

BENI SUEF CEMENT COMPANY (S.A.E)
FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2013
TOGETHER WITH AUDITOR'S REPORT

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)**, represented in the statement of financial position as at 31 December 2013, as well as the statement 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 Standards on Auditing 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

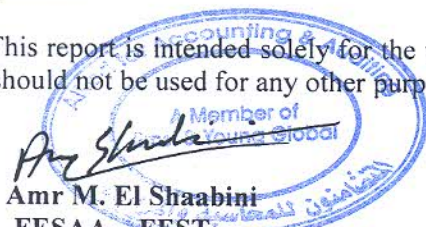

In our opinion, the financial statements referred to above, give a true and fair view, in all material respects, of the financial position of **Beni Suef Cement Company (S.A.E)** as of 31 December 2013, and of its financial performance and its cash flows for the year then ended in accordance with International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

Emphasis of Matter:

Without qualifying our opinion, we draw attention to note (28) to the financial statements regarding material legal cases as follows:

- The Nile Organization has raised a court case against the Company claiming compensation amounting to EGP 300,000,000 for the harms resulted from the Company's use of the quarries land. The Company's legal advisor believes that the likelihood of the Company winning this case is probable.
- In 28 October 2007, the Company obtained extension license for the second line for cement production for EGP 134,500,000 through a bid held by the Trading and Industrial Authority. The Industrial Development Authority subsequently raised the license value to EGP 251,000,000 whereas the Company in return has raised a court case against the Industrial Development Authority to safeguard its right in the license. The Company's legal advisor believes that the likelihood of the Company winning this case is probable.
- Two former employees of Beni Suef Cement Company S.A.E. (BSCC) have filed an action against the company, seeking the revocation of the implementation of the decision of the Ministerial Privatization Committee of Egypt taken in the year 1998 regarding the privatization after a public auction of BSCC and the nullification of the sale effected pursuant to the said decision to Financiere Lafarge through a public auction. In June 2013, another legal action was raised against the company requesting the nullification of the sale effected to Financiere Lafarge. 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

Beni Suef Cement Company (S.A.E)
 STATEMENT OF COMPREHENSIVE INCOME
 For The Year Ended 31 December 2013

| | Notes | 2013 EGP'000' | 2012 EGP'000' |
|--|-------|------------------|------------------|
| Sales | (3) | 1,342,454 | 1,187,924 |
| Cost of sales | (4) | (941,562) | (773,764) |
| Gross profit | | 400,892 | 414,160 |
| Other operating income | | 6,659 | 6,209 |
| Administrative, selling and marketing expenses | (5) | (55,055) | (53,406) |
| Other operating expenses | | (3,526) | (35,317) |
| Provisions | (18) | (527) | (6,109) |
| Provisions no longer required | (18) | 5,000 | 9,636 |
| Write-off amount due from related parties | | - | (520) |
| Gain on disposal of property, plant and equipment | | - | 18 |
| Operating profit | | 353,443 | 334,671 |
| Finance costs | (6) | (70,264) | (66,948) |
| Finance income | | 10,589 | 15,211 |
| Foreign exchange differences | | 4,994 | 7,141 |
| Profits before tax | | 298,762 | 290,075 |
| Current income tax expense | (7) | (83,927) | (57,701) |
| Deferred tax income (expense) | (7) | 7,888 | (22,505) |
| Profits for the year | | 222,723 | 209,869 |
| Other Comprehensive income | | - | - |
| Total comprehensive income for the year, net of tax | | 222,723 | 209,869 |

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

Beni Suef Cement Company (S.A.E)
 STATEMENT OF FINANCIAL POSITION
 At 31 December 2013

| | Notes | 2013 EGP'000' | 2012 EGP'000' |
|--|-------|------------------|------------------|
| Assets | | | |
| Non-current assets | | | |
| Property, plant and equipment | (8) | 2,208,522 | 2,254,474 |
| Construction in progress | (9) | 47,654 | 23,325 |
| Intangible assets | (10) | 86,355 | 86,222 |
| Total Non-current assets | | 2,342,531 | 2,364,021 |
| Current assets | | | |
| Inventories | (11) | 168,357 | 125,941 |
| Accounts receivable | (12) | - | - |
| Due from related parties | (13a) | 61,869 | 53,617 |
| Loan receivables - Parent | (14) | - | 236,840 |
| Prepayments and other receivables | (15) | 86,569 | 102,492 |
| Cash and bank | (16) | 32,479 | 105,080 |
| Total Current assets | | 349,274 | 623,970 |
| Total assets | | 2,691,805 | 2,987,991 |
| Equity and liabilities | | | |
| Equity | | | |
| Issued capital | (17) | 520,000 | 520,000 |
| Legal reserve | | 89,027 | 79,303 |
| Retained earnings | | 283,026 | 238,580 |
| Profits for the year | | 222,723 | 209,869 |
| Assets revaluation reserve | | 509,858 | 520,451 |
| Total equity | | 1,624,634 | 1,568,203 |
| Non-current liabilities | | | |
| Provisions | (18) | 6,313 | 10,786 |
| Credit facility | (19) | 29,879 | 528,000 |
| Noncurrent portion of term instalments | (20) | 6,377 | 19,130 |
| Noncurrent portion of term loan | (21) | 33,122 | 73,939 |
| Deferred tax liability | (7) | 397,787 | 405,675 |
| Total Non-current liabilities | | 473,478 | 1,037,530 |
| Current liabilities | | | |
| Trade payables | (22) | 79,023 | 52,253 |
| Notes payable | | 9,457 | 1,442 |
| Advances from customers | | 84,705 | 134,030 |
| Accrued expenses and other payables | (23) | 89,191 | 78,465 |
| Income tax payable | | 66,598 | 61,611 |
| Current portion of term installments | (20) | 12,753 | 12,753 |
| Loan payable - parent | (24) | 207,601 | - |
| Current portion of term loan | (21) | 33,122 | 36,970 |
| Dividends payable | | 713 | 710 |
| Due to related parties | (13b) | 10,530 | 4,024 |
| Total Current liabilities | | 593,693 | 382,258 |
| Total equity and liabilities | | 2,691,805 | 2,987,991 |


 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

Beni Suef Cement Company (S.A.E)

STATEMENT OF CHANGES IN EQUITY
For The Year Ended 31 December 2013

| | Issued capital | Legal reserve | Retained earnings | Profit for the year | Asset revaluation reserve | Total |
|--|----------------|---------------|-------------------|---------------------|---------------------------|------------------|
| | EGP'000' | EGP'000' | EGP'000' | EGP'000' | EGP'000' | EGP'000' |
| As at 1 January 2012 | 520,000 | 64,949 | 175,901 | 299,952 | 528,996 | 1,589,798 |
| Transferred to retained earnings | - | - | 299,952 | (299,952) | - | - |
| Transferred to legal reserve | - | 14,354 | (14,354) | - | - | - |
| Dividends | - | - | (231,464) | - | - | (231,464) |
| Depreciation transferred for revalued buildings, machinery and equipment | - | - | 8,545 | - | (8,545) | - |
| Profits for the year | - | - | - | 209,869 | - | 209,869 |
| At 31 December 2012 | 520,000 | 79,303 | 238,580 | 209,869 | 520,451 | 1,568,203 |
| As at 1 January 2013 | 520,000 | 79,303 | 238,580 | 209,869 | 520,451 | 1,568,203 |
| Transferred to retained earnings | - | - | 209,869 | (209,869) | - | - |
| Transferred to legal reserve | - | 9,724 | (9,724) | - | - | - |
| Dividends (Note 31) | - | - | (166,292) | - | (10,593) | (166,292) |
| Depreciation transferred for revalued buildings, machinery and equipment | - | - | 10,593 | - | - | - |
| Profits for the year | - | - | - | 222,723 | - | 222,723 |
| At 31 December 2013 | 520,000 | 89,027 | 283,026 | 222,723 | 509,858 | 1,624,634 |

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

Beni Suef Cement Company (S.A.E)

STATEMENT OF CASH FLOWS

For The Year Ended 31 December 2013

| | Notes | 2013 EGP'000' | 2012 EGP'000' |
|--|-------|------------------|------------------|
| Operating activities | | | |
| Profits before tax | | 298,762 | 290,075 |
| Non-cash adjustments to reconcile profit before tax to net cash flows | | | |
| Depreciation of property, plant and equipment | (8) | 69,255 | 70,702 |
| Amortization of intangible assets | (10) | 3,855 | 2,981 |
| Finance costs | (6) | 70,264 | 66,948 |
| Finance income | | (10,589) | (15,211) |
| Provisions | (18) | 527 | 6,109 |
| Provisions no longer required | (18) | (5,000) | (9,636) |
| Reverse in decline of provisions for slow moving inventory | (11) | (310) | 460 |
| Write-off amount due from related parties | | - | 520 |
| Gain on disposal of property, plant and equipment | | - | (18) |
| Unrealized forex | | (6,292) | (7,064) |
| | | <u>420,472</u> | <u>405,866</u> |
| Working capital adjustments : | | | |
| Change in restricted cash | | (6,697) | (1,054) |
| Change in inventories | | (42,106) | (1,611) |
| Change in due from related parties | | (21,082) | (37,715) |
| Change in prepayments and other receivables | | 15,869 | 69,254 |
| Change in trade payable | | 26,770 | (11,203) |
| Change in Notes payable | | 8,015 | (3,223) |
| Change in advances from customers | | (49,325) | (41,441) |
| Change in accrued expenses and other payables | | 11,682 | 23,608 |
| Change in due to related parties | | 4,996 | 1,843 |
| | | <u>368,594</u> | <u>404,324</u> |
| Provisions used | | - | (334) |
| Interest received | | 23,473 | 2,344 |
| Income tax paid | | (78,940) | (81,918) |
| Net cash flows from operating activities | | <u>313,127</u> | <u>324,416</u> |
| Investing activities | | | |
| Proceeds from disposal of property, plant and equipment | | - | 18 |
| Payments to acquire construction in progress | (9) | (51,620) | (40,759) |
| Net cash flows (used in) investing activities | | <u>(51,620)</u> | <u>(40,741)</u> |
| Financing activities | | | |
| Dividends paid | (31) | (166,289) | (231,464) |
| Change in of loan receivable – Parent | (14) | 236,840 | (236,840) |
| Change in credit facilities | | (498,121) | 528,000 |
| Settlement of borrowings | | (57,418) | (57,656) |
| Change in loan payable – Parent | | 207,601 | (152,800) |
| Interest paid | | (69,710) | (76,906) |
| Net cash flows (used in) financing activities | | <u>(347,097)</u> | <u>(227,666)</u> |
| Net (decrease) increase in cash and cash equivalents | | (85,590) | 56,009 |
| Unrealized forex | | 6,292 | 7,064 |
| Cash and cash equivalent at 1 January | | 103,658 | 40,585 |
| Cash and cash equivalent at 31 December 2013 | (16) | <u>24,360</u> | <u>103,658</u> |

Beni Suef Cement Company (S.A.E)
STATEMENT OF CASH FLOWS (CONTINUED)
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 at banks | (16) | 32,479 | 105,080 |
| Less: | | | |
| Reserved Time deposits | (16) | (8,119) | (1,422) |
| | | <u>24,360</u> | <u>103,658</u> |

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

Beni Suef Cement Company (S.A.E)

NOTES TO THE FINANCIAL STATEMENTS

At 31 December 2013

1 CORPORATE INFORMATION

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 the conciliation of the Company 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.

2 BASIS OF PREPARATION AND 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

2 BASIS OF PREPARATION AND ACCOUNTING POLICIES - CONTINUED

2-2 change in accounting polices (continued)

Not all of these standards and amendments impact the company's 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.

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 counties 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 BASIS OF PREPARATION AND ACCOUNTING POLICIES - CONTINUED

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.

2 BASIS OF PREPARATION AND 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.

2 BASIS OF PREPARATION AND ACCOUNTING POLICIES - CONTINUED

2-7 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 |
| Tools | 5 years |

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.

2-8 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.

2-9 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).

Beni Suef Cement Company (S.A.E)
NOTES TO THE FINANCIAL STATEMENTS
At 31 December 2013

2 BASIS OF PREPARATION AND ACCOUNTING POLICIES - CONTINUED

2-10 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

2-11 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.

2-12 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.

2-13 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.

Beni Suef Cement Company (S.A.E)
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At 31 December 2013

2 BASIS OF PREPARATION AND ACCOUNTING POLICIES - CONTINUED

2-14 Lease

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

2-15 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.

2-16 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.

2-17 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.

2-18 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.

2-19 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.

2-20 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.

2-21 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.

| | <u>2013</u> EGP'000' | <u>2012</u> EGP'000' |
|--|-------------------------|-------------------------|
| Variable costs | 611,537 | 438,863 |
| Fixed costs | 123,644 | 131,531 |
| Inventory production cost change | (13,313) | 9,986 |
| Packing costs | 92,849 | 95,274 |
| Depreciation of property, plant and equipment (Note 8) | 67,933 | 69,348 |
| Distribution costs | 32,240 | 28,302 |
| Cost of purchased clinker | 26,445 | - |
| Obsolete and slow moving inventory cost | 227 | 460 |
| | <u>941,562</u> | <u>773,764</u> |

5 ADMINISTRATIVE, SELLING AND MARKETING EXPENSES

| | 2013 EGP'000' | 2012 EGP'000' |
|--|------------------|------------------|
| Administrative expenses | 46,780 | 45,266 |
| Selling and marketing expenses | 3,098 | 3,805 |
| Amortization of intangible assets (Note 10) | 3,855 | 2,981 |
| Depreciation of property, plant and equipment (Note 8) | 1,322 | 1,354 |
| | <u>55,055</u> | <u>53,406</u> |

6 FINANCE COSTS

| | 2013 EGP'000' | 2012 EGP'000' |
|------------------------------------|------------------|------------------|
| Interest on credit facility | 47,323 | 46,138 |
| Bank charge | 16,525 | 8,591 |
| Interest on term loan | 2,615 | 3,788 |
| Interest on term instalments | 2,291 | 3,653 |
| Interest on loan payable to parent | 1,510 | 4,778 |
| | <u>70,264</u> | <u>66,948</u> |

Beni Suef Cement Company (S.A.E)

NOTES TO THE FINANCIAL STATEMENTS

At 31 December 2013

8 PROPERTY, PLANT AND EQUIPMENT

| | Land EGP'000' | Buildings EGP'000' | Machinery and equipment EGP'000' | Vehicles EGP'000' | Furniture and Fixture EGP'000' | Tools EGP'000' | Total EGP'000' |
|---|------------------|-----------------------|-------------------------------------|----------------------|-----------------------------------|-------------------|-------------------|
| Cost or valuation: | | | | | | | |
| At 1 January 2013 | 324,472 | 380,982 | 1,785,101 | 98,618 | 11,259 | 15,039 | 2,615,471 |
| Transfer from construction in progress (Note 9) | - | 834 | 20,920 | 745 | 320 | 484 | 23,303 |
| At 31 December 2013 | <u>324,472</u> | <u>381,816</u> | <u>1,806,021</u> | <u>99,363</u> | <u>11,579</u> | <u>15,523</u> | <u>2,638,774</u> |
| Accumulated depreciation: | | | | | | | |
| At 1 January 2013 | - | 48,399 | 201,372 | 93,471 | 9,977 | 7,778 | 360,997 |
| Depreciation charge for the year | - | 12,391 | 52,294 | 1,823 | 829 | 1,918 | 69,255 |
| At 31 December 2013 | - | 60,790 | 253,666 | 95,294 | 10,806 | 9,696 | 430,252 |
| Net book value: | | | | | | | |
| At 31 December 2013 | <u>324,472</u> | <u>321,026</u> | <u>1,552,355</u> | <u>4,069</u> | <u>773</u> | <u>5,827</u> | <u>2,208,522</u> |
| At 31 December 2012 | <u>324,472</u> | <u>332,583</u> | <u>1,583,729</u> | <u>5,147</u> | <u>1,282</u> | <u>7,261</u> | <u>2,254,474</u> |

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

- The gross carrying amount of fully depreciated property, plant and equipment that are still in use amounted to EGP 107,836 thousands as of 31 December 2013 (31 December 2012: EGP 95,703 thousands).

- The depreciation charge for the year has been allocated to the income statement as follows:

| | 2013 EGP'000' | 2012 EGP'000' |
|-------------------------|------------------|------------------|
| Cost of sales | 67,933 | 69,348 |
| Administrative expenses | 1,322 | 1,354 |
| | <u>69,255</u> | <u>70,702</u> |

Revaluation of land and buildings

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.

Beni Suef Cement Company (S.A.E)

NOTES TO THE FINANCIAL STATEMENTS

At 31 December 2013

9 CONSTRUCTION IN PROGRESS

| | 2013 EGP '000' | 2012 EGP '000' |
|---|-------------------|-------------------|
| At 1 January | 23,325 | 21,086 |
| Additions | 51,620 | 40,759 |
| Transferred to property, plant and equipment (Note 8) | (23,303) | (38,520) |
| Transferred to intangible assets (Note 10) | (3,988) | - |
| Ending balance | <u>47,654</u> | <u>23,325</u> |

10 INTANGIBLE ASSETS

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

| | 2013 EGP '000' | 2012 EGP '000' |
|---|-------------------|-------------------|
| Cost | | |
| At 1 January | 104,942 | 104,942 |
| Transfer from construction in progress (Note 9) | 3,988 | - |
| Ending balance | <u>108,930</u> | <u>104,942</u> |
| Accumulated amortization | | |
| At 1 January | 18,720 | 15,739 |
| Amortization | 3,855 | 2,981 |
| Ending balance | <u>22,575</u> | <u>18,720</u> |
| Net book value | <u>86,355</u> | <u>86,222</u> |

11 INVENTORIES

| | 2013 EGP '000' | 2012 EGP '000' |
|-------------------------------------|-------------------|-------------------|
| Spare parts and supplies | 103,281 | 89,583 |
| Work in process | 23,136 | 12,390 |
| Goods in transit | 14,253 | 4,111 |
| Finished goods | 10,114 | 7,613 |
| Consignment goods with others | 9,972 | 9,959 |
| Packing materials | 5,421 | 4,560 |
| Consumable stores | 4,778 | 1,139 |
| Raw materials | 3,117 | 2,611 |
| | <u>174,072</u> | <u>131,966</u> |
| Less: decline in value of inventory | (5,715) | (6,025) |
| Total book value | <u>168,357</u> | <u>125,941</u> |

12 ACCOUNTS RECEIVABLE

| | 2013 EGP '000' | 2012 EGP '000' |
|---|-------------------|-------------------|
| Accounts receivable | 31 | 31 |
| Less: impairment of accounts receivable | (31) | (31) |
| | <u>-</u> | <u>-</u> |

Beni Suef Cement Company (S.A.E)

NOTES TO THE FINANCIAL STATEMENTS

At 31 December 2013

13 DUE FROM RELATED PARTIES

A) DUE FROM RELATED PARTIES

| | | 2013 EGP '000' | 2012 EGP '000' |
|--|---------------------|-------------------|-------------------|
| Alexandria Portland Cement Company (S.A.E) | Current account | 57,406 | 36,447 |
| Titan Beton & Aggregates Egypt | Current account | 2,867 | 2,760 |
| East Cement | Current account | 1,560 | 1,560 |
| Sharcem | Current account | 36 | 20 |
| Alexandria Portland Cement Company (S.A.E) | Interest receivable | - | 12,830 |
| | | <u>61,869</u> | <u>53,617</u> |

B) DUE TO RELATED PARTIES

| | | 2013 EGP '000' | 2012 EGP '000' |
|--|------------------|-------------------|-------------------|
| Titan Cement Company S.A | Current account | 9,020 | 4,024 |
| Alexandria Portland Cement Company (S.A.E) | Interest payable | 1,510 | - |
| | | <u>10,530</u> | <u>4,024</u> |

14 LOAN RECEIVABLE -PARENT

| | 2013 EGP '000' | 2012 EGP '000' |
|--|-------------------|-------------------|
| Loan To Alexandria Portland Cement Company | - | 236,840 |
| | <u>-</u> | <u>236,840</u> |

On 1 May 2012, The Company has granted a short term loan to Alexandria Portland Cement Company with an interest rate on the drawn amounts to be calculated based on the interest rate granted by the Commercial banks on deposits plus 0.5% and to be repaid within one year from the contract date. During the period ended 30 June 2013, Alexandria Portland Cement Company settled the remaining loan balance amounting to EGP 236,840 (excluding interest)

Beni Suef Cement Company (S.A.E)

NOTES TO THE FINANCIAL STATEMENTS

At 31 December 2013

15 PREPAYMENTS AND OTHER RECEIVABLES

| | 2013 EGP '000' | 2012 EGP '000' |
|-------------------------------------|-------------------|-------------------|
| Deposits with others | 37,113 | 37,502 |
| Advances to suppliers | 19,197 | 9,227 |
| Employees' receivables | 8,542 | 1,144 |
| Tax authority- Sales tax | 6,801 | 12,324 |
| Other debtors | 4,864 | 7,605 |
| Customs authority | 4,683 | 3,272 |
| Prepaid expenses | 4,615 | 3,349 |
| Tax authority- withholding tax | 754 | 182 |
| Tax Authority- refundable clay fees | - | 27,833 |
| Accrued interest receivable | - | 54 |
| | <u>86,569</u> | <u>102,492</u> |

16 CASH AND BANK

| | 2013 EGP '000' | 2012 EGP '000' |
|---|-------------------|-------------------|
| a) Egyptian pound | | |
| Cash at banks- current accounts | <u>21,148</u> | 99,810 |
| | <u>21,148</u> | 99,810 |
| b) Foreign currency | | |
| Cash at banks- current accounts | <u>3,212</u> | 3,848 |
| | <u>3,212</u> | 3,848 |
| Cash and cash equivalent | <u>24,360</u> | 103,658 |
| Reserved deposits and cash margin (note 26) | <u>8,119</u> | 1,422 |
| | <u>32,479</u> | 105,080 |

17 ISSUED CAPITAL

The Company's authorized capital amounts to EGP 1 billion, while the Company's issued and paid up capital amounts to EGP 520 million divided over 52 million shares of par value EGP 10 each as follows:

| | % of ownership | No. of Shares '000' | Value EGP '000' |
|--|-------------------|---------------------------|-----------------------|
| Alexandria Portland Cement Company (S.A.E) | 99.998 | 51999 | 519,990 |
| Iapetos Limited | 0.00192 | 1,000 | 1,000 |
| Titan Egyptian Investment Limited | 0.00002 | 10 | 10 |
| | <u>100</u> | <u>52000</u> | <u>520,000</u> |

18 PROVISIONS

| | Balance as of 1 January 2013 EGP'000' | Creation during the year EGP'000' | No longer required EGP'000' | Balance as of 31 December 2013 EGP'000' |
|----------------------------|---|---|-----------------------------------|---|
| Provision for litigation | 9,853 | - | (5,000) | 4,853 |
| Provision for other claims | 933 | 527 | - | 1,460 |
| | <u>10,786</u> | <u>527</u> | <u>(5,000)</u> | <u>6,313</u> |

Beni Suef Cement Company (S.A.E)

NOTES TO THE FINANCIAL STATEMENTS

At 31 December 2013

19 CREDIT FACILITY

| | Interest rate Average of | 2013 EGP '000' | 2012 EGP '000' |
|------------------------|-----------------------------|-------------------|-------------------|
| Credit facility | CAIBOR+1% | - | 528,000 |
| Credit facility in USD | CBE rate+1.25% | <u>29,879</u> | <u>-</u> |
| | | <u>29,879</u> | <u>528,000</u> |

According to the credit facility agreement signed on 12 June 2008, the Company had obtained a revolving credit facility from HSBC (Mandated Lead Arranger & Facility Agent), National Societe Generale Bank and Piraeus Bank to be repaid after five years from the signing date of the agreement. On January 2013, the company has renewed the credit facility agreement whereby all parties agreed to reduce the facility ceiling from EGP 700 Million to EGP 670 Million and to be repaid within five years from the signing date of the renewal agreement; accordingly, it is recorded under noncurrent liabilities.

20 TERM INSTALLMENTS

On 19 July 2009, the Company entered in a new agreement with the Egyptian Electricity Transmission Company to install new power transformers stations needed to supply electricity to the second line expansion project of the plant amounted to EGP 75,020 thousands, the Company has paid EGP 11,253 thousands and the remaining balance amounting to EGP 63,767 thousands will be paid over 10 semi-annually instalments with an annual interest rate to be calculated according to the loan interest rate announced by the Central Bank of Egypt at the due date of each instalment, The outstanding balance as of 31 December 2013 amounted to EGP 19,130 thousands (exclusive interest).

| | Current portion | | Non-current portion | |
|---------|-------------------|-------------------|---------------------|-------------------|
| | 2013 EGP '000' | 2012 EGP '000' | 2013 EGP '000' | 2012 EGP '000' |
| Balance | <u>12,753</u> | <u>12,753</u> | <u>6,377</u> | <u>19,130</u> |

21 TERM LOAN

On 9 September 1992, the Company obtained a term loan amounting to JPY 10,253,894,440 from Mitsubishi Bank, to be repaid over 28 semi-annual instalments starting 20 June 2002 till 20 December 2015 with an annual interest rate of 2.7%.

The loan balance as of 31 December 2013 amounted to EGP 66,244 thousands (exclusive interest) as follows:

| | Current portion | | Non-current portion | |
|---------|-------------------|-------------------|---------------------|-------------------|
| | 2013 EGP '000' | 2012 EGP '000' | 2013 EGP '000' | 2012 EGP '000' |
| Balance | <u>33,122</u> | <u>36,970</u> | <u>33,122</u> | <u>73,939</u> |

22 TRADE PAYABLES

| | 2013 EGP '000' | 2012 EGP '000' |
|-------------------------------------|-------------------|-------------------|
| Trade payables - Egyptian pounds | 77,313 | 50,770 |
| Trade payables - Foreign currencies | <u>1,710</u> | <u>1,483</u> |
| | <u>79,023</u> | <u>52,253</u> |

Beni Suef Cement Company (S.A.E)

NOTES TO THE FINANCIAL STATEMENTS

At 31 December 2013

23 ACCRUED EXPENSES AND OTHER PAYABLES

| | 2013 EGP '000' | 2012 EGP '000' |
|----------------------------------|-------------------|-------------------|
| Accrued other expenses | 25,924 | 24,089 |
| Accrued gas cost | 18,294 | 10,669 |
| Tax authority- sales tax | 10,768 | 13,140 |
| Tax authority- withholding tax | 5,399 | 1,412 |
| Tax authority- payroll tax | 403 | 335 |
| Tax authority- stamp tax | 47 | 47 |
| Tax authority- Others | 1,902 | 2,852 |
| Accrued development fees | 8,576 | - |
| Accrued employees bonus | 7,263 | 8,058 |
| Accrued electricity cost | 5,879 | 7,762 |
| Accrued vehicles and trucks rent | 1,982 | 5,877 |
| Accrued interest payable | 963 | 1,919 |
| Retention from others | 889 | 1,134 |
| Social insurance authority | 295 | 258 |
| Accrued employees' salaries | - | 163 |
| Other credit balances | 607 | 750 |
| | <u>89,191</u> | <u>78,465</u> |

24 LOAN PAYABLE - PARENT

On 30 June 2013, the company obtained an intercompany revolving loan from Alexandria Portland Cement Company 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 liabilities. The loan balance as of 31 December 2013 is EGP 207,601 thousands (excluding interest).

25 PURCHASE COMMITMENTS

| | Current portion EGP'000' | From 1to 5 years EGP'000' | More than 5 years EGP'000' | Total EGP'000' |
|-------------------------------------|-----------------------------|---------------------------------|----------------------------------|-------------------|
| Future purchase commitments: | | | | |
| Gas supply | 85,815 | 429,076 | 636,462 | <u>1,151,353</u> |

The purchase commitment amounting to EGP 1,151,353 thousands represents the minimum gas purchase quantity as per the contract agreement between the gas supplier and the Company.

26 CONTINGENT LIABILITIES

The Company contingent liabilities represents bank guarantees resulted from the Company activities, accordingly, the Company contingent liabilities has reached EGP 259,119 thousands as 31 December 2013 against restricted deposits amounting to EGP 6,789 thousands and letter of guarantee cash margin amounting to EGP 1,330 thousands of total EGP 8,119 thousands (Note 16) as shown below:

| | Amount in currency 000' | Equivalent in EGP'000' | Cash margin EGP'000' | Restricted deposits EGP '000' |
|------------------------------|----------------------------|---------------------------|-------------------------|----------------------------------|
| HSBC | 1,000 | 1,000 | 1,000 | - |
| Qatar National Bank- Al Ahli | 7,119 | 7,119 | 330 | 6,789 |
| CIB | 251,000 | 251,000 | - | - |
| | | <u>259,119</u> | <u>1,330</u> | <u>6,789</u> |

27 TAX SITUATION

a) Corporate taxes

The Company enjoyed a tax holiday for ten years ended on 30 June 2004.

The Company's records were inspected and settled for the year 2005

The Company's records were inspected for the years 2006, 2007 and 2008 and some disputes were transferred to an internal committee.

No tax inspection took place for the Company's records for the years 2009 up till 2013.

b) Sales taxes

The Company's records were inspected from inception up to the year 2010 and the taxes due were paid.

No tax inspection took place for the Company's records for the years 2011 up till 2013.

c) Salary taxes

The Company's records were inspected from inception up to the year 2004 and all taxes due were paid.

The Company's 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 2013.

d) Stamp duty taxes

The Company's 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 2013.

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28 MATERIAL LEGAL CASES

- The Nile Organization has raised a court case against the Company claiming compensation amounting to EGP 300,000,000 for the harms resulted from the Company's use of the quarries land. The Company's legal advisor believes that the likelihood of the Company winning this case is probable
- In 28 October 2007, the Company obtained extension license for the second line for cement production for EGP 134,500,000 through a bid held by the Trading and Industrial Authority. The Industrial Development Authority subsequently raised the license value to LE 251,000,000 whereas the Company in return has raised a court case against the Industrial Development Authority to safeguard its right in the license. The Company's legal advisor believes that the likelihood of the Company winning this case is probable
- Two former employees of Beni Suef Cement Company S.A.E. (BSCC) have filed an action before the Administrative Court of Cairo, seeking the revocation of the implementation of the decision of the Ministerial Privatization Committee of Egypt taken in 1998 regarding the privatization after a public auction of BSCC and the nullification of the sale effected pursuant to the said decision to Financiere Lafarge who won the public auction. In June 2013, another legal action was raised against the company requesting the nullification of the sale effected to Financiere Lafarge. The Company's legal advisor believes that the likelihood of the Company winning these cases is probable.

29 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, trade receivable and other receivables, due from related parties. The financial liabilities include accounts payable, credit facilities, Term loans and installments, 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.

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30 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.

- 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 3,805 thousands, whereas, the total financial liabilities denominated in foreign currencies amount to EGP 66,245 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 | 61,869 | 53,617 |
| Cash and cash equivalent | 32,479 | 105,080 |
| Other receivables | 86,569 | 102,492 |
| | <u>180,917</u> | <u>261,189</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.

Beni Suef Cement Company (S.A.E)

NOTES TO THE FINANCIAL STATEMENTS

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30 FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES – CONTINUED

- 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:

| | <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>> 5 years EGP'000'</i> | <i>Total EGP'000'</i> |
|-------------------------------------|--|--|--------------------------------------|----------------------------------|---------------------------|
| <u>Year ended 31 December 2013:</u> | | | | | |
| Credit facility | - | - | 29,879 | - | 29,879 |
| Term loans | - | 33,122 | 33,122 | - | 66,244 |
| Term Instalments | 6,377 | 6,376 | 6,377 | - | 19,130 |
| Trade payables | 79,023 | - | - | - | 79,023 |
| Accrued expenses and other payable | 88,241 | - | - | - | 88,241 |
| Advances from customers | 84,705 | - | - | - | 84,705 |
| Due to related parties | 10,530 | - | - | - | 10,530 |
| Loan payable – Parent | 207,601 | - | - | - | 207,601 |
| | <u>476,477</u> | <u>39,498</u> | <u>69,378</u> | <u>-</u> | <u>585,353</u> |
| <u>Year ended 31 December 2012:</u> | | | | | |
| Credit facility | - | - | 528,000 | - | 528,000 |
| Term loans | - | 36,970 | 73,939 | - | 110,909 |
| Term Instalments | 6,377 | 6,376 | 19,130 | - | 31,883 |
| Trade payables | 52,253 | - | - | - | 52,253 |
| Accrued expenses and other payable | 78,465 | - | - | - | 78,465 |
| Advances from customers | 134,030 | - | - | - | 134,030 |
| Due to related parties | 4,024 | - | - | - | 4,024 |
| | <u>275,149</u> | <u>43,346</u> | <u>621,069</u> | <u>-</u> | <u>939,564</u> |

31 DIVIDENDS

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 166,292 thousands which were fully paid during the period ended 30 June 2013.

32 RELATED PARTY TRANSACTIONS

- Total interest revenue due to Alexandria Portland Cement Company during the year amounted to EGP 1,510 thousands.
- Clinker sales to Alexandria Portland Cement Company amounted to EGP 26,445 thousands.

33 COMPARATIVE FIGURES

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