

**Suez Cement Company (S.A.E)**  
**SEPARATE INTERIM FINANCIAL STATEMENTS**  
**FOR THE PERIOD ENDED 30 JUNE 2018**  
**TOGETHER WITH REVIEW REPORT**

## Report on Review of Separate Interim Financial Statements

### TO THE BOARD OF DIRECTORS OF SUEZ CEMENT COMPANY (S.A.E)

#### Introduction

We have reviewed the accompanying separate interim financial position of **Suez Cement Company (S.A.E)** as of 30 June 2018 as well as the related separate interim statements of profit or loss, separate interim Comprehensive income, separate interim changes in equity and separate interim cash flows for the period from 1 January 2018 to 30 June 2018, and a summary of significant accounting policies and other explanatory notes. Management is responsible for the preparation and fair presentation of these separate interim financial statements in accordance with Egyptian Accounting Standards. Our responsibility is to express a conclusion on these separate interim financial statements based on our review.

#### Scope of Review

We conducted our review in accordance with Egyptian Standard on Review Engagements No. 2410, "Review of separate interim Financial Statements Performed by the Independent Auditor of the Entity." A review of separate interim financial statements consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with Egyptian Standards on Auditing and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

#### Conclusion

Based on our review, nothing has come to our attention that causes us to believe that the accompanying separate interim financial statements does not give a true and fair view, in all material respects, of the financial position of the entity as at 30 June 2018, and of its financial performance and its cash flows for the period from 1 January 2018 to 30 June 2018 in accordance with Egyptian Accounting Standards.

As indicated in notes (1) & (14) of the notes to the separate interim financial statements, the Company has investments in subsidiaries and prepared consolidated interim financial statements for the period from 1 January 2018 to 30 June 2018 in accordance with Egyptian Accounting Standards, for better understanding of the company's financial position as of 30 June 2018 and its financial performance, and its cash flows for the period from 1 January 2018 to 30 June 2018, the matter necessitates reference to the consolidated interim financial statements.

Cairo: 9 August 2018

  
Ehab M. Azer

FESAA – FEST  
(RAA. 6537)  
(EFSAR .87)



Allied for Accounting & Auditing (EY)

  
Amr Mohammed El-Shabini

FESAA – FEST  
(RAA. 9365)  
(EFSAR .103)

Suez Cement Company (S.A.E)

SEPARATE INTERIM STATEMENT OF FINANCIAL POSITION

As of 30 JUNE 2018

	Note	30 June 2018 EGP	31 December 2017 EGP
<b>Assets</b>			
<b>Non-current assets</b>			
Fixed assets	(12)	880,586,276	884,801,879
Fixed assets under construction	(13)	114,376,484	170,310,574
Investments in subsidiaries	(14-a)	4,172,958,683	4,172,958,683
Investments in an associate and share in joint ventures	(14-b)	30,267,255	30,267,255
Investments available for sale	(14-c)	1,440,001	1,440,001
Amounts paid under investments in subsidiaries and other companies	(14-d)	-	1,000,000
Loan to subsidiaries	(15)	20,000,000	25,000,000
<b>Total non-current assets</b>		<b>5,219,628,699</b>	<b>5,285,778,392</b>
<b>Current assets</b>			
Inventory	(16)	433,546,796	369,149,843
Loans to subsidiaries	(33-c)	521,648,741	-
Non -Current assets held for sale	(14-E)	22,438,108	22,438,108
Accounts and notes receivables	(17)	8,637,919	30,416,149
Due from related parties	(18)	16,316,335	499,551,171
Prepayments, other receivables and other debit balances	(19)	259,575,130	157,624,391
Cash on hand and at banks	(20)	113,492,378	233,591,020
<b>Total current assets</b>		<b>1,375,655,407</b>	<b>1,312,770,682</b>
<b>Total assets</b>		<b>6,595,284,106</b>	<b>6,598,549,074</b>
<b>Equity and liabilities</b>			
<b>Equity</b>			
Share capital	(21)	909,282,535	909,282,535
Legal reserve	(22)	454,641,267	454,641,267
Other reserves	(22)	2,214,245,360	2,214,245,360
Reserve of unrealized gains on available-for-sales investments		327,001	327,001
Other comprehensive income		78,427	78,427
Retained earnings		1,300,949,006	1,768,900,360
Profit for the period / (Losses) for year		156,628,948	(441,793,098)
<b>Total equity</b>		<b>5,036,152,544</b>	<b>4,905,681,852</b>
<b>Non-current liabilities</b>			
Other long term liabilities	(23)	21,008,009	20,392,809
Deferred tax liabilities	(11)	49,829,432	55,823,537
<b>Total non-current liabilities</b>		<b>70,837,441</b>	<b>76,216,346</b>
<b>Current liabilities</b>			
Provisions	(24)	228,725,632	259,763,347
Bank overdraft		5,771	531
Trade payables, accrued expenses and other credit balances	(25)	374,246,853	442,873,848
Due to related parties	(26)	492,990,160	636,428,667
Taxes payable	(27)	40,417,493	77,926,325
Advances from customers	(28)	328,828,725	192,538,050
Retention payables	(29)	8,288,141	7,120,108
Estimated income tax for the period		14,791,346	-
<b>Total current liabilities</b>		<b>1,488,294,121</b>	<b>1,616,650,876</b>
<b>Total liabilities</b>		<b>1,559,131,562</b>	<b>1,692,867,222</b>
<b>Total equity and liabilities</b>		<b>6,595,284,106</b>	<b>6,598,549,074</b>

Auditors

Accounting  
Manager

Chief Financial  
Officer

Managing  
Director

Chairman

Amr Mohamed El Shaabini

Ehab M. Azer

Shereif El Masry

Ali Ihsan Kucukoglu

Jose Maria Magrina

Omar A. Mohanna

- The accompanying notes from (1) to (36) are an integral part of these separate interim financial statements..  
- Review report attached



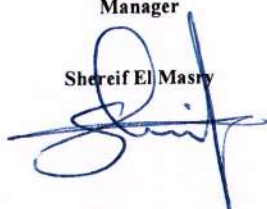
Suez Cement Company (S.A.E)

SEPARATE INTERIM STATEMENT OF PROFIT OR LOSS  
FOR THE PERIOD FROM 1 JANUARY 2018 TO 30 JUNE 2018

	Note	For the period from 1 January 2018 to 30 June 2018	For the period from 1 January 2017 to 30 June 2017	For the period from 1 April 2018 to 30 June 2018	For the period from 1 April 2017 to 30 June 2017
		EGP	EGP	EGP	EGP
Sales	(4)	1,368,725,622	1,227,983,141	594,619,350	559,342,089
Cost of Sales	(5)	(1,177,006,653)	(1,144,507,393)	(532,944,364)	(533,164,458)
<b>GROSS PROFIT</b>		<b>191,718,969</b>	<b>83,475,748</b>	<b>61,674,986</b>	<b>26,177,631</b>
General and administrative expenses	(6)	(80,169,471)	(88,527,265)	(42,917,604)	(46,896,404)
Finance income	(7)	44,347,265	23,420,144	22,682,272	8,376,757
Finance cost	(8)	(9,768,001)	(3,780,083)	(4,570,927)	(1,771,068)
Foreign exchange differences		(3,171,151)	(5,603,583)	(1,475,643)	(7,033,689)
(Losses) from sale of fixed assets	(12)	(8,458)	(687,358)	(5,219)	(687,358)
Provisions	(24)	-	(29,058,943)	-	(19,586,971)
Provisions no longer required		-	27,215,349	-	27,165,349
Board of directors' remuneration and allowance		(99,000)	(105,000)	(99,000)	(21,000)
Dividends income	(9)	17,952,052	10,765,000	3,192,052	-
(Loss) from sale investment		(13,890)	-	-	-
Other Expenses	(10)	(4,211,071)	(13,420,481)	(3,604,936)	(13,420,481)
Other income		8,848,945	28,019,909	4,557,447	18,484,500
<b>PROFIT / (LOSSES) FOR THE PERIOD BEFORE INCOME TAX</b>		<b>165,426,189</b>	<b>31,713,437</b>	<b>39,433,428</b>	<b>(9,212,734)</b>
Deferred income taxes for the Period	(11)	5,994,105	(505,468)	1,503,201	(6,770,143)
Income taxes for the Period	(11)	(14,791,346)	(10,390,019)	(14,791,346)	4,705,362
<b>PROFITS / (LOSSES) FOR THE PERIOD</b>		<b>156,628,948</b>	<b>20,817,950</b>	<b>26,145,283</b>	<b>(11,277,515)</b>
Earnings / (Losses) Per Share	(30)	<b>0.86</b>	<b>0.11</b>	<b>0.14</b>	<b>(0,07)</b>

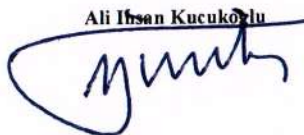
Accounting  
Manager

Shereif El Masry



Chief financial  
Officer

Ali Ihsan Kucukoklu



Managing  
Director

Jose Maria Magrina



Chairman

Omar A. Mohanna

- The accompanying notes from (1) to (36) are an integral part of these separate interim financial statements.

Suez Cement Company (S.A.E)

SEPARATE INTERIM STATEMENT OF PROFIT OR LOSS  
FOR THE PERIOD FROM 1 JANUARY 2018 TO 30 JUNE 2018

	Note	For the period from 1 January 2018 to 30 June 2018	For the period from 1 January 2017 to 30 June 2017	For the period from 1 April 2018 to 30 June 2018	For the period from 1 April 2017 to 30 June 2017
		EGP	EGP	EGP	EGP
<b>PROFITS/ (LOSSES) FOR THE PERIOD</b>		<b>156,628,948</b>	<b>20,817,950</b>	<b>26,145,283</b>	<b>(11,277,515)</b>
<b>OTHER COMPREHENSIVE INCOME</b>					
<b>Other comprehensive income to be reclassified to profit or loss in subsequent periods (net of tax):</b>					
Net (loss)/gain on available-for-sales (AFS) financial assets		-	-	-	-
<b>Net other comprehensive income to be reclassified to profit or loss in subsequent periods, net of tax</b>		<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>Other comprehensive income not to be reclassified to profit or loss in subsequent periods (net of tax):</b>					
Remeasurement gains/(losses) on defined benefit plans		-	-	-	-
<b>Net other comprehensive income/(loss) not being reclassified to profit or loss in subsequent periods, net of tax</b>		<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>Other comprehensive income/(loss), net of tax</b>		<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>Total comprehensive income, net of tax</b>		<b>156,628,948</b>	<b>20,817,950</b>	<b>26,145,283</b>	<b>(11,277,515)</b>

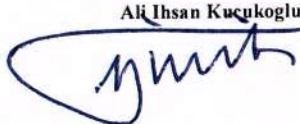
Accounting  
Manager

Sherief El Masry



Chief financial  
Officer

Ali Ihsan Kucukoglu



Managing  
Director

Jose Maria Magrina



Chairman

Omar A. Mohanna

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## Suez Cement Company (S.A.E)

SEPARATE INTERIM STATEMENT OF CASH FLOWS  
FOR THE PERIOD FROM 1 JANUARY 2018 TO 30 JUNE 2018

	Issued and paid up capital	Legal reserve	Other Reserves	Reserve of unrealized gains on available-for-sales investments	Reserves Accumulated actuarial gains/(losses) on defined benefit plans	Retained earnings	Profit for the Period	Total
	EGP	EGP	EGP	EGP	EGP	EGP	EGP	EGP
<b>Restated Balance as of 1 January 2018</b>	909,282,535	454,641,267	2,214,245,360	327,001	78,427	1,768,900,360	(441,793,098)	4,905,681,852
Transferred to retained earnings	-	-	-	-	-	(441,793,098)	441,793,098	-
Adjustment profit share in advance 2017	-	-	-	-	-	(25,658,256)	-	(25,658,256)
Independent BOD members bonus	-	-	-	-	-	(500,000)	-	(500,000)
Profit for the Period	-	-	-	-	-	-	156,628,948	156,628,948
<b>Balance as of 30 June 2018</b>	<b>909,282,535</b>	<b>454,641,267</b>	<b>2,214,245,360</b>	<b>327,001</b>	<b>78,427</b>	<b>1,300,949,006</b>	<b>156,628,948</b>	<b>5,036,152,544</b>
<b>Restated Balance as of 1 January 2017</b>	909,282,535	454,641,267	2,214,245,360	327,001	2,101,952	1,998,766,980	(215,591,988)	5,363,773,107
Transferred to retained earnings	-	-	-	-	-	(215,591,988)	215,591,988	-
Adjustment profit share in advance	-	-	-	-	-	(18,610,357)	-	(18,610,357)
Adjustments of taxes variances	-	-	-	-	-	4,835,725	-	4,835,725
Independent BOD members bonus	-	-	-	-	-	(500,000)	-	(500,000)
Profit for the period	-	-	-	-	-	-	20,817,950	20,817,950
<b>Balance as of 30 June 2017</b>	<b>909,282,535</b>	<b>454,641,267</b>	<b>2,214,245,360</b>	<b>327,001</b>	<b>2,101,952</b>	<b>1,768,900,360</b>	<b>20,817,950</b>	<b>5,370,316,425</b>

- The accompanying notes from (1) to (36) are an integral part of these separate interim financial statements.



Suez Cement Company (S.A.E)

SEPARTE INTERIM STATEMENT OF CASH FLOWS  
FOR THE PERIOD FROM 1 JANUARY 2018 TO 30 JUNE 2018

	Note	30 June 2018 EGP	30 June 2017 EGP
<b>Cash flows from operating activities</b>			
Profit before income tax		165,426,189	31,713,437
Dividends income	(9)	(17,952,052)	(10,765,000)
Loss from sale investment	(12)	13,890	-
Depreciation of fixed assets		72,697,787	66,752,053
Adjustment profit share in advance		(25,658,256)	-
Provisions	(24)	-	29,058,943
Provisions no longer required	(24)	-	(27,215,349)
Decline in value of obsolete inventory	(16)	2,517,093	11,992,972
Liabilities against end of service plan	(23)	2,080,200	2,641,751
Taxes adjustments		-	4,835,725
Finance costs	(8)	9,768,001	3,780,083
Credit interests	(7)	(44,347,265)	(23,420,144)
Losses on disposal of fixed assets	(12)	8,458	687,358
Foreign exchange differences		3,171,151	5,603,583
<b>Cash from operations before working capital changes:</b>	(16)	167,725,196	95,665,412
Changes in inventory	(17)	(66,914,046)	(45,589,364)
Changes in accounts and notes receivables	(18)	21,778,230	(4,033,393)
Changes in due from related parties		483,234,836	(323,237,896)
Changes in Transfers to subsidiaries (Helwan Cement Co.)		-	(45,134,417)
Changes in prepayments, other receivables and other debit balances	(19)	(102,053,485)	(82,711,160)
Changes in advances from customers	(28)	136,290,675	117,748,897
Changes in trade payables, accrued expenses and other credit balances	(25)	(68,626,995)	(45,377,597)
Changes in taxes payable	(27)	(37,508,832)	(9,706,149)
Changes in due to related parties	(26)	(143,438,507)	253,604,908
Changes in retentions payable	(29)	1,168,033	(950,484)
Finance expense paid	(8)	(9,768,001)	(3,780,083)
Income taxes paid		-	(62,045,739)
Provisions used	(24)	(31,037,715)	(53,373,188)
Decline in debit balances from provisions used		-	(343,935)
Payments in respect of End of service plan	(23)	(1,465,000)	(2,430,633)
<b>Net cash from operating activities</b>		349,384,389	(211,694,821)
<b>Cash flows from investing activities</b>			
Finance income received		44,450,011	28,188,002
Proceeds from sale of fixed assets	(12)	5,893	1,982,743
Payments in fixed assets under construction	(13)	(12,562,445)	(101,843,774)
Proceeds from dividend income		17,952,052	10,765,000
Proceeds from sale of investments		986,110	-
<b>Net cash from investing activities</b>		50,831,621	(60,908,029)
<b>Cash flows from financing activities</b>			
Proceeds from loans from subsidiaries		5,000,000	-
Payments Loans to subsidiaries		(521,648,741)	-
Dividends paid		(500,000)	(18,610,358)
<b>NET CAH FROM FINANCING ACTIVITIES</b>		(517,148,741)	(18,610,358)
<b>Net increase (decrease) in cash and cash equivalent during the period</b>		(116,932,731)	(291,213,208)
Cash and cash equivalent- beginning of the period		233,590,489	535,714,648
Foreign exchange differences		(3,171,151)	(5,603,583)
<b>Cash and cash equivalent- end of the period</b>		113,486,607	238,897,857
For the purpose of preparing the statement of cash flows; cash and cash equivalent comprise of the following:			
Cash at banks	(20)	113,492,378	244,838,668
<b>less:</b>			
Bank overdraft		(5,771)	(5,940,811)
<b>Cash and cash equivalent</b>		113,486,607	238,897,857

- The accompanying notes from (1) to (36) are an integral part of these separate interim financial statements.



## Suez Cement Company (S.A.E)

### NOTES TO THE SEPARATE INTERIM FINANCIAL STATEMENTS 30 JUNE 2018

#### 1 BACKGROUND

Suez Cement Company S,A,E, was established in 1977 under Law 43 of 1974 which was superseded by Law 230 of 1989 which was replaced by the investments Guarantees and Incentives Law 8 of 1997, The Company was registered in the Commercial register on 11 April 1979 under no, 181134

HeidelbergCement, which acquired 100% of Italcementi's share capital, through its subsidiaries, owns 55% of Suez Cement's outstanding shares as of 30 June 2018 .

The main objective of the Company is to produce all types of cement and other products stemming from the cement industry and related thereto and the production of other building materials and construction requirements and trading therein, utilization the mines and quarries except sand and gravels, The company may have an interest or participate in any manner in organization caring out activities which are similar to the company's activities, or which may contribute to the fulfilment of the Company's objects in Egypt or abroad, The company may also be merged in any of the aforementioned organizations, or may buy or have them subsidiary to the company, subject to the approval of the General Authority for Investment and Free Zones.

As disclosed in note (5), the company has other subsidiary companies and according to Egyptian Accounting Standards (17) "Consolidated and Separate financial statements", and article No, (188) of the executive regulations of law No, 159 of 1981, the company prepares consolidated financial statements that can provide a clearer view of the financial position, financial performance and cash flows for the group as a whole.

The financial statements of the Company for the period ended 30 June 2018 were authorized for issuance in accordance with the Board of Directors' resolution on 9 August 2018.

#### 2.1 BASIS OF PREPARATION

The separate interim financial statements of the Company are prepared in accordance with Egyptian Accounting Standards ("EAS").

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

The separate interim financial statements have been prepared under the going concern assumption on a historical cost basis. Except for available for sale financial assets that have been measured at fair value.

#### 2.2 SIGNIFICANT ACCOUNTING JUDGMENTS AND ESTIMATES

The preparation of these separate interim 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.

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:

##### **Impairment of trade and other receivables**

An estimate of the collectible amount of trade and other receivables is made when collection of the full amount is no longer probable. For individually significant amounts, this estimation is performed on an individual basis. Amounts which are not individually significant, but which are past due, are assessed collectively and a provision applied according to the length of time past due, based on historical recovery rates.



## Suez Cement Company (S.A.E)

### NOTES TO THE SEPARATE INTERIM FINANCIAL STATEMENTS 30 JUNE 2018

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

##### **Useful lives of fixed assets and investment properties**

The Company's management determines the estimated useful lives of its fixed assets and investment properties for calculating depreciation. This estimate is determined after considering the expected usage of the asset or physical wear and tear. The management periodically reviews estimated useful lives and the depreciation method to ensure that the method and period of depreciation are consistent with the expected pattern of economic benefits from these assets.

##### **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.

##### **Impairment of non-financial assets**

The Company assesses whether there are any indicators of impairment for all non-financial assets at each reporting date. The non-financial assets are tested for impairment when there are indicators that the carrying amounts may not be recoverable. When value in use calculations are undertaken, management estimates the expected future cash flows from the asset or cash-generating unit and chooses a suitable discount rate in order to calculate the present value of those cash flows.

##### **Impairment of financial assets**

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

#### 2.3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

##### **Revenue recognition**

Revenue is recognised to the extent that it is probable that the economic benefits will flow to the Company and the revenue and costs, if applicable, can be measured reliably.

Revenue is measured at the fair value of the consideration received or receivable, taking into account contractually defined terms of payment and excluding taxes and duty.

The specific recognition criteria described below must also be met before revenue is recognized.

- **Sale of goods**

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

- **Interest income**

Interest income is recognized as interest accrues using the effective interest method, Interest income is included in finance revenue in the statement of profit or loss.

- **Dividends**

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

## Suez Cement Company (S.A.E)

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### NOTES TO THE SEPARATE INTERIM FINANCIAL STATEMENTS 30 JUNE 2018

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

- **Rental income**

Rental income arising from operating leases is accounted for on a straight-line basis over the lease terms.

#### **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 non-current liabilities.

After initial recognition, interest bearing loans and borrowings are subsequently measured at amortized cost using the effective interest rate method. Gains and losses are recognized in the 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 balance sheet (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.



## Suez Cement Company (S.A.E)

### NOTES TO THE SEPARATE INTERIM FINANCIAL STATEMENTS

30 JUNE 2018

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

##### Fixed assets

Fixed assets are stated at historical cost net of accumulated depreciation and accumulated impairment losses. Such cost includes the cost of replacing part of the plant and equipment when that cost is incurred, if the recognition criteria are met. Likewise, when a major inspection is performed, its cost is recognized in the carrying amount of the plant and equipment as a replacement if the recognition criteria are satisfied. All other repair and maintenance costs are recognized in statement of profit or loss as incurred.

Depreciation of an asset begins when it is in the location and condition necessary for it to be capable of operating in the manner intended by management , and is computed using the straight-line method according to the estimated useful life of the asset as follows:

	Years
Buildings, constructions, infrastructure and roads	6 to 20
Machinery, equipment and Tools	5 to 20
Motor Vehicles	5
Furniture and office equipment	5 to 10

Fixed assets are derecognized upon disposal or when no future economic benefits are expected from its use or disposal. Any gain or loss arising on derecognizing of the asset is included in the statement of profit or loss when the asset is derecognized.

The assets residual values, useful lives and methods of depreciation are reviewed at each financial year end.

The Company assesses at each balance sheet date whether there is an indication that fixed assets may be impaired. Where the carrying amount of an asset exceeds its recoverable amount, the asset is considered impaired and is written down to its recoverable amount. Impairment losses are recognized in the statement of profit or loss.

A previously recognized 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 recognized. The reversal is limited so that the carrying amount of the asset does not exceed its recoverable amount, nor exceed the carrying amount that would have been determined, net of depreciation, had no impairment loss been recognized for the asset in prior years. Such reversal is recognized in the statement of profit or loss.

##### Fixed assets under construction

Fixed 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 ) .

##### Cash and cash equivalents

For the purpose of the statement of cash flows, cash and cash equivalents consist of cash in hand, bank balances, and short-term deposits with an original maturity of three months .

##### 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.

## Suez Cement Company (S.A.E)

### NOTES TO THE SEPARATE INTERIM FINANCIAL STATEMENTS

30 JUNE 2018

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

##### **Provisions**

Provisions are recognized when the Company has a present legal or constructive obligation as a result of a past event, and it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation, and a reliable estimate of the amount of the obligation can be made. Provisions are reviewed at the financial position date and adjusted to reflect the current best estimate.

Where the effect of the time value of money is material, the amount of a provision should be the present value of the expected expenditures required to settle the obligation. Where discounting is used, the increase in the provision due to the passage of time is recognized as a finance cost.

##### **Social insurance and Employees' End-of-services**

**a- Social Insurance:** The Company makes contributions to the General Authority for Social Insurance calculated as a percentage of the employees' salaries. The Company's obligations are limited to these contributions, which are expensed when due.

##### **b- Employees' End-of-services:**

###### **Defined benefit plan**

The Company provides end of service benefits to its employees. The entitlement to these benefits is measured based upon the employees' final salaries and length of service. The expected costs of these benefits are accrued over the period of employment.

The expected costs of these benefits are accrued over the period of employment based on the actuarial present value of the future payments required to settle the obligation resulting from employees' service in the current and prior periods.

Actuarial gains and losses on End of services benefits are recognized immediately in the statement of Profit or loss in the period in which they occur.

##### **Foreign currencies**

Transactions in foreign currencies are recorded at the rate prevailing at the date of the transaction.

Monetary assets and liabilities denominated in foreign currencies are retranslated using the exchange rate prevailing at the balance sheet date. All differences are recognized in the statement of profit or loss.

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

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

##### **Contingent Liabilities and Assets**

Contingent liabilities are not recognized 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 recognized in the financial statements but disclosed when an inflow of economic benefits is probable.

##### **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.



## Suez Cement Company (S.A.E)

### NOTES TO THE SEPARATE INTERIM FINANCIAL STATEMENTS

30 JUNE 2018

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

##### 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.

##### Accounts receivable and other debit balances

Accounts receivable and other debit balances are stated at book less any impairment losses. Impairment losses are measured as the difference between the receivables carrying amount and the present value of estimated future cash flows. The impairment loss is recognized in the statement of profit or loss. Reversal of impairment is recognized in the statement of profit or loss in the period in which it occurs.

##### Investments

###### Investments in subsidiaries

Investments in subsidiaries are investments in entities which the company has control, Control is presumed to exist when the parent owns, directly or indirectly through subsidiaries more than half of the voting power of the investee, unless, in exceptional circumstances, it can be clearly demonstrated that this is not the case.

Investments in subsidiaries are accounted for at cost inclusive transaction cost and in case the investment is impaired, the carrying amount is adjusted by the value of this impairment and is charged to the statement of profit or loss for each investment separately. Impairment losses cannot be reversed.

###### Investments in associates

Investments in associates are investments in entities which the company has significant influence and that is neither a subsidiary nor an interest in a joint venture, Significant influence is presumed to exist when the company holds, directly or indirectly through subsidiaries 20 per cent or more of the voting power of the investee, unless it can be clearly demonstrated that this is not the case.

Investments in associates are accounted for at cost inclusive transaction cost and in case the investment is impaired, the carrying amount is adjusted by the value of this impairment and is charged to the statement of profit or loss for each investment separately.

###### Non-current assets held for sale and discontinued operations

The company classifies non-current assets and disposal group as held for sale if their carrying amount will be recovered principally from through a sale transaction rather than through continuing use.

Non-current assets and disposal group classified as held for sale are measured at the lower of their carrying amount and fair value less cost to sell.

###### Available for sale investments

Available for sale investments are those non-derivative financial assets that are designated as available for sale or are not classified as loans and receivables, held to maturity investments or investments at fair value through profit or loss.

Available for sale investments are initially recognized at cost inclusive direct attributable expenses.

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

a) Equity investments: where there is an evidence of impairment, the cumulative loss is removed from the equity and recognized in the statement of profit or loss, Impairment losses on equity investments are not reversed through the statement of profit or loss; increases in the fair value after impairment are recognized directly in equity.



## Suez Cement Company (S.A.E)

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### NOTES TO THE SEPARATE INTERIM FINANCIAL STATEMENTS

30 JUNE 2018

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

b) Debt investments: where there is an evidence of impairment, loss is removed from the equity and recognized in the statement of profit or loss and interest continues to be accrued at original rate on the reduced carrying amount of the asset, if the fair value of the debt investment increases and the increase can be objectively related to an event occurring after the impairment loss was recognized in the statement of profit or loss, the impairment loss is reversed through the statement of profit or loss.

#### Interest in joint ventures

A joint arrangement is an arrangement of which two or more parties have joint control.

Joint control is the contractually agreed sharing of control of an arrangement, which exists only when decisions about the relevant activities require the unanimous consent of the parties sharing control.

Suez Cement Company S,A,E accounts for its interest in the joint venture in its separate financial statement using cost method; and in its consolidated financial statements using equity method.

#### 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.

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.



## Suez Cement Company (S.A.E)

### NOTES TO THE SEPARATE INTERIM FINANCIAL STATEMENTS 30 JUNE 2018

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

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).

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.

#### 2-1 Inventory

The inventory elements are valued as follows:

- Raw materials, fuel, Spare parts and Consumables, rolling and packing 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

Cost of production includes direct material, direct labor and allocated share of manufacturing overhead and excluding borrowing costs

- 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.

Cost of work in process includes allocated share of direct material, direct labor and allocated share of manufacturing overhead until latest completed phase and excluding borrowing costs

Net realizable value is the estimated selling price in the ordinary course of business, less estimated costs of completion and the estimated costs necessary to make the sale.

The amount of any write down of inventories to net realizable value and all losses of inventories shall be recognized in the statement of profit or loss in the period the write down or loss occurs according to an authorized study takes into consideration all technical and market bases to estimate any write down, The amount of any reversal of any write down of inventories, arising from an increase in net realizable value, shall be recognized in the statement of profit or loss in the period in which the reversal occurs,

#### Legal reserve

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

### 3 SEGMENT INFORMATION

Currently the Company's main business segment is to produce all types of cement and other products stemming from the cement industry. Revenues, profits and investments in other business segments are currently immaterial and are not separately disclosed in the financial statements. Accordingly, under EAS 41. All revenues of the Company in the period ended 30 June 2018 were reported under one segment in the financial statements.

Suez Cement Company (S.A.E)

NOTES TO THE SEPARATE INTERIM FINANCIAL STATEMENTS

30 JUNE 2018

4 Sales

	30 June 2018	30 June 2017
	EGP	EGP
Bulk Cement Sales (Domestic)	365,686,650	367,207,995
Bagged Cement Sales (Domestic)	957,845,480	622,229,390
Discount of Bagged Cement (Domestic)	(2,490,612)	-
Bulk Cement Sales (foreign)	-	117,860
Bagged Cement Sales (foreign )	-	12,729,739
Clinker Sales (Domestic)	11,258,640	177,471,288
Clinker Sales (foreign)	36,425,464	48,226,869
	<u>1,368,725,622</u>	<u>1,227,983,141</u>

5 Cost of Sales

	30 June 2018	30 June 2017
	EGP	EGP
Clinker purchased	4,986,818	-
Fuels	476,974,694	436,609,484
Electricity	177,996,870	136,670,085
Raw Material	108,436,283	102,130,931
Clay fees	27,242,010	26,651,504
Maintenance	84,061,466	59,610,923
Sub-contractors Services	20,376,861	16,468,230
Freight	61,305,405	55,075,095
Staff expenses	78,438,711	76,602,575
Packages	77,146,333	51,394,299
Depreciation	69,692,615	61,609,221
Stock Variation	(47,270,413)	66,308,574
Decline of Inventory	2,517,093	11,992,972
Other	35,101,907	43,383,500
	<u>1,177,006,653</u>	<u>1,144,507,393</u>

6 GENERAL AND ADMINSTRATIVE EXPENSES

	30 June 2018	30 June 2017
	EGP	EGP
Technical assistance fees	15,122,227	10,695,459
Salaries	38,547,392	44,225,247
End of service benefits plan- current and past service costs	520,800	701,806
Communication expenses	2,773,265	7,233,967
Other general and administrative expenses	22,308,184	25,242,786
Tax on dividends	897,603	428,000
	<u>80,169,471</u>	<u>88,527,265</u>

7 FINANCE INCOME

	30 June 2018	30 June 2017
	EGP	EGP
*Credit interest from Loan and facilities to subsidiaries	32,730,951	2,363,181
Credit interest from time deposits and treasury bills	11,616,314	21,056,963
	<u>44,347,265</u>	<u>23,420,144</u>

\*The administration decided to grant loans to subsidiaries to finance the cash deficit during the year at a rate of 1% increase on the interest rate of Egyptian treasury bonds



Suez Cement Company (S.A.E)

NOTES TO THE SEPARATE INTERIM FINANCIAL STATEMENTS

30 JUNE 2018

**8 FINANCE COST**

	<b>30 June 2018</b>	30 June 2017
	EGP	EGP
*Interest on credit facilities from intercompany	5,975,698	-
Interest on benefit plan	1,559,400	1,939,944
Other bank charges	2,232,903	1,840,139
	<u>9,768,001</u>	<u>3,780,083</u>

\* Interest delay on payments

**9 DIVIDENDS INCOME**

	<b>30 June 2018</b>	30 June 2017
	EGP	EGP
Ready Mix Concrete Al alamia (RMCA)- S.A.E	9,360,000	6,760,000
Suez for Transport and Trade – Egypt S.A.E	3,192,052	2,205,000
Techno Gravel For Quarries-Egypt S.A.E	5,400,000	1,800,000
	<u>17,952,052</u>	<u>10,765,000</u>

**10 OTHER INCOME**

	<b>30 June 2018</b>	30 June 2017
	EGP	EGP
Management fees	6,938,578	5,830,481
Rentals	959,200	128,000
Penalties	632,266	654,722
Revenue from sale of scrap and other materials	-	9,019,637
Other income	318,901	12,387,069
	<u>8,848,945</u>	<u>28,019,909</u>

Suez Cement Company (S.A.E)

NOTES TO THE SEPARATE INTERIM FINANCIAL STATEMENTS

30 JUNE 2018

11 INCOME TAX  
RECONCILIATION OF THE EFFECTIVE INCOME TAX RATE

	30 June 2018 EGP	30 June 2017 EGP
<b>Net profits before income taxes</b>	<b>165,426,189</b>	<b>31,713,437</b>
<b>Add:</b>		
Accounting depreciation	72,697,787	66,752,053
Donations	115,903	441,288
Board of directors' allowance	1,861,500	1,521,863
Provisions	4,597,293	43,693,666
Indemnities and fines	80,000	539,353
Previous year expenses- un-supported documents	210,027	12,399,647
Tax on dividends	897,603	428,000
Dividend costs	128,116	10,215
Unrealized foreign exchange losses	21,027,556	173,325,886
<b>Net profit as per tax law</b>	<b>267,041,974</b>	<b>330,825,408</b>
<b>less:</b>		
Tax depreciation	(85,026,024)	(54,418,750)
Donation	-	(402,000)
Capital Gains – Cars	-	(982,743)
Used provisions	(32,502,715)	(56,147,756)
Provisions no longer required	-	(27,215,349)
Unrealized foreign exchange gains	(19,821,865)	(134,715,950)
Unrealized foreign exchange losses 2016 & 2017	(46,000,000)	-
Dividends received	(17,952,052)	(10,765,000)
<b>Taxable income</b>	<b>65,739,318</b>	<b>46,177,860</b>
<b>Income tax at the effective tax rate 22,50%</b>	<b>14,791,346</b>	<b>10,390,019</b>

DEFERRED INCOME TAX LIABILITIES

	30 June 2018 EGP	31 December 2017 EGP
Depreciation of fixed assets	(87,532,057)	(97,306,370)
Provisions	33,085,920	37,137,408
Unrealized FOREX losses	39,519,595	43,979,515
Unrealized FOREX gains	(34,880,122)	(39,611,322)
Actuarial provision	(22,768)	(22,768)
<b>Net deferred income tax (liability)</b>	<b>(49,829,432)</b>	<b>(55,823,537)</b>



## Suez Cement Company (S.A.E)

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### NOTES TO THE SEPARATE INTERIM FINANCIAL STATEMENTS 30 JUNE 2018

#### 11 INCOME TAX (continued)

The company's tax position is as follows:

##### a) Corporate taxes

- **Period until Year 2007:** Due tax was paid in according with the agreement of the Internal Committee - and the due value was paid within the limits of the provision
- **Years 2008 & 20 09:**  
The tax authority has assessed the company for this period, The Company was agreed with the internal committee on the differences of results and pending the final results of the arrest and collection management .
- **Years 2010 & 2011 :**  
The tax authority has assessed the company for this period and the results of the examination were objected and the objection was referred to the internal committee..
- **Years from 2012 to 2014 :**  
The tax authority sent sample 19 to the company for this period was estimated . The company objected to the form this matter offered on the internal committee..
- **Years from 2015 to 2017 :**  
No inspections took place for such period.  
The Company has files the tax declaration within the legal grace period to tax authority.

##### b) Value Added Tax (VAT)

- **First : General Sales Tax**
- **Years 2008 & 2009 :**  
Due tax was paid after the decision of the internal committee and a dispute is currently before the court in terms of some items,
- **Years 2010 & 2013 :**  
The tax authority has assessed the company for this period, The Company objected against the inspection results, to be referred to the Higher Grievance Committee.
- **Years 201 4& 201 5:**  
The tax authority has assessed the company for this period, The Company objected against the inspection results, The internal committee was completed and the rest of the items were referred to the appeals committees
- **Years 2016 & 2017**  
No inspections took place for such period.  
The company prepares tax return monthly and pays due taxes during the legal period.
- **Second: Value Added Tax**
- **From 8 Sep. 2016 till 31 Dec. 2017 :**  
Tax authority did not assess the company for such period.  
The company fill the VAT declaration up to November 2017 before the deadline identified by the Egyptian tax law.

## Suez Cement Company (S.A.E)

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### NOTES TO THE SEPARATE INTERIM FINANCIAL STATEMENTS 30 JUNE 2018

#### 11 INCOME TAX (continued)

##### c) Salary tax

###### - Period since inception up to 1998:

The tax authority has assessed the company for this period, Due tax was settled and paid based on the internal committee decision,

###### - Years from 1999 to 2014:

The company deducts the salary tax from employees and remits it to the tax authority within the Legal grace period (monthly), The tax authority is currently in the process of inspecting the company's records for this period,

###### - From Year 2015 to 2017:

The company deducts the salary tax from employees and remits it to tax authority within the Legal grace period (monthly), The Company has not been assessed for this period till now,

##### d) Stamp duty tax

###### - Period since inception up to 2005:

The tax authority has assessed the company for this period, Due tax was settled and paid based on the internal committee decision,

###### - Years from 2006 to 2010 :

The company paid the items that have been agreed upon with the internal committee

###### - Years from 2011 to 2014:

The company paid the items that have been agreed upon with the internal committee

###### - Year From 2015 to 2017:

No inspections took place for such period.



Suez Cement Company (S.A.E)

NOTES TO THE SEPERATE INTERIM FINANCIAL STATEMENTS

30 JUNE 2018

12 FIXED ASSETS

	Lands		Buildings, constructions, infrastructure and roads		Machinery, equipment and Tools		Motor Vehicles		Furniture and office equipment		Total	
	EGP		EGP		EGP		EGP		EGP		EGP	
<b>Cost</b>												
As of 1 January 2018	327,686		559,331,556		2,135,094,611		28,278,693		68,137,906		2,791,170,452	
Transfer from fixed assets under construction (Note 13)	-		15,510,764		51,201,048		-		1,784,723		68,496,535	
Adjustments	-		-		(4,954,427)		-		-		(4,954,427)	
Disposals	-		-		-		-		(50,454)		(50,454)	
<b>As of 30 June 2018</b>	<b>327,686</b>		<b>574,842,320</b>		<b>2,181,341,232</b>		<b>28,278,693</b>		<b>69,872,175</b>		<b>2,854,662,106</b>	
<b>Accumulated depreciation</b>												
As of 1 January 2018	-		(446,079,122)		(1,384,406,648)		(22,435,220)		(53,447,583)		(1,906,368,573)	
Depreciation for the period	-		(10,739,610)		(58,769,605)		(593,093)		(2,595,479)		(72,697,787)	
Adjustments	-		-		4,954,427		-		-		4,954,427	
Disposals	-		-		-		-		36,103		36,103	
<b>As of 30 June 2018</b>	<b>-</b>		<b>(456,818,732)</b>		<b>(1,438,221,826)</b>		<b>(23,028,313)</b>		<b>(56,006,959)</b>		<b>(1,974,075,830)</b>	
<b>Net book value as of 30 June 2018</b>	<b>327,686</b>		<b>118,023,588</b>		<b>743,119,406</b>		<b>5,250,380</b>		<b>13,865,216</b>		<b>880,586,276</b>	
Net book value as of 31 December 2017	327,686		113,252,434		750,687,963		5,843,473		14,690,323		884,801,879	

Suez Cement Company (S.A.E)

NOTES TO THE SEPERATE INTERIM FINANCIAL STATEMENTS

30 JUNE 2018

**First:**

	<b>Total</b>	<b>EGP</b>
		<b>5,893</b>
<b>Proceeds from sale of fixed assets (A)</b>		<b>(50,454)</b>
Cost of fixed assets		<b>36,103</b>
Accumulated depreciation of fixed assets		<b>(14,351)</b>
<b>Net book value (B)</b>		<b>(8,458)</b>
<b>Losses from sale of fixed assets (A) - (B)</b>		<b>(8,458)</b>

**Second:**

- Fixed Assets as of 30 June 2018 include assets that are fully depreciated and still in use, The acquisition cost for these assets are as follows:

<b>Assets</b>	<b>Cost</b>
Building, construction, infrastructure and roads	209,734,893
Machinery, equipment and tools	715,215,281
Motor vehicles	18,979,183
Furniture and office equipment	12,925,099
<b>Total</b>	<b>956,854,456</b>

- No imposed restrictions on the ownership of fixed assets against credit facilities offered to the company .  
No temporarily idle assets, and the fair value of assets are not materially different from its carrying amount.



Suez Cement Company (S.A.E)

NOTES TO THE SEPERATE INTERIM FINANCIAL STATEMENTS

30 JUNE 2018

12 FIXED ASSETS "Continued"

	Lands		Buildings, constructions, infrastructure and roads		Machinery, equipment and Tools		Motor Vehicles		Furniture and office equipment		Total	
	EGP		EGP		EGP		EGP		EGP		EGP	
<b>Cost</b>												
As of 1 January 2017	398,503	-	547,866,949	-	1,972,349,425	43,113,218	91,854,796	2,655,582,891				
Additions	-	-	1,629,604	-	1,629,604	-	-	1,629,604				
Transfer from fixed assets under construction (Note 13)	-	-	24,618,001	-	215,292,299	671,052	6,463,109	247,044,461				
Disposals	(70,817)	-	(13,153,394)	-	(54,176,717)	(15,505,577)	(30,179,999)	(113,086,504)				
<b>As of 31 December 2017</b>	<b>327,686</b>	<b>-</b>	<b>559,331,556</b>	<b>-</b>	<b>2,135,094,611</b>	<b>28,278,693</b>	<b>68,137,906</b>	<b>2,791,170,452</b>				
<b>Accumulated depreciation</b>												
As of 1 January 2016	-	-	(429,089,710)	-	(1,324,775,638)	(35,577,804)	(75,107,311)	(1,864,550,463)				
Depreciation for the year	-	-	(20,432,116)	-	(107,434,646)	(1,126,860)	(8,479,035)	(137,472,657)				
Disposals	-	-	3,442,704	-	47,803,636	14,269,444	30,138,763	95,654,547				
<b>As of 31 December 2017</b>	<b>-</b>	<b>-</b>	<b>(446,079,122)</b>	<b>-</b>	<b>(1,384,406,648)</b>	<b>(22,435,220)</b>	<b>(53,447,583)</b>	<b>(1,906,368,573)</b>				
<b>Net book value as of 31 December 2017</b>	<b>327,686</b>	<b>-</b>	<b>113,252,434</b>	<b>-</b>	<b>750,687,963</b>	<b>5,843,473</b>	<b>14,690,323</b>	<b>884,801,879</b>				
Net book value as of 31 December 2016	398,503	-	118,777,239	-	647,573,787	7,535,414	16,747,486	791,032,429				

## Suez Cement Company (S.A.E)

### NOTES TO THE SEPERATE INTERIM FINANCIAL STATEMENTS

30 JUNE 2018

#### 13 FIXED ASSETS UNDER CONSTRUCTION

	30 June 2018	31 December 2017
	EGP	EGP
Spare parts for coal project	10,592,207	13,903,352
2Gear box for cement mill 1	4,548,920	4,548,920
2Gear box for cement mill 2	3,186,118	3,186,118
KATTEMEYA (Cooler Dedusting)	110,956	14,768,712
Petcoke loading system	-	7,371,956
Preheater tower modification	-	8,658,316
Other	95,938,283	117,873,200
	<u>114,376,484</u>	<u>170,310,574</u>

The fixed assets under construction during the period ended in 30 of June 2018

	30 June 2018	30 June 2017
	EGP	EGP
Balance as of beginning of the period	170,310,574	191,150,317
Additions during the period	12,562,445	101,843,773
Transferred to fixed assets during the period	(68,496,535)	(22,083,976)
Balance as of end of the period	<u>114,376,484</u>	<u>270,910,114</u>

#### 14 INVESTMENTS

##### A) Investments in subsidiaries

	% of Ownership	Par value EGP	30 June 2018	31 December 2017
			EGP	EGP
<b><u>Subsidiary companies</u></b>				
Helwan Cement Company S.A.E	99,55	5	2,832,496,952	2,832,496,952
Tourah Portland Cement Company S.A.E	66,12	5	1,287,617,992	1,287,617,992
*Impairment in value of investments (Tourah)			(302,504,947)	(302,504,947)
Suez Bags Company S.A.E	53,32	10	-	-
EL Helal Cement Company- Kuwait ( Kuwaiti Joint Stock Company)	51	15,29	270,415,816	270,415,816
Ready Mix Concrete Al alamia (RMC)" S.A.E	52	100	81,432,859	81,432,859
<b><u>Subsidiary companies through indirect investments *</u></b>				
Suez For Transport and Trade S.A.E	96,37	100	3,500,000	3,500,000
Development and Construction Materials Company (DECOM) S.A.E	52	10	11	11
			<u>4,172,958,683</u>	<u>4,172,958,683</u>

\*The impairment in the cost of investment in Tourah Cement Company was calculated on the basis of the difference between the cost of the purchase price of the share and the market value of the share on the Egyptian Stock Exchange according to the closing price of the share in 31 December 2017



## Suez Cement Company (S.A.E)

### NOTES TO THE SEPERATE INTERIM FINANCIAL STATEMENTS

30 JUNE 2018

\* In addition to the company's share in the subsidiary companies, The company owns indirect shares through its subsidiaries, Hence, these companies are qualified to be subsidiary companies; consequently it has been included in investments in subsidiaries item, These indirect shares comprise the following:

- Suez cement company indirect share (through Helwan Cement S.A.E – subsidiary company by 99,55% and Tourah Portland Cement Company S.A.E – subsidiary company by 66,12%) in Suez for Transport and Trade (S.A.E) by 96,37%.
- Suez cement company indirect share (through Ready Mix Concrete Al alamia (RMC)" S.A.E – subsidiary company by 52%) in Development and Construction Materials Co (DECOM) (S.A.E) by 52%.
- Suez cement company indirect share (through Suez For Transport and Trade S,A,E – subsidiary company by 96,37%) in Suez for import and export (S.A.E) by 96,37 %.

#### B) Investments in an associate and joint ventures

	% of Ownership	Par value EGP	30 June 2018 EGP	31 December 2017 EGP
<b>Investment in an associate</b>				
Techno Gravel For Quarries-Egypt S.A.E	45	10	<u>28,334,257</u>	28,334,257
<b>Total investment in an associate</b>			<u>28,334,257</u>	28,334,257
<b>Share in joint ventures</b>				
Suez Lime Company S.A.E *	49,66	100	3,621,100	3,621,100
Impairment loss			<u>(1,688,102)</u>	<u>(1,688,102)</u>
<b>Total share in joint ventures</b>			<u>1,932,998</u>	<u>1,932,998</u>
<b>Total investments in an associate and share in joint ventures</b>			<u>30,267,255</u>	<u>30,267,255</u>

\* Suez Cement Company S.A.E has a 49,66 % interest in Suez Lime Company S.A.E; a jointly controlled entity, The entity;p;; is jointly managed along with Unicalce company (an Italian company that holds 50 % interest) and Tourah Portland Cement Company S.A.E ( that holds 1%)

The venturers have a contractual arrangement that establishes joint control over the economic activities of the entity; the arrangement requires unanimous agreement for financial and operating decisions among the ventures,

Suez Cement Company recognizes its share in the joint venture in the separate financial statements at cost and consolidated financial statements using the equity method,

#### C) Investments available for sale

	% of Ownership	Par value EGP	30 June 2018 EGP	31 December 2017 EGP
Lafarge Cement Company – Egypt S.A.E	0,137	10	1,113,000	1,113,000
Reserve of unrealized gains on available-for-sales investments			<u>327,001</u>	<u>327,001</u>
			<u>1,440,001</u>	<u>1,440,001</u>

## Suez Cement Company (S.A.E)

### NOTES TO THE SEPERATE INTERIM FINANCIAL STATEMENTS

30 JUNE 2018

#### 14 INVESTMENTS "Continued"

##### D) Amounts paid under investments in subsidiaries and other companies

	% of Ownshi P	Par value EGP	30 June 2018 EGP	31 December 2017 EGP
Italgen Egypt For Energy S.A.E	1	100	-	1,000,000
			-	1,000,000

- Italgen Misr for Energy has been sold on 24 January 2018.

##### E) Non-Current assets held for sale

	% of Ownership	Par value EGP	30 June 2018 EGP	31 December 2017 EGP
Suez Bags Company S.A.E	53,32	10	22,438,108	22,438,108
			22,438,108	22,438,108

#### 15 LOAN TO SUBSIDIARIES

On 20 October 2006, Suez Cement Company's Board of Directors approved to lend Ready Mix Concrete Al alamia (RMC)" S.A.E and its subsidiaries an amount of EGP 300 Million at annual interest rate 10,54%, The balance of the loan as of 30 June 2018 amounted to EGP 20 Million as follows:

- EGP 10 Million; due from Ready Mix Concrete Al alamia (RMC)" S.A.E (subsidiary company by 52%).
- EGP 10 Million; due from Development and Construction Materials Company (DECOM) S.A.E (subsidiary company by 52%).

#### 16 INVENTORY

	30 June 2018 EGP	31 December 2017 EGP
Raw materials	20,418,122	22,293,491
Spare parts and supplies	205,806,350	213,673,581
Fuel	110,340,837	87,669,335
Packing materials	8,317,399	6,729,347
Work in progress	75,003,992	40,916,845
Finished goods	69,033,336	54,859,187
Goods in transit	5,469,931	1,334,135
	494,389,967	427,475,921
<b>less:</b>		
Decline in value of obsolete (spare parts) inventory	(60,562,083)	(58,044,990)
Decline in value of obsolete (packing -bags) inventory	(281,088)	(281,088)
	(60,843,171)	(58,326,078)
	433,546,796	369,149,843

##### \*Decline in the value of inventory

	30 June 2018 EGP	31 December 2017 EGP
Beginning balance of the period / year	58,326,078	44,155,651
decline in the value of inventory during the period / year	2,517,093	14,170,427
<b>Ending balance</b>	60,843,171	58,326,078



Suez Cement Company (S.A.E)

NOTES TO THE SEPERATE INTERIM FINANCIAL STATEMENTS

30 JUNE 2018

17 Accounts and notes receivables

	30 June 2018	31 December 2017
	EGP	EGP
Accounts receivable	<u>8,637,919</u>	<u>30,416,149</u>
	<u>8,637,919</u>	<u>30,416,149</u>
	30 June 2018	31 December 2017
	EGP	EGP
Amounts receivable within 12 months	<u>8,637,919</u>	<u>30,416,149</u>
	<u>8,637,919</u>	<u>30,416,149</u>

- There are no impairment on accounts and notes receivables on 30 June 2018 and 31 December 2017.

18 DUE FROM RELATED PARTIES

	30 June 2018	31 December 2017
	EGP	EGP
Tourah Portland Cement Company S.A.E	-	82,967,667
Helwan Cement Company S.A.E	-	396,025,884
Ready Mix Concrete Al alamia (RMC)" S.A.E	6,214,642	3,613,256
Inter bulk S.A.E Company ( Subsidiary to parent company )	1,364,720	949,864
EL Helal Cement Company-	32,269	1,198,765
Kuwait ( Kuwaiti Joint Stock Company)	15,147	52,941
Suez For Lime S.A.E	175,160	15,036
Techno	-	-
Heidelberg Cement Trading Malta Limited ( Subsidiary to parent company )	1,204	-
Suez for Import & Export	5,250	-
Tanzania Portland Cement Company	13,229	6,318
Cimenteries CBR Cementbedrijven N.V	-	42,373
Development and Construction Materials Company (DECOM) S.A.E	8,494,714	14,679,067
	<u>16,316,335</u>	<u>499,551,171</u>

19 PREPAYMENTS, OTHER RECEIVABLES, AND OTHER DEBIT BALANCES

	30 June 2018	31 December 2017
	EGP	EGP
Prepaid expenses	64,951,798	20,508,996
Advances to suppliers	29,041,060	17,880,577
Debtors – Sale of assets	201	871,424
Deposits with others	84,822,402	63,071,197
Accrued Revenue	4,883,352	-
Tax authority	27,666,613	18,321,506
Blocked current account at QNB AL AHLI in favor of Tax authority	255,255	255,255
Other debit balances	49,732,301	36,763,280
	<u>259,725,720</u>	<u>157,672,235</u>
Accrued interest	3,239	105,985
Less: Impairment in value of other debit balances	(153,829)	(153,829)
	<u>259,575,130</u>	<u>157,624,391</u>

Suez Cement Company (S.A.E)

NOTES TO THE SEPERATE INTERIM FINANCIAL STATEMENTS

30 JUNE 2018

20 CASH ON HAND AND AT BANKS

	30 June 2018 EGP	31 December 2017 EGP
<b>a- Egyptian Pound</b>		
Cash on Hand	97,029	-
Current accounts	85,867,383	154,380,152
Treasury bills (mature in three months)	-	49,889,000
<b>b- Foreign currencies</b>		
Cash on Hand	205,831	-
Current accounts	9,413,537	952,589
Time deposits (mature in three months)	17,908,598	28,369,279
	<u>113,492,378</u>	<u>233,591,020</u>

21 SHARE CAPITAL

	30 June 2018 EGP	31 December 2017 EGP
Authorised capital	<u>3,600,000,000</u>	3,600,000,000
Issued and fully paid-up	<u>909,282,535</u>	909,282,535
Number of shares	<u>181856507</u>	181856507

The company's authorized capital amounted to EGP 1,000 million, while the Company's issued and paid up capital amounted to EGP 640 million divided over 64000000 shares of par value EGP 10 each,

On 30 June 2005, Minister of investment's decree was issued to approve the extra ordinary General Assembly Meeting dated 17 April 2005 to approve stock split (1:2), consequently, the Company's issued and paid up capital reached 128000000 shares of par value EGP 5 each,

On 10 November 2005, the Extra ordinary General Assembly Meeting approved the increase of the Company's authorized capital to EGP 1,300 million, and the increase of issued and paid up capital amounts to EGP 909,282,535 divided over 181856507 shares of par value EGP 5 each,

On 25 March 2013, the Extra ordinary General Assembly Meeting approved the increase of the Company's authorized capital to EGP 3,600 million.

22 RESERVES

	30 June 2018 EGP	31 December 2017 EGP
Legal reserve	454,641,267	454,641,267
Special reserve – Share premium	2,013,865,903	2,013,865,903
Special reserve	185,853,347	185,853,347
Capital reserve	14,526,110	14,526,110
<b>Total other reserves</b>	<u>2,214,245,360</u>	2,214,245,360
<b>Total reserve</b>	<u>2,668,886,627</u>	<u>2,668,886,627</u>



## Suez Cement Company (S.A.E)

### NOTES TO THE SEPERATE INTERIM FINANCIAL STATEMENTS 30 JUNE 2018

#### Legal reserve

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

#### Special reserve – Share premium

The special reserve – Share premium represents the amount collected at the last capital increase dated 10 November 2005 after the Legal reserve reached 50% of the issued capital,

#### Special reserve

The special reserve represents profits transferred in accordance with the resolutions of the General Assembly Meetings of the company until year 2004,

#### Capital reserve

The Capital reserve represents capital gain resulting from sales of salvage fixed assets in value greater than its carrying amount,

## 23 OTHER LONG TERM LIABILITIES

#### Liabilities – Defined benefit plan

The company pays amounts to the employees when they retire at the end of service according to the defined benefits plan which specifies the amount of retirement that is entitled to the employee, The amount of pay is based on one or more factors, including age, years of service, and salary, The output for the defined benefit plan is calculated using an actuarial valuation conducted in a manner using estimated additional unit after taking into consideration the following assumptions:

	<b>30 June 2018</b>
Discount rate	<b>15.80 %</b>
Average salary increase	<b>12 %</b>
Annuity schedule	<b>60</b>

The amounts recognized at the date of balance sheet are as follows:

	<b>30 June 2018</b>	31 December 2017
	<b>EGP</b>	EGP
Present value of the defined benefit liability	<b>21,008,009</b>	20,392,809
<b>Actuarial Present value of the defined benefit liability at the balance sheet</b>	<b>21,008,009</b>	20,392,809

The movement of liability as per the balance sheet

	<b>30 June 2018</b>	31 December 2017
	<b>EGP</b>	EGP
Liability - beginning of the period / year	<b>20,392,809</b>	24,777,587
Current service cost	<b>520,800</b>	1,033,000
Interest cost	<b>1,559,400</b>	2,379,000
Past Service Cost recognised	<b>-</b>	(5,958,000)
Payments from the plan	<b>(1,465,000)</b>	(4,449,778)
Actuarial losses / (gains)	<b>-</b>	2,611,000
Liability – end of the period / year	<b>21,008,009</b>	20,392,809

Suez Cement Company (S.A.E)

NOTES TO THE SEPERATE INTERIM FINANCIAL STATEMENTS

30 JUNE 2018

**Defined benefit plan cost as per income statement**

	<b>30 June 2018</b>	30 June 2017
	<b>EGP</b>	EGP
Current service cost	<b>520,800</b>	701,806
Interest cost	<b>1,559,400</b>	1,939,945

The analysis of defined benefit plan cost as per income statement

	<b>30 June 2018</b>	30 June 2017
	<b>EGP</b>	EGP
General and administrative expense	<b>520,800</b>	701,806
Finance expense	<b>1,559,400</b>	1,939,945
	<b><u>2,080,200</u></b>	<u>2,641,751</u>

**24 PROVISIONS**

	Balance as of 1 January 2018 EGP	Charged during the period EGP	Utilized during the period EGP	Provisions no longer required EGP	Balance as of 30 June 2018 EGP
Tax claims	182,092,110	-	(12,395,542)	-	169,696,568
Legal claims	11,656,237	-	-	-	11,656,237
Restructing -social costs	66,015,000	-	(18,642,173)	-	47,372,827
	<b><u>259,763,347</u></b>	<u>-</u>	<u>(31,037,715)</u>	<u>-</u>	<u>228,725,632</u>
	Balance as of 1 January 2017 EGP	Charged during the period EGP	Utilized during the period EGP	Provisions no longer required EGP	Balance as of 30 June 2017 EGP
Tax claims	148,857,689	22,058,943	(5,106,632)	-	165,810,000
Legal claims	12,816,237	7,000,000	-	(50,000)	19,766,237
Restructing -social costs	52,190,000	-	(48,266,556)	-	3,923,444
Training support fund	27,165,349	-	-	(27,165,349)	-
	<b><u>241,029,275</u></b>	<b><u>29,058,943</u></b>	<b><u>(53,373,188)</u></b>	<b><u>(27,215,349)</u></b>	<b><u>189,499,681</u></b>

No other material contingent liabilities other than what was provided for in the provisions above or what was disclosed in note 11 in respect of tax position.

**25 TRADE PAYABLES, ACCRUED EXPENSES AND OTHER PAYABLES**

	<b>30 June 2018</b>	31 December 2017
	<b>EGP</b>	EGP
Trade payables	<b>347,038,290</b>	399,461,055
Accrued expenses	<b>17,519,229</b>	28,852,921
Social and medical security	<b>1,212,976</b>	1,226,938
Other payables	<b>8,476,358</b>	13,332,934
	<b><u>374,246,853</u></b>	<u>442,873,848</u>



Suez Cement Company (S.A.E)

NOTES TO THE SEPERATE INTERIM FINANCIAL STATEMENTS

30 JUNE 2018

26 DUE TO RELATED PARTIES

	30 June 2018 EGP	31 December 2017 EGP
Ciments Francais (major shareholder)	59,999,556	68,145,632
Italcementi ( holding for Ciments Francais)	17,254,662	62,671,392
Suez For Bags S.A.E	7,601,493	5,380,429
Suez For Transport and Trade S.A.E	3,350,522	25,274,724
Heidelberg Cement Trading Malta Limited ( Subsidiary to parent company )	-	6,446,980
Heidelberg Cement AG ( holding for Italcementi ) (parent company)	7,941,926	17,431,678
Inter bulk Logano ( Subsidiary to parent company )	389,883,392	434,516,914
Heidelberg Technology Center Leimen , Germany ( Subsidiary to parent company )	-	12,710,908
Devnya Cement AD Bulgaria ( Subsidiary to parent company )	-	21,268
Heidelberg Cement France S.A.S.	6,958,609	3,828,742
	<u>492,990,160</u>	<u>636,428,667</u>

27 TAXES PAYABLES

	30 June 2018 EGP	31 December 2017 EGP
Tax authority – salary tax	1,872,848	2,337,627
Tax authority – withholding taxes	2,875,686	3,978,047
Tax authority-sales tax	31,542,009	67,511,135
Tax authority-Clay fees	4,126,950	4,098,270
Tax authority-Stamp duties	-	1,246
	<u>40,417,493</u>	<u>77,926,325</u>

28 ADVANCES FROM CUSTOMERS

The movement of advances from customers during the period ended 30 June 2018 and 30 June 2017 is as follows:

	30 June 2018 EGP	30 June 2017 EGP
Balance at the beginning of the period	192,538,050	141,960,776
Add: amounts collected during the period	1,505,016,297	1,345,732,038
Less: delivered units during the period	(1,368,725,622)	(1,227,983,141)
Balance at the end of the period	<u>328,828,725</u>	<u>259,709,673</u>

	30 June 2018 EGP	31December 2017 EGP
<b>List advances by customers:</b>		
Engineering authority of armed forces	163,319,633	20,642,695
Ministry of defence – logistics	78,739,584	102,717,500
Reliance Logistics	152,708	152,708
El Motahada for trade and transportation	693,349	2,562,467
El Asala for trade and commercial agencies	1,476,948	1,853,468
El Negma for Trade	-	407,580
Other	84,446,503	64,201,632
	<u>328,828,725</u>	<u>192,538,050</u>

Suez Cement Company (S.A.E)

NOTES TO THE SEPERATE INTERIM FINANCIAL STATEMENTS

30 JUNE 2018

29 RETENTIONS PAYABLE (Deposits form others)

	30 June 2018 EGP	31 December 2017 EGP
Retentions payable within 12 months	8,288,141	7,120,108
	<u>8,288,141</u>	<u>7,120,108</u>

30 PROFIT EARNING PER SHARE

Basic earnings per share amounts are calculated by dividing net (loss) profit for the period attributable to the ordinary equity holders by the weighted average number of ordinary shares outstanding during the period, The company has no dilutive shares,

The information necessary to calculate basic and diluted earnings per share is as follows:

	30 June 2018 EGP	30 June 2017 EGP
Net profits for the period	156,628,948	20,817,950
Independent BOD members bonus	(250,000)	(250,000)
Net profit attributable to the ordinary equity holders	<u>156,378,948</u>	<u>20,567,950</u>
Weighted average number of ordinary shares for basic and diluted earnings	181856507	181856507
PROFIT EARNING PER SHARE	<u>0,86</u>	<u>0.11</u>

\* Estimation only / subject to the BOD decision until the approval of the General Assembly.

31 CONTINGENT LIABILITIES

The letters of guarantee issued at the Company's request are as follows:

Bank name		Amount in issued currency	Equivalent in EGP	Cash margin EGP
QNB AL AHLI	EGP	10,000	10,000	10,000
Bank of Alexandria	EGP	9,172,668	9,172,668	19,763
Bank of Alexandria	USD	10,000	178,846	-
			<u>9,361,514</u>	<u>29,763</u>

The outstanding balance of issued letters of credit in favor of Suez Cement Company as of 30 June 2018 amounted to EGP 15,728,954



## Suez Cement Company (S.A.E)

### NOTES TO THE SEPERATE INTERIM FINANCIAL STATEMENTS

30 JUNE 2018

#### 32 RELATED PARTY DISCLOSURES

For the purpose of these financial statements, parties are considered to be related to the Company, if the Company has the ability, directly or indirectly, to control the party or exercise significant influence over the party in making financial and operating decisions, or vice versa, or where the Company and the party are subject to common control, Related parties may be individuals or other entities,

#### Related party transactions

During the year, the following were the significant related party transactions, which were carried out in the normal course of business on terms agreed between the parties:

30 June 2018

Company	Nature	License fees	Group/Are a overhead	Consultant Cost	Purchases Services	Purchase bags	Portion from Corporate redistribution	Sold cement / clinker	Purchase cement / clinker	Purchase Transportation service	Sold Spare parts & Fuel	Purchase Raw Material & SP
		K EGP	K EGP	K EGP	K EGP	K EGP	K EGP	K EGP	K EGP	K EGP	K EGP	K EGP
Suez Bags	Subsidiary	-	-	-	-	71,641	4,074	-	-	-	-	-
Italcementi	Major shareholder for Ciments Francais	-	-	1,415	-	-	14,485	-	-	-	-	-
Tourah Cement	Subsidiary	-	-	-	-	-	31,424	8,693	-	-	68	280
Helwan Cement	Subsidiary	-	-	-	-	-	-	2,275	4,617	-	11,219	6,341
Ready Mix Concrete Al alamia (RMC)	Subsidiary	-	-	-	-	-	-	28,320	-	-	-	-
Decom	Subsidiary	-	-	-	-	-	-	46,949	-	-	-	-
Suez For Transport	Subsidiary	-	-	-	-	-	-	193	-	11,665	-	-
Heidelberg Cement Trading Malta Limited	Related party	-	-	-	-	-	-	36,425	-	-	-	-
Heidelberg Cement AG	Parent company	15,122	11,204	2,017	-	-	-	-	-	-	-	-
Heidelberg Cement France S.A.S.	Related party	-	-	9,219	-	-	-	-	-	-	-	-

Suez Cement Company (S.A.E)

NOTES TO THE SEPERATE INTERIM FINANCIAL STATEMENTS

30 JUNE 2018

33- RELATED PARTY DISCLOSURES "Continued"

30 June 2017

Company	Nature	Technical assistance fees	Group/Area overhead	Consultant Cost	Purchase Fuels	Purchase bags	Portion from Corporate redistribution	Sold cement /clinker	Sold transportation services	Purchase transportation services	Sold Spare parts&Fuel	Purchase raw material
		K EGP	K EGP	K EGP	K EGP	K EGP	K EGP	K EGP	K EGP	K EGP	K EGP	K EGP
Suez Bags Company	Subsidiary	-	-	-	-	55,610	5,305	-	-	-	15	-
Italcementi	Major shareholder for Ciments Francais	10,695	-	2,970	-	-	-	-	-	-	-	-
Tourah Portland Cement	Subsidiary	4,529	-	-	12,359	-	11,391	15,072	1,095	-	8	1,215
Helwan Cement Company	Subsidiary	-	-	-	-	-	25,744	162,400	2,935	-	90,279	137
Ready Mix Concrete Al alamia (RMC)	Subsidiary	-	-	-	-	-	-	6,729	-	-	-	-
Decom	Subsidiary	-	-	-	-	-	-	18,225	-	-	-	-
Suez For Transport	Subsidiary	-	-	-	-	-	-	2,877	-	40,827	-	-
Ciment Calcia	Related party	-	5,601	-	-	-	-	-	-	-	-	-
Heidelberg Cement Trading Malta Limited	Related party	-	-	-	425,064	-	-	48,227	-	-	-	-
Heidelberg Cement AG	Related party	-	5,247	-	-	-	-	-	-	-	-	-
Inter bulk Trading Egy	Related party	-	-	-	-	-	-	480	-	-	-	-



## Suez Cement Company (S.A.E)

### NOTES TO THE SEPERATE INTERIM FINANCIAL STATEMENTS

30 JUNE 2018

#### 33 RELATED PARTY DISCLOSURES (continued)

The related parties' transactions described above resulted in the following balances:

a) Related party balances

Significant related party balances are as follows:

Description	Due from related parties		Due to related parties		Trade payables and accrued exp		Advance payment / debit balances		Credit balances/ advanced customers		Receivables	
	EGP		EGP		EGP		EGP		EGP		EGP	
Tourah Portland Cement Company S.A.E	-		-		-		-		-		-	
Helwan Cement Company S.A.E	-		-		-		-		-		-	
Ready Mix Concrete Al alamia (RMC)" S.A.E	6,214,642		-		-		-		-		6,214,642	
Inter bulk S.A.E Company ( Subsidiary to parent company )	1,364,720		-		-		-		(727)		1,365,447	
EL Helal Cement Company-Kuwait ( Kuwaiti Joint Stock Company)	32,269		-		-		-		-		32,269	
Suez For Lime	15,147		-		-		15,147		-		-	
Techno	175,160		-		-		-		-		175,160	
Heidelberg Cement Trading Malta Limited ( Subsidiary to parent company )	1,204		-		-		-		-		1,204	
Suez for Import & Export	5,250		-		-		-		-		5,250	
Tanzania Portland Cement Company	13,229		-		-		-		-		13,229	
Development and Construction Materials Company (DECOM) S.A.E	8,494,714		-		-		-		-		8,494,714	
Ciments Francais (major shareholder)	-		(59,999,556)		(60,232,187)		-		-		232,631	
Italcementi (holding for Ciments Francais )	-		(17,254,662)		(17,254,662)		-		-		-	
Suez For Bags S.A.E	-		(7,601,493)		(8,692,463)		-		-		1,090,970	
Suez For Transport and Trade S.A.E	-		(3,350,522)		(2,736,346)		-		-		(865,656)	
Heidelberg Cement AG ( holding for Italcementi ) (parent company)	-		(7,941,926)		(8,111,392)		-		-		169,466	
Inter bulk Logano ( Subsidiary to parent company )	-		(389,883,392)		(389,883,392)		-		-		-	
Heidelberg Cement France S.A.S.	-		(6,958,609)		(6,958,609)		-		-		-	
	16,316,335		(492,990,160)		(493,869,051)		15,147		(866,383)		18,046,462	

30 June 2018

Suez Cement Company (S.A.E)

NOTES TO THE SEPERATE INTERIM FINANCIAL STATEMENTS

30 JUNE 2018

33 RELATED PARTY DISCLOSURES (continued)

31 December 2017

Description	Due from related parties		Due to related parties		Trade payables and accrued exp	Advance payment / debit balances	Credit balances/ advanced customers		Receivables	
	EGP		EGP				EGP		EGP	
Tourah Portland Cement Company S.A.E	82,967,667	-	-	-	-	9,714,945	-	-	73,252,722	-
Helwan Cement Company S.A.E	396,025,884	-	-	-	-	-	-	-	396,025,884	-
Suez For Bags S.A.E	-	(5,380,429)	(5,380,429)	-	(4,823,173)	-	(727,670)	-	170,414	-
Ready Mix Concrete Al alamia (RMC)" S.A.E	3,613,256	-	-	-	-	-	(4,314,328)	-	7,927,584	-
Inter bulk S.A.E Company ( Related Party )	949,864	-	-	-	-	-	(50,581)	-	1,000,445	-
Tanzania Portland Cement Company	6,318	-	-	-	-	-	-	-	6,318	-
EL Helal Cement Company Kuwait ( Kuwaiti Joint Stock Company)	1,198,765	-	-	-	-	-	-	-	1,198,765	-
Techno	15,036	-	-	-	-	-	-	-	15,036	-
Cimenteries CBR Cementbedrijven N.V	42,373	-	-	-	-	-	-	-	42,373	-
Heidelberg Cement AG	-	(17,431,678)	(17,431,678)	-	(17,594,428)	-	-	-	162,750	-
Development and Construction Materials Company (DECOM) S.A.E	14,679,067	-	-	-	-	-	-	-	14,679,067	-
Suez For Lime S.A.E	52,941	-	-	-	-	52,941	-	-	-	-
Ciments Francais (major shareholder)	-	(68,145,632)	(68,145,632)	-	(68,384,650)	-	-	-	239,018	-
Italcementi (holding for Ciments Francais )	-	(62,671,392)	(62,671,392)	-	(62,671,392)	-	-	-	-	-
Suez For Transport and Trade S.A.E	-	(25,274,724)	(25,274,724)	-	(24,531,262)	-	(743,462)	-	-	-
Heidelberg Cement Trading Malta Limited (Related party)	-	(6,446,980)	(6,446,980)	-	(6,446,980)	-	-	-	-	-
Inter bulk Logano (Related party)	-	(434,516,914)	(434,516,914)	-	(434,516,914)	-	-	-	-	-
Heidelberg Technology Center Leimen , Germany (Related party)	-	(12,710,908)	(12,710,908)	-	(12,710,908)	-	-	-	-	-
Devnya Cement AD Bulgaria (Related party)	-	(21,268)	(21,268)	-	(21,268)	-	-	-	-	-
Heidelberg Cement France S.A.S.	-	(3,828,742)	(3,828,742)	-	(3,828,742)	-	-	-	-	-
	499,551,171	(636,428,667)	(636,428,667)	-	(635,529,717)	-	9,767,886	(5,836,041)	494,720,376	-



## Suez Cement Company (S.A.E)

### NOTES TO THE SEPERATE INTERIM FINANCIAL STATEMENTS

30 JUNE 2018

#### 33 RELATED PARTY DISCLOSURES (continued)

##### b) Related party borrowings

On 20 October 2006, Suez Cement Company's Board of Directors approved to lend Ready Mix Concrete Al alamia (RMC)" S,A,E and its subsidiaries an amount of EGP 300 Million at annual interest rate 10,54%,

	30 June 2018	31 December 2017
	EGP	EGP
Ready Mix Concrete Al alamia (RMC)" S,A,E	10,000,000	12,000,000
Development and Construction Materials Company (DECOM) S,A,E	10,000,000	13,000,000
	<u>20,000,000</u>	<u>25,000,000</u>

##### c) Loan to subsidiaries

The administration decided to grant a loan to Tourah Cement Company and Helwan Cement Company to finance the cash deficit during the year at an interest rate of 1% on the interest rate of the Egyptian treasury bonds.

	30 June 2018	31 December 2017
	EGP	EGP
Tourah Portland Cement Company S.A.E	228,555,602	-
Helwan Cement Company S.A.E	293,093,139	-
	<u>521,648,741</u>	<u>-</u>

#### FINANCIAL INSTRUMENTS AND RISK MANAGEMENT

##### Overview

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

- A Credit risk.
- B Market risk, and
- C 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.

##### Trade and notes receivables

The Company has entered into contracts for the sale of residential and commercial units on an instalment basis. The instalments are specified in the contracts. The Company is exposed to credit risk in respect of instalments due. However. the legal ownership of residential and commercial units is transferred to the buyer only after all the instalments are recovered. In addition. instalment dues are monitored on an ongoing basis with the result that the Company's exposure to bad debts is not significant.

The Company's exposure to credit risk is influenced mainly by the individual characteristics of each customer. The demographics of the Company's customer base. including the default risk of the industry and country. in which customers operate. has less influence on credit risk. The Company earns its revenues from a large number of customers.

Suez Cement Company (S.A.E)

NOTES TO THE SEPERATE INTERIM FINANCIAL STATEMENTS  
30 JUNE 2018

34 FINANCIAL INSTRUMENTS AND RISK MANAGEMENT "continued"

**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 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 optimizing 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 losses before tax (through the impact on floating rate borrowings).

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

	30 June 2018		31 December 2017	
	Change in rate	Effect on losses before tax EGP	Change in rate	Effect on losses before tax EGP
Financial asset	+1%	5,595,573	+1%	1,032,583
	- 1%	(5,595,573)	- 1%	(1,032,583)
Financial liability	+1%	(59)	+1%	(5)
	- 1%	59	- 1%	5

The interest rates on loans to related parties are described in Note 15 to the financial statements. Interest rates on time deposit and treasury bills are described in Note 20. Interest rates on bank overdraft from financial institutions are disclosed in Note 25 to the financial statements.



Suez Cement Company (S.A.E)

NOTES TO THE SEPERATE INTERIM FINANCIAL STATEMENTS  
30 JUNE 2018

**Exposure to foreign currency risk**

The following tables demonstrate the sensitivity to a reasonably possible change in USD, EUR ,GBP,CHF,KWD exchange rates, with all other variables held constant. The impact on the company's losses 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.

	30 June 2018		31 December 2017	
	Change in rate	Effect on losses before tax EGP	Change in rate	Effect on losses before tax EGP
USD	+10%	(35,944,471)	+10%	(47,383,407)
	-10%	35,944,471	-10%	47,383,407
GBP	+10%	12,512	+10%	12,820
	-10%	(12,512)	-10%	(12,820)
EUR	+10%	(10,095,793)	+10%	(17,524,498)
	-10%	10,095,793	-10%	17,524,498
KWD	+10%	(2,632)	+10%	(76,325)
	-10%	2,632	-10%	76,325
CHF	+10%	-	+10%	(72,609)
	-10%	-	-10%	72,609

**c) Liquidity risk**

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.

Suez Cement Company (S.A.E)

NOTES TO THE SEPERATE INTERIM FINANCIAL STATEMENTS  
30 JUNE 2018

**34 FINANCIAL INSTRUMENTS AND RISK MANAGEMENT “continued”**

**Financial liabilities**

	Less than 3 Months	3 to 12 Months	Total
<b>As at 30 June 2018</b>			
Advances from Customers	328,828,725	-	328,828,725
Bank overdraft	5,771	-	5,771
Retentions payable	2,923,078	5,365,063	8,288,141
Trade and other payables	356,727,625	17,519,228	374,246,853
Due to tax authority	40,417,493	-	40,417,493
Due to related parties	492,990,160	-	492,990,160
Total undiscounted financial liabilities	<u>1,221,892,852</u>	<u>22,884,291</u>	<u>1,244,777,143</u>

	Less than 3 Months	3 to 12 Months	Total
<b>As at 31 December 2017</b>			
Advances from Customers	192,538,050	-	192,538,050
Banks overdraft	531	-	531
Retentions payable	6,942,839	177,269	7,120,108
Trade and other payables	442,873,848	-	442,873,848
Due to tax authority	77,926,325	-	77,926,325
Due to related parties	636,428,667	-	636,428,667
Total undiscounted financial liabilities	<u>1,356,710,260</u>	<u>177,269</u>	<u>1,356,887,529</u>

**35 FAIR VALUES OF FINANCIAL INSTRUMENTS**

Financial instruments comprise financial assets and financial liabilities,

Financial assets of the company include bank balances and cash, accounts and notes receivables, other receivables, held to maturity investments and due from related parties, financial liabilities of the company include interest-bearing loans and borrowings, trade and other payables, land purchase liabilities, due to related parties and retentions payable.

**36 COMPARATIVE FIGURES**

Certain comparative figures for the year 2017 have been reclassified to conform to the presentation of these separate interim financial statements.