

**ALEXANDRIA PORTLAND CEMENT COMPANY (S.A.E)  
FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 31 DECEMBER 2014  
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 2014, 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.

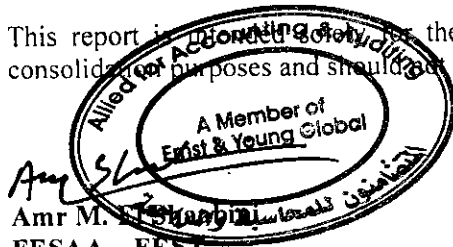


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### Opinion

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 2014, 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.

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



Amr M. Elshahhat  
FESAA – FESI  
(RAA 9365)  
(CMAR 103)

Cairo: 20 January 2015

Alexandria Portland Cement Company (S.A.E)

SEPARATE STATEMENT OF COMPREHENSIVE INCOME

For The Year Ended 31 December 2014

	Notes	2014 EGP'000'	2013 EGP'000'
Sales	(3)	884,875	890,037
Cost of sales	(4)	<u>(709,473)</u>	<u>(637,768)</u>
<b>Gross profit</b>		<b>175,402</b>	<b>252,269</b>
Other operating income		2,018	2,362
Administrative, selling and marketing expenses	(5)	(41,963)	(29,451)
Other operating expenses	(6)	(8,236)	(1,066)
Provisions		-	(328)
Provisions no longer required	(21)	161	-
Investment impairment		-	(1,270)
<b>Operating profit</b>		<b>127,382</b>	<b>222,516</b>
Finance cost	(7)	(84,002)	(61,562)
Finance income		24,916	7,377
Dividends received	(33)	162,717	166,288
Foreign exchange difference		69,379	(83,425)
<b>Profits before tax</b>		<b>300,392</b>	<b>251,194</b>
Deferred tax expense	(8)	(12,937)	(20,863)
Income tax expense	(8)	<u>(62,899)</u>	<u>(22,517)</u>
<b>Profits for the year</b>		<b>224,556</b>	<b>207,814</b>
Other comprehensive income		-	-
<b>Comprehensive income for the year, net of tax</b>		<b>224,556</b>	<b>207,814</b>
<b>Earnings per share</b>	(31)	<b>0.87</b>	<b>0.81</b>


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

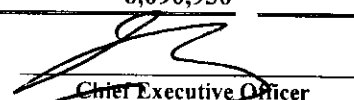
# Alexandria Portland Cement Company (S.A.E)

## SEPARATE FINANCIAL POSITION

At 31 December 2014

	Notes	2014 EGP'000'	2013 EGP'000'
<b>Assets</b>			
<b>Non-current assets</b>			
Property, plant and equipment	(9)	1,970,570	2,001,301
Construction in progress	(10)	24,958	10,525
Intangible assets	(11)	2,355	3,886
Held-to-maturity investments		359	359
Investments in subsidiaries	(12)	3,241,656	3,241,656
<b>Total Non-current assets</b>		<b>5,239,898</b>	<b>5,257,727</b>
<b>Current assets</b>			
Inventories	(13)	277,532	225,495
Due from related parties	(14 a)	25,602	2,506
Loan receivables - Subsidiaries	(15)	414,514	207,601
Prepayments and other receivables	(16)	62,474	58,623
Cash and bank	(17)	70,910	47,478
<b>Total current assets</b>		<b>851,032</b>	<b>541,703</b>
<b>Total assets</b>		<b>6,090,930</b>	<b>5,799,430</b>
<b>Equity and liabilities</b>			
<b>Equity</b>			
Issued capital	(18)	2,570,575	2,570,575
Legal reserve		133,199	121,985
General reserve		56,286	56,286
Retained earnings		260,949	236,630
Profit for the period / year		224,556	207,814
Assets revaluation reserve		848,643	935,678
<b>Total equity</b>		<b>4,094,208</b>	<b>4,128,968</b>
<b>Non-current liabilities</b>			
Term loans- related parties	(19)	305,000	741,611
Credit facility	(20)	171,930	195,665
Other non-current financial liability		276	276
Provisions	(21)	2,385	2,713
Deferred tax liability	(8)	500,850	418,820
<b>Total Non-current liabilities</b>		<b>980,441</b>	<b>1,359,085</b>
<b>Current liabilities</b>			
Trade payables	(22)	87,387	79,332
Notes Payable		945	1,443
Advances from customers		76,062	59,385
Accrued expenses and other payables	(23)	48,819	52,523
Income tax payable		58,046	22,883
Due to related parties	(14 b)	197,384	93,611
Loan payable – subsidiary	(25)	-	2,200
Term loans- related parties	(19)	547,638	-
<b>Total Current liabilities</b>		<b>1,016,281</b>	<b>311,377</b>
<b>Total equity and liabilities</b>		<b>6,090,930</b>	<b>5,799,430</b>

  
 Chief Financial Officer

  
 Chief Executive Officer

- The accompanying notes from (1) to (34) 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 2014**

	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 2013	2,570,575	104,594	56,286	83,871	306,120	953,943	4,075,389
Transfer to retained earnings	-	-	-	306,120	(306,120)	-	-
Transfer to legal reserve	-	17,391	-	(17,391)	-	-	-
Dividends declared	-	-	-	(154,235)	-	-	(154,235)
Depreciation transferred for revalued buildings, machinery and equipment	-	-	-	18,265	-	(18,265)	-
Profit for the year	-	-	-	-	207,814	-	207,814
<b>At 31 December 2013</b>	<b>2,570,575</b>	<b>121,985</b>	<b>56,286</b>	<b>236,630</b>	<b>207,814</b>	<b>935,678</b>	<b>4,128,968</b>
As at 1 January 2014	2,570,575	121,985	56,286	236,630	207,814	935,678	4,128,968
Transferred to retained earnings	-	-	-	207,814	(207,814)	-	-
Transferred to legal reserve	-	11,214	-	(11,214)	-	-	-
Dividends declared (note 32)	-	-	-	(190,223)	-	-	(190,223)
Depreciation transferred for revalued buildings, machinery and equipment	-	-	-	17,652	-	(17,652)	-
Effect of change of enacted tax rate on assets revaluation reserve	-	-	-	290	-	(69,383)	(69,093)
Profits for the year	-	-	-	-	224,556	-	224,556
<b>At 31 December 2014</b>	<b>2,570,575</b>	<b>133,199</b>	<b>56,286</b>	<b>260,949</b>	<b>224,556</b>	<b>848,643</b>	<b>4,094,208</b>

- The accompanying notes from (1) to (34) 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 2014

	Notes	2014 EGP'000'	2013 EGP'000'
<b>Operating activities</b>			
Profits before tax		300,392	251,194
<b>Non-cash adjustments to reconcile profit before tax to net cash flows</b>			
Depreciation of property, plant and equipment	(9)	50,637	49,981
Amortization of intangible assets	(11)	1,562	1,813
Finance costs	(7)	84,002	61,562
Finance income		(24,916)	(7,377)
Provision charged		-	328
Provisions no longer required		(161)	-
Decline of provisions for slow moving inventory	(13)	2,408	2,520
Investment impairment		-	1,270
Unrealized forex		(70,706)	80,693
		<u>343,218</u>	<u>441,984</u>
<b>Working capital adjustments</b>			
Change in restricted cash		(14,010)	(2,790)
Change in inventories		(54,445)	(23,121)
Change in due from related parties		(62)	(361)
Change in prepayments and other receivables		(4,392)	10,705
Change in trade payable		8,055	31,783
Change in Notes payable		(498)	1,443
Change in advances from customers		16,677	(32,677)
Change in accrued expenses and other payables		(3,704)	741
Change in due to related parties		59,873	24,181
		<u>350,7120</u>	<u>451,888</u>
Provision used	(21)	(167)	(40)
Interest received		1,882	5,872
Income tax paid	(8)	(27,195)	(35,135)
<b>Net cash flows from operating activities</b>		<u>325,232</u>	<u>422,585</u>
<b>Investing activities</b>			
Payments to acquire construction in progress	(10)	(34,370)	(37,861)
Change in loan receivable- subsidiary		(206,913)	(207,601)
<b>Net cash flows (used in) investing activities</b>		<u>(241,283)</u>	<u>(245,462)</u>
<b>Financing activities</b>			
Dividends paid		(203,805)	(139,278)
Settlement of credit facility	(20)	(23,735)	195,665
Receipt of term loans –related parties		111,027	170,753
Settlement of loans payable- subsidiary		(2,200)	(249,440)
Interest paid		(26,520)	(79,327)
<b>Net cash flows (used in) financing activities</b>		<u>(145,233)</u>	<u>(101,627)</u>
Net (decrease) / increase in cash and cash equivalents		(61,284)	75,496
Unrealized forex		70,706	(80,693)
Cash and cash equivalent at 1 January		42,944	48,141
<b>Cash and cash equivalent at 1 December 2014</b>	(17)	<u>52,366</u>	<u>42,944</u>

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

	Note	2014 EGP'000'	2013 EGP'000'
Cash on hand and short term deposits	(17)	70,910	47,478
<b>Less:</b>			
Reserved Time deposits		(18,544)	(4,534)
		<u>52,366</u>	<u>42,944</u>

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

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

## NOTES TO THE SEPARATE FINANCIAL STATEMENTS

At 31 December 2014

### 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 and the going concern basis.

The financial statements were approved by the management on 19 January 2015.

### 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 2014:

#### New and revised Accounting Standards and Interpretations

##### *Standards and amendments effective as of 1 January 2014:*

- Investment Entities – Amendments to IFRS 10 Consolidated Financial Statements, IFRS 12 Disclosure of Interests in other Entities and IAS 27 Separate Financial Statements.
- Offsetting Financial Assets and Financial Liabilities — Amendments to IAS 32 Financial Instruments: Presentation.
- Recoverable Amount Disclosures for Non-Financial Assets — Amendments to IAS 36 Impairment of Assets
- Novation of Derivatives and Continuation of Hedge Accounting — Amendments to IAS 39 Financial Instruments: Recognition and Measurement
- Improvements to IFRSs – 2010-2012 Cycle: Amendments to IFRS 13 – Short-term receivables and payables
- Improvements to IFRSs – 2011-2013 Cycle: Amendments to IFRS 1 – Meaning of ‘effective IFRSs’
- IFRIC 21 Levies

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.

### 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 SIGNIFICANT 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 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 2014

### 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

Revaluation surplus resulted from revaluation on May 2008 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 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.

**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.

**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 2014

**3 SALES**

	2014 EGP '000'	2013 EGP '000'
Cement sales (domestic)	909,386	938,256
Others	1,816	-
Rebate	(26,327)	(48,219)
	<u>884,875</u>	<u>890,037</u>

**4 COST OF SALES**

	2014 EGP '000'	2013 EGP '000'
Variable cost	493,162	414,419
Fixed cost	94,129	91,253
Inventory production cost change (other production cost)	6,760	14,034
Packing cost	63,388	66,338
Depreciation of property, plant and equipment (Note 9)	49,626	49,204
Provision for Slow moving inventory	2,408	2,520
	<u>709,473</u>	<u>637,768</u>

**5 ADMINISTRATIVE, SELLING AND MARKETING EXPENSES**

	2014 EGP '000'	2013 EGP '000'
Administrative expenses	34,426	22,384
Selling and marketing expenses	4,964	4,477
Amortization of intangible assets (Note 11)	1,562	1,813
Depreciation of property, plant and equipment (Note 9)	1,011	777
	<u>41,963</u>	<u>29,451</u>

**6 OTHER OPERATING EXPENSES**

	2014 EGP '000'	2013 EGP '000'
Development fees expenses*	7,434	-
Others	802	1,066
	<u>8,236</u>	<u>1,066</u>

\* Development fees expenses represents clay fees on imported clinker due to Tax Authority for the period from May 2008 till 31 December 2013. During the third quarter of 2014, the company received appeal committee decision which stated that the company shall pay clay fees on imported clinker amounting to total EGP 8,681 thousands, which represents an amount of EGP 7,434 thousands for the period from May 2008 till 31 December 2013 and an amount of EGP 1,247 thousands for the period from 1 January 2014 included under variable cost in cost of sales.



Alexandria Portland Cement Company (S.A.E)

NOTES TO THE SEPARATE FINANCIAL STATEMENTS

At 31 December 2014

7 FINANCE COST

	2014 EGP '000'	2013 EGP '000'
Interest on loan from related party (Titan Egypt Investment Ltd)	34,525	35,061
Interest on loan from related party (Alexandria Development Ltd)	24,237	322
Interest on Credit facility	23,730	14,422
Interest on loan from subsidiary (Beni Suef Cement Company)	-	9,105
Interest on loan from subsidiary (Titan Beton & Aggregates Egypt)	-	595
Bank Charges	1,510	2,057
	<u>84,002</u>	<u>61,562</u>

8 INCOME TAX

The major components of income tax expense for the year ended 31 December 2014 are:

	2014 EGP '000'	2013 EGP '000'
Current income tax expense	62,899	22,517
Deferred tax expense	12,937	20,863
<b>Income tax expense reported in the income statement</b>	<u>75,836</u>	<u>43,380</u>

Income tax payable movement is as follows:

	2014 EGP'000'	2013 EGP'000'
Beginning balance	22,883	35,501
Current income tax expense	62,899	22,517
Income taxes paid	(27,195)	(35,135)
Withholding tax receivable settlement	(541)	-
Ending balance	<u>58,046</u>	<u>22,883</u>

Alexandria Portland Cement Company (S.A.E)

NOTES TO THE SEPARATE FINANCIAL STATEMENTS

At 31 December 2014

**8 INCOME TAX (CONTINUED)**

Reconciliation between tax expense and the accounting profit multiplied by effective tax rate for the year ended 31 December 2014 and 2013 is as follows:

		2014 EGP '000'		2013 EGP '000'
Profits before income taxes- local books		<u>314,460</u>		<u>266,430</u>
Income tax at the applicable tax rate	30%	94,338	25%	66,607
<b>Add/subtract the tax effect of below items:</b>				
Investment income		(43,934)		(41,572)
Depreciation and amortization		1,021		(3,758)
Provisions		624		1,020
Other expenses		5,997		220
Income tax for the year	18.46%	<u>58,046</u>	8.45%	<u>22,517</u>
Prior year tax expenses		<u>4,853</u>		-
Total income tax		<u>62,899</u>		<u>22,517</u>

**DEFERRED TAX LIABILITIES**

	Statement of financial position		Income statement		Statement of change in equity	
	2014 EGP '000'	2013 EGP '000'	2014 EGP '000'	2013 EGP '000'	2014 EGP '000'	2013 EGP '000'
Revaluation surplus	(380,256)	(317,569)	6,406	6,084	(69,093)	-
Depreciation and amortization	(125,114)	(104,815)	(20,299)	(11,040)	-	-
Intercompany interest loan	-	-	-	(16,926)	-	-
Provisions	4,520	3,564	956	1,019	-	-
	<u>(500,850)</u>	<u>(418,820)</u>	<u>(12,937)</u>	<u>(20,863)</u>	<u>(69,093)</u>	-

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

### NOTES TO THE SEPARATE FINANCIAL STATEMENTS

At 31 December 2014

#### 9 PROPERTY, PLANT AND EQUIPMENT

	Land	Buildings	Machinery and equipment	Vehicles	Furniture and Office equipment	Quarries compensation	Total
	EGP '000'	EGP '000'	EGP '000'	EGP '000'	EGP '000'	EGP '000'	EGP '000'
<b>Cost or valuation</b>							
At 1 January 2014	553,265	317,995	1,346,557	21,912	21,914	26,214	2,287,857
Transfer from construction in progress (Note 9)	-	859	17,069	1,373	605	-	19,906
At 31 December 2014	553,265	318,854	1,363,626	23,285	22,519	26,214	2,307,763
<b>Accumulated depreciation</b>							
At 1 January 2014	-	48,294	196,373	18,666	19,636	3,587	286,556
Depreciation charged for the year	-	9,023	39,042	1,330	1,176	66	50,637
At 31 December 2014	-	57,317	235,415	19,996	20,812	3,653	337,193
<b>Net book value at 31 December 2014</b>	<b>553,265</b>	<b>261,537</b>	<b>1,128,211</b>	<b>3,289</b>	<b>1,707</b>	<b>22,561</b>	<b>1,970,570</b>
Net book value at 31 December 2013	553,265	269,701	1,150,184	3,246	2,278	22,627	2,001,301

- 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 34,262 thousands as of 31 December 2014 (31 December 2013: EGP 29,985 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:

	2014	2013
	EGP '000'	EGP '000'
Cost of sales	49,626	49,204
Administrative expense	1,011	777
	<u>50,637</u>	<u>49,981</u>

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

## NOTES TO THE SEPARATE FINANCIAL STATEMENTS

At 31 December 2014

### 10 CONSTRUCTION IN PROGRESS

	2014 EGP '000'	2013 EGP '000'
At 1 January	10,525	43,236
Additions	34,370	37,861
Transferred to property , plant and equipment	(19,906)	(66,122)
Transferred to intangible assets	(31)	(4,450)
<b>Ending balance</b>	<b>24,958</b>	<b>10,525</b>

### 11 INTANGIBLE ASSETS

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

	2014 EGP '000'	2013 EGP '000'
<b>Cost</b>		
Beginning balance	19,764	15,314
Transfers from projects under construction	31	4,450
Ending balance	19,795	19,764
<b>Accumulated amortization</b>		
Beginning balance	15,878	14,065
Amortization	1,562	1,813
Ending balance	17,440	15,878
<b>Net book value</b>	<b>2,355</b>	<b>3,886</b>

### 12 INVESTMENTS IN SUBSIDIARIES

	Ownership %	2014 EGP '000'	2013 EGP '000'
Beni Suef Cement Company S.A.E	99.99%	3,165,696	3,165,696
Titan Beton & Aggregates Egypt L.L.C.	96.54%	75,960	75,960
		<b>3,241,656</b>	<b>3,241,656</b>

### 13 INVENTORIES

	2014 EGP '000'	2013 EGP '000'
Spare parts and supplies	190,138	168,975
Raw materials	60,715	30,423
Semi-finished goods	11,400	18,373
Consignment goods with others	12,489	7,190
Packing materials	7,118	3,688
Finished goods	7,970	6,905
Consumable stores	327	158
	290,157	235,712
Less: Decline in value of spare parts	(12,625)	(10,217)
<b>Total book value</b>	<b>277,532</b>	<b>225,495</b>

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

## NOTES TO THE SEPARATE FINANCIAL STATEMENTS

At 31 December 2014

### 13 INVENTORIES (CONTINUED)

Movements in decline in value of spare parts were as follows:

	2014 EGP '000'	2013 EGP '000'
Beginning balance	10,217	7,697
Charged for the year	2,408	2,520
<b>As of 31 December</b>	<b>12,625</b>	<b>10,217</b>

### 14 DUE FROM / TO RELATED PARTIES

#### A) DUE FROM RELATED PARTIES

	Nature	2014 EGP '000'	2013 EGP '000'
Beni Suf Cement Company	Interest receivable	24,220	1,510
Titan Beton & Aggregates Egypt L.L.C	Current account	1,058	996
Titan Beton & Aggregates Egypt L.L.C	Interest receivable	324	-
		<b>25,602</b>	<b>2,506</b>

#### B) DUE TO RELATED PARTIES

	Nature	2014 EGP '000'	2013 EGP '000'
Beni Suf Cement Company	Current account	123,350	57,406
Titan Egyptian Investment Ltd	Interest payable	46,651	16,394
Alexandria Development Ltd	Interest payable	24,559	322
Iapetos	Dividends payable	1,375	1,375
Titan Company SA	Current account	1,450	3,252
Kocem	Dividends payable	-	7,442
East Cement	Dividends payable	-	6,140
Titan Beton & Aggregates Egypt L.L.C	Interest payable	-	1,280
		<b>197,384</b>	<b>93,611</b>

### 15 LOAN RECEIVABLES – SUBSIDIARIES

	2014 EGP '000'	2013 EGP '000'
a- Beni Suf Cement Company	414,000	207,601
b- Titan Beton & Aggregates Egypt L.L.C	514	-
	<b>414,514</b>	<b>207,601</b>

a- On 30 June 2013, the company granted an intercompany revolving loan to Beni Suf 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. On 30 June 2014, 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; accordingly, it is recorded under current assets. On 31 December 2014, the two parties agreed to raise the revolving loan ceiling to EGP 500 Million. The loan balance as of 31 December 2014 is EGP 414,000 thousands (excluding interest).

b- On May 2014, the company granted an intercompany revolving loan to Titan Beton & Aggregates Egypt L.L.C (Subsidiary) amounting to EGP 20 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 2014 is EGP 514 thousands (excluding interest).

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

## NOTES TO THE SEPARATE FINANCIAL STATEMENTS

At 31 December 2014

### 16 PREPAYMENTS AND OTHER RECEIVABLES

	2014 EGP '000'	2013 EGP '000'
Employees' loans and personal advances *	19,459	9,118
Deposits with others	14,397	13,759
Tax receivables- sales tax	7,821	2,561
Tax receivables- withholding tax	2,439	1,805
Tax Authority- refundable clay fees	-	19,908
Prepaid expenses	6,870	5,851
Advances to suppliers	6,143	1,162
Customs Authority	5,097	4,200
Other debit balances	472	483
	<u>62,698</u>	<u>58,847</u>
Less: decline in value of other debit balances	(224)	(224)
	<u>62,474</u>	<u>58,623</u>

\* Employees' loans and personal advances includes loans to employees of EGP 19,377 thousands that will be settled against future profit sharing in accordance with Board of Directors resolution and Annual General Meeting held on 30 April 2014.

### 17 CASH AND BANK

	2014 EGP '000'	2013 EGP '000'
<b>a) Egyptian pound</b>		
Current accounts	37,791	41,372
	<u>37,791</u>	<u>41,372</u>
<b>b) Foreign currency</b>		
Current accounts	14,575	1,572
	<u>14,575</u>	<u>1,572</u>
<b>Cash and cash equivalent</b>	<u>52,366</u>	<u>42,944</u>
Reserved deposits and cash margins (note 26)	18,544	4,534
<b>Cash at banks</b>	<u>70,910</u>	<u>47,478</u>

### 18 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
<b>Total</b>	<u>257057470</u>	<u>100.00</u>	<u>2,570,574,700</u>

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

## NOTES TO THE SEPARATE FINANCIAL STATEMENTS

At 31 December 2014

### 19 TERM LOANS – RELATED PARTY

	2014 EGP '000'	2013 EGP '000'
A-Titan Egypt Investment Ltd	547,638	606,611
B-Alexandria Development Ltd	305,000	135,000
	<u>852,638</u>	<u>741,611</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.

The loan will be repaid within 5 years starting 1<sup>st</sup> of July 2010 and its outstanding balance amounting to EGP 547,638 thousands as of 31 December 2014.

Interest rate is calculated on the EURIBOR in plus 5.03%

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. The loan balance as of 31 December 2014 has reached EGP 135 Million (exclusive interest).

On 31 July 2014, Alexandria Development Ltd has granted an additional intercompany loan to the Company amounting to EGP 170 Million with an interest rate on the drawn amounts to be calculated based on Corridor Lending rate plus 1.5% and to be repaid within four years from the contract date. The loan balance as of 31 December 2014 has reached EGP 170 Million (exclusive interest).

### 20 CREDIT FACILITY

	2014 EGP '000'	2013 EGP '000'
Ahli United Bank	171,930	195,665
	<u>171,930</u>	<u>195,665</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 2014 amounted to EGP 171,930 thousands (exclusive interest).

### 21 PROVISIONS

	Balance 1 January 2014 EGP '000'	Used During the year EGP '000'	No longer required EGP '000'	Balance 31 December 2014 EGP '000'
Provision for litigation	1,557	-	-	1,557
Tax provision	828	-	-	828
Other provisions	328	(167)	(161)	-
	<u>2,713</u>	<u>(167)</u>	<u>(161)</u>	<u>2,385</u>

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

## NOTES TO THE SEPARATE FINANCIAL STATEMENTS

At 31 December 2014

### 22 TRADE PAYABLES

	2014 EGP '000'	2013 EGP '000'
Accounts payable- Local currency	86,898	78,045
Accounts payable- Foreign currency	489	1,287
	<u>87,387</u>	<u>79,332</u>

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

### 23 ACCRUED EXPENSES AND OTHER PAYABLES

	2014 EGP '000'	2013 EGP '000'
Accrued expense	19,961	16,737
Accrued development fees	8,088	-
Tax Authority-Sales tax	7,854	8,531
Tax Authority-Withholding tax	1,499	4,592
Tax Authority-Payroll tax	752	721
Tax Authority-Real estate tax	294	294
Accrued bonus	6,075	5,150
Electricity accrual	3,392	5,658
Social security	332	304
Accrued salaries	18	-
Gas purchase accrual	-	9,989
Other credit balances	554	547
	<u>48,819</u>	<u>52,523</u>

### 24 PURCHASE COMMITMENTS

	Current portion EGP '000'	From 1 to 5 years EGP '000'	More than 5 years EGP '000'	Total EGP '000'
Future purchase commitments:				
Gas supply	<u>115,460</u>	<u>577,298</u>	<u>163,568</u>	<u>856,326</u>

The purchase commitment amounting to EGP 856,326 thousands represents the minimum gas purchase quantity as per the contract agreement between the gas supplier and the company.

### 25 LOANS PAYABLE – SUBSIDIARY

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.

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. During the period ended 31 March 2014, the company has settled the remaining loan balance amounting to EGP 2,200 Thousands.



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

## NOTES TO THE SEPARATE FINANCIAL STATEMENTS

At 31 December 2014

### 26 CONTINGENT LIABILITIES

The company contingent liabilities represents bank guarantees resulted from the company activities, accordingly, the company contingent liabilities has reached EGP 18,544 thousands (note17) as of 31 December 2014 represented in blocked deposits amounting to EGP 15,678 thousands and letter of guarantee cash margin amounting to EGP 2,866 thousands of total EGP 18,544 thousands (note17) as shown below:

	Amount in Currency	Equivalent in EGP '000'	Cash margin EGP '000'	Restricted deposits EGP '000'
Bank of Alexandria	1,007	1,007	982	25
Arab African International Bank	15,653	15,653	-	15,653
Qatar National Bank- Al Ahli	1,884	1,884	1,884	-
		<b>18,544</b>	<b>2,866</b>	<b>15,678</b>

### 27 TAX SITUATION

#### Corporate taxes

- Tax return is filed annually on its legal due dates.
- Files and documents of Alexandria Portland Cement Company (before merger) have been inspected, settled and paid up to 31 December 2003.
- Files and documents of Alexandria Portland Cement Company (before merger) have been inspected for the year 2004. Points of dispute have been transferred to appeal committee and then to the specialized court .
- Files and documents of Alexandria Portland Cement Company have been inspected for the year 2005 and the dispute transferred to the appeal committee and then to the specialized court.
- Files and documents of Alexandria Portland Cement Company have been inspected for the year 2006 and the dispute transferred to the internal committee.
- Blue Circle Company for Cement (before merger) is exempted up to 31 December 2006.
- Files and documents of Blue Circle Company (before merge) have been inspected, settled and paid up to 2004.
- Files and documents of Blue Circle Company (before merge) have been inspected for the years 2005-2006 and point of disputes are transferred to internal committee. Currently points of dispute are under settlement.
- Files and documents of Alexandria Portland Cement Company (after merger) have been inspected for the year 2007 till 2009. Points of dispute have been transferred to the internal committee and the company has finalized the re-inspection and didn't receive the final tax claim yet.
- Alexandria Portland Cement Company (after merger) files and documents are not inspected for the years from 2010 till 2014.

#### Sales taxes

- Sales tax collected from customers is paid on time.
- Files and documents of Alexandria Portland Cement Company (before merger) are inspected up to 31 December 2006 and all tax dues were settled.
- Files and documents of Alexandria Portland Cement Company (after merger) are inspected up to 2011 and all tax dues were settled.
- No tax inspection took place for Alexandria Portland Cement Company (after merger) files and documents for the years 2012 till 2014.
- Sales tax of Blue Circle Company for Cement (before merger) is inspected from inception till 2006 and all tax dues were paid and settled.

**27 TAX SITUATION (CONTINUED)**

**Salary taxes**

- Employees' taxes are paid and reconciled regularly with the tax authority.
- Files and documents of Alexandria Portland Cement Company were inspected for the years 2000 up to 2006 and all tax dues were settled.
- Files and documents of Blue Circle Company (before merge) have been inspected for the year 2001 till 2004. Points of dispute is under discussion in the internal committee
- Alexandria Portland Cement Company (after merger) files and documents are inspected for the years from 2007 till 2011 and points of dispute are transferred to internal committee.
- Alexandria Portland Cement Company (after merger) files and documents are not inspected for the years 2012 till 2014.
- Blue circle Company (before merger) files and documents are under inspection for the years 2005 and 2006.

**Stamp duty taxes**

- Alexandria Portland Cement Company (before merger) has been inspected and tax due paid up to 2006.
- The company records have been inspected for the year 2007 and all tax dues were settled.
- The company records have been inspected for the years 2008 till 2012 and currently under settlement.
- Stamp duty tax of Blue Circle Company for Cement (before merger) has been inspected and settled from 2004 up to 2006.

**Real estate tax**

- Property tax of Alexandria Portland Cement Company has been inspected and settled up to December 2013.

**28 MATERIAL LEGAL CASES**

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

**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 14,587 thousands, whereas, the total financial liabilities denominated in foreign currencies amount to EGP 596,841 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:

	2014 EGP '000'	2013 EGP '000'
Due from related parties	25,602	2,506
Cash and cash equivalent	70,910	47,478
Loans receivable	414,514	207,601
Other receivables	62,474	58,623
	<u>573,500</u>	<u>316,208</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.

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

## NOTES TO THE SEPARATE FINANCIAL STATEMENTS

At 31 December 2014

### 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 2014 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>More than 5 years EGP '000'</i>	<i>Total EGP '000'</i>
<u>Year Ended 31 December 2014:</u>					
Trade payable	87,387	-	-	-	87,387
Accrued expenses	48,819	-	-	-	48,819
Advances from customers	76,062	-	-	-	76,062
Due to related parties	197,384	-	-	-	197,384
Borrowings (Banks)	-	-	171,930	-	171,930
Borrowings (related parties)	-	547,638	305,000	-	852,638
	<u>409,652</u>	<u>547,638</u>	<u>476,930</u>	-	<u>1,434,220</u>

#### Year Ended 31 December 2013:

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
	<u>284,851</u>	<u>2,200</u>	<u>937,276</u>	-	<u>1,224,327</u>

### 31 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 0.87.

### 32 DIVIDENDS PAID

In accordance with the resolution of the Annual General Assembly meeting held on 30 April 2014, the Company has declared dividends to shareholders amounted to EGP 190,223 thousands which was paid during the year.

### 33 RELATED PARTY TRANSACTIONS

The company consummates transactions with related parties on commercial terms approved by the Board of Directors. Transactions with related parties affecting the income statement can be summarized as follows:

	<b>Nature of transaction</b>	<b>2014 EGP '000'</b>	<b>2013 EGP '000'</b>
Titan Egypt Investment limited	Interest expense	(34,525)	(35,061)
Alexandria Development limited	Interest expense	(24,237)	(322)
Beni Suef Cement Company S.A.E	Interest income	22,710	1,510
Beni Suef Cement Company S.A.E	Clinker purchases	(70,925)	(26,445)
Beni Suef Cement Company S.A.E	Interest expense	-	(9,105)
Titan Beton and Aggregates Egypt L.L.C	Interest expense	-	(595)
Titan Beton and Aggregates Egypt L.L.C	Interest income	324	-
Titan Cement S.A	Technical support expenses	(3,937)	(4,038)
Beni Suef Cement Company S.A.E	Dividends income	162,717	166,288

**34 COMPARATIVE FIGURES**

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