

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

**AUDITOR'S REPORT
AND SPECIAL PURPOSE SEPARATE
FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2015**

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

Notes to the separate financial statements - For the year ended 31 December 2015

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Auditor's report

To : The Board of Directors of Alexandria Portland Cement Company (S.A.E.)

Report on special purpose separate financial statements

We have audited the accompanying special purpose separate financial statements of Alexandria Portland Cement Company (S.A.E.), which comprise the separate statement of financial position as at 31 December 2015 and the separate statements of comprehensive income, separate changes in equity and separate cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information. The special purpose financial statements have been prepared by management of Alexandria Portland Cement Company (S.A.E.) in accordance with the accounting policies described in note 2 to the special purpose financial statements.

Management's responsibility for the separate financial statements

Management is responsible for the preparation of these special purpose separate financial statements in accordance with the accounting policies described in note 2 to the special purpose separate financial statements and for such internal control as management determines is necessary to enable the preparation of the special purpose financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's responsibility

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

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the special purpose separate financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the special purpose separate financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation of the special purpose separate 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 special purpose separate financial statements.

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



The Board of Directors of Alexandria Portland Cement Company (S.A.E.)
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Opinion

In our opinion, the special purpose separate financial statements of Alexandria Portland Cement Company (S.A.E.) for the year ended 31 December 2015 are prepared, in all material respects, in accordance with the accounting policies described in note 2 to the special purpose separate financial statements.

Basis of accounting and restriction on distribution and use

Without modifying our opinion, we draw attention to note 2 to the special purpose separate financial statements, which describes the basis of accounting. The special purpose financial statements are prepared for the internal use of Board of Directors of Alexandria Portland Cement Company (S.A.E.), As a result, the special purpose separate financial statements may not be suitable for another purpose. Our report is intended solely for the board of directors of Alexandria Portland Cement Company (S.A.E.) and should not be distributed to or used by other parties.

Other matter

Alexandria Portland Cement Company (S.A.E.) has prepared a separate set of financial statements for the year ended 31 December 2015 in accordance with the Egyptian Accounting Standards (EAS) on which we issued a separate unqualified auditor's report to the shareholders of Alexandria Portland Cement Company (S.A.E.) dated 16 March 2016.

PricewaterhouseCoopers
PricewaterhouseCoopers

30 March 2016
Cairo, Egypt



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

Separate statement of financial position at 31 December 2015


(All amounts are in Thousands Egyptian Pounds)

	Notes	31 December 2015	31 December 2014
Assets			
Non-current assets			
Property, plant and equipment	5	1,996,491	1,970,570
Projects under construction	6	100,057	24,958
Intangible assets	7	2,950	2,355
Investments in subsidiaries	8	3,241,656	3,241,656
Non -Current employee advances	9	13,401	19,377
Available for sale investment	10	-	359
Payment under investment in subsidiaries	8	259,995	-
Total non-current assets		5,614,550	5,259,275
Current assets			
Inventories	11	269,349	277,532
Prepayments and other debit balances	12	66,424	43,097
Due from related parties	13	48,705	25,602
Loans to related parties	14	230,030	414,515
Cash and cash equivalents	15	46,388	70,910
Total current assets		660,896	831,656
Total assets		6,275,446	6,090,931
Liabilities			
Non-current liabilities			
Medium term loan	16	621,601	171,930
Non current portion - Loans from related parties	17	220,800	305,000
Deferred income tax liability	18	358,283	500,850
Sales tax installment on capital expenditures		276	276
Total non-current liabilities		1,200,960	978,056
Current Liabilities			
Provisions	19	8,291	2,385
Trade and notes payable	20	178,042	88,332
Advances from customers		52,995	76,061
Accrued expense and other credit balances	21	70,319	48,850
Due to related parties	13	63,932	197,355
Current portion - Loans from related parties	17	607,394	547,638
Current income tax liability	22	22,745	58,046
Total current liabilities		1,003,718	1,018,667
Total liabilities		2,204,678	1,996,723
Net assets		4,070,768	4,094,208
Equity			
Share Capital	23	2,570,575	2,570,575
Legal reserve	24	145,403	133,199
Revaluation surplus		935,069	848,643
Retained earnings		547,235	317,235
Net (Loss) / Profit for the year		(127,514)	224,556
Total equity		4,070,768	4,094,208

The accompanying notes on pages 7 – 34 form an integral part of these special purpose separate financial statements.
Auditors report attached



Khaled Sabry
Chief Financial Officer



Michail Sigalas
Chairman

29 March 2015



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

Separate statement of comprehensive income for the year ended 31 December 2015

(All amounts are in Thousands Egyptian Pounds)

	Notes	2015	2014
Net Sales	25	839,259	884,875
Cost of sales	26	(822,948)	(709,473)
Gross profit		16,311	175,402
General and administrative expenses	27	(51,312)	(41,963)
Other operating income	28	22,836	2,179
Other operating expense	29	(28,936)	(8,236)
(Loss) / Profit from operation		(41,101)	127,382
Finance costs - Net	30	(98,430)	10,293
Dividends income		-	162,717
(Loss) / Profit before tax		(139,531)	300,392
Income tax expense	31	12,017	(75,836)
Net (Loss) / Profit for the year		(127,514)	224,556
Other comprehensive income		-	-
Net other comprehensive (Loss) / profit for the year		(127,514)	224,556
Basic earning per share	32	(0.50)	0.87
Diluted earning per share	32	(0.50)	0.87

The accompanying notes on pages 7 – 34 form an integral part of these special purpose separate financial statements.

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

Separate statement of changes in equity for the year ended 31 December 2015

(All amounts are in Thousands Egyptian Pounds)

	Share capital	Legal reserve	Revaluation surplus	Retained earnings	Total
Balance at 1 January 2014	2,570,575	121,985	935,678	500,730	4,128,968
Net profit for the year	-	-	-	224,556	224,556
Transferred to legal reserve	-	11,214	-	(11,214)	-
Depreciation transferred for revalued property and plants	-	-	(17,652)	17,652	-
Effect of change of enacted tax rate on assets revaluation surplus	-	-	(69,383)	290	(69,093)
Dividends distribution	-	-	-	(190,223)	(190,223)
Balance at 31 December 2014	2,570,575	133,199	848,643	541,791	4,094,208
Balance at 1 January 2015	2,570,575	133,199	848,643	541,791	4,094,208
Depreciation transferred for revalued property and plants	-	-	(17,648)	17,648	-
Effect of change of enacted tax rate on assets revaluation surplus	-	-	104,074	-	104,074
Transfer to legal reserve	-	12,204	-	(12,204)	-
Net loss for the year	-	-	-	(127,514)	(127,514)
Balance at 31 December 2015	2,570,575	145,403	935,069	419,721	4,070,768

The accompanying notes on pages 7 – 34 form an integral part of these special purpose separate financial statements.

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

Separate statement of cash flows for the year ended 31 December 2015

(All amounts are in Thousands Egyptian Pounds)	Notes	31 December 2015	31 December 2014
<u>Cash flows from operating activities</u>			
Net (loss) / profit before income tax		(139,531)	300,392
Adjusted for:			
Depreciation expense	5	52,685	50,637
Amortization of intangible assets	7	1,221	1,562
Impairment of employee advance profit sharing	9	15,390	-
Changes in present value of employee loans	9	10,027	-
Impairment in available for sale investment	10	359	-
Impairment of Inventory	11	2,479	2,408
Impairment in other debit balances		908	-
Loss on disposal of fixed assets		4,092	-
Gain on disposal of fixed assets		(485)	-
Provision expense		3,474	-
Provisions no longer required		-	(161)
Accruals no longer required		(21,625)	-
Interest expense		120,463	84,002
Interest income		(23,579)	(24,916)
Profits before changes in working capital		25,878	413,924
Changes in working capital			
Letter of guarantee margin & restricted cash		(480)	(661)
Inventories		6,110	(54,318)
Prepayments and other debit balances		(24,145)	2,175
Payment to employee in advance		(19,923)	(19,377)
Due from related Parties		(403)	(61)
Trade and notes payable		89,712	7,556
Advances from customers		(23,161)	16,677
Accrued expense and other credit balance		39,935	(3,704)
Due to related parties		(77,183)	59,873
Provision used		-	(168)
Taxes paid		(59,346)	(27,737)
Net cash (used in) generated from operating activities		(43,006)	394,179
<u>Cash flows from investing activities</u>			
Payments for projects under construction		(159,530)	(34,370)
Loans to related parties		(75,511)	(206,913)
Proceeds from fixes assets disposal		485	-
Interest collected		878	1,882
Net cash flows used in investing activities		(233,678)	(239,401)
<u>Cash flows from financing activities</u>			
Medium term loan		449,672	(23,735)
Proceeds from loans from related parties		62,755	111,027
Payments to loans from related parties		(87,200)	(2,200)
Dividends paid		-	(203,928)
Interest paid		(173,545)	(26,520)
Net cash flows generated from (used in) financing activities		251,682	(145,356)
Net (decrease) increase in cash and cash equivalents		(25,002)	9,422
Cash and cash equivalents at beginning of the year	15	52,366	42,944
Cash and cash equivalents at end of the year	15	27,364	52,366

The accompanying notes on pages 7 – 34 form an integral part of these special purpose separate financial statements.

	31 December 2015	31 December 2014
Cash and cash equivalents	46,388	70,910
Restricted cash	(19,024)	(18,544)
	27,364	52,366

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

Notes to the special purpose separate financial statements For the year ended 31 December 2015

(All amounts are shown in Thousands Egyptian Pounds unless otherwise stated)

1. General information

Alexandria Portland Cement Company was established on 7 September 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.

The company's head quarter is located in Florida Tower – Heliopolis – Cairo. Also, the company is operating a Cement plant in Alexandria.

According to the Egyptian Government's privatization program, the company was privatized through ownership transferal 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 20 December 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 September 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 LE 544,793 Thousands, and shareholders' equity of Blue Circle for Cement (merged Company) amounted to LE 834,913 Thousands, After excluding the value of the investments of the two companies in each other's, the net shareholders' equity has amounted to LE 547,477 Thousands as of 31 December 2006,

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

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

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

Notes to the special purpose separate financial statements For the year ended 31 December 2015

(All amounts are shown in Thousands Egyptian Pounds unless otherwise stated)

2. Accounting policies

The principal accounting policies adopted in the preparation of these separate financial statements are summarized below:

A. Basis of preparation of these separate financial statements

The separate financial statements have been prepared in accordance with TITAN Cement SA's accounting manual, and applicable laws and regulations which have been consistently applied to all years presented, unless otherwise stated. The separate financial statements have been prepared under the historical cost conventions

The preparation of separate financial statements in conformity with TITAN Accounting Manual requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the company's accounting policies. Note 4 disclose the significant accounting estimates used and personal judgement applied in the preparation of the separate financial statements.

B. Foreign currency translation

(1) Functional and presentation currency

Items included in the separate financial statements of the Company are measured using the currency of the primary economic environment in which the company operates ('the functional currency'). The financial statements are presented in Egyptian Pounds which is the Company's functional and presentation currency.

(2) Transactions and balances

Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the dates of the transactions. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation of the year-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in the statement of comprehensive income.

C. Property, plant and equipment

Motor vehicles, Tools, Computers, Furniture and office equipment and Quarries compensations are stated at historical cost less accumulated depreciation or depletion. Historical cost includes all costs associated with acquiring the asset and bringing it to a ready-for-use condition.

In May 2008, Lands, Buildings and Machinery and equipment are were revalued at the fair value and the difference between carrying amount and the fair value was recognized as revaluation surplus reserve. Additionally, accumulated depreciation as at the revaluation date is eliminated against the gross carrying amount of the asset and the net amount is stated to the revalued amount of the asset. Upon disposal, any revaluation reserve relating to the particular asset being sold is transferred to the retained earnings. An annual transfer from the asset revaluation reserve to retained earnings is made for the difference between depreciation based on revalued carrying amount of the asset and depreciation based on these assets original cost.

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

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

Notes to the special purpose separate financial statements For the year ended 31 December 2015

(All amounts are shown in Thousands Egyptian Pounds unless otherwise stated)

Property, plant and equipment (continued)

Estimated useful lives of assets are as follows:

Buildings	Up to 40 Years
Machinery and equipment	Up to 40 Years
Quarries compensations	Quarries depletion rate
Motor vehicles	5 - 15 Years
Tools	5 - 20 Years
Computers	4 - 10 Years
Furniture and office equipment	4 - 10 Years

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

Where the carrying amount of an asset is greater than its estimated recoverable amount, it is written down immediately to its recoverable amount.

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

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

D. Projects under construction

Recognition of project under construction by cost, minus impairment losses, and is recognized as fixed assets when it meets the conditions of recognition of fixed assets and when the value of project under construction exceeds the carrying amount, the cost of project under construction is impaired to the expected carrying amount and the difference is recognized in statement of comprehensive income.

E. Intangible assets

Intangible assets are measured at historical cost minus accumulated losses. Historical cost include all incremental expenditures required to acquire the intangible asset. Intangible assets represent computer software and the related licenses.

Computer software recognized as intangible assets are amortized using the straight- line method over their estimated useful life (5 - 20 years).

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

Notes to the special purpose separate financial statements For the year ended 31 December 2015

(All amounts are shown in Thousands Egyptian Pounds unless otherwise stated)

F. Investment in subsidiaries

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

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

G. Impairment of non-financial assets

Property, plant and equipment and other non-current assets are reviewed for impairment losses whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognised in the statement of income for the period for the amount by which the carrying amount of the asset exceeds its value in use, which is the higher of an asset's fair value less cost recoverable amount. For the purposes of assessing impairment, assets are compared at the lowest level, for which there are separate identifiable cash flows.

Reversal of impairment losses recognized in prior years is recorded when there is an indication that the impairment losses recognized for the asset no longer exist or has decreased. Impairment losses are also reversed to release the impairment amount that shall not exceed the carrying amount that would have been determined (net of amortization or depreciation). The reversals are recorded in the statement of income.

H. Financial assets

(1) Classification

The company classifies its financial assets in the following categories: at fair value through profit or loss, loans and receivables, and available for sale. The classification depends on the purpose for which the financial assets were acquired. Management determines the classification of its financial assets at initial recognition.

(a) Financial assets at fair value through profit or loss

Financial assets at fair value through profit or loss are financial assets held for trading. A financial asset is classified in this category if acquired principally for the purpose of selling in the short term. Derivatives are also categorised as held for trading unless they are designated as hedges. Assets in this category are classified as current assets if expected to be settled within 12 months, otherwise they are classified as non-current.

(b) Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. They are included in current assets, except for maturities greater than 12 months after the end of the reporting period. These are classified as non-current assets. The company's loans and receivables comprise 'trade and other receivables' and 'cash and cash equivalents' and 'treasury bills' in the statement of financial position

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

Notes to the special purpose separate financial statements For the year ended 31 December 2015

(All amounts are shown in Thousands Egyptian Pounds unless otherwise stated)

Financial assets (continued)

(c) Available-for-sale financial assets

Available-for-sale financial assets are non-derivatives that are either designated in this category or not classified in any of the other categories. They are included in non-current assets unless the investment matures or management intends to dispose of it within 12 months of the end of the reporting period.

(2) Recognition and measurement

Regular purchases and sales of financial assets are recognized on the trade-date - the date on which the company commits to purchase or sell the asset. Investments are initially recognized at fair value plus transaction costs for all financial assets not carried at fair value through profit or loss. Financial assets carried at fair value through profit or loss are initially recognized at fair value, and transaction costs are expensed in the statement of comprehensive income. Financial assets are derecognized when the rights to receive cash flows from the investments have expired or have been transferred and the company has transferred substantially all risks and rewards of ownership. Available-for-sale financial assets and financial assets at fair value through profit or loss are subsequently carried at fair value. Loans and receivables are subsequently carried at amortised cost using the effective interest method.

Gains or losses arising from changes in the fair value of the 'financial assets at fair value through profit or loss' category are presented in the statement of comprehensive income within 'other (losses)/gains - net' in the period in which they arise. Dividend income from financial assets at fair value through profit or loss is recognized in the statement of comprehensive income as part of other income when the company's right to receive payments is established.

Changes in the fair value of monetary and non-monetary securities classified as available for sale are recognized in other comprehensive income.

When securities classified as available for sale are sold or impaired, the accumulated fair value adjustments recognized in equity are included in the statement of comprehensive income as 'Gains and losses from investment securities'.

Interest on available-for-sale securities calculated using the effective interest method is recognized in the statement of comprehensive income as part of other income. Dividends on available-for-sale equity instruments are recognized in the statement of comprehensive income as part of other income when the company's right to receive payments is established.

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

Notes to the special purpose separate financial statements For the year ended 31 December 2015

(All amounts are shown in Thousands Egyptian Pounds unless otherwise stated)

Financial assets (continued)

(3) Impairment of financial assets

The company assesses at the end of each reporting period whether there is objective evidence that a financial asset or company of financial assets is impaired. A financial asset or a company of financial assets is impaired and impairment losses are incurred only if there is objective evidence of impairment as a result of one or more events that occurred after the initial recognition of the asset (a 'loss event') and that loss event (or events) has an impact on the estimated future cash flows of the financial asset or company of financial assets that can be reliably estimated.

Evidence of impairment may include indications that the debtors or a company of debtors is experiencing significant financial difficulty, default or delinquency in interest or principal payments, the probability that they will enter bankruptcy or other financial reorganisation, and where observable data indicate that there is a measurable decrease in the estimated future cash flows, such as changes in arrears or economic conditions that correlate with defaults.

For loans and receivables category, the amount of the loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows (excluding future credit losses that have not been incurred) discounted at the financial asset's original effective interest rate. The carrying amount of the asset is reduced and the amount of the loss is recognized in the consolidated statement of comprehensive income. If a loan or held-to-maturity investment has a variable interest rate, the discount rate for measuring any impairment loss is the current effective interest rate determined under the contract. As a practical expedient, the company may measure impairment on the basis of an instrument's fair value using an observable market price.

If, in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognized (such as an improvement in the debtor's credit rating), the reversal of the previously recognized impairment loss is recognized in the consolidated statement of comprehensive income.

I. Inventories

Inventories are stated at the lower of cost or net realisable value. Cost is determined using the weighted average method. The cost of finished goods and work in progress comprises raw materials, direct labour, other direct costs and related production overheads (based on normal operating capacity) but excludes borrowing costs. Net realisable value is the estimated selling price in the ordinary course of business, less the costs of completion and selling expenses.

The needed provision are determined with the value of the slow moving, obsolete and damaged inventory items, according to the management's estimates.

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

Notes to the special purpose separate financial statements For the year ended 31 December 2015

(All amounts are shown in Thousands Egyptian Pounds unless otherwise stated)

J. Cash and cash equivalents

Cash and cash equivalents includes cash in hand, deposits held at call with banks, other short-term highly liquid investments with original maturities of three months and amounts restricted against issued letter of guarantee and letter of credit less and bank overdrafts.

For the purposes of the cash flow statement, cash and cash equivalents comprise cash on hand and deposits held at call with banks with original maturities of three months or less. Amounts restricted against issued letter of guarantee and letter of credit and any other amounts restricted are deducted for the purpose of preparing statement of cash flows

K. Share capital

Ordinary shares are classified as equity.

L. Borrowings

Borrowings are recognized initially at the amount of the proceeds received, net of transaction costs incurred. Loans are subsequently stated at amortized cost using the effective interest method; any difference between proceeds (net of transaction costs) and the redemption value is recognized in the statement of income over period of the borrowings.

General and specific borrowing costs directly attributable to the acquisition, construction or production of qualifying assets, which are assets that necessarily take a substantial period of time to get ready for their intended use or sale, are added to the cost of those assets, until such time as the assets are substantially ready for their intended use or sale.

Borrowings are classified as current liabilities unless the Company has an unconditional right to defer settlement of the liability for at least 12 months after the statement of financial position date.

M. Current and deferred income taxes

The current income tax charge is calculated on the basis of the tax laws enacted or substantively enacted at the statement of financial position date. Management periodically evaluates positions taken in tax returns with respect to situations in which applicable tax regulation is subject to interpretation and establishes provisions where appropriate on the basis of amounts expected to be paid to the tax authorities.

Deferred income tax is provided in full, using the liability method, on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the financial statements. Deferred income tax is determined using tax rates (and laws) that have been enacted or substantively enacted by the statement of financial position date and are expected to apply when the related deferred income tax asset is realised or the deferred income tax liability is settled.

Deferred income tax assets are recognised to the extent that it is probable that future taxable profit will be available against which the temporary differences can be utilised.

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

Notes to the special purpose separate financial statements For the year ended 31 December 2015

(All amounts are shown in Thousands Egyptian Pounds unless otherwise stated)

N. Trade payables

Trade payables are carried at the fair value of goods or services received from others, whether invoiced or not. Where material, goods and services received and trade payables are initially recognised at the present value of expected cash outflows using the market rate of interest for similar borrowings. Thereafter, trade payables are carried at amortized cost.

O. Leases

Leases in which a significant portion of the risks and rewards of ownership are retained by the lessor are classified as operating leases. Payments made under operating leases (net of any incentives received from the lessor) are charged to the statement of comprehensive income on a straight-line basis over the period of the lease.

P. Employee benefits

(1) Profit sharing

The employees have the right of 10% of the declared cash dividends as profit sharing. Such profit sharing should not exceed the total annual payroll. Profit sharing is recognised as expenses through statement of comprehensive income and as a liability when approved by the Company's shareholders.

The Company signed a 3 years agreement with the Labour Union dated 26 March 2015 and to be effective from 1 January 2015 in which the Company guarantee payment not less than 9 month to the employees as profit sharing. Payment of these profit sharing are to be paid on 12 monthly instalments during the year and to be considered as payments under dividends and to be settled from the declared dividends after approval by the General Assembly Meeting.

(2) Pension obligations

A defined contribution plan is a pension plan under which the group pays fixed contributions into a separate entity. The group has no legal or constructive obligations to pay further contributions if the fund does not hold sufficient assets to pay all employees the benefits relating to employee service in the current and prior periods. A defined benefit plan is a pension plan that is not a defined contribution plan.

For defined contribution plans, the company pays contributions to The Egyptian Authority for Social Insurance on a mandatory basis as per Egyptian Law of Social Insurance. The company has no further payment obligations once the contributions have been paid. The contributions are recognized as employee benefit expense when they are due.

(3) Short-term obligations

Liabilities for wages and salaries, including non-monetary benefits that are expected to be settled wholly within 12 months after the end of the period in which the employees render the related service are recognised in respect of employees' services up to the end of the reporting period and are measured at the amounts expected to be paid when the liabilities are settled. All other short-term employee benefit obligations are presented as payables.

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

Notes to the special purpose separate financial statements For the year ended 31 December 2015

(All amounts are shown in Thousands Egyptian Pounds unless otherwise stated)

Q. Provisions

Provisions are recognised when the Company has a present legal or constructive obligation as a result of past events; it is probable that an outflow of resources will be required to settle the obligation; and the amount has been reliably estimated.

If the effect of the time value of the money is material, provisions are measured at the present value of the expenditures expected to be required to settle the obligation.

R. Earnings per share

(1) Basic

Basic earnings per share is calculated by dividing the profit attributable to equity holders of the company by the weight average number of ordinary shares in issue during the year excluding ordinary shares purchase by the Company and held as treasury shares.

(2) Diluted

Diluted earnings per share is calculated by adjusting the weighted average number of ordinary shares outstanding to assume conversion of all dilutive potential ordinary shares. The company does not have any categories of dilutive potential ordinary shares, hence the diluted earnings per share is the same as the basic earnings per share.

S. Revenue recognition

Revenue comprises the fair value of the consideration received or receivable for the sale of goods in the ordinary course of the Company's activities. Revenue is shown net of sales tax, returns or rebates. The Company recognizes revenue when significant risks and rewards of ownership of the goods are transferred to the buyer and when the amount of revenue can be reliably measured, it is probable that future economic benefits will flow to the Company and when specific criteria have been met for each of the Company's activities as described below. The Company bases its estimates on historical results, taking into consideration the type of customer, the type of transaction and the specifics of each arrangement and after eliminating the Company's internal sales.

i. Sales of goods

Sales of goods are recognised when company's has delivered products to the wholesaler, the wholesaler has full discretion over the price to sell the products, and there is no unfulfilled obligation that could affect the wholesaler's acceptance of the products. Delivery does not occur until the products have been delivered either in the Company warehouse or in the wholesalers' locations depending on the agreements. Accordingly, the risks and benefits have been transferred to the wholesaler, and either the wholesaler has accepted the products in accordance with the sales contract, the acceptance provisions have lapsed, or the Company has objective evidence that all criteria for acceptance have been satisfied.

ii. Interest income

Interest income is recognised on a time proportion basis, taking account of the principal outstanding and the effective interest rate method. When a receivable is impaired, the Company reduces the carrying amount to its recoverable amount.

iii. Dividends revenue

Dividends revenue recognized when declared.

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

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T. Dividends

Dividends are recorded in the Company's financial statements in the year in which they are approved by the Company's shareholders.

U. Comparatives

Where necessary, comparative figures have been reclassified to conform to changes in presentation in the current year.

V. Business combinations

Fair Value Adjustments (FVA's), are that necessary to convert the book values acquired in the statement of financial position of an acquiree to their fair values under TITAN accounting policies and are accounted at the functional currency of the acquiree.

3. Financial risk management

(1) Financial risk factors

The Company's activities expose it to a variety of financial risks: market risk (including currency risk, price risk and interest rate risk), credit risk and liquidity risk. The Company's efforts are addressed to minimize potential adverse effects of such risks on the Company's financial performance.

The Company does not use derivative instruments to hedge specific risks.

A. Market risk

i. Foreign exchange risk

The Company is exposed to foreign exchange risk arising from various currency exposures, primarily with respect to the US Dollar and Euro. Foreign exchange risk arises from future commercial transactions recognized assets and liabilities in foreign currencies where it's functional and presentation currency differ from that used by the Company at the date of the financial statements.

At period end, major net assets / (liabilities) foreign currency position presented in Egyptian pounds were as follows:

	Assets	Liabilities	2015 Net	2014 Net
US Dollars	6,068	-	6,068	12,472
Euro	454	(607,393)	(606,939)	(595,946)

ii. Price risk

The Company has no investment in quoted equity securities so; it is not exposed to the fair value risk due to changes in prices.

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

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Financial risk management (continued)

iii. Cash flow and fair value interest rate risk

The company's interest rate risk arises from loans. Loans issued at variable rates expose the company to cash flow interest rate risk.

Loans and borrowings with variable interest rate that is subject to the changes of interest rate as of 31 December 2015 is amounting to EGP 1,449,795 (31 December 2014: EGP 1,024,568).

The company has financial assets generating interest exposed to the changes in interest rate as of 31 December 2015 is amounting to EGP 230,030 at the date of statement of financial position (31 December 2014: EGP 414,514).

B. Credit risk

The Company has no significant concentrations of credit risk. The Company has policies in place to ensure that sales of products are made to customers with an appropriate credit history. Financial institutions that the Company deals with are only those enjoying high credit quality.

C. Liquidity risk

Prudent liquidity risk management implies maintaining sufficient cash.

(2) Capital risk management

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

In order to maintain an optimum capital structure, the Company may adjust the amount of dividends paid to shareholders, return capital to shareholders, issue new shares or reduce debt.

The Company monitors capital on the basis of the gearing ratio. This ratio is calculated as net debt divided by total capital. Net debt is calculated as total trade and other payables and borrowings, less cash and cash equivalents. Total capital is calculated as equity in addition to total debt.

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

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(All amounts are shown in Thousands Egyptian Pounds unless otherwise stated)

Financial risk management (continued)

The gearing ratio at 31 December 2015 and 31 December 2015 was as follows:

	<u>2015</u>	<u>2014</u>
Net debt		
Medium term loan	621,601	171,930
Trade and notes payables	178,042	88,332
Advances from customers	52,993	76,061
Due to related parties	63,932	197,355
Loans from related parties	828,194	852,638
Less: cash and cash equivalents	(46,388)	(70,910)
Net debt	<u>1,698,374</u>	<u>1,315,406</u>
Total equity	4,070,770	4,094,208
Total capital	<u>5,769,144</u>	<u>5,409,614</u>
Gearing ratio	29%	24%

(3) Fair value estimation

The fair value of financial assets or liabilities with maturities date less than one year is assumed to approximate their carrying value. The fair value of financial liabilities – for disclosure purposes – is estimated by discounting the future contractual cash flows at the current market interest rate that is available to the Company for similar financial instruments.

4. Critical accounting estimates and judgments

(1) Critical accounting estimates and assumptions

Estimates and adjustments are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances.

The Company makes estimates and assumptions concerning the future. The resulting accounting estimates will, by definition, rarely equal the related actual results. The estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are outlined below.

a. Property and equipment – useful life

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

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

**Notes to the special purpose separate financial statements
For the year ended 31 December 2015**

(All amounts are shown in Thousands Egyptian Pounds unless otherwise stated)

Critical accounting estimates and judgments (continued)

b. Intangible assets

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

c. Inventory provision

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

d. Income tax provision

The Company is subject to corporate income tax. The Company estimates the income tax provision by using the advice of an expert. In case there are differences between the final and preliminary results, these differences will affect the income tax provision in these years.

e. Long-term employee advances

The company's management tests the impairment of long-term employee advances (under future profit sharing), on the basis of expected operational results and expected cash flows in future by preparing turn over business plan using growth rate and discount rate of future cash flows.

(2) Critical Judgements in applying the Company's accounting policies

In general, applying the Company's accounting policies does not require judgments (apart from those involving estimates refer to in Note 4-1) that have significant effects on the amounts recognized in the financial statements.

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

Notes to the separate financial statements - For the year ended 31 December 2015

(All amounts are shown in Egyptian Pounds unless otherwise stated)

5. Property, plant and equipment

Cost	2015							2014	
	Land	Buildings	Machinery & equipment	Quarries	Motor vehicles	Tools	Computer equipment	Furniture & office equipment	
Balance at 1 January	553,265	318,854	1,363,626	26,214	23,285	6,781	9,844	5,894	2,287,857
Transfer from project under constructions	-	1,128	77,349	-	2,656	-	1,565	-	19,906
Disposals	-	-	-	(5,181)	(1,015)	-	(371)	-	-
Balance at 31 December	553,265	319,982	1,440,975	21,033	24,926	6,781	11,038	5,894	2,307,763
Accumulated depreciation									
Balance at 1 January	-	57,317	235,415	3,653	19,996	6,655	9,108	5,049	286,556
Depreciation charge	-	9,115	41,535	15	1,337	40	401	242	50,637
Disposals	-	-	-	(1,089)	(1,015)	-	(371)	-	-
Balance at 31 December	-	66,432	276,950	2,579	20,318	6,695	9,138	5,291	337,193
Net book value	553,265	253,550	1,164,025	18,454	4,608	86	1,900	603	1,970,570

Depreciation included in the separate statement of comprehensive income is as follows:

	2015	2014
Cost of sales	51,732	49,626
General and administrative expense	953	1,011
	52,685	50,637

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

Notes to the special purpose separate financial statements for the year ended 31 December 2015

(All amounts are shown in Thousands Egyptian Pounds unless otherwise stated)

6. Projects under construction

	<u>2015</u>	<u>2014</u>
Balance at 1 January	24,958	10,525
Additions	159,530	34,370
Transfer to property, plant and equipment	(82,615)	(19,906)
Transfer to Intangible assets	(1,816)	(31)
Balance at 31 December	<u>100,057</u>	<u>24,958</u>

This project under construction represents the following categories:

	<u>2015</u>	<u>2014</u>
Buildings	40,177	1,061
Machinery and equipment	49,174	21,370
Spare parts	6,975	2,054
Intangible assets	446	446
Others	3,285	27
Balance at 31 December	<u>100,057</u>	<u>24,958</u>

Project under construction represents the additions made for buildings, machinery and equipment's which will be used in the installation of alternative Energy, which are expected to be capitalized within the year of 2016.

7. Intangible assets

	<u>2015</u>	<u>2014</u>
Cost		
Balance at 1 January	19,795	19,764
Transfer from project under constructions (Note 6)	1,816	31
Balance at 31 December	<u>21,611</u>	<u>19,795</u>
Amortization		
Balance at 1 January	17,440	15,878
Amortization charge for the year	1,221	1,562
Balance at 31 December	<u>18,661</u>	<u>17,440</u>
Net book value	<u>2,950</u>	<u>2,355</u>

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

Notes to the special purpose separate financial statements for the year ended 31 December 2015

(All amounts are shown in Thousands Egyptian Pounds unless otherwise stated)

8. Investment in subsidiaries

	<u>Country of incorporation</u>	<u>Share %</u>	<u>2015</u>	<u>2014</u>
Beni Suef Cement Company (S.A.E.)	Egypt	99.99%	3,165,696	3,165,696
Titan Beton and Aggregate Misr (L.L.C.)	Egypt	96.54%	75,960	75,960
			<u>3,241,656</u>	<u>3,241,656</u>

On 14 December 2015 the Company's Board of directors decided to contribute in Beni Suef Cement Company increase in issued capital with EGP 259,995 which represents the company's share in the capital increase by EGP 260 Million through partial conversion of loan granted to Beni Suef Cement Company. Beni Suef Cement Company Extra ordinary general assembly meeting held on 21 January 2016 approved the decision of increase its issued capital in and till the date of issuance of separate financial statements the legal requirements were not yet completed to record it in the commercial register of Beni Suef Cement Company.

9. Non-current employee advances

	<u>2015</u>	<u>2014</u>
Non-current employee advances	38,819	19,377
Less:		
Change in present value of employee loans	(10,027)	
Decline in advances under future profit sharing	(15,390)	-
	<u>13,402</u>	<u>19,377</u>

The ordinary general assembly meeting at 30 April 2014 decided to grant loans to the company's employees which should be settled from employees' share in future profits. In addition, the company signed an agreement with General Union of workers in construction and timber industry for three year starting from 2015, under which the company is obliged to pay 9 months as advances under future employees share in profit and to be paid on monthly instalments which will be settled through employees annual profit share declared by the general assembly meeting.

Non-current employee advances represents amounts receivable as employee loans paid during 2014 and amounts paid under future profit share during 2015 that settled within more than one year. The change in present value represents the discount of expected future cash flows of the employee advances using a discount rate of similar borrowing for the same year (12.7 % approximately) at the separate statement of financial position date and in accordance with the financial assets subsequent measurements policy. Decline in advances under future profit sharing represent doubt in recoverability of amounts paid during 2015 according to expected future operating results.

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10. Available for sale investment

	<u>2015</u>	<u>2014</u>
Investment in Governmental Bonds	359	359
Less:		
Impairment in Investment in Governmental Bonds	(359)	-
	<u>-</u>	<u>359</u>

11. Inventories

	<u>2015</u>	<u>2014</u>
Finished goods	10,207	7,970
Spare parts and supplies	160,832	190,138
Raw material	55,408	60,715
Work in process	23,840	11,400
Consignment goods with others	-	12,489
Packing materials	5,257	7,118
Consumable stores	28,909	327
	<u>284,453</u>	<u>290,157</u>
Less:		
Impairment in value of spare parts	(15,104)	(12,625)
	<u>269,349</u>	<u>277,532</u>

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

	<u>2015</u>	<u>2014</u>
Balance at 1 January	12,625	10,217
Formed during the year	2,479	2,408
Balance at 31 December 2015	<u>15,104</u>	<u>12,625</u>

12. Prepayments and other debit balances

	<u>2015</u>	<u>2014</u>
Deposits held with others	16,197	14,397
Tax authority-Sales tax	5,033	7,821
Tax Authority - Withholding taxes	2,181	2,439
Prepaid expenses	3,185	6,870
Advance to suppliers	24,641	6,143
Custom authority	15,583	5,097
Employees advances	111	82
Other receivables	654	472
	<u>67,585</u>	<u>43,321</u>
Impairment of other debit balances	(1,161)	(224)
	<u>66,424</u>	<u>43,097</u>

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

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(All amounts are shown in Thousands Egyptian Pounds unless otherwise stated)

13. Related parties transactions

(i) Due from related parties:

	<u>Nature</u>	<u>2015</u>	<u>2014</u>
Titan Beton and Aggregates Misr L.L.C	Current account	1,460	1,058
Titan Beton and Aggregates Misr L.L.C	Accrued Interest	485	324
Beni Suef Cement Company S.A.E	Accrued Interest	46,760	24,220
		<u>48,705</u>	<u>25,602</u>

(ii) Due to related parties:

	<u>Nature</u>	<u>2015</u>	<u>2014</u>
Beni Suef Cement Company S.A.E.	Current account	37,495	123,349
Titan S.A	Current account	10,091	1,419
Kocem Company	Current account	1	1
Titan Egyptian for Limited Investment	Accrued Interest	9,442	46,651
Alexandria Development Ltd.	Accrued Interest	5,442	24,560
East cement company	Accrued Interest	86	-
Iapetos Company	Current account	1,375	1,375
		<u>63,932</u>	<u>197,355</u>

(iii) Key Management personnel

Nothing had been paid to Board of director's during year ended on 31 December 2015 neither during 2014 financial year.

The company's transactions with its related parties on commercial terms are approved by the general assembly meeting and board of directors. Transactions with related parties can be summarized as follows:

	<u>Nature of transaction</u>	<u>2015</u>	<u>2014</u>
Titan S.A	Technical support	8,554	3,937
Beni Suef Cement Company S.A.E	Cash payment	173,741	206,399
Beni Suef Cement Company S.A.E	Clinker purchase & Petcock	58,689	70,924
Beni Suef Cement Company S.A.	Expenses paid on behalf	2,790	-
Beni Suef Cement Company S.A.	Clinker Sales	42,625	-
Beni Suef Cement Company S.A.	Interest income	22,540	22,710
TITAN Egyptian Investment limited	Interest expenses	33,179	34,525
Alexandria Development Ltd.	Interest expenses	44,710	24,237
Kocem Company	Interest expenses	730	-
East cement company	Interest expenses	577	-
Titan Beton and Aggregates Misr L.L.C	Expenses paid on behalf	403	-
Titan Beton and Aggregates Misr L.L.C	Interest income	169	324

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

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14. Loans to related parties

	<u>2015</u>	<u>2014</u>
Beni Suef Cement Company S.A.E. – Loan Principal	228,802	414,000
Titan Beton and Aggregates Misr - L.L.C - Loan Principal	1,228	515
	<u>230,030</u>	<u>414,515</u>

Beni Suef Cement Company S.A.E.:

On 30 June 2013, the company granted an intercompany revolving loan to Beni Suef Cement Company (Subsidiary) amounting to LE 400 Million with an interest rate on the drawn amounts to be calculated based on Commercial banks interest rate on deposits plus 0.5% and to be repaid within one year from the contract date. On 31 December 2014, the two parties agreed to raise the revolving loan ceiling to EGP 500 Million and on 30 July 2015 it was increased to be EGP 600 Million. The loan balance as of 31 December 2015 amounted to EGP 228,802 (31 December 2014: EGP 414,000) (excluding interest).

Titan Beton and Aggregates Misr L.L.C:

On May 2014, the company granted an intercompany revolving loan to Titan Beton & Aggregates Egypt L.L.C (Subsidiary) amounting to LE 20 Million with an interest rate on the drawn amounts to be calculated based on lender's average monthly bank deposit rates plus an additional 0.5% and to be repaid within one year from the contract date; accordingly, it is classified as current assets. The loan balance as of 31 December 2015 amounted to 1,228 (31 December 2014: LE 515) (excluding interest).

15. Cash on hand and banks

	<u>2015</u>	<u>2014</u>
Bank Current accounts – EGP	20,842	37,790
Bank Current accounts - Foreign Currencies	6,523	14,575
Restricted cash	2,533	2,866
Letter Of Credit Margin	16,465	15,654
Blocked time deposits	25	25
	<u>46,388</u>	<u>70,910</u>
	<u>2015</u>	<u>2014</u>
Cash on hand and banks	46,388	70,910
Less:		
Restricted cash	(19,024)	(18,544)
Net cash and cash equivalent	<u>27,364</u>	<u>52,366</u>

Average interest rates applied on current accounts and deposits are as follows:

	<u>2015</u>	<u>2014</u>
Bank Current accounts – EGP	From 4% to 5%	4%
Bank deposits	5.15%	5.15%

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16. Medium term loan

Ahli United Bank

On 21 June 2012, the Company was granted a revolving credit facility amounting to LE 250 Million from Ahli United Bank-Egypt to be repaid after five years from the signing date of the contract with an interest rate to be calculate on the utilized or/and re-utilized amounts under the facility and interest rate of 1.75% above the Corridor lending rate payable quarterly and to be added on the outstanding debit balance.

On 24 February 2015 the company had been granted another LE 120 Million credit facility from Ahli United Bank-Egypt whereas the ceiling had reached LE 370 Million. On 30 July 2015 AUB bank granted the company additional LE 50 Million increase whereas the ceiling had reached LE 420 Million.

Qatar National Bank

On 24 February 2015, the Company has requested Qatar National Bank Al Ahli to grant a revolving committed facility amounting to LE 250 Million to be repaid after five years from the signing date of the contract with an interest rate to be calculated on central bank of Egypt lending rate plus margin.

Total balance is summarized as follows:

	<u>2015</u>	<u>2014</u>
Ahli United Bank	373,676	171,930
Qatar National Bank	247,925	-
Ending Balance	<u>621,601</u>	<u>171,930</u>

17. Loans from related parties

	<u>Nature</u>	<u>2015</u>	<u>2014</u>
Titan Egyptian for Limited Investment	Loan principle	607,394	547,638
Total Current portion of loans from related parties		<u>607,394</u>	<u>547,638</u>

	<u>Nature</u>	<u>2015</u>	<u>2014</u>
Alexandria Development Ltd.	Loan principle	217,800	305,000
East Cement Company	Loan principle	3,000	-
Total Non-Current portion of loans from related parties		<u>220,800</u>	<u>305,000</u>

Titan Egyptian Investment Limited:

On 1st of July 2010, Titan Egypt Investment Ltd. has converted the debt balance amounting to Euro 97,983 and agreed that loan will be repaid within 5 years starting 1st of July 2010. On 31 July 2015, TITAN Egyptian Investment Limited agreed to extend the repayments till 1 April 2016 under two installments with total unpaid balance of Euro 71,428 equivalent to EGP 607,393 as of 31 December 2015 (2014: EGP 547,638) excluding interest.

Interest rate is calculated on the EURIBOR plus 6.15% until the 1st repayment as of 1 January 2016 amounted to Euro 20 million is fully repaid then till the 2nd repayment date at 1 April 2016 the interest rate is EURIBOR in plus 5.15%.

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Loans from related parties (continued)

Alexandria Development Limited:

On 20 December 2013, Alexandria Development Ltd. has granted an intercompany loan to the Company amounting to LE 135 Million with an interest rate on the drawn amounts to be calculated based on Corridor Lending rate plus 1.5% and to be repaid within four years from the contract date and its outstanding balance amounting to LE 135,000 as of 31 December 2015 (EGP 135,000 as of 31 December 2014).

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 and its outstanding balance amounting to EGP 82,800 as of 31 December 2015 (EGP 170,000 as of 31 December 2014).

East Cement Trade Limited:

On 22 June 2015, East Cement Trade Ltd. has granted an intercompany loan to the Company amounting to LE 12 Million with an interest rate on the drawn amounts to be calculated based on Corridor Lending rate plus 1.5% per annum and to be repaid within four years from the contract date and its outstanding balance amounting to EGP 3,000 as of 31 December 2015.

18. Deferred income tax liability

	2015		2014	
	Assets	Liabilities	Assets	Liabilities
Property, plant and Equipment	-	(117,160)	-	(125,114)
Revaluation surplus		(269,482)		(380,256)
Carried forward losses	22,951	-	-	-
Employee loans	1,345	-	-	-
Provisions	4,063	-	4,520	-
Deferred income tax asset (liability)	28,359	(386,642)	4,520	(505,370)
Net deferred income tax (liability)		(358,283)		(500,850)

Movements in deferred tax liability are as follows:

	2015	2014
Balance at 1 January	(500,850)	(418,820)
Charged to statement of changes in equity	104,074	(69,093)
Charged to statement of comprehensive income for the year	38,493	(12,937)
Balance at 31 December 2015	(358,283)	(500,850)

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19. Provisions

	<u>1 January 2015</u>	<u>Formed during the year</u>	<u>31 December 2015</u>	<u>31 December 2014</u>
Legal provision	1,557		1,557	1,557
Tax provision	-	2,432	2,432	-
Other provisions*	828	3,474	4,302	828
	<u>2,385</u>	<u>5,906</u>	<u>8,291</u>	<u>2,385</u>

20. Trade and notes payable

	<u>2015</u>	<u>2014</u>
Trade payable	171,803	87,387
Notes payable	6,239	945
	<u>178,042</u>	<u>88,332</u>

21. Accrued expense and other credit balances

	<u>2015</u>	<u>2014</u>
Accrued expenses	46,924	37,535
Tax authority -Sales tax	8,514	8,130
Tax authority- Withholding tax	8,786	1,499
Tax authority- Salary tax	1,493	752
Tax authority- Real Estate tax	294	294
Interest payables	3,158	-
Other payables	1,150	640
	<u>70,319</u>	<u>48,850</u>

22. Current income tax liability

	<u>2015</u>	<u>2014</u>
Balance at 1 January	58,046	22,883
Corporate tax claims	28,745	-
Income tax expense	-	62,900
Income taxes paid	(59,346)	(27,737)
Adjustments for tax differences	(4,700)	-
	<u>22,745</u>	<u>58,046</u>

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

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23. Share Capital

The company's authorized capital amounts to EGP 4 billion; while the issued and paid-up capital amount to EGP 2,570,574,700 represented in 257,057,470 shares with a par value of EGP 10 as follows:

	No. of shares	Percentage %	Par value EGP
Alexandria Development Ltd.	226,286,543	88.03%	2,262,865,430
Kocem Company	12,403,344	4.825 %	124,033,440
East Cement Trade Limited	10,233,290	3.981%	102,332,900
IAPETOS Limited	2,291,191	0.891%	22,911,910
Others	5,843,102	2.273%	58,431,020
	<u>257,057,470</u>	<u>100%</u>	<u>2,570,574,700</u>

24. Legal reserve

In accordance with the Companies Law No. 159 of 1981 and the Company's Articles of Association, 5% of annual net profit is transferred to the legal reserve. Upon the recommendation of the Board of Directors, the Company may stop such transfers when the legal reserve reaches 50% of the issued capital. The statutory reserve is not eligible for distribution to shareholders.

25. Net sales

	2015	2014
Sales (Domestic)	915,752	909,521
Clinker sales	42,625	1,681
Discounts	(119,118)	(26,327)
	<u>839,259</u>	<u>884,875</u>

26. Cost of sales

	2015	2014
Variable cost	610,903	493,162
Fixed Cost	112,009	94,129
Inventory change	(12,492)	6,760
Packing Cost	58,398	63,388
Manufacturing Depreciation and amortization	51,652	49,626
Provision for slow moving inventory	2,478	2,408
	<u>822,948</u>	<u>709,473</u>

ALEXANDRIA PORTLAND CEMENT COMPANY (S.A.E.)**Notes to the special purpose separate financial statements for the year ended 31 December 2015**

(All amounts are shown in Thousands Egyptian Pounds unless otherwise stated)

27. General and administrative expenses

	<u>2015</u>	<u>2014</u>
Salaries and Wages	22,369	20,543
Consulting fees	1,515	543
Transportation expense	1,774	1,670
Advertising & promotion	4,025	1,713
Telecommunication & accommodation expense	6,776	5,682
Depreciation and Amortization	2,175	2,575
Legal expenses	3,458	4,734
Support expenses	8,555	3,937
Other expenses	665	566
	<u>51,312</u>	<u>41,963</u>

28. Other operating income

	<u>2015</u>	<u>2014</u>
Accruals no longer required	7,503	-
Development fees reimbursement	14,122	-
Gain from fixed assets disposal	485	-
Provisions no longer required	-	161
Scrap sales	726	-
Other Operating Income	-	2,018
	<u>22,836</u>	<u>2,179</u>

29. Other operating expense

	<u>2015</u>	<u>2014</u>
Decline in advances under future profit sharing	15,390	-
Provision expense	3,474	-
Other operating expenses	2,874	802
Impairment in government bonds	359	-
Impairment in advances to suppliers	908	-
Staff severance cost	1,839	-
Impairment of fixed assets	4,092	-
Development fees	-	7,434
	<u>28,936</u>	<u>8,236</u>

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

Notes to the special purpose separate financial statements for the year ended 31 December 2015

(All amounts are shown in Thousands Egyptian Pounds unless otherwise stated)

30. Finance Costs – net

	<u>2015</u>	<u>2014</u>
Foreign currency exchange	8,482	69,379
Changes in present value of employee advances	(10,027)	-
Interest Income	23,578	24,916
Interest expenses and bank charges	(120,463)	(84,002)
	<u>(98,430)</u>	<u>10,293</u>

31. Income tax expense

	<u>2015</u>	<u>2014</u>
Current income tax	-	(62,899)
Deferred income tax	38,493	(12,937)
	<u>38,493</u>	<u>(75,836)</u>
Prior year tax claims	(28,744)	-
Income tax provision expense	(2,432)	-
Adjustments for tax differences	4,700	-
	<u>12,017</u>	<u>(75,836)</u>
	<u>2015</u>	<u>2014</u>
Net (loss) / profit income before tax	(139,531)	300,392
Tax calculated at applicable tax rate	(31,394)	90,118
Non-deductible expense	13,550	4,642
Income not subject to tax	(2,451)	(43,934)
Effect of change of enacted tax rate	58,788	25,010
	<u>38,493</u>	<u>75,836</u>

32. Earnings per share

i. Basic

Basic earnings per share is calculated by dividing the net profit attributable to the ordinary shares for the period times the number of shares outstanding during the period:

	<u>2015</u>	<u>2014</u>
Net loss / (profit) for the year attributable to shareholders	(127,514)	224,556
Weight average number of shares outstanding during the year	257,057	257,057
Basic earnings per share	(0.50)	0.87

ii. Diluted

Diluted earnings per share is calculated by adjusting the weighted average number of ordinary shares outstanding to assume conversion of all dilutive potential ordinary shares. The company has no issued dilutive potential ordinary shares outstanding during the year ended 31 December 2015. In which basic and dilutive EPS are the same on that date.

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

Notes to the special purpose separate financial statements for the year ended 31 December 2015

(All amounts are shown in Thousands Egyptian Pounds unless otherwise stated)

33. Contingent liabilities

There are contingent liability on the company as of 31 December 2015 resulted from ordinary course of business which it not probable to require significant cash out flows within the ordinary course of business representing in EGP 1,907 against restricted time deposits amounted to EGP 25 and others letter of guarantee cash cover with EGP 2,533 presented within restricted cash balance (Note 15).

34. Non-cash transaction

The significant non-cash transactions represents in the following:

- Un paid debit interest amounted EGP 18,128.
- Un collected credit interest amounted EGP 22,701.
- Payment under investment eliminated amounted to EGP 259,995 against elimination the same amount from loans to related parties.

35. Comparative figures

Some of the comparative figures have been reclassified in the special purpose separate financial statements as of 31 December 2014 to conform to the current presentation of the special purpose separate financial statements as follows:

<u>Statements of financial position reclassification</u>	<u>2014 Before reclassification</u>	<u>Reclassification</u>	<u>2014 after reclassification</u>
Prepayments and other debit balances	62,474	(19,377)	43,097
Non -Current employee advances	-	19,377	19,377
Trade and notes payable	-	87,387	87,387
Trade payable	87,387	(87,387)	-
Notes payable	945	(945)	-

<u>Statements of comprehensive income reclassification</u>	<u>2014 Before reclassification</u>	<u>Reclassification</u>	<u>2014 after reclassification</u>
Provisions no longer required	161	(161)	-
Other operating income	2,018	161	2,179
Interest expenses	(84,002)	84,002	-
Interest income	24,916	(24,916)	-
Foreign exchange differences	69,379	(69,379)	-
Finance cost	-	10,293	10,293
Deferred tax expenses	12,937	(12,937)	-
Current income tax expenses	62,899	(62,899)	-
Income Tax expenses	-	75,836	75,836

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Notes to the special purpose separate financial statements for the year ended 31 December 2015

(All amounts are shown in Thousands Egyptian Pounds unless otherwise stated)

36. Capital commitment

The company has capital commitment as of 31 December 2015 amounted to EGP 104,510 in respect of construction alternative energy projects and other projects.

37. Tax position

As disclosed in Note (1) to the financial statements, Blue Circle Company for Cement S.A.E. is merged in Alexandria Portland Cement Company S.A.E effective from 1 January 2007. Tax position is as follows:

A) Corporate tax

- Tax return is filed annually on its legal due dates.
- Files and documents of Alexandria Portland Cement Company (before merge) have been inspected. Settled and paid from year 2001 till 31 December 2003.
- Files and documents of Alexandria Portland Cement Company (before merge) have been inspected for the year 2004. Points of dispute have been transferred to appeal committee and then to the specialized court but all the taxes due according to appeal committee decision were paid according to the tax law.
- Blue circle books were inspected for the years (before merge) 2004 till 2006 and all tax dues were settled and paid.
- 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 but all the taxes due according to appeal committee decision are under settlements.
- Files and documents of Alexandria Portland Cement Company have been inspected for the year 2006 and the dispute transferred to the internal committee.
- Files and documents of Alexandria Portland Cement Company (after merge) 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 settlement under progress.
- Alexandria Portland Cement Company files and documents are not inspected for the years from 2010 till 2014.

B) Salary tax

- Employees' taxes are paid and reconciled regularly with the tax authority.
- Files and documents of Alexandria Portland Cement Company were inspected for the years (before merge) 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 2003. Points were solved and for the settlement under progress. In addition to Blue circle books were inspected for the year 2004 and points of dispute were transferred to the internal committee.
- Alexandria Portland Cement Company (after merge) 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 merge) files and documents are not inspected for the years 2012, 2013 and 2014.
- Blue circle Company (before merge) files and documents are under inspection for the years 2005 and 2006.

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

Notes to the special purpose separate financial statements for the year ended 31 December 2015

(All amounts are shown in Thousands Egyptian Pounds unless otherwise stated)

Tax position (continued)

C) Sales tax

- Sales tax collected from customers is paid on time.
- Files and documents of Alexandria Portland Cement Company (after merge) are inspected from year 2000 till year 2011 and all tax dues were settled.
- Alexandria Portland Cement Company files and documents had been inspected (after merge) for the year 2012 and tax claim is still in progress till now.
- Sales tax of Blue Circle Company for Cement (before merge) is inspected from 2004 till 2006 and all tax dues were paid and settled.

D) Real Estate tax

- Property tax of Alexandria Portland Cement Company has been inspected and settled up to December 2013.
- Documents and Files have been inspected for the period up to December 2015, the Real Tax Authority claimed an accrued real estate tax which has been settled partially by Alexandria Portland Cement Company, & points of dispute were transferred to the internal committee.

E) Stamp duty tax

- The company records have been inspected up to 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 merge) has been inspected and settled from inception up to December 2006.
- No tax inspection took place for the year 2013 and year 2014.

F) Withholding taxes:

- Alexandria Portland Cement Company has not been inspected till the current date.

38. 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 Company in 1999. The company is not named as defendant in such a legal case. In May 2013, a legal action was raised against the company requesting the nullification of sale of shares of the company to Blue Circle Cement Company. The Company's legal advisor believes that the likelihood of the Company winning this case is probable.