& Aggregate Egypt Ltd Co		Cement sales&Freight	36,790	26,221
Aemos Cement Ltd - Cement, Clinker		Interest expense	(19,675)	(59)
Green Alternative Energy Assets GAEA	Shareholder	Other Purchase	(1,061)	-

Transactions with key management personnel:

	31 December 2018	31 December 2017
Short Term Employee benefits	41,217	29,937
Social insurance	422	354

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

NOTES TO THE FINANCIAL STATEMENTS

31 December 2018

(All amounts are in thousand Egyptian Pounds)

17 LOANS DUE TO RELATED PARTIES

	Nature of relationship	31 December 2018 EGP	31 December 2017 EGP
Current portion :			
Alexandria Portland Cement Co. – Principle loan	Shareholder	-	2,426
Aemos Cement Ltd - Cement, Clinker	Affiliate	719,243	86,418
Total current portion of loans from related parties		719,243	88,844

Alexandria Portland cement:

On 30 June 2013, the company entered into a loan agreement with Alexandria Portland Cement Company (S.A.E). Both parties agreed to finance each other with a ceiling amounting to LE 400 Million with an interest rate on the drawn amounts to be calculated based on Commercial banks interest rate on deposits plus 0.5%, on 31 December 2014, the two parties agreed to raise the revolving loan ceiling to EGP 600 Million and to mature on 30 September 2017 excluding interest.

On 10 May 2017, the two parties agreed to further extend the due date of the loan for one year to be settled on 31 December 2018, also the two parties agreed that the interest rate to be based on corridor lending rate plus 1.75% margin and to decrease the revolving loan ceiling from EGP 600 Million to EGP 400 Million and the loan renewal is under process.

The loan amount was paid totally on 31 December 2018 (31 December 2017: credit balance amounted to EGP 2,426 excluding interest).

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 (disclosure 16).

18 CASH ON HAND AND AT BANKS

	31 December 2018 EGP	31 December 2017 EGP
Current accounts - EGP	10,137	137,215
Current accounts - Foreign currencies	14,304	62,370
	24,441	199,585
Cash restricted against Letter of credit (less than 90 Days)	181	8,004
Cash restricted against Letter of Guarantee (Note 26) (less than 90 days)	5,141	76
	5,322	8,080
	29,763	207,665

* Restricted cash reporesnets LG cash cover amounted to thousand EGP 76 thousands in addition to EGP 105 thousands as a restricted cash for credit cards.

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

NOTES TO THE FINANCIAL STATEMENTS

31 December 2018

(All amounts are in thousand Egyptian Pounds)

19 ISSUED CAPITAL

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

20 PAYMENTS UNDER CAPITAL INCREASE

In accordance with the resolution of the Board of Directors on 14 December 2015, it has been approved to increase the issued capital by EGP 260,000 within limit of authorized capital through converting part of the credit balance of the loan from Alexandria Portland Cement Company (Main shareholder company), On 21 January 2016 the Extraordinary General Assembly Meeting decided to approve Board of Directors decision.

Based on the letter received from the economic performance follow-up sector of the General Authority Authority for Investment, a financial examination report issued on April 15, 2018. The report was presented at the company's Board of Director's Meeting held on 26 July 2018. The company's Board of Directors decided to cancel the decision of participating in the capital increase and to present the decision to the earliest General Assembly Meeting held on 28 August 2018 to approve. The company has decreased the loan due to Beni Suef Cement Company, and the amounts due to Beni Suef Cement Company in order to cancel the balance of payments under capital increase.

21 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.

22 BANK BORROWINGS

	31 December 2018 EGP	31 December 2017 EGP
Current Loans		
HSBC Bank	-	628,000
	-	628,000
Non-current Loans		
Audi Bank	485,821	221,496
HSBC Bank	117,075	-
	602,896	221,496

HSBC Bank

On 12 September 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 and (31 December 2017 EGP 628 thousand).

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 2.85% 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 thousand.

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

NOTES TO THE FINANCIAL STATEMENTS

31 December 2018

(All amounts are in thousand Egyptian Pounds)

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 thousand (31 December 2017 EGP 221,496).

23 PROVISIONS

	Balance as of 1 January 2018	Charged during the period	Used during the period	Balance as of 31 December 2018
	EGP	EGP	EGP	EGP
Provision for legal claims	138,956	166,572	(204,087)	101,441
Provision for tax	25,089	27,172	(4,662)	47,599
	<u>164,045</u>	<u>193,744</u>	<u>(208,749)</u>	<u>149,040</u>

* Provision for legal claims

The company formed a provision for legal claims amounted to EGP 166,572 Thousand with an interest rate calculated by the Central Bank of Egypt by the General industrial development authority and 4% according to the civil law 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 29).

*Provisions formed during the year charged to other operating expenses by EGP 3,417 thousand (Note 8), and charged to income tax expense by EGP 23,755 thousand (Note 10).

	Balance as of 1 January 2017	Charged during the year	Used during the year	Balance as of 31 December 2017
	EGP	EGP	EGP	EGP
Provision for legal claims	4,456	134,500	-	138,956
Provision for tax	19,202	6,333	(446)	25,089
	<u>23,658</u>	<u>140,833</u>	<u>(446)</u>	<u>164,045</u>

24 ACCOUNTS AND NOTES PAYABLE

	31 December 2018 EGP	31 December 2017 EGP
Accounts payable	210,574	210,170
Notes payable	14,105	57,752
	<u>224,679</u>	<u>267,922</u>

- Accounts and notes payable are not interest bearing.

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

NOTES TO THE FINANCIAL STATEMENTS

31 December 2018

(All amounts are in thousand Egyptian Pounds)

25 ACCRUED EXPENSES AND OTHER PAYABLES

	31 December 2018	31 December 2017
	EGP	EGP
Accrued expenses	80,004	43,128
Tax authority - Value Added tax	48,030	51,424
Tax authority - Withholding taxes	9,141	11,870
Tax authority - Salary taxes and stamp duty	559	2,122
Accrued interest	43,049	14,044
Dividends payable	519	655
Deposits from others	2,401	4,182
Other payables	385	2,055
	<u>184,088</u>	<u>129,480</u>

26 CONTINGENT LIABILITIES

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

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

- Less than 90 days in restricted cash amounting to EGP 76 thousand (Note 18).
- More than 90 days in Prepayments and other debt balances amounting to EGP 6,707 thousand (Note 15).

Operating lease commitments – Company as lessee

The Company has entered into operating leases for the administration building, with lease terms between 1 January 2017 and 30 June 2020 years.

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

	31 December 2018	31 December 2017
	EGP	EGP
Within one year	1,263	1,181
After one year but not more than five years	653	1,916
More than five years	-	-
	<u>1,916</u>	<u>3,097</u>

27 FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES

Overview

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

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

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

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

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

a) Credit risk

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

Other financial assets and cash deposits

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

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

Due from related parties

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

b) Market risk

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

Exposure to interest rate risk

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

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

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

NOTES TO THE FINANCIAL STATEMENTS

31 December 2018

(All amounts are in thousand Egyptian Pounds)

The following table demonstrates the sensitivity to a reasonably possible change in interest rates with all other variables

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

31 December 2018		
	Change in rate	Effect on profit before tax EGP
Financial liability	+ 1%	(13,221)
	- 1%	13,221

The interest rates on loans from related parties are described in Note 27-b to the financial statements. Interest rates on loans from financial institutions are disclosed in Note 23 to the financial statements.

Exposure to foreign currency risk

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

31 December 2018		
	Change in rate	Effect on profit before tax EGP
USD	+ 10%	1,352
	- 10%	(1,352)
EUR	+ 10%	(71,846)
	- 10%	71,846

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

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

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

Financial liabilities	Less than 3 Months	3 to 12 months	1 to 5 Years	Over 5 years	Total
As of 31 December 2018					
Loans due to related parties	-	719,243	-	-	719,243
Due to related parties	-	16,867	-	-	16,867
Bank borrowings	-	-	602,896	-	602,896
Accounts and notes payables	-	224,679	-	-	224,679
Accrued expenses and other credit balances	-	184,088	-	-	184,088
Total undiscounted financial liabilities	-	1,144,877	602,896	-	1,747,773

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

NOTES TO THE FINANCIAL STATEMENTS

31 December 2018

(All amounts are in thousand Egyptian Pounds)

28 Capital management

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

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

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

	31 December 2018 EGP	31 December 2017 EGP
Interest-bearing loans and borrowings other than convertible preference	1,322,139	939,724
Less: Cash and short-term deposits	(29,763)	(207,665)
Net debt	1,292,376	732,059
Total Assets	2,511,566	2,562,556
Gearing ratio	51%	29%

29 Material legal cases

-The Nile Organization has raised a court case against the Company claiming compensation amounting to EGP 300,000 for the harms resulted from the Company's use of the quarries land and the Company won this case.

In 28 October 2007, the Company obtained extension license for the second production line for EGP 134,500 through an auction made by the Trading and Industrial Ministry. The Industrial Development General Authority subsequently raised the license value to EGP 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.

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

NOTES TO THE FINANCIAL STATEMENTS

31 December 2018

(All amounts are in thousand Egyptian Pounds)

30 FAIR VALUES OF FINANCIAL INSTRUMENTS

Financial instruments comprise financial assets and financial liabilities.

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

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

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

	31 December 2018		31 December 2017	
	Carrying amount EGP	Fair value EGP	Carrying amount EGP	Fair value EGP
Financial liabilities				
Floating rate borrowings	602,896	604,165	849,466	853,633
Floating rate intercompany borrowings	719,243	719,276	88,844	87,673
	<u>1,322,139</u>	<u>1,323,442</u>	<u>938,310</u>	<u>941,306</u>