

**ALEXANDRIA PORTLAND CEMENT COMPANY (S.A.E.)  
SEPARATE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 31 DECEMBER 2016  
TOGETHER WITH THE AUDITOR'S REPORT**

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

**Separate Financial Statements  
For the year ended 31 December 2016**

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## **AUDITOR'S REPORT**

### **TO THE SHAREHOLDERS OF ALEXANDRIA PORTLAND CEMENT COMPANY (S.A.E)**

#### **Report on the Financial Statements**

We have audited the accompanying separate financial statements of **ALEXANDRIA PORTLAND CEMENT COMPANY (S.A.E)** (the "Company"), which comprise the statement of financial position as at 31 December 2016 and the statement of profit or loss and other comprehensive income, statement of changes in equity and statement of cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information.

#### **Management's responsibility for the financial statements**

These financial statements are the responsibility of the Company's Management, as Management is responsible for the preparation and fair presentation of the separate 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 separate financial statements based on our audit. We conducted our audit in accordance with the Egyptian Standards on Auditing and applicable Egyptian laws. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance that the financial statements are free from material misstatement.

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

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



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### Opinion

In our opinion, the financial statements present fairly, in all material respects, the financial position of the Company as at 31 December 2016 and its financial performance and cash flows for the year then ended in accordance with International Financial Reporting Standards.

### Emphasis of Matter

- We draw attention to note 2.1 to the financial statements, that IFRS was applied retrospectively to the opening balance of the comparative year 2015 in accordance with IAS 8 accounting policies, change in accounting estimate and errors as the company issued IFRS financial statement for the prior years except for the year 2015 which was audited by another auditor who issued an unqualified opinion dated 30 March 2016.
- We draw attention to note 14 to the financial statements, that the Company has investments in subsidiaries and prepared consolidated financial statements for the year ended 31 December 2016 in accordance with the International Financial Reporting Standards. For better understanding of the Company's consolidated financial position as 31 December 2016 and its consolidated financial performance and its consolidated cash flows for the year then ended, the matter necessitates reference to the consolidated financial statements.

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



Cairo: 23 March 2017

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

**SEPARATE STATEMENT OF PROFIT AND LOSS**

FOR THE YEAR ENDED 31 DECEMBER 2016

	Notes	2016	2015
		EGP "000"	Restated EGP "000"
Net sales	(4)	1,049,872	839,259
Cost of sales	(5)	<u>(946,920)</u>	<u>(832,968)</u>
<b>GROSS PROFIT</b>		<b>102,952</b>	<b>6,291</b>
General and administrative expenses	(6)	(60,776)	(51,283)
Other operating income	(8)	11,311	18,744
Other operating expense	(9)	(61,852)	(25,249)
Finance expense	(7)	<u>(1,063,827)</u>	<u>(98,430)</u>
<b>LOSS FOR THE YEAR BEFORE INCOME TAX</b>		<b>(1,072,192)</b>	<b>(149,927)</b>
Income tax	(10)	<u>247,195</u>	<u>15,563</u>
<b>LOSS FOR THE YEAR</b>		<b><u>(824,997)</u></b>	<b><u>(134,364)</u></b>
Losses Per Share - basic and diluted	(11)	<u>(3.21)</u>	<u>(0.52)</u>

The accompanying notes (1) to (34) form an integral part of these financial statements.  
Independent Auditor's report attached.

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

**SEPARATE STATEMENT OF COMPERHENSIVE INCOME**

FOR THE YEAR ENDED 31 DECEMBER 2016

	2016	2015 Restated
	EGP "000"	EGP "000"
<b>LOSS FOR THE YEAR</b>	<b>(824,997)</b>	<b>(134,364)</b>
Other comprehensive income	-	-
<b>TOTAL COMPREHENSIVE LOSSES</b>	<b><u>(824,997)</u></b>	<b><u>(134,364)</u></b>

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



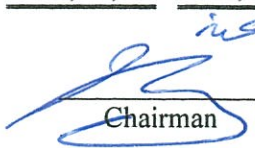
ALEXANDRIA PORTLAND CEMENT COMPANY (S.A.E.)

SEPARATE STATEMENT OF FINANCIAL POSITION

AS AT 31 DECEMBER 2016

	Notes	2016 EGP "000"	2015 Restated EGP "000"
<b>Assets</b>			
<b>Non-current assets</b>			
Property, Plant and equipment	(12)	801,150	675,674
Intangible assets	(13)	1,420	2,950
Investments in subsidiaries	(14)	3,241,656	3,241,656
Payments made on account for investment in subsidiaries	(14)	259,995	259,995
Employees advances	(15)	-	13,402
Deferred tax asset	(10)	214,291	-
<b>Total Non-current assets</b>		<b>4,518,512</b>	<b>4,193,677</b>
<b>Current assets</b>			
Inventories	(17)	347,053	269,130
Prepayments, other receivables and other debit balances	(18)	89,669	66,424
Due from related parties	(19)	135	1,460
Loans to related parties	(20)	266,018	277,275
Cash on hand and at banks	(23)	61,170	46,388
<b>Total current assets</b>		<b>764,045</b>	<b>660,677</b>
<b>Total assets</b>		<b>5,282,557</b>	<b>4,854,354</b>
<b>Equity and liabilities</b>			
<b>Equity</b>			
Share capital	(24)	2,570,575	2,570,575
Legal reserve	(25)	145,403	145,403
Retained earnings		256,506	390,870
(Losses) for the year		(824,997)	(134,364)
<b>Total equity</b>		<b>2,147,487</b>	<b>2,972,484</b>
<b>LIABILITIES</b>			
<b>Non-current liabilities</b>			
Bank borrowings – Non current portion	(26)	314,425	621,601
Loans from related parties – Non current portion	(21)	1,476,211	220,800
Deferred tax liability	(10)	-	35,581
Sales tax installments		276	276
<b>Total Non-current liabilities</b>		<b>1,790,912</b>	<b>878,258</b>
<b>Current liabilities</b>			
Provisions	(27)	11,877	8,291
Accounts and notes payable	(28)	298,268	178,042
Advance from customers		211,956	52,891
Accrued expenses and other payables	(29)	91,198	70,318
Bank borrowings – Current portion	(26)	401,812	-
Credit facilities	(22)	3,152	-
Due to related parties	(19)	103,117	48,962
Loans from related parties – Current portion	(21)	197,646	622,363
Income tax payable	(10)	25,132	22,745
<b>Total current liabilities</b>		<b>1,344,158</b>	<b>1,003,612</b>
<b>TOTAL LIABILITIES</b>		<b>3,135,070</b>	<b>1,881,870</b>
<b>TOTAL LIABILITIES AND EQUITY</b>		<b>5,282,557</b>	<b>4,854,354</b>

  
Chief Financial Officer

  
Chairman

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

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

**SEPARATE STATEMENT OF CHANGES IN EQUITY**

**FOR THE YEAR ENDED 31 DECEMBER 2016**

	Share Capital EGP "000"	Legal reserve EGP "000"	Retained Earnings EGP "000"	Losses for the year EGP "000"	Special reserve EGP "000"	Revaluation Surplus EGP "000"	Total Equity EGP "000"
Balance at 1 January 2016	2,570,575	145,403	390,870	(134,364)	-	-	2,972,484
Transfer to retained earnings	-	-	(134,364)	134,364	-	-	-
Loss of the year	-	-	-	(824,997)	-	-	(824,997)
<b>Balance at 31 December 2016</b>	<b>2,570,575</b>	<b>145,403</b>	<b>256,506</b>	<b>(824,997)</b>	<b>-</b>	<b>-</b>	<b>2,147,487</b>
Balance at 1 January 2015 ( before restatement)	2,570,575	133,199	485,505	-	56,286	848,643	4,094,208
Adjustments (Note 2.3)	-	-	(82,431)	-	(56,286)	(848,643)	(987,360)
<b>Balance at 1 January 2015 ( after restatement)</b>	<b>2,570,575</b>	<b>133,199</b>	<b>403,074</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>3,106,848</b>
Transfer to legal reserve	-	12,204	(12,204)	-	-	-	-
Loss for the year	-	-	-	(134,364)	-	-	(134,364)
<b>Balance at 31 December 2015</b>	<b>2,570,575</b>	<b>145,403</b>	<b>390,870</b>	<b>(134,364)</b>	<b>-</b>	<b>-</b>	<b>2,972,484</b>

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



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

## SEPARATE STATEMENTS OF CASH FLOWS

FOR THE YEARS ENDED 31 DECEMBER 2016

		2016	2015
	Notes	EGP "000"	Restated EGP "000"
<b>Cash flows from operating activities</b>			
Losses before income tax		(1,072,192)	(149,927)
<b>Adjustments for:</b>			
Depreciation expenses of fixed assets	(12)	64,000	62,598
Amortization of intangible assets	(13)	1,530	1,221
Change in present value of employee advances	(15)	-	5,975
Change in present value of employee advances no longer required	(15)	(5,975)	-
Impairment of investments available for sale		-	360
Impairment of other debit balances		-	908
Write down of spare parts	(17)	1,875	2,478
Provisions charged during the year	(26)	3,876	3,474
Accruals no longer required		-	(21,624)
Impairment of employee advance	(9)	16,326	-
Gain / (Loss) from sale of property, plant and equipment		(1,139)	3,607
Credit interest		(15,257)	(23,578)
Debit interest		180,930	120,463
<b>Cash from operations before working capital changes:</b>		<u>(826,026)</u>	5,955
Change in restricted cash	(23)	(7,789)	(479)
Change in inventory	(17)	(72,177)	6,110
Change in prepayments and other receivables	(18)	(23,245)	(24,144)
Change in due from related parties	(19)	1,325	(403)
Change in accounts payable	(28)	120,226	95,476
Change in advance from customers		159,065	(23,161)
Change in accrued expenses and other payables	(29)	14,691	39,935
Change in payment of employee advance	(15)	3,051	-
Change in due to related parties	(19)	54,155	(77,182)
<b>Cash from operating activities</b>		<u>(576,724)</u>	22,107
Provision used	(27)	(290)	-
Used from spare parts write down	(17)	(7,621)	-
Paid taxes	(10)	(290)	(59,346)
<b>Net cash used from operating activities</b>		<u>(584,925)</u>	(37,239)
<b>Cash flows from investing activities</b>			
Payments to Acquire Property, plant and Equipment	(12)	(189,971)	(159,530)
Proceeds from sale of Property, plant and Equipment		1,635	486
Interest received		1,861	877
Receipt / ( payments) of loans to related parties		24,653	(75,511)
<b>Net cash used from investing activities</b>		<u>(161,822)</u>	(233,678)
<b>Cash flows from financing activities</b>			
Credit facilities Received		3,152	-
Receipt from Bank loans		94,636	449,672
Receipt / ( settlements ) to loans from related parties		812,458	(24,445)
Interest paid		(156,506)	(173,545)
<b>Net cash provided from financing activities</b>		<u>753,740</u>	251,682
<b>Net change in cash and cash equivalents</b>		<u>6,993</u>	(19,235)
Cash and cash equivalent at the beginning of the year		27,365	46,600
<b>Cash and cash equivalent at the end of the year</b>	(23)	<u>34,358</u>	27,365
Cash and cash equivalents		61,170	46,388
Less: Restricted cash	(23)	<u>26,812</u>	19,023
		<u>34,358</u>	27,365

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

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

## NOTES TO THE SEPARATE FINANCIAL STATEMENTS

31 DECEMBER 2016

### 1 BACKGROUND

Alexandria Portland Cement Company (S.A.E) was established on 7 June 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 one Cement plant located 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 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 other's, 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 of EGP 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.

These financial statements for the year ended 31 December 2016 were authorized for issuance in accordance with the resolution of the management on 20 March 2017.

### 2 BASIS OF PREPARATION AND ACCOUNTING POLICIES

#### 2.1 Basis of preparation of these financial statements

The financial statements of the Company are prepared in accordance with International Financial Reporting Standards ("IFRS") as issued by the International Accounting Standards Board ("IASB"). The IFRS was applied retrospectively to the opening balance of the year 2015 in accordance with IAS 8 Accounting policies change in accounting estimates and error. As the company prepared IFRS financial statement for all previous years except for the year 2015. The effect of such application is presented in note (2.3).

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

## NOTES TO THE SEPARATE FINANCIAL STATEMENTS

31 DECEMBER 2016

The financial statements have been prepared in Egyptian pounds (EGP000), which is the Company's functional and presentation currency.

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

The preparation of the financial statements in conformity with International Financial Reporting Standards requires the use of certain critical accounting estimates. It also requires management to exercise its judgment in the process of applying the Company's accounting policies. Note 2.4 disclose the significant accounting estimates used and personal judgment applied in the preparation of the financial statements

### 2.2 NEW STANDARDS, INTERPRETATION AND AMENDMENTS

The standards and interpretations that are issued, but not yet effective, up to the date of issuance of the company's financial statements are disclosed below. The company intends to adopt these standards, if applicable, when they become effective.

#### **IFRS 9 Financial Instruments**

IFRS 9 Financial Instruments which reflects all phases of the financial instruments project and replaces IAS 39 Financial Instruments: Recognition and Measurement and all previous versions of IFRS 9. The standard introduces new requirements for classification and measurement, impairment, and hedge accounting. IFRS 9 is effective for annual periods beginning on or after 1 January 2018. The company is currently assessing the impact of the new standard.

#### **IFRS 14 Regulatory Deferral Accounts**

IFRS 14 is an optional standard that allows an entity, whose activities are subject to rate-regulation, to continue applying most of its existing accounting policies for regulatory deferral account balances upon its first-time adoption of IFRS. Entities that adopt IFRS 14 must present the regulatory deferral accounts as separate line items on the statement of financial position and present movements in these account balances as separate line items in the statement of profit or loss. The standard requires disclosures on the nature of, and risks associated with, the entity's rate-regulation and the effects of that rate-regulation on its financial statements. Since the Company is an existing IFRS preparer and is not involved in any rate-regulated activities, this standard does not apply.

#### **IFRS 15 Revenue from Contracts with Customers**

IFRS 15 was issued in May 2014 and establishes a five-step model that will apply to revenue arising from Contracts with customers. Under IFRS 15 revenue is recognised at an amount that reflects the consideration to which an entity expects to be entitled in exchange for transferring goods or services to a customer. The principles in IFRS 15 provide a more structured approach to measuring and recognising revenue. The new revenue standard is applicable to all entities and will supersede all current revenue recognition requirements under IFRS. Either a full or modified retrospective application is required for annual periods beginning on or after 1 January 2018 with early adoption permitted. The company is currently assessing the impact of the new standard.

#### **IFRS 16 Leases**

The new standard will be effective for annual periods beginning on or after 1 January 2019. Early application is permitted, provided the new revenue standard, IFRS 15 Revenue from Contracts with Customers, has been applied, or is applied at the same date as IFRS 16. The new standard permits lessees to use either a full retrospective or a modified retrospective approach on transition for leases existing at the date of transition, with options to use certain transition reliefs.

#### **Amendments to IFRS 11 Joint Arrangements: Accounting for Acquisitions of Interests**

The amendments to IFRS 11 require that a joint operator accounting for the acquisition of an interest in a joint operation, in which the activity of the joint operation constitutes a business must apply the relevant IFRS 3 principles for business combinations accounting. The amendments also clarify that a previously held interest in a joint operation is not remeasured on the acquisition of an additional interest in the same joint operation while joint control is retained. In addition, a scope exclusion has been added to IFRS 11 to specify that the amendments do not apply when the parties sharing joint control, including the reporting entity, are under common control of the same ultimate controlling party. The amendments apply to both the acquisition of the initial interest in a joint operation and the acquisition of any additional interests in the same joint operation and are applied prospectively. These amendments do not have any impact on the Company as there has been no interest acquired in a joint operation during the year.

## 2.2 NEW STANDARDS, INTERPRETATION AND AMENDMENTS (continued)

### **Amendments to IAS 16 and IAS 38: Clarification of Acceptable Methods of Depreciation and Amortisation**

The amendments clarify the principle in IAS 16 and IAS 38 that revenue reflects a pattern of economic benefits generated from operating a business (of which the asset is part) rather than the economic benefits that are consumed through use of the asset. As a result, a revenue-based method cannot be used to depreciate property, plant and equipment and may only be used in very limited circumstances to amortise intangible assets. The amendments are effective prospectively do not have any impact on the Company given that the Company has not used a revenue-based method to depreciate its non-current assets.

### **Amendments to IAS 16 and IAS 41 Agriculture: Bearer Plants**

The amendments change the accounting requirements for biological assets that meet the definition of bearer plants. Under the amendments, biological assets that meet the definition of bearer plants will no longer be within the scope of IAS 41. Instead, IAS 16 will apply. After initial recognition, bearer plants will be measured under IAS 16 at accumulated cost (before maturity) and using either the cost model or revaluation model (after maturity). The amendments also require that produce that grows on bearer plants will remain in the scope of IAS 41 measured at fair value less costs to sell. For government grants related to bearer plants, IAS 20 Accounting for Government Grants and Disclosure of Government Assistance will apply. The amendments are applied retrospectively do not have any impact on the Company as it does not have any bearer plants.

### **Amendments to IAS 27: Equity Method in Separate Financial Statements**

The amendments will allow entities to use the equity method to account for investments in subsidiaries, joint ventures and associates in their separate financial statements. Entities already applying IFRS and electing to change to the equity method in its separate financial statements will have to apply that change retrospectively. These amendments do not have any impact on the Company.

### **Annual Improvements 2012-2014 Cycle**

These improvements are effective for annual periods beginning on or after 1 January 2016. They include:

#### **IFRS 5 Non-current Assets Held for Sale and Discontinued Operations**

Assets (or disposal groups) are generally disposed of either through sale or distribution to owners. The amendment clarifies that changing from one of these disposal methods to the other would not be considered a new plan of disposal, rather it is a continuation of the original plan. There is, therefore, no interruption of the application of the requirements in IFRS 5. This amendment must be applied prospectively but do not have any impact on the Company.

#### **IFRS 7 Financial Instruments: Disclosures**

##### **(i) Servicing contracts**

The amendment clarifies that a servicing contract that includes a fee can constitute continuing involvement in a financial asset. An entity must assess the nature of the fee and the arrangement against the guidance for continuing involvement in IFRS 7 in order to assess whether the disclosures are required. The assessment of which servicing contracts constitute continuing involvement must be done retrospectively. However, the required disclosures would not need to be provided for any period beginning before the annual period in which the entity first applies the amendments. These amendments do not have any impact on the Company.

##### **(ii) Applicability of the amendments to IFRS 7 to condensed interim financial statements**

The amendment clarifies that the offsetting disclosure requirements do not apply to condensed interim financial statements, unless such disclosures provide a significant update to the information reported in the most recent annual report. This amendment must be applied retrospectively. These amendments do not have any impact on the Company.

#### **IAS 19 Employee Benefits**

The amendment clarifies that market depth of high quality corporate bonds is assessed based on the currency in which the obligation is denominated, rather than the country where the obligation is located. When there is no deep market for high quality corporate bonds in that currency, government bond rates must be used. This amendment must be applied prospectively. These amendments do not have any impact on the Company.

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

## NOTES TO THE SEPARATE FINANCIAL STATEMENTS

31 DECEMBER 2016

### 2.2 NEW STANDARDS, INTERPRETATION AND AMENDMENTS (continued)

#### IAS 34 Interim Financial Reporting

The amendment clarifies that the required interim disclosures must either be in the interim financial statements or incorporated by cross-reference between the interim financial statements and wherever they are included within the interim financial report (e.g., in the management commentary or risk report). The other information within the interim financial report must be available to users on the same terms as the interim financial statements and at the same time. This amendment must be applied retrospectively. These amendments do not have any impact on the Company.

#### Amendments to IAS 1 Disclosure Initiative

The amendments to IAS 1 Presentation of Financial Statements clarify, rather than significantly change, existing IAS 1 requirements. The amendments clarify:

- The materiality requirements in IAS 1
- That specific line items in the statement(s) of profit or loss and OCI and the statement of financial position may be disaggregated
- That entities have flexibility as to the order in which they present the notes to financial statements
- That the share of OCI of associates and joint ventures accounted for using the equity method must be presented in aggregate as a single line item, and classified between those items that will or will not be subsequently reclassified to profit or loss.

Furthermore, the amendments clarify the requirements that apply when additional subtotals are presented in the statement of financial position and the statement(s) of profit or loss and OCI. These amendments are effective for annual periods beginning on or after 1 January 2016, with early adoption permitted. These amendments do not have any impact on the Company.

#### Amendments to IFRS 10, IFRS 12 and IAS 28 Investment Entities: Applying the Consolidation Exception

The amendments address issues that have arisen in applying the investment entities exception under IFRS 10 Consolidated Financial Statements. The amendments to IFRS 10 clarify that the exemption from presenting consolidated financial statements applies to a parent entity that is a subsidiary of an investment entity, when the investment entity measures all of its subsidiaries at fair value.

Furthermore, the amendments to IFRS 10 clarify that only a subsidiary of an investment entity that is not an investment entity itself and that provides support services to the investment entity is consolidated. All other subsidiaries of an investment entity are measured at fair value. The amendments to IAS 28 Investments in Associates and Joint Ventures allow the investor, when applying the equity method, to retain the fair value measurement applied by the investment entity associate or joint venture to its interests in subsidiaries.

These amendments must be applied retrospectively and are effective for annual periods beginning on or after 1 January 2016, with early adoption permitted. These amendments do not have any impact on the Company.

### 2.3 RESTATEMENT OF PRIOR YEAR FIGURES

#### - Push Down entry Reversal

In May 2008, Titan company (head quarter) in Greece had acquired all Egyptian subsidiaries from Lafarge Company in which land, Buildings and Machinery and equipment were revalued at the fair value and the difference between net book value and fair value was recognized as revaluation Surplus reserve in the Egyptian subsidiaries.

This revaluation and related revaluation surplus relate to the parent Company (acquirer), however it was pushed down to Alexandria Portland Cement Company accounting books, accordingly the management restated its financial statements to reverse the push down entries and its related effects.

#### - Correction of Useful Life

The company corrected its depreciation policy of the building, machinery and equipment from 40 years to 20 years, the company management believes that 20 years is the proper useful life estimate of building, machinery and equipment, accordingly the management restated its financial statements.

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

## NOTES TO THE SEPARATE FINANCIAL STATEMENTS

31 DECEMBER 2016

### Impact on Statement of Financial Position

	Property, plant and equipment (cost) EGP000	Property, plant and equipment (Acc. Dep.) EGP000	Inventory EGP000	Other EGP000	Deferred Tax liability EGP000	Total EGP000
Balance on 1 January 2015 (before restatement)	2,332,722	(337,193)	277,531	-	(500,850)	1,772,210
Impact of restatement of prior year figures	(1,103,200)	(307,678)	188	101	423,229	(987,360)
Balance on 1 January 2015 (Restated)	<u>1,229,522</u>	<u>(644,871)</u>	<u>277,719</u>	<u>101</u>	<u>(77,621)</u>	<u>784,850</u>
Note	(12)	(12)	-		(10)	

### Impact on equity

	Retained Earnings EGP000	Special Reserve EGP000	Revaluation Surplus EGP000	Total EGP000
Balance as at 1 January 2015	485,505	56,286	848,643	1,390,434
Impact of restatement of prior year figures	(82,431)	(56,286)	(848,643)	(987,360)
Balance as At 1 January 2015 (Restated)	<u>403,074</u>	<u>-</u>	<u>-</u>	<u>(403,074)</u>

### Impact on statement of profit or loss

	Depreciation Expense EGP000	Other EGP000	Net Loss before tax EGP000	Income tax EGP000	Net Loss After tax EGP000
Transaction for the year ended 31 December 2015 (Before restatement)	(54,086)	-	(139,531)	12,017	(127,514)
Impact of restatement of prior year figures	(9,733)	(663)	(10,396)	3,546	(6,850)
Transaction for the year ended 31 December 2015 (Restated)	<u>(63,819)</u>	<u>(633)</u>	<u>(149,927)</u>	<u>15,563</u>	<u>(134,364)</u>

In accordance to IAS 8 accounting policies, change in accounting estimates and errors, the company have restated the opening balance of the year 2015 since it was impracticality to restate the preceding years.

## 2.4 SIGNIFICANT ACCOUNTING JUDGMENTS AND ESTIMATES

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

Other disclosures relating to the Company's exposure to risks and uncertainties includes :

- Capital management. ( Note 33)
- Financial risk management objectives and policies. (Note 31)
- Sensitivity analysis disclosures.(Note 31)

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

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



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

## NOTES TO THE SEPARATE FINANCIAL STATEMENTS

31 DECEMBER 2016

### 2.4 SIGNIFICANT ACCOUNTING JUDGMENTS AND ESTIMATES (continued)

#### Estimations

##### Property, Plant and equipment – useful life

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

##### 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.

##### Inventory write down

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

##### Taxes

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

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

##### Employee advances

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

### 2.5 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

#### 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.

#### 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.

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

## NOTES TO THE SEPARATE FINANCIAL STATEMENTS

31 DECEMBER 2016

### 2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

#### **Finance income**

Finance income is recognized as it accrues using the effective interest rate (EIR) method. EIR is the rate that exactly discounts the estimated future cash payments or receipts over the expected life of the financial instrument or a shorter period, where appropriate, to the net carrying amount of the financial asset or liability. Finance income is included in the statement of profit or loss

#### **Dividends revenue**

Dividends revenue recognized when declared.

#### **Foreign currencies**

Transactions in foreign currencies are initially recorded using the exchange rate at the date of the transaction.

Monetary assets and liabilities denominated in foreign currencies are translated using the exchange rate at the reporting date. All differences are recognised in the Statement of Profit or Loss.

Nonmonetary items that are measured at historical cost in foreign currency are translated using the exchange rates at the dates of the initial transactions.

Nonmonetary items measured at fair value in a foreign currency are translated using the exchange rates at the date when the fair value is determined.

#### **Borrowing**

Borrowings are initially recognized at the value of the consideration received. Amounts maturing within a year are classified as current liabilities, unless the Company has the right to postpone the settlement for a period exceeding one year after the balance sheet date, then the loan balance should be classified as long term liabilities.

After initial recognition, interest bearing loans and borrowings are subsequently measured at amortized cost using the effective interest rate method. Gains and losses are recognized in the statement of profit or loss when the liabilities are derecognized as well as through the effective interest rate method amortization process.

Amortized cost is calculated by taking into account any discount or premium on acquisition and fee or costs that are an integral part of the effective interest rate. The effective interest rate amortization is included in finance cost in the statement of profit or loss.

#### **Borrowing cost**

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

#### **Income tax**

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

#### **Current income tax**

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

#### **Deferred income tax**

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

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

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

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

## NOTES TO THE SEPARATE FINANCIAL STATEMENTS

31 DECEMBER 2016

### 2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

#### Available-for-sale investments

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.

Available for sale investments are initially recognised at fair value inclusive direct attributable expenses.

After initial measurement, available for sale financial assets are measured at fair value with unrealized gains or losses recognised directly in equity until the investment is derecognised, at which time the cumulative gain or loss recorded in equity is recognised in the statement of income, or determined to be impaired, at which time the cumulative loss recorded in equity is recognised in the statement of income. If the fair value of an equity instrument cannot be reliably measured, the investment is carried at cost.

#### Property, Plant and Equipment

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

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

Estimated useful lives of assets are as follows:

Buildings	20-50 Years
Machinery and equipment	14-20 Years
Quarries compensation	Quarries depletion rate
Motor vehicles	5 - 7 years
Tools	5 - 20 years
Computers	4 - 10 years
Furniture and office equipment	4 - 10 years

Quarries compensations represent the amount paid to make the quarries ready to use.

The assets' residual values and useful lives are reviewed, and adjusted if appropriate, at the end of 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 the proceeds with the carrying amount of the asset and are included in the income from operations.

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

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

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

**2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)**

**Assets under construction**

Assets under construction 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. Fixed assets under construction are valued at cost net of impairment loss (if any).

**Intangible assets**

Intangible assets acquired separately are measured on initial recognition at cost. Following initial recognition, intangible assets are carried at cost less accumulated amortization and accumulated impairment losses, if any. Internally generated intangible assets, excluding capitalized development costs, are not capitalized and expenditure is recognized in the statement of profit or loss when it is incurred.

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

Computer software and its related license recognized as intangible assets are amortized using the straight- line method over their estimated useful life (4 - 20 years).

**Financial assets carried at amortized cost**

For financial assets carried at amortised cost, the company first assesses whether impairment exists individually for financial assets that are individually significant, or collectively for financial assets that are not individually significant. If the Company determines that no objective evidence of impairment exists for an individually assessed financial asset, whether significant or not, it includes the asset in a group of financial assets with similar credit risk characteristics and collectively assesses them for impairment. Assets that are individually assessed for impairment and for which an impairment loss is, or continues to be, recognised are not included in a collective assessment of impairment.

**Cash and short-term deposits**

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

**Prepayments, other receivables and other debit balances**

After initial measurement, such financial assets are subsequently measured at amortized cost using the effective interest rate (EIR) method, less impairment (if any). The losses arising from impairment (if any) are recognised in the statement of profit or loss in other operating expenses.

**Derecognition of financial assets**

A financial asset (or, when applicable, a part of a financial asset or part of a group of similar financial assets) is derecognised when:

The rights to receive cash flows from the asset have expired, or The Company has transferred its rights to receive cash flows from the asset or has assumed an obligation to pay the received cash flow in full without material delay to a third party under a 'pass-through' arrangement, and either the Company has transferred substantially all the risks and rewards of the asset, or the Company has neither transferred nor retained substantially all the risks and rewards of the asset, but has transferred control of the asset.

When the Company has transferred its right to receive cash flows from an asset or has entered into a pass-through arrangement, it evaluates if and to what extent it retained the risks and rewards of ownership. When it has neither transferred nor retained substantially all the risks and rewards of the asset nor transferred control of the asset, the Company continues to recognise the transferred asset to the extent of the Company's continuing involvement. In that case, the Company also recognises an associated liability. The transferred asset and the associated liability are measured on a basis that reflects the rights and obligations that the Company has retained.

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

**2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)**

**Impairment of financial assets**

**Prepayments, other receivables and other debit balances**

The Company assesses at each reporting 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 (an incurred 'loss event') and that loss event has an impact on the estimated future cash flows of the financial asset or the group of financial assets that can be reliably estimated. Evidence of impairment may include indications that the debtors or a group 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 reorganization and where observable data indicates that there is a measurable decrease in the estimated future cash flows, such as changes in arrears or economic conditions that correlate with defaults.

If there is objective evidence that an impairment loss has been incurred, the amount of the loss is measured as the difference between the financial assets carrying amount and the present value of estimated future cash flows. The present value of the estimated future cash flows is discounted at the financial assets original effective interest rate.

**AFS financial assets**

For AFS financial assets, the Company assesses at each reporting date whether there is objective evidence that an investment or a group of investments is impaired.

In the case of equity investments classified as AFS, objective evidence would include a significant or prolonged decline in the fair value of the investment below its cost. 'Significant' is evaluated against the original cost of the investment and 'prolonged' against the period in which the fair value has been below its original cost.

When there is evidence of impairment, the cumulative loss – measured as the difference between the acquisition cost and the current fair value, less any impairment loss on that investment previously recognised in the statement of profit or loss—is removed from OCI and recognised in the statement of profit or loss. Impairment losses on equity investments are not reversed through profit or loss; increases in their fair value after impairment are recognised in OCI.

The determination of what is 'significant' or 'prolonged' requires judgement. In making this judgement, the Company evaluates, among other factors, the duration or extent to which the fair value of an investment is less than its cost.

In the case of debt instruments classified as AFS, the impairment is assessed based on the same criteria as financial assets carried at amortised cost. However, the amount recorded for impairment is the cumulative loss measured as the difference between the amortised cost and the current fair value, less any impairment loss on that investment previously recognised in the statement of profit or loss.

Future interest income continues to be accrued based on the reduced carrying amount of the asset, using the rate of interest used to discount the future cash flows for the purpose of measuring the impairment loss. The interest income is recorded as part of finance income. If, in a subsequent year, the fair value of a debt instrument increases and the increase can be objectively related to an event occurring after the impairment loss was recognised in the statement of profit or loss, the impairment loss is reversed through the statement of profit or loss.

**Inventories**

The inventory elements are valued as follows:

- Spare parts and supplies: at the lower of cost using the moving average method or net realizable value.
- Raw materials: at the lower of cost using the moving average method or net realizable value.
- Finished products: at the lower of the cost of production based on the costing sheets or net realizable value.
- Work in process: at the lower of the cost of production of the latest completed phase based on the costing sheets or net realizable value.

The amount of any write down of inventories to net realizable value and all losses of inventories shall be recognized in cost of sales in the separate statement of income in the period the write down or loss occurs. The amount of any reversal of any write down of inventories, arising from an increase in net realizable value, shall be recognized as reduction of cost of sales in the statement of income in the period in which the reversal occurs.

**2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)**

**Financial liabilities and equity instruments issued by the Company**

Debt and equity instruments are classified as either financial liabilities or as equity instruments in accordance with the substance of the contractual agreements. Financial liabilities within the scope of IAS 39 are classified as financial liabilities at fair value through profit or loss, loans and borrowings, or as derivative instrument as appropriate. The Company determines the classification of its financial liabilities at the initial recognition.

**Accounts and other payables**

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

**Loans and borrowings**

All loans and borrowings are initially recognised at the fair value less directly attributable transaction costs.

After initial recognition, interest-bearing loans and borrowings are subsequently measured at amortised cost using the effective interest rate method. Gains and losses are recognised in the Statement of Profit or Loss when the liabilities are derecognised as well as through the amortisation process.

**Other financial liabilities**

Other financial liabilities are initially measured at fair value, net of transaction costs and are subsequently measured at amortised cost using the effective interest method, with interest expense recognised on an effective yield basis.

The effective interest method is a method of calculating the amortised cost of a financial liability and of allocating interest expense over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash payments through the expected life of the financial liability, or, where appropriate, a shorter period.

**Derecognition of financial liabilities**

The Company derecognises financial liabilities when, and only when, the Company's obligations are discharged, cancelled or they expire. Where an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, then the difference in the respective carrying amounts is recognised in the Statement of Profit or Loss.

**Offsetting of financial instruments**

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

**Impairment of non-financial assets**

The Company assesses at each reporting date whether there is an indication that a non-financial asset may be impaired. If any indication exists, or when annual impairment testing for an asset is required, the Company estimates the asset's recoverable amount. An asset's recoverable amount is the higher of an asset's or cash-generating units (CGU) fair value less costs to sell and its value in use and is determined for an individual asset, unless the asset does not generate cash inflows that are largely independent of those from other assets or groups of assets. Where the carrying amount of an asset or CGU exceeds its recoverable amount, the asset is considered impaired and is written down to its recoverable amount. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. In determining fair value less costs to sell, an appropriate valuation model is used.

Impairment losses of continuing operations are recognised in the Statement of Profit or Loss in those expense categories consistent with the function of the impaired asset.

An assessment is made at each reporting date as to whether there is any indication that previously recognised impairment losses may no longer exist or may have decreased. If such indication exists, the Company estimates the asset's or cash-generating unit's recoverable amount. A previously recognised impairment loss is reversed only if there has been a change in the assumptions used to determine the asset's recoverable amount since the last impairment loss was recognised. The reversal is limited so that the carrying amount of the asset does not exceed its recoverable amount, nor exceed the carrying amount that would have been determined, net of depreciation, had no impairment loss been recognised for the asset in prior years. Such reversal is recognised in the Statement of Profit or Loss.



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

## NOTES TO THE SEPARATE FINANCIAL STATEMENTS

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### Suppliers and accrued expenses

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

### Provisions

Provisions are recognised when the Company has a legal or constructive obligation as a result of a past event, it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation, and the amount can be reliably estimated. When the Company expects some or all of a provision to be reimbursed, the reimbursement is recognised as a separate asset but only when the reimbursement is virtually certain. The expense relating to any provision is presented in the Statement of Profit or Loss net of any reimbursement.

Provisions are measured at the present value of the expenditures expected to be required to settle the obligation at the end of the reporting period, using a rate that reflects current market assessments of the time value of money and the risks specific to the obligation.

Provisions are reviewed at each statement of financial position date and adjusted to reflect the current best estimate. If it is no longer probable that an outflow of resources embodying economic benefits will be required to settle the obligation, the provision is reversed.

### Contingent liabilities and assets

Contingent liabilities are not recognised in the financial statements. They are disclosed unless the possibility of an outflow of resources embodying economic benefits is remote. A contingent asset is not recognised in the financial statements but disclosed when an inflow of economic benefits is probable.

### Fair value measurement

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The fair value measurement is based on the presumption that the transaction to sell the asset or transfer the liability takes place either in the principal market for the asset or liability or the most advantageous market for the asset or liability.

The fair value of an asset or a liability is measured using the assumptions that market participants would use when pricing the asset or liability, assuming that market participants act in their economic best interest.

A fair value measurement of a non-financial asset takes into account a market participant's ability to generate economic benefits by using the asset in its highest and best use or by selling it to another market participant that would use the asset in its highest and best use.

For assets traded in an active market, fair value is determined by reference to quoted market bid prices.

The fair value of interest-bearing items is estimated based on discounted cash flows using interest rates for items with similar terms and risk characteristics.

For unquoted assets, fair value is determined by reference to the market value of a similar asset or is based on the expected discounted cash flows.

The Company uses valuation techniques that are appropriate in the circumstances and for which sufficient data are available to measure fair value, maximising the use of relevant observable inputs and minimising the use of unobservable inputs.

All assets and liabilities for which fair value is measured or disclosed in the financial statements are categorised within the fair value hierarchy, described as follows, based on the lowest level input that is significant to the fair value measurement as a whole:

- Level 1 – Fair value measurements are those derived from quoted prices in an active market (that are unadjusted) for identical assets or liabilities.
- Level 2 – Fair value measurements are those derived from inputs other than quoted prices included within Level 1 that are observable for the asset or liability either directly (i.e. as prices) or indirectly (i.e. derived from prices).
- Level 3 – Fair value measurements are those derived from valuation techniques that include inputs for the asset or liability that are not based on observable market data (unobservable inputs).

#### 2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

For assets and liabilities that are recognised in the financial statements on a recurring basis, the Company determines whether transfers have occurred between levels in the hierarchy by re-assessing categorisation at the end of each reporting period.

For the purpose of fair value disclosures, the Company has determined classes of assets and liabilities on the basis of the nature, characteristics and risks of the asset or liability and the level of the fair value hierarchy as explained above.

##### **Related party transactions**

Related parties represent in parent company, associated companies, major shareholders, directors and key management personnel of the Company, and entities controlled, jointly controlled or significantly influenced by such parties. Pricing policies and terms of these transactions are approved by the Boards of Directors.

##### **Statement of cash flows**

The statement of cash flows is prepared using the indirect method.

##### **Expenses**

All expenses including operating expenses, general and administrative expenses and other expenses are recognized and charged to the statement of profit or loss in the financial year in which these expenses were incurred.

##### **Employee benefits**

###### **Profit sharing**

The Company pays the lesser of 10% of its cash dividends as profit sharing to its employees or the employees' annual basic salary. Profit sharing is recognised through profit or loss and as a liability when approved by the Company's shareholders.

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 of each of those years.

Payments made to employees in advance of profit sharing are recorded as receivables at cost less any impairment.

##### **Pension obligations**

For defined contribution plans, the Company pays contributions to the Public Authority for Social Insurance plans on a mandatory basis. Once the contributions have been paid, the Company has no further payment obligations. The regular contributions constitute net periodic costs for the year in which they are due and as such are included in staff costs.

### 3 SEGMENT INFORMATION

Currently the Company's main business segment is cement and building materials and selling the cement. Revenues, profits and investments in other business segments is currently immaterial. Accordingly business segments do not meet the criteria of reportable segments under IFRS 8, and as such, are not separately disclosed in the financial statements. All revenues of the Company in the years ended 31 December 2016 were reported under one segment in the financial statements.

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

**NOTES TO THE SEPARATE FINANCIAL STATEMENTS**

31 DECEMBER 2016

**4 SALES**

	2016 EGP "000"	2015 EGP "000"
Cement sales	1,064,900	915,752
Frieght Revenue	23,813	-
Clinker and Fuel sales	44,871	42,625
Sales discount	(83,712)	(119,118)
	<u>1,049,872</u>	<u>839,259</u>

**5 COST OF SALES**

	2016 EGP "000"	2016 EGP "000"
Production cost	884,310	771,295
Manufacturing Depreciation ( Note 12)	62,610	61,673
	<u>946,920</u>	<u>832,968</u>

**6 GENERAL AND ADMINSTRATIVE EXPENSES**

	2016 EGP "000"	2015 EGP "000"
Wages and salaries	23,740	22,369
Consulting fees	893	790
Donations	112	3,534
Repair and maintenance	177	77
Catering expense	67	26
Telecommunication and accommodation expense	769	754
Depreciation and amortization ( Note 12, 13)	2,920	2,146
Rent	6,359	5,502
Technical support (Titan S.A) – (Note 19)	11,445	8,554
Other expenses	14,294	7,531
	<u>60,776</u>	<u>51,283</u>

**7 FINANCE EXPENSES**

	2016 EGP "000"	2015 EGP "000"
Foreign exchange (loss) / income	904,129	(8,482)
Advance employee profit share (income) expense	(5,975)	10,027
Credit interest	(15,257)	(23,578)
Debit interest	180,930	120,463
	<u>1,063,827</u>	<u>98,430</u>

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

**NOTES TO THE SEPARATE FINANCIAL STATEMENTS**

31 DECEMBER 2016

**8 OTHER OPERATING INCOME**

	2016	2015
	EGP "000"	EGP "000"
Gain from sale of Scrap	1,487	727
Gain/(loss) from sales of property, plant and equipment (Note 12)	1,139	(3,607)
Other operating income	8,685	21,624
	<u>11,311</u>	<u>18,744</u>

**9 OTHER OPERATING EXPENSES**

	2016	2015
	EGP "000"	EGP "000"
Employees compensations	41,650	1,613
Impairment in advances to employees (Note 15)	16,326	-
Other Provisions (Note 27)	3,876	3,474
Other	-	20,162
	<u>61,852</u>	<u>25,249</u>

**10 INCOME TAX**

	2016	2015
	EGP "000"	EGP "000"
<b>Statement of Profit or Loss</b>		
Current income tax	-	-
Deferred income tax	249,872	42,040
	<u>249,872</u>	<u>42,040</u>
Income tax differences for prior year	(2,677)	2,268
Income tax expenses for prior year	-	(28,745)
	<u>247,195</u>	<u>15,563</u>

**DEFERRED INCOME TAX**

	Statement of financial position	
	2016	2015
	EGP "000"	EGP "000"
Deferred taxes on differences of NBV of property, plant and equipment	(76,229)	(63,938)
Deferred tax on carried forward losses	85,129	22,951
Deferred tax on unrealized foreign exchange loss on loans	184,911	-
Derided tax on provisions differences	20,480	4,061
Other	-	1,345
<b>Net deferred income tax liabilities</b>	<u>214,291</u>	<u>(35,581)</u>

	Statement of Profit or Loss	
	2016	2015
	EGP "000"	EGP "000"
Balance as of 1 January – Restated	35,581	77,621
Movement during the year	(249,872)	(42,040)
<b>Balance as of 31 December 2016</b>	<u>(214,291)</u>	<u>35,581</u>

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

**NOTES TO THE SEPARATE FINANCIAL STATEMENTS**

31 DECEMBER 2016

**INCOME TAX (Continued)**

**CURRENT INCOME TAX**

	2016 EGP "000"	2015 EGP "000"
Balance as of 1 January	22,745	58,046
Tax differences	2,677	24,045
Income tax paid	(290)	(59,346)
<b>Balance</b>	<b>25,132</b>	<b>22,745</b>

**RECONCILIATION OF THE EFFECTIVE INCOME TAX RATE**

	2016 EGP"000"
Losses income taxes	(1,072,192)
Depreciation differences	(53,314)
Provision differences	23,783
Unrealized foreign exchange loss	832,232
Carried forward losses	(102,417)
Other differences	(6,442)
Taxable income	(378,350)
<b>Income tax</b>	<b>NIL</b>

The company's tax position is as follows:

**1- Corporate tax**

- The company's books were inspected from 2001 till 2003 by the tax authority and all tax dues were paid.
- Files and documents of the company were inspected for the year 2004 and points of dispute were transferred to the appeal committee and the tax appeal committee decision was challenged in front of the court but all the taxes due according to appeal committee decision were paid according to the tax law.
- Files and documents of the company were inspected for the year 2005 and points of dispute were transferred to the appeal committee and the tax appeal committee decision was challenged in front of the court but all the taxes due according to appeal committee decision were paid according to the tax law.
- Files and documents of the Company were inspected for the year 2006 and the dispute points were transferred to the internal committee.
- Files and documents of the Company were inspected from 2007 to 2009 and the settlement under progress.
- No tax inspection took place from 2010 till 2016.
- Blue Circle Company books were inspected till 2006 and all tax dues were settled and paid.

**2- Sales tax**

- The company's books were inspected till 2011 and all tax dues were settled and paid.
- The company's books were inspected for the year 2012 and the dispute points were transferred to the internal committee.
- The company's books were inspected from 2013 till 2014 and all tax dues were settled and paid.
- No tax inspection took place from 2015 till 2016.
- Blue Circle Company books were inspected till 2006 and all tax dues were settled and paid.

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

## NOTES TO THE SEPARATE FINANCIAL STATEMENTS

31 DECEMBER 2016

### INCOME TAX (Continued)

#### 3- Salary tax

- The company's books were inspected till 2006 and all tax dues were settled.
- The company's files and documents were inspected from 2007 to 2011 and the dispute points were transferred to the internal committee.
- No tax inspection took place from 2012 to 2016.
- Blue Circle Company books were inspected till 2003 and all tax dues were settled.
- Blue Circle Company books were inspected for the year 2004 and points of dispute were transferred to the appeal committee.
- Blue Circle Company books are under inspection from 2005 to 2006.

#### 4- Stamp duty tax

- The company's books were inspected up to year 2014 and all tax dues were paid and settled.
- No tax inspection took place from 2015 to 2016.
- Blue Circle Company books were inspected till 2006 and all tax dues were settled and paid.

#### 5- Real estate tax

- The company's books were inspected till June 2015 and points of dispute were transferred to the internal committee.

### 11 EARNINGS PER SHARE

	2016 EGP "000"	2015 EGP "000"
Loss for the year	(824,997)	(134,364)
Number of shares outstanding during the year	257,057	257,057
Losses Per Share	<u>(3.21)</u>	<u>(0.52)</u>



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

**NOTES TO THE SEPARATE FINANCIAL STATEMENTS**

31 December 2016

**12 Property, Plant and Equipment (Restated)**

	Land	Buildings	Machinery and equipment	Quarries	Motor	Tools	Computers	Furniture, fixture and Office equipment	Constructions in progress	Total
	EGP"000"	EGP"000"	EGP"000"	EGP"000"	EGP"000"	EGP"000"	EGP"000"	EGP"000"	EGP"000"	EGP"000"
<b>Cost</b>										
As of 1 January 2016	10,647	203,654	996,642	21,032	24,926	6,781	11,037	5,892	100,057	1,380,668
Additions	-	-	-	-	-	-	-	-	189,971	189,971
Transferred	-	50,456	154,711	-	4,024	2,201	1,328	1,401	(214,121)	-
Disposal	-	-	-	-	(10,622)	-	-	-	-	(10,622)
<b>As of 31 December 2016</b>	<b>10,647</b>	<b>254,110</b>	<b>1,151,353</b>	<b>21,032</b>	<b>18,328</b>	<b>8,982</b>	<b>12,365</b>	<b>7,293</b>	<b>75,907</b>	<b>1,560,017</b>
<b>Accumulated depreciation</b>										
As of 1 January 2016	-	126,449	534,526	2,580	20,317	6,694	9,138	5,289	-	704,993
Depreciation	-	9,493	51,991	43	1,582	22	607	262	-	64,000
Disposal	-	-	-	-	(10,126)	-	-	-	-	(10,126)
<b>As of 31 December 2016</b>	<b>-</b>	<b>135,942</b>	<b>586,517</b>	<b>2,623</b>	<b>11,773</b>	<b>6,716</b>	<b>9,745</b>	<b>5,551</b>	<b>-</b>	<b>758,867</b>
<b>Net carrying amount At 31 December 2016</b>	<b>10,647</b>	<b>118,168</b>	<b>564,836</b>	<b>18,409</b>	<b>6,555</b>	<b>2,266</b>	<b>2,620</b>	<b>1,742</b>	<b>75,907</b>	<b>801,150</b>

\* There is no mortgage on Property, Plant and Equipment

- Depreciation included in the statement of comprehensive income as follows:

	2016	2015
	EGP"000"	EGP"000"
Cost of sales	62,610	61,673
General and administrative expenses	1,390	925
	<u>64,000</u>	<u>62,598</u>
Proceeds from disposal of property, plant and equipment		
Cost of disposals		10,622
Accumulated depreciation of disposals		(10,126)
Net Carrying amount		496
Gain from disposal of property, plant and equipment		<u>(1,139)</u>
		<b>(1,635)</b>

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

**NOTES TO THE SEPARATE FINANCIAL STATEMENTS**

31 December 2016

**12 Property, Plant and Equipment (Continued) (Restated)**

	Land	Buildings	Machinery and equipment	Quarries	Motor	Tools	Computers	Furniture, fixture and Office equipment	Constructions in progress	Total
	EGP"000"	EGP"000"	EGP"000"	EGP"000"	EGP"000"	EGP"000"	EGP"000"	EGP"000"	EGP"000"	EGP"000"
<b>Cost</b>										
As of 1 January 2015 - Restated	10,647	202,596	919,306	26,213	23,285	6,781	9,844	5,892	24,957	1,229,521
Additions	-	-	-	-	-	-	-	-	159,530	159,530
Transferred	-	1,058	77,336	-	2,656	-	1,564	-	(82,614)	-
Transferred to intangible assets	-	-	-	-	-	-	-	-	(1,816)	(1,816)
Disposal	-	-	-	(5,181)	(1,015)	-	(371)	-	-	(6,567)
<b>As of 31 December 2015</b>	<b>10,647</b>	<b>203,654</b>	<b>996,642</b>	<b>21,032</b>	<b>24,926</b>	<b>6,781</b>	<b>11,037</b>	<b>5,892</b>	<b>100,057</b>	<b>1,380,668</b>
<b>Accumulated depreciation</b>										
As of 1 January 2015 - Restated	-	117,011	483,400	3,654	19,996	6,654	9,108	5,048	-	644,871
Depreciation	-	9,438	51,126	15	1,336	40	401	241	-	62,597
Disposal	-	-	-	(1,089)	(1,015)	-	(370)	-	-	(2,474)
<b>As of 31 December 2015</b>	<b>-</b>	<b>126,449</b>	<b>534,526</b>	<b>2,580</b>	<b>20,317</b>	<b>6,694</b>	<b>9,139</b>	<b>5,289</b>	<b>-</b>	<b>704,994</b>
<b>Net carrying amount At 31 December 2015</b>	<b>10,647</b>	<b>77,205</b>	<b>462,116</b>	<b>18,452</b>	<b>4,609</b>	<b>87</b>	<b>1,898</b>	<b>603</b>	<b>100,057</b>	<b>675,674</b>

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

## NOTES TO THE SEPARATE FINANCIAL STATEMENTS

31 December 2016

### 13 INTANGIBLE ASSETS

	2016 EGP''000''	2015 EGP''000''
<b>Cost</b>		
As of 1 January	21,612	19,795
Transfer from project under construction	-	1,816
<b>As of 31 December</b>	<u>21,612</u>	<u>21,611</u>
<b>Accumulated Depreciation</b>		
As of 1 January	18,662	17,440
Amortization	1,530	1,221
<b>As of 31 December</b>	<u>20,192</u>	<u>18,661</u>
<b>Net carrying amount</b>	<u>1,420</u>	<u>2,950</u>

Intangible assets represented in computer programs and its related license that are amortized using straight-line method on ( 4-20) years.

### 14 INVESTMENTS IN SUBSIDIARIES

Company	Country	%	2016	2015
			EGP''000''	EGP''000''
Beni Suef Cement Company S.A.E	Egypt	99.99%	3,165,696	3,165,696
Titan Beton & Aggregates Egypt 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 an increase in issued capital of thousand 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 to increase its issued capital and till the date of issuance of financial statements the legal procedures were not yet completed to register this increase in the commercial register of Beni Suef Cement Company.

### 15 EMPLOYEES ADVANCES

	2016 EGP''000''	2015 EGP''000''
Advances to employees	16,326	19,377
<b>Deduct :</b>		
Change in present value of employees Advances	(5,975)	(5,975)
Change in present value of employees Advances income	5,975	
Impairment in advances to employees	(16,326)	-
<b>Total non-current employees advances</b>	<u>-</u>	<u>13,402</u>

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

## NOTES TO THE SEPARATE FINANCIAL STATEMENTS

31 December 2016

The company's Ordinary General Assembly meeting held on 30 April 2014 decided to grant loans to the company's employees which should be settled from employees' share in future profits. In addition, the company signed an agreement on 26 March 2015 with General Union of workers in Construction and Timber industry for three year starting from 2015, under which it is obliged to pay 9 months as advances under future employees share in profit and to be paid on monthly instalments that will be settled through employees annual profit share declared by the General Assembly Meeting of each year covered in such agreement.

The change in present value represents the discount of expected future cash flows of the employee advances paid before the year 2015 using a discount rate of similar borrowing for the same year at the balance sheet date. The company reversed the previous calculated present value for advances paid to employees before the year 2015 and impaired the full balance due to doubt of recoverability in the future periods.

### 16 AVAILABLE FOR SALE INVESTMENT

	2016 EGP"000"	2015 EGP"000"
Investments in treasury bounds	359,709	359,709
<b>Deduct</b>		
Impairment in treasury bounds	<u>(359,709)</u>	<u>(359,709)</u>
	<u>-</u>	<u>-</u>

### 17 Inventories

	2016 EGP"000"	2015 Restated EGP"000"
Spare parts and supplies	167,289	160,832
Raw materials	35,851	55,408
Work in process	35,366	23,840
Finished goods	11,684	10,046
Packing material	4,946	5,257
Fuel and lubricants	<u>101,332</u>	<u>28,908</u>
	356,468	284,291
<b>Deduct :</b>		
write down of spare parts inventory	<u>(9,415)</u>	<u>(15,161)</u>
	<u>347,053</u>	<u>269,130</u>

Inventory write down value shown as following:

	2016 EGP"000"	2015 EGP"000"
Balance as of 1 January	15,161	12,683
Formed during the year	1,875	2,478
Used during the year	<u>(7,621)</u>	<u>-</u>
Ending balance	<u>9,415</u>	<u>151,161</u>

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

## NOTES TO THE SEPARATE FINANCIAL STATEMENTS

31 December 2016

### 18 PREPAYMENTS , OTHER RECEIVABLES, AND OTHER DEBIT BALANCES

	2016 EGP"000"	2015 EGP"000"
Advances to contractors and suppliers	29,117	24,641
Deposits with others	18,713	16,197
Advance to customs authority	11,849	15,583
Tax authority – VAT	24,268	5,033
Prepayments	2,527	3,185
Tax authority – Withholding tax	3,689	2,181
Other debit balance	416	654
Employee imprest	251	111
	<u>90,830</u>	<u>67,585</u>
Deduct : Impairment of prepayments and other debit balances	(1,161)	(1,161)
	<u>89,669</u>	<u>66,424</u>

### 19 DUE FROM / TO RELATED PARTIES

Nature of Transactions	2016		2015	
	Due from EGP"000"	Due to EGP"000"	Due from EGP"000"	Due to EGP"000"
Titan Beaton and Aggregates Misr (L.L.C.)	135	-	1,460	-
Beni Suef Cement Company (S.A.E.)	-	60,895	-	37,495
Titan S.A	-	40,847	-	10,091
Kocem Company	-	-	-	1
Iapetos Company	-	1,375	-	1,375
	<u>135</u>	<u>103,117</u>	<u>1,460</u>	<u>48,962</u>

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

Nature of transactions		2016 EGP"000"	2015 EGP"000"
Titan S.A	Technical support fees	11,445	8,554
	Clinker, cement & petcock purchase	62,435	58,689
Beni Suef Cement Company (S.A.E.)	Clinker & Cement sales	44,871	42,625
	Interest income	13,865	22,540
Titan Beaton and Aggregates Misr (L.L.C.)	Interest income	18	169
Titan Egyptian Investment Limited	Interest expense	62,471	33,179
Alexandria Development Ltd.	Interest expense	24,250	44,710
Kocem Company	Interest expense	-	730
East Cement Company	Interest expense	447	577

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

## NOTES TO THE SEPARATE FINANCIAL STATEMENTS

31 December 2016

### Transactions with key management personnel:

	2016 EGP"000"	2015 EGP"000"
Short Term Employee benefits	20,143	20,795
Social insurance	303	259

### 20 LOANS TO RELATED PARTIES

		2016 EGP"000"	2015 EGP"000"
<b>Current portion :</b>			
Beni Suef Cement Company ( S.A.E.) –loan Principle	Subsidiary	203,377	228,802
Beni Suef Cement Company ( S.A.E.) –Accrued interest	Subsidiary	60,626	46,760
Titan Beton and Aggregates Misr (L.L.C.) – loan Principle	Subsidiary	2,000	1,228
Titan Beton and Aggregates Misr (L.L.C.) – Accrued interest	Subsidiary	15	485
<b>Total current portion of loans to related parties</b>		<b>266,018</b>	<b>277,275</b>

#### 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 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 31 December 2014, the two parties agreed to raise the revolving loan celling to EGP 600 Million and to mature on 30 June 2017. The loan balance as of 31 December 2016 amounted to EGP 203,377 thousand (31 December 2015: EGP 228,802 thousand) 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 EGP 20 Million with an interest rate on the drawn amounts to be calculated based on lender's average monthly bank deposit rats plus an additional 0.5% and to be repaid within one year from the contract date. On May 1, 2016 the two parties agreed to extend the loan due date to 1 May 2017. The loan balance as of 31 December 2016 is amounted to EGP 2,000 thousand (31 December 2015: EGP 1,228 thousand) excluding interest .

### 21 LOANS FROM RELATED PARTIES

		2016 EGP"000"	2015 EGP"000"
<b>Current Loans</b>			
Titan Egyptian for investment limited – Principle loan		-	607,393
Titan Egyptian for investment limited – Accrued interest		15,383	9,442
Alexandria Development L.T.D – Principle loan		161,440	-
Alexandria Development L.T.D – Accrued interest		17,289	5,442
East Cement company – Principle loan		3000	-
East Cement company – Accrued Interest		534	86
<b>Total current portion of loans from related parties</b>		<b>197,646</b>	<b>622,363</b>
<b>Non-current Loans</b>			
Titan Egyptian for investment limited – Principle loan		1,476,211	-
Alexandria Development L.T.D – Principle loan		-	217,800
East Cement company – Principle loan		-	3,000
<b>Total noncurrent portion of loans from related parties</b>		<b>1,476,211</b>	<b>220,800</b>



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

## NOTES TO THE SEPARATE FINANCIAL STATEMENTS

31 December 2016

### Titan Egyptian Investment Limited:

On 1st of July 2010, Titan Egyptian Investment Ltd. has converted the debt balance amounting to Euro 97,982,704 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.

On 31 October 2016, Titan Egyptian Investment Limited and Alexandria Portland Cement Company agreed to extend the loan due date till 31 January 2019.

The balance due for the loan is Euro 77,396 thousand equivalent to EGP 1,476,211 thousand as of 31 December 2016 (31 December 2015 EGP 607,393 thousand) excluding interest. Interest rate is calculated on the EURIBOR plus 6.15%.

### Alexandria Development Limited:

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 years from the contract date and its outstanding balance included within current liabilities amounting to EGP 135,000 thousand as of 31 December 2016 (EGP 135,000 thousand as of 31 December 2015).

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 after four years from the contract date, however the lender can recall the loan at any time after issuing a five business days notice, and its outstanding balance amounting to EGP 26,440 thousand of 31 December 2016 (EGP 82,800 thousands as of 31 December 2015).

The total loan outstanding balance amounted to EGP 161,440 thousands as of 31 December 2016 (EGP 217,800 thousands "Non-current" as of 31 December 2015).

### East Cement Trade Limited:

On 22 June 2015, East Cement Trade Ltd. has granted an intercompany loan to the Company amounting to EGP 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 after four years from the contract date, however the lender can recall the loan at any time after issuing a five business days notice, and its outstanding balance amounting to EGP 3,000 thousand as of 31 December 2016 (EGP 3,000 thousands as of 31 December 2016).

## 22 CREDIT FACILITIES

	2016 EGP"000"	2015 EGP"000"
Arab African international bank – Over draft	3,152	-
	<u>3,152</u>	<u>-</u>

The credit balance of AAIB represents an overdraft without financial guarantee.

## 23 CASH ON HAND AND AT BANKS

	2016 EGP"000"	2015 EGP"000"
Current accounts - EGP	25,318	20,842
Current accounts - Foreign currencies	9,040	6,523
	<u>34,358</u>	<u>27,365</u>
Restricted cash *	935	2,533
Letter of credit margin	22,209	16,465
Blocked time deposits* (Note 30)	3,668	25
	<u>26,812</u>	<u>19,023</u>
	<u>61,170</u>	<u>46,388</u>

\* Restricted cash and blocked time deposits represents LGs cash cover amounted to thousand EGP 4,453 (Note 30) and thousand EGP 150 blocked bank account under legal case.

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

## NOTES TO THE SEPARATE FINANCIAL STATEMENTS

31 December 2016

### 24 ISSUED CAPITAL

The company's authorized capital amounts to EGP 4 billion; where the issued and paid-up capital amounted to EGP 2,570,575 thousand represented in 257,057 shares with a par value of EGP 10 as follows:

### 25 LEGAL RESERVE

As required by Egyptian Companies' law and the Company's articles of association, 5% of the net profit for the prior year is to be transferred to legal reserve. The Company may resolve to discontinue such annual transfers when the reserve totals 50% of the issued share capital.

### 26 BANK BORROWINGS

	2016	2015
	EGP''000''	EGP''000''
<b>Current portion</b>		
Ahli United Bank	401,812	-
	<u>401,812</u>	<u>-</u>
<b>Non-current portion</b>		
Ahli United Bank	-	373,676
HSBC	79,500	-
Qatar National Bank Al Ahli	234,925	247,925
	<u>314,425</u>	<u>621,601</u>

#### Ahli United Bank

On 21 June 2012, the Company was granted a revolving credit facility amounting to EGP 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 calculated on the utilized or/and re-utilized amounts under the facility at 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 EGP 120 Million credit facility from Ahli United Bank-Egypt whereas the ceiling had reached EGP 370 Million. On 30 July 2015 AUB bank granted the company additional EGP 50 Million increase whereas the ceiling had reached EGP 420 Million, total borrowing balance as of 31 December 2016 amounted to EGP 401,812 thousand (EGP 373,676 thousand as of 31 December 2015) excluding interest

#### Qatar National Bank Al Ahli

On 24 February 2015, the Company has requested Qatar National Bank Al Ahli to grant a revolving committed facility amounting to EGP 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 (1.75 %).

Total borrowing balance as of 31 December 2016 amounted to EGP 234,925 thousand (EGP 247,925 thousand as of 31 December 2015) excluding interest

#### HSBC BANK

On 11 May 2016, the Company has requested HSBC Bank to be granted a revolving committed facility amounting to EGP 150 Million to be repaid after three years from the signing date of the contract with an interest rate to be calculated on Central Bank of Egypt lending rate plus 2.5%, loan balance at 31 December 2016 amounted to EGP 79,500 thousands and is due in one instalment at due date.

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

**NOTES TO THE SEPARATE FINANCIAL STATEMENTS**

31 December 2016

**27 PROVISIONS**

	Balance as of 1 January 2016 EGP "000"	Charged during the year EGP "000"	Used during the year EGP"000"	Balance as of 31 December 2016 EGP"000"
Provision for legal claims	1,557	-	(31)	1,526
Tax provision	6,734	3,876	(259)	10,351
	<u>8,291</u>	<u>3,876*</u>	<u>(290)</u>	<u>11,877</u>
	Balance as of 1 January 2015 EGP"000"	Charged during the year EGP"000"	Used during the year EGP"000"	Balance as of 31 December 2015 EGP"000"
Provision for legal claims	1,557	-	-	1,557
Provision for tax	828	5,906	-	6,734
	<u>2,385</u>	<u>5,906</u>	<u>-</u>	<u>8,291</u>

\*Provisions formed during the year charged to other operating expenses by EGP 3,244 thousand (Note 9).

**28 TRADE AND NOTES PAYABLE**

	2016 EGP"000"	2015 EGP"000"
Trade payable	276,902	171,803
Notes payable	21,366	6,239
	<u>298,268</u>	<u>178,042</u>

- Trades and notes payable are not interest bearing.

**29 ACCRUED EXPENSES AND OTHER PAYABLES**

	2016 EGP"000"	2015 EGP"000"
Accrued expenses	44,194	40,814
Tax authority - VAT	26,420	8,514
Tax authority - withholding taxes	2,697	8,789
Tax authority - Salary taxes	1,138	1,493
Tax authority - Real state taxes	294	294
Accrued interest	9,348	3,159
Other payables	7,107	7,255
	<u>91,198</u>	<u>70,318</u>

**30 CONTINGENT LIABILITIES**

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The company issued letter of guarantees amounted to thousand EGP 4,453 thousands as of 31 December 2016. The amount were covered by time deposits amounted to thousand EGP 3,668 (Note 23) and others letter of guarantee cash cover with thousand EGP 785 thousands. The whole amount is shown in restricted cash balance and is represented as follows:

	Equivalent in EGP''000''	Equivalent in EGP''000''
Bank of Alexandria	25	25
Qatar National Bank Al Ahli	4,428	4,428
	<u>4,453</u>	<u>4,453</u>

### Operating lease commitments – Company as lessee

The Company has entered into operating leases for the administration building, with lease terms between 1 July 2015 and 30 June 2020 years.

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

	2016 EGP''000''	2015 EGP''000''
Within one year	13,645	5,505
After one year but not more than five years	38,299	22,423
More than five years	-	-
	<u>51,944</u>	<u>27,928</u>

## 31 FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES

### Overview

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

- Credit risk,
- Market risk, and
- Liquidity risk.

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

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

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

### a) Credit risk

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

### Other financial assets and cash deposits

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

Credit risk from balances with banks and financial institutions is managed by local Company's treasury supported by the Parent Company. The Company limits its exposure to credit risk by only placing balances with international banks and

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local banks of good repute. Given the profile of its bankers, management does not expect any counterparty to fail to meet its obligations.

### Due from related parties

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

### b) Market risk

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

### Exposure to interest rate risk

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

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

The following table demonstrates the sensitivity to a reasonably possible change in interest rates with all other variables held constant, of the Company's profit before tax (through the impact on floating rate borrowings).

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

	31 Dec 2016	
	Change in rate	Effect on profit before tax EGP"000"
Financial asset	+1%	2,524
	-1%	(2,524)
Financial liability	+1%	(23,189)
	-1%	23,189

The interest rates on loans from related parties are described in Note 20 to the financial statements. Interest rates on loans from financial institutions are disclosed in Note 25 to the financial statements.

### Exposure to foreign currency risk

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

	31 Dec 2016	
	Change in rate	Effect on profit before tax EGP"000"
USD	+10%	13,318
	-10%	(13,318)
EUR	+10%	(150,797)
	-10%	150,797

### d) Liquidity risk

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

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

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

### Financial liabilities

	Less than 3 Months EGP"000"	3 to 12 Months EGP"000"	1 to 5 years EGP"000"	Over 5 years EGP"000"	Total EGP"000"
<b>As at 31 December 2016</b>					
Term loans due to related parties	-	197,646	1,476,211	-	1,673,857
Bank borrowings	-	401,812	314,425	-	716,237
Accrued expense and other payables	-	91,198	-	-	91,198
Trade and notes payables	-	298,268	-	-	298,268
<b>Total undiscounted financial liabilities</b>	<b>-</b>	<b>988,924</b>	<b>1,790,636</b>	<b>-</b>	<b>2,779,560</b>

### 32 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 lawsuit has been postponed to 1 March 2017. 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. On 19 January 2015 the Supreme Administrative Court issued its judgment whereby the case was suspended until the Supreme Constitutional Court challenging the constitutionality of law No. 32 for 2014 and lawsuit has been postponed accordingly. The Company's legal advisor believes that the likelihood of the Company winning this case is probable.

### 33 Capital management

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

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

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

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**33 Capital management (continued)**

	2016 EGP000	2015 EGP000
Interest-bearing loans and borrowings other than convertible preference	2,393,246	1,464,764
Less: Cash and short-term deposits	<u>(61,170)</u>	<u>(46,388)</u>
<b>Net debt</b>	<u>2,332,076</u>	<u>1,418,376</u>
Total Assets	<u>5,282,557</u>	<u>4,854,354</u>
Gearing ratio	<u>44%</u>	<u>29%</u>

**34 FAIR VALUES OF FINANCIAL INSTRUMENTS**

Financial instruments comprise financial assets and financial liabilities. Financial assets of the company include bank balances and cash, other receivables, and due from related parties. Financial liabilities of the company include, trade and other payables, due to related parties and retentions payable.

The fair values of the financial assets and liabilities are not materially different from their carrying value unless stated otherwise.

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

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

	2016		2015	
	Carrying amount EGP000	Fair value EGP000	Carrying amount EGP000	Fair value EGP000
<b>Financial liabilities</b>				
Floating rate borrowings	716,237	731,706	621,601	642,555
Floating rate intercompany borrowings	<u>1,637,651</u>	<u>1,830,956</u>	<u>825,193</u>	<u>927,241</u>
	<u>2,353,888</u>	<u>2,562,661</u>	<u>1,446,794</u>	<u>1,569,796</u>