

**ALEXANDRIA PORTLAND CEMENT COMPANY (S.A.E)
SEPARATE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2013
TOGETHER WITH AUDITOR'S REPORT**

AUDITOR'S REPORT TO THE MANAGEMENT OF ALEXANDRIA PORTLAND CEMENT COMPANY (S.A.E)

Report on the Financial Statements

We have audited the accompanying financial statements of **Alexandria Portland Cement Company (S.A.E)**, represented in the separate statement of financial position as at 31 December 2013, as well as the related separate statements of comprehensive income, changes in equity and cash flows for the year then ended, and a summary of significant accounting policies and other explanatory notes.

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 Egyptian Auditing Standards and applicable Egyptian laws. Those standards require that we 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.

Opinion

In our opinion, the financial statements referred to above, give a true and fair view, in all material respects, of the financial position of **Alexandria Portland Cement Company (S.A.E)** as of 31 December 2013, and of its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards and the related applicable Egyptian laws and regulations.




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working world

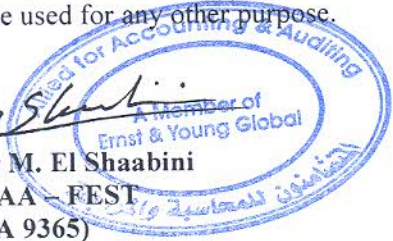
Emphasis of Matter:

Without qualifying our opinion, we draw attention to note (27) to the financial statements regarding material legal cases as follows:

- A case was filed against the Governor of Alexandria, the Head of El-Agamy District, the Minister of Trading and Industry, the Minister of Environment, the President of Alexandria Environmental Affairs Agency, the President of Industrial Development Authority and the company, seeking the abolition of the administrative decision of the competent Egyptian authority which issued the operating license to the company's plant in Alexandria, alleging violations of environmental and related regulation. The Company's legal advisor believes that the likelihood of the Company winning this case is probable.
- An employee of the company filed a case against the President of the Republic of Egypt, the Prime Minister, the Minister of Investments, the Minister of Industry, the Governor of Alexandria, the Manager of the Mines and Salinas Project in Alexandria and the Manager of the Mines and Quarries Department in Alexandria seeking the annulment of the sale of the company to Blue Circle Cement Group in 1999. The company is not named as defendant in the action. In May 2013, another legal action was raised against the company requesting the nullification of sale of shares of the company to Blue Circle Cement Group. The Company's legal advisor believes that the likelihood of the Company winning these cases is probable.

This report is intended solely for the use of the Company and the ultimate Parent Company and should not be used for any other purpose.


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



Cairo: 19 January 2014

Alexandria Portland Cement Company (S.A.E)

SEPARATE STATEMENT OF COMPREHENSIVE INCOME

For The Year Ended 31 December 2013

	Notes	2013 EGP'000'	2012 EGP'000'
Sales	(3)	890,037	743,352
Cost of sales	(4)	<u>(637,768)</u>	<u>(532,517)</u>
Gross profit		252,269	210,835
Other operating income		2,362	9,013
Administrative, selling and marketing expenses	(5)	(29,451)	(26,716)
Other operating expenses		(1,066)	(5,398)
Provisions	(20)	(328)	(2,740)
Provisions no longer required		-	16,927
Investment impairment	(11)	(1,270)	-
Reversal of investment impairment		-	1,270
Trade receivable impairment		-	(198)
Operating profit		222,516	202,993
Finance cost	(6)	(61,562)	(55,501)
Finance income		7,377	8,110
Dividends received	(32)	166,288	231,459
Foreign exchange difference		(83,425)	(40,670)
Profits before tax		251,194	346,391
Deferred tax expense	(7)	(20,863)	(5,330)
Income tax expense	(7)	(22,517)	(34,941)
Profits for the year		207,814	306,120
Other comprehensive income		-	-
Comprehensive income for the year, net of tax		207,814	306,120
Earnings per share	(30)	0.81	1.19

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


Alexandria Portland Cement Company (S.A.E)

SEPARATE FINANCIAL POSITION

At 31 December 2013

	Notes	2013 EGP'000'	2012 EGP'000'
Assets			
Non-current assets			
Property, plant and equipment	(8)	2,001,301	1,985,160
Construction in progress	(9)	10,525	43,236
Intangible assets	(10)	3,886	1,249
Held-to-maturity investments		359	359
Investments in subsidiaries	(11)	3,241,656	3,242,926
Total Non-current assets		5,257,727	5,272,930
Current assets			
Inventories	(12)	225,495	204,894
Due from related parties	(13 a)	2,506	635
Loan receivables - Subsidiary	(14)	207,601	-
Prepayments and other receivables	(15)	58,623	69,333
Cash and bank	(16)	47,478	49,885
Total current assets		541,703	324,747
Total assets		5,799,430	5,597,677
Equity and liabilities			
Equity			
Issued capital	(17)	2,570,575	2,570,575
Legal reserve		121,985	104,594
General reserve		56,286	56,286
Retained earnings		236,630	83,871
Profit for the year		207,814	306,120
Assets revaluation reserve		935,678	953,943
Total equity		4,128,968	4,075,389
Non-current liabilities			
Term loans- related parties	(18)	741,611	570,858
Credit facility	(19)	195,665	-
Other non-current financial liability		276	276
Provisions	(20)	2,713	2,425
Deferred tax liability	(7)	418,820	397,957
Total Non-current liabilities		1,359,085	971,516
Current liabilities			
Trade payables	(21)	79,332	47,549
Notes Payable		1,443	-
Advances from customers		59,385	92,062
Accrued expenses and other payables	(22)	52,523	51,782
Income tax payable		22,883	35,501
Due to related parties	(13 b)	93,611	72,238
Loan payable – subsidiary	(24)	2,200	251,640
Total Current liabilities		311,377	550,772
Total equity and liabilities		5,799,430	5,597,677


Chief Financial Officer


Chief Executive Officer

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

- Auditor's report attached

Alexandria Portland Cement Company (S.A.E)

SEPARATE STATEMENT OF CHANGES IN EQUITY

For The Year Ended 31 December 2013

	Issued Capital EGP'000'	Legal reserve EGP'000'	General Reserve EGP'000'	Retained earnings EGP'000'	Profit for the year EGP'000'	Assets Revaluation reserve EGP'000'	Total Equity EGP'000'
As at 1 January 2012	2,570,575	72,899	140,239	210,668	594,419	972,205	4,561,005
Transfer to retained earnings	-	-	-	594,419	(594,419)	-	-
Transfer to legal reserve	-	31,695	-	(31,695)	-	-	-
Dividends declared	-	-	(83,953)	(707,783)	-	-	(791,736)
Depreciation transferred for revalued buildings, machinery and equipment	-	-	-	18,262	-	(18,262)	-
Profit for the year	-	-	-	-	306,120	-	306,120
At 31 December 2012	2,570,575	104,594	56,286	83,871	306,120	953,943	4,075,389
As at 1 January 2013	2,570,575	104,594	56,286	83,871	306,120	953,943	4,075,389
Transferred to retained earnings	-	-	-	306,120	(306,120)	-	-
Transferred to legal reserve	-	17,391	-	(17,391)	-	-	-
Dividends declared (note 31)	-	-	-	(154,235)	-	-	(154,235)
Depreciation transferred for revalued buildings, machinery and equipment	-	-	-	18,265	-	(18,265)	-
Profits for the year	-	-	-	-	207,814	-	207,814
At 31 December 2013	2,570,575	121,985	56,286	236,630	207,814	935,678	4,128,968

- The accompanying notes from (1) to (33) are an integral part of these financial statements

Alexandria Portland Cement Company (S.A.E)

SEPARATE STATEMENT OF CASH FLOWS

For The Year Ended 31 December 2013

	Notes	2013 EGP'000'	2012 EGP'000'
Operating activities			
Profits before tax		251,194	346,391
Non-cash adjustments to reconcile profit before tax to net cash flows			
Depreciation of property, plant and equipment	(8)	49,981	48,445
Amortization of intangible assets	(10)	1,813	1,520
Finance costs	(6)	61,562	55,501
Finance income		(7,377)	(8,110)
Provisions	(20)	328	2,740
Provisions no longer required		-	(16,927)
Movement in provisions for slow moving inventory		2,520	1,706
Investment impairment	(11)	1,270	-
Reversal of investment impairment		-	(1,270)
Trade receivable impairment		-	198
Unrealized forex		80,693	42,135
		<u>441,984</u>	<u>472,329</u>
Working capital adjustments			
Change in restricted cash		(2,790)	(333)
Change in inventories		(23,121)	(26,136)
Change in due from related parties		(361)	(590)
Change in prepayments and other receivables		10,705	35,251
Change in trade payable		31,783	(3,872)
Change in Notes payable		1,443	(850)
Change in advances from customers		(32,677)	(21,206)
Change in accrued expenses and other payables		741	23,462
Change in due to related parties		24,181	35,091
		<u>451,888</u>	<u>513,146</u>
Provision used	(20)	(40)	(767)
Interest received		5,872	17,607
Income tax paid		(35,135)	(72,026)
Net cash flows from operating activities		<u>422,585</u>	<u>457,960</u>
Investing activities			
Payments to acquire construction in progress	(9)	(37,861)	(46,406)
Other noncurrent financial liabilities		-	(5)
Net cash flows (used in) investing activities		<u>(37,861)</u>	<u>(46,411)</u>
Financing activities			
Dividends paid	(31)	(139,278)	(791,736)
Receipt of credit facility	(19)	195,665	-
Receipt of term loans –related parties		170,753	1,359
Change in loan receivable- subsidiary		(207,601)	152,800
Change in loans payable- subsidiary		(249,440)	208,855
Interest paid		(79,327)	(26,720)
Net cash flows (used in) financing activities		<u>(309,228)</u>	<u>(455,442)</u>
Net increase (decrease) in cash and cash equivalents		75,496	(43,893)
Unrealized forex		(80,693)	(42,135)
Cash and cash equivalent at 1 January		48,141	134,169
Cash and cash equivalent at 31 December 2013	(16)	<u>42,944</u>	<u>48,141</u>

Alexandria Portland Cement Company (S.A.E)

SEPARATE STATEMENT OF CASH FLOWS

For The Year Ended 31 December 2013

For the purpose of preparing the statement of cash flow, the cash and cash equivalent comprise of the following:

	Note	2013 EGP'000'	2012 EGP'000'
Cash on hand and short term deposits	(16)	47,478	49,885
Less:			
Reserved Time deposits		<u>(4,534)</u>	<u>(1,744)</u>
		<u>42,944</u>	<u>48,141</u>

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

Alexandria Portland Cement Company (S.A.E)

NOTES TO THE SEPARATE FINANCIAL STATEMENTS

At 31 December 2013

1 CORPORATE INFORMATION

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

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

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

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

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

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

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

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

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

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

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

On March 17th 2010, an ordinary General Assembly Meeting was held to approve the acquisition of 49,398,990 voting shares of Beni Suef Cement Company. Therefore, the company ownership in Beni Suef Cement Company increased from 5% to 99.99%.

On March 17th 2010, an Extra Ordinary General Assembly Meeting was held to approve the increase of the company authorized capital from EGP 200 Million to EGP 4 Billion and to increase the issued capital by KEGP 2,450,000 from KEGP 120,574 to KEGP 2,570,575 by issuing of 245 Million shares with 10 L.E per share.

Company objective

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

2 SIGNIFICANT ACCOUNTING POLICIES

2-1 Basis of preparation

The financial statements are prepared in Egyptian pound in accordance with the International Financial Reporting Standards, the historical cost basis (except for land, buildings and machinery equipment) and the going concern basis.

The financial statements were approved by the management on 16 January 2014.

2-2 Changes in accounting policies

The accounting policies adopted are consistent with those used in the previous year, except for the adoption of new standards and interpretations effective as of 1 January 2013:

New and revised Accounting Standards and Interpretations

(a) *Standards, amendments and interpretations effective in 2013:*

- IFRS 1 First-time Adoption of International Financial Reporting Standards - Government Loans - Amendments to IFRS 1
- IFRS 7 Financial Instruments: Disclosures - Offsetting Financial Assets and Financial Liabilities - Amendments to IFRS 7
- IFRS 10 Consolidated Financial Statements, IAS 27 Separate Financial Statements
- IFRS 11 Joint Arrangements, IAS 28 Investments in Associates and Joint Ventures
- IFRS 13 Fair Value Measurement
- IAS 19 Employee Benefits (Revised 2011)
- IFRS 12 Disclosures of interests in other entities.
- IFRIC 20 Stripping Costs in the Production Phase of a Surface Mine
- Improvements to IFRSs - 2009-2011 Cycle:
 - IFRS 1 – Repeat application of IFRS 1
 - IFRS 1 – Borrowing Costs
 - IAS 1 – Clarification of the requirement for comparative information
 - IAS 16 – Classification of servicing equipment
 - IAS 32 – Tax effects of distributions to holders of equity instruments
 - IAS 34 – Interim financial reporting and segment information for total assets and liabilities

Not all of these standards and amendments impact the company's separate financial statements. If a standard or amendments affect the company, it is described together with the impact in note 2 to these financial statements.

(b) *Standards, amendments and Interpretations in issue but not effective*

At the date of authorisation of these financial statements, other than the Standards and Interpretations adopted by the Company (as described above) the following Standards and Interpretations were in issue but not yet effective:

- IAS 32 Financial Instruments: Presentation (Amendment) – Guidance on the offsetting of financial assets and financial liabilities (effective for annual periods beginning on or after 1 January 2014);
- IAS 39 Novation of Derivatives and Continuation of Hedge Accounting – Amendments to IAS 39 effective for annual periods beginning on or after 1 January 2014)
- IFRS 9 Financial Instruments Classification and Measurement (effective for annual periods beginning on or after 1 January 2015);
- Amendments to IFRS 10, IFRS 12 and IAS 27- Investment Entities: (effective for annual periods beginning on or after 1 January 2014);
- IFRIC 21 Interpretation 21 Levies (effective for annual periods beginning on or after 1 January 2014).

The management anticipates that all of the above Standards and Interpretations will be adopted by the Company to the extent applicable to them from their effective dates. The adoption of these Standards, amendments and interpretations is not expected to have any material impact on the financial statements of the Company in the period of their initial application.

Alexandria Portland Cement Company (S.A.E)
NOTES TO THE SEPARATE FINANCIAL STATEMENTS
At 31 December 2013

2 SIGNIFICANT ACCOUNTING POLICIES-CONTINUED

2-3 Accounting Judgments, Estimates and Assumptions

The preparation of the Company's financial statements requires management to make judgments, estimates and assumptions that affect the reported amounts of revenues, expenses, assets and liabilities, and the disclosure of contingent liabilities, at the reporting date. However, uncertainty about these assumptions and estimates could result in outcomes that could require a material adjustment to the carrying amount of the asset or liability affected in the future.

In the process of applying the Company's accounting policies, management has made the following judgments, which have the most significant effect on the amounts recognized in the financial statements:

Taxes

Uncertainties exist with respect to the interpretation of complex tax regulations and the amount and timing of future taxable income. Given the wide range of international business relationships and the long-term nature and complexity of existing contractual agreements, differences arising between the actual results and the assumptions made, or future changes to such assumptions, could necessitate future adjustments to tax income and expense already recorded. The Company establishes provisions, based on reasonable estimates, for possible consequences of audits by the tax authorities of the respective countries in which it operates. The amount of such provisions is based on various factors, such as experience of previous tax audits and differing interpretations of tax regulations by the taxable entity and the responsible tax authority. Such differences of interpretation may arise on a wide variety of issues depending on the conditions prevailing in the respective company's domicile.

2-4 Foreign currency translation

The financial statements are presented in Egyptian Pounds which is the Company's functional and presentation currency. Transactions in foreign currencies during the year are initially recorded at the functional currency rate ruling at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies are translated at the functional currency rate of exchange ruling at the reporting date. All differences are taken to income statement.

Non-monetary items that are measured in terms of historical cost in a foreign currency are translated using the exchange rates as at the dates of the initial transactions.

2-5 Revenue recognition

Revenue is recognized to the extent that it is probable that the economic benefits will flow to the Company and the revenue can be reliably measured. Revenue is measured at the fair value of the consideration received, excluding discounts, rebates, and sales taxes or duty.

The following specific recognition criteria must also be met before revenue is recognized:-

Sale of goods

Revenue from the sale of goods is recognized when the significant risks and rewards of ownership of the goods have passed to the buyer, usually on delivery of the goods.

Interest income

For all financial instruments measured at amortized cost and interest bearing financial assets classified as available-for-sale, interest income or expense is recorded using the effective interest rate (EIR), which is the rate that exactly discounts the estimated future cash payments or receipts through the expected life of the financial instrument or a shorter period, where appropriate, to the net carrying amount of the financial asset or liability. Interest income is included in finance income in the income statement.

Dividends

Revenue is recognized when the Company's right to receive the payment is established.

Alexandria Portland Cement Company (S.A.E)
NOTES TO THE SEPARATE FINANCIAL STATEMENTS
At 31 December 2013

2 SIGNIFICANT ACCOUNTING POLICIES-CONTINUED

2-6 Taxes

Current income tax

Current income tax assets and liabilities for the current and prior periods are measured at the amount expected to be recovered from or paid to the taxation authorities. The tax rates and tax laws used to compute the amount are those that are enacted or substantively enacted, by the reporting date, in the countries where the Company operates and generates taxable income.

Deferred income tax

Deferred tax is provided using the liability method on temporary differences at the reporting date between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes.

Deferred tax liabilities are recognized for all taxable temporary differences, except:

- In respect of taxable temporary differences associated with investments in subsidiaries, associates and interests in joint ventures, where the timing of the reversal of the temporary differences can be controlled and it is probable that the temporary differences will not reverse in the foreseeable future.

Deferred tax assets are recognized for all deductible temporary differences, carry forward of unused tax credits and unused tax losses, to the extent that it is probable that taxable profit will be available against which the deductible temporary differences, and the carry forward of unused tax credits and unused tax losses can be utilized except:

- Where the deferred tax asset relating to the deductible temporary difference arises from the initial recognition of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss

- In respect of deductible temporary differences associated with investments in subsidiaries, associates and interests in joint ventures, deferred tax assets are recognized only to the extent that it is probable that the temporary differences will reverse in the foreseeable future and taxable profit will be available against which the temporary differences can be utilized.

The carrying amount of deferred tax assets is reviewed at each reporting date and reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the deferred tax asset to be utilized. Unrecognized deferred tax assets are reassessed at each reporting date and are recognized to the extent that it has become probable that future taxable profits will allow the deferred tax asset to be recovered.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply in the year when the asset is realized or the liability is settled, based on tax rates (and tax laws) that have been enacted or substantively enacted at the reporting date.

Deferred tax relating to items recognized outside profit or loss is recognized outside profit or loss. Deferred tax items are recognized in correlation to the underlying transaction either in other comprehensive income or directly in equity.

Deferred tax assets and deferred tax liabilities are offset, if a legally enforceable right exists to set off current tax assets against current income tax liabilities and the deferred taxes relate to the same taxable entity and the same taxation authority.

Alexandria Portland Cement Company (S.A.E)
NOTES TO THE SEPARATE FINANCIAL STATEMENTS
At 31 December 2013

2 SIGNIFICANT ACCOUNTING POLICIES-CONTINUED

2-7 Held to maturity investments

Held to maturity investments are non derivative financial assets with fixed or determinable payments and fixed maturities that the company's management has the positive intention and ability to hold to maturity.

Held to maturity investments are initially recognized at fair value inclusive direct attributable expenses.

After initial recognition, the held to maturity investments are measured at amortized cost using the effective interest method less impairment. Gains and losses are recognized in profit or loss when the investments are derecognized or impaired, impairment is recovered, as well as through the amortization process.

Held to maturity investments represents investments in governmental bonds that are held to maturity.

2-8 Investments in subsidiaries

Investments in Subsidiaries are accounted for using the cost method. In case of permanent impairment in the value of the investment from its book value, the book value is to be adjusted by the amount of decrease and impairment loss is recognized in the income statement for each investment separately.

Revenue from investments is recognized based on to the dividends received from the investor companies, from earnings generated after the date of acquisition of those investments, this is after the date of dividends distribution declaration approved by the General Assembly Meetings of those investor companies.

2-9 Property, plant and equipment and depreciation

Vehicles, furniture and office equipment and tools are stated at cost, net of accumulated depreciation and/or accumulated impairment losses, if any. Such cost includes the cost of replacing part of the vehicles, furniture and office equipment and tools when that cost is incurred, if the recognition criteria are met.

Depreciation is computed using the straight-line method according to the estimated useful life of the asset as follows:

	Years
Buildings	Up to 40 years
Machinery and equipment	Up to 40 years
Vehicles	5 to 15 years
Furniture and office equipment	3 to 10 years
Quarries compensations	Quarries depletion rate

Effective from May 2008, land, buildings and machinery equipment (include strategic spare parts) are measured at fair value less accumulated depreciation on buildings and machinery equipment (include strategic spare parts) and impairment losses recognised after the date of the revaluation. Valuations are performed frequently enough to ensure that the fair value of a revalue asset does not differ materially from its carrying amount.

Any revaluation surplus is credited to the assets revaluation reserve included in the equity section of the statement of financial position, except to the extent that it reverses a revaluation decrease of the same asset previously recognized in the income statement, in which case the increase is recognized in the income statement. A revaluation deficit is recognized in the income statement, except to the extent that it offsets an existing surplus on the same asset recognized in the asset revaluation reserve.

An annual transfer from the asset revaluation reverses to retained earnings is made for the difference between depreciation based on the revaluated carrying amount of the assets and depreciation based on the assets original cost. Additionally, accumulated depreciation as at the revaluation date is eliminated against the gross carrying amount of the asset and the net amount is restated to the revaluated amount of the asset. Upon disposal, any revaluation reserve relating to the particular asset being sold is transferred to retained earnings.

An item of property, plant and equipment and any significant part initially recognized is derecognized upon disposal or when no future economic benefits are expected from its use or disposal. Any gain or loss arising on derecognition of the asset (calculated as the difference between the net disposal proceeds and the carrying amount of the asset) is included in the income statement when the asset is derecognized.

Alexandria Portland Cement Company (S.A.E)
NOTES TO THE SEPARATE FINANCIAL STATEMENTS
At 31 December 2013

2 SIGNIFICANT ACCOUNTING POLICIES-CONTINUED

2-10 Constructions in progress

Constructions in progress represent the amounts that are paid 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. Constructions in progress are valued at cost less impairment.

2-11 Intangible assets

Intangible assets acquired separately are measured on initial recognition at cost. The cost of intangible assets acquired in a business combination is its fair value as at the date of acquisition.

After initial recognition, intangible assets are carried at cost less any accumulated amortization and any accumulated impairment losses.

The useful lives of intangible assets are assessed as either finite or indefinite.

Intangible assets with finite lives are amortized over the useful economic life and assessed for impairment whenever there is an indication that the intangible asset may be impaired. The amortization period and the amortization method for an intangible asset with a finite useful life is reviewed at least at each financial year end.

Intangible assets represent the computer programs, the related licenses and research and studies and are amortized using the straight-line method over their estimated useful life (5 years).

2-12 Inventories

Inventories are valued at the lower of cost and net realizable value.

Costs incurred in bringing each product to its present location and conditions are accounted for as follows:

- a) Raw materials: purchase cost on a moving average basis.
- b) Finished products: cost of direct materials and labour and a proportion of manufacturing overheads based on normal operating capacity but excluding borrowing costs.
- c) Work in process: at cost of production of the latest completed phase based on the costing sheets.
- d) Spare parts and supplies: purchase cost on a moving average basis.

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 income statement 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 income statement in the period in which the reversal occurs

2-13 Accounts receivable

Accounts receivable are non- derivative financial assets with fixed or determinable payments that are not quoted in an active market.

After initial recognition, accounts receivable are carried at amortized cost using the effective interest method less allowance for any uncollectible amounts. An estimate for doubtful debts is made when collection of the full amount is no longer probable. Bad debts are written off when there is no possibility of recovery.

2-14 Accounts payable and accruals

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

Alexandria Portland Cement Company (S.A.E)
NOTES TO THE SEPARATE FINANCIAL STATEMENTS
At 31 December 2013

2 SIGNIFICANT ACCOUNTING POLICIES-CONTINUED

2-15 Impairment of assets

• **Impairment of financial assets**

The Company assesses at each balance sheet date whether there is any objective evidence that a financial asset or a group of financial assets is impaired. A financial asset or a group of financial assets is deemed to be impaired if, and only if, there is objective evidence of impairment as a result of one or more events that has occurred after the initial recognition of the asset and has an impact on the estimated future cash flows of the financial asset or the Company of financial assets that can be reliably estimated.

• **Impairment of non financial assets**

The Company assesses at each balance sheet date whether there is an indication that an asset may be impaired. Where the carrying amount of an asset or cash-generating unit's (CGU) exceeds its recoverable amount, the asset is considered impaired and is written down to its recoverable amount. Impairment losses are recognized in the statement of income.

A previously recognized impairment loss is only reversed if there has been a change in the assumptions used to determine the asset's recoverable amount since the last impairment loss was recognized. 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 recognized for the asset in prior years. Such reversal is recognized in the statement of income.

A previously recognized impairment loss is reversed when there is a change in the recoverable amount of the asset to the extent of the previously recognized loss.

2-16 Lease

Operating lease payments are recognized as an expense in profit or loss on a straight line basis over the lease term.

2-17 Provisions

Provisions are recognized when the Company has a present obligation (legal or constructive) 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 a reliable estimate can be made of the amount of the obligation. Where the Company expects some or all of a provision to be reimbursed, for example under an insurance contract, 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 income statement net of any reimbursement. If the effect of the time value of money is material, provisions are discounted using a current pre-tax rate that reflects, where appropriate, the risks specific to the liability. Where discounting is used, the increase in the provision due to the passage of time is recognized as a finance cost.

2-18 Legal reserve

According to the Company's article of association, 5% of the net profits of the year are to be transferred to the legal reserve until this reserve reaches 50 % of the issued capital. The reserve is used upon a decision from the general assembly meeting based on the proposal of the board of directors.

2-19 Borrowing

Borrowings are initially recognized at the value of the consideration received. Amounts maturing within one year are classified as current liabilities, unless the Company has the right to postpone the settlement for a year exceeding twelve months after the financial position date, then the loan balance should be classified as non-current 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 income statement 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 income statement.

Alexandria Portland Cement Company (S.A.E)
NOTES TO THE SEPARATE FINANCIAL STATEMENTS
At 31 December 2013

2 SIGNIFICANT ACCOUNTING POLICIES-CONTINUED

2-20 Borrowing costs

Borrowing costs directly attributable to the acquisition, construction or production of an asset that necessarily takes a substantial period of time to get ready for its intended use or sale are capitalized as part of the cost of the respective assets. All other borrowing costs are expensed in the period they occur. Borrowing costs consist of interest and other costs that an entity incurs in connection with the borrowing of funds.

2-21 Expenses

All expenses including cost of sales, general and administrative expenses and other expenses are recognized and charged to the statement of income in the financial period in which these expenses were incurred.

2-22 Related party transactions

Related party transactions performed by the Company within its normal business transactions are recorded based on the conditions set by the Board of Directors.

2-23 Cash and cash equivalent

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

For the purpose of the statement of cash flows, cash and cash equivalents consist of cash in hand, bank balances, short-term deposits with a remaining maturity of three months less restricted time deposits.

Alexandria Portland Cement Company (S.A.E)
 NOTES TO THE SEPARATE FINANCIAL STATEMENTS
 At 31 December 2013

3 SALES

	2013 EGP '000'	2012 EGP '000'
Cement sales (domestic)	938,256	798,746
Cement sales (Export)	-	5,234
Clinker sales (domestic)	-	9,312
Rebate	(48,219)	(69,940)
	<u>890,037</u>	<u>743,352</u>

4 COST OF SALES

	2013 EGP '000'	2012 EGP '000'
Variable cost	414,419	311,923
Fixed cost	91,253	118,178
Packing cost	66,338	67,618
Depreciation of property, plant and equipment (Note 8)	49,204	47,709
Inventory production cost change	14,034	(14,617)
Obsolete and slow moving inventory cost	2,520	1,706
	<u>637,768</u>	<u>532,517</u>

5 ADMINISTRATIVE, SELLING AND MARKETING EXPENSES

	2013 EGP '000'	2012 EGP '000'
Administrative expenses	22,384	18,740
Selling and marketing expenses	4,477	5,720
Amortization of intangible assets (Note 10)	1,813	1,520
Depreciation of property, plant and equipment (Note 8)	777	736
	<u>29,451</u>	<u>26,716</u>

6 FINANCE COST

	2013 EGP '000'	2012 EGP '000'
Interest on loan from related party (Titan Egypt Investment Ltd)	35,061	37,110
Interest on Credit facility	14,422	3,955
Interest on loan from subsidiary (Beni Suef Cement Company)	9,105	12,830
Bank Charges	2,057	789
Interest on loan from subsidiary (Titan Beton & Aggregates Egypt)	595	817
Interest on loan from related party (Alexandria Development Ltd)	322	-
	<u>61,562</u>	<u>55,501</u>

Alexandria Portland Cement Company (S.A.E)
 NOTES TO THE SEPARATE FINANCIAL STATEMENTS
 At 31 December 2013

7 INCOME TAX

The major components of income tax expense for the year ended 31 December 2013 are:

	2013 EGP '000'	2012 EGP '000'
Current income tax expense	22,517	34,941
Deferred tax expense	20,863	5,330
Income tax expense reported in the income statement	43,380	40,271

Reconciliation between tax expense and the accounting profit multiplied by effective tax rate for the year ended 31 December 2013 and 2012 is as follows:

		2013 EGP '000'		2012 EGP '000'
Profits before income taxes- local books		266,430		387,033
Income tax at the applicable tax rate	25%	66,607	25%	96,258
Add/subtract the tax effect of below items:				
Investment income		(41,572)		(57,865)
Depreciation of amortization		(3,758)		(964)
Provisions		1,020		(3,580)
Other expenses		220		1,092
Income tax expense for the year	8.45%	22,517	9.03%	34,941

DEFERRED TAX LIABILITIES

	Statement of financial position		Income statement	
	2013 EGP '000'	2012 EGP '000'	2013 EGP '000'	2012 EGP '000'
Revaluation surplus	(317,569)	(323,653)	6,084	6,084
Depreciation and amortization	(104,815)	(93,775)	(11,040)	(8,102)
Intercompany interest loan	-	16,926	(16,926)	-
Provisions	3,564	2,545	1,019	(3,312)
	(418,820)	(397,957)	(20,863)	(5,330)

Alexandria Portland Cement Company (S.A.E)
NOTES TO THE SEPARATE FINANCIAL STATEMENTS
At 31 December 2013

8 PROPERTY, PLANT AND EQUIPMENT

	Land EGP '000'	Quarries compensations EGP '000'	Buildings EGP '000'	Machinery and equipment EGP '000'	Vehicles EGP '000'	Furniture and Office equipment EGP '000'	Total EGP '000'
Cost or valuation							
At 1 January 2013	553,265	25,478	309,247	1,292,156	20,472	21,117	2,221,735
Transfer from construction in progress (Note 9)	-	736	8,748	54,401	1,440	797	66,122
At 31 December 2013	553,265	26,214	317,995	1,346,557	21,912	21,914	2,287,857
Accumulated depreciation							
At 1 January 2013	-	3,502	39,476	157,939	17,633	18,025	236,575
Depreciation charged for the year	-	85	8,818	38,434	1,033	1,611	49,981
At 31 December 2013	-	3,587	48,294	196,373	18,666	19,636	286,556
Net book value at 31 December 2013	553,265	22,627	269,701	1,150,184	3,246	2,278	2,001,301
Net book value at 31 December 2012	553,265	21,976	269,771	1,134,217	2,839	3,092	1,985,160

- There is no mortgage over the property, plant and equipment.

- Quarries compensations represent amounts paid to make quarries ready for use.

- The gross carrying amount of fully depreciated property, plant and equipment that are still in use amounted to EGP 29,985 thousands as of 31 December 2013 (31 December 2012: EGP 28,459 thousands).

- The company has revalued its land, building and machinery in May 2008 using an independent valuer for land valuation and using Titan Cement Group, Engineering and Technology department for building and machinery valuation. Land valuation is based on market price per square meter adjusted for area, location and industry type. Building and machinery valuation is based on recent market quotes for construction of new similar production line adjusted for production capacity and years of operation of the company's building and machinery.

- Depreciation included in the income statement is as follows:

	2013 EGP '000'	2012 EGP '000'
Cost of sales	49,204	47,709
Administrative expense	777	736
	49,981	48,445

Alexandria Portland Cement Company (S.A.E)
 NOTES TO THE SEPARATE FINANCIAL STATEMENTS
 At 31 December 2013

9 CONSTRUCTION IN PROGRESS

	2013 EGP '000'	2012 EGP '000'
At 1 January	43,236	11,533
Additions	37,861	46,406
Transferred to property , plant and equipment (Note 8)	(66,122)	(14,703)
Transferred to intangible assets (Note 10)	(4,450)	-
Ending balance	10,525	43,236

10 INTANGIBLE ASSETS

Intangible assets represent the computer programs and the software licenses as follows:

	2013 EGP '000'	2012 EGP '000'
Cost		
Beginning balance	15,314	15,314
Transfers from projects under construction (Note 9)	4,450	-
Ending balance	19,764	15,314
Accumulated amortization		
Beginning balance	14,065	12,545
Amortization	1,813	1,520
Ending balance	15,878	14,065
Net book value	3,886	1,249

11 INVESTMENTS IN SUBSIDIARIES

	Ownership %	2013 EGP '000'	2012 EGP '000'
Beni Suf Cement Company S.A.E	99.99%	3,165,696	3,165,696
Titan Beton & Aggregates Egypt L.L.C.	96.54%	77,230	77,230
Impairment of investment in Titan Beton & Aggregates Misr		(1,270)	-
		3,241,656	3,242,926

12 INVENTORIES

	2013 EGP '000'	2012 EGP '000'
Spare parts and supplies	168,975	141,641
Raw materials	30,423	20,471
Semi finished goods	18,373	36,019
Consignment goods with others	7,190	6,572
Finished goods	6,905	3,293
Packing materials	3,688	4,464
Consumable stores	158	131
	235,712	212,591
Less: Decline in value of spare parts	(10,217)	(7,697)
Total book value	225,495	204,894

Alexandria Portland Cement Company (S.A.E)
 NOTES TO THE SEPARATE FINANCIAL STATEMENTS
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13 DUE FROM / TO RELATED PARTIES

A) DUE FROM RELATED PARTIES

	Nature	2013 EGP '000'	2012 EGP '000'
Beni Suef Cement Company	Interest receivable	1,510	-
Titan Beton & Aggregates Egypt L.L.C	Current	996	635
		<u>2,506</u>	<u>635</u>

B) DUE TO RELATED PARTIES

	Nature	2013 EGP '000'	2012 EGP '000'
Beni Suef Cement Company	Current	57,406	36,447
Titan Egyptian Investment Ltd	Interest payable	16,394	22,246
Kocem	Dividends payable	7,442	-
East Cement	Dividends payable	6,140	-
Titan Company SA	Current	3,252	30
Iapetos	Dividends payable	1,375	-
Titan Beton & Aggregates Egypt L.L.C	Interest payable	1,280	685
Alexandria Development Ltd	Interest payable	322	-
Beni Suef Cement Company	Interest payable	-	12,830
		<u>93,611</u>	<u>72,238</u>

14 LOAN RECEIVABLES – SUBSIDIARY

On 30 June 2013, the company granted an intercompany revolving loan to Beni Suef Cement Company (Subsidiary) amounting to EGP 400 Million with an interest rate on the drawn amounts to be calculated based on Commercial banks interest rate on deposits plus 0.5% and to be repaid within one year from the contract date; accordingly, it is recorded under current assets. The loan balance as of 31 December 2013 is EGP 207,601 thousands (excluding interest).

15 PREPAYMENTS AND OTHER RECEIVABLES

	2013 EGP '000'	2012 EGP '000'
Tax Authority- refundable clay fees *	19,908	44,192
Deposits with others	13,759	6,296
Personal advance	9,118	113
Prepaid expenses	5,851	5,672
Customs Authority	4,200	3,665
Tax receivables- sales tax	2,561	5,761
Tax receivables- withholding tax	1,805	1,600
Advances to suppliers	1,162	1,571
Interest receivable	-	5
Other debit balances	483	682
	<u>58,847</u>	<u>69,557</u>
Less: decline in value of other debit balances	(224)	(224)
	<u>58,623</u>	<u>69,333</u>

Alexandria Portland Cement Company (S.A.E)

NOTES TO THE SEPARATE FINANCIAL STATEMENTS

At 31 December 2013

15 PREPAYMENTS AND OTHER RECEIVABLES (CONTINUED)

* Refundable clay fees amounting to EGP 19,908 thousands represents net amount due from Tax Authority amounting to EGP 95,269 thousands in addition to EGP 4,120 thousands (as mentioned below) after deducting consumption from December 2010 up to 31 December 2013 amounting to EGP 79,481 thousand. Based on the meeting held on 28 December 2010 between Tax Authority officials and representative of all cement companies in Egypt, it has decided that the clay fees per ton of EGP 9 should be applied for each ton of produced cement instead of EGP 35.1 as per relevant law, for the period from May 2008 to June 2010 resulted in a difference amounted to EGP 95,268,959 which the company has already paid and recorded in the other debit balances in the balance sheet and other income in the income statement. During 2011, the management of the Company received a new request from the tax authority to settle the clay fees difference due on the Company. The management of the Company has obtained an independent legal opinion, which concluded that the Company has rightful claim of the excess clay fees difference.

On 26th of April 2012, the Prime Minister (as publicized in the official news paper dated 26th of April 2012), confirmed that the clay fees is EGP 9 per clay Ton instead of EGP 35.1 per clay Ton for the period from May 2008 to June 2010.

Based on the external legal opinion received on June 2012, the company has the right to refund clay fees paid on cement produced using imported clinker. This resulted in an increase in the amount due from Tax Authority by EGP 4,120,352. However, the company didn't reach a final settlement with the Tax Authority.

During the 4th quarter of 2012, the company received Appeal Committee decision which confirmed the appeal submitted by the company related to the company's right in the clay fees paid in excess amounting to EGP 95,268,959.

16 CASH AND BANK

	2013 EGP '000'	2012 EGP '000'
a) Egyptian pound		
Cash on hand	-	70
Current accounts	41,372	6,956
Short term deposits	-	733
	<u>41,372</u>	<u>7,759</u>
b) Foreign currency		
Current accounts	1,572	40,382
	<u>1,572</u>	<u>40,382</u>
Cash and cash equivalent	42,944	48,141
Reserved deposits and cash margins (note 25)	4,534	1,744
Cash at banks	47,478	49,885

17 CAPITAL

The Company's authorized capital amounts to EGP 4 Billions, while the Company's issued and paid up capital amounts to EGP 2,570,574,700 divided over 257057470 thousands shares of par value L.E 10 each as follows:

Name	No. of shares	Percentage %	Nominal Value EGP
Alexandria development ltd	226286543	88.030%	2,262,865,430
Kocem	12403344	4.825 %	124,033,440
East Cement Trade Limited	10233290	3.981%	102,332,900
IAP ETOS Limited	2291191	0.891%	22,911,910
Others	5843102	2.273%	58,431,020
Total	257057470	100	2,570,574,700

Alexandria Portland Cement Company (S.A.E)

NOTES TO THE SEPARATE FINANCIAL STATEMENTS

At 31 December 2013

18 TERM LOANS – RELATED PARTY

	2013 EGP '000'	2012 EGP '000'
A-Titan Egypt Investment Ltd	606,611	570,858
B-Alexandria Development Ltd	135,000	-
	<u>741,611</u>	<u>570,858</u>

A- On 1st of July 2010, Titan Egypt Investment Ltd has converted the debt balance amounting to EGP 684,859,366 due to it to a term loan of EURO 97,982 thousands.

On December 2011, the company paid partial settlement of Euro 25 Million (equivalent to EGP 199,633 thousands). The loan will be repaid within 5 years starting 1st of July 2010 and its outstanding balance amounting to EGP 606,611 thousands as of 31 December 2013

Interest rate is calculated on the EURIBOR in plus 5.15%

B- On 20 December 2013, Alexandria Development Ltd has granted an intercompany loan to the Company amounting to EGP 135 Million with an interest rate on the drawn amounts to be calculated based on Corridor Lending rate plus 1.5% and to be repaid within four year from the contract date.

19 CREDIT FACILITY

	2013 EGP '000'	2012 EGP '000'
Ahli United Bank	195,665	-
	<u>195,665</u>	<u>-</u>

On 21 June 2012, the Company was granted a revolving credit facility amounting to EGP 250 Million from Ahli United Bank to be repaid after five years from the signing date of the contract with an interest rate on the drawn amounts to be calculated based on the interest rate published by Central Bank of Egypt plus 1.75%.

The credit facility balance as of 31 December 2013 amounted to EGP 195,665 thousands (exclusive interest).

20 PROVISIONS

	Balance 1 January 2013 EGP '000'	Creation During the year EGP '000'	Used During the year EGP '000'	Balance 31 December 2013 EGP '000'
Provision for litigation	1,557	-	-	1,557
Tax provision	868	-	(40)	828
Other provisions	-	328	-	328
	<u>2,425</u>	<u>328</u>	<u>(40)</u>	<u>2,713</u>

21 TRADE PAYABLES

	2013 EGP '000'	2012 EGP '000'
Accounts payable- Local currency	78,045	46,905
Accounts payable- Foreign currency	1,287	644
	<u>79,332</u>	<u>47,549</u>

Accounts payables are non-interest bearing and are normally settled on 90-day term.

Alexandria Portland Cement Company (S.A.E)
 NOTES TO THE SEPARATE FINANCIAL STATEMENTS
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22 ACCRUED EXPENSES AND OTHER PAYABLES

	2013 EGP '000'	2012 EGP '000'
Accrued expense	16,737	16,629
Gas purchase accrual	9,989	10,514
Sales tax	8,531	8,804
Tax Authority-Withholding tax	4,592	1,270
Tax Authority-Payroll tax	721	751
Tax Authority-Real estate tax	294	294
Electricity accrual	5,658	5,723
Accrued bonus	5,150	6,296
Social security	304	279
Accrued salaries	-	145
Other credit balances	547	1,077
	<u>52,523</u>	<u>51,782</u>

23 PURCHASE COMMITMENTS

	Current portion	From 1to 5 years	More than 5 years	Total
	EGP '000'	EGP '000'	EGP '000'	EGP '000'
Future purchase commitments:				
Gas supply	<u>28,641</u>	<u>114,566</u>	<u>97,858</u>	<u>241,065</u>

The purchase commitment amounting to EGP 241,065 thousands represents the minimum gas purchase quantity as per the contract agreement between the gas supplier and the company.

24 LOANS PAYABLE – SUBSIDIARIES

	2013 EGP '000'	2012 EGP '000'
A) Loan from Titan Beton & Aggregates Egypt L.L.C	2,200	14,800
B) Loan from Beni Suef Cement Company	-	236,840
	<u>2,200</u>	<u>251,640</u>

A) LOAN FROM TITAN BETON & AGGREGATES EGYPT

On June 2011 Titan Beton and Aggregate Egypt L.L.C (subsidiary) granted a short term loan to the company amounting to EGP 47 Millions.

On December 2011, the company has amended the intercompany loan agreement terms to be repaid within one year starting from December 2011; accordingly, it is recorded under current liabilities.

On 28th of December 2012, the company has signed a loan extension agreement whereby the two parties agreed to extend the settlement term at which the loan will be repaid within one year from the date of the amended contract and to reduce the loan ceiling from EGP 50 Million to EGP 15 Million. The loan balance as of 31 December 2013 is EGP 2,200 thousands (excluding interest).

The interest is calculated based on borrower's Commercial banks deposit rate plus an additional 0.5% (Note 13b).

Alexandria Portland Cement Company (S.A.E)

NOTES TO THE SEPARATE FINANCIAL STATEMENTS

At 31 December 2013

24 LOANS PAYABLE – SUBSIDIARIES (CONTINUED)

B) LOAN FROM BENI SUEF CEMENT COMPANY

On 1 May 2012, Beni Suef Cement Company (subsidiary) has granted an intercompany revolving loan to the Company amounting to EGP 400 Million with an interest rate on the drawn amounts to be calculated based on the interest rate granted by the Commercial banks on deposits in addition to 0.5% and to be repaid within one year from the contract date. During the period ended 30 June 2013, the company settled the remaining loan balance amounting to EGP 236,840 thousands (excluding interest).

25 CONTINGENT LIABILITIES

The company contingent liabilities represents bank guarantees resulted from the company activities, accordingly, the company contingent liabilities has reached EGP 4,534 thousands (note16) as of 31 December 2013 represented in blocked deposits amounting to EGP 2,329 thousands and letter of guarantee cash margin amounting to EGP 2,205 thousands of total EGP 4,534 thousands (note16) as shown below:

	Amount in Currency	Equivalent in EGP '000'	Cash margin EGP '000'	Restricted deposits EGP '000'
Bank of Alexandria	748	748	723	25
Qatar National Bank- Al Ahli	3,786	3,786	1,482	2,304
		4,534	2,205	2,329

26 TAX SITUATION

a) Corporate taxes

- The company is regularly presenting the annual tax returns on the statutory due dates.
- All dispute points with the tax authority till 31 December 2001 have been resolved and tax dues were paid.
- For the years from 2002 till 2003 the company's books were inspected by the tax authority dispute points were solved and tax disputes were paid.
- Files and documents of the company were inspected for the year 2004 and points of dispute are transferred to the appeal committee and the settlement is in process.
- Files and documents of the company were inspected for the year 2005 and points of dispute are transferred to the appeal committee and no tax claim received until now.
- Files and documents of the Company were inspected for the year 2006 and the dispute transferred to the internal committee.
-
- Files and documents of the Company were inspected for the years 2007 till 2009 and the disputes transferred to the internal committee to re- inspect it with tax authority.
- No tax inspection took place for the years from 2010 till 2013.
- Blue circle books were inspected for the years 2004 and all tax dues were settled and paid.
- Blue circle books were inspected for the years 2005 and 2006 and disputed points have been transferred to an internal committee dispute points were solved and for the settlement under process.

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26 TAX SITUATION (CONTINUED)

b) Sales taxes

- The company timely remits salary taxes withheld from its employees to the Tax Authority, in accordance with the Income Tax Law with respect to salaries.
- For the years from 2000 till 2009 the company's books were inspected and all tax dues were settled.
- For the years from 2010 till 2011 the company's books were inspected and settlement is in process.
- No tax inspections took place for the year 2012.
- Blue Circle books were inspected by the Tax Authority till 2006 and all tax dues were paid.

c) Salary taxes

- The company timely remits salary taxes withheld from its employees to the Tax Authority, in accordance with the Income Tax Law with respect to salaries.
- The company was inspected from 2000 till 2006 and all tax dues were settled.
- The company files and documents were inspected for the years from 2007 till 2011 and points of dispute are transferred to the internal committee.
- No tax inspection took place for the years 2012 and 2013.
- Blue circle books were inspected till 2004 and 2005 and points of dispute were transferred to the internal committee.
- Blue circle books are under inspection for the year 2006.

d) Stamp duty taxes

- The company's books were inspected up to year 2007 and all tax dues were paid.
- The company's books are under inspection for the years 2008 till 2012.
- Blue Circle books were inspected and settled from inception up to December 2006.

e) Real estate tax

- The company's books were inspected and settled till December 2012.

Alexandria Portland Cement Company (S.A.E)

NOTES TO THE SEPARATE FINANCIAL STATEMENTS

At 31 December 2013

27 MATERIAL LEGAL CASES

- A case was filed against the Governor of Alexandria, the Head of El-Agamy District, the Minister of Trading and Industry, the Minister of Environment, the President of Alexandria Environmental Affairs Agency, the President of Industrial Development Authority and the company, seeking the abolition of the administrative decision of the competent Egyptian authority which issued the operating license to the company's plant in Alexandria, alleging violations of environmental and related regulation. The Company's legal advisor believes that the likelihood of the Company winning this case is probable.

- An employee of the company filed a case against the President of the Republic of Egypt, the Prime Minister, the Minister of Investments, the Minister of Industry, the Governor of Alexandria, the Manager of the Mines and Salinas Project in Alexandria and the Manager of the Mines and Quarries Department in Alexandria seeking the annulment of the sale of the company to Blue Circle Cement Group in 1999. The company is not named as defendant in the action. In May 2013, another legal action was raised against the company requesting the nullification of sale of shares of the company to Blue Circle Cement Group. The Company's legal advisor believes that the likelihood of the Company winning these cases is probable.

28 FAIR VALUE OF FINANCIAL INSTRUMENTS

The Company's financial instruments are represented in financial assets and financial liabilities. The financial assets include cash and cash equivalent, due from related parties and other receivables. The financial liabilities include accounts payable, credit facilities, interest bearing loan and borrowings, accrued expenses, other payables and due to related parties.

The significant accounting policies applied for the recognition and measurement of the above mentioned financial assets and liabilities and the related income and expenses are included in note (2) of these notes to the financial statements.

The carrying amounts of the financial assets and liabilities referred to in note (2) above are not materially different from their fair values.

29 FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES

The Company's principal financial liabilities comprise Interest bearing loans and borrowings, credit facilities and trade and notes payables. The main purpose of these financial liabilities is to raise finance for the Company's operations. The Company has various financial assets such as Accounts receivable and cash and short-term deposits, which arise directly from its operations.

The Company's is exposed to market risk, interest rate risk, liquidity risk, foreign currency risk and credit risk.

The Board of Directors reviews and agrees policies for managing each of these risks which are summarized below:

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. Market prices comprise two types of risk: interest rate risk and currency risk, such as equity risk. Financial instruments affected by market risk include interest bearing loans and borrowings and short-term deposits.

- 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 long-term debt obligations with floating interest rates.

The Company's policy is to manage its interest cost using a mix of fixed and variable rate debts. The Company monitors the maturity structure of assets and liabilities with the related interest rates.

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At 31 December 2013

29 FAIR VALUE OF FINANCIAL INSTRUMENTS (CONTINUED)

- Foreign currency risk

Foreign currency risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in foreign exchange rates. The Company's exposure to the risk of changes in foreign exchange rates relates primarily to the Company's operating activities (when revenue or expense are denominated in a different currency from the Group's functional currency)

The total financial assets denominated in foreign currencies amount to EGP 1,733 thousands, whereas, the total financial liabilities denominated in foreign currencies amount to EGP 628,351 thousands.

Credit risk

Credit risk is the risk that counterparty will not meet its obligation under a financial instrument of customer contract, leading to a financial loss. The Company is exposed to credit risk from its operating activities and from its financing activities, including deposits with banks as follows:

	2013 EGP '000'	2012 EGP '000'
Due from related parties	2,506	635
Cash and cash equivalent	47,478	49,815
Loan receivable - parent	207,601	-
Other receivables	58,623	69,333
	<u>316,208</u>	<u>119,783</u>

- Credit risks related to Due from related parties:

Due from related parties is within minimal credit risk.

- Credit risks related to financial instruments and cash deposits:

Credit risk from balances with banks and financial institutions is managed by Company's treasury in accordance with the Company's policy.

The Company seeks to limit its credit risk with respect to banks by only dealing with reputable banks.

- Credit risks related to other receivables:

Outstanding other receivables are regularly monitored by the company's management.

Liquidity risk

The Company monitors its risk to a shortage of funds using a recurring liquidity planning tool.

The Company's objective is to maintain a balance between continuity of funding and flexibility through the use of credit facilities, interest bearing loans and finance leases.

The table below summarizes the maturity profile of the Company's undiscounted financial liabilities at 31 December 2013 based on contractual (undiscounted) payments:

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29 FAIR VALUE OF FINANCIAL INSTRUMENTS (CONTINUED)

	<i>Less than 6 months EGP '000'</i>	<i>6 to 12 months EGP '000'</i>	<i>1 to 5 Years EGP '000'</i>	<i>More than 5 years EGP '000'</i>	<i>Total EGP '000'</i>
<u>Year Ended 31 December 2013:</u>					
Trade payable	79,332	-	-	-	79,332
Accrued expenses	52,523	-	-	-	52,523
Advances from customers	59,385	-	-	-	59,385
Due to related parties	93,611	-	-	-	93,611
Borrowings (Banks)	-	-	195,665	-	195,665
Borrowings (related parties)	-	2,200	741,611	-	743,811
	284,851	2,200	937,276	-	1,224,327
<u>Year Ended 31 December 2012:</u>					
Trade payable	47,549	-	-	-	47,549
Accrued expenses	51,782	-	-	-	51,782
Advances from customers	92,062	-	-	-	92,062
Due to related parties	72,238	-	-	-	72,238
Borrowings (related parties)	-	251,640	570,858	-	822,498
	263,631	251,640	570,858	-	1,086,129

30 EARNINGS PER SHARE

Earnings per share were calculated by dividing the profit for the year by the average number of shares outstanding. Earnings per share amounted to EGP 0.81.

31 DIVIDENDS PAID

In accordance with the resolution of the Annual General Assembly meeting held on 11 April 2013, the Company has declared dividends to shareholders amounted to EGP 154,235 thousands of which an amount of EGP 139,278 thousands was paid during the year.

32 RELATED PARTY TRANSACTIONS

A) During 2013, in accordance with the resolution of the General Assembly Meeting held on 11 of April 2013 the Company received dividends amounting to EGP 166,288 thousands from Beni Suf Cement Company.

B) Interest expense to Titan Beton amounting to EGP 595 thousands resulted from loan from Titan Beton.

C) Interest expense to Titan Egypt Investment Ltd amounting to EGP 35,061 thousands resulted from loan from Titan Egypt Investment Ltd.

D) Interest expense to Beni Suf Cement Company amounting to EGP 9,105 thousands resulted from loan from Beni Suf Cement Company.

E) Purchases of Clinker from Beni Suf Cement Company amounting to EGP 26,445 thousands.

F) Interest expense to Alexandria Development Ltd Company amounting to EGP 322 thousands resulted from loan from Alexandria Development Ltd Company.

G) Interest income from Beni Suf Cement Company amounting to EGP 1,510 thousands from loan to Beni Suf Cement Company.

33 COMPARATIVE FIGURES

The comparative figures have been reclassified to comply with the current year presentation.